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# Statement of Data Needs

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# Foreword

The Scottish Fiscal Commission is the independent fiscal institution for Scotland. We produce the independent and official forecasts of the economy, tax revenues and social security spending to inform the Scottish Budget.

The annual Statement of Data Needs describes the main areas where we think improvements are required in the data and information we use for forecasting. These annual reports are in response to a recommendation of the Economy, Jobs and Fair Work Committee following its inquiry into Scottish economic statistics in 2018. We remain grateful to the Committee for its original recommendation that our statistical needs “should be a top priority”. We are also grateful to our data providers for their constructive responses to our requests in previous reports and for the discussions we have had with them in advance of publishing this year’s report.

Nevertheless there remain areas for further improvement. We have organised this report into four parts: information relating to the Scottish Budget, information from the UK Government, a continuing issue on wages and earnings data in Scotland and our views on some of the data issues arising out of the coronavirus pandemic. The recommendations in this year’s Statement reflect our judgments on what will have the greatest effect on our ability to produce accurate forecasts. We will review the progress on the issues we are raising here in our next Statement of Data Needs in 2021.

In 2019, the Organisation for Economic Co-operation and Development (OECD) undertook an independent review of the Commission.<sup>1</sup> They made a number of recommendations relating to the new pressures of the budget process on the Commission, the challenges of a complex fiscal framework and the lack of a statutory right to access UK bodies’ data. This report discusses the implications of some of the OECD recommendations.

In the last year, we have expanded our work to include commentary on how our forecasts fit into the Scottish Budget. The Scottish Government has provided us with information on the Scottish Budget, the sources of funding and planned use of the Scotland Reserve and borrowing. The information provided explains the significant changes taking place as a result of the UK Budget and in response to the Coronavirus (COVID-19) pandemic. We discuss these changes in our Fiscal Update, also published today.<sup>2</sup> We greatly value these data and information which have increased the transparency of our work and our forecasts. We hope this improved transparency continues as the Budget becomes more complex.

Information from the UK Government plays an important part in our work. We rely in particular on information for income tax and social security payments administered by Her Majesty’s Revenue and Customs (HMRC) and the Department for Work and Pensions (DWP) respectively. Policy and delivery changes by the UK Government can have a direct effect on Scottish Government revenues and spending. We are working with HM Treasury to define a process to share relevant policy information and analysis following UK fiscal events. This would be in addition to the data sharing agreements we already have with HMRC and DWP that have helped us significantly over the past few years.

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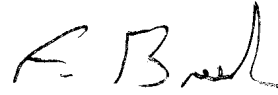
<sup>1</sup> OECD (2019) OECD Review of the Scottish Fiscal Commission ([link](#))

<sup>2</sup> Scottish Fiscal Commission (2020) Fiscal Update – September 2020 ([link](#))

Over the past six months we have also appreciated the work from data providers to continue publishing their statistics during the COVID-19 crisis. In addition there have been significant efforts from the Scottish Government, Revenue Scotland, HMRC, DWP and Office for National Statistics (ONS) to expand their outputs to provide information on the effects of the pandemic on the economy, tax revenues and social security spending. In this report, we discuss the effect of COVID-19 on the provision of the data required for our forecasts.



Dame Susan Rice DBE



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2 September 2020

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# Chapter 1

## Introduction

- 1.1 This is our third Statement of Data Needs. It has been written against the background of substantial progress in the quality and availability of statistical information for Scotland in the last few years.
- 1.2 It is important that our forecasts are based on reliable, credible and accessible data. Many of our immediate data needs have been addressed following our previous Statements of Data Needs. Annex A summarises recommendations from previous reports and progress against them.
- 1.3 The areas where we believe there is scope for further improvements relate more to general issues relevant to the Commission’s work rather than specific data series. These areas and our specific recommendations are summarised in Figure 1.2. Our focus this year is on improving our access to the information held by UK Government bodies, particularly where the UK Government makes policy changes which have a direct effect on Scottish taxes and social security revenues.
- 1.4 We continue to ask that improvements are made to data on Scottish wages and earnings, and that HMRC explains publicly the differences between the outturn data for income tax, and the regular ‘real time information’ published on income tax revenues.
- 1.5 We aim to use publicly available information and official statistics in all our models. We encourage data providers to align their data developments with the practices and principles for production of official statistics. We discuss voluntary compliance with the Code of Practice for Statistics in Box 1.1.

