Finance and Public Administration Committee

34th Meeting, 2022 (Session 6), Tuesday 20 December 2022

Scrutiny of the Scottish Budget 2023-24

Purpose

1. The Committee is invited to take evidence from the following two panels of witnesses as part of its scrutiny of the Scottish Budget 2023-24:

Panel 1: The Scottish Government's Expert Panel
- Professor Sir Anton Muscatelli, Principal of the University of Glasgow
- Professor Frances Ruane, Chair of the National Competitiveness and Productivity Council and Research Affiliate at the Economic and Social Research Institute
- Dr Mike Brewer, Chief Economist and Deputy Chief Executive of the Resolution Foundation

Panel 2: The Scottish Fiscal Commission
- Professor Graeme Roy, Chair
- Professor Frances Breedon, Commissioner
- John Ireland, Chief Executive

2. This paper provides background information on the Scottish Budget 2023-24, the Expert Panel's Final Commentary on the implications of the UK Government Fiscal Statements for the Scottish Budget, the Scottish Fiscal Commission's latest Economic and Fiscal Outlook, and relevant initial commentary. The Committee is also able to draw on, for the wider UK context, its recent evidence sessions with the Institute for Fiscal Studies on 6 December and the Office for Budget Responsibility on 13 December.

Expert Panel commentary

3. The Scottish Government's Emergency Budget Review (EBR) published on 7 November identified a further £615 million in savings for this financial year, on top of the initial package of £560 million announced by the Deputy First Minister on 7 September. These savings were made to allow funds to be diverted to tackle the cost-of-living crisis, including improved pay offers for public sector workers.

4. The paper, Implications of the UK Government fiscal statements for the Scottish Government Budget: Expert Panel Interim Commentary, was published alongside the EBR on 7 November. The Panel was established on 27 September to provide advice to the Scottish Government in response to the fiscal approach of the UK Chancellor of the Exchequer's Mini Budget 2022 ('The Growth Plan') announced

on 23 September. Most of the announcements made in the Mini-Budget 2022 have however since been reversed, including through the new Chancellor's Autumn Budget Statement, which was published alongside Office for Budget Responsibility Forecasts on 17 November.

5. This Interim Commentary set out the Panel's "thinking on how the Scottish Government could respond to the challenges it is facing through the tax system and the wider implications for public services and the economy". The paper notes that the level of uncertainty created by the UK Government's Mini Budget "is not conducive to proper fiscal and economic planning" and that the pressure on public expenditure requires the Scottish Government "to consider the extent to which it can offset expenditure reductions through taxation". It suggests that the Scottish Government will "need to balance providing short-term support to vulnerable householders and businesses and investing to grow and improve productivity and resilience of the economy in the medium to longer term". Increasing productivity is, the Panel suggests "a complex process that cannot be achieved overnight and needs concerted and joined up actions across a range of economic areas". It added that "it is important to achieve the right type of growth: growth that is sustainable and in line with other wider policy objectives, such as reducing inequality and the transition to net zero".

6. The Panel published its Final Commentary on the implications of the UK Government Fiscal Statements for the Scottish Budget on 15 December alongside the Scottish Budget 2023-24. It states that this paper "builds on our previous advice and sets out our thinking on how the Scottish Government could respond to the challenges posed by the Autumn Statement". The Panel suggests that:

- The Scottish Government may need to consider whether to raise taxes or introduce new taxes or other ways of raising revenue, "both in the current context and particularly from 2025-26 onwards", to "mitigate or potentially reverse the impact of decisions in UK Government's Autumn Statement".
- The interaction between the withdrawal of the reserved personal allowance for those earning over £100,000 and Top Rate Threshold is "worth further consideration".
- The UK Government has lowered its Additional Rate Threshold to £125,140, "but matching the new lower threshold may not be sufficient to prevent a deterioration in the Scottish Government's funding position, given the income tax distribution in Scotland". It adds "however, lowering the threshold further would significantly increase marginal tax rates".
- It is "important to prioritise improving wellbeing and productivity across all areas of government spend" as "public services and government spending provide an important stabiliser during economic downturns and can help maintain the productive capacity of the economy and the wellbeing of citizens".
- The public sector reform programme "remains key" to ensure public services become more productive and take advantage of new technologies. The Panel recommends that the Scottish Government seeks "to maintain as much capital spend as possible", adding "there has never been a more important time to consider prioritisation in public services and productivity-enhancing reforms in the public sector".

7. The UK Government has relaxed some of its budgetary constraints or fiscal rules and announced two new fiscal targets instead. The Panel explains that, while these small changes to fiscal sustainability seem sensible providing the UK Government with great fiscal flexibility in later years, “it also gives the UK Government more scope to cut capital spending to achieve its deficit rule by treating current and investment spending equally.” It notes that “cutting investment spending to meet fiscal rules can be self-defeating, potentially hampering productivity and economic activity in the long run and reducing tax revenues.”

8. The Panel adds that “Scotland is constrained by reliance on the UK Government for capital grant allocations as well as limited capital borrowing powers.” As such, the UK Government’s decision to not enhance capital funding given the high levels of inflation “will lead to a steep decline in the purchasing power of Scottish Government investments and will lead to a reprioritisation of projects.” The Panel suggests that this may hamper the Scottish Government’s ability to meet its net zero targets and damage the economic recovery, which will in turn bring further uncertainty to industries during these challenging and turbulent times.

9. The Panel further suggests that the Scottish Government should continue to consider “ways that the tax system could be made fairer and better aligned to improving productivity and wellbeing, either through reforms to existing taxes or through the introduction of new taxes”. It notes that the UK Government has begun to take small steps toward new taxes, such as bringing electric vehicles into the tax system, but that “it is not straightforward for the Scottish Government to introduce new taxes, as any new tax requires the approval of the UK Government”. The Panel addes that, “as has been shown by the lack of progress on implementing the Vacant Land Tax in Wales, the process for obtaining consent from the UK Government is not straightforward [and] as such, it is likely that new taxes will likely take several years to progress”.

Economic and fiscal outlook

10. In Scotland’s Economic and Fiscal Outlook – December 2022, the Scottish Fiscal Commission (SFC) sets out its latest five-year forecasts for the Scottish economy, tax receipts, social security expenditure and an assessment of whether the Scottish Government’s projections of borrowing are reasonable. A summary of the forecasts produced by the SFC is provided at Annexe A.

11. Overall, the SFC states that “higher energy prices and their consequences for inflation more generally mean that we now think the Scottish economy has entered recession this year, and Scottish households are expected to see the biggest real-terms fall in their disposable income since Scottish records began in 1998”. The SFC further indicates that the Scottish Government “will also have to deal with the effects of higher prices and demand for higher wages in the public sector”. It confirms that “it considers the Scottish Government’s funding assumptions for the 2023-24 Budget to be reasonable”, while noting “pressures in future years including a large negative income tax reconciliation for 2024-25 and an increasing social security bill”.

12. The SFC expects:

- annual Consumer Price Index (CPI) inflation to peak at around 11% in Quarter 4 of 2022, which "is lower than it might have been in the absence of the UK Government's Energy Price Guarantee".
- inflation to "drop sharply over the course of next year as global energy prices level off and domestic inflationary pressures unwind due to the recession".
- in the shorter-term, "our judgement is that Scotland has already entered a recession which will last six quarters, with a total peak to trough fall in GDP of 1.8%". This compares to the OBR's forecast for the UK of 2.1%. The SFC expects the Scottish economy to recover to its pre-recession peak by the first quarter of 2025, one quarter behind the UK.
- longer-term, "both the underlying capacity of the Scottish economy to produce goods and services – its potential output – and the outlook for productivity growth are uncertain" and so the SFC has "reduced our view of the size of Scotland's potential output in recent forecasts and are therefore forecasting a lower level of cumulative growth rate of GDP".
- the Scottish Government's policy changes announced in the Scottish Budget (see section below) are anticipated to raise an additional £129 million of income tax revenue in 2023-24.[1]
- overall social security spending to rise from £5.2 billion in 2023-24 to £7.3 billion in 2027-28.
- the outlook for the income tax net position[2] "has improved significantly", driven in part by the Scottish Government's policies to raise additional income tax. Other factors have been revised data and shifts in the relative economic outlook with the UK. The SFC however "strongly caution that the outlook remains very sensitive to changes in the OBR's forecasts".
- compared to the UK as a whole, Scotland has lower average house prices and lower average household debt as a share of income, "which means that rising interest rates will tend to a have a smaller effect than in the rest of the UK", albeit there will be particular pressure from high inflation on lower-income households.

13. The SFC's forecasts, along with those of the OBR, determine the size of future reconciliations to the Scottish Budget. The OBR gave evidence to the Committee on 13 December in relation to its latest forecasts for the UK economy and public finances which accompanied the UK Government's Autumn Budget Statement. That session, along with an earlier evidence session with the Institute for Fiscal Studies, on 6 December, was intended to provide wider context to the Committee's scrutiny of the Scottish Budget 2023-24.

14. The SFC wrote to the Committee on 15 December (Annexe B) providing an update on its discussions aimed at making progress in plugging "significant gaps in

[1] The freezing of the higher rate threshold is already included in the SFC's forecasts and so the Scottish Government's decision to freeze the higher rate threshold does not yield additional revenue. This is because in May 2022, the SFC judged this to be "the most reasonable assumption to make in our forecasts in line with historical patterns".

[2] The amount by which SFC forecasts are higher than the Block Grant Adjustment removed from the Budget results in what is known as the income tax net position.

data from Social Security Scotland on Adult and Child Disability Payments", an issue that was raised with the Committee in evidence in September 2022. It also highlights other challenges in preparing its forecasts of Non-Domestic Rates.

Scottish Budget 2023-24

Overview

15. The Scottish Government published the Scottish Budget 2023-24 on 15 December 2022. In his statement to Parliament that day, the Deputy First Minister and Cabinet Secretary for Covid Recovery opened by noting that "despite reductions in spending of £1.2 billion", he was "still working in this financial year to find a path to full balance this year's Budget". Secondly, he explained that "as a consequence of that issue, for the first time since this government took power, I am announcing a Budget today for the next financial year assuming that we do not carry forward any fiscal resources from this year into next", adding that "the absence of that carry over increases the scale of the financial challenge that we face in the next financial year".

16. The Budget document states that the total Scottish Budget for 2023-24 is £59,813 million, comprised of £41,944m in resource spending (day-to-day expenditure), £6,363 million in capital spend (infrastructure), £10,491 million in AME[3], and £1,015 million in non-cash. As noted in the SPICe blog, Scottish Budget 2023-24: Pulling the Income Tax Lever, "resource is due to increase by 3.7% in real terms in 2023-24 and capital is set to fall by 2.9% in real terms".

