The Scottish Parliament
Pàrlamaid na h-Alba

FINANCE AND CONSTITUTION COMMITTEE

AGENDA

13th Meeting, 2019 (Session 5)

Wednesday 5 June 2019

The Committee will meet at 10.00 am in the David Livingstone Room (CR6).

1. **Scotland's Economic and Fiscal Forecasts:** The Committee will take evidence from—

    Dame Susan Rice, Chair, Professor Alasdair Smith, Commissioner, and John Ireland, Chief Executive, Scottish Fiscal Commission.

2. **Work programme (in private):** The Committee will consider its work programme.

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The papers for this meeting are as follows—

Agenda Item 1

Cover note	FCC/S5/19/13/1

Agenda Item 2

PRIVATE PAPER	FCC/S5/19/13/2 (P)

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Finance and Constitution Committee

13th Meeting, 2019 (Session 5), Wednesday 5 June, 2019

Scottish Fiscal Commission – Scotland's economic and fiscal forecasts May 2019.

Introduction

1. On 30 May, the Scottish Fiscal Commission (SFC) wrote to the Committee on its latest economic and fiscal forecasts. The Committee will hear from Dame Susan Rice, Chair, Professor Alasdair Smith, Commissioner, and John Ireland, Chief Executive on these forecasts at its meeting on 5 June 2019.

2. Alongside the main report, the SFC have produced a graphic of key figures and a summary report that sets the forecasts and the main assumptions and judgements that underpin them. The letter, graphic and summary report are attached to this note.

Next steps

3. The Committee will hear from the Cabinet Secretary for Finance, Economy and Fair Work on the Scottish Government's Medium Term Financial Strategy which was informed by the SFC's forecasts at its meeting on 12 June 2019.

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Letter to the Convener 30 from the Scottish Fiscal Commission - 30 May 2019

Dear Convener,

The Scottish Fiscal Commission has now published its report Scotland's Economic and Fiscal Forecasts – May 2019, to inform the Scottish Government's Medium Term Financial Strategy published today.

As the Scottish Budget is increasingly determined by devolved tax revenues and social security spending, this report highlights the areas we view as potential risks to the Scottish Budget. Spending on social security will increase significantly next year to £3.5 billion from the £447 million forecast to be spent this year. The Scottish Government is proposing changes to both the delivery and policies of these benefits, the costs of changes to benefits devolved next year are not yet included in our forecasts and will need to be met from the Scottish Budget.

The Scottish Budget will have to be adjusted to account for differences between the forecasts used to base the original budget and the amounts actually raised from tax or spent on social security, referred to as outturn. These adjustments are known as reconciliations. Next year will see the first income tax reconciliation, currently estimated to result in a £229 million reduction in the Scottish Budget. The Government can borrow and use its reserves to help deal with these variations, but it may also need to adjust its spending plans.

We are committed to being independent, transparent, accessible and open. In this report we have focused on a few areas in more detail, but have made the report as a whole more concise. Alongside the main report, we have produced a one page graphic of key figures and a summary report that sets out our forecasts and the main assumptions and judgements that underpin them. We also publish background information, including spreadsheets with data for all the report's tables and charts.

We look forward to discussing the report with you next Wednesday.

Yours sincerely

Susan Rice DBE

Scotland's Economic and Fiscal Forecasts Summary

May 2019

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This publication is available at www.fiscalcommission.scot

Any enquiries regarding this publication should be sent to us at: Scottish Fiscal Commission, Governor's House, Regent Road, Edinburgh EH1 3DE or info@fiscalcommission.scot

Published by the Scottish Fiscal Commission, May 2019

Foreword

The Scottish Fiscal Commission is the independent fiscal institution for Scotland. Our statutory duty is to provide independent and official forecasts of Scottish GDP, devolved tax revenue and devolved social security expenditure to inform the Scottish Budget. This report is our fourth set of forecasts, now covering the years to 2024-25.

