



**OFFICIAL REPORT**  
AITHISG OIFIGEIL

# Finance and Public Administration Committee

**Tuesday 1 April 2025**

**Session 6**



The Scottish Parliament  
Pàrlamaid na h-Alba



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**FINANCE AND PUBLIC ADMINISTRATION COMMITTEE**  
**12<sup>th</sup> Meeting 2025, Session 6**

**CONVENER**

\*Kenneth Gibson (Cunninghame North) (SNP)

**DEPUTY CONVENER**

\*Michael Marra (North East Scotland) (Lab)

**COMMITTEE MEMBERS**

\*Ross Greer (West Scotland) (Green)

\*Craig Hoy (South Scotland) (Con)

\*John Mason (Glasgow Shettleston) (Ind)

\*Liz Smith (Mid Scotland and Fife) (Con)

\*Michelle Thomson (Falkirk East) (SNP)

\*attended

**THE FOLLOWING ALSO PARTICIPATED:**

Professor Francis Breedon (Scottish Fiscal Commission)

John Ireland (Scottish Fiscal Commission)

Claire Murdoch (Scottish Fiscal Commission)

Professor Graeme Roy (Scottish Fiscal Commission)

**CLERK TO THE COMMITTEE**

Joanne McNaughton

**LOCATION**

The Robert Burns Room (CR1)



# Scottish Parliament

## Finance and Public Administration Committee

Tuesday 1 April 2025

*[The Convener opened the meeting at 09:37]*

### Scottish Budget Process in Practice

**The Convener (Kenneth Gibson):** Good morning, everyone. The first item on our agenda is an evidence session with the Scottish Fiscal Commission on the Scottish budget process in practice. It is the first evidence session as part of our inquiry into the process.

I welcome to the meeting, from the Scottish Fiscal Commission: Professor Graeme Roy, chair; Professor Francis Breedon, commissioner; John Ireland, chief executive; and Claire Murdoch, head of fiscal sustainability and public funding. Before we move to committee members' questions, I apologise for keeping our guests waiting. Our previous session, which was a briefing on the spring statement, overran by a few minutes.

The Scottish Fiscal Commission has said:

"Since the start of this parliamentary session in May 2021 there have been some welcome improvements in the information published by the Scottish Government as part of the Budget which improves its transparency."

For the record, will you touch upon some of those improvements?

**Professor Graeme Roy (Scottish Fiscal Commission):** Thank you for the opportunity to come along and speak to you about the issues. To kick off, I have some general comments, and colleagues will then come in.

As we said in our letter, the information and transparency that are provided by the Government have improved over the parliamentary session. For example, we highlighted the classification of the functions of Government analysis, which is really useful. Through our statement of data needs, we have been able to ask for more information from the Government in order to inform the overall budget process. More information has been provided on the medium-term financial strategy, discussions on funding and so on—all those things are helpful to us, and progress has been made in all those areas.

We have highlighted some areas in which more information and transparency could be provided, such as the provision of open data and accessible information that people can use to track, and in

relation to elements of the climate change work and public sector pay issues, which we have raised in the past.

We also highlighted an improvement in the budget documents, which has been to compare plans with the in-year position, although some challenges arose in the previous budget around the timeliness of that data. On that part, notable improvements have been made, but more information could be provided in some areas.

**The Convener:** Can you give us a bit more detail on which areas you are looking for more information in?

**Professor Roy:** I can kick off, but it would be good if colleagues came in on that as well. The climate change work is a good example. In our fiscal sustainability work, we said that we needed to track the Government's budget plans alongside its climate change plans. We expect the Government to be much more expansive and provide much more information in the budget documents about the spending commitments that are being made to deliver on the transition to net zero.

If you recall the budget before last, we did not get all the information on public sector pay, which was a challenge. This time, we got information on the headline pay award, but some of the other information, such as average pay bills and employment levels, were not provided. More information could be provided in several different areas.

**The Convener:** In your submission, you said that your August 2024 statement of data needs

"set out seven recommendations for the Scottish Government to improve the information published as part of the Budget, MTFS, Budget Revisions and provisional and final outturn."

Where are we with those recommendations?

**Claire Murdoch (Scottish Fiscal Commission):** Since we published the statement last August, there have not been many changes. It is probably unrealistic and a bit challenging for the Government to fundamentally change how it presents some information in such a short time.

Alongside the budget, the Government published the COFOG data in December, which allowed the SFC and others to analyse how spending was changing. The trajectory is probably good, but we have not necessarily seen that much progress being made towards the recommendations yet. In general, when we make such recommendations, it takes a few years for the Government or other stakeholders to implement them.

**The Convener:** If it takes a few years, do you not push for it not to take a few years? Have you

requested that the Government achieve the recommendations by any specific deadlines?

The Government often takes a *mañana* approach to documents. If something does not have to be done this week, it will be done next week or, more likely, the week after.

**Professor Roy:** I can see the argument around that. To be fair, most of our stakeholders provide most of the information that we set out in our data needs statement relatively timeously. Two to three years ago, we highlighted significant gaps in social security information, for example. It took Social Security Scotland a while to get up to speed to be able to respond to that, but the progress that has been made since then has been quite significant. Rather than setting a deadline, we say what we need; if we do not see much progress, we come back and are a bit more forceful about it.

However, as Claire Murdoch said, when we made the recommendations in August, we were pretty much running up to the budget process kicking in, so we were not surprised that it might not happen. If we get to this summer and do not see improvements, we might start to come back and say that progress has not been as quick as we would like.

**Professor Francis Breedon (Scottish Fiscal Commission):** It is fair to say that, so far, our approach has not been to play hardball and set deadlines. Perhaps we are being naive, but, from what we have observed, it looks as if everybody makes the best effort to respond to our data needs.

So far, we have not felt that we are being fobbed off. In that sense, the approach has been successful. However, you are right that we should keep an eye on whether people are not making the best effort.

**Claire Murdoch:** In our recommendations, we note that we are publishing information—on funding, in particular—and doing so in the way that we think the information should be presented. Actually, it should be the Government that clearly presents the information, rather than us, but we have taken on the role in the absence of it doing so. Rather than nobody providing the information, the Government should fill that role, whereas we are filling that gap at the moment.

**The Convener:** You say that the addition of the medium-term financial strategy to the budget process

“has been a positive development, setting out five-year forecasts”,

and you go on to say that

“this should encourage budget planning over multiple years rather than focusing on balancing the budget one year ahead.”

Can you talk to us about that, too?

09:45

**Professor Roy:** One point that we make consistently is on the importance of thinking about not only the next financial year but the medium term. That is where there is perhaps more of a gap in the overall narrative of the debate.

We do a lot of work on fiscal sustainability, which we might come on to later. That includes more discussion about the very long term and also about the next year. However, many of the factors that really matter for the Government's budget planning relate to the next four to five years. Its commitments, their potential spending implications and how they link to funding are critical aspects of that medium-term horizon. Therefore, any work on starting to scope that out, and talking about the scenarios and the risks, is really important.

In that context, having a medium-term financial strategy that sets out the Government's expectations and overall view is positive. The proof of the pudding will come down to how action orientated that medium-term outlook is, though. Is it just a projection that is an estimate of what might happen, or can we say that the Government is actually changing its behaviours and making decisions based on that? That is where the power and the judgment on a medium-term financial strategy really kick in. It is good to have such a strategy, but the question is whether it is actually changing decisions.

**The Convener:** That is an important point. Your submission also says:

“We currently do not have a role forecasting spending, other than social security payments”.

You are obviously keen to have that additional role.

**Professor Roy:** In principle. We will come on to the Organisation for Economic Co-operation and Development's recommendations. Increasingly, we are starting to talk about how the picture will look over the next two, three, four or five years if commitments are made for the next financial year. That is quite important, particularly with social security being such a growing part of the budget. We are having to make medium-term decisions about other funding areas, because the social security budget is increasing and is demand led, which means that we have to make some decisions elsewhere. For us, that is a natural place to explore moving to, but it is really for the Government to set out its intentions.

**The Convener:** I hear a sense of frustration, though, that, although you are examining that aspect, you are not able to deliver the same

handle on its impact on the rest of the Scottish budget. I sympathise with you on that. You say:

“The Scottish Government has also set out scenarios for spending and funding to assess the risks faced by the Scottish Budget in future years. The Scottish Fiscal Commission does not currently have any role in assessing these scenarios and risks.”

Again, would you be keen to have such a role?

**Professor Roy:** Yes. One of the factors that we will consider when we examine that is what we mean by “assess”. That will not involve arriving at a yes or no answer, or a conclusion that it is not achievable or is wrong; it will involve being much more discursive about the scale of potential risks as an area that we can move into and be much more expansive about.

As we have discussed previously, when we consider the big drivers of the budget, the factors that move around are social security, pay and health, and everything else is separate. We are beginning to scope out how those big elements are moving around and what some of the commitments on those might be. That is a step forward in our work, but it is also a relatively important one for us to start to develop.

**The Convener:** You have talked about an idea that I find quite interesting. The medium-term financial strategy will come out before the summer, but you suggest that it could be updated in December, in the run-up to the election.

**Professor Roy:** That would involve a slight challenge on timing. We will have an election next year, at the point when a medium-term financial strategy would normally be published.

To inform a debate about the election, if we have a medium-term financial strategy in the next few months and a United Kingdom Government spending review over the summer, I think that it would be helpful for the budget to set out at a high level the overall trends for public spending and funding beyond the next financial year.

**The Convener:** The need for something of that nature is laced throughout your report. For example, on multiyear funding, you said that you

“encourage the Scottish Government to set out multi-year spending plans even when these cross into a new parliament to support planning across the public sector.”

You also said:

“A regular cycle of UK spending reviews should mean that Block Grant funding is more certain and that the Scottish Government will therefore be in a better position to provide multi-year spending allocations.”

Of course, we have been in a period of volatility for years. How effective would that be in the circumstances?

**Professor Roy:** I will say three things. We have always been very strong in our view that we need multiyear assessments of where the budget is heading. It is really difficult for agencies, relatively small organisations and the general public to see what will happen next year if the budget is purely for one year. Multiyear spending and multiyear funding are really important. The UK Government’s movement to a multiyear spending review and to taking a longer-term view will be helpful, because it will start to anchor the block grant in a much more significant way than in the past. Again, it will come down to how much the block grant holds, but, in principle, having relatively stable funding outlooks across the UK would have benefits in Scotland.

In looking at multiyear funding, you could do a rigorous analysis over a long period of time that would involve a comprehensive spending review with line-by-line analysis of where public spending is heading in Scotland. Typically, that is a big exercise, and we have not done one for a long time in Scotland, but I think that there is real value in that and in looking at absolutely everything, including how things are set up and structured. That would not prevent us from doing a review of what is being done at the moment and what it means not just for the next year but for the next two to three years. Ideally, we would do a comprehensive spending review now and again—it is something that should be done not every single year but at key points in time—and we would build on it with regular adjustments. Ideally, that is how budgets should be managed.

**The Convener:** Part 5 of our questionnaire asked:

“How effective is current public engagement in the budget process?”

In your submission, you replied:

“The Scottish Fiscal Commission welcomes public engagement in the budget process and is aware of the importance of providing clear material to support this engagement.”

That does not address how effective it is. I do not think that this is the SFC’s fault, by any manner of means, but one of the issues that was touched on in the OECD report was how we can improve the effectiveness of engagement with the budget. Two weeks ago, we talked about fiscal literacy among stakeholders, MSPs and so on, and we will probably talk about it again today.

