
Annual Report and Accounts for the year ended 31 March 2023

© Crown copyright 2023

This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, visit: <http://www.nationalarchives.gov.uk/doc/open-government-licence/version/3/> or write to the Information Policy Team, The National Archives, Kew, London TW9 4DU, or email: psi@nationalarchives.gsi.gov.uk

Where we have identified any third party copyright information you will need to obtain permission from the copyright holders concerned.

This publication is available at www.fiscalcommission.scot

Any enquiries regarding this publication should be sent to us at: Scottish Fiscal Commission, Governor's House, Regent Road, Edinburgh EH1 3DE or info@fiscalcommission.scot

ISBN: 978-1-911637-64-6

Laying Number: SFC/2023/5

Published by the Scottish Fiscal Commission, October 2023

Contents

Performance Report	2
Accountability Report.....	28
Independent Auditor’s Report	47
Financial Statements	52
Notes to the Accounts for the year ended 31 March 2023	56
Annex A Accounts Direction	64

Performance Report

Chair's Foreword

I am pleased to publish the Commission's Annual Report and Accounts for 2022-23, which detail the Commission's activities during the year ending 31 March 2023. I do so with thanks to my fellow Commissioners Professor Francis Breedon, Professor David Ulph, and Dr Domenico Lombardi. I am particularly grateful to the Commission's staff for their contribution to our work, and to the Chief Executive John Ireland for his support during my induction as Chair. The Commission staff have once again demonstrated their ability to produce high quality analysis and forecasts.

The story of 2022-23 was one of continued economic uncertainty with a shift in focus from the continued recovery from the COVID-19 pandemic to a world of higher inflation, increasing interest rates and a cost of living crisis.

During the year, we published two sets of forecasts. The first set accompanying the Scottish Government's Medium Term Financial Strategy in May 2022, and the second set accompanying the Scottish Government's Budget in December. We also published the evaluation of our 2021-22 forecast in August 2022, with an update being published in December reflecting the final outturn data for Social Security.

I am very pleased that this year the Commission extended its analysis of Scotland's devolved public finances to include 50 year projections of the Scottish Government's Budget. We published our first full Fiscal Sustainability Report in March 2023, and along the way we also published a consultation paper in August 2022 alongside an occasional paper on long run trends in Scotland's population and the effects on the economy. This delivers on a recommendation from the Organisation for Economic Cooperation and Development (OECD) in their evaluation of the Commission in 2019.

I hope that our work on fiscal sustainability can help support a wider and informed conversation about public services in Scotland and how they are funded. We will play our part by ensuring that the report's conclusions are available to a broad range of public bodies and other interested parties. I have been in contact with a wide range of stakeholders including the Scottish Parliament, the Scottish and UK governments, local authorities, the NHS, and the academic community. I am pleased by the manner in which the report's findings are now leading to a wider debate about priorities for fiscal sustainability.

Finally, I would like to express my thanks to the Convener of the Parliament's Finance and Public Administration Committee for his support and that of his Committee over the course of the year.



Professor Graeme Roy
11 October 2023

Overview

- 1 The purpose of this overview is to give a short summary of the Commission, its objectives, performance during 2022-23, the principal risks it faces and a summary of future plans. It is followed by a more detailed performance analysis.

Chief Executive's Introduction

- 2 This report covers our sixth year as Scotland's official economic and fiscal forecaster. We have welcomed a new Chair for the first time, as Dame Susan Rice reached the end of her final term in June 2022. I'm incredibly grateful to Susan for her strong, independent leadership in establishing the Commission and building our reputation, and for her advice over my time as chief executive.
- 3 Our new Chair, Professor Graeme Roy, is well known as an economic and fiscal commentator. He has brought a wealth of expertise to the Commission. We've also welcomed in June 2022 a new Commissioner, Dr Domenico Lombardi. Professor Breedon and Professor Ulph were both reappointed for a second term as Commissioners.
- 4 The scope of our work has broadened this year, with the publication of our first full assessment of Scottish Government's long term fiscal sustainability in March 2023. By producing 50-year projections of Scottish Government spending and funding, we've been able to highlight key risks for public finances. We've reached a wider audience with this analysis than our statutory publications, and it's shown how our work can bring broader and deeper understanding of the risks to the Scottish Budget.
- 5 As COVID restrictions were relaxed in the early part of the year we have been able to meet more of our stakeholders in person. In October we co-sponsored the annual meeting of the Inter-Parliamentary Fiscal Institutions Network in Edinburgh organised by the Scottish Parliament's Information Centre. In January and March we presented our Budget forecast and Fiscal Sustainability report to MSPs and their researchers at breakfast seminars in the Parliament.
- 6 Our Chair has refreshed the Commission's approach to engagement in the light of academic and other evidence about the understanding of the Scottish Government's Fiscal Framework. We are continuing to work on the public understanding of fiscal policy in Scotland with our engagement with the media and directly through webinars and social media. At the same time we are deepening our engagement with key decision makers.
- 7 I'm proud of how our ways of working have developed over this year. The forecasting and publication processes have matured further and spread expertise more broadly throughout the organisation. We've worked closely with Scottish Government officials to allow better and more timely exchange of information during fiscal events. We've been nimble in dealing with staffing changes and absences, and we've welcomed five new people to our staff.

- 8 The Commission can only operate thanks to the great industry, expertise and innovation of the staff. The support they give each other, our Commissioners and me is invaluable. They make working in the Commission stimulating and rewarding, and I would like to thank each person for their hard work over the year.

John Ireland

Chief Executive of the Scottish Fiscal Commission and Accountable Officer

About the Scottish Fiscal Commission

What we do

- 9 We produce independent, robust forecasts and assessments to improve the transparency and scrutiny of Scotland's Budget. These include the official, independent economic, tax and social security forecasts and the official costings for tax and social security policies. We provide these independent forecasts and assess the Scottish Government's borrowing twice a year, usually alongside the Scottish Budget and Medium Term Financial Strategy. The Scottish Fiscal Commission Act 2016 sets out the Commission's functions.¹
- 10 We also publish reports on the long-term fiscal sustainability of the Scottish Government's budget. We published our first full report in March 2023 building on work published the previous August. Following a request in May 2023 from the Finance and Public Administration Committee we now intend to publish full sustainability reports every two or three years. In other years we intend to publish papers looking at the fiscal sustainability in more specific areas, such as climate change.
- 11 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.
- 12 For transparency, we publish information on how our forecasts are produced, and the assumptions and judgments we made in producing the forecasts. We also publish evaluations of the accuracy of our forecasts once outturn data are available. We can also choose to report on anything that influences the resources available to the Scottish Government. Every two years we publish statements of our data needs which describe the main areas where we believe improvements are required in the data and information we use for forecasting. Our last Statement of Data Needs was published in August 2022. From time to time we also publish occasional papers explaining particular issues.

What we are

- 13 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, ensuring our operational independence.

Organisational structure

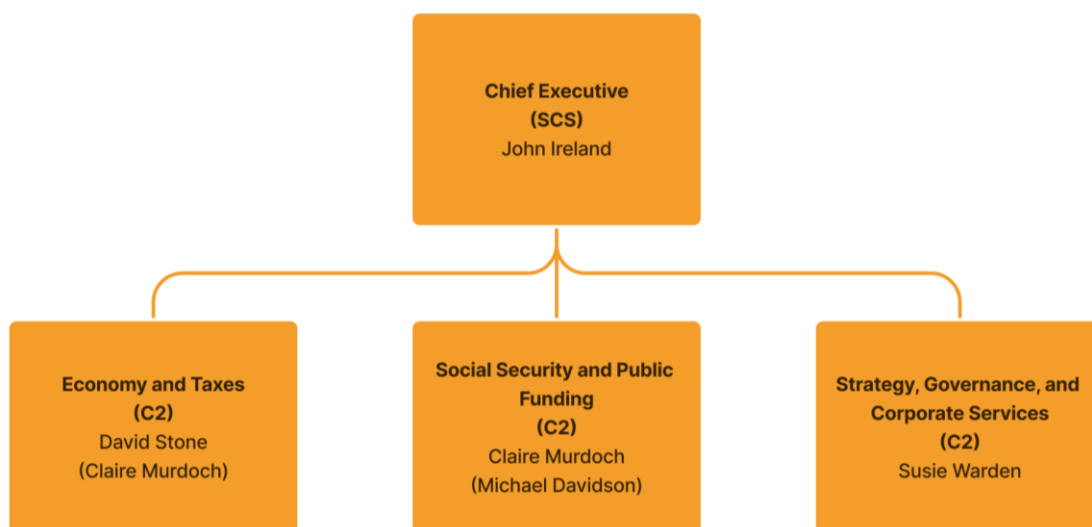
- 14 The Scottish Fiscal Commission consists of Commissioners who are collectively responsible for fulfilling the functions and duties set out in the Scottish Fiscal Commission Act 2016. Our Commissioners are appointed by Scottish Ministers with the approval of the Scottish Parliament.

¹ Scottish Fiscal Commission Act 2016 (link)

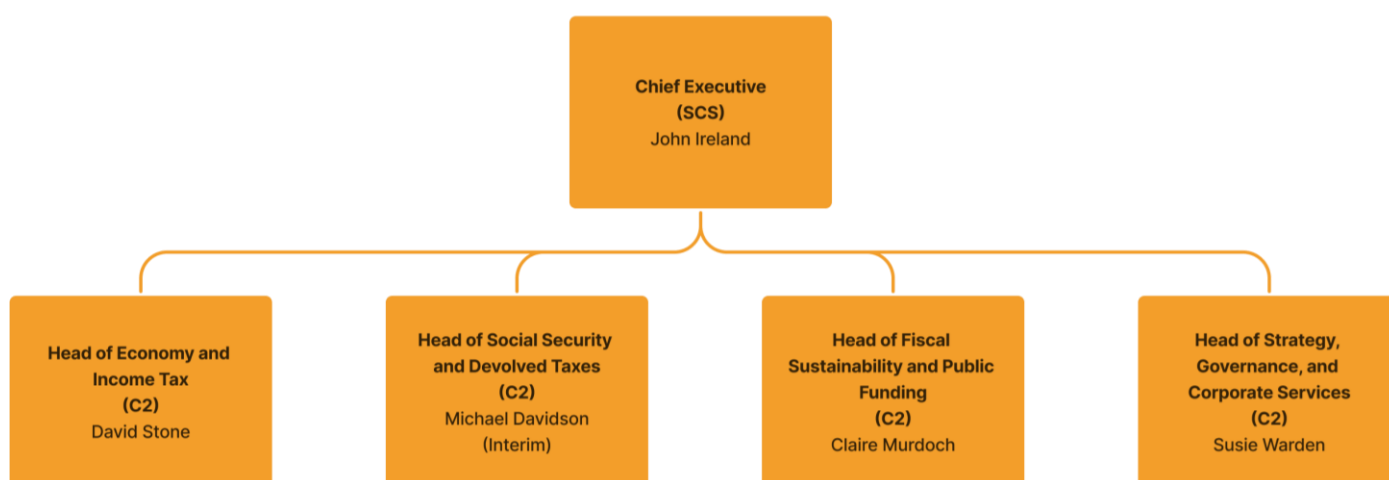
15 During the year, there were changes in our Commissioners:

1 April - 31 May 2022	1 June – 30 June 2022	From 1 July 2022
Dame Susan Rice (Chair) Professor Francis Breedon Professor David Ulph	Dame Susan Rice (Chair) Professor Francis Breedon Dr Domenico Lombardi Professor Graeme Roy Professor David Ulph	Professor Graeme Roy (Chair) Professor Francis Breedon Dr Domenico Lombardi Professor David Ulph

16 The Commissioners are supported by a small staff of 27 analysts and support staff, grouped into three teams, as shown below. Some senior managers were temporarily unavailable during the year and those who covered posts during these periods are shown in brackets.



17 From 3 July 2023, we have reorganised our analytical teams to reflect changing working patterns, additional demands from the fiscal sustainability work and to increase resilience and capacity for strategic analytical work. Our new structure is shown below.



