
Scottish Fiscal Commission Annual Report and Accounts

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ISBN: 978-1-911637-24-0

Published by the Scottish Fiscal Commission, October 2020

Laying Number: SFC/2020/14

Chair's Foreword

I'm pleased to publish the Commission's Annual Report and Accounts for 2019-20 which detail our performance and activities during the year ending 31 March 2020.

We published our summer forecasts in May 2019 to accompany the Scottish Government's new Medium Term Financial Strategy.

We expected to publish our main Budget forecasts in December but the announcement of a UK General Election on 12 December 2019 led to the deferral of the Scottish Budget and our accompanying forecast to 6 February 2020 – which was, for the first time since the fiscal framework was established, ahead of the UK Budget by some four weeks.

Within this publication we forecast the Government's Scottish Child Payment, a significant new benefit in Scotland and included, for the first time, the effect of income tax reconciliations on the Scottish Budget.

We developed forecasting models for social security benefits planned for 2020-21 and a new model for Land and Buildings Transaction Tax, while continuing to work with partners to improve access to the data we need to produce accurate and reliable forecasts. We gave evidence to Parliamentary Committees and, although our planned parliamentary event had to be postponed due to the altered Budget timetable, we held two public events in Edinburgh and Glasgow to explain the Commission's work and approach to forecasting.

As more of the fiscal framework comes into operation, so its complexity grows and we've worked hard to support our audiences' understanding of the operation of the fiscal framework and our role within it. In September we published a paper on our approach to costing Government policies. We created a new website with an enhanced 'explainers' section and we produced a post-forecast leaflet for MSPs in addition to our now regular forecast events for journalists and Scottish Government staff.

We were especially pleased with the findings of an independent report on our operations published by the Organisation for Economic Co-operation and Development (OECD) in October 2019 following their review during the summer. This offered a clear endorsement of the Commission's activities, and included in its nine recommendations the view that: 'Despite operating in a highly politicised environment, the Scottish Fiscal Commission has been successful in establishing constructive relationships with key stakeholders and has quickly developed a reputation for delivering independent and credible forecasts.'

2020-21 looks to be extremely challenging in almost every conceivable way: for Government, for society, the economy and therefore for our role as forecasters. I'm personally grateful to my fellow Commissioners, Professors Francis Breedon, Alasdair Smith, and David Ulph, to our Chief Executive, John Ireland, and to the talented and dedicated team that make up the Scottish Fiscal Commission.



Dame Susan Rice DBE

8 October 2020

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Performance Report

Overview

- 1 The purpose of this overview is to give a short summary of the Commission, its objectives, performance during 2019-20, the principal risks it faces and a summary of future plans. It is followed by a more detailed performance analysis.

Chief Executive's Introduction

- 2 This report covers the Commission's third year as Scotland's official economic and fiscal forecaster. We have continued to build on our reputation as an independent and expert voice in the analysis of Scotland's public finances.
- 3 We have refined our publications in response to stakeholder feedback. In Scotland's Economic and Fiscal Forecasts, we have created a new Fiscal Overview chapter¹ to better explain the process of the fiscal framework as its complexity increases, and spell out the consequences for the size of the Scottish Budget.
- 4 The increasing devolution of social security to Scotland means we are now responsible for forecasting around £3.5 billion of social security payments. Modelling the new policies in this area has been greatly supported by the Scottish Government and Social Security Scotland in explaining the changes to both policy and delivery of the benefits being devolved, for which we are grateful.
- 5 Preparation for a statutory review of our operations by the Organisation for Economic Co-operation and Development during the year was rewarded by their positive overview and informed recommendations which will help us to continue to develop as an organisation over the coming year.
- 6 All this has been delivered in a trying year. Unanticipated changes to the Budget cycle during the year have impacted the Commission's work plans, and have, despite our best efforts, affected our staff's wellbeing. We deferred our main forecast by two months to support Scottish Government's delayed 2020-21 Budget, and remained poised as events towards the end of the financial year concerning COVID-19 looked set to affect our next forecast due in May.
- 7 Our staff and Commissioners have worked hard this year, not only to produce our forecasts and publications but to communicate as clearly as we can the outlook for the size of the Scottish Budget in future years. I am acutely conscious of the pressures related to COVID-19 that many have had to face, and I am immensely grateful to our staff for their expertise, industry and their support for one another.

John Ireland

Chief Executive of the Scottish Fiscal Commission and Accountable Officer

8 October 2020

¹ Scotland's Economic and Fiscal Forecasts, February 2020 Chapter 2 ([link](#))
Scottish Fiscal Commission Annual Report and Accounts for the year ending 31 March 2020

About the Scottish Fiscal Commission

What we are

- 8 We produce Scotland’s official, independent economic and fiscal forecasts to accompany the Scottish Government’s Budget cycle.
- 9 The Scottish Fiscal Commission is a non-Ministerial Office – this means we are part of the Scottish Administration but not part of the Scottish Government, ensuring our operational independence.

Who we are

- 10 The Scottish Fiscal Commission consists of Commissioners who are collectively responsible for fulfilling the functions and duties set out in the Scottish Fiscal Commission Act 2016. The Commission has full discretion in how we deliver our statutory functions and this safeguards our independence. We make our own forecast judgements, choose our own methods and decide the content of our analytical publications and work plan.
- 11 Our four Commissioners are Dame Susan Rice (chair), Professor Francis Breedon, Professor Alasdair Smith and Professor David Ulph. Our Commissioners are appointed by Scottish Ministers with the approval of the Scottish Parliament.
- 12 The Commissioners are supported by a small permanent staff of 22 analysts and support staff, grouped into three teams, as shown below (as at September 2020).²



² In early April 2020 we undertook a restructuring of our teams to better reflect the distribution of work. The organogram reflects the current structure of the Commission, not the structure during 2019-20.

What we do

Mission:

“As Scotland’s Independent Fiscal Institution, the Scottish Fiscal Commission will produce independent, official forecasts.”

SFC Corporate Plan 2018-20

- 13** The Scottish Fiscal Commission Act 2016 sets out the Commission’s functions. The Scottish Parliament expects the Commission to produce two reports each financial year, containing five year forecasts of:
- Onshore Scottish GDP
 - Scottish income tax (non-savings non-dividend income only)
 - Fully devolved taxes:
 - Land and Buildings Transactions Tax
 - Scottish Landfill Tax
 - Air Passenger Duty – devolution has been delayed, but we produce an illustrative forecast
 - Non-domestic rates
 - Assigned VAT receipts
 - Devolved social security spending
- 14** Our forecasts inform the Scottish Budget and assist in the scrutiny of fiscal events. The Commission is also required to provide an assessment of the reasonableness of the Government’s borrowing projections.

How we work

Values:

“We are committed to producing high quality forecasts, while being independent, transparent, accessible and open.”

SFC Corporate Plan 2018-20

- 15** Our approach is based on the Organisation for Economic Co-operation and Development (OECD) Principles for Independent Fiscal Institutions.³ We aim to build confidence in our forecasts and assessments by upholding the highest standards set for our type of institution.

³ OECD (2014) Recommendation of the Council on Principles for Independent Fiscal Institutions ([link](#))
Scottish Fiscal Commission Annual Report and Accounts for the year ending 31 March 2020

Principal risks

- 16** Our risks are identified, monitored and assessed regularly by the Senior Management Team, the Audit and Risk Committee and the Governance Board, in line with our risk management framework. These are managed through risk cards. The Audit and Risk Committee has agreed these are helpful and has identified further refinements which would enhance their effectiveness. We have identified our key risks as:
- Staff - The Commission does not have appropriate staff to deliver its functions effectively. This encompasses COVID-19 related risks of availability of staff and Commissioners and their ability to work effectively, as well as managing, motivating recruiting and retaining people with the skills we need.
 - Partner organisations - A deterioration in relationships with the Commission's partner organisations limits its access to data and information. This includes partner organisations' ability to supply data being compromised by COVID-19 related issues.
 - Independence – The Commission's independence is undermined. Independence is vital for our forecasts to have credibility. Lack of independence may reduce the quality of our forecasting, the ability to recruit and retain Commissioners and staff, and the resources available to the Commission. It could also lead to an erosion of the work to establish a highly functioning fiscal landscape in Scotland.
 - Corporate Systems – The Commission's corporate systems are not sufficient to support its work (IT, financial systems, HR, governance). The Scottish Government supplies our shared services and as a small customer, and when they are under pressure, we are conscious we may be a low priority.
 - Reputation – The Commission suffers a loss of reputation from its failure to deal with increasingly complex contextual change. The fiscal framework within which we work is complex, and changes to UK Budget timing make this more so.

Performance summary

- 17** The Commission fulfilled its statutory functions by delivering its forecasts and reports on time and in line with the protocol agreed with the Scottish Government.
- 18** In May 2019 we published forecasts to accompany the Scottish Government's Medium Term Financial Strategy.⁴ We changed the report's structure to better explain the outlook for the Scottish Budget following a consultation exercise with key users.
- 19** We published forecasts to accompany the Scottish Budget in February 2020.⁵ The deferral of the UK and Scottish Budgets because of the UK General Election on 12 December 2019 meant this was the first time we had had to prepare Budget forecasts before the UK Budget. There were other significant firsts: a further £3 billion of social security payments were devolved. We forecast the Scottish Government's Scottish Child Payment, a significant new benefit in Scotland which was due to launch in 2020, and the Child Disability Payment which was to replace Disability Living Allowance for Children in summer 2020. We also included, for the first time, information on the total Scottish Budget including the effect of income tax reconciliations.

