

Scottish Fiscal Commission
Annual Report and Accounts
for the year ended 31 March 2019

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Chair's Foreword

I'm pleased to publish the Commission's Annual Report and Accounts for 2018-19 which details our performance and activities over the last 12 months.

In our second year, as our responsibilities increased, we made excellent progress. We produced forecasts of Best Start Grant, Best Start Foods, Funeral Support Payment and VAT for the first time. We developed further our other forecasting models and made significant progress in accessing the data we need to produce accurate and reliable forecasts. We published three major reports, gave evidence to Parliamentary Committees and held three public events. Finally, we welcomed two new Commissioners, Professor Francis Breedon and Professor David Ulph, and eight new members of staff, all of whom bring further breadth and depth of experience to our team.

We published the first of our summer forecasts in May 2018 to accompany the Scottish Government's new Medium-Term Financial Strategy. We then turned to refining our models, analysing the new outturn data for income tax and, in September, published our Forecast Evaluation Report. Our December 2018 Budget forecasts built on all this work.

Producing high quality forecasts is part of what we do. We also need to explain them. We developed summaries, graphics and data to help make our forecasts accessible and understandable. There was, rightly, much concern about the implications of the new income tax outturn data produced for Scotland's public finances, so in both our evidence to Finance and Constitution Committee and subsequent correspondence we tried to demystify the technical issues.

Much hard work goes into creating and enhancing our forecasts. One key focus this year was working with partners to improve the Scottish-specific data available. Access to timely and high quality data is vital to our ability to understand the economic and fiscal context and produce credible forecasts. As our forecasts inform the Scottish Government's Budget, it is in everyone's interests that those forecasts are based on the best quality data possible.

Following the recommendations of the Economy, Jobs and Fair Work Committee's inquiry into Scottish economic statistics, we published our first Statement of Data Needs, which outlined the data we require to create our forecasts, which organisations we rely upon for data provision, and highlighted areas for improvement. We have welcomed developments in both the quality and availability of some data and have worked closely with data providers to make further progress.

I've been pleased with the impact the Commission has made this year. As we look forward to 2019-20, that impact can only increase, as more social security benefits are devolved and as the first income tax reconciliations feed into the Scottish budget.

We will also benefit from an independent peer review of our activities by the Organisation for Economic Co-operation and Development (OECD) and I look forward to the opportunities and challenges that may bring. I'm personally grateful to our chief executive, John Ireland, and to the talented and dedicated team that make up the Scottish Fiscal Commission.

A handwritten signature in black ink, reading "Susan Rice". The signature is written in a cursive style with a large, prominent initial 'S'.

Dame Susan Rice DBE

12 September 2019

Performance Report

Chief Executive's Introduction

1. This report covers the Commission's second year as Scotland's official fiscal forecaster. We have completed our transition to a fully operational body, and have continued to build upon our reputation as an independent and expert voice in the analysis of Scotland's public finances.
2. Our Chair's foreword summarises our analytical outputs and the work that lies behind these in evaluating and refining our models, building the key relationships with our data providers and communicating the results of our work. She also refers to our two new Commissioners, eight new members of staff, and the dedicated team that make up the Scottish Fiscal Commission.
3. On the corporate side we have spent some time thinking through our governance arrangements as we have balanced good governance with the resources of a small Non-Ministerial Office. I am grateful for the support of our internal auditors and Audit Scotland in striking this balance.
4. Our achievements are all thanks to the strengths and dedication of our staff and Commissioners. I am proud to work with this small and expert team, who are continuously building relationships, challenging, improving and communicating. I thank each person for their hard work this past year.

John Ireland

Chief Executive of the Scottish Fiscal Commission and Accountable Officer

12 September 2019

Overview

5. The purpose of this overview is to give a short summary of the Commission, its objectives, performance during 2018-19, the principal risks it faces and a summary of future plans. It is followed by a more detailed performance analysis.

About the Scottish Fiscal Commission

What are we

6. The Scottish Fiscal Commission is the independent fiscal institution for Scotland. We are the only sub-national fiscal institution which produces its own fiscal and economic forecasts which are used as the official forecasts; in most countries equivalent organisations scrutinise or certify the Government's own forecasts.
7. 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. This ensures our operational independence. The Commission is directly accountable to the Scottish Parliament for the delivery of our functions.

Who are we

8. 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.
9. 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.
10. The Commissioners are supported by a small permanent staff of around 20 analysts and support staff, grouped into three teams, led by a Chief Executive.



What we do

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

Scottish Fiscal Commission Corporate Plan 2018-20

11. The Scottish Fiscal Commission Act 2016 sets out the Commission’s functions. The Commission must produce two reports each financial year, containing five year forecasts of:
 - Onshore Scottish GDP
 - Scottish income tax (non-savings non-dividend income only)
 - Fully devolved taxes:
 - Land and Buildings Transaction Tax
 - Scottish Landfill Tax
 - Air Passenger Duty – devolution has been delayed, but we produce an illustrative forecast
 - Non-domestic rates
 - Assigned VAT receipts
 - Devolved Social Security expenditure.
12. 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

Principles: The Scottish Fiscal Commission is independent, transparent, accountable and open.

Scottish Fiscal Commission Corporate Plan 2018-20

13. Building confidence in our forecasts and assessments is essential if we are to meet our objectives effectively. The way we operate as an organisation underpins our credibility. We have therefore based our approach on the Organisation for Economic Co-operation and Development (OECD) Principles for Independent Fiscal Institutions.¹

¹ OECD (2014) Recommendation of the Council on Principles for Independent Fiscal Institutions ([link](#))

Performance summary

14. The Commission fulfilled its statutory functions by delivering its forecasts and reports on time and in line with the protocol agreed with the Scottish Government. Our Forecast Evaluation Report, published on 5 September 2018, evaluated the accuracy of our forecasts against available outturn data.²
15. We published our first Statement of Data Needs on 5 September 2018,³ outlining the data we require to create our forecasts, which organisations we rely on for data provision, and our priorities for improvement. We agreed Memoranda of Understanding with HMRC and the Department for Work and Pensions (DWP), which were signed in spring 2019.⁴ Our Act requires that the Office for Budgetary Responsibility (OBR) and the Commission co-operate. To that end, the OBR and Commission signed a Memorandum of Understanding in January 2019 to formalise the strong working relationships we enjoy.⁵
16. The Commission has engaged with a wide range of stakeholders and given evidence to the Finance and Constitution Committee four times. We have organised a number of public events, including a joint event with the OBR and the Scottish Exchequer hosted by the David Hume Institute in January 2019, and made a number of presentations on our work to other groups.
17. Two new Commissioners, Professor Francis Breedon and Professor David Ulph, were appointed on 8 October 2018 after approval from the Scottish Parliament. David Wilson resigned as a Commissioner on 15 July 2018. Gillian Carty was reappointed from 13 September 2018 as an external member of our Audit and Risk Committee.
18. Our legislation requires that, by the end of 2018-19, we appoint a suitable person or body to review the Commission's performance of its functions since April 2017. The OECD was appointed on 22 March 2019 to undertake this independent review in the summer of 2019.

