
Annual Report and Accounts for the year ended 31 March 2021

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ISBN: 978-1-911637-41-7

Laying Number: SFC/2021/10

Published by the Scottish Fiscal Commission, October 2021

Contents

Performance Report	2
Accountability Report.....	23
Independent Auditor’s Report.....	41
Financial Statements	45
Notes to the Accounts for the year ended 31 March 2021	49
Annex A Accounts Direction.....	55

Performance Report

Chair's Foreword

I am pleased to publish the Commission's Annual Report and Accounts for 2020-21, which detail our performance and activities during the year ending 31 March 2021. I do so with gratitude to our staff and my fellow Commissioners for their service over a remarkable time.

This financial year was the most challenging that most organisations have ever experienced. For the Commission, our biggest visible response was moving to complete remote-working, and it is to the great credit of the staff and Commissioners that there was little disruption to our day-to-day work. Our biggest strategic challenge was to adapt and respond throughout the year to unprecedented changes in economic conditions.

The pandemic, and the government public health response and support measures, made for constant uncertainty in public finances. The fiscal framework which governs the finances of the Scottish Administration was not designed for the frequent shifts in funding we saw throughout the year. To aid scrutiny and transparency, we developed a new publication series to document and explain how these changes affected the Scottish Budget over the course of the year.

The pandemic also altered the fundamental economic relationships on which economic and fiscal forecasting are based; the impact of the furlough scheme on employment and earnings, and the wholesale closure of certain sectors, for instance, created new paradigms. While our forecasts themselves have necessarily been more uncertain this year, our independent and timely analysis of the factors at play, and their impact on the overall financial position for the Scottish Budget, have become far more important than in an 'ordinary' year, offering clarity in exceptional times.



Dame Susan Rice DBE

11 October 2021

Overview

- 1 The purpose of this overview is to give a short summary of the Commission, its objectives, performance during 2020-21, 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 our fourth year as Scotland's official economic and fiscal forecaster.
- 3 The year has been dominated by the COVID-19 pandemic. In common with many others, we have worked from home throughout the year and I am immensely proud of how well our staff adapted to this new way of working. We produced our first forecast remotely, held our first online event to explain our forecasts, and gave evidence to Parliament virtually.
- 4 The uncertainty brought by the pandemic has also made our core role, forecasting the economy, tax revenue and social security payments, very challenging. Our short-term forecasts became sensitive to assumptions about the evolution of the pandemic, the public health responses to this, and the fiscal support measures introduced to mitigate the effects of some of the public health responses. Given the inevitable frequency of changes in these drivers, the economy was subject to greater volatility and our forecasts were subject to greater uncertainty than in a typical year.
- 5 Successive UK announcements of additional COVID-19 support funding resulted in additions to the Scottish Budget over the year, resulting in an increase of 18 per cent or £7.8 billion since it was set in February 2020. We developed a new publication series to monitor how the funding for the Scottish Budget is changing over time, publishing four fiscal updates through the year to help understanding and scrutiny of the Budget.
- 6 Virtual working has been a huge change for us all, but thanks to the innovation and collaboration of our staff we have managed to keep our team positive despite not seeing one another face to face since March 2020. This innovation has, in turn, helped us to deliver our forecasts, develop new publications and make our events more accessible. I thank each and every person for their hard work, resilience and understanding over these trying months.

John Ireland

Chief Executive of the Scottish Fiscal Commission and Accountable Officer

About the Scottish Fiscal Commission

What we are

- 7 We produce Scotland’s official, independent economic and fiscal forecasts to accompany the Scottish Government’s Budget cycle.
- 8 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

- 9 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.
- 10 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.
- 11 The Commissioners are supported by a small permanent staff of 20 analysts and support staff, grouped into three teams, as shown below (as at October 2021).



What we do

- 12 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 independent 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 – introduction has been delayed, but we produce an illustrative forecast
 - Non-domestic rates
 - Assigned VAT receipts
 - Devolved social security spending
- 13 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

- 14 Our approach is based on the Organisation for Economic Co-operation and Development (OECD) Principles for Independent Fiscal Institutions.¹ We aim to build confidence in our forecasts and assessments by upholding the highest standards set for our type of institution. We are committed to producing high quality forecasts, while being independent, transparent, accessible and open.

Principal risks

- 15 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. We have identified our key risks as:
- Staff - The Commission cannot deliver its functions effectively because we do not have appropriate staff or Commissioners, or staff or Commissioners cannot work 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 ability to deliver quality forecasts and reports, through limited access to data and information, or limited time in fiscal event processes. This includes partner organisations' ability to supply data being compromised by COVID-19 related issues.
 - Independence – There is no longer a consensus that there is need for a Scottish independent fiscal institution, or the Commission's political and institutional independence is undermined, or is

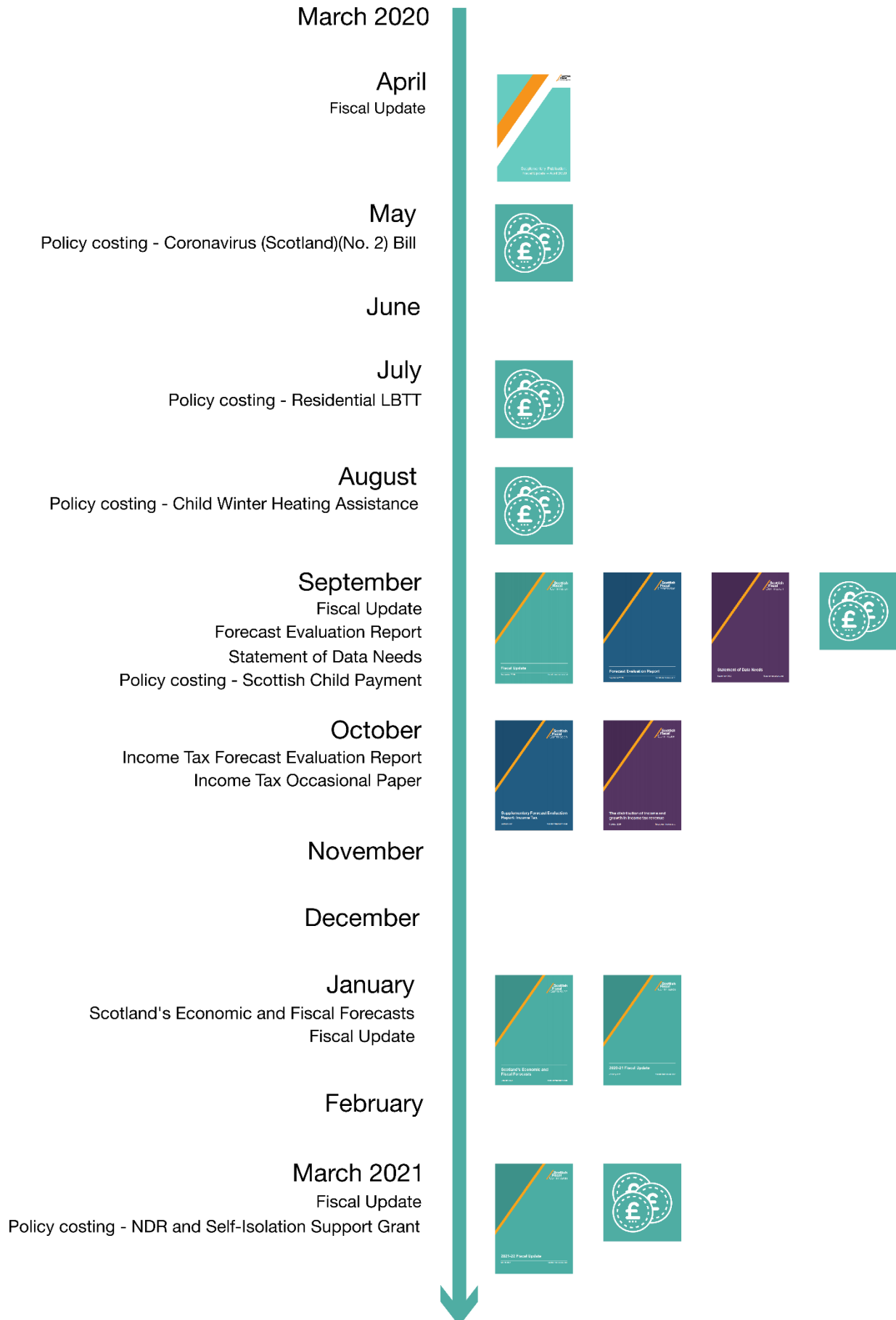
¹ OECD (2014) Recommendation of the Council on Principles for Independent Fiscal Institutions (link)
Scottish Fiscal Commission Annual Report and Accounts for the year ending 31 March 2021

perceived to be 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. Political controversy and adverse expert commentary can undermine the Commission’s reputation regardless of whether it is justified. The fiscal framework within which we work is complex, and differences in timing between the UK and Scottish Budgets make this more so.
- 16 Further detail on our risk profile is at paragraph 93 and on our risk management process from paragraph 148.

