



Kenneth Gibson MSP  
Convener  
Finance and Public Administration Committee  
Scottish Parliament  
Edinburgh

15 December 2022

Dear Convener,

During our last evidence session with the Committee in September we discussed our August [Statement of Data Needs](#) that highlighted the challenges we face in making our forecasts due to significant gaps in data from Social Security Scotland on Adult and Child Disability Payments. I have written today with an update to the Convener of the Social Justice and Social Security Committee that I have copied as an Annex here.

As you will be aware next year's Non-Domestic Rates (NDR) will be levied on a revalued roll. The fact that the assessors were uploading new valuations during the run-up to the Budget simultaneously with our preparing forecasts and costings of new NDR policies has led to some challenges.

We had been working with the Government on approaches to mitigate these challenges over the last year, but significant uncertainties remained throughout the forecasting process. Our final forecasts have therefore been based on an imputed valuation roll with incomplete information on the new valuations. In addition, waiting for a reasonable cut off point for the imputation delayed progress so we have been unable to spend as much time on analysis and quality assurance as we would have ideally preferred.

As the Scottish Government moves to a three yearly revaluation cycle we would encourage them to take account of the timing of the Budget setting process and our forecasting work in planning how they achieve future revaluations of the NDR roll.

Yours sincerely

Professor Graeme Roy

### **Annex: Letter to Convener, Social Justice and Social Security Committee**

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Natalie Don MSP  
Convener  
Social Justice and Social Security Committee  
Scottish Parliament  
Edinburgh

15 December 2022

Dear Convener,

In September I met with you and other members of the Committee to discuss our social security forecasts.

Part of that discussion covered our August [Statement of Data Needs](#) that highlighted challenges we face in making our forecasts due to the significant gaps in data from Social Security Scotland data on Adult and Child Disability Payments. We flagged a number of issues around the dissemination of information that has been generated as part of the application and payment processes and also about the actual collection of data.

I am writing to update you on progress since we spoke.

In the development of our latest forecasts, officials from across Social Security Scotland and the Social Security Directorate in the Scottish Government have helped us by providing information on their future plans and in particular sharing informal intelligence about delivery. I am very grateful for this productive engagement which has helped support our understanding of the delivery of disability payments in Scotland.

#### Child and Adult Disability Payment Data

We have not received the data needed to fully update our Child Disability Payment forecasts for our latest forecasts published on 15 December. While the limited data available, and intelligence from officials in Social Security Scotland and the Scottish Government, indicates that payments are being paid at a level that is broadly in line with our forecast, the lack of detailed data means that we have not been able to refine our forecast in the way we would like. Inevitably this adds to their uncertainty and the possibility of forecast error.

Since September, we have spoken both with David Wallace, the Chief Executive of Social Security Scotland, and the statisticians within Social Security Scotland responsible for publishing payment statistics.

Our understanding is that further development work is needed on Social Security Scotland's systems to allow the data we need to be published. I am pleased to say that officials have confirmed to us that work is in progress and that data on both Adult and Child Disability Payments should be available by next March in order to allow us to incorporate in our forecasts

ahead of our May publication. This means that forecasts based on the enhanced data would be available for inclusion in the Scottish Government's next Medium Term Financial Strategy also due next May.

### Sex / Gender Data for Child Disability Payments

In August we also pointed to a separate Child Disability Payment data collection issue on the gender or sex of the children receiving the payment. Since October 2022 this information has been collected as part of the equalities monitoring form rather than through the application form. As this is a new way to collect the information, and completion of the monitoring form is not mandatory, it is unclear when we will have access to consistent and reliable data on the sex of the child to use in our forecasts.

Social Security Scotland have indicated that they would be able to provide the application form they collected on the sex, covering up to October 2022, in February 2023. This data may be in the form of management information depending on how they progress with quality assurance.

Social Security Scotland have not provided us with timelines on the publication of the new data from the equalities forms. They are planning to prepare a paper on the quality of the new data once there is a sufficient time series but do not yet have a date for this work.

