

Scottish Fiscal Commission Bill – Call for Evidence

The Scottish Government introduced its Bill to give the Scottish Fiscal Commission a basis in statute on 28 September 2015:

http://www.scottish.parliament.uk/S4_Bills/Scottish%20Fiscal%20Commission%20Bill/SPBill78S042015.pdf

The Commission has been operating on a non-statutory basis since June 2014. The Scottish Government has already consulted on a draft of the Bill and the responses are available here: <http://www.gov.scot/Publications/2015/09/2406/downloads>

The Finance Committee which now has the role of scrutinising the Bill as introduced has previously examined proposals for a Scottish Fiscal Commission (SFC) and published its report in February 2014:

<http://www.scottish.parliament.uk/parliamentarybusiness/CurrentCommittees/72938.aspx>

The Committee also considered the role and remit of the SFC as part of its consideration of the Smith Commission proposals for an updated fiscal framework for Scotland:

<http://www.scottish.parliament.uk/parliamentarybusiness/CurrentCommittees/90923.aspx>.

Forecasting tax revenues

Section 2(1) of the Bill requires the Commission to assess the reasonableness of the Scottish Ministers' forecasts. The policy memorandum states that "the preparation of forecasts of tax revenues which underpin the Scottish Budget should be the responsibility of Scottish Ministers, who should in turn be directly accountable to the Scottish Parliament for these forecasts."¹ It is not proposed that the Commission should prepare its own forecasts. However, the Committee recommended in its submission to the Scottish Government consultation on the draft Bill that the Commission should carry out its own forecasts.

The Committee would welcome views on whether:

- **there is a need for independent forecasts in addition to the Scottish Government official forecasts?**
- **the Commission should have the capacity and resources to make its own forecasts even if its role is to assess the official forecasts?**
- **the Scottish Government forecasts should be subject to sensitivity analysis carried out by the Commission?**
- **the Commission should be able to develop its own forecasting methods and analytical capacity in order to provide a benchmark set of projections?**

Role of the SFC Prior to the Publication of the Scottish Government Forecasts

1

http://www.scottish.parliament.uk/S4_Bills/Scottish%20Fiscal%20Commission%20Bill/SPBill78PMS042015.pdf

Section 4(1) of the Bill as introduced requires the Commission to publish its report on the assessment of the reasonableness of the forecasts for the devolved taxes on the same day as the draft budget is published. Section 4(3) requires the Commission to provide a copy of the report to Ministers in advance of publication.

This means that the Commission will be required to carry out its assessment of the Government's forecasts prior to publication. The Commission describes this approach in its first report in October 2014 as "one of enquiry and challenge, followed by response, followed by further enquiry and suggested improvements."²

The Commission also states on its website that throughout "the year the Commission scrutinises the Scottish Government's work in developing models and methodologies to produce its forecasts. Its interaction with the Scottish Government informs the Commission's understanding of the reasonableness or otherwise of their forecasts and its scrutiny improves the methods used by the Scottish Government and thereby the eventual forecasts."³

The Committee has previously recommended that, if the SFC is to have only a forecast assessment role, in order to ensure the Commission's independence it is essential that it has no role in producing the forecasts.⁴ The Scottish Government responded that it "agrees that the SFC should have no role in producing the original forecasts" and "intends to set this out in establishing the remit of the body, on a non-statutory basis for an interim period and on a statutory basis in due course."⁵ The policy memorandum states that the Commission is able to "exert significant influence over the forecasts which underpin the Scottish Draft Budget."⁶

The Committee would welcome views on whether:

- **the Commission should exert significant influence over the forecasts at the same time as providing an assessment of their reasonableness?**
- **the Commission should have a role throughout the year in scrutinising the Scottish Government's work in developing models and methodologies to produce its forecasts?**
- **the Commission should carry out its assessment of the Scottish Government forecasts either *before* or *after* publication?**
- **the Commission should be required to send a copy of its report on its assessment of the forecasts to Ministers prior to publication and, if so, how far in advance?**

Additional Functions

² http://www.fiscal.scot/media/media_364407_en.pdf

³ <http://www.fiscal.scot/aboutus/scrutiny/>

⁴ <http://www.scottish.parliament.uk/parliamentarybusiness/CurrentCommittees/72938.aspx>

⁵

http://www.scottish.parliament.uk/S4_FinanceCommittee/General%20Documents/20140424_Scottish_Government_response.pdf

⁶

http://www.scottish.parliament.uk/S4_Bills/Scottish%20Fiscal%20Commission%20Bill/SPBill78PMS04_2015.pdf

The Policy Memorandum states that the “policy content of the Bill at introduction reflects the existing legislative competence of the Scottish Parliament, as amended by the Scotland Act 2012. In time, we expect to see the remit of the Commission develop substantially to take account of the new fiscal powers to be devolved under the Scotland Bill currently proceeding through the Westminster Parliament and any further future devolution.”⁷ The consultation on the draft Bill identified a number of possible future functions including the assessment of the Scottish Government’s performance against fiscal rules and assessment of mechanisms for adjusting the block grant.

