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Scottish Fiscal Commission

Annual Report and Accounts for the year ending 31 March 2026

November 2026

FiscalCommission.scot

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This publication is available at www.FiscalCommission.scot

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ISBN: 978-1-911637-97-4

Published by the Scottish Fiscal Commission, November 2026

Laying number: SFC/2026/6

Docusign Envelope ID: CAA97DC1-2133-8B3E-8395-26C86A66F404

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Performance Report
Chair's Foreword

I am pleased to publish the Scottish Fiscal Commission's (SFC) Annual Report and Accounts for 2025–26, which detail the Commission's activities during the year ending 31 March 2026.

Since becoming Chair in 2022, one of my key priorities has been for the Commission to play a central role in supporting an informed debate on Scottish fiscal policy. I was therefore delighted to see the Organisation for Economic Cooperation and Development (OECD), in its review of the Commission last year, support our efforts to broaden our external engagement and communications activity. This year we have continued to extend our impact, reach new audiences and improve fiscal literacy.

We have expanded our social media presence and launched SFC Insights, a new series designed to explain key issues and developments in a clear and accessible way. In preparation for the Scottish Parliament elections, we also published Fiscal Sustainability Perspectives: what Scotland's finances mean for the next Parliament, setting out the challenges and decisions facing the next Parliament. This was the focus of our first public, in-person event since the COVID pandemic, gathering and discussing these important issues with parliamentarians, stakeholders and commentators.

What has been particularly encouraging is that the influence of our work on fiscal debate and scrutiny is becoming more evident. We are increasingly seeing discussion of Scotland's relative tax performance, social security spending, funding differentials, and the links between demographics, health and the public finances flowing from the Commission's work. I have also been pleased to see growing recognition of these issues amongst the media, commentators and MSPs, and to see the scale of Scotland's long-term fiscal challenges featuring during the election campaign.

It has also been rewarding to see some of the additional detail and information we recommended being reflected in the Scottish Government's Spending Review. Transparent information, broader awareness and deeper understanding of how the Budget works are essential to supporting informed debate about the difficult trade-offs ahead.

None of this would be possible without my fellow Commissioners. Professor Francis Breedon and Professor David Ulph completed their terms of office in 2025, and Professor Domenico Lombardi resigned as he was appointed to a new post in Italy. I thank each of them for their work and insight. I am also pleased that two new Commissioners, Dr Eleanor Ryan and Justine Riccomini, were appointed in October 2025, bringing extensive experience across public finance, tax and public administration. Sadly, for health reasons Justine Riccomini was unable to continue as a Commissioner, and resigned from 1 October 2026.

I am particularly grateful to the Commission's staff, whose professionalism and commitment continue to impress me. Finally, as the sixth session of the Scottish Parliament dissolved at the end of our reporting year, I would like to thank the Convener of its Finance and Public Administration Committee, and the Committee more broadly, for their support.



Professor Graeme Roy
5 November 2026

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Overview

1 The purpose of this overview is to give a short summary of the Commission, its objectives, performance during 2025-26, 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 ninth year as Scotland's official economic and fiscal forecaster, during which we have supported transparency and scrutiny of Scotland's public finances through a wide range of forecasts, analysis and engagement activities.

3 We delivered economic and fiscal forecasts in May 2025, an update in June 2025 for the Medium-Term Financial Strategy, and for the 2026-27 Scottish Budget in January 2026. We also published a fiscal update in August 2025 to explain how recent economic and fiscal developments and Scottish and UK Government announcements had affected the Scottish Budget.

4 In September 2025 we published our latest estimates of the fiscal implications of reducing emissions to mitigate climate change. During the year we also issued a correction to elements of our fiscal sustainability analysis published in April 2025. In February 2026 our Fiscal Sustainability Perspectives report summarised the pressures on the Scottish Budget and highlighted some of the issues we expected would present challenges for the Budget in the new parliamentary session.

5 We have given formal evidence to four different Scottish Parliament Committees. We have also delivered public events, in-person briefings for MSPs, and our new Insights series of short, accessible articles.

6 The corporate side of our organisation has been no less busy. We published our Corporate plan for 2025-28 which addressed the recommendations the OECD made in their review of the Commission last year, and our stakeholders' feedback. We have been consolidating our internal processes following the migration of the Scottish Government's finance and HR systems. In March 2026, Professor Graeme Roy was reappointed as Chair, providing continuity and stability as the Commission looks ahead.

7 The Commission relies on the great industry, expertise and innovation of our staff. I am very grateful for the support they offer me, the Commissioners and each other. I thank each individual for their hard work and adaptability over this last year – you make working in the Commission both stimulating and rewarding. Finally, I want to thank John Ireland who was Chief Executive of the Scottish Fiscal Commission until September 2026. John was an outstanding Chief Executive and it was a privilege to work with him.

Signed by:



Claire Murdoch
Chief Executive of the Scottish Fiscal Commission and Accountable Officer
5 November 2026

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About the Scottish Fiscal Commission

What we do

8 We produce independent, authoritative forecasts and assessments of the Scottish Government's tax and spending plans. We aim to improve the Scottish Government's and Scottish Parliament's understanding of the fiscal pressures and risks. Our work helps to make the Scottish Budget more transparent and better scrutinised.

9 Our official, independent economic, tax and social security forecasts, alongside forecasts from the Office for Budget Responsibility (OBR), inform the overall size of the Scottish Budget. We provide these independent forecasts and assess the Scottish Government's borrowing alongside the Scottish Budget and Medium-Term Financial Strategy. Our statutory remit allows us to report on anything that influences the resources available to the Scottish Government. We also produce the official costings of tax and social security policies.

10 We report the effects of economic and fiscal developments and Scottish and UK Government announcements on current and future budgets. Our reports show how the Scottish Budget changes after it is set.

11 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.

12 We also report on the long-term fiscal sustainability of the Scottish Government's budget. We make 50 year projections of spending and funding and compare how the gap between them can change during that time. Typically we look at the impact of changes in a limited range of factors such as demography, population health and climate change that will have a material impact upon the long-term fiscal sustainability of the Scottish Government's budget.

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 manage our resources, which 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 can control the quality of the analytical work, as this is key to our reputation. The Commissioners make their own forecast judgements, choose our methods and decide the content of our analytical publications and our 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.

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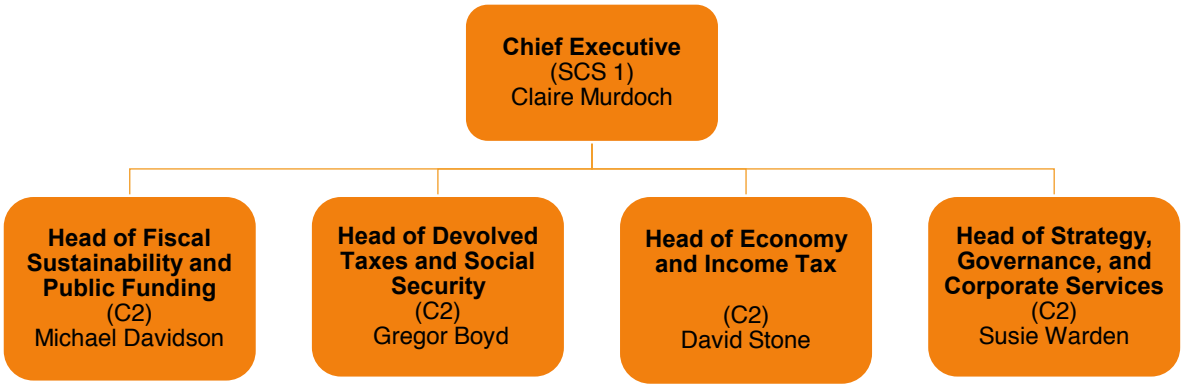
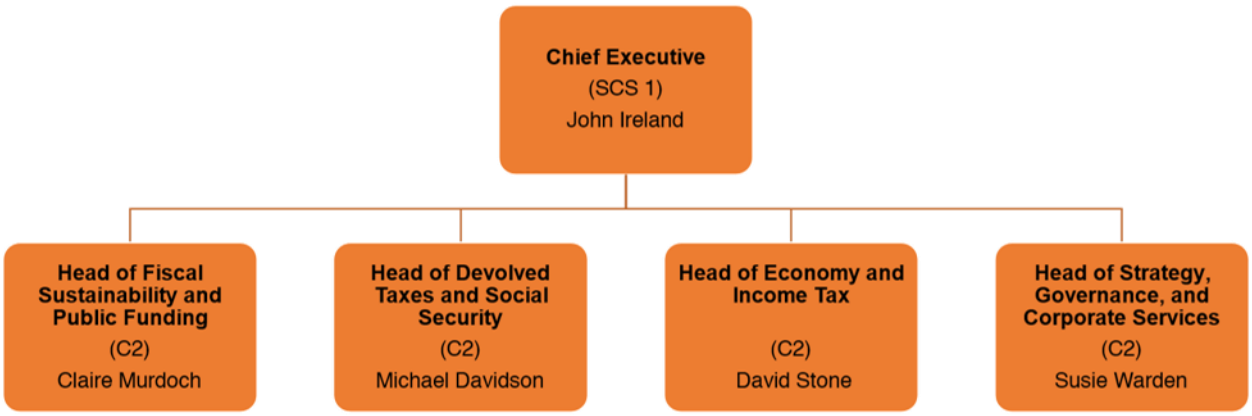
16 Our Commissioners are currently Professor Graeme Roy (Chair), and Dr Eleanor Ryan.

17 The Commissioners are supported by 31 staff, grouped into four teams. At 5 November 2026 our structure is as follows:



18 At 31 March 2026 there were 26 staff within the following structure:



Strategic objectives

19 The Commission's Corporate Plan[1] covering 2025-28 sets out four strategic objectives:

- Provide authoritative, independent, official forecasts of Scotland's economy, devolved tax revenues and social security spending, and explain what these mean for the Scottish Budget
- Provide insightful, impartial analysis of the Scottish Government's funding and spending
- Analyse and report on issues with major impacts for the long-term fiscal sustainability of the Scottish Budget
- Be an effective and efficient organisation with skilled, knowledgeable people

[1] Scottish Fiscal Commission (2025) Corporate Plan 2025-28

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Performance summary

20 This is a brief summary of our work during the year, set out under our mission and 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.

21 Our mission is that the Scottish Budget is transparent and well-scrutinised. Government, Parliament and others need to understand the inevitable uncertainties and risks relating to devolved public finances, and the potential trade-offs needed to ensure public finances are on a sustainable path.

22 Our work has helped to frame, inform and advance public debate. For example, our approach to analysing fiscal sustainability, of looking at long-term projections of public spending and funding, is having an increasing influence on the public debate. Our analysis of how differences between the tax base in Scotland and that in the rest of the UK affect income tax – what we have termed the tax base performance gap – is also featuring more broadly in public debate. The understanding that UK policy changes have a substantial impact on the Scottish Budget during the year is growing.

23 We provided authoritative, independent, official forecasts of Scotland's economy, devolved tax revenues and social security spending, and explained what these mean for the Scottish Budget by:

- producing a set of forecasts in May 2025 aligned with the original intended publication date of the Scottish Government's Medium-Term Financial Strategy
- in June 2025, producing our first forecast for Scottish Aggregates Tax (SAT), an updated forecast for the new Two Child Limit Payment, an illustrative estimate for the cost of changes to Pension Age Winter Heating Payment, an update on the social security funding position and restated our remaining May 2025 forecasts to support the Scottish Government's Medium-Term Financial Strategy
- publishing a Fiscal Update in August 2025 which set out the economic and fiscal developments since December 2024 and the effects of Scottish and UK Government announcements on the 2024-25 and 2025-26 Scottish Budgets
- publishing a Forecast Evaluation Report in August 2025 which evaluates our December 2023 forecasts for the economy, fully devolved taxes, and social security used to set the 2024-25 Scottish Budget. It also evaluated the December 2022 income tax forecast used in setting the earlier 2023-24 Scottish Budget
- producing a set of forecasts in January 2026 to support the Scottish Government's 2026-27 Budget
- publishing a full report, summary, visual summary, and content for our forecasts
- running events for MSPs, media and the public
- providing briefings for MSPs and their staff on request
- participating in events arranged by other organisations
- giving evidence to Scottish Parliament Committees.