Principal risks

19. By the end of 2018-19 the Commission had been operational as a statutory body for two years. The nature of the risks we faced had changed as we

² Scottish Fiscal Commission (September 2018) Forecast Evaluation Report ([link](#))

³ Scottish Fiscal Commission (September 2018) Statement of Data Needs ([link](#))

⁴ Memorandum of Understanding between the Scottish Fiscal Commission and HMRC ([link](#)), Memorandum of Understanding between the Scottish Fiscal Commission and the Department for Work & Pensions published 29 May 2019 ([link](#))

⁵ Scottish Fiscal Commission (January 2019) Memorandum of Understanding between the Scottish Fiscal Commission and the Office for Budget Responsibility ([link](#))

became more established, so in March 2019 we reconsidered our risk management approach. At 31 March 2019, we identified the following risks:

- Corporate Systems – The Commission’s corporate systems are not sufficient to support its work (financial systems, IT, shared services, governance).
- Reputation – The Commission suffers a loss of reputation from its failure to deal with increasingly complex contextual change.
- Independence – The Commission’s independence is undermined.
- Staff - The Commission does not have appropriate staff to deliver its functions effectively.
- Partner Organisations - A deterioration in relationships with the Commission’s partner organisations limits its access to data and information.

20. These risks are 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.

Future developments

21. The Commission’s plans for 2019-20 are set out in our Business Plan.⁶ They include:

- Preparing and publishing forecasts for the Budget (usually December) and Medium Term Financial Strategy (usually May).
- Evaluating our forecasts and publishing our Forecast Evaluation Report (September), including an assessment of the 2017-18 outturn data for Scottish Income Tax receipts.
- Ensuring that we continue to build and develop the models we require for forecasting and evaluation.
- Ensuring that our data requirements for our analytical work are met by working with partners and publishing our second annual Statement of Data Needs (September).
- Developing the presentation and communication of our forecasts to better explain some of the complexities.

⁶ Scottish Fiscal Commission (2019) Business Plan 2019-2020 ([link](#))

- Preparing for the independent statutory review of the Commission in summer 2019 – and taking forward its recommendations.
- Improving training provision and working environment, as requested in the staff survey.
- Development by March 2020 of the Corporate Plan to cover the period 2020-23.

Performance Analysis

Measuring performance and dealing with uncertainty

22. We routinely assess the accuracy of our forecasts, in detail, through our forecast evaluation reports. These annual reports are presented to Parliament, and the Commissioners subsequently give evidence to the Finance and Constitution Committee. There will always be some difference between our forecasts and the final outturn data – forecasting is an inexact science.
23. We – like most economic forecasters – call the difference between our forecasts and the final outturn data “forecast error”. But these differences do not necessarily mean we have made errors. Large forecasting errors can occur even when perfectly sound approaches were used. For example unexpected and unpredictable events can change the course of the economy, the available historic data on which our forecasts are based can change or the Scottish Government may change its policy during the year which would change the amount of tax collected or benefits paid eg changing the start date of a new policy.
24. So the accuracy of our forecasts only gives a partial picture of our overall performance as forecasters. To fully understand our performance we need to review the whole process by which we create, share, communicate and develop our forecasts.
25. We work year-round to develop and improve our forecasting approaches. We set out developments and improvements in our approach to forecasting in our regular publications and occasional papers. We regularly engage with external experts and commentators to review our approaches. Our working practices were the subject of an independent statutory review in summer 2019. This included the process we use to develop our forecasts, a standard part of a review of an Independent Financial Institution.
26. We plan to consider our approach to measuring performance when developing the next corporate plan, informed by the outcome of the statutory review.

Performance against Corporate Plan objectives

27. The Commission's current Corporate Plan covers the period from April 2018 – March 2020.⁷ It sets out four strategic objectives for the Commission and delivery of these is supported by the annual Business Plan. The Corporate Plan objectives are:

- delivering trusted, reliable and accessible economic and fiscal forecasts
- working openly and constructively with stakeholders while maintaining our independence
- increasing understanding through active external engagement and clear publications
- building an organisation with robust governance, knowledgeable staff and transparent processes.

Delivering trusted, reliable and accessible economic and fiscal forecasts

29. The Commission met this objective by:

- publishing a set of forecasts to accompany the Scottish Government's first Medium-Term Financial Strategy (MTFS) in May 2018⁸
- publishing our second Forecast Evaluation Report in September 2018⁹
- publishing forecasts to accompany the Scottish Budget in December 2018¹⁰
- publishing two policy costings to accompany the introduction of secondary legislation, in May 2018 for a change to the non-residential LBTT legislation and September 2018 for the introduction of Best Start Grant¹¹
- publishing our first Statement of Data Needs in September 2018¹².

30. All our reports were delivered on time and in line with the Protocol agreed with the Scottish Government.

⁷ Scottish Fiscal Commission (2018) Corporate Plan 2018-2020 ([link](#))

⁸ Scottish Fiscal Commission (2018) Scotland's Economic and Fiscal Forecasts – May 2018 ([link](#))

⁹ Scottish Fiscal Commission (2018) Forecast Evaluation Report ([link](#))

¹⁰ Scottish Fiscal Commission (2018) Scotland's Economic and Fiscal Forecasts – December 2018 ([link](#))

¹¹ For further information, see Scottish Fiscal Commission (2018) Supplementary Costings ([link](#)).

¹² Scottish Fiscal Commission (September 2018) Statement of Data Needs ([link](#))

31. We held a public event to discuss our social security work with interested stakeholders in September.¹³ We also held a public event in October 2018 to discuss the outlook for wages and demographic change, and in particular the effects of these on income tax.¹⁴
32. Underlying our forecasting work has been a programme of model development and quality assurance. We made significant progress against our 2018-19 business plan.¹⁵ In summer 2018 we undertook work to align our income tax forecasts with the newly published source of outturn data for Scotland, an important step in improving our income tax forecasts. We created a new non-residential Land & Buildings Transaction Tax (LBTT) model and carried out a full investigation of whether to move away from using OBR behavioural elasticities for LBTT policy costing.¹⁶
33. We have continued to refine the way in which we forecast the Scottish economy. As part of this we are developing a new in-house economy forecasting model better suited to our forecasting needs to replace the Scottish Government's macroeconomic forecasting model built by the National Institute of Economic and Social Research. Work on this new economic model started in 2017-18 and has continued in 2018-19.
34. As the Scottish Government has expanded its social security responsibilities, we have developed our own models for new benefits, including Best Start Grant, Best Start Foods and Funeral Support Payment. This adds to the model we developed for Carer's Allowance in 2017-18, and models for other benefits we adopted and adapted from the Scottish Government. During the course of 2018-19 we developed new social security forecast models for the benefits due to be devolved in April 2020. We published illustrative forecasts of these benefits in May 2019 and will continue to develop these forecast models in 2019-20 in preparation for our next forecasts.
35. We expanded our work on borrowing during the year. In our first report in December 2017 we provided a simple assessment of the use of capital borrowing powers. In May 2018 our borrowing chapter was expanded to include information on resource borrowing and the Scotland Reserve.¹⁷ We further expanded this work in December 2018 by including information on the

¹³ Scottish Fiscal Commission (2018) Approach to Forecasting Social Security Expenditure slides ([link](#))

¹⁴ Scottish Fiscal Commission (2018) Outlook for Wages and Demographic Changes annotated slides ([link](#))

¹⁵ Scottish Fiscal Commission (2018) Business Plan 2018-19 ([link](#))

¹⁶ Page 131 of Scottish Fiscal Commission (2018) Scotland's Economic and Fiscal Forecasts – May 2018 ([link](#)) and page 118 of Scottish Fiscal Commission (2018) Scotland's Economic and Fiscal Forecasts – December 2018 ([link](#))

¹⁷ Pages 189 – 197 of Scottish Fiscal Commission (2018) Scotland's Economic and Fiscal Forecasts – May 2018 ([link](#)).

scale of future reconciliations arising from forecast errors.¹⁸ This work has been further expanded in 2019-20 with the development of a new fiscal overview chapter.

