

Attendees

Professor Graeme Roy - Chair
Professor Francis Breedon - Commissioner
Professor David Ulph – Commissioner
Professor Domenico Lombardi - Commissioner
John Ireland - Chief Executive
Claire Murdoch - Head of Fiscal Sustainability and Public Funding
Michael Davidson - Head of Devolved Taxes and Social Security
Susie Warden - Head of Strategy, Governance and Corporate Services
James H White - Governance Manager, secretariat

Apologies

David Stone - Head of Economy and Income Tax

1. Welcome and Introduction

Graeme Roy opened the meeting. Apologies as given above were noted. There were no declarations of interests. The minutes of the meeting held on 6 March 2024 were agreed as an accurate record, and the action log was noted.

2. Chair's Update

Graeme Roy reported that since the last meeting, the Fiscal Sustainability Report on Climate Change had been published. It had been well received, with good discussions at the Finance and Public Administration Committee, and engagement with climate change stakeholders. He thanked the team for their work in producing the report.

David Ulph highlighted that the report would need to be revisited at some point given the impact and potential harm of climate change. It was noted that OBR would be publishing a report on the impact of climate change in July 2024. Claire Murdoch suggested that the topic of Climate Change could be returned to for the report in March 2025.

Work was ongoing for the SEFF to accompany the forthcoming MTFS in June 2024. Graeme Roy had met with the Convener of the Finance and Public Administration Committee to discuss the future work of the Commission, and with colleagues in the HM Treasury Devolved Administrations team.

3. Chief Executive's Update

John Ireland commented that the risk of potential unexpected expenditure for Governor's House had reduced with Scottish Government agreeing to pay for a replacement boiler, and agreeing to improve planning for ongoing maintenance.

He said that the use of Fixed Term Appointments gives flexibility for the Commission for those posts that are funded through "over-budgeting", and allows the individual to gain experience and demonstrate capability in advance of permanent recruitment. He confirmed that there would still be recruitment to permanent B2 posts.

4. Audit and Risk Committee

In addition to the summary of the committee discussions held on 14 May 2024, David Ulph commented that although the risk scores remained the same, the underlying reasons had changed. The risk cards reflected the impact of cross cutting elements, such as the impact of the working week from reducing from 37 to 35 hours. Governance Board noted the risk cards.

5. Finance

Finance Update Paper - Susie Warden confirmed that there was no update to the paper as discussed at the Audit and Risk Committee on 14 May.

It used a different approach to setting out the budget. In the past a more conservative approach had been followed taken to ensure that we don't overspend. This raised the risk that staffing underspend would be identified too late in the day to allow it to be used on non-staffing costs. The approach now being used was to "overbudget" on staffing costs, but not non-staffing costs. As a result, two further fixed term junior analyst appointments have been made.

Unlike previous years, the current two year pay deal gives more certainty on pay costs. It was also noted that risk had reduced as a result of Scottish Government agreeing to pay for a replacement boiler for the heating system, which would support decarbonisation of their estate to be progressed. There was provision made for the installation costs for the fire, and intruder detection systems. Finally, the costs of the statutory review costs (which unlike other costs require Ministerial approval) were lower than anticipated.

2024-25 Finance Projections - Governance Board formally agreed the outcome of its discussions on 12 March 2024 about the 2024-25 Finance Projections. In particular, as noted above, future budget projections would be based on over budgeting of staffing costs.

Scottish Fiscal Commission Medium Term Financial Strategy – Susie Warden highlighted that the strategy was intended to be a proportionate response to requests from our external auditors, recognising that around 80% of costs are staffing related and that our income is provided entirely from the Scottish Budget.

Graeme Roy suggested that it reads more like a risk document, and that it needed to be balanced with examples of positive aspects of our work. It was suggested that an additional couple of paragraphs would provide a better balance to the strategy.

Domenico Lombardi asked how the outcome of the OECD review would be addressed in the strategy. John Ireland suggested that the Corporate Plan 2025-2028, and Business Plan 2025-26 would be better placed to address recommendations made by OECD.

It was agreed that Susie Warden would revise the draft Medium Term Financial Strategy and circulate to Governance Board for approval. The finalised strategy would be shared with Deloitte LLP as part of their request for evidence, and published on the Commission's website.

Action Point 1 - Susie Warden would revise the draft Medium Term Financial Strategy and circulate to Governance Board for approval.

Action Point 2 - The finalised strategy would be shared with Deloitte LLP as part of their request for evidence, and be published on the Commission's website.

6. Engagement Log

John Ireland highlighted that the log covers the period 1 March 2023 to 31 March 2024, confirming that quarterly updates would be provided to future meetings.

There was a consensus that it was helpful to see the range of engagement activities undertaken in the last year.

David Ulph highlighted that there was a need to engage with other committees of the Parliament to raise awareness of financial issues more widely, though it was recognised that engagement with other Committees would need a bespoke approach. For example, the Fiscal Sustainability Report on Health, due for publication in March 2025, would be a useful starting point for engagement with the Health, Social Care and Sport Committee.

John Ireland suggested it would be helpful to look at opportunities to work with Finance and Public Administration Committee on improving wider Parliamentary engagement. Options include meeting with the Committee of Conveners, or include engagement with the Commission as part of the MSP induction programme after the next Scottish Parliamentary elections, as well as look at opportunities to work with the Scottish Government.

Francis Breedon suggested that a session on how the fiscal framework operates in an emergency situation such as COVID-19 could be beneficial. It was also suggested that the Statement of Data Needs could be used to highlight wider engagement with Parliamentary Committees.

7. Statutory Review

John Ireland commented that it was understood that the plan was for the report to be finalised and published in Autumn 2024.

8. Succession Planning

John Ireland highlighted that we need to start planning for Commissioner appointments, as two Commissioners reach the end of the second appointment in October 2025, and there are two potential reappointments due in June 2026.

It was noted that annual appraisals of the Commissioners would be undertaken by the Chair, and that David Ulph would do likewise for the external members of the Audit and Risk Committee.

John Ireland would prepare a paper for discussion at the Governance Board scheduled for 27 August 2024, covering:

- timescales for Commissioner recruitment
- consideration of the number of Commissioners required

- what experience would be required from Commissioners

Action 3 - John Ireland to prepare a paper on planning for the next Commissioner recruitment rounds for discussion at the Governance Board meeting scheduled for 27 August 2024.

9. Corporate Policies and Statutory Reporting

Data Protection – After a discussion about the impact of Commissioners handing back their SCOTS laptop, in which it was confirmed that Chair’s email account would be managed by staff in Strategy, Governance, and Corporate Service team, the Governance Board confirmed that it was content to approve the Data Protection Policy.

Audit and Risk Committee Self-assessment checklist – the Governance Manager highlighted the adjustments made to the checklist following the Audit and Risk Committee meeting on 14 May 2024. Governance Board confirmed that it was content to approve the self-assessment checklist.

9. Any other business

There were no other items of business.

Action Point

10. Date of Next Meeting

The next Governance Board meeting is scheduled for Tuesday, 27 August 2024. An additional meeting to consider the Annual Report and Accounts for the year ended 31 March 2024 would take place after the Audit and Risk Committee meeting scheduled for 20 August 2024.

Scottish Fiscal Commission
21 May 2024