⁴ Scottish Fiscal Commission (2019) Scotland's Economic and Fiscal Forecasts – May 2019 ([link](#))

⁵ Scottish Fiscal Commission (2020) Scotland's Economic and Fiscal Forecasts – February 2020 ([link](#))

- 20** We have produced two policy costings to accompany the introduction of secondary legislation affecting Non-domestic Rates, in December 2019 and March 2020.⁶
- 21** Our Forecast Evaluation Report, published in September 2019, evaluated the accuracy of our forecasts against available outturn data.⁷ It was the first time our social security forecasts had been evaluated, and was also the first time that the Scottish Budget was affected by the difference between the forecast of Scottish income tax revenue and the actual amount collected. We analysed both the size of the forecast errors and the reasons behind them. We found that the largest errors were for taxes or benefits which were newly devolved and where additional policy information or the first release of outturn data had altered our understanding of the expected level of revenue or spending.
- 22** We also published our second Statement of Data Needs in September 2019, outlining the data we require to create our forecasts, which organisations we rely on for data provision, and our priorities for improvement. On the same date we published our Approach to Policy Costings that shared how we approach the task of forecasting the effect of Government policies on tax revenues and social security spending.^{8 9}
- 23** In line with legislative requirements we appointed a qualified body - the Organisation for Economic Co-operation and Development (OECD) - to review the Commission's performance of its functions since April 2017. The OECD was appointed on 22 March 2019 and its report was published on 24 October 2019.¹⁰ It reported that the Commission "has quickly developed a reputation for delivering independent and credible forecasts".
- 24** We launched a new website to improve reliability and ease of access to our reports. We have engaged with a wide range of stakeholders and given evidence to the Finance and Constitution Committee four times and the Social Security committee twice. We have agreed a new Framework Document and a new protocol for fiscal events with the Scottish Government. Public events included one in collaboration with the OECD in October 2019 to launch their review of the Commission and another in February to share the findings of our forecasts accompanying the Scottish Budget.^{11 12}
- 25** In March 2020 we closed our physical office because of the COVID-19 outbreak, in line with Scottish Government guidance. We continue to deliver all our functions by home working and virtual meetings, though physical events have been cancelled. There are no changes to our governance arrangements. Plans are in place to ensure staff have the equipment they need and that the Chief Executive's responsibilities can be delegated if need be.

⁶ Scottish Fiscal Commission (2019) Supplementary Costings – Non-Domestic Rates (Scotland) Bill ([link](#)) and Scottish Fiscal Commission (2020) Supplementary Costings – Non-Domestic Rates Measures – March 2020 ([link](#))

⁷ Scottish Fiscal Commission (2019) Forecast Evaluation Report ([link](#))

⁸ Scottish Fiscal Commission (2019) Statement of Data Needs ([link](#))

⁹ Scottish Fiscal Commission (2019) Approach to Policy Costings ([link](#))

¹⁰ OECD (2019) Independent Fiscal Institutions Review - Scottish Fiscal Commission ([link](#))

¹¹ Scottish Fiscal Commission, Scottish Government (2019) Protocol for engagement between the Scottish Fiscal Commission and the Scottish Government ([link](#))

¹² Scottish Fiscal Commission, Scottish Government (2019) Framework Document ([link](#))

Performance Analysis

Measuring performance and dealing with uncertainty

- 26** We routinely assess the accuracy of our forecasts, in detail, through our forecast evaluation reports. These annual reports are presented to Parliament, and the Commissioners subsequently give evidence to the Finance and Constitution Committee. Last year for the first time we also gave evidence to the Social Security Committee. There will always be some difference between our forecasts and the final outturn data – forecasting is an inexact science.
- 27** We – like most economic forecasters – call the difference between our forecasts and the final outturn data ‘forecast error’. But these differences do not necessarily mean we have made errors. Large forecasting errors can occur even when perfectly sound approaches were used. For example, unexpected and unpredictable events can change the course of the economy, the available historic data on which our forecasts are based can change or the Scottish Government may change its policy during the year which would change the amount of tax collected or benefits paid, for example, changing the start date of a new policy.
- 28** So the accuracy of our forecasts only gives a partial picture of our overall performance as forecasters. To fully understand our performance we need to review the whole process by which we create, share, communicate and develop our forecasts.
- 29** We work year-round to develop and improve our forecasting approaches. We set out developments and improvements in our approach to forecasting in our regular publications and occasional papers. Our working practices and forecast processes were the subject of the OECD’s independent review in summer 2019, including a technical assessment of each of our models.

Statutory Review

- 30** The Scottish Fiscal Commission Act 2016 requires that the Commission’s operation be reviewed within two years of the Act coming into force, and every five years thereafter. Such independent reviews reflect internationally-agreed best practice for independent fiscal institutions. The Organisation for Economic Co-operation and Development (OECD) were appointed to carry out the review, and it took place over the summer of 2019. It assessed the Commission’s analytical capacity, independence, accountability and visibility, measuring it against the OECD Principles for Independent Fiscal Institutions.¹³ It used an evaluation framework developed by the OECD Network of Parliamentary Budget Officials and Independent Fiscal Institutions and included a specific technical review of the Commission’s analytical models.
- 31** In addition to OECD staff, the review team included three international experts:
- Mostafa Askari, Chief Economist at the Institute of Fiscal Studies and Democracy and former Deputy Parliamentary Budget Officer at the Canadian Parliamentary Budget Office.
 - Carlos Marinheiro, member of the Board for the Portuguese Public Finance Council and Assistant Professor at the Department of Economics of University of Coimbra.
 - Scott Cameron, (technical reviewer), Parliamentary Budget Office Training Program Manager (Cambodia) and former Fiscal Manager at the Canadian Parliamentary Budget Office.

¹³ OECD (2014) Recommendation of the Council on Principles for Independent Fiscal Institutions ([link](#))
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- 32 The review was published by the OECD and is also available on the Commission’s website alongside the OECD’s Technical Assessment and a brief highlights report.¹⁴

Executive summary extract

“Despite operating in a highly politicised environment, the SFC has been successful in establishing constructive relationships with key stakeholders and has quickly developed a reputation for delivering independent and credible forecasts. The SFC’s independence is underpinned by strong enabling legislation guided by the OECD Principles for Independent Fiscal Institutions (IFIs), and by the institutional culture of independence instilled by its first Chair.

The SFC has become a voice of authority, and is credited with enriching the fiscal policy debate in Scotland. It has significant engagement with the Scottish Parliament and receives broad media coverage. Stakeholders across the board praise the clarity and accessibility of its reports. Stakeholders also appreciate how the SFC has helped to improve economic statistics for Scotland.”

OECD Review of the Scottish Fiscal Commission

- 33 The technical assessment concluded that the Commission’s methodological approaches were appropriate and matched the standards accepted by other independent fiscal institutions. It said: “The Commission’s income tax model meets or exceeds the best-practices of other independent fiscal institutions. The extensive use of open source software is well ahead of the curve of the Commission’s peers placing them in an excellent position to lead by example on transparency.”
- 34 The OECD also reflected on challenges facing the Commission, including the complexity of the fiscal framework, the Scottish Budget process, problems with access to information and the reliability and adequacy of Scottish level economic and financial data. The OECD has made nine recommendations, which will be reflected in our next corporate plan.

Performance against Corporate Plan objectives

- 35 The Commission’s current Corporate Plan covers the period from April 2018 – March 2020.¹⁵ It sets out four strategic objectives for the Commission and delivery of these is supported by the annual Business Plan. The Corporate Plan objectives are:
- delivering trusted, reliable and accessible economic and fiscal forecasts
 - working openly and constructively with stakeholders while maintaining our independence
 - increasing understanding through active external engagement and clear publications
 - building an organisation with robust governance, knowledgeable staff and transparent processes

¹⁴ OECD (2019) Independent Fiscal Institutions Review - Scottish Fiscal Commission ([link](#))

¹⁵ Scottish Fiscal Commission (2018) Corporate Plan 2018-2020 ([link](#))

Delivering trusted, reliable and accessible economic and fiscal forecasts

- 36** The Commission met this objective by publishing:
- a set of forecasts to accompany the Scottish Government's second Medium-Term Financial Strategy (MTFS) in May 2019¹⁶
 - our third Forecast Evaluation Report in September 2019¹⁷
 - forecasts to accompany the Scottish Budget in February 2020¹⁸
 - two policy costings to accompany the introduction of secondary legislation affecting Non-Domestic Rates, in December 2019 and March 2020¹⁹
 - our second Statement of Data Needs in September 2019²⁰
- 37** All our reports were delivered on time and in line with the Protocol agreed with the Scottish Government.
- 38** As we completed our work on the September 2019 Forecast Evaluation Report we developed models for the new social security benefits and began developing models for the benefits to be launched in 2020-21. Our work in preparation for the Scottish Budget took into account the planned expansion of social security to around £3.5 billion from April 2020 and included costings for two of the Scottish Government's new benefits which were due to be introduced in 2020-21.
- 39** We also developed a new residential Land and Buildings Transaction Tax model which was used in our February 2020 forecasts.
- 40** We explored options for a new macro model and made significant progress towards having a new model ready to use in 2020-21. We also completed work on our approach to modelling income tax behavioural change.
- 41** We continue to uphold our voluntary commitment to comply with the principles of the Code of Practice for Statistics to help us ensure that our forecasts are trusted, reliable and accessible.²¹ The Code has provided us with a framework for approaching a number of operational issues including how we handle revisions and errors in our modelling. Confident of our adherence, we submitted an entry for the Voluntary Application award run by the Royal Statistical Society.

Working openly and constructively with stakeholders while maintaining our independence

- 42** We aim to establish and enhance effective engagement with all those who have an interest in our work. Throughout the year we met UK and Scottish partners and stakeholders with a view to both maintaining the good relations with them on which the quality of our work depends, but also to identify improved ways of working.

