

Attendees

Professor Graeme Roy - Chair
Professor Francis Breedon - Commissioner
Professor David Ulph - Commissioner
Dr Domenico Lombardi - Commissioner
John Ireland - Chief Executive
Susie Warden - Head of Strategy, Governance and Corporate Services
James H White - Governance Manager, secretariat

1. Welcome and Introduction

Graeme Roy opened the meeting. There were no declarations of interests or notification of any other business, and there were no apologies. The minutes of the meeting held on 12 October 2022 were agreed as an accurate record, and the action log was noted.

2. Chair's Update

Graeme Roy noted things are progressing at a pace for publication of the next SEFF on 15 December, noting the discussion at the Audit and Risk Committee about risks. Graeme has met with senior Scottish Government colleagues, including DG Scottish Exchequer, with discussions including ensuring required information is provided in a timely manner. Committee appearance dates have been confirmed: Finance and Public Administration Committee on 20 December, and Social Equality and Social Security Committee on 22 December. Work was also on track to publish the Fiscal Sustainability Report in Spring 2023.

There has been engagement with journalists to explain the Commission's role and the importance of the long-term Fiscal Sustainability work. These included BBC, STV, ITV, and the main broadsheets, with articles appearing in The Herald on 17 November and The Times on 18 November. A communications plan is in hand for 15 December, which includes issuing a video about the Commission's work within the next week. It was agreed that arrangements would be made to ensure that press cuttings relating to articles written by Graeme Roy which are sent to staff are shared at the same time with Commissioners.

Graeme Roy formally recorded his thanks to the Commission's team for the quality of work produced which was a great credit to the Commission's teams.

Action 1 – Secretariat to ensure that press cuttings relating to articles written by Graeme Roy which are sent to staff are shared at the same time with Commissioners.

3. Chief Executive's Update

The Governance Board noted without comment the update, which covered works undertaken recently at Governor's House, staffing changes, Commission activities since the previous Governance Board, and plans for the recruitment of two new external members of the Audit and Risk Committee.

4. Audit and Risk Committee

David Ulph reported that discussions had focussed on two red risks:

Staffing - there were ongoing challenges arising from staff turnover, staff leaving for promotion elsewhere, and parental leave. It was agreed that these reflected the particular

age profile of Commission staff. Although appropriate mitigation was in place, the risk score remained red and so would continue to be monitored.

Partners - there had been a dramatic increase in the scoring of this risk that now placed it in the red category. This arose out of the particular features of this Budget where there was a very compressed timetable and lots of fiscal challenges on the Scottish Government giving rise to concerns that we might get policy proposals very late in the day making it difficult to produce costings and commentary to our normal standard. The Board discussed various ways of responding to this risk.

In addition, there were ongoing issues arising from lack of social security data that would enable us to compare forecasts with outcomes and learn whether and why our forecasts had errors and so how future forecasts could be improved. This included a discussion about the potential handling of such scenarios, bearing in mind that the Commission's work should be, and seen to be, independent at all times.

It was reported that the other three risks remained stable with the scores remaining unchanged.

5. Finance

The finance update paper for 2022-23 had been discussed at the Audit and Risk Committee meeting earlier this morning and there was nothing further to add about the update, which reflected improvements in the underlying spreadsheet.

In relation to the future funding ask, it was clarified that the projections had been refined to better reflect pay progression, recognising that when staff leave the Commission, replacement staff could be at a lower point in the pay scale. It was anticipated that 2023-24 would be difficult due to maternity leave cover, the costs of which the Commission need to cover.

David Ulph commented that he was impressed by the quality of the work in producing the paper, which gives a better understanding of likely costs and pressures.

John Ireland introduced the paper setting out the Commission's funding request for the next 3 years. He recommended that, given the general pressures on public finances, the core funding ask should be within the levels set out in the indicative budgets confirmed earlier this year, but with an additional £100k for 2023-24 for the costs of maternity leave cover. The Governance Board agreed that the funding ask should be revised in light of the discussions at the meeting and submitted to Scottish Government.

Action 2 – John Ireland to revise the funding ask in light of discussions at the Governance Board meeting and submit it to Scottish Government.

6. Corporate Policies and Statutory Reporting

Public Services Reform Act - the report for the year ended 31 March 2022 was noted and approved for publication on the Commission's website.