24 We provided insightful, impartial analysis of the Scottish Government's funding and spending by:

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- in our May 2025, June 2025 and January 2026 forecasts, producing a separate fiscal overview chapter setting out the Scottish Government's funding outlook based on our forecasts and UK government funding
- in our June 2025 forecasts, analysing the medium-term risks the Government may face to the central spending and funding scenario, and the associated fiscal gaps
- in our June 2025 and January 2026 forecasts, assessing the Scottish Government's resource and capital borrowing plans and assumptions
- producing a fiscal update in August 2025 to explain how developments in the economic and fiscal outlook affected the Scottish Budget in 2025-26 and how they might affect the 2026-27 Budget and the Spending Review, and hosting a media conference in Edinburgh which attracted stakeholders from across the country
- publishing brief, accessible summaries of specific issues as part of our new Insights series.

25 We analysed and explained issues with major impacts for the long-term fiscal sustainability of the Scottish Budget by:

- in April 2025, publishing our second report on the long-term fiscal sustainability of the Scottish Government's budget and hosting a webinar
- in September 2025, publishing a report which explores how climate change could affect the Scottish Government's fiscal sustainability and hosting a webinar
- in February 2026, publishing a report highlighting challenges for the Scottish Budget in the next Parliament and summarising the pressures on the Scottish Budget and hosting an in-person event
- publishing brief, accessible summaries of specific issues and explainer articles as part of our new Insights series.

26 We continued to be an effective and efficient organisation with skilled, knowledgeable people by:

- anticipating our staff recruitment needs and attracting suitable candidates
- recruiting new Commissioners with new skill sets to meet our future needs
- improving the accessibility of our website, reports and spreadsheets
- sharing experience and best practice with other small public bodies.

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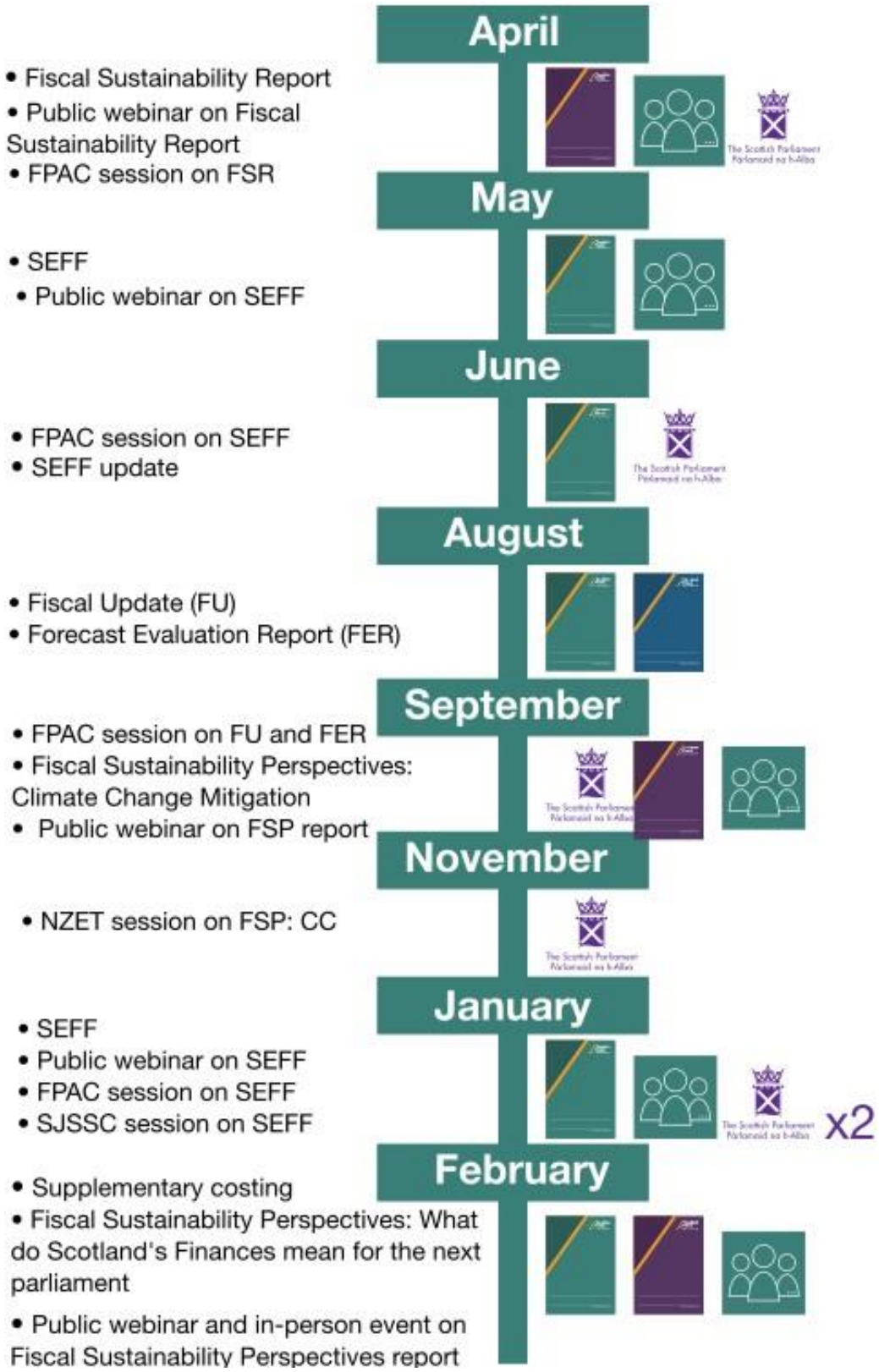
2025-26 publications, events, and evidence to Parliament



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How our work delivers our strategic objectives

Activities	Provide authoritative, independent, official forecasts	Provide insightful, impartial analysis of the Scottish Government's funding and spending	Analyse and explain issues with major impacts for the long-term fiscal sustainability of 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		✓	✓	
Fiscal sustainability analysis			✓	
Model development	✓			✓
Corrections and error log	✓	✓	✓	✓
Annual review of protocol with Scottish Government	✓			✓
Reviewing / developing Memorandums of Understanding	✓	✓		✓
Discussions with stakeholders	✓	✓	✓	✓

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Activities	Provide authoritative, independent, official forecasts	Provide insightful, impartial analysis of the Scottish Government's funding and spending	Analyse and explain issues with major impacts for the long-term fiscal sustainability of the Scottish Budget	Be an effective and efficient organisation with skilled, knowledgeable people
Participate in networks of international independent fiscal institutions				✓
Corporate policies, processes, and controls				✓
Annual report and accounts				✓
Staff development and training	✓	✓	✓	✓
Recruitment processes				✓
Support Governance Board and Audit and Risk Committee				✓
Embed new Scottish Government systems				✓
Website accessibility and maintenance		✓	✓	✓

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Principal risks

27 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 currently identify five principal risks, outlined below.

28 **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 amber during the year, reflecting transition to the new Scottish Government HR and finance system, consideration of our own finance operating model, staffing pressures and challenges of public sector reform targets on corporate costs. The latter three concerns remain, so we continue to monitor them closely and consider what options we have to mitigate them while controlling corporate costs. The process for managing publication of sensitive material on our website has been reviewed to ensure that it remains confidential until it is published.

29 **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 or not it is justified. This risk moved from green to amber during the year, as we published a corrections notice for the 2025 Fiscal Sustainability Report. We will be working to establish our relationship with the new Finance and Public Administration Committee and the new cohort of MSPs, continuing our new Insights series of publications and developing our spending analysis over the coming year to mitigate this risk.

30 **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 amber but rose through the year, reflecting potential for issues around our multi-year funding arrangements, changes of personnel, and the uncertainties of an election year. We manage this risk through our existing relationships at official level, preparing to develop our relationship with the new Cabinet Secretary and Finance and Public Administration Committee and seeking to reach agreement on the outstanding OECD review recommendation about our funding arrangements.

31 **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, ensuring appropriate leadership and management, and adopting hybrid working practices. Our staffing risk was amber through the year. This variously reflected the Budget being published in January 2026 and being accompanied by a spending review, recruitment and induction of two new Commissioners and multiple staff vacancies. This risk will be managed through a new approach to cross-organisational work and through recruitment, although as a small organisation even one vacancy can have a disproportionate effect.

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32 **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 rose to red in the middle of this year, due to changes at a senior level in the Scottish Government and concerns about the Budget forecast timetable before moving back to amber. We will manage this risk through our existing relationships at official level and by developing our relationship with the new Cabinet Secretary and Finance and Public Administration Committee.

Performance Analysis

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

Mission: The Scottish Budget is transparent and well-scrutinised. Government, Parliament and others understand the inevitable uncertainties and risks relating to devolved public finances, and the potential trade-offs needed to ensure public finances are on a sustainable path.

Parliamentary impact

34 A primary mechanism through which the Commission enhances fiscal awareness among key decision makers is its direct engagement with the Scottish Parliament. The Commission regularly provides oral and written evidence to parliamentary committees. We also respond regularly to requests for guidance and clarification from MSPs, the Scottish Parliament's Information Centre and Parliamentary researchers, as well as engaging with opposition party finance spokespeople. We are always open, accessible and impartial.

35 Commissioners and members of the Senior Management Team gave evidence to the Finance and Public Administration Committee six times, the Social Justice and Social Security Committee once, and the Net Zero, Energy and Transport Committee once. These evidence sessions focus not only on our formal forecasts but on explaining the fiscal implications of demographic change, tax policy, social security spending and long-term sustainability.

36 Over the course of 2025-26 we have been mentioned in Parliament's official report over 200 times. The Finance and Public Administration Committee's February 2026 report on the Scottish Budget 2026-27 made 63 references to the Commission (36 in their report on the Scottish Budget 2025-26). The Finance and Public Administration Committee Legacy report made 39 references to our role and work. Before the Scottish Parliament dissolved, on 19 March 2026 the Convener of the Committee wrote to our chair to thank the Commission, noting:

"The Commission's excellent publications, evidence, and support have been invaluable in supporting the Committee's robust and effective financial scrutiny over the last five years. We've also appreciated the helpful manner in which you have engaged with the Committee, including ensuring that often complex and technical information is presented in an understandable way and providing insightful briefings to a wider group of MSPs and parliament staff. The Committee also very much welcomes the SFC's drive to

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continuously enhance its forecasts and other publications, such as producing additional spending analysis and fiscal sustainability reports on long-term challenges including demographic trends and climate change. The Commission's work has been integral in shaping the Committee's scrutiny over the last five years."

Improving Scottish Government transparency

37 In our January 2026 forecasts,[2] we noted the Scottish Government had implemented some of our previous recommendations on baselining in-year budget transfers, but noted further improvements that could be made.

"The Scottish Government has taken action to improve the comparison of spending plans to previous years. The 2025-26 position is presented by the Scottish Government as at the Autumn Budget Revision (ABR), and in an improvement from last year the Scottish Government has now baselined £786 million of resource spending into the 2026-27 Budget that had previously been transferred between portfolios at the 2025-26 ABR. This improves the comparability of the spending plans between years.

"While the Scottish Government has continued to improve the presentation of spending in the Budget including publishing the data showing which transfers have not been baselined, there are still further improvements to be made. We continue to recommend that all routine Budget transfers should be contained from the outset in the spending portfolio to which they will ultimately move."

38 These issues were reiterated by parliamentary and wider stakeholders in debates around the 2026-27 Scottish Budget.

39 The Scottish Government published a Spending Review[3] alongside the Scottish Budget in January 2026, which we welcomed as a step towards multi-year planning. The Scottish Government published some additional information for which we had previously advocated, such as detail in its portfolio efficiency plans and the assumed public sector pay awards over the spending review period.

Broadening stakeholder understanding

40 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, LinkedIn and on our website. We now also promote our publications and updates on Facebook and Bluesky. In our communications around reports, we have articulated key messages through short videos and social media communications, as well as webinars and our first in-person event since the pandemic. We have attempted to simplify and tell the "story" around some of the key messages in our work.