The Scottish Budget is increasingly determined by devolved tax revenues and social security spending. With the devolution of all remaining social security benefits from April 2020, our independent forecasts are now playing a greater role in the budget arithmetic. This report highlights the areas we view as potential fiscal risks to the Scottish Budget. We have focused on a few areas in more detail, but have made the report as a whole more concise. Detailed information on our modelling approaches can be found in our previous reports and in our occasional papers.

Our forecasts rely on data from a range of providers and we are grateful for their support. In particular we would like to thank Revenue Scotland for their work to ensure that we were able to incorporate as much of their data as possible in the forecasts. We would also like to thank officials from the Scottish Government, Revenue Scotland, HMRC and the OBR for their constructive challenge of our judgments and for ensuring that we considered all the available evidence.

Our forecasts represent the collective view of the Scottish Fiscal Commission, comprising the four Commissioners. We take full responsibility for the judgements that underpin them. We would like to thank once again the hard-working staff of the Commission for their support in the production of our forecasts and underpinning analysis.

Dame Susan Rice DBE

Professor Francis Breedon

Professor Alasdair Smith

Professor David Ulph

30 May 2019

Scotland's Economic and Fiscal Forecasts May 2019

Economy	2018	2019	2020	2024	% growth
GDP	1.3	0.8	0.9	1.3	Brexit uncertainty is expected to limit growth in 2019 and 2020, and growth in the longer term remains subdued
Change since December 2018	-0.1	-0.4	-0.1		
Nominal Earnings	2.6	2.6	2.7	3.2	Nominal earnings growth is higher than in our last forecast, and expected to gradually increase
Change since December 2018	0.6	0.3	0.2		
Real Earnings	0.2	0.4	0.8	1.2	Real earnings growth is expected to remain low
Change since December 2018	0.5	0.1	0.3		

Tax	2018-19	2019-20	2020-21	2024-25	£ million
Income Tax	11,486	11,703	12,332	14,613	Our forecast of income tax revenues in 2020-21 has increased by £47 million
Non-Domestic Rates	2,885	2,803	2,853	3,318	Higher expected losses to appeals reduced the forecast in 2020-21
LBTT	553	616	655	794	We have revised the LBTT forecast down by £25 million in 2020-21
Scottish Landfill Tax	143	109	87	15	Revenues fall because of new incineration capacity and the ban on landfilling certain waste from 2021

Social security - Devolved	2018-19	2019-20	2020-21	2024-25	£ million
Carer's Allowance (inc. Supplement)	186	323	344	444	2019-20 is the first full year of Carer's Allowance being devolved to Scotland
Discretionary Housing Payments	62	64	66	73	The cost of mitigating the bedroom tax increases over time
Employability Services	19	16	24	0	Spending peaks in 2020-21, the final year of referrals, as people move into and remain in employment
Best Start Grant	4	21	16	18	New Early Learning and School Age Payments launch in 2019-20, increasing spending
Best Start Foods		5	6	4	Spending decreases between 2020-21 and 2024-25 because the number of eligible people falls
Funeral Support Payment		6	7	8	The payment amount for Funeral Support Payment increases each year, increasing spending

Social security - Illustrative	2020-21	2021-22	2022-23	2024-25	£ million
Illustrative forecast	3,039	3,169	3,310	3,638	Forecast for benefits being devolved in April 2020

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Summary

Introduction

1 The Scottish Fiscal Commission produces five-year forecasts of Scottish Government tax revenues and social security expenditure, and of the Scottish economy. We also assess the reasonableness of the Scottish Government's borrowing projections.

2 This report sets out our official economic and fiscal forecasts to inform the Scottish Government's Medium Term Financial Strategy.