16 Scottish Fiscal Commission (2019) Scotland's Economic and Fiscal Forecasts – May 2019 ([link](#))

17 Scottish Fiscal Commission (2019) Forecast Evaluation Report ([link](#))

18 Scottish Fiscal Commission (2020) Scotland's Economic and Fiscal Forecasts – February 2020 ([link](#))

19 Scottish Fiscal Commission (2019) Supplementary Costings – Non-Domestic Rates (Scotland) Bill ([link](#)) and Scottish Fiscal Commission (2020) Supplementary Costings – Non-Domestic Rates Measures – March 2020 ([link](#))

20 Scottish Fiscal Commission (2019) Statement of Data Needs ([link](#))

21 Scottish Fiscal Commission (2018) Statement of voluntary compliance with the Code of Practice for Official Statistics ([link](#))

- 43 We agreed a revised framework document with the Scottish Government and published it on our website on July 2019.²² We also revised the protocol for fiscal events with the Scottish Government, and published it in September 2019.²³
- 44 We published a Statement of Data Needs in September 2019.²⁴ The process of developing this statement provided us with the opportunity to systematically reflect on our data requirements with our partners and be transparent with them and others on our priorities for improved data.
- 45 We signed a memorandum of understanding with the Department of Work and Pensions in May 2019.²⁵
- 46 In line with our statutory duty of cooperation with the Office for Budget Responsibility (OBR), we offered support and challenge, ahead of the UK Budget.
- 47 We are part of the Devolved Taxes Legislative Working Group set up by the Scottish Government and Scottish Parliament to consider if and how the legislative process could be adjusted to streamline tax changes.
- 48 We attended the annual Inter-Parliamentary Finance Network Event for parliamentary finance teams and independent fiscal institutions from across the UK and Ireland, in October 2019, sharing experiences with officials from the House of Commons, the Scottish Parliament, the Northern Ireland Assembly the Welsh Assembly, the Irish Parliamentary Budget Office, the Irish Fiscal Advisory Council and the Office for Budget Responsibility.

Increasing understanding through active external engagement and clear publications

- 49 The Commission wants to ensure its forecasts are understood and used appropriately. To that end we produced an occasional paper to give details of our approaches to costing Scottish Government policies in September 2019.²⁶
- 50 The Commission wants to ensure its forecasts are understood and used appropriately. In March 2019 we undertook a limited qualitative survey on stakeholder views on our main forecast publication – Scotland’s Economic and Fiscal Forecasts. The key findings were:
- The report was well received and provides clear information on the forecasts and changes in forecasts.
 - Infographics and visuals work well.
 - The report was too detailed and included repeated information on the methodologies used. The report should focus on what has changed rather than being a stand-alone document.
- 51 Based on this feedback, we have focussed on increasing the strength of the narrative and making the publication more concise and readable, and have provided a shorter, more accessible summary. We added a new Fiscal Overview chapter which provides an overview of the role of the different elements in the fiscal framework, including our forecasts and reconciliations, play in determining the

22 Scottish Fiscal Commission, Scottish Government (2019) Framework Document ([link](#))

23 Scottish Fiscal Commission, Scottish Government (2019) Protocol for engagement between the Scottish Fiscal Commission and the Scottish Government ([link](#))

24 Scottish Fiscal Commission (2019) Statement of Data Needs ([link](#))

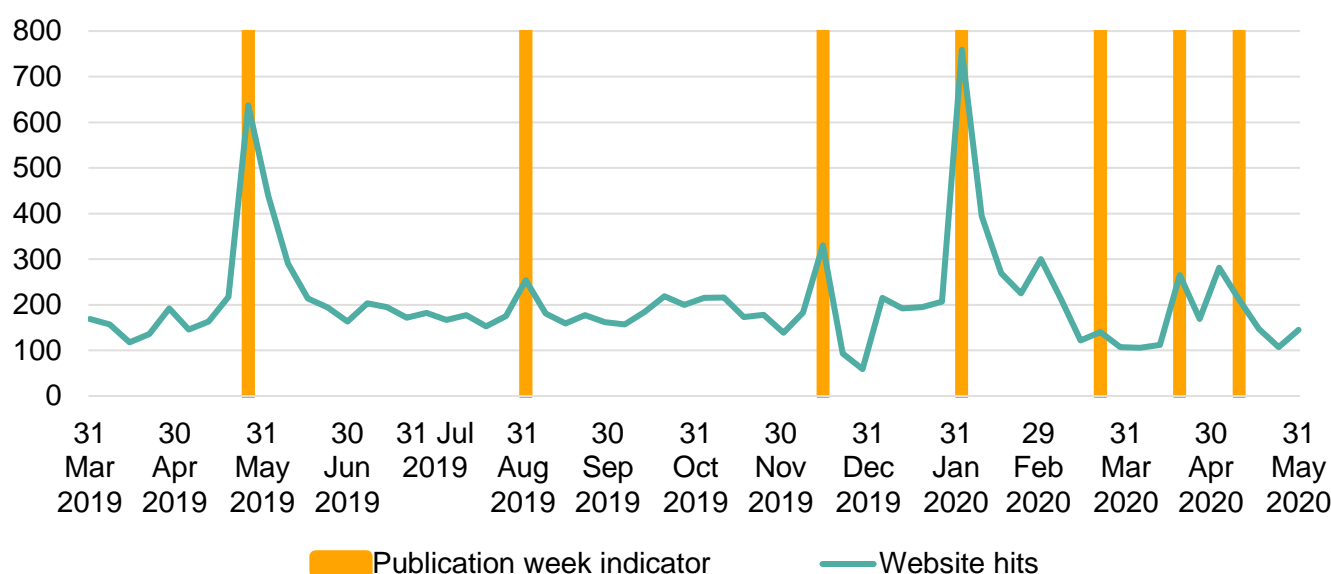
25 Memorandum of Understanding between the Scottish Fiscal Commission and the Department for Work and Pensions ([link](#))

26 Scottish Fiscal Commission (2019) Approach to Policy Costings ([link](#))

size of the Scottish Budget. This chapter also discusses the Scottish Government's use of its borrowing powers and the options the Scottish Government has available to manage the Budget.

- 52** Alongside our forecast publications in May 2019 and February 2020, we published accessible summaries, supplementary data spreadsheets and used social media to share summary graphics. We held media briefings on the day after publication to help ensure informed coverage of our work. These briefings included a presentation of the key points in our forecasts from the Chief Executive that was subsequently published on our website.
- 53** In February 2020 we designed a handout providing a high-level overview of our forecasts which was provided to all MSPs ahead of the Stage 1 Parliamentary debate on the Scottish Budget.
- 54** The Commissioners and staff have engaged with the Scottish Parliament's Finance and Constitution Committee and Social Security Committee during the course of the year. Commissioners gave evidence at the Finance and Constitution Committee and the Social Security Committee after our May and February forecasts, and after publication of our forecast evaluation report in September. All of these appearances are intended to provide further understanding of our publications and our work.
- 55** During the year the Commission organised two public events. We held a joint event with the OECD in October 2019 to discuss their review of our operations with interested stakeholders. In February 2020 we held a public event to share our Budget forecasts. We also held a well-attended event for Scottish Government staff following our February forecast.
- 56** We have also spoken at several external events, including the international Tax Research Network Conference in September 2019 and the Scotland Policy Social Security Conference in December 2019.
- 57** The Commission continued to have a positive relationship with media representatives. Both our post-forecast media briefings were well attended (around 12 journalists at each event). Press coverage of the May 2019 forecast focused on the size of forecast reconciliations and risk associated with increased social security spending. Coverage of our February 2020 forecast varied, ranging from higher rate taxes to fears over where funding would be found to cover social security spending.
- 58** We publish all our reports on our website, along with spreadsheets, infographics and news stories. To improve accessibility and presentation we commissioned a new website which was launched in December 2019, specifically designed to make our work more accessible. To help our audiences we created an 'explainers' section on our website. We see traffic spikes when we publish a report.

Weekly visits to Scottish Fiscal Commission website, March 2019 to May 2020



Source: Scottish Fiscal Commission

Scottish Fiscal Commission Twitter metrics

Forecast	Twitter impressions in publication week	Increase in followers during publication month
December 2017	34,100	142
May 2018	41,500	57
December 2018	41,300	76
May 2019	52,100	150
February 2020	22,200	48

Source: Scottish Fiscal Commission

59 Twitter impressions were considerably down for our February forecast, almost certainly because of its timing ahead of the UK Budget and an assumption that the Scottish Budget would offer few policy changes. We now have over 1,100 followers on Twitter and although we very rarely re-tweet other posts, we actively use Twitter to promote our publications, vacancies and events. On the day of each publication we tweet infographics and simple visuals of our forecasts which are picked up and retweeted. They have also been used by the BBC Scotland news website in its live coverage of Parliament.

Building an organisation with robust governance, knowledgeable staff and transparent processes

Governance

60 There were no changes amongst our Commissioners or senior management team. We undertook a restructuring of our teams in early April 2020 to better reflect the distribution of work. One team now works on social security and the funding position of the Scottish Budget, the other team works on all taxes and the economy forecasts. We agreed a revised framework document with the Scottish Government. This sets out the relationship between the Scottish Fiscal Commission, Scottish

Ministers and the Scottish Parliament with regard to governance, finance and the operation of the functions of the Commission. It was finalised in July 2019 and published on our website.²⁷

- 61 The OECD’s independent review of the Commission’s performance of its functions was positive and is reported in more detail from paragraph 30.
- 62 The Corporate Governance report gives a full report on our governance (page [18](#)).
- 63 We continued to refine and improve our finance processes during 2019-20 and received substantial assurance from internal audit. However, we did become aware of an historic mistake in relation to Commissioner travel expenses which is reported in the Governance Statement (paragraph [117](#)).
- 64 We commissioned design work to improve our accommodation in Governor’s House, a building which has had limited work undertaken internally for a number of years, and have arranged for the submission of a building warrant to improve the substandard toilet area.

Staffing

- 65 Our staff are crucial to our ability to achieve our corporate objectives. As a small organisation with a specialised function, we expect a degree of turnover amongst our early career analysts. Such a measured turnover of staff brings us valuable, fresh perspectives. We are committed to helping to grow Scotland’s capacity for economic analysis, and developing a diverse, talented pool of analysts in Scotland. We sit on the steering group for the Economic Futures programme, which aims to improve economics capacity on behalf of all higher education institutions in Scotland. We participated in their summer student placement programme by offering two students project work through the summer, part-funded by the Scottish Funding Council.
- 66 In summer 2019 we brought our teams up to full complement, by engaging the required number of suitably qualified and experienced analysts.

