
Annual Report and Accounts for the year ending 31 March 2025

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Performance Report

Chair's Foreword

I am pleased to publish the Commission's Annual Report and Accounts for 2024-25, which detail the Commission's activities during the year ending 31 March 2025.

Every five years we are formally and independently reviewed and this year the OECD published this report in March 2025. It highlighted just how far the Commission has developed since the last review in 2019, and it is remarkable to reflect on that journey.

We have transformed from an organisation focussed on two major fiscal events each year to a hive of year-round publications and engagement. Where previously we produced five-year forecasts, we now also analyse fiscal sustainability over a fifty-year horizon and, at the other end of the spectrum, we document what has happened in the months since the previous Scottish Budget and how that changes the Budget figures.

Over this year I've particularly noticed how our work has been sparking and enlightening public debate about public finances in Scotland. Our approach to analysing fiscal sustainability – looking at the fiscal gap between the long-term projections of public spending and funding – is being adopted as a key metric. There is a broader understanding that the Scottish Budget is not static but can, and does, change through the year.

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
7 October 2025

Overview

- 1 The purpose of this overview is to give a short summary of the Commission, its objectives, performance during 2024-25, 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 eighth year as Scotland's official economic and fiscal forecaster.
- 3 We delivered economic and fiscal forecasts for the 2025-26 Scottish Budget, official costings for legislation on the Pension Age Winter Heating Payment and Scottish Adult Disability Living Allowance and an additional report on mitigating the Universal Credit two-child limit. We published a fiscal update in August to explain how recent economic and fiscal developments and Scottish and UK Government announcements had affected the Scottish Budget.
- 4 We have given formal evidence to four different Scottish Parliament Committees and to the Scottish Affairs Committee of the UK Parliament. We have also delivered public events, in-person briefings for MSPs and website explainer videos to help our users to understand our analysis and how the Scottish Budget works.
- 5 The corporate side of our organisation has been no less busy. We've been developing our next corporate plan, reflecting on the process of being reviewed by the OECD and the OECD's thoughtful recommendations and our stakeholders' feedback. We have had to change all our finance and HR processes and systems as the Scottish Government corporate systems we share migrated to Oracle Cloud. We have undertaken recruitment with record numbers of applicants.
- 6 Through the year there have also been some significant challenges for a very small organisation to deal with. I am both proud of and thankful for the way in which our staff have carried out their work. I thank each individual for their hard work and willingness to adapt over the year, and for supporting me, the Commissioners and most importantly their colleagues through this last year.

John Ireland

Chief Executive of the Scottish Fiscal Commission and Accountable Officer

7 October 2025

About the Scottish Fiscal Commission

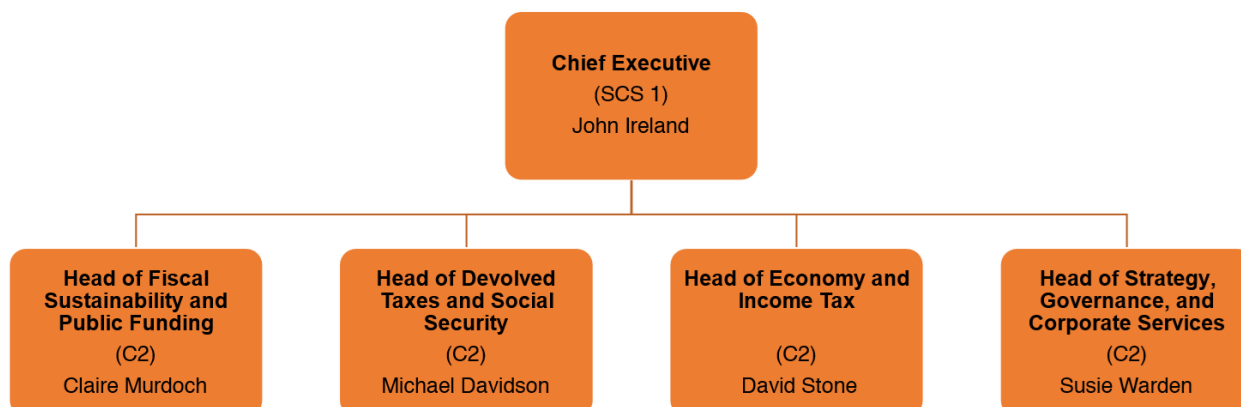
What we do

- 7 We produce independent, robust forecasts and assessments to improve the transparency and scrutiny of Scotland's Budget.
- 8 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 usually provide these independent forecasts and assess the Scottish Government's borrowing 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.
- 9 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.
- 10 For transparency, we publish information on how our forecasts are produced, and the assumptions and judgments we make in them. We evaluate the accuracy of our forecasts once outturn data is available. We also report on the main areas where we believe improvements are required in the data and information we use for forecasting.
- 11 We produce reports on the effects on current and future budgets of economic and fiscal developments and Scottish and UK Government announcements, to show how the Scottish Budget changes after it is set.
- 12 We report on the long-term fiscal sustainability of the Scottish Government's budget by making 50 year projections of spending and funding and we compare how the gap between spending and funding changes during that time. We analyse particular themes which will have long-term impacts on the sustainability of the Scottish Budget; the most recent being climate change.
- 13 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

- 14 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.
- 15 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.

- 16 Our Commissioners are Professor Graeme Roy (Chair), Professor Francis Breedon, Professor Domenico Lombardi, and Professor David Ulph.
- 17 The Commissioners are supported by around 28 staff grouped into four teams.



Strategic objectives

- 18 The Commission's Corporate Plan¹ that covered 2024-25 sets out four strategic objectives for the Commission:
- Provide robust, independent, official forecasts of Scotland's economy, devolved tax revenues and social security spending
 - Explain what our forecasts and analysis mean for the Scottish Budget
 - Analyse and explain the medium and longer term risks to the Scottish Budget
 - Be an effective and efficient organisation with skilled, knowledgeable people

Performance summary

- 19 This is a brief summary of our work during the year, set out under our strategic objectives. Further detail on all of this work, including links to publications, can be found in the performance analysis section of our annual report.
- 20 We provided robust, independent, official forecasts of Scotland's economy, devolved tax revenues and social security spending by publishing:
- a Fiscal Update in August 2024 which set out the economic and fiscal developments since December 2023 and the effects of Scottish and UK Government announcements on the 2024-25 and 2025-26 Scottish Budgets
 - a Statement of Data needs in August 2024 which describes the main areas where we believe improvements are required in the data and information we use for forecasting
 - a Forecast Evaluation Report in August 2024 which evaluates our December 2022 forecasts for economy, fully devolved taxes, and social security used to set the 2023-24

¹ Scottish Fiscal Commission Corporate Plan 2022-25

Scottish Budget. It also evaluated the December 2021 income tax forecast used in setting the earlier 2022-23 Scottish Budget

- a Supplementary Costing was published in September 2024 which set out updated forecasts of spending on Pension Age Winter Heating Payment to accompany legislation introduced to the Scottish Parliament on 25 September 2024
- a Supplementary Costing was published in November 2024 which set out updated forecasts of spending on Scottish Adult Disability Living Allowance to accompany legislation introduced to the Scottish Parliament on 1 November 2024
- a set of forecasts in December 2024 to support the Scottish Government's 2025-26 Budget
- a report on mitigating the Universal Credit two-child limit and the Scottish Budget, which sets out an estimate of the cost of mitigating the two-child limit, and the impact this will have on the Scottish Budget 2025-26.

21 We explained what our forecasts and analysis mean for the Scottish Budget by:

- producing a full report, summary, visual summary, and content for our forecasts
- holding events for MSPs, media and the public
- giving evidence to Scottish Parliament Committees
- evaluating our previous forecasts against outturn.

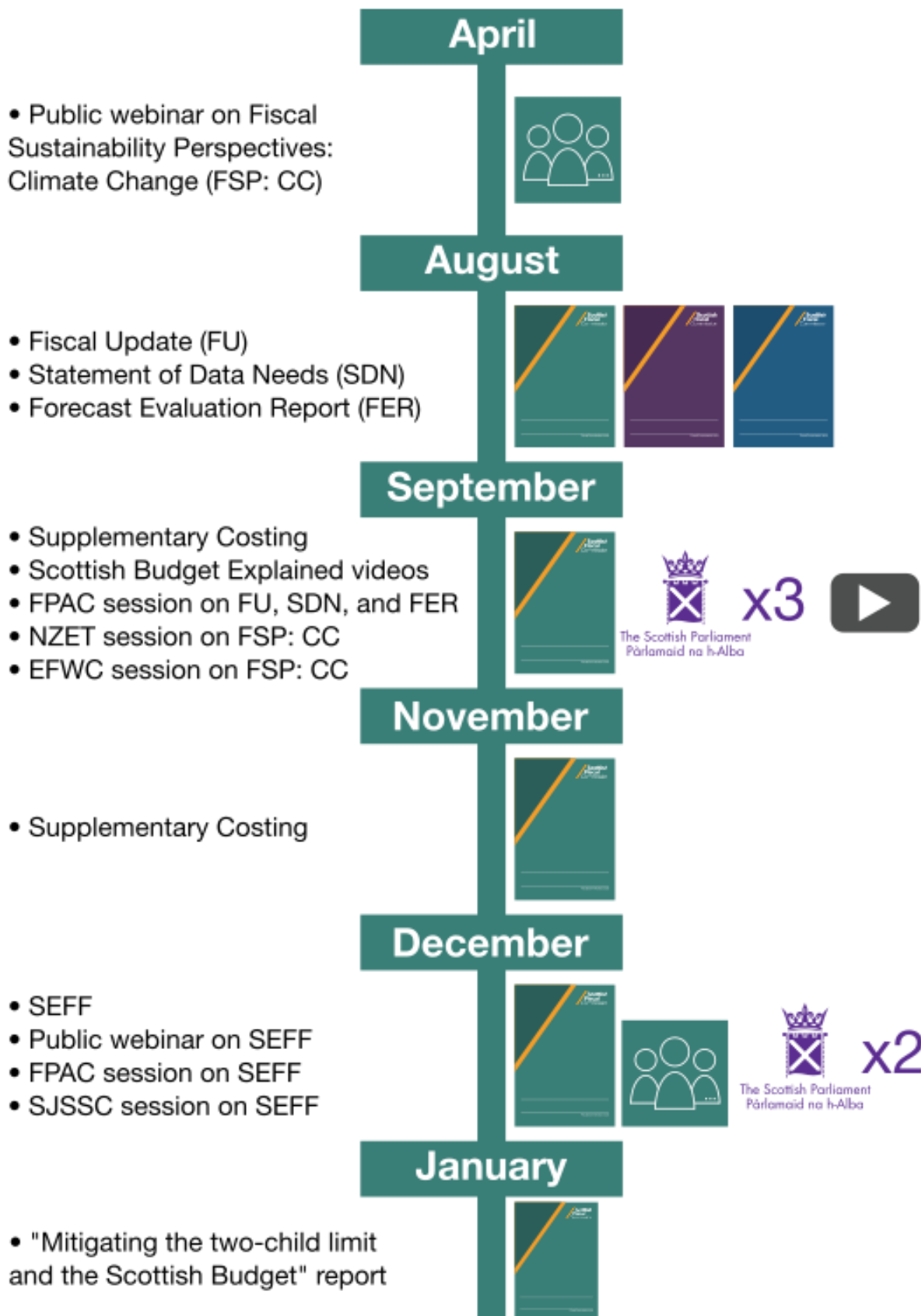
22 We analysed and explained the medium and longer term risks to the Scottish Budget by:

- undertaking a programme of engagement to publicise and explain our March 2024 report, Fiscal Sustainability Perspectives: Climate Change in March 2024, which explores how climate change could affect the Scottish Government's fiscal sustainability.
- preparing our second report on the long-term fiscal sustainability of the Scottish Government's budget for publication in April 2025.