17. The Deputy First Minister noted that the 2023-24 Budget "will prioritise the Scottish Government's strategic objectives of eradicating child poverty; transforming the economy to deliver a just transition to Net Zero; and providing sustainable public services". He said he would not be publishing a Public Sector Pay Policy for 2023-24 at this stage, "given the uncertain outlook and the need to still conclude some pay deals for the current year".

18. As a backdrop to announcing the Scottish Government's Budget, Mr Swinney indicated that "where we have the power, we are choosing a different, more progressive path for Scotland". He announced that:

- all devolved benefits would be uprated in April 2023 in line with inflation (at September CPI of 10.1%) at a cost of £428 million and the Scottish Child Payment continues to be uprated to £25 per week, as announced in November 2022,
- in terms of income tax, the top rate threshold will be reduced to £125,140, and an additional 1p will be added to both the higher and top rates, bringing them to 42p and 47p respectively, from 6 April 2023. Other rates will remain frozen. Mr Swinney indicated that the extra revenues from the 1p increase would go towards the NHS getting an extra £1 billion in funding.

[3] Difficult to predict expenditure such as public sector pensions and non-domestic rates.

- while Land and Building Transactions Tax rates and bands will remain unchanged, the Additional Dwelling Supplement will increase from 4% to 6% from 16 December, raising £34 million additional revenue.
- changes to the Scottish Landfill Tax will see increases to the standard rate to £102.10 per tonne and to the lower rate to £3.25 per tonne in 2023-24, in line with UK Government policy.
- work will progress on a devolved replacement for the UK Aggregates Levy Tax, with legislation being introduced this session. A consultation to inform development of the proposals closed on 5 December.
- he would freeze non-domestic rates poundage and continue to support the Small Business Bonus Scheme to remove 100,000 properties from rates, and using the NDR regime to further incentivise investment in renewables through new exemptions for onsite renewable energy generation and storage from 1 April 2023 until 31 March 2035. Local authorities will have "full discretion" over Empty Property Relief for Non Domestic- Rates, with "£105 million added to the settlement to support local priorities including the option to develop local relief schemes".
- pressures on the capital budget mean that the Scottish Government will not be able to fund all measures set out in the Capital Spending Review, despite its plans to borrow the maximum £450 million in its borrowing limits.
- local government will receive an additional £550 million next year in its settlement from the Scottish Government. This is short of the £1 billion called for by COSLA and CIPFA Directors of Finance in the run up to the Budget.
- provide £1.7 billion for social care and integration to improve services, "while paving the way for the introduction of the National Care Service".

19. The Scottish Government's Resource Spending Review published in May 2022 stated that its public service reform programme "will be undertaken over the remainder of the Parliament, with initial outcomes to be reported in the 2023-24 Scottish Budget" and that it will also, alongside this Budget, "set out proposals for the future public body landscape". There is no mention of this in the Scottish Budget document. The Deputy First Minister, in his statement to Parliament on 15 December, said that the Government would set out further plans "in due course", adding "we will take forward an agenda consistent with the principles of the Christie Commission with a significant emphasis on early intervention and prevention as we work to create person-centred public services".

20. The budget document was accompanied by an Equality and Fairer Scotland Statement setting out where the Scottish Government is proposing to spend money and how it aims to reduce inequality. In it, the Scottish Government sets out which national outcomes different portfolios contribute towards as well as which human rights are most applicable to which portfolios. This they explain "illustrates how the budget content aligns to key human rights." In Annex A, the Scottish Government also explain how embedding human rights principles of transparency, participation and accountability has informed the budget.

21. In its report on the National Performance Framework: Ambitions in Action the Committee made a number of recommendations aimed at closer alignment between the NPF and those who advise and take funding decisions in the Scottish

Government. In its response the Scottish Government explain that it "continues to be committed to improving budget transparency through its corporate reporting, in-year budget revisions and its longstanding membership of the Open Government Partnership." It highlights that building on the enhanced prominence of the National Outcomes in the Budget, the Equality and Fairer Scotland Budget Statement and the Consolidated Accounts "we continue to strengthen our approach to better link spending with outcomes."

22. A summary of public attitudes to tax and stakeholder roundtable, is also included this year, setting out views gathered by the Scottish Government during its pre-Budget engagement programme. It also draws on answers to a recent Scottish Social Attitudes Survey, which suggested, amongst other things, that 68% of people think the government should redistribute income from the better off to those less well off, and that 64% favoured increasing taxation to fund more public spending on health, education and social benefits.

Committee's pre-budget scrutiny

23. In its Pre-budget Report on Scotland's Public Finances in 2023-24 and the Impact of the Cost of Living and Public Service Reform, published on 3 November 2022, the Committee accepted that the Scottish Government "faces difficult choices" on spending and taxation, against inflationary pressures. It called for "an open and honest debate with the public about how services and priorities are funded, including the role of taxation in funding wider policy benefits to society". The Committee also sought to establish how the Scottish Government plans to progress its preventative agenda and "work with the public sector to minimise the impact of reform and efficiency savings on the quality of public services and the delivery of national outcomes".[4]

24. The Written Agreement between the Committee and the Scottish Government requires the Scottish Budget document to include a summary of how committees' pre-budget reports have influenced preparation of the Budget, and the Parliamentary Bureau to schedule a debate for committees to explore these issues further.

25. The Budget 2023-24 document broadly notes the areas of focus for the Committee in its pre-budget scrutiny, highlighting that the Scottish Government has:

- made it a priority to provide sustainable public services and has "made significant progress in applying the principles of the Christie Commission".
- sought to ensure those hardest hit by the crisis are supported, through fair pay increases for public sector workers, especially the lowest paid; expanding the Scottish Child Payment, and increasing its value to £25.

[4] In its Resource Spending Review (RSR) published in May 2022, the Scottish Government notes that its public service reform programme "will be undertaken over the remainder of the Parliament, with initial outcomes to be reported in the 2023-24 Scottish Budget" and that it will also, alongside this Budget, "set out proposals for the future public body landscape". The Committee has agreed to conduct separate scrutiny on the reform proposals.

- committed to ensuring that it delivers a just transition to Net Zero and welcomes the work of the Fraser of Allander Institute on achieving greater transparency in consideration of climate change in the Scottish Budget.

26. It adds that the Scottish Government "recognises the Committee's call for greater fiscal transparency in the Budget process and establishing clearer links between spending priorities and national outcomes". It states that "we will continue to improve this through our corporate reporting, in year budget revisions and long-standing membership of the Open Government Partnership".

27. The Scottish Budget "is underpinned by Scotland's National Performance Framework" and it "delivers against our eleven national outcomes". It later outlines that the Scottish Government is preparing for the next statutory review of the national outcomes, set to start its public engagement in the coming months and conclude during Term 3 of Parliament (2023). The review must start no later than June 2023.

28. Publication of the Scottish Budget 2023-24 comes a day after the Office for National Statistics reported that CPI rose by 10.7% in the 12 months to November 2022, down from 11.1% in October (which was the highest annual CPI inflation rate after recording started in 1997). It coincided with the Bank of England Monetary Policy Committee's decision to raise interest rates by a further 0.5 percentage points to 3.5%. It suggests that CPI inflation is expected to continue to fall over the first quarter of 2023, as earlier increases in energy and other goods prices drop out of the annual comparison".

29. Latest labour market statistics from the Office for National Statistics published on 13 December 2022, show that the employment rate in Scotland between August and November was 75.9%, up by 0.7% from the previous quarter. The employment rate in the UK for the same period was 75.6%. The unemployment rate in Scotland over the same period was 3.3% (up 0.2%), as compared to 3.7% in the UK, while the inactivity rate in Scotland was 21.4% (down by 0.9%) compared to 21.5% in the rest of the UK.

Commentary

30. Immediate responses have been published in blogs by SPICe: Scottish Budget 2023-24: Pulling the income tax lever, the Fraser of Allander Institute in: A first glance: the Scottish Budget 2023-24, and the Institute for Fiscal Studies in the Scottish Budget 2023-24 confirms big cuts to many public services.

31. SPICe highlights that net income tax position (the amount by which SFC forecasts are higher than the Block Grant Adjustment[5]) for the Scottish budget "is now much improved on previous SFC forecasts, due to a combination of the policy divergence on income tax, but "also revised data and shifts in the relative economic outlook with the UK since the last forecasts were produced". SPICe explains that "with a net income tax position of £325 million, this is a welcome boost for the Scottish Budget", adding "in other words, income tax revenues are expected to

[5] Winter has come: what to look out for in this week's Scottish budget – SPICe Spotlight | Solas air SPICe (spice-spotlight.scot)

exceed the amount removed from the Scottish Budget for income tax devolution by £325 million”. However, it also states: “it is important to note that in return for this extra resource, Scottish taxpayers are paying £1 billion extra in taxation than they would be under the rest of the UK’s income tax policy, reflecting the slower growth in the Scottish tax revenues (per head) since income tax was devolved in 2017-18”.

32. The SPICe blog indicates that “the budget document states that funding has been included in the budget for 2023-24, but it is not clear how much has been set aside for the NCS, as NCS funding is included under the broader heading of ‘National Care Service/Adult Social Care”. It suggests “this adds further to the lack of clarity around funding for this flagship policy”. This Committee reported its concerns in relation to the lack of financial data in the Financial Memorandum for the National Care Service (Scotland) Bill in its report published in late November.

33. The Fraser of Allander Institute highlights that Scottish GDP is not expected to rebound to pre-pandemic levels until well into 2025, with growth expected to move more slowly in Scotland than the UK average, as forecasted in November by the OBR. It notes the decline in GDP is “due to drops in consumption, trade, and private investment over 2023-24, which makes sense, given the high cost of living, higher interest rates, and ongoing trade difficulties due to the UK’s exit from the EU”.

34. On matching the UK Government’s lowering of the top rate income tax threshold, FAI indicates that the main implication of this reduction is the increase in the number of taxpayers paying the top rate of income tax, which it estimates is around 12,000 individuals. On NDR and business reliefs, the FAI notes that “at the Budget last year, we were surprised to see Kate Forbes take an approach to reliefs that was less generous than the UK system”, adding “this year, John Swinney has seemingly taken an even more hardline approach and there are no additional reliefs applied to hospitality and retail as is the case south of the border”.