Staffing changes and headcount

	Joiners	Leavers	Total headcount at 31 March 2020
Analytical	5	2	17
Corporate & Chief Executive	1	1	6

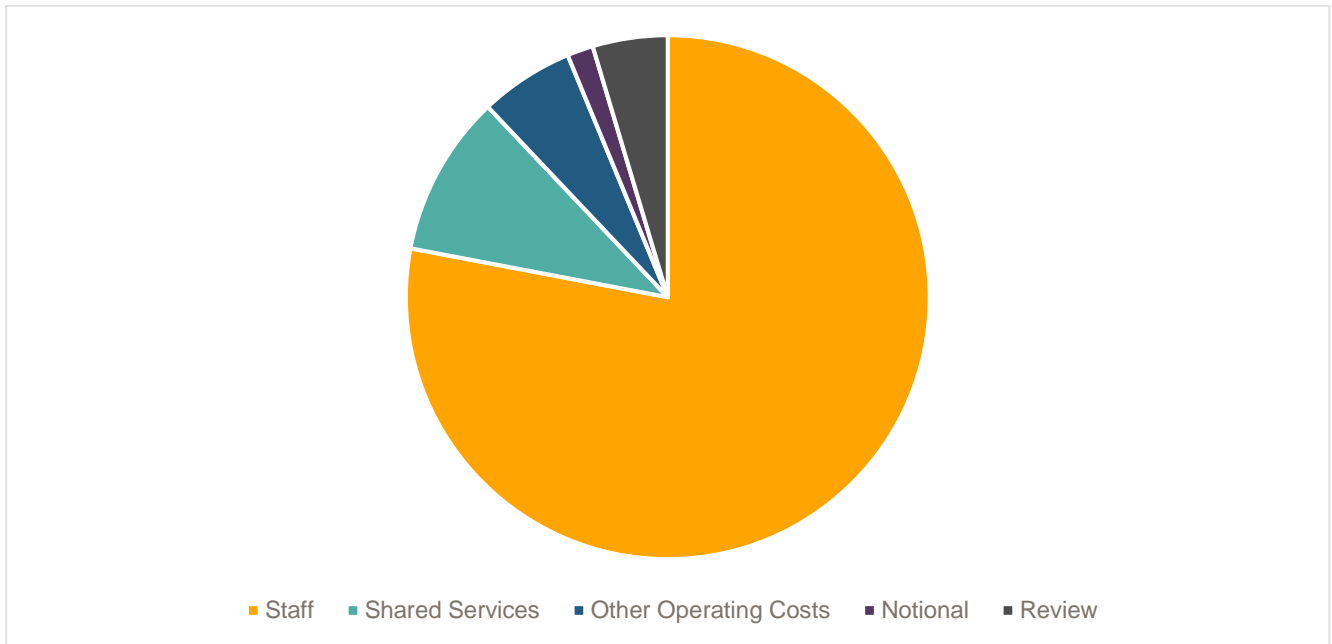
- 67 The staff report contains further information relating to staff numbers and costs.
- 68 The Commission’s 2019-20 staff survey took place during December 2019. It was modelled on the UK Civil Service survey and there was a 100% response rate.
- 69 The survey was largely very positive. Results were generally on a par with our 2018 survey indicating staff generally remain positive about all aspects of their work.
- 70 Perceptions of leadership and change management are uniformly positive and stable or improving, and perceptions around learning and development continued to improve. There was a continued positive increase in the perception that SFC ‘takes positive action on staff health and wellbeing’. The areas for improvement were line management and the physical working environment. Four incidents of bullying or harassment were reported. This was the first time that any incidents of this nature have been reported in our annual surveys and is a specific area of concern.

²⁷ Scottish Fiscal Commission, Scottish Government (2019) Framework Document ([link](#))

Financial Performance

- 71** Staff costs continue to be our biggest category of expenditure, at over 75% of our operating costs. Staff costs have increased as we have filled remaining vacancies and employed more people as our social security forecasting responsibilities increased. Further, many of our staff are at the lower end of their pay scales and under the SG Main pay award they receive greater pay increases than those at the top of pay scales.
- 72** Accommodation and shared services account for approximately 10% of our operating costs. The statutory independent review accounts for a further 5%.

Operating Costs 2019-20



- 73** The dominance of staffing costs in our budget, coupled with the small number of staff we have, means that our budget is vulnerable to shifts changes in staffing requirements. For example, two weekends of overtime as a result of a compressed Budget timetable would have been equivalent to over a quarter of our “other operating costs”.
- 74** The Commission received a £1.933 million budget in 2019-20 and had net operating costs of £1.858million, resulting in an underspend of £0.075 million. (In 2018-19 we had a budget of £1.63 million, net operating costs of £1.598 million and an underspend of £0.032 million.)
- 75** Our increased underspend this year was mainly due to two extraordinary situations, which were impossible to foresee sufficiently far in advance to revise spending plans. Elements related to the uncertainty about the timing of the Scottish budget and to the COVID-19 outbreak account for over three quarters of our underspend.
- 76** The Commission aims to pay suppliers within 10 working days of the receipt of a valid and undisputed invoice. During the year ended 31 March 2020, the Commission paid 100 per cent of its invoices within these terms (98 per cent in the year ended 31 March 2019).

Non-financial information (including social matters, respect for human rights, environmental impact and anti-corruption and anti-bribery matters)

Complaints

- 77** The Commission has a complaints handling policy and procedure in place and received no complaints in 2019-20 (and none in 2018-19).²⁸

Information Security

- 78** There were no known data breaches in 2019-20.

Freedom of Information

- 79** The Commission aims to be fully compliant with Freedom of Information legislation. We received three Freedom of Information requests, all of which were completed within the statutory deadline for responses (seven requests and all were completed within deadline in 2018-19). Substantive responses are published on the Commission's website.²⁹

Community and social

- 80** The Commission is committed to being an open and transparent organisation. We work with other public bodies and government departments to improve the economic and fiscal information about Scotland available to the public, and are committed to engaging productively with those communities which are interested in our work.

Fraud, corruption and bribery

- 81** The Commission is committed to preventing fraud, corruption and bribery in relation to its funds and activities. There is a counter-fraud policy in place and staff are bound by the Civil Service Code which governs the behaviour of staff and deals with the receipt of gifts and hospitality. Relevant gifts and hospitality received by staff are recorded.^{30 31}
- 82** The Commissioner Code of Conduct sets out the behaviours expected of our Commissioners.³² It is based on is based on the Scottish Government's Model Code of Conduct for Members of Devolved Public Bodies. Declarations of interest are made at each Governance Board and Audit and Risk Committee meeting. The register of interests for Commissioners and external member of the Audit and Risk Committee, which includes gifts and hospitality received, is updated by Commissioners and the external member as and when required and formally reviewed at least annually.³³ There were no known incidences of fraud or bribery in 2019-20.
- 83** The Commission has a shared service agreement in place with the Scottish Government Procurement and Property Directorate and adheres to the Public Sector Procurement guidance.

²⁸ Scottish Fiscal Commission (2017) Complaints Policy ([link](#))

²⁹ Freedom of Information releases on our website ([link](#))

³⁰ Scottish Fiscal Commission Counter-Fraud Policy ([link](#))

³¹ UK Government (2015) The Civil Service Code ([link](#))

³² Scottish Fiscal Commission (2019) Code of Conduct ([link](#))

³³ Scottish Fiscal Commission (2019) Register of Interests ([link](#))

Environment and sustainability

- 84** The Commission is committed to reducing its environmental impact and to increasing the sustainability of its activities.
- 85** To minimise travel, we schedule activities requiring Commissioners on the same or consecutive days where possible. All staff have the option of laptops to facilitate periodic home working. We have installed cycle racks to encourage even more staff to cycle to work.
- 86** To reduce waste, we publish our reports online with only a limited number of printed copies (although copies of our reports are available in accessible formats on request). We use unbleached, recycled paper for day to day printing. Recycling of food, paper and packaging is provided as part of our occupancy agreement for Governor’s House. We order milk in glass bottles to reduce plastic waste, and have instituted a “coffee club” to reduce packaging waste.
- 87** As Governor’s House is a listed building, options for improving insulation are limited. Nevertheless there have been improvements to the windows and door this year and all staff have been moved to the more insulated floors so less heating should be needed in future.

John Ireland

Chief Executive of the Scottish Fiscal Commission and Accountable Officer

Accountability Report

Corporate Governance Report

- 88** This section reports the composition of the Governance Board and senior management over the year, the Commission's governance framework, the Accountable Officer's responsibilities, his sources of assurance and his assessment of the Commission's corporate governance and risk management arrangements.

The Commissioners' Report

The Commissioners

- 89** The Scottish Fiscal Commission Act 2016 provides that there shall be a Chair and at least two members. All appointments to the Commission are made by Scottish Ministers, approved by the Scottish Parliament and regulated by the Ethical Standards Commissioner. As reported in paragraph 105, the Commissioners act corporately as our Governance Board.

- 90** As at 31 March 2020 there were four Commissioners, one of whom was Chair:

Chair	Dame Susan Rice
Members	Professor Alasdair Smith Professor Francis Breedon Professor David Ulph

- 91** The Register of Interests for the Commissioners is available on the Commission's website³⁴ and on request. All members are required to review and update the register at least annually.

Audit and Risk Committee

- 92** The Audit and Risk Committee supports and advises the Governance Board through constructive challenge of the Commission's risk, governance and financial management including the policies, controls and assurance in place for each. The Committee focuses upon the Commission's risk assessment and management, the internal and external audit processes and the production of the Annual Report and Accounts, including the governance statement.

