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Gordon Lindhurst MSP
Convener
Economy, Energy and Fair Work Committee
The Scottish Parliament
Edinburgh
EH99 1SP

30 May 2019
Sent via email

Dear Convener,

The Scottish Fiscal Commission has now published its report [Scotland's Economic and Fiscal Forecasts – May 2019](#), to inform the Scottish Government's Medium Term Financial Strategy published today.

As the Scottish Budget is increasingly determined by devolved tax revenues and social security spending, this report highlights the areas we view as potential risks to the Scottish Budget. Spending on social security will increase significantly next year to £3.5 billion from the £447 million forecast to be spent this year. The Scottish Government is proposing changes to both the delivery and policies of these benefits, the costs of changes to benefits devolved next year are not yet included in our forecasts and will need to be met from the Scottish Budget.

The Scottish Budget will have to be adjusted to account for differences between the forecasts used to base the original budget and the amounts actually raised from tax or spent on social security, referred to as outturn. These adjustments are known as reconciliations. Next year will see the first income tax reconciliation, currently estimated to result in a £229 million reduction in the Scottish Budget. The Government can borrow and use its reserves to help deal with these variations, but it may also need to adjust its spending plans.

We are committed to being independent, transparent, accessible and open. In this report we have focused on a few areas in more detail, but have made the report as a whole more concise. Alongside the main report, we have produced a one page graphic of key figures and a summary report that sets out our forecasts and the main assumptions and judgements that underpin them. We also publish background information, including spreadsheets with data for all the report's tables and charts.

We would be glad to answer any queries the Committee may have on our report.

Yours sincerely

A handwritten signature in black ink that reads "Susan Rice".

Susan Rice DBE