23 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
- improving the accessibility of our website, reports and spreadsheets
- sharing experience and best practice with other small public bodies
- preparing for and implementing the Oracle Cloud-based finance and HR system, shared with the Scottish Government, and other public bodies.

2024-25 publications, events, and evidence to Parliament



How our work delivers our strategic objectives

Activity	Provide robust, independent, official forecasts	Explain what our forecasts and analysis mean for the Scottish Budget	Analyse and explain the medium and longer term risks to the Scottish Budget	Be an effective and efficient organisation with skilled, knowledgeable people
Scotland's Economic and Fiscal Forecasts	✓	✓	✓	
Evidence to Parliamentary Committees		✓	✓	
Events		✓	✓	
Policy costings	✓			
Forecast evaluations	✓	✓	✓	
Fiscal Updates		✓	✓	
Statement of Data Needs	✓	✓	✓	
Fiscal sustainability 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				✓
Adopt new Scottish Government corporate systems				✓
Website accessibility and maintenance		✓	✓	✓
Share experience and learning with other public bodies				✓

Principal risks

- 24 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.
- 25 **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 remained high amber during the year, reflecting uncertainty around the new Scottish Government HR and finance system and staffing changes in the corporate team. We remain in a transition phase, and the implications of the new system for future costs and future staffing expertise and levels continues to be uncertain, so the risk score is expected to remain high.
- 26 **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 and the positive OECD review.
- 27 **Independence** - The Commission's political and institutional independence is, 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 results of the OECD review provided an external perspective, and assurance on our independence and our handling of the August fiscal update and the late policy notification contributed to low scores.
- 28 **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. Our staffing risk was amber and at times red through the year. This variously reflected pressures on staff from changes to publication timings and transition to Oracle, a pressured staffing budget, the reduction in the working week from 37 hours to 35 hours from 1 October 2024, unforeseen absences affecting the same team and multiple vacancies. Looking ahead, we would expect this risk to remain amber because of the pressured staffing budget, continued disruption to forecast timetables and recruitment and induction of two new Commissioners.
- 29 **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. This risk has remained amber, due to risks with our relationship with the Scottish Government. The new liaison team relationship has developed well and relationships with other partners are solid, but the issues with the forecast process and timetable offset this. Looking ahead we would expect this risk to remain amber due to a change in our liaison Director General, concern that changing timetables and processes could become a new norm and longer term, a new finance committee after the Scottish Parliament elections.

Performance Analysis

- 30 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

- 31 As there was not a Medium Term Financial Strategy (MTFS) in May 2024, the Commission published only one set of forecasts, on 4 December 2024.² We published a Fiscal Update in August 2024 to assist Parliament in its pre-Budget scrutiny given the absence of a May forecast. This allowed us to comment on the announcements the newly elected UK Government and developments in the Scottish Government's finances, including a set of spending controls. We delivered our reports on time and complied with the Protocol agreed with the Scottish Government. The December 2024 publication accompanied the Scottish Budget 2025-26.³ A further supplementary report, *Mitigating the two-child limit and the Scottish Budget*,⁴ was published on 7 January 2025 to assist Budget scrutiny. We had not been able to include a costing in our December 2024 report as we had had insufficient notice from the Scottish Government.
- 32 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.
- 33 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 accurate as possible.

Economy

- 34 We have undertaken a joint project with the University of Strathclyde aimed at applying their latest research in regional nowcasting and developing a new model for us to use as an input in the production of our forecast of Gross Domestic Product (GDP). The main advantage of this model is that it can handle data with a short time span, which is a feature of many novel high-frequency regional indicators such as Real Time Information (RTI) payroll data. These are useful economic predictors but cannot be used with traditional nowcasting methods. This makes the model a valuable addition to our analytical toolkit. We have also participated at a Strathclyde University nowcasting workshop where we discussed this development work with other international organisations.

Tax

- 30 In our Fiscal Update 2024 we published restated forecasts for Income Tax and Non-Domestic Rates with an updated baseline following our paper setting out a new

² Scottish Fiscal Commission (December 2024) [Scotland's Economic and Fiscal Forecasts](#)

³ Scottish Government (December 2024) [Scottish Budget 2025-26](#)

⁴ Scottish Fiscal Commission (January 2025) [Mitigating the two-child limit and the Scottish Budget](#)

approach to policy baselines.⁵ This clarifies and makes more transparent how we will set policy baselines in the future. 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.

- 31 A key development this year was the expansion of our narrative on the income tax net position in our Fiscal Update 2024 and December 2024 forecasts. This included a more detailed discussion of the 'economic performance gap'—a comparison between the net position and an illustrative scenario that estimates, all else being equal, how much more funding the Scottish Budget could receive under current Scottish income tax rates relative to those in place across the rest of the UK.
- 32 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

- 33 We produced a two supplementary costing to accompany the Winter Heating Assistance (Pension Age) (Scotland) Regulations 2024 and the Disability Assistance (Scottish Adult Disability Living Allowance) (DLA) (Scotland) Regulations 2024. The former assessed the costs of the new eligibility criteria for the Pension Age Winter Heating Payment, based on household composition and receipt of qualifying benefits. The latter provided updated spending forecasts based on the finalised policy details and implementation timeline for Scottish Adult DLA.
- 34 We developed our Adult Disability Payment (ADP) forecast to further incorporate data from Social Security Scotland. This includes information on applications approved, outcome of award review and payment levels. The latest forecasts are largely driven by ADP data, with limited dependency on historical Personal Independence Payment from the Department for Work and Pensions (DWP).
- 35 We reviewed our approach to how we estimate the spending on Employability Services under our remit. We have included services delivered under the No One Left Behind strategic plan as part of our devolved social security forecast.
- 36 In January 2025, we produced a report presenting a detailed forecast of the costs of the Scottish Government's new commitment to mitigating the two-child limit in Universal Credit. This report also included updated figures showing the effect of the policy on overall social security spending and the impact it had on the Budget.

Public Funding

- 37 We produce an overview of the Scottish Government's funding position as part of our assessment of borrowing and included this in the August 2024 Fiscal Update and the December 2024 forecast publication. In December 2024 we described the Scottish Government funding and assessed their borrowing for the 2025-26 Scottish Budget.

⁵ Scottish Fiscal Commission (February 2024) [How we set policy baselines](#)

Evaluation of forecasts

- 38 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.
- 39 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.
- 40 Our August 2024 report⁶ evaluates:
- the analytical work of the prior financial year and earlier
 - our December 2022 forecasts of the economy, devolved taxes, and social security, comparing them to outturn data for 2023-24
 - our December 2021 income tax forecast used in setting the earlier 2022-23 Scottish Budget.

Explain what our forecasts and analysis mean for the Scottish Budget

- 41 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).
- 42 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. As the Scottish Government did not produce an MTFS in 2024, we published a Fiscal Update in August 2024. This set out the economic and fiscal developments since December 2023 and the effects of Scottish and UK Government announcements on the 2024-25 and 2025-26 Scottish Budgets.
- 43 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).
- 44 Commissioners and members of the Senior Management Team gave evidence to the Finance and Public Administration Committee three times, the Social Justice and Social Security Committee twice, and the Net Zero, Energy and Transport Committee once and

⁶ Scottish Fiscal Commission (August 2024) [Forecast Evaluation Report](#)

the Economy and Fair Work Committee once. In March 2025, we also wrote to the Net Zero, Energy and Transport Committee in response to a request to set out what a 'good' Climate Change Plan would look like. In January 2025, a member of our Senior Management Team gave evidence to the Scottish Affairs Committee as part of their inquiry into the financing of the Scottish Government.

- 45 We hosted an in-person breakfast event on 11 December 2024, following the December Forecast, on Scotland's Economic and Fiscal Forecasts, December 2024, for MSPs and Parliamentary staff. This was sponsored by Convener, Finance and Public Administration Committee and attended by Professors Graeme Roy and Domenico Lombardi.
- 46 We held an online event throughout the year following our December 2024 forecast publication. We also published six Scottish Budget Explained videos, which break down and explain the Scottish Budget process in bite-sized chunks.
- 47 We publish all our reports on our website, along with summaries, spreadsheets, infographics, and news stories. We ensured that all of our publications and fiscal updates were promoted via X (previously Twitter), LinkedIn and our website. We now also promote our publications and updates on Bluesky.
- 48 We continued to have positive relationships with media representatives, maintaining a good attendance at media briefings (we had 14 attendees at the online briefing event following publication of Scotland's Economic and Fiscal Forecasts – December 2024). We engage once a month with our subscribers and, separately media subscribers, with information about our forthcoming publications and events.
- 49 Our Chair has given various media interviews, briefings, and articles. We respond swiftly to journalists' enquiries. 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

- 50 In April 2024 we held a public webinar on the report exploring how climate change could affect the Scottish Government's fiscal sustainability. Fiscal Sustainability Perspective on Climate Change.⁷ 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 would need from the Scottish and UK governments to produce projections of climate change funding and spending.
- 51 During 2024-25, work was taken forward to produce our second report on the long-term fiscal sustainability of the Scottish Government's budget, projecting spending and funding up to 2074-75. The balance between the projected spending and funding allows us to make an assessment of the long-term fiscal sustainability of the Scottish Government's annual budget gap. This assessment addresses factors arising from Scotland's devolved administration operating within the fiscal framework agreed with the UK Government.⁸

⁷ Scottish Fiscal Commission (March 2024) [Fiscal Sustainability Perspectives: Climate Change](#)

⁸ Scottish Fiscal Commission (April 2025) [Fiscal Sustainability Report – April 2025](#)

Be an effective and efficient organisation with skilled, knowledgeable people

- 52 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.
- 53 Scottish Government have implemented a new, integrated HR and finance system, Oracle Cloud, which went live in October 2024. Although we experienced no major issues with paying staff or suppliers, this transition has been extremely labour intensive and continues to require a high investment of staff time both to learn the new system and to operate additional manual controls and reporting until full confidence is gained in the new system. We participated in a grouping of public bodies to provide rapid feedback to the SG programme team to address major issues quickly through the transition period.

Staffing

- 54 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.
- 55 In October we reduced our working week from 37 to 35 hours, for all staff covered by the SG Main pay bargaining unit. This was a result of the Scottish Government’s pay negotiations, which we implement for our staff. Thus far there has been no impact on our ability to deliver our core products, but longer term we expect that the main pressure will become apparent with less time available for model development and training.
- 56 Over the year, our headcount has remained fairly constant, with 28 staff at 31 March 2025 (this does not tally with the staffing report because it includes inward loans and temporary appointments).
- 57 We filled six vacancies during the year and were able to attract suitable candidates. We experienced our highest volume of applications thus far, with one attracting over 100 applicants and another almost 500 and we used reserve lists from external recruitment campaigns to fill new vacancies more swiftly.