36. Last year we made a voluntary commitment to comply with the principles of the Code of Practice for Statistics to help us ensure that our forecasts are trusted, reliable and accessible.¹⁹ 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. As part of our compliance we produce a monthly list of forthcoming publications pre-announcing our publication dates.

Working openly and constructively with stakeholders while maintaining our independence

37. Maintaining good relations with our partners and stakeholders is central to the Commission's ability to produce accurate and relevant forecasts.
38. We published a Statement of Data Needs in September 2018. The process of developing this statement provided us with the opportunity to systematically reflect on our data requirements with our partners and be transparent with them and others on our priorities for improved data.
39. We held discussions with the UK Department for Work and Pensions (DWP) on access to data they hold on social security payments. These led to agreeing a Memorandum of Understanding that was signed in April 2019 after this reporting year ended.²⁰
40. In line with our statutory duty of cooperation with the OBR, we signed a Memorandum of Understanding between the OBR and the Commission in January 2019.²¹

Increasing understanding through active external engagement and clear publications

41. The Commission wants to ensure that its forecasts are understood and used appropriately. We produced two occasional papers to give details of our approaches and to analyse in more detail the areas which particularly interested users. These were:

¹⁸ Pages 193 – 205 of Scottish Fiscal Commission (2018) Scotland's Economic and Fiscal Forecasts – December 2018 ([link](#))

¹⁹ Scottish Fiscal Commission (2018) Compliance with the Code of Practice for Official Statistics ([link](#))

²⁰ Memorandum of Understanding between the Scottish Fiscal Commission and the Department for Work & Pensions published 29 May 2019 ([link](#))

²¹ Scottish Fiscal Commission (January 2019) Memorandum of Understanding between the Scottish Fiscal Commission and the Office for Budget Responsibility ([link](#))

- Our approach to forecasting social security, September 2018²²
 - Our approach to forecasting Value Added tax (VAT), September 2018²³
42. Alongside our forecast publications in May and December, we published accessible summaries, supplementary data spreadsheets and used social media to share summary graphics. We held media briefings on the day after publication to help ensure informed coverage of our work. These briefings included a presentation of the key points in our forecasts from the Chief Executive that was subsequently published on our website.
 43. The Commissioners and staff have engaged with the Finance and Constitution Parliamentary Committees during the course of the year. Commissioners gave evidence at the Finance and Constitution Committee after our May and December forecasts, and after publication of our forecast evaluation report in September. The Chief Executive participated in a Finance and Constitution Committee “roundtable” evidence session on VAT assignment in March 2019. We also appeared at a private session of the Social Security Committee in January 2019. All of these appearances are intended to provide further understanding of our publications and our work. In addition, our two new Commissioners appeared before the Finance and Constitution Committee in October 2018 prior to their appointments being approved by the Scottish Parliament.
 44. During the year the Commission organised a number of public events. These included a joint evening event with the David Hume Institute in January 2019. The event included short presentations from Robert Chote, the chairman of the Office for Budget Responsibility, and our Chair, alongside comments from Alyson Stafford, the Scottish Government’s Director-General Scottish Exchequer. This event was well attended with over 100 people present.
 45. We organised two more specialised public events. The first discussed the outlook for wages and demographic change, and in particular the effects of these on income tax.²⁴ The second was based around our occasional paper on forecasting social security payments.

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

Staffing

46. During 2018-19 we approached our full complement of staff, and we began to settle into a regular pattern of turnover, in part as temporary contracts, secondments or rotations ended as anticipated, and in part as individuals

²² Scottish Fiscal Commission (September 2018) Approach to Forecasting – Social Security ([link](#))

²³ Scottish Fiscal Commission (September 2018) Approach to Forecasting – Value Added Tax ([link](#))

²⁴ Scottish Fiscal Commission (2018) Outlook for Wages and Demographic Changes annotated slides ([link](#))

moved away to promotions or new opportunities. We have taken the opportunity to restructure our analytical and corporate teams, in both cases changing the mixture of staff, recognising the move from the transitional implementation arrangements to business as normal. We have used a flexible mix of permanent, fixed term and agency contracts to meet our staffing needs, and benefited from a strong and diverse pool of candidates applying for our analytical posts. We value the refreshed perspective that a measured turnover of staff brings.

	Joiners	Leavers	Total headcount at 31 March 2019
Analytical	5	5	15
Corporate & Chief Executive	3	4	6

47. The Commission's 2018-19 staff survey took place during January 2019. It was modelled on the UK Civil Service survey and there was a 100% response rate. The results showed there was a high level of engagement and confidence in the Commission among staff.
48. The survey was largely very positive. Our 2017-18 results were exceptionally strong and we anticipated that there would be some fall-off in the scores for the second year. Our results for 2018-19 are broadly comparable with the Scottish Government's Office of the Chief Economic Adviser which employs a similar range of analytical and support staff and that produces a range of complex analytical products.
49. Responses were 100 per cent positive for employees being treated fairly at work, having a clear understanding of the Commission's objectives, being trusted to carry out their jobs effectively, understanding how their work contributes to the Commission's objectives, and the Senior Management Team being suitably visible. Responses were 95 per cent positive for being interested in their work, being treated with respect by the people they work with, thinking the Scottish Fiscal Commission respects individual differences, achieving a good work-life balance, and having confidence in the decisions of the Chief Executive. Staff expressed some concern about learning and development activities. There were no reports of harassment, bullying or discrimination in 2018-19 (and none in 2017-18).

Governance

50. We saw a change in our Commissioners in 2018-19. David Wilson resigned as a Commissioner on 15 July 2018 prior to accepting a civil service role. Two new Commissioners, Professor Francis Breedon and Professor David Ulph, were appointed by the Cabinet Secretary on 8 October 2018 following approval by the Scottish Parliament. Gillian Carty was reappointed from 13 September 2018 as an external member of our Audit and Risk Committee.

51. The nature of the risks facing the Commission changed as we matured from an organisation in transition. We overhauled our risk management approach in March 2019, building on the strengths we had developed over our first year.
52. We worked with the Scottish Government to review the framework document, which sets out the relationship between the Scottish Fiscal Commission, Scottish Ministers and the Scottish Parliament with regard to governance, finance and the operation of the functions of the Commission. This was finalised in summer 2019 and is available on our website.²⁵
53. The Scottish Fiscal Commission Act 2016 requires that, by 1 April 2019, the Commission appoint a suitable person or body to review the Commission's performance of its functions. The OECD was appointed on 22 March 2019 to undertake this review.