Strategic objectives

- 18 The Commission's Corporate Plan² that covered 2022-23 sets out four strategic objectives for the Commission:
- Provide robust, independent, official forecasts of Scotland's economy, devolved tax revenues and social security spending
 - Explain what our forecasts and analysis mean for the Scottish Budget
 - Analyse and explain the medium and longer term risks to the Scottish Budget
 - Be an effective and efficient organisation with skilled, knowledgeable people

Performance summary

- 19 This is a brief summary of our work during the year, set out under our strategic objectives. Further detail on all of this work, including links to publications, can be found in the performance analysis section of our annual report.
- 20 We provided robust, independent, official forecasts of Scotland's economy, devolved tax revenues and social security spending by publishing:
- a set of forecasts in May 2022 to support the Scottish Government's Medium Term Financial Strategy and its Resource Spending Review
 - a set of forecasts in December 2022 to support the Scottish Government's Budget
 - supplementary costings for the Scottish Child Payment in September 2022
 - a statement of data needs in August 2022 which set out our priorities for the data we need to produce robust forecasts.
- 21 We explained what our forecasts and analysis mean for the Scottish Budget by:
- producing a full report, summary, visual summary and twitter content for each set of forecasts and our Fiscal Sustainability report
 - holding events for MSPs, media and the public for each set of forecasts and our Fiscal Sustainability report
 - giving evidence to Scottish Parliament Committees on our forecasts
 - evaluating our previous forecasts against outturn in August 2022
 - publishing a fiscal update in May 2022 to set out how the 2022-23 Scottish Budget changed since it was set in December 2021
- 22 We analysed and explained the medium and longer term risks to the Scottish Budget by:
- consulting on the proposed scope of our first fiscal sustainability report

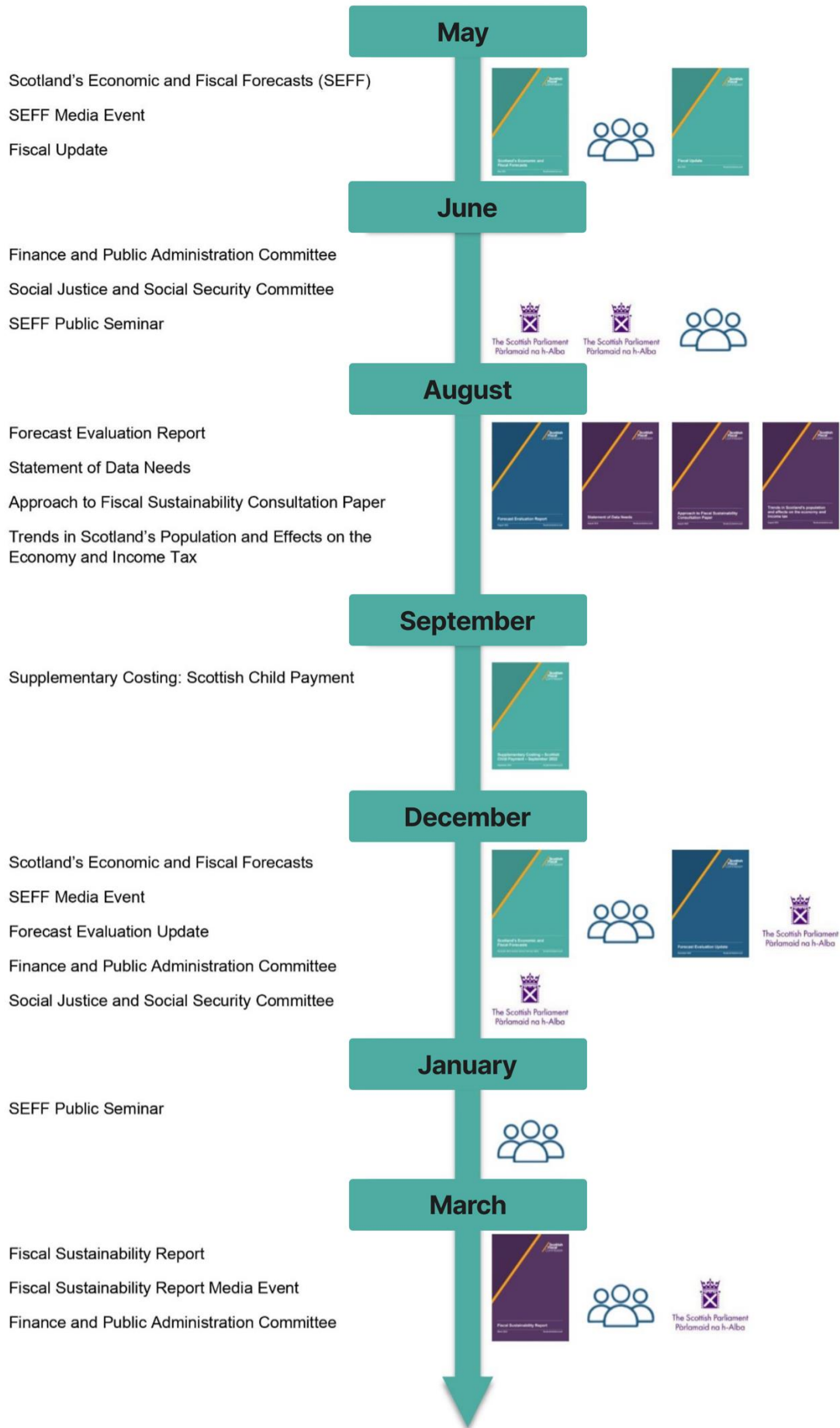
² Scottish Fiscal Commission Corporate Plan 2022-25 ([link](#))

- publishing an occasional paper setting out demographic projections for Scotland for the next fifty years, and effects on the economy and income tax
- publishing our first report on the long-term fiscal sustainability of the Scottish Government's budget in March 2023
- explaining our fiscal sustainability work to various groups of stakeholders
- creating a video to explain the Fiscal Framework

23 We have been an effective and efficient organisation with skilled, knowledgeable people by:

- welcoming a new Chair and a new Commissioner
- anticipated our recruitment needs and attracting suitable candidates
- reopening our office as COVID-19 restrictions were relaxed, giving staff the choice to work in the office, from home or a combination of the two.
- bringing staff together at quarterly in-person all staff events
- refreshing our website and working to improve its accessibility
- sharing experience and best practice with other small public bodies.

2022-23 publications, events, and evidence to Parliament



How our work delivers our strategic objectives

Activity	Provide robust, independent, official forecasts	Explain what our forecasts and analysis mean for the Scottish Budget	Analyse and explain the medium and longer term risks to the Scottish Budget	Be an effective and efficient organisation with skilled, knowledgeable people
Scotland's Economic and Fiscal Forecasts	✓	✓	✓	
Evidence to Parliamentary Committees		✓	✓	
Events				
Policy costings	✓			
Forecast evaluations	✓	✓	✓	
Fiscal Updates		✓	✓	
Statement of Data Needs	✓	✓	✓	
Fiscal sustainability consultation & publication			✓	
Model development	✓			✓
Corrections and error log	✓	✓	✓	✓
Annual review of protocol with SG	✓			✓
Reviewing / developing MoUs		✓		
Discussions with stakeholders	✓	✓	✓	✓
Participate in international IFI networks		✓		✓
Corporate policies, processes & controls				✓
Annual report and accounts				✓
Staff development and training	✓	✓	✓	✓
Recruitment processes				✓
Support Governance Board and ARC				✓
Transition to office / hybrid working				✓
Transition to new SG systems				✓
Commissioner appointments & induction	✓	✓	✓	✓
Website accessibility & maintenance		✓	✓	✓

Principal risks

- 24 Our risks are identified, 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. This includes consideration of the mitigations for each of the risks, and the longer term implications for delivery. We have identified five key risks:
- Staff - The Commission cannot deliver its functions effectively because we do not have appropriate staff or Commissioners, or because staff or Commissioners cannot work effectively. This encompasses the risks of managing, motivating, recruiting and retaining people with the skills we need, appropriate leadership and management, and adopting hybrid working practices. Staffing risks identified a change in Chair, a new Commissioner based outside the UK, long absences in our senior management team, a number of new staff and hybrid working. Our staffing risk consistently decreased through the year. Our new staff became more experienced which increased our resilience and capacity. We were able to anticipate absences and turnover and attracted suitable staff quickly. We tested and adopted new working practices with Commissioners which also mitigated potential issues from hybrid working. These risks also affected our reputation and partner organisation risks.
 - Partner organisations - *A deterioration in relationships with the Commission's partner organisations* limits its ability to deliver quality forecasts and reports, through limited access to data and information, or limited time in fiscal event processes. The likelihood of this risk varied through the year reflecting, new Cabinet Secretaries for Finance, the annual fiscal cycle, public sector reform proposals and pressures on Scottish Government partners.
 - Independence - *The Commission's political and institutional independence is undermined, or is perceived to be undermined.* The consensus that a Scottish independent fiscal institution is needed breaks down. Factors that could have impacted on this risk included the UK political and fiscal crises which spotlighted the role of independent fiscal institutions, and changes in Ministerial portfolio responsibilities. This risk decreased during the year.
 - Corporate Systems - *The Commission's corporate systems are not sufficient to deliver its work* (financial systems, IT, shared services and governance). This risk covers internal systems, those purchased from the Scottish Government as shared services and website providers. Overall this risk remained broadly stable over the year, but individual pressures changed over the year, including changing timescales for new Scottish Government HR and finance systems, improved recruitment systems, staff absence and new auditors.
 - Reputation - The Commission suffers a loss of reputation because of its failure to deal with complex contextual change or the perceived quality of its analysis. Political controversy and adverse expert commentary can undermine our reputation regardless of whether it is justified. This risk has consistently reduced over the year following the smooth transition to our new Chair, and as forecasts and our fiscal sustainability work were well received. In particular, the fiscal sustainability work reached a broader audience and generated sustained attention from our stakeholders.
- 25 We delivered our functions through our publications, Committee appearances in the Scottish Parliament and public events, as laid out above.

- 26 We published two sets of forecasts during the year, the first in May 2022³ to support the Scottish Government's Medium Term Financial Strategy, and the second set in December 2022⁴ to support the Scottish Government's Budget.
- 27 In March 2023, we published our first Fiscal Sustainability Report
- 28 We have also refreshed our website and continuing on work to improve its accessibility.
- 29 The level of staff turnover has reduced significantly since the previous year, and new staff are becoming more experienced in their roles, and we expect that turnover would be at a more settled rate. We anticipated our recruitment needs and were able to attract suitable candidates.
- 30 Over the year our office has fully reopened, and staff can choose to work in the office, from home or a combination of the two. Over the year there has been a steady increase in numbers of staff working in the office with teams taking advantage of the opportunity to meet in person.

³ Scottish Fiscal Commission (May 2022) Scotland's Economic and Fiscal Forecasts ([link](#))

⁴ Scottish Fiscal Commission (December 2022) Scotland's Economic and Fiscal Forecasts ([link](#))

Performance Analysis

31 The purpose of this section is to give a detailed view of the Commission's performance. It reports performance against each of our strategic objectives, our risk profile, financial performance, equality and diversity, non-financial information, and a summary of future plans.

Provide robust, independent, official forecasts of Scotland's economy, devolved tax revenues and social security spending

- 32 The Commission met this strategic objective by publishing two sets of forecasts, on 31 May 2022 and 15 December 2022.^{5 6} All our reports were delivered on time and in line with the Protocol agreed with the Scottish Government. The May 2022 publication accompanied the Medium Term Financial Strategy⁷, and the December 2022 publication accompanied the Scottish Budget 2023-24⁸.
- 33 We report our activities relating to how we make sure our forecasts are accessible in the strategic objective "Increasing understanding through active external engagement and clear publications".
- 34 To make sure our forecasts can be trusted, we take great care to safeguard our independence and reputation. We do so through our risk management framework; independence and reputation are two of our risk themes against which we consider all our activities, as well as the external context we face at any time.
- 35 Our delivery model is also designed to make sure our forecasts can be trusted and are reliable. Forecasts are prepared in-house by the Commission's staff, using models developed and maintained by the Commission. Our Commissioners are personally and collectively responsible for the judgements that underpin our forecasts.
- 36 To ensure our forecasts are reliable, we undertake a variety of work to refine our models and to ensure the data we use are as valuable as possible.

Economy

- 37 We have undertaken an in-depth analysis of labour market participation to inform our forecast⁹. This included three areas: an analysis of historical trends and drivers of Scotland's divergence relative to the UK since 2015 (disaggregating between changing demographics and varying participation rates within individual age groups); an analysis of changes since the pandemic, with a focus on health, looking at reasons for inactivity data and various Scottish and UK evidence; and a discussion of an issue currently affecting our participation modelling which is the post-pandemic divergence between Scotland's participation data from the Labour Force Survey and the Annual Population Survey.
- 38 We have continued to analyse Scotland's earnings and employment growth performance relative to the UK, which is a key issue for our income tax forecast and the Scottish Budget. As part of this, we have continued to explore the regional and sectoral breakdowns of Pay As You Earn (PAYE) Real Time Information (RTI) data and to improve our internal monitoring Dashboard.

