

---

# **Annual Report and Accounts for the year ended 31 March 2024**

© Crown copyright 2024

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](mailto: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](http://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](mailto:info@fiscalcommission.scot)

ISBN: 978-1-911637-74-5

Laying Number: SFC/2024/6

Published by the Scottish Fiscal Commission, September 2024

# Contents

Performance Report .....	2
Accountability Report.....	30
Independent Auditor’s Report .....	51
Financial Statements .....	56
Notes to the Accounts for the year ended 31 March 2024 .....	60
Annex A Accounts Direction .....	69

# Performance Report

## Chair's Foreword

---

I am pleased to publish the Commission's Annual Report and Accounts for 2023-24, which detail the Commission's activities during the year ending 31 March 2024.

We have published our usual forecasts, analysis and evaluation this year, detailed in this report. We continued the development of our work on long-term sustainability. In March we published a report looking at the fiscal risks for the Scottish Budget from climate change. We highlighted the risk arising from the lack of clarity on the Scottish and UK governments spending plans for tackling climate change.

We've worked hard on our external engagement, with short bursts focused on our forecasts and longer term engagement around our fiscal sustainability work. We undertook a stakeholder survey during the first quarter of 2024 to evaluate our recent activity and inform future plans for communicating our work.

We appointed OECD to undertake our statutory review in 2024-25, and I look forward to receiving their report later in the Autumn. The outcome of this and the stakeholder survey will be used to develop our next Corporate Plan for 2025-28.

None of this would be possible without my fellow Commissioners Professor Francis Breedon, Professor David Ulph, and Professor Domenico Lombardi, and I thank them for their work. I am particularly grateful to the Commission's staff for their invaluable contribution to the Commission's work. The staff continue to impress me, both with the high quality of the analysis and forecasts they produce, and the professional support they offer to me and the other Commissioners. Finally, I would also 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  
25 September 2024

# Overview

---

- 1 The purpose of this overview is to give a short summary of the Commission, its objectives, performance during 2023-24, 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 seventh year as Scotland's official economic and fiscal forecaster. We have delivered our statutory duties this year and helped our users to understand our analysis with our reports, events and in-person briefings for MSPs.
- 3 We have expanded our work on fiscal sustainability to help explain long term fiscal risks. We published an occasional paper which explores how changes to productivity growth would affect the projections made in our March 2023 report and in March 2024 we published Fiscal Sustainability Perspectives: Climate Change. This brought our work to the attention of new audiences and led to the highest number of registrations yet for a public event we organised.
- 4 We produced two new reports this year specifically to improve the transparency and scrutiny of the Scottish Budget process. In the first we analysed the Scottish Government's spending plans grouped by function, so that if spending moves between portfolios our users can still easily compare spending plans with earlier years. The second was publishing our approach to setting policy baselines. When we cost a government policy, we must compare it to what would have happened without that policy. The choice of these counterfactuals can be significant, particularly when evaluating the impact of freezing tax thresholds.
- 5 We have had some new Parliamentary engagement this year, in addition to our usual – but incredibly important – evidence sessions to the Finance and Public Administration Committee and the Social Justice and Social Security Committee. We took part in the Finance and Public Administration Committee's public event in Largs and we gave evidence to the Health, Social Care and Sport Committee's pre-Budget scrutiny. This shows that we are producing quality work which informs public debate, and that we are trusted to explain complex matters clearly.
- 6 This year we have commissioned the OECD to review our operations, and they will report in the autumn. We've also been scrutinised by the Finance and Public Administration Committee on how we deliver our functions, and it will now do so every year. This scrutiny and external perspective helps us to improve, and we hope it gives our users further confidence in our work.

- 7 The Commission can only operate thanks to the great industry, expertise and innovation of our 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

25 September 2024

## About the Scottish Fiscal Commission

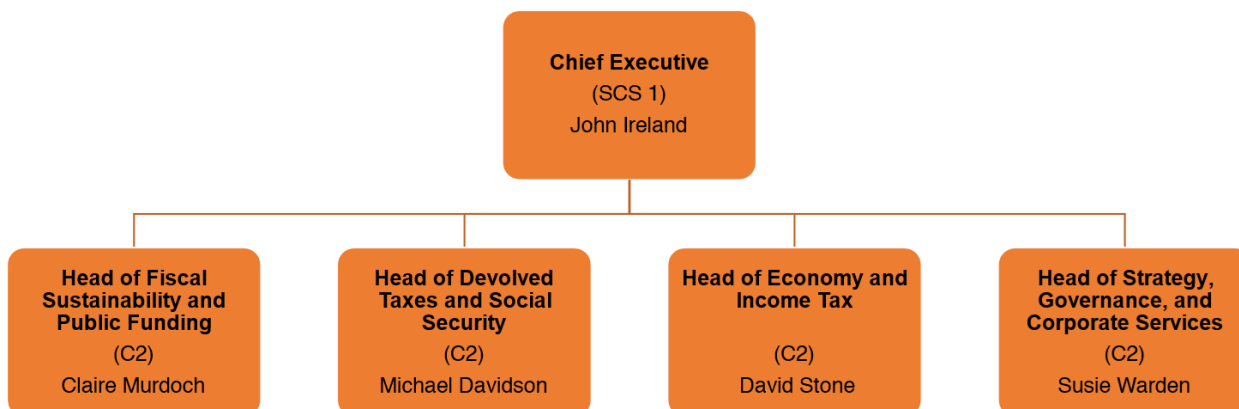
### What we do

- 8 We produce independent, robust forecasts and assessments to improve the transparency and scrutiny of Scotland's Budget.
- 9 Our official, independent economic, tax and social security forecasts, alongside forecasts from the Office for Budget Responsibility (OBR), inform the overall size of the Scottish Budget. 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. We can also choose to report on anything that influences the resources available to the Scottish Government.
- 10 We produce the official costings of tax and social security policies. We also publish reports on issues affecting the long-term fiscal sustainability of the Scottish Government's budget. From time to time we publish occasional papers explaining particular issues.
- 11 For transparency, we publish information on how our forecasts are produced, and the assumptions and judgments we made in producing the forecasts. We evaluate the accuracy of our forecasts once outturn data is available. We also publish statements describing the main areas where we believe improvements are required in the data and information we use for forecasting.
- 12 The Scottish Fiscal Commission Act 2016 sets out the Commission's functions. The Commission has full discretion in how we deliver our functions and this safeguards our independence. Our business model is to undertake all of the analytical work required in-house, drawing on the expertise of a wide range of stakeholders. We chose this model to make sure we are independent and to make sure we can control the quality of the analytical work, as this is key to our reputation. We make our own forecast judgements, choose our own methods and decide the content of our analytical publications and work plan.

### Organisational structure

- 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.
- 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.
- 15 Our Commissioners are Professor Graeme Roy (Chair), Professor Francis Breedon, Professor Domenico Lombardi and Professor David Ulph.

- 16 The Commissioners are supported by around 25 staff grouped into four teams, as shown below.



## Strategic objectives

- 17 The Commission's Corporate Plan<sup>1</sup> that covered 2023-24 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

- 18 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.
- 19 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 2023 to support the Scottish Government's Medium Term Financial Strategy and its Resource Spending Review
  - supplementary costing for the Carer Support Payment in September 2023
  - a set of forecasts in December 2023 to support the Scottish Government's Budget
  - an analysis of Scottish Government's 2024-25 Budget spending plans in January 2024, using the Classifications of Functions of Government (COFOG) to compare areas of public spending between years

<sup>1</sup> Scottish Fiscal Commission [Corporate Plan 2022-25](#)



- an explanation of how we set policy baselines in February 2024
- 20 We explained what our forecasts and analysis mean for the Scottish Budget by:
- producing a full report, summary, visual summary and X (formerly twitter) content for each set of forecasts and our Fiscal Sustainability reports
  - holding events for MSPs, media and the public for our forecasts and our Fiscal Sustainability report
  - giving evidence to Scottish Parliament Committees on our forecasts
  - evaluating our previous forecasts against outturn
- 21 We analysed and explained the medium and longer term risks to the Scottish Budget by:
- publishing a paper in August 2023 which explores how changes to productivity growth would affect the projections we made in our Fiscal Sustainability Report published in March 2023
  - publishing Fiscal Sustainability Perspectives: Climate Change in March 2024, which explores how climate change could affect the Scottish Government's fiscal sustainability.
  - explaining our fiscal sustainability work to various groups of stakeholders
- 22 We have been an effective and efficient organisation with skilled, knowledgeable people by:
- anticipating our recruitment needs and attracting suitable candidates
  - giving staff the choice to work in the office, from home, or a combination of the two
  - bringing staff together at quarterly in-person staff events
  - refreshing our website and improving its accessibility, and the accessibility of our reports
  - sharing experience and best practice with other small public bodies
  - preparing for new finance and HR systems, shared with the Scottish Government and other public bodies.