- 93** The Committee met four times in 2019-20, and its members are:

Chair	Professor David Ulph
Members	Professor Alasdair Smith Professor Francis Breedon
External Member	Gillian Carty
Attendees	Dame Susan Rice Audit Scotland Scottish Government Internal Audit and Assurance Directorate

³⁴ Scottish Fiscal Commission Register of Interests ([link](#))

Chief Executive and Senior Management Team

94 Members of the Senior Management team during 2019-20 were:

Chief Executive and Accountable Officer	John Ireland
Head of Economy and Tax (previously Economic, Income Tax and VAT Forecasting)	David Stone
Head of Social Security and Public Funding (previously Devolved Taxes and Social Security Forecasting)	Claire Murdoch
Head of Strategy, Governance and Corporate Services	Susie Warden

No member of the senior management team held a directorship or significant interest which may have conflicted with their management responsibilities.

Internal Audit

95 Internal Audit is provided by Scottish Government Internal Audit and Assurance Directorate (SGIAASD). The Audit and Risk Committee considered the two reports produced by SGIAASD for 19-20, which consisted of an Annual Corporate Review which considered Corporate Governance and Finance and a follow up review on Budgetary Processes and Procedures. Regular updates on progress were presented by SGIAASD at Audit and Risk Committee meetings during the year. The SGIAASD annual assurance report provided substantial assurance on the Scottish Fiscal Commission's risk management, control and governance arrangements. This means that the Commission's risk, governance and control procedures are effective in supporting the delivery of any related objectives. Any exposure to potential weakness is low and the materiality of any consequent risk is negligible.

External Audit

96 External Audit is provided by Audit Scotland. Mark Taylor was appointed under the Public Finance and Accountability (Scotland) Act 2000 to carry out the external audit of the Commission. During the year, the Audit and Risk Committee received regular updates from Audit Scotland.

Personal Data related incidents

97 There were no known data breaches in 2019-20.

Statement of Accountable Officer's responsibilities

98 Under paragraph 19(4) of the Public Finance and Accountability Scotland Act 2000, the Scottish Ministers have directed the Scottish Fiscal Commission to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction (Annex A). The accounts are prepared on an accruals basis, and must give a true and fair view of the state of affairs of the Commission and of its income and expenditure, Statement of Financial Position and cash flows for the financial year.

99 In preparing the accounts, the Accountable Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- observe the accounts direction issued by the Scottish Ministers, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- make judgments and estimates on a reasonable basis

- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements
 - prepare the financial statements on a 'going concern' basis
 - confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.
- 100** The Permanent Secretary of the Scottish Government, as Principal Accountable Officer for the Scottish Administration, designated the Commission's Chief Executive, John Ireland, as the Accountable Officer for the Commission.
- 101** The responsibilities of an Accountable Officer, including responsibility for the propriety and regularity of the public finances for which the Accountable Officer is answerable, for keeping proper records and for safeguarding the Commission's assets, are set out in the Scottish Government Memorandum to Accountable Officers of Other Public Bodies and published within the Scottish Public Finance Manual.
- 102** As Accountable Officer, I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the Commission's auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the Commission's auditors are unaware. I confirm that the annual report and accounts as a whole is fair, balanced and understandable, and that I take personal responsibility for the annual report and accounts and the judgments required for determining that it is fair, balanced and understandable.

Governance Statement

- 103** This statement sets out the Commission's internal control structure and its management of resources and risk. It covers the period from 1 April 2019 to the date of signing.

Governance framework

- 104** The foundation of our governance framework is the Framework Document, which sets out the relationship between the Commission, Scottish Ministers and Scottish Parliament with regards to governance, finance and the operation of functions of the Commission. It specifically addresses:
- the functions, duties and powers of the Commission
 - the responsibilities of the Chair, the Commissioners and the Chief Executive
 - planning, budgeting and control
 - external accountability
 - staff management
 - reviewing the Commission's role
 - key financial and operating procedures.
- 105** As a small organisation we have a simple governance structure. The Commissioners act corporately as our Governance Board. The Board is supported and advised by our Audit and Risk Committee,

and both are supported by the Senior Management Team. The Scheme of Internal Delegation documents any functions which Commissioners have delegated to the Audit and Risk Committee, Chief Executive and Senior Management Team, whilst still being responsible for them. This was revised to provide for urgent expenditure approvals in the event of the Chief Executive's unexpected absence, and to allow the senior management team to approve travel and stationery.

- 106** The Governance Board has corporate responsibility for ensuring that the Commission fulfils its aims and objectives and for promoting the efficient and effective use of staff and other resources in accordance with the principles of Best Value. The Governance Board comprises the Commissioners: Dame Susan Rice (chair), Professor Alasdair Smith, Professor David Ulph and Professor Francis Breedon. The Governance Board meetings are kept distinct from the Commissioners' specific responsibility for the production of the Commission's forecasts. The Chief Executive and various members of the senior management team also attend Governance Board meetings to support the Commissioners.
- 107** The operation of the Governance Board is governed by the Standing Orders, which set out arrangements for the Commissioners acting corporately as a Governance Board. The Code of Conduct sets out the expected behaviours of our Commissioners. Our Code of Conduct is based on the Model Code of Conduct for Members of Devolved Public Bodies. The Governance Board also takes cognisance of the Scottish Government guidance for statutory public body boards: "On Board: a guide for members of statutory boards".
- 108** The Audit and Risk Committee supports and advises the Governance Board through constructive challenge of the Commission's risk, governance and financial management including the policies, controls and assurance in place for each. The Committee focuses upon the Commission's risk assessment and management, the internal and external audit processes and the production of the Annual Report and Accounts. It uses the Scottish Government Audit and Assurance Committee Handbook to guide its work.
- 109** As our Governance Board is limited to between three and five Commissioners by statute, our choice of members for the Audit and Risk Committee is limited. Having all the Commissioners (except the Commission Chair, reflecting accepted good practice) as formal members gives us some resilience against absence. We have an external member to bring a fresh perspective and better hold the Board to account. In addition, the Audit and Risk Committee benefits from the helpful and expert input of Audit Scotland and the Scottish Government Internal Audit Directorate who attend Audit and Risk Committee meetings.
- 110** The other documents which form part of our governance framework are:
- the Scottish Fiscal Commission Act 2016, which sets out our powers, functions and duties;
 - the Corporate Plan, which sets out our mission, values and objectives for 2018-20;
 - the Risk Management Framework, which sets out how significant risks facing the Commission in the delivery of its corporate aims and objectives will be identified, evaluated and appropriately managed; and
 - our various corporate policies and procedures.

The Governance Board

- 111** During 2019-20 the Governance Board met formally on five occasions. A full set of minutes was produced to record all agreed actions and decisions and these are published on our website in

accordance with the Commission's Publication Scheme.³⁵ At each occasion all Commissioners were asked for any declarations of interest with a full record made in the minutes in compliance with the Code of Conduct. Given the current Commissioner appointments and terms of appointment, we will not be able to achieve a 50:50 gender balance by 2020, the gender balance at 31 March 2020 being 25:75.

Corporate Governance

- 112** “Corporate governance concerns the strategic direction and effective stewardship of the organisation” and “Corporate governance is the way in which organisations are directed, controlled and led and defines where accountability lies throughout the public body” – so says the Scottish Government guidance for members of statutory boards, On Board. It defines the three main dimensions of corporate governance as: roles, responsibilities and relationships; effective financial management, and ethics and standards of behaviour.

Roles, responsibilities and relationships

- 113** The Governance Framework section above sets out how our roles, responsibilities and relationships are defined.
- 114** Most of our outstanding corporate policies and procedures have now been finalised and we have begun a process of reviewing them regularly to an agreed schedule.

Effective Financial Management

- 115** The Scottish Public Finance Manual (SPFM) applies to the Commission. The Commission aims to deliver best value in accordance with the principles outlined within the SPFM. We have also taken advantage of Government procurement frameworks in order to achieve best value. We use Scottish Government financial management software and systems which provide compliant controls.
- 116** Over 2019-20 we continued to make progress in improving our financial management, including appointing a new Finance and Business Manager post. We received substantial assurance from internal audit following their assessments this year.
- 117** However, we did become aware of an historic mistake in relation to Commissioner travel expenses. The rules about how the individual tax liabilities arising from Board members' travel expenses could be settled had changed. This led us to check our treatment of Commissioner travel expenses, and we discovered an error which had existed since our inception. We have disclosed this to HMRC and paid all that was deemed due. We alerted internal and external audit to this issue and compliant arrangements are now in place.
- 118** An error was identified in 2020-21 concerning the repayment of salary to another government department for a staff member who had transferred to us in 2019/20. That error has now been rectified and the correct amounts are included in these accounts.

Ethics and Standards of Behaviour

- 119** Rules on ethics and standards of behaviour for our Commissioners are set out in our Code of Conduct, which is based on the Model Code of Conduct for Members of Devolved Public Bodies. The Standards Commission deals with alleged breaches of the code, as provided for by the Ethical Standards in Public Life etc. (Scotland) Act 2000.

³⁵ Scottish Fiscal Commission Governance Board Minutes ([link](#))

- 120** Rules on ethics and standards of behaviour are set out in the Civil Service Code, and this forms part of the terms and conditions for staff. We also follow the Scottish Government's Fairness at Work policy.
- 121** The Commission's whistle-blowing policy sets out how all those who work within the Commission can raise concerns about malpractice. It is available on our website.

Risk Management

- 122** All bodies to which the SPFM is directly applicable must operate a risk management strategy in accordance with relevant guidance issued by the Scottish Ministers. The general principles for a successful risk management strategy are set out in the SPFM.
- 123** The Commission's risk management framework specifies the roles of the Board, the Audit and Risk Committee, Senior Management Team and the Chief Executive, and details the processes of risk identification, review and escalation.
- 124** In March 2019 the Commission adopted a new means of recording and reporting risk, using more detailed risk cards rather than a traditional risk register spreadsheet. This has better supported the discussion of crosscutting risks and has provided a useful structure.
- 125** The current key risks are reported in the performance overview section above. Staffing has proved a persistently highest scoring risk, mainly due to the pressures of the external environment on our staff. Changes to the Scottish Budget timetable created significant pressures, then the following month, we entered COVID-19 lockdown, with its consequent pressures. With a small staff, absences of few people can have a significant impact and we have taken active steps to reduce and mitigate the potential impact. Our risk management processes have proved adequate for these challenges. As reported in paragraph 25, we continue to deliver our functions through home-working and virtual meetings and there have been no changes in governance.
- 126** I am content that the Commission's management of risk is effective. I assess our risk profile to be acceptable, given current circumstances.

