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# **Business Plan 2022-23**



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# Introduction

1. This business plan presents our priorities for the year ahead and sets out how we plan to deliver our strategic objectives.
2. Our strategic objectives and values are set out in our corporate plan for April 2022 to March 2025, which is published for consultation alongside this business plan.<sup>1</sup>

## Box 1: Summary of our Corporate Plan

### What we do: our mission

We produce independent, robust forecasts and assessments to improve the transparency and scrutiny of the Scottish Budget.

### Why we do it: our vision

The Scottish Budget is transparent and well-scrutinised, and Government and Parliament understand the inevitable uncertainties and risks relating to devolved public finances.

### What we do: our strategic objectives

Provide robust, independent, official forecasts of Scotland's economy, devolved tax revenues and social security spending.

Explain what our forecasts and analysis mean for the Scottish Budget.

Analyse and explain the medium and longer term risks to the Scottish Budget.

Be an effective and efficient organisation with skilled, knowledgeable people.

### Our values

Everyone can trust our work because:

- we are independent – we are impartial, honest and objective
- we work well with others
- we are transparent and we promote transparency in Scottish public finances
- we explain complex matters clearly and make our work easy to access
- we produce quality work which informs public debate

3. Many of our activities contribute to more than one of our strategic objectives. We illustrate this in Figure 1.

<sup>1</sup> Scottish Fiscal Commission (2022) Corporate Plan 2022 – 2025 ([link](#))

4. Our aim is to produce regular sets of forecast publications. But our main forecasts accompany Scottish Government fiscal events (the Scottish Budget and Medium Term Financial Strategy) which can also be affected by the timing of UK fiscal events. This means the timing of our forecasts is not typically determined by the Commission. As both UK and Scottish fiscal events have not followed a regular timetable for some years now it can be difficult to plan our core and most substantial publications.
5. The context of our work this year is again includes global economic uncertainty, including the ongoing impact of COVID-19 on the economy, inflation, energy prices and the war in Ukraine.
6. Nevertheless we try to give as much clarity as we can about when we expect to be able to publish our forecasts, and we publish a list of our forthcoming publications each month. This uncertainty does mean that the dates of some of our activities (particularly those in the second half of 2022) may have to change as the timetable of fiscal events unfolds. This will also affect how much progress we can make on the development work listed in Annex A.
7. We will report on our activities in two ways. Firstly, we report our forecasting performance in our forecast evaluation reports, which give detailed quantitative and qualitative analysis of how accurate our forecasts were and what the factors determining this have been. Secondly, we report on our corporate work and stakeholder engagement in our annual report and accounts.
8. The context of our work this year continues to be a complex outlook for the Scottish Budget with the first Resource Spending Review since we were established as an organisation, social security payments are being changed and tax devolution continues to affect the level of funding available. The Scottish Budget and our forecasts are set in the context of global economic uncertainty. Public health restrictions relating to COVID-19 have lifted, but inflation and energy prices are rising rapidly. Within the organisation, we welcome a new Chair and a new Commissioner, and we begin a new field of work by scoping our future work on fiscal sustainability.

# 2022-23 Activities

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## Planned analytical publications

10. Our forecasts are prepared in-house by the Commission's staff, using models developed and maintained by the Commission. Our Commissioners are personally and collectively responsible for the judgements that underpin our forecasts.
11. We will publish two sets of economic and fiscal forecasts during the year. The first will inform the Scottish Government's Medium Term Financial Strategy and Resource Spending Review in May. The second will inform the Scottish Budget later in the year
12. We will publish our Forecast Evaluation Report (FER) covering the economy, tax and social security forecasts later in the summer. The precise date depends on when outturn data become available. We plan to publish a Statement of Data Needs at the same time as the FER. We did not publish a Statement of Data Needs in 2021 and now expect to make this a biannual publication.
13. We have begun work on fiscal sustainability following a recommendation from the OECD and with support from the Scottish Parliament's Finance and Public Administration Committee. The Scottish Government have provided the Commission with some additional funding for this work. We expect to publish a scoping paper in the late summer 2022, to be followed by our first fiscal sustainability report in summer 2023.
14. When the Scottish Government makes a policy change to an existing tax or benefit, we publish a policy costing. The quantity and timing of this work depends on Scottish Government policy decisions.
15. The Fiscal Framework is due to be reviewed during 2022. We will support this work by responding to requests for information and analysis as and when required.
16. Annex A details the analytical development work we are considering undertaking this year.

