

**Governance Board Meeting Minutes
12 July 2018 13:00 – 15:30 hours
Board Room, Governor's House**

Attendees

Dame Susan Rice – Chair
Professor Alasdair Smith - Commissioner

John Ireland - Chief Executive
Mairi Spowage - Deputy Chief Executive
Susie Warden – Head of Corporate Services
Laura Bailie – Head of Governance
Patricia Drennan - Business and Engagement Manager

1. Welcome and Introduction

Dame Susan Rice welcomed everyone to the meeting.

Apologies were received from David Wilson - Commissioner

The minutes of the previous meeting of Governance Board were agreed and the matters arising were to be discussed at the meeting. All the action points have been completed, and the Action Log has been updated

There were no declarations of interest.

2. Chair's Update

The candidate for the fourth Commissioner had withdrawn at a late stage in the process. Mr Wilson had given notice and his resignation will take effect from July 15th. Two new Commissioner appointments will be advertised. It was confirmed that anything done by the Commission remains valid despite the vacancies because of the provision in Section 24 (a) of the Scottish Fiscal Commission Act 2016. The Chair has spoken with both the Convenor of the Scottish Parliament Finance and Constitution Committee and the Cabinet Secretary.

Dame Susan Rice reported on the annual OECD Independent Fiscal Institution conference that she attended on behalf of the Commission.

Dame Susan Rice wished the Deputy Chief Executive, Mairi Spowage, well in her new post and thanked her fulsomely for her contribution to the Commission's work.

3. Chief Executive's Update

The Chief Executive's written report was noted.

4. Audit and Risk Committee Report

The draft ARC Minutes from 20 June 2018 were noted.

5. Audit and Risk Committee membership

Following David Wilson's resignation, Professor Alasdair Smith was approved as Interim Chair of the Audit and Risk Committee in Mr Wilson's place.

Dame Susan Rice was approved as a member of the Audit and Risk Committee on an interim basis. It was noted that it was not standard practice for a Chair also to be a member of the ARC. However, standing orders required that there were two Commissioners as members.

Ms Carty would soon complete her initial one year term as an External Member of the Audit and Risk Committee. It was agreed that Professor Smith would carry out an appraisal and provided that this was satisfactory that Ms Carty would be offered an extension of two years.

Action Point 1: Professor Smith will carry out an end of year appraisal for Ms Carty with support from the secretariat.

Action Point 2: The secretariat would arrange for Ms Carty's appointment to be extended for two years if the appraisal was satisfactory.

6. Risk Management

Laura Bailie talked the Governance Board through the Risk management paper. The updates to the Corporate Risk Register were noted and approved. The ARC had looked at two risks in more detail. It was noted that on the shared services risk (Risk 9) a review of the operation of shared services was planned and the intention was to report to the Governance Board in October.

A new risk on operating with two Commissioners had been added to the Operational Risk Register. The Governance Board considered that this was appropriate, that the risk should not be added to the Corporate Register at this stage. The risk should be monitored as the public appointments process continued and noted that it may be necessary to escalate the risk to the Corporate Register later in the summer.

There was a discussion of post-forecasting communications and engagement evaluation. There was a view that conducting regular evaluations could be helpful. There was a brief discussion of engagement ahead of the next forecast.

Action point 3: The secretariat will take forward post-forecast communications evaluations from December.

7. Finance update

James White talked the Board through the paper on 2018-19 budget spend to the end of June. The Commission were on target to spend their 2018-19 allocation fully. However, we were only three months into the financial year so it was difficult to forecast full year spending with accuracy.

The Board formally noted the multi-year paper that they had discussed on 21 May and noted that it should be with the Scottish Government before the Chair met the new Minister, Kate Forbes.

Action Point 4: John Ireland will discuss the multi-year funding deal with Scottish Government.