Performance summary

SFC publications in 2020/21



- 17 As with most organisations, the COVID-19 pandemic caused a sudden move to remote working in March 2020. Throughout 2020-21 we continued to deliver all our functions by home working and virtual meetings, and the Commission's performance in relation to our strategic objectives meets expectation. We have provided staff with the equipment needed to work, sought regular feedback to check that staff have all that they need and are supported in their roles, and offered additional training to support remote working. We have also carried out refurbishments to our building, including to better prepare for post COVID-19 working.
- 18 In response to the extraordinary government funding allocations to tackle the consequences of the COVID-19 pandemic, we developed a new series of publications, Fiscal Updates, to explain the latest position of the Scottish Budget, explain changes to the position during the financial year and to offer commentary on the effects of COVID-19 on the economy and the Scottish Budget. In total we published four fiscal updates over 2020-21. Overall the Scottish Budget increased by 18 per cent or £7.8 billion since it was set in February 2020.
- 19 The Commission published only one main set of economic and fiscal forecasts this year rather than two. Pressures of the COVID-19 pandemic meant the Scottish Government postponed its Medium Term Financial Strategy (MTFS) and instead published it alongside the Scottish Budget in January 2021, so there was only one fiscal event in 2020-21. This approach was agreed with the Scottish Parliament's Finance and Constitution Committee².
- 20 We also produced five supplementary policy costings publications³ and an occasional paper on the impact of income distribution on income tax⁴.
- 21 To support our forecasting and costing work we undertook a good deal of model development and quality assurance, including developing new models for economic forecasting, Carer's Allowance, and house prices.
- 22 Our Forecast Evaluation Report was published on 2 September 2020, evaluating the accuracy of our forecasts of taxes and social security spending for 2019-20. As always, we asked ourselves what we could learn from our evaluation to improve our forecasts, while recognising COVID-19 will significantly alter the world in which we are forecasting. Due to delays in outturn data being published (caused by COVID-19), the assessment of the 2019-20 outturn data for Scottish Income Tax revenues was published on 5 October 2020.⁵
- 23 We also published our third Statement of Data Needs in September 2020⁶, outlining the data we require to create our forecasts, our priorities for improvement and reporting on improvements in data provision.
- 24 Throughout the year we appeared at seven parliamentary committee sessions to give evidence on our work to MSPs. We also held two online public events this year and one online media event.
- 25 We continued to uphold our voluntary commitment to comply with the principles of the Code of Practice for Statistics and were delighted to jointly win the 2020 Voluntary Application of the Code Award (now entitled the Award for Statistical Excellence in Trustworthiness, Quality and Value) run by the Royal Statistical Society and Office of Statistics Regulation.⁷

² Letter from the Finance and Constitution Committee timing of Fiscal Events – 8 April 2021 ([link](#))

³ How we forecast social security: disability and carer's payments – May 2021([link](#)), the Scottish Economy May 2021([link](#)), Funding for the Scottish Budget – May 2021([link](#)), forecast Income Tax – May 2021([link](#)), forecast devolved taxes – May 2021 ([link](#))

⁴ The distribution of income and growth in income tax revenue – October 2020 ([link](#))

⁵ Supplementary Forecast Evaluation Report: Income Tax – October 2020 ([link](#))

⁶ Statement of Data Needs – September 2020 ([link](#))

⁷ First Award Winners for the Voluntary Application of the Code Award 2020 ([link](#))

Performance Analysis

Measuring performance

- 26 There will always be some difference between our forecasts and the final outturn data and we assess the accuracy of our forecasts, in detail, through our forecast evaluation reports. These give detailed quantitative comparisons of our forecasts against outturn data, and reasons for those differences. These evaluate the analytical work of the prior financial year and earlier, rather than our work in 2020-21.
- 27 The accuracy of our forecasts only gives a partial picture of our overall performance as forecasters. Large differences can occur even when perfectly sound approaches were used. Unexpected and unpredictable events, such as the COVID-19 pandemic, can change the course of the economy. Other reasons include the available historic data on which our forecasts are based being revised, or the Scottish Government changing 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 to fully understand our performance, both the quantitative data in our forecast evaluation reports and the primarily qualitative reporting here should be considered.
- 29 Our July 2021 forecast evaluation report evaluates our February 2020 forecasts for 2020-21, comparing them to outturn data.⁸ The report covers the economy, social security and our Land and Buildings Transaction Tax (LBTT), and Scottish Landfill Tax (SLfT) forecasts.

Figure 1: Summary of February 2020-21 forecast errors

Forecast	Forecast (£ million)	Outturn (£ million)	Error (£ million)	Relative Error (%)
Economy				
GDP growth [1]				-10.6
Fully devolved taxes total, of which:	757	624	-134	-18
Land and Buildings Transaction Tax	641	517	-124	-19
Scottish Landfill Tax	116	106	-10	-8
Devolved social security total, of which:	3,435	3,535	100	3
Attendance Allowance	532	528	-5	-1
Carer's Allowance	292	296	5	2
Disability Living Allowance	715	722	7	1
Personal Independence Payment	1,583	1,626	43	3
Other payments [2]	313	363	50	16

Source: Scottish Fiscal Commission

Figures may not sum because of rounding. Sources specific to each forecast are provided in the relevant chapters.

[1] The error for the GDP growth forecast is expressed in percentage points rather than as a relative error and refers to calendar year 2020.

[2] Other payments are Best Start Foods, Best Start Grant, Carer's Allowance Supplement, Discretionary Housing Payments, Child Winter Heating Assistance, Fair Start Scotland, Funeral Support Payment, Industrial Injuries Disablement Scheme, Scottish Child Payment, Scottish Welfare Fund, Self-Isolation Support Grant and Severe Disablement Allowance.

⁸ Forecast Evaluation Report – July 2021 ([link](#))

- 30 Figure 1 summarises the errors for the forecasts. The tax and economy errors are large and negative as our forecasts overestimated GDP growth and tax revenues, while for social security the errors are generally positive as we underestimated spending. COVID-19 has contributed significantly to the forecast errors in all three areas.
- 31 Our August 2021 forecast evaluation report evaluates our December 2018 income tax forecast and our February 2020 Non-Domestic Rates (NDR) forecast, comparing them to outturn data.⁹ The data necessary for income tax and NDR evaluations were not available when we published our main Forecast Evaluation Report in July 2021.
- 32 The Scottish Budget for 2019-20 was set using our income tax forecast published in December 2018 of £11,684 million. Compared to the outturn data of £11,833 million, we underestimated Scottish income tax revenues by £149 million, or 1.3 per cent.
- 33 Overall, we believe that our income tax forecasts have a reasonable forecast error. The error compares favourably to both the average one-year and two-year ahead forecast error from the Office of Budget Responsibility (OBR). Data developments have also improved our forecasts considerably. Since we were able to start including income tax outturn data in our forecasts, forecast errors have consistently been around 1 per cent. It is also clear that Real Time Information (RTI) tax data have helped improve our forecasts.
- 34 Our February 2020 forecast of NDR for 2020-21 forecast overestimated revenues by £933 million or 34 per cent. This is considerably larger than both the average one-year-ahead error of 1 per cent from our previous forecasts, and the OBR's average one-year-ahead absolute forecast error of 2 per cent for UK-wide NDR. The main reason for this large forecast error is that NDR revenues were affected by significant policy changes to support businesses during the COVID-19 pandemic, and COVID-19 restrictions also affected NDR revenues in other ways. Our forecasts were finalised in February 2020, before these policies were announced.
- 35 When we published our forecast in February 2020, we noted the coronavirus as a potential risk to global trade but at that stage we could not have foreseen the full extent of the COVID-19 pandemic and the public health response. Because our February 2020 forecasts did not account for the effects of COVID-19, some of our forecast errors for 2020-21 are particularly large. These effects may increase uncertainty in future forecasts because it will be more difficult to draw conclusions from data for 2020-21.

Performance against Corporate Plan objectives

- 36 The Commission's current Corporate Plan covers the period from April 2018 – March 2020, and in the light of the COVID-19 pandemic the Governance Board agreed to extend the current plan to March 2022.¹⁰ The plan sets out four strategic objectives for the Commission:
- 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

⁹ Supplementary Forecast Evaluation Report – August 2021 (link)

¹⁰ Scottish Fiscal Commission (2018) Corporate Plan 2018-2020 (link)

37 In previous years we have made good progress in particular in relation to our first, second and fourth objectives: producing forecasts, establishing our independence and building a well-functioning organisation. Without relaxing our efforts in these areas, to address the third objective over the current year, we have increased our focus and activity on ways to enhance the transparency of both our own work and of the Scottish Budget – through simplifying our publications, publishing papers on areas of specific focus, (particularly our fiscal updates), communicating more widely, building or enhancing our home-grown models and calling for more of the data we require to be published in a timely fashion.

Delivering trusted, reliable and accessible economic and fiscal forecasts

38 The Commission met this objective by publishing a set of forecasts to accompany the Scottish Government's Budget announcement in January 2021. Our Commissioners are personally and collectively responsible for the judgements that underpin our forecasts.

39 We would usually publish two formal forecasts each year, to accompany the Scottish Budget and Medium Term Financial Strategy (MTFS). However, in 2020-21 the MTFS was delayed as a result of the pandemic and instead published with the Scottish Budget in January 2021. Over the course of 2020-21 we produced regular Fiscal Updates setting out how the funding for the Scottish Budget was evolving. We did contemplate publishing a separate forecast without a fiscal event. With the uncertainty created by the pandemic and without clarity on the impact of the pandemic on Block Grant Adjustments, we considered that a forecast was of limited value and that other outputs would be of greater value in the circumstances, such as our Fiscal Updates. We discussed and agreed this approach with the Scottish Government and the Scottish Parliament's Finance and Constitution Committee.

40 No fiscal event was expected in May 2021 because of the Scottish Parliament election, creating the risk of another year producing only one set of forecasts. To ensure we publish two sets of forecasts in 2021-22, we announced in March 2020 that our next forecasts would be published on 26 August 2021, following a recommendation from the Finance and Constitution Committee. We will also publish forecasts alongside the Scottish Budget as usual.