## Strategy, Governance and Corporate Services

17. On the corporate governance side, we have controls and monitoring necessary for the proper stewardship of our resources that are appropriate to our scale and functions. These ensure that we manage our people, budget, risk, information and records appropriately. We will be engaging with Scottish Government's work to deliver a new, more integrated finance and HR system to ensure that it will be able to meet our needs when it launches next year.
18. As COVID-19 restrictions are relaxed we are moving to the next phase of returning to Governor's House. All staff have expressed the extent to which they would prefer to balance working in Governor's House with home working and we are currently able to accommodate all preferences. Guidance for staff has been updated in tandem with the Trades Unions and we will continue to take an open and inclusive approach, and to follow Scottish Government guidance, updating advice to staff as and when changes take place.
19. We will continue to develop our communication over the year, developing our approach to graphics that aid understanding of our analysis and Scottish public funding. We intend to work with SPICe and Committee clerks to develop our offer to Parliament. We plan a further stakeholder survey to get feedback on our performance from our partners and to better understand their needs.
20. We want everyone who visits our website to have a positive experience, and easily find and use the information they need. We have undertaken an audit of the accessibility of our website, and it contains many PDFs and Excel documents which are not fully accessible. A significant area of work this year will be to make sure that both new and existing content is more accessible.
21. The Framework Agreement between the Commission and Scottish Government is due for review and agreement in June 2022, as part of a regular three year cycle of review.
22. Recruitment for a new Chair and Commissioner took place during late 2021-22 and we will ensure an appropriate induction of our new Commissioner and Chair, to help ease them into their new roles when appointed. Two Commissioners are eligible for reappointment in October 2022. We will be recruiting for a replacement and an additional external member for our Audit and Risk Committee to further strengthen the scrutiny it provides.
23. The Commission is committed to promoting equality and diversity in its activities and operation, and we wish to make commitments to improving diversity and inclusion and intend to report upon them in our annual reports. This year our priorities are to:
  - increase the proportion of applicants who are disabled or who do not identify as male
  - increase the information available to management about the experience of working in SFC
  - introduce more stretching inclusion objectives for staff
  - implement a programme of activities to raise awareness of equalities issues.

**Figure 1: How our core work delivers our strategic objectives**

Activities	Provide robust, independent, official forecasts	Explain what our forecasts and analysis mean for the Scottish Budget	Analyse and explain the medium and longer term risks to the Scottish Budget	Be an effective and efficient organisation with skilled, knowledgeable people
Scotland's Economic and Fiscal Forecasts	✓	✓	✓	
Evidence to Parliamentary Committees		✓	✓	
Events				
Policy costings	✓			
Forecast evaluations	✓	✓	✓	
Fiscal Updates		✓	✓	
Statement of Data Needs	✓	✓	✓	
Fiscal sustainability scoping paper			✓	
Model development	✓			✓
Corrections and error log	✓	✓	✓	✓
Annual review of protocol with SG	✓			✓
Reviewing / developing MoUs		✓		
Discussions with stakeholders	✓	✓	✓	✓
Participate in international IFI networks		✓		✓
Corporate policies, processes & controls				✓
Annual report and accounts				✓
Review Framework Document				✓
Staff development and training	✓	✓	✓	✓
Recruitment processes				✓
Support Governance Board and ARC				✓
Transition to office / hybrid working				✓
Transition to new SG systems				✓
Commissioner appointments & induction	✓	✓	✓	✓
Website accessibility & maintenance		✓	✓	✓



# Key risks

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24. We consider our risks in five broad themes: corporate, reputation, independence, staffing and partners.
25. Staffing has consistently proved our highest scoring risk in the previous year and we are conscious that the Commission can only achieve its objectives through the expertise, diligence and commitment of our staff. Staff wellbeing and development will therefore continue to be a focus for us. Maintaining our open, supportive, collaborative culture will require conscious effort as we settle into hybrid work. There was a considerable turnover of analytical staff in the latter part of 2021, as staff moved to progress or develop their careers. Although new staff are in post, they will require a period of time to settle into their new roles. The risks to the quality of the shared HR service provided by the Scottish Government continues to cause us concern and this adds to the potential staffing risks if recruitment is delayed.
26. We look forward to welcoming a new Chair and Commissioner this year, and supporting them to build relationships with our staff and partners.

