

# Assessment of compliance with the Code of Practice for Official Statistics

## Statistics on Government Expenditure and Revenue Scotland

*(produced by the Scottish Government)*

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### **About the UK Statistics Authority**

The UK Statistics Authority is an independent body operating at arm's length from government as a non-ministerial department, directly accountable to Parliament. It was established on 1 April 2008 by the *Statistics and Registration Service Act 2007*.

The Authority's overall objective is to promote and safeguard the production and publication of official statistics that serve the public good. It is also required to promote and safeguard the quality and comprehensiveness of official statistics, and good practice in relation to official statistics.

The Statistics Authority has two main functions:

1. oversight of the Office for National Statistics (ONS) – the executive office of the Authority;
2. independent scrutiny (monitoring and assessment) of all official statistics produced in the UK.

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## ASSESSMENT AND DESIGNATION

The *Statistics and Registration Service Act 2007* gives the UK Statistics Authority a statutory power to assess sets of statistics against the *Code of Practice for Official Statistics*.

Assessment will determine whether it is appropriate for the statistics to be designated as National Statistics.

Designation as National Statistics means that the statistics comply with the *Code of Practice*. The *Code* is wide-ranging. Designation can be interpreted to mean that the statistics: meet identified user needs; are produced, managed and disseminated to high standards; and are explained well.

Designation as National Statistics should not be interpreted to mean that the statistics are always correct. For example, whilst the *Code* requires statistics to be produced to a level of accuracy that meets users' needs, it also recognises that errors can occur – in which case it requires them to be corrected and publicised.

Assessment Reports will not normally comment further on a set of statistics, for example on their validity as social or economic measures. However, Reports may point to such questions if the Authority believes that further research would be desirable.

Assessment Reports typically provide an overview of any noteworthy features of the methods used to produce the statistics, and will highlight substantial concerns about quality. Assessment Reports also describe aspects of the ways in which the producer addresses the 'sound methods and assured quality' principle of the *Code*, but do not themselves constitute a review of the methods used to produce the statistics. However the *Code* requires producers to "seek to achieve continuous improvement in statistical processes by, for example, undertaking regular reviews".

The Authority may grant designation on condition that the producer body takes steps, within a stated timeframe, to fully meet the *Code's* requirements. This is to avoid public confusion and does not reduce the obligation to comply with the *Code*.

The Authority grants designation on the basis of three main sources of information:

- i. factual evidence and assurances by senior statisticians in the producer body;
- ii. the views of users who we contact, or who contact us, and;
- iii. our own review activity.

Should further information come to light subsequently which changes the Authority's analysis, it may withdraw the Assessment Report and revise it as necessary.

It is a statutory requirement on the producer body to ensure that it continues to produce the set of statistics designated as National Statistics in compliance with the *Code of Practice*.

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# 1 Summary of findings

## 1.1 Introduction

1.1.1 This is one of a series of reports<sup>1</sup> prepared under the provisions of the *Statistics and Registration Service Act 2007*<sup>2</sup>. The Act requires all statistics currently designated as National Statistics to be assessed against the *Code of Practice for Official Statistics*<sup>3</sup>. The report covers statistics published in *Government Expenditure and Revenue Scotland*<sup>4</sup> (GERS) which is a National Statistics product released by the Scottish Government.

1.1.2 This report was prepared by the Authority's Assessment team, and approved by the Board of the Statistics Authority on the advice of the Head of Assessment.

## 1.2 Decision concerning designation as National Statistics

1.2.1 The Statistics Authority judges that the statistics covered by this report are readily accessible, produced according to sound methods and managed impartially and objectively in the public interest, subject to any points for action in this report. The Statistics Authority confirms that the statistics detailed in 1.1.1 are designated as National Statistics. This designation is subject to the Scottish Government implementing the enhancements listed in section 1.5 and reporting them to the Authority by July 2011.