Backgrounds of successful candidates, 1 April 2024 to 31 March 2025

SFC	Scottish Administration	Other Government Departments	External	Total vacancies filled
0	0	1	5	6

Note: This table includes Fixed Term Appointments (FTA), internal promotions, and inward loans, so does not tally with the staff report.

- 58 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 2024 to 31 March 2025

Promotion within SFC	Promotion within Scottish Administration	Level Transfer within Scottish Administration	Academia/ Career Break/Left Civil Service	Total leaving post
0	0	1	4	5

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

- 59 The staff report contains further information relating to staff numbers and costs.
- 60 The Commission's 2024 staff survey took place during December 2024. It was modelled on the UK Civil Service survey and there was a 96 per cent response rate (there had been a 92 per cent response rate for the 2023 survey). The engagement score has increased by two points since last year (76 in 2023 to 78 in 2024). In particular, very positive increases were measured in regard to how proud employees are to tell others they work at the SFC, how attached they feel to their organisation, and how motivated they are to help the SFC achieve its objectives.
- 61 The overall picture was positive with a number of improvements, including around aspects highlighted for focus in last year's survey. Staff wellbeing and engagement were high, and there was a good indication that team relationships and relationships with managers are positive. The results of this survey showed that positive action was taken based on the conclusions of the previous survey. The results of the 2024 survey suggest some areas of focus for the next year are:
- Ensuring managers provide regular feedback on staff performance and explore how employees feel they can be more challenged in their work as part of these conversations, to help improve staff's sense of accomplishment and challenge.
 - Encouraging teams to regularly review their performance together, which could also support staff to identify ways they can be challenged/pushed more.
 - Continuing to increase the positive trend towards perceptions of pay and benefits, as whilst this has increased, there are still some staff who disagree/strongly disagree in this area.
 - Ensuring staff feel included and able to contribute their views about decisions made that may affect them and encouraging them to speak up when they identify a serious policy or delivery risk.
 - Returning to 100% of staff completely having the adjustments they need in the workplace.
 - Ensuring that the Senior Management Team is clearly visible to all members of staff.
 - Linking changes made on the basis of this survey to the survey – to increase the proportion of staff agreeing action is taken as a result of this next year.

Risk profile

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

Risk	Potential Effect	Changes in 2024-25	Mitigation	Outlook for 2025-26
Staffing Amber, at times red	The Commission cannot deliver its functions effectively because we do not have appropriate staff or Commissioners, or staff or Commissioners cannot work effectively.	<p>Risk to model development from reduction in the working week to 35 hours from October 2024, additional publications and staff churn (staff learning models rather than developing them). Consequent possible risk to future forecast performance in longer term.</p> <p>Employer NICS contribution increase and uncertainty about compensation from SG.</p> <p>Funding ask made before SG pay policy announced and pressure from unions to front load 3 year pay settlement.</p>	<p>Over-budgeted staffing budget at the start of the year to maximise capacity.</p> <p>Increased resilience to absence through project planning approach to management of SEFF, and analytical teams supporting the peak periods for others.</p> <p>Reduced likelihood of absences through monitoring annual leave plans, offering influenza vaccinations, agreed with Scottish Government to delay staff moves during forecast events, if needed.</p> <p>Adopted a more efficient approach to Commissioner chapter comments.</p> <p>Held reserve lists from external recruitments to fill new vacancies quickly if needed.</p> <p>Close attention to staffing budget.</p> <p>Positive staff survey results.</p>	<p>Risk likely to remain very high until pay settlement for 2025-26 brings some certainty over costs. Importance of staff to performance and tight 2025-26 budget means staffing risk is unlikely to fall below amber.</p> <p>Recruitment underway so expect to hold reserve lists for further departures.</p> <p>Recruitment for two Commissioners (David Ulph and Francis Breedon reach the end of their second terms in October) has identified two new Commissioners, Eleanor Ryan, and Justine Riccomini.</p>

Risk	Potential Effect	Changes in 2024-25	Mitigation	Outlook for 2025-26
Partner organisations 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.	<p>New First Minister has extensive experience of fiscal events.</p> <p>MTFS 2024 delayed then cancelled.</p> <p>Tight fiscal situation means difficult budget choices, which take longer to be made. Political pressures may also make it attractive to provide policy too late for us to include it.</p> <p>Delays to provision of two policies reduced the time we had to quality assure our forecasts and prepare our report. A third policy was provided too late to be included and required a separate publication to be produced.</p> <p>New Scottish Government liaison team.</p> <p>Strong relationships with other partners.</p> <p>Delay in receiving information about our 3 year indicative funding.</p>	<p>Close liaison with Scottish Government Directors to project plan fiscal events and clarify expectations on key issues.</p> <p>Parliament agreed to a five week gap between the UK and Scottish Budgets which should help Ministers reach decisions in good time.</p> <p>Ensured key tasks can be done by people in different teams to give more options if last-minute changes are needed to project plans.</p> <p>Regular liaison team contact and meetings.</p> <p>Delivering on Scottish Parliament's Finance and Public Administration Committee's (FPAC) recommendation to produce more spending analysis.</p>	<p>Risk outlook is uncertain at present.</p> <p>Considering impact on staffing levels of needing to have capacity in reserve to deal with MTFS delays in future, but no MTFS 2026 because of Scottish Parliament election.</p> <p>New Scottish Government Director General.</p> <p>Potentially difficult negotiations to review the Protocol and Framework Document to fulfil OECD recommendation to strengthen our multi-year funding, interacting with independence risk.</p> <p>Excellent day to day working relationships with SG and anticipate continued good relations with other partners.</p>

Risk	Potential Effect	Changes in 2024-25	Mitigation	Outlook for 2025-26
Independence Remained steady and green	The Commission's political and institutional independence is, or is perceived to be, undermined. The consensus that a Scottish independent fiscal institution is needed breaks down.	<p>Making the appropriate judgement on how to handle delays in receiving policies and information from SG and the cancellation of 2024 MTFS is always an independence risk.</p> <p>Positive response from stakeholder survey and Fiscal Sustainability Report (FSR) published in March. There was a high level of interest in the media event held on 25 April 2024, with around 250 registrations. Initial feedback on the OECD was positive.</p> <p>Delayed sign-off of our indicative funding for 2026-27 and 2027-28.</p> <p>Increase in requests from Government for information about operational plans.</p>	<p>Assurance from independent OECD review.</p> <p>Recommendation from OECD to strengthen independence by strengthening multi-year funding arrangements.</p> <p>Positive response from stakeholder survey and FSR report published in March.</p> <p>Continue to discuss potential publication and policy delays and other difficult issues with both FPAC and SG and revise protocol.</p>	<p>Risk out look likely to remain low but some uncertainty.</p> <p>Revise Framework Agreement to implement OECD recommendation and to agree appropriate reporting of performance and planning information.</p> <p>Revise protocol with SG (this sets out the process for fiscal event publications).</p> <p>Prospect of May 2026 Scottish Parliament elections likely to change political dynamic.</p>

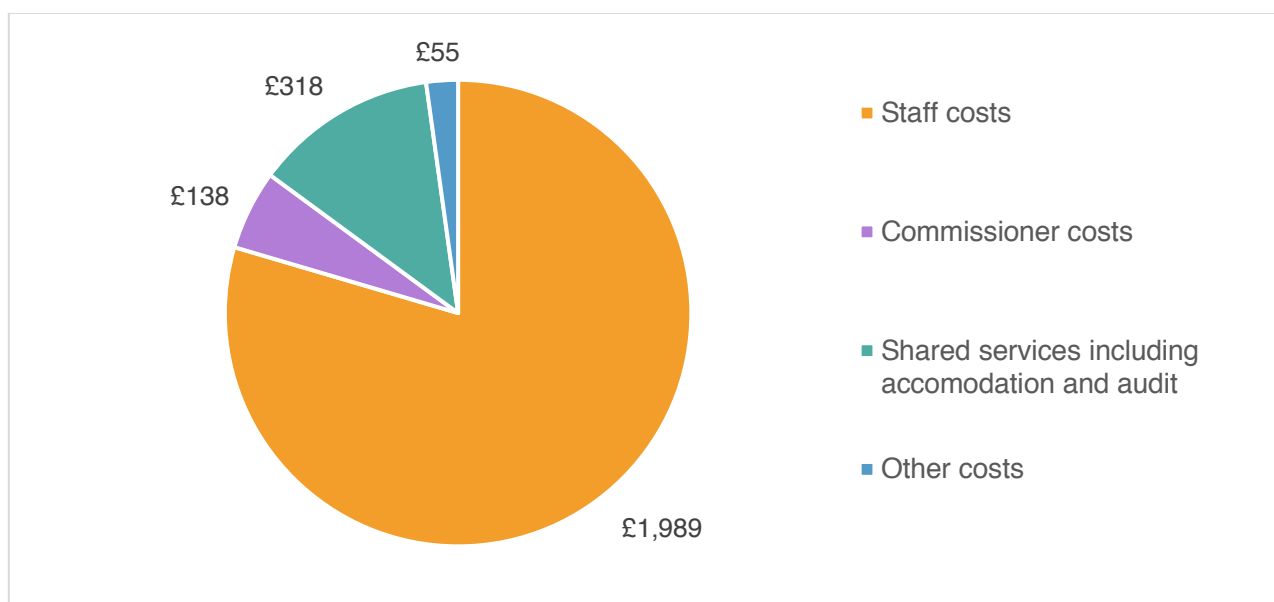
Risk	Potential Effect	Changes in 2024-25	Mitigation	Outlook for 2025-26
Corporate systems High amber	The Commission's corporate systems are not sufficient to deliver its work. This risk covers internal systems, shared services purchased from the Scottish Government and website providers.	<p>New Scottish Government HR and finance system, requiring intensive migration work, training, and new internal process. Associated data and recruitment freezes.</p> <p>Concurrent introduction of position management complicated HR system migration.</p> <p>Scottish Government shared services support and helpdesk were at times overwhelmed.</p> <p>Recruitment and on-boarding delays.</p> <p>Boiler failure affecting the working environment for all of 2024-25.</p>	<p>Active part in group of Oracle users from other public bodies to raise serious issues swiftly and effectively.</p> <p>Strong informal support from other users.</p> <p>Maintain own records in parallel and relatively simple organisation and finances.</p>	<p>Expect risk to remain high.</p> <p>New system continues to require more resource to operate, but expect it to become more routine.</p> <p>Cost implications of new system unconfirmed.</p> <p>Increased costs for other shared services still unconfirmed.</p> <p>Restructure corporate team and working with other public bodies – change management risk but potential for higher benefits of increase resilience and expertise.</p>

Risk	Potential Effect	Changes in 2024-25	Mitigation	Outlook for 2025-26
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>Timely fiscal update in August 2024 received media coverage and political interest.</p> <p>A positive reception of our Budget report and two child limit costing by the media and Finance Committee.</p> <p>Generally positive OECD report.</p> <p>Positive content of the Finance Committee's Budget scrutiny report published in January 2025.</p> <p>Statement of Data Needs explained data challenges.</p>		Overall we expect little change in our reputation risk.