# Resources

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27. As of 1 April 2022 we have three Commissioners, and expect a fourth to be appointed in the coming months:
- Dame Susan Rice (Chair)
  - Professor Francis Breedon
  - Professor David Ulph
28. We currently have 26 staff (making a full time equivalent of 23.4), normally located in central Edinburgh, but at the moment staff have the choice of working at home or in the office.
29. The Senior Management Team comprises:
- Chief Executive – John Ireland
  - Head of Economy and Tax – David Stone
  - Head of Social Security and Public Funding – Claire Murdoch
  - Head of Strategy, Change and Corporate Services – Susie Warden
30. The Scottish Fiscal Commission's budget for 2022-23 is £2.303 million. In line with the OECD Principles for Independent Fiscal Institutions, the Scottish Government have provided us with an indication that our funding for 2023-24 and 2024-25 will be £2.383 million and £2.557 million respectively. This resource allocation reflects our current remit, which would need to be adjusted should that remit be altered.

# Annex A – Development work

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## Overview

31. In this Annex we detail development work by area and cross-cutting projects. These have been drawn from discussions within each team, external commitments, discussions with Commissioners, developments from our Forecast Evaluation Reports, the independent review by the OECD in 2019, feedback from stakeholders as well as development work that we were not able to complete in 2021-22.

**Figure 2: Development work – Economy**

Project	Description & output	Benefits
Scotland-UK relative economic performance	<ul style="list-style-type: none"> <li>Analyse how activity in the UK Continental Shelf might affect the Scottish economy in coming years and contribute to possible Scotland and UK economic asymmetries.</li> <li>Explore the new region-by-sector breakdowns of PAYE Real Time Information (RTI) data to better understand the possible drivers of the gap in employees and earnings growth between Scotland and the UK, and how this might evolve in future.</li> </ul>	<ul style="list-style-type: none"> <li>Improved economy and fiscal narrative</li> <li>Improved understanding of income tax net position</li> </ul>
Nowcasts and short-run forecasts	<ul style="list-style-type: none"> <li>Look more at short-run forecasts using novel leading indicators and sectoral analysis.</li> <li>Consider how to formalise and extend sectoral analysis.</li> <li>Continue to develop and update our Scottish Uncertainty Index, first published in our August 2021 forecast report, to monitor the level of uncertainty in Scotland and consider how this might affect our economy forecast.</li> </ul>	<ul style="list-style-type: none"> <li>Improved forecasts</li> <li>Improved communication of our forecasts</li> </ul>
Economy visuals	Developing visuals for our economy forecasts, particularly for employment and earnings.	<ul style="list-style-type: none"> <li>Improved communication of our forecasts</li> </ul>
Links with work of public funding team	<ul style="list-style-type: none"> <li>Contribute to the new fiscal sustainability work (this year's scoping paper and our first Fiscal Sustainability Report in 2023).</li> <li>Continue to build a complete and coherent picture of Scottish Government funding and spending, and to ensure internal consistency of public sector employment and earnings forecasts (total public sector payroll) with public sector output forecasts and budget plans.</li> </ul>	<ul style="list-style-type: none"> <li>Improved forecasts</li> <li>Openness and transparency</li> <li>Improved communication of our forecasts</li> </ul>
Supplementary Tables feedback and review	Ensuring that our economy supplementary tables are still meeting users' needs and reviewing if there is anything else that users would like to see included or presented differently.	<ul style="list-style-type: none"> <li>Openness and transparency.</li> <li>Increasing public value of our forecasts.</li> </ul>

**Figure 3: Development work – Public funding**

Project	Description & output	Benefits
Scoping Paper – Fiscal Sustainability	A standalone paper outlining the potential scope of the 2023 Fiscal Sustainability Report (FSR) and summary indicators of sustainability. We plan to provide a complete picture of Scottish Government revenue and spending.	<ul style="list-style-type: none"> <li>• Allow consultation on scope and areas of focus for FSR</li> <li>• Openness and transparency</li> </ul>
Analysis to inform insights and narrative of FSR	Develop long-term projections of spending and revenue and demographic projections, including analysis from other SFC teams. Work with the economy team on long-term economic projections. Ensure review of projections internally and secure external advice on analysis	<ul style="list-style-type: none"> <li>• Ensure robustness of sustainability models</li> </ul>