41 We continued to have positive relationships with media representatives, with good attendance at our media briefings. Our Chair has given various media interviews, briefings, and articles and we respond swiftly to journalists' enquiries. There has been strong media pick-up (print, broadcast, podcasts, social media) of our work in 2025-26, and these reports have been used to inform reporting on the 2026 Scottish Parliamentary election. Our work has also been extensively referenced by think tanks

[2] Scottish Fiscal Commission (2026) Scotland's Economic and Fiscal Forecasts January 2026.
[3] Scottish Government (2026) Scottish Spending Review 2026.

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(the Institute for Fiscal Studies, Enlighten Scotland and IPPR) and the wider academic community (Fraser of Allander, Professor David Bell and Professor Anton Muscatelli).

42 SFC Insights[4] were launched in January 2026. So far, these have been explainers of certain concepts, such as explaining the Scottish Budget and our role; or have been used to highlight key messages from our reports (explaining resource and capital spending, fiscal drag and numbers receiving disability benefits). Over the period January-March 2026, twelve Insights were published and posted on our social media pages on X, LinkedIn, Instagram and Facebook.

Objective 1: Provide authoritative, independent, official forecasts of Scotland's economy, devolved tax revenues and social security spending, and explain what these mean for the Scottish Budget

43 The Commission published two sets of forecasts, on 29 May 2025[5] (followed by an update on 25 June 2025[6]), and 13 January 2026.[7] We delivered our reports on time and complied with the Protocol agreed with the Scottish Government. The January 2026 publication accompanied the Scottish Budget 2026-7.[8] We held an online media conference after the May 2025 and January 2026 forecasts, and hosted an in-person breakfast event for MSPS and Parliamentary staff following the Budget forecasts.

44 A further supplementary report, Non Domestic Rates Measures, was published on 24 February 2026.[9] It set out updated forecasts of Non-Domestic Rates revenue showing the effect of two new policies announced during the 2026-27 Scottish Budget Stage 1 debate on 12 February 2026 to assist Budget scrutiny.

45 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.

46 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. This year we developed a new risk-based framework to focus our quality assurance processes and minimise the risk of error.

Economy

47 The main development has been in relation to our forecasts of Scottish public sector earnings and employment. For the first time, in the 2026-27 budget forecast process, the Scottish Government has provided us with consistent projections of basic pay awards, average pay bills, total pay bill, and workforce for the devolved public sector based on its policies at the time of setting the budget. This fulfilled our request for this information from our previous Statement of Data Needs reports. This data also informs the Commission's commentary on the Scottish Government's public funding and spending position. We have developed our economy model to allow for this information

[4] Scottish Fiscal Commission, Insights | Scottish Fiscal Commission.
[5] Scottish Fiscal Commission (May 2025) Scotland's Economic and Fiscal Forecasts
[6] Scottish Fiscal Commission (June 2025) Scotland's Economic and Fiscal Forecasts Update
[7] Scottish Fiscal Commission (January 2026) Scotland's Economic and Fiscal Forecasts
[8] Scottish Government (January 2026) Scottish Budget 2026-27
[9] Scottish Fiscal Commission (February 2026) Non Domestic Rates Measures

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to be included in our forecasts of public sector earnings and employment, improving the consistency of these economy forecasts with stated government plans and with the Commission's public funding and spending work.

48 The University of Strathclyde project to develop a new regional nowcasting model for us has now been completed. We have started exploring the use of the model in our forecasting and analysis processes.

Tax

49 In June 2025 we published our first forecast of Scottish Aggregate Tax alongside the Scottish Government's announcement of the rates in its Medium-Term Financial Strategy (MTFS). The main change from our illustrative forecast was including the effect of imports of aggregates into Scotland and exports from Scotland, which reduced our forecast by around a third given that Scotland is a net exporter.

50 A key development this year was the further expansion of our narrative on the income tax net position in our Fiscal Update 2025 and January 2026 forecasts. This included a refined discussion of what we now call the 'tax base 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.

51 We also published an occasional paper updating estimates of Scottish median incomes, partly in response to Freedom of Information requests, demonstrating our commitment to transparency.

52 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.

53 In our budget forecast of Non-Domestic Rates we incorporated the effects of the new valuation roll for 2026. For Scottish Landfill Tax we focussed on the uncertainty around incineration capacity and the effect of the Biodegradable Municipal Waste Landfill ban, which is now set to take effect from 1 January 2028. We have also begun developing our forecast of Air Departure Tax, which is due to start in April 2027.

Social Security

54 In June 2025, we updated our forecast for the new Two Child Limit Payment to reflect the Scottish Government's announced launch date. After the UK Government removed the two-child limit from Universal Credit the costing was removed and replaced by the knock-on effects of the Universal Credit policy on Scottish devolved payments.

55 We produced a costing for the spending associated with the Scottish Government's new Pension Age Winter Heating Payment. The costing reflects the Winter Heating Assistance (Pension Age) (Scotland) Amendment Regulations 2025, which extend eligibility to most of the pension age population.

56 We developed forecasts for Pension Age Disability Payment and Carer Support Payment to reflect data provided by Social Security Scotland and to reflect the latest legislation. The approach moved away from a forecasting model supported by secondary policy costings - previously used to estimate the impact of introducing new Scottish payments - towards models that combine multiple assumptions. This new

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approach allows us to better identify and understand emerging trends in the new payments as well as to reflect the latest payment structure.

57 As part of the January 2026 forecast, we costed the introduction of a higher rate of Scottish Child Payment (SCP) for children aged under one from 2027–28. This new policy will raise the weekly payment for each child under one to £40.

Evaluation of forecasts

58 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.

59 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 (such as changing the start date of a new policy). We consider these factors in our evaluation process, then focus on what lessons can be learned to improve future forecasts.

60 Our August 2025 report[10] evaluates:

- the forecasts we produced in the prior financial year and earlier
- our December 2023 forecasts of the economy, devolved taxes and social security, comparing them to outturn data for 2024-25
- our December 2022 income tax forecast used in setting the earlier 2023-24 Scottish Budget.

Objective 2: Provide insightful, impartial analysis of the Scottish Government's funding and spending

61 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 explain what the latest information means for the Scottish Budget.

- In May 2025 we set out the Scottish Government's pre-MTFS funding position as part of our forecast publication.
- In June 2025, alongside the Scottish Government's MTFS and Fiscal Sustainability Delivery Plan (FSDP), we set out the Scottish Government's funding position, as updated following the UK Spending Review in June 2025. This report provided an assessment of the Scottish Government's borrowing plans, the implied gap between the Scottish Government's forecast funding and spending over the next three years, and the Scottish Government's plans in its FSDP. We also analysed the medium-term risks the Government may face to the central spending and funding scenario and the associated fiscal gaps.
- In January 2026 we described the Scottish Government funding and assessed its borrowing for the 2026-27 Scottish Budget. We discussed the Scottish Spending

[10] Scottish Fiscal Commission (August 2025) Forecast Evaluation Report

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Review and the risks to the funding and spending position set out by the Scottish Government.

62 We also review in-year changes to the Scottish Budget, which can arise from changes to UK spending plans and the decisions and assumptions of the Scottish Government, publishing separate Fiscal Update reports if necessary.

- We produced an updated overview of the Scottish Government's funding position in the August 2025 Fiscal Update, to explain how developments in the economic and fiscal outlook affected the Scottish Budget in 2025-26 and how they might affect the 2026-27 Budget and the Spending Review.

63 We also began to publish brief, accessible summaries of specific issues as part of our new Insights series.

Objective 3: Analyse and report on issues with major impacts for the long-term fiscal sustainability of the Scottish Budget

64 In April 2025 we published a Fiscal Sustainability Report on Health. We considered future pressures on health spending and how ageing populations in Scotland and the rest of the UK would lead to particular fiscal pressures on the Scottish Budget. The report also used scenario analysis to highlight how improved population health could alleviate fiscal pressures in the long term. We held a public webinar to share these findings as well as an in-person breakfast event for MSPs and Parliamentary staff in the Scottish Parliament.

65 In September 2025 we published Fiscal Sustainability Perspectives: Climate Change Mitigation where we explored the spending pressures relating to 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. We held a public webinar to share these findings and a breakfast briefing in the Scottish Parliament.

66 In December 2025 we published an error correction notice to our April 2025 Fiscal Sustainability Report on health.[11] This notice explains the impact of two errors we identified in our projections and sets out the actions we have taken to remedy this and reduce the chance of future errors. We had incorrectly inputted the UK Government's 2025-26 spending plans, which changed the starting point for the projections and thus the annual budget gap. We had also applied the incorrect GDP deflator to part of the Block Grant. However the core messages of the Fiscal Sustainability Report remained unchanged. In particular, the annual budget gap is negative in all years, suggesting that future Scottish Governments will face significant challenges funding devolved public services. The revised projections show a more substantial fiscal challenge. In the error correction notice we committed to improve our quality assurance processes and to consult with stakeholders in 2026 on our approach to fiscal sustainability. It is important to us that we are transparent and clear where we make errors and that we correct them in a timely manner in line with our error and correction policy.

67 In February 2026 we published Fiscal Sustainability Perspectives: what Scotland's finances mean for the next Parliament. This paper highlighted some of the challenges for the Scottish Budget in the next parliament drawing on issues such as population

[11] Scottish Fiscal Commission (December 2025) Error Correction Notice

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ageing, social security spending and the size and cost of the public sector workforce. We held an in-person event to launch this paper followed by a public webinar and gave evidence to the Finance and Public Administration Committee.

Objective 4: Be an effective and efficient organisation with skilled, knowledgeable people

68 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 several 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.

69 We continue to learn from and contribute to shared international best practice. We attended the Inter-Parliamentary Financial Information Network at Westminster on 29-30 January 2026. Sessions focussed on communicating the work of Independent Fiscal Institutions (IFIs) and parliamentary research services effectively, supporting new members with fiscal literacy training and the role of artificial intelligence in our work. We presented on the actions we are taking on engagement following the OECD review of the Commission in early 2025.

70 Our corporate systems rely on the Scottish Government's shared services. Throughout this year we have been developing our capabilities in using the Scottish Government's new, integrated HR and finance system, Oracle Cloud. We also initiated work to develop a new operating model for our finance function, to increase our efficiency, expertise and resilience, but have had to pause this work because of technical issues.

Staffing

71 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 strategic risks.

72 Over the year, our headcount has remained fairly constant, with 26 staff at 31 March 2026. We filled five vacancies during the year. The staff report contains further information relating to staff numbers and costs.

73 The Commission's 2025 staff survey took place during December 2025. It was modelled on the UK Civil Service survey and there was a 96 per cent response rate (there had been a 96 per cent response rate for the 2024 survey). The engagement score has increased by three points since last year to 81 in 2025 (it was 78 in 2024). In particular, there were very positive increases in the proportions of staff who said they agreed or strongly agreed that they are proud to tell others they are part of the SFC, that the SFC motivates them to help it achieve its objectives and that they would recommend the SFC as a great place to work.

Risk profile

74 As reported in paragraph 27, 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.

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Risk	Potential Effect	Changes in 2025-26	Mitigation	Outlook for 2026-27
Staffing Amber	The Commission cannot deliver its functions effectively because we do not have appropriate staff or Commissioners, or staff or Commissioners cannot work effectively.	Commissioner recruitment. January Budget, accompanied by spending review, meant restricting staff leave over festive period. Vacancies concentrated in particular teams.	Over-budgeted staffing budget at the start of the year to maximise capacity. Cross support between teams to increase resilience to absence. Reduce likelihood of absences through monitoring annual leave plans and offering influenza vaccinations Agreement with Scottish Government to delay staff moves during forecast events, if needed. Held reserve lists from external recruitments to fill new vacancies quickly if needed. Positive staff survey results.	Risk should reduce as existing vacancies are filled, but importance of staff to performance and tight budget means staffing risk is unlikely to fall below amber. Recruitment underway so expect to hold reserve lists for further departures. Recruitment for fourth Commissioner to begin once new Parliament and Government formed.