41 Our forecasts are prepared in-house by the Commission's staff, using models developed and maintained by the Commission. All our reports were delivered on time and in line with the Protocol agreed with the Scottish Government.

42 Our priorities this year reflected developments from our Forecast Evaluation Reports published in 2019 and 2020, the independent report by the OECD published in 2019 as well as changes during the year resulting from COVID-19 which significantly altered the Scottish Budget. This year we have also improved our Quality Assurance processes in line with our commitment to continuous improvement.

Economy

43 We have been building a new in-house Scottish economy forecasting model to replace our previous economy forecasting model built by the National Institute of Economic and Social Research. An in-house model gives us greater control of its properties and allows us to share the code in full with our users. This approach was endorsed by the OECD in their review. We used the new model for the

first time in our January 2021¹¹ forecasts. We also published an occasional paper outlining the mechanics and properties of our new in-house model in May 2021¹².

- 44 COVID-19 and, in particular, its long-term effect on the economy is significant for our forecasts. We'll continue to monitor developments and the emerging evidence around scarring effects and consider how best to reflect this in our economy forecasts. We are also looking to improve the way we forecast public sector consumption expenditure, including further disaggregation between types of expenditure and levels of government.

Tax

- 45 Turning to our income tax forecasts, we now have two years of Real Time Information (RTI) tax data publications from HM Revenue & Customs. We have been exploring the value of using RTI tax data in our income tax forecasts, as it is very timely compared to other sources of income tax data. Greater use of the RTI tax data in the near-term will also help us capture the effects of the COVID-19 on the income tax forecast.
- 46 We have also continued to review and develop our approach to modelling the effect of behavioural change on income tax liabilities. We published an occasional paper in October 2020 explaining the distribution of income tax and growth in income tax revenue.¹³
- 47 Our devolved tax forecasts published in January 2021 cover Non-Domestic Rates (NDR), Land and Buildings Transaction Tax (LBTT), Scottish Landfill Tax (SLfT) and an illustrative forecast for the Scottish share of Air Passenger Duty (APD). We have also produced costings for policy changes to LBTT and NDR in response to COVID-19.
- 48 After reviewing and simplifying our residential LBTT model last year, we developed our house price model to improve the integration of our residential forecasts and our economy forecast. We used the new house price model to produce our January 2021 forecasts.

Social Security

- 49 April 2020 saw the Scottish Government becoming financially responsible for £3 billion of social security payments. During this year we have continued development of our forecast models, including the production of a new Carer's Allowance model linked to our forecasts of disability payments.
- 50 We published our costing of the Carer's Allowance Supplement in May 2020, introduced as part of the Scottish Government's fiscal response to COVID-19. In addition we have published three supplementary costings to accompany secondary legislation for new payments. The first was the Child Winter Heating Assistance, provided to children receiving the highest care component of Disability Living Allowance. The second costing was for the Scottish Child Payment which reflected the effect of COVID-19 on the number of eligible children and take-up of the payment. The third assessed the expansion of the Self-Isolation Support Grant.

Public Funding

- 51 We began including information on the Scottish Government's overall funding position in our Scotland's Economic and Fiscal Forecasts publication in February 2020. With the Scottish Budget becoming increasingly complex this work has become more important, because many more

¹¹ Scotland's Economic and Fiscal Forecasts – January 2021 ([link](#))

¹² How we forecast the Scottish Economy May 2021([link](#))

¹³ The distribution of income and growth in income tax revenue – October 2020 ([link](#))

components vary during the year, making it more challenging for the Scottish Government to manage. We now report on the Scottish Government's total funding position, including borrowing, the Scotland Reserve, funding from the UK Government, reconciliations and the distributable amount for Non-Domestic Rates. We will continue to expand our work on the Scottish Budget as it becomes more complex, and particularly if changes are made after the fiscal framework is reviewed in 2022.

- 52 The COVID-19 crisis has resulted in a significant and evolving increase in public spending: the Scottish Budget increased by 18 per cent or £7.8 billion since it was set in February 2020. We published four fiscal updates over 2020-21: in April 2020¹⁴, September 2020¹⁵; January¹⁶ (to coincide with our main five-year forecasts) and in March 2021¹⁷. The publications explained how the Scottish Budget had changed and highlighting the challenges the Scottish Government was facing in managing its Budget.
- 53 We further developed our assessment of the reasonableness of borrowing to reflect the complexity of the Scottish Government's borrowing decisions, offering a more nuanced assessment in our January 2021 forecasts. This assessment considered the Scottish Government plans on Resource and Capital borrowing and their use of the Scotland Reserve within the context of the overall funding position, the reconciliations affecting the Budget and variations in tax revenue and social security spending.

Evaluation of forecasts

- 54 We published our fourth Forecast Evaluation Report in September 2020¹⁸, which evaluated our December 2018 forecasts for 2019-20, but had to delay our evaluation of income tax until October 2020¹⁹ because of a delay in outturn data becoming available.
- 55 Overall our errors were relatively small, and in aggregate were in the opposite direction to the previous year. There were larger relative errors in some areas. Scottish Landfill Tax revenue has consistently raised more than forecast.
- 56 Our income tax forecast error of 5.4 per cent was due in large part to the lack of accurate historical outturn data. When adjusted to take this into account our error reduces to 0.7 per cent. Since December 2018 our income tax forecasts have been based on HM Revenue & Customs outturn data, meaning the lack of historical outturn data will cease to be a feature of future forecast errors.

Working openly and constructively with stakeholders while maintaining our independence

- 57 Disruption caused by the pandemic and staff and leadership changes in many of our partner organisations made stakeholder engagement more challenging this year. Nevertheless we were able to liaise with our partners virtually to exchange information effectively, maintain good relations with them and identify improved ways of working.

¹⁴ Fiscal Update – April 2020 ([link](#))

¹⁵ Fiscal Update – September 2020 ([link](#))

¹⁶ Fiscal Update – January 2021 ([link](#))

¹⁷ Fiscal Update – March 2021 ([link](#))

¹⁸ Forecast Evaluation Report – September 2020 ([link](#))

¹⁹ Supplementary Forecast Evaluation Report: Income Tax – October 2020 ([link](#))

- 58 Following our forecast we organised sessions internally and with the Scottish Government's analytical and policy teams to review and improve the processes. We published an updated version of our Protocol with the Scottish Government in September 2020.²⁰
- 59 In our third annual Statement of Data Needs published in September 2020, we described the main areas where we believe improvements are required in the data and information we use for forecasting, so as to bring greater transparency to the Scottish Budget and better enable scrutiny of how it is managed. We discussed four areas for further improvement: information relating to the Scottish Budget, information from the UK Government, a continuing issue on wages and earnings data in Scotland and our views on some of the data issues arising out of the coronavirus pandemic. As in previous years, the process of developing the Statement of Data Needs resulted in constructive discussions with our data providers.
- 60 We also reported progress on the issues raised in previous Statements of Data Needs. There has been substantial progress in the quality and availability of statistical information for Scotland in the last few years and many of our immediate data needs were addressed following our previous Statements of Data Need.
- 61 We have continued to develop our relationship with HM Treasury, which has proved useful given the large changes in UK Government funding for the Scottish Government. We continue to work with HM Treasury to develop a process ensuring we have direct access to information on UK Government policy changes which affect Scottish revenues and social security spending.
- 62 In May 2020 we attended a virtual OECD meeting of Independent Fiscal Institutions (IFIs) to discuss the response of IFIs to the pandemic and Government's fiscal responses. In September Dame Susan Rice spoke about our experience of the OECD review in 2019 at a virtual meeting of the same network. We attended the annual Inter-Parliamentary Finance Network Event for parliamentary finance teams and independent fiscal institutions from across the UK and Ireland, in November 2020. The event was held virtually and we shared 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.
- 63 The OECD invited our Head of Social Security and Public Funding, Claire Murdoch, to be an international peer, reviewing the Latvian Fiscal Discipline Council in February 2021.

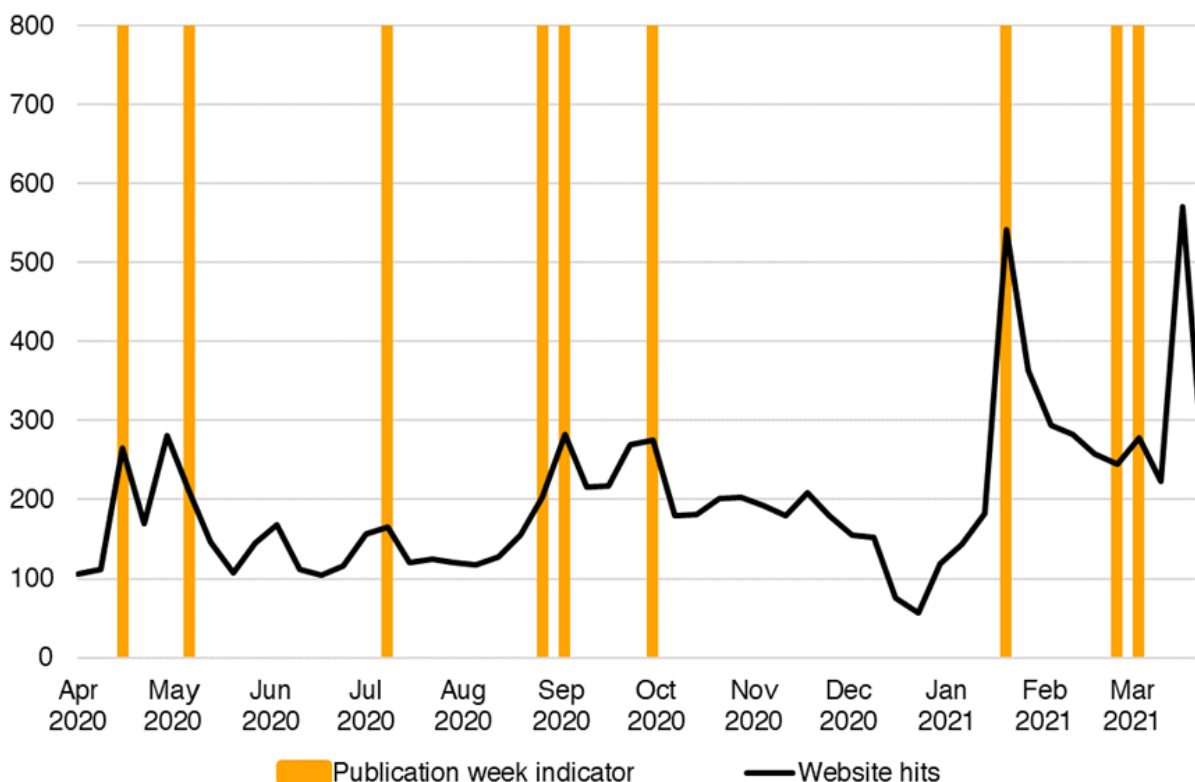
Increasing understanding through active external engagement and clear publications