### Box 1.1: Code of Practice for Statistics

Since 2016, an increasing number of organisations have chosen to voluntarily apply the principles of the UK Statistics Authority Code of Practice to analytical outputs beyond official statistics. There have been over 20 voluntary adopters so far. We were one of the first organisations to do so together with HM Treasury for Budget data sources, the Race Disparity Unit of the Cabinet Office and DWP for the compilation of benefit expenditure and caseload data. In March 2018, we published a statement setting out our ongoing commitment to voluntarily comply with the Code.<sup>3</sup> Having the Code’s Pillars at the heart of our work has helped us develop a reputation for providing independent and credible forecasts.

The three pillars of the Code of Practice are trustworthiness, quality and value, shown in Figure 1.1.

**Figure 1.1: Pillars of Code of Practice**

Trustworthiness	Quality	Value
Trustworthiness is a product of the people, systems and processes within organisations that enable and support the production of statistics and data.	Quality means that statistics fit their intended uses, are based on appropriate data and methods, and are not materially misleading.	Value means that the statistics and data are useful, easy to access, remain relevant, and support understanding of important issues.

Source: UK Statistical System ([link](#))

<sup>3</sup> Scottish Fiscal Commission (2018) Compliance with the Code of Practice for Official Statistics ([link](#))

The Office for Statistics Regulation (OSR) recommend that all government organisations consider embracing voluntary application, especially when their analytical outputs inform decisions of high public interest. We endorse this call from the OSR and we would prefer all the data we rely on for our forecasts to be produced following the Code of Practice. This would greatly enhance the transparency of the data we use and of what we do.

**Figure 1.2: List of recommendations**

Chapter	Forecast affected	Recommendations
Scottish Budget	Assessment of the reasonableness of Scottish Government borrowing projections	<ul style="list-style-type: none"> <li>The Scottish Government should publish more information on how funding for the Scottish Budget changes throughout the financial year.</li> </ul>
Information held by UK Government departments	Devolved taxes and social security	<ul style="list-style-type: none"> <li>HM Treasury and the Scottish Fiscal Commission should agree a Memorandum of Understanding on how they work together.</li> <li>HM Treasury and the Scottish Fiscal Commission should define a process ahead of the next UK Government fiscal event for timely sharing of relevant information and analysis when there is a UK Government policy change that directly affects the Commission's tax and social security forecasts.</li> <li>HM Treasury should help the Scottish Fiscal Commission to obtain information and analysis on changes in UK Government policy that do not have a direct link to a tax or social security benefit in our remit, but could affect Scottish Government revenues or spending.</li> <li>The UK and Scottish Governments should, as part of the wider review of the fiscal framework in 2022, consider whether the Scottish Fiscal Commission should be given a statutory right to access information held by UK Government departments and public bodies.</li> </ul>
Improving data on Scottish wages and earnings	Economy	<ul style="list-style-type: none"> <li>The existing Real Time Information (RTI) steering group should consider how to improve regional earnings data using RTI and other sources of information.</li> </ul>
	Income tax	<ul style="list-style-type: none"> <li>HMRC and the ONS should reinstate RTI mean earnings for the UK regions in future releases as soon as possible.</li> </ul>

Source: Scottish Fiscal Commission

# Chapter 2

## The Scottish Budget

- 2.1 The Scottish Budget has become more complex with the greater devolution of tax and social security powers to the Scottish Parliament and as the mechanics of the fiscal framework come into operation. The 2020-21 Scottish Budget included around £3 billion of newly devolved social security payments and the first income tax reconciliation, which reduced the Budget by £204 million. As the Scottish Budget has evolved, so has our commentary as we explain the effect of our forecast errors on the Scottish Budget and assess the reasonableness of the Scottish Government’s borrowing projections.
- 2.2 Last year the OECD reviewed how the Scottish Fiscal Commission was performing against the Principles for Independent Fiscal Institutions and assessed the context, resources, independence, output, methodology and impact of our work.<sup>4</sup> As part of this review the OECD recommended “the SFC should continue its efforts to explain the fiscal framework, reconciliations and associated risks in politically neutral terms”.
- 2.3 To address the increasing complexity of the Scottish Budget we introduced a fiscal overview chapter to our main reports in May 2019. This chapter explained how our forecasts and the fiscal framework affected the Scottish Budget. Following the OECD’s recommendation we further expanded our commentary. Our February and April 2020 publications considered the Scottish Government’s total funding position, including borrowing, the Scotland Reserve, funding from the UK Government, reconciliations and the distributable amount for Non-Domestic Rates. This work informs our commentary on the reasonableness of the Scottish Government’s borrowing projections and use of the Scotland Reserve. We will continue to expand our work on the Scottish Budget as it becomes more complex and particularly if changes are made after the fiscal framework is reviewed in 2022.
- 2.4 The Scottish Government has provided us with all the information we need for our fiscal overview commentary. We appreciate the high-quality and comprehensive information provided but it is difficult for us to be fully transparent to our users when this information is not published publicly.
- 2.5 Our primary recommendation is for the Scottish Government to make the information it provides to us through our data sharing agreements publicly available in a timely manner. This would help maintain transparency and accessibility in our work and could also increase the transparency of the Scottish Budget process. We give some specific examples below.

