



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

19 November 2025

Dear Convener,

I am writing to update you on our response to the OECD review¹ of the Commission published in March. We welcome the Committee's interest in the review and the recommendations on our spending analysis in the Committee's report on the Budget Process in Practice.

Broadening and Deepening our Spending Analysis

Our regular 5-year forecasts have included social security spending since December 2017. As the Scottish Government has taken over responsibility for more devolved payments and introduced additional payments of its own such as the Scottish Child Payment, our work on social security spending has grown.

Since 2022, we have also expanded our work on other areas of spending. This now includes developing longer term projections of the Scottish Government's spending broken down into areas such as health, education and social protection to inform our fiscal sustainability reports. Our 5-year forecast reports now include an analysis of spending presented using high level categories contained in the Classifications of Functions of Government or COFOG that facilitates consistent comparisons over time. Over the past two years we have also provided more narrative on devolved public sector pay and employment given that this accounts for over half of the Scottish Government's resource spending.

The OECD review recommended that:

“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.”

¹ OECD (2025) [OECD Review of the Scottish Fiscal Commission 2025](#)



We welcome the Committee's support of this recommendation in their report on the Budget Process in Practice.

We have identified three broad categories of work where we believe our analysis could improve the public debate on the public finances in Scotland in ways that the OECD suggest.

Firstly, we intend to continue developing our spending analysis as part of our work on long-term fiscal sustainability. So far we have considered the effects of demographic change on broad categories of spending in our 2023 report, and looked at health spending in further detail in 2025. We also looked in 2024 at the long term costs of climate change and a net zero emissions target. We refreshed our climate change cost estimates in September this year.

Over time we plan to consider different parts of the Scottish Government's spending in more detail as we develop in-house expertise. Topics we could cover here include local government, education and capital spending, as well as keeping a watching brief on the areas we have already considered. We would welcome input from the Committee on areas of spending it thinks we should cover.

The feedback we have received on this longer term spending work has been positive. It has brought our work to the attention of a much wider audience than our 5-year forecasts. We think in part this is because it raises exactly the issues on trade-offs that the OECD points to and our ability to provide the long term fiscal context adds to the value of the reports.

Secondly, we have long welcomed the Scottish Government's production of an annual Medium-Term Financial Strategy. Our contribution to date has been providing 5-year forecasts of the economy, tax revenues and social scrutiny spending as well as setting out the 5-year funding position. The Government's inclusion of spending projections that can be read alongside the funding projections is a welcome development and we think that it is proper for the Government to make these projections and the scenarios around them as they crucially depend on the Government's policy ambitions and choices.

However, we think that external scrutiny of these projections is a priority. This is especially the case in recent years as the spending projections have been combined with the funding projections based on our work to produce the "fiscal gaps" reported in the MTFS. Therefore, we think that there would be merit in our formally assessing the resource and capital spending projections; the likely risks to the projections of funding and spending; and the scenarios around them when the MTFS is published.

Thirdly, we intend to provide more commentary on the spending plans set out by the Scottish Government in the Budget each year using the knowledge and expertise we have built up from our other spending analysis. To date our commentary has focused on portfolio level spending plans and analysis at the COFOG level. However, there is scope for us to do more to identify



where the Scottish Government is prioritising spending and how this is changing between years.

We will continue to make recommendations on how the information provided in and alongside the Budget can be improved and made more transparent in our biennial Statement of Data Needs.

These new areas of work were not included in Scottish Fiscal Commission's indicative funding position in 2026-27 and 2027-28 set out by the Cabinet Secretary for Finance and Local Government in April 2025.²

Strengthening levels of fiscal literacy

The OECD review noted that:

“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.”

We welcome the Committee's recognition of the efforts of the Scottish Fiscal Commission, and other organisations, to date to enhance the accessibility of complex budget information and that enhancing the fiscal literacy of all MSPs would help support the debate and scrutiny of the budget.³

We also note the Committee's recommendation that the Scottish Parliamentary Corporate Body puts in place a comprehensive fiscal literacy training programme for new MSPs in 2026.⁴ This provides us with an opportunity to engage with a new cohort of MSPs and refresh our connections with existing MSPs who are returned. I have recently met with the Parliament's Chief Executive and agreed a number of ways in which the Commission could participate in the induction of new MSPs.

² Cabinet Secretary for Finance and Local Government (2025) [Letter-from-Cabinet-Secretary-for-Finance-and-Local-Government-to-Professor-Graeme-Roy-confirming-budget-for-2025-26-and-inndicative-budgets-for-subsequent-two-years-25-April-2025.pdf](#)

³ Recommendations 48 and 55. Finance and Public Administration Committee (2025) [Report on the Scottish Budget process in practice](#)

⁴ Recommendation 56. Finance and Public Administration Committee (2025) [Report on the Scottish Budget process in practice](#)



We envisage our contribution to be part of on-going efforts to strengthen understanding of fiscal issues building on our existing engagement through, for example, breakfast presentations for MSPs and their staff as well as our regular evidence sessions in Parliament.

Over the last eighteen months we have developed an in-person workshop designed to provide a working knowledge of the Scottish budget and its funding. This has been delivered to a range of organisations as well as MSPs and Parliamentary staff. We have also produced a series of 10-minute [budget videos](#) that are available on our website designed to help build a basic understanding of these issues.

As our work on spending develops we hope to build on the engagement with subject Committees over the last two years. For example, our fiscal sustainability work on health and climate change has already led to greater engagement with subject committees.

Although Parliament is one of our key stakeholders, we want to broaden the reach of our work further.