⁵ Scottish Fiscal Commission (May 2022) Scotland's Economic and Fiscal Forecasts ([link](#))

⁶ Scottish Fiscal Commission (December 2022) Scotland's Economic and Fiscal Forecasts ([link](#))

⁷ Scottish Government (May 2022) Medium Term Financial Strategy ([link](#))

⁸ Scottish Government (December 2022) Scottish Budget 2023-24 ([link](#))

⁹ Scottish Fiscal Commission (August 2022) Trends in Scotland's population and effects on the economy and income tax ([link](#))

39 In the same area, we have reviewed our judgement on prospects for the North Sea oil and gas sector, and the short-run and long-run implications for our forecast of the Scottish economy. This included speaking with experts in the sector and drawing from industry intelligence.

Tax

40 In our income tax model we have continued to incorporate Real Time Information (RTI) tax data publications from HM Revenue and Customs as it is far more timely than other sources of income tax data. This has helped us to capture the effects of changing economic circumstances on the income tax forecast.

41 We published our analysis exploring the income tax net position, which is the difference between our income tax forecast and the income tax Block Grant Adjustment. This is a key element of the fiscal framework which determines the funding available for the Scottish Budget.

42 Turning to the other taxes we forecast, we focussed on interest rate effects in the housing market and how Land and Buildings Transaction Tax might change in an environment of rising mortgage rates. We updated the Non-Domestic Rates model to incorporate the first revaluation since 2017.

Social Security

43 We developed a set of indicative forecasts to reflect additional spending associated with the Scottish Government's social security policy commitments. These indicative forecasts were prepared to accompany the Scottish Government's first multi-year Resource Spending Review since the Commission was established.

44 We replaced the Child Disability Payment (CDP) and Pension Age Disability Payment (PADP) incidence models with flows models. These new models forecast the caseload by estimating the number of people entering and exiting the caseload, and better deal with structural changes such as the effects of COVID-19 on caseloads, as well as allow us to incorporate data on the new Social Security Scotland payments.

45 We reviewed our Adult Disability Payments (ADP) models to reflect clients who had previously received Disability Living Allowance and reapply to Personal Independence Payment; and adjusted the number of people over state pension age in ADP to reflect that this group no longer have award reviews.

46 We published a supplementary costing for Scottish Child Payment (SCP) in September 2022 to support parliamentary scrutiny of the amendments to Five Family Payments regulations. These allow SCP to be extended to children over six and implement the increase the value of the payment to £25 per week¹⁰.

47 We continued monitoring the economic, demographic, and social effects of COVID-19 and the changes in the demand for disability payments. We have increased the forecast number of successful applications to ADP to reflect the UK-wide higher demand for disability payments.

48 We increased our engagement with Scottish Government and Social Security Scotland analysts and senior managers to ensure that we were aware of merging trends in data and management information.

¹⁰ The Social Security (Miscellaneous Amendment and Transitional Provision) (Scotland) Regulations 2022 (link)
Scottish Fiscal Commission Annual Report and Accounts for the year ending 31 March 2023

Public Funding

- 49 We continue to cover the Scottish Government's overall funding position as part of our assessment of borrowing. We explain how our forecasts and the fiscal framework influence the Scottish Budget. In May 2022 we forecast Scottish Government funding and assessed their borrowing as part of the Resource Spending Review. In December 2022 we assessed their funding position for the 2023-24 Scottish Budget.

Fiscal sustainability

- 50 In August 2022 we published a Scoping Paper¹¹ considering the potential nature and coverage of a Scottish Fiscal Sustainability Report. At the same time, we also published our first illustrative 50-year economic projections for Scotland¹². We then held a consultation workshop with stakeholders on 5 October 2022, and developed the funding and spending models for this analysis of the long-term fiscal sustainability of the Scottish Government's budget. In March 2023 we published the first Fiscal Sustainability Report¹³, which projects spending and funding for the Scottish Budget up to 2072-73.

Evaluation of forecasts

- 51 We report our forecasting performance in our forecast evaluation reports, which give detailed quantitative and qualitative analysis of how accurate our forecasts were and what the factors determining this have been. These evaluate the analytical work of the prior financial year and earlier, rather than our work in 2022-23.
- 52 The accuracy of our forecasts only gives a partial picture of our overall performance as forecasters. Large differences can occur even when perfectly sound approaches were used. Unexpected and unpredictable events, such as the Russian invasion of Ukraine and the subsequent increase in energy prices, can change the course of the economy. Other reasons include the available historic data on which our forecasts are based being revised, or the Scottish Government changing its policy during the year which would change the amount of tax collected or benefits paid (for example, changing the start date of a new policy). So to fully understand our performance, both the quantitative data in our forecast evaluation reports and the primarily qualitative reporting here should be considered.
- 53 Our August 2023 forecast evaluation report¹⁴ evaluates our December 2021 forecasts of the economy, devolved taxes and social security, comparing them to outturn data. It also evaluates our 2021-22 forecast of income tax.

¹¹ Scottish Fiscal Commission (August 2022) Approach to Fiscal Sustainability ([link](#))

¹² Scottish Fiscal Commission (August 2022) Trends in Scotland's population and Effects on the Economy and Income Tax ([link](#))

¹³ Scottish Fiscal Commission (March 2023) Fiscal Sustainability Report ([link](#))

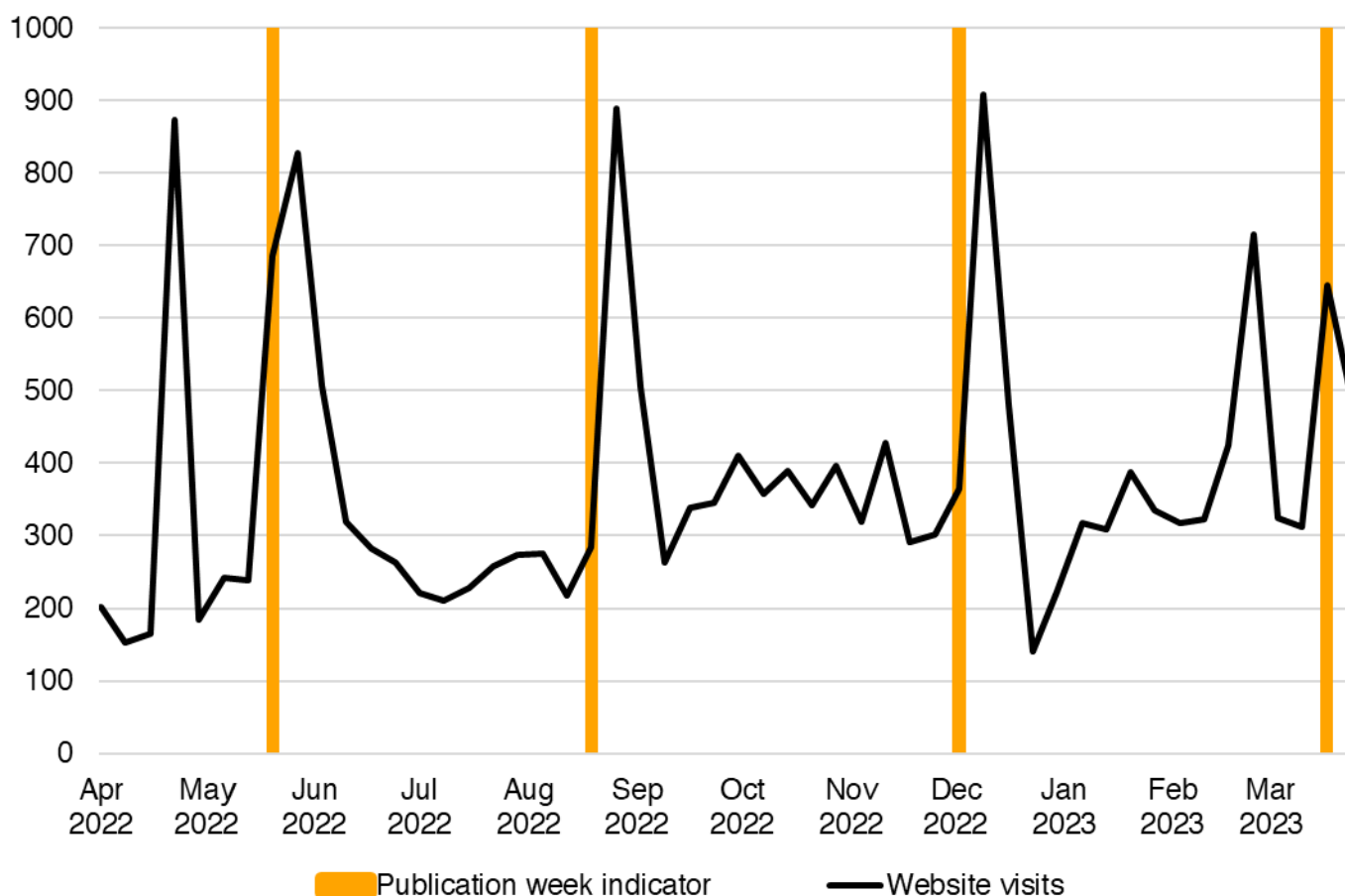
¹⁴ Scottish Fiscal Commission (August 2023) Forecast Evaluation Report ([link](#))

Explain what our forecasts and analysis mean for the Scottish Budget

- 54 We continued our publication of the Fiscal Overview chapter in our Scotland's Economic and Fiscal Forecasts reports, which provides information on the Scottish Government's overall funding position and includes our assessment of the reasonableness of borrowing and of assumed future income.
- 55 We review in-year changes to the Scottish Budget, which can arise from changes to UK spending plans and to the decisions and assumptions of the Scottish Government. We published a Fiscal Update in May 2022¹⁵ to provide the Scottish Parliament and the public with transparent information on these changes to the Scottish Budget.
- 56 We responded to the previous Finance and Constitution Committee's request to facilitate comparison between our income tax forecasts and the OBR's. We and the OBR will both publish a standard set of comparisons with each of our forecast updates.
- 57 To make sure our work is clear and accessible, we offer staff training on writing clearly and have employed an analyst whose role includes continuing to improve our charts, visual summary and twitter graphics. Work is ongoing in implementing changes to our website for its accessibility.
- 58 Commissioners and members of the Senior Management Team gave evidence to the Finance and Public Administration Committee three times and the Social Justice and Social Security Committee two times. We have put links to these sessions on our website to make them more accessible. We also hosted breakfast events with MSPs on 8 June 2022, and 29 March 2023, following the May Forecast, and Fiscal Sustainability Report respectively
- 59 We held six online events throughout the year – two open events following our May 2022 forecast, our main forecast publication in December 2022, and following publication of our first Fiscal Sustainability Report in March 2023 and media briefing for journalists after each. Our December webinar (held on 25 January 2023) attracted over 160 registrations, one of our highest levels of registrations.
- 60 We publish all our reports on our website, along with summaries, spreadsheets, infographics and news stories. We also refreshed our website to better organise our different types of publication.

¹⁵ Scottish Fiscal Commission (May 2022) Fiscal Update Report ([link](#))

Weekly visits to Scottish Fiscal Commission website, April 2022 to March 2023



Source: Scottish Fiscal Commission

61 In 2022-23 views of our website increased compared to the previous year. This was positive given the work we undertook to improve accessibility of our publication pages.

	Page Views	Users	New Users
2021-22	58,549	10,392	10,107
2022-23	75,910	14,208	13,881

62 We ensured all of our publications and fiscal updates were promoted via Twitter, LinkedIn and our website. Basic analysis shows website traffic across the year has remained reasonably constant.

63 In 2022-23 views of our website increased by nearly 30 per cent on the previous year although we produced fewer publications (in 2021-22 we published a number of occasional papers). This possibly reflects on our increased engagement and raised profile over the years since we started. During 2022-23 our technical website support applied changes required by our accessibility audit, and we introduced feedback forms on all of our pages, enabling viewers to raise any issues they may have experienced.

64 We continued to have positive relationships with media representatives, maintaining a good attendance at media briefings (we averaged 15 at our three online briefings). We engage with our subscribers and, separately, with our media corps, once a month alerting them to our forthcoming publications and events, and in 2022-23 commissioned a video explaining how the fiscal framework operates to support their coverage of our work. Our Chair has given various media interviews, briefings and articles. All media responses were active from the time we received a journalist's call, until its conclusion with all journalists receiving our response during the same working day. Coverage this year continued to focus on our outputs rather than our reputation.