Commissioner Succession Planning and Meeting our Diversity and Equality Requirements – John Ireland introduced the paper, noting that it was in two parts. The first part set out the requirements of the Gender Representation on Public Boards Act 2018 and a reflection on previous Commissioner recruitment experience, and the second part was a discussion about potential future actions. He highlighted that although there have been a number of strong female applicants in the past it was understood that the time commitment was a deterrent,

as was the level of remuneration offered. Commissioners' remuneration was subject to the Scottish Public Pay Policy and realistically could not be greatly increased.

Susie Warden explained that the intention of the forward looking part of the paper was to generate discussion. There were three aspects to consider: how to learn from others with experience of greater diversity, how the Commissioner role might be adapted to make it more attractive, and considering what skills the Commission would need in future.

Key issues discussed for further work included:

Skills - it was noted that we have four economists as Commissioners, who are mostly academics. As the Commission's work expands to include greater focus upon social security and fiscal sustainability, the Commission should think about diversity broadly and the possibility of bringing in people with other skillsets such as social researchers, general policy awareness, business, net zero or social security. The benefits to the forecasts of greater understanding and perspective of such areas could complement technical forecasting knowledge. Currently both the job description and time commitment lent themselves towards academic economists; perhaps the job descriptions need to be looked at?

Perceptions of the Commission - one reflection is that the majority of engagement seems to be on business and economy and less on social security, perhaps reflecting stakeholder perceptions of the Commission. Broadening our engagement would increase the make us visible to other groups.

Specialisation - perhaps giving individual Commissioners specific roles or topics to lead on might give more flexibility about the time commitment. For example, OBR has a division of labour with each Commissioner taking a lead for specific work areas and the Bank of England allow for mix of full and part-time appointments. The Scottish Fiscal Commission Act 2016 sets out the requirement that all Commissioners are collectively responsible for signing off the Commission's forecasts – how might that be achieved with specialisation? Non-statutory work such as fiscal sustainability was not subject to that requirement.

Time commitment - It was recognised that having full-time Commissioner would change the dynamic and risked becoming too involved in day to day forecasting. It was noted that it may - inadvertently - reduce the number of applicants. Both specialisation and seeing the broader picture had merits. On the other hand, it was noted that the current time requirements, and related remuneration, may be unattractive for those seeking part-time employment, being on the low side. Thus, both higher and lower time commitments could make the role more attractive (alongside another role or instead of a part-time role, respectively).

Appointing a fifth Commissioner - might support a level of specialisation by Commissioners, however, careful consideration would need to be given to what a reduced time commitment might look like.

Experience of other IFIs – looking at how Commissioner equivalents are appointed in other IFIs and get a sense of how they address succession planning and diversity. OECD may be a useful resource for advice.

Graeme Roy summarised the discussion, reflecting that:

- Addressing Commissioner succession planning and increasing diversity was important for the Commission and we need to be clear publicly how we're taking action and to do so at pace.
- The evolution of the Commission's role and consequent broadening of work means future Commissioners may require a different skill set. There is an opportunity to

reflect on whether we have the right skill mix and identify any missing potential expertise.

- We would benefit from discussions with others in Scottish public sector and comparable organisations in other sectors.
- There was potential for greater flexibility in the Commissioner role, in terms of responsibility and time commitment (either increased or decreased). We should work through different options and how they might operate in practice.
- How we presented the Commission externally was very important, and we should communicate the new, broader remit of the Commission.
- We should engage with the OECD to learn more about how other IFI Commissioner equivalents are appointed and get a sense of how they address succession planning and diversity.

Further work would be done on these points, for discussion at the next meeting of the Governance Board. It was agreed that this should become a standing item on the agenda for future meetings.

Action 3 - Secretariat would publish the Public Services Reform Act Report for the year ended 31 March 22 on the Commission's website.

Action 4 - John Ireland/Susie Ireland would do further work in the light of discussions at this meeting, for discussion at the next meeting of the Governance Board.

Action 5 - this item will be a standing item for future Governance Board meetings.

7. Any other business

There was no other business.

8. Date of Next Meeting

The next meeting is scheduled for Wednesday, 22 February 2023.

Scottish Fiscal Commission
23 November 2022