3 In this publication we include a new fiscal overview chapter, in which we explain the role of our forecasts, the Block Grant, and the Block Grant Adjustments (BGAs) in determining the size of the Scottish Budget. We explain how future budgets will be adjusted once the final outturn data are known and we set out an assessment of the potential size of these adjustments, known as reconciliations, to the Scottish Budget.

4 Because the issue of reconciliations is a central theme of this report, we start this summary with an outline of our fiscal overview before we turn to the fiscal and economic forecasts themselves.

Fiscal overview

5 The Scottish Government's Budget is becoming more complicated. Firstly, more tax and spending powers are being devolved to the Scottish Parliament. Secondly, adjustments need to be made to account for the differences between the forecasts and the amounts actually raised from tax or spent on social security. Together these factors create greater fiscal risks which will need to be managed using the existing limited borrowing and budget transfer powers.

Devolution of new spending powers

6 The devolution of all remaining social security benefits from April 2020 means an increase both in the size of the Scottish Budget and in the fiscal risks to

which it is exposed.[1] Next year will be the first time social security has presented a significant fiscal risk with £3.5 billion of spending devolved. The Scottish Government has committed to changing eligibility for some social security payments as well as changing how they are delivered. This is expected to further increase spending on social security.

Reconciliations

7 The Scottish Budget has to be adjusted to account for the differences between the forecasts on which the original budget was based and the amounts actually raised from tax or spent on social security, referred to as outturn. These adjustments are known as reconciliations.

8 For the fully devolved taxes and benefits any differences between our forecasts and the amount raised or spent must be managed in-year by the Scottish Government.

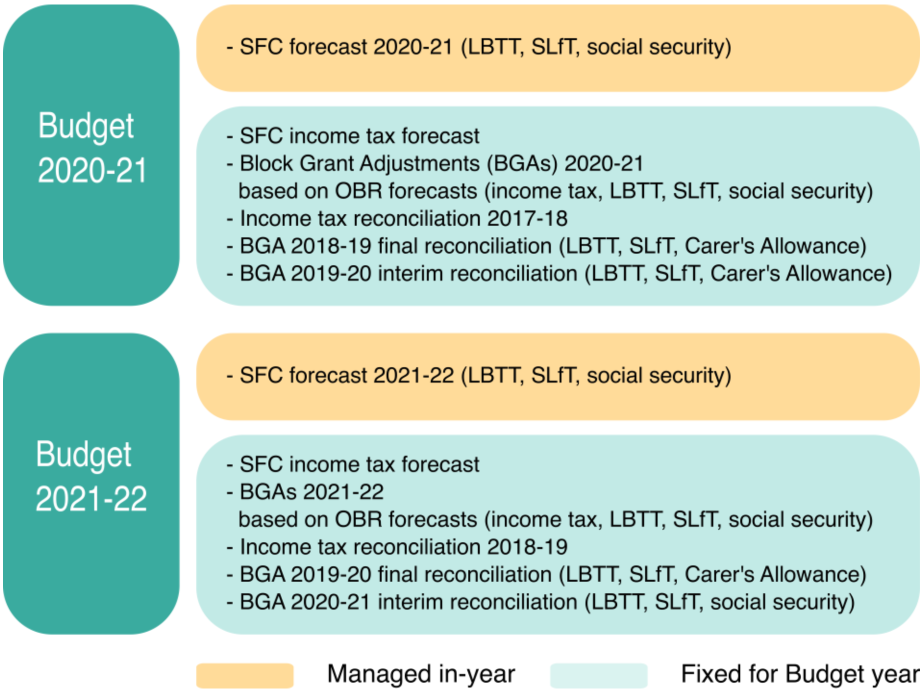
9 However, the reconciliation for income tax can only occur once the final amount raised is known. The first reconciliation will happen in the 2020-21 budget and will relate to income tax raised in 2017-18.