Analyse and explain the medium and longer term risks to the Scottish Budget

65 This objective concerns how we deliver our functions, rather than what we deliver, so our report against this objective is primarily qualitative.

66 In previous years we have published Statements of Data Needs, which described the main areas where we believed improvements are required in the data and information we use for forecasting, so as to bring greater transparency to the Scottish Budget and better enable scrutiny of how it is managed. We now think that the process of constructive discussions with our data providers has delivered sufficient improvement in data and relationships that annual statements are no longer needed. We intend to publish these statements every two years, with our latest being published in August 2022¹⁶.

67 Interaction with our main stakeholders remained virtual during 2022-23. With virtual meetings having become the norm, and with video calls replacing telephone calls, virtual working has enabled more frequent communication.

68 These relationships are underpinned by a formal agreement with each our main data providers, called a memorandum of understanding (MoU). There were no new MoU entered into in 2022-23, nor were any due to be reviewed.

69 Dame Susan Rice, Professor David Ulph, and Claire Murdoch attended the OECD conference in Dublin from 4 to 6 May 2022 in Dublin. This provided an opportunity to learn from other Independent Fiscal Institutions, and share information about the work of the Commission.

70 The Scottish Parliament co-hosted with the Commission an Inter-Parliamentary Financial Information Network event between 27 and 28 October 2022 which our new Chair and senior members of staff attended. A presentation on What are the biggest fiscal and economic challenges on the horizon for Scotland/UK and the world? was given by Professor Graeme Roy and one of our senior analysts, Caroline Carney.

Be an effective and efficient organisation with skilled, knowledgeable people

71 We continued to develop the transparency of our work, particularly through our voluntary compliance with the Code of Practice for Statistics. Although we do not produce official statistics, 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. In turn, this helps us to help us ensure that our forecasts can be trusted, and are reliable and accessible.

¹⁶ Scottish Fiscal Commission (August 2022) Statement of Data Needs ([link](#))

- 72 We co-hosted the annual Inter-Parliamentary Finance Network Event for parliamentary finance teams and independent fiscal institutions from across the UK and Ireland jointly with the Scottish Parliament’s Information Centre, in October 2022, to share knowledge and best practice with peer organisations.
- 73 As COVID-19 restrictions continued to ease, we continued with a hybrid approach to working. Over the course of the year Governor’s House has been used more intensively with teams often arranging days on which they meet in person. However, the majority of staff work from home for at least part of the working week. We continue with weekly virtual all-team meetings and since September 2022 have arranged quarterly all-team meetings in person.
- 74 In April 2022, we published our corporate plan for April 2022 to March 2025.¹⁷ The corporate governance report at paragraph 142 gives more details about our mission, vision objectives and values.
- 75 We also published our business plan for 2022-23 to present our priorities for the year ahead and set out how we plan to deliver our strategic objectives.¹⁸

Staffing

- 76 Our staff are crucial to our ability to achieve our corporate objectives.
- 77 We anticipated a lower level staff turnover this year, All analytical vacancies were advertised externally and we were able to attract suitable candidates.

Backgrounds of successful candidates, 1 April 2022 to 31 March 2023

SFC	Scottish Administration	Other Government Departments	External	Total vacancies filled
-	3	-	-	3

Note: This table refers to posts rather than people joining the Commission, so does not tally with the staff report. This table includes permanent and temporary posts and inward loans.

- 78 The destination of our leavers shows that the experience and training we offer helps our staff to develop their careers.

Destinations of those leaving a post, 1 April 2022 to 31 March 2023

Promotion within SFC	Promotion within Scottish Administration	Level Transfer within Scottish Administration	Academia/ Career Break/Left Civil Service	Total leaving post
-	1	1	1	3

Note: This table refers to posts rather than people leaving the Commission, and includes career breaks, so does not tally with the staffing report. This table includes permanent and temporary posts.

- 79 Over the year, our headcount has remained fairly constant over the year, with 27 staff at 31 March 2023,. (This does not tally with the staffing report because it includes inward loans and temporary appointments).
- 80 The staff report contains further information relating to staff numbers and costs.

¹⁷ Scottish Fiscal Commission (April 2022) Corporate Plan 2022-2025 ([link](#))

¹⁸ Scottish Fiscal Commission (April 2022) Business Plan 2022-23 ([link](#))

- 81 The Commission's 2022 staff survey took place during December 2022. It was modelled on the UK Civil Service survey and there was a 96 per cent response rate (there had been a 96 per cent response rate for the 2021 survey).
- 82 Overall, results remain largely positive across the survey, with staff wellbeing and engagement high, and a good indication that team relationships and relationships with managers are positive. Perceptions of leadership and managing change, including perceptions of the SMT, remain largely positive and feelings of engagement with the commissioners, and confidence in their decisions, were similar with overall responses being positive. Feelings that people can trust the Commission's work because of their organisational values were very positive, showing the staff's belief in the organisation's work and transparency, and a sense of pride in the organisation. The results of this survey show that action has been taken on issues raised the previous year. However, across the survey there were more overall decreases in positive responses compared to last year than there were increases, and in many questions a rise in neutral responses. These changes highlight potential areas for work during the year to achieve even more positive results next year, including:
- Focusing on promoting learning and development opportunities, and ensuring staff feel supported to undertake these.
 - Working on returning to 100% perception of SFC as a fair and inclusive employer, tackling discrimination and bullying effectively, and taking action to prevent instances of this in the future.
 - Addressing perceptions of pay and benefits, as staff are less positive about their pay in comparison to others doing similar work at different organisations.
 - Ensuring that actions taken on the back of these results are visible to staff, to restore confidence in the purpose and importance of this survey.
- 83 We have worked with staff to produce an action plan to address the key concerns identified in the survey, covering: support for greater collaboration and empowerment of B-band staff, improvements to learning and development opportunities, improvements to the SEFF process, and ongoing development of line management, leadership and internal communications.

Risk profile

- 84 As reported in paragraph 24, we have identified five overarching risks. The table overleaf sets out the risks we face, how they have affected the Commission's achievement of its objectives, how they have been mitigated and how this may affect future plans and performance.

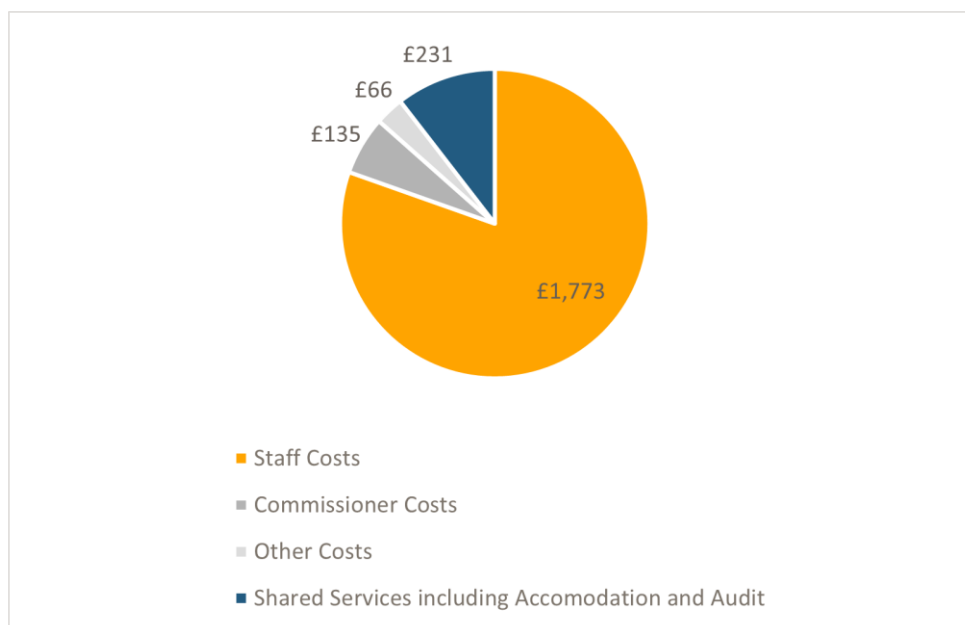
Risk	Description of Impact	Summary	Outlook for 2023-24
Staffing	The Commission cannot deliver its functions effectively because we do not have appropriate staff or Commissioners, or staff or Commissioners cannot work effectively.	Our staffing risk consistently decreased through the year. Our new staff became more experienced which increased our resilience and capacity. We were able to anticipate absences and turnover and attracted suitable staff quickly. We tested and adopted new working practices with Commissioners which also mitigated potential issues from hybrid working.	We continue to expect significant staffing risks, but of a different nature. All but one of our SMT have been at the Commission for over five years, so senior manager turnover is more likely. Our corporate team is in a similar position. We expect to return to usual turnover in our analytical staff.
Partner organisations	A deterioration in relationships with the Commission's partner organisations limits its ability to deliver quality forecasts and reports, through limited access to data and information, or limited time in fiscal event processes.	The likelihood of this risk varied through the year reflecting new Cabinet Secretaries for Finance, the annual fiscal cycle, public sector reform proposals and pressures on Scottish Government partners. We increased our engagement where appropriate to mitigate this.	We do not anticipate any significant change and we expect our partners risk to be within our tolerance levels
Independence	The Commission's political and institutional independence is undermined, or is perceived to be undermined. The consensus that a Scottish independent fiscal institution is needed breaks down.	Factors affecting that could have impacted this risk over the year included the UK political and fiscal crises which spotlighted the role of independent fiscal institutions, and changes in Ministerial portfolio responsibilities. This risk decreased during the year. Ensuring the quality and relevance of our work and communicating our work well are our main mitigation strategies.	We do not expect significant change in our independence risk, although as ever we face the challenge of giving clear and informative analysis to inform public debate on whilst remaining, and being perceived as, completely impartial.
Corporate systems	The Commission's corporate systems are not sufficient to deliver its work. This risk covers internal systems, shared services purchased from the Scottish Government and website providers.	Overall this risk remained broadly stable over the year, but individual pressures changed over the year, including changing timescales for new Scottish Government HR and finance systems, improved recruitment systems, staff absence and new auditors. Mitigation has including changing timing of work and increased communication	We expect our corporate systems risks may increase slightly, with our shared services providers working to replace finance and HR systems. This will require additional work from us such as changing our own processes and training.

Reputation	The Commission suffers a loss of reputation because of its failure to deal with complex contextual change or the perceived quality of its analysis. Political controversy and adverse expert commentary can undermine our reputation, regardless of whether it is justified.	This risk has consistently reduced over the year following the smooth transition to our new Chair, and as forecasts and our fiscal sustainability work were well received. In particular, the fiscal sustainability work reached a broader audience and generated sustained attention from our stakeholders. Ensuring the quality and relevance of our work, communicating our work well and building strong relationships with key stakeholders are our main mitigation strategies.	Overall we expect little change in our reputation risk. We expect high forecast errors in 2023-24 because of the impact of the pandemic, inflation and the Russian invasion of Ukraine. We anticipate that our future engagement and fiscal sustainability work will improve our reputation.
------------	--	--	--

Financial performance

- 85 The Commission received a £2.303 million budget in 2022-23 and had net operating costs of £2.198 million, resulting in an underspend of £0.105 million. (In 2021-22 we had a budget of £2.005 million, net operating costs of £1.899 million and an underspend of £0.106 million.)
- 86 Staff and related costs continue to be our biggest category of expenditure, at 80 per cent of our operating costs. Staff costs have increased as staff progress up their pay scales, and there has been a small increase in staff numbers as our remit now includes fiscal sustainability analysis.
- 87 Shared services (including accommodation costs and audit costs) account for approximately 10 per cent of our operating costs.

Operating Costs 2022-23 (£'000)



- 88 The dominance of staffing costs in our budget, coupled with the small number of staff we have, means that our budget is vulnerable to changes in staffing levels.
- 89 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 2023, the Commission paid 98.4 per cent of its invoices within these terms (95.9 per cent in the year ended 31 March 2022).

Diversity and Inclusion

- 90 Our corporate plan commits us to publishing a number of diversity indicators each year. The majority of these are contained within the staffing report. The remaining two are below.

Report on the gender balance of our appearances at Scottish Parliament Committees

- 91 We are committing to reporting the gender balance of our appearances at Scottish Parliament Committees. Of 15 witness appearances in 2022-23, 20 per cent were female (there were 14 Committee witness appearances in 2021-22, of which 36 per cent were female).