### Box 2.1: Recommendation

The Scottish Government should publish more information on how funding for the Scottish Budget changes throughout the financial year.

<sup>4</sup> OECD (2019) OECD Review of the Scottish Fiscal Commission ([link](#))



## Specific requests

- 2.6 The Scottish Budget Bill can be amended as it passes through Parliament. These amendments typically reflect an agreement reached with another political party – in other words a budget deal. The 2020-21 Scottish Budget deal agreed on 26 February 2020 for the Stage 1 Bill debate contained additional spending commitments, mainly funded by revised assumptions on the NDR distributable amount and UK budget consequentials.<sup>5</sup> The Scottish Government provided details of the changes in funding which supported these amendments, which we included in our Fiscal Update published in April.<sup>6</sup> They did make some of this information public which is a welcome development. Yet the information came too late for us to comment on their borrowing plans in light of the deal and ahead of the Stage 2 Parliamentary debate.<sup>7</sup> This information informs our assessment of the Scottish Government’s borrowing plans and would be of more value if made publicly available at the time a Budget deal is reached.
- 2.7 The Scottish Government presents a Provisional Outturn Statement each summer. This provides an overview of pre-audited outturn for the preceding financial year which we use in our Forecast Evaluation Report (FER).<sup>8</sup> It would be helpful if the Scottish Government published a breakdown of all the above provisional outturn information, including the Scotland Reserve position. In this way, all information required for our FER would be published together and easily accessible. Currently Revenue Scotland publishes the provisional outturn information on its website and we recommend the Scottish Government and Social Security Scotland follow this approach.
- 2.8 The Scottish Budget varies over the course of the year and the in-year budget management task is becoming more difficult for the Scottish Government. The Scottish Government adjusts its Budget in-year using the Autumn and Spring Budget revisions, which provide detailed information on changes in allocations across portfolios. Where the Scottish Government uses our updated tax or social security forecasts to inform these revisions, we would appreciate it referencing which forecasts are used in the revisions. Making a clear reference to the basis for the revisions will help us with our analysis of the Scottish Budget and in particular with our assessment of reasonableness of Scottish Government’s borrowing projections. We also request that there are clear and regular publications on the position of the Scotland Reserve, including the final outturn position, split by resource, capital and financial transactions to ensure consistency in analysis.

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<sup>5</sup> Scottish Government (2020) Letter from Cabinet Secretary for Finance to the Green Party – 26 February 2020 ([link](#))

<sup>6</sup> Scottish Fiscal Commission (2020) Fiscal Update – April 2020 ([link](#))

<sup>7</sup> Scottish Government (2020) Letter from Cabinet Secretary for Finance to the Green Party – 26 February 2020 ([link](#))

<sup>8</sup> Scottish Government (2020) Firm grip kept on Scotland’s finances ([link](#))

# Chapter 3

## Information held by UK Government departments

- 3.1 Some of the largest forecasts we produce in monetary terms are reliant on information from the UK Government. In February, for the 2020-21 Scottish Budget, we forecast income tax to contribute £12.4 billion and spending on the two largest benefits administered by DWP, Personal Independence Payment and Disability Living Allowance, would be £2.3 billion.<sup>9</sup>
- 3.2 For income tax, HMRC provides us with data in order to produce our forecasts. We are also reliant on information from HMRC and the UK Government on any policy changes made to the tax base. For social security, DWP is administering several benefits on behalf of the Scottish Government. These benefits will continue to be paid under UK Government rules, apart from a few exceptions agreed between the UK and Scottish Governments, until they are replaced by new payments administered by Social Security Scotland.
- 3.3 This means that close collaboration with analysts in UK Government departments is required to understand the basis for our forecasts that inform the Scottish Budget. In this chapter we cover our relationship with HM Treasury and information on policy changes made by the UK Government which affect Scottish revenues and spending. We also ask for consideration to be given to providing us with a statutory right of access to information as recommended by the OECD.
- 3.4 The fiscal framework agreement between the UK and Scottish Governments requires the UK Government to work with us to ensure we “have access to the necessary data, information and models held by the UK government to support policy development and produce forecasts of a comparable quality to those produced by the OBR”.<sup>10</sup> The present arrangements do not achieve this. Without the collaboration we are asking for we risk being at a significant information disadvantage. This could result in unexpected differences when our forecasts are compared to the Block Grant Adjustments which in turn are based on forecasts from the Office for Budget Responsibility (OBR).