Written assurances

- 127** I have received assurance from the Scottish Government's Chief Financial Officer in respect of the financial systems shared with the Commission, from the Scottish Government's People Director in respect of the human resources and payroll systems shared with the Commission, and from the Scottish Government's Director Digital in respect of the IT services shared with the Commission. I have also received from SGIAASD a copy of the assurance provided on the Scottish Government's corporate services which deliver our shared services, although only reasonable assurance could be given.

Data security

- 128** There were no known data breaches in 2019-20.

Assessment of Corporate Governance and Risk Management Arrangements

- 129** As Accountable Officer, I have responsibility for overseeing the Commission's corporate governance arrangements including compliance with generally accepted best practice principles and relevant guidance. In addition I have responsibility for reviewing the effectiveness of the Commission's risk management arrangements and system of internal control.

130 My review of the effectiveness of these systems is informed by:

- The senior management team, which has responsibility for the development and maintenance of the Commission's governance, performance, risk and internal controls frameworks.
- The Governance Board, which has responsibility for receiving, monitoring and commenting on management reports on governance matters, performance and risk management.
- The work of the Commission's Audit and Risk Committee as delegated by the Governance Board, which includes on-going review of the Commission's external assurance functions and internal assessments on governance, risk and best value.
- The work of the internal auditors (SGIAASD), who submit to the Commission's Audit and Risk Committee regular reports which include independent and objective opinion on the adequacy and effectiveness of the organisation's systems of internal control together with recommendations for improvement.
- The work of the OECD in performing an independent review of our operations.
- Completion of the internal control checklist following the format of the SPFM, recognising that these provide reasonable assurance but can never provide absolute assurance.
- Comments made by the external auditors in their management letters and other reports.

131 I confirm that I am content with the effectiveness of the Commission's existing arrangements to ensure appropriate standards of corporate governance, internal controls and effective risk management are met.

Remuneration and Staff Report

Remuneration Report

132 The remuneration and staff report sets out the Commission’s remuneration policy for Commissioners and senior management, reports on how that policy has been implemented and sets out the amounts awarded.

133 The information disclosed in the following tables is audited by the external auditors:

- Single Total Figure of Remuneration
- Pensions
- Average number of persons employed by the Commission
- Staff Costs
- Fair Pay

Pay and conditions of service

134 The Chief Executive is a Senior Civil Servant whose remuneration is set in accordance with the rules set out in chapter 7.1, Annex A of the Civil Service Management Code and in conjunction with independent advice from the Senior Salaries Review Body (SSRB).³⁶

135 The staff of the Commission are civil servants. They are part of the Scottish Administration, rather than the Scottish Government, and are required to adhere to the standards set out in the Civil Service Code applicable to staff in the Scottish Administration. Staff are appointed by the Scottish Fiscal Commission and act under the direction of the Commissioners. Their remuneration is set in accordance with Scottish Government Public Sector Pay Policy as part of the Scottish Government Main Bargaining Unit.³⁷ Unless otherwise stated, the officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in compensation as set out in the Civil Service Compensation scheme.

136 The Commissioners are non-executive and are appointed following a public appointments exercise regulated by the Commissioner for Ethical Standards in Public Life in Scotland. Their appointment is subject to the agreement of the Scottish Parliament. Commissioners receive fees for duties carried out on behalf of the Scottish Fiscal Commission including attendance at Governance Board and Committee meetings. Fees are paid at the daily rate set out in their letters of appointment. Expenses incurred while carrying out their duties are reimbursed. Fees are also paid to the external member of the Audit and Risk Committee, set out in their letter of appointment, and expenses for attendance at Committee meetings are reimbursed. The fees paid to Board and Committee members are governed by the Public Sector Pay Policy for Senior Appointments.³⁸

³⁶ Information about the work of the SSRB can be found ([link](#))

³⁷ Information about the Public Sector Pay Policy ([link](#))

³⁸ The Scottish Government Public Sector Pay Policy for Senior Appointments Technical Guide ([link](#))

Single Total Figure of Remuneration (audited)

137 Fees of the Commissioners and external member of the Audit and Risk Committee and the salaries and accrued pension benefits of the Senior Management Team are shown below, following the format and methodology defined by the Cabinet Office and Financial Reporting Manual.

Total Figure of Remuneration	2019-20	2018-19
Board Member	£'000	£'000
Dame Susan Rice DBE (Chair)	35-40	35-40
Professor Alasdair Smith	25-30	25-30
Professor Francis Breedon (appointed October 2018)	25-30	10-15*
Professor David Ulph (appointed October 2018)	25-30	10-15*
David Wilson (resigned July 2018)	-	5-10*
<i>*whole year equivalent</i>		25-30
External Audit and Risk Committee Member	£'000	£'000
Gillian Carty	0-5	0-5

Senior Management Team	Wages & Salary Band £'000		Accrued Pension Benefits £'000		Total £'000	
	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19
John Ireland, Chief Executive	75-80	75-80	24	12	100-105	85-90
Claire Murdoch, Head of Social Security and Public Funding (formerly Devolved Taxes & Social Security Forecasting)	60-65	60-65	25	24	85-90	80-85
David Stone, Head of Economy and Tax (formerly Macroeconomic & Income Tax Forecasting)	60-65	60-65	25	23	85-90	80-85
Susie Warden, Head of Strategy, Governance and Corporate Services (joined July 2018)	40-45 <i>FTE 60-65*</i>	25-30 <i>WYE 35-40*</i> <i>FTE 60-65*</i>	26	18	65-70	40-45
Mairi Spowage, Deputy Chief Executive (left July 2018)	-	20-25 <i>WYE 70-75*</i>	-	14	-	35-40
Laura Bailie, Head of Corporate Services (left October 2018)	-	20-25 <i>WYE 35-40*</i> <i>FTE 45-50*</i>	-	7	-	25-30

* WYE means whole year equivalent; FTE means full time, full year equivalent

138 None of the above received any benefits in-kind or bonus payments in 2019-20 or 2018-19.

139 Salary covers both pensionable and non-pensionable amounts and includes: gross salaries; overtime; recruitment and retention allowances; or other allowances to the extent that they are

subject to UK taxation and any ex-gratia payments. It does not include amounts which are a reimbursement of expenses directly incurred in the performance of an individual's duties.

- 140** It is not possible to directly compare the accrued pension benefits of different members of the Senior Management Team as they are members of different civil service pension schemes. Differing service, pay history, age and gender all have an influence over the accrued pension benefit calculations.
- 141** The value of pension benefits accrued during the year is calculated as (the real increase multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights.

Pensions (audited)

Senior Management Team	Accrued Pension as at 31 March 2020 £'000	Real increase in pension and related lump sum £'000	CETV at 31 March 2020 £'000	CETV at 31 March 2019 £'000	Real Increase in CETV £'000
John Ireland, Chief Executive	40-45	0-2.5	871	807	24
Claire Murdoch, Head of Social Security and Public Funding (formerly Devolved Taxes & Social Security Forecasting)	5-10	0-2.5	73	58	6
David Stone Head of Economy and Tax (formerly Macroeconomic & Income Tax)	10-15	0-2.5	103	87	7
Susie Warden, Head of Strategy, Governance and Corporate Services	10-15 plus lump sum of 20-25	0-2.5 plus lump sum of 0.2-5	153	132	13

Pension benefits are calculated on normal retirement age (NRA) where the pension entitlement is due at that age or at current age if over NRA.

- 142** The above pension data were supplied to the Scottish Fiscal Commission by MyCSP.
- 143** Employer contributions to all pension plans for 2019-20 were £250,795 including £68,864 for the Senior Management Team.

Civil Service Pensions

- 144** Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or alpha, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined alpha. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: three providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60; and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65.

- 145** These statutory arrangements are unfunded with the cost of benefits met by monies voted by the UK Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into alpha sometime between 1 June 2015 and 1 February 2022. All members who switch to alpha have their PCSPS benefits ‘banked’, with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes, but those pensions may be payable from different ages.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a ‘money purchase’ stakeholder pension with an employer contribution (partnership pension account).
- 146** Employee contributions are salary-related and range between 4.6% and 8.05% of pensionable earnings for members of classic (and members of alpha who were members of classic immediately before joining alpha) and between 4.6% and 8.05% for members of premium, classic plus, nuvos and all other members of alpha. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member’s earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.
- 147** The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer’s basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement). The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age.
- 148** The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus, 65 for members of nuvos, and the higher of 65 or State Pension Age for members of alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.)
- 149** Further details about the Civil Service pension arrangements can be found at the website www.civilservicepensionscheme.org.uk.

The Cash Equivalent Transfer Value (CETV)

- 150** A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.
- 151** The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

The real increase in the value of the CETV

- 152** This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Civil Service early departure compensation schemes

- 153** During 2019-20 there were no early departure packages.

Staff Report

154 The staff report contains information relating to staff numbers and costs.

Number of senior civil service staff

155 As at 31 March 2020, the Commission employed one Senior Civil Servant, the Chief Executive, who is a Band 1 (also one senior civil servant at 31 March 2019).

Average number of whole-time equivalent persons employed by the Commission (audited)

	2019-20 WTE	2018-19 WTE
Permanent Employees (including staff on loan)	20.5	19.9
Agency & Casual	0.3	0.5
Fixed Term Staff	0.9	0.8
Total	21.8*	21.2
Commissioners	4	3

* This total is affected by rounding differences

Staff Costs (audited)

£ thousand	2019-20 £'000	2018-19 £'000
Wages and salaries (including Fixed Term Appointments and staff on loan)	948	909
Social security costs	102	98
Other pension costs	251	188
Agency and casual staff costs	9	15
Commissioner/Board fees and costs	139	101
Total administration staff costs	1,449	1,311

156 Staff costs for the Scottish Fiscal Commission are set out above. Wages and salaries include gross salaries, non-consolidated payments, overtime and any other allowance that is subject to UK taxation. The payment of legitimate expenses is not part of the salary.