We will continue to monitor progress on the data issues at Social Security Scotland and update you when there is further progress.

### Update to Forecast Evaluation Report

Today we have also published an update to our August 2022 Forecast Evaluation Report. When we originally published the report we used provisional Social Security outturn spending for 2021-22. The update to the report uses the final audited spending that was published in November. The final spend was £72 million lower than provisional outturn and reduces our overall forecast error accordingly.

I have included a copy of this letter in an Annex of a broader letter on data to the Convener of the Finance and Public Administration Committee.

Yours sincerely

Professor Graeme Roy

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# Forecast Evaluation Update

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# Revised social security forecast evaluation

## Summary

- 4.1. In August 2022 when we produced our Forecast Evaluation Report for 2021-22, we based our analysis on provisional outturn data.
- 4.2. In November 2022, the audited outturn published in the Social Security Scotland Annual Report was around £70 million lower than the provisional data.<sup>1</sup> The reason for this adjustment is set out in Audit Scotland's Annual Audit Report for Social Security Scotland.<sup>2</sup>
- 4.3. In our Forecast Evaluation Report 2022, we reported a forecast error of 4 per cent based on the provisional outturn. Using the latest audited outturn, total spending was £3,682 million in 2021-22. This is 2 per cent higher than our forecast of £3,618 million which informed the 2021-22 Scottish Budget.

**Figure 1: January 2021 forecast error for 2021-22 using provisional and audited outturn**

Forecast error	Forecast (£ million)	Outturn (£ million)	Error (£ million)	Relative Error (%)
Error reported using provisional outturn	3,618	3,754	136	4
Updated error using audited outturn	3,618	3,682	64	2

Source: Scottish Fiscal Commission (2022) Forecast Evaluation Report – August 2022 ([link](#)), Social Security Scotland (2022) Annual Report 2021-22 ([link](#)), Scottish Government.

Note: The forecast and outturn figures include some spending that is not covered in the Social Security Scotland accounts.

- 4.4. In Social Security Scotland's audited accounts, spending on most benefits is between 1 and 3 per cent lower than in the provisional outturn. The biggest change between the provisional and audited data is that spending on Personal Independence Payment (PIP) is now £45 million lower than in the provisional data. This reduces our PIP forecast error from £115 million to £70 million.
- 4.5. In August 2022, we said in our Forecast Evaluation Report and Statement of Data Needs that spending on Personal Independence Payment (PIP) appeared to be higher in Scotland, relative to the available statistical data, than in England and Wales and that we needed to investigate the reasons for this.<sup>3</sup> The lower PIP spending reported in the audited accounts removes this discrepancy.
- 4.6. The largest single error is still for PIP, but it is offset by similar errors in the opposite direction on other payments. The overall error of £64 million can be attributed to two external one-off factors. These are the higher spending on the Self-Isolation Support Grant (SISG) and the in-year policy change doubling the December 2021 payment of Carer's Allowance Supplement.

<sup>1</sup> Social Security Scotland (2022) Annual Report 2021-22 ([link](#))

<sup>2</sup> Audit Scotland (2022) Social Security Scotland annual audit 2021/22 ([link](#))

<sup>3</sup> Scottish Fiscal Commission (2022) Statement of Data Needs – August 2022 ([link](#))

# Introduction

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- 4.7. In our Forecast Evaluation Report in August 2022, we evaluated devolved social security spending in 2021-22 against the forecasts and policy costings that informed the 2021-22 Scottish Budget. The analysis was based on provisional, unaudited spending data.
- 4.8. On 7 November 2022, Social Security Scotland published their Annual Report for 2021-22, including their audited accounts.<sup>4</sup> Adjustments during the audit process reduced total benefit spending by £72 million. As this represents a significant change, reducing our view of total spending for 2021-22 by 2 per cent, we have produced this updated evaluation of our forecast error.