### Relationship with HM Treasury

- 3.5 As part of our expanded work on the Scottish Budget we include information on the funding received from the UK Government. The OECD review last year recommended that “the SFC would benefit from more regular direct engagement with HM Treasury, with the terms of this relationship set out in a MoU”. Since then we have had regular and positive engagement with the devolution team in HM Treasury. We are in discussions with HM Treasury regarding arrangements for a Memorandum of Understanding and regarding our other recommendations relating to access to information from the UK Government.

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<sup>9</sup> Scottish Fiscal Commission (2020) Scotland’s Economic and Fiscal Forecasts – February 2020 ([link](#))

<sup>10</sup> Scottish Government (2016) Fiscal framework: agreement between the Scottish and UK Governments ([link](#))

### Box 3.1: Recommendation

HM Treasury and the Scottish Fiscal Commission should agree a Memorandum of Understanding on how they work together.

## UK Government policy changes

- 3.6 For income tax and the social security benefits administered by DWP, changes in UK Government policy will often affect our forecasts of revenue and spending. These changes can have a material effect on our forecasts. For example, in November 2018 the UK Government decided to increase the Personal Allowance from £11,850 in 2018-19 to £12,500 in 2019-20.<sup>11</sup> In our subsequent forecast we assessed that this change reduced Scottish income tax revenues by £199 million in 2019-20.<sup>12</sup> Other examples are the effect of changing eligibility criteria for a benefit or any changes to the definition of the income tax base.
- 3.7 We are not required to produce separate costings of UK Government policies for the Scottish Parliament to scrutinise but we do need to reflect these changes in our forecasts. We provide commentary on the most significant UK Government policy changes in our Scotland's Economic and Fiscal Forecasts publications.
- 3.8 To date, we have been relying on our relationship with the OBR to better understand and quantify UK Government policy changes. The OBR's role regarding UK Government policy changes is to provide independent scrutiny and certification of the government's policy costings.<sup>13</sup> HM Treasury oversees the policy costing process with support from UK Government departments such as HMRC and DWP and this limits the information that the OBR can pass on to us.<sup>14</sup>

## Direct policy changes

- 3.9 We would like to agree a defined process with HM Treasury and the supporting government departments that enables us to better understand UK Government policy changes that directly affect our tax and social security forecasts. This process would give us timely access to details of the policy change and implementation timescales along with analysis and data on the estimated cost of the change, after a UK Government policy announcement. The majority of the UK Government policy announcements are made in their fiscal events so an important part of this agreement would be how we receive information in the short timescales between the UK and Scottish budgets. We also require a route to speak to the relevant analysts in the UK Government department who produced the policy costings should we have questions as to how the costing was produced. Where the UK Government has not produced an estimate of the effect of the change in Scotland we would require information on how the cost estimates had been produced for the other parts of the UK affected by the change.
- 3.10 The OBR is provided with costing notes of UK Government policy changes by the relevant department. Costings are only certified for inclusion in the OBR's forecast once they are deemed as reasonable and central. As described above, we have a different remit and we are tasked with bringing the effect of these policy changes into our forecasts of income tax revenue and social

<sup>11</sup> HM Treasury (2018) Budget 2018: policy costings Annex A ([link](#))

<sup>12</sup> Scottish Fiscal Commission (2018) Scotland's Economic and Fiscal Forecasts – December 2018 ([link](#))

<sup>13</sup> HM Treasury (2017) Charter for Budget Responsibility ([link](#))

<sup>14</sup> OBR (2014) Briefing paper No.6 Policy costings and our forecast ([link](#))

security spending in Scotland. We are seeking similar information to what the OBR would typically receive – in particular, the supporting analysis and data that was produced as part of the policy costing – as well as access to the UK Government analysts for any follow-up queries, which will be important to enable us to factor these changes appropriately into our forecasts. We are therefore seeking the ability to access and follow up this information, which is available to the OBR if requested but is not typically provided.

- 3.11 We have had constructive engagement with HM Treasury officials to explore arrangements for timely sharing of this information and how it could be made practicable. These discussions are ongoing, with a shared ambition to ensure that any new arrangements are agreed ahead of the next UK Government fiscal event.

### Box 3.2: Recommendation

HM Treasury and the Scottish Fiscal Commission should define a process ahead of the next UK Government fiscal event for timely sharing of relevant information and analysis when there is a UK Government policy change that directly affects the Commission's tax and social security forecasts.

- 3.12 While we will continue to work closely with the OBR, we understandably may have a different focus and there may be policy changes that are more relevant for our forecasts of Scottish Government revenues and spending. Having an agreed process with the teams who directly manage and produce the policy costings would result in better estimates of the likely cost or saving in Scotland.

