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*Dean Kerrall*

## **SCOTTISH FISCAL COMMISSION – PUBLICATION OF FRAMEWORK AGREEMENT AND OPERATING BUDGET 2014-15**

I am writing to advise you that the Scottish Government and the Scottish Fiscal Commission have now agreed a Framework Document. This will be published on the websites of the Scottish Government and the Scottish Fiscal Commission and I also enclose a copy with this letter. The Framework Document is a fundamental element of the non-statutory Commission's strategic governance arrangements. It sets out the terms of the agreement between the Commission and Scottish Ministers in relation to the governance, financing and operations of the Commission. It will be revised when the Commission becomes a statutory body.

I would wish to draw your attention to paragraph 13 of the document in relation to the relationship between the Scottish Government and the Commission. During your evidence session on 2 September, the Committee were concerned about the impact on the Commission's independence of communication between Scottish Government officials and the Commission. This paragraph makes clear that communications will not seek to influence the Commission's judgement or methodologies.

You also took evidence on 1 April from the Commission and raised with them the level of resources required to deliver their existing non-statutory functions. The Committee's Fiscal Framework report published on 29 June also recognised the commitment by Ministers to provide the Commission with "sufficient and appropriate resources to discharge its remit". I have now agreed with the Commission an increased budget of £230,000 for 2015-16. This change will be made during the Autumn Budget Revision, subject to Parliamentary approval.



The increased budget will also be used to provide remuneration to the Chair and members of the Commission. This is in line with members of other public appointments and commissions and also recognises the increasing workload of the Scottish Fiscal Commission and in particular the work which will be required to support the Commission's transition to a statutory body.

It is also evident, as raised during the Committee's discussions with the Commission on 1 April, that the Chair and the Members of the Scottish Fiscal Commission are dedicating time to the work of the Commission and discharging functions commensurate with members of other public bodies and non-statutory commissions or committees who do receive remuneration.

I have therefore agreed that the Chair and the Members be asked to commit to working an equivalent of 1.5 days a week (at 7.5 hours a day) over the course of the year and be paid a daily rate of £465 (Chair) and £331 (Members). Remuneration will be paid at a fixed monthly fee equivalent to the average weekly time commitment. Remuneration levels have been set in accordance with the Scottish Government's Public Sector Pay Policy for Senior Appointments. I have also agreed that payment will be back-dated to 1 April 2015.

I have copied this letter to Lady Susan Rice CBE, Chair of the Scottish Fiscal Commission.

I hope you and the Committee find this update helpful.

*Y. Smith,*



**JOHN SWINNEY**

**SCOTTISH FISCAL COMMISSION**  
**FRAMEWORK DOCUMENT AGREED WITH THE SCOTTISH GOVERNMENT**  
**(Version 1.0, September 2015)**

**Introduction**

1. The Scottish Fiscal Commission will be constituted as an independent non-statutory commission until such time as legislation is scrutinised and passed by the Scottish Parliament to give the commission a basis in statute. References hereinafter to “the Commission” are references to the Scottish Fiscal Commission.
2. This framework document has been drawn up by the Scottish Government (SG) in consultation with the Commission and the Scottish Parliament Finance Committee. It sets out the broad framework within which the Commission will operate and defines key roles and responsibilities which underpin the relationship between the Commission and the Scottish Government. While this document does not confer any legal powers or responsibilities, it forms a key part of the accountability and governance framework and should be reviewed and updated as necessary, and at least every 2-3 years. This framework document will also be formally revised when the Commission becomes a statutory body.
3. Any proposals to amend the framework document either by the SG or the Commission will be taken forward in consultation, including with the Scottish Parliament Finance Committee, and in the light of SG priorities and policy aims. Any question regarding the interpretation of the document shall be determined by the SG after consultation with the Commission. Legislative provisions shall take precedence over any part of the document.
4. Copies of the document shall be published on the SG website and web pages of the Commission.

**Purpose, remit and duties**

5. The Commission is to contribute to the achievement of the SG’s primary purpose of increasing sustainable economic growth by fulfilling the purpose and remit agreed between the SG, the Commission and the Scottish Parliament.
6. The purpose of the Commission is to provide independent scrutiny, assessment and reporting of SG forecasts of receipts from taxes devolved to the Scottish Parliament, and of the economic determinants underpinning SG forecasts of non-domestic rate income.