Financial performance – 2024-25

- 63 In 2024-25, the Commission received a budget of £2.636 million and had net operating costs of £2.552 million, resulting in an underspend of £0.084 million (in 2023-24 we had a budget of £2.485 million, net operating costs of £2.331 million and an underspend of £0.154 million). We exclude the costs of our statutory review, £0.052 million, from the following analysis in order to aid comparison across years.
- 64 Staff and related costs continue to be our biggest category of expenditure, at 80 per cent of our operating costs (in 2023-24 staff costs were 81 per cent of operating costs).
- 65 Shared services (including accommodation costs and audit costs) account for approximately 13 per cent of our operating costs (in 2023-24 they accounted for approximately 11 per cent of operating costs).

Operating Costs 2024-25 (£'000)



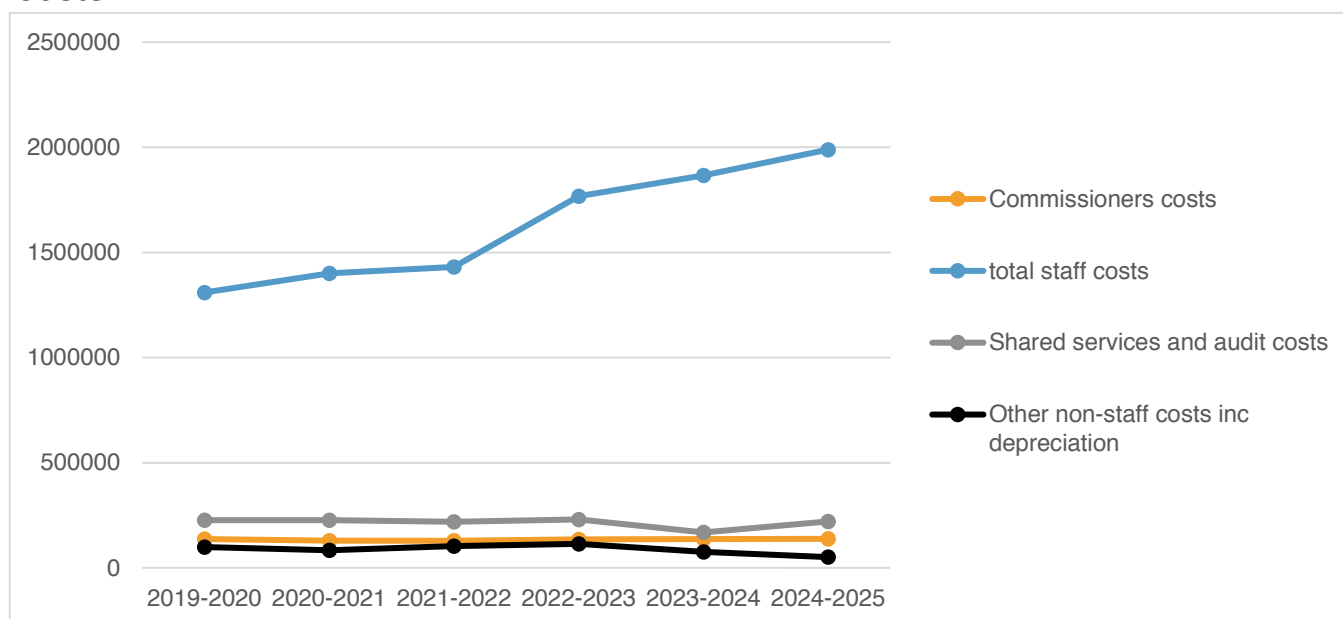
- 66 The dominance of staffing costs in our budget, coupled with the small number of staff we have, means that our budget is vulnerable to changes in staffing levels.
- 67 The Commission aims to pay suppliers within 10 working days of the receipt of a valid and undisputed invoice. During the year ended 31 March 2025, the Commission paid 96.2 per cent of its invoices within these terms (98.7 per cent in the year ended 31 March 2024).

Cost structure and efficiency – 5 year overview

- 68 As a responsible independent fiscal institution, it is important that we are efficient in our administration, and that we can demonstrate that commitment. Here we set out how the different elements of our cost base have changed since our previous statutory review in 2019. In this analysis we exclude the costs of the OECD reviews in 2019-20 and 2024-5 and the refurbishment work on Governor's House in 2020-21, as these are not recurrent running costs.

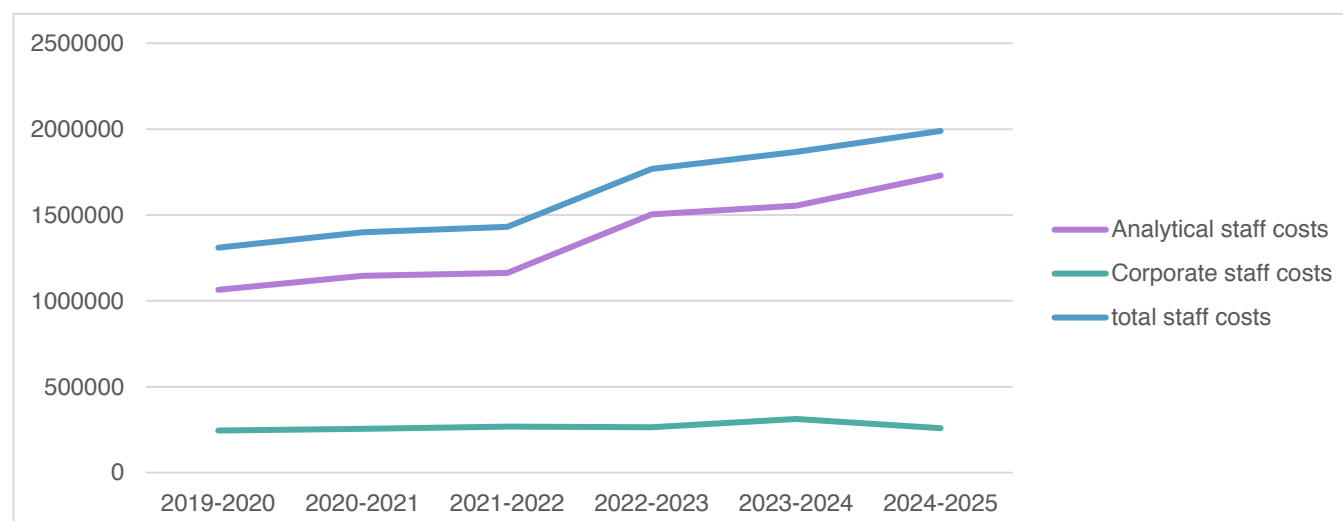
69 Our shared service and audit costs are set by the Scottish Government and Audit Scotland, and Scottish Government also sets the pay policy that applies to Commissioners. Other than changing the number of days Commissioners work or withdrawing from those shared service agreements we have little control over these costs. These costs were relatively static but shared services costs increased in 2024-25. We expect these to increase further in future as the Scottish Government begin to recharge for the Oracle system and change its recharge basis for other shared services, but no indication of the level of these future increases has yet been given.

Running costs, split by staff, shared services, other costs, and Commissioner costs



70 We do have far more control over our other non-staff costs, and we have reduced these over the last two years.

Staff costs split by Analytical and Corporate



71 Our staffing costs increase has been driven by two factors. In 2017 we chose to be part of Scottish Government Main pay bargaining group so we match the Scottish Government's pay settlements. Although we have made significant efficiency gains in the production of our five year forecasts, and used these savings to enable work in new areas, we have also increased analytical staffing levels to support new work on funding,

fiscal risks and fiscal sustainability. Despite becoming a larger and higher profile organisation, we have controlled spending on our corporate staff.

72 Of course, efficiency and productivity are about what the Commission produces as well as what we cost. Given the nature of our work we cannot measure its scale or impact by a simple metric, but the OECD's 2025 review of the Commission gives an independent perspective on how our work has developed during this period.⁹ Their review made three overarching observations in relation to progress since the 2019 OECD Review: that the Commission has broadened the scope of its analysis, strengthened relationships with key stakeholders and continues to compare well internationally.

73 They summarise how the scope of our work has changed over this time:

“... the 2019 OECD Review recommended that the SFC should develop its long term fiscal sustainability (LTFS) analysis and expand its work on fiscal risks.

The SFC has made strong progress in terms of refocusing its analysis. In February 2020, it introduced a fiscal overview chapter in its main reports looking at the Scottish Government's funding position. This improved budget transparency, while improving how the SFC assessed the plausibility of government borrowing plans. The fiscal overview chapter served as a platform for the SFC to then publish its first report on the long term fiscal sustainability of the Scottish Government's budget in March 2023.

The SFC followed its long term sustainability report up by producing more in-depth analysis of future productivity growth as a complement to its long-term work. A year later, the SFC published a dedicated report exploring climate change and its impact on the public finances. This is one of the key fiscal risks facing governments across the OECD.

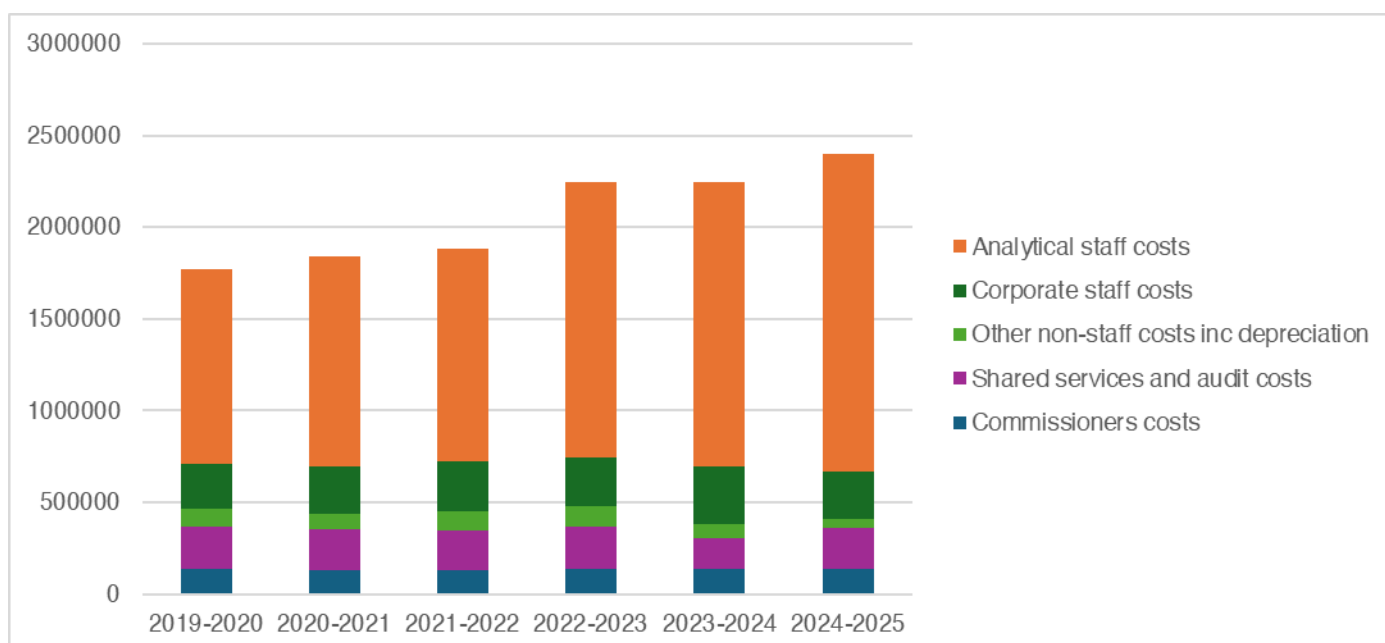
The new work by the SFC has been well received across the board, increasing the quality of the discourse around public finances in Scotland. Stakeholders report that as the SFC has broadened the scope of its analysis, the impact has been to foster greater debate around the budgetary issues central to fiscal sustainability. These findings were echoed in recent stakeholder research undertaken by the SFC, with 82% of key stakeholders rating themselves as very informed on general issues such as fiscal sustainability and shorter-term risks to the Scottish budget, compared to a rating of 53% for the previous year.”