Corporate

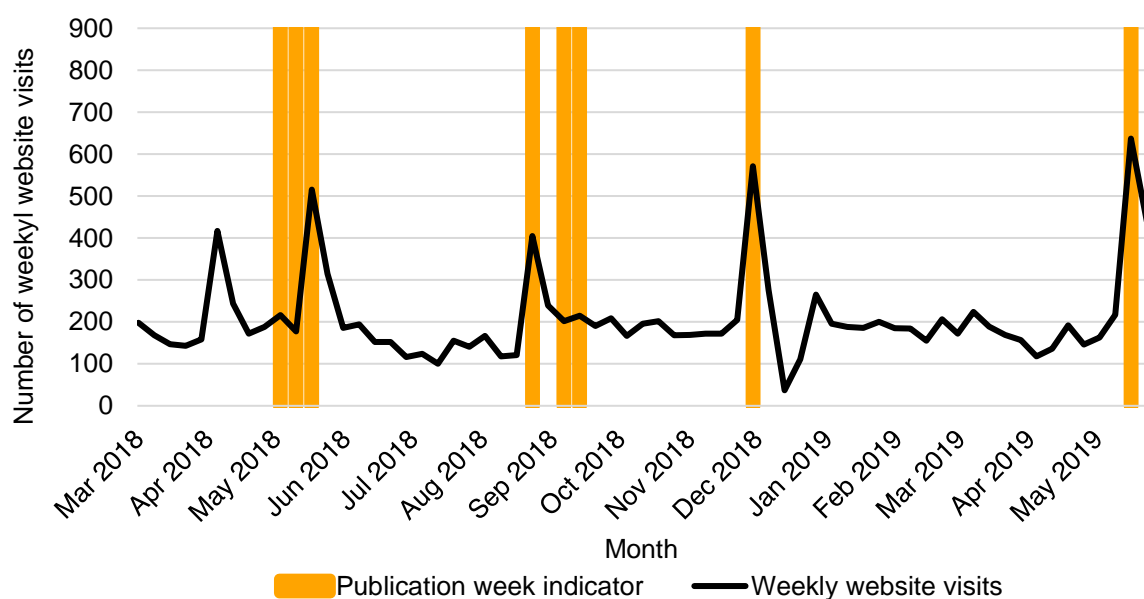
54. Refining and improving our finance processes has been a priority for 2018-19. We were assisted in this work by Scottish Government Internal Audit Directorate.
55. We reviewed our accommodation provision and concluded that we should remain in Governor's House provided that it is possible to improve the working environment for staff and visitors. We are now the sole occupiers, as our co-tenants moved out in January 2019. This gives us the freedom to consider improvements to Governor's House that would best meet our needs now and in the future.

Communications

56. We publish all our reports on our website, along with spreadsheets, infographics and news stories. We see traffic spikes when we publish a report.

²⁵ Scottish Fiscal Commission Framework Document ([link](#))

Weekly visits to Scottish Fiscal Commission website, March 2018 to May 2019



Source: Scottish Fiscal Commission

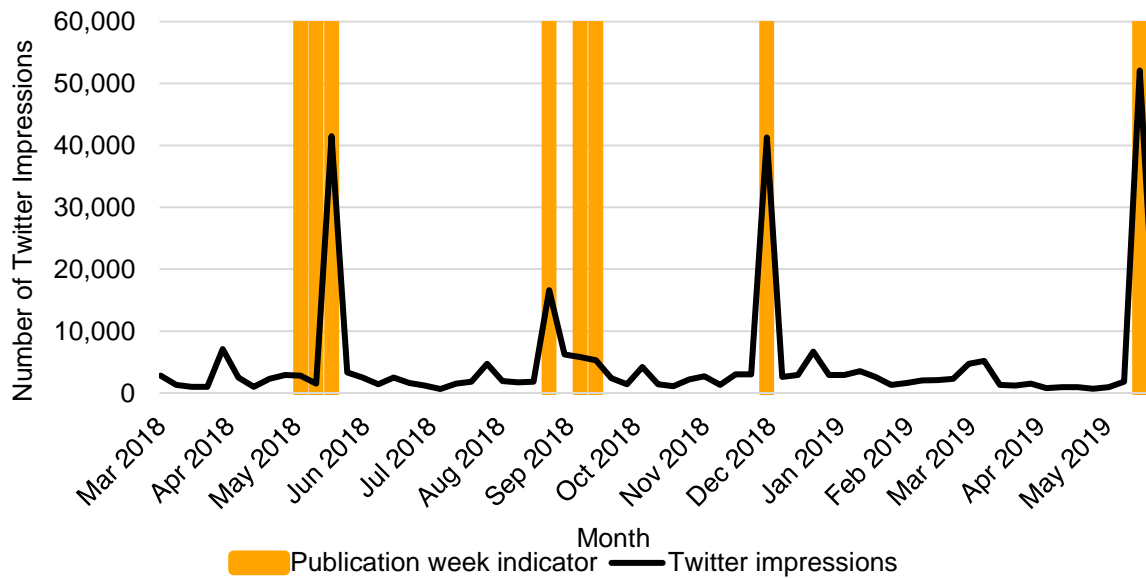
57. We now have over 950 followers on Twitter and although we very rarely re-tweet other posts, we actively use Twitter to promote our publications, vacancies and events. On the day of each publication we tweet infographics and simple visuals of our forecasts which are picked up and retweeted. The number of Twitter impressions has been increasing over time and spikes in the weeks in which we publish reports.

Twitter metrics at each Fiscal Event

Fiscal Event	Twitter impressions in publication week	Increase in Twitter followers during publication month
May 2018	41,500	57
December 2018	41,300	76
May 2019	52,100	150

Source: Scottish Fiscal Commission

Weekly twitter impressions, March 2018 to May 2019



Source: Scottish Fiscal Commission

58. Media coverage of our reports is generally focused around our publications although we are increasingly referenced throughout the year when our forecasts are used to back up more general economic stories. In addition to our press conferences after our publications, we also offer financial and business journalists one-to-one interviews with our Chair (Dame Susan Rice).

Financial Results

59. The Commission received a £1.63 million budget in 2018-19 and had net operating costs of £1.598 million, resulting in an underspend of £0.032 million or £32,000. (In 2017-18 we had a budget of £1.67 million, net operating costs of £1.484 million and an underspend of £0.186 million.)
60. Staff costs continue to be our biggest category of expenditure by far. Staff costs have increased for a number of reasons: we have filled remaining vacancies, employed more people as our social security forecasting responsibilities increased, and increased the proportion of permanent staff. Further, many of our staff are at the lower end of their pay scales and under the Scottish Government Main pay award they receive greater pay increases than those at the top of pay scales.
61. Accommodation, shared services (reported under other office costs) and audit are our next biggest categories of spend, accounting for £0.163 million of our other operating costs total of £0.252 million. Both the profile and size of the remaining non-staff expenditure have changed, as we have moved from start-up expenses towards steady state expenditure and brought Communications expertise in-house.

Standard public body performance indicators

Supplier Payment Policy

62. 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 2019, the Commission paid 98 per cent of its invoices within these terms (99 per cent in 2017-18).

Freedom of Information

63. The Commission aims to be fully compliant with Freedom of Information (Fol) legislation. We received seven Fol requests, 100 per cent of which were completed within the statutory deadline for responses (six Fol requests and 100 per cent within deadline in 2017-18). Substantive Fol responses are published on the Commission's website.²⁶

Information Security

64. There were no known data breaches in 2018-19. The UK Information Commissioner decided to take no further action on the personal data related incident that was reported to it in 2017-18.