I wonder whether you could respond to that question, because it is almost as though you have done a wee body swerve. *[Laughter.]* That is not like you, as you are usually very direct in your responses. That is how I sniffed it out.

**Professor Roy:** It might help if I explain that, when we think about the effectiveness of

engagement, we tend to think about three groups of stakeholders that we want to engage with.

We spend a lot of our time with a group of stakeholders whom we want to support to understand the detail of the fiscal framework and the budget, who include the committee and other key stakeholders who have a strong interest in the effectiveness of the budget process. We know that that is quite a small audience, but it is really important for us to ensure that that group understands those things. I think that we do that quite well, and the level of knowledge and understanding among the people who should know about the budget is quite high.

The second group is a broader group that includes people who might not need to know all the specific details of the budget but who need to understand the implications of what is happening with trends in social security, tax, the economy or the overall funding element. That group includes parliamentarians and a broader set of stakeholders. That is where effective engagement is a bit more challenging to do. I would not say that the engagement with that group is ineffective, but that is an area that requires more investment and time, in order for us to be able to go out and talk about the core big budget pressures. Perhaps we can come on to some of the work that we do on that—

**The Convener:** We will probably discuss that further in the session on the OECD report, although it is tempting to stray.

I have to say—you touch on this in your submission—that your reports are written in a clear style. I know from your annual report that you provide training on writing clearly. Your reports are not written in any kind of gobbledygook; everything is explained. I know that you have used a few acronyms this morning, but those are always clearly explained in your reports. A layperson who is interested could read them and know exactly what the Scottish Fiscal Commission is all about. You should be commended for that.

I will move on. In your submission, you state:

“The written agreement between the Scottish Government and the Finance and Public Administration Committee sets out how the Scottish Budget document will normally be published no more than three working weeks after the publication of the UK Autumn Budget. However this gap provides very little time for the development of forecasts and the Scottish Government to consider policy decisions.”

What is the optimum period for that gap?

**Professor Roy:** I will say a couple of things about that. Typically, when there is a UK fiscal event, the period between that and the Scottish event is condensed, because of the time that this Parliament needs to scrutinise the budget.

**The Convener:** Indeed.

**Professor Roy:** Anything that brought the UK fiscal event further forward but that still gave this Parliament sufficient time to scrutinise the budget and that extended the middle period for forecasting would be beneficial. The three-week period is the minimum. Anything longer than that would be beneficial.

I do not know whether we have explicitly given a number.

**Professor Breedon:** I think that we have said that a gap of about five weeks—

**Professor Roy:** We have said five weeks. That is John Ireland being very generous, convener.

**John Ireland (Scottish Fiscal Commission):** We have said that five weeks is ideal. I think—

**The Convener:** If five weeks is ideal, why not say that and put that on the record? The likelihood of getting five weeks—

**John Ireland:** Is minimal.

**The Convener:** —is not great. We understand that the Office for Budget Responsibility, for example, had less than a week to look at the spring statement that was announced last week.

It can often be very difficult for the SFC, the OBR and so on. It is good to put on the record what you think would be ideal, because that is something that we would want to aim for.

**John Ireland:** Sorry about speaking over you.

Three weeks is definitely too short a period. As it gets towards four weeks, the process becomes more manageable for us. There are pressures on the Government as well, because it has to turn around decisions very quickly, although it can plan and do a lot of the work beforehand.

I think that four weeks is—

**Claire Murdoch:** A gap of four to five weeks is optimal. Only once has the gap between the Scottish and UK budgets been three weeks—that was in December 2017. That was very tough, and, at that time, we did not do as many forecasts, we did not have as broad a remit and the Government was not making as many decisions. We have always had a minimum of close to four weeks since—

**Professor Breedon:** It is worth saying that we recognise that the closer the two things are together, the better. That means that the numbers align much better. We are not asking to be given months to think about it. We realise that urgency is needed.

**The Convener:** That is why I was asking for the optimum, rather than—



**Professor Breedon:** Exactly.

**Professor Roy:** The only caveat that I would add is that, although the number of weeks is important, it is the effectiveness of the engagement in that period that is really important, as well as meeting the deadlines and providing clear information. The developments that we have made in the past few years on setting out to you the timeline help with transparency and help us to ensure that we get the information.

The number of weeks is important, but, ultimately, what happens in those weeks is the most important aspect.

**John Ireland:** Yes, and you could be more explicit about that. Last time, we had just under five weeks, but, as you will know, we had the issue of a policy that was announced very late in the process.

**The Convener:** Exactly. It is important to emphasise and get on the record the fact that the issue is not just about the time; it is about what happens in that time period. We make that point, too, when we speak to the Government.

You also said:

“any spending which is known at the budget-setting stage to have to be transferred later on should be shown in the portfolio which will incur the spending from the outset.”

I have been saying that since Craig Hoy was in short trousers, and that was not yesterday. That is a really important point. Do you want to expand on that a wee bit?

10:00

**Professor Roy:** You have covered the issue. The improvement that has been made so that the budget comparisons are based on the latest in-year information is helpful. There was an issue this year to do with the revisions not being factored through, but that was, we hope, largely a one-off. The improvement should help, and the process should be much more transparent in future. However, that still leaves us with money being allocated into portfolios that the Government knows that it will move. From a scrutiny point of view, the Government should just show that, as that would make things much more transparent.

**The Convener:** Exactly. In the autumn revisions, in particular, we have a groundhog day scenario with some of those transfers. I have said that to ministers, as you probably know. Thank you for emphasising that.

You said that the evaluation of the forecast in 2024, which was accompanied by a fiscal update, was

“judged to be a useful snapshot as the Scottish Parliament began its annual process of Budget scrutiny so we plan to publish the Fiscal Update again in August 2025.”

Can you touch on how useful that was?

**Professor Roy:** I might say more about governance later, but we are trying to spread out our publications over the year. That is partly about internally managing our resource, but it is also partly about making sure that we can communicate most effectively and highlight the key elements at key points in time.

We got good feedback on the update that we produced in August last year, in which we took stock of where we were in that financial year and highlighted pressures on public sector pay and the like. Our plan is to make that a regular publication. We will have our budget document at the end of the year, our long-term fiscal sustainability document in the spring, the MTFS document in late spring and an update just before Parliament returns after summer recess. That will set out a bit about our forecast evaluation and a bit about our understanding of where we are in the current financial year, and it will also highlight key issues. I hope that that document will help to set up the committee to think about some of the issues that it needs to explore in the run-up to the budget.

**The Convener:** I know that I speak for the committee when I say that it was very useful when you came to our business planning day in Dundee in late August last year. We went through the update, which was helpful and provided a springboard for what happened in the following weeks and months.

I will open up the session to colleagues around the table. The first member to ask questions will be the previously mentioned Craig Hoy.

**Craig Hoy (South Scotland) (Con):** Thank you, convener. Good minds think alike. I had eight questions, and you have asked seven of them, which have been comprehensively answered, so this is probably going to be one of my briefest contributions.

I want to go back to the cycle of parliamentary elections and the medium-term financial strategy. Is another risk for Scotland the fact that we seem to have a never-ending cycle of elections? Last year, we had a general election after which the assumptions of the previous Government were, in effect, disregarded and the supposed black hole emerged. We have seen various fiscal events since then.

You say that you want to have greater financial transparency and more stable ground, but to what extent are the parts of the UK that have devolved Administrations further undermined in projecting forwards as a result of that cycle? At the end of the day, particularly in the run-up to general

elections, politics is short-termist in nature. Often, the political and economic narratives are absolutely one.

Do we need to be alert to that in Scotland? We had an election last year, we have an election next year and we will have local government elections the year after, and we could have a general election the following year. Does that not make your job, and the job of the Parliament, more difficult in trying to get security and forward-looking provision?

**Professor Roy:** I guess that you are asking me, as an economist, to comment on whether democracy is a good thing. There are a couple of points. Because of the nature of the framework, you are right that elections, not just for the Scottish Parliament, have an impact on the budget process and, therefore, on the funding. Because so much of the funding still comes through the UK Government, a general election at UK level has an implication for the funding and, therefore, the Scottish budget. A Scottish election can also result in changes to decisions on taxation, which would then have an impact on funding and spending.

We have to live with that, because of the nature of the devolved settlement and the fact that the setting of the budget depends on both Governments, but that is not an argument against doing a lot more to set out medium and long-term trajectories for spending and funding. As I said, a lot of the big-ticket items in the public finances are relatively stable, so framing decisions over not just one year but multiple years should move the conversation and debate on to look not only at what is being promised for next year but at what is being promised over a period of time.

That is a long way of saying that you are right to say that there will always be challenges and that having multiple elections will have an impact on the budget. However, we should—as a result of moving into a more stable political environment over time and having multiple spending review periods—be able to make significant progress, relative to where we have been.

**Professor Breedon:** If you look at the timetable, you will see that there is no way to dodge those events, because there are too many of them, so our recommendation is to plough through, despite what is going on in the background. There is no way to plan a timetable precisely enough to give the lead time to avoid being caught in an election period, because those periods are almost permanent.

**Craig Hoy:** We could call that permanent chaos, but it helps us to identify something that the convener alluded to. Broadening and deepening your spending analysis beyond social security and giving you a greater remit to plan for scenarios

might be more important in an environment such as that in Scotland, where we have those political cycles, because bodies such as the SFC provide solid, politically neutral analysis that allows Governments of all political persuasions to make informed choices.

**Professor Roy:** As you would expect, I agree. The more we can do to set out the overall narrative about the constraints on spending and taxation choices, the better.

We also highlight risks. In the past few years, we have made the point that social security decisions are taken not only by the Scottish Government but in the rest of the UK. That has an impact on the block grant adjustment that we did not really see for the first few years, because it was all about what the Scottish Government was doing. We are now seeing decisions being taken at a UK level that have implications for, and an impact on, the budget. Similarly, decisions about taxation that the UK Government took in the past had an impact on funding. The more we set that out, the more we hope that people will understand the different elements.

**Craig Hoy:** In your role as a trusted adviser to Governments of all political persuasions, you said last summer that you wanted there to be greater transparency on Scottish Government pay awards. Do you get the impression that that advice has now been heeded?

**Professor Roy:** There has been some improvement in the information that we receive on public sector pay. We did not get any information about public sector pay in the budget before last, so we made an assumption about that. This year, we got a headline from the Government that the public sector pay award would be 9 per cent over three years and 3 per cent this year, although information on matters such as overall pay progression and public sector employment was missing. Given that that is such an important part of the budget, the more the Government says, the better our forecasts can be. That would also give the committee better information on which to scrutinise the pressures on public spending, because although that spending might be going up, there will be an impact on service delivery if a lot of that is taken up by wages.

**Craig Hoy:** Lastly, the convener referred to the need to ensure that funding is properly allocated to the portfolio from which it will be spent. You have said that the fact that that does not happen probably affects your forecasting. It definitely impedes our scrutiny function. Why do you think that the Government is still reluctant to go as far as it could in relation to that relatively simple switch in methodology?

**Professor Roy:** I cannot really comment on whether the Government is deliberately attempting not to do that. Part of the reason might simply be that that is the way that it has always been done.

We had that conversation about budget documents always being set alongside draft budget documents from the previous year, because that was what was always done—that was simply the process. Now, the Government has changed its approach so that it provides not only the draft budget but the latest position within year. The Government is making progress, but, with many such issues, once we start to highlight them and say that it would be much better if a change was made, more often than not, the Government gets around to changing the process. That comes back to the point about our asks around the data needs.