## 1.3 Summary of strengths and weaknesses

1.3.1 These statistics have been the subject of considerable controversy and in 2007 the Scottish Parliament's Finance Committee convened a special session to consider whether there had been any ministerial involvement in their production. The Assessment team found no evidence of ministerial interference, although it considers that the Scottish Government could do more to demonstrate that all decisions about these statistics are taken in the public interest. The Scottish Government has improved the accuracy of these statistics following a major review in 2007 and 2008. There remains scope for the Scottish Government to provide additional information about their accuracy.

1.3.2 The statistics are presented impartially and objectively. They would benefit from additional explanation and commentary to aid interpretation. The Scottish Government provides detailed information about the methods, procedures and classifications used in the production of these statistics and provides clear explanations of why particular choices have been made. The Scottish Government engages effectively with the expert users of these statistics that are represented on the Scottish Economics Statistics Consultation Group, although more could be done to document the needs of users of these statistics

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<sup>1</sup> <http://www.statisticsauthority.gov.uk/assessment/assessment-reports/index.html>

<sup>2</sup> [http://www.opsi.gov.uk/Acts/acts2007/pdf/ukpga\\_20070018\\_en.pdf](http://www.opsi.gov.uk/Acts/acts2007/pdf/ukpga_20070018_en.pdf)

<sup>3</sup> <http://www.statisticsauthority.gov.uk/assessment/code-of-practice/index.html>

<sup>4</sup> <http://www.scotland.gov.uk/Topics/Statistics/Browse/Economy/GERS>

and their experiences. The Scottish Government incurs very modest resource costs in producing these high profile statistics.

## 1.4 Detailed recommendations

1.4.1 The Assessment team identified some areas where it felt that the Scottish Government could strengthen its compliance with the *Code*. Those which the Assessment team considers essential to enable designation as National Statistics are listed in section 1.5. Other suggestions, which would improve the statistics and the service provided to users but which are not formally required for their designation, are listed at annex 1.

## 1.5 Requirements for designation as National Statistics

<b>Requirement 1</b>	(a) Consult users about their views on the presentation of <i>GERS</i> and the associated commentary; and their experiences of the statistical service, the data quality, and the format and timing of reports; and (b) publish the findings in order to improve the use made of these statistics and the types of decisions they inform (para 3.3).
<b>Requirement 2</b>	Announce changes to methods or classifications well in advance of the release of the changed statistics (para 3.5).
<b>Requirement 3</b>	Publish information about the respective roles of the Scottish Government's Chief Statistician and its Chief Economic Adviser in the production of <i>GERS</i> and how these responsibilities comply with the <i>Code of Practice</i> (para 3.10).
<b>Requirement 4</b>	Provide more detailed information about the accuracy of these statistics, including information about the main sources of bias and other errors (para 3.21).
<b>Requirement 5</b>	Include comparisons between Scotland and the UK for the headline estimates concerning the balance between expenditure and revenue in <i>GERS</i> , accompanied by suitable commentary (para 3.24).
<b>Requirement 6</b>	Provide additional explanation and commentary to aid interpretation of <i>GERS</i> (para 3.32).
<b>Requirement 7</b>	Release the <i>GERS</i> tables in forms that allow for further analysis and re-use, and that are convenient to users (para 3.33).
<b>Requirement 8</b>	Announce a timetable for the release of these statistics twelve months ahead (para 3.36).

**Requirement 9**

Clearly label statistical and ministerial news releases for *GERS* to distinguish them from each other (para 3.40).

