

Scottish Government Response to the Scottish Fiscal Commission’s Statement of Data Needs – Economy

The Scottish Fiscal Commission (SFC) published its first annual Statement of Data Needs on 5 September 2018¹. The statement outlines the data the SFC requires for its forecasts and highlights priorities for new or improved data.

The Statement of Data Needs covers three areas: the economy; devolved taxes; and social security. The priorities for the latter two are directed largely at HMRC and DWP. Some of the priorities for economic data are for the Scottish Government, while others are issues which also involve ONS and HMRC.

This paper sets out the steps the Scottish Government will take to expand the economic data it currently publishes to respond to the Commission’s needs.

Summary of SFC Data Needs

On economic data, the SFC has identified four priorities. These are summarised below, along with lower priority needs. Responses to each point are provided below.

Table 1: Summary of the Scottish Fiscal Commission’s statistical needs

Forecast	Top priority statistical needs	Lower priority statistical needs
Economy	<p>GDP by component of expenditure in constant prices in QNAS (SG)</p> <p>QNAS breakdowns of public sector expenditure by different levels of government (SG)</p> <p>More timely and detailed data on Scottish wages and earnings (ONS/HMRC/SG)</p> <p>Detailed breakdowns of household income for Scotland (SG/ONS)</p>	<p>Publishing long term Scottish economic times series data (SG)</p> <p>Developing price data and deflators for Scotland (SG/ONS)</p> <p>Addressing data gaps (trade, business investment, capital stock)</p>

Priority 1. GDP by Expenditure in constant prices (real terms)

The SFC welcomed that the Scottish Economic Statistics Plan² specified that the Scottish Government would start to publish GDP by expenditure components in real terms during the current year, 2018-19 (paragraph 2.8). Work is currently progressing on this topic and we will keep the SFC appraised of progress during the year.

Alongside the publication of the Quarterly National Accounts for 2018 Q2 on 31 October 2018, the Scottish Government published initial details on the proposed methods and data sources that will be used to produce GDP by expenditure in constant prices – details are available here³. Further information will be added to this note as the methods develop. Subject to

¹ <http://www.fiscalcommission.scot/publications/occasional-papers/statement-of-data-needs-september-2018/>

² <https://www.gov.scot/Topics/Statistics/Browse/Economy/ScotStat/Planning>

³ <https://www2.gov.scot/Topics/Statistics/Browse/Economy/QNAS/Developments>

feedback from users and further quality assurance, initial experimental estimates are expected to be published alongside the 2018 Quarter 3 release at the end of January 2019.

Priority 2. Breakdowns of public sector expenditure in Scotland

At the moment, government current expenditure in the Quarterly National Accounts is split between local and central government, but with no split between Scottish Government and reserved department spend *in* Scotland. There is no breakdown at all for government capital investment *in* Scotland.

The SFC makes estimates of these breakdowns in-house, but would welcome the publication of these data as part of the Quarterly National Accounts framework. (Paragraph 2.19)

The Scottish Government's Economic Statistics Plan states that progress on this area will depend on further analysis of administrative data from the HM Treasury Online System for Central Accounting and Reporting (OSCAR) spending database, and that these data are also needed for the real GDP(E) estimates noted above.

Given these linkages, it is likely that first experimental breakdowns may also be published in January 2019. This provisional analysis will then undergo further quality assurance. Further details of the Scottish Government's proposed approach was published as part of the Quarterly National Accounts in October.

Priority 3 Data on Scottish wages and earnings

The SFC currently uses Compensation of Employees (COE) estimates from the Quarterly National Accounts as a primary source of household income in its economic forecasts. However, this does not, for example, allow for analysis by different types of income (such as pension or investment income) or types of individual.

One solution proposed by the SFC is the creation of a Scottish Average Weekly Earnings series, based on the equivalent UK series currently published by ONS. We have discussed this with colleagues in ONS, but concluded that the changes required to the content of the Monthly Wages and Salaries Survey questionnaire would have significant costs and burden on companies. In its latest letter to the Committee, ONS noted that it *"would welcome a conversation with the Commission as to whether there are alternatives to the AWE that could better meet their needs"*. (ONS response, 1st August)

The SFC has recognised the challenges involved in developing a Scottish equivalent of AWE data, and supports efforts to improve the usability of the PAYE Real Time Information data published by HMRC. While HMRC already publishes some regional analysis from the RTI data, this is only on an experimental basis. Over the course of 2018 and 2019, ONS is carrying out quality assurance on the data with a view to using it in the UK's National and Regional Accounts. It is likely that ONS will publish, and we will have access to, these data in 2020.

SFC notes that earnings forecasts are one of the most important inputs to the income tax forecasts, and that they *"are keen to have an open joint discussion with the ONS, HMRC and the Scottish Government on the most appropriate way to achieve this."* (Paragraph 2.26). The Scottish Government would also welcome such discussions.

Priority 4 More detailed breakdowns of household income for Scotland

The SFC has requested a more detailed breakdown of household income in the Quarterly National Accounts.

The Scottish Government has received additional data from ONS on breakdowns of regional Gross Disposable Household Income (GDHI) which will enable the statistics to better reflect movements in different sources of earned and unearned income. More detailed quarterly estimates were made available in the Quarterly National Accounts publication on 31 October. Further progress will be made in forthcoming publications.

Lower Priority Developments

The SFC has identified other improvements with lower immediate priority. These include:

- Extending GDP and QNAS series further back in time, accepting that there will be quality issues and that data are likely to be on an annual basis.
- Exploring the development of more prices data for Scotland, including consumer prices and other deflators.
- Increase coverage of the statistics to include capital stocks, and more detail on business investment and trade.

These requests reflect areas which are already being considered by the Scottish Government, but which are not current priorities for development. These can be reviewed with expert users and stakeholders at Scottish Economic Statistics Consultation Group (SESCG) meetings, and we will consider whether there are resources available to prioritise them in the Scottish Economic Statistics Plan for 2019-20 or future years.

Taxes and Social Security

Progress is in hand in collaboration with HMRC and Revenue Scotland.

With regard to Non Domestic Rates, the SFC has acknowledged that it already has access to several sources of detailed data to produce its forecast of Non-Domestic Rates receipts and the modelling of policy changes. Access to these data is facilitated by the Scottish Government. SFC has also acknowledged and welcomed the work being undertaken by Scottish Government analysts to improve the timeliness of NDR relief data.

We have a good working relationship with the Non-domestic rates team at the Scottish Fiscal Commission and we will continue to work closely with them to improve the availability and transparency of data in line with the recommendations in the Report of the Barclay Review of Non-domestic rates.

OFFICE OF THE CHIEF ECONOMIC ADVISER

SCOTTISH GOVERNMENT

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