10 The Scottish Block Grant is adjusted to reflect the tax and social security powers devolved to Scotland. The Block Grant is adjusted downwards in respect of devolved taxes and upwards in respect of devolved social security. These Block Grant Adjustments (BGAs) are initially based on Office for Budget Responsibility (OBR) forecasts of revenues or spending on the equivalent UK Government taxes or benefits. Once the final UK Government revenues or spending are known, reconciliations are made to the Scottish Budget.

11 Both income tax and BGA reconciliations are playing an increasingly important role in determining the amount available for the Budget from year to year. Each Budget will be affected by reconciliations relating to forecasts from each of the previous three years. Figure 1 shows the forecasts and reconciliations affecting the Scottish Budget 2020-21.

[1] All remaining social security benefits includes Attendance Allowance, Cold Weather Payments, Disability Living Allowance, Personal Independence Payment, Industrial Injuries Benefits, Severe Disablement Allowance and Winter Fuel Payments.

Figure 1: Forecasts and reconciliations in future budgets



Source: Scottish Fiscal Commission.

12 We are currently forecasting a series of large negative reconciliations for income tax over the next few years, as shown in Table 1. The latest estimates are that the Scottish Government will receive £229 million less in 2020-21, £608 million less in 2021-22, and £188 million less in 2022-23. These are all slightly larger than the reconciliations we forecast in our December 2018 report, mainly because of increases in the BGA forecasts between the Autumn Budget 2018 and the Spring Statement 2019. The actual size of the reconciliations will only be known once outturn data are available.

Table 1: Income tax reconciliations

Budget year	Outturn data available	Budget affected	Forecast reconciliation (£ million)
2017-18	Summer 2019	2020-21	-229
2018-19	Summer 2020	2021-22	-608
2019-20	Summer 2021	2022-23	-188

Source: Scottish Fiscal Commission

13 These negative reconciliations mean less money will be available for future Scottish Budgets. The Scottish Government will be able to manage some of this through borrowing or use of the Scotland Reserve. However, the borrowing powers available to the Scottish Government and the rules about withdrawing funds from the Scotland Reserve mean that these will not cover all of the expected reconciliations. The Scottish Government would have to adjust its spending plans or increase taxes, and this should be borne in mind when formulating current policy.

Borrowing

14 The Scottish Government can borrow to fund capital spending or to manage forecast errors and reconciliations. Borrowing to manage forecast errors and reconciliations is known as resource borrowing, the Scottish Government currently have no plans to borrow for this purpose. For capital borrowing, the Scottish Government plans to borrow £450 million in 2019-20 and £350 million in 2020-21. This will mean they have borrowed 65 per cent of the total capital borrowing cap by the end of 2020-21, four years after the expansion in capital borrowing limits.

15 If, from 2021-22 onwards, the Scottish Government borrowed £450 million a year repaid over 25 years then the current cap of £3 billion for capital borrowing would be reached in 2023-24. If the Scottish Government borrowed £250 million a year repaid over 10 years then only 80 per cent of the cap would be reached in 2023-24.

16 Further discussion on our assessment of the Scottish Government's borrowing projections and the fiscal risks facing the Scottish Budget can be found in Chapter 3.

Social security

17 From April 2020 the Scottish Government will become responsible for the payments for all the benefits being devolved. Social security spending is harder to control than other areas of spending. Spending will be determined by the number of eligible people who apply for the benefit, all of whom must be paid. The Scottish Government will have to meet this expenditure as it arises, even if it differs from the forecast used to set the budget initially.

18 In 2020-21 we estimate £3.5 billion will be spent by the Scottish Government on social security, not including any additional expenditure for policy changes that may be introduced. This forecast expenditure should be compared with the £447 million forecast to be spent on social security in 2019-20.[2]

19 The Scottish Government is changing social security as it's devolved. As responsibility for delivery of the benefits transfers to the new organisation, Social Security Scotland, the benefits will be reformed and delivery of those benefits changed from the current system administered by the Department for Work and Pensions. Consequently we have to produce forecasts with a lack of historical data as well as uncertainty about implementation plans. The recent Audit Scotland report on social security devolution highlighted the challenges of implementing the devolution of social security benefits.[3] Issues

[2] As shown in Table 2, £447 million is the forecast spend on the Scottish Government's social security portfolio. It does not include spending on Healthy Start Vouchers/Best Start Foods or the employability services.