35. The IFS, in its blog, provides further explanation of the overall funding picture for Scotland—

> “The main reasons why the funding outlook for the coming year is a little less bad than may have been expected this time last month is the extra funding announced in the UK Government’s Autumn Statement, and an upgrade in the SFC’s forecasts for tax revenues relative to the rest of the UK.
>
> But funding for public services is still set to be cut overall in real-terms, and by more than in England and Wales. For some services outside the NHS these cuts will be substantial. In the context of obvious pressures on many public services and disputes with public sector workers over pay, these plans may be hard to deliver.
>
> The main reason why more services are facing cuts than elsewhere in the UK is that the Scottish Fiscal Commission expects Scotland’s growing range of devolved benefits to eat into a bigger share of its budget. Extra spending on benefits will help tackle child poverty and support more disabled people but will mean less for public services.”

36. Before publication of the Scottish Budget 2023-24, the Institute for Public Policy Research Scotland published a briefing on Funding Social Renewal in November setting out particular steps that could be taken to increase public revenue in Scotland in the year ahead, including “matching the UK Government’s decision to reduce the top tax rate threshold to £125,140 and freezing remaining thresholds, raising £400m”. It had also called on the Scottish Government to commit to: (a) “a root and branch review of the tax system ahead of the 2024-25 Scottish budget to examine reforms to rates and bands, and how local tax raising powers could be used to address wealth inequality in Scotland and (b) replacing council tax and non-domestic rates with a new, fairer system that is either property or land value based”. It argued at the time that its “modelling shows how, even with ‘progressive’ increases across bands, the current system remains highly regressive”.

37. The Scottish Trades Union Congress) also published its commissioned paper Options for increasing taxes in Scotland to fund investment in public services, on 5 December, in which Landman Economics sets out “a proposed package of tax increases to fund an increase in public sector pay and investment in public services, in Scotland”. This had also included matching the UK Government’s decision to reduce the top tax threshold, introducing new bands, and adding 2p to all rates above the higher rate.

Next steps

38. The Committee will take evidence from the Scottish Parliamentary Corporate Body in relation to its budget bid, followed by the Deputy First Minister and Cabinet Secretary for Covid Recovery on the Scottish Budget 2023-24, at its meeting on 10 January 2022.

Committee Clerking Team
December 2022

ANNEXE A

Scottish Fiscal Commission

Scotland's Economic and Fiscal Forecasts

December 2022

fiscalcommission.scot

This publication is available at www.fiscalcommission.scot

Any enquiries regarding this publication should be sent to us at: Scottish Fiscal Commission, Governor's House, Regent Road, Edinburgh EH1 3DE or info@fiscalcommission.scot

Published by the Scottish Fiscal Commission, December 2022

Foreword

The Scottish Fiscal Commission is the independent fiscal institution for Scotland. Our statutory duty is to provide the independent and official forecasts of the Scottish economy, devolved taxes and devolved social security spending. Our forecasts represent the collective view of the four Commissioners who take personal responsibility for them.

Professor Graeme Roy and Dr Domenico Lombardi have both joined as Commissioners since our previous forecast report in May 2022, with Professor Roy replacing Dame Susan Rice as Chair of the Commission.

Following the COVID-19 pandemic, global events have continued to move quickly with the Russian invasion of Ukraine and rising energy prices. Closer to home there has been higher inflation, interest rates, and the cost of living crisis. As a result, the near-term outlook for the Scottish and UK economies has weakened significantly over the course of the past year. We now expect Scottish households to see the biggest real-terms fall in their disposable income since Scottish records began in 1998.

Our forecasts have been used to inform the Scottish Government's Budget for 2023-24, also published today. Our protocol for engagement with the Scottish Government has guided our interaction with the Government during the forecasting process.

We would like to thank the committed staff of the Commission as well as officials from the Scottish Government, Revenue Scotland, Social Security Scotland, DWP, HM Treasury, HMRC and the OBR for their support in creating this report.

Professor Graeme Roy

Professor Francis Breedon

Dr Domenico Lombardi

Professor David Ulph

15 December 2022

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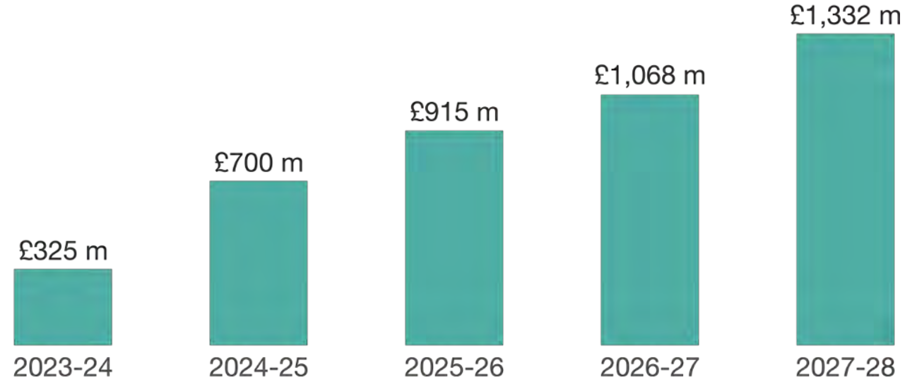
Fiscal Overview

Comparing our forecast with the BGA based on OBR forecasts, an increasingly positive income tax net position is projected, partly as a result of policy changes.

Tax net positions are uncertain, but a higher level could support future resource funding, especially towards the end of the forecast horizon.

Projected income tax net positions



There is almost £1.7 billion more resource funding in 2023-24 than in the latest position for 2022-23 because of increases in the Block Grant and social security funding, as well as improved tax net positions.

However, inflation reduces the spending power of this additional funding. We expect it to be only £279 million more in real terms.

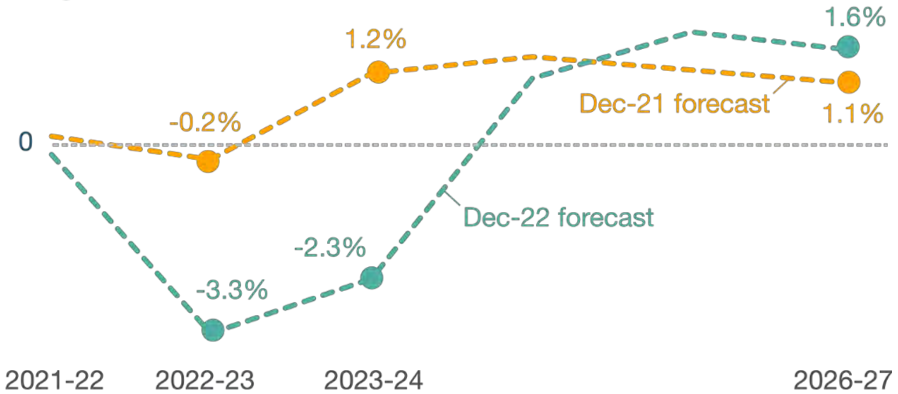
Growth in resource budget from 2022-23 to 2023-24

Economy

High inflation over 2022-23 and 2023-24 results in the greatest fall in the real value of disposable income per person since records began in 1998.

Even once inflation returns to lower levels, real disposable income per person will take time to recover, only reaching its 2021-22 level in 2027-28.

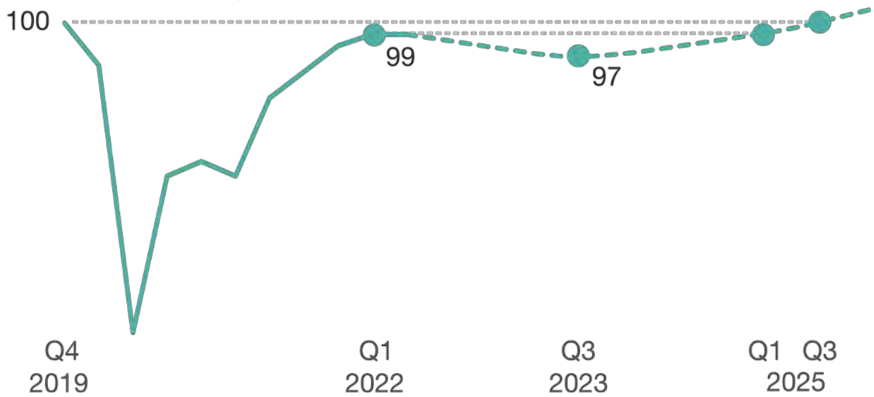
Living standards to fall



We forecast a shallow recession in the coming year, with a return to the 2022 Q1 pre-recession peak by 2025 Q1.

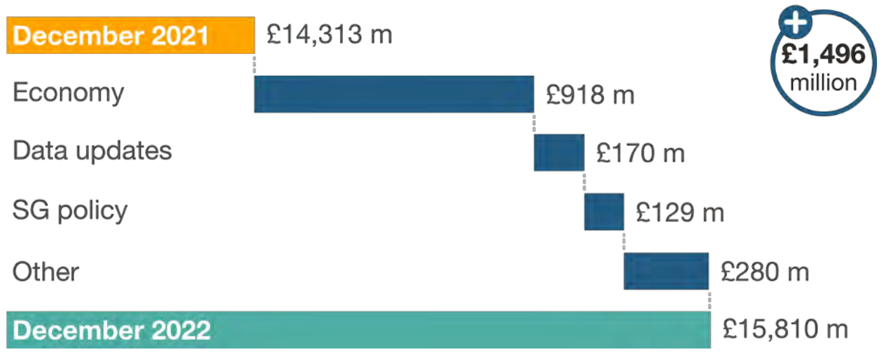
Following this, GDP does not return to pre-pandemic levels until 2025 Q3.

Recession delays return to pre-pandemic GDP level



Tax

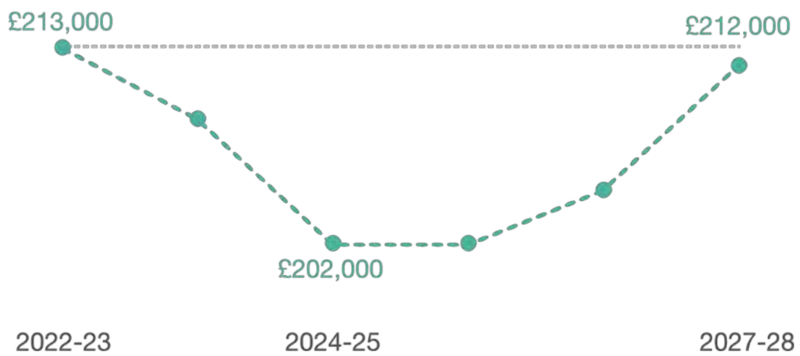
Income tax changes since December 2021 forecast



We expect high inflation leading to increased nominal earnings growth to generate a significant increase in income tax revenue.

The Scottish Government's policy decision to freeze thresholds and increase the higher and top rate of tax will also increase tax revenue.