# 2023-24 publications, events, and evidence to Parliament

## April

Public webinar on Fiscal Sustainability Report



## May

Scotland's Economic and Fiscal Forecasts (SEFF)  
 Consultation on our approach to policy baselines  
 Media conference on SEFF



## June

Public webinar on SEFF  
 Finance and Public Administration Committee (FPAC) session on SEFF



## August

Productivity and Fiscal Sustainability  
 Forecast Evaluation Report  
 Public engagement with FPAC at Largs



## September

Supplementary Costing: Carer Support Payment  
 FPAC session on Forecast Evaluation Report



## December

Scotland's Economic and Fiscal Forecasts (SEFF)  
 Media conference on SEFF  
 FPAC session on SEFF



## January

Spending trends in the 2024-25 Scottish Budget  
 Public webinar on SEFF  
 Social Justice and Social Security Committee session on SEFF



## February

How we set policy baselines



## March

Fiscal Sustainability Perspectives: Climate Change  
 Media conference on Fiscal Sustainability Perspectives: Climate Change  
 FPAC session on Fiscal Sustainability Perspectives: Climate Change



## 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 reporting			✓	
Occasional and supplementary papers	✓	✓	✓	
Reviewing and developing Memoranda of Understanding (MoUs)	✓			✓
Model development	✓			✓
Corrections and error log	✓	✓	✓	✓
Annual review of protocol with Scottish Government	✓			✓
Discussions with stakeholders	✓	✓	✓	✓

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
Participate in international IFI networks		✓		✓
Corporate policies, processes and controls				✓
Annual report and accounts				✓
Staff development and training	✓	✓	✓	✓
Recruitment processes				✓
Support Governance Board and Audit and Risk Committee				✓
Prepare for new Scottish Government corporate systems				✓
Website accessibility and maintenance		✓	✓	✓

## Principal risks

- 23 In line with our Risk Management Framework, our risks are identified, monitored and assessed regularly by the Senior Management Team, the Audit and Risk Committee and the Governance Board. This includes consideration of the mitigations for each of the risks, and the longer term implications for delivery. We have identified five key risks.
- 24 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. This risk rose to and remained high amber for the second half of the year, reflecting uncertainty around the new Scottish Government HR and finance system. Looking ahead, we expect this risk to be dependent on the progress of this change programme. The new systems are due to go live in October 2024. Nevertheless we expect this risk to have limited impact on our analytical work.
- 25 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 remained green and steady throughout the year, with continued positive reception to our reports. In order to make sure our reputation was not negatively impacted by taking on a new area of work we worked closely with subject expert partners to develop the climate change fiscal sustainability work. We do not anticipate any emerging risks.
- 26 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. This risk remained steady and green through the year. The forthcoming results of the OECD review will provide an external perspective on our independence.
- 27 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. Overall our staffing risk remained amber through the year, beneath which various pressures and mitigations changed and offset one another, such as multiple vacancies and successful recruitment campaigns. Looking ahead, staff survey results remain positive. We anticipate the reduction in the working week from 37 hours to 35 hours (from 1 October 2024) could pose a risk to longer term work (such as model development). We have taken account of this in our business planning.
- 28 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 first decreased but then rose to and remained amber for the last quarter, reflecting a very challenging Budget process and changes in our Scottish Government liaison team. Looking ahead, we are preparing for a new SG liaison team and we expect other key relationships to remain positive.

# Performance Analysis

---

29 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

30 The Commission met this strategic objective by publishing two sets of forecasts, on 25 May 2023<sup>2</sup>, and 19 December 2023<sup>3</sup>. We delivered our reports on time and complied with the Protocol agreed with the Scottish Government. The May 2023 publication accompanied the Medium Term Financial Strategy (MTFS)<sup>4</sup>, and the December 2023 publication accompanied the Scottish Budget 2023-24.<sup>5</sup>

31 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.

32 To ensure our forecasts are reliable, we undertake a variety of work to refine our models and to ensure the information and data we use are as valuable as possible.

### Economy

33 We have continued to review the key judgements underpinning our economy forecast. For example, for our May 2023 forecast, we undertook an in-depth analysis of labour market participation to inform our long-run projections of Scotland's participation rate and Gross Domestic Product (GDP).

34 We have also 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. We published our analysis and conclusions in a box within our December 2023 forecast.

35 A core part of our economy forecast is assessing 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 update and improve our internal dashboard as a tool to monitor key labour market data for Scotland and the UK. We have also continued to explore the regional and sectoral breakdowns of Pay As You Earn (PAYE) Real Time Information (RTI) data and included detailed analysis in our December 2023 publication to inform our earnings forecasts.

### Tax

36 In February 2024 we published our paper setting out a new approach to policy baselines.<sup>6</sup> This clarifies and makes more transparent how we will set policy baselines in the future.

---

<sup>2</sup> Scottish Fiscal Commission (May 2023) [Scotland's Economic and Fiscal Forecasts](#)

<sup>3</sup> Scottish Fiscal Commission (December 2023) [Scotland's Economic and Fiscal Forecasts](#)

<sup>4</sup> Scottish Government (May 2023) [Medium Term Financial Strategy](#)

<sup>5</sup> Scottish Government (December 2023) [Scottish Budget 2023-24](#)

<sup>6</sup> Scottish Fiscal Commission (February 2024) [How we set policy baselines](#)

The policy baseline can have a big effect on not just the forecast levels of tax and spending but also, to the extent that the government does something different from what is in the baseline, on what will count as a policy change.

- 37 We published several pieces of analysis on income tax. Alongside our August 2023 Forecast Evaluation Report, we provided new analysis of the impact of self-assessment taxpayers on income tax revenues, showing that this group accounts for a large proportion of the uncertainty and volatility in income tax forecasts. In our December 2023 forecasts, we included an important discussion on the relationship between Scottish income tax policy, fiscal drag, inflation and the net position. This showed Scottish tax policy, all else equal, will drive significant increases in the net position over time, and that high inflation will accelerate this. We have also continued to update and publish our income tax net position decomposition, which shows how different factors affect the income tax net position over time.
- 38 In our forecasts of Land and Buildings Transaction Tax we continued to monitor the effect of higher mortgage rates on the housing market carefully. For Scottish Landfill Tax we focussed on the uncertainty around incineration capacity and the effect of the Biodegradable Municipal Waste Landfill ban, which is being introduced at the end of 2025.

## Social Security

- 39 In our forecast publications we presented formal policy costings of Carer Support Payment (CSP) in May 2023 and Pension Age Disability Payment (PADP) and Pension Age Winter Heating Payment (PAWHP) in December 2023. These policy costings replaced indicative forecasts initially produced to accompany the Scottish Government's first multi-year Resource Spending Review in May 2022.
- 40 We produced a supplementary costing for Carer Support Payment in September 2024 to accompany the Carer's Assistance (Carer Support Payment) (Scotland) Regulations 2023. This supplementary costing updated our initial formal costing of Carer Support Payment from May 2023 to include effects of the change to the planned date of the national launch to October 2024 and a longer than initially assumed pilot for the payment.
- 41 We developed the Child Disability Payment (CDP) forecast to further incorporate the data provided by Social Security Scotland on the number of new applications approved and the level of payments. The latest forecasts are largely driven by CDP data produced by the Social Security Scotland, with reduced dependency on historical data produced by the Department for Work and Pensions (DWP).
- 42 We have continued to work productively with data providers at Social Security Scotland and analysts and senior management within the Scottish Government. We updated our memorandum of understanding with the DWP in November 2023.<sup>7</sup>

## Public Funding

- 43 We produce an overview of the Scottish Government's funding position as part of our assessment of borrowing and have done this for the May 2023 and December 2023 forecast publications. In May this supported the MTFS and in December 2023 we described

<sup>7</sup> [Memorandum of Understanding Scottish Fiscal Commission and Department for Work and Pensions](#) (November 2023)



the Scottish Government funding and assessed their borrowing for the 2024-25 Scottish Budget.

## Evaluation of forecasts

- 44 We report our forecasting performance in our forecast evaluation reports, which give detailed quantitative and qualitative analysis of how accurate our forecasts were, what the factors determining this have been, and what lessons might be learned.
- 45 The headline 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 can change the course of the economy; the available historic data on which our forecasts are based can be revised, or the Scottish Government could change 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). We consider these factors in our evaluation process, and then focus on what lessons can be learned to improve future forecasts.
- 46 Our August 2023 report<sup>8</sup> evaluates:
- the analytical work of the prior financial year and earlier, rather than our work in 2023-24
  - our December 2021 forecasts of the economy, devolved taxes, and social security, comparing them to outturn data for 2022-23
  - our 2021-22 forecast of income tax.

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

- 47 The Fiscal Overview chapter in our Scotland's Economic and Fiscal Forecasts reports provides information on the Scottish Government's overall funding position and includes our assessment of the reasonableness of borrowing and of assumed future income. We publish a standard set of comparisons with each of our forecasts to help users compare our income tax forecasts with those of the Office for Budget Responsibility (OBR). We also 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, publishing Fiscal Update reports if necessary. In 2023-24 no additional Fiscal Update Reports were required.
- 48 We published a Spending Trends report in January 2024.<sup>9</sup> This analysed the Scottish Government's 2024-25 Budget spending plans using the Classifications of Functions of Government (COFOG) so that users can compare areas of public spending between years even if portfolio responsibilities change. The Finance and Public Administration Committee said it "enhances transparency in the comparison of key areas of spending over time".<sup>10</sup>
- 49 Commissioners and members of the Senior Management Team gave evidence to the Finance and Public Administration Committee four times and the Social Justice and Social Security Committee once. We have put links to these sessions on our website to make

<sup>8</sup> Scottish Fiscal Commission (August 2023) [Forecast Evaluation Report](#)

<sup>9</sup> Scottish Fiscal Commission (January 2024) [Spending trends in the 2024-25 Scottish Budget](#)