- 64 This year we further developed our information on the Scottish Government's overall funding position, which formed part of our assessment of the reasonableness of borrowing. We created a new publication, Fiscal Updates, to provide the Scottish Parliament and the wider public with transparent information on the scale of changes to the Scottish Budget because of the impact of COVID-19, and the profound effect the pandemic has had on the fiscal and economic outlook in Scotland and the UK.
- 65 Commissioners and members of the Senior Management Team gave evidence virtually to the Finance and Constitution Committee four times and the Social Security Committee three times. We have put links to these sessions on our website to make them more accessible.

²⁰ Protocol for engagement between Scottish Fiscal Commission and Scottish Government Version 4.0 September 2020 ([link](#))
Scottish Fiscal Commission Annual Report and Accounts for the year ending 31 March 2021

- 66 We held three online events throughout the year – two open events following our September Fiscal Update and our main forecast publication in January and a third specifically for journalists.^{21 22} These were our first virtual events and attracted a wide ranging audience from across Scotland and the UK.
- 67 Alongside our income tax evaluation we published a paper looking at the distribution of income and growth in income tax revenues, following up on a request from the Finance and Constitution Committee.
- 68 We have taken steps to simplify and shorten our main publication, after seeking feedback from users. We developed new templates for our publications which have improved consistency and reduced development time for each publication.
- 69 Alongside our January 2021 forecast publication we published a short visual summary, supplementary data spreadsheets and used social media to share summary graphics. We also posted videos of our public webinars on our website.
- 70 We publish all our reports on our website, along with spreadsheets, infographics and news stories.

Weekly visits to Scottish Fiscal Commission website, April 2020 to March 2021



Source: Scottish Fiscal Commission

²¹ Fiscal Update – September 2020 ([link](#)), Webinar following the Fiscal Update – September 2020 ([link](#))

²² Scotland’s Economic and Fiscal Forecasts – January 2021 ([link](#)), Webinar following Scotland’s Economic and Fiscal Forecasts – January 2021 ([link](#))

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
January 2021	15,000	32

Source: Scottish Fiscal Commission

- 71 We ensured all of our publications and fiscal updates were promoted via Twitter, LinkedIn and our website. Basic analysis shows a slight decrease in website traffic across the year due to our publishing only one main forecast rather than two. Our Twitter traffic during our one forecast week was also considerably down on previous forecast weeks. This may have been due to the COVID-19 wave at the time dominating media and social media.

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

- 72 We continued to develop the transparency of our work, particularly through our voluntary compliance with the Code of Practice for Statistics. Although we do not produce official statistics 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. In turn, this helps us to help us ensure that our forecasts can be trusted, and are reliable and accessible.
- 73 In October 2020 we were announced as joint winners of the of the first ever Voluntary Application of the Code Award from the Office for Statistics Regulation (OSR) in partnership with the Royal Statistical Society (RSS) and Civil Service World. This rewards excellence in the voluntary application of the ‘pillars’ of Trustworthiness, Quality and Value that stand at the heart of the Code of Practice for Statistics.
- 74 In the second half of 2020 we undertook a recruitment process to replace Professor Alasdair Smith, who had indicated his intention to step down when his term ended on 31 March 2021. Although a suitable appointee was identified, that individual subsequently withdrew their application. Professor Smith agreed to be reappointed for a further year, to allow a recruitment process to be rerun later in 2021, and this reappointment was agreed by the Scottish Parliament.
- 75 We commissioned refurbishment work in Governor’s House to renovate our toilets, address long-standing maintenance issues, improve accessibility and make adaptations for post COVID-19 working.
- 76 Work on developing and consulting on an updated Corporate Plan will be taken forward. This will build on our first Corporate Plan, recognising that the Commission is now an established body, its first statutory review was undertaken by OECD in 2019,²³ and it has more recently had a positive report from Audit Scotland for the 2019-20 accounts.²⁴

²³ OECD (2019) Review of the Scottish Fiscal Commission ([link](#))

²⁴ Scottish Fiscal Commission 2019-20 Audit Report, Audit Scotland ([link](#))

- 77 Two pieces of planning work were affected by the COVID-19 pandemic. We did not publish a full Business Plan for 2020-21, because the exceptional circumstances required fluid planning and adaptation.
- 78 We also did not publish a new Corporate Plan in 2020 as previously intended. This work was delayed until the longer term context became clear after the uncertainties of COVID-19, and until after the Scottish Parliament elections in May 2021 so that the plan could take into account the legacy report from the Finance and Constitution Committee, and any the views of the new Finance Committee and new Scottish Government. The previous Corporate Plan and strategic objectives were extended to March 2022. Our intention is to publish a new Corporate Plan in autumn 2021.

Staffing

- 79 Our staff are crucial to our ability to achieve our corporate objectives. There has been an increased focus on staff welfare over this year, given the challenges posed by the pandemic.
- 80 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.
- 81 We have surveyed staff regularly to ask how they are, what support they need and what their capacity to work from home is. They reported being supported by their manager, team and senior management; high levels of confidence in how the senior management team were handling the impact of COVID-19 on the organisation and most people being able to work mostly or completely as effectively as before.
- 82 Meetings with Commissioners became more frequent but were shorter and more focussed. There was general agreement that this way of working had advantages that would be worth preserving.

Staffing changes and headcount

	Joiners	Leavers	Total headcount at 31 March 2021
Analytical	-	1	17
Corporate & Chief Executive	-	-	5

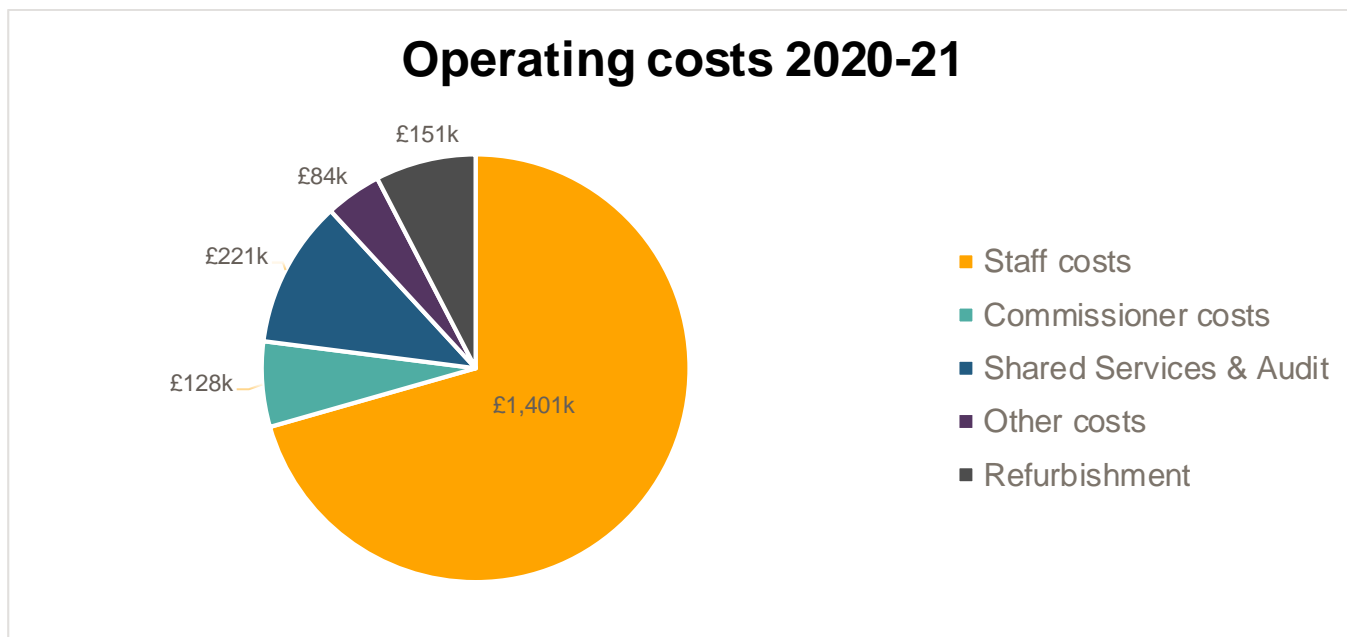
- 83 The staff report contains further information relating to staff numbers and costs.
- 84 The Commission's 2020-21 staff survey took place during December 2020. It was modelled on the UK Civil Service survey and there was a 95 percent response rate (there had been a 100 per cent response rate for the 2019 survey).
- 85 Overall, results were very positive and generally on a par with 2019. Areas to focus on were around line management (in particular motivating staff), learning and development, and opportunities for career progression, which may have been impacted by the pandemic. Organisational-wide training was put in place in March 2021 to help address some of these issues.
- 86 Perceptions of leadership and change management were uniformly positive and mostly stable. Staff generally continued to have strong faith in the Senior Management Team and what they did. One area identified to monitor was to ensure staff were kept informed about matters that affect them; there had been a slight decline in agreement here, again possibly reflecting the challenges of running and working for the organisation remotely.

