

Sir Robert Chote
Chairman

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Kenneth Gibson MSP
Convener
Finance and Public Administration Committee

22 March 2023

Dear Kenneth,

The Scottish Fiscal Commission's first fiscal sustainability report

Thank you very much for your letter of 1 March 2023 requesting written input in support of your committee's scrutiny of the Scottish Fiscal Commission's (SFC) approach to producing a sustainability report within a devolved context.

As you noted in your letter, we in the NI Fiscal Council have recent experience in producing our first sustainability report. We have produced a short note that explains in summary our approach and methodology. I attach a copy for your information and I hope it may be useful for your upcoming discussions with the SFC.

We understand that the SFC's approach to its first sustainability report is rather different from the way in which we tackled it. This is entirely understandable given the very significant differences between Scotland's fiscal framework and the much more limited tax powers devolved to NI. Having said that, here are several areas in which both the NIFC and SFC share common objectives and difficulties, including:

- Explaining the framework for public finances in both NI and Scotland is challenging to do succinctly and accurately. In the end, we opted to produce a detailed Comprehensive Guide,¹ which we intend regularly to revisit and update;

¹ https://www.nifiscalcouncil.org/files/nifiscalcouncil/documents/2021-11/the-public-finances-in-northern-ireland-final-version_0.pdf

- Achieving consistency with the approach taken at the UK level by the Office for Budget Responsibility while recognising the complexities of asymmetric devolution. In this regard, we faced perhaps a slightly less daunting task than our colleagues in the SFC because we do not currently have to wrestle with the intricacies of tax forecasting or significant Block Grant Adjustment mechanisms; and,
- Comparable data, as we have noted in our reports, is not always as readily available as one might expect it to be, and this presents barriers when one comes to consider the expenditure needs arising from different devolved policy areas.

Despite these challenges, we believe we have produced robust and valuable sustainability reports, which have been broadly welcomed by NI departments and commentators. I am aware that the NIFC staff team works collaboratively with their SFC counterparts, which is an approach that as a Council we have very much encouraged and welcomed.

I look forward to reading both the SFC report and the outcome of the committee's deliberations and scrutiny.

For your information, I have included a copy of our forthcoming publications as Annex A to this letter.

With best regards,

Sir Robert Chote

Chair of the NI Fiscal Council

NI Fiscal Council Upcoming Publications

The NIO's 2022-23 Budget for Northern Ireland: an assessment

Expected release date: March 2023

Technical Paper 02/23: Estimate of the relative need for public spending in Northern Ireland

Expected release date: Spring 2023

The 2023-24 Budget for Northern Ireland

Expected release date: dependent on 2023-24 Budget process

Technical Paper 03/23: The In-Year Monitoring process

Expected release date: Spring / Summer 2023

Sustainability Report 2023: *special focus* - Infrastructure

Expected release date: Autumn 2023

The public finances in Northern Ireland: a comprehensive guide (v2 - updated 2023)

Expected release date: Winter 2023