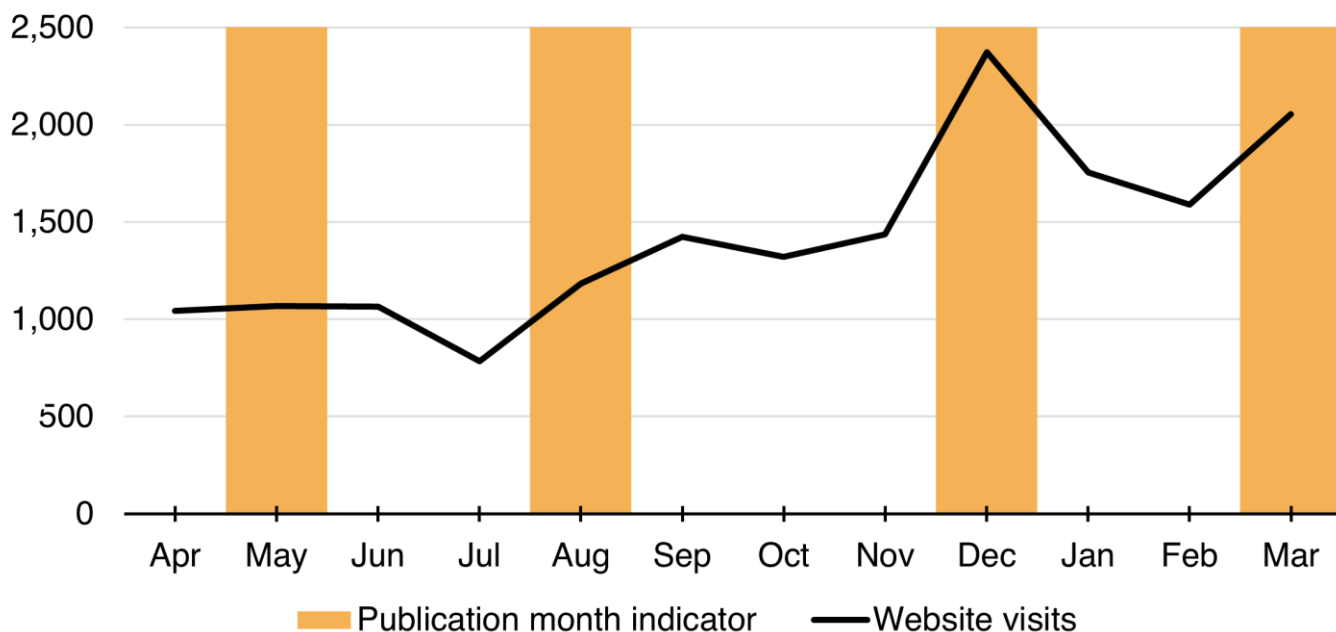
<sup>10</sup> Scottish Parliament (January 2024) [Budget Scrutiny 2024-25](#)



them more accessible. We also participated in two Parliamentary Committee roundtable events: Pre-budget scrutiny by the Health, Social Care and Sport Committee on 19 September 2023 and discussion of VAT assignment by the Finance and Public Administration Committee on 14 November 2023.

- 50 We hosted breakfast events with MSPs on 31 January 2024, following the December Forecast, and on 27 March 2024 following the Fiscal Sustainability Perspectives: Climate Change report. We also participated in training events for MSPs and Parliamentary staff on the Scottish budget and finance on 14 November 2023. We took part in the Finance and Public Administration Committee’s public engagement event in Largs in August 2023.
- 51 We held six online events throughout the year. We held open events and separate media briefings following our May 2023 forecast, our main forecast publication in December 2023 and our Fiscal Sustainability Perspectives: Climate Change report in March 2024. Our March webinar (held on 24 April 2024) attracted 250 registrations, our highest level of registrations for such an event.
- 52 We publish all our reports on our website, along with summaries, spreadsheets, infographics and news stories. We ensured all of our publications and fiscal updates were promoted via X (previously Twitter), LinkedIn and our website.
- 53 We have also implemented changes to our website and templates to improve accessibility. To make sure our work is clear and accessible, we offer staff training on writing clearly and have further developed our charts, visual summary and twitter graphics.

**Visits to Scottish Fiscal Commission website, April 2023 to March 2024**



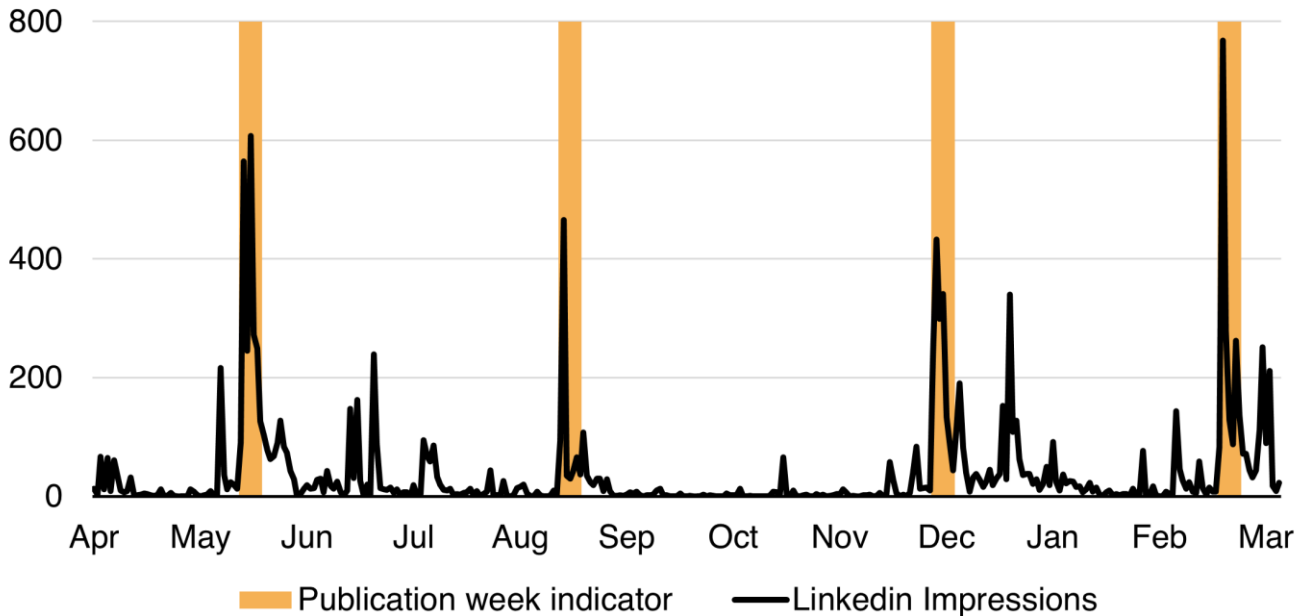
Source: Scottish Fiscal Commission

	Page Views	Users	New Users
2021-22	58,549	10,392	10,107
2022-23	75,910	14,208	13,881
2023-24	76,802	17,097	*

\* Due to changes in Google Analytical, the figure for new users is not available for 2023-24.

54 In 2023-24 views of our website increased by around 1,000 on the previous year. This may be a result of the increase in our stakeholder engagement over this and raised profile over the years since we started.

#### LinkedIn Impressions April 2023 to March 2024



55 We have started to use LinkedIn to raise awareness of our publications which show that there are clear increases in LinkedIn Impressions when our main reports were published.

56 We continued to have positive relationships with media representatives, maintaining a good attendance at media briefings (we averaged 15 attendees at our three online briefings). We engage once a month with our subscribers and, separately media subscribers, with information about our forthcoming publications and events.

57 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

58 We had published our first report on the long-term fiscal sustainability of the Scottish Government’s budget in March 2023, which was referenced in the Scottish Parliament’s Finance and Public Administration Committee’s pre-Budget scrutiny. In response to the Committee’s request, in August 2023 we published a report on the potential effects of a change in productivity growth on the long-term outlook for the devolved Scottish public finances.<sup>11</sup> We concluded that even though higher productivity growth leads to a faster

<sup>11</sup> Scottish Fiscal Commission (August 2023) [Productivity and Fiscal Sustainability](#)

economic growth, higher wage growth, and likely better public services for the people of Scotland, on its own it does not necessarily translate into a more sustainable fiscal position. While higher productivity growth has a clear positive effect on the economy, the net effects on the public finances are complicated and to improve fiscal sustainability will require changes in public spending or tax policy.

- 59 We published a report exploring how climate change could affect the Scottish Government's fiscal sustainability in March 2024: *Fiscal Sustainability Perspective on Climate Change*.<sup>12</sup> It considers the potential effects on Scottish public finances from damage created by climate change; the costs of adapting to a changing environment and taking action to meet Scotland's statutory emissions targets to reach net-zero by 2045. It also discusses the data and information we'd need from the Scottish and UK governments to produce projections of climate change funding and spending. The engagement we undertook to explain the key messages from this report to a wide audience is set out in paragraphs 49 to 51.
- 60 In November 2023, we commissioned JRS Research Consortium to undertake research with stakeholders that engage with us to gather their perspectives of and opinions on our organisation and work. The research was designed to complement our second OECD external review, which occurred in Spring 2024.
- 61 This research found that we are a highly regarded institution in Scotland, and the stakeholders were extremely positive about the value that the Commission brings to the Scottish fiscal sector. Our outputs are regarded as high quality, credible and reliable; our communications easy to digest and understand; and our flexibility and willingness to respond to needs commended. We are also considered to be an open and transparent organisation, willing to engage with stakeholders in an honest and welcoming way.
- 62 To continue increasing the value of outputs, stakeholders are looking for us to continue our good work, focussing on broader issues, producing more fiscal forecasts for differing lengths of time, and expand commentary to include the implications of policy changes and spending. Additionally, more tailored analysis of sectors or localities across Scotland would better support those working in more defined areas to use our work to make more informed decisions.
- 63 The wide-ranging impact of our work on social and economic issues is recognised, and stakeholders feel that many more people and organisations could benefit from engagement with us than currently do. It is hoped that we will continue with its open and accessible approach to engagement, to further entrench our positive identity.

## **Be an effective and efficient organisation with skilled, knowledgeable people**

- 64 In order to reinforce the transparency of our work, we volunteer to comply with the Code of Practice for 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 to ensure that our forecasts are reliable, accessible, and can be trusted.
- 65 We have been preparing for a new shared services system, being delivered by Scottish Government. This should better integrate our HR and finance data, and automate some

<sup>12</sup> Scottish Fiscal Commission (March 2024) [Fiscal Sustainability Perspectives: Climate Change](#)  
Scottish Fiscal Commission Annual Report and Accounts for the year ending 31 March 2024

processes that are currently carried out manually. This is a complex programme affecting many public bodies. We have had concerns about the programme and how it affects our corporate services risk. We anticipate that the delay in going live will give Scottish Government colleagues sufficient time to ensure that the system is fit for purpose.