74 The fiscal sustainability work in particular has required us to develop new expertise and work with data and partners that were new to us. The “business as usual” work of economic and fiscal forecasting during this time was particularly challenging, encompassing the global shocks of the COVID pandemic and the invasion of Ukraine.

75 Overall, we have moved from an annual work cycle of two annual peaks to a sustained and broader workload over the year, with far more public and stakeholder engagement. We have delivered this whilst keeping our back office costs relatively static, reducing our corporate staffing and relocating resource to restructured analytical teams.

⁹ Scottish Fiscal Commission website [OECD Reviews of the Scottish Fiscal Commission | Scottish Fiscal Commission](#)

Breakdown of costs over time, as stacked percentage



Future Savings

- 76 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 on our ability to deliver forecasts and analysis of an acceptable quality. We have, however, identified measures we expect to take over the coming years to increase efficiency and reduce costs, including those on our corporate or back office functions. These are set out in detail in our Medium Term Approach to the SFC's Budget Planning.¹⁰

Diversity and Inclusion

- 77 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

- 78 We are committed to reporting the gender balance of our appearances at Scottish Parliament Committees. Of 9 witness appearances in 2024-25, 33 per cent were female (there were 17 Committee witness appearances in 2023-24, of which 20 per cent were female).

Summary recruitment diversity information

- 79 We report data encompassing all our recruitment from June 2024 to 29 May 2025. 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.

¹⁰ Scottish Fiscal Commission (May 2024) [Medium Term Approach to the SFC's Budget Planning](#)
 Scottish Fiscal Commission Annual Report and Accounts for the year ending 31 March 2025

Characteristic	Applied	Successful At Sift	Attended Interview	Successful At Interview	Agreed To Start
Female	379	11	11	*	*
Male	264	6	6	*	*
Prefer Not to Say	8	1	1	0	0
Unknown	42	0	0	0	0

* suppressed due to the small numbers involved

Characteristic	Applied	Successful At Sift	Attended Interview	Successful At Interview	Agreed To Start
20-29	150	0	0	0	0
30-39	251	9	9	*	*
40-49	153	*	*	*	*
50-54	69	*	*	0	0
55-59	10	0	0	0	0
60+	9	0	0	0	0
Unknown	51	0	0	0	0
Total	693	18	18	*	*

* suppressed due to the small numbers involved

Other diversity activity

80 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 2024-25 were to:

- continue our work on staff recruitment with the aim of employing more women and people with disabilities; paying particular attention to how we advertise vacancies, provide information to applicants, and design the application and selection processes
- 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
- plan an internal programme of activities to raise awareness of equalities issues
- start work to recruit our next set of commissioners, with appointments due to be made in October 2025, and reappointments or appointments in June 2026

Work on staff recruitment

- 81 In recent years we have only recruited for analytical posts whereas in 2024-25 we also recruited for one corporate post. We received an unusually high number of applications – almost 500 for one post. The metrics this year are therefore less comparable to previous years, because of both the nature of the post and the volume of applicants. However we also received over 100 applicants for an analytical post.
- 82 The number of applicants who did not identify as male was 61.9 per cent (compared with 33 per cent in last year's annual report). Excluding those who preferred not to say, or did not answer, the number of applicants who did not identify as male was 58.9 per cent (compared with 29.2 per cent in last year's annual report).
- 83 There were 30 applicants who declared a disability out of the 636 who responded to that question (4.7 per cent compared with 4.5 per cent in last year's annual report).
- 84 We have videos on our website to demonstrate a broad range of backgrounds. For our recruitment exercises this year we ran assessment centres in-house with bespoke assessments, ensured a high ratio of assessment centre slots to reduce our reliance on the application form, and ran job advertisements through a gender bias analysis test. For our analytical recruitment we included webinars for potential applicants about how to apply and provided additional information about preparing for the assessment centre.

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

- 85 Staff survey results show there was a decrease of 7 percentage points to 89 per cent this year in those agreeing that they are treated with respect by the people they work with. 89 per cent of staff agreed that "the Fiscal Commission respects individual differences (such as cultures, working styles, backgrounds, ideas etc)", a decrease of 2 percentage points since last year. 85 per cent of staff agreed that "my manager genuinely cares about inclusion", an increase of 15 percentage points.
- 86 We have undertaken a great deal of work to make our website and publications meet accessibility standards, including amending our brand colour template and making our spreadsheets more accessible. We have had all staff sessions on how stakeholders use our outputs, our style guide and spreadsheet updates.

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

- 87 The Senior Management Team circulates information on diversity and inclusion issues and highlights appropriate training opportunities in the weekly all staff email. We provided mental health first aid and first aid at work training for a number of staff.

Commissioner recruitment

- 88 All four of our Commissioners are male and have a background in academic economics. Francis Breedon and David Ulph's terms end in October 2025, so during 2024-25 we have undertaken preparatory work to consider the role, the time commitment and the expertise required in order to attract a diverse range of strong applicants. In particular

the applicant information pack highlights that we seek applications from a wide range of backgrounds who have experience of public spending, tax or public finance issues, including the third sector, local and central government, and the criterion of expertise in economic or fiscal forecasting has been replaced with knowledge of public spending, taxes and public finance.

Non-financial information

Complaints

- 89 The Commission has a complaint handling policy and procedure in place and received no complaints in 2024-25 (and none in 2023-24).¹¹

Information Security

- 90 There were no known data breaches in 2024-25 (there were none in 2023-24).

Freedom of Information

- 91 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 2023-24 there were five requests, all of which were completed within the statutory deadline). Substantive responses are published on the Commission's website.¹²

Community and social

- 92 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

- 93 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.^{13 14}
- 94 The Commissioner Code of Conduct sets out the behaviours expected of our Commissioners.¹⁵ 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

¹¹ Scottish Fiscal Commission (2017) [Complaints Policy](#)

¹² Freedom of Information releases on our [website](#)

¹³ Scottish Fiscal Commission [Counter-Fraud Policy and Response Plan](#)

¹⁴ UK Government (2015) [The Civil Service Code](#)

¹⁵ Scottish Fiscal Commission (2019, updated 2022) [Code of Conduct](#)

gifts and hospitality received, is updated by Commissioners and the external members as and when required and formally reviewed at least annually.¹⁶

95 There were no incidences of fraud or bribery in 2024-25 (there were none in 2023-24).

96 The Commission has a shared service agreement in place with the Scottish Government Procurement and Property Directorate and adheres to the Public Sector Procurement guidance.

Environment and sustainability

97 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.

98 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.

99 During 2024-25, the gas heating system in Governor's House stopped operating. It has since been replaced by an electric system which will contribute to a reduction in the carbon footprint associated with the Commission's office. Scottish Government, who maintain Governor's House, advised that air and ground source heat pumps could not be fitted. Governor's House is a Grade A listed building.

100 During 2024-25 we undertook specific engagement activity about our March 2024 paper: Fiscal Sustainability Perspective on Climate Change. The report 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 emissions reductions targets.

Future plans

101 Our Business Plan for 2025-26¹⁷ sets out our plans for the coming year.

102 Our previous corporate plan covered 2022 – 2025. We developed proposals for our next corporate plan, to run from April 2025 to March 2028, based on:

- our aspirations: to achieve greater impact and increased understanding through more frequent publications, broader engagement and further developing our fiscal sustainability, public funding and spending work
- OECD review¹⁸
- key stakeholders' views¹⁹

¹⁶ Scottish Fiscal Commission (2024) [Register of Interests](#)

¹⁷ Scottish Fiscal Commission (April 2024) [Business Plan 2024-25](#)

¹⁸ [OECD Reviews of the Scottish Fiscal Commission | Scottish Fiscal Commission](#)

¹⁹ [Stakeholder Survey - June 2024](#)

- the current context – increased fiscal pressures and long-term pressures from an ageing population, increasing healthcare costs, new social security measures and climate commitments.
- our founding legislation.²⁰

103 We published these proposals on 17 April, 2025²¹ and invited comments and suggestions upon them. We intend to publish the final corporate plan shortly.

John Ireland
Chief Executive of the Scottish Fiscal Commission and Accountable Officer
7 October 2025

²⁰ [Scottish Fiscal Commission Act 2016](#)

²¹ [Corporate Plan 2025-28 Consultation – 17 April 2025 | Scottish Fiscal Commission](#)

Accountability Report

Corporate Governance Report

104 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, this annual report is laid in the Scottish Parliament as part of our accountability to Parliament.

The Commissioners’ Report

The Commissioners

105 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 123, the Commissioners act corporately as our Governance Board.

106 As at 31 March 2025 there were four Commissioners, one of whom was Chair:

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

107 The Register of Interests for the Commissioners is available on the Commission’s website²² and on request. All members are required to review and update the register at least annually.

Audit and Risk Committee

108 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.

²² Scottish Fiscal Commission [Register of Interests](#)

109 The Committee met five times in 2024-25, and its members are:

Chair	Professor David Ulph
Members	Professor Francis Breedon
	Professor Domenico Lombardi
External Member	Catriona McConnell
	Sarah Pumfrett
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

110 Members of the Senior Management team during 2024-25 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

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

Internal Audit

- 112 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 2024-25, which consisted of an Assurance Review of Resource Capability and Capacity, and an Annual Assurance Report. Regular updates on progress were presented by SGDIAA at Audit and Risk Committee meetings.
- 113 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

- 114 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

- 115 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.
- 116 In preparing the accounts, the Accountable Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular:
- 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.
- 117 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.
- 118 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.
- 119 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

- 120 This statement sets out how the Commission manages and controls its resources and risk. It covers the period from 1 April 2024 to the date of signing.