I cannot really comment on why the switch has not been made, but I hope that it will be made, because it is an obvious thing to do.

**Craig Hoy:** You think that progress is being made and that there is greater awareness in the Government that the process is not helpful.

**Professor Roy:** Yes, and I hope that we have a role to play in that. With us and the committee highlighting it, it becomes difficult for the Government to ignore the question, “Why are you not doing it?” If the Government simply says, “We haven’t done it yet, but if it’s helpful, we’ll do it now,” that is great, but if we ask why the Government is not doing it, that gives us a better chance of success.

**Professor Breedon:** It is worth emphasising that sessions such as this one are very important to us, because we make points about the data needs and you reinforce them—or not, if you do not agree with them—which makes it clearer that we all have an agreed direction of travel. Such sessions are helpful in allowing us to see where the gaps are and to shine a light on them.

**Craig Hoy:** Super—thank you.

**The Convener:** You still got more or less eight questions, Craig, so you did not do too badly.

**John Mason (Glasgow Shettleston) (Ind):** I will build on a few points that have already been made. Forgive me for being sceptical—and I think that I have said this before—but is there really a lot of point and can we have any faith in medium-term financial forecasts when things seem to be changing? Craig Hoy emphasised the elections, but it is not just about the elections, is it? In October, we had what was meant to be a major budget, a new Government and plans for the future, and then last week a fair chunk of it got changed.

Graeme, I think that you used the words “relatively stable”. Can we ever expect that to be the case or are we just going to put more and more resources into both your organisation’s forecasting and the Government’s making plans for the medium term only for the UK Government to change something major?

**Professor Roy:** You are right that we live in quite different times from when I was studying economics, when it was about abolishing boom and bust, and everything was nice and stable. We could look ahead, spending was growing and everything was fantastic. We are now in a different place, so you are right that there is more uncertainty, but I would separate out several different things in all of that.

In some core elements of the budget, it is relatively straightforward to set aside broad trajectories or multiyear spending commitments, and it is important to prioritise areas where we might want to do that. For example, it is helpful to give relatively small organisations indicative funding and clarity over that. That is a small share of the overall budget and it does not cost too much to do that.

The second thing, however, which is where the medium-term elements kick in, is that, rather than our saying, “This is the exact amount in pounds, shillings and pence that you should expect to get,” the overall trend that is pushing through could be really important in shaping decision making in an area over the next four to five years. Social security is a good example of that. We can work to project not just the commitments that the Government will need to make next year, but whether we think that those commitments will increase over the next few years. The two-child limit is a good example, because we can model and say what is coming as additional expenditure next year and whether that will increase or decrease over the forecast horizon.

The Government can set out its overall trajectory for where it is heading as an organisation with its pay policy—for example, whether it is planning to commit to pay rises that are above the rate of inflation, which locks in some commitments over the medium term. For example, is it committing to expanding, maintaining or shrinking the workforce? The Government could set those commitments and broad trajectories.

We can highlight where some of the broad trends in public expenditure are going, and you are right that those trends change with elements of UK policy. For example, if the UK Government is going to spend more money on security and defence, and if it is not going to borrow or increase taxation to do that, we can highlight that the money will have to be found from spending

elsewhere, which presents a risk to the Scottish Government's budget in the next four to five years.

I share some of your scepticism about whether an exact budget could be set five years out, but we can do a lot more if we are able to be much more expansive about the broad trajectory and the factors that are driving spending and commitments.

10:15

**John Mason:** On the broad trajectory, if I understood our briefing correctly, one of the points that was raised last week was that the increase in UK resource spending will reduce from 1.3 per cent to 1.2 per cent. That does not sound like very much, but those could be quite big numbers for Scotland and the UK.

**Professor Roy:** Yes.

**John Mason:** Even those trends can be changed at a moment's notice, can they not?

**Professor Roy:** They can, but it goes back to the point about what the planning is in all of this. The Government has set out its spending for the next couple of years, and the growth in spending drops significantly over the end of the forecast horizon. That is our central position.

In the context of the Scottish budget, it should be clear that the UK Government's central expectation is that spending will have moved to relatively low growth towards the end of the forecast horizon. That is an important planning assumption for the Government, and it should modify thoughts about the spending commitments that the Government is making.

If the central plan is to cut back spending, or at least to reduce spending growth, you are right in saying the UK Government could change that completely, but it is about planning for the potential variation. If you expect that to be changed, you have essentially banked money that you do not already have.

**Professor Breedon:** One of the important things that we are trying to do in the background is say that there are these trade-offs whereby, if you spend more on X, that has implications for Y, and that is often a multiyear question—it is not just saying that the trade-offs will suddenly appear in next year's budget.

Social security is a great example. Social security will continue for years, and it is useful to be able to say that it will have implications for other parts of the budget. We have to have some numbers; we cannot just say there is a trade-off. It is a way of presenting the fact that budgeting is about trade-offs, not necessarily getting the

forecast exactly right—which, as you rightly say, is not possible in practice.

**John Mason:** That leads me to another issue. You said that you have a lot more information about pay increases and that kind of thing, but, to be slightly sceptical, surely the important thing is the total work payroll for the whole of the public sector. It does not seem to matter too much whether we have slightly fewer workers and they get a bigger pay increase or slightly more workers and they get a lower pay increase. Does it matter?

**Professor Roy:** It matters, but you are entirely right that it is only one part of the overall element. We ask for much more information about the total pay bill within the public sector. It is not just about pay awards; it is about things like progression, grades and the totality of the workforce. That is what is most important, and it is then about what that means across different aspects of the portfolio.

You are entirely right that having the pay award is better than having no pay award, but it might still not highlight the totality of what you need.

**Professor Breedon:** There is another factor in the trade-offs issue. For the purposes of our forecast for the Scottish economy, as you say, knowing the total pay bill is probably quite enough to enable us to make a very narrow estimate. It is not necessarily useful for us, but it is useful in highlighting that, if you make an assumption about progression, it has an implication for employment. Are you happy with that implication for employment? If you have just a lumpy number, it does not highlight the trade-offs between progression and employment or pay awards and employment. I think that it is useful to highlight that. However, you are probably right about the fact that we could do an okay forecast without that breakdown. It is not hugely important in that part of our job.

**John Mason:** That is helpful.

**Professor Roy:** Being clear about the pay award is useful—and was also useful last year—for tracking what is happening in-year. If it is transparent that pay negotiations have resulted in awards that are higher than what was in the budget, you can see—to go back to Francis Breedon's point—that there will have to be trade-offs. You budgeted for one pay award and, if the pay negotiations come in higher, that potentially has implications for the budget, so just having a pay award is still really important in terms of the transparency of the budget.

**John Mason:** There is another area in which you are looking for more detail. Under

"Approach to spending reviews",

you wrote:

"We would also encourage the Scottish Government to ensure spending reviews provide more detailed allocations than just at portfolio level to allow the NHS boards, local authorities and public bodies to develop medium-term spending plans."

How much detail are you looking for? Is it how much each health board will get? Is that the level of detail that you want?

**Professor Roy:** I would not say explicitly that it is the exact detail that is needed. We are arguing against having broad totalities of spend that mean that it is then difficult for you to see under the bonnet. Whether it is level 4 or level 3 figures does not really matter too much; it just needs to be relatively detailed so that you can see, for example, the Government's overall ambitions around spending on the NHS in key areas. There is a balance to be struck between providing really specific detail, which—to get to your point—is really quite difficult to see over a five-year period and providing very high-level figures. "This is what we're going to spend on health" would not cut it—it is somewhere in the middle.

**John Mason:** The fear is that the spending review is at too high a level.

**Professor Roy:** Yes. We would want to guard against that.

Again, there is good practice. It is not as though we have never done a spending review. We have done comprehensive spending reviews in which we have gone through in detail the plans and expectations for economic development and NHS boards. It is not something that we cannot do; we have done it before.

**Claire Murdoch:** The resource spending review in 2022 gave high-level portfolio allocations with no underpinning detail. Then, as inflation changed, there was no update. Based on what the Government had published, you could not track how its priorities were changing and how it was going to manage the budget as it came under greater pressure. If there had been a more detailed position, you could have tracked where it was changing its priorities. If the Government has more money than it thought it had, it should be able to say how it will allocate that—and, if it has less, where it will have to cut.

**John Mason:** So, if 2022 is the standard that we are starting from, we want a fair bit more detail than that.

**Professor Roy:** Yes.

**John Mason:** The final area, which has been touched on, is about the transparency and public understanding side of things. I watched some of your videos. Your introductory one says that, if someone is watching the video, that shows that they already have a lot of interest. That implies

that the general public are not piling on board. We may touch on the OECD as well, but my understanding is that you have met other independent fiscal institutions around Europe or wherever. Are other countries making more progress? Are they doing better when it comes to politicians' and the public's understanding of the budget?

**Professor Roy:** John Ireland or Claire Murdoch may want to come in on the specifics. In general, as I said to the convener, there are three groups of stakeholders with whom we want to engage. The first group is the people who really get it—people who watch our videos and want to understand the intricacies.

The second group is the broader stakeholders, who need to understand the overall trends and trajectories. That may include the university sector understanding demographics and overall public spending pressures; the business community understanding the tax choices; and third sector organisations understanding social security. That group might not need to know the specific mechanics of the fiscal framework, but the broad budget element is important to it.

The third group is the public at large, for whom the issue is how we talk about the big-ticket elements, such as what is happening to income tax.

As I said, I think that we do quite well. The review talks about targeting the people who really need to understand the detail. When it comes to going out to the broader groups, it is partly a resource issue. Other IFIs have much more resource for communications and engagement, and they can potentially go round speaking to lots of people and engaging on all of that. That is the resource space.

**John Mason:** From memory, I think that you mentioned the Netherlands.

**Professor Roy:** Yes. They have significantly more resource than we have for that.

**John Mason:** Is that working for them? Is the general public in the Netherlands better at understanding the budget?

**Professor Breedon:** It is worth highlighting one thing that is specific to the UK. We talk to the Northern Ireland and Wales IFIs, and we all slightly bemoan the same issue, which is that the fiscal framework itself is quite intimidating. It is quite hard to get people to engage when they are thinking, "Oh no—I've got to learn about those Barnett consequentials and block grant adjustments." I think that what Graeme is saying is that there is only a subset of people who really need to know about that, and what people do need to engage with is the fact that fiscal policy imposes

certain constraints. That is the distinction that we are trying to make.

We, Northern Ireland and Wales have noticed that we get people saying, “Oh, my God—you’re not going to explain to me what a Barnett consequential is, are you? I really haven’t got the bandwidth for that.” That is one of the reasons why we have slightly dodged the question. I think that we accept that there has not been as much engagement as we would like there to have been, ideally. Perhaps it is an excuse, but I would argue that the complicatedness is one of the reasons for that.

**John Mason:** We might come back to that in the second evidence session. I will leave it just now.

**The Convener:** The issue is that you can take a horse to water but you can’t make it drink. As the OECD has pointed out, there are also issues due to the shortage of financial journalists who would want to take on board a lot of what you have been saying. The situation in our islands is completely different; you have discussed the comparisons in detail.

What you do with the resources that you have is excellent—I am happy to put that on the record again.

**Liz Smith (Mid Scotland and Fife) (Con):** In your answer to the first question this morning, Professor Roy, you set out where you felt there had been improvement in data availability. You then raised some issues about areas in which you thought we could still make improvements. Will you do the same in relation to how effective we are in scrutinising public expenditure? Will you tell us where you think that the data is improving and where you think that we need more data in order to decide how effective we are being in scrutinising public expenditure?