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Risk	Potential Effect	Changes in 2025-26	Mitigation	Outlook for 2026-27
Partner organisations Amber and red	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.	MTFS 2025 delayed. Concern about timetable for January 2026 budget as we expected the availability of decision-makers to be reduced over the festive period. Tight fiscal situation means difficult budget choices, which take longer to be made. Strong relationships with other partners. New Scottish Government Director General	Close liaison with Scottish Government Directors to project plan fiscal events and clarify expectations on key issues. Ensured key tasks can be done by people in different teams to give more options if last-minute changes are needed to project plans. Regular liaison team contact and meetings.	Risk outlook likely to reduce in second half of the year. New Cabinet Secretaries and Scottish Parliament Finance and Public Administration Committee. Revise protocol with SG (this sets out the process for fiscal event publications). Fulfilling the OECD recommendation by increasing our analysis of spending means we will need additional data and information. Excellent day to day working relationships with SG and anticipate continued good relations with other partners.

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Risk	Potential Effect	Changes in 2025-26	Mitigation	Outlook for 2026-27
Independence Increased but remained within amber	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.	Issues around our multi-year funding arrangements. Changes of personnel and the uncertainties of an election year. UK Parliament's Treasury Committee inquiry on the OBR. Increase in requests from Government for information about operational plans.	Assurance from independent OECD review. Recommendation from OECD to strengthen independence by strengthening multi-year funding arrangements.	Risk outlook likely to reduce in second half of the year. Framework Agreement to be revised to implement OECD recommendation and to agree appropriate reporting of performance and planning information. New Cabinet Secretary and Finance and Public Administration Committee.
Corporate systems 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.	Embedding new Scottish Government HR and finance system. Considering the operating model for our finance function. Challenge of public sector reform targets for a small organisation with low non-staff costs. Staffing pressures.	Active in group of small public bodies to share best practice and provide mutual assistance. Strong informal support from other Oracle users. Relatively simple organisation and finances.	Expect risk to remain high. Challenges of public sector reform targets on back office costs coupled with rising shared services costs. Develop a revised finance operating model. New website provider. Staffing pressures.

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Risk	Potential Effect	Changes in 2025-26	Mitigation	Outlook for 2026-27
Reputation Increased from green to amber	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 or not it is justified	Error in April Fiscal Sustainability Projections requiring a formal correction notice. Resignation of Commissioner following appointment to new post in Italy.	Transparency around delay to MTFS. Transparency around FSR correction notice. Successful Commissioner recruitment. Successful in-person event.	We expect the risk score to fall in the second half of the year. Positive legacy report from outgoing Finance and Public Administration Committee should help us to build our reputation with the new Finance and Public Administration Committee and the new cohort of MSPs. New Insights series should generate more frequent engagement. New spending analysis brings additional risk in terms of expanding to a new area but also potential to add more value.

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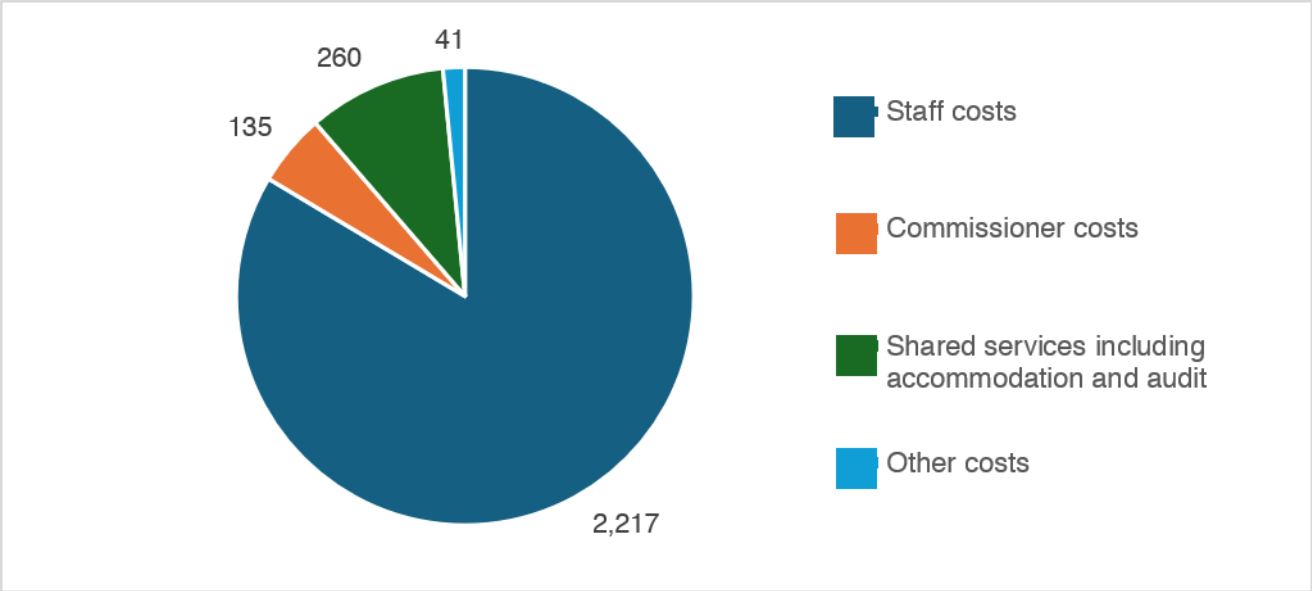
Financial performance – 2025-26

75 In 2025-26, the Commission received a budget of £2.788 million and had net operating costs of £2.653 million, resulting in an underspend of £0.135 million (in 2024-25 we had a budget of £2.636 million, net operating costs of £2.552 million and an underspend of £0.084 million).

76 Staff and related costs continue to be our biggest category of expenditure, at 84 per cent of our operating costs (in 2024-25 staff costs were 80 per cent of operating costs).

77 Shared services (including accommodation costs and audit costs) account for approximately 10 per cent of our operating costs (in 2024-25 they accounted for approximately 13 per cent of operating costs).

Operating Costs 2025-26 (£'000)



78 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.

79 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 2026, the Commission paid 88.2 per cent of its invoices within these terms (96.2 per cent in the year ended 31 March 2025).

80 IFRS 16 requires that the right to use our office building is treated as an asset. We were aware of the accounting standard and have complied fully with the accounting requirements in our accounts since it was introduced in 2022-23.

81 In addition to the accounting requirements, there is guidance on the public budget treatment of leases. As we have a rolling lease, we effectively extend our lease each year and we should be securing capital budget cover for each annual lease extension. As we had no such capital budget for 2025-26, we therefore report a capital overspend for 2025-26 of £0.068 million (note 6, cost additions), which is more than offset by our resource budget underspend.

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82 This is primarily a technical issue about how public sector bodies make budget provision for lease payments. We have correctly calculated our lease payments and right of use asset in line with IFRS 16 and we have correctly disclosed our lease payments and right of use asset in line with IFRS 16 in our accounts in 2025-26 and previous years. We have capital budget cover for 2026-27 confirmed in the Scottish Budget.

Cost structure and efficiency

83 As a responsible independent fiscal institution, it is important that we are efficient in our administration. We pursue efficiencies in a way that is consistent with our operational and strategic independence. Here we set out how the different elements of our cost base have changed and how we expect them to change in future.

Changes in costs since 2024-25

Commissioners	Analytical staff	Corporate staff	Shared services and audit (excluding maintenance)	Other non-staff costs
-2%	13%	5%	9%	-31%

84 Our analytical staffing costs have increased by 13 per cent since 2024-25. This increase has been driven by pay rates; our staff numbers have remained almost the same. The headline pay settlement was 4 per cent, and over 40 per cent of our analysts were eligible for pay progression, a further cost between 2.9 per cent and 11 per cent.

85 Our pay matches the Scottish Government's own pay settlements. We have chosen to be part of the Scottish Government Main pay bargaining group to provide career progression, an analytical recruitment pool and to allow us to take advantage of shared services. To offset this increase, we maintained our staff numbers despite increasing our work on spending, fiscal risks and fiscal sustainability and covering parental leave which has meant we have carried vacancies in other areas this year. This has not been sustainable and we would expect to increase our staffing numbers in future years to deliver our core work. We intend to broaden and deepen our spending analysis work, in line with the OECD recommendation, and this will mean increasing our staff numbers.

86 In our corporate team, we carried 13 months of vacancies over two posts to try to offset the pay settlement, but operational performance and resilience suffered so this is not a sustainable saving.

87 Scottish Government also sets the pay policy that applies to Commissioners but the vacancy for part of this year has offset the fee increase. The vacancy will continue until the second half of 2026 so we expect 2026-27 costs to rise by less than the fee increase.

88 Our shared service and audit costs are set by the Scottish Government and Audit Scotland so, short of withdrawing from shared service agreements, we have little control over these costs. These costs have increased 9 per cent since 2024-25 (excluding building maintenance costs). Building service charge (39 per cent) and external audit

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(14 per cent) increases resulted in most of this increase. The external audit fee increase includes additional 2024-25 audit work resulting from the Oracle transition so should not be a baseline increase. We expect shared service costs to increase further in future as the Scottish Government begins to recharge for the Oracle system and changes its recharge basis for other shared services. No indication of the level of these future charges has yet been given, despite the Scottish Government's target for back-office costs to be reduced by 20 per cent by 2029-30.

89 We do have far more control over our other non-staff costs, and we have reduced these by around 31 per cent from 2024-25. We do not expect all of this reduction to be baselined as some expenditure is incurred only every two or more years and was not incurred this year.

Future Savings

90 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. In considering any option for staffing savings in future, we would consider the potential impact on our ability to deliver forecasts and analysis of an acceptable quality.

91 We are considering options for the delivery of our finance function, to increase efficiency, expertise and resilience. There will be some saving from continuing vacancies until a new structure is put in place.

92 Audit Scotland consulted on a separate assurance framework for smaller bodies in its draft Code of Audit Practice in February 2026 to increase proportionality. If adopted, this could reduce both internal corporate costs and external audit costs from 2027-28.

93 In 2026-27 we are also undertaking a review of our accommodation options to ensure that our office accommodation provides best value.

Diversity and Inclusion

94 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

95 We are committed to reporting the gender balance of our appearances at Scottish Parliament Committees. Of 8 witness appearances in 2025-26, 42 per cent were female (there were 9 witness appearances in 2024-25, of which 33 per cent were female).

Summary recruitment diversity information

96 We report data encompassing all our recruitment from 30 May 2025 to 31 March 2026. Due to small numbers, much of the diversity information on those who agreed to start has had to be supressed to prevent disclosure of protected characteristics.

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Characteristic	Applied	Successful At Sift	Attended Interview	Successful At Interview	Agreed To Start
Female	143	7	5	*	*
Male	220	15	11	*	*
Prefer not to say	14	0	0	0	0
Unknown	19	2	2	0	0
Total	**396**	**24**	**18**	*	*

* supressed due to the small numbers involved

Characteristic	Applied	Successful At Sift	Attended Interview	Successful At Interview	Agreed To Start
16-29	248	*	*	*	*
30-39	80	11	9	*	*
40-49	36	*	*	0	0
50-59	8	0	0	0	0
Prefer not to say	5	0	0	0	0
Unknown	19	*	*	0	0
Total	**396**	**24**	**18**	*	*

* supressed due to the small numbers involved

Characteristic	Applied	Successful At Sift	Attended Interview	Successful At Interview	Agreed To Start
Disabled	14	*	*	*	*
Not disabled	339	19	*	*	*
Prefer not to say	18	*	*	0	0
Unknown	25	*	*	0	0
Total	**396**	**24**	**18**	*	*

* supressed due to the small numbers involved

Other diversity activity

97 In our corporate plan we make specific commitments to be 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 2025-26 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

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- 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.

98 In the next section we set out our progress on each of these commitments.

Work on staff recruitment

99 In recent years we have only recruited for analytical posts whereas in 2024-25 we also recruited for one corporate post, for which we received almost 500 applications. The metrics for 2024-25 are therefore less comparable to previous years, because of both the nature of the post and the volume of applicants, so we present comparators for both 2024-25 and 2023-24.

100 The number of applicants who did not identify as male was 44.4 per cent (61.9 per cent in 2024-25 and 33 per cent in the 2023-24 annual report). Excluding those who preferred not to say, or did not answer, the number of applicants who did not identify as male was 39.4 per cent (58.9 per cent in 2024-25 and 29.2 per cent in the 2023-24 annual report).

101 There were 14 applicants who declared a disability out of the 396 who responded to that question, 3.5 per cent (4.7 per cent in 2024-25 and 4.5 per cent in the 2023-24 annual report).