## Indirect effects of UK Government policy changes

- 3.13 There may also be changes in UK Government policy which do not have a direct link to a tax or benefit in our remit, but could affect Scottish Government revenue or spending. For example, if the UK Government makes a change to Capital Gains Tax this may indirectly affect the housing market and Land and Buildings Transaction Tax. These changes can be significant so it is important that we receive information from HM Treasury and supporting UK Government departments.

### Box 3.3: Recommendation

HM Treasury should help the Scottish Fiscal Commission to obtain information and analysis on changes in UK Government policy that do not have a direct link to a tax or social security benefit in our remit, but could affect Scottish Government revenues or spending.

## Statutory right of access to information from the UK Government

- 3.14 The Commission has a statutory right to access relevant information held by the Scottish Government and other devolved public bodies and agencies such as Social Security Scotland, Revenue Scotland, Registers of Scotland and the Scottish Environment Protection Agency.<sup>15</sup>
- 3.15 Over the last three years, since we became a statutory body, we have seen improvements in our access to information held by UK Government departments. We now have MoUs with HMRC, DWP and the OBR, and are in discussions to develop one with HM Treasury. Despite these

<sup>15</sup> Scottish Fiscal Commission Act 2016 ([link](#))

improvements we have a number of requests in this document relating to UK Government departments, and these requests would be assisted by a statutory right of access.

- 3.16 The OECD review last year recommended that “the Scottish and UK Governments should take steps to give the SFC a statutory right to access data held by UK Government departments and public bodies.”<sup>16</sup> The review also highlighted that “ensuring that the SFC has access to relevant information is essential to the fulfilment of its statutory duties. A key weakness relating to the SFC’s legal framework is that it only has a statutory right to information from the Scottish Government and relevant devolved public bodies, with access to UK data reliant on the provisions set out in the Scottish Government’s fiscal framework. A UK Government-wide statutory right to access data held by UK Government departments and public bodies would greatly support the SFC’s work.”
- 3.17 We agree with the OECD recommendation and would welcome a further review by the Scottish and UK Governments to consider whether we should be given a statutory right of access to information held by UK Government departments and public bodies, potentially as part of the review of the fiscal framework in 2022. Our reliance on information from UK Government departments and public bodies is not a temporary problem. We will require information from HMRC and DWP to support our forecasts for many years to come.
- 3.18 The OBR also produces forecasts of Scottish revenues and spending and has a statutory right of access to information held by Scottish bodies. Providing us with a right of access to UK departments would align our position with that of the OBR.

#### **Box 3.4: Recommendation**

The UK and Scottish Governments should, as part of the wider review of the fiscal framework in 2022, consider whether the Scottish Fiscal Commission should be given a statutory right to access information held by UK Government departments and public bodies.

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<sup>16</sup> OECD (2019) Review of the Scottish Fiscal Commission ([link](#))

# Chapter 4

## Improving data on Scottish wages and earnings

- 4.1 Earnings data continue to be the area of most concern for our economy forecasts, particularly because of their importance for our income tax forecasts. We have highlighted this issue in our previous reports.<sup>17</sup> Unfortunately, progress in this area has been limited. In addition, ONS and HMRC have stopped publishing some of the Scottish Real Time Information (RTI) earnings data we had been using in our forecast. We consider this to be a step backwards.
- 4.2 In previous reports we highlighted how there is no definitive source of earnings data for Scotland that provides a complete picture and that we must look across a range of evidence. These sources often provide coverage of different time periods and populations, and measure earnings on different bases, meaning the figures are not always directly comparable. This has implications not only for our forecasting work but also when it comes to evaluating our earnings growth forecast as we have no published outturn data against which to assess our forecast.
- 4.3 Our primary source of information on earnings is the Quarterly National Accounts for Scotland (QNAS) publication which provides estimates of Compensation of Employees as a component of Gross Disposable Household Income (that is, total earnings of Scottish residents). However, this source does not, for example, allow for analysis by different types of income or types of individual.
- 4.4 Experimental estimates of employee pay from HMRC Pay As You Earn (PAYE) RTI are another important set of earnings data used in our economy forecast. The RTI publication was recently changed, removing regional mean earnings, making it less useful for our purposes. We think that there is scope for improvement in the regional RTI data which we outline below.
- 4.5 The ONS publishes a number of statistical series on earnings from different surveys. The Annual Survey of Hours and Earnings (ASHE), which is available for Scotland, provides a range of breakdowns but is only published once per year with a lag of several months. Average Weekly Earnings (AWE) derived from the Monthly Wages and Salaries Survey is more frequent and is the primary source of timely information on changes in earnings in the UK. However, values for Scotland are not available. The ONS could develop a Scottish equivalent of AWE data from the Monthly Wages and Salaries Survey. We recognise there are constraints to developing a Scottish AWE, such as the current survey design and sample size, and that addressing these constraints to obtain Scottish information may place additional costs or burden on businesses.
- 4.6 We are keen to have an open joint discussion with the ONS, HMRC and the Scottish Government on how to make progress on improving earnings data for Scotland. The RTI steering group, which already has representatives from the Scottish Government, ONS, HMRC and the Scottish Fiscal Commission, should consider how to make RTI data better for analysis of regional earnings.