**Professor Roy:** The COFOG analysis has certainly helped, because it is immune to changes in portfolios and, through it, we can look at expenditure over time. It definitely helps. The overall provision of narrative around what the Government is doing on expenditure is improving and has already improved, which is really positive.

We do not stray into saying whether we think that spending is good or bad. We do not go into saying whether money is spent effectively in a particular area. However, we highlight challenges in things such as public sector pay. Given that it is such an important part of the budget, there is very little information in the budget about where public sector pay is flowing around the system. Climate change is another example. If the Government’s top priority is hitting net zero, it should not be so difficult to see in the budget document where the

effort is going into that. That starts to stray into your point about effectiveness.

**Liz Smith:** That is one of the reasons why I am asking the question. You held a Scottish Parliament information centre breakfast seminar on this exact issue, considering the challenge of climate change against other issues. It is essential that the information that we need in order to scrutinise is as available as possible. Where there are different policy choices, politicians have to make decisions about whether those are good or bad, and just getting to the information about effectiveness is absolutely critical, including to this committee. Are there other areas in which we need to boost the data?

**Professor Roy:** Do you mean on climate change or in general?

**Liz Smith:** Both, actually. You said at that breakfast seminar that there is a bit of a trade-off whereby we have to measure up what the Scottish Government should prioritise. That was one of the best events that you have run in the Parliament, because it gave us a wider perspective on what the challenges are, and the reason why it was good is that we got additional data. The charge on this Parliament is to measure how effectively we are spending public money. I just wonder whether there are extra bits of information that we could have.

10:30

**Professor Roy:** I will make some broad comments, and Claire Murdoch and John Ireland may want to come in on some of the specifics.

There has been a lot of discussion about wellbeing budgets and budgeting for outcomes. For the past 10 or 15 years, we have tried to do that, but it is tricky, because the lines cross over and it is not easy to add up absolutely everything to say that it gets there. The climate change work was interesting. If you focus on a specific policy area, such as how to hit net zero by 2045, through our modelling we can say what amount of money you need to spend on infrastructure and all the different areas to hit that, but is that information in the budget documents? It is not. Similarly, is there a laser focus on the budget elements that go into the climate change plan?

You could extend that to tackling child poverty. If that is your top priority and what you are really focused on, what in the budget will tackle child poverty and over what time horizon? You can quickly measure things such as the Scottish child payment, but what is happening to housing, education and all the other elements in local government?

**Liz Smith:** Those are policy choices—they are not for you but for politicians. We cannot make effective, evidence-based decisions about public spending priorities until we know what the good-quality data is and what the effects of decisions are. That is basically what we are after. It has been a past concern of the Auditor General, as well as yourself, that we need to do more on that basis.

We have discussed twice before the possibility of having a finance bill, which I think could help us, but you are not going to answer that question. However, do you feel that a fiscal framework between central Government and local government could help that process?

**Professor Roy:** I do not think that we have a specific view on whether there should be a fiscal framework. Ultimately, it would be for Government and policy makers to decide that.

**Liz Smith:** Would it help the pursuit of getting the right evidence? It would increase the scrutiny.

**Professor Roy:** I would need to think about that. Anything that can improve transparency and the identification of flow-through is better. As I said on climate change, anything that shows what the Government thinks it is spending and doing in order to hit net zero is important. Similarly, on child poverty, what list of things that the Government is doing can help you to understand whether there should be more money in one area and less money in another area? What is the trade-off?

**Liz Smith:** Local authorities often tell us that they have been on single-year budgets—it is a bit hand to mouth—so they are having to make very quick decisions and are not necessarily looking to the medium term. One of the reasons—this is a personal view—that I feel that a fiscal framework arrangement could help that process is that it could improve the transparency and the expectation of what evidence could be provided before decisions are made.

**Professor Roy:** As we have said, anything that ensures multiyear funding in any area is a good thing. If it lets local government or NHS health boards plan things, it is better. However, we need to think about the specifics of a fiscal framework, because, in my mind, it has connotations of things such as agreements around local taxation versus central Government funding, which obviously strays into potentially thorny issues. We do not have a remit on local taxation, for example. That is a broad way of me saying that anything that helps to improve transparency and opens up some of the intricacies would be a good thing.

**Liz Smith:** The Parliament is in need of processes that make it easier to understand where we have spent money well and where we have had issues. That is the crux of the matter.

I will come back to other matters later.

**Claire Murdoch:** I will add something.

There are probably two ways of thinking about the issue. One is thinking about how public money is spent and evaluating the effectiveness of that money, which is like a policy evaluation. The other is thinking about what is in the budget and where the Government is actually spending the money.

Last August, we made some recommendations that may look a bit techy but that are fundamentally about trying to improve how we all understand what is going on in the budget and where the money is spent. We recommended that the Government publish level 3 data sets with unique identifiers so that, when they slightly change the name of the spending line, that data can be tracked over time. We also recommended that the Government publish that data when the budget is introduced or revised and when there are provisional or final outturns, which would mean that we could see how the Government was spending its money within a year and could make comparisons over time in order to work out whether the Government was consistently changing things. Does it always say that it will spend money in a certain area but then increase or decrease that over time? What is the trend? Are certain areas growing? It is hard to know all of that from what is provided at the moment.

Having that data would improve your ability, as well as our ability and that of other stakeholders, to analyse the budget, and that might, in turn, improve how people understand what is happening. If you end up having discussions about whether the budget is bigger or smaller than last year, there is an answer to that question, but it is not actually the question that we should be talking about. We should be talking about where the money is going and about what the priorities that underpin the budget are.

**Liz Smith:** That is helpful. Thank you.

**Michael Marra (North East Scotland) (Lab):**

We have been told that the budget process for the coming year will include an additional strategic document called the fiscal sustainability delivery plan. We have touched on that a little already, but what is your understanding of the relationship between that delivery plan and the medium-term financial strategy?

**Professor Roy:** We wait to see the exact specifics, because this will be the first fiscal sustainability delivery plan. We will see the detail of what it looks like when it comes out.

The best way of answering your question might be to talk about what we want to see. There must be something that appreciates the scale of some of the long-term fiscal issues that we have

highlighted and, crucially, it must link that back to today. It should say what pressures are caused by health, demographics and climate change, which takes us back to the conversation about climate work. We have done some work on long-term trajectories and do not need to have another conversation about the ageing population or trying to hit net zero. Instead, knowing what we can see, we need to know specifically what the Government is going to do next.

**Michael Marra:** As far as you are aware, does the document require any modelling from you?

**Professor Roy:** I would not have thought so. Have we been asked to do anything additional?

**John Ireland:** We have not been asked. We are trying to work with the Government to understand exactly what will go into the document. When we see drafts of that document, we can think about what we will say in our report in May and, depending on how much time we have, we might also pick that up in our fiscal update in August. We are waiting to see what is in the document. In our letter to the committee, we have been clear about what we think should be in the framework, but we cannot go further than that at the moment. We have not been asked to do any additional work.

**Professor Breedon:** There is a general issue with fiscal sustainability, which is that a small touch on the tiller early on can get you on the right course, which is far better than waiting for problems to develop and suddenly having to do a huge course correction. We welcome the idea of long-term challenges being brought forward to today—if that is what happens—so that we can think about the implications for decisions today.

**Michael Marra:** We have heard quite a lot so far about the modelling that is required for different decisions. It strikes me as slightly strange that there would be what you called a touch on the tiller without the Scottish Fiscal Commission indicating what it thought the impact of that touch would be.

**Professor Roy:** As John Ireland said, we need to see what the document looks like, because it is outside what we would typically do with the annual budget document. It is for the Government to say which issues it thinks are causing long-term fiscal sustainability challenges and what actions it is going to take to meet them, and to provide the evidence base. If the Government asks us to provide any input, we can comment on that, subject—as John said—to the timing.

My understanding is that the document will be slightly different and that it will not be as specific as the Government saying that it has changed a certain policy or that it intends to do something that will pull a lever and give an exact projection.

**Michael Marra:** It is meant to be published alongside the MTFS, and your deadline for Scottish income tax is this week. Is that correct? In your letter to the committee of 24 March, you say that the deadline for providing forecasts is

“Thursday 3 April with Scottish Income Tax at midday on Friday 4 April”.

You will have the information for the MTFS this week to allow you to produce some of those models, but you do not have any indication of the content of the fiscal sustainability delivery plan.

**Professor Roy:** As I said, the document will be different from what is usually produced for budgets and so on. It is a bit like what happens with the climate change action plan, whereby the Government says, “These are the decisions that we’re going to take in order to hit net zero,” and our job is to say, “This is the scale of the investment that’s needed, this is the scale of the overall challenge, and this is what you need to do from a public finance point of view in order to achieve that.” It is then up to the Government to do the specifics and consider which individual policies it will take in order to achieve that. We do not really have a role in setting that out.

**Michael Marra:** Okay. I am still not much clearer on the work that is going to be done, and, if I am honest, it does not sound like you are either, as an organisation. I do not mean that to be critical. It is just a new field that we do not really understand.

**Professor Roy:** Yes. To be fair, it is really good that the Government is setting out the plan, because the committee has pushed very hard to get the Government to talk much more about fiscal sustainability. I am relatively relaxed about saying, “Let’s see what happens and what the document looks like.” If we are asked to support it, we will provide any information that is needed. The process will give us a chance to work on the matter and provide feedback and comment on whether it improves clarity and where things might need to change.

**Michael Marra:** Mr Ireland said that you are expecting to see drafts of the plan.

**John Ireland:** We have asked to see drafts as the Government prepares them, and we are finalising the deadline for that with the Government just now.

**Michael Marra:** Okay. Thank you.

My next question relates to what was said earlier about the cycles of elections and policy decisions, how we deal with medium and longer-term questions of fiscal sustainability and financial planning, and the various documents that are planned. The clear message that I have heard from your answers to the committee’s questions



today is that we should publish and be damned, to an extent. Let us set out the figures and, if things have to change, they have to change. Is that a fair characterisation?

**Professor Roy:** In general, the more that we can set out, the better, and it helps the conversation more generally if we say what we have confidence in, what we do not have confidence in and what might change. There is a difference between doing that and going through a full comprehensive spending review at a micro level. People sometimes say that we do not have enough time or certainty to do that, whereas a lot more can be done at a strategic level to talk about the trends and pressures that exist. The more that we publish and the more we have that conversation, the better.

**Michael Marra:** We expect the UK comprehensive spending review to be published in June, but we have had an indication of what the budgets are going to be on a departmental basis through the OBR, so we understand those numbers. Should the Scottish Government not be undertaking its own comprehensive spending review now? Is there any reason for it not to be doing that?

**Professor Roy:** The obvious time to do that—if we ignore the cycles of elections and things like that—would be once the UK Government has done its spending review and provided detailed spending lines across the UK, because that gives the Scottish Government clarity on likely funding and so on. If I was to start with a blank sheet of paper, that would be the ideal time to do a root-and-branch comprehensive spending review.

**Michael Marra:** The departmental budgets will be as the OBR indicated in the spring statement. Is there any reason for the Scottish Government not to be working on the basis of those numbers?

**Professor Roy:** The thing that I was going to say that builds on that is that planning on spending should be going on all the time within Government. The idea that it should do this once every X number of years and then forget about it and just set annual budgets is quite odd. We have got ourselves into a quite odd place in how we do public finances in the UK, but also in Scotland. Actually, there should be on-going thinking about commitments and we should be setting out all the time what will happen to individual portfolios and what they will look like over the next three to four years. There is a separate question about how much should be published on that, but you asked whether internal work should be going on, and I hope that it is going on all the time.