Complaints

65. The Commission has a complaints handling policy and procedure in place and received no complaints in 2018-19 (and none in 2017-18).²⁷

Non-financial information

Community, social and human rights

66. 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

67. The Commission is committed to preventing fraud, corruption and bribery in relation to its funds and activities. There is a counter-fraud policy in place²⁸ and staff are bound by the Civil Service Code²⁹ which governs the behaviour of staff and deals with the receipt of gifts and hospitality. Relevant gifts and

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

²⁷ Scottish Fiscal Commission Complaints Policy ([link](#))

²⁸ Scottish Fiscal Commission Counter-Fraud Policy ([link](#))

²⁹ The Civil Service Code ([link](#))

hospitality received by staff are recorded. The register of interests for Commissioners and external member of the Audit and Risk Committee, which includes gifts and hospitality received, is updated by Commissioners and the external member as and when required and formally reviewed at least annually. There were no known incidences of fraud or bribery in 2018-19.

68. The Commission has a shared service agreement in place with the Scottish Government Procurement Directorate and adheres to the Public Sector Procurement guidance.

Environment and sustainability

69. The Commission is committed to reducing its environmental impact and to increasing the sustainability of its activities.
70. To minimise travel, we schedule activities requiring Commissioners on the same or consecutive days where possible. All staff have the option of laptops to facilitate periodic home working. We have installed cycle racks to encourage even more staff to cycle to work. Active transport provision was one of the factors taken into account in our review of accommodation.
71. To reduce waste, we publish our reports online with only a limited number of printed copies (although copies of our reports are available in accessible formats on request). We use unbleached, recycled paper for day to day printing. Recycling of food, paper and packaging is provided as part of our occupancy agreement for Governor's House. We order milk in glass bottles to reduce plastic waste, and have instituted a "coffee club" to reduce packaging waste.
72. As Governor's House is a listed building, options for improving insulation are limited. Improvements to the windows and moving all staff to the more insulated floors means that less heating will be needed.

John Ireland

Chief Executive of the Scottish Fiscal Commission and Accountable Officer

12 September 2019

Accountability Report

Corporate Governance Report

73. This section reports the changes in Commissioners 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

74. 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 Commissioner for Ethical Standards in Public Life. As at 31 March 2019 there were four Commissioners, one of whom was Chair:

Chair	Dame Susan Rice
Members	Professor Alasdair Smith
	Professor Francis Breedon (from 8 October 2018)
	Professor David Ulph (from 8 October 2018)

David Wilson resigned as a Commissioner on 15 July 2018.

75. The Register of Interests for the Commissioners is available on the Commission's website³⁰ and on request. All members are required to review and update the register at least annually.

Audit and Risk Committee

76. 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.
77. The Committee met five times in 2018-19. The membership changed over the year with the appointment of new Commissioners.

³⁰ www.fiscalcommission.scot/about-us/corporate-governance/corporate-governance/

Audit and Risk Committee Membership

Date	April 2018 – July 2018	July 2018 – Oct 2018	Oct 2018 – March 2019
Chair	David Wilson	Prof Alasdair Smith	Prof David Ulph
Members	Prof Alasdair Smith Gillian Carty	Dame Susan Rice Gillian Carty	Prof Francis Breedon Prof Alasdair Smith Gillian Carty
Observer	Dame Susan Rice		Dame Susan Rice
Attendees	Audit Scotland SG Internal Audit Directorate	Audit Scotland SG Internal Audit Directorate	Audit Scotland SG Internal Audit Directorate

Chief Executive and Senior Management Team

77. In 2018-19 we restructured our Senior Management Team, replacing the Deputy Chief Executive and Head of Corporate Services posts with a new Head of Governance, Strategy and Corporate Services post. Members of the Senior Management team during 2018-19 were:
- Chief Executive and Accountable Officer, John Ireland
 - Deputy Chief Executive, Mairi Spowage (until July 2018)
 - Head of Economic, Income Tax and VAT Forecasting, David Stone
 - Head of Devolved Taxes and Social Security Forecasting, Claire Murdoch (previously Nichols)³¹
 - Head of Corporate Services, Laura Bailie (until October 2018)
 - Head of Governance, Strategy and Corporate Services, Susie Warden (from July 2018).
78. No member of the senior management team held a directorship or significant interest which may have conflicted with their management responsibilities.

Internal Audit

79. Internal Audit is provided by Scottish Government Internal Audit Directorate (SGIAD). The Audit and Risk Committee reviewed and approved the audit plan produced by SGIAD, which consisted of a review of budgeting procedures requested by the Commission and a follow up report on corporate governance. Regular updates on progress of this plan were presented by

³¹ Claire Murdoch changed her name during the year and was previously Claire Nichols; both are given here to aid comparisons to the previous annual report.

SGIAD at Audit and Risk Committee meetings during the year. SGIAD annual assurance report provided reasonable assurance, which means some improvements are required to enhance the adequacy and effectiveness of procedures. There are weaknesses in the risk, governance and/or control procedures in place but not of a significant nature.

External Audit

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

Personal Data related incidents

81. There were no known data breaches in 2018-19. The UK Information Commissioner decided to take no further action on the personal data related incident that was reported in 2017-18.

Statement of Accountable Officer's responsibilities

82. 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.
83. 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.

84. 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.
85. 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.
86. 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 were aware of that information. So far as I am aware, there is no relevant audit information of which the Commission's auditors are unaware.

Governance Statement

87. This statement sets out the Commission's internal control structure and its management of resources and risk. It covers the period from 1 April 2018 to the date of signing.

Governance framework

88. The foundation of our governance framework is the Framework Document,³² 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

³² Scottish Fiscal Commission - Framework Document ([link](#))

- key financial and operating procedures.
89. 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.
90. 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.
91. 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".³³
92. The Audit and Risk Committee supports and advises the Governance Board through constructive challenge of the Commission's risk, governance and financial management including the policies, controls and assurance in place for each. The Committee focuses upon the Commission's risk assessment and management, the internal and external audit processes and the production of the Annual Report and Accounts. It uses the Scottish Government Audit and Assurance Committee Handbook to guide its work.
93. 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 Chair) as formal members gives us some resilience against absence. We recruited an external member to bring a fresh perspective and better hold the Board to account. In addition, the Audit and Risk Committee benefits from the helpful and expert input of Audit

³³ Scottish Government (2017) On Board: a guide for members of statutory boards ([link](#))

Scotland and the Scottish Government Internal Audit Directorate who attend Audit and Risk Committee meetings.

94. The other documents which form part of our governance framework are:
- the Scottish Fiscal Commission Act 2016, which sets out our powers, functions and duties;
 - the Corporate Plan, which sets out our mission, values and objectives for 2018-20;
 - the Risk Management Framework, which sets out how significant risks facing the Commission in the delivery of its corporate aims and objectives will be identified, evaluated and appropriately managed; and
 - our various corporate policies and procedures.