- 66 We continue to learn from and share international best practice. We attended the annual meeting of the OECD Working Party of Parliamentary Budget Officials and Independent Fiscal Institutions in Iceland in April 2023. This provided an opportunity to learn from other Independent Fiscal Institutions and discuss the common challenges faced by Independent Fiscal Institutions in different countries. In particular there were sessions on the long-term challenges around climate change and health expenditure which have helped to inform our fiscal sustainability work.
- 67 We also attended the Inter Parliamentary Financial Information Network hosted by the OECD in Paris in November 2023, where we presented on our Fiscal Sustainability Report engagement work and were part of a panel discussing fiscal risks associated with sectoral transformation from climate change.

### Staffing

- 68 As we undertake our analytical work in-house, our staff are crucial to our ability to achieve our corporate objectives, and therefore we identified staffing as one of our five key risks.
- 69 Over the year, our headcount has remained fairly constant, with 25 staff at 31 March 2024 (this does not tally with the staffing report because it includes inward loans, internal promotions and temporary appointments).
- 70 We were able to attract suitable candidates, and we used reserve lists from external recruitment campaigns to fill new vacancies more swiftly.
- 71 The increase in leavers and joiners shown in the following table compared to last year (2022-23: three vacancies filled and three posts left) is because we had more temporary posts, to cover family leave and to bring in temporary expertise for website accessibility and the new finance system.

### Backgrounds of successful candidates, 1 April 2023 to 31 March 2024

SFC	Scottish Administration	Other Government Departments	External	Total vacancies filled
2	-	-	3	5

Note: This table includes FTA, internal promotions and inward loans, so does not tally with the staff report

72 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 2023 to 31 March 2024

Promotion within SFC	Promotion within Scottish Administration	Level Transfer within Scottish Administration	Academia/ Career Break/Left Civil Service	Total leaving post
1	2	-	3	6

Note: This table includes FTA, internal promotion and inward loans, so does not tally with the staff report.

73 The staff report contains further information relating to staff numbers and costs.

74 The Commission's 2023 staff survey took place during December 2023. It was modelled on the UK Civil Service survey and there was a 92 per cent response rate (there had been a 96 per cent response rate for the 2022 survey). The engagement score has remained the same and is reported in the staff report at paragraph 191.

75 Responses remain overall relatively positive across the survey, with many results having improved from previous findings at an overall level. Staff show pride and engagement with the organisation and their job roles. However, there have been some notable changes in response, including some decreases in overall staff wellbeing, which highlight areas for development in the coming year including:

- Ensuring managers arrange monthly meetings with staff to discuss staff wellbeing, are motivating staff to excel in their jobs, and are encouraging staff to come up with new and better ways of doing things.
- Working on returning to 100% perception of SFC as a fair and inclusive employer.
- Addressing perceptions of pay and benefits, as staff satisfaction continues to be relatively low in relation to pay adequately reflecting their performance.
- Increasing levels of engagement with staff across the board, which had decreased over recent staff surveys.
- Monitoring staff wellbeing, as levels of staff wellbeing related to life satisfaction, feelings of worth, and happiness have decreased since 2022.

76 Comparison to 2022:

- Positive action has clearly been taken as several of the main areas of focus from last year's results have been addressed and improved, including focusing on learning and development opportunities. Staff generally feel more satisfied about their pay and benefits, and feel their pay is reasonable compared to people doing a similar job, and there was an increase in belief that positive action was taken as a result of the last survey.
- There are still some instances of staff in lower bands being less confident to challenge more senior members of staff and not feeling involved in the decisions that affect their work/have a choice in deciding how to do their work. These were significant differences.
- Overall, across the survey, there were more instances of positive responses increasing than decreasing this year, with fewer negative responses. In some cases, an increase in

agreement/disagreement is due to an increase in neutral responses. This highlights the work undertaken to improve on areas highlighted in the previous survey results.

- As noted above, there are still areas to improve upon for next year, as well as maintaining the positive results of 2023.

## Risk profile

77 As reported in paragraph 23, 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	Potential Effect	Changes in 2023-24	Mitigation	Outlook for 2024-25
Staffing  Overall remained amber	The Commission cannot deliver its functions effectively because we do not have appropriate staff or Commissioners, or staff or Commissioners cannot work effectively	<p>High vacancies through Budget forecast meant we were vulnerable to unforeseen absence</p> <p>SFC staff achieving promotion in our recruitment campaigns meant new vacancies to fill</p> <p>Lack of technical website accessibility knowledge leading to stalled progress</p> <p>Weekly wellbeing hour reduced overall staff capacity</p>	<p>Back up responsibilities identified for key roles in forecast processes</p> <p>Funding team provided some cover for forecasting teams</p> <p>Monitor annual leave plans</p> <p>Held reserve lists from external recruitments to fill new vacancies quickly</p> <p>Agreed with Scottish Government to delay staff moves during forecast events, if needed</p> <p>Offered influenza vaccinations</p> <p>Used temporary staff to bring in required expertise</p>	<p>Introduction of 35 hour working week poses risk to model development so staffing plans adapted</p> <p>If problems arise with the new HR system, recruitment processes or staff morale could be affected, so monitoring developments</p>



Risk	Potential Effect	Changes in 2023-24	Mitigation	Outlook for 2024-25
Partner organisations  Initial decrease followed by rise to amber	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	Delays to provision of final policy information reduced the time we had to quality assure our forecasts and prepare our report  New Ministerial team and 3 different SG liaison Directors  Strengthened relationships with other partners	Close liaison with Scottish Government officials  Altered timetable  Contingency plans for publication content	Anticipate continued good relations with partners  Preparing for new SG liaison team
Independence  Remained steady and green	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.	Our allowing extra time to the SG for tax decisions held some potential for risks to our independence. We judged that these risks were outweighed by our continuing to support the Budget process and provide Parliament with independent policy costings.	Our handling of those delays seemed to add to the positive perception of our independence.  Our papers on baselines policy and spending trends have also helped to reinforce our independence.  The UK and Scottish Governments' joint communiqué following the new fiscal framework agreement in August was a clear bilateral endorsement of an independent fiscal institution in Scotland.	The OECD review of the Commission's work will be published in the autumn and its results would provide external perspective on our independence.



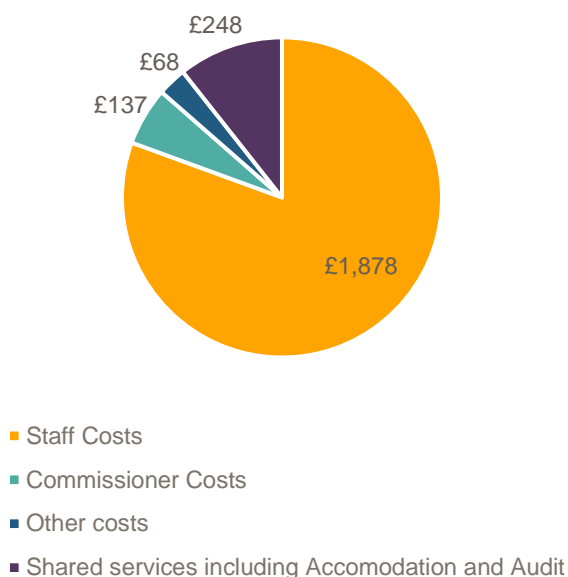
Risk	Potential Effect	Changes in 2023-24	Mitigation	Outlook for 2024-25
Corporate systems  Rose to, and remained, high amber	The Commission's corporate systems are not sufficient to deliver its work. This risk covers internal systems, shared services purchased from the Scottish Government and website providers.	New Scottish Government HR and finance system brings uncertainty: capability and capacity needed in our corporate team; which internal controls are embedded, and what are the future cost implications? Timescales changed from go live in March to October.  Website found to be non-compliant with accessibility requirements  Staff departures	Fully engaged with change programme for new systems  Website accessibility work completed  Staff temporary contract extended	We expect risk to remain high until all new finance and HR systems is adopted and bedded in.  Cost implications of new system still unconfirmed

Risk	Potential Effect	Changes in 2023-24	Mitigation	Outlook for 2024-25
Reputation Remained green and steady	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	<p>Taking on new area of work for us (fiscal sustainability of climate change)</p> <p>Large income tax reconciliation</p> <p>Issues with official labour market data in Scotland and UK could affect quality of forecasts</p> <p>Finance and Public Administration Committee's scrutiny of Commission</p>	<p>Increased and targeted stakeholder engagement</p> <p>Worked closely with subject expert partners to develop the climate change fiscal sustainability work</p> <p>Wrote to Finance Committee and published substantive additional analysis in the forecast evaluation report.</p> <p>May 2023 and December 2023 forecast publications explained data challenges</p>	Overall we expect little change in our reputation risk

## Financial performance

- 78 In 2023-24, the Commission received a budget of £2.485 million and had net operating costs of £2.331 million, resulting in an underspend of £0.154 million (in 2022-23 we had a budget of £2.303 million, net operating costs of £2.198 million and an underspend of £0.105 million).
- 79 Staff and related costs continue to be our biggest category of expenditure, at 81 per cent of our operating costs (in 2022-23 staff costs were 80 per cent of operating costs). Staff costs have increased as staff progress up their pay scales, and the impact of the pay award for 2023-24.
- 80 Shared services (including accommodation costs and audit costs) account for approximately 11 per cent of our operating costs (in 2022-23 they accounted for approximately 10 per cent of operating costs).

### Operating Costs 2023-24 (£'000)



- 81 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.
- 82 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 2024, the Commission paid 98.7 per cent of its invoices within these terms (98.4 per cent in the year ended 31 March 2023).