## 2 Subject of the assessment

- 2.1 The Scottish Government publishes statistics about public sector accounts in Scotland annually in *Government Expenditure and Revenue Scotland (GERS)*. The publication is designed to allow users to understand and analyse Scotland's fiscal position under different scenarios.
- 2.2 *GERS* presents statistics that help to address the following questions for a given year:
- What did Scotland pay for the full range of public services that were consumed?
  - What tax revenues were raised in Scotland?
  - To what extent did these revenues raised cover the payments made for these public services?
- 2.3 The Scottish Government told us that the statistics stimulate a great deal of debate for some months following their publication. They are used extensively by the media as headline information on Scotland's fiscal position. The Commission on Scottish Devolution<sup>5</sup> chaired by Sir Kenneth Calman made use of these statistics in considering the present constitutional arrangements and options for improving the financial accountability of the Scottish Parliament. It also took account of a paper by the David Hume Institute<sup>6</sup> on economic aspects of devolution that included a section on *GERS*. There is considerable academic and parliamentary interest in these statistics. Additionally, the estimates of taxation and subsidies are used as a key source in the estimation of Gross Value Added and Gross Domestic Product as part of the Scottish National Accounts Project<sup>7</sup> (SNAP).

### Data sources, methods and classifications

- 2.4 *GERS* presents estimates of public sector accounts for Scotland based on a detailed analysis of official UK and Scottish Government statistics. Estimates of public sector revenue for Scotland are based on the data that underlie *Public Sector Finances*<sup>8</sup> published by the Office for National Statistics (ONS). The primary data source used to estimate public sector expenditure for Scotland is the *Public Expenditure Statistical Analyses*<sup>9</sup> (*PESA*) database, published by HM Treasury. The Scottish Government makes the following distinction between identifiable and non-identifiable public sector expenditure for Scotland for these statistics:
- Identifiable expenditure is expenditure that can be clearly identified as having been spent for the benefit of Scotland. For example, public sector spending on education, health and transport services in Scotland.

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<sup>5</sup> <http://www.commissiononscottishdevolution.org.uk/>

<sup>6</sup> [http://www.davidhumeinstitute.com/images/stories/publications/HOP/HOP\\_80.pdf](http://www.davidhumeinstitute.com/images/stories/publications/HOP/HOP_80.pdf)

<sup>7</sup> <http://www.scotland.gov.uk/Topics/Statistics/Browse/Economy/SNAP>

<sup>8</sup> <http://www.statistics.gov.uk/statbase/Product.asp?vlnk=805>

<sup>9</sup> [http://www.hm-treasury.gov.uk/pespub\\_pesa10.htm](http://www.hm-treasury.gov.uk/pespub_pesa10.htm)

- Non-identifiable expenditure is expenditure that has been incurred on behalf of the UK as a whole but which cannot be identified as benefiting a particular country or region of the UK. For example, spending on defence and debt interest payments by the UK Government.

2.5 The UK fiscal framework does not provide separate detailed intra-country or intra-regional fiscal accounts, unlike many other countries. This means that there is no formally agreed set of accounting concepts and definitions for the formulation of UK regional fiscal accounts. The Scottish Government bases its estimates of public sector balances of expenditure and revenue for Scotland on the national accounting standards adopted by the UK, the European System of Accounts 1995<sup>10</sup> (ESA95).

2.6 The Scottish Government makes one important exception for these statistics from the national accounting standards adopted by ONS for the UK. In the ONS Regional Accounts, the UK Continental Shelf (UKCS) is treated as a notional, separate region of the UK. UKCS economic activity, which includes offshore oil and gas extraction, is not allocated to any specific geographic region within the UK mainland. Since 2006-07, the Scottish Government has presented three separate hypothetical fiscal balances for Scotland in *GERS*:

- excluding North Sea activities, which is in line with the conventions adopted by ONS for the UK;
- including a per-capita share of North Sea activities; and
- including an illustrative geographical share of North Sea activities based upon research from the University of Aberdeen<sup>11</sup>.

The illustrative share in (c) is based on a detailed financial model of the North Sea oil and gas industry and an assessment of Scotland's geographic share of the North Sea, using boundaries between Scotland and the rest of the UK that are used for fishery demarcation purposes. *GERS* notes that the size of current revenue in Scotland alters significantly depending on whether a per capita or an illustrative geographic share of North Sea activities is apportioned to Scotland.