The OECD stated:

“In supporting a more informed budget debate, the SFC must communicate its analysis effectively – empowering political and public understanding of the key issues... 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.”

The recent appointment Dr Eleanor Ryan and Justine Riccomini as Commissioners provides us with significant extra capacity in this regard. They both bring a range of skills, experience and networks that will allow us to engage with a wide range of stakeholders.

As we work to expand our reach we are considering how we can communicate some of our analysis and explainers in more “bitesize” and accessible formats such as short articles or blogs, which we plan to introduce in the near future. We are also refreshing our approach to webinars and social media to build on our existing products aimed at explaining complex fiscal issues, including our [explainers](#) and the development of a new blog series.

The OECD review noted that the

“SFC is a key institution that has the capacity to explain the fiscal framework in clear, non-political terms.”



Following from the Committee's recommendation we have committed to continuing to publish a Fiscal Update in August each year explaining how the latest outturn data, the fiscal framework and recent developments affect the funding position both in-year and for the upcoming budget.

It is also worth noting that our work on the Scottish Government's fiscal position has been welcomed by Moody's the credit rating agency which has recently issued a rating to Scotland. Moody's noted "the establishment of the Scottish Fiscal Commission, an independent fiscal oversight body, has further enhanced the fiscal policy framework and helps to increase transparency around the fiscal outlook."⁵

We continue to seek to embed a strong communications and engagement culture throughout the organisation by encouraging members of all teams to contribute to these products.

Safeguarding the SFC's Funding from Political Influence

The OECD review noted that while our independence is well-protected through our enabling legislation, however, they concluded that:

"there are questions over whether its funding arrangements are adequately protected from any potential risks of political interference arising in the future."

The review then made a number of observations on how the arrangements could be strengthened from the current position where the Cabinet Secretary for Finance provides the Commission with indicative funding for the two financial years beyond the one year funding contained in the Budget.

I have indicated to the Government that I see merit in the approach described in the OECD review of a firm three year rolling commitment on our funding. Should our remit change, or should there be significant unanticipated pressures on the Commission's resources funding levels could be revisited.

Whilst our funding arrangements are formally set out in the Framework Document between the Scottish Government and the SFC, I would welcome the Committee's thoughts on how best to give effect to this important principle of independent fiscal institutions.

Transparency and Communication of Forecasts and the Fiscal Framework

The OECD review noted that the

⁵ Moody's Ratings (2025) [Rating Action: Moody's Ratings assigns Aa3 rating to Scotland; the outlook is stable](#)



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And that

And that the Scottish Fiscal Commission needs to ensure “transparency and clear communication around [forecast] errors”.

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 OECD review noted that

“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.”

We are required to publish an annual forecast evaluation report. In recent years we have used the analysis in this report to provide more accessible commentary on forecast errors and their implications for the Scottish Budget in our August Fiscal Updates.

We continue to provide commentary on the overall Scottish Budget position, sources of funding, the operation of the fiscal framework and our assessment of the Scottish Government’s borrowing plans in our Fiscal Overview chapter published as part of our forecasts.

Commissioner Diversity

The OECD review said that:

“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.”

In our most recent Commissioner appointments, we changed the person specification from previous rounds to attract candidates with expertise in broader public finance and communication.

The appointment of two new Commissioners, Justine Riccomini and Dr Eleanor Ryan, in October adds expertise in fields beyond economics and supports our wider work on the challenges of longer term fiscal sustainability and spending. As we look forward to future appointments we intend to keep a balance between the differing background of new Commissioners, including the ongoing need for expertise in economics.

Adhering to Agreed Timelines for the Provision of Information

The OECD noted that

“in recent years, the Scottish Government has not always provided information underpinning the SFC's forecasts in agreed timescales”.

The OECD recommended

“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.”

We welcome the Committee's recognition of the challenges in striking a balance between the time to produce the Budget and accompanying forecasts and the time for Scottish Parliament scrutiny and commitment to engage with the Scottish Government and Scottish Fiscal Commission to explore the optimal time for budget formation and scrutiny.⁶

However, the OECD also noted that increasing the time between Scottish and UK fiscal events was unlikely to fully address the issue and recommended revisiting the protocol between the Scottish Fiscal Commission and Scottish Government, and publicly reporting on the deadlines agreed and compliance with those deadlines. We are in the process of finalising a revised version of the Protocol and hope to share this in the coming weeks.

⁶ Recommendations 73 and 74. Finance and Public Administration Committee (2025) [Report on the Scottish Budget process in practice](#)



We also continue to publicly report, through the letter shared with this Committee last week, the deadlines agreed for the Budget and Spending Review being published on the 13 January 2026.⁷

Concluding comments

We believe that we are making good progress on the recommendations made by the OECD and we welcome the Committee's ongoing support for this work. We have plans to continue making progress and look forward to updating the Committee in the coming months.

Not all of the work is budgeted as yet and this poses a risk to our ability to deliver on the recommendations. We expect to be able to absorb a significant portion of the additional cost through operational efficiencies, and indeed we plan to absorb all of the additional cost of the new statutory forecasts required of us. However we would need additional resource to be able to deliver the additional work in full, and we have included this in our multi-year funding request to the Scottish Government. Our overall funding request is around £112,000 higher for 2026-27 than our indicative funding level agreed by the Cabinet Secretary in April.

I would be very happy to discuss our developing approach to the OECD review at our governance session with the Committee in the new year.

Yours sincerely

Professor Graeme Roy

Copy: Cabinet Secretary for Finance and Local Government

⁷ Scottish Fiscal Commission (2025) [Letter from Chair to Finance and Public Administration Convener on the timetable for the 2026-27 Scottish Budget](#)