Fall in house prices over next two years

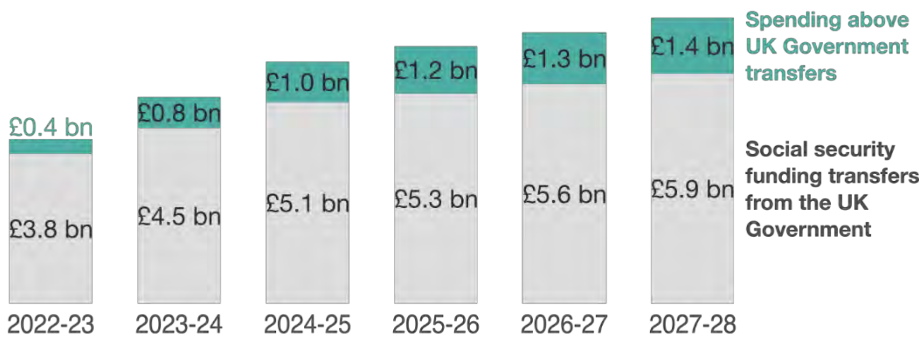


We are forecasting a decrease in house prices over the next two years because of sharp interest rate rises and increased cost of living affecting how much households can afford to spend on moving home.

We expect nominal house prices to return to 2022-23 levels by 2027-28.

Social Security

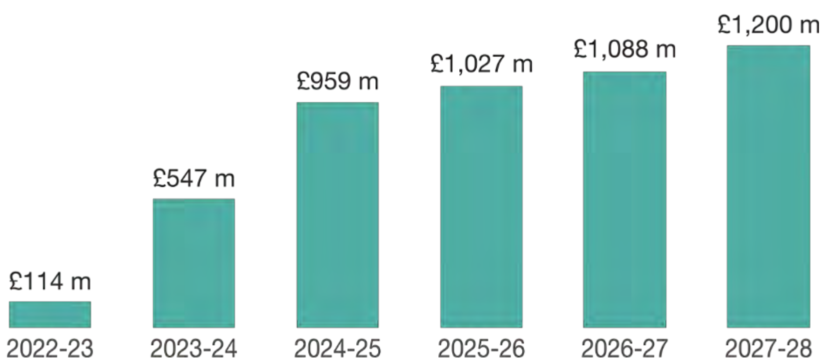
Spending increasing to £7.3 bn by 2027-28



Social Security forecast increases from £4.2 billion in 2022-23 to £7.3 billion in 2027-28.

By 2027-28, we expect the Scottish Government to spend £1.4 billion more on social security than the funding received from the UK Government.

Inflation-linked increases in spending



Most payments are uprated in line with inflation, so high inflation will drive a sharp rise in spending over the next two years.

By 2027-28 uprating increases spending by £1.2 billion.

Budget funding, £ million	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Resource budget (nominal)	43,303	44,991				
Resource budget (2022-23 prices)	43,303	43,582				
Economy, % growth						
Gross Domestic Product	1.7	-1.0	1.2	2.1	1.9	1.5
Consumer Price Index	10.1	5.5	0.0	-1.0	0.8	1.8
Average real earnings	-4.4	-0.8	2.2	2.7	1.7	1.3
Employment	1.7	-0.5	-0.2	0.3	0.5	0.4
Tax, £ million						
Income tax	14,575	15,810	16,633	17,370	18,247	19,437
Non-Domestic Rates	2,818	3,075	3,080	3,135	3,405	3,286
LBTT	850	774	728	794	910	995
Scottish Landfill Tax	101	79	72	58	16	16
Policy announcements						
Income tax	4	129	142	150	162	175
Non-Domestic Rates		-356	-309	-288	-267	-262
LBTT	12	34	28	34	39	40
Social Security, £ million						
All devolved social security	4,187	5,244	6,163	6,554	6,903	7,267

Summary

Introduction

1 Rising prices run through all of our forecasts. Higher energy prices and their consequences for inflation more generally mean that we now think the Scottish economy has entered recession this year, and Scottish households are expected to see the biggest real-terms fall in their disposable income since Scottish records began in 1998.

2 The Scottish Government will also have to deal with the effects of higher prices and demand for higher wages in the public sector.

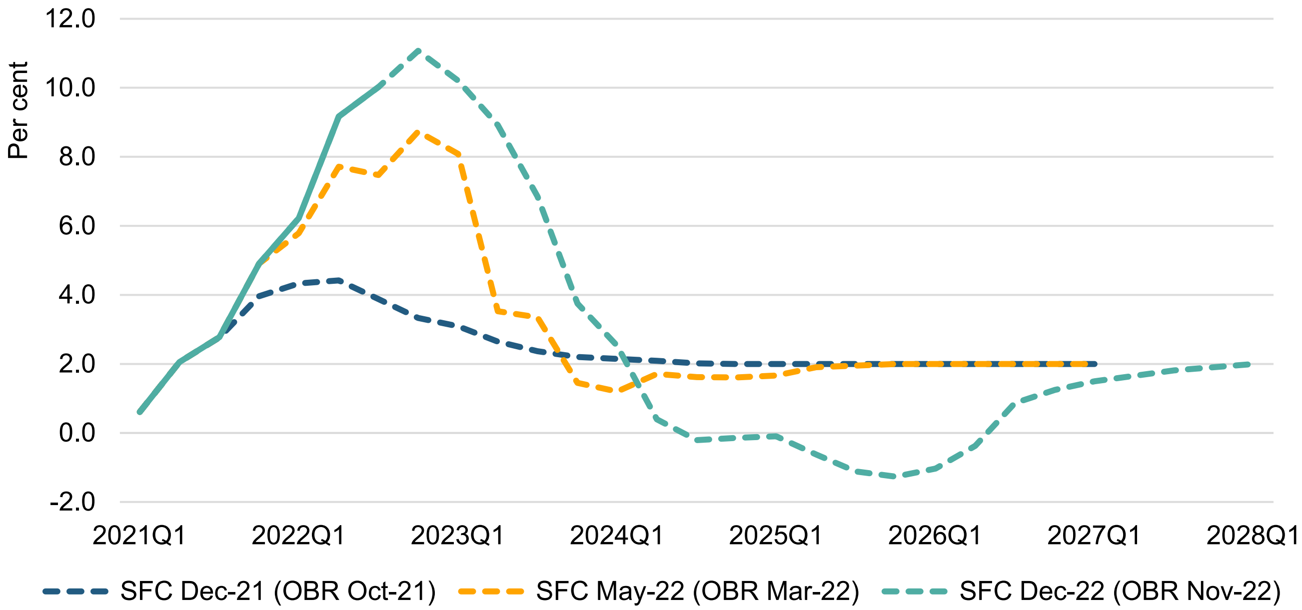
3 Nominal earnings are rising because of higher prices. This has meant upwards revisions to our income tax forecast compared to previous reports. However, as nominal earnings are rising by less than the price of goods and services, the overall effect on households is negative.

Economic outlook

4 The near-term outlook for the Scottish and UK economies has weakened significantly over the course of the year. The rise in energy and traded goods prices being driven by the conflict in Ukraine has been greater than expected earlier in the year, pushing up inflation. Interest rates have risen to levels not seen since before the 2008-09 Global Financial Crisis. All of this has intensified the costs for households and businesses. Falling real incomes mean the coming years are going to be difficult for many households, particularly those with lower incomes.

5 We expect annual Consumer Price Index (CPI) inflation to peak at around 11 per cent in 2022 Q4. The peak is lower than it might have been in the absence of the UK Government's Energy Price Guarantee. Inflation looks set to drop sharply over the course of next year as global energy prices level off and domestic inflationary pressures unwind due to the recession.

Figure 1: Consumer Price Index inflation, year-on-year growth

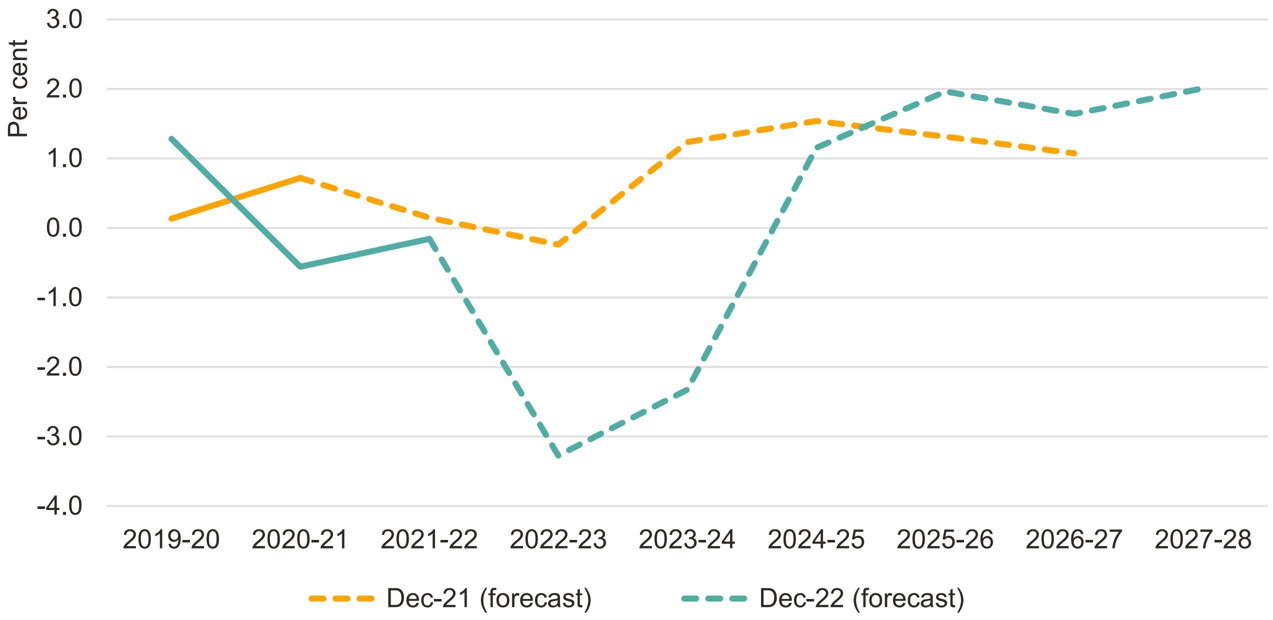


Source: Scottish Fiscal Commission, Scottish Fiscal Commission (2022) Scotland's Economic and Fiscal Forecasts – May 2022 (link), Scottish Fiscal Commission (2021) Scotland's Economic and Fiscal Forecasts – December 2021 (link). Solid lines refer to outturn available at time of publication and dashed lines refer to forecasts.