The Governance Board

95. During 2018-19 the Governance Board met formally on six occasions. A full set of minutes was produced to record all agreed actions and decisions and these are published on our website in accordance with the Commission's Publication Scheme.³⁴
96. The Commission had only two Commissioners for three months, following David Wilson's resignation on 15 July 2018. During this time anything done by the Commission remained valid despite the vacancy because of the provision in Section 24 (a) of the Scottish Fiscal Commission Act 2016. The Chair informed both the Convenor of the Scottish Parliament Finance and Constitution Committee and the Cabinet Secretary for Finance, Economy and Fair Work of the vacancy and the steps being taken to fill it.
97. Two Commissioner appointments were made in October 2018 bringing the number of Commissioners up to four, in line with the long-standing intention of the Chair and Governance Board.
98. The Commission provided a short internal induction programme for the two new Commissioners, in addition to the opportunity to access the externally provided training course for new Board members, 'On Board'.

Corporate Governance

99. "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

³⁴ www.fiscalcommission.scot/about-us/freedom-of-information/scottish-fiscal-commission-publication-scheme/

Government guidance for members of statutory boards, On Board. It defines the three main dimensions of corporate governance as: roles, responsibilities and relationships; effective financial management and ethics; and standards of behaviour.

Roles, responsibilities and relationships

100. The Governance Framework section above sets out how our roles, responsibilities and relationships are defined.
101. During the period where we had only two Commissioners, we did deviate from the Audit and Assurance Committee handbook guidance by having the Chair of the Commission become a member of the Audit and Risk Committee. This was done to comply with the requirement to have two Commissioners on the Committee, and in the full knowledge that this would be a temporary arrangement until new Commissioners were appointed.
102. Most of our outstanding corporate policies and procedures have now been finalised and we have begun a process of reviewing them regularly to an agreed schedule.

Effective Financial Management

103. 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 to achieve best value. We use Scottish Government financial management software and systems which provide compliant controls.
104. Over 2018-19 we made progress in improving our financial management, guided by the experience and learning we gained from our first external audit. We sought specific assurance and advice from internal audit on both our procedures and operation, and received reasonable assurance. We have accepted the recommendations made and continue to develop.

Ethics and Standards of Behaviour

105. 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.
106. 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.

107. The Commission's whistle-blowing policy sets out how all those who work within the Commission can raise concerns about malpractice. It is available on our website.³⁵

Risk Management

108. 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.
109. 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 process of risk identification and categorisation.
110. Over the year the Audit and Risk Committee developed a process of discussing an individual risk in great detail, and found these discussions to be particularly helpful. In March 2019 the Audit and Risk Committee recommended revising the risk management framework in the light of the year's experience. The new risk management framework is founded on the good practice developed over the past year. I am content that the Commission's management of risk is effective.
111. As the Commission matured, the nature of the risks it faced changed significantly as the transition risks were dealt with or faded. The current key risks are reported in the performance overview section above. As Accountable Officer, I am content that the Commission is taking the steps necessary to manage these risks to bring them down to an acceptable level.

Written assurances

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

Assessment of Corporate Governance and Risk Management Arrangements

113. 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

³⁵ Scottish Fiscal Commission (2017) Scottish Fiscal Commission Whistleblowing Policy ([link](#))

responsibility for reviewing the effectiveness of the Commission's risk management arrangements and system of internal control.

114. My review of the effectiveness of these systems is informed by:

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

115. As Accountable Officer I can 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. I also confirm that there were no identified lapses in data security during 2018-19.

Remuneration and Staff Report

116. 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.

117. 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

118. The Chief Executive is a Senior Civil Servant whose remuneration is set in accordance with the rules set out in chapter 7.1, Annex A of the Civil Service Management Code and in conjunction with independent advice from the Senior Salaries Review Body (SSRB).³⁶
119. The staff of the Commission are civil servants. They are part of the Scottish Administration, rather than the Scottish Government, and are required to adhere to the standards set out in the Civil Service Code applicable to staff in the Scottish Administration. Staff are appointed by the Scottish Fiscal Commission and act under the direction of the Commissioners. Their remuneration is set in accordance with Scottish Government Public Sector Pay Policy as part of the Scottish Government Main Bargaining Unit.³⁷ Unless otherwise stated, the officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in compensation as set out in the Civil Service Compensation scheme.
120. The Commissioners are non-executive and are appointed following a public appointments exercise regulated by the Commissioner for Ethical Standards in Public Life in Scotland. Their appointment is subject to the agreement of the Scottish Parliament. Commissioners receive fees for duties carried out on behalf of the Scottish Fiscal Commission including attendance at Governance Board and Committee meetings. Fees are paid at the daily rate set out in their letters of appointment. Expenses incurred while carrying out their duties are reimbursed. Fees are also paid to the external member of the Audit and Risk Committee, set out in their letter of appointment, and expenses for attendance at Committee meetings are reimbursed. The fees paid to Board and Committee members are governed by the Public Sector Pay Policy for Senior Appointments.³⁸

Single Total Figure of Remuneration (audited)

121. 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.

³⁶ Information about the work of the SSRB can be found at www.ome.uk.com.

³⁷ Information about the Public Sector Pay Policy: www.gov.scot/Topics/Government/public-sector-pay/staff-pay.

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

Board Member	2018-19 £'000
Dame Susan Rice DBE (Chair)	35-40
Professor Alasdair Smith	25-30
David Wilson (resigned July 2018)*	5-10
Professor Francis Breedon (appointed October 2018)*	10-15
Professor David Ulph (appointed October 2018)*	10-15
* <i>whole year equivalent</i>	25-30

External Audit and Risk Committee Member	2018-19 £'000
Gillian Carty	0-5

Senior Management Team	2018-19 Wages & Salary Band £'000	Accrued Pension Benefits £'000	2018-19 Total £'000
John Ireland, Chief Executive	75-80	12,000	85-90
Mairi Spowage, Deputy Chief Executive (1)	20-25 (WYE 70-75)*	14,000	35-40
David Stone, Head of Macroeconomic & Income Tax Forecasting	60-65	23,000	80-85
Claire Murdoch (formerly Nichols), Head of Devolved Taxes & Social Security Forecasting	60-65	24,000	80-85
Susie Warden, Head of Strategy, Governance and Corporate Services (2)	25-30 (WYE 35-40)* (FTE 60-65)*	18,000	40-45
Laura Bailie, Head of Corporate Services (3)	20-25 (WYE 35-40)* (FTE 45-50)*	7,000	25-30

- * WYE means whole year equivalent; FTE means full time equivalent
(1) Mairi Spowage left the Scottish Fiscal Commission on 12 July 2018
(2) Susie Warden joined the Scottish Fiscal Commission on 9 July 2018.
(3) Laura Bailie left the Scottish Fiscal Commission on 23 October 2018.

122. None of the above received any benefits in-kind or bonus payments in the year 2018-19. The disclosure for John Ireland's salary and wages includes a non-performance-related non-consolidated payment.
123. 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.
124. It is not possible to compare directly 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.
125. 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.

Single Total Figure of Remuneration for 2017-18

Board Member	2017-18 £'000
Dame Susan Rice DBE (Chair)	35-40
Professor Alasdair Smith	25-30
David Wilson	25-30

External Audit and Risk Committee Member	2017-18 £'000
Gillian Carty	0-5

Senior Management Team	2017-18 Basic Salary Band £'000	Accrued Pension Benefits £	2017-18 Total £'000
John Ireland, Chief Executive (1) (70-75 full year equivalent)	60-65	-2,000 (2)	55-60
Sean Neill, Chief Executive (3) (70-75 full year equivalent)	10-15	3,000	15-20
Mairi Spowage, Deputy Chief Executive	65-70	30,000	95-100
David Stone, Head of Macroeconomic & Income Tax Forecasting	55-60	22,000	80-85
Claire Nichols, Head of Devolved Taxes & Social Security Forecasting (4) (55-60 full year equivalent)	25-30	12,000	40-45
Greg Symons, Head of Operations	45-50	17,000	60-65
Laura Bailie, Head of Corporate Services (45-50 full time equivalent)	25-30	6,000	30-35

(1) John Ireland joined the Scottish Fiscal Commission as Chief Executive on 8 May 2017.