## Revised forecast evaluation

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- 4.9. In our August 2022 report we quoted spending of £3,754 million, based on provisional, unaudited outturn data. This was £136 million (4 per cent) higher than our forecast of £3,618 million.
- 4.10. Audited spending by Social Security Scotland was £72 million lower than in the provisional outturn. This reduced our outturn to £3,682 million, giving a revised forecast error of 2 per cent, or £64 million.<sup>5</sup>
- 4.11. The adjustment made during the audit process has reduced the spending for most of the Social Security Scotland benefits by between 1 and 3 per cent. In most cases these changes are small in absolute terms, but the larger benefits they are above our £5 million materiality threshold, with Personal Independence Payment reduced by £45 million, Disability Living Allowance by £11 million and Attendance Allowance by £9 million. These changes relate to the treatment of prior year accruals and are explained in Audit Scotland's Annual Audit Report on Social Security Scotland.<sup>6</sup>
- 4.12. Figure 2 shows the forecast, revised outturn and error for each of the devolved social security payments that we cover, with three sub-totals showing:
- The benefits funded through Block Grant Adjustments, which were still mainly administered by the Department for Work and Pensions (DWP), where spending was £18 million (1 per cent) higher than forecast.
  - The other payments administered by Social Security Scotland, where spending was £2 million (1 per cent) higher than forecast, with the policy decision to double the December 2021 payment of Carer's Allowance Supplement offset by lower spending on Scottish Child Payment and Best Start Grant.
  - Other devolved social security spending, mainly administered by local authorities, where spending was £44 million (29 per cent) higher than forecast, mainly because the spread of the Omicron variant led to much higher spending on the Self-Isolation Support Grant (SISG).

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<sup>4</sup> Social Security Scotland (2022) Annual Report 2021-22 ([link](#))

<sup>5</sup> Note that our total outturn includes some elements that are not included in the Social Security Scotland accounts. These are Discretionary Housing Payments, the Scottish Welfare Fund, Fair Start Scotland and Self-Isolation Support Grant.

<sup>6</sup> Audit Scotland (2022) Social Security Scotland annual audit 2021/22 ([link](#))



**Figure 2: Revised summary of January 2021 social security forecast errors for 2021-22**

Benefit	Forecast (£ million)	Audited Outturn (£ million)	Error (£ million)	Relative Error (%)
Personal Independence Payment [1]	1,669	1,739	70	4
Disability Living Allowance [2]	696	691	-5	-1
Attendance Allowance	550	515	-34	-6
Carer's Allowance	306	294	-12	-4
Industrial Injuries Disablement Scheme	80	80	0	0
Severe Disablement Allowance	7	7	0	-3
Scottish Child Payment	68	56	-12	-18
Best Start Foods	12	14	2	15
Best Start Grant	19	14	-5	-24
Funeral Support Payment	11	10	-1	-7
Carer's Allowance Supplement	42	58	16	38
Child Winter Heating Assistance	3	5	2	57
Discretionary Housing Payments	82	76	-6	-7
Scottish Welfare Fund	36	36	0	0
Fair Start Scotland	27	26	-1	-4
Self-Isolation Support Grant [3]	11	62	51	477
<b>Total Social Security</b>	<b>3,618</b>	<b>3,682</b>	<b>64</b>	<b>2</b>
Payments funded by Block Grant Adjustments	3,308	3,326	18	1
Other Social Security Scotland payments	155	157	2	1
Other devolved social security	155	200	44	29

Source: Scottish Fiscal Commission (2021) Scotland's Economic and Fiscal Forecasts – January 2021 ([link](#)), Scottish Fiscal Commission (2021) Supplementary Costings – Non-Domestic Rates Measures and Self-Isolation Support Grant – March 2021 ([link](#)), Scottish Government, Social Security Scotland (2022) Annual Report 2021-22 ([link](#)).

Figures may not sum because of rounding.

[1] Personal Independence Payment includes spending on the Adult Disability Payment pilot.