[3] Audit Scotland (2019) Social Security: Implementing the devolved powers (link)

with operational delivery or any delays in implementation of the new benefits will affect our forecasts.

20 Our forecasts of benefits currently in the Scottish Budget are shown in Table 2 and further information can be found in Chapter 5. We have produced illustrative forecasts of the new benefits being devolved and these are shown in Table 3 and discussed in Chapter 3.

Table 2: Summary of social security forecast informing the Scottish Budget

£ million	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Carer's Allowance	152	286	304	325	351	371	393
Carer's Allowance Supplement	34	37	40	42	45	48	51
Discretionary Housing Payments	62	64	66	68	69	71	73
Best Start Grant	4	21	16	16	17	17	18
Funeral Support Payment		6	7	7	7	8	8
Scottish Welfare Fund	33	33	33	33	33	33	33
Scottish Government social security portfolio – total expenditure	285	447	466	491	522	548	575
Healthy Start Vouchers / Best Start Foods		5	6	4	4	4	4
Employability Services	19	16	24	23	13	1	0
Total benefit expenditure	304	467	495	518	539	553	578

Source: Scottish Fiscal Commission.
Figures may not sum because of rounding.

Table 3: Summary of illustrative social security forecast

£ million	2020-21	2021-22	2022-23	2023-24	2024-25
Attendance Allowance	530	545	563	584	605
Cold Weather Payments	16	16	16	16	16
Disability Living Allowance	628	591	556	522	499
Industrial Injuries Benefit	82	82	82	82	82
Personal Independence Payment	1,607	1,757	1,914	2,068	2,250
Severe Disablement Allowance	8	7	7	6	6
Winter Fuel Payment	168	170	173	176	180
Total	3,039	3,169	3,310	3,455	3,638

Source: Scottish Fiscal Commission
Figures may not sum because of rounding.

Introduction of new benefits

21 Whenever changes are made to benefits there will be a degree of uncertainty about how those changes are implemented and how people eligible for the benefit respond. Forecasting spending on a new benefit, or on a significantly changed benefit, will therefore be subject to a greater degree of uncertainty than forecasts of spending on unchanged benefits.

22 The Scottish Government launched the Best Start Grant Pregnancy and Baby Payment in December 2018. Take-up of the benefit and resultant spending has been much higher than our initial forecast produced in September 2018. This higher take-up was, in part, a result of the Scottish Government's early promotion of the benefit through social media. These communications encouraged parents to claim the new benefit; including those whose child had been born before the launch. The Pregnancy and Baby Payment received 4,000 applications on the first day it was introduced,[4] compared to our forecast of 4,000 payments in the whole of 2018-19.[5] There have been 9,770 awards made up to the end of February 2019.[6] In our September Forecast Evaluation Report we will compare the final amount spent in 2018-19 to our forecasts.

23 Based on the evidence we have seen from the introduction of the Pregnancy and Baby Payment we have revised up our forecast of spending on the Best Start Grant in 2019-20 by £8 million to £21 million, a 67 per cent increase.

24 The Scottish Government plans to introduce two new payments for the Best Start Grant this year, as well as introduce two new benefits: Funeral Support Payment and Best Start Foods. How these new benefits are delivered and advertised will directly affect the level of spending.

25 The start dates for these benefits will directly affect how much is spent in the financial year 2019-20; the later the introduction date the lower the spending. In the absence of information on the start dates of the new benefits we have continued to assume a 1 June start date, based on the Scottish Government's commitment to deliver the new benefits by summer 2019.