157 These costs include the settlement with HMRC for an historic mistake in relation to tax liabilities arising from Commissioners' travel expenses in 2017-18, 2018-19 and 2019-20, as reported in the Governance Statement, paragraph 117.

Fair Pay Disclosure (audited)

Heading	Note	2019-20	2018-19
Band of highest paid director £'000	1	75-80	75-80
Median total remuneration		41,330	42,114
Ratio		1.875	1.834
Range minimum – maximum £'000 (FTE)		25-30 – 75-80	20-25 – 75-80

1 Based on total remuneration for 2019-20

Staff Composition

158 The numbers of people of each sex employed by the Scottish Fiscal Commission on 31 March 2020 are set out in the following table by category. The numbers include temporary and fixed term appointments and are headcount, not whole-time equivalent (WTE).

Category	Female	Male
Employees – non-Senior Management Team	10	9
Non SCS members of the Senior Management Team	2	1
Senior Civil Servants	0	1
Total staff	12	11
Board members	1	3

Sickness Absence

	Average total of sick days per employee
Short term absence (<20 working days)	4.3
Long term absence (>20 working days)	1.2
Total	5.5

Equal opportunities and diversity

159 The Scottish Fiscal Commission is not yet subject to the Public Sector Equality Duty under the Equality Act 2010; however, the intention is that it will be. The Commission aims to comply with the spirit of the Act and the Equality Act 2010 (Specific Duties) (Scotland) Regulations 2012 and 2016 until it is legally required to do so. The Commission is committed to promoting equality and diversity in its activities and operation, including in the recruitment and employment of staff and Commissioners.

160 As an equal opportunities employer we are always open to attracting candidates from under-represented groups and/or those who may have found it difficult to find or get back into employment. This includes individuals from protected characteristics groups as defined by the Equality and Human Rights Commission in Scotland.

161 The Commission follows the requirements of the Civil Service Code of Practice on the employment of people with disabilities in relation to the recruitment and employment of its staff, and follows the Scottish Government recruitment process. These mean we:

- Ensure that all disabled applicants who meet the minimum advertised criteria for a job vacancy will be invited for interview. Disabled candidates are guaranteed the chance to be judged along with everyone else on their abilities.
- Continuing the employment of, and arranging for appropriate training for, employees who have become disabled persons whilst employed by the Commission.
- Provide training and career development opportunities for disabled persons employed by the Commission.
- Allow for reasonable adjustments to be made to either the work environment or terms and conditions of employment, as and when required.

162 In our staff survey this year, just under half our staff reported requiring workplace adjustments. Of these, the vast majority said that they mostly or completely have the adjustments they need.

Gender Pay Gap

163 The gender pay gap is calculated as the difference between average hourly earnings of men and women as a proportion of average hourly earnings (excluding overtime) of men's earnings. A positive pay gap means that men earn more than women on average. The gender pay gap is a means of highlighting a disparity in the pay received by men and women and is influenced by both the pay levels for equivalent jobs and the distribution of men and women across the grades within the workforce.

164 In 2019 the gender pay gap for Scotland was 14.6 per cent. This is the median figure which is the standard figure used by the Office of National Statistics to calculate the pay gap. The equivalent mean figure for Scotland was 14.5 per cent.

165 The median gender pay gap for all staff at Scottish Fiscal Commission at 31 March 2020 was 12.5 per cent and the equivalent mean pay gap was 17.3 per cent. This means that Scottish Fiscal Commission has a lower median pay gap than the Scotland-wide pay gap, and a higher mean pay gap. At 31 March 2019 the Commission's median gender pay gap was 14.8 per cent and the equivalent mean gap was 16.3 per cent.

166 The Scottish Fiscal Commission pays women and men undertaking work of an equal value on the same scale (i.e. within the same pay range) with the exact pay depending on length of service. However, although there almost equal numbers of men and women at each grade, women tend to be at the lower end of the pay scale. This reflects the date of their appointment or promotion to their current grade. The standard length of time for progression from the minimum to the maximum of the pay scale is four years. As more females reach the maximum of their pay grade the pay gap should reduce.

Trade Union Facility Time

167 As the Commission is part of the Scottish Government Main bargaining unit it adheres to the terms of the Partnership Agreement set out between the Scottish Government Management and the Council of Scottish Government Unions (CSGU).

168 The Trade Union (Facility Time Publication Requirements) Regulations 2017 requires organisations to publish data on the amount and cost of facility time. However, the regulations apply to organisations that have at least one trade union representative and more than 49 full-time equivalent employees so the Commission is out with the scope of the regulations.

Expenditure on Consultancy

- 169** The Commission contracted Form Design Consultants to develop plans for renovation of our workplace, and to submit the necessary application for building warrants. The total cost was £12,000 (rounded to nearest £1000).

John Ireland

Chief Executive of the Scottish Fiscal Commission and Accountable Officer

8 October 2020

Independent Auditor's Report

Independent auditor's report to the Scottish Fiscal Commission, the Auditor General for Scotland and the Scottish Parliament

Report on the audit of the financial statements

Opinion on financial statements

I have audited the financial statements in the annual report and accounts of the Scottish Fiscal Commission for the year ended 31 March 2020 under the Public Finance and Accountability (Scotland) Act 2000. The financial statements comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2019/20 Government Financial Reporting Manual (the 2019/20 FReM).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers of the state of the body's affairs as at 31 March 2020 and of its net operating cost for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2019/20 FReM; and
- have been prepared in accordance with the requirements of the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Auditor General for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed by the Auditor General on 26 January 2018. The period of total uninterrupted appointment is three years. I am independent of the body in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the body. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the body has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about its ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Risks of material misstatement

I have reported in a separate Annual Audit Report, which is available from the [Audit Scotland website](#), the most significant assessed risks of material misstatement that I identified and my conclusions thereon.

Responsibilities of the Accountable Officer for the financial statements

As explained more fully in the Statement of Accountable Officer's responsibilities, the Accountable Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Accountable Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Accountable Officer is responsible for using the going concern basis of accounting unless deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved. I therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Other information in the annual report and accounts

The Accountable Officer is responsible for the other information in the annual report and accounts. The other information comprises the information other than the financial statements, the audited part of the Remuneration and Staff Report, and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Auditor General for Scotland to the extent explicitly stated later in this report.

In connection with my audit of the financial statements, my responsibility is to read all the other information in the annual report and accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Report on regularity of expenditure and income

Opinion on regularity

In my opinion in all material respects:

- the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers, the Budget (Scotland) Act covering the financial year and sections 4 to 7 of the Public Finance and Accountability (Scotland) Act 2000; and
- the sums paid out of the Scottish Consolidated Fund for the purpose of meeting the expenditure shown in the financial statements were applied in accordance with section 65 of the Scotland Act 1998.

Responsibilities for regularity

The Accountable Officer is responsible for ensuring the regularity of expenditure and income. I am responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Report on other requirements

Opinions on matters prescribed by the Auditor General for Scotland

In my opinion, the audited part of the Remuneration and Staff Report has been properly prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers.

In my opinion, based on the work undertaken in the course of the audit:

- the information given in the Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers; and
- the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers.

Matters on which I am required to report by exception

I am required by the Auditor General for Scotland to report to you if, in my opinion:

- adequate accounting records have not been kept; or

- the financial statements and the audited part of the Remuneration and Staff Report are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

In addition to my responsibilities for the annual report and accounts, my conclusions on the wider scope responsibilities specified in the Code of Audit Practice are set out in my Annual Audit Report.

Use of my report

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Mark Taylor CPFA

Audit Director
Audit Scotland
4th Floor
102 West Port
Edinburgh
EH3 9DN

8 October 2020

Financial Statements

Introduction

- 2.1 This statement of accounts reports the results of the Scottish Fiscal Commission (the Commission) for the year 1 April 2019 to 31 March 2020. It has been prepared in accordance with the Accounts Direction given by the Scottish Ministers under section 19(4) of the Public Finance and Accountability Scotland Act 2000.

Statement of Comprehensive Net Expenditure for the year ended 31 March 2020

Administrative Costs (£ thousand)	Note	31 March 2020	31 March 2019
Staff costs	2	(1,449)	(1,311)
Other admin costs	3	(377)	(252)
Depreciation	5	(2)	(1)
Notional Costs	4	(30)	(34)
NET OPERATING COST		(1,858)	(1,598)

The notes on pages 42 to 47 form part of these financial statements.

Statement of Financial Position as at 31 March 2020

Administrative Costs (£ thousand)	Note	31 March 2020	31 March 2019
NON-CURRENT ASSETS			
Property, plant and equipment	5	6	3
Total non-current assets		6	3
CURRENT ASSETS			
Trade and other receivables	6	22	7
Cash and cash equivalents		-	-
Total current assets		22	7
TOTAL ASSETS		28	10
CURRENT LIABILITIES			
Trade and other payables	7	(147)	(94)
Total current liabilities		(147)	(94)
Total assets less current liabilities		(119)	(84)
TOTAL ASSETS LESS TOTAL LIABILITIES		(119)	(84)
TAXPAYERS' EQUITY			
General Fund	SOCTE	(119)	(84)
TOTAL TAXPAYERS' EQUITY		(119)	(84)

The notes on pages 42 to 47 form part of these financial statements.

The Chief Executive and Accountable Officer authorised these financial statements for issue on 8 October 2020.