(2) Final member (classic/classic plus/premium) for the whole period. The final salary pension of a person in employment is calculated by reference to their pay and length of service. The pension will increase from one year to the next by virtue of them having an extra year's service and by virtue of any pay rise during the year. Where there is no or a small pay rise, the increase in pension due to extra service may not be sufficient to offset the inflation increase – that is, in real terms, the pension value can reduce; hence the negative values.

(3) Sean Neill was Chief Executive of the Scottish Fiscal Commission until 5 May 2017.

(4) Claire Nichols became a member of the Senior Management Team on 14 September 2017.

None of the above received any benefits in-kind or bonus payments in the year 2017-18.

Pensions (audited)

Senior Management Team	Accrued Pension as at 31 March 2019 £'000	Real increase in pension and related lump sum £'000	CETV at 31 March 2019 £'000	CETV at 31 March 2018 £'000	Real Increase in CETV £'000
John Ireland, Chief Executive	40-45	0-2.5	807	717	11
Mairi Spowage, Deputy Chief Executive (1)	15-20	0-2.5	150	138	5
David Stone Head of Macroeconomic & Income Tax	10-15	0-2.5	87	62	6
Claire Murdoch (formerly Nichols), Head of Devolved Taxes and Social Security	5-10	0-2.5	58	39	6
Susie Warden, Head of Strategy, Governance and Corporate Services (2)	5-10 plus a lump sum of 20- 25	0-2.5 plus a lump sum of 0-2.5	132	104	9
Laura Bailie, Head of Corporate Services (3)	5-10 plus a lump sum of 20- 25	0-2.5 plus a lump sum of 0	116	108	2

(1) Mairi Spowage left Scottish Fiscal Commission on 12 July 2018

(2) Susie Warden started with Scottish Fiscal Commission on 9 July 2018.

(3) Laura Bailie left Scottish Fiscal Commission on 23 October 2018.

126. 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.

127. The above pension data was supplied to the Scottish Fiscal Commission by MyCSP.
128. Employer contributions to all pension plans for 2018-19 were £187,971, including £58,168 for the Senior Management Team.

Civil Service Pensions

129. 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.
130. These statutory arrangements are unfunded with the cost of benefits met by monies voted by the UK Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into alpha sometime between 1 June 2015 and 1 February 2022. All members who switch to alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha.
131. Employee contributions are salary-related and range between 4.6% and 8.05% 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.

132. The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).
133. 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.)
134. Further details about the Civil Service pension arrangements can be found at the website www.civilservicepensionscheme.org.uk.

The Cash Equivalent Transfer Value (CETV)

135. 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.
136. 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

137. 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

138. During 2018-19 there were no early departure packages.

Staff Report

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

Number of senior civil service staff

140. As at 31 March 2019, the Commission employed one Senior Civil Servant, the Chief Executive, who is a Band 1 (also one senior civil servant at 31 March 2018).

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

	2018-19	2017-18
	WTE	WTE
Permanent Employees (including staff on loan)	19.9	15.5
Agency & Casual	0.5	2
Fixed Term Staff	0.8	2
Total	21.2	19.5

Staff Costs (audited)

	2018-19	2017-18
	£'000	£'000
Wages and salaries (including Fixed Term Appointments and staff on loan)	909	760
Social security costs	98	80
Other pension costs	188	159
Agency and casual staff costs	15	31
Commissioner/Board fees and costs	101	105
Total administration staff and fees costs	1,311	1,135

140. 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.

Fair Pay Disclosure (audited)

	2018-19	2017-18
Band of highest paid employee £'000	75-80	70-75
Median total remuneration	42,114	37,727
Ratio	1.834	1.922
Range minimum – maximum £'000 (FTE)	20-25 – 75-80	20-25 – 70-75

Staff composition

141. The numbers of people of each sex employed by the Scottish Fiscal Commission on 31 March 2019 are set out in the following table by category. The numbers include temporary and fixed term appointments and are headcount, not WTE.

Category	Female	Male
Employees – non-SMT	10	7
Non SCS members of the Senior Management Team	2	1
Senior Civil Servants	0	1
Total staff	12	9
Commissioners	1	3

Sickness absence

	Average total of sick days per employee
Short term absence (<20 working days)	3.4
Long term absence (>20 working days)	0
Total	3.4

Equal opportunities and diversity

142. 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.

143. As an equal opportunities employer we are always open to attracting candidates from under-represented groups and/or those who may have found it difficult to find or get back into employment. This includes individuals from protected characteristics groups as defined by the Equality and Human Rights Commission in Scotland.
144. 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. This includes:
- giving full and fair consideration to applications for employment made by disabled persons, having regard to their particular aptitudes and abilities;
 - continuing the employment of, and arranging for appropriate training for, employees who have become disabled persons during the period when they were employed by the Commission; and
 - providing training, career development and promotion opportunities for disabled persons employed by the Commission.

Gender Pay Gap

145. 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.
146. In 2018 the gender pay gap for Scotland was 15.0 per cent. This is the median figure which is the standard figure used by the Office of National Statistics to calculate the pay gap³⁹. The equivalent mean figure for Scotland was 13.9 per cent.
147. The median gender pay gap for all staff at Scottish Fiscal Commission at the end of March 2019 was 14.8 per cent and the equivalent mean pay gap was 16.3 per cent. This means that Scottish Fiscal Commission has a lower

³⁹ Provisional figures from the 2018 Annual Survey of Hours and Earnings www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/datasets/annualsurveyofhoursandearningsashegenderpaygaptables

median pay gap than the Scotland-wide pay gap, and a higher than average mean pay gap.

148. The Scottish Fiscal Commission pays men and women undertaking work of an equal value (i.e. within the same pay range) on the same scale, with the exact pay depending on length of service. However, although there are more women than men in Bands B and C, women tend to be at the lower end of the pay scale reflecting the date of their appointment. This will change over time as they progress through the pay scale.

John Ireland

Chief Executive of the Scottish Fiscal Commission and Accountable Officer

12 September 2019

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 2019 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 Cash Flow Statement, 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 2018/19 Government Financial Reporting Manual (the 2018/19 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 2019 and of its net expenditure 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 2018/19 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 2 years. I am independent of the body in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical

responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the body. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

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

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

Risks of material misstatement

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

Responsibilities of the Accountable Officer for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Other information in the annual report and accounts

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

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

Report on regularity of expenditure and income

Opinion on regularity

In my opinion in all material respects:

- the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers, the Budget (Scotland) Act covering the financial year and sections 4 to 7 of the Public Finance and Accountability (Scotland) Act 2000; and

- the sums paid out of the Scottish Consolidated Fund for the purpose of meeting the expenditure shown in the financial statements were applied in accordance with section 65 of the Scotland Act 1998.