7. The remit and duties of the Commission are to:

- a) Establish and maintain its independence from the Scottish Government;
- b) Undertake independent scrutiny and assessment of forecasts, prepared by the SG, of receipts from Land and Buildings Transaction Tax and Scottish Landfill Tax, and of the economic determinants underpinning SG forecasts of non-domestic rate income;
- c) Do the same for any other newly devolved taxes;
- d) Determine what response, if any, the Commission should take to forecasts of the Scottish Rate of Income Tax, depending on the source of the forecast and the Commission's ability to scrutinise it;
- e) Decide what analytic method, modelling and approach to assessment the Commission will use to undertake its work;
- f) Determine what analytic and secretariat resource the Commission requires and where to obtain that from;
- g) Specify what information and data it requires from the Scottish Government its agencies; the OBR; the UK government and its agencies, pending appropriate memoranda of understanding;
- h) Inform the Scottish Government of the timing of its programme of work;
- i) Lay before the Scottish Parliament, a report of its assessment of the Scottish Government's forecasts of tax receipts from the devolved taxes, and of the economic determinants underpinning forecasts of non-domestic rate income and other taxes as above, at the time the Scottish Government publishes, and lays before the Scottish Parliament, its draft Scottish Budget;
- j) Respond to external enquiries concerning the information, data, analysis, judgements and conclusions which the Commission publishes;
- k) Conduct its business independently with integrity and transparency, and ensure records are retained to provide an audit trail for the external assessment of its work and use of public funds; and
- l) Consider requests by the Scottish Government or Scottish Parliament for independent assessment of specific fiscal forecasts or projections, but retain the right to determine if such requests lie within its remit, technical capacity or available time.

8. The Commission has full discretion over how it fulfils its purpose and delivers its remit. This extends to determining its judgements, selecting its methods and deciding the content of its analytical publications and own work plan.

9. The Commission's remit will be kept under review to ensure that it reflects and remains proportionate to the fiscal or economic powers of the Scottish Parliament and Scottish Government. Any proposed changes to the remit of the Commission will be discussed and agreed in advance with the Commission and prior notification will be given by Scottish Ministers to the Finance Committee of the Scottish Parliament.

### **Membership and appointment**

10. Appointments to the non-statutory Commission will be made by the Scottish Ministers, subject to the consent of the Scottish Parliament.
11. There will be three part-time members of the Commission, one of whom will serve as Chair. The Scottish Government will carefully consider all representations from the Commission on the appropriate number of members to serve on the Commission at any one time, having due regard to the workload of the Commission. The Scottish Government shall notify the Scottish Parliament of the outcome of its consideration of any such representations.
12. Appointments will be made for a fixed term of between three and five years. Members of the Commission, including the Chair, will not be eligible for re-appointment.

### **Relationship between the Scottish Government and the Commission**

13. Communications between the Scottish Government and the Commission will not seek to influence the Commission's judgements or methodology for producing its assessments and analysis, which are determined independently and free from ministerial involvement.
14. Both the Commission and the Scottish Government have the right to request a meeting with the other, giving reasonable notice, to discuss issues of significance to either party in performing the Commission's remit, or any issues arising in the relationship between the Scottish Government and the Commission.

### **Governance, structure and accountability**

15. The Scottish Fiscal Commission will be constituted as an independent non-statutory commission until such time as legislation is scrutinised and passed by the Scottish Parliament to give the Commission a basis in statute.

16. One member of the Commission will also serve as Chair. The Chair will provide overall governance, leadership, direction, support and guidance to ensure the Commission delivers, and is committed to delivering, its functions effectively and efficiently and in accordance with the purpose and remit agreed by Scottish Ministers.

17. As a non-statutory body the Commission is accountable to the Scottish Parliament through Scottish Ministers for the delivery of its purpose and remit, and is required to provide independent reports on its work to the Scottish Parliament and to the public.

18. The Commission does not carry out its functions on behalf of the Crown.

### **Decision making**

19. The Commission has full control over its daily operation, work programme, and use of resources and will make all the decisions and judgements required in the delivery of its remit.