Governance framework

- 121 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.
- 122 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.
- 123 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.
- 124 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.²³ Our Code of Conduct is based on the Model Code of Conduct for Members of Devolved Public Bodies.²⁴ 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".
- 125 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 the Commission's risk assessment and management, the internal and external audit processes and the production of the Annual Report and Accounts. It uses

²³ Scottish Fiscal Commission (2022) [Code of Conduct](#)

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

the Scottish Government Audit and Assurance Committee Handbook to guide its work. The Committee publishes its minutes on our website.²⁵

- 126 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.
- 127 We have also appointed two external members to our Audit and Risk Committee who bring a fresh perspective and can assist to better hold the Board to account. Catriona McConnell and Sarah Pumfrett were both appointed from 2 May 2023 for a period of two years. Their appointments have been extended for a further two year period from 2 May 2025.
- 128 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.
- 129 The Governance Board and Audit and Risk Committee have continued to operate and hold meetings virtually using video-conferencing tools.
- 130 The other documents which form part of our governance framework are:
- the Scottish Fiscal Commission Act 2016, which sets out our powers, functions, and duties²⁶
 - the Corporate Plan, which sets out our mission, values, and objectives²⁷ 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.²⁸

Summary of our Corporate Plan 2022-25

What we do: our mission

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

Why we do it: our vision

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

²⁵ [Audit and Risk Committee minutes](#)

²⁶ [Scottish Fiscal Commission Act 2016](#)

²⁷ Scottish Fiscal Commission (2022) [Corporate Plan 2022-25](#)

²⁸ 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

133 Everyone can trust our work because:

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

The Governance Board

134 During 2024-25 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 website²⁹ in accordance with the Commission's Publication Scheme.³⁰ 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

135 The Scottish Government guidance for members of statutory boards, On Board³¹ 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.

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

- roles, responsibilities, and relationships
- effective financial management
- ethics and standards of behaviour.

²⁹ Scottish Fiscal Commission [Governance Board Minutes](#)

³⁰ Scottish Fiscal Commission [Publication Scheme](#)

³¹ Scottish Government (31 January 2023) [On Board](#)

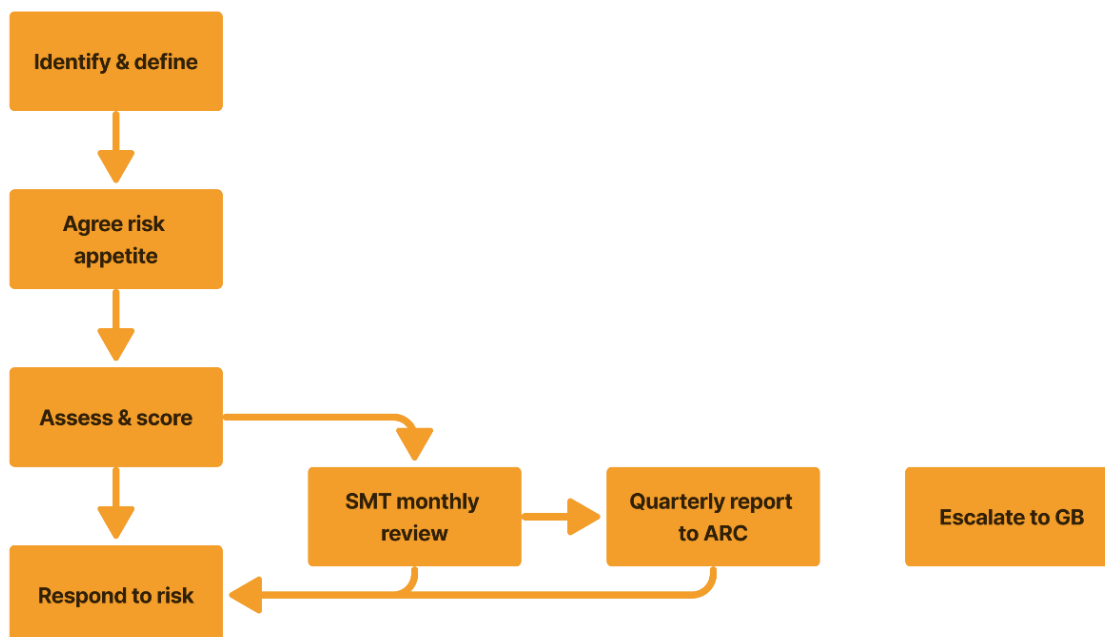
- 137 The Governance Framework section above sets out how our roles, responsibilities and relationships are defined. Our corporate policies are reviewed regularly to an agreed schedule and are published on our website.
- 138 The Scottish Public Finance Manual (SPFM) applies to the Commission. The Commission aims to deliver best value in accordance with the principles outlined within the SPFM. We have also taken advantage of Government procurement frameworks to achieve best value. We use Scottish Government financial management software and systems which provide compliant controls. Over 2024-25 we received a substantial assurance from Scottish Government Directorate for Internal Audit and Assurance following their assessments this year.
- 139 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.
- 140 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.³²
- 141 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 March 2024) and is available on our website. To date, no concerns about malpractice have been raised.

Risk Management

- 142 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.
- 143 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.

³² Scottish Government (2 November 2018) [Fairness at Work](#)

Risk Management Process



144 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.

145 The current key risks are reported in the performance analysis section at paragraph 62.

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

Written assurances

147 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.

148 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 exceptions for the transition to Oracle Cloud. There were no other significant matters arising which would require to be raised specifically in the governance statement.

149 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 highlighted matters around the transition to Oracle Cloud.

- 150 I have also received from the Scottish Government's Directorate of Internal Audit and Assurance a copy of the assurance provided for 2024-25 on the Scottish Government's corporate services which deliver our shared services. This focuses on effectiveness of controls over the underlying corporate systems, processes and procedures and does not provide an assessment of service associated with these systems. They provided an overall provide reasonable assurance on the arrangements for risk management, control and governance over the Scottish Government's key corporate systems. This opinion was based on six months under legacy systems, and six months on the implementation of Oracle, and is caveated on the control improvements which are currently being embedded and managed through the implementation of the Oracle Cloud system. They were unable to comment on robustness of the control system within Oracle at this point, but noted areas where systems limitations, coupled with resourcing issues, have impacted on the performance of intended controls.
- 151 The Scottish Government's Director of Financial Management and People Director have each provided me with text on matters concerning the transition to Oracle Cloud that should be raised in this governance statement. These matters are reflected in our risk profile, reported at paragraph 62.

Transition to Oracle Cloud – Assurance from Scottish Government's Financial Management Director

- 152 2024-25 was a transitional year for Financial Management Directorate. In April 2024 the team responsible for the operation and maintenance of the SEAS system transferred to Digital Directorate, with previous separate HR, Finance and Purchasing systems in place until the launch of the Oracle Cloud platform in October 2024.
- 153 The platform integrates previously separate HR, Finance and Procurement systems and has been built around a suite of best practice processes, replacing previous systems which were at the end of their useful lives. These developments, and the integration of associated data, are strengthening essential processes and controls, and improving long term ability to manage resources and provide data insights to support decision making and transparency.
- 154 Platform management and system support arrangements for Oracle Cloud have been implemented through dedicated teams within the Corporate Hub in Transformation Directorate and the Digital Operations Team in Digital Directorate. Assurance arrangements are in place for these through relevant directorates, and for the Oracle Platform aligned to the Memorandum of Understanding between the Scottish Government and public sector customers, and planned ISAE 3402 audit arrangements.
- 155 Financial Management Directorate fulfilled a number of roles in supporting the Oracle Cloud implementation and stabilisation programme, including provision of subject matter testing and training expertise, and to support data migrations and data reconciliations. Where required, interim processes and extended use of some legacy systems have been in operation to support the transition while new processes and systems have been brought online and configured, following re-planning of EPM releases. These have fulfilled essential requirements during this time, but it is essential that remaining system changes are implemented smoothly and to planned timescales.

- 156 The Directorate has also implemented its own revised operating model to adapt to required responsibilities and capabilities in this context, to drive continuous improvement in associated policies and governance across the organisation, and to support current and future organisational financial opportunities and challenges.
- 157 This has included updated arrangements for the delivery of central financial operations and corporate reporting in line with the requirements of the new platform, with mandatory training for relevant directorate system users, and updated processes and workflows for accounts payable and vendor maintenance, VAT and CIS, and treasury and banking services provided on behalf of Scottish Government and public body users.

Transition to Oracle Cloud – Assurance from Scottish Government’s People Director

- 158 2024-25 saw the conclusion of the multi-year HR Transformation Programme to introduce a new operating model with the implementation of the new enabling technology, Oracle Cloud. The ICIMS recruitment platform was decommissioned and in April 2024 the team responsible for the maintenance of the e-HR system transferred to Digital Directorate in preparation for the launch of the new platform in October 2024. Platform management and system support arrangements are now delivered through dedicated teams within Corporate Hub, in Transformation Directorate, and Digital Operations, in Digital Directorate. Assurance arrangements are in place within these directorates and they have issued new Memorandum of Understanding for the public sector customers.
- 159 The platform integrates previously separate HR, Finance and Procurement systems and has been built around a suite of best practice processes. Oracle Cloud replaces previous systems which were at the end of their useful lives and standalone systems that had been tactically procured in preparation for the integrated platform. These developments, and the integration of associated data, are strengthening essential processes and controls, and improving long term ability to manage resources and provide data insights to support decision making and transparency.
- 160 People Directorate fulfilled a number of roles to support the Oracle Cloud implementation, including provision of subject matter experts into the programme, extensive engagement on data migration and data reporting, pivoting resource from business as usual processing for testing and training alongside significant efforts to support the change management activities of the Shared Services Programme. Oracle Cloud provided the opportunity for increased oversight and control over the organisation’s size, shape and cost through the introduction of position management. Position management also enabled the introduction of a professions architecture which will enhance the level of workforce reporting available.
- 161 To enable accurate data migration the Corporate Analytical Services Team worked closely with the programme and e-HR was closed for two months before Oracle Cloud launched. No changes were possible in the system during this time therefore interim process were required to manage exception circumstances (over and underpayments) alongside manual record keeping locally to gather a backlog of changes requiring bulk upload once the new platform was launched.

- 162 Following launch there has been an extended period of stabilisation with higher than average queries requiring temporary surge response, a requirement to review processes and simplify policies. Continued investment is also necessary to secure improvements to data reporting and analytical reporting. Whilst there are future opportunities for process optimisation the current focus is on stabilisation and recovery of service levels.
- 163 2024-25 sought to balance the provision of subject matter expertise and support whilst transitioning to a new system, maintaining essential BAU activities and a higher than expected requirement to support the organisational change management requirements of Oracle Cloud, particularly position management. Changes have been successfully adopted and there are improvements in stabilisation of central process however this work is ongoing and places significant demands on staff. Wellbeing and resilience continues to be a leadership focus within the Directorate as teams adapt to working with a new system, the quarterly update process and continuing stabilisation.
- 164 The reactive nature of the stabilisation activity required has delayed any longer-term preparations to support future service offers, optimisation of the platform or participation in further phases of the shared services programme. Development of the corporate shared services arrangements will need to be considered within this context. Factors such as growing number and complexity of information requests, including addressing historic, sub-optimal arrangements with customers are also exacerbating factors.
- 165 Looking ahead to 2025-26, the assurance topics for attention are likely to be as follows:
- 166 Financial Management – The introduction of Oracle has increased the pressure on our Directorate Finance team, due to the many changes. We will continue to review finance roles and responsibilities, and associated guidance and desk instructions, to reflect implementation of the Oracle Finance system. The focus is to ensure we continue to have assurance behind our numbers given the exceptionally tight budget position and the need to deliver savings. This year we will trial delegating budgets to divisional level to enhance DD accountability and knowledge for managing a reducing budget and FTE position.
- 167 Oracle – a primary focus for 2025-26 will continue to be stabilising, embedding and optimising the Oracle system, in particular delivering our Oracle Path to Green plan by August and ensuring the smooth implementation of EPM and managing the link between positions, FTE and cost.

