

Corporate Plan 2018-2020

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Chair's Foreword

As Chair of the Scottish Fiscal Commission, I'm pleased to introduce our first Corporate Plan. The Plan takes us to the end of our first three years as a statutory body on 31 March 2020.

This is an exciting time for Scotland as financial powers are devolved through the Scotland Acts 2012 and 2016, increasing the proportion of money spent in Scotland that is raised in Scotland. The Scottish Fiscal Commission is the independent, official fiscal institution established as part of Scotland's new fiscal framework.

At the Scottish Fiscal Commission, we have a central role to play in the management of the new financial powers. Independent Fiscal Institutions (IFIs) are designed to promote sound fiscal policy in public finances. There are growing numbers of IFIs around the world and they are viewed by the OECD as one of the most important innovations in the emerging architecture of public finance management.

In taking our place among these other institutions, we refer to the principles for IFIs established by the OECD to guide our approach to forecasting and our organisational operation. We are also building on our previous non-statutory role, when we scrutinised the Scottish Government's forecasts of devolved tax receipts. Since we became a statutory body on 1 April 2017, we have established a new organisation, expanded our team and have produced the independent forecasts required under our new wider remit for the 2018-19 budget process.

This Plan is designed to build upon the work in our first year and both to enhance and formalise current productive relationships with organisations such as the Office for Budget Responsibility, HM Revenue and Customs, Revenue Scotland and with colleagues in the Scottish Parliament and Scottish Government.

We expect to evolve over the next two years in capability and outputs, as we deliver independent and authoritative forecasts to support fiscal decisions made in Scotland.



Dame Susan Rice DBE

April 2018

Strategic Context

The Scottish Fiscal Commission

Established in April 2017 by the Scottish Fiscal Commission Act 2016, the Scottish Fiscal Commission is the statutory fiscal institution for Scotland. We are responsible for producing independent forecasts of on-shore Scottish GDP, devolved tax receipts and devolved social security expenditure.

The Scottish Fiscal Commission is a non-Ministerial Department, which is structurally and operationally independent from the Scottish Government. The Commissioners are accountable to and give evidence to the Scottish Parliament as required. We are the only sub-national fiscal institution producing our own fiscal and economic forecasts.

During the life of this plan the Commission will be responsible for producing forecasts of:

- Revenue from fully devolved taxes and non-savings non-dividend income tax receipts.
- Onshore Gross Domestic Product (GDP) in Scotland.
- Devolved social security expenditure

These forecasts are produced twice a year. The first forecast is published simultaneously with the Scottish Government's Draft Budget. If needed we then produce additional forecasts to inform any policy changes through the Budget Bill Process. Later in the year we publish a second set of forecasts to accompany the Government's Medium Term Financial Strategy. The Commission is required to assess the reasonableness of Scottish Ministers' projections of their borrowing requirements. The Commission also produces annual forecast evaluation publications and working papers on related subjects.

Regulations are due to be introduced by Summer 2018 in order to add assigned VAT receipts to the Commission's remit and explicitly to require a forecast to accompany the Medium-Term Financial Strategy.

History

The Commission operated as a non-statutory body from June 2014 to March 2017, independently scrutinising and assessing Scottish Government forecasts of receipts from taxes then devolved to Scotland and the economic determinants of Non-Domestic Rates.

The Commission published three reports on the Scottish Government forecasts and two reports evaluating them.¹