- 87 Staff generally remained positive about all aspects of their work, although feeling involved in decisions around their work, feeling challenged in their work and feeling a sense of personal accomplishment were areas to watch, as some disagreed with or were neutral on these points.

Financial Performance

- 88 The Commission received a £2.048 million budget in 2020-21 and had net operating costs of £1.985 million, resulting in an underspend of £0.063 million. (In 2019-20 we had a budget of £1.933 million, net operating costs of £1.858 million and an underspend of £0.075 million.)
- 89 Staff costs continue to be our biggest category of expenditure, at 71 per cent of our operating costs (or 76 per cent if the Governor’s House refurbishment costs are excluded). Staff costs have increased as staff progress up their pay scales, despite a small decrease in staff numbers.
- 90 Shared services (including accommodation costs and audit costs) account for approximately 11 per cent of our operating costs. The refurbishment to the toilets, board room and entrance account for approximately 8 per cent.

Operating Costs 2020-21



- 91 The dominance of staffing costs in our budget, coupled with the small number of staff we have, means that our budget is vulnerable to changes in staffing requirements. Staff costs were less than forecast this year because less overtime was required than expected. COVID-19 restrictions also reduced our costs this year as travel and physical events ceased.
- 92 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 2021, the Commission paid 100 per cent of its invoices within these terms (100 per cent in the year ended 31 March 2020).

Risk profile

- 93 Our risk profile this year has been dominated by the COVID-19 pandemic and associated issues. This section discusses the risks we face, how they have affected the Commission’s achievement of its objectives, how they have been mitigated and how this may affect future plans and performance.

94 We have continued to deliver our functions in 2020-21 through home-working and virtual meetings and were able to achieve our objectives. The largest effects of the pandemic for the Commission have been: moving to remote working, producing a number of fiscal updates to clarify the changing Scottish Budget funding position instead of a second set of forecasts, delaying strategic planning work, and using more frequent work plans rather than preparing a formal business plan. Financially, expenditure on travel and subsistence and events ceased, while we incurred around £2,500 on office equipment to facilitate home working such as chairs, monitors and general stationery.

95 As reported in paragraph 15, we have identified the following five risks:

Risk	Description
Staffing	The Commission cannot deliver its functions effectively because we do not have appropriate staff or Commissioners, or staff or Commissioners cannot work effectively.
Reputation	The Commission suffers a loss of reputation from its failure to deal with increasingly complex contextual change. Political controversy and adverse expert commentary can undermine the Commission's reputation regardless of whether it is justified.
Independence	There is no longer a consensus that there is need for a Scottish independent fiscal institution, or the Commission's political and institutional independence is undermined, or is perceived to be undermined.
Partners	A deterioration in relationships with the Commission's partner organisations limits ability to deliver quality forecasts and reports, through limited access to data and information, or limited time in fiscal event processes.
Corporate systems	The Commission's corporate systems are not sufficient to support its work (Financial systems, IT, shared services, HR, governance).

96 Of these, staffing has proved a persistently high scoring risk this year, mainly due to the pressures of the pandemic upon our staff. With a small staff, absences of relatively few people could have had a significant impact and we have taken active steps to reduce and mitigate the potential impact. The nature of these risks changed throughout the year as infection rates changed, as people became more practised at remote working, and as the functionality and bandwidth of IT networks improved. We did not see significant staff absences, with the exception of time for childcare and home schooling.

97 We took various measures to monitor this risk, reduce the likelihood, reduce the potential impact and plan to mitigate the potential impacts. These are set out below:

Nature of staffing risks in 2020-21	Measures taken
Would staff have appropriate workspaces and broadband connections at home?	<p>Seek information about staff wellbeing, working environment and level of support from the Commission through line manager and team leader discussions as well as regular staff surveys.</p> <p>Ensure staff have the equipment needed.</p>
Could working relationships be sustained virtually and be productive?	<p>Prioritise, clear, timely and regular communication with staff.</p> <p>Arrange virtual away day, events and WhatsApp group</p> <p>Give opportunities and encouragement for informal chats and online social events;</p> <p>Offered staff remote working training covering people management, being managed and managing workload.</p> <p>Use alternative video calling platforms when IT systems were unable to provide video calling.</p>
Would staff be unable to work because of illness or poor mental health for long periods? Would staff be unable to work because of caring responsibilities?	<p>Encouraging staff to take regular breaks and holidays, particularly those with high annual or flexi leave balances. Ensure publication timetables allow for opportunities to take leave.</p> <p>Discuss and refer to home-working and wellbeing issues frequently in weekly Senior Management Team email and weekly all-team meeting.</p> <p>Offering flexibility for those with caring responsibilities.</p>
What would be the impact on remaining staff? Could a pattern of absences mean a particular team cannot function?	<p>Contingency planning for how work priorities would be changed in the event of significant absences.</p> <p>Allocate work preparing for publications more widely across the organisation.</p>

- 98 Looking forward, we continue to expect significant staffing risks. We expect higher turnover in 2021-22 as we did not see the usual level of staff turnover in 2020-21. We will lose capacity and experience, and there will potentially be a need to recruit, induct and train staff entirely virtually.
- 99 Independence has also been a high scoring risk this year. This has related to the challenge of balancing being a supportive public sector partner during the COVID-19 crisis with maintaining our distance and independence from Government, analysis of the UK leaving the EU and increased public discourse about the potential for Scottish independence preceding the elections to the Scottish Parliament in May 2021. Now that the new Parliament and Scottish Government are in place we expect this risk to decrease.
- 100 Partners have also, at times, been high scoring risks for us this year. This has related to the potential impact of COVID-19 upon our partner organisations ability to provide data and changes in leadership and staffing. We expect this risk to decrease now that the pandemic is no longer new, and as relationships with new contacts are built. We note the benefit of virtual meetings in allowing more frequent and less formal meetings with partners.
- 101 Our corporate systems risks have also been affected by COVID-19 but have remained, in the main, acceptable. These risks have included: whether our IT systems and networks could support virtual working, the impact of COVID-19 and related staff redeployments for our shared service providers and the impact of closure of sectors on our building refurbishment project. In 2021-22 we expect our corporate systems risks may increase slightly, with the re-opening of our office and introduction of

hybrid working, our shared services providers work to replace finance and HR systems, the capacity of our HR shared service provider to support the recruitment we expect to undertake.

- 102 Our reputation risk has, in the main, remained acceptable this year and has been less affected by COVID-19. These risks have related to timing of fiscal events and forecasts, increased uncertainty making forecasting more challenging and expected high forecast errors because of the impact of the pandemic. We expect this risk to remain acceptable.

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

Complaints

- 103 The Commission has a complaints handling policy and procedure in place and received no complaints in 2020-21 (and none in 2019-20).²⁵

Information Security

- 104 There were no known data breaches in 2020-21 (there were none in 2019-20).

Freedom of Information

- 105 The Commission aims to be fully compliant with Freedom of Information legislation. We received five Freedom of Information requests, all of which were completed within the statutory deadline for responses (three requests and all were completed within deadline in 2019-20). Substantive responses are published on the Commission's website.²⁶

Community and social

- 106 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

- 107 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.^{27 28}
- 108 The Commissioner Code of Conduct sets out the behaviours expected of our Commissioners.²⁹ It 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

²⁵ Scottish Fiscal Commission (2017) Complaints Policy ([link](#))

²⁶ Freedom of Information releases on our website ([link](#))

²⁷ Scottish Fiscal Commission Counter-Fraud Policy and Response Plan ([link](#))

²⁸ UK Government (2015) The Civil Service Code ([link](#))

²⁹ Scottish Fiscal Commission (2019) Code of Conduct ([link](#))

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.³⁰

- 109 There were no known incidences of fraud or bribery in 2020-21.
- 110 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.

Environment and sustainability

- 111 In response to COVID-19, all staff worked fully remotely during 2020-21 and meetings have been held on line, which reduced considerably the Commission's immediate carbon footprint. We recognise that this will, of course, have increased the footprint for individuals.
- 112 Our experience of working remotely during the pandemic is that it is possible to undertake more activities virtually than we might have previously imagined. We hope that this will help us to reduce travel in future.