6 High inflation means that, over this year and next, Scottish households are expected to see the biggest fall in their real disposable income since records began in 1998. Even once inflation returns to lower levels, and real household incomes start to grow again in 2024-25, living standards will take time to recover to the pre-crisis 2021-22 level. Our forecast suggests that, by 2025-26, real disposable income per person will be no higher than its level a decade earlier. The global shock prolongs a period of slow growth in living standards since the Global Financial Crisis, with real disposable income per person growing on average by only 0.4 per cent per year between 2008-09 and 2021-22 compared to around 3 per cent before 2008-09.

7 High inflation and the recession will affect everyone, but there will be particular pressures on lower-income households, as they spend a larger share of income on essentials such as energy and food. Rising interest rates will add to the costs of mortgages and other forms of debt. Compared to the UK as a whole, Scotland has lower average house prices and lower average household debt as a share of income, which means that rising interest rates will tend to have a smaller effect than in the rest of the UK.

Figure 2: Real disposable income per person growth



Source: Scottish Fiscal Commission, Scottish Fiscal Commission (2021) Scotland's Economic and Fiscal Forecasts – December 2021 (link), Scottish Government (2022) GDP Quarterly National Accounts (QNA): 2022 Quarter 2 (April to June) (link).
Solid lines refer to outturn available at time of publication and dashed lines refer to forecasts.

8 When the global energy price shock arrived in early 2022, the Scottish economy was still recovering from the impact of health restrictions, labour shortages and supply chain disruptions associated with the global Coronavirus (COVID-19) pandemic. Throughout 2022, the impact of higher energy prices and the acceleration of wage pressures has worsened. The economy has also been adjusting to Brexit as well as the long-term evolution of the oil and gas industry in the North East of Scotland. There is no comparable period in recent economic history when the economy has been hit by two global shocks in immediate succession while adjusting to other significant domestic pressures.

9 The underlying structure of the Scottish economy is undergoing profound shifts. The pandemic has resulted in shifts in demand and changes in labour markets including more people working from home, while some people are suffering from prolonged health effects, in part due to delays in NHS treatment. At the same time, the economy faces higher goods import prices as a result of the continuing COVID-19 restrictions in China. Rising energy prices are a terms of trade shock that the economy has to adapt to by using less energy at a higher cost. This will be a particular issue for energy intensive industries that find it difficult to pass on higher costs to consumers. Brexit is also having an effect on supply chains and on export markets for Scottish business.

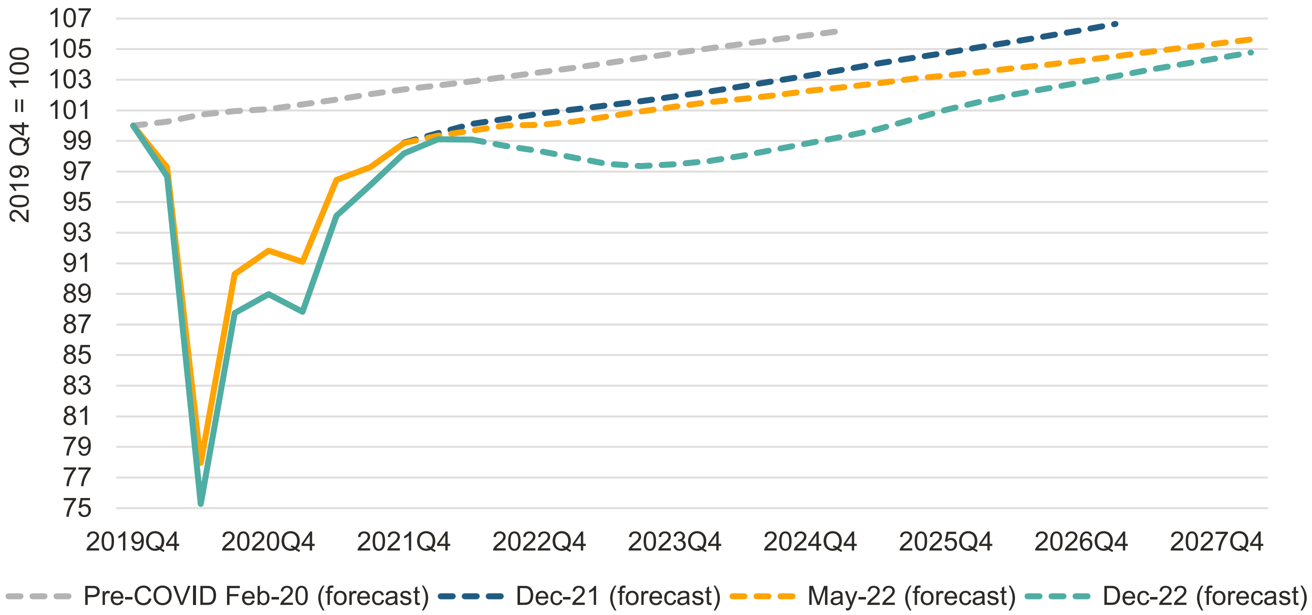
10 Over the longer term, the size of Scotland's economy is determined by its potential output. In the current context, both the underlying capacity of the Scottish economy to produce goods and services – its potential output – and the outlook for productivity growth are uncertain. We have reduced our view of the size of Scotland's potential output in recent forecasts, and are therefore forecasting a lower level and cumulative growth rate of Gross Domestic Product (GDP). This can be seen in Figure 3.

11 In the shorter term, largely reflecting the energy price shock and its inflationary consequences, our judgement is that Scotland has already entered a recession which will last six quarters, with a total peak to trough fall in GDP of 1.8 per cent. Higher prices will mean real incomes fall and put the economy into recession via both a supply and demand side shock. The recession will be dampened by higher nominal pay awards, increased benefits payments and some households running down

savings to support spending. Following the inflation shock, the level of real incomes in Scotland will be lower and expected to take time to recover. Although prolonged, we expect the recession will be shallower than the Global Financial Crisis or the COVID-19 recession.

12 The precise magnitude and duration of the recession are uncertain. While there is a lot of focus on the specific path for growth over the short term, we consider that the level of GDP in Scotland over the longer term is the most important aspect. Despite the relatively shallow nature of the recession, it is important to see it in the context of a prolonged period of slow economic growth. This slow growth is the result of globally slowing productivity growth as well as the shocks outlined at the start of this section. Sustained lower levels of GDP, relative to what we would have expected to be the case without these shocks, will mean ongoing lower incomes and will put pressure on tax receipts and public spending.

Figure 3: Scottish GDP, outturn and forecast



Source: Scottish Fiscal Commission, Scottish Fiscal Commission (2022) Scotland's Economic and Fiscal Forecasts – May 2022 (link), Scottish Fiscal Commission (2021) Scotland's Economic and Fiscal Forecasts – December 2021 (link), Scottish Fiscal Commission (2020) Scotland's Economic and Fiscal Forecasts – February 2020 (link).
Solid lines refer to outturn available at time of publication and dashed lines refer to forecasts.

13 We expect the recession in Scotland to broadly mirror the UK recession forecast by the Office for Budget Responsibility (OBR). Peak to trough, we forecast the Scottish economy to shrink by 1.8 per cent, compared to the OBR's forecast for the UK of 2.1 per cent. We expect the Scottish economy to recover to its pre-recession peak by the first quarter of 2025, one quarter behind the UK.

14 As in all our forecasts, there is significant uncertainty around the economic outlook, in this case arising from global developments. Energy prices and inflation will continue to depend on how the situation in Ukraine evolves. Another important source of uncertainty is how high inflation affects wages. So far, pay awards have remained below inflation, resulting in falling real earnings. However, with unemployment relatively low, it is possible that workers will find they can bargain for stronger pay awards, affecting both the real terms earnings outlook and potentially inflation.

15 Figure 4 shows further detail on our latest economy forecast and compares it to our December 2021 forecast, which pre-dated the Russian invasion of Ukraine.

Figure 4: Headline economy forecasts, growth rates unless otherwise specified

Per cent	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
GDP							
December 2021	10.4	2.2	1.2	1.3	1.4	1.4	
December 2022	14.0	1.7	-1.0	1.2	2.1	1.9	1.5
Consumer Price Index							
December 2021	3.3	3.7	2.3	2.0	2.0	2.0	
December 2022	4.0	10.1	5.5	0.0	-1.0	0.8	1.8
Unemployment rate							
December 2021	4.6	4.5	4.3	4.2	4.2	4.2	
December 2022	3.9	3.4	4.3	4.7	4.6	4.3	4.1

Source: Scottish Fiscal Commission, Scottish Fiscal Commission (2021) Scotland's Economic and Fiscal Forecasts – December 2021 (link).
Shaded cells refer to outturn available at time of publication.

Tax

Income tax

16 As shown in Figure 5, we have revised up our income tax forecast significantly since December 2021. High inflation leading to increased nominal earnings growth is the main reason for this increase. The combination of high inflation with fixed tax thresholds leads to more people moving into higher tax bands, known as fiscal drag, and tax revenues rise faster than nominal earnings. Figure 5 summarises changes in our income tax forecast since December 2021.

17 The Scottish Government has announced that in 2023-24 all non-savings, non-dividends (NSND) income tax thresholds will remain frozen at 2022-23 levels, with the exception of the top rate of income tax which will reduce to £125,140 from the current level of £150,000. They have also announced they will be increasing both the higher rate and top rate by 1 pence. From 2023-24, the higher rate will now be 42 pence and the top rate will be 47 pence. These income tax policy changes are expected to raise an additional £129 million of income tax revenue in 2023-24.

18 When creating our five-year forecasts, for years in which there is not an announced Scottish Government policy, we need to make assumptions about future income tax rates and thresholds. In May 2022 we took the decision to freeze the income tax higher rate threshold in that and future forecasts, as we judged this to be the most reasonable assumption to make in our forecasts in line with historical patterns.[1] This means that the freezing of the higher rate threshold is already included in our forecasts and the Scottish Government's decision to freeze the higher rate threshold does not yield additional revenue. We explain this in further detail in in Chapter 4.

[1] Scottish Fiscal Commission (2022) Scotland's Economic and Fiscal Forecasts – May 2022 (link)

Figure 5: Change in income tax from December 2021

£ million	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
December 2021 forecast	11,938	13,002	13,671	14,313	15,056	15,790	16,445
Economy	-	277	652	918	745	405	345
Policy	-	-	4	129	142	150	162
Other	10	58	248	449	689	1,024	1,295
December 2022 forecast	11,948	13,337	14,575	15,810	16,633	17,370	18,247

Source: Scottish Fiscal Commission, 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), HMRC (2022) Scottish Income Tax Outturn Statistics: 2020 to 2021(link).
Shaded cells refer to outturn available at time of publication.