102 We have videos on our website to show that our staff come from different backgrounds. For our recruitment exercises 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

103 Staff survey results show there was an increase of 7 percentage points to 96 per cent this year in those agreeing that they are treated with respect by the people they work with. 92 per cent of staff agreed that “the Fiscal Commission respects individual differences (such as cultures, working styles, backgrounds, ideas etc)”, an increase of 3 percentage points since last year. 84 per cent of staff agreed that “my manager genuinely cares about inclusion”, a decrease of 1 percentage point.

104 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 our style guide and formatting in our publications and spreadsheet.

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

105 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

106 Previously all four of our Commissioners had a background in academic economics. In preparation for making two appointments in October 2025, we undertook 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 highlighted 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. The criterion of expertise in economic or fiscal forecasting was replaced with knowledge of public spending, taxes and public finance. Two new Commissioners were appointed in October 2025, Justine Riccomini and Dr Eleanor Ryan, who possess the necessary expertise and skills.

Non-financial information

Complaints

107 The Commission has a complaint handling policy and procedure in place and received no complaints in 2025-26 (and none in 2024-25).[12]

Information Security

108 There were no known data breaches in 2025-26 (there were none in 2024-25).

Freedom of Information

109 The Commission aims to be fully compliant with Freedom of Information legislation. We received 27 Freedom of Information requests in 2025-26, of which one was not completed within the statutory deadline for responses (in 2024-25 there were five requests, all of which were completed within the statutory deadline). Substantive responses are published on the Commission's website.[13]

Community and social

110 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.

[12] Scottish Fiscal Commission (2017) Complaints Policy
[13] Freedom of Information releases on our website

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Fraud, corruption, and bribery

111 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.[14] [15]

112 The Commissioner Code of Conduct sets out the behaviours expected of our Commissioners.[16] 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 members of the Audit and Risk Committee, which includes gifts and hospitality received, is updated by Commissioners and the external members as and when required and formally reviewed at least annually.[17]

113 There were no incidences of fraud or bribery in 2025-26 (there were none in 2024-25).

114 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

115 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.

116 During 2024-25, the gas heating system in Governor's House stopped operating. In 2025-26 it was replaced by an electric system which will contribute to a reduction in the carbon footprint associated with our office. The Scottish Government, which owns and maintains Governor's House, advised that air and ground source heat pumps could not be fitted. Governor's House is a Grade A listed building.

117 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.

118 In September 2025, we published "Fiscal Sustainability Perspectives: Climate Change Mitigation",[18] which explores how climate change could affect the Scottish Government's fiscal sustainability. It considers the potential effects of taking action to meet Scotland's statutory emissions targets to reach net-zero by 2045.

[14] Scottish Fiscal Commission (2025) Counter-Fraud Policy and Response Plan
[15] UK Government (2015) The Civil Service Code
[16] Scottish Fiscal Commission (2019, updated 2022) Code of Conduct
[17] Scottish Fiscal Commission (2024) Register of Interests
[18] Scottish Fiscal Commission (2025) Fiscal Sustainability Perspectives: Climate Change Mitigation

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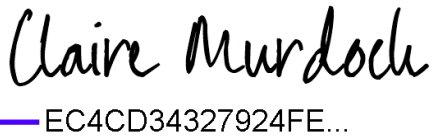
Future plans

119 Our Business Plan for 2026-27[19] sets out our plans for the coming year.

Signed by:



Claire Murdoch
Chief Executive of the Scottish Fiscal Commission and Accountable Officer
5 November 2026

[19] Scottish Fiscal Commission (2026) Business Plan 2026-27

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Accountability Report
Corporate Governance Report

120 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 her sources of assurance. These are in line with the Scottish Public Finance Manual guidance on governance. This section also contains the Accountable Officer's 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 Commissioner's Chair and Accountable Officer have given evidence on the report to the Finance and Public Administration Committee for the previous two years and the Convener of the Committee in the new parliamentary session has confirmed this practice will continue.

121 After the reporting period, the role of Accountable Officer transferred from John Ireland to Claire Murdoch with effect from 21 September 2026. While John Ireland held the role for the accounting year, Claire Murdoch is the Accountable Officer at the date of signing and accordingly accepts responsibility for these Annual Report and Accounts. To support this responsibility, a structured handover was completed covering the Commission's financial management, governance arrangements, risk profile, internal control environment and any significant issues arising during the reporting period. The Commission is satisfied that appropriate assurances were provided to ensure continuity of accountability following the transfer.

The Commissioners' Report

The Commissioners

122 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.

123 As at 31 March 2026 there were three Commissioners, one of whom was Chair:

Chair	Professor Graeme Roy
Members	Doctor Eleanor Ryan (appointed from 8 October 2025)
	Justine Riccomini (appointed from 8 October 2025)

124 During the year the appointments of Professor David Ulph and Professor Francis Breedon ended on 7 October 2025, after they had served their two terms of appointment. Following his appointment to a new post in Italy, Professor Domenico Lombardi resigned as a Commissioner with effect from 31 December 2025.

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125 The Register of Interests for the Commissioners is available on the Commission's website[20] and on request. All members are required to review and update the register at least annually.

Audit and Risk Committee

126 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.

127 The Committee met five times in 2025-26, and its members were:

Chair	Professor David Ulph (until 7 October 2025)
	Justine Riccomini (from 8 October 2025)
Members	Professor Francis Breedon (until 7 October 2025)
	Professor Domenico Lombardi (until 31 December 2025)
	Doctor Eleanor Ryan (from 8 October 2025)
External Member	Catriona McConnell (from 2 May 2023)
	Sarah Pumfrett (from 2 May 2023)
Attendees	Professor Graeme Roy (Chair of the Scottish Fiscal Commission)
	Deloitte LLP
	Scottish Government Internal Audit and Assurance Directorate

128 Following Justine Ricommini's resignation from 1 October 2026 as a Commissioner, Eleanor Ryan has taken over as Chair of the Committee. In addition, until new Commissioners have been recruited and appointed, Graeme Roy will become a full member of the Committee. A similar approach was taken in 2018, when we last had two Commissioners and the then chair Dame Susan Rice joined the Committee as a member.

Chief Executive and Senior Management Team

129 Members of the Senior Management team during 2025-26 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

[20] Scottish Fiscal Commission Register of Interests

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

Internal Audit

131 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 2025-26, which consisted of a Financial Management review that provided a reasonable assurance opinion, and an Annual Assurance Report. Regular updates on progress were presented by SGDIAA at Audit and Risk Committee meetings.

132 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

133 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

134 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 finances of the Commission: of its income and expenditure, Statement of Financial Position and cash flows for the financial year.

135 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.

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136 The Permanent Secretary of the Scottish Government, as Principal Accountable Officer for the Scottish Administration, designated the Commission's Chief Executive as the Accountable Officer for the Commission. John Ireland was the Accountable Officer until 20 September 2026, the role of Accountable Officer transferred from John Ireland to Claire Murdoch with effect from 21 September 2026.

137 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.

138 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

139 This statement sets out how the Commission manages and controls its resources and risk. It covers the period from 1 April 2025 to the date of signing.

Governance framework

140 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.

141 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.

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142 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.

143 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.[21] Our Code of Conduct is based on the Model Code of Conduct for Members of Devolved Public Bodies.[22] 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".

144 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 the Scottish Government Audit and Assurance Committee Handbook to guide its work. The Committee publishes its minutes on our website.[23]

145 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.

146 We have also appointed two external members to our Audit and Risk Committee who bring a fresh perspective and can assist in better advising the Governance Board. 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.

147 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.

148 The Governance Board and Audit and Risk Committee have continued to operate and hold meetings virtually using video-conferencing tools.

149 The other documents which form part of our governance framework are:

- the Scottish Fiscal Commission Act 2016, which sets out our powers, functions, and duties[24]

[21] Scottish Fiscal Commission (2022) Code of Conduct
[22] Scottish Government (2021) Model Code of Conduct for Members of Devolved Public Bodies
[23] Audit and Risk Committee minutes
[24] Scottish Fiscal Commission Act 2016

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- the Corporate Plan, which sets out our mission, values, and objectives[25] from 1 April 2025 to 31 March 2028
- 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.[26]

Summary of our Corporate Plan 2025-28

What we do: our mission

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

Why we do it: our vision

151 The Scottish Budget is transparent and well-scrutinised. Government, Parliament and others understand the inevitable uncertainties and risks relating to devolved public finances, and the potential trade-offs needed to ensure public finances are on a sustainable path.

What we do: our strategic objectives

- Provide authoritative, independent, official forecasts of Scotland's economy, devolved tax revenues and social security spending, and explain what these mean for the Scottish Budget.
- Provide insightful, impartial analysis of the Scottish Government's funding and spending.
- Analyse and report on issues with major impacts for the long-term fiscal sustainability of the Scottish Budget.
- Be an effective and efficient organisation with skilled, knowledgeable people.

Our values

152 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.

[25] Scottish Fiscal Commission (2025) Corporate Plan 2025-28
[26] Scottish Fiscal Commission website, Corporate Governance

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The Governance Board

153 During 2025-26 the Governance Board met formally on five occasions. A full set of minutes was produced to record all agreed actions and decisions which are published on our website[27] in accordance with the Commission's Publication Scheme.[28] 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

154 The Scottish Government guidance for members of statutory boards, On Board[29] 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.

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

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

156 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.

157 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 2025-26 we received a substantial assurance from Scottish Government Directorate for Internal Audit and Assurance following their assessments this year.

158 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.

[27] Scottish Fiscal Commission Governance Board Minutes
[28] Scottish Fiscal Commission Publication Scheme
[29] Scottish Government (31 January 2023) On Board

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159 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.[30]

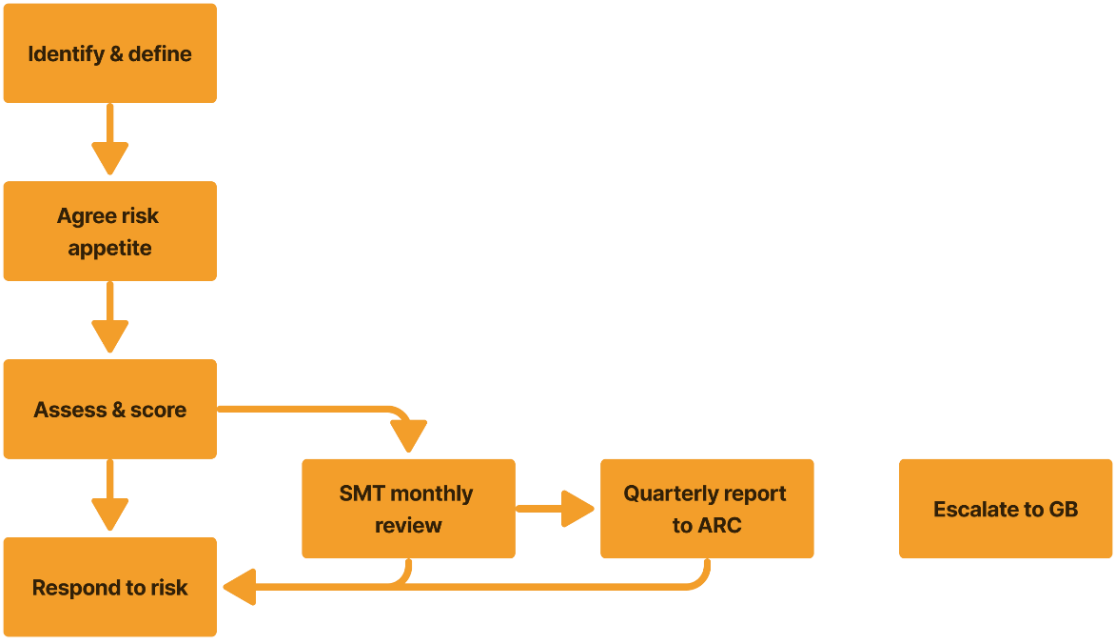
160 The Commission's whistle-blowing policy sets out how all those who work within the Commission can raise concerns about malpractice. It is subject to regular review by the Governance Board (last review in February 2026) and is available on our website.[31] To date, no concerns about malpractice have been raised.

Risk Management

161 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.

162 The Commission's risk management framework specifies the roles of the Board, the Audit and Risk Committee, Senior Management Team and the Chief Executive, and details the processes of risk identification, review, and escalation. The framework is reviewed and approved by the Governance Board at least every two years.