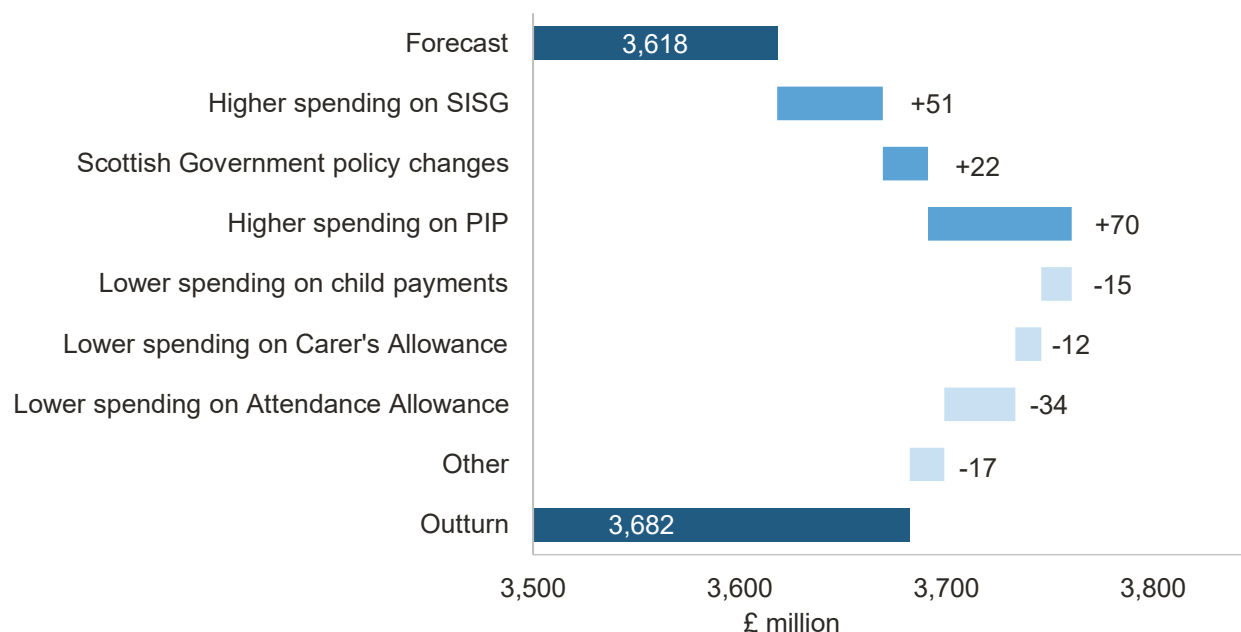
[2] Disability Living Allowance figures include payments to adults and children and around £5 million paid through the new Child Disability Payment.

[3] The forecast figure for Self-Isolation Support Grant includes our March 2021 supplementary costing of the eligibility changes announced in February 2021.

## Revised breakdown of forecast error

4.13. Figure 3 shows the major sources contributing to the revised total error of £64 million in our forecast of 2021-22 social security spending. The categories are the same as shown in Figure 4.2 of our August 2022 report.

**Figure 3: Revised decomposition of forecast error for 2021-22**



Source: Scottish Fiscal Commission

4.14. The revised breakdown of the forecast error is qualitatively similar to the one we originally presented in August 2022, but with a smaller error for Personal Independence Payment, and a slightly larger magnitude of error for all the areas where the forecast was too high.

4.15. While the largest single error is still for Personal Independence Payment, it is offset by similar errors in the opposite direction on other payments. The overall error of £64 million can be attributed to two external one-off factors, in the higher spending on the Self-Isolation Support Grant and the in-year policy change doubling the December 2021 payment of Carer's Allowance Supplement.

4.16. In our August 2022 Forecast Evaluation Report, we noted that the apparent large forecast error on PIP could not be immediately explained by differences in caseload or average payment amounts, and that the gap between statistical data and financial data appeared to be significantly wider in Scotland than in England and Wales. The lower spending reported in audited outturn removes this discrepancy, bringing Scotland back into line with England and Wales, and resolves the outstanding questions that we had set out in our Statement of Data Needs, also published in August 2022.<sup>7</sup>

## Performance of our later forecasts

4.17. Since the 2021-22 Scottish Budget was set in March 2021, we have produced three further rounds of forecasts in August 2021, December 2021 and May 2022. At each of these we have had more data and policy information.