The income tax net position

19 Despite a deterioration in the forecasts of the Scottish and UK economies overall, the outlook for the income tax net position has improved significantly. Comparing our forecasts with the OBR's, the net position is expected to be £325 million in 2023-24, compared to the expected value in December 2021 of -£257 million. Relatively small changes in either the OBR or our forecasts can lead to significant changes in the projected net position. This is particularly relevant now with heightened inflation and increased geopolitical risks adding to the uncertainty of the component forecasts.

20 The more positive outlook for the net position is driven in part by Scottish Government policies to raise additional income tax. An additional £129 million of income tax revenue is set to be raised in 2023-24 following policy changes announced at this budget.

21 Since 2017-18, the Scottish Government has increased income tax rates and frozen thresholds to raise additional revenue, relative to what would be raised under UK Government policy. While the higher rate threshold is frozen in both the UK and Scotland, it is frozen at a lower level in Scotland. We estimate that the total divergence in Scottish and UK income tax policy since 2017-18 is contributing around £1 billion to the income tax net position in 2023-24.

22 Another factor is outturn data for 2020-21 published in July 2022 and discussed in our August 2022 publications, which showed Scotland to have a more positive net position than we anticipated in our December 2021 and May 2022 forecasts, driven primarily by lower than expected UK income tax revenues.

23 Changes to the OBR's and our economy forecasts have also affected the outlook for the net position. With inflation rising, both the OBR and the Commission have revised up our forecasts for nominal average earnings growth by around the same amount in 2023-24. However, the OBR have made significant downward revisions to their forecast of employment growth in 2023-24. We think this revision in the OBR's forecast of employment growth in the UK has contributed significantly to the positive shift in the net position in 2023-24.

24 From 2024-25 onwards, the OBR forecasts UK average nominal earnings growth to average 2.0 per cent. This is low by historical standards and compared to our forecast of 2.6 per cent for Scotland, leading to a further improvement in the income tax net position over the forecast horizon.

25 Over the last five years, earnings have been growing more slowly in Scotland than the UK. This has been driven in part by slowing activity in the oil and gas sector in Scotland, and growth in the

earnings in the financial services in the UK. Comparing our forecasts of earnings growth to the OBR's suggests a period of catch-up in Scottish earnings over the next five years. driven by:

- Higher energy prices and an increased emphasis on energy security leading to a more positive outlook for earnings and employment in the oil and gas sector.
- Greater alignment in the outlook for earnings growth in Scottish and UK financial services.
- Scottish households tend to have smaller mortgage debt than households in other parts of the UK, meaning they will be less affected by rising interest rates, supporting economic activity in Scotland.

26 The outlook for earnings growth is uncertain and a range of outcomes is possible. Further revisions to ours or the OBR's forecasts could see this period of catch-up in earnings in Scotland disappearing, and a weakening in the outlook for the income tax net position.

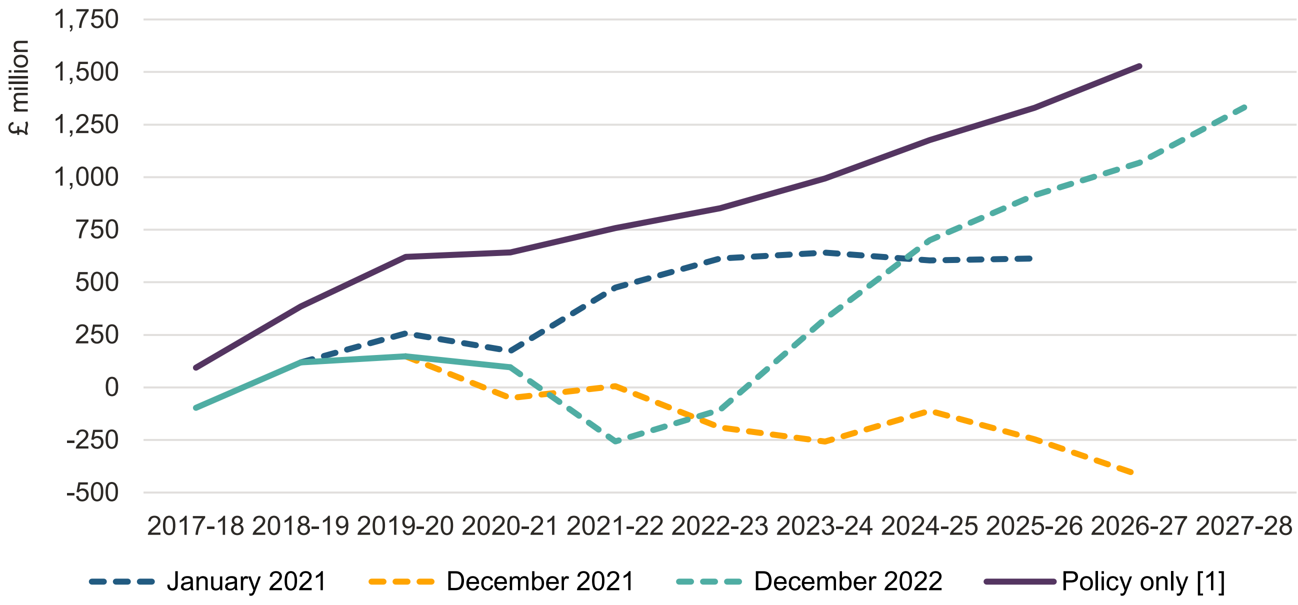
27 In summary, policy changes, revised data, and shifts in the relative economic outlook with the UK have all contributed to improved projections of the income tax net position. However, we strongly caution that the outlook remains very sensitive to changes in our or OBR's forecasts. The income tax net position for 2023-24 has increased by £582 million since our December 2021 forecast. While this is a large amount of money, it represents only 3.7 per cent of Scottish income tax revenues in this year. For context, we estimate that the OBR has an absolute forecast error of around 4.9 per cent in its two-year-ahead income tax forecasts for the UK, and so shifts in the income tax net position of this scale are not unexpected.[2]

28 The net position is the difference between two large forecast values, and there was always an expectation that estimates could move over time. We are now five years into the operation of the fiscal framework, and we can see that estimates of the net position can move year-to-year, and perhaps more than anticipated. As forecast error is an inherent part of forecasting, movement in the outlook of the net position is an inherent part of the fiscal framework, particularly with heightened economic uncertainty, and therefore requires careful budget management.

29 Figure 6 shows the latest projection of the net position compared to other recent projections.

[2] We reference the OBR figure here as a benchmark as they have a longer history of forecasts to compare. Scottish Fiscal Commission (2021) Supplementary Forecast Evaluation Report (link).

Figure 6: The income tax net position comparisons



Source: Scottish Fiscal Commission, Scottish Fiscal Commission (2022) 'Trends in Scotland's population and effects on the economy and income tax' (link).
[1] The policy only line includes the latest policy announcements from the Scottish Government and UK Government. It is estimated on a static policy basis. Including behavioural responses would only have a small effect on the purple line and not change the overall story presented in this figure.

30 In Figure 6 the solid line is outturn data on the income tax net position, and the dashed line shows the outlook given the latest OBR and our forecasts. The net position has been revised up significantly since December 2021 and is now more in line with where it was projected to be in January 2021.

31 The policy only [1] line in Figure 6 shows our approximation of what the income tax net position would be if Scottish economic performance had exactly matched the UK, with the only difference being in income tax policy. The actual net position being below this policy only position is in line with relatively slower earnings and employment growth in Scotland compared to the UK since 2016-17. Even with a period of relative catch-up over the next five years, earnings and employment growth in Scotland still lags the UK compared to the 2016-17 starting year for income tax. Despite upwards revisions, the income tax net position remains below the hypothetical policy differences only position.

Other devolved taxes

Non-Domestic Rates

32 There are several Non-Domestic Rates (NDR) policy changes included in the 2023-24 Budget. The Scottish Government has set the poundage to the same amount as in 2022-23. The Small Business Bonus Scheme (SBBS) has been reformed. There are two transitional reliefs available, one for all properties where rateable value has substantially increased after revaluation and one for small businesses affected by SBBS changes.

33 Our NDR forecast has been affected by the ongoing revaluation of all rateable properties. The final valuation roll will not be available until 1 April 2023. Because of this ongoing revaluation, we have used an imputed roll based on an incomplete draft roll to forecast NDR. Any differences between the imputed roll and the final roll will affect our policy costings and forecasts.

Land and Buildings Transaction Tax

34 House prices have increased further since December 2021, and this is reflected in an increase to our Land and Buildings Transaction Tax (LBTT) forecast for 2022-23. However, we have revised down our forecast from 2023-24 onwards because we expect a drop in house prices and transactions next year and the year after in response to the rapid rise in interest rates and the wider downturn.

Social security

35 We forecast overall social security spending will rise from £5.2 billion in 2023-24 to £7.3 billion in 2027-28. The existing payments administered by the Department for Work and Pensions (DWP) will continue to be replaced by new payments delivered by Social Security Scotland. The increase in expenditure over the forecast is a result of more people receiving the payments and on average people receiving higher payments over time, with inflation being a major factor in this.

Figure 7: Social security spending in 2023-24 and 2027-28

Not included in the visual: £14 million for the replacement of the devolved employability support services as an indicative forecast in 2023-24 and £4 million for Severe Disablement Allowance as UK Government Policy in 2027-28.

[1] SG other includes: Best Start Foods, Best Start Grant, Carer's Allowance Supplement, Child Winter Heating Assistance, Winter Heating Payment, Funeral Support Payment, Discretionary Housing Payments, Fair Start Scotland and Scottish Welfare Fund in 2023-24.

[2] UK other includes: Industrial Injures Disablement Benefit and Severe Disablement Allowance in 2023-24.

[3] Indicative forecasts includes: Scottish Carer's Assistance, Pension Age Disability Payment, Employment Injury Assistance, Pension Age Winter Heating Payment, Scottish Adult DLA, and an estimate for spending on Employability Services to replace the current Fair Start Scotland.

36 Our forecast for spending in 2026-27 has increased by £1.4 billion compared to our December 2021 forecast. The two major drivers of this have been higher inflation leading to payment amounts being increased by more than we forecast in December 2021, and recent increases in the number of people receiving disability payments.

Figure 8: Change in total social security spending forecasts since December 2021

£ million	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
December 2021	3,679	4,065	4,657	4,966	5,230	5,511	
December 2022	3,682	4,187	5,244	6,163	6,554	6,903	7,267
Change since December 2021	3	122	587	1,197	1,324	1,392	

Source: Scottish Fiscal Commission.
Figures may not sum because of rounding. Shaded cells refer to outturn available at time of publication.