Summary recruitment diversity information

92 We report data encompassing all our recruitment from October 2021 to June 2023. Due to small numbers, much of the diversity information on those who agreed to start has had to be suppressed to prevent disclosure of protected characteristics.

Characteristic	Applied	Successful At Sift	Attended Interview	Successful At Interview	Agreed To Start
Female	37	5	*	*	*
Male	69	13	*	*	*
Prefer Not to Say	4	0	0	0	0
Unknown	1	0	0	0	0
Total	111	18	17	*	*

* suppressed due to the small numbers involved

Characteristic	Applied	Successful At Sift	Attended Interview	Successful At Interview	Agreed To Start
20-29	59	11	10	*	*
30-39	29	*	*	0	0
40-49	14	*	*	*	*
50-54	*	0	0	0	0
55-59		0	0	0	0
60+		0	0	0	0
Unknown	1	0	0	0	0
Total	111	18	17	*	*

* suppressed due to the small numbers involved

Other diversity activity

93 Work is ongoing to improve the accessibility of our website, including trialling making more content available in html format in addition to the pdf format already used on the website.

94 In our corporate plan we say “we make specific commitments to make us a more inclusive and diverse organisation”. These commitments will be set out in each year’s business plan. The commitments we made to improving our diversity and inclusion for 2022-23 were:

- increase the proportion of applicants who are disabled or who do not identify as male
- increase the information available to management about the experience of working in SFC
- introduce more stretching inclusion objectives for staff
- implement a programme of activities to raise awareness of equalities issues.

95 **Increase the proportion of applicants who are disabled or who do not identify as male** The number of applicants who didn’t identify as male was 37.8 per cent (compared with 36.7 per cent% in last year’s annual report). Excluding those who preferred not to say, or did not answer, the number of applicants who didn’t identify as male was 34.9 per cent (compared with 34.3 per cent% in last year’s annual report).

96 There were five applicants who declared to have a disability out of the 110 who responded to that question, 4.5 per cent. Information from previous years is not available, however, this will provide a baseline for future reporting

97 Because of small numbers, most of our reporting has to focus on the actions we undertook, not the results those actions achieved. Our external recruitment exercises this year included webinars for potential applicants about how to apply, providing additional information about preparing for the assessment centre, running assessment centres in-house, ensuring a high ratio of assessment centre slots to reduce our reliance on the application form, and running job advertisements through a gender bias analysis test.

Increase the information available to management about the experience of working in SFC

98 Following the staff survey, we asked staff to discuss the results in groups and provide additional feedback. This gave us useful qualitative information, and helped us better understand whether staff in different grades were experiencing the Commission in different ways. The quarterly in-person staff gatherings also provide a useful opportunity to listen to feedback and ideas.

Introduce more stretching inclusion objectives for staff

99 We circulated practical suggestions to support creating of individual diversity objectives that would have a higher impact.

Implement a programme of activities to raise awareness of equalities issues

100 SMT circulates information regularly on diversity and inclusion issues, and highlights appropriate training opportunities in the weekly all staff email. We have had all staff sessions on accessibility of documents and websites, support and reasonable adjustments available for staff and mental wellbeing and mental health first aid.

Non-financial information

Complaints

101 The Commission has a complaints handling policy and procedure in place and received no complaints in 2022-23 (and none in 2021-22).¹⁹

Information Security

102 There were no known data breaches in 2022-23 (there were none in 2021-22).

Freedom of Information

103 The Commission aims to be fully compliant with Freedom of Information legislation. We received nine Freedom of Information requests in 2022-23, all of which were completed within the statutory deadline for responses (in 2021-22 there were seven requests, six of which were completed within the statutory deadline for responses, and one which was withdrawn). Substantive responses are published on the Commission's website.²⁰

Community and social

104 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 who are interested in our work.

¹⁹ Scottish Fiscal Commission (2017) Complaints Policy ([link](#))

²⁰ Freedom of Information releases on our website ([link](#))

Fraud, corruption and bribery

- 105 The Commission is committed to preventing fraud, corruption and bribery in relation to its funds and activities. There is a counter-fraud policy in place and staff are bound by the Civil Service Code which governs the behaviour of staff and deals with the receipt of gifts and hospitality. Relevant gifts and hospitality received by staff are recorded.^{21 22}
- 106 The Commissioner Code of Conduct sets out the behaviours expected of our Commissioners.²³ It is based on the Scottish Government's Model Code of Conduct for Members of Devolved Public Bodies. Declarations of interest are made at each Governance Board and Audit and Risk Committee meeting. 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.²⁴
- 107 There were no known incidences of fraud or bribery in 2022-23 (there were none in 2021-22).
- 108 The Commission has a shared service agreement in place with the Scottish Government Procurement and Property Directorate and adheres to the Public Sector Procurement guidance.

Environment and sustainability

- 109 In 2022-23, with the lifting of COVID-19 restrictions, Governor's House was reopened fully without restrictions, though hybrid working remains an option for staff. Most of our meetings and events continue to be held online, which reduced considerably the Commission's immediate carbon footprint.

Future plans

- 110 Our Business Plan for 2023-24 will set out our plans for the coming year.
- 111 Paragraph 191 in the staff report reports the gender balance of our Commissioners. It is recognised that that more work needs to be done to improve succession planning and to increase the diversity of the Commissioners. Accordingly over 2023-24, there will be a focus on developing a plan to address this before the next round of Commissioner appointments is due to start in mid 2025.
- 112 In the early years of the Commission our communications focused around creating trust in our impartiality and sharing the outcomes of our work with a wide range of groups. There was naturally a focus on Parliament, especially the Finance Committee and Public Administration Committee, and MSPs as well as media outlets, particularly print and terrestrial broadcasters. We also ran a number of in-person public events.
- 113 As the Commission matures, and at the prompting of the Chair, the focus is shifting towards engagement that puts a higher priority on key decision makers and stakeholders in the Scottish public finance space while maintaining a strong media profile. This strategy is informed by the OECD recommendations, our own internal work and builds upon recent research that identifies weaknesses in the understanding of the moving parts of the fiscal framework among key decision makers²⁵. The intention is to promote greater understanding among these groups better enabling them to use our regular outputs to better inform future policy decisions, to deliver two of our strategic

²¹ Scottish Fiscal Commission Counter-Fraud Policy and Response Plan ([link](#))

²² UK Government (2015) The Civil Service Code ([link](#))

²³ Scottish Fiscal Commission (2019, updated 2022) Code of Conduct ([link](#))

²⁴ Scottish Fiscal Commission (2021) Register of Interests ([link](#))

²⁵ McIntyre S, Mitchell J, and Roy G (2023) Fiscal devolution and the accountability gap: budget scrutiny following tax devolution to Scotland. *Regional Studies*, 57(7), pages. 1380-1391. (doi: 10.1080/00343404.2022.2112166)

objectives: explain what our forecasts and analysis mean for the Scottish Budget, and analyse and explain the medium and longer term risks to the Scottish Budget.

- 114 Over the course of the next year we intend to focus on at least one additional aspect of fiscal sustainability. Following the recommendation in the Finance and Public Administration Committee's Pre-Budget Scrutiny 2022-23 report, the first area is climate change. The Scottish Government faces three sets of costs associated with climate change. These are those from mitigating emissions in line with its legislative targets, the costs of adapting infrastructure to combat changes in environmental conditions, and thirdly the disruption costs such as increased flooding that result from these changes. Our aim would be to produce an initial qualitative assessment of the impact on the Scottish Government's fiscal sustainability as well as an audit of the information that would be needed to produce a full assessment.
- 115 In 2019, OECD undertook the first statutory review of the work of the Commission. The work was undertaken in the summer of 2019, with the review being published in October 2019²⁶. This review offered a clear endorsement of the Commission's activities, and included in its nine recommendations the view that: 'Despite operating in a highly politicised environment, the Scottish Fiscal Commission has been successful in establishing constructive relationships with key stakeholders and has quickly developed a reputation for delivering independent and credible forecasts.'
- 116 The next statutory review of the Commission is due to take place in 2024. Accordingly a key task for 2023-24 will be advance preparation for it including developing a specification, in tandem with our key stakeholders, the Scottish Parliament and Scottish Government. and identifying a reviewing body.

John Ireland

Chief Executive of the Scottish Fiscal Commission and Accountable Officer

²⁶ OECD (2014) Recommendation of the Council on Principles for Independent Fiscal Institutions ([link](#))
Scottish Fiscal Commission Annual Report and Accounts for the year ending 31 March 2023

Accountability Report

Corporate Governance Report

117 This section reports the composition of the Governance Board and senior management over the year, the Commission's governance framework, the Accountable Officer's responsibilities and his sources of assurance. These are in line with the Scottish Public Finance Manual guidance on governance. This section also contains his assessment of the Commission's corporate governance and risk management arrangements. As well as regular scrutiny of our forecasting work by Committees of the Parliament, his annual report is laid in the Scottish Parliament as part of our accountability to Parliament.

The Commissioners' Report

The Commissioners

118 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 Ethical Standards Commissioner. As reported in paragraph 135, the Commissioners act corporately as our Governance Board.

119 There were changes to the Commissioners during the year (as set out in paragraph 15 of the Performance Report), and as at 31 March 2023 there were four Commissioners, one of whom was Chair:

Chair	Professor Graeme Roy
Members	Professor Francis Breedon
	Professor David Ulph
	Doctor Domenico Lombardi

120 The Register of Interests for the Commissioners is available on the Commission's website²⁷ and on request. All members are required to review and update the register at least annually.

Audit and Risk Committee

121 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.

²⁷ Scottish Fiscal Commission Register of Interests ([link](#))

122 The Committee met four times in 2022-23, and its members are:

Chair	Professor David Ulph
Members	Professor Francis Breedon Doctor Domenico Lombardi (from 1 June 2022)
External Member	Gillian Carty (until December 2022)
Attendees	Dame Susan Rice (until 30 June 2022) Professor Graeme Roy (from 1 June 2022) Audit Scotland (until October 2022) Deloitte LLP (from February 2023) Scottish Government Internal Audit and Assurance Directorate

Chief Executive and Senior Management Team

123 Members of the Senior Management team during 2022-23 were:

Chief Executive and Accountable Officer	John Ireland
Head of Economy and Tax	David Stone
Head of Social Security and Public Funding	Claire Murdoch
Interim Head of Social Security and Public Funding	Michael Davidson
Head of Strategy, Governance and Corporate Services	Susie Warden

124 No member of the senior management team held a directorship or significant interest which may have conflicted with their management responsibilities.

Internal Audit

125 Internal Audit is provided by Scottish Government Directorate for Internal Audit and Assurance (SGDIAA). The Audit and Risk Committee considered the two reports produced by SGDIAA for 2022-23, which consisted of an Annual Corporate Review which considered Corporate Governance and Finance, and an Annual Assurance Report. Regular updates on progress were presented by SGDIAA at Audit and Risk Committee meetings during the year. The SGDIAA Annual Assurance Report provided substantial assurance on the Scottish Fiscal Commission's risk management, control and governance arrangements. This means that the Commission's risk, governance and control procedures are effective in supporting the delivery of any related objectives. Any exposure to potential weakness is low and the materiality of any consequent risk is negligible.

External Audit

126 External Audit is currently provided by Deloitte LLP, who took over from Audit Scotland for the 2022-23 audit, and who were 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, and latterly Deloitte LLP.

Statement of Accountable Officer's responsibilities

127 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.

- 128 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.
- 129 The then 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.
- 130 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.
- 131 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 are aware of that information. So far as I am aware, there is no relevant audit information of which the Commission's auditors are unaware. I confirm that the annual report and accounts as a whole is fair, balanced and understandable, and that I take personal responsibility for the annual report and accounts and the judgements required for determining that it is fair, balanced and understandable.

Governance Statement

- 132 This statement sets out how the Commission manages and controls its resources and risk. It covers the period from 1 April 2022 to the date of signing.

Governance framework

- 133 The foundation of our governance framework is the Framework Document, 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
 - key financial and operating procedures.
- 134 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.
- 135 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. 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 attend Governance Board meetings to support the Commissioners.
- 136 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 Commissioners²⁸. Our Code of Conduct is based on the Model Code of Conduct for Members of Devolved Public Bodies²⁹. 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".
- 137 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. The Committee publishes its minutes on our website³⁰.
- 138 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 Commission Chair, reflecting accepted good practice) as formal members gives us some resilience against absence. We have an external member to bring a fresh perspective and better hold the Board to account. This member's appointment ended at the end of 2022. The recruitment of a replacement and an additional member of the Audit and Risk Committee was completed after 31 March 2023, with two new members (Catriona McConnell and Sarah Pumfrett) being appointed from 2 May 2023 for a period of two years.
- 139 In addition, the Audit and Risk Committee benefits from the helpful and expert input of Audit Scotland (latterly Deloitte LLP), and the Scottish Government Directorate for Internal Audit and Assurance who attend Audit and Risk Committee meetings.
- 140 The Governance Board and Audit and Risk Committee have continued to operate and hold meetings virtually using video-conferencing tools.