## Diversity and Inclusion

- 83 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

84 We are committed to reporting the gender balance of our appearances at Scottish Parliament Committees. Of 17 witness appearances in 2023-24, 18 per cent were female (there were 15 Committee witness appearances in 2022-23, of which 20 per cent were female).

### Summary recruitment diversity information

85 We report data encompassing all our recruitment from July 2023 to May 2024. 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	31	9	8	*	*
Male	75	15	12	*	*
Prefer Not to Say	2	*	*	0	0
Unknown	4	*	*	*	*
Total	112	25	21	5	5

\* suppressed due to the small numbers involved

Characteristic	Applied	Successful At Sift	Attended Interview	Successful At Interview	Agreed To Start
20-29	56	13	11	*	*
30-39	35	*	*	0	0
40-49	11	*	*	*	*
50-54	*	0	0	0	0
55-59	*	*	*	0	0
60+	2	0	0	0	0
Unknown	3	0	0	0	0
Total	112	25	21	5	5

\* suppressed due to the small numbers involved

### Other diversity activity

86 In our corporate plan 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 2023-24 were:

- Work on recruitment with the aim of employing more women and people with disabilities.
- Ensure that staff and Commissioners are aware of equalities issues both in the way that we work together and also in our published outputs and external engagement.
- Introduce more stretching inclusion objectives for staff.
- Continue a programme of activities to raise awareness of equalities issues.

## **Work on staff recruitment**

- 87 Most of our reporting has to focus on the actions we undertook, not the results those actions achieved, because of small numbers, but we can report on the number of applicants. The number of applicants who didn't identify as male was 33 per cent (compared with 37.8 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 29.2 per cent (compared with 34.9 per cent in last year's annual report).
- 88 There were five applicants who declared to have a disability out of the 110 who responded to that question, 4.5 per cent (compared with 4.5 per cent in last year's annual report).
- 89 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. Internal audit's report on our core processes highlighted as good practice: "Approach to promoting staff vacancies on the Commission's website demonstrating the broad range of backgrounds and roles, including a video bringing the work to life, supports successful recruitment and succession planning for key roles."

## **Ensure that staff and Commissioners are aware of equalities issues both in the way that we work together and also in our published outputs and external engagement**

- 90 We have added an inclusion discussion into our "monthly conversations" with line managers.
- 91 Staff survey results show there was a 12 percentage point increase this year in those agreeing that they are treated with respect by the people they work with, the highest figure since 2019. 91 per cent of staff agreed that "the Fiscal Commission respects individual differences (such as cultures, working styles, backgrounds, ideas etc)", an increase of 7 percentage points since last year. 70 per cent of staff agreed that "my manager genuinely cares about inclusion", with none disagreeing (no comparison as this was the first year this question was asked).
- 92 We've undertaken a great deal of work to make our websites and publications meet accessibility standards, including amending our brand colour template. Our recent stakeholder survey described our communications as "easy to digest and understand" and that the Commission "has become more accessible", though opportunities for further engagement were identified.

## **Continue our internal programme of activities to raise awareness of equalities issues**

- 93 The Senior Management Team 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 the mental health first aid available and the new forecast publication templates.

## Non-financial information

### Complaints

94 The Commission has a complaint handling policy and procedure in place and received no complaints in 2023-24 (and none in 2022-23).<sup>13</sup>

### Information Security

95 There were no known data breaches in 2023-24 (there were none in 2022-23).

### Freedom of Information

96 The Commission aims to be fully compliant with Freedom of Information legislation. We received five Freedom of Information requests in 2023-24, all of which were completed within the statutory deadline for responses (in 2022-23 there were nine requests, all of which were completed within the statutory deadline). Substantive responses are published on the Commission's website.<sup>14</sup>

### Community and social

97 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.

## Fraud, corruption and bribery

98 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.<sup>15 16</sup>

99 The Commissioner Code of Conduct sets out the behaviours expected of our Commissioners.<sup>17</sup> 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.<sup>18</sup>

100 There were no incidences of fraud or bribery in 2023-24 (there were none in 2022-23).

101 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.

---

<sup>13</sup> Scottish Fiscal Commission (2017) [Complaints Policy](#)

<sup>14</sup> Freedom of Information releases on our [website](#)

<sup>15</sup> Scottish Fiscal Commission [Counter-Fraud Policy and Response Plan](#)

<sup>16</sup> UK Government (2015) [The Civil Service Code](#)

<sup>17</sup> Scottish Fiscal Commission (2019, updated 2022) [Code of Conduct](#)

<sup>18</sup> Scottish Fiscal Commission (2024) [Register of Interests](#)

## Environment and sustainability

- 102 The environmental impact of our operations comes from our building and its heating, power and waste, our business travel and our ICT use. Our building is managed by the Scottish Government and our utility consumption and waste recycling are included in their statutory reporting on the Scottish Civil Estate. Most of our meetings and events continue to be held online, rather than requiring travel. Our IT is also provided by the Scottish Government.
- 103 Given our size and the nature of our work, our consideration of climate change adaptation with respect to our operations takes place through our business continuity planning. Our governance of business continuity planning applies.
- 104 Our biggest contribution this year was our March 2024 paper: Fiscal Sustainability Perspective on Climate Change<sup>19</sup>, which is described at paragraph 59.

## Future plans

- 105 Our Business Plan for 2024-25<sup>20</sup> sets out our plans for the coming year.
- 106 We will develop and consult upon a new Corporate Plan, including our strategic objectives, to run from April 2025 to March 2028. This will be informed by the OECD's second statutory review of the work of the Commission. Field work was undertaken in spring 2024 and their report is to be finished in the autumn.

## Efficiency Savings

- 107 Because of the dominance of our staffing costs, the only measure which would deliver significant savings would be to reduce the number or seniority of our staff. This would have a direct impact our ability to deliver forecasts and analysis of an acceptable quality.

We have, however, identified measures we expect to take over the next five years below to increase efficiency and reduce costs. These are set out in detail in our Medium Term Approach to the SFC's Budget Planning<sup>21</sup>.

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

25 September 2024

---

<sup>19</sup> Scottish Fiscal Commission (March 2024) [Fiscal Sustainability Perspectives: Climate Change](#)

<sup>20</sup> Scottish Fiscal Commission (April 2024) [Business Plan 2024-25](#)

<sup>21</sup> Scottish Fiscal Commission (May 2024) [Medium Term Approach to the SFC's Budget Planning May 2024](#)

# Accountability Report

## Corporate Governance Report

---

108 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

109 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 127, the Commissioners act corporately as our Governance Board.

110 As at 31 March 2024 there were four Commissioners, one of whom was Chair:

Chair            Professor Graeme Roy

Members        Professor Francis Breedon

                    Professor Domenico Lombardi

                    Professor David Ulph

111 The Register of Interests for the Commissioners is available on the Commission's website<sup>22</sup> and on request. All members are required to review and update the register at least annually.

#### Audit and Risk Committee

112 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.

---

<sup>22</sup> Scottish Fiscal Commission [Register of Interests](#)



113 The Committee met five times in 2023-24, and its members are:

Chair	Professor David Ulph
Members	Professor Francis Breedon Professor Domenico Lombardi
External Member	Catriona McConnell (from 2 May 2023) Sarah Pumfrett (from 2 May 2023)
Attendees	Professor Graeme Roy (Chair of the Scottish Fiscal Commission) Deloitte LLP Scottish Government Internal Audit and Assurance Directorate

### **Chief Executive and Senior Management Team**

114 Members of the Senior Management team during 2023-24 were:

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

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

### **Internal Audit**

116 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 2023-24, which consisted of an Assurance Review of core business and governance processes, and an Annual Assurance Report. Regular updates on progress were presented by SGDIAA at Audit and Risk Committee meetings.

117 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

118 External Audit is currently provided by Deloitte LLP, 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 Deloitte LLP.

## Statement of Accountable Officer's responsibilities

119 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.

120 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.

121 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.

122 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.

123 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

124 This statement sets out how the Commission manages and controls its resources and risk. It covers the period from 1 April 2023 to the date of signing.

### Governance framework

125 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.

126 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.

127 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.

128 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 Commissioners<sup>23</sup>. Our Code of Conduct is based on the Model Code of Conduct for Members of Devolved Public Bodies<sup>24</sup>. 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".

129 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 on

<sup>23</sup> Scottish Fiscal Commission (2022) [Code of Conduct](#)

<sup>24</sup> Scottish Government (2021) [Model Code of Conduct for Members of Devolved Public Bodies](#)

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 website<sup>25</sup>.

- 130 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.
- 131 As the Board is small, this year we have appointed two external members to our Audit and Risk Committee to replace the single outgoing member. We appoint external members to bring a fresh perspective and better hold the Board to account. Catriona McConnell and Sarah Pumfrett were both appointed from 2 May 2023 for a period of two years.
- 132 In addition, the Audit and Risk Committee benefits from the helpful and expert input of Deloitte LLP, and the Scottish Government Directorate for Internal Audit and Assurance who attend Audit and Risk Committee meetings.
- 133 The Governance Board and Audit and Risk Committee have continued to operate and hold meetings virtually using video-conferencing tools.
- 134 The other documents which form part of our governance framework are:
- the Scottish Fiscal Commission Act 2016, which sets out our powers, functions and duties<sup>26</sup>
  - the Corporate Plan, which sets out our mission, values and objectives<sup>27</sup> from 1 April 2022 to 31 March 2025
  - 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
  - our various corporate policies and procedures<sup>28</sup>.

