Finance Committee

Scottish Fiscal Commission Bill

Submission from Parliamentary Budget Officer (Canada)

Response

Thank you for the invitation to provide comments on the Scottish Fiscal Commission Bill.

I will address the issues presented in the Call for Evidence document that was sent by email.

Forecasting Tax Revenues

Based on our experience in Canada, independent forecasts by the Scottish Fiscal Commission (SFC) will enable members of the Scottish Parliament to challenge the assumptions underlying the forecasts of the Scottish Government (Government). However, even if the SFC is not mandated to provide independent forecasts, it needs to have the capacity and resources to produce its own alternative forecasts. This will help the SFC to better understand the Government’s official forecasts and provide a more rigorous assessment of it to the Scottish Parliament.

As noted in the International Monetary Fund’s research on fiscal councils, the forecasting of tax revenues is a labour-intensive exercise since it requires the development of a model for each type of tax revenue and the continuous refinement of such models. These activities may require giving additional resources to the SFC.

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

We believe that the publication of the SFC report on the draft Scottish budget and publication of the draft on the same day could decrease the credibility of the SFC since it may be perceived that the SFC and the Government worked together on the draft or that the Government influenced the results found in the SFC report. A better model could be the publication of the SFC report after the draft budget is published, which could serve to enhance the perceived independence of the SFC.

Regarding the influence of the SFC on the forecasting by the Government, this influence may be seen as the Government downloading the development of a model and forecasting to the SFC similar to the relationship between the Office for Budget...
Responsibility and HM Treasury. If this is the preferred administrative model, more explicit language should be incorporated in the enabling legislation.

**Additional Functions**

Drawing from the work of the Canadian Parliamentary Budget Officer (PBO), the SFC may consider the review of Government estimates after their publication. Previous Canadian parliamentary studies have also recommended the review of the estimates of one department or agency at a time, with rotating reviews, so that the estimates of all department and agencies would be reviewed within a certain time period. Such a review process would require year-long involvement of the SFC.

We are of the opinion that a charter for budget responsibility framed around the Organisation for Economic Co-operation and Development’s (OECD) best practices for budget transparency would be useful and that the SFC could ensure the Government’s adherence to the charter. It is unclear what the appropriate penalties, if any, would be if the Government is found to be noncompliant by the SFC.

**Right of Access to Information**

Based on our experience in Canada and the OECD’s guidelines for independent fiscal institutions, we are concerned with the definition of “relevant information” since it may be too broad to be useful were disputes to arise between the information holder and the SFC. A better definition would be economic, tax and financial information and including such information that is found in documents the purpose of which is to present background explanations, analyses of problems or policy options to the Government.

**Appointment of Members and Staff**

According to the proposed staffing of the SFC, the terms and conditions of the employment contract of staff would be approved by the Scottish Ministers, the lack of an independent hiring and staffing process may result in influence by the Government into the ability of the SFC to undergo its activities.

**Resources**

We do not have any comments on the funding for the SFC, number of staff or remuneration of staff and Commission members, beyond assuring comparability with the similar positions within the Scottish Public Service.

Yours sincerely,

Jean-Denis Fréchette
Parliamentary Budget Officer (Canada)