10:45

**Michael Marra:** The way that it has been characterised to me by senior civil servants is that two thirds of the year is spent fighting to keep the money that was put in the budget in the first place—particularly in the context of the annual emergency budgets over the past three years—and the other third of the time is spent answering freedom of information requests. The ability for senior civil servants to do anything strategic to deliver against a policy is incredibly limited, which speaks to the need to do something that sets a longer-term trajectory.

What we have had so far from the Cabinet Secretary for Finance and Local Government is that a comprehensive spending review will begin only after the UK spending review, and there is some doubt as to whether that should report before the election. That will put us back in the spin of cycles, in which people cannot deliver. We will probably be working towards the last year of the current UK spending review. Is there not an imperative to get on and get this done sooner rather than later, so that people can start delivering the policies rather than fighting internally about budgets?

**Professor Roy:** A general comment is that spending reviews and looking at where we are heading should be going on all the time, and it should have happened many years ago. A comprehensive spending review, which is a root-and-branch review of all the individual lines, takes time and requires a lot of resource. It also requires ambition and the ability to not do what you were talking about, which is to say, “This is what we have spent always, and we just top it up.” It is about how we allocate the funding and about going back to the beginning and starting again with decisions on where to allocate the funding. That takes time. I do not know where the Government is with the planning on that or whether it has started to do it, but it will take time and it definitely needs to get done.

I have much more confidence that, once the comprehensive bit is done, that gives the baseline to monitor, update and flex on a regular basis. However, that does not mean doing it annually; it means doing it on a multiyear basis and saying, after the spending review, “This is what we thought we needed to do in order to tackle health inequalities.” Progressing over three to four years is a much better way of doing the whole budget process.

**Michael Marra:** Finally, on 16 January, Shona Robison, the Cabinet Secretary for Finance and Local Government, wrote to the Scottish Affairs Committee in Westminster stating that the policy of the Scottish Government is “full fiscal autonomy”. Has there been any indication to you

as to how the Scottish Government is pursuing what would be a major alteration to fiscal policy?

**Professor Roy:** We have not had any correspondence on that.

**Michael Marra:** Have you noted the correspondence to the Scottish Affairs Committee?

**Professor Roy:** Yes, but we have had no instructions on that, so we have not looked at anything like full fiscal autonomy.

**Michael Marra:** The Government expenditure and revenue Scotland figures for 2022-23 showed a fiscal transfer of £8.3 billion, rising to £12.3 billion for 2023-24, as a transfer within the current fiscal framework. Removing that money from the block grant would be a very significant policy alteration. Have you gone back to the Government and asked for clarity on its position on that?

**Professor Roy:** That does not lie within our remit, because you are looking outside the fiscal framework. The GERS numbers include the totality of public spending and public revenue in Scotland, and that is not something that we look at. We look at the existing devolved fiscal framework and forecast for that. We would not look at that, and we have not been asked to look at it by the Government.

**The Convener:** I have a couple of questions to finish off this evidence session. You talked about the fiscal sustainability documents and climate change plans. I would have thought that the Scottish Government would feed in the work that you have done when it is producing the fiscal sustainability document.

We also talked about the deadlines regarding the publication of the Scottish budget after the UK budget. I was quite interested in the deadlines in the letter of 24 March that Michael Marra referred. They seem to me to be very tight. For example, the deadline for the Scottish Government to provide the commission with information on policies is 4 pm on the following dates. Round 1 is Monday 31 March. The deadline for the Scottish Fiscal Commission to provide forecasts for that round, which is on Scottish income tax, is midday on Friday 4 April.

All the rounds—"round 1", "round 2", "round 3" and "final forecasts and policy costings"—have very short lead times. For rounds 1, 2 and 3, the deadline is three days; for the final forecasts, it is a couple of weeks. How are you able to produce comprehensive responses in that time?

We talked about four weeks being the optimum time to respond after a budget. I know that this is not on the same scale, but you are given those figures and then expected to turn them around in 72 hours or less, which seems very tight.

**Professor Roy:** We have a brilliant team that helps us to do it.

**The Convener:** I am well aware of that.

**Professor Roy:** You are right—it is a really intense period. We will maybe come on to talk about governance, but one of the big risks that we highlight in our corporate documents is that timelines are very tight, and absences or information technology issues can impact our ability to respond.

It is not as though the SFC and the Government sit around, then a starting gun is fired and we are away, because a lot of the work builds up to that point. One of the reasons for having a round 1 forecast is that it largely involves us updating our thinking from the previous few months. We update our projections and we get new data on tax, earnings and the economy or the latest news from Donald Trump. We put all that stuff into our first set of projections, which gives us a basis to move on. We also have a discussion with the Government before round 1, so that we are all on the same page about where our economy is heading. Similarly, we know that the Government will think about any policy changes that it wants to make well in advance of that process.

You are right—once we start, the period is quite intense, but we have done a lot of work before that. We very much hope that only marginal changes are made in that period. The Government might clarify a final policy change, and we might receive updated information from the UK—for example, we might put in information from the OBR into our forecast. We then walk through how those things change the scenarios.

**The Convener:** So, you feel that this is deliverable.

**Professor Roy:** Yes. It comes back to the point about the length of time that we have. The very short periods of time—three weeks in total—make it very difficult. More weeks would give us more resilience and time to do the work, but the point of the deadlines is that, if they are met, we commit to being able to deliver the forecast and support the budget process. If the deadlines are not met, that is where it becomes difficult.

A good example of that was the two-child limit issue last year, which we were informed about 10 working days after the deadline. We were told on a Thursday and the budget was on the Tuesday, so it was simply impossible for us to be able to turn things around and give you a document—

**The Convener:** That seems to be a habit of Governments. We heard that the OBR has been in the same situation due to the lateness of figures for the spring statement, so it is clearly an issue that has to be addressed.

**Professor Roy:** That is really important. We have independent fiscal institutions, and there are timelines and processes. It is really important that everybody sticks to those timelines and processes. It is important that we do so as well, because we are held to account.

**The Convener:** You are held to account on your forecast.

**Professor Roy:** Yes, exactly.

**The Convener:** If you do not get that information, you cannot really be held to account.

**Professor Roy:** It is really important. We do not want it to become a regular occurrence that Governments anywhere, of any colour, do not follow timelines.

**The Convener:** I am interested to hear that you are to provide the final forecasts and policy costings by 12 May but the MTFS is not going to be published until 29 May. Why is there such a long lag of 17 days? It is almost as if you are compressed into doing your work over a few days but the Government then has more than a couple of weeks to put it all together.

**John Ireland:** There are a couple of reasons for that. Importantly, the MTFS gives the Government the opportunity to think about the longer-term and medium-term issues that we have talked about this morning. To give the Government a base from which to work, we need to finalise the Government's funding envelope and social security forecast, and we need to give it a fair amount of time to work through quite difficult issues around how it can allocate its money over the next five years. The MTFS has a deliberate period, in which we deliver our final forecasts much earlier than we would for a budget.

Even once the forecasts are delivered, work is being done. At that point, we hope to see early drafts of the medium-term financial strategy and the fiscal sustainability delivery plan, and we will think about what we will say about the plans, the funding position and the reasonableness of the Government's borrowing requirements. An awful lot of other work has to be done once we deliver the forecasts, but it is a very deliberate design feature that we give the final forecasts to the Government early in the MTFS process, as it means that it has time to process and think through the tricky issues that are involved in medium-term planning.

**Claire Murdoch:** The protocol between us and the Government makes it very clear that the timeline for the MTFS forecast and the timeline for the budget are different.

**The Convener:** Does zero-based budgeting have a role to play in the comprehensive spending review?

**Professor Roy:** That is an interesting question. It will be interesting to see the Government's approach to the comprehensive spending review. We want to avoid an approach that is high level, in which the Government essentially says, "This is what we have at the moment and, given the allocations at the UK level, this is how we think we will allocate over the next wee while." We need a much more root-and-branch approach.

I was a Government civil servant in 2007, when the big comprehensive spending review took place—it really got into the detail and pushed areas such as what outcomes were being achieved. It comes back to Liz Smith's point about the effectiveness of spend. If we spend money in an area, what outcomes are we achieving, what are the key performance indicators, and what outcomes do we want to achieve in the future? Taking that approach is the most effective way to do it. It will be interesting to see what the Government sets out as its spending review approach.

**The Convener:** Thank you very much for answering our questions. We will have a wee five-minute break and then reconvene for the next round.

10:56

*Meeting suspended.*

11:03

*On resuming—*

## Scottish Fiscal Commission

**The Convener:** The next item on the agenda is our annual evidence session with representatives from the Scottish Fiscal Commission on how it fulfils its functions. For this item, we are joined by a much pared down group from the Scottish Fiscal Commission: Professor Graeme Roy, the chair; and John Ireland, the chief executive. As in the previous session, we move straight to questions.

In your report that was published last March, you recommended

“that the Scottish Government publish the costs of each policy and programme supported in the Climate Change Plan and Scottish National Adaptation Plan”

and that

“spend on mitigation and adaptation be identifiable in budget documentation and outturn so that spending plans can be linked to delivered spending.”

In the months since then, what progress has been made?

**John Ireland:** Recently, Graeme Roy wrote to the Net Zero, Energy and Transport Committee in response to a conversation that we have been having with that committee about the characteristics of a good climate change plan. The work that we have done since we published the report is to have those conversations about what a good climate change plan looks like. We have set out some thinking on the information that should appear in the plan about the mitigation policies, their impact on emissions and how their costs should be split between the public and private sectors. We think that that information should be available, and our views are contained in Graeme’s letter to the Net Zero, Energy and Transport Committee.

The other thing that we have been thinking about is updating the work that we did last spring. The Climate Change Committee has published a new UK carbon budget; it will soon give advice to the Scottish Government on a Scottish climate budget. Our intention is to do some work over the summer to update the analytical work that we did last spring and to give the Net Zero, Energy and Transport Committee a revised set of estimates in the light of the new climate budget for the UK as a whole.

**The Convener:** The OECD’s 2025 report on the Scottish Fiscal Commission was very positive, as you know from when we discussed it. You will have seen the *Official Report* of the committee’s deliberations from two weeks ago.

The OECD said:

“the SFC will need to broaden and deepen its spending analysis beyond social security. This will enable the SFC to undertake robust independent analysis of spending pressures across the budget and highlight in politically neutral terms some of the different ways in which they might be alleviated.”

I know that you welcome that. What would be the resource implications of it?

**John Ireland:** Do you mean the resource implications of that work for the Scottish Fiscal Commission?

**The Convener:** Indeed.

**John Ireland:** As you know, each year we put in a bid to the Government for multiyear funding. Last year, in preparation for the financial year that starts today, we make a multiyear ask, which the Government has given us in full. We are expecting confirmation from it very shortly of our plans for the next two years.

For that ask, we planned on the basis of setting up a new team in the commission to do that work. We reallocated resources internally from other areas in order to half fund that work, and we asked the Government for a bit of additional money to fund a new senior analyst post to head up that team. I cannot remember the exact increase, but the resource implications are relatively modest because we made some efficiency savings as well as asking the Government for additional money.

**The Convener:** I noticed that 80 to 81 per cent of your budget goes on staff and that you have underspent that by about 5 per cent in the past couple of years. If you were to do this additional work, would there need to be a significant expansion in the SFC’s budget, or are you reasonably confident that it can be delivered with the budget as it is?