Responsibilities for regularity

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

Report on other requirements

Opinions on matters prescribed by the Auditor General for Scotland

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

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

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

Matters on which I am required to report by exception

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

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

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

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

Use of my report

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

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

12 September 2019

Financial Statements

Introduction

This statement of accounts reports the results of the Scottish Fiscal Commission (the Commission) for the year 1 April 2018 to 31 March 2019. 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.

These financial statements were authorised for issue by the Chief Executive, who is the Accountable Officer, on 12 September 2019.

Statement of Comprehensive Net Expenditure for the year ended 31 March 2019

ADMINISTRATIVE COSTS	Note	31 March 2019 £'000	31 March 2018 £'000
Staff costs	2	1,311	1,135
Other admin costs	3 + 4	286	348
Depreciation	5	1	1
NET OPERATING COST		1,598	1,484

The notes on pages 49 to 56 form part of these financial statements.

Statement of Financial Position as at 31 March 2019

	Note	31 March 2019 £'000	31 March 2018 £'000
NON-CURRENT ASSETS			
Property, plant and equipment	5	3	4
Total non-current assets		3	4
CURRENT ASSETS			
Trade and other receivables	6	7	13
Cash and cash equivalents		0	0
Total current assets		7	13
TOTAL ASSETS		10	17
CURRENT LIABILITIES			
Trade and other payable	7	(94)	(94)
Total current liabilities		(94)	(94)
Total assets less current liabilities		(84)	(77)
TOTAL ASSETS LESS TOTAL LIABILITIES		(84)	(77)
TAXPAYERS EQUITY			
General Fund	SOCTE	84	77
TOTAL TAXPAYERS EQUITY		84	77

The notes on pages 49 to 56 form part of these financial statements.

The Chief Executive and Accountable Officer authorised these financial statements for issue on 12 September 2019

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

Cash Flow Statement for the year ended 31 March 2019

	Note	31 March 2019 £'000	31 March 2018 £'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net operating cost	SOCNE	(1,598)	(1,484)
Adjustments for non-cash transactions			
* Depreciation/Amortisation	5	1	1
* Notional Costs	4	34	30
Movements in working capital			
* (Increase)/decrease in trade and other receivables	6	6	(13)
* Increase/(decrease) in trade and other payables	7	-	94
Net cash outflow from operating activities		(1,557)	(1,372)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	5	0	(5)
Net cash flow from investing activities		0	(5)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase/(Decrease) in deferred lease payments	7	0	0
Funding	SOCTE	1,557	1,377
Net cash flow from financing activities		1,557	1,377

The notes on pages 49 to 56 form part of these financial statements.

**Statement of Changes in Taxpayers' Equity
for the year ended 31 March 2019**

	Note	General Fund April 2018 to March 2019 £'000	General Fund April 2017 to March 2018 £'000
Balance at 1 April 2018		(77)	-
Non-cash charges – notional costs	4	34	30
Net operating costs for the year	SOCNE	(1,598)	(1,484)
Net funding		1,557	1,377
Balance as at 31 March 2019		(84)	(77)

The notes on pages 49 to 56 form part of these financial statements.

Notes to the Accounts for the year ended 31 March 2019

1. Statement of accounting policies

In line with section 12 of the Scottish Fiscal Commission Act 2016, and in accordance with the accounts direction issued by the Scottish Ministers under section 19(4) of the Public Finance and Accountability (Scotland) Act 2000, these financial statements have been prepared in accordance with the Government Financial Reporting Manual (FReM) 2018-19 issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRSs) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be the most appropriate to the particular circumstance for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Scottish Fiscal Commission are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

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

(a) Accounting convention

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

(b) Property, plant and equipment

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

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

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

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

(c) Depreciation

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

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

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

(d) Government grants

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

(e) Amortisation of rent-free periods

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

(f) Operating leases

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

(g) Value added tax

Scottish Fiscal Commission is registered for VAT as part of the Scottish Government VAT group registration which is responsible for recovering VAT on behalf of the 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 2019 have been brought into the account irrespective of when actual payments were received.

(i) Payables

All material amounts outstanding as at 31 March 2019 have been brought into account irrespective of when actual payments were made.

(j) Pensions

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

(k) Going concern

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

(l) Disclosure of new accounting standards

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

IFRS 16 – Leases: It is expected that this standard will be adopted by the Financial Reporting Manual with effect from 1 April 2020. 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

Staff costs in 2018-19 amounted to £1,311,000. A break-down of these costs is given in the Remuneration and Staff Report.

3. Other operating costs

Other Operating costs	31 March 2019 £'000	31 March 2018 £'000
Accommodation, including rent and rates	67	64
Maintenance and Cleaning	0	1
Computer Equipment	0	4
Office Equipment	8	5
Research and Consultancy	6	26
IT	53	70 ^{1,2}
Travel and Subsistence	22	17
Legal Fees	1	1
Training	3	23
Telephones	1	1
Projects	0	4
Printing and Publications	1	32
Internal audit fee	12	12
Recruitment	16	29
Stationery	1	1
Catering & Hospitality	2	2
Other Office costs	40 ¹	26
Other Staff costs	19 ²	0
Total other operating costs	252	318

The coding of expenditures changed between the years so figures are not directly comparable.

¹ includes IT shared services

² includes HR shared services

4. Notional Costs

Notional costs	31 March 2019 £'000	31 March 2018 £'000
Internal Accountancy Fees	3	3
External Audit Fees	27	27
Additional external audit fee charged for 2017-18 after accounts finalised	4	
Total notional costs	34	30

The sum of notes 3 and 4 give the “other admin costs” total reported in SoCNE.

5. Property, plant and equipment

	31 March 2019		31 March 2018	
	£'000		£'000	
Cost	Information Technology	Total	Information Technology	Total
At 1 April	5	5	0	0
Additions	0	0	5	5
Disposals	0	0	0	0
Transfers to Assets	0	0	0	0
At 31 March	5	5	5	5
Depreciation				
At 1 April	1	1	0	0
Charge for year	1	1	1	1
Disposals	0	0	0	0
At 31 March	2	2	1	1
NBV at 31 March	3	3	4	4
Analysis of asset financing				
Owned	3	3	4	4
Finance leased	0	0	0	0
NBV at 31 March	3	3	4	4

6. Trade receivables and other current assets

	31 March 2019 £'000	31 March 2018 £'000
Amounts falling due within one year		
Other receivables	7	13
Total receivable within one year	7	13

Intra Government Receivables

There were balances within other receivables of £7,000 (2017-18 £6,000) due from central government bodies.

7. Trade payables and other current liabilities

	31 March 2019 £'000	31 March 2018 £'000
Trade payables	-	9
Other payables	94	85
Total due within one year	94	94
Amounts falling after more than one year	-	-
Total due after more than one year	-	-

Intra Government Payables

There were balances within other payables of £57,000 (2017-18 £60,000) due to central government bodies.

8. Related party transactions

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

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

9. Capital commitments and contingent liabilities

There were no contracted capital commitments or contingent liabilities.

10. Segmental reporting

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

Annex A Accounts Direction



SCOTTISH FISCAL COMMISSION

DIRECTION BY THE SCOTTISH MINISTERS

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

1. The statement of accounts for the financial year ended 31 March 2018, and subsequent years, shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FReM), 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', written over a faint horizontal line.

GORDON WALES
Chief Financial Officer
3 May 2018

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