2.7 In *GERS 2008-09*, the Scottish Government followed the practice of ONS and HM Treasury, who incorporated the financial crisis interventions by the public sector into the public accounts. Scotland's estimated share of expenditure associated with the UK Government's financial crisis interventions was separately identified to help provide continuity with previous *GERS* publications.

### A brief history of GERS

2.8 The development of the annual *GERS* publication is described in a 2007 background paper<sup>12</sup> by the Budget Adviser to the Scottish Parliament's Finance

<sup>10</sup> <http://circa.europa.eu/irc/dsis/nfaccount/info/data/esa95/en/esa95en.htm>

<sup>11</sup> Kemp and Stephen (2008) *The Hypothetical Scottish Shares of Revenues and Expenditures from the UK Continental Shelf 2000-2013*:

<http://www.scotland.gov.uk/Publications/2008/06/UKContinentalShelfRevenue>

<sup>12</sup> <http://www.scottish.parliament.uk/business/committees/finance/papers-07/fip07-01.pdf>

Committee. *GERS* was first published in 1992 'to increase public knowledge and understanding of what is an important aspect of the Scottish economy' (*GERS*; The Scottish Office, 1992). Since then it has undergone continuous development as improvements have been made to the methods used to produce the statistics.

## 2.9 *GERS* 1993-94 stated:

'The government's expenditure and revenue flows in Scotland are an important element in the debate about Scotland's constitutional future. This debate has generated a range of claims and counterclaims about the size of Scotland's budget deficit or fiscal deficit and the implication for Scottish living standards under the various constitutional options open to the people of Scotland.

'This booklet does not speculate on possible different constitutional arrangements or on how these might affect expenditure and revenue flows. The present objective is to examine existing circumstances and data, on the basis of a methodology which is analytically sound and which can be clearly explained.'

- 2.10 In 2002, a report by Heald and McLeod<sup>13</sup> argued that *GERS* 'has been damaged by the spin that Ministers have placed upon it, initially as an anti-devolution message and more recently as an anti-independence message'. Two critical reviews of *GERS* by J and M Cuthbert were published in 1998<sup>14</sup> and 2005<sup>15</sup> by the Fraser of Allander Institute. The first paper considered the adequacy of the methods used to produce the statistics and the accuracy of data sources used. It concluded that the results are inherently inaccurate and subject to potential bias. The second paper provided a critique of the PESA statistics which had implications for the accuracy of the *GERS* statistics.
- 2.11 In June 2004, the Scottish Government asked the National Statistician to assess *GERS* as a National Statistics output. The National Statistician reviewed *GERS* on the basis of a series of domains including: methodology, accuracy, confidentiality and the availability of the statistics. In September 2004, the National Statistician concluded that *GERS* should be classified as a National Statistics output.
- 2.12 In January 2007, the Scottish Parliament's Finance Committee convened a special session to discuss *GERS*<sup>16</sup>, to examine the methods used to produce the statistics and whether any Government minister had ever influenced or tried to influence *GERS*. The background paper referred to in paragraph 2.8 above was produced for this special session. The Committee received two further

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<sup>13</sup> Heald D and McLeod A (2002) Fiscal Autonomy under Devolution;  
<http://www.davidheald.com/publications/fiscalautonomy.pdf>

<sup>14</sup> *A critique of GERS: Government expenditure and revenue in Scotland*: Fraser of Allander Institute Quarterly Economic Commentary, vol 24, no.1 (1998)

<sup>15</sup> *A Constructive Critique of the Treasury's Country and Regional Analysis of Public Expenditure*: Fraser of Allander Institute Quarterly Economic Commentary, Vol 30, No.3, (2005).

[http://www.strath.ac.uk/media/departments/economics/fairse/backissues/media\\_136405\\_en.pdf](http://www.strath.ac.uk/media/departments/economics/fairse/backissues/media_136405_en.pdf)

<sup>16</sup> <http://www.scottish.parliament.uk/business/committees/finance/or-07/fi07-0102.htm>

submissions from independent experts. At the session the Committee took evidence from Scottish Government officials and from a range of independent experts in a round-table discussion.