Tax

26 We forecast that £15.9 billion of the Scottish Budget will come from tax revenue in 2020-21. Table 4 shows a summary of our tax forecasts that would

[4] Scottish Government (December 2018) New baby benefit makes first payments (link)

[5] Scottish Fiscal Commission (September 2018) Social Security – Best Start Grant (Pregnancy and Baby Grant) – September 2018 (link)

[6] Scottish Government (2019) Best Start Grant: high level statistics to 28 February 2019 (link)

currently affect the Scottish Budget. Further details on our tax forecasts can be found in Chapter 4.

Table 4: Summary of tax forecasts informing the Scottish Budget

£ million	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Income tax (NSND)	11,005	11,486	11,703	12,332	12,831	13,374	13,985	14,613
Non-Domestic Rates	2,762	2,885	2,803	2,853	3,090	3,301	3,338	3,318
Land & Buildings Transaction Tax	557	553	616	655	691	724	759	794
Residential	258	262	279	310	336	359	382	405
ADS	95	98	126	127	131	134	138	141
Non-Residential	204	193	211	218	224	231	239	248
Scottish Landfill Tax	148	143	109	87	12	14	15	15
Total	14,473	15,067	15,232	15,928	16,624	17,413	18,096	18,739

Source: Scottish Fiscal Commission, Revenue Scotland (2018) Annual Report and Financial Statements for the year ended 31 March 2018 Devolved Taxes Accounts (link), Scottish Government NDRi returns.
Shaded cells refer to outturn available at time of publication. Figures may not sum because of rounding. Figure for income tax is forecast not outturn data; data for 2017-18 will be available in summer 2019. Further detail can be found in the income tax section.

27 In addition, we produce two illustrative forecasts of taxes that may affect the Scottish Budget in the future: assigned VAT and the Scottish share of Air Passenger Duty (APD).

Table 5: Summary of illustrative tax forecasts

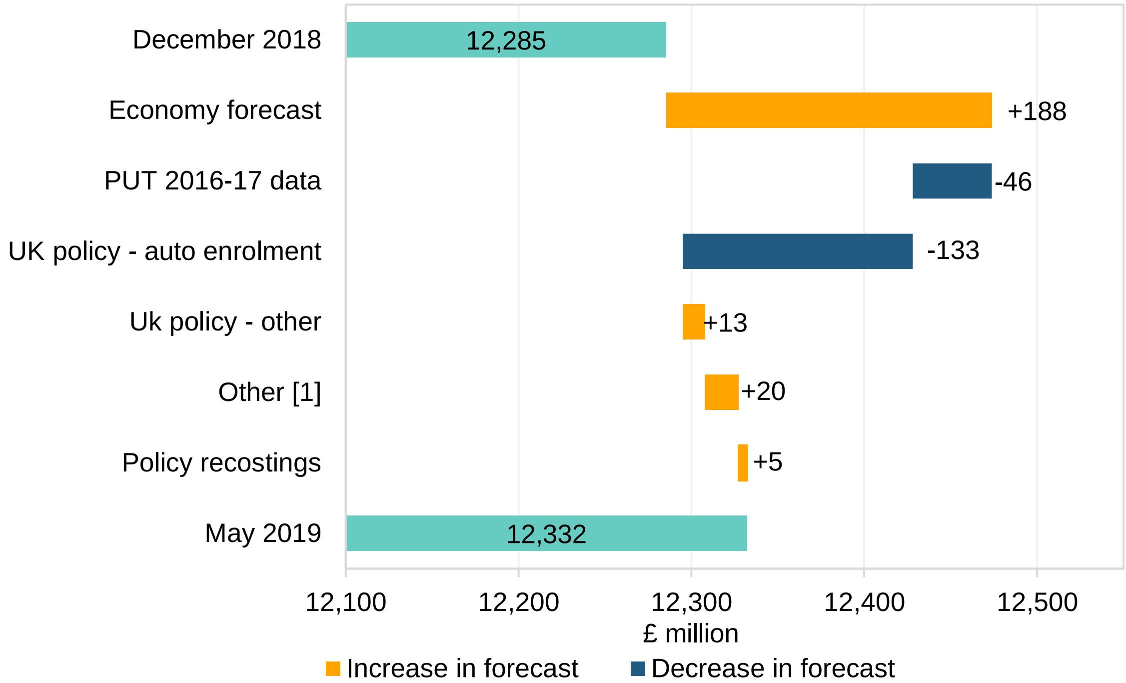
£ million	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Assigned VAT	5,361	5,514	5,707	5,879	6,043	6,205	6,369	6,571
Scottish share of Air Passenger Duty	275	286	295	307	320	336	352	369
Total illustrative tax	5,635	5,800	6,002	6,186	6,363	6,541	6,721	6,941