²⁸ Scottish Government (2021) Model Code of Conduct for Members of Devolved Public Bodies ([link](#))

²⁹ Scottish Fiscal Commission (2022) Code of Conduct ([link](#))

³⁰ Audit and Risk Committee minutes ([link](#))

- 141 The other documents which form part of our governance framework are:
- the Scottish Fiscal Commission Act 2016, which sets out our powers, functions and duties³¹;
 - the Corporate Plan, which sets out our mission, values and objectives³²;
 - 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 procedures³³.
- 142 We developed a new Corporate Plan, setting out our mission, vision, objectives and values from April 2022 to March 2025.³⁴

Summary of our Corporate Plan

What we do: our mission

We produce independent, robust forecasts and assessments to improve the transparency and scrutiny of the Scottish Budget.

Why we do it: our vision

The Scottish Budget is transparent and well-scrutinised, and Government and Parliament understand the inevitable uncertainties and risks relating to devolved public finances.

What we do: our strategic objectives

Provide robust, independent, official forecasts of Scotland's economy, devolved tax revenues and social security spending.

Explain what our forecasts and analysis mean for the Scottish Budget.

Analyse and explain the medium and longer term risks to the Scottish Budget.

Be an effective and efficient organisation with skilled, knowledgeable people.

Our values

Everyone can trust our work because:

we are independent – we are impartial, honest and objective

we work well with others

we are transparent and we promote transparency in Scottish public finances

we explain complex matters clearly and make our work easy to access

we produce quality work which informs public debate

³¹ Scottish Fiscal Commission Act 2016 ([link](#))

³² Scottish Fiscal Commission (2022) Corporate Plan 2022-25 ([link](#))

³³ Scottish Fiscal Commission website, Corporate section ([link](#))

³⁴ Scottish Fiscal Commission (2022) Corporate Plan 2022 – 2025 ([link](#))

The Governance Board

143 During 2022-23 the Governance Board met formally on four occasions. A full set of minutes was produced to record all agreed actions and decisions and these are published on our website³⁵ in accordance with the Commission's Publication Scheme.³⁶ At each occasion all Commissioners were asked for any declarations of interest with a full record made in the minutes in compliance with the Code of Conduct.

Corporate Governance

144 "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 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.

145 The Governance Framework section above sets out how our roles, responsibilities and relationships are defined. Our corporate policies are reviewed regularly to an agreed schedule and are published on our website.

146 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 in order to achieve best value. We use Scottish Government financial management software and systems which provide compliant controls. Over 2022-23 we received a substantial assurance from Scottish Government Directorate for Internal Audit and Assurance following their assessments this year.

147 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. Following publication of the updated Model Code of Conduct in December 2021 by Scottish Government, the Commission's Code of Conduct was updated in February 2022 and subsequently approved in June 2022. There have been no further changes to the Model Code of Conduct since then.

148 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.

149 The Commission's whistle-blowing policy sets out how all those who work within the Commission can raise concerns about malpractice. It is subject to regular review by the Governance Board (last review in November 2022) and is available on our website. To date, no concerns about malpractice have been raised.

Risk Management

150 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

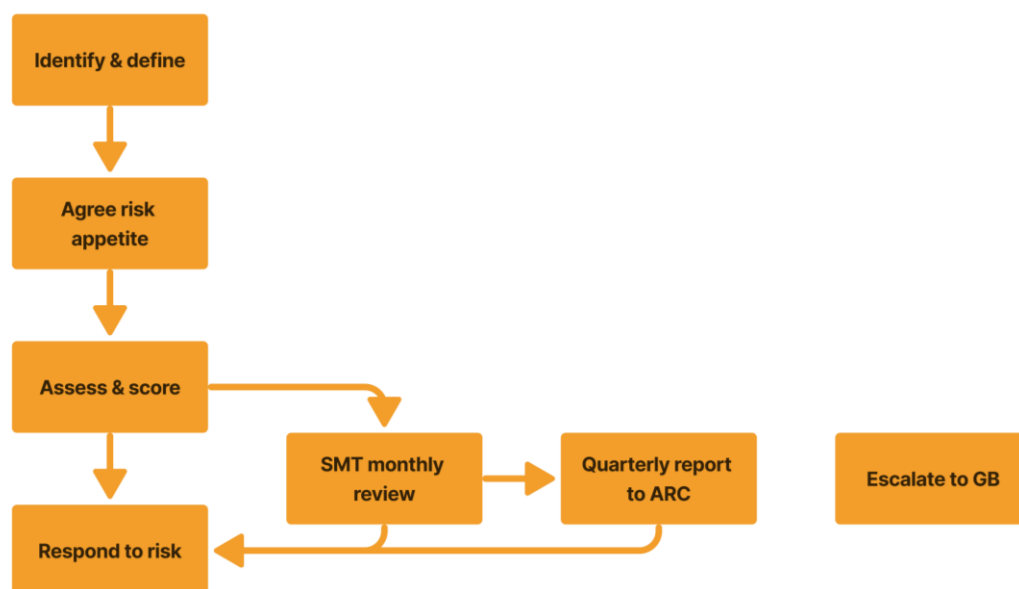
³⁵ Scottish Fiscal Commission Governance Board Minutes ([link](#))

³⁶ Scottish Fiscal Commission Publication Scheme ([link](#))

successful risk management strategy are set out in the SPFM and our risk management strategy was designed to comply with those requirements.

151 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 processes of risk identification, review and escalation. The framework is reviewed and approved by the Governance Board at least every two years.

Risk Management Process



152 The aims of our approach are to make sure that:

- risk management is part of day to day decision-making and not an industry in its own right
- risk management is effective at increasing the likelihood of achieving our objectives
- risks are recorded and reported in a way that the Audit and Risk Committee can scrutinise how the organisation manages risks
- Commissioners are aware of, and make decisions about, the most serious risks

153 The current key risks are reported in the performance analysis section at paragraph 84.

154 I am content that the Commission’s management of risk is effective. I assess our risk profile to be acceptable.

Written assurances

155 I have received assurance from the Scottish Government’s Director Digital in respect of the IT services shared with the Commission which confirms that internal control matters in that Directorate have been, and are, working well and that there were no significant matters arising which would require to be raised specifically in the governance statement.

156 I have received assurance from the Scottish Government’s People Director in respect of the human resources and payroll systems shared with the Commission which confirms that internal control matters in that Directorate have been, and are, working well and that there were no significant matters arising which would require to be raised specifically in the governance statement. Only reasonable assurance could be given for the HR Service Centre but the implementation of the new Oracle Cloud service is anticipated to bring improvements.

- 157 I have received assurance from the Scottish Government's Director of Financial Management in respect of the financial systems shared with the Commission who confirms that controls have been, and are, working well, with the following exceptions. There were no other significant matters arising which would require to be raised specifically in the governance statement.
- They have continued to experience significant resourcing issues that restrict their ability to meet the full range of financial challenges and opportunities facing the Scottish Government. The Directorate is reviewing its operating model to configure this to the capacity and capability required to underpin new systems, drive continuous improvement in financial management practices across the organisation, and maximise the benefits of wider corporate transformation. Associated resourcing plans are expected to strengthen essential functions during 2023-24.
 - Measures to underpin the stability and security of the SEAS financial system are underway and expected to be in place by summer 2023. These will de-risk the existing system during the implementation and transition to the Scottish Government's new Enterprise Resource Planning system. Ongoing investment is required to maintain these business critical systems and enable a seamless changeover to the new arrangements.
 - The Directorate's work to support and enhance relevant governance, risk and assurance practices across the Scottish Government is ongoing. A range of improvements are being secured, but enabling the organisation to sustain a fully mature approach requires the development of additional second line policy, controls and assurance functions as part of the future operating model configuration outlined above.
- 158 I have also received from Scottish Government's Directorate of Internal Audit and Assurance a copy of the assurance provided for 2022-23 on the Scottish Government's corporate services which deliver our shared services. As with the previous year, a reasonable assurance was given because of identified risks of aging systems. Scottish Government is continuing to work on a transformation programme which should improve key corporate systems in the longer-term. This is reflected in our risk profile, reported at paragraph 84.

Data security

- 159 There were no known data breaches in 2022-23 (there were none in 2021-22).

Assessment of Corporate Governance and Risk Management Arrangements

- 160 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 responsibility for reviewing the effectiveness of the Commission's risk management arrangements and system of internal control.
- 161 My review of the effectiveness of these systems is informed by:
- regular discussions with the senior management team and senior analysts covering planning, performance, risk and use of resources
 - regular discussions with the Head of Strategy, Governance and Corporate Services including on governance matters
 - insight into the Commission's performance from our internal auditors (SGDIAA), and their audit opinion on the quality of systems of governance, management and risk control

- the Governance Board’s views on management reports, including on governance matters, performance and risk management
 - the views of the Commission’s Audit and Risk Committee on the Commission’s management of risk and assurance arrangements
 - comments made by the external auditors in their reports and attendance at Audit and Risk Committees
 - completion of the internal control checklist (recognising that this provides reasonable assurance but can never provide absolute assurance)
- 162 I am required to disclose and explain departures from compliance with SPFM. One of our new Commissioners is based outside the UK, which necessitated an application for a UK visa and complicated the payment of his fees. As a result payment of the Commissioner’s remuneration was delayed, contrary to the requirement in the Scottish Public Finance Manual that all payments should be made promptly. The decision to delay payment was taken in order to remain compliant with the requirement for fees to be paid via payroll. Advice was sought from SGDIAA, Audit Scotland and Deloitte. The issue was reported to the Audit and Risk Committee and the Commissioner was kept regularly appraised of progress. The first payment, backdated to the appointment date, was made within the financial year 2022-23, and since then the necessary visa has been awarded and payments have been regular and timely.
- 163 I 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.

Remuneration and Staff Report

Remuneration Report

- 164 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.
- 165 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

- 166 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 Code³⁷ and in conjunction with independent advice from the Senior Salaries Review Body (SSRB).³⁸
- 167 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.³⁹ 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.
- 168 The Commissioners are non-executive and are appointed following a public appointment 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 Scottish Public Sector Pay Policy.⁴⁰

Single Total Figure of Remuneration (audited)

- 169 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.

Total Figure of Remuneration	2022-23	2021-22
Board Member	£'000	£'000
Dame Susan Rice DBE (Chair) until 30 June 2022 *	5-10	35-40
Professor Graeme Roy appointed from 1 June 2022 *	30-35	-
Professor Alasdair Smith appointment ended 31 March 2022	-	25-30
Professor Francis Breedon	25-30	25-30
Professor David Ulph	25-30	25-30
Doctor Domenico Lombardi appointed from 1 June 2022 **	20-25	-
External Audit and Risk Committee Member	£'000	£'000
Gillian Carty appointment ended 31 December 2022	0-5	0-5

* 2022-23 whole year equivalent £35,000-£40,000

** 2022-23 whole year equivalent £25,000-£30,000

³⁷ Civil Service Management Code ([link](#))

³⁸ Information about the work of the SSRB can be found ([link](#))

³⁹ Information about the Public Sector Pay Policy ([link](#))

⁴⁰ The Scottish Government Public Sector Pay Policy 2022-23 ([link](#))

Senior Management Team	Wages & Salary Band £'000		Accrued Pension Benefits £'000		Total £'000	
	2022-23	2021-22	2022-23	2021-22	2022-23	2021-22
John Ireland, Chief Executive	85-90	80-85	-	-	85-90	80-85
Claire Murdoch, Head of Social Security and Public Funding	75-80	75-80	31	30	110-115	105-110
Michael Davidson, Interim Head of Social Security and Public Funding	45-50 whole year equivalent	-	17	-	65-70	-
David Stone, Head of Economy and Tax	60-65 FTE 75-80	65-70 FTE 75-80	25	26	85-90	90-95
Susie Warden, Head of Strategy, Governance and Corporate Services	45-50 FTE 75-80	45-50 FTE 75-80	12	29	60-65	75-80

FTE means full time equivalent

- 170 None of the above received any benefits in-kind or bonus payments in 2022-23 or 2021-22.
- 171 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.
- 172 It is not possible to directly compare 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.
- 173 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.