Scotland's Fiscal Powers

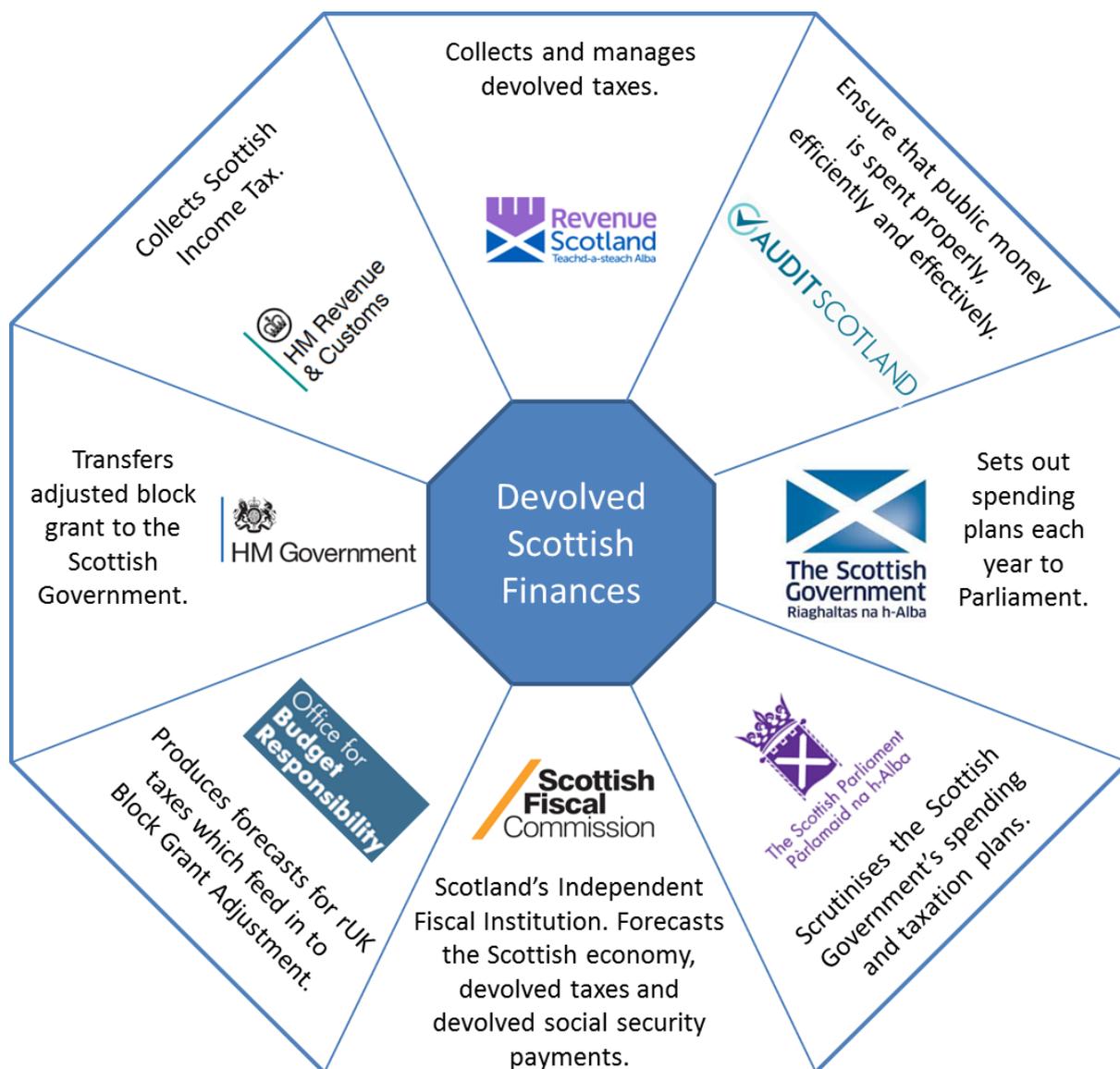
The new powers contained in the Scotland Acts 2012 and 2016 have significantly increased the financial powers of the Scottish Parliament. Once fully implemented these powers will increase devolved and assigned tax receipts in Scotland from around £4 billion to around £22 billion.² Social security expenditure to be devolved under the Scotland Act 2016 amounted to £2.8 billion of expenditure in 2016-17.

Through our remit to provide forecasts and assessments to inform the Scottish Budget and MTFs, the Commission plays a central role in fiscal management. Our forecasts support the planning of expenditure by the Scottish Government and the scrutiny of the Budget by the Parliament and others, all of which increases confidence in the fiscal decision-making process in Scotland.

While our role is an important one in the management of these fiscal powers, we are part of a wider framework of organisations contributing to the management and implementation of the new financial powers. As the chart below shows each organisation has a specific role to play and fostering good relationships will be crucial if we are to deliver successfully our collective functions.

¹ Scottish Fiscal Commission non-statutory reports on Scottish Draft Budget ([link](#)) and non-statutory outturn reports ([link](#))

² Scottish Government (2017) Government Expenditure and Revenue Scotland 2016-17 ([link](#))



New organisation/evolving context

The Scottish Fiscal Commission is a relatively new organisation with a new role in an evolving environment. The implementation of the powers in the Scotland Act 2016 continues and there will be changes to our operating environment, for example as the recommendations of the Budget Process Review Group are implemented.³

Against this evolving context, the focus of our first three years of operation will be to produce high quality work while continuing to develop and grow our knowledgeable and skilled team. The Scottish Government has a duty to consult the Commission on any proposals to change our functions and we will continue to engage openly in the debate about fiscal powers and management in Scotland.

³ The Budget Process Review Group (2017) Final Report ([link](#))

Our Mission

As Scotland's independent fiscal institution, the Scottish Fiscal Commission will produce independent, official forecasts

We fulfil this mission through the delivery of our statutory duties and strategic objectives. Building confidence in our forecasts and assessments is essential if we are to meet our objectives effectively and the way we operate as an organisation will underpin this confidence. We have therefore based our approach on the OECD Principles for Independent Fiscal Institutions.