Future plans

- 113 The Commission intends to develop and consult on a new three-year corporate plan this year, which will include revised strategic objectives. These will be based on our statutory duties, and reflect the recommendations from the Finance and Constitution Committee's Legacy report, as well as the OECD independent review of the Commission in 2019. These recommendations included that the Commission should provide more analysis of fiscal risks and fiscal sustainability, and potentially produce a long-term fiscal sustainability report during each Parliamentary session.³¹ This would have resource implications for the Commission.
- 114 At an organisational level, we expect significant turnover because: many people joined at a similar time when the organisation was set up; the pandemic slowed turnover in 2020-21 and the pandemic may encourage people to change careers. Over the next two years we expect a new Chair, new Commissioners, a new Chief Executive, and experienced staff who joined three to four years ago to leave to seek promotion or new challenges.
- 115 In terms of future performance, we anticipate greater forecast errors in our evaluations in the coming years because of the impact of the pandemic, and further fiscal updates to bring transparency as to how the funding of the Scottish Budget changes throughout the year.
- 116 We continue to plan for a small underspend as a prudent measure to allow for contingencies and potential cover for parental leave, as overspends are not possible. As there tends to be a fiscal event towards the end of the financial year it is also prudent for us to make provision for overtime payments, as a contingency. However, this does mean we will underspend in years in which overtime payments are not required.

John Ireland

Chief Executive of the Scottish Fiscal Commission and Accountable Officer

³⁰ Scottish Fiscal Commission (2021) Register of Interests ([link](#))

³¹ Scottish Parliament Finance and Constitution Committee, February 2021, ([link](#))

Accountability Report

Corporate Governance Report

117 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

118 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 134 the Commissioners act corporately as our Governance Board.

119 There were no changes to the Commissioners during the year, and as at 31 March 2021 there remained four Commissioners, one of whom was Chair:

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

120 The Register of Interests for the Commissioners is available on the Commission's website³² and on request. All members are required to review and update the register at least annually.

Audit and Risk Committee

121 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.

122 The Committee met four times in 2020-21, and its members are:

Chair	Professor David Ulph
Members	Professor Alasdair Smith Professor Francis Breedon
External Member	Gillian Carty (reappointed in September 2020)
Attendees	Dame Susan Rice Audit Scotland Scottish Government Internal Audit and Assurance Directorate

³² Scottish Fiscal Commission Register of Interests ([link](#))

Chief Executive and Senior Management Team

123 Members of the Senior Management team during 2020-21 were:

Chief Executive and Accountable Officer	John Ireland
Head of Economy and Tax	David Stone
Head of Social Security and Public Funding	Claire Murdoch
Head of Strategy, Governance and Corporate Services	Susie Warden

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

Internal Audit

125 Internal Audit is provided by Scottish Government Directorate for Internal Audit and Assurance (SGDIAA). The Audit and Risk Committee considered the two reports produced by SGDIAA for 2020-21, 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 SGDIAA at Audit and Risk Committee meetings during the year. The SGDIAA 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

126 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.

Statement of Accountable Officer's responsibilities

127 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.

128 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.
- 129 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.
- 130 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.
- 131 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 judgements required for determining that it is fair, balanced and understandable.

Governance Statement

- 132 This statement sets out how the Commission manages and controls its resources and risk. It covers the period from 1 April 2020 to the date of signing.

Governance framework

- 133 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.
- 134 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.
- 135 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.

- 136 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".
- 137 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. The Committee now publishes its minutes on our website³³.
- 138 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. This member was reappointed for a further two years from 13 September 2020. In addition, the Audit and Risk Committee benefits from the helpful and expert input of Audit Scotland and the Scottish Government Directorate for Internal Audit and Assurance who attend Audit and Risk Committee meetings.
- 139 Despite the challenges posed by COVID-19, there was limited effect on the Commission's governance arrangements which continued to be appropriate and were operating effectively. The Governance Board and Audit and Risk Committee continued to operate albeit were meeting virtually using video-conferencing tools.
- 140 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;
 - 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

- 141 During 2020-21 the Governance Board met formally on four occasions. A full set of minutes was produced to record all agreed actions and decisions and these are published on our website³⁴ in

³³ Audit and Risk Committee minutes ([link](#))

³⁴ Scottish Fiscal Commission Governance Board Minutes ([link](#))

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.

Corporate Governance

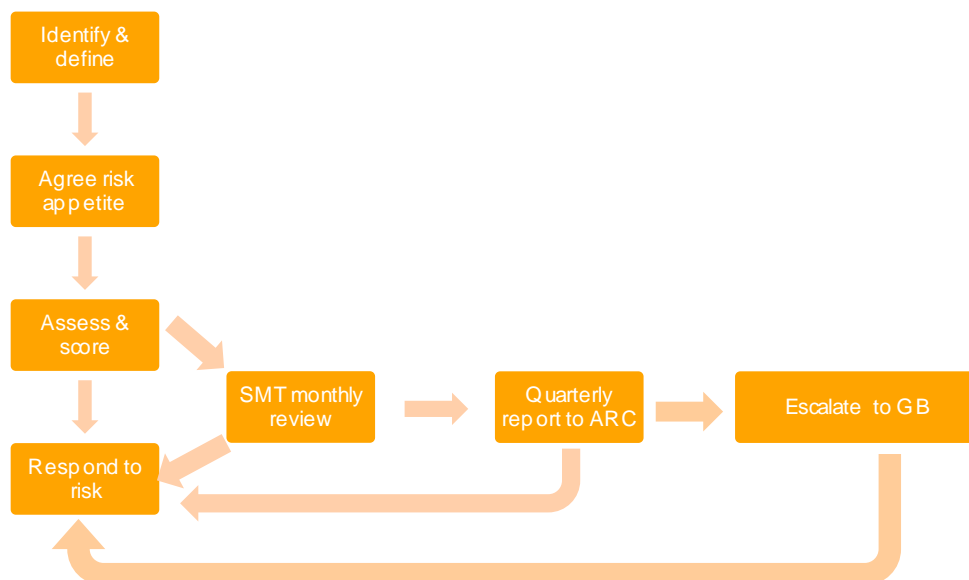
- 142 “Corporate governance concerns the strategic direction and effective stewardship of the organisation” and “Corporate governance is the way in which organisations are directed, controlled and led and defines where accountability lies throughout the public body” – so says the Scottish Government 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.
- 143 The Governance Framework section above sets out how our roles, responsibilities and relationships are defined. Our corporate policies are reviewed regularly to an agreed schedule and are published on our website.
- 144 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. Over 2020-21 we received substantial assurance from internal audit following their assessments this year.
- 145 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.
- 146 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.
- 147 The Commission's whistle-blowing policy sets out how all those who work within the Commission can raise concerns about malpractice. It is subject to regular review by the Governance Board (last review on 4 November 2020) and is available on our website. To date, no concerns about malpractice have been raised.

Risk Management

- 148 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.
- 149 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. The framework is reviewed and approved by the Governance Board at least every two years.

³⁵ Scottish Fiscal Commission Publication Scheme ([link](#))

Risk Management Process



150 The aims of our approach are to make sure that:

- risk management is part of day to day decision-making and not an industry in its own right
- risk management is effective at increasing the likelihood of achieving our objectives
- risks are recorded and reported in a way that the Audit and Risk Committee can scrutinise how the organisation manages risks
- Commissioners are aware of, and make decisions about, the most serious risks

151 The current key risks are reported in the performance analysis section at paragraph 93.

152 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

153 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 Director Digital in respect of the IT services shared with the Commission and from the Scottish Government's People Director in respect of the human resources and payroll systems shared with the Commission.

154 The People Directorate faced significant challenges: servicing large-scale internal moves to prioritise pandemic-related work and high levels of recruitment, coupled with lack of capacity and ageing systems. Over 2020-21 the Commission was less affected as we did not recruit during this financial year, but looking forwards this is a significant risk for the Commission, as reported in paragraph 101.

155 I have also received from Scottish Government's Directorate of Internal Audit and Assurance a copy of the assurance provided on the Scottish Government's corporate services which deliver our shared services. Only reasonable assurance could be given because of identified risks of aging systems. Scottish Government has commenced a transformation programme with plans for longer-term investment in core finance and HR systems. This is reflected in our risk profile, reported at paragraph 101.

Data security

156 There were no known data breaches in 2020-21.

Assessment of Corporate Governance and Risk Management Arrangements

157 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.

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

- regular discussions with the senior management team and senior analysts covering planning, performance, risk and use of resources
- regular discussions with the Head of Strategy, Governance and Corporate Services including on governance matters
- insight into the Commission's performance from our internal auditors (SGDIAA), and their audit opinion on the quality of systems of government, management and risk control
- the Governance Board's views on management reports, including on governance matters, performance and risk management
- the views of the Commission's Audit and Risk Committee on the Commission's management of risk and assurance arrangements
- comments made by the external auditors in their reports and attendance at Audit and Risk Committees
- completion of the internal control checklist (recognising that this provides reasonable assurance but can never provide absolute assurance)

159 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

160 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.

161 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

162 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 Code³⁶ and in conjunction with independent advice from the Senior Salaries Review Body (SSRB).³⁷

163 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.³⁸ 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.

164 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 Scottish Public Sector Pay Policy.³⁹

³⁶ Civil Service Management Code ([link](#))

³⁷ Information about the work of the SSRB can be found ([link](#))

³⁸ Information about the Public Sector Pay Policy ([link](#))

³⁹ The Scottish Government Public Sector Pay Policy 2020-21 ([link](#))

Single Total Figure of Remuneration (audited)

165 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	2020-21	2019-20
Board Member	£'000	£'000
Dame Susan Rice DBE (Chair)	35-40	35-40
Professor Alasdair Smith	25-30	25-30
Professor Francis Breedon	25-30	25-30
Professor David Ulph	25-30	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	
	2020-21	2019-20	2020-21	2019-20	2020-21	2019-20
John Ireland, Chief Executive	80-85	75-80	65	24	145-150	100-105
Claire Murdoch, Head of Social Security and Public Funding	65-70	60-65	27	25	95-100	85-90
David Stone,* Head of Economy and Tax	65-70 <i>FTE** 65-70</i>	60-65	26	25	95-100	85-90
Susie Warden, Head of Strategy, Governance and Corporate Services	40-45 <i>FTE 65-70</i>	40-45 <i>FTE 60-65</i>	31	26	75-80	65-70

* part time working from November 2020

** FTE means full time equivalent

166 None of the above received any benefits in-kind or bonus payments in 2020-21 or 2019-20.

167 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.