**John Ireland:** I am reasonably confident that it can be done within the amount that we asked the Government for and that it gave us. There is some additional resource there.

You are right that we have underspent our budget in the past few years. In part, that comes from the asymmetric nature of the constraints on us: it is not good to underspend but it is very bad to overspend. Because of that asymmetry, and particularly given our role as the fiscal watchdog, we do not want to break the first rule of budgeting, which is not to overspend.

We are conscious that we are underspending, and we are trying to do things to improve on that basis.

**The Convener:** I do think that you should put the heating on in winter. Working with candles is

not as effective as working with electricity. [Laughter.]

**John Ireland:** I am pleased to say that a new electric boiler is about to be commissioned, so it will be more warm next winter.

We are now deliberately overbudgeting by a small—and, I hope, prudent—amount at the beginning of the financial year. So, we are running our staffing budget slightly hotter than we have done in previous years. One of our managerial problems is that, although we have 28 staff, it is hard to predict when people will leave. They can leave with a month's notice and it takes us about six months to recruit new people. For our latest addition to the team, we started the recruitment process back in December—there are long lead-in times to recruit and very short lead-in times when we lose people. That makes it difficult to manage the staffing budget.

**The Convener:** I am worried that the recruitment of Ross Burnside, with his outrageous financial demands, might tip you into deficit, so I hope that you will be reining him in early doors on that.

One document that you published was your corporate plan for 2022 to 2025. In that plan, there are four strategic objectives—I have them written here in front of me. Could you talk about them for a minute or two?

**John Ireland:** I did not print out the corporate plan, I am afraid. [Laughter.] I thank Graeme Roy for passing a copy to me.

You are correct. Let me just find the strategic objectives. The first is about providing forecasts of the economy, tax and social security. In a sense, that is about the delivery of our core statutory remit. We are very clear that those forecasts need to be independent of the Scottish and UK Governments. They need to be as robust as possible. The analytical quality needs to be good.

We are also aware of other aspects of the Government's budget. This morning, we have talked a lot about funding. That strategic objective was written a while back. In our next corporate plan, we intend to add more about analysing the funding and spending of the Government.

We also have a statutory duty, for each budget and each MTFs, to assess the reasonableness of the Government's borrowing requirement. Over the years, as you will remember, we have taken an increasingly broad view of that duty, which allows us to talk about the funding, the spending plans in total, the balance of those and any risks around that.

The third strategic objective is about the long-term sustainability of the Scottish budget. That is the objective through which we did the work on the

50-year projections that we published two years ago. We will publish our next set next Tuesday. That objective also allows us to do the work on climate change that we have talked about this morning. Our report next Tuesday will have a focus on health spending as well.

The final objective deals with our internal organisation and the fact that we need to be effective. We certainly need to be efficient in how we spend our money. The core of what we do is the people that we employ, as well as our commissioners—making sure that the team is of good quality, is skilled and has the right skills and knowledge.

Those are the strategic objectives and what they are intended to achieve.

**The Convener:** You touched briefly on risks. You have identified five potential areas of risk. When it comes to corporate systems, the annual report explains:

"This risk rose to and remained high amber for the second half of the year".

What is happening?

**John Ireland:** That risk is about the transformation. Last week, the permanent secretary spoke to you about the introduction of Oracle, a new system that covers both finance and human resources. That new system has very long-term benefits, but its introduction has been a lot of work, certainly for the Government but also for us, because we had to deal with new systems as we had churn in our corporate team, so there was a staffing issue about recruiting the right people at the right time, from a position of not being clear about what the Oracle system would deliver.

Those corporate risks are about the ability to pay our bills, monitor our finances and do our human resources work, given that we rely on the Government because the service is shared and the Government has been going through issues in its investment in its new Oracle cloud system.

**The Convener:** When it comes to independent financial institutions, the Scottish Fiscal Commission is considered to be one of the most independent not just in Europe but globally. The OECD said that there is a perception that there could be a potential threat to the SFC's independence: with

"the possibility of a changed political landscape ... tensions could emerge."

In evidence, the OECD explained that, potentially,

"a separate budget line in the budget for those institutions would mean that it would become increasingly transparent when changes were made."—[Official Report, Finance and Public Administration Committee, 18 March 2025; c 55.]

It also talked about multiyear funding, which you are keen on. Will you talk about those issues?

11:15

**Professor Roy:** I will go first, and perhaps John Ireland can talk about some of the specifics.

Ultimately, we are here to support the Parliament with the budget scrutiny and to support all parliamentarians and the Government through the budget process. On that basis, we are always subject to potential risk and change, and future Parliaments might decide to do different things.

The most important thing for us is to do our job as independently and effectively as possible, so we have the trust of parliamentarians. Ultimately, that is our best defence. They are our best stakeholders and the biggest supporters of the work that we do. That is the bit that is really important in managing that risk.

There is also a flipside of that risk, which is that the Parliament has to be happy with us, because if we were not performing effectively and were not doing our job, we should not just be able to continue on without that scrutiny and challenge. It works both ways.

John Ireland might want to say a bit more about the budget point. It was interesting that the OECD talked about having a separate budget line and potentially more multiyear asks. As chair, I can certainly say that we have a good relationship with the Government—John Ireland might speak a bit more about the day to day. The Government understands the value of what we do, so I do not sense any pressure on us about budgets. When we have conversations about additional asks, they are supported, but we are also mindful of the broader public finance landscape. As John Ireland said, when we have made an ask, we have made some efficiency savings in other areas to free up resource.

There is a risk around potential budgets, and, if you compare that with others that have their budgets ring fenced, there is additional certainty. It does not feel as though something is playing out as a day-to-day risk for us, because any of the conversations that we have had with the Government have mitigated that.

**John Ireland:** It might be worth saying a little bit more. At the moment, we have a separate budget line in the budget document, so how much we are being funded by for the next financial year is clear.

There is, however, room to be a little bit clearer about the following two years. At the moment, the process is that we make a multiyear ask of the Government and, when the budget bill has passed, the cabinet secretary writes to us to say that the Parliament has confirmed our budget for

the next financial year and the two following financial years, and it includes indicative budget lines. That process usually takes place around about now. We have not quite received the letter this time, but I am told that it is in the post—sort of, metaphorically.

We could have a little bit more clarity on that. It might also be useful to go through that process slightly earlier, so that it does not happen simultaneously with the budget. Perhaps we can put in our multiyear ask so that the Government can tell us the result before we start the budget forecast. That could be helpful.

It could also be helpful to firm up a little bit what an indicative funding line is. As well as telling us what those lines are earlier, the Government needs to be clear that it is some sort of baseline that it intends to stick to unless there are business case reasons for changing it—if we take on more work, for example. We just need a little bit more clarity on what indicative funding would look like, and we also need to accelerate the process of the multiyear ask, so that it is concluded before the budget forecast starts.

**The Convener:** Another potential risk is deterioration in relationships with partner organisations. The annual report says that the risk

“first decreased but then rose to and remained amber for the last quarter, reflecting a very challenging Budget process and changes in our Scottish Government liaison team.”

**John Ireland:** That was not the budget that has just gone through the Parliament. That was the previous—

**The Convener:** Yes, indeed, because it is a 2023-24 report. I appreciate that.

**John Ireland:** Mr Yousaf was First Minister. If you remember, the difficulty of that budget process was with the income tax decisions and the discussions that the Cabinet was having about them. The risk register reflected that. At the same time, there was a transition when our old liaison team within the Government was being redeployed and we were being moved to a different directorate.

I am pleased to say that that move has worked out well. The new liaison team is really good. It is located at exactly the right place in the Scottish exchequer. They are the people who are actually doing the budget work and the MTFs work, so that new liaison team is really good—[*Interruption.*]

**The Convener:** In our previous evidence session, we touched on the issue of communications and how difficult it is to get things out to a wider audience. Last week, I spoke about fiscal literacy among MSPs. We have constituency work, which, certainly for me, is about 70 to 80 per

cent of my weekly workload. We then have our parliamentary duties on top of that. If people are not necessarily focused on finance, they might not have a deep grasp of the fiscal framework, frankly. Do you believe that you have a role to play there? When members are elected to the Parliament next year, I do not know how many of them will be new MSPs, but it could be 30 or 40 per cent of them or more. The SFC could perhaps play a role in the training—for want of a better word—of new members on fiscal issues.

**Professor Roy:** I very much hope so. A large part of what we have been doing involves investing in resources that will let us do that. John Mason mentioned the videos that we have made. They are on the stocks now, and people can use those.

We have done some training with Parliament staff and officials on the budget process, in which we have walked people through it. We very much hope that we will be able to play a role in helping new MSPs to get up to speed with the budget process and the key elements of it.

We have been and are always open to having conversations with any member of the Parliament about the budget process. I confess that I have a folder containing the guide to the fiscal framework. Before we start the budget process, I read it once again, because, even for those of us who work on it all the time, remembering everything and all the numbers is really complex. We would be more than happy to speak to people and walk them through some of the key elements. We would be happy to be on hand to support MSPs both in the initial period and through the next parliamentary session.

**The Convener:** I have spoken at a few SPICe briefing sessions, and I will be doing another one this month. They are usually held at about half past 8 in the morning, and the difficulty is that they are held on the same days as committees. Some people who want to come along will email me saying, “I really wanted to come along, but we’ve got our committee.” They might not be able to come if they are preparing for a committee meeting. Is there any possibility, looking to the future, of having those at lunchtime, after the committee meetings have ended but before we have the afternoon plenaries? That could perhaps be a way of increasing participation.

**Professor Roy:** Definitely. We are entirely in the hands of the people who think about how that would work best—parliamentary staff and MSPs. We are more than happy to do that.

One of our core objectives involves our engagement strategy. We proactively go out and speak to MSPs and their staff informally or at events. We are more than happy to do that.

**Michelle Thomson (Falkirk East) (SNP):** Good morning, and thanks for joining us. I will follow on from the convener's commentary about the challenge of building and sustaining MSPs' knowledge of—and the critical importance of understanding—where money is coming from, where it is going and the wriggle room therein.

Given your slight underspend on staff costs, have you ever thought about consulting with a public affairs company? I appreciate that, as a public body, you probably do not want to be in the business of paying a very expensive company on an on-going basis, but it might be possible to get one to set up an initial strategy that you could then run with. I appreciate the complex challenge of messaging.

**Professor Roy:** When I joined, I started to set out an internal communications strategy within the commission. I have touched on this before, but there is a role that we can play, given our resources, and there is a role where we can contribute as part of a wider team.

To explain that a bit more, where we can add value is in helping people who really need to know the intricacies of the fiscal framework in detail; that is, people such as yourselves, as MSPs, and broader stakeholders. We have prioritised a lot of our effort and engagement work on that. Alongside that, we have increasingly been doing work in relation to almost a second tier of stakeholders that we need to speak to, made up of key leaders in public bodies and key strategic leaders in Government or related sectors, such as business leaders, university principals and chief executives of local authorities. In relation to them, it is less about the specifics of the fiscal framework and more about what is happening in demographics or overall trends in spending. Those have been revealing and interesting conversations. That is also an area of priority.

The third area is about thinking about the public affairs strategy and how we engage with the broader public. We can do some of it, but we can do it only within our resource and as part of a much bigger effort to talk about budget issues. We spend quite a bit of time explaining what we are doing to people such as Douglas Fraser at the BBC and Peter MacMahon, when he was at ITV Border, who can help to get the really big messages out into the public domain. However—this comes back to the question about the Netherlands—even if we put a lot of resource and effort into that, we need a strong media and a strong level of engagement with these sorts of things in order for that to be picked up. We can do lots of press releases, but, unless they get picked up, we could be expending a lot of effort for not that much output.