## Summary of our Corporate Plan

### What we do: our mission

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

### Why we do it: our vision

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

---

<sup>25</sup> [Audit and Risk Committee minutes](#)

<sup>26</sup> [Scottish Fiscal Commission Act 2016](#)

<sup>27</sup> Scottish Fiscal Commission (2022) [Corporate Plan 2022-25](#)

<sup>28</sup> Scottish Fiscal Commission website, [Corporate Governance](#)

## 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

137 Everyone can trust our work because we:

- are independent
- are impartial, honest and objective
- work well with others
- are transparent and we promote transparency in Scottish public finances
- explain complex matters clearly and make our work easy to access
- produce quality work which informs public debate

## The Governance Board

138 During 2023-24 the Governance Board met formally on five occasions. A full set of minutes was produced to record all agreed actions and decisions which are published on our website<sup>29</sup> in accordance with the Commission's Publication Scheme<sup>30</sup>. At each meeting of the Board 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

139 The Scottish Government guidance for members of statutory boards, On Board<sup>31</sup> states that:

- Corporate governance concerns the strategic direction and effective stewardship of the organisation
- Corporate governance is the way in which organisations are directed, controlled and led and defines where accountability lies throughout the public body

140 It defines the three main dimensions of corporate governance as:

- roles, responsibilities and relationships
- effective financial management

---

<sup>29</sup> Scottish Fiscal Commission [Governance Board Minutes](#)

<sup>30</sup> Scottish Fiscal Commission [Publication Scheme](#)

<sup>31</sup> Scottish Government (31 January 2023) [On Board](#)

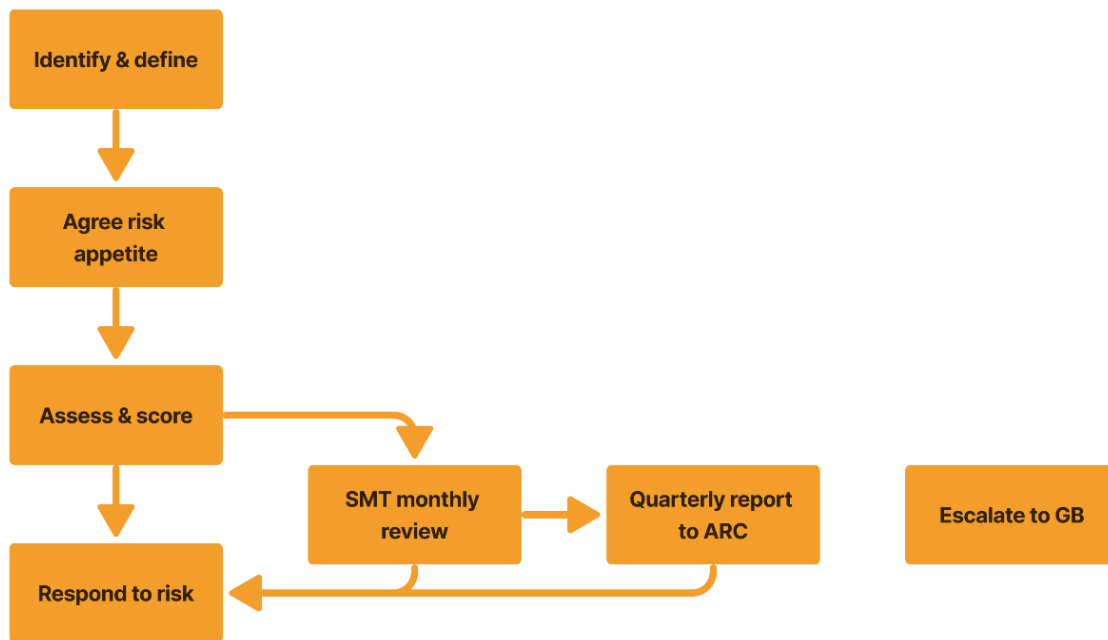
- ethics and standards of behaviour
- 141 The Governance Framework section above sets out how our roles, responsibilities and relationships are defined. Our corporate policies are reviewed regularly to an agreed schedule and are published on our website.
- 142 The Scottish Public Finance Manual (SPFM) 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 2023-24 we received a substantial assurance from Scottish Government Directorate for Internal Audit and Assurance following their assessments this year.
- 143 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 changes to the Model Code of Conduct since then.
- 144 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<sup>32</sup>.
- 145 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

- 146 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 successful risk management strategy are set out in the SPFM and our risk management strategy was designed to comply with those requirements.
- 147 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.

<sup>32</sup> Scottish Government (2 November 2018) [Fairness at Work](#)

## Risk Management Process



148 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

149 The current key risks are reported in the performance analysis section at paragraph 77.

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

### Written assurances

151 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.

152 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. Substantial confidence will hopefully be achieved when the new integrated and digitally enabled Oracle Cloud system is implemented, leading to a reduction in the number of manual processes currently used.



153 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.

- Measures to underpin the stability and security of the SEAS financial system were implemented in November 2023. These have de-risked aspects of the existing system during the implementation and transition to the Oracle Cloud Enterprise Resource Planning system. However, these business-critical systems are at their end of their serviceable life and require ongoing investment and support to maintain core business as usual. Responsibilities for this are transitioning from the directorate to new arrangements as part of the Scottish Government's revised system support model, and close collaboration is required to ensure effective coordination and planning around this, and to enable seamless adoption of new systems and ways of working.
- The directorate designed and implemented a revised operating model in 2023-24 to develop and grow key capabilities required to support current and future organisational financial opportunities and challenges, drive continuous improvement in management practices across the organisation, and maximise the benefits of future ERP technology. This is serving to strengthen essential functions, but a number of factors are driving significant capacity issues. Budgetary constraints have meant that the Directorate has not been able to fully deploy its revised Operating Model, requiring planned positions to be held open alongside a range of significant savings measures. This reduces the ability to service heightened requirements for spending controls, and growing scale and complexity of demand for financial management services and advice from across the organisation to address the current and future financial context. Capacity issues also continue to be exacerbated by the dual challenge of maintaining essential functions and services, alongside the additional requirements for subject matter expertise to inform delivery of the shared services programme and a smooth transition to Oracle Cloud. In addition, the directorate operating model is expected to be impacted by the emerging Shared Services Target Operating Model, requiring resourcing plans to address the development of associated directorate functions during 2024-25.

154 I have also received from Scottish Government's Directorate of Internal Audit and Assurance a copy of the assurance provided for 2023-24 on the Scottish Government's corporate services which deliver our shared services. They provided an overall reasonable assurance opinion on corporate systems, but considered this to be a worsening position compared to 2022-23. They anticipate this is likely to remain the case until the control improvements that are anticipated through the implementation of Oracle Cloud are realised through the Scottish Government shared services programme. This is reflected in our risk profile, reported at paragraph 77.

## **Data security**

155 There were no known data breaches in 2023-24 (there were none in 2022-23).

## **Assessment of Corporate Governance and Risk Management Arrangements**

156 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.

157 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
- updates provided to Accountable Officers on the progress of the Scottish Government shared services programme to implement Oracle Cloud
- 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)

158 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

159 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.

160 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

- 161 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 Code<sup>33</sup> and in conjunction with independent advice from the Senior Salaries Review Body (SSRB).<sup>34</sup>
- 162 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.<sup>35</sup> 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.
- 163 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 members of the Audit and Risk Committee, set out in their letters 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<sup>36</sup>.

## Single Total Figure of Remuneration (audited)

- 164 Fees of the Commissioners and external members 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	2023-24	2022-23
Board Member	£'000	£'000
Dame Susan Rice DBE (Chair) until 30 June 2022	-	5-10 *
Professor Graeme Roy appointed from 1 June 2022	35-40	30-35 *
Professor Francis Breedon	25-30	25-30
Professor David Ulph	25-30	25-30
Professor Domenico Lombardi appointed from 1 June 2022	25-30	20-25 **

<sup>33</sup> Civil Service Management Code ([link](#))

<sup>34</sup> Information about the work of the SSRB can be found ([link](#))

<sup>35</sup> Information about the Public Sector Pay Policy ([link](#))

<sup>36</sup> The Scottish Government Public Sector Pay Strategy 2023-24 ([link](#))

External Audit and Risk Committee Members	£'000	£'000
Gillian Carty appointment ended 31 December 2022	-	0-5
Catriona McConnell appointed from 2 May 2023	0-5	-
Sarah Pumfrett appointed from 2 May 2023	0-5	-

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

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

Senior Management Team	Wages and Salary Band £'000		Accrued Pension Benefits £'000		Total £'000	
	2023-24	2022-23	2023-24	2022-23	2023-24	2022-23
John Ireland Chief Executive	80-85 FTE 85-90	85-90	66	-	150-155	85-90
Claire Murdoch Head of Fiscal Sustainability and Public Funding	75-80 FTE 80-85	75-80	29	31	105-110	110-115
Michael Davidson Head of Devolved Taxes and Social Security	70-75	45-50 WYE 65-70	28	17	100-105	65-70
David Stone Head of Economy and Income Tax	60-65 FTE 80-85	60-65 FTE 75-80	24	25	85-90	85-90
Susie Warden Head of Strategy, Governance and Corporate Services	50-55 FTE 80-85	45-50 FTE 75-80	7	12	60-65	60-65

FTE means full time equivalent (staff are part-time)

WYE means whole year equivalent (staff joined or left during the year)

165 None of the above received any benefits in-kind or bonus payments in 2023-24 or 2022-23.

166 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.

167 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.

168 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 2024

Senior Management Team	Accrued Pension as at 31 March 2024 and related lump sum £'000	Real increase in pension and related lump sum £'000	CETV at 31 March 2024 £'000	CETV at 31 March 2023 £'000	Real Increase in CETV £'000
John Ireland Chief Executive	55-60	2.5-5	1,220	1,110	61
Claire Murdoch Head of Fiscal Sustainability and Public Funding	15-20	0-2.5	220	179	14
Michael Davidson Head of Devolved Taxes and Social Security	15-20	0-2.5	188	151	14
David Stone Head of Economy and Tax	20-25	0-2.5	258	216	11
Susie Warden Head of Strategy, Governance and Corporate Services	15-20 plus lump sum of 35-40	0-2.5 plus a lump sum of 0	305	279	-1

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 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.