### **Ministerial responsibilities**

20. The Scottish Ministers are ultimately accountable to the Scottish Parliament for the remit and activities of the Commission and its use of resources. They are not however responsible for day to day operational matters, or for the judgements made and reports published by the Commission. Ministerial responsibilities include:

- a) agreeing the Commission's purpose, remit, duties, and code of conduct;
- b) agreeing the annual budget to be made available to the Commission and ensuring that this is sufficient to enable the Commission to carry out its remit effectively; and
- c) carrying out responsibilities such as appointments to the Commission, approving the terms and conditions of appointment, including remuneration, and other relevant matters.

### **The Chair's Responsibilities**

21. The Chair is responsible for the proper discharge of the Commission's functions and is accountable to the Scottish Ministers for delivery of the Commission's remit. The Chair may also be required to give account to the Scottish Parliament.

22. Communications between the Commission and the Scottish Ministers should normally be through the Chair.
23. The Chair has a responsibility to provide active and effective leadership, direction, support and guidance to ensure that the Commission delivers, and is committed to delivering, its functions effectively and efficiently.
24. Specific functions of the Chair will be specified in the relevant appointment letter.

### **Members' Responsibilities**

25. Individual Commission members should act in accordance with the responsibilities of the Commission as a whole and comply at all times with the Code of Conduct for Members of the Scottish Fiscal Commission and with the rules relating to the use of public funds and to conflicts of interest. (In this context "public funds" means not only funds provided to the Commission by the Scottish Ministers but also any other funds falling within the stewardship of the Commission).
26. General guidance on Commission members' responsibilities is summarised in their appointment letters.

### **Scottish Government Responsibilities**

27. The Deputy Director for Fiscal Responsibility will have responsibility for overseeing and ensuring effective relationships between the Scottish Government and the Commission. They will work closely with the Commission's Chair and be answerable to the Scottish Ministers for maintaining and developing positive relationships with the Commission characterised by openness, trust, and respect. They will be supported by officials in Fiscal Responsibility Division in discharging these functions.
28. The SG will notify the Commission of a single point of contact in Fiscal Responsibility Division, who will be responsible for ensuring efficient and effective communication between the Commission and the Scottish Government on operational and administrative matters.
29. The SG will provide information and data requested by the Commission in a timely manner and ensure that the Commission has access to all data and information held by the SG which is relevant to the Commission's discharge of its purpose and remit.

## **Value for money and financial stewardship**

30. The Commission has a responsibility to ensure that the resources of the Commission are used economically, efficiently and effectively and that appropriate arrangements are in place to secure value for money in the use of public funds.
31. The Commission shall keep full and proper records of its use of public funds and be prepared to make public reports on its use of public funds.

## **Risk management**

32. The Commission shall ensure that any risks that it faces are dealt with in an appropriate manner, in accordance with relevant aspects of generally recognised best practice in corporate governance. Reporting arrangements should ensure that the Scottish Government is made aware of relevant risks and how they are being managed.

## **Confidentiality**

33. The Commission is bound by the confidentiality requirements set out in the Code of Conduct for Members of the Scottish Fiscal Commission.
34. In particular, the Commission is required to exercise care in the use of information which it acquires in the course of its business and to protect and secure any documents or other information provided to the Commission in confidence from unauthorised disclosure. It would be a gross breach of the Code of Conduct to disclose, or leave unprotected and not secure, information about tax rates or tax bands to which the Commission has privileged access, either orally or in writing, prior to these becoming public knowledge.

## **Performance**

35. The Commission shall keep comprehensive records of its business to enable it to form a view, on a continual basis, as to how well it has delivered against its purpose, remit and delivery of its assessment in line with the timescale agreed with the Scottish Government.
36. The responsible Scottish Minister shall meet the Commission's Chair at least once a year to discuss the arrangements and work of the Commission and its delivery of its work against agreed timescales, and shall make every reasonable effort to accommodate additional meetings should the Commission require.



## **Remuneration and expenses**

37. Commission members, including the Chair, shall be remunerated from April 2015 in line with the Scottish Government's Public Sector Pay Policy for Senior Appointments.
38. Commission members, including the Chair, are entitled to be reimbursed for the costs of travel and, when appropriate, accommodation incurred in the course of the Commission's business. Expenses will be reimbursed in line with the Scottish Government Travel and Subsistence Policy.