

# OECD Review of the Scottish Fiscal Commission 2025

**HIGHLIGHTS**





## OVERVIEW

The Scottish Fiscal Commission (SFC) is an independent body that forecasts Scotland's economy, tax revenues, and social security spending. Established as a statutory body in 2017, the SFC plays a crucial role in the Scottish budget process. This review assesses the SFC's progress since its first review in 2019 (the 2019 OECD Review). It identifies challenges and future opportunities for the SFC to enhance its work and impact.

The review is based on international standards: the OECD Principles for Independent Fiscal Institutions (IFIs). It also benchmarks the SFC against similar institutions across the OECD. It considers the SFC's mandate, resources, independence, core outputs, and its overall impact. The OECD review team conducted stakeholder interviews in April 2024.

This review highlights the SFC's progress since the 2019 OECD Review. In its early years, the SFC prioritised developing a solid reputation for independent, rigorous analysis and establishing strong relationships with key stakeholders. It has since broadened the scope of its analysis to look more widely at the overall Scottish budget and key fiscal challenges, such as long-term fiscal sustainability and the impact of climate change. This new work has been valued and viewed positively by a wide range of stakeholders.

The SFC has also strengthened its relationships with key stakeholders, including the Scottish Parliament and the UK Government. The SFC continues to stand out as a strong IFI internationally, comparing well to its peers in terms of its independence, analysis, and communications apparatus, as shown by the OECD's 2024 Fiscal Advocacy Index.

However, the fiscal context in which the SFC is operating is evolving. The Scottish Government faces increasing budgetary pressures due to factors such as an ageing population, increasing healthcare costs, new social security measures and climate commitments. Increased spending in one area tends to require tightening in other areas of the Scottish Government's budget. In this evolving context, the SFC plays a critical role in empowering political and public understanding of the overall fiscal challenges facing the Scottish Government and in informing the debate around budget choices. To support this, a series of key recommendations are proposed.

## KEY RECOMMENDATIONS

The following recommendations first and foremost aim to ensure that the SFC performs its mandatory duties in an effective and sustainable way over coming years. They also position the institution to have an important role in empowering political and public understanding around budget choices at a time when Scotland's fiscal context will become increasingly challenging.

- The SFC should help support a more informed debate around the trade-offs needed to ensure public finances are on a sustainable path. To do this effectively, the SFC will need to broaden and deepen its spending analysis beyond social security. This will enable the SFC to undertake robust independent analysis of spending pressures across the budget, and highlight in politically neutral terms some of the different ways in which they might be alleviated.
- In supporting a more informed budget debate, the SFC must communicate its analysis effectively – empowering political and public understanding of the key issues. The Chair of the SFC is a seasoned and effective communicator with key stakeholders including parliament and the media. Building on this, the SFC should seek to further embed a strong communications and engagement culture throughout the institution. This will allow the SFC to increase the reach of its work and ensure that its communications impact is not dependent on any one individual.
- Strengthening levels of fiscal literacy among Members of the Scottish Parliament will also enhance the impact of the SFC's work and help it inform political debate across a broader range of spending areas. Key to this will be the SFC continuing to strengthen its parliamentary engagement – particularly with subject committees.
- Having a voice on spending pressures and choices across a broader range of budget areas may expose the SFC to greater political crossfire. The SFC's independence is well-protected through its enabling legislation, but stronger multi-annual funding commitments would provide additional assurance.
- The SFC has so far done an effective job of managing its high stakes forecasting environment. These stakes will increase in coming years as forecast errors have consequences for an already squeezed government budget. Transparency and clear communication around these errors and the unique challenges they bring is an opportunity to help quantify the risks and uncertainty for stakeholders and protect the SFC's reputation.
- The SFC is thinking creatively about how it can broaden the diversity of its Commissioners to enhance its reputation and impact. Considering a broader range of skillsets, backgrounds, and flexibility on time involvement will support this. In turn, appointing Commissioners with skillsets other than economics should also support the continuing expansion of the SFC's work on long-term fiscal sustainability, climate risks, and other emerging challenges.
- Access to timely information underpins the effective functioning of an IFI. In recent years, the Scottish Government has not always provided information underpinning the SFC's forecasts in agreed timescales. Formally increasing the time between Scottish and UK fiscal events would give Scottish Ministers more time to develop their policies and the SFC time to produce high-quality forecasts, but is unlikely fully address the issue. The SFC and the Scottish Government should also revisit their Protocol for Engagement to strengthen mutual understanding and reinforce adherence to agreed timelines. To ensure accountability, the SFC should also continue to highlight non-compliance with deadlines through publicly reporting, creating a reputational incentive for timely cooperation.

In implementing these recommendations, the SFC can continue to mature from its origins as an institution with a narrow remit in forecasting devolved tax and social security spending to an institution that is a strong fiscal advocate - central to helping ensure Scottish public finances are on a sustainable path, in line with the best institutions of its kind across the OECD.

The full OECD Reviews from both 2019 and 2025 are available here:

2019  
Review

2025  
Review





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