8. Annual Report and Accounts update

Laura Bailie took the Board through her paper on the preparation of the Annual Accounts and Report. Laura noted that the date on which we had hoped to hand over the accounts to Audit Scotland had slipped by a week as Accountancy Services had identified some additional work. There was a week's slack in the timetable before Audit Scotland started its field work so it was hoped that the consequences would be limited.

9. Accommodation Update

John Ireland provided an update on progress in relation to the Scottish Fiscal Commission's accommodation. The paper included additional options on out of town offices at the Gyle and Ratho Park. Although the rents were comparable with Governor's House the costs of fitting out these offices still meant that they did not represent a viable alternative to Governor's House. The Board agreed that the out of town options should be discounted, and work on the costs of staying in Governor's House should continue. There were discussions about interim arrangements whilst work was carried out on Governor's House and the impact of space planning on the Commission's culture. The Board agreed that ensuring there was space for future expansion should be added to the list of criteria.

Action Point 5: James White to continue his work with the SG Estates Team on options for refurbishment and space use in Governor's House, and to update the criteria.

10. Statutory Review

Mairi Spowage took the Board her paper on the Statutory Review. The Board approved the scope of the review, subject to checking against the Act's requirements for the statutory review. The Board considered the cost and scope of reviews of independent fiscal institutions in other countries.

The discussion focussed on how to procure a suitable review team. The Board agreed that, for transparency, the organisation undertaking the review should be based outside Scotland. One option was to conduct a market search through a Public Information Notice. The expertise needed by suitable reviewer in fiscal and economic forecasting was specialised and the Board considered that the OECD's reviews of independent fiscal institutions would be an appropriate benchmark for any bids submitted. The Board noted that the OECD was not permitted to respond to a public procurement exercise, so this approach would preclude the option of using the OECD, unless no other suitable candidate was found through the process.

The Board discussed which organisations might be able to provide the necessary specialised skills. Given the mix of skills required (governance and principles in addition to economic and

fiscal forecasting), any review team would be likely to contract in the forecasting expertise. The Board considered that the likelihood of a market or co-ordination failure was high and that the OECD could be more effective in identifying a set of suitable experts and bringing them together than a market-led consultant, particularly one from an outside jurisdiction.

As the OECD worked on a cost recovery basis, and sometimes was able to procure expertise for an honorarium, the Board considered that it could be more cost-effective than a market-led consultant with profit margins. There was also discussion of approaching another independent fiscal institution to conduct the review, which would not operate on a profit basis, though noted that few have had experience of doing so in their own right. The Board considered that the OECD approach, bringing in expertise from relevant different independent fiscal institutions, was preferable.

The Board also considered how to ensure best value in the procuring of the review and considered the administrative cost and time of undertaking a Public Information Notice versus the likelihood of a suitable candidate being able to offer better value than the OECD (as they worked on a cost recovery basis), and agreed that it would be more efficient to approach the OECD directly and ask them to identify a suitable review team. The Board agreed that the OECD had the competence, experience, model, connections and authority necessary to undertake the review. Mairi noted that the OECD's capacity was filling up and that an early conversation with the OECD team would be prudent. Corporate Services team will seek further advice from procurement on the process for appointing the OECD.

The review will be paid for in financial year 2019-20 and is currently budgeted at £65,750.

Action Point 6: The Corporate Services team will contact the OECD IFI Team and follow up on the feasibility and cost of the OECD commissioning the statutory review.

Action Point 7: Corporate Services team will seek advice from procurement on the appointment of the OECD.

11. Any Other Business

The Board confirmed that the current practice of sending papers out a few days ahead of the Board was satisfactory. The Chair did not feel that she needed to approve papers in advance. However, she asked that there would be a discussion with her if there were any unanticipated issues that would be raised in the papers. There was a view that the time spent on governance needed to be proportionate with the Commission's principal function of economic and fiscal forecasting.

Action Point 8: Laura Bailie to revise Standing Orders in line with current practice on the circulation of papers ahead of Governance Board meetings.

The meeting ended at 14:55. The date of the next meeting is 30 October 2018.