- 2.13 The Scottish Government carried out a major review of *GERS* in 2007 and 2008<sup>17</sup> that considered data sources, methodology and the content and presentation of the publication. The Scottish Government did not publish *GERS* in 2007 (for the 2005-06 estimates) while the review was taking place. In June 2008, it published information about the outcome of the review along with the estimates for 2005-06 and 2006-07 in *GERS 2006-07*.
- 2.14 The Scottish Government told us that all data used in the production of these statistics are obtained free of charge from HM Treasury and ONS. It devotes around 0.8 of a full-time equivalent member of staff to produce these statistics, concentrated over a three month period.

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<sup>17</sup> <http://www.scotland.gov.uk/News/Releases/2007/11/16114038>

### 3 Assessment findings

#### Principle 1: Meeting user needs

**The production, management and dissemination of official statistics should meet the requirements of informed decision-making by government, public services, business, researchers and the public.**

- 3.1 The Scottish Government engages with users of these statistics through the following channels:
- the Scottish Economic Statistics Consultation Group<sup>18</sup> (see paragraph 1.3.2) which includes expert users from academia, economic consultancies, the business sector, and central and local government. SESCOG meet once or twice a year to discuss planning arrangements for the production of economic statistics in Scotland, including *GERS* statistics, and offers advice on methodological issues; and
  - ScotStat<sup>19</sup>, which is a web-based user forum representing a network of users and providers of Scottish official statistics. ScotStat is open to everyone and registered users are sent details of each published output on the morning of publication. ScotStat also arranges separate consultation events and conferences in order to engage users directly. Its membership includes academics, researchers, officials from central and local government and members of the public.
- 3.2 Minutes from the meetings of SESCOG are published on the Scottish Government's website, providing information about topics related to *GERS* that have been under consideration and review. The minutes also provide evidence of effective engagement between the Scottish Government and the users represented on the group.
- 3.3 *GERS 2006-07* explains that as part of the major review of *GERS* in 2007 and 2008 (see paragraph 2.13), the review team met with a number of expert users of these statistics who provided an important contribution to the review process. The Scottish Government did not publish any consultation documents to inform the review and did not publish any information about the views expressed by users during the review. The Assessment team considers that the review would have benefited from wider, more transparent consultation with users. The Scottish Government has little documentation about the use made of these statistics, about the types of decisions that they inform and about users' experiences of these statistics. As part of the designation as National Statistics, the Scottish Government should (a) consult users about their views on the presentation of *GERS* and the associated commentary; and their experiences of the statistical service, the data quality, and the format and timing of reports; and (b) publish the findings in order to improve the use made of *GERS* statistics and the types of decisions they inform<sup>20</sup> (Requirement 1).

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<sup>18</sup> <http://www.scotland.gov.uk/Topics/Statistics/Browse/Economy/ScotStat/comms>

<sup>19</sup> <http://www.scotland.gov.uk/Topics/Statistics/scotstat>

<sup>20</sup> In relation to Principle 1 Practices 2 and 5 and Protocol 1 Practices 3 and 6 of the Code of Practice

## Principle 2: Impartiality and objectivity

### Official statistics, and information about statistical processes, should be managed impartially and objectively.

- 3.4 Statistics about government expenditure and revenue for Scotland are presented impartially and objectively in *GERS*. Each year, *GERS* describes the changes that have been made to data sources, classifications and methods used since the previous publication and provides an analysis of how these changes have affected the statistics.
- 3.5 The Scottish Government did not announce in advance the changes to methods and classifications that were made to the statistics published in *GERS* 2006-07. These changes were made as a result of the review carried out in 2007 and 2008 (see paragraph 2.13). As part of the designation as National Statistics, the Scottish Government should announce changes to methods or classifications well in advance of the release of the changed statistics<sup>21</sup> (Requirement 2).
- 3.6 The Scottish Government has published a revisions policy for Scottish economic statistics<sup>22</sup>, including *GERS*, on its website. The policy explains how planned and unplanned revisions are managed. This policy is in addition to the corporate policy for revisions and corrections<sup>23</sup> for all Scottish Government's official statistics.
- 3.7 Previous editions of *GERS* are available on the Scottish Government's website back to 1999. There is a link to the 1998 publication which isn't active. Editions between 1992 and 1998 can be requested free of charge in paper copy. We suggest that the Scottish Government publish all previous editions of *GERS* on its website.