Pensions (audited) 31 March 2023

Senior Management Team	Accrued Pension as at 31 March 2023 and related lump sum £'000	Real increase in pension and related lump sum £'000	CETV at 31 March 2023 £'000	CETV at 31 March 2022 £'000	Real Increase in CETV £'000
John Ireland, Chief Executive	50-55	-	1,040	998	-44
Claire Murdoch, Head of Social Security and Public Funding	10-15	0-2.5	126	105	9
Michael Davidson, Interim Head of Social Security and Public Funding	10-15	0-2.5	121	107	6
David Stone Head of Economy and Tax	15-20	0-2.5	154	135	8
Susie Warden, Head of Strategy, Governance and Corporate Services	15-20 plus lump sum of 25-30	0-2.5 plus lump sum of 0	228	202	3

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.

Pensions (audited) 31 March 2022

Senior Management Team	Accrued Pension as at 31 March 2022 and related lump sum £'000	Real increase in pension and related lump sum £'000	CETV at 31 March 2022 £'000	CETV at 31 March 2021 £'000	Real Increase in CETV £'000
John Ireland, Chief Executive	45-50	0	998	970	-7
Claire Murdoch, Head of Social Security and Public Funding	10-15	0-2.5	105	88	9
David Stone Head of Economy and Tax	15-20	0-2.5	135	119	8
Susie Warden, Head of Strategy, Governance and Corporate Services	10-15 plus lump sum of 25-30	0-2.5 plus lump sum of 0-2.5	202	176	15

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.

174 The above pension information was supplied to the Scottish Fiscal Commission by MyCSP.

175 Employer contributions to all pension plans for 2022-23 were £351,291 including £96,085 for the Senior Management Team (in 2021-22 they were £272,602 including £80,036 for the Senior Management Team). It is anticipated that employers contributions to all pension plans in 2023-24 would be around £383, 000.

Civil Service Pensions

176 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: 3 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.

- 177 These statutory arrangements are unfunded with the cost of benefits met by monies voted by 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 switch into alpha sometime between 1 June 2015 and 1 February 2022. Because the Government plans to remove discrimination identified by the courts in the way that the 2015 pension reforms were introduced for some members, eligible members with relevant service between 1 April 2015 and 31 March 2022 may be entitled to different pension benefits in relation to that period (and this may affect the Cash Equivalent Transfer Values shown in this report – see below). 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. (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.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a defined contribution (money purchase) pension with an employer contribution (partnership pension account).
- 178 Employee contributions are salary-related and range between 4.6 per cent and 8.05 per cent 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 per cent 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 per cent. 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.
- 179 The partnership pension account is an occupational defined contribution pension arrangement which is part of the Legal & General Mastertrust. The employer makes a basic contribution of between 8 per cent and 14.75 per cent (depending on the age of the member). The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3 per cent of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5 per cent of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).
- 180 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.)

- 181 Further details about the Civil Service pension arrangements can be found at the website www.civilservicepensionscheme.org.uk.

The Cash Equivalent Transfer Value (CETV)

- 182 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.

- 183 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

- 184 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

- 185 During 2022-23 there were no early departure packages (there were none in 2021-22).

Fair Pay Disclosure (audited)

Heading	2022-23	2021-22
Band of highest paid director £'000	85-90	80-85
Per cent increase in highest paid Director over previous year, based on mid-point of salary band	6.1%	0%
25 percentile	38,329	31,542
25 percentile Ratio	2.2	2.6
Median total remuneration	49,860	39,659
Median Ratio	1.7	2.1
75 percentile	54,867	49,861
75 percentile Ratio	1.6	1.7
Range minimum – maximum £'000 (FTE)	30-35 to 85-90	25-30 to 80-85
Total staff remuneration - see note 2	1,267	1,030
Per cent increase/decrease over previous year, excluding highest paid director *	11.09	-6.5%

* the average percentage change for employees fell in 2021-22 due to both turnover and employment of new staff, more of whom are at the lower end of pay ranges.

Staff do not receive bonuses or performance pay.

186 The reduction in the pay ratios from the previous year reflects that the SG Main pay settlement was a higher percentage increase than the senior civil service pay settlement. There has been no change in our employment model. The SG Main pay settlement was intended to give a higher percentage increase to the lowest paid staff, and the quartile pay ratios are consistent with that.

Staff Report

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

Number of senior civil service staff

188 As at 31 March 2023, the Commission employed one Senior Civil Servant, the Chief Executive, who is a Band 1 (also one senior civil servant at 31 March 2022).

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

	2022-23 WTE	2021-22 WTE
Permanent Employees (including staff on loan)	23.9	20.1
Fixed Term Staff	1.7	0.9
Total	25.6	21.0
Commissioners*	1.2	1.2

* previous reports provided headcount rather than WTE: 2021-22 has been adjusted to WTE

189 The number of people employed increased due to beginning a new area of work (reporting on fiscal sustainability) and cover for temporary absences.

Staff Costs (audited)

£'000	2022-23 £'000	2021-22 £'000
Wages and salaries (staff on loan)	1,202	1,000
Wages and Salaries (Fixed Term Appointments)	65	30
Social security costs	149	114
Other pension costs	352	286
Commissioner/Board fees and costs	135	129
Total administration staff costs	1,903	1,559

190 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.

Staff Composition

191 The numbers of people of each sex employed by the Scottish Fiscal Commission on 31 March 2023 are set out in the following table by category. The numbers include temporary and fixed term appointments and are headcount, not whole-time equivalent (WTE).

Category	31 March 2023		31 March 2022	
	Female	Male	Female	Male
Employees – non-Senior Management Team	8	14	10	13
Non Senior Civil Service members of the Senior Management Team	2	2	2	1
Senior Civil Servants	0	1	0	1
Total staff	10	17	12	15
Board members	0	4	1	3

Sickness Absence

	Average total of sick days per employee 2022-23	Average total of sick days per employee 2021-22
Short term absence (<=20 working days)	2.9	3.4
Long term absence (>20 working days)	1.8	1.8
Total	4.7	5.2

Staff turnover percentage

Headcount at 31 March 2022*	Headcount at 31 March 2023	Average Headcount	Leavers	Turnover %
24	26	25	3	12%

* Permanent head count, excluding FTA and inward loan staff

Staff survey engagement score

192 Our staff survey mirrors the Civil Service People Survey. The employee engagement index reflects employees' responses to five questions measuring pride, advocacy, attachment, inspiration and motivation.

	2022	2021
Scottish Fiscal Commission employee engagement score	76	77
Scottish Government employee engagement score	66	75 ⁴¹

Staff policies for disabled persons

193 The Commission is part of the Scottish Government Main bargaining unit, and uses those terms, conditions and staff policies. 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, and follows the Scottish Government recruitment process. These mean we:

- Ensure that all disabled applicants who meet the minimum advertised criteria for a job vacancy will be invited for interview. Disabled candidates are guaranteed the chance to be judged along with everyone else on their abilities.

⁴¹ Civil Service People Survey 2021 ([link](#))

- Continuing the employment of, and arranging for appropriate training for, employees who have become disabled persons whilst employed by the Commission.
- Provide training and career development opportunities for disabled persons employed by the Commission.
- Allow for reasonable adjustments to be made to either the work environment or terms and conditions of employment, as and when required.

Employee relations

194 As a small organisation the Commission consults staff directly on relevant issues, and we also engage with the Council of Scottish Government Unions as required. Many aspects of employee relations are covered in our membership of the Scottish Government Main bargaining unit, including pay policy. One member of staff fulfils the role of Health and Safety Liaison Officer as part of their duties. This year we have curated a source of learning materials and training opportunities suitable for our staff. Of our 27 staff (as at 31 March 2023), 22 are economic and fiscal analysts and five provide corporate support services.

Expenditure on Consultancy

195 The Commission did not incur consultancy costs in 2022-23 (in 2021-22 no costs were incurred).

Diversity and Inclusion

196 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 and Commissioners.

197 We think about diversity and inclusion in three facets: recruitment of staff and Commissioners, how we operate as an organisation, including retention and progression, and how we deliver our work to the public. We report on our specific activities in the performance analysis, at paragraph 90 onwards.

198 We are committed to helping to grow Scotland's capacity for economic analysis, and developing a diverse, talented pool of analysts in Scotland. We sit on the steering group for the Economic Futures programme, which aims to improve economics capacity on behalf of all higher education institutions in Scotland.⁴²

199 We are also subject to the Gender Representation on Public Boards (Scotland) Act 2018.⁴³ Our gender balance at 31 March 2023 was 0:100 and did not achieve the gender representation objective of 50:50 by December 2022. Our Commissioners are recruited primarily for their economic and fiscal forecasting expertise, rather than governance, management or lived experience, as with many non-executive positions. That recruitment pool is primarily male: amongst academic economists in the UK, women comprise only 15 per cent of professors, and no Black female professor of economics was employed anywhere in the UK for the entire period from 2012-2019.⁴⁴ We are developing a succession plan to ensure that we do all we can to attract diverse, high calibre

⁴² Information about Economic Futures ([link](#))

⁴³ The Gender Representation on Public Boards (Scotland) Act 2018 – Statutory Guidance, June 2020 ([link](#))

⁴⁴ The Gender Imbalance in UK Economics, Royal Economic Society 2021 ([link](#))

candidates in future, and will report on the measures we are taking as required by the Gender Representation on Public Boards (Scotland) Act 2018.

Gender Pay Gap

- 200 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 and a negative gap the reverse. 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.
- 201 The Scottish Fiscal Commission pays women and men undertaking work of an equal value on the same scale (i.e. within the same pay range) with the exact pay depending on length of service. This means our gender pay gap reflects the distribution of men and women both across and within pay ranges.

	31 March 2023	Scotland 2022 ⁴⁵	31 March 2022
Median gender pay gap	-16.4	12.0	-21.2
Arithmetic mean gender pay gap	-10.4	10.9	-8.6

- 202 The median gender pay gap for all staff at Scottish Fiscal Commission at 31 March 2023 has changed slightly since March 2022. With relatively small numbers of employees, the pay gap measure is sensitive to quite small changes in staffing and pay so changes in the pay gap are likely to be only transitory rather than permanent as the median male and female move up the pay scale. In 2022-23 there has been an increase in the number of male staff employed across grades and a decrease in the number of junior female staff.

Other items

- 203 The Scottish Fiscal Commission has no remote contingent liabilities, or losses and special gifts nor does it have any income from fees and charges payments.

John Ireland

Chief Executive of the Scottish Fiscal Commission and Accountable Officer

⁴⁵ Office for National Statistics – Gender pay gap – Scotland average– updated provisional 2020 Table 3.12 ([link](#))
 Scottish Fiscal Commission Annual Report and Accounts for the year ending 31 March 2023

Independent Auditor's Report

Independent auditor's report to the Scottish Fiscal Commission, the Auditor General for Scotland and the Scottish Parliament

Reporting on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements in the annual report and accounts of Scottish Fiscal Commission for the year ended 31 March 2023 under the Public Finance and Accountability (Scotland) Act 2000. The financial statements comprise the Statement of Financial Position, the Statement of Comprehensive Net Expenditure, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the 2022/23 Government Financial Reporting Manual (the 2022/23 FReM).

In our opinion the accompanying financial statements:

- give a true and fair view of the state of the body's affairs as at 31 March 2023 and of its net expenditure for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2022-23 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

We conducted our 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. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We were appointed by the Auditor General on 18 May 2022. Our period of appointment is five years, covering 2022/23 to 2026/27. We are independent of the body in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the body. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern basis of accounting

We have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the body's ability to continue to

adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

These conclusions are not intended to, nor do they, provide assurance on the body's current or future financial sustainability. However, we report on the body's arrangements for financial sustainability in a separate Annual Audit Report available from the Audit Scotland website.

Risks of material misstatement

We report in our Annual Audit Report the most significant assessed risks of material misstatement that We identified and our judgements 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 there is an intention to discontinue the body's operations.

Auditor's responsibilities for the audit of the financial statements

Our 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 our 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 decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- using our understanding of the central government sector to identify that the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers are significant in the context of the body;
- inquiring of the Accountable Officer as to other laws or regulations that may be expected to have a fundamental effect on the operations of the body;
- inquiring of the Accountable Officer concerning the body's policies and procedures regarding compliance with the applicable legal and regulatory framework;
- discussions among our audit team on the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

We obtained an understanding of the legal and regulatory framework that the body operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. This includes the Public Finance and Accountability (Scotland) Act 2000.
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the body's ability to operate or to avoid a material penalty. These include the Data Protection Act 2018 and relevant employment legislation.