**Michelle Thomson:** I think that we all agree about that concern. I was thinking about the creative and adaptive ideas that a public affairs company might be able to come up with, which we, collectively, have not thought of yet. If it were me, I would think that it might be worth having a chat with them. They will try to sell you chapter and verse, which you will obviously resist, but you might get some hot tips in the meantime.

**Professor Roy:** That is exactly right. If you know anyone who can give us a good discount, let us know. *[Laughter.]*

**Michelle Thomson:** Okay.

I will quickly pick up on your climate change report. I know that we have already covered that a wee bit, but you may recall that I was impressed by that targeted focus on a specific policy area. Do you intend to refresh that report? I know that we have talked about other policy areas as well, but what is your intention with that work?

**Professor Roy:** John, do you want to explain a bit about what we are doing on climate?

**John Ireland:** As I said earlier, the Climate Change Committee has now produced the next carbon budget for the UK and it is about to advise the Scottish Government on a climate budget and targets. On the back of that work, our plan is to update our report over the summer, and we hope to have it updated before the Parliament comes back in September. Given the rumours about when the climate change plan might be published, that timing is probably helpful.

**Michelle Thomson:** That is helpful.

The main gist of what I want to ask, which will probably not come as a surprise to you, is about your annual report on diversity and inclusion. I do not want to sound a little rude but, to be honest, it read to me as saying that you were definitely going to do something at some point but that that point is undetermined in terms of specific dates or saying that you are going to take action X by this date. It would be useful if you could walk me through your plans.

I appreciate that there are constraints; I appreciate the environment and economics and so on. However, let us start from board level and take it down. My particular concern is about giving representation to 51 per cent of the population, whose voices we simply do not hear.

**Professor Roy:** I will pick up on the commissioners, and then perhaps John Ireland can explain a bit more about that within the team.

Michelle Thomson is entirely right. We do not meet any of the targets around what we should do. It was one of the first things that I wrote to John about when I joined, because we appointed myself

as chair, renewed two commissioners and appointed a new commissioner all at the same time, meaning that, when I became chair, I inherited four men working as commissioners.

Michelle Thomson is right that there are a couple of things in that. One point is that it reflects a large part of the economics profession, which is not great at all and which gets swept up into that. However, a lot of progress is being made in economics, which is helpful, and which we will be able to tap into.

11:30

I have talked to John about the timing of the next steps and how we can start to address the issue. The nature of the commissioners is that we are all appointed for fixed terms, so—and this brings me back to your question about the next time that action will be taken—we cannot really do anything until we recruit the next batch. That means that what we do over the next few months will be really important both for the organisation and for recruiting the two new commissioners. We have an opportunity to address the balance within the commissioners, too.

I can explain a bit more about our intentions in that respect and what we are trying to do, but, on your question about timescales, we were constrained by the nature of the appointments that were made when I joined. We now have two new appointments to make and we are moving into the timescale for taking action.

**Michelle Thomson:** I would like to hear a wee bit more about that, but I suppose that I would have liked to have seen a much clearer recognition of that in the annual report itself, with at least something more about the specific actions that you might take. It read to me as though you were just saying, “Yeah, this is a problem and we’re definitely going to do something at some point.”

My understanding is that you can look to widen things out beyond economics, and that will clearly have a benefit with regard to cognitive diversity, which is the other side issue of having all men in these positions. Can you give us a bit more of a flavour of what you are thinking? Having cognitive diversity on boards or via your commissioners will be a good thing anyway, regardless.

**Professor Roy:** Perhaps I can make a couple of points on that.

In each governance board meeting, we have an agenda item on diversity in which we discuss such issues and what our next steps will be. That also takes us into the next stage, which is recruitment, and there are a couple of things that we can say about that process. First, a challenge is that,



historically, the commissioners have had not only a governance role but a technical expertise role. If you want economics to be represented, I point out that at Glasgow university, where I am, there is, I think, one female professor in the entire economics department. It is an issue right across the economics profession, and a lot of work is going into it. That is not to say that we cannot target or explore things; indeed, it is our intention not to use a consultant to recruit, because we think that we can do a lot more targeted work ourselves by going out and speaking to key people and so on.

The second point is about the nature of the role and the time required to carry it out. The time needed from the commissioners makes it relatively difficult for us to get a pool to attract from. It is more work than a simple half a day a month-type governance role, but it is not a full-time role either, which makes things slightly challenging.

My third point comes back to what you said about the skill set. Before I joined the commission, the approach to recruitment was to get an economist—in fact, an academic economist. That was what people had decided that the commission needed. Looking back, I can see that that probably made sense up to a point, because of the focus on economic and tax forecasts, but what we do now—and what we spend most effort on—does not actually involve economics and does not require an economics academic. That is still a core element, and we still need some of that expertise, but, with the expansion of our work, we need people who understand social security, public spending, demographics, climate change, statistics and the public sector. The commission's remit has grown a lot, even in the past three years that I have been part of it, although it was changing before that. Therefore, the type of candidate that we are looking for will have a broader skill set.

One of our actions is to be very clear about that. Indeed—and this brings me back to your point about diversity and ways of thinking—I hope that the requirement for different ways of thinking and a different skill set from what we have had in the past will, in turn, open up a much bigger pool of people. Clearly, we will then follow all the various processes, and we will see the best candidates coming through, but that should, I hope, be a way of expanding the range of applicants for these roles.

**Michelle Thomson:** I have one last wee question on a different area before I hand back to the convener.

I know that it is always hard to get a picture of risk assessment with annual reports, because they represent a fixed point in time, but I did not really get a sense of the dynamic flow of the probability

of a risk occurring and I found it hard to grasp. I do not know whether you have thought about how you would represent that. I appreciate that what is in the report is fixed, but there is nothing on the probability of such an occurrence.

**Professor Roy:** John may want to explain a bit about the risk process and how we manage risks.

**John Ireland:** At the core of the process are our quarterly discussions at the governance board and the audit and risk committee. For those, we prepare a set of very full risk cards, so what you see in the annual report is only the highlight. The document that I have here takes a more dynamic approach—it talks about what the situation was at the previous meeting of the audit and risk committee; our assessment now, and how and why that has changed; and what we are doing in addition to mitigate that. That represents the formal process that we go through, so that the members of the audit and risk committee, including our two external members, are aware of the evolution of risks and how they change over time, and what we are doing about that.

As a senior management team, we also have regular risk discussions to support that process. In addition, we work very much in a risk-based way, so we are always looking for things that can go wrong. We have talked quite a lot about the forecasting process, which is quite a good example of that. We have a concentrated 10-week period in which a lot of things can go wrong, including things such as people being off sick or being on paternity leave. As those things evolve, we talk through them daily or weekly; so, again, the process is very dynamic.

We involve the commissioners in that work as well. If something looks particularly difficult in producing the forecast, we will talk to the commissioners about that, and we will also be adjusting our plans. We work in a very dynamic way to take account of risk.

There is also the very formal quarterly process, which is documented, and which we talk through with the governance board and the audit and risk committee.

**Michelle Thomson:** That is very helpful. Thank you. It would be helpful to include in your report a sentence that sets out the fact that you have static representation but a very dynamic process. You have basically answered my question regarding what I wanted to hear.

**John Mason:** My questions follow on from some of the things that Michelle Thomson asked about. There are between three and five commissioners, and you say that the scope is widening. Is between three and five the right number, or should we be looking at that?

**Professor Roy:** There are four of us, and I think that that is a good number. Obviously, the chair has wider responsibilities, but having three other commissioners who have—one would hope—quite a diverse skill set and a different set of views on things means that there is quite a nice conversation. On a practical point, it helps with drafting and looking at work—when we have the numbers and we are working quickly, it helps with the context.

It also builds in a bit of resilience. For example, if we had only three commissioners and we were to lose one, we would be down to two. We could still function, but there would be a lot of pressure. With any more commissioners, conversely, we would potentially run the risk of having too many people commenting on the work. I think the optimal number is four commissioners, but we could live with three.

**John Mason:** I noticed that all the commissioners—barring yourself, I think—are on the audit committee, which strikes me as a little bit unusual.

**Professor Roy:** In large part, that is the nature of our being a small organisation. We have only four commissioners and 20 to 25 members of staff, so that is the nature of where we are. However, I think that the governance works well. I attend the audit and risk committee as an observer, as it is useful to hear what goes on, but it is chaired by another commissioner, who very much drives the agenda and then reports to the Government—

**John Mason:** There are outside members on that committee, too.

**Professor Roy:** Yes, there are outside members, who add a lot to it.

**John Mason:** I think that underspends are a good thing and that that money does not need to be spent—although Michelle Thomson obviously thinks that it does. We would do a lot better if more sectors of Government underspent.

Box 2 on page 21 of the OECD report looks at how, in comparison to other countries, the SFC is operating in quite a “high-stakes forecasting environment”. That is the OECD’s choice of wording. All of us together—we, you, and the Government—have less room for manoeuvre than we would in other countries. I was interested to read that the average deficit in OECD countries is 1.4 per cent of gross domestic product, yet we are allowed a deficit of only 0.6 per cent of GDP. I think the OECD’s point is that there is a reputational risk for the SFC because you will get part of the blame if something goes horribly wrong. Is that a problem?

**Professor Roy:** It is a risk. There is a challenge in that the nature of the framework means that any large measurement error in our forecasts or in the OBR forecast can lead to quite a significant reconciliation, which could lead to budgets being amended on the back of that. That is the nature of the process. It is what we signed up to and it is the framework that we have committed to, so it is a large part of what we have to deal with.

We try to make the best possible forecasts, but we are also clear about where we see potential risks and variations coming down the line. For example, we have repeatedly highlighted the fact that our forecast for earnings has been slightly more optimistic than that of the OBR and that, if the two align, there is a risk to the net tax position in the future. We have also highlighted the risks regarding some of our judgments on social security, because we have not yet had data. We are making what we think is our best assessment about trends, but we do not yet know what the take-up or outflows will be, which creates a risk.

I agree that the nature of the framework means that it is more constrained, which means that the risks are higher and that we have to get even better at communicating and talking about the trade-offs and the need for a plan to manage those risks.

**John Mason:** That is something that we have to live with.

I already spoke about how we compare with other IFIs, if that is the right term. We have accepted that one in the Netherlands is not a good comparison, because it has more resources and the media takes a more in-depth interest in it. Do you compare yourselves to international organisations and do you do that at a national level or at what we might call a sub-state-level? Can you learn lessons from any of those groups?

**Professor Roy:** We are part of a couple of networks. The OECD has its own network of fiscal institutions and we are part of that and attend meetings as and when they take place. Unfortunately, this year’s meeting is in Santiago and we did not think—even with the underspend—that we could justify a trip to South America. In principle, we engage a lot and the OECD shares lots of helpful resources and information.

We have close and effective links with the OBR, which is our closest partner because it operates in a similar framework. There is a lot of engagement and knowledge sharing and a lot of learning about what other people have been working on.

We are relatively unique in being part of a larger fiscal framework. A lot of the other independent fiscal institutions are at the state level, with the one for the Netherlands covering the Netherlands as a whole. We have the slight issue of being what

the fiscal language would call a sub-central tier, which makes us quite unique.

**John Mason:** Are you saying that the German Länder or American states would not have that?

**Professor Roy:** The Canadian provinces have some, and there are some in Switzerland, but that is because of the federal governance systems that operate there and it is not the standard way of doing things.