Data security

- 168 There were no known data breaches in 2024-25 (there were none in 2023-24).

Assessment of Corporate Governance and Risk Management Arrangements

- 169 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.

170 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 and the implementation of Oracle Cloud
- 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 about the progress of the Scottish Government shared services programme to implement Oracle Cloud and discussions with other Accountable Officers on their experiences of 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).

171 I have reviewed the assurances I have received from the Scottish Government's Director of Financial Management and their People Director, as well as the Scottish Government's Internal Audit Directorate audit report about the Scottish Government's corporate systems which underpin our shared services. I note that the Scottish Government's Internal Audit Directorate is "...unable to comment on robustness of the control system within Oracle at this point". Our internal experience with using Oracle for HR and finance also suggests that there remains some uncertainty about the standards of internal control, corporate governance, and effective risk management at this stage in the Oracle implementation. However, despite the uncertainty around the Oracle controls I am satisfied that, given the relatively simple structure of the Commission, the additional internal controls we have put in place are adequate. Therefore, I can confirm that I am content with the effectiveness of the Commission's existing arrangements to ensure that appropriate standards of corporate governance, internal controls and effective risk management are met.

Remuneration and Staff Report

Remuneration Report

- 172 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.
- 173 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

- 174 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 Code³³ and in conjunction with independent advice from the Senior Salaries Review Body (SSRB).³⁴
- 175 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.³⁵ 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.
- 176 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 Policy³⁶.

³³ Civil Service Management Code ([link](#))

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

³⁵ Information about the Public Sector Pay Policy ([link](#))

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

Single Total Figure of Remuneration (audited)

- 177 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	2024-25 Bandings of £5,000	2023-24 Bandings of £5,000
Board Member	£'000	£'000
Professor Graeme Roy (Chair)	35-40	35-40
Professor Francis Breedon	25-30	25-30
Professor David Ulph	25-30	25-30
Professor Domenico Lombardi	25-30	25-30
External Audit and Risk Committee Members	£'000	£'000
Catriona McConnell	0-5	0-5
Sarah Pumfrett	0-5	0-5

Senior Management Team	Wages and Salary £'000 Bandings of £5,000		Accrued Pension Benefits £'000		Total £'000 Bandings of £5,000	
	2024-25	2023- 24	2024- 25	2023-24 Restated	2024-25	2023-24 Restated
John Ireland Chief Executive	75-80 FTE 90-95	80-85 FTE 85-90	44	0	115-120	80-85
Claire Murdoch Head of Fiscal Sustainability and Public Funding	70-75 FTE 85-90	75-80 FTE 80-85	28	29	100-105	100-105
Michael Davidson Head of Devolved Taxes and Social Security	75-80	70-75	30	28	105-110	100-105
David Stone Head of Economy and Income Tax	60-65 FTE 85-90	60-65 FTE 80-85	25	24	85-90	85-90
Susie Warden Head of Strategy, Governance and Corporate Services	55-60 FTE 85-90	50-55 FTE 80-85	37	7	90-95	60-65

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

2023-2024 figures have been restated due to an arithmetic error for John Ireland and Claire Murdoch. Claire Murdoch total banding has changed from £105-110k to £100-105k as stated above. John Ireland total banding has changed from £150-155k to £115-120k as stated above.

The accrued benefit pension for John has been restated to nil from £66k in the prior year due to partial retirement. We note that where a negative pension benefit value has been calculated we have disclosed this in the table as zero.

- 178 None of the above received any benefits in-kind or bonus payments in 2024-25 or 2023-24.
- 179 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.
- 180 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.
- 181 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.
- 182 Accrued pension benefits included in this table for any individual affected by the Public Service Pensions Remedy have been calculated based on their inclusion in the legacy scheme for the period between 1 April 2015 and 31 March 2022, following the McCloud judgment. The Public Service Pensions Remedy applies to individuals that were members, or eligible to be members, of a public service pension scheme on 31 March 2012 and were members of a public service pension scheme between 1 April 2015 and 31 March 2022. The basis for the calculation reflects the legal position that impacted members have been rolled back into the relevant legacy scheme for the remedy period and that this will apply unless the member actively exercises their entitlement on retirement to decide instead to receive benefits calculated under the terms of the Alpha scheme for the period from 1 April 2015 to 31 March 2022.

Pensions (audited) 31 March 2025

Senior Management Team	Accrued Pension as at 31 March 2025 and related lump sum £'000 Bandings of £5,000	Real increase in pension and related lump sum £'000 Bandings of £5,000	CETV at 31 March 2025 £'000	CETV at 31 March 2024 Restated £'000	Real increase in CETV £'000
John Ireland Chief Executive	45-50	0-2.5	907	876	37
Claire Murdoch Head of Fiscal Sustainability and Public Funding	20-25	0-2.5	256	220	13
Michael Davidson Head of Devolved Taxes and Social Security	15-20	0-2.5	225	188	16
David Stone Head of Economy and Income Tax	20-25	0-2.5	295	258	12
Susie Warden Head of Strategy, Governance and Corporate Services	15-20 plus lump sum of 40-45	0-2.5 plus a lump sum of 0-2.5	346	305	26

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.

John Ireland's CETV has been restated in the prior year due to partial retirement.

Pensions (audited) 31 March 2024

Senior Management Team	Accrued Pension as at 31 March 2024 and related lump sum £'000 Bandings of £5,000	Real increase in pension and related lump sum £'000 Bandings of £5,000	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 Income 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.

- 183 The above pension information was supplied to the Scottish Fiscal Commission by MyCSP.
- 184 Employer contributions to all pension plans for 2024-25 were £395,412 including £99,676 for the Senior Management Team (in 2023-24 they were £371,034 including £101,798 for the Senior Management Team). It is anticipated that employer's contributions to all pension plans in 2025-26 would be around £421,000.
- 185 Accrued pension benefits included in this table for any individual affected by the Public Service Pensions Remedy have been calculated based on their inclusion in the legacy scheme for the period between 1 April 2015 and 31 March 2022, following the McCloud judgment. The Public Service Pensions Remedy applies to individuals that were members, or eligible to be members, of a public service pension scheme on 31 March 2012 and were members of a public service pension scheme between 1 April 2015 and 31 March 2022. The basis for the calculation reflects the legal position that impacted members have been rolled back into the relevant legacy scheme for the remedy period and that this will apply unless the member actively exercises their entitlement on retirement to decide instead to

receive benefits calculated under the terms of the Alpha scheme for the period from 1 April 2015 to 31 March 2022.

Civil Service Pensions

- 186 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.
- 187 The PCSPS and alpha are unfunded statutory schemes. Employees and employers make contributions (employee contributions range between 4.6% and 8.05%, 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.
- 188 In alpha, pension builds up at a rate of 2.32% 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.
- 189 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.
- 190 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 (the “McCloud judgment”).
- 191 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 Remedy³⁷ is made up of two parts. The first part closed the PCSPS on 31 March 2022, with all active members

³⁷ HMRC (May 2025) [How the Public Service Pension Remedy Affects Your Pension](#)
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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.

- 192 The accrued pension benefits, Cash Equivalent Transfer Value and single total figure of remuneration reported for any individual affected by the Public Service Pensions Remedy have been calculated based on their inclusion in the PCSPS for the period between 1 April 2015 and 31 March 2022, following the McCloud judgment. The Public Service Pensions Remedy applies to individuals that were members, or eligible to be members, of a public service pension scheme on 31 March 2012 and were members of a public service pension scheme between 1 April 2015 and 31 March 2022. The basis for the calculation reflects the legal position that impacted members have been rolled back into the PCSPS for the remedy period and that this will apply unless the member actively exercises their entitlement on retirement to decide instead to receive benefits calculated under the terms of the alpha scheme for the period from 1 April 2015 to 31 March 2022
- 193 The partnership pension account is an occupational defined contribution pension arrangement which is part of the Legal & General Master trust. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member). The employee does not have to contribute but, where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally provided risk benefit cover (death in service and ill health retirement).
- 194 Further details about the Civil Service pension arrangements can be found at the website www.civilservicepensionscheme.org.uk

Cash Equivalent Transfer Values

- 195 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.
- 196 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.
- 197 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

- 198 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

- 199 During 2024-25 there were no early departure packages (there were none in 2023-24).

Fair Pay Disclosure (audited)

Fair Pay Disclosure	2024-25	2023-2024
Band of highest paid director £'000	90-95	85-90
Per cent increase in highest paid Director over previous year, based on mid-point of salary band	5.71%	0%
25 percentile	42,244	44,557
25 percentile Ratio	2.2	2.0
Median total remuneration	54,952	50,691
Median Ratio	1.7	1.7
75 percentile	71,942	62,969
75 percentile Ratio	1.3	1.4
Range minimum – maximum £'000 (FTE)	35-40 to 90-95	30-35 to 85-90
Total staff remuneration - see note 2	1,450	1,338
Per cent increase/decrease over previous year, excluding highest paid director	3.61%	9.57%

Note: there are minimal agency costs, with one member in place at the end of the year. We have performed an estimate of the impact on this disclosure if this cost was included which is estimated to impact the 25th percentile by +£913. It has not been included in the above.

- 200 The changes in the pay ratio reflect two factors: joiners compared to leavers and SCS pay settlement compared to the SG Main settlement. We had four junior analysts join us on the bottom pay band, and our leavers were from higher lower pay grades and pay bands. This reduced the 25 percentile salary and thereby increased its ratio. The SCS pay increase for the highest paid director was 5 per cent compared to the SG Main pay increase for all other staff of 3 per cent, but because the staff on the 50th and 75th percentile also received pay progression there was no significant change in those pay ratios. There has been no change in our employment model. As the median ratio includes the effect of pay progression it is not necessarily consistent with the pay, reward and progression policies for all our

employees. Around 40 per cent were at the top of their respective pay bands so did not receive pay progression. However, the same SG Main pay, reward and progression policies apply to all our non-SCS employees, so are consistent in that regard.

201 No performance pay, or bonuses were paid in 2024-25, or in 2023-24.

Staff Report

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

Number of senior civil service staff

203 As at 31 March 2025, the Commission employed one Senior Civil Servant, the Chief Executive, who is a Band 1 (also one senior civil servant at 31 March 2024).