As a result of performing the above, we identified the greatest potential for fraud was in relation to the requirement to operate within the revenue budget set by the Scottish Government as part of the Budget (Scotland) Act. The risk is that the expenditure in relation to year-end transactions may be subject to potential manipulation in an attempt to align with its tolerance target or achieve a breakeven position. In response to this risk, we obtained confirmation of the revenue budget via the Budget (Scotland) Act and tested a sample of accruals, prepayments and invoices received around the year-end to assess whether they have been recorded in the correct period.

In common with audits under ISAs (UK) we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments, assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulation described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatements due to fraud;
- enquiring of management, internal audit and external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing internal audit reports.

The extent to which our procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the body's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result 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 skillfulness 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.

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 our auditor's report.

Reporting on regularity of expenditure and income

Opinion on regularity

In our 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. In addition to our responsibilities in respect of irregularities explained in the audit of the financial statements section of our report, we are responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Reporting on other requirements

Opinion prescribed by the Auditor General for Scotland on audited parts of the Remuneration and Staff Report

We have audited the parts of the Remuneration and Staff Report described as audited. In our opinion, the audited parts of the Remuneration and Staff Report have been properly prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers.

Other information

The Accountable Officer is responsible for the other information in the annual report and accounts. The other information comprises the Performance Report and the Accountability Report excluding the audited parts of the Remuneration and Staff Report.

Our responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work We have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Our opinion on the financial statements does not cover the other information and We do not express any form of assurance conclusion thereon except on the Performance Report and Governance Statement to the extent explicitly stated in the following opinions prescribed by the Auditor General for Scotland.

Opinions prescribed by the Auditor General for Scotland on Performance Report and Governance Statement

In our 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 we are required to report by exception

We are required by the Auditor General for Scotland to report to you if, in our opinion:

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

We have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

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

Use of our 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 108 of the Code of Audit Practice, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Pat Kenny, CPFA (for and on behalf of Deloitte LLP)
110 Queen Street
Glasgow
G1 3BX

Financial Statements

Introduction

2.1 This statement of accounts reports the results of the Scottish Fiscal Commission (the Commission) for the year 1 April 2022 to 31 March 2023. 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.

Statement of Comprehensive Net Expenditure for the year ended 31 March 2023

(£'000)	Note	31 March 2023	31 March 2022
Staff costs	2	(1,903)	(1,559)
Other operating costs	3	(204)	(305)
Notional Costs	4	(32)	(32)
Depreciation	5, 6	(59)	(3)
NET OPERATING COST		(2,198)	(1,899)

The notes on pages 56 to 63 form part of these financial statements.

Statement of Financial Position as at 31 March 2023

(£'000)	Note	31 March 2023	31 March 2022
NON-CURRENT ASSETS			
Property, plant and equipment	5	4	6
Right-of-use assets	6	114	-
Total non-current assets		118	6
CURRENT ASSETS			
Cash and cash equivalents		-	-
Total current assets		-	-
TOTAL ASSETS		118	6
CURRENT LIABILITIES			
Trade and other payables	7	(162)	(153)
Lease liabilities	8	(57)	-
Total current liabilities		(219)	(153)
TOTAL ASSETS LESS TOTAL LIABILITIES		(101)	(147)
Lease liabilities	8	(57)	-
Total non-current liabilities		(57)	-
TOTAL ASSETS LESS TOTAL LIABILITIES		(158)	(147)
TAXPAYERS' EQUITY			
General Fund	SOCTE	(158)	(147)
TOTAL TAXPAYERS' EQUITY		(158)	(147)

The notes on pages 56 to 63 form part of these financial statements.

The Chief Executive and Accountable Officer authorised these financial statements for issue on 11 October 2023.

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

Statement of Cash Flows for the year ended 31 March 2023

(£'000)	Note	31 March 2023	31 March 2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Net operating cost	SOCNE	(2,198)	(1,899)
Adjustments for non-cash transactions			
* Depreciation/Amortisation	5	2	3
* Notional Costs	4	32	32
Movements in working capital			
* (Increase) in trade and other receivables	7	-	-
* Increase in trade and other payables	8	66	25
Net cash outflow from operating activities		(2,098)	(1,839)
CASH FLOWS FROM INVESTING ACTIVITIES USED IN			
Purchase of property, plant and equipment	5	-	(6)
Net cash flow from investing activities		-	(6)
CASH FLOWS FROM FINANCING ACTIVITIES USED IN			
Payment of lease liabilities		(57)	-
Funding	SOCTE	2,155	1,845
Net cash flow from financing activities		2,098	1,845

The notes on pages 56 to 63 form part of these financial statements.

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2023

£'000	Note	General Fund 2022-23	General Fund 2021-22
Balance at 1 April		(147)	(125)
Non-cash charges – notional costs	4	32	32
Net operating costs for the year	SOCNE	(2,198)	(1,899)
Net funding		2,155	1,845
Balance as at 31 March		(158)	(141)

The notes on pages 56 to 63 form part of these financial statements.

Notes to the Accounts for the year ended 31 March 2023

Statement of accounting policies

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) 2022-23 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.

Critical accounting judgements and key sources of estimation

The preparation of these accounts requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenditure. These assessments are based on historic and other factors that are believed to be reasonable, the results of which form the basis for making judgements. The estimates and underlying assumptions are reviewed on an ongoing basis.

In the year ended 31 March 2023 (as well as for the year ended 31 March 2022) there were no material assumptions or other sources of estimation uncertainty that could lead to a significant risk of a material adjustment to the carrying amounts of assets and liabilities in the forthcoming year.

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;
- a depreciation 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
- Information Technology 5 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 (applicable for the period before 1 April 2022)

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 (applicable for the period before 1 April 2022)

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 Scottish Fiscal 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 2023 have been brought into the account irrespective of when actual payments were received.

(i) Payables

All material amounts outstanding as at 31 March 2023 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 remuneration and staff 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 2023-24 has been confirmed in the Budget Act. Scottish Government funding is provided to meet liabilities as they fall due. 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) Leases - policy applicable from 1 April 2022

At inception of a contract, the Commission assesses whether a contract is, or contains, a lease. A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Commission assesses whether:

- The contract involves the use of an identified asset;
- Commission has the right to obtain substantially all the economic benefits from the use of the asset throughout the period of use; and
- Commission has the right to direct the use of the asset.

This policy is applied to contracts entered into, or changed, on or after 1 April 2022.

As a lessee

At the commencement of the lease, the Commission recognises a right-of-use asset and a lease liability.

The right-of-use asset is initially measured at cost which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of any costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-asset is subsequently depreciated using the straight line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated

useful lives of the right-of-use assets are determined on the same basis of those of the property plant and equipment assets. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurement of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. Instead of discounting the lease liability using the interest rate implicit in the lease, the Commission opted for the simplified approach of no discounting due to the low value of interest costs.

The lease liability is remeasured when there is a change in the future lease payments arising from a change in an index or rate, if there is a change in the Commission's estimate of the amount expected to be payable under a residual value guarantee, or if the Commission changes its assessment of whether it will exercise a purchase, extension or termination option.

The lease liability is presented in note 9 to the accounts. The lease liability for 2021-22 was £54,000.

The Commission has elected not to recognise right-of-use assets and lease liabilities for the following leases:

- Intangible assets;
- Non-lease components of contract where applicable;
- Low value assets (determined in line with capitalisation thresholds on Property, Plant and Equipment); and
- Leases with a lease term of 12 months or less.

The Commission has adopted IFRS 16 from 1 April 2022 using the modified retrospective approach and therefore the comparative information has not been restated.

(m) Disclosure of new accounting standards

All new standards issued, and amendments made to existing standards are reviewed by the Financial Reporting and Advisory Board (FRaB) for subsequent inclusion in the FReM in force for the year in which the changes become applicable.

The Scottish Fiscal Commission has considered the expected impact of new accounting standards issued but not yet in effect

Standards that were in issue, but not yet effective in the financial year, included:

- IFRS 17: Insurance Contracts. Applicable for periods beginning on or after 1 January 2023.
- Amendment to IAS 1: Classification of Liabilities as Current or Non-Current. Applicable for periods beginning on or after 1 January 2023.
- Amendment to IAS 1: Disclosure of Accounting Policies. Applicable for periods beginning on or after 1 January 2023.
- Amendment to IAS 8: Definition of Accounting Estimates. Applicable for periods beginning on or after 1 January 2023.

The Scottish Fiscal Commission has considered the expected impact of new accounting standards issued but not yet in effect and noted there would be no material impact on its financial statements.

2. Staff Costs

£'000	2022-23 £'000	2021-22 £'000
Wages and salaries (including Fixed Term Appointments and staff on loan)	1,267	1,030
Social security costs	149	114
Other pension costs	352	286
Commissioner/Board fees and costs	135	129
Total administration staff costs	1,903	1,559

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.

3. Other Operating Costs

Other Operating Costs (£'000)	2022-23	2021-22
Staff related costs:		
HR service	23	19
Recruitment	-	18
Training	5	26
Travel, subsistence and catering	4	-
Non-staff related costs:		
Accommodation (includes rates, maintenance and cleaning)	74	150
Office and IT equipment (includes furniture and telephones)	-	18
IT and telephone services (includes software)	62	42
Office Supplies (includes stationery and printing)	1	1
Communications and events (includes website development and website hosting)	15	15
Consultancy and outsourced professional services (includes procurement, internal audit and legal)	20	16
Total Other Operating Costs	204	305

4. Notional Costs

Notional Costs (£'000)	2022-23	2021-22
Internal Accountancy Fees	3	3
External Audit Fees	29	29
Total notional costs	32	32

5. Property, plant and equipment

Property, plant and equipment (£'000)				2022-23			2021-22
Cost	Plant & Machinery	Information Technology	Total	Plant & Machinery	Information Technology	Total	
At 1 April	6	10	16	6	10	16	
Additions	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Transfers to Assets	-	-	-	-	-	-	-
At 31 March	6	10	16	6	10	16	
Depreciation							
At 1 April	2	8	10	1	6	7	
Charge for year	1	1	2	1	2	3	
Disposals	-	-	-	-	-	-	-
At 31 March	3	9	12	2	8	10	
NBV at 31 March	3	1	4	4	2	6	
Analysis of Asset Financing							
Owned	3	1	4	4	2	6	
Finance Leased	-	-	-	-	-	-	-
NBV at 31 March	3	1	4	4	2	6	

6. Right-of-use assets

Property, plant and equipment (£'000)			2022-23
Cost		Buildings	Total
At 1 April		-	-
Additions		171	171
Disposals		-	-
Transfers to Assets		-	-
At 31 March		171	171
Depreciation			
At 1 April		-	-
Charge for year		57	57
Disposals		-	-
At 31 March		57	57
NBV at 31 March		114	114
Analysis of Asset Financing			
Owned		-	-
Leased		114	114
NBV at 31 March		114	114

7. Trade payables and other current liabilities

Trade payables and other current liabilities (£'000)	2022-23	2021-22
Other payables	162	153
Total due within one year	162	153

8. Lease liabilities

Lease liabilities (£'000)	2022-23
Buildings:	-
Not later than one year	57
Later than one year and not later than five years	57
Later than five years	-
	114
Less unaccrued interest	-
Balance as at 31 March 2023	114

Amounts recognised in the Statement of Comprehensive Net Expenditure

(£'000)	2022-23
Depreciation	57
Interest expense	-
Total Lease Costs through SoCNE	57

Amounts recognised in the Statement of Cash Flows

(£'000)	2022-23
Cash flows	57
Interest expense	-
Repayment of principal on leases	57

9. 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. These relate to shared service agreements for the provision of HR, IT, and procurement, and for the accommodation costs associated with the Commission's occupation of Governor's House (see paragraph 87 onwards).

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

10. Capital Commitments and contingent liabilities

There were no contracted capital commitments or contingent liabilities.

11. 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 Government
Riaghaltas na h-Alba
gov.scot

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 (FRoM), 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'.

GORDON WALES
Chief Financial Officer
3 May 2018

© Crown copyright 2023

This publication is available at www.fiscalcommission.scot

ISBN: 978-1-911637-64-6

Laying Number: SFC/2023/5

Published by the Scottish Fiscal Commission, October 2023