**John Mason:** So, it is relatively unusual from that point of view.

**Professor Roy:** Yes.

**John Ireland:** We are also unusual in that we produce our own forecasts, rather than commenting on other people's forecasts. The OBR is in a similar position, although it asks His Majesty's Revenue and Customs and the Department of Work and Pensions to do the analytical work. We are unique in that we produce our own forecasts in house.

11:45

**John Mason:** I seem to remember that that was discussed at great length many years ago.

**John Ireland:** Indeed.

**John Mason:** Your annual report indicates that you do not yet have a legal responsibility under the public sector equality duty. Perhaps I should know this, but could you remind us whether that will become a legal responsibility?

**John Ireland:** I cannot remember exactly when that will happen, but we comply with it voluntarily. There is a duty to produce data on the gender pay gap and things of that nature.

**John Mason:** I was struck by the phrase

"The Scottish Fiscal Commission is not yet subject to the Public Sector Equality Duty".

If I have heard an explanation as to why that is, I have forgotten it, and I would be interested to know more. It would be great if you could come back to the committee at some point with information on when it will become a legal responsibility.

Recruiting staff has been marked as one of your risks. Is it a difficulty? I see that you are changing from a 37-hour to a 35-hour working week. I would have thought that that would be more attractive when you are recruiting staff, but it might not be.

**Professor Roy:** I can give a high-level explanation. It comes back to our reputation. If we are an effective organisation with a strong reputation, that will make the SFC an attractive place for people to work. We engage quite a lot with the various economics, statistics and

research departments across the country, and we attend careers fairs to talk about and promote the work that we do. We hope that those things help us to become an attractive environment.

As we are a relatively small organisation, if we lose a key member of our team during a difficult moment in the year, recruiting quickly is more challenging than it might be for other organisations. We do not have large numbers of people whom we can just plug into the organisation. That is a potential risk. John Ireland can explain a bit more about it more generally.

**John Ireland:** We work very hard on our recruitment. One thing that is really important is ensuring that people who do not already work in the civil service can apply with ease and that we address any perceived difficulty with the process. We have spent a lot of time trying to make our recruitment process more straightforward, as well as explaining it and hosting webinars when we advertise posts, which has helped.

Graeme Roy is right that our reputation also helps. We had more than 200 applications for our last analytical vacancy—that was just one vacancy. We are attractive as an employer. We are part of the Scottish Government's bargaining block, which means that our terms and conditions are tied to the Scottish Government and that people who work for us can apply for internal Scottish Government jobs, which is very attractive. Similarly, people who work for the Government can apply for our jobs, which are not always advertised externally. A young person who comes to work with us straight after university can work for a couple of years and then move into a Government economist or statistician role, which offers them a really good career path. I think that people appreciate that.

**John Mason:** We have already talked about your interaction with MSPs and their understanding of the fiscal framework and so on. I know that, as well as working with us, you have worked with the Social Justice and Social Security Committee, and I think that you have worked with the Health, Social Care and Sport Committee, because you are doing a report for it. Have other committees shown any interest in engaging with you?

**Professor Roy:** We have given evidence at the Net Zero, Energy and Transport Committee and the Economy and Fair Work Committee. Typically, those are the committees that invite us to speak. To be fair, that is a result of our contributions to broader committee discussions and scrutiny of policies such as net zero rather than those committees explicitly thinking about how the fiscal framework or the budget would relate to the economy or aspects of it.

**Liz Smith:** Paragraph 1.2 of the OECD report is titled “The SFC has strengthened relationships with key stakeholders”, and you mentioned some of those stakeholders. Why do you think that your relationships have improved? Is it because your personal contacts are very strong, or is it because you have a greater understanding of those stakeholders and more data on what they are doing?

**Professor Roy:** There are a couple of things to say. One is that we have made a concerted effort, as part of our communication strategy, to speak to the key stakeholders. We have identified the stakeholders that we think should be thinking about and be aware of the issues. A lot of the time, if we are publishing a report that we think is relevant, we will get in touch with and write to stakeholders. For example, when we publish our health report next week, we will not just write to the committee; we will get in touch with NHS boards, Public Health Scotland and so on. We will then offer to speak with them. Also, when they have events on, we will volunteer to come along for those.

That goes back to the point about skills and commissioners. That was not really part of the job profile of commissioners, but it is something that we are putting into the job description for the next round of commissioners. We want them to be people who can go out and talk about our work across a wider group.

**Craig Hoy:** I have a follow-up question on diversity and inclusion based on the table that is part of paragraph 85 of the “Annual Report and Accounts for the year ended 31 March 2024”. On those who apply for roles in the organisation, it has numbers for the categories of male, female and those who prefer not to say, but you have not provided information on the numbers who were successful at interview or who agreed to start broken down by gender. The notation says that that is

“suppressed due to the small numbers involved.”

You can say that a total of five people were successful at interview. What is the threshold that prevents you from telling us what the gender make-up is of that number?

**John Ireland:** I think that it is about one or two. With those numbers, it becomes very clear that, were we to say that the next person whom we are appointing is of a particular gender, that is disclosive information. It is a standard statistical practice that we follow.

**Craig Hoy:** Okay. The table mentions protective characteristics or something. It just seemed a bit odd that you could identify that five people were appointed but you could not break that down.

**John Ireland:** The threshold is lower than five, obviously.

**Craig Hoy:** Fine.

On the broader role and remit of the organisation, the OECD points to there potentially being an issue in relation to your independence and funding. Can anything be done that could give you greater clarity that this Government or a future one might not use funding as a means by which to somehow neuter your activities?

**Professor Roy:** I will let John Ireland come in on some of the specifics. That goes back to the point about the bid for multiyear funding. I am quite relaxed about us not having written into tablets of stone guaranteed funding that no one should ever touch, because we have to be accountable for what we do. Our being visible and, I hope, constructive means that it would be very difficult for a future Government to cut our funding in a targeted way if it did not like what we were doing, because that would then be exceptionally visible to the committee and to parliamentarians more broadly.

The funding is published on a separate line, which feels right to me. We have a very good relationship with this committee. I would have no hesitation in writing to the committee to say that the Government was cutting our budget, to set out that we would have to scale back our operations and to ask for support. That is an effective way of doing things. It gives us a guarantee that we know that that support and engagement would be there.

There is a challenge in funding being fixed. As John Ireland said, in recent years we have been asking for more. The Government has been asking us to do more on fiscal sustainability and has been open to us doing more on spending and so on. Therefore, the bid goes up.

As John said, there might be an opportunity for the Government to say what our funding is for the next year and what our indicative funding is, but that would almost be like a baseline or a floor and it might ask us to do more in the future. That might be one area in which you could strengthen it.

**Craig Hoy:** On staffing numbers, if I am reading the figures correctly, you have about 20 staff.

**John Ireland:** The current staffing level is 28.

**Craig Hoy:** I think that the OBR has about 52 staff. You identified the issue in relation to the way in which the OBR operates in forecasting for the Treasury and undertaking other modelling, and you identified that the situation with the fiscal framework is more complex. Is it just a given that, because we do not have the economy of scale in Scotland, the SFC appears disproportionately large compared with, for example, the OBR?

**John Ireland:** The reason for the disparity is that the OBR gets the DWP and HMRC to produce its tax and social security forecasts, whereas we do those in house. If you count up the number of people in HMRC and the DWP who work on the OBR's forecasts—I cannot remember whether that has been done recently, but it was certainly done about five years ago, when the OBR was reviewed—you find that our staffing is not disproportionate.

**Craig Hoy:** I got that impression.

In all Governments, including in the UK, I assume that there is merit in having a look at whether the structures are fit for purpose and as efficient and effective as possible. You came into being formally in 2016, which was a time when, politically, there was a sense of what I would call Scottish exceptionalism—other people might come to a different conclusion on that. Given the interdependence of and interconnectivity between the Scottish and the UK public finances, and given that the bodies that we have in the UK are not asymmetrical—that came up when we were in Belfast recently—is there merit in looking again at whether the structure that we have is the most effective and efficient one? Is there a case, for example, for considering somehow making the SFC part of the OBR, as its Scottish division? Would that not also perhaps have the merit of making you slightly more distant from the Scottish Government, which would address any underlying concerns about your independence from Government?

**Professor Roy:** I am entirely relaxed about future structures, what we look like and what a future Scottish Fiscal Commission would do. The most important thing for me is whether the commission does its job effectively and whether it does its scrutiny and challenge work independently of Government. I would say quite strongly that, under the current framework of the commission and in our current performance, we do that. We have that independence, impartiality and element of trust. That part of it has worked over the first nine years, or whatever it is, of the organisation being formally in place. We would not want to lose that. It is up to others to decide how it evolves and what it looks like.

There are advantages from being close to the OBR when it comes to the information and so on that it has. We already get a lot of that anyway. We have a really good and effective working relationship.

**Craig Hoy:** Yes, I know that there is a memorandum of understanding. Is there any duplication that you could identify on which the MOU could go further or could be looked at again, perhaps to make things better for your workload and that of the OBR?

**Professor Roy:** We have an effective working relationship. The point that I was going to make—I will let John Ireland come in on this—is that there is an advantage in having something separate in Scotland. I agree that there is a debate to be had about people's views on the specifics and size of that. The advantage of having a distinct organisation in Scotland is that our budget process is so distinct from how it works in the rest of the UK, whether in Wales, Northern Ireland or the UK Parliament, that it would be a tough ask for the OBR to pivot very quickly to do the specific Scottish bit.

In addition, by having an institution in Scotland, there is accountability, because, ultimately, we are accountable to the Parliament. There is a question about who the OBR would be accountable to in the Scottish context, whereas you can call us to account.

There are merits in having a look at this, but, for me, it is about protecting the independence and impartiality of the organisation. Perhaps John would like to add something about relationships with the OBR.

**John Ireland:** We try to work as closely with the OBR as we can. There are areas on which we have more expertise than it does about things that it forecasts. For example, it has responsibility for forecasting certain lines of Government expenditure in Scotland, and we help a lot in that space because we do the social security forecast; it is obviously an OBR forecast, but we help a substantive amount. Similarly, it has responsibility for producing a forecast at a UK level for some devolved taxes, and we help with the Scottish component. Again, it is an OBR forecast, but we try to help to make those things as efficient as possible. There is a lot of stuff that goes on underneath, which is helpful and improves efficiency as well.

To go back to what Graeme Roy was talking about, I think that one of the really good things about our act—the Scottish Fiscal Commission Act 2016—is the requirement for a formal independent evaluation every five years. We have just gone through the second one. That is a really good place to talk about these issues and to ensure that we are performing as required, as well as to ensure that other organisational forms are considered.

12:00

**The Convener:** The OECD report said that the SFC is as independent as the OBR, if not more so. If the Scottish Government tried to cut your funding, I think that you would find that the coverage that you got in the Scottish media would be a lot higher than it probably is at present, so I

do not think that there is any likelihood of that happening.

That concludes our questions. Are there any final points that you want to raise on any issues that you feel that we should have touched on but have not?

**Professor Roy:** I do not think so. The only thing to flag is that our next fiscal sustainability report will be out on Tuesday. We look forward to speaking about that and then, in May, about the medium-term financial strategy. There is quite a lot on, and I hope that we might pick up some of this stuff again when we talk about those things.

**The Convener:** I thank you all for your contributions this morning, which have been very helpful.

12:00

*Meeting continued in private until 12:25.*

This is the final edition of the *Official Report* of this meeting. It is part of the Scottish Parliament *Official Report* archive and has been sent for legal deposit.

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