The Scottish Fiscal Commission is:

Independent

The Commission is structurally and operationally independent. The Commissioners are directly responsible to the Scottish Parliament for the delivery of our statutory functions and the Chief Executive is accountable to Parliament for the use of the public resources available to the Commission. In order to deliver our forecasts the Commission must work in partnership with the Scottish Government, but the contents and conclusions of our reports are the sole responsibility of the Commissioners. A Protocol between the Commission and the Scottish Government, available on our website, sets out the principles of *engagement* around delivery of the Commission's functions.⁴

Transparent

The Commission will be as transparent as possible in its activities. This includes transparency in the methodologies and assumptions used in the production of our forecasts, in our engagement with others and in our corporate governance.

Accessible

The Commission intends to be as accessible as possible, in our forecasts, our reports and in our response to enquiries. Whether responding to a member of the public with a general enquiry or to expert academic users, we will do our best to ensure our publications and website are accessible, tailored to a range of users with different requirements and responsive to their needs. We will actively work to raise awareness of the Commission and our work.

Open

The Commission welcomes external scrutiny. We will actively engage with the Scottish Parliament, Scottish Parliament Information Centre, external forecasters and experts and other interested stakeholders as part of the delivery of our functions. We expect this engagement to help us build and develop a robust approach to forecasting, one that is open to challenge and builds confidence in our work.

⁴ See the 'How we work' section of our website ([link](#))

Our Strategic Objectives

Objectives

Our remit, which is set out in the Scottish Fiscal Commission Act, is to provide independent forecasts and assessments to inform the Scottish Budget process. Over the first three years we aim to achieve this by:

- 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 Our Objectives

We will achieve our objectives through a range of activities, delivery of which will be set out in our annual Business Plans for 2018-19 onwards. These activities are summarised below:

1. Delivering trusted, reliable and accessible economic and fiscal forecasts

- Publishing Scotland's Economic and Fiscal Forecasts at least twice a year to support the Scottish Budget *process* and which appropriately reflect the policy *decisions* of the Scottish Government.
- Publishing an Annual Forecast Evaluation Report assessing our previous forecasts and ensuring lessons are learned for future forecasts.
- Building our analytical capacity through knowledge transfer activity with partner organisations such as the OBR, HMRC, Scottish Government, Revenue Scotland, Scottish Parliament and non-governmental forecasters and commentators.
- Working with partners such as the Scottish Government, Revenue Scotland, the new social security agency and *the* Scottish Parliament to support the further devolution of powers in the Scotland Act 2016.
- Working with partner organisations such as Revenue Scotland, HMRC, SEPA and the Civil Aviation Authority to ensure the data and information required to produce forecasts are available when required and in a way that does not place an undue burden on these bodies.

- Engaging in peer review of our modelling approaches and model development.
- Voluntary Compliance with the Code of Practice for Statistics, demonstrated through our published statement, and our publication practices and procedures.

2. Working openly and constructively with stakeholders while maintaining our independence

- Publishing, maintaining and regularly reviewing the Protocol with the Scottish Government to ensure both organisations can efficiently fulfil their duties without compromising their independence.
- Developing as required and publishing memoranda of understanding with partner organisations on our engagement.
- Being transparent about all meetings between the Commissioners and Scottish and UK Government Ministers and Special Advisors.
- Working with partners and peers in the UK and internationally to share knowledge and best practice.

3. Increasing understanding through active engagement and producing clear publications

- Producing publications and supporting spread-sheets suitable for a variety of audiences and purposes which use language that is appropriate to those audiences.
- Using visual aids and info-graphics to enhance understanding of our publications.
- Increasing awareness and understanding of what we do through presentations and talks by Commissioners and staff.
- Responding promptly to all enquiries about our forecasts and regularly giving evidence to Parliamentary committees.
- Proactively publishing information about the Commission and its activities in line with Freedom of Information legislation and best practice under the Scottish Information Commissioner's model publication scheme.
- Engaging with peers and delivery partners to enhance fiscal debate in Scotland through events, networks and collaboration.

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

- Adhering to legislation and best practice in the governance of Scottish public bodies.
- Investing in our staff through training, development opportunities and induction processes.
- Ensuring regular external scrutiny of our operation through an Audit and Risk Committee and internal and external audit processes.
- Reviewing periodically the effectiveness of shared services procured for finance, HR, audit, IT and procurement.
- Ensuring we keep all data and information received from our stakeholders and partners secure.

Measuring Our Success

In the first three years of operation the Commission will produce authoritative forecasts to inform the Scottish Budget process. Our staff will have developed models which support the delivery of our functions and the second phase of the transition programme will have delivered an organisation with effective and transparent governance and corporate services.

We are committed to Continuous Improvement and Best Value and the Governance Board will be supported in delivering the Corporate Plan through regular updates on performance and the business planning process.

As well as reviewing and measuring our own performance, the Scottish Fiscal Commission Act 2016 provides that we must periodically appoint an independent expert to review our performance. The Act requires that the first appointment must be made by 1 April 2019. We intend to use the findings of this independent review as part of our review of this Corporate Plan and the development of the next Plan.