37 Social security spending is partly funded by Block Grant Adjustments (BGAs) from the UK Government for taking on the payment of devolved benefits. The level of BGAs is based on spending on the UK payments in England and Wales and they do not include the effect of Scottish Government reforms. Any spending above the funding from the BGAs must be met by the Scottish Government from elsewhere in the budget. The Scottish Government has also introduced new payments which have no UK equivalents. As there are no BGAs these must be funded entirely from the Scottish Government budget.

38 Figure 9 shows forecasts for the difference between social security funding and spending each year. When including new payments introduced by the Scottish Government, we forecast that by 2027-28 the total spending on social security payments will be £1.4 billion more than the corresponding funding received.

Figure 9: Social security net position and new payments

£ million	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Social security net position	- 11	- 194	- 422	- 589	- 696	- 782
New social security payments	- 363	- 582	- 624	- 623	- 629	- 634
Total	- 374	- 776	- 1,046	- 1,212	- 1,325	- 1,416

Source: Scottish Fiscal Commission.
Figures may not sum because of rounding.
[1] Social security net position includes Adult Disability Payment (covered by the Personal Independence Payment BGA), Child Disability Payment and Scottish Adult Disability Living Allowance (covered by the Disability Living Allowance BGA), Pension Age Disability Payment (covered by the Attendance Allowance BGA), Scottish Carer's Assistance and Carer's Additional Person Payment (covered by the Carer's Allowance BGA), Employment Injury Assistance (covered by the Industrial Injuries Disablement Scheme BGA), Winter Heating Payment (covered by the Cold Weather Payment BGA), Pension Age Winter Heating Payment (covered by the Winter Fuel Payment BGA) and Severe Disablement Allowance (covered by Severe Disablement Allowance BGA).
[2] Social security new payments include Scottish Child Payment, Carer's Allowance Supplement, Child Winter Heating Assistance, Best Start Grant Early Learning Payment and Best Start Grant School Age Payment. We also include spending through Discretionary Housing Payments on bedroom tax mitigation and the extra costs of the new commitment to mitigating Benefit Cap deductions.

39 The majority of social security payments are increased each year by inflation. This means the higher forecasts of inflation have led to our forecasts of social security spending increasing. BGAs also increase as a result of inflation, but these only cover part of the spending forecast. UK Government funding transfers will not cover the inflation related increase in spending on the additional cost of the reforms introduced by the Scottish Government.

40 Scottish Child Payment is the most significant new benefit introduced by the Scottish Government, with forecast spending of £442 million in 2023-24. It was originally launched in February 2021 as a

weekly payment for low-income families with children aged under six. On 14 November 2022 Scottish Child Payment was extended to include all children under 16 in low-income families.

41 Adult Disability Payment (ADP) was launched nationally in Scotland in August 2022 to replace Personal Independence Payments (PIP), the existing UK Department for Work and Pensions (DWP) payment. Adult Disability Payment spending accounts for over half of the social security spending forecast for 2023-24.

42 In the period since COVID-19, in advance of the launch of ADP, there has been an increase in the number of adults receiving disability benefits in Scotland. We attribute this increase to the combined impact of the following factors:

- Eligible people considering sources of support as a response to the cost of living crisis.
- People waiting longer for NHS treatment, potentially leading to conditions worsening or treatment being less effective, to such an extent that they become eligible for disability benefits.
- Continuing long-term impacts from COVID-19, including long COVID and wider impacts of the pandemic on mental health.

43 We expect these effects will persist into the future, so have increased our forecasts for spending on disability benefits. There have also been similar increases in people receiving UK disability payments England and Wales, meaning that forecasts for funding received through BGAs have also increased.

44 Compared to PIP, the Scottish Government has made a number of reforms with the introduction of ADP. The reforms include, but are not limited to, changes designed to improve the experience of people applying for the benefit, longer awards, the ambition to increase take-up by those eligible for the payment, and changes to the terminal illness rules. Our assessment is that the implementation of these reforms will lead to more people receiving ADP and higher average payments. We forecast expenditure on ADP will be over £650 million higher than the BGA received for PIP in 2027-28. This additional spending is more uncertain than other parts of the social security expenditure forecasts as it is based on our assumptions and judgements on the impact of the Scottish Government reforms. It is important that we receive the detailed data we need on ADP to ensure we can accurately forecast the overall expenditure and changes introduced by the Scottish Government.

The funding outlook

45 The Scottish Government has set the 2023-24 Budget based on our tax and social security forecasts, UK Government spending plans, plans for using the Scotland Reserve and borrowing, and assumptions on other income sources. We consider the Scottish Government's funding assumptions for the 2023-24 Budget to be reasonable. We discuss in this report the pressures 2023-24 will bring in terms of inflation and increasing social security spending.

46 The Scottish Government has provided indicative assumptions for the years 2024-25 to 2027-28. Our forecast accompanies a one-year budget and we do not comment on the reasonableness of these assumptions. We do note pressures in future years including a large negative income tax reconciliation for 2024-25 and an increasing social security bill.

Resource budget 2023-24

47 We expect resource funding for 2023-24 to increase by £1.7 billion in nominal terms but only £279 million in real terms compared to the latest funding position for 2022-23. Resource funding makes up the majority of the Scottish Budget and is used on public services such as NHS Scotland, goods and services, and social security. The difference of £1.4 billion in the value of the nominal and real 2023-24 Budget compared to the latest 2022-23 position shows the effect higher inflation is having, eroding the spending power of the Scottish Government. We account for inflation using the GDP deflator, but CPI inflation is higher than this and may affect some areas of government spending more than the GDP deflator. Although there have been increases in funding for 2023-24, the Scottish Government is likely to face challenges in balancing its funding and spending plans.

48 Nominal resource funding for 2023 24 has increased due to greater UK Government funding via the Block Grant. There has been an improvement in the tax net position, the difference between Scottish tax revenues and their Block Grant Adjustments (BGAs). In 2022-23 the net tax position was slightly negative, it is positive for 2023-24. This change is partly driven by Scottish Government policy for income tax in freezing income tax thresholds at a lower rate than that set by the UK Government and raising tax rates. In 2022-23 a small negative tax reconciliation is applied but a positive tax reconciliation is expected for 2023-24 based on outturn data. The Scottish Budget is set based on forecasts of Scottish and UK income tax. Reconciliations are funding adjustments applied to the budget after outturn data are available. Compared to the latest position for 2022-23, for 2023-24 the Scottish Government is assuming lower amounts of reserve drawdown, borrowing and assumed other funding.

49 The Scottish Government is profiling £310 million of the proceeds from ScotWind leases in the 2023-24 Budget. In May 2022 we assessed this to be reasonable but noted it may warrant revisiting if other funding materialises. Since then, there has been a real-terms increase of £1.3 billion in the funding position for 2023-24. This is due to increased funding via the Block Grant, the tax net position moving from being forecast at -£265 million to £562 million and the final reconciliation being positive rather than negative. We still assess the profiling of ScotWind in this way to be reasonable as we expect the 2023-24 Budget will be subject to further inflationary pressure throughout the year, but this does constrain what can be deployed in future years from this source.

50 Social security spending on devolved payments is forecast to exceed specific funding from the UK Government by £194 million due to Scottish Government reforms of these payments. Together with new payments introduced by the Scottish Government, there is £776 million of social security spending not funded by BGAs in 2023-24. The gap between the BGAs and social security spending puts pressure on the Scottish Budget as other sources of funding must be used. Most of social security payments are increased each year by CPI, so inflationary pressures may exceed those captured by the GDP deflator.

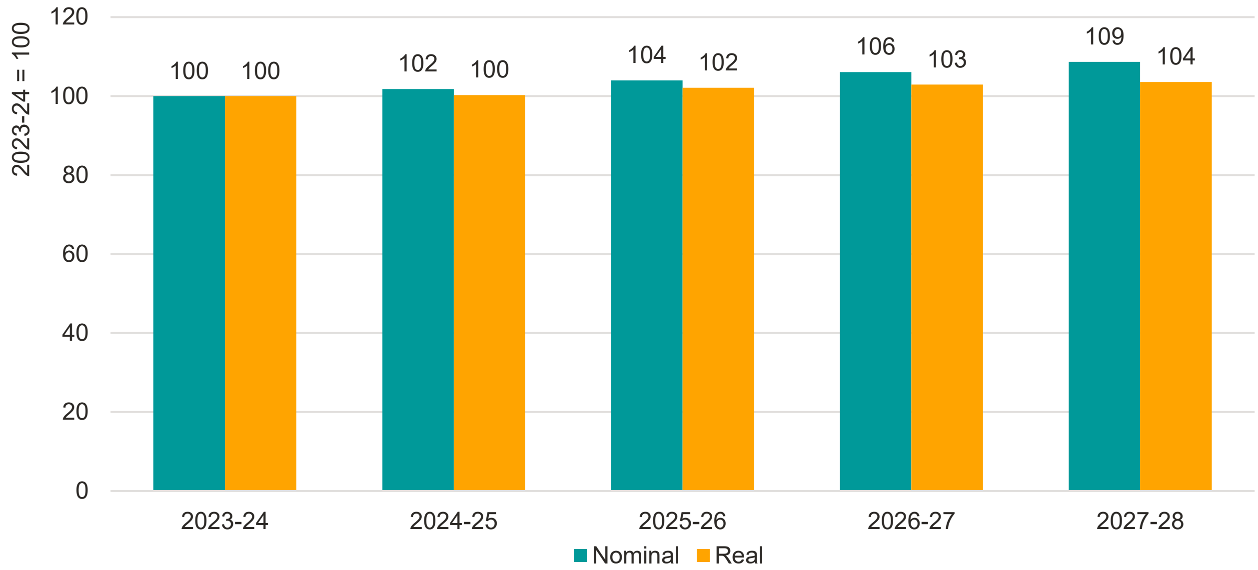
51 The 2023-24 Budget does not include planned resource drawdown from the Scotland Reserve. This is because the available balance is expected to be drawn down to support additional spending in 2022-23. The Scottish Government plans to borrow £41 million within the limit unlocked by negative forecast errors.

Resource funding in the medium term

52 Over the next five years we expect a modest but steady increase in nominal resource funding. Inflation dampens this growth substantially. In 2027-28 we expect the Scottish Government to have 4 per cent more resource funding in real terms than in the 2023-24 Budget. This is shown in

Figure 10. The medium-term funding position is indicative and based on assumptions made by the Scottish Government on the UK Government funding, other sources of income and our forecasts.