The Committee recommended in its submission to the government consultation on the Bill that the functions of the Commission should include judging the performance of the Scottish Government against its fiscal targets and an assessment of the long-term sustainability of the public finances. The Committee also recommended that there should be a legislative requirement for the Scottish Government to prepare a charter for budget responsibility.

The Committee would welcome views on whether:

- **the Commission should have a wider role in assessing the sustainability of Scotland’s public finances such as adherence to fiscal rules and , if so, should the Bill be amended now to reflect this?**
- **the Bill should be amended to include assessment of mechanisms for adjusting the block grant?**
- **there should be a legislative requirement for the Scottish Government to prepare a charter for budget responsibility and the Commission should have a role in assessing adherence to the charter?**

Right of Access to Information

Section 7 of the Bill states that the Commission has a right of access at reasonable times to any relevant information from the Scottish Government, Revenue Scotland, SEPA and the Registers of Scotland. The Committee has previously recommended that the right of access should be established on a statutory basis and the detail set out in a Memorandum of Understanding (MoU). The Committee also recommended that it is essential that any contact between the Commission and these bodies should be based on a transparent framework of co-operation and that the basis of the working relationship should be set out in a MoU. The Scottish Government agreed with these recommendations.

The Committee would welcome views on:

- **is the right of access in the Bill robust enough?**
- **is there a need to include a requirement for a MoU on the face of the Bill?**
- **what principles should underpin the working arrangements between the Commission and the Scottish Government and other relevant public bodies?**

7

http://www.scottish.parliament.uk/S4_Bills/Scottish%20Fiscal%20Commission%20Bill/SPBill78PMS04_2015.pdf

- the process and timings for the Commission's engagement with the Scottish Government and how this should be set out in the MoU?
- the process and timings for the Commission's engagement with HMRC and the OBR and how this should be set out in the MoU?

Appointment of Members and Staff

The Bill provides for Members of the Commission to be appointed by Ministers but only if the Scottish Parliament has approved the appointments. The current Members will form the first statutory Commission, serving to the conclusion of their current appointment terms. All subsequent appointments to the Commission will be subject to the Public Appointments and Public Bodies etc. (Scotland) Act 2003. Members (including the Chair) can only be appointed for one fixed term. The period of appointment is to be determined by Ministers who may also remove a member from office under specified conditions but only with the approval of the Parliament. The Commission will determine its own staffing arrangements, with the terms and conditions of employment to be agreed firstly with Ministers.

The Committee would welcome views on whether:

- the proposed appointment and removal procedures are adequate for ensuring the independence of Commission Members?
- Ministers should determine the period of office of each Member or should it be specified in the Bill?
- appointments should be for one fixed term or should there be an option for a further term?
- should the Commission determine its own staffing arrangements on the basis of terms and conditions of employment agreed firstly with Ministers?

Resources

The Financial Memorandum (FM) states that the estimated recurring costs arising from the Bill are £850,000. Staff costs are estimated at £345,000 from 2017-18 on the basis of the provisions within the Bill and 6 full time equivalent staff. Member costs are estimated at £112,000. This includes £104,000 for the remuneration of Members and £8,000 for expenses. The daily rate is £465 for the Chair and £331 for other Members with an assumed time commitment of 1.5 days per week.

The committee would welcome views on:

- the overall costs set out in the FM;
- the number of staff;
- the remuneration and assumed time commitment of Commission members;
- the likely costs of expanding the Commission's role to include an assessment of key aspects of Scotland's fiscal framework such as the Scottish Government's adherence to fiscal rules.

How to submit your evidence

The closing date for responses is **Friday 6 November 2015**.

All responses should be sent electronically (in Word format – no confirmatory hard copy required) to finance.committee@scottish.parliament.uk. Written responses will be handled in accordance with the Parliament's [policy for handling written evidence](#) received in response to calls for evidence. All written evidence received may be published by the Parliament and will be treated as a public document. If you wish to submit evidence in confidence or anonymously please read the policy at the link above.

What happens next?

The Committee will be considering those witnesses it wishes to hear oral evidence from in due course, informed by the written evidence received. Oral evidence sessions are likely to be in November and December.

Contact

Should you require alternative formats of this information or further assistance in making a written submission to the Committee, please do not hesitate to contact the clerking team of the Committee via the email address above or by telephone on 0131 348 5451.