168 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.

169 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 2021 and related lump sum £'000	Real increase in pension and related lump sum £'000	CETV at 31 March 2021 £'000	CETV at 31 March 2020 £'000	Real Increase in CETV £'000
John Ireland, Chief Executive	45-50	2.5-5	970	871	67
Claire Murdoch, Head of Social Security and Public Funding	10-15	0-2.5	88	73	8
David Stone, Head of Economy and Tax	10-15	0-2.5	119	103	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	176	153	16

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.

170 The above pension information was supplied to the Scottish Fiscal Commission by MyCSP.

171 Employer contributions to all pension plans for 2020-21 were £272,724 including £75,644 for the Senior Management Team.

Civil Service Pensions

172 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.

173 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. Since the Government plans to remove discrimination identified by the courts in the way that the 2015 pension reforms were introduced for some members, it is expected that, in due course, eligible members with relevant service between 1 April 2015 and 31 March 2022 may be entitled to different pension benefits in relation to that period (and this may affect the Cash Equivalent Transfer Values shown in this report). 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).

- 174 Employee contributions are salary-related and range between 4.6% and 8.05% of pensionable earnings for members of classic premium, classic plus, nuvos, and 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.
- 175 The partnership pension account is an occupational defined contribution pension arrangement which is part of the Legal & General Mastertrust. 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).
- 176 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.
- 177 Further details about the Civil Service pension arrangements can be found at the website www.civilservicepensionscheme.org.uk.

The Cash Equivalent Transfer Value (CETV)

- 178 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.
- 179 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

180 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

181 During 2020-21 there were no early departure packages.

Fair Pay Disclosure (audited)

Heading	2020-21	2019-20
Band of highest paid director £'000	80-85	75-80
Median total remuneration	46,599	41,330
Ratio	1.800	1.875
Range minimum – maximum £'000 (FTE)	25-30 to 80-85	25-30 to 75-80

Staff Report

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

Number of senior civil service staff

183 As at 31 March 2021, the Commission employed one Senior Civil Servant, the Chief Executive, who is a Band 1 (also one senior civil servant at 31 March 2020).

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

	2020-21 WTE	2019-20 WTE
Permanent Employees (including staff on loan)	20.4	20.5
Agency & Casual	-	0.3
Fixed Term Staff	0.8	0.9
Total	21.1*	21.8*
Commissioners	4	4

* This total is affected by rounding differences

Staff Costs (audited)

£ thousand	2020-21 £'000	2019-20 £'000
Wages and salaries (including Fixed Term Appointments and staff on loan)	1,017	948
Social security costs	111	102
Other pension costs	273	251
Agency and casual staff costs	-	9
Commissioner/Board fees and costs	128	139
Total administration staff costs	1,529	1,449

184 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.

Staff Composition

185 The numbers of people of each sex employed by the Scottish Fiscal Commission on 31 March 2021 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	31 March 2021		31 March 2020	
	Female	Male	Female	Male
Employees – non-Senior Management Team	9	9	10	9
Non Senior Civil Service members of the Senior Management Team	2	1	2	1
Senior Civil Servants	0	1	0	1
Total staff	11	11	12	11
Board members	1	3	1	3

Sickness Absence

	Average total of sick days per employee 2020-21	Average total of sick days per employee 2019-20
Short term absence (<20 working days)	2.4	4.3
Long term absence (>20 working days)	0.0	1.2
Total	2.4	5.5

Staff turnover percentage

Headcount at 31 March 2020	Headcount at 31 March 2021	Average Headcount	Leavers	Turnover %
23	22	22.5	1	4.44%

Staff survey engagement score

186 Our staff survey mirrors the Civil Service People Survey. The employee engagement index reflects employees' responses to five questions measuring pride, advocacy, attachment, inspiration and motivation.

	2020	2019
Scottish Fiscal Commission employee engagement score	77	80
Scottish Government employee engagement score	69 ⁴⁰	67 ⁴¹

Staff policies for disabled persons

187 The Commission has joined the Scottish Government Main bargaining unit, and mirrors those terms, conditions and staff policies. 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:

⁴⁰ Civil Service People Survey 2020 ([link](#))

⁴¹ Civil Service People Survey 2019 ([link](#))

- 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.

Employee relations

- 188 As a small organisation the Commission consults staff directly on relevant issues, and we also engage with the Council of Scottish Government Unions as required. Many aspects of employee relations are covered in our membership of the Scottish Government Main bargaining unit, including pay policy. One member of staff fulfils the role of Health and Safety Liaison Officer as part of their duties. This year we have curated a source of learning materials and training opportunities suitable for our staff. Of our 22 staff (as at 31 March 2021), 17 are economic and fiscal analysts and five provide corporate support services.

Expenditure on Consultancy

- 189 The Commission did not incur any consultancy costs in 2020-21 (in 2019-20 costs of £12,000 had been incurred).

Diversity and Inclusion

- 190 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.
- 191 The Scottish Parliament's Equalities and Human Rights Committee report Race Equality, Employment and Skills made various recommendations for public authorities to address minority ethnic under-representation in the public sector workforce. Whilst we were not one of the public authorities from whom the Committee sought commitments, we wish to make commitments to improving diversity and inclusion and intend to report upon them in our annual reports.

Scottish Fiscal Commission's response to Scottish Parliament's Equalities and Human Rights Committee's report Race Equality, Employment and Skills

The Committee asked each public authority to provide a commitment to the Committee to take a minimum of three new actions to address their organisation's specific issues along with associated timescales and reasons for those timescales.

The Scottish Fiscal Commission was not one of the public authorities to which the Committee wrote. However, the Commission will take at least three new actions and report upon these in our annual reports (as the Committee requests of other public authorities). For 2021-22, those actions are:

- Work with our HR shared services provider to obtain diversity data on our staff and on our recruitment exercises
- Increase diversity of applications and diversity of those interviewed
- Offer advice for all applicants for staff positions as to how to complete the application form and how to perform at their best at interview and assessment centre
- Strengthen the individual diversity objectives of our staff by a process of support and review with line managers
- Report on the gender balance of our appearances at Scottish Parliament Committees

The Committee recommends those in public authority leadership positions undertake an assessment of their organisation's understanding of racism and the structural barriers that may exist within their organisations. Public authorities should integrate their ambitions into their next strategic plan. Their strategic goal should be underpinned by specific outcomes and supported by timely monitoring. Public authorities should be transparent about their targets and their progress in delivering their outcomes.

Ensure that our next corporate plan includes a goal to improve diversity and inclusion. We intend to consult upon our next corporate plan in the second half of 2021. In thinking about these issues within the Scottish Fiscal Commission, and in our profession, we intend to learn from the "Analysis Function Diversity and Inclusion Strategy 2021-2024" which was published at the start of February 2021 on www.gov.uk.

Public authorities should review their recruitment procedures and practice against the Scottish Government's toolkit and make the necessary changes.

We use the Scottish Government recruitment policies and procedures, so already follow the toolkit with respect to the simplified application process and improvements in assessment centres. We intend to use the toolkit when we next recruit staff or Commissioners to ensure that we are doing all that we can in terms of outreach, advertising and ensuring our selection panels are diverse and appropriately trained.

Public authorities subject to the Scottish specific Public Sector Equality Duty should, as a minimum, voluntarily record and publish their ethnicity pay gap and produce an action plan to deliver identified outcomes.

The Scottish Fiscal Commission is subject to only the general equality duty, rather than the specific duties. We follow the Scottish Government main pay scales, so we pay everyone undertaking work of an equal value on the same scale (ie within the same pay range) and exact pay depends on length of service. However, the Commission will commit to publishing our ethnicity pay gap alongside our gender pay gap when we can do so without it being statistically disclosive.

- 192 We think about diversity and inclusion in three facets: recruitment of staff and Commissioners, how we operate as an organisation, including retention and progression, and how we deliver our work to the public.
- 193 We experienced little turnover this year and believe that this was, in large part, due to the pandemic. We do expect higher turnover next year, partly people who might otherwise have moved during 2020-21, and partly as many staff who were recruited at a similar time will have reached three years in post, a common period for civil servants to seek new posts. As we expect to recruit a number of staff this year, in the coming year recruitment is a key focus for our efforts to improve diversity and inclusion.
- 194 However, a specific issue for us is that economics graduates are not representative, particularly by gender and socio-economic status. Women accounted for 27 per cent of economics undergraduates in 2018-19.⁴² At school level, of 309 pupils entered for National 5 entered, 91 per cent attended independent schools and 21 per cent were female.⁴³
- 195 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.⁴⁴
- 196 We are also subject to the Gender Representation on Public Boards (Scotland) Act 2018.⁴⁵ Our gender balance at 31 March 2021 was 25:75. Achieving the gender representation objective of 50:50 by December 2022 will be particularly challenging, as our Commissioners are recruited primarily for their economic and fiscal forecasting expertise, rather than governance, management or lived experience, as with many non-executive positions. That recruitment pool is primarily male: amongst academic economists in the UK, women comprise only 15 per cent of professors, and no Black female professor of economics was employed anywhere in the UK for the entire period from 2012-2019.⁴⁶ We expect to recruit two Commissioners in 2020-21 and intend to do all that we can to attract diverse, high-calibre candidates.
- 197 We are committing to reporting the gender balance of our appearances at Scottish Parliament Committees. Of 18 witness appearances in 2019-20, 39 per cent were female.⁴⁷ Of 22 Committee appearances in 2020-21, 50 per cent were female.