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

Average number of whole-time equivalent persons	2024-25 WTE	2023-24 WTE
Permanent Employees (including staff on loan)	23.26	22.99
Fixed Term Staff	2.27	1.05
Agency Workers	0.03	0.15
Total	25.56	24.19
Commissioners	1.2	1.2

Staff Costs (audited)

Staff Costs	2024-25 £'000	2023-24 £'000
Wages and Salaries (including staff on loan)	1,316	1,284
Wages and Salaries (Fixed Term Appointments)	86	38
Wages and Salaries (Agency Workers)	48	16
Social Security Costs	159	147
Other pension costs	395	370
Commissioner/Board fees and costs	138	137
Employee benefits (net annual and flexi leave accruals)	(15)	12
Total administration staff costs	2,127	2,004

- 204 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

- 205 The numbers of people of each sex employed by the Scottish Fiscal Commission on 31 March 2025 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 2025		31 March 2024	
	Female	Male	Female	Male
Employees – non-Senior Management Team	8	13	7	13
Non-Senior Civil Service members of the Senior Management Team	2	2	2	2
Senior Civil Servants	0	1	0	1
Total staff	10	16	9	16
Board Members	0	4	0	4

Sickness Absence

Sickness Absence	Average total of sick days per employee 2024-25	Average total of sick days per employee 2023-24
Short term absence (<=20 working days)	2.5	2.0
Long term absence (>20 working days)	2.7	2.1
Total	5.2	4.1

Staff turnover percentage

Headcount at 31 March 2024*	Headcount at 31 March 2025*	Average Headcount	Leavers	Turnover %
25	26	25.5	3	11.8%

*excluding agency workers and inward loan staff

Staff survey engagement score

206 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	78	76
Civil Service People Survey	64 ³⁸	64 ³⁹

Staff policies for disabled persons

207 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.
- 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

208 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

209 The Commission did not incur consultancy costs in 2024-25 (in 2023-24 no costs were incurred).

Diversity and Inclusion

210 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

³⁸ [Civil Service People Survey 2024](#)

³⁹ [Civil Service People Survey 2023](#)

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.

- 211 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 77 onwards.
- 212 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.⁴⁰
- 213 We are also subject to the Gender Representation on Public Boards (Scotland) Act 2018.⁴¹ Our gender balance at 31 March 2025 was 0:100 and did not achieve the gender representation objective of 50:50 by December 2022. We did not undertake any Commissioner recruitment this year, this ratio remains as at 31 March 2024. Our Commissioners are recruited primarily for their economic and fiscal forecasting expertise, rather than governance, management or lived experience, as with many non-executive positions. That recruitment pool is primarily male: amongst academic economists in the UK, women comprise only 15 per cent of professors, and no Black female professor of economics was employed anywhere in the UK for the entire period from 2012-2019.⁴² 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. We will be undertaking Commissioner recruitment in 2025-26.

Gender Pay Gap

- 214 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.
- 215 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. Excluding the Chief Executive, our senior grades have an equal split of men and women, but our lower grades are around 35% women. This composition results in a negative mean pay gap. The change in the mean pay gap from last

⁴⁰ Information about [Economic Futures](#)

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

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

year is because our recruitment this year means we more females in junior analytical grade than previously. This is positive from a succession planning perspective.

Gender Pay Gap	31 March 2025	Scotland 2024 ⁴³	31 March 2024
Median	-0.14	9.4	-10.95
Arithmetic mean	-2.61	8.2	-8.94

- 216 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. The median male and female are now the top pay step of the same pay band.

Other items

- 217 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

7 October 2025

⁴³ [Gender Pay Gap in the UK: 2024](#)

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 2025 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 2024-25 Government Financial Reporting Manual (the 2024-25 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 2025 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 2024/25 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 and the Scottish Fiscal Commission Act 2016.
- 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 the Scottish Fiscal Commission's budget 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 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 and internal audit 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 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.

Stuart Kenny (for and on behalf of Deloitte LLP)
One Trinity Gardens
Broad Chare
Newcastle
NE1 2HF
United Kingdom

7 October 2025

Financial Statements

Introduction

This statement of accounts reports the results of the Scottish Fiscal Commission (the Commission) for the year 1 April 2024 to 31 March 2025. 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 2025

Statement of Comprehensive Net Expenditure (£'000)	Note	31 March 2025	31 March 2024
Staff Costs	2	(2,127)	(2,004)
Other operating costs	3	(319)	(232)
Notional costs	4	(36)	(34)
Depreciation	5,6	(70)	(61)
Net Operating Costs		(2,552)	(2,331)

The notes on pages 64 to 72 form part of these financial statements.

Statement of Financial Position as at 31 March 2025

Statement of Financial Position (£'000)	Note	2025	2024
Non-Current Assets			
Property, plant, and equipment	5	-	2
Right of use assets	6	137	117
Total non-current assets		137	119
Current Assets			
Trade and other receivables	7	1	-
Cash and cash equivalents		-	-
Total current assets		1	-
Total Assets		138	119
Current Liabilities			
Trade and other payable	8	(288)	(176)
Lease liabilities	9	(68)	(59)
Total current liabilities		(356)	(235)
Total Assets less Current Liabilities		(218)	(116)
Lease liabilities	9	(69)	(59)
Total non-current liabilities		(69)	(59)
Total Assets less Total Liabilities		(287)	(175)
Taxpayers' Equity			
General Fund	SOCTE	(287)	(175)
Total Taxpayers' Equity		(287)	(175)

The notes on pages 64 to 72 form part of these financial statements.

The Chief Executive and Accountable Officer approved and authorised these financial statements for issue on 7 October 2025.

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

7 October 2025

Statement of Cash Flows for the year ended 31 March 2025

Statement of Cash Flows (£'000)	Note	31 March 2025	31 March 2024
Cash Flows from Operating Activities			
Net operating costs	SOCNE	(2,552)	(2,331)
Adjustments for non-cash transactions			
Depreciation/Amortisation	5,6	70	61
Notional Costs	4	36	34
Movements in working capital			
(Increase) in trade and other receivables	7	(1)	-
Increase in trade and other payables	8	112	15
Net cash outflow from operating activities		(2,335)	(2,221)
Cash Flows From Investing Activities Used In			
Purchase of property, plant, and equipment	5	-	-
Net cash flow from investing activity		-	-
Cash flows From Financing Activities Use In			
Payment of lease liabilities		(69)	(59)
Funding	SOCTE	2,404	2,280
Net Cash Flows From Financing Activities		2,335	2,221
Net movement in cash and cash equivalents		-	-

The notes on pages 64 to 72 form part of these financial statements.

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2025

Statement of Changes in Taxpayer Equity £'000	Note	General Fund 2024-25	General Fund 2023-24
Balance at 1 April		(175)	(158)
Non-cash charges – notional costs	4	36	34
Net operating costs for the year	SOCNE	(2,552)	(2,331)
Net funding		2,404	2,280
Balance at 31 March		(287)	(175)

The notes on pages 64 to 72 form part of these financial statements.

Notes to the Accounts for the year ended 31 March 2025

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) 2024-25 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 estimates

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 2025 (as well as for the year ended 31 March 2024) 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.

(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
- 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
- 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 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 2025 have been brought into the account irrespective of when actual payments were received.

(g) Payables

All material amounts outstanding as at 31 March 2025 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, under the principles of continued provision of service. The Commission has no reason to believe that Scottish Ministers intend to withdraw support to the organisation, and funding for 2025-26 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

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
- Commission has the right to direct the use of the asset.

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. 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 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)

(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. Scottish Fiscal Commission had not applied the following new standards or revisions to existing standards, that have been issued but are not yet effective:

- IFRS 17
- Non-investment asset valuations
- Social benefits

Scottish Fiscal Commission do not expect that the adoption of the new standards or amendments to existing standards, listed above, will have a material impact on the accounts.

IFRS 18 Presentation and Disclosure in Financial Statements will replace IAS 1 Presentation of Financial Statements and is effective for annual reporting periods beginning on or after the 1 January 2027 in the private sector. The Public Sector implementation date is not yet confirmed. The impact of IFRS 18 on the Public Sector is still be assessed.

2. Staff Costs

Staff Costs (£'000)	2024-25	2023-24
Wages and Salaries (including Fixed Term Appointments and staff on loan)	1,450	1,338
Social security costs	158	147
Other pension costs	395	370
Commissioner/Board fees and costs	139	137
Employee benefits (net annual and flexi leave accrual)	(15)	12
Total administration staff costs	2,127	2,004

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 204.

3. Other Operating Costs

Other Operating Costs (£'000)	2024-25	2023-24
Staff related costs		
HR service	25	23
Recruitment	-	-
Training	11	11
Travel, subsistence and catering	1	7
Non-staff related costs		
Accommodation (includes rates, maintenance, and cleaning)	130	74
Office and IT equipment (includes furniture and telephones)	8	7
IT and telephone services (includes software)	64	53
Office supplies (includes stationery and printing)	1	-
Communications and events (includes website development and website hosting)	9	36
Consultancy and outsourced professional services (includes procurement, internal audit, and legal)	18	21
Statutory Review	52	-
Total Other Operating Costs	319	232

4. Notional Costs

Notional Costs (£'000)	2024-25	2023-24
Internal Accountancy Fees	3	3
External Audit Fees	33	31
Total notional costs	36	34

5. Property, plant, and equipment

Property, plant, and equipment (£'000)			2024-25	2023-24		
Cost £'000	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	-	-	-	-	-	-
At 31 March	6	10	16	6	10	16
Depreciation						
At 1 April	4	10	14	3	9	12
Charge for year	2	-	2	1	1	2
Disposals	-	-	-	-	-	-
At 31 March	6	10	16	4	10	14
NBV at 31 March	-	-	-	2	-	2
Analysis of Asset Financing						
Owned	-	-	-	2	-	2
Leased	-	-	-	-	-	-
NBV at 31 March	-	-	-	2	-	2

6. Right-of-use assets

Right of Use Assets (£'000)		2024-25		2023-24	
Cost	Buildings	Total	Buildings	Total	
At 1 April	233	233	171	171	
Additions	88	88	62	62	
Disposals	-	-	-	-	
Transfer to Assets	-	-	-	-	
At 31 March	321	321	233	233	
Depreciation					
At 1 April	116	116	57	57	
Charge for year	68	68	59	59	
Disposals	-	-	-	-	
At 31 March	184	184	116	116	
NBV at 31 March	137	137	117	117	
Analysis of Asset Financing					
Owned	-	-	-	-	
Leased	137	137	117	117	
NBV at 31 March	137	137	117	117	

7. Trade and other receivables

Trade receivables and other current receivables (£'000)	2024-25	2023-24
Other receivables	1	-
Total due within one year	1	-

8. Trade and other payables

Trade payables and other current payables (£'000)	2024-25	2023-24
Trade payables	1	4
Other taxation and social security	46	41
Accrued expenses	204	98
Other financial liabilities	37	33
Total due within one year	288	176

The Commission have restated the disclosure from last year to split out payables to provide greater transparency. There is no change to the total balance of trade and other payables.

9. Lease liabilities

Lease liabilities (£'000)	2024-25	2023-24
Buildings		
Not later than one year	68	59
Later than one year and not later than five years	69	59
Later than five years		-
	137	118
Less unaccrued interest	-	-
Balance as at 31 March	137	118

Amounts recognised in the Statement of Comprehensive Net Expenditure

Amounts recognised in the Statement of Comprehensive Net Expenditure (£'000)	2024-25	2023-24
Depreciation	68	59
Interest expense	-	-
Total lease costs through SoCNE	68	59

Amounts recognised in the Statement of Cash Flows

Statement of Cash Flows (£'000)	2024-25	2023-24
Cash Flows	69	59
Interest expenses	-	-
Repayment of principal on leases	69	59

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 65 onwards).

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

11. Capital commitments and contingent liabilities

There were no contracted capital commitments or contingent liabilities, nor were there any in the previous year.

12. Segmental reporting

The Scottish Fiscal Commission is considered to have just one operating segment and therefore no segmental information is produced, nor were there any in the previous year.

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 (FReM), 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

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