As a new organisation, we have selected a focused group of measures to assess our corporate performance and within this planning period we will record and measure our performance against the standard measures for public bodies including on FOI, information security breaches, complaints and sick absences.

In addition to these basic measures we will also:

- Commission a stakeholder survey in the first year of operation to assess the expectations of stakeholders and their views of our forecasts, performance and operation. The survey will look at both qualitative and quantitative evidence to provide a benchmark for future measurement.

- Run an annual staff survey based on the People Survey run by the Cabinet Office and utilised by the Scottish Government. The People Survey includes an engagement index and the top scoring quartile of participating departments is classed as a high performance. We will aim for the Commission's engagement index to be within the top quartile.

Our forecasting performance is regularly reviewed through the annual production of our forecast evaluation publications and these inform our approach to the next year's forecasts.

Corporate Governance

The Scottish Fiscal Commission is an independent non-ministerial department which is accountable to the Scottish Parliament. It is the ambition of the Commission to conduct its business in as open and transparent way as possible.

Internal control systems are in place to mitigate financial, operational and reputational risks, and policies are in place which cover anti-fraud processes, whistleblowing and health, safety and wellbeing for staff and visitors. The Commission is committed to supporting and developing our staff in the delivery of our objectives.

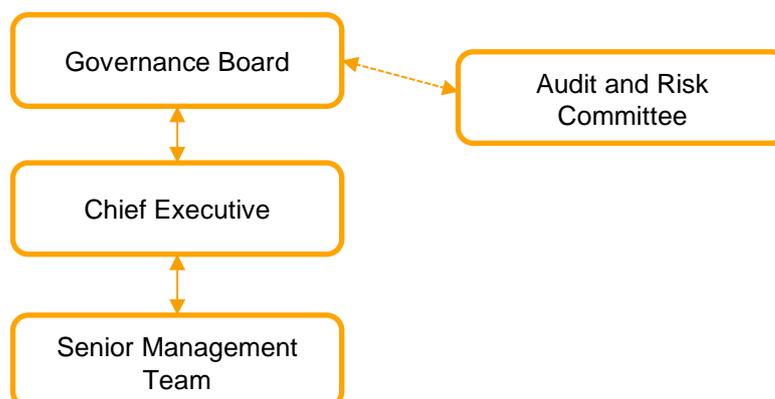
The Commission ensures that all data and information we hold are handled in line with our data protection policy and we are committed to keeping data provided by our stakeholders and partners secure.

Commissioners

The Scottish Fiscal Commission currently comprises three Commissioners. Commissioners have executive responsibility for all core functions, including the judgements reached in the Commission's forecasts. They are also responsible for the corporate governance of the Commission through a Governance Board. The Board is collectively responsible for the leadership and direction of the Commission and for ensuring it achieves the strategic objectives set out in this Corporate Plan.

Dame Susan Rice chairs the Commission, which has two further members, Professor Alasdair Smith and David Wilson. A fourth Commissioner will be appointed by the Scottish Government with the involvement of the Scottish Parliament during the period of this plan.

Governance Structure



Audit and Risk Committee

The Governance Board is supported by an Audit and Risk Committee to oversee internal controls, compliance and reporting. This will provide constructive challenge as the Commission establishes and maintains a comprehensive framework for risk, control and governance. The Committee is chaired by David Wilson and the other members are Alasdair Smith and an independent external member.

Senior Management Team

The Senior Management Team consists of:

- Chief Executive and Accountable Officer, John Ireland
- Deputy Chief Executive, Mairi Spowage
- Head of Economic, Income Tax & VAT Forecasts, David Stone
- Head of Devolved Taxes and Social Security Forecasting, Claire Nichols
- Head of Strategy, Change & Corporate Services (to be appointed)

Staff Structure

The Commissioners are supported in their work by the Commission's permanent staff, led by John Ireland, Chief Executive. The analytical staff work in two units covering Economic, Income Tax & VAT Forecasting and Devolved Taxes & Social Security. A third unit covers Strategy, Change & Corporate Services.

Administration Budget

The Commission's administration budget for the coming financial year is set as part of the Scottish Budget process. Our budget for 2018-19 is £1.6 million.

The Cabinet Secretary for Finance and the Constitution has agreed that Scottish Ministers will provide the Commission with an indication of the Commission's funding over the subsequent two financial years.

Approximately three quarters of the budget is allocated to staffing, with the remaining covering running costs. Staff are aligned with Scottish Government terms and conditions pay scales. The Commission achieves value for money by using shared corporate services (HR, finance, legal, procurement, payroll, IT and internal audit) where available; the current provider for these is the Scottish Government.

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Published by the Scottish Fiscal Commission, April 2018