4.18. Figure 4 shows that when compared against the audited outturn, our later forecasts in 2021 were very close to outturn, but that by May 2022 our forecast was slightly too high, by around 1 per cent.

<sup>7</sup> Scottish Fiscal Commission (2022) Statement of Data Needs – August 2022 ([link](#))

**Figure 4: Performance of later forecasts of 2021-22 social security spending**

Forecast	Forecast (£ million)	Error (£ million)	Relative Error (%)
January 2021 [1]	3,618	64	2
August 2021	3,672	10	0
December 2021	3,679	3	0
May 2022	3,720	-38	-1

Source: Scottish Fiscal Commission (2021) Scotland's Economic and Fiscal Forecasts – January 2021 ([link](#)), Scottish Fiscal Commission (2021) Supplementary Costings – Non-Domestic Rates Measures and Self-Isolation Support Grant – March 2021 ([link](#)), Scottish Fiscal Commission (2021) Scotland's Economic and Fiscal Forecasts – August 2021 ([link](#)), Scottish Fiscal Commission (2021) Scotland's Economic and Fiscal Forecasts – December 2021 ([link](#)), Scottish Fiscal Commission (2022) Scotland's Economic and Fiscal Forecasts – May 2022 ([link](#))

[1] 'January 2021' forecast includes March 2021 costing of SISG eligibility changes.

## Comparison of provisional and final outturn data

4.19. Figure 5 gives a full comparison of the provisional and audited outturn for each benefit.

**Figure 5: Comparison of provisional and audited outturn for 2021-22**

Benefit	Provisional outturn (£ million)	Audited Outturn (£ million)	Difference (£ million)	Difference (%)
Personal Independence Payment [1]	1,784	1,739	-45	-3
Disability Living Allowance [2]	702	691	-11	-2
Attendance Allowance	524	515	-9	-2
Carer's Allowance	295	294	-2	-1
Industrial Injuries Disablement Scheme	81	80	-1	-1
Severe Disablement Allowance	7	7	0	0
Scottish Child Payment	58	56	-2	-3
Best Start Foods	14	14	0	0
Best Start Grant	16	14	-1	-8
Funeral Support Payment	11	10	-1	-6
Carer's Allowance Supplement	58	58	-1	-1
Child Winter Heating Assistance	5	5	0	0
Discretionary Housing Payments	76	76	0	0
Scottish Welfare Fund	36	36	0	0
Fair Start Scotland	26	26	0	0
Self-Isolation Support Grant [3]	62	62	0	0
<b>Total Social Security</b>	<b>3,754</b>	<b>3,682</b>	<b>-72</b>	<b>-2</b>

Source: Scottish Government, Social Security Scotland (2022) Annual Report 2021-22 ([link](#)).

Figures may not sum because of rounding.

[1] Personal Independence Payment includes spending on the Adult Disability Payment pilot.

[2] Disability Living Allowance figures include payments to adults and children and around £5 million paid through the new Child Disability Payment.

# Additional information

## Abbreviations

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BGA	Block Grant Adjustment
DWP	Department for Work and Pensions
PIP	Personal Independence Payment
SEFF	Scotland's Economic and Fiscal Forecasts
SFC	Scottish Fiscal Commission
SISG	Self-Isolation Support Grant

A full glossary of terms is available on our website:

<https://www.fiscalcommission.scot/explainers/glossary/>

# 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>8</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 Statistics Authority's Code of Practice for Statistics. Further details and our statement of voluntary compliance can be found on our website.<sup>9</sup>

## 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).

All charts and tables in this publication have also been made available in spreadsheet form on our website. For technical enquiries about the analysis and data presented in this paper please contact the responsible analyst:

**Social security**

Fran Forner

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<sup>8</sup> OECD (2014) Recommendation on Principles for Independent Fiscal Institutions ([link](#))

<sup>9</sup> Scottish Fiscal Commission (2018) Compliance with the Code of Practice for Official Statistics ([link](#))

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