

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

Sent via email

9 May 2024

Dear Convener,

When we met last week, I said that I would update you on the Commission's thinking about our work on fiscal sustainability.

With your Committee's support, and that of the previous Finance and Constitution Committee, we have now published two substantive papers on fiscal sustainability following a recommendation from the OECD in 2019.

Our March 2023 [Fiscal Sustainability Report](#) focused on the risks to sustainability from factors such as changes in demography and the economy. In March 2024 we published a [Fiscal Sustainability Perspective on Climate Change](#). Although this report considered how climate change in its widest sense could affect fiscal sustainability, it also opened up the question of how policy commitments such as net zero and statutory emissions targets may give rise to fiscal risks.

These risks may also arise from the longer term implications of current spending priorities. An example could be the commitments on social security disability payments. Here, the payment rules, the social security charter and a commitment to maximise take-up, means that levels of future spending will be determined by demand and the growth of the eligible population. Such spend is therefore more difficult to manage than most other areas of devolved government spending. To date, we have not considered this fiscal risk over the longer term, although we have highlighted some such pressures over the next five years in our regular fiscal forecasts.

Following last year's request from your Committee we will now update our long-run projections every two years, with the next update due in 2025. We also will incorporate analysis of fiscal sustainability risks into these reports, and in 2025 we will be looking at health.

We also spent some time last week talking about the information available on Scottish Government spending and the importance of fiscal transparency.

Earlier this year, we published an analysis of the [Spending Trends in the 2024-25 Scottish Budget](#). This builds on our earlier work on portfolio resource spending by showing changes on a consistent basis using the international Classification of the Functions of Government



(COFOG). The paper also tackled a number of important, but highly technical, issues on how spending data can be compared over time which we hope the Scottish Government will pick up in its own publications.

This latest paper in our Fiscal Trends series is a good example of how we hope to continue working to provide useful analysis and commentary, but also by using our technical expertise encourage the Government to publish new and innovative data that will foster greater transparency.

We are exploring the possibilities of developing a more historical analysis of spend that would allow greater insight into previous decisions and trends. It may be possible to link this to comparisons of the funding received through the Barnett consequentials for different areas. Both these developments are speculative at the moment and require further work.

We intend to include recommendations on how the Government may present its budget data more clearly in our next Statement of Data Needs due to be published in August.

As I said when we met last week, I see improved transparency and a better informed public debate on fiscal and budgetary issues as vital, and areas where the Commission can play an important part.

I am very keen to continue this conversation with the Committee and others over the summer, and into the autumn, when we expect that the OECD will publish their independent evaluation of the Commission.

Yours sincerely

Professor Graeme Roy
Chair