Risk Management Process



163 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

[30] Scottish Government (2 November 2018) Fairness at Work
[31] Scottish Fiscal Commission (February 2026) Whistleblowing Policy

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- Commissioners are aware of, and make decisions about, the most serious risks.

164 The current key risks are reported in the performance analysis section at paragraph 74.

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

Written assurances

166 I have received assurance from the Scottish Government's Director Corporate Operations in respect of the IT services shared with the Commission which confirmed that internal control matters in that Directorate have been, and are, working well though the following were identified.

Extracts from the Scottish Government's Director Corporate Operations Assurance Statement

- "I am aware that you are required to provide an assurance to the Principal Accountable Officer to support their signature of a governance statement provided as part of the Scottish Government consolidated accounts for 2025-26. To assist you in that process, I can confirm that I have received and reviewed the required assurances (including associated checklists) from my own Deputy Directors and/or other unit heads that report directly to me. I also confirm that any corporate systems and applications, as well as IT infrastructure, security, support and maintenance, supporting the delivery of the annual accounts for Scottish Government/shared service clients will now be covered by the Director for Corporate Operations instead of the Digital Director going forward."
- "Based on that review, and my own knowledge of internal control matters in my Directorate I would draw your attention to the following matter(s) which should be considered in the preparation of the governance statement:"
- "Overall confidence in the effectiveness of controls across the Directorate are in decline as a result of ongoing capacity and capability pressures. At a high level, we are seeing higher levels of risk in the running of our overall SCOTS / network service, the management of operational services, and in the delivery of corporate projects and business improvements. An inadequate SCS leadership, and sustained interim management structure means that the 2 FTE SCS team does not have adequate bandwidth to cover all the bases effectively."
- "In relation to the SCOTS network, constraints are limiting our ability to operate in a planned, resilient, and sustainable manner. These constraints mean the iTECS division is frequently required to operate in a reactive mode, managing immediate and emerging red risks rather than having sufficient headroom to plan, develop, and strengthen services and controls over time. The cumulative effect of this operating environment has reduced organisational resilience, increased operational fragility, and constrained the division's ability to take a preventative or strategic approach to risk management. Reliance on short-term mitigations and prioritisation trade-offs weakens assurance over future sustainability, particularly in areas requiring sustained investment, specialist capability, or forward planning."
- "In relation to project delivery (from small automations to large strategic initiatives), the resource constraints are making it very challenging to create the necessary

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conditions for success for each initiative. Projects that proceed without the necessary teams will have predictable periods of distress to work through, and may land change poorly."

- "In relation to supporting operational services (in our Corporate Hub) we may not be able to respond to organisational needs, clear support tickets, produce reports, and make system changes that reflect organisational change on a timeline deemed appropriate."
- "While individual processes and controls exist, the overall control environment lacks sufficient depth and resilience to provide confidence that risks can be consistently managed within tolerance over the assurance period. Taken collectively, these factors materially affect confidence in governance, assurance, and delivery and are considered relevant to the Permanent Secretary's Governance Statement."
- "Apart from the above, I can confirm that controls in my area have been, and are, working well. There are, in my opinion, no other significant matters arising which would require to be raised specifically in the governance statement."

167 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 which are set out below.

Extracts from the Scottish Government's Director of Financial Management Assurance Statement

- "I am aware that you are required to provide an assurance to the Principal Accountable Officer to support their signature of a governance statement provided as part of the Scottish Government consolidated accounts for 2025-26. To assist you in that process, I can confirm that I have received and reviewed the required assurances (including associated checklists) from the Deputy Directors that report directly to me."
- "Based on that review, and my own knowledge of internal control matters in my Directorate I would draw your attention to the following matters which should be considered in the preparation of the governance statement:"

Oracle Cloud

- "Financial Management Directorate has continued to drive activities to embed, enable and optimise Oracle Cloud throughout 2025-26."
- "Building on earlier implementation and stabilisation activity, this work is continuing to reinforce key control frameworks, facilitate enhanced ways of working aligned to system processes, and support improved integration across HR, Finance and Procurement data. Business critical processes have remained stable throughout this period, with the Scottish Government's consolidated annual accounts receiving an unqualified audit opinion."
- "Financial Management Directorate is dependent on Oracle platform management and system support provided through Corporate Operations Directorate, aligned to arrangements between the Scottish Government and relevant customers. The platform has been subject to external, internal, and specialist audit reviews spanning

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HR, Finance, Digital and Corporate Hub functions. These have noted that the Oracle Cloud platform is well managed and has been effectively implemented, and that the system offers significant improvements in control and access to data and insights."

- "The Directorate has continued to deliver a programme of improvement activity which is supporting key dimensions of benefits realisation. This includes the maturity of financial management best practice across platform users, and continuing enhancement of the quality, transparency and timeliness of data insights to strengthen strategic decision making and accountability."
- "This sustained focus on improvement has also included development and refinement of the suite of associated financial and governance policies, processes and second line assurance arrangements, including a rolling Risk Improvement Programme to improve the quality and clarity of risk management processes, ensure shared ownership and understanding of the Scottish Government's key risks, and embed risk management reporting and culture in key forums and across the organisation."
- "Taken together, these actions have continued to drive tangible benefits, but sustained investment and organisational leadership will be essential to fully maximise benefits and safeguard business critical services. I would highlight the following progress in this context, alongside opportunities for further development:"
- "The Directorate has worked in partnership with business areas and key stakeholders to improve system data integrity and quality assure data, maximising the value derived from system insight and analysis. While measurable improvements have been achieved, sustaining and deepening organisational maturity—particularly in relation to workforce planning data integration—will remain a priority."
- "Significant expertise and resource have been deployed to support the design, testing and rollout of Oracle Enterprise Performance Management (EPM), introducing substantial functionality alongside the Enterprise Resource Planning (ERP) platform. This has enabled successful implementation of financial consolidation and in year budget monitoring, allowing the decommissioning of legacy arrangements that had reached the end of their operational life. Two further EPM releases are planned during 2026-27 to deliver remaining budget management functionality and decommission residual legacy arrangements. Robust testing has provided confidence in delivery against agreed plans. Nevertheless, timely and stable implementation of required functionality, and associated system support, remains critical."
- "The Directorate has developed a suite of reporting dashboards to make improved data and insights available to users. These continue to be expanded and improved as data and Enterprise Performance Management capabilities develop. Continued investment will, however, be required to comprehensively deliver and optimise analytical capabilities and secure access to the relevant system outputs and enabling tools."
- "A programme of system enhancements, including e invoicing and supplier management, is underway to automate relevant aspects of transactional activity. Once fully implemented, these will further improve the efficiency of our financial operations. These are currently focused on purchase to pay and associated tasks, with future developments planned to support banking and related processes."
- "Further work is required to strengthen some aspects of organisational maturity, notably grants management. Foundational work completed during 2025-26 has

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improved data quality and management practices, and explored enabling technology solutions. However, this will remain a key area for continued organisational development."

Resources and Operating Model

- "Resourcing constraints continue to limit the Directorate's ability to respond fully to the financial challenges and opportunities facing the Scottish Government, and support governance and decision making processes. Together, these have placed significant demands on staff, alongside some associated impact on short term payment performance."
- "Improvement activity has been delivered alongside essential business as usual services, but this has created capacity and wellbeing pressures, particularly as the Directorate has balanced provision of subject matter expertise to facilitate organisational improvement alongside transitional arrangements and testing for EPM rollout. Elevated volumes and complexity of information requests have further contributed to pressures."
- "The adoption of consistent, organisation wide Oracle Cloud processes and controls has continued to drive transactional volumes and associated management workloads for financial operations teams. System automations and improvements are being implemented to support this and enable wider efficiencies, with interim arrangements and modest surge resourcing in place to ensure continuity of key processes while these capabilities are developed and embedded."
- "Capacity pressures have been exacerbated by high vacancy levels during 2025-26 across several functions, including ETSGO, Corporate Finance and Accountancy Services, and some policy and control roles. Recruitment controls and a recognised shortage of qualified finance professionals have compounded these challenges. While minimum staffing levels have been restored, agile resourcing processes are required to prevent delivery risks to essential services and the Directorate's ability to implement planned improvements."
- "Finally, following the implementation of a revised directorate operating model aligned to Oracle Cloud responsibilities, incremental calibration of team structures has been undertaken in 2025-26. However, further work is required to optimise the wider Finance Operating Model across the Scottish Government. This includes scope to evolve the overall maturity and coherence of the existing model, develop and future proof professional capabilities, and progress opportunities to share services and deliver collective efficiencies. Foundational work on a collaborative financial operating model review spanning seven workstreams is underway with recommendations anticipated from late 2026. Collective leadership will be required to support opportunities that these present."
- "More widely, directorate and divisional Certificate of Assurance scores have incrementally improved in 2025-26, with targeted actions to strengthen specific elements. In parallel, risk management arrangements were assessed as 'natural', and business continuity arrangements as 'confident', in respective maturity assessments."
- "Apart from the areas highlighted above, I can confirm that controls in my area have been, and are, working well. There are, in my opinion, no other significant matters arising which would require to be raised specifically in the governance statement."

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168 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 confirmed that internal control matters in that Directorate have been, and are, working well though the following were identified.

Extracts from the Scottish Government's People Director Assurance Statement

- "I am aware that you are required to provide an assurance to the Principal Accountable Officer to support their signature of a governance statement provided as part of the SG consolidated accounts for 2025-26. To assist you in that process, I can confirm that I have received and reviewed the required assurances (including associated checklists) from my own Deputy Directors and/or other unit heads that report directly to me."
- "Based on that review, and my own knowledge of internal control matters in my Directorate. I can confirm that these controls have been, and are, working well. There are, in my opinion, no significant matters arising in my area of responsibility which would require to be raised specifically in the governance statement."
- "Confidence levels remain stable, with five of the seven areas reporting Substantial Assurance. I would like to highlight the following areas, where we continue to develop our approach to monitor and improve our assurance approach."
- "Business Planning - Our approach to managing the Business Plan has been consistently maintained, with quarterly monitoring and reporting in place and ongoing engagement with individual projects throughout the year. The quarterly updates provide both a retrospective review and a forward look, covering Core Service activity and project delivery. Building on last year, the Business Plan is now more firmly embedded in resourcing decisions, allowing regular review and reallocation of staffing to the highest priorities and clearer decisions to delay or descope other work to accommodate. Looking ahead, we have identified the need for further work to fully quantify, measure and track outcomes and benefits. More extensive utilisation of benefits realisation discussions, connecting services to cost and measuring outcomes and outputs have been highlighted as areas for development. Improvements, consistent utilisation of templates, continuing to increase data maturity and service reporting will support improved confidence levels going forward."
- "Risk Management – Confidence levels continue to remain high with substantial assurance across all teams. We continue to manage the link between PD risks and DG and SG level risks. SMT continue to consider the directorate approach to managing our risks and there are regular SMT Risk Reviews throughout the year. Our Mandatory Risk training completion score is 96 per cent for B band, (up from 92 per cent last year) and above and 100 per cent for A band staff."
- "Information Management - Continues to receive a high percentage of reasonable assurance ratings. Over this year PD has ensured that our information management arrangements are compliant with Scottish Government's information management strategy delivering improved operational efficiency, legal compliance and risk reduction and clarity of roles/responsibilities in relation to managing information. With consistent storing and naming conventions in place, controls around what is stored in central directorate ERDM folder and divisional files, business continuity and directorate resilience is strengthened."

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- "Our statistical analytical unit continues to have a business need to store large, complex data sets securely, but cannot put them on eRDM. This is being managed as part of Move2 (cloud storage) and transition from the G drive. Regular snapshots are taken as part of our HR MI reporting and are then saved into the corporate record."
- "There have been five data breaches in the HR Service Centre and two in People Advice Division this year - all of which followed the correct procedures and none of which required to be escalated. Staff are aware of the processes in such circumstances and follow them. For People Advice this is a reduction from 7 data breaches last year, and could be due to the move to the Oracle Sensitive Case Management system. The system is used to generate communications relating to cases which reduces the risk of human error. There was a breach incident within Corporate Operations Directorate during migration and testing processes which impacted data for which Judith Mackinnon is Information Asset Owner. The Data Protection Officer was brought in to assist with finding a solution."
- "Controls - The HR Service Centre controls are regularly subject to internal and external review. Oracle implementation has increased the level of on-system controls with audit mechanisms in place to ensure compliance. The Path to Green project for Oracle stabilisation was completed with additional ongoing review through the regular Radar Calls with Corporate Hub support teams to close down defects and changes that continue to impact on service levels. We are assured that controls are working and governance processes mitigate audit concerns. We were able to satisfy Audit Scotland concerns about wider control processes for contingent workers, with work in hand in collaboration with Finance and Procurement to embed business as usual improvements."