**Figure 4: Development work – Tax**

Project	Description & output	Benefits
Income tax documentation	Review documentation on IT models, particularly on some of the more recent modelling changes such as RTI adjustments. Review and Update of the IT handbook. Contribution to joint SG/SFC training on Income tax model	<ul style="list-style-type: none"> <li>• Openness and transparency</li> <li>• Improved internal processes</li> </ul>
SAS efficiency improvements	The main income tax model is large and complicated, but there are opportunities to make it more efficient. Regular checking of the model against excel tax calculations is advised for QA.	<ul style="list-style-type: none"> <li>• Improved efficiency</li> <li>• Improved forecasts</li> <li>• Improved internal processes</li> </ul>
Analysis of income tax net position	We'll undertake and publish further analysis of the income tax net position to better understand why it has moved in a negative direction.	<ul style="list-style-type: none"> <li>• Improved communication of our forecasts</li> </ul>
Property market determinants modelling	Development of house price and transactions forecasting models based on explanatory variables to produce forecasts that can be tied to an explicit narrative about the housing market. Updating short-term non-residential determinants to include survey data, and use GDP forecasts thereafter.	<ul style="list-style-type: none"> <li>• Improved forecasts</li> <li>• Improved internal processes</li> <li>• Improved communication of our forecasts</li> </ul>
NDR – 3 yearly revaluation cycle	Changing the NDR model so that it moves from a 5 yearly revaluation cycle to a 3 yearly revaluation cycle.	<ul style="list-style-type: none"> <li>• Model change is needed because the NDR (Scotland) Bill.</li> </ul>
Development of Tax Area handbooks and model instructions	Continuation of pre-MTFS project. Handbooks to be developed for NDR, LBTT, SLfT, APD and Aggregates Levy.	<ul style="list-style-type: none"> <li>• Improved internal processes</li> <li>• Business continuity</li> </ul>

**Figure 5: Development work – Social security**

Project	Description & output	Benefits
Policy costing	Develop a policy costing model for Scottish Carer's Assistance which we will include in our 2023-24 Budget forecasts assuming sufficient information from Scottish Government.	<ul style="list-style-type: none"> <li>• Required for our next forecasts</li> </ul>
Develop our suite of monitoring models	Further develop monitoring models: <ul style="list-style-type: none"> <li>• Research into net funding position as a result of the difference between SFC forecast and the Block Grant Adjustments</li> </ul>	<ul style="list-style-type: none"> <li>• Improved internal processes</li> <li>• Improved communication of our forecasts</li> </ul>
Other model development	Improvements or changes to existing models: <ul style="list-style-type: none"> <li>• Unifying modelling of low-income payments with qualification linked to Universal Credit</li> <li>• Continue to develop disability payment models to reflect underlying trends, such as changes in average payment and demographics</li> <li>• Adapting existing model to support the costing of new policy, including the case transfer from existing to new payments, and replacement of devolved payments</li> <li>• Developing a new hybrid model for Child Disability Payment and DLA Child to incorporate data from Social Security Scotland and Department of Work for Pensions</li> <li>• Develop Discretionary Housing Payments model to make better use of new Universal Credit data</li> </ul>	<ul style="list-style-type: none"> <li>• Improved efficiency</li> <li>• Improved forecasts</li> <li>• Better compatibility of models / consistency of approach</li> </ul>
Documentation	Further development of notes for all our models – these are to include model background and step-by-step guide on how to update models.	<ul style="list-style-type: none"> <li>• Improved internal processes</li> <li>• Business continuity</li> </ul>
Keeping informed on social security developments	Review approach for monitoring PQs and Social Security Committee questions	<ul style="list-style-type: none"> <li>• Improved communication of our forecasts</li> <li>• Increasing public value of our forecasts.</li> </ul>