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<sup>17</sup> Scottish Fiscal Commission (2019) Statement of Data Needs ([link](#)), Scottish Fiscal Commission (2018) Statement of Data Needs ([link](#)).



### Box 4.1: Recommendation

The existing RTI steering group should consider how to improve regional earnings data using RTI and other sources of information.

- 4.7 The PAYE RTI publication is a data source on which we had started placing increasing weight in forming our overall earnings judgement as it provides timely and up-to-date evidence on employee earnings growth in Scotland. Since December 2019, these estimates have been published on a monthly basis as a joint release between HMRC and ONS, replacing the previous quarterly HMRC publication. This development has resulted in the scope of the publication being reduced and some key regional tables being removed, at least temporarily. In particular, the latest publications included only median pay at regional level, not mean pay. Mean pay is a more appropriate measure of average earnings growth to inform our forecast. For the purposes of producing our forecasts, data on median pay is of limited value as it is less representative of the full distribution.
- 4.8 There was only a limited consultation with users before this change was implemented. We continue to engage with HMRC and the ONS and provide feedback on our priorities as a user of their data and ask that HMRC and ONS reinstate the RTI mean earnings data for UK regions as soon as possible.

### Box 4.2: Recommendation

HMRC and the ONS should reinstate RTI mean earnings for the UK regions in future releases as soon as possible.

- 4.9 In our Statement of Data Needs last year we also highlighted the divergence between RTI information and HMRC official outturn measures of Scottish income tax revenues. While these two sources measure income tax revenues in different ways and we would expect some difference between the two, we think that the divergence in the two measures is greater than can be explained by their different sources. Ultimately, this raises doubt about the utility of the RTI data if it cannot be used as a reliable timely indicator of Scottish income tax revenues. We ask HMRC to continue to explore reasons for the divergence, helping users of the RTI data to better understand why the divergence exists, and to see if these reasons can be resolved. HMRC will be publishing new Scottish income tax outturn and RTI information on 23 September.

# Chapter 5

## Commentary on COVID-19

- 5.1 We expect COVID-19 to have a significant effect on data collection and dissemination. We note, for example, that various house price indices have been temporarily suspended because providers have assessed that there have been too few transactions on which to base them. The International Passenger Survey underpinning international migration estimates has also been suspended. For those data that have been published, there have often been considerable challenges in gathering and publishing information.
- 5.2 Statistical organisations are facing challenges of unprecedented scale and complexity. As the ONS has highlighted, these include: conceptual challenges such as deciding how furloughed workers should be accounted for in economic statistics; measurement challenges, such as how to measure education output when schools are closed; or challenges from incomplete data such as estimating prices, stemming for example from many businesses and shops not trading during the lockdown period.<sup>18</sup>
- 5.3 The Office for Statistics Regulation (OSR) recommends that producers ensure changes to data sources as a result of COVID-19 are evaluated, presented clearly and explained meaningfully, so that statistics continue to provide authoritative insights and to be of value to users. In some areas, data availability following COVID-19 has increased significantly, as many organisations have worked to provide more and timelier data to measure the economic and societal effects of the pandemic. There is therefore an even greater need for producers to support users by describing how different sources fit together and by telling fuller and more coherent stories from the data.
- 5.4 We are impressed and grateful that many data providers have taken steps to maintain the quality and the frequency of the statistics that they produce. COVID-19 will, however, continue to present difficulties for using data in our forecasts. Confidence intervals around estimates and revisions are both likely to be larger. Some data series are likely to contain what are known as structural breaks – very large and sudden changes in the series from one period to the next – either because of changes in the way data are collected, or because the variable being estimated has changed in a significant way. This will all make interpreting data and understanding the economy, taxes and social security harder, and may ultimately lead to greater forecast errors.
- 5.5 We will continue to work closely with data providers to ensure our next forecasts are underpinned by the highest possible quality of economic, tax and social security data.