- 169 The above pension information was supplied to the Scottish Fiscal Commission by MyCSP.
- 170 Employer contributions to all pension plans for 2023-24 were £371,034 including £101,798 for the Senior Management Team (in 2022-23 they were £351,291 including £96,085 for the Senior Management Team). It is anticipated that employers contributions to all pension plans in 2024-25 would be around £390,000.

### Civil Service Pensions

- 171 Pension benefits are provided through the Civil Service pension arrangements. Before 1 April 2015, the only scheme was the Principal Civil Service Pension Scheme (PCSPS), which is divided into a few different sections – classic, premium, and classic plus provide benefits on a final salary basis, whilst nuvos provides benefits on a career average basis. 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. All newly appointed civil servants, and the majority of those already in service, joined the new scheme.

- 172 The PCSPS and alpha are unfunded statutory schemes. Employees and employers make contributions (employee contributions range between 4.6 per cent and 8.05 per cent, depending on salary). The balance of the cost of benefits in payment is met by monies voted by Parliament each year. Pensions in payment are increased annually in line with the Pensions Increase legislation. Instead of the defined benefit arrangements, employees may opt for a defined contribution pension with an employer contribution, the partnership pension account.
- 173 In alpha, pension builds up at a rate of 2.32 per cent of pensionable earnings each year, and the total amount accrued is adjusted annually in line with a rate set by HM Treasury. Members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004. All members who switched to alpha from the PCSPS had 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.
- 174 The accrued pensions shown in this report are the pension the member is entitled to receive when they reach normal pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over normal pension age. Normal 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 in this report show pension earned in PCSPS or alpha, as appropriate. Where a member has benefits in both the PCSPS and alpha, the figures show the combined value of their benefits in the two schemes but note that the constituent parts of that pension may be payable from different ages.
- 175 When the Government introduced new public service pension schemes in 2015, there were transitional arrangements which treated existing scheme members differently based on their age. Older members of the PCSPS remained in that scheme, rather than moving to alpha. In 2018, the Court of Appeal found that the transitional arrangements in the public service pension schemes unlawfully discriminated against younger members.
- 176 As a result, steps are being taken to remedy those 2015 reforms, making the pension scheme provisions fair to all members. The public service pensions remedy<sup>37</sup> is made up of two parts. The first part closed the PCSPS on 31 March 2022, with all active members becoming members of alpha from 1 April 2022. The second part removes the age discrimination for the remedy period, between 1 April 2015 and 31 March 2022, by moving the membership of eligible members during this period back into the PCSPS on 1 October 2023. This is known as ‘rollback’.
- 177 For members who are in scope of the public service pension remedy, the calculation of their benefits for the purpose of calculating their Cash Equivalent Transfer Value and their single total figure of remuneration, as of 31 March 2023 and 31 March 2024, reflects the fact that membership between 1 April 2015 and 31 March 2022 has been rolled back into the PCSPS. Although members will in due course get an option to decide whether that period should count towards PCSPS or alpha benefits, the figures show the rolled back position, that is PCSPS benefits for that period.
- 178 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

<sup>37</sup> Gov.UK (October 2023) [How the public service pensions remedy affects your pension](#)  
Scottish Fiscal Commission Annual Report and Accounts for the year ending 31 March 2024

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).

- 179 Further details about the Civil Service pension arrangements can be found at the website [www.civilservicepensionscheme.org.uk](http://www.civilservicepensionscheme.org.uk).

### **Cash Equivalent Transfer Values**

- 180 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.
- 181 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.
- 182 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.

### **Real increase in CETV**

- 183 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**

- 184 During 2023-24 there were no early departure packages (there were none in 2022-23).



## Fair Pay Disclosure (audited)

Fair Pay Disclosure	2023-24	2022-23
Band of highest paid director £'000	85-90	85-90
Per cent increase in highest paid Director over previous year, based on mid-point of salary band	0%	6.1%
25 percentile	44,557	38,329
25 percentile Ratio	2.0	2.2
Median total remuneration	50,691	49,860
Median Ratio	1.7	1.7
75 percentile	62,969	54,867
75 percentile Ratio	1.4	1.6
Range minimum – maximum £'000 (FTE)	30-35 to 85-90	30-35 to 85-90
Total staff remuneration - see note 2	1,338	1,267
Per cent increase/decrease over previous year, excluding highest paid director	9.57%	11.09%

185 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.

186 No performance pay or bonuses were paid.

## 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 2024, the Commission employed one Senior Civil Servant, the Chief Executive, who is a Band 1 (also one senior civil servant at 31 March 2023).



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

Average number of whole-time equivalent persons	2023-24 WTE	2022-23 WTE
Permanent Employees (including staff on loan)	22.99	23.9
Fixed Term Staff	1.05	1.7
Agency workers	0.15	-
<b>Total</b>	<b>24.19</b>	<b>25.6</b>
<b>Commissioners</b>	<b>1.2</b>	<b>1.2</b>

## Staff Costs (audited)

Staff Costs	2023-24 £'000	2022-23 £'000
Wages and salaries (including staff on loan)	1,284	1,202
Wages and Salaries (Fixed Term Appointments)	38	65
Wages and Salaries (Agency workers)	16	-
Social security costs	147	149
Other pension costs	370	352
Commissioner/Board fees and costs	137	135
Employee benefits (net annual and flexi leave accruals)	12	*
<b>Total administration staff costs</b>	<b>2,004</b>	<b>1,903</b>

\* included within wages and salaries in previous years

189 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

190 The numbers of people of each sex employed by the Scottish Fiscal Commission on 31 March 2024 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).

Employee Category	31 March 2024		31 March 2023	
	Female	Male	Female	Male
Employees – non-Senior Management Team	7	13	8	14
Non Senior Civil Service members of the Senior Management Team	2	2	2	2
Senior Civil Servants	0	1	0	1
<b>Total staff</b>	<b>9</b>	<b>16</b>	<b>10</b>	<b>17</b>
<b>Board members</b>	<b>0</b>	<b>4</b>	<b>0</b>	<b>4</b>

## Sickness Absence

Sickness Absence	Average total of sick days per employee 2023-24	Average total of sick days per employee 2022-23
Short term absence (<=20 working days)	2.0	2.9
Long term absence (>20 working days)	2.1	1.8
<b>Total</b>	<b>4.1</b>	<b>4.7</b>

## Staff turnover percentage

Headcount at 31 March 2023*	Headcount at 31 March 2024	Average Headcount	Leavers	Turnover %
26	25	25.5	2	7.69

\* Permanent head count, excluding Fixed Term Appointments (FTA) and inward loan staff

## Staff survey engagement score

191 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.

Staff survey engagement score	2024	2023
Scottish Fiscal Commission	76	76
Scottish Government	64 <sup>38</sup>	66 <sup>39</sup>

## Staff policies for disabled persons

192 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.

<sup>38</sup> [Civil Service People Survey 2023](#)

<sup>39</sup> [Civil Service People Survey 2022](#)

- 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

193 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. We have curated a source of learning materials and training opportunities suitable for our staff.

## Expenditure on Consultancy

194 The Commission did not incur consultancy costs in 2023-24 (in 2022-23 no costs were incurred).

## Diversity and Inclusion

195 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 or appointment of staff, Commissioners and Audit and Risk Committee external members.

196 We think about diversity and inclusion in three facets: recruitment of staff and Commissioners and committee members, 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 83 onwards.

197 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.<sup>40</sup>

198 We are also subject to the Gender Representation on Public Boards (Scotland) Act 2018.<sup>41</sup> Our gender balance at 31 March 2024 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

<sup>40</sup> Information about [Economic Futures](#)

<sup>41</sup> The Gender Representation on Public Boards (Scotland) Act 2018 – [Statutory Guidance, June 2020](#)

anywhere in the UK for the entire period from 2012-2019.<sup>42</sup> We are continuing to develop a succession plan to ensure that we do all we can to attract diverse, high calibre 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

- 199 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.
- 200 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.

Gender Pay Gap	31 March 2024	Scotland 2023 <sup>43</sup>	31 March 2023
Median gender pay gap	-10.95	8.3	-16.4
Arithmetic mean gender pay gap	-8.94	6.5	-10.4

- 201 The median gender pay gap for all staff at Scottish Fiscal Commission at 31 March 2024 has changed slightly since March 2023. 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 2023-24 there has been an increase in the number of male staff employed across grades but at a lower level on the pay band and a decrease in the number of junior female staff but at a higher level on the pay band.

## Other items

- 202 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

25 September 2024

<sup>42</sup> Royal Economic Society (2021): The Gender Imbalance in UK Economics, Royal Economic Society 2021 ([link](#))

<sup>43</sup> Office for National Statistics (2024): Gender Pay Gap – [Scotland average - Provisional Data Set 2023 Table 3.12](#)

# 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 2024 under the Public Finance and Accountability (Scotland) Act 2000. The financial statements comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity, and notes to the financial statements, including material accounting policy information. 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 2023/24 Government Financial Reporting Manual (the 2023/24 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 2024 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 2023/24 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 skilfulness 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 <http://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  
United Kingdom

25 September 2024

# Financial Statements

## Introduction

This statement of accounts reports the results of the Scottish Fiscal Commission (the Commission) for the year 1 April 2023 to 31 March 2024. 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 2024

Statement of Comprehensive Net Expenditure (£'000)	Note	31 March 2024	31 March 2023
Staff costs	2	(2,004)	(1,903)
Other operating costs	3	(232)	(204)
Notional Costs	4	(34)	(32)
Depreciation	5, 6	(61)	(59)
<b>Net Operating Cost</b>		<b>(2,331)</b>	<b>(2,198)</b>

The notes on pages 60 to 68 form part of these financial statements.