**Figure 6: Development work – Cross-cutting analytical**

Project	Description & output	Benefits
Planning ahead of next SEFF publication	Wash-up from May 2022 SEFF Improve publication planning and coordination tool Review templates and style guide	<ul style="list-style-type: none"> <li>• Improved internal processes</li> <li>• Improved efficiency</li> </ul>
Population projections	Continue to update our own bespoke population projections and improve model documentation and extend projection dates to support Fiscal Sustainability work.	<ul style="list-style-type: none"> <li>• Improved internal processes</li> </ul>
Costings database	Creating a costings database of all previous costings.	<ul style="list-style-type: none"> <li>• Openness and transparency</li> </ul>
Quality Assurance	Undertake a light QA exercise across SFC. Encouraging teams to action their previous QA modelling results and offering support where required.	<ul style="list-style-type: none"> <li>• Improved internal processes</li> <li>• Improved forecasts</li> </ul>
HMT MoU and access to policy costing information	Formalise the process agreed with HMT and trialled in November/December 2021 to ensure SFC access to HMT policy information following UK fiscal events.	<ul style="list-style-type: none"> <li>• Better informed forecasts in respect of UKG policy decisions</li> </ul>
Develop greater infographics capability	Explore how we can improve interpretation of our work on our website, Twitter and LinkedIn through better use and quality of graphics	<ul style="list-style-type: none"> <li>• Improved communication of our forecasts</li> </ul>
Interns	Offer paid opportunities to students through Economics Futures Programme	<ul style="list-style-type: none"> <li>• Improved outreach to potential candidates</li> </ul>

**Figure 7: Development work – Corporate**

Project	Description & output	Benefits
Objectives	Aligning staff objectives for B2 and B3 analytical staff. Involve staff in these levels throughout the process.	<ul style="list-style-type: none"> <li>• Improved internal processes</li> <li>• Ensure consistent standards.</li> </ul>
Recruitment	Work with other public bodies who use the new SG recruitment system Implement single co-ordination point for all future recruitment	<ul style="list-style-type: none"> <li>• Improved outreach to potential candidates</li> <li>• Improved efficiency</li> </ul>
Training	Create a list of SFC mandatory training Consider creation of SFC training portal	<ul style="list-style-type: none"> <li>• Ensure consistent standards</li> </ul>
Information Management	Review our information assets and record-keeping in light of introduction of Office 365	<ul style="list-style-type: none"> <li>• Improved internal processes</li> <li>• Business continuity</li> </ul>

# Abbreviations

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AA	Attendance Allowance
APD	Air Passenger Duty
ARC	Audit and Risk Committee
DLA	Disability Living Allowance
DWP	Department of Work and Pensions
FER	Forecast Evaluation Report
FSR	Fiscal Sustainability Report
HMRC	Her Majesty's Revenue and Customs
HR	Human Resources
IFI	Independent Fiscal Institution
IT	Income Tax (in context)
IT	Information Technology (in context)
LBTT	Land and Buildings Transaction Tax
MoU	Memorandum of Understanding
NDR	Non-Domestic Rates
OECD	Organisation for Economic Co-operation and Development
QA	Quality Assurance
RTI	Real Time Information
rUK	rest of the United Kingdom
SAS	Statistical Analysis Software
SEFF	Scotland's Economic and Fiscal Forecasts
SFC	Scottish Fiscal Commission
SG	Scottish Government
SPICe	Scottish Parliament Information Centre
SLfT	Scottish Landfill Tax
UKG	UK Government

A full glossary of terms is available on our website: [Glossary | Scottish Fiscal Commission](#)

## Professional Standards

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The Commission is committed to fulfilling our role as an Independent Fiscal Institution, in line with the principles set out by the Organisation for Economic Cooperation and Development (OECD).<sup>2</sup>

The Commission also seeks to adhere to the highest possible standards for analysis. While we do not produce official statistics, we voluntarily comply as far as possible with the UK Statistic Authority's Code of Practice for Statistics. Further details and our updated statement of voluntary compliance can be found on our website.<sup>3</sup>

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<sup>2</sup> OECD (2014) Recommendation on Principles for Independent Fiscal Institutions ([link](#))

<sup>3</sup> Scottish Fiscal Commission (2018) Compliance with the Code of Practice for Official Statistics ([link](#))

# Correspondence and enquiries

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We welcome comments from users about the content and format of our publications. If you have any feedback or general enquiries about this publication or the commission, please contact [info@fiscalcommission.scot](mailto:info@fiscalcommission.scot). Press enquiries should be sent to [press@fiscalcommission.scot](mailto:press@fiscalcommission.scot).

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