Figure 10: Five-year resource funding trends



Source: Scottish Fiscal Commission, Scottish Government.
Amounts indexed so that amount in 2023-24 is equal to 100. Real amounts have been calculated adjusting nominal amounts by the most recent GDP deflators published by the OBR in November 2022 (link).

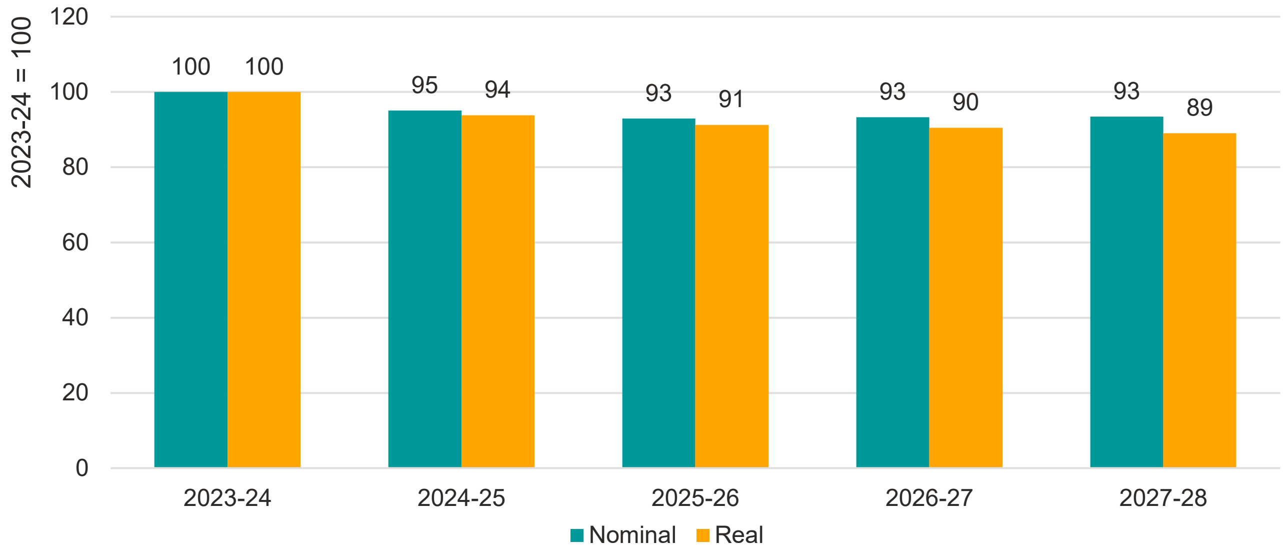
53 Our and the OBR's latest forecasts lead to the projected tax net position being increasingly positive over the medium term. The income tax net position drives this and is forecast to add £1.3 billion to the resource budget in 2027-28. This estimate is illustrative and may change depending on UK and Scottish tax policy and revenues. The large negative income tax reconciliation of £732 million expected in 2024-25 means that the resource budget for 2024-25 is only very slightly higher than for 2023-24 in real terms. This reconciliation will exceed the Scottish Government's resource borrowing limit, reducing resource funding available to portfolios. We expect that spending on devolved social security will increasingly exceed BGA funding because of Scottish Government reforms. Combined devolved and new social security payments are forecast to exceed the BGAs by £1.4 billion in 2027-28. This will reduce funding available to other portfolios.

Capital funding

54 Capital funding accounts for 12 per cent of the Scottish Budget in 2023-24 and is used to fund long-term investments such as infrastructure, hospitals, and research and development. The capital budget is flat in nominal terms between the latest position for 2022-23 and the 2023-24 Budget reflecting a real-terms cut £185 million.

55 As shown in Figure 11, this pressure is expected to continue in the medium term. This reflects less capital funding in nominal terms mainly because of reduced UK Government funding and the impact of inflation. In the 2022 Autumn Statement, the UK Government announced a freeze in capital budgets in cash terms from 2026-27 onwards.

Figure 11: Five-year capital funding trends



Source: Scottish Fiscal Commission, Scottish Government.
Amounts indexed so that amount in 2023-24 is equal to 100. Real amounts have been calculated adjusting nominal amounts by the most recent GDP deflators published by the OBR in November 2022 (link).

Capital reserve and borrowing

56 No reserve drawdowns are assumed to support the capital budget in 2023-24, but the Scottish Government plans to draw down £50 million from the Financial Transactions account. For 2023-24 and subsequent years, the Scottish Government assumes a total of £450 million in funding from borrowing, drawdowns, additional UK consequentials and other sources. The Scottish Government plans to borrow £250 million in 2023-24 and will increase this if the other funding sources do not produce £200 million. We have assessed this borrowing plan to be reasonable. However, we note that it seems unlikely the full £200 million will be available for 2023-24 given UK Government fiscal tightening on capital spending and Scottish Government plans to draw down all reserve funds in 2022-23. The Scottish Government can borrow up to £450 million each year to support capital investment and could increase their borrowing to £450 million in 2023-24. However, successive years of borrowing at that level would move the total debt stock closer to the limit of £3 billion over the next five years.

Additional Information

Abbreviations

ADP	Adult Disability Payment
BGA	Block Grant Adjustment
CPI	Consumer Price Index
DLA	Disability Living Allowance
DWP	Department for Work and Pensions
GDP	Gross Domestic Product
HMRC	His Majesty's Revenue and Customs
HMT	His Majesty's Treasury
LBTT	Land and Buildings Transaction Tax
NDR	Non-Domestic Rates
NHS	National Health Service
NSND	Non-Savings and Non-Dividends
OBR	Office for Budget Responsibility
OECD	Organisation for Economic Cooperation and Development
ONS	Office for National Statistics
PIP	Personal Independence Payment
QNA	Quarterly National Accounts
SBBS	Small Business Bonus Scheme
SG	The Scottish Government

A full glossary of terms is available on our website:

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

Professional Standards

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).[3]

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 statement of voluntary compliance can be found on our website.[4]

[3] OECD (2014) Recommendation on Principles for Independent Fiscal Institutions (link).
[4] Scottish Fiscal Commission (2018) Compliance with the Code of Practice for Official Statistics (link).

Correspondence and enquiries

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. Press enquiries should be sent to 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:

Economy	Silvia Palombi
Public funding	Caroline Carney
Tax	Will Jones
Social security	Francisco Forner

This publication is available at www.fiscalcommission.scot

Published by the Scottish Fiscal Commission, December 2022

Kenny 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

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

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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

Forecast Evaluation Update

December 2022

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This publication is available at www.fiscalcommission.scot

Any enquiries regarding this publication should be sent to us at: Scottish Fiscal Commission, Governor's House, Regent Road, Edinburgh EH1 3DE or info@fiscalcommission.scot

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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.[1] The reason for this adjustment is set out in Audit Scotland's Annual Audit Report for Social Security Scotland.[2]

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.[3] 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.

[1] Social Security Scotland (2022) Annual Report 2021-22 (link)
[2] Audit Scotland (2022) Social Security Scotland annual audit 2021/22 (link)
[3] Scottish Fiscal Commission (2022) Statement of Data Needs – August 2022 (link)

Introduction

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.[4] 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

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.[5]

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.[6]

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).

[4] Social Security Scotland (2022) Annual Report 2021-22 (link)
[5] 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.
[6] 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

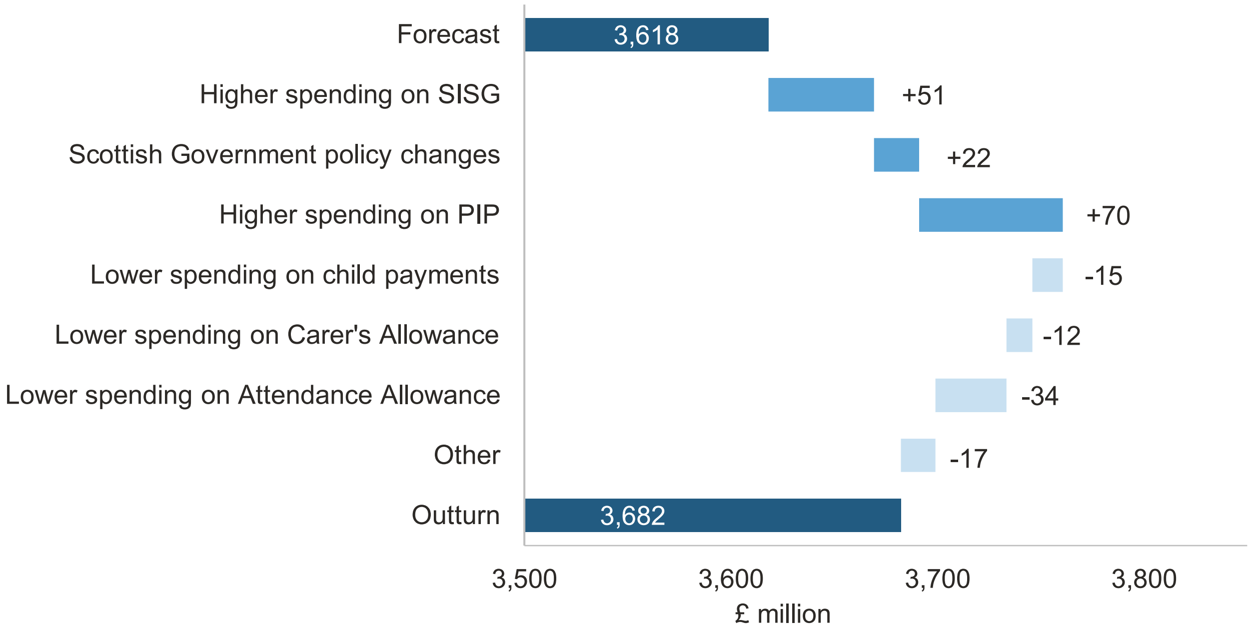
Benefit	Forecast (£ million)	Audited Outturn (£ million)	Error (£ million)	Relative Error (%)
Personal Independence Payment [1]	1,669	1,739	70	4
Disability Living Allowance [2]	696	691	-5	-1
Attendance Allowance	550	515	-34	-6
Carer's Allowance	306	294	-12	-4
Industrial Injuries Disablement Scheme	80	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
Total Social Security	3,618	3,682	64	2
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.[7]

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.

[7] 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
Total Social Security	3,754	3,682	-72	-2

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

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:

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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

[8] OECD (2014) Recommendation on Principles for Independent Fiscal Institutions (link)
[9] Scottish Fiscal Commission (2018) Compliance with the Code of Practice for Official Statistics (link)

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