Source: Scottish Fiscal Commission.
Figures may not sum because of rounding.

Income tax

28 Figure 2 shows the Commission’s latest forecasts of income tax compared to our December 2018 forecast.

Figure 2: Changes in NSND income tax forecast of 2020-21 since December 2018



Source: Scottish Fiscal Commission, Scottish Fiscal Commission (2018) Scotland's Economic and Fiscal Forecasts – December 2018 (link).

[1] Other includes revisions to OBR triple lock pension forecast, CPI forecasts and HMRC Gift Aid estimates. Further information is provided in Chapter 4.

29 Since December 2018 we have made small upward revisions to our income tax forecast. Upward revisions to our outlook for the economy increase our income tax forecast by around £188 million in 2020-21. This is partially offset by new income tax data for 2016-17 and some adjustments to UK policy costings.

VAT assignment

30 At a meeting of the Finance and Constitution Committee on 8 May 2019 the Cabinet Secretary for Finance, Economy and Fair Work indicated he thought a postponement of the implementation of VAT assignment should be considered until it can be discussed at the time of the fiscal framework review.

31 This means there is a possibility that VAT assignment could be delayed. This is a decision for the Scottish and UK Governments in which we have no role. We will continue to publish illustrative forecasts of VAT assignment and discuss the potential effects on the Scottish Budget were VAT assignment to commence.

32 HMRC estimates VAT assignment for Scotland using a methodology developed by HMRC, HM Treasury and the Scottish Government. In our September 2018 Statement of Data Needs, we asked HMRC, HM Treasury and the Scottish Government to start publishing detailed estimates of VAT

assignment on a regular timetable that was coherent with the timing of Scottish fiscal events.[7]

33 Two months in to the 2019-20 transitional year for VAT, there is a limited history of VAT assignment estimates and forecasts available. Our view is that there is a risk to the Scottish Budget from the implementation of VAT assignment because of the limited history of estimates and forecasts. We need an opportunity to analyse VAT assignment estimates, our revenue forecasts, BGA forecasts and likely reconciliations, and this is difficult with the currently available information.

34 We ask HMRC, the Scottish Government and HM Treasury to publish more information as soon as possible to enable us to develop our forecasts and gain an understanding of the scale of the risks to the Scottish Budget. We plan to hold further discussions with HMRC, the Scottish Government and HM Treasury and will return to this question when we publish our next Statement of Data Needs in September 2019.

Economy

35 Our longer term outlook for the Scottish economy is largely unchanged from our previous forecasts.

36 Despite exceptional political uncertainty, the growth rate of the Scottish economy increased over 2017 and 2018. At around 1.3 per cent over the last year, economic growth is higher than the average 1.0 per cent growth experienced since 2010. Unemployment remains at historic lows, and earnings growth has started to increase. A fall in the value of sterling has supported a strong net trade performance.