### Steps taken by data providers

- 5.6 On economic data, both the ONS and the Scottish Government have increased their monitoring of the economy in response to the crisis and started to regularly publish more frequent data and analyses of economic activity. For example, the ONS has developed a new fortnightly UK business survey, the Business Impact of COVID-19 Survey, to help understand the effects of the crisis on the

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<sup>18</sup> For further detail on how the ONS will produce GDP, prices and labour market data in the current environment see: Office for National Statistics (2020) Coronavirus and the effects on UK GDP ([link](#)), Office for National Statistics (2020) Coronavirus and the effects on UK labour market statistics ([link](#)), Office for National Statistics (2020) Coronavirus and the effects on UK prices ([link](#)).



economy in a timely way. The Scottish Government has also developed new early economic indicators; these include the Monthly Business Turnover Index (MBTI), an indicator of surveyed activity in the manufacturing, retail and services sectors; and new monthly Gross Domestic Product (GDP) statistics, which use MBTI results and estimates for the other sectors of the economy such as construction, financial services and the public sector.<sup>19</sup> We welcome this work which improves the provision of fast and up-to-date information on the economy in a freely accessible way.

- 5.7 Revenue Scotland has continued to publish important and high quality data on the fully devolved taxes. On Land and Buildings Transaction Tax, we especially welcome the introduction of data at a weekly frequency on property transactions, which has greatly assisted our monitoring work. We note that Revenue Scotland has taken effective steps to minimise the potential disruption to statistical provision from the COVID-19 situation. A good example is the timely provision of the data used for the Provisional Outturn 2019-20 statement which is essential for our 2020 Forecast Evaluation Report.
- 5.8 We note the timely provision of the notified returns for Non-Domestic Rates for 2019-20, which is the basis on which we conduct our forecast evaluation. These data were provided more than one month earlier this year than in 2019 which gave the Commission much more time to perform our forecast evaluation analysis than we had in 2019. This is a marked improvement in data provision and one which we hope can continue.
- 5.9 Social Security Scotland has continued to publish its usual suite of statistics and provided us with monthly financial data throughout, but the pandemic has prevented the further development of data to support our forecasts that we had hoped could take place over the summer. ONS and National Records of Scotland have been publishing detailed deaths statistics every week. Scottish registration offices were closed in late March. They have started to re-open from the end of June, but we anticipate that statistics on births registrations will be affected through most of 2020.<sup>20</sup> This may present further challenges for our next forecasts for payments such as Best Start Grant and Scottish Child Payment.

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<sup>19</sup> Scottish Government (2020) Economy statistics ([link](#))

<sup>20</sup> National Records of Scotland (2020) Registering Births ([link](#))

# Annex A

## Previous requests

This annex covers the progress on the issues we raised in previous Statement of Data Needs.

Forecast affected	Improvement requested	Priority	Addressed to	Progress
Statement of Data Needs 2019				
Economy	QNAS breakdown of public sector expenditure by different levels of government	High	Scottish Government (SG)	In progress
Economy	More timely and detailed data on Scottish wages and earnings	High	SG / HMRC / ONS	No progress
Economy	Labour productivity statistics using jobs and hours data based more directly on the LFS	High	SG	In progress
Economy	Addressing Scottish data gaps (long-term economic time series, prices and deflators, trade, business investment, capital stock)	Low	SG / ONS	In progress
Economy	Further Gross Disposable Household Income disaggregation in QNAS	High	SG	Closed - Delivered
Income tax	Evidence on how RTI liabilities data is compiled and divergences from outturn data	Low	HMRC	No progress
Income tax	Outturn data revision policy	Low	HMRC	Closed – Clarified
VAT	Align publication of VAT assignment data to Scottish and UK fiscal events	Low	VAT Working Group (HMRC/SG/ HM Treasury)	In Progress
VAT	Outturn data revision policy	Low	HMRC	In Progress
Land and Buildings Transaction Tax	Pre-2003 property price and transactions data	Low	Registers of Scotland (ROS)	No progress
Land and Buildings Transaction Tax	Public sector shared access to Registers of Scotland records of properties	Low	SG	No progress
Scottish Landfill Tax	Sharing of unrounded Scottish Landfill Communities Fund payment figures	Low	Revenue Scotland	Closed – delivered
Scottish Landfill Tax	Align publication of statistic with the Commission forecast schedule	Low	Revenue Scotland	Closed – delivered
Social security	More granular breakdowns of some aspects of DWP published information that would help inform our forecasts of devolved social security spend	High	DWP	In progress
Social security	Further evidence on operational and policy decisions taken when developing devolved social security benefits	High	SG / Social Security Scotland	In progress
Social security	Information on other factors that may affect our forecast such as legal challenges or welfare reform	High	DWP / SG / Social Security Scotland	In progress