John Ireland
Chief Executive of the Scottish Fiscal Commission and Accountable Officer

8 October 2020

Statement of Cash Flows for the year ended 31 March 2020

(£ thousand)	Note	31 March 2020	31 March 2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Net operating cost	SOCNE	(1,858)	(1,598)
Adjustments for non-cash transactions			
* Depreciation/Amortisation	5	2	1
* Notional Costs	4	30	34
* Other			-
Movements in working capital			
* (Increase)/decrease in trade and other receivables	6	(15)	6
* Increase/(decrease) in trade and other payables	7	53	-
Net cash outflow from operating activities		(1,788)	(1,557)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	5	(5)	-
Net cash flow from investing activities		(5)	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase/(Decrease) in deferred lease payments	7	-	-
Funding	SOCTE	1,793	1,557
Net cash flow from financing activities		1,793	1,557

The notes on pages 42 to 47 form part of these financial statements.

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2020

£ thousand	Note	General Fund April 2019 to March 2020	General Fund April 2018 to March 2019
Balance at 1 April		(84)	(77)
Non-cash charges – notional costs	4	30	34
Net operating costs for the year	SOCNE	(1,858)	(1,598)
Net funding		1,793	1,557
Balance as at 31 March		(119)	(84)

The notes on pages 42 to 47 form part of these financial statements.

Notes to the Accounts for the year ended 31 March 2020

Statement of accounting policies

1. Statement of accounting policies

In line with section 12 of the Scottish Fiscal Commission Act 2016, and in accordance with the accounts direction issued by the Scottish Ministers under section 19(4) of the Public Finance and Accountability (Scotland) Act 2000, these financial statements have been prepared in accordance with the Government Financial Reporting Manual (FReM) 2019-20 issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRSs) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be the most appropriate to the particular circumstance for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Scottish Fiscal Commission are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

In accordance with the FReM these accounts have been prepared on a going concern basis, which provides that the organisation will continue in operational existence for the foreseeable future.

(a) Accounting convention

The accounts are prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment and intangible assets to fair value as determined by the relevant accounting standard.

(b) Property, plant and equipment

Depreciated historic cost has been used as a proxy for the fair value of all assets. All of the assets in these categories have:

- low values or short useful economic lives which realistically reflect the life of the asset and;
- an amortisation charge which provides a realistic reflection of consumption.

The capitalisation thresholds for the principal categories of assets is £5,000, with the exception of IT assets, where the capitalisation threshold is £1,000. Assets below these thresholds may be capitalised if they fall within the same project.

Assets under construction are held at cost until operational. Thereafter they are valued as above in accordance with all other assets in the same category and will become subject to depreciation in line with note 1c).

(c) Depreciation

Depreciation is provided on property, plant and equipment, on a straight line basis at rates sufficient to write down their cost over their estimated useful lives. The depreciation periods for the principal categories of assets are:

- Plant and machinery 15 years
- Fixtures and fittings 5 years
- Office equipment 5 years
- Software 3 years

A full year is charged in the year of acquisition, and there is no charge in the year of disposal.

(d) Government grants

All of the expenditure of the Scottish Fiscal Commission is met from funds advanced by the Scottish Government within an approved allocation. Cash drawn down to fund expenditure within this approved allocation is credited to the general fund. Funding for the acquisition of non-current assets received from the Scottish Government is credited to the general fund.

(e) Amortisation of rent-free periods

The benefit of rent-free periods on leases of premises is amortised over the period of the lease or over the period to a lease break point when this is the most probable end of lease, whichever is the shorter.

(f) Operating leases

Rentals payable under operating leases are charged to the statement of comprehensive net expenditure over the term of the lease.

(g) Value added tax

Scottish Fiscal Commission is registered for VAT as part of the Scottish Government VAT group registration which is responsible for recovering VAT on behalf of Scottish Fiscal Commission.

Irrecoverable tax is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets.

(h) Receivables

All material amounts due as at 31 March 2020 have been brought into the account irrespective of when actual payments were received.

(i) Payables

All material amounts outstanding as at 31 March 2020 have been brought into account irrespective of when actual payments were made.

(j) Pensions

Pension benefits are provided through the Principal Civil Service Pension Scheme (PCSPS) and the Civil Service and Other Pension Scheme (CSOPS) which are described in the staffing and remuneration report. These are unfunded multi-employer defined benefit schemes in which the Scottish Fiscal Commission is unable to identify its share of the underlying assets and liabilities of the scheme. Therefore the Scottish Fiscal Commission has accounted for the contributions to the scheme as if it was a defined contribution scheme. This is in accordance with FReM requirements.

(k) Going concern

The accounts have been prepared on the going concern basis, which provides that the organisation will continue in operational existence for the foreseeable future. The Commission has no reason to believe that Scottish Ministers intend to withdraw support to the organisation, and funding for 2019-20 has been confirmed in the Budget Act. It is therefore considered appropriate to prepare the accounts on a going concern basis. In addition, the OECD's principles for independent fiscal institutions include having assurance about future funding. The Commission's Framework document with Scottish Ministers provides that the Commission may identify its multi-year resource needs and the Scottish Minister would subsequently provide a clear indication of funding for the forthcoming financial year (year 1) and indicative funding for years 2 and 3, which can be reviewed if there are significant changes in circumstances.

(l) Disclosure of new accounting standards

The Scottish Fiscal Commission have considered the expected impact of new accounting standards issued but not yet in effect. The Scottish Fiscal Commission consider the impact is not material. These include:

IFRS 16 – Leases

It is expected that this standard will be adopted by the Financial Reporting Manual with effect from 1 April 2021, recently extended from 1 April 2020 in the public sector due to the pandemic. Initial assessment of the new standard on leases indicates that this will not have a significant impact on the Scottish Fiscal Commission as it currently does not have any lease agreements.

2. Staff Costs

£ thousand	2019-20 £'000	2018-19 £'000
Wages and salaries (including Fixed Term Appointments and staff on loan)	948	909
Social security costs	102	98
Other pension costs	251	188
Agency and casual staff costs	9	15
Commissioner/Board fees and costs	139	101
Total administration staff costs	1,449	1,311

Staff costs for the Scottish Fiscal Commission are set out above. Wages and salaries include gross salaries, non-consolidated payments, overtime and any other allowance that is subject to UK taxation. The payment of legitimate expenses is not part of the salary. These costs include the settlement with HMRC for 2017-18, 2018-19 and 2019-20 as reported in the Governance Statement, paragraph 117.

3. Other Operating Costs

Other Operating Costs (£ thousand)	31 March 2020	Restated 31 March 2019
Staff related costs:		
HR service	19	19
Recruitment	4	16
Training	4	3
Travel, subsistence and catering	16	24
Non-staff related costs:		
Accommodation (includes rates, maintenance and cleaning)*	136	71
Office and IT equipment (includes furniture and telephones)	10	6
IT and telephone services (includes software)	49	75
Office Supplies (includes stationery and printing)	4	2
Communications and events (includes website development and website hosting)	35	23
Consultancy and outsourced professional services (includes procurement, internal audit and legal)	14	13
OECD independent review	86	-
Total Other Operating Costs	377	252

* Until January 2019, the Scottish Human Rights Commission occupied Governor's House jointly with Scottish Fiscal Commission (with accommodation costs being shared based on the area occupied by each organisation). Since 1 April 2019, the Scottish Fiscal Commission has been the sole occupant of Governor's House.

4. Notional Costs

Notional Costs (£ thousand)	31 March 2020	31 March 2019
Internal Accountancy Fees	3	3
External Audit Fees	27	27
Additional external audit fee charged for 2017-18 after accounts finalised	-	4
Total notional costs	30	34

5. Property, plant and equipment

Property, plant and equipment (£ thousand)		31 March 2020		31 March 2019	
Cost	Information Technology	Total	Information Technology	Total	
At 1 April	5	5	5	5	5
Additions	5	5	-	-	-
Disposals	-	-	-	-	-
Transfers to Assets	-	-	-	-	-
At 31 March	10	10	5	5	
Depreciation					
At 1 April	2	2	1	1	1
Charge for year	2	2	1	1	1
Disposals	-	-	-	-	-
At 31 March	4	4	2	2	
NBV at 31 March	6	6	3	3	3
Analysis of Asset Financing					
Owned	6	6	3	3	3
Finance Leased	-	-	-	-	-
NBV at 31 March	6	6	3	3	

6. Trade receivables and other current assets

Trade receivables and other current assets (£ thousand)	31 March 2020	31 March 2019
Amounts falling due within one year		
Other receivables	22	7
Total Receivable within one year	22	7

7. Trade payables and other current liabilities

Trade payables and other current liabilities (£ thousand)	31 March 2020	31 March 2019
Trade payable	-	-
Other payables	147	94
Total due within one year	147	94
Amounts falling after one year	-	-
Total due after more than one year	-	-

8. Related party transactions

The Scottish Fiscal Commission is a non-Ministerial Office of the Scottish Administration and it considers that the Scottish Government is a related party within this context. During the year the Commission has had a number of material financial transactions with the Scottish Government.

Neither the Commissioners nor any key managerial staff have undertaken any material transactions with the Scottish Fiscal Commission during the year.

9. Capital commitments and contingent liabilities

There were no contracted capital commitments or contingent liabilities.

10. Segmental reporting

The Scottish Fiscal Commission is considered to have just one operating segment and therefore no segmental information is produced.

Annex A

Accounts Direction



SCOTTISH FISCAL COMMISSION

DIRECTION BY THE SCOTTISH MINISTERS

The Scottish Ministers, in accordance with section 19(4) of the Public Finance and Accountability Scotland Act 2000, hereby give the following direction:

1. The statement of accounts for the financial year ended 31 March 2018, and subsequent years, shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FRM), which is in force for the period for which the statement of accounts are prepared.
2. The accounts shall be prepared so as to give a true and fair view of the income and expenditure and cash flows for the financial period, and of the state of affairs as at the end of the financial period of Scottish Fiscal Commission in the exercise of its functions.
3. This direction shall be reproduced as an appendix to the accounts.

Signed by the authority of the Scottish Ministers

GORDON WALES
Chief Financial Officer
3 May 2018

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This publication is available at www.fiscalcommission.scot

ISBN: 978-1-911637-24-0

Laying Number: SFC/2020/14

Published by the Scottish Fiscal Commission, October 2020