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Elena Whitham MSP
Convener
Social Justice and Social Security Committee
The Scottish Parliament
Edinburgh
EH99 1SP

11 March 2022

Dear Convener,

Congratulations on your new role as Convener of the Social Justice and Social Security Committee. We look forward to meeting following the publication of our next forecasts in May and continuing our positive engagement with the Committee.

I understand the Committee is considering the Scottish Government's Medium Term Financial Strategy (MTFS) and Resource Spending Review (RSR) framework. Based on discussions with the Committee clerks we thought it would be helpful if the Commission confirmed its role in these publications and informed you of our May publication plan.

The Scottish Government is responsible for publishing the MTFS and RSR. The Commission will provide the independent forecasts of social security spending to be used in these documents which will be based on the Scottish Government's plans. We forecast only spending on the payments to individuals and families, not the associated administration costs. In December 2021 both the MTFS and RSR framework used our forecasts of social security spending as the central forecast. The Commission played no role in the scenarios for higher and lower spending which the Scottish Government also included in these reports.

In our December 2021 report we highlighted how our forecasts were based on Scottish Government confirmed policy to date and assumed that "73 per cent of spending in 2026-27 will be administered by Social Security Scotland and be based on Scottish Government policy". We noted that we expected "this percentage to increase in our future forecasts as we have not yet incorporated any changes in spending arising from the Scottish Government's replacement payments for Carer's Allowance, Attendance Allowance, Industrial Injuries Scheme, and Winter Fuel Payments which the Scottish Government aims to launch by the end of 2025. Any changes to these payments which further increase spending will also need to be met from the wider Scottish Budget."

Ordinarily the Commission waits until the Scottish Government has confirmed policy and can provide sufficient details on implementation dates and the planned structure of payments after the changes are introduced before we produce a first estimate of spending. In order for the Scottish Government's MTFS and RSR to accurately reflect future social security spending it is

important that the forecasts of spending include estimates of any changes in spending arising from the Scottish Government's planned changes.

This year will be the first time the Scottish Government has conducted a multi-year spending review since the Commission was established. As a result, we have discussed with the Scottish Government how to approach our forecasts for the RSR in May. We plan to include indicative costings in our forecasts for additional spending associated with the Scottish Government's planned policy changes; these will be based on discussions with the Scottish Government. The Scottish Government agree with this approach and confirmed they will use our forecasts, including the indicative costings, in the RSR and MTFS.

These indicative costings will be subject to greater uncertainty than a typical estimate of a new policy, which we normally only produce once the full details are clearer, but we believe that it is important to fully reflect known Scottish Government plans in the forecasts of spending being used for a RSR. Once the details of Scottish Government policy are confirmed, future forecasts will include full policy costings and comparisons to the indicative costings used in the RSR.

I am also writing to the Finance and Public Administration Committee to provide an update on our work on fiscal sustainability. Following the Scottish Government confirming additional funding for the Commission in the 2022-23 Scottish Budget we have recruited several staff to begin work on a fiscal sustainability report. This will cover the outlook for the Scottish Government's funding and spending plans over long time horizons, over 30 years. This work will cover social security spending as part of the Scottish Government's wider spending, and the funding received from the UK Government through the Block Grant Adjustments. We aim to publish a scoping paper in late summer 2022 and the first report will be published in summer 2023.

I have copied this letter to the Cabinet Secretary for Finance and the Economy and the Cabinet Secretary for Social Justice, Housing and Local Government.

Yours sincerely

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

Dame Susan Rice DBE