

T: 0845 774 1741

E: cabsecfesg@scotland.gsi.gov.uk

Kenneth Gibson MSP  
Convener  
Finance Committee  
Room T3.60  
Scottish Parliament  
Edinburgh  
EH99 1SP

In 2014 Scotland Welcomes the World



6<sup>th</sup> June 2014

Dear Kenneth,

## SCOTTISH FISCAL COMMISSION – APPOINTMENTS

Thank you for your letter of 4 June about evidence that the Committee has taken from the nominees for appointment to the Scottish Fiscal Commission.

I welcome the Committee's scrutiny of this matter. As you know, I consider it to be critical to the effectiveness of the Commission that it is not only independent of government, but is seen to be so. It is in that light that I respond to the Committee's request for clarification on whether I see a conflict of interest between the membership of the Council of Economic Advisers (CEA) and membership of the Commission.

In making nominations, I gave full consideration to the potential for conflicts of interest to arise, or be perceived to arise, between membership of the Commission and other roles and offices held by the nominees, including the CEA. I am satisfied that no conflicts exist and that were any to arise there are or would be satisfactory arrangements for dealing with them. I give my reasons below.

The CEA is an independent advisory group to the First Minister. Members of the CEA are invited to provide advice to the First Minister relating to the Scottish economy and to discuss issues relating to Scotland's economic performance specifically in relation to recovery and jobs, internationalisation, and economic levers. Individuals who are invited to join the CEA have a detailed understanding of the Scottish economy, either from an academic standpoint or from practical experience. It is of course the case that similar knowledge and skills are relevant to the work of the Scottish Fiscal Commission in reviewing and providing assurance over Scottish Government tax forecasts.

The political independence of CEA members is protected and fully respected – as Lady Rice and Professor Hughes Hallett articulated to the Committee in both their written evidence and during the respective hearings. The terms and conditions of membership of the CEA require members to declare to the Chair of the CEA as a potential conflict of interest any personal or

business interests which may, or may be perceived to, influence their judgements in providing advice. In giving evidence to the Committee on 28 May, Lady Rice demonstrated that she and the Bank of England were satisfied with the procedures which the CEA put in place to address any actual or perceived conflict with her role on the Court.

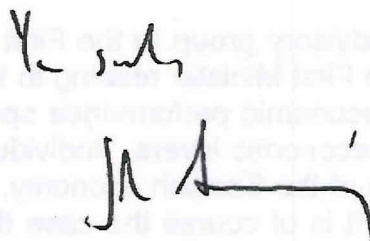
As far as the bodies themselves are concerned, the roles of the Commission and the CEA are not in conflict. The Commission will be responsible for scrutinising forecasts of tax revenue prepared by the Scottish Government, and reporting the outcome of that scrutiny to the Scottish Parliament and to the public. This is essentially a technical endeavour, requiring knowledge of and skill in interpreting economic data and trends, and in probing economic assumptions and relationships. The CEA will not have a role in the forecasting process. Furthermore, nor will it, or the Commission, take a view on setting rates for the devolved taxes.

Having considered the issues raised by the Finance Committee, I would propose that members appointed to serve on the Commission, including the Chair, will be subject to a code of conduct in line with the Model Code of Conduct for Members of Devolved Public Bodies, which was approved by the Scottish Parliament in December 2013 and published in February 2014. Robust procedures and exacting requirements will be put in place to ensure that, were any conflict to arise (or be perceived to arise) in future, it is identified in a timely fashion and managed appropriately.

I fully agree with the Committee that, in addition to the Commission adopting working arrangements that demonstrate objectivity and impartiality, the independence of individual Commission members from Government and indeed from any other source of actual or perceived conflict of interest must be demonstrated and safeguarded. I trust that this letter provides the Committee with helpful further assurance, and explains adequately why I believe that no conflict of interest exists or could reasonably be perceived to exist in relation to CEA membership.

In addition to these issues, I take the view that the nominees are highly respected, skilled, and authoritative individuals who would bring a strong set of skills and experience to bear on the work of the Commission, giving its work credibility and authority. I also believe that the Committee shares the view that Lady Rice and Professors Leith and Hughes Hallett are eminently qualified for the proposed roles.

I would of course be very happy to discuss this matter further.



**JOHN SWINNEY**