Data security

169 There were no known data breaches in 2025-26 (there were none in 2024-25).

Assessment of Corporate Governance and Risk Management Arrangements

170 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.

171 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 on the shared services we receive from Scottish Government
- 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

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- the Governance Board's views on management reports, including on governance matters, performance, and risk management
- discussions with other Accountable Officers on their experiences of Scottish Government's shared services, including 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).

172 I have reviewed the assurances I have received from the Scottish Government's Director of Financial Management, Director of Corporate Operations 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.

173 I welcome the greater detail given in these certificates this year which assists me in making this assessment. The risks outlined in the Corporate Operations certificate, particularly to the IT system on which we rely, are greater than our risk appetite for our shared services but we have very limited options for mitigation or management.

174 While we are exploring these options and putting in place what limited mitigation we can there is a need to be realistic about what can be achieved particularly in the very short term. With this exception, 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.

175 The Scottish Government commissioned an ISAE 3402 (International Standard on Assurance Engagements) control review of its finance, HR and IT shared services system for the period 1 April 2025 to 31 March 2026. The purpose of this report is to review and test the controls in place within this shared services system for this period. After the completion of the testing, the independent auditor appointed to perform the controls review, Ernst & Young issued a qualified opinion as they identified that the annual user access review to Scottish Government's Oracle system did not operate effectively during the period. No other control exceptions were identified by Ernst & Young.

176 I have reviewed this control exception and am comfortable that appropriate mitigating controls are in place within the Commission to mitigate the risk that this control weakness causes.

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Remuneration and Staff Report

Remuneration Report

177 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.

178 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

179 The Chief Executive is a Senior Civil Servant whose remuneration is set in accordance with the rules set out in chapter 7.1, Annex A of the Civil Service Management Code[32] and in conjunction with independent advice from the Senior Salaries Review Body (SSRB).[33]

180 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.[34] 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.

181 The Commissioners are non-executive and are appointed following a public appointment exercise regulated by the Commissioner for Ethical Standards in Public Life in Scotland. Their appointment is subject to the agreement of the Scottish Parliament. Commissioners receive fees for duties carried out on behalf of the Scottish Fiscal Commission including attendance at Governance Board and Committee meetings. Fees are paid at the daily rate set out in their letters of appointment. Expenses incurred while carrying out their duties are reimbursed. Fees are also paid to the external members of the Audit and Risk Committee, set out in their letters of appointment, and expenses for attendance at Committee meetings are reimbursed. The fees paid to Board and Committee members are governed by the Scottish Public Sector Pay Policy.[35]

[32] www.gov.uk (July 2013, updated January 2026) Civil Service Management Code
[33] www.gov.uk (January 2026) Information about the work of the SSRB
[34] Scottish Government Public Sector Pay Policy
[35] Scottish Government (December 2024) Public Sector Pay Strategy 2025-26

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Single Total Figure of Remuneration (audited)

182 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	2025-26 Bandings of £5,000	2024-25 Bandings of £5,000
Board Member	**£'000**	**£'000**
Professor Graeme Roy (Chair)	35-40	35-40
Doctor Eleanor Ryan – from 8 October 2025	10-15 WYE* 25-30	-
Justine Riccomini – from 8 October 2025	10-15 WYE 25-30	-
Professor Francis Breedon – to 7 October 2025	15-20 WYE 25-30	25-30
Professor David Ulph – to 7 October 2025	10-15 WYE 25-30	25-30
Professor Domenico Lombardi – to 31 December 2025	20-25 WYE 25-30	25-30
External Audit and Risk Committee Members	**£'000**	**£'000**
Catriona McConnell	0-5	0-5
Sarah Pumfrett	0-5	0-5

* WYE – whole year equivalent

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Senior Management Team	Wages and Salary £'000 Bandings of £5,000		Accrued Pension Benefits £'000		Total £'000 Bandings of £5,000	
	2025-26	2024-25	2025-26	2024-25	2025-26	2024-25
John Ireland Chief Executive	75-80 FTE 95-100	75-80 FTE 90-95	14	44	90-95	115-120
Claire Murdoch Head of Fiscal Sustainability and Public Funding	75-80 FTE 85-90	70-75 FTE 85-90	29	28	100-105	100-105
Michael Davidson Head of Devolved Taxes and Social Security	80-85	75-80	33	30	115-120	105-110
David Stone Head of Economy and Income Tax	65-70 FTE 85-90	60-65 FTE 85-90	27	25	95-100	85-90
Susie Warden Head of Strategy, Governance and Corporate Services	55-60 FTE 85-90	55-60 FTE 85-90	27	37	80-85	90-95

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

183 None of the above received any benefits in-kind or bonus payments in 2025-26 or 2024-25.

184 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.

185 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 sex all have an influence over the accrued pension benefit calculations.

186 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

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the individual). The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights.

187 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 2026

Senior Management Team	Accrued Pension as at 31 March 2026 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 2026 £'000	CETV at 31 March 2025 Restated £'000	Real increase in CETV £'000
John Ireland Chief Executive	45-50	0-2.5	930	907	10
Claire Murdoch Head of Fiscal Sustainability and Public Funding	20-25	0-2.5	284	256	14
Michael Davidson Head of Devolved Taxes and Social Security	20-25	0-2.5	276	245	18
David Stone Head of Economy and Income Tax	25-30	0-2.5	322	295	13
Susie Warden Head of Strategy, Governance and Corporate Services	20-25 plus a lump sum of 40-45	0-2.5 plus a lump sum of 0-2.5	383	346	18

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.

The Cabinet Office transferred the administration of the Civil Service Pension Scheme from MyCSP to Capita on 1 December 2025. The pension figures included in the 2025-26 Remuneration and Staff Report therefore reflect the calculations undertaken by Capita under the new contract. This change has resulted in the 2024-25 Cash Equivalent Transfer Value for Michael Davidson increasing from £225,000 in the 2024-25 Annual Report and Accounts to an

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opening balance of £245,000 in the 2025-26 Annual Report and Accounts. No other changes to the opening balances disclosed above have been identified.

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.

188 The above pension information was supplied to the Scottish Fiscal Commission by Capita (who took over from MYCSP as the administrator of civil service pensions from December 2025).

189 Employer contributions to all pension plans for 2025-26 were £424,843, including £105,034 for the Senior Management Team (in 2024-25 they were £395,412 including £99,676 for the Senior Management Team). It is anticipated that employer's contributions to all pension plans in 2026-27 would be around £395,000.

190 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

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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

191 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, are in alpha.

192 The PCSPS and alpha are unfunded statutory schemes. Employees and employers make contributions (employee contributions range between 4.6 per cent and 8.05 per cent, depending on salary). The balance of the cost of benefits in payment is met by monies voted by Parliament each year. Pensions in payment are increased annually in line with the Pensions Increase legislation. Instead of the defined benefit arrangements, employees may opt for a defined contribution pension with an employer contribution, the partnership pension account.

193 In alpha, pension builds up at a rate of 2.32 per cent of pensionable earnings each year, and the total amount accrued is adjusted annually in line with a rate set by HM Treasury. Members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004. All members who switched to alpha from the PCSPS had their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha.

194 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.

195 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.

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196 As a result, steps are being taken to remedy those 2015 reforms, making the pension scheme provisions fair to all members. The public service pensions remedy[36] is made up of two parts. The first part closed the PCSPS on 31 March 2022, with all active members becoming members of alpha from 1 April 2022. The second part removes the age discrimination for the remedy period, between 1 April 2015 and 31 March 2022, by moving the membership of eligible members during this period back into the PCSPS on 1 October 2023. This is known as "rollback".

197 For members who are in scope of the public service pension remedy, the calculation of their benefits for the purpose of calculating their Cash Equivalent Transfer Value and their single total figure of remuneration, as of 31 March 2025 and 31 March 2026, reflects the fact that membership between 1 April 2015 and 31 March 2022 has been rolled back into the PCSPS. Although members will in due course get an option to decide whether that period should count towards PCSPS or alpha benefits, the figures show the rolled back position, that is PCSPS benefits for that period.

198 The partnership pension account is an occupational defined contribution pension arrangement which is part of the Legal & General Mastertrust. The employer makes a basic contribution of between 8 per cent and 14.75 per cent (depending on the age of the member). The employee does not have to contribute but, where they do make contributions, the employer will match these up to a limit of 3 per cent of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5 per cent of pensionable salary to cover the cost of centrally provided risk benefit cover (death in service and ill health retirement).

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

Cash Equivalent Transfer Values

200 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.

201 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.

202 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

[36] HMRC (May 2025) How the Public Service Pension Remedy Affects Your Pension

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reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

203 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

204 During 2025-26 there were no early departure packages (there were none in 2024-25).

Fair Pay Disclosure (audited)

Fair Pay Disclosure	2025-26	2024-2025
Band of highest paid director £'000	95-100	90-95
Per cent increase in highest paid Director over previous year, based on mid-point of salary band	5.41%	5.71%
25 percentile remuneration	47,730	42,244
25 percentile ratio	2.0	2.2
Median total remuneration	57,151	54,952
Median ratio	1.7	1.7
75 percentile remuneration	74,820	71,942
75 percentile ratio	1.3	1.3
Range minimum – maximum £'000 (FTE)	35-40 to 95-100	35-40 to 90-95
Total staff remuneration £'000 - see note 2	1,584	1,450
Per cent increase/decrease over previous year, excluding highest paid director	4.00%	3.61%

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 -£1,898. It has not been included in the above.

205 The changes in the pay ratio reflect two factors: SCS pay settlement compared to the SG Main settlement and joiners' pay grades and pay steps compared to those of leavers. The baseline SCS pay settlement was 3.25 per cent, but the fair pay disclosure is based on the mid-point of salary bands so it is higher than the actual percentage pay increase. The baseline SG Main pay settlement was 4 per cent, plus pay progression. The difference between the two pay settlements is small and does not affect the ratios.

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206 Joiners usually start at a lower pay step than leavers, so where there is turnover in the grade represented by a particular quartile, we would expect that ratio to fall, as occurred this year at the 25th percentile.

207 The median pay ratio is consistent with the pay, reward and progression policies which apply to all our non-SCS employees. There has been no change in our employment model. No performance pay, or bonuses were paid in 2025-26, or in 2024-25.

Staff Report

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

Number of senior civil service staff

209 As at 31 March 2026, the Commission employed one Senior Civil Servant, the Chief Executive, who is a Band 1 (also one senior civil servant at 31 March 2025).

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

Average number of whole-time equivalent persons	2025-26 WTE	2024-25 WTE - restated
Permanent Employees (2024-25 includes staff on loan)	22.87	22.38
Fixed Term Staff	1.87	2.27
Inward secondees	1.16	0.72
Agency Workers	0.30	0.20
Total	**26.20**	**25.57**
Commissioners	**1.1**	**1.2**

Note: 2024-25 information restated to separate inward secondees from permanent employees.

Staff Costs (audited)

Staff Costs	2025-26 £'000	2024-25 £'000
Wages and Salaries (including staff on loan)	1,494	1,316
Wages and Salaries (Fixed Term Appointments)	73	86
Wages and Salaries (Agency Workers)	17	48
Social Security Costs	203	159
Other pension costs	425	395
Commissioner/Board fees and costs	135	138
Employee benefits (net annual and flexi leave accruals)	5	(15)
Total administration staff costs	**2,352**	**2,127**

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210 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

211 The numbers of people of each sex employed by the Scottish Fiscal Commission on 31 March 2026 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 2026		31 March 2025	
	Female	Male	Female	Male
Employees – non-Senior Management Team	9	12	8	13
Non-Senior Civil Service members of the Senior Management Team	2	2	2	2
Senior Civil Servants	0	1	0	1
Total staff	**11**	**15**	**10**	**16**
Board Members	**2**	**1**	**0**	**4**

Sickness Absence

Sickness Absence	Average total of sick days per employee 2025-26	Average total of sick days per employee 2024-25
Short term absence (<=20 working days)	2.6	2.5
Long term absence (>20 working days)	1.5	2.7
Total	**4.1**	**5.2**

Staff turnover percentage

Headcount at 31 March 2025*	Headcount at 31 March 2026*	Average Headcount	Leavers	Turnover %
26	26	26	1	3.8%

*excluding agency workers and inward loan staff

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Staff survey engagement score

212 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	2026	2025
Scottish Fiscal Commission	81	78
Civil Service People Survey	65[37]	64[38]

Staff policies for disabled persons

213 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

214 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.