Forecast affected	Improvement requested	Priority	Addressed to	Progress
Social security	Improvements to the statistics and information on the benefits administered by Social Security Scotland.	Low	Social Security Scotland	Closed – delivered
<b>Statement of Data Needs 2018 [1]</b>				
Income tax	HMRC to provide Scotland specific composite records in the PUT	High	HMRC	Closed - Delivered
Income tax	HMRC to develop an Official Statistics publication of Scottish outturn income tax liabilities	High	HMRC	Closed - Delivered
Income tax	HMRC to develop an Official Statistics publication of the PAYE RTI liabilities	High	HMRC	Closed - Delivered
Income tax	OBR to publish NSND income tax policy recastings which are significant in value	Low	OBR	Closed - Delivered
VAT	Detailed Assignment Outturn Model for VAT in Scotland, with clear timeline for updates	High	VAT Working Group (HMRC/SG/ HM Treasury)	In Progress
VAT	Publicly available version of the assignment model data to include our required variables for the latest year available and a five-year back series	High	VAT Working Group (HMRC/SG/ HM Treasury)	Closed – Partially delivered
VAT	Headline figures for Standard Rated Share model of household spending	High	HMRC	Closed - Delivered
VAT	Longer time series for VAT assignment and more up-to-date estimates	Low	HMRC	Closed - Delivered
VAT	Publication of the headline figures for the Standard Rated Share model	Low	HMRC / OBR	No Progress
VAT	More comprehensive breakdown of the proportion of expenditure assigned to Scotland	Low	HMRC	Closed - Delivered
VAT	OBR to publish VAT policy recastings which are significant in value	Low	OBR	In Progress
Non-Domestic Rates	Data on properties claiming NDR reliefs to be made available sooner	Low	SG via local authorities	Closed - Delivered
Land and Buildings Transaction Tax	Data on LBTT reliefs including new relief for first-time buyers	High	Revenue Scotland	Closed - Delivered
Scottish Landfill Tax	SEPA to share a broader dataset with the Commission	Low	SEPA	Closed - delivered
Social security	Memorandum of Understanding with DWP	High	DWP	Closed - delivered
Social security	DWP to make Scottish specific caseload, payment and expenditure figures (for the benefits which are not published on Stat-Xplore) available to the Commission	High	DWP	Closed - delivered
Social security	SG to supplement their DHP statistics with further data on mitigation of the 'Bedroom Tax'	Low	SG	No progress

Forecast affected	Improvement requested	Priority	Addressed to	Progress
Social security	SG to provide expenditure and caseload statistics for Carer's Allowance Supplement	Low	SG	Closed - delivered

Source: Scottish Fiscal Commission (2019) Statement of Data Needs ([link](#)), Scottish Fiscal Commission (2018) Statement of Data Needs ([link](#)).

[1] Where data requests from our 2018 publication were repeated or superseded by requests in our 2019 publication, we have excluded them from this table.

# Additional information

## Abbreviations

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ASHE	Annual Survey of Hours and Earnings
AWE	Average Weekly Earnings
COVID-19	Coronavirus
DWP	Department for Work and Pensions
DHP	Discretionary Housing Payment
FER	Forecast Evaluation Report
GDP	Gross Domestic Product
HMRC	Her Majesty's Revenue and Customs
HM Treasury	Her Majesty's Treasury
LFS	Labour Force Survey
MBTI	Monthly Business Turnover Index
NDR	Non-Domestic Rates
NDR	Non-Domestic Rates
NSND	Non-savings Non-dividend
OBR	Office for Budget Responsibility
OECD	Organisation for Economic Co-operation and Development
ONS	Office for National Statistics
OSR	Office for Statistics Regulation
PAYE	Pay As You Earn
PUT	Public Use Tape
QNAS	Quarterly National Accounts Scotland
ROS	Registers of Scotland
RTI	Real Time Information
SEPA	Scottish Environmental Protection Agency
SFC	Scottish Fiscal Commission
SG	The Scottish Government
VAT	Value Added Tax

A full glossary of terms is available on our website:

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

## Professional Standards

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The Commission is committed to fulfilling our role as an Independent Fiscal Institution, in line with the principles set out by the OECD.<sup>21</sup>

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.<sup>22</sup>

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<sup>21</sup> OECD (2014) Recommendation on Principles for Independent Fiscal Institutions ([link](#))

<sup>22</sup> Scottish Fiscal Commission (2018) Compliance with the Code of Practice for Official Statistics ([link](#))

# Correspondence and enquiries

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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](mailto:info@fiscalcommission.scot). Press enquiries should be sent to [press@fiscalcommission.scot](mailto: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:

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