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<sup>21</sup> In relation to the Principle 2 Practice 4 of the Code of Practice

<sup>22</sup> <http://www.scotland.gov.uk/Topics/Statistics/Browse/Economy/ScotStat/revisionspolicy>

<sup>23</sup> <http://www.scotland.gov.uk/Resource/Doc/933/0094725.doc>

### Principle 3: Integrity

**At all stages in the production, management and dissemination of official statistics, the public interest should prevail over organisational, political or personal interests.**

3.8 The Scottish Government issues *GERS* separately from any other statement or comment about the figures.

3.9 The special session of the Scottish Parliament's Finance Committee in January 2007 considered whether any Government minister had ever influenced or tried to influence *GERS*. In giving evidence to the Finance Committee, the Scottish Government's Chief Economic Adviser stated the following:

'We need to acknowledge that, as with all such Government statistics and Government economic work, ministers decide whether the work is to be undertaken. We also need to acknowledge that the broad scope of any work that we do is under the direction and approval of ministers: *GERS* is no exception.

'...I give the committee a total reassurance that ...after ministers' approval for the work, and their direction for the work to be undertaken, were obtained, ministers played no part whatever in the preparation of the work.... We provided ministers with regular progress reports ... but ministers played no part in the design of the methodology or in the work that underpins our work. The first they see of the document is always the final version.'<sup>24</sup>

3.10 As part of the same evidence, the Finance Committee was told that the methods used to produce *GERS* statistics and the quality of the *GERS* publication were the responsibility of the Chief Economic Adviser. As part of the designation as National Statistics, the Scottish Government should publish information about the respective roles of its Chief Statistician and its Chief Economic Adviser in the production of *GERS* and how these responsibilities comply with the *Code of Practice*<sup>25</sup> (Requirement 3).

3.11 *GERS 2006-07* stated that the review of these statistics that had been carried out in 2007 and 2008 had been initiated following the Finance Committee's session in January 2007. One user provided the Assessment team with the following view about the changes that resulted from this review:

'The failure to grapple adequately with the problems of *GERS* until there was a change of administration in the Scottish Government may suggest that the statistical organisation, if not directly influenced by overt political pressure, may nevertheless be subject to indirect pressure through what may amount to political decisions about where resources are directed.'

3.12 The Assessment team considers that it is inherently difficult either to substantiate, or to refute, the suggestion that indirect political pressure influenced the decision to carry out a major review of *GERS* in 2007 and 2008. Scottish Government officials told the Assessment team that the review started

<sup>24</sup> <http://www.scottish.parliament.uk/business/committees/finance/or-07/fi07-0102.htm> (Col 4261)

<sup>25</sup> In relation to Principle 3 Practice 3 of the Code of Practice

in spring 2007. The first public reference to the review appears to have been after the Scottish Parliament elections in May 2007 which resulted in a change of administration. Some information about the planned review was published in the *Scottish Economic Statistics Plan for 2007-08* in July 2007. The Scottish Government published additional information about the nature and scope of the review in a news release in November 2007. The Assessment team considers that the Scottish Government would have done more to prevent the perception of political influence had it published additional information about the nature and the scope of the planned review of *GERS* at an earlier stage. We suggest that the Scottish Government consider options for adopting more transparent arrangements for developing *GERS*, to demonstrate that all decisions about these statistics are taken in the public interest.

- 3.13