215 Health and safety arrangements are overseen by the designated Health and Safety Liaison Officer, supported by corporate policies and Scottish Government guidance, ensuring that staff wellbeing and workplace safety are actively managed.

Expenditure on Consultancy

216 The Commission did not incur consultancy costs in 2025-26 (in 2024-25 no costs were incurred).

[37] Civil Service People Survey 2025
[38] Civil Service People Survey 2024

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Diversity and Inclusion

217 The Scottish Fiscal Commission is not yet subject to the Public Sector Equality Duty under the Equality Act 2010. The Commission aims to comply with the spirit of the Act and the Equality Act 2010 (Specific Duties) (Scotland) Regulations 2012 and 2016 until it is legally required to do so. The Commission is committed to promoting equality and diversity in its activities and operation, including in the recruitment and employment or appointment of staff, Commissioners and Audit and Risk Committee external members.

218 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 92 onwards.

219 We are committed to helping to grow Scotland's capacity for economic analysis, and developing a diverse, talented pool of analysts in Scotland. As part of this we provide opportunities for summer interns from the Economic Futures initiative led by the Fraser of Allander Institute.[39]

220 We need economic and fiscal forecasting expertise amongst our Commissioners and we are conscious that 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.[40]

221 This makes it particularly important that in our succession planning, we do all we can to attract diverse, high calibre candidates. We 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 2026-27.

Gender Pay Gap

222 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.

Gender Pay Gap	31 March 2026	Scotland 2025[41]	31 March 2025
Median	0.0	9.4	-0.14
Arithmetic mean	4.1	10.3	-2.61

223 The Scottish Fiscal Commission pays women and men undertaking work of an equal value on the same scale (that is within the same pay range) with the exact pay depending on

[39] Information about Economic Futures
[40] Royal Economic Society (2021) The Gender Imbalance in UK Economics: Royal Economic Society Women's Committee Silver Anniversary Report
[41] ONS (October 2025) Gender Pay Gap in the UK

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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.

224 With relatively small numbers of employees, the pay gap measure is sensitive to quite small changes in staffing and pay steps, as seen this year. This means changes in the pay gap are likely to be only transitory rather than permanent.

Other items

225 In 2025-26 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.

Signed by:



EC4CD34327924FE...

Claire Murdoch
Chief Executive of the Scottish Fiscal Commission and Accountable Officer
5 November 2026

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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 the Scottish Fiscal Commission for the year ended 31 March 2026 under the Public Finance and Accountability (Scotland) Act 2000. The financial statements comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, 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 2025/26 Government Financial Reporting Manual (the 2025/26 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 2026 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 2025/26 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.

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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

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- 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 independent confirmation of the resource limits allocated by the Scottish Government, tested a sample of year-end accruals to supporting documentation to assess whether valid liabilities existed at 31 March 2026, and tested post year-end invoices and bank transactions to identify any unrecorded liabilities.

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

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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

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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.

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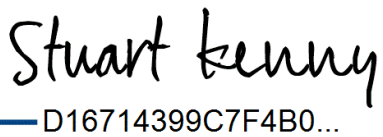
Signed by:



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

5 November 2026

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Financial Statements

Introduction

This statement of accounts reports the results of the Scottish Fiscal Commission (the Commission) for the year 1 April 2025 to 31 March 2026. 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 2026

Statement of Comprehensive Net Expenditure (£'000)	Note	31 March 2026	31 March 2025
Staff Costs	2	(2,352)	(2,127)
Other operating costs	3	(192)	(319)
Notional costs	4	(41)	(36)
Depreciation	5,6	(68)	(70)
Net Operating Costs		**(2,653)**	**(2,552)**

The notes on pages 68 to 76 form part of these financial statements.

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Statement of Financial Position as at 31 March 2026

Statement of Financial Position (£'000)	Note	2026	2025
Non-Current Assets			
Property, plant, and equipment	5	-	-
Right of use assets	6	137	137
Total non-current assets		**137**	**137**
Current Assets			
Trade and other receivables	7	7	1
Cash and cash equivalents		-	-
Total current assets		**7**	**1**
Total Assets		**144**	**138**
Current Liabilities			
Trade and other payables	8	(315)	(288)
Lease liabilities	9	(68)	(68)
Total current liabilities		**(383)**	**(356)**
Total Assets less Current Liabilities		**(239)**	**(218)**
Lease liabilities	9	(68)	(69)
Total non-current liabilities		**(68)**	**(69)**
Total Assets less Total Liabilities		**(307)**	**(287)**
Taxpayers' Equity			
General Fund	SOCTE	(307)	(287)
Total Taxpayers' Equity		**(307)**	**(287)**

The notes on pages 68 to 76 form part of these financial statements.

The Chief Executive and Accountable Officer approved and authorised these financial statements for issue on 5 November 2026.

Signed by:

Claire Murdoch

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Claire Murdoch
Chief Executive of the Scottish Fiscal Commission and Accountable Officer
5 November 2026

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Statement of Cash Flows for the year ended 31 March 2026

Statement of Cash Flows (£'000)	Note	31 March 2026	31 March 2025
Cash Flows from Operating Activities			
Net operating costs	SOCNE	(2,653)	(2,552)
Adjustments for non-cash transactions			
Depreciation/Amortisation	5,6	68	70
Other		(1)	-
Notional Costs	4	41	36
Movements in working capital			
(Increase) in trade and other receivables	7	(6)	(1)
Increase in trade and other payables	8	27	112
Net cash outflow from operating activities		**(2,524)**	**(2,335)**
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		(68)	(69)
Funding	SOCTE	2,592	2,404
Net Cash Flows From Financing Activities		**2,524**	**2,335**
Net movement in cash and cash equivalents		**-**	**-**

The notes on pages 68 to 76 form part of these financial statements.

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2026

Statement of Changes in Taxpayers' Equity £'000	Note	General Fund 2025-26	General Fund 2024-25
Balance at 1 April		(287)	(175)
Non-cash charges – notional costs	4	41	36
Net operating costs for the year	SOCNE	(2,653)	(2,552)
Net funding		2,592	2,404
Balance at 31 March		**(307)**	**(287)**

The notes on pages 68 to 76 form part of these financial statements.

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Notes to the Accounts for the year ended 31 March 2026

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) 2025-26 issued by HM Treasury.[42] The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRSs) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be the most appropriate to the particular circumstance for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Scottish Fiscal Commission are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

Critical accounting judgements and key sources of estimation uncertainty

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 2026 (as well as for the year ended 31 March 2025) there were no judgement 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.

[42] HM Treasury (December 2025) Government Financial Reporting Manual

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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 2026 have been brought into the account irrespective of when actual payments were received.

(g) Payables

All material amounts outstanding as at 31 March 2026 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.

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(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 2026-27 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.

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The lease liability is presented in note 9 to the accounts.

(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.

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 implementation date for the public sector has not yet been agreed by the Financial Reporting Advisory Board. The impact of IFRS 18 on the public sector is still be assessed.

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2. Staff Costs

Staff Costs (£'000)	2025-26	2024-25
Wages and Salaries (including Fixed Term Appointments and staff on loan)	1,584	1,450
Social security costs	203	159
Other pension costs	425	395
Commissioner/Board fees and costs	135	138
Employee benefits (net annual and flexi leave accrual)	5	(15)
Total administration staff costs	**2,352**	**2,127**

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 202.

3. Other Operating Costs

Other Operating Costs (£'000)	2025-26	2024-25
Staff related costs		
HR service	24	25
Training	5	11
Travel Costs	4	1
Non-staff related costs		
Accommodation Costs (includes rates, maintenance and cleaning)	65	130
Office and IT equipment (includes furniture and telephones)	2	8
IT and telephone services (includes software)	60	64
Office supplies (includes stationery and printing)	4	1
Communications and events (includes website development and website hosting)	12	9
Consultancy and outsourced professional services (includes procurement, internal audit and legal)	16	18
Statutory Review	0	52
Total Other Operating Costs	**192**	**319**

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4. Notional Costs

Notional Costs (£'000)	2025-26	2024-25
Internal Accountancy Fees	3	3
External Audit Fees	38	33
Total notional costs	**41**	**36**

The audit charge in 2025-26 includes a top-up audit fee of £5.5k in relation to the 2024-25 accounts. These were agreed after conclusion of the 2024-25 accounts. Therefore, the total fee in relation to the 2024-25 accounts was £39k, and the fee in relation to the 2025-26 accounts is £33k.

5. Property, plant, and equipment

Property, plant, and equipment (£'000)			**2025-26**			**2024-25**
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	6	10	16	4	10	14
Charge for year	-	-	-	2	-	2
Disposals	-	-	-	-	-	-
At 31 March	6	10	16	**6**	**10**	**16**
NBV at 31 March	**-**	**-**	**-**	**-**	**-**	**-**

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6. Right-of-use assets

Right of Use Assets (£'000)	2025-26		2024-25 restated	
Cost	**Buildings**	**Total**	**Buildings**	**Total**
At 1 April	321	321	233	233
Additions	68	68	88	88
Disposals	-	-	-	-
Transfer to Assets	-	-	-	-
At 31 March	389	389	321	321
Depreciation				
At 1 April	184	184	116	116
Charge for year	68	68	68	68
Disposals	-	-	-	-
At 31 March	252	252	184	184
NBV at 31 March	137	137	137	137

7. Trade and other receivables

Trade receivables and other current receivables (£'000)	2025-26	2024-25
Prepayment	6	-
Other receivables	1	1
Total due within one year	**7**	**1**

Intra Governmental balances (£'000)	2025-26	2024-25
Scottish Government	6	-
Total Intra-Government	**6**	**-**
External bodies	1	1
Total current receivables	**7**	**1**

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8. Trade and other payables

Trade payables and other current payables (£'000)	2025-26	2024-25
Trade payables	19	1
Other taxation and social security	46	46
Accrued expenses	194	204
Other Payables – Payroll Related	56	37
Total due within one year	**315**	**288**

9. Lease liabilities

Lease liabilities (£'000)	2025-26	2024-25
Buildings		
Not later than one year	68	68
Later than one year and not later than five years	68	69
Later than five years	-	-
	136	137
Less unaccrued interest	-	-
Balance as at 31 March	**136**	**137**

Amounts recognised in the Statement of Comprehensive Net Expenditure

Amounts recognised in the Statement of Comprehensive Net Expenditure (£'000)	2025-26	2024-25
Depreciation	68	68
Interest expense	-	-
Total lease costs through SoCNE	**68**	**68**

Amounts recognised in the Statement of Cash Flows

Statement of Cash Flows (£'000)	2025-26	2024-25
Cash Flows	68	69
Interest expenses	-	-
Repayment of principal on leases	**68**	**69**

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10. Related party transactions

The Scottish Fiscal Commission is a non-Ministerial Office of the Scottish Administration and it considers that the Scottish Government is a related party within this context. During the year, the Commission has had a number of material financial transactions with the Scottish Government. These relate to shared service agreements for the provision of HR, IT, and procurement, and for the accommodation costs associated with the Commission's occupation of Governor's House (see paragraph 80 onwards). A prepayment balance related to the accommodation costs charged by the Scottish Government is included in the receivables position as at 31 March 2026 (see note 7).

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 was there any in the previous year.

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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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This publication is available at www.FiscalCommission.scot

ISBN: 978-1-911637-97-4

Published by the Scottish Fiscal Commission, November 2026

Laying number: SFC/2026/6

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Envelope Id: CAA97DC1-2133-8B3E-8395-26C86A66F404
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