Gender Pay Gap

- 198 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.
- 199 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.

⁴² The Gender Imbalance in UK Economics, Royal Economic Society 2021 ([link](#))

⁴³ SQA statistics 2020 ([link](#))

⁴⁴ Information about Economic Futures ([link](#))

⁴⁵ The Gender Representation on Public Boards (Scotland) Act 2018 – Statutory Guidance, June 2020 ([link](#))

⁴⁶ The Gender Imbalance in UK Economics, Royal Economic Society 2021 ([link](#))

⁴⁷ Scottish Parliament Equalities and Human Rights Committee, 26th meeting, 3 December 2020 ([link](#))

However, although there are almost equal numbers of men and women at each grade, more women are at the lower end of the pay ranges because they were appointed to their current grade more recently. The standard length of time for progression from the minimum to the maximum of the pay range is four years. As more females reach the maximum of their pay range the pay gap should reduce.

	31 March 2021	Scotland 2020 ⁴⁸	31 March 2020
Median gender pay gap	14.9	10.9	12.5
Arithmetic mean gender pay gap	7.9	10.4	17.3

- 200** The median gender pay gap for all staff at Scottish Fiscal Commission at 31 March 2021 has increased. The distribution of pay steps within each SG Main pay range is not linear; a person on a higher pay step receives a larger pay increase than someone on a lower pay step. In the Commission more women are at the lower end of the pay ranges, reflecting the date of their appointment or promotion to their current grade. The median male received a larger increase in pay than the median female, so our median pay gap increased.
- 201** This effect ceases after four years in post when staff reach their maximum pay step. So if the median male and female are the same grade and both reach the maximum pay step for their grade, our gender pay gap would be eliminated.
- 202** Our mean gender pay gap decreased as more female staff reached the maximum of their pay scale, and because of the change in staff composition during the year.

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

⁴⁸ Office for National Statistics – Gender pay gap – Scotland average– updated provisional 2020 Table 3.12 ([link](#))
 Scottish Fiscal Commission Annual Report and Accounts for the year ending 31 March 2021

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 2021 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 2020/21 Government Financial Reporting Manual (the 2020/21 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 2021 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 2020/21 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 four 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 concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the body's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

Risks of material misstatement

I report in a separate Annual Audit Report, available from the [Audit Scotland website](#), the most significant assessed risks of material misstatement that I identified and my judgements 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- obtaining an understanding of the applicable legal and regulatory framework and how the body is complying with that framework;
- identifying which laws and regulations are significant in the context of the body;
- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the body's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result 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.

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.

Reporting 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. In addition to my responsibilities to detect material misstatements in the financial statements in respect of irregularities, 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.

Reporting on other requirements

Opinion prescribed by the Auditor General for Scotland on audited part of the Remuneration and Staff Report

I have audited the parts of the Remuneration and Staff Report described as audited. 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.

Statutory other information

The Accountable Officer is responsible for the statutory other information in the annual report and accounts. The statutory other information comprises the Performance Report and the Accountability Report excluding the audited part of the Remuneration and Staff Report.

My responsibility is to read all the statutory other information and, in doing so, consider whether the statutory 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this statutory other information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the statutory other information and I do not express any form of assurance conclusion thereon except on the Performance Report and Governance Statement to the extent explicitly stated in the following opinions prescribed by the Auditor General for Scotland.

Opinions prescribed by the Auditor General for Scotland on Performance Report and Governance Statement

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

Financial Statements

Introduction

- 2.1 This statement of accounts reports the results of the Scottish Fiscal Commission (the Commission) for the year 1 April 2020 to 31 March 2021. 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 2021

(£ thousand)	Note	31 March 2021	31 March 2020
Staff costs	2	(1,529)	(1,449)
Other operating costs	3	(422)	(377)
Depreciation	5	(3)	(2)
Notional Costs	4	(31)	(30)
NET OPERATING COST		(1,985)	(1,858)

The notes on pages 49 to 54 form part of these financial statements.

Statement of Financial Position as at 31 March 2021

(£ thousand)	Note	31 March 2021	31 March 2020
NON-CURRENT ASSETS			
Property, plant and equipment	5	9	6
Total non-current assets		9	6
CURRENT ASSETS			
Trade and other receivables	6	-	22
Cash and cash equivalents		-	-
Total current assets		-	22
TOTAL ASSETS		9	28
CURRENT LIABILITIES			
Trade and other payables	7	(134)	(147)
Total current liabilities		(134)	(147)
Total assets less current liabilities		(125)	(119)
TOTAL ASSETS LESS TOTAL LIABILITIES		(125)	(119)
TAXPAYERS' EQUITY			
General Fund	SOCTE	(125)	(119)
TOTAL TAXPAYERS' EQUITY		(125)	(119)

The notes on pages 49 to 54 form part of these financial statements.

The Chief Executive and Accountable Officer authorised these financial statements for issue on 11 October 2021.

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

Statement of Cash Flows for the year ended 31 March 2021

(£ thousand)	Note	31 March 2021	31 March 2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Net operating cost	SOCNE	(1,985)	(1,858)
Adjustments for non-cash transactions			
* Depreciation/Amortisation	5	3	2
* Notional Costs	4	31	30
Movements in working capital			
* (Increase)/decrease in trade and other receivables	6	16	(15)
* Increase/(decrease) in trade and other payables	7	(13)	53
Net cash outflow from operating activities		(1,948)	(1,788)
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	1,948	1,793
Net cash flow from financing activities		1,948	1,793

The notes on pages 49 to 54 form part of these financial statements.

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2021

£ thousand	Note	General Fund 2020-21	General Fund 2019-20
Balance at 1 April		(119)	(84)
Non-cash charges – notional costs	4	31	30
Net operating costs for the year	SOCNE	(1,985)	(1,858)
Net funding		1,948	1,793
Balance as at 31 March		(125)	(119)

The notes on pages 49 to 54 form part of these financial statements.

Notes to the Accounts for the year ended 31 March 2021

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 (FRoM) 2020-21 issued by HM Treasury. The accounting policies contained in the FRoM apply International Financial Reporting Standards (IFRSs) as adapted or interpreted for the public sector context. Where the FRoM 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 FRoM 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 2021 have been brought into the account irrespective of when actual payments were received.

(i) Payables

All material amounts outstanding as at 31 March 2021 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 remuneration and staff 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 2021-22 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

Although IFRS 16 has been issued it will not be effective in the majority of the public sector until 1 April 2022. 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	2020-21 £'000	2019-20 £'000
Wages and salaries (including Fixed Term Appointments and staff on loan)	1,017	948
Social security costs	111	102
Other pension costs	273	251
Agency and casual staff costs	-	9
Commissioner/Board fees and costs	128	139
Total administration staff costs	1,529	1,449

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.

3. Other Operating Costs

Other Operating Costs (£ thousand)	2020-21	2019-20
Staff related costs:		
HR service	18	19
Recruitment	12	4
Training	19	4
Travel, subsistence and catering	-	16
Non-staff related costs:		
Accommodation (includes rates, maintenance and cleaning)	130	123
Refurbishment of parts of Governor's House	151	13
Office and IT equipment (includes furniture and telephones)	14	10
IT and telephone services (includes software)	50	49
Office Supplies (includes stationery and printing)	3	4
Communications and events (includes website development and website hosting)	6	35
Consultancy and outsourced professional services (includes procurement, internal audit and legal)	19	14
OECD independent review	-	86
Total Other Operating Costs	422	377

4. Notional Costs

Notional Costs (£ thousand)	2020-21	2019-20
Internal Accountancy Fees	3	3
External Audit Fees	28	27
Total notional costs	31	30

5. Property, plant and equipment

Property, plant and equipment (£ thousand)			2020-21		2019-20
Cost	Plant & Machinery	Information Technology	Total	Information Technology	Total
At 1 April	-	10	10	5	5
Additions	6	-	6	5	5
Disposals	-	-	-	-	-
Transfers to Assets	-	-	-	-	-
At 31 March	6	10	16	10	10
Depreciation					
At 1 April	-	4	4	2	2
Charge for year	1	2	3	2	2
Disposals	-	-	-	-	-
At 31 March	1	6	7	4	4
NBV at 31 March	5	4	9	6	6
Analysis of Asset Financing					
Owned	5	4	9	6	6
Finance Leased	-	-	-	-	-
NBV at 31 March	5	4	9	6	6

6. Trade receivables and other current assets

Trade receivables and other current assets (£ thousand)	2020-21	2019-20
Amounts falling due within one year		
Other receivables	-	22
Total Receivable within one year	-	22

7. Trade payables and other current liabilities

Trade payables and other current liabilities (£ thousand)	2020-21	2019-20
Trade payable	-	-
Other payables	134	147
Total due within one year	134	147
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 Government
Riaghaltas na h-Alba
gov.scot

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 (FRoM), 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

A handwritten signature in black ink, appearing to read 'Gordon Wales'.

GORDON WALES
Chief Financial Officer
3 May 2018

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This publication is available at www.fiscalcommission.scot

ISBN: 978-1-911637-41-7

Laying Number: SFC/2021/10

Published by the Scottish Fiscal Commission, October 2021