37 All else equal, this nearly two year period of sustained above average growth might have led us to revise up our outlook for the economy. However, in 2019 and 2020, we expect the ongoing uncertainty created by the Brexit negotiation process will limit growth. Business investment fell in 2018, and with business sentiment continuing to fall, we expect business investment to decline for the next two years. We have slightly revised up our outlook for earnings growth in 2019 and 2020 following recently stronger data, but with Brexit uncertainty affecting household confidence, we do not expect significantly higher household consumption in the near term. Balancing these factors, we expect growth of 0.8 per cent in 2019 and 0.9 per cent in 2020.

38 From 2021, we expect economic growth to return to our longer term trend rate of growth of around 1.2 per cent.

[7] Scottish Fiscal Commission (2018) Statement of Data Needs September 2018 (link)

Table 6: Headline economy forecasts, May 2019 and December 2018, per cent growth rates unless otherwise stated

GDP	2018	2019	2020	2021	2022	2023	2024
December 2018	1.4	1.2	1.0	1.0	1.1	1.2	
May 2019	1.3	0.8	0.9	1.1	1.2	1.3	1.3
Average nominal earnings							
December 2018	2.0	2.3	2.5	2.8	3.0	3.1	
May 2019	2.6	2.6	2.7	2.9	3.1	3.3	3.2
Employment (millions)							
December 2018	2.64	2.65	2.65	2.66	2.66	2.66	
May 2019	2.67	2.68	2.68	2.69	2.69	2.69	2.70

Source: Scottish Fiscal Commission, Scottish Fiscal Commission (2018) Scotland's Economic and Fiscal Forecasts – December 2018 (link).
Shaded cells refer to outturn available at time of publication.

Brexit

39 At the time we prepared this report, the Brexit outcome and its implications for Scotland remain unknown. For our forecasts, we assume the UK leaves the EU in October 2019, though other outcomes are possible. The terms on which the UK may leave the EU in October 2019, if at all, are still highly uncertain. We make broad-brush assumptions to capture a range of possible Brexit outcomes in our forecasts, and so our forecasts are robust to a range of possibilities. A no-deal Brexit is not captured in our central assumptions and remains a significant downside risk to our forecasts.

40 Our Brexit assumptions are that:

- The UK leaves the EU in October 2019
- This is followed by a transition period lasting until December 2020
- New trading arrangements with the EU and others slow the pace of import and export growth
- The UK adopts a tighter migration regime than that currently in place.

41 Following these basic assumptions, we capture the effect of Brexit through four main channels:

- Migration – we use the ONS 50 per cent EU migration variant, with projected lower EU migration than in the principal population projection.
- Productivity – we are forecasting slow growth in productivity, in part because of Brexit.

- Trade – using OBR assumptions, we forecast slower growth in Scottish international trade from the end of the transition period.

- Business investment – we expect ongoing Brexit uncertainty to lead to falling business investment in 2019 and 2020.

42 In our previous forecasts, we assumed the UK would leave the EU on 29 March, followed by a transition period. We now assume that the UK will leave the EU in October 2019. This means there is a timing difference between our forecasts and those of the Office for Budget Responsibility (OBR). Given the information available when the OBR published its latest Economic and Fiscal Outlook on 13 March 2019, it assumed that the UK would leave the EU on 29 March 2019.

43 Aside from this timing difference, our Brexit assumptions are still broadly in line with the OBR's, with no significant or fundamental differences in our outlook for the UK and Scotland.

44 The timing difference between our Brexit assumptions and the OBR's has only a small effect on our forecasts. The transition period means that some of the biggest Brexit effects on trade would appear only after the end of the transition period. We both assume the transition period ends in December 2020. Similarly with migration, we do not expect a seven month delay in the UK's departure from the EU to significantly alter the outlook for migration compared to our previous forecasts.

Voluntary compliance with the Code of Practice for Statistics

The Commission seeks to adhere to the highest standards for analysis possible. While we do not produce official statistics (we produce forecasts), the Commission and our work voluntarily complies as much 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.

Correspondence and enquiries

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