

Memorandum of Understanding between the Scottish Fiscal Commission and the Office for Budget Responsibility

1. The Scottish Fiscal Commission (SFC) and the Office for Budget Responsibility (OBR) are among a growing number of independent fiscal institutions that have been established around the world to provide independent and non-partisan analysis of public finances and fiscal policies.
2. The SFC and the OBR have a statutory duty to co-operate with each other. This Memorandum of Understanding (MoU) guides how the two organisations work together.
3. The SFC and the OBR have a productive working relationship with regular co-operation and engagement that supports our respective functions. This includes regularly sharing information on forecast methodologies, data and models and active participation in each other's forecast challenge meetings. This is set out in the 'shared principles' document we agreed in 2017 that forms the basis for this MoU.
4. This Memorandum does not constitute a legally binding agreement. The full responsibilities of both organisations are set out in the relevant primary and secondary legislation.

Main responsibilities and legislative background

5. The main responsibilities of the OBR are set out in the Budget Responsibility & National Audit Act 2011 and the Charter for Budget Responsibility. Further responsibilities are set out in the 'Agreement between the Scottish Government and the United Kingdom Government on the Scottish Government's fiscal framework', from February 2016.
6. The OBR's remit requires it to report on the status of the whole of the UK's public finances. This includes a five-year fiscal forecast, produced at least twice a year, across all relevant receipts and spending categories at the national, devolved and local government levels, including Scotland.
7. The main responsibilities of the SFC are also set out in legislation, namely the Scottish Fiscal Commission Act 2016, and associated regulations. It is the duty of

the SFC to prepare five-year forecasts at least twice a year. These forecasts include Scottish onshore GDP, fully and partially devolved and assigned taxes and social security expenditure. The SFC must also assess the reasonableness of Scottish Ministers' projections of borrowing.

8. The SFC's forecasts are used to inform the Scottish Budget while the OBR's forecasts of devolved taxes and social security inform its assessment of UK-wide public finances. The OBR's forecasts of UK Government receipts and expenditure are used by the UK and Scottish Governments in the calculation of the Block Grant Adjustments.
9. The legislation and the fiscal framework agreement require the SFC and the OBR to co-operate in order to discharge their functions more effectively.

Purpose of this MoU

10. The arrangements set out in this document include, but are not limited to:
 - a duty of co-operation between the SFC and the OBR, as set out in the fiscal framework agreement;
 - a responsibility to provide the Scottish and UK Governments with timely and high quality forecasts and reports, that allow effective and efficient decision-making; and
 - ensuring that forecasts and reports that are prepared for the Scottish and UK Parliaments are detailed and transparent.

Co-ordinating the forecast process

11. The SFC and the OBR will work together to ensure that both organisations produce high quality fiscal forecasts. To this end, the SFC and the OBR will:
 - prepare reports for the Scottish and UK Parliaments respectively, as set out in the Scottish Fiscal Commission Act 2016 and the Charter for Budget Responsibility. In doing so, we will explain any differences in our forecasts to improve understanding and transparency of the underlying judgements and methodologies;
 - share material relating to pre-measures forecasts and invite comments and challenge from the other organisation;
 - share draft text from our forecast and other relevant reports for fact-checking, including references to the other organisation's forecasts and methodologies;
 - respect the confidentiality of information shared between the two organisations; and

- assist in interactions with relevant third-party bodies within the Scottish and UK administrations. Where the SFC and OBR have similar requirements, we will work together to achieve our objectives efficiently.
12. The SFC and the OBR will invite relevant officials within the Scottish and UK Governments to their challenge meetings.
 13. The SFC and OBR will make the other organisation aware of requests for information which relate to our respective roles. Where information is shared between the SFC and the OBR, the organisation which shares the information will, where reasonably practicable, make it clear at the time that it is shared whether the information is considered by that organisation to be sensitive. If a request is made to the SFC or OBR for the disclosure of information relating to the other organisation they will inform the other organisation before responding to the request, whether or not information is disclosed.
 14. All final judgements and assumptions used in each organisation's forecasts and other analysis will be decided by the SFC's Commissioners and the OBR's Budget Responsibility Committee respectively.

Working together to improve forecasts

15. The SFC and the OBR are both committed to developing and improving our forecast methodologies, accuracy and transparency. The SFC and the OBR will continue to work together. This co-operation will include but not be restricted to:
 - collaborating on model development;
 - sharing forecast models;
 - running the respective economic and fiscal judgements of the other organisation through their forecast models. This additional analysis will serve as useful quality assurance and help explain the differences between our forecasts;
 - sharing other relevant analysis, for example from the Scottish Government or UK Government departments, subject to any confidentiality rules; and
 - contributing to the wider devolved fiscal landscape.

Revisions to the Memorandum of Understanding

16. The document will remain under review to ensure it continues to meet its objective of maintaining effective engagement between the SFC and the OBR. Signatories to this memorandum may request a review of its contents and implementation at any time. Any revisions will be made by mutual consent and any changes will be reflected in an updated MoU to be published on the each organisation's website.

Signed on behalf of their respective organisations:



Dame Susan Rice

Scottish Fiscal Commission



Robert Chote

Office for Budget Responsibility

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