## Statement of Financial Position as at 31 March 2024

Statement of Financial Position (£'000)	Note	31 March 2024	31 March 2023
<b>Non-Current Assets</b>			
Property, plant and equipment	5	2	4
Right-of-use assets	6	117	114
<b>Total non-current assets</b>		<b>119</b>	<b>118</b>
<b>Current Assets</b>			
Trade and other receivables	7	-	-
Cash and cash equivalents		-	-
<b>Total current assets</b>		<b>-</b>	<b>-</b>
<b>Total Assets</b>		<b>119</b>	<b>118</b>
<b>Current Liabilities</b>			
Trade and other payables	8	(176)	(162)
Lease liabilities	9	(59)	(57)
<b>Total current liabilities</b>		<b>(235)</b>	<b>(219)</b>
<b>Total Assets Less Current Liabilities</b>		<b>(116)</b>	<b>(101)</b>
Lease liabilities	9	(59)	(57)
<b>Total non-current liabilities</b>		<b>(59)</b>	<b>(57)</b>
<b>Total Assets Less Total Liabilities</b>		<b>(175)</b>	<b>(158)</b>
<b>Taxpayers' Equity</b>			
General Fund	SOCTE	(175)	(158)
<b>Total Taxpayers' Equity</b>		<b>(175)</b>	<b>(158)</b>

The notes on pages 60 to 68 form part of these financial statements.

The Chief Executive and Accountable Officer approved and authorised these financial statements for issue on 25 September 2024.

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

25 September 2024

## Statement of Cash Flows for the year ended 31 March 2024

Statement of Cash Flows (£'000)	Note	31 March 2024	31 March 2023
<b>Cash Flows From Operating Activities</b>			
Net operating cost	SOCNE	(2,331)	(2,198)
Adjustments for non-cash transactions			
Depreciation/Amortisation	5, 6	61	2
Notional Costs	4	34	32
Movements in working capital			
(Increase) in trade and other receivables	7	-	-
Increase in trade and other payables	8	15	66
<b>Net cash outflow from operating activities</b>		<b>(2,221)</b>	<b>(2,098)</b>
<b>Cash Flows From Investing Activities Used In</b>			
Purchase of property, plant and equipment	5	-	-
<b>Net cash flow from investing activities</b>		<b>-</b>	<b>-</b>
<b>Cash Flows From Financing Activities Used In</b>			
Payment of lease liabilities		(59)	(57)
Funding	SOCTE	2,280	2,155
<b>Net cash flow from financing activities</b>		<b>2,221</b>	<b>2,098</b>
<b>Net movement in cash and cash equivalents</b>		<b>-</b>	<b>-</b>

The notes on pages 60 to 68 form part of these financial statements.

## Statement of Changes in Taxpayers' Equity for the year ended 31 March 2024

Statement of Changes in Taxpayers' Equity £'000	Note	General Fund 2023-24	General Fund 2022-23
Balance at 1 April		(158)	(147)
Non-cash charges – notional costs	4	34	32
Net operating costs for the year	SOCNE	(2,331)	(2,198)
Net funding		2,280	2,155
<b>Balance as at 31 March</b>		<b>(175)</b>	<b>(158)</b>

The notes on pages 60 to 68 form part of these financial statements.

# Notes to the Accounts for the year ended 31 March 2024

## 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) 2023-24 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 2024 (as well as for the year ended 31 March 2023) 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 5 years (updated from 15 years in previous reports)
- 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) 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.

#### (f) Receivables

All material amounts due as at 31 March 2024 have been brought into the account irrespective of when actual payments were received.

#### (g) Payables

All material amounts outstanding as at 31 March 2024 have been brought into account irrespective of when actual payments were made.

(h) 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.

(i) 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 2024-25 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.

(j) 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 2023-24 was £118,000.

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.

#### (k) 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 standards that are considered relevant to the Scottish Fiscal Commission and the anticipated impact on the accounts are as follows:

##### IFRS 17 – Insurance Contracts

IFRS 17 replaces the previous standards on insurance contracts, IFRS 4. Under the IFRS 17 model, insurance contract liabilities will be calculated as the present value of future insurance cash flows with a provision for risk.

The Standard will be adapted and interpreted for the public sector context. One major difference from the private sector is that the implementation of IFRS 17 has been delayed from 1 January 2023 (its effective date in the private sector). The Financial Reporting Advisory Board are considering implementation of the standard in the public sector however the earliest date of mandatory adoption of the Standard, as per the FRAB paper 145 (11) would be from financial year 2024-25.

The impact of IFRS 17 has not yet been determined but this will be assessed when further guidance is forthcoming from HM Treasury. However, as the Scottish Fiscal Commission have no insurance contracts, it is not anticipated that this will have any impact on the Commission's accounts.

## 2. Staff Costs

Staff Costs £'000	2023-24	2022-23
Wages and salaries (including Fixed Term Appointments and staff on loan)	1,338	1,267
Social security costs	147	149
Other pension costs	370	352
Commissioner/Board fees and costs	137	135
Employee benefits (net annual and flexi leave accrual)	12	*
<b>Total administration staff costs</b>	<b>2,004</b>	<b>1,903</b>

\* included within wages and salaries in previous years

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. Further detail on staff costs is in paragraph 189.

## 3. Other Operating Costs

Other Operating Costs (£'000)	2023-24	2022-23
<b>Staff related costs:</b>		
HR service	23	23
Recruitment	-	-
Training	11	5
Travel, subsistence and catering	7	4
<b>Non-staff related costs:</b>		
Accommodation (includes rates, maintenance and cleaning)	74	74
Office and IT equipment (includes furniture and telephones)	7	-
IT and telephone services (includes software)	53	62
Office Supplies (includes stationery and printing)	-	1
Communications and events (include website development and website hosting)	36	15
Consultancy and outsourced professional services (include procurement, internal audit and legal)	21	20
<b>Total Other Operating Costs</b>	<b>232</b>	<b>204</b>

## 4. Notional Costs

Notional Costs (£'000)	2023-24	2022-23
Internal Accountancy Fees	3	3
External Audit Fees	31	29
<b>Total notional costs</b>	<b>34</b>	<b>32</b>

## 5. Property, plant and equipment

Property, plant and equipment (£'000)			2023-24			2022-23
Cost	Plant and Machinery	Information Technology	Total	Plant and Machinery	Information Technology	Total
At 1 April	6	10	16	6	10	16
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Transfers to Assets	-	-	-	-	-	-
<b>At 31 March</b>	<b>6</b>	<b>10</b>	<b>16</b>	<b>6</b>	<b>10</b>	<b>16</b>
Depreciation						
At 1 April	3	9	12	2	8	10
Charge for year	1	1	2	1	1	2
Disposals	-	-	-	-	-	-
<b>At 31 March</b>	<b>4</b>	<b>10</b>	<b>14</b>	<b>3</b>	<b>9</b>	<b>12</b>
NBV at 31 March	<b>2</b>	-	<b>2</b>	<b>3</b>	<b>1</b>	<b>4</b>
<b>Analysis of Asset Financing</b>						
Owned	2	-	2	3	1	4
Finance Leased	-	-	-	-	-	-
<b>NBV at 31 March</b>	<b>2</b>	-	<b>2</b>	<b>3</b>	<b>1</b>	<b>4</b>

## 6. Right-of-use assets

Right of Use Assets (£'000)		2023-24		2022-23
<b>Cost</b>	<b>Buildings</b>	<b>Total</b>	<b>Buildings</b>	<b>Total</b>
At 1 April	171	171	-	-
Additions	62	62	171	171
Disposals	-	-	-	-
Transfers to Assets	-	-	-	-
<b>At 31 March</b>	<b>233</b>	<b>233</b>	<b>171</b>	<b>171</b>
<b>Depreciation</b>				
At 1 April	57	57	-	-
Charge for year	59	59	57	57
Disposals	-	-	-	-
<b>At 31 March</b>	<b>116</b>	<b>116</b>	<b>57</b>	<b>57</b>
NBV at 31 March	<b>117</b>	<b>117</b>	<b>114</b>	<b>114</b>
<b>Analysis of Asset Financing</b>				
Owned	-	-	-	-
Leased	117	117	114	114
<b>NBV at 31 March</b>	<b>117</b>	<b>117</b>	<b>114</b>	<b>114</b>

## 7. Trade and other receivables

Trade receivables and other current receivables (£'000)	2023-24	2022-23
Other receivables	-	-
Total due within one year	-	-

## 8. Trade and other payables

Trade payables and other current liabilities (£'000)	2023-24	2022-23
Other payables	176	162
Total due within one year	176	162

## 9. Lease liabilities

Lease liabilities (£'000)	2023-24	2022-23
<b>Buildings:</b>		
Not later than one year	59	57
Later than one year and not later than five years	59	57
Later than five years	-	-
	<b>118</b>	<b>114</b>
Less unaccrued interest	-	-
<b>Balance as at 31 March</b>	<b>118</b>	<b>114</b>

### Amounts recognised in the Statement of Comprehensive Net Expenditure

Statement of Comprehensive Net Expenditure (£'000)	2023-24	2022-23
Depreciation	59	57
Interest expense	-	-
<b>Total Lease Costs through SoCNE</b>	<b>59</b>	<b>57</b>

### Amounts recognised in the Statement of Cash Flows

Statement of Cash Flows (£'000)	2023-24	2022-23
Cash flows	59	57
Interest expense	-	-
<b>Repayment of principal on leases</b>	<b>59</b>	<b>57</b>

## **10. 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 80 onwards).

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

## **11. Capital commitments and contingent liabilities**

There were no contracted capital commitments or contingent liabilities.

## **12. 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 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

GORDON WALES  
Chief Financial Officer  
3 May 2018

© Crown copyright 2024

This publication is available at [www.fiscalcommission.scot](http://www.fiscalcommission.scot)

ISBN: 978-1-911637-74-5

Laying Number: SFC/2024/6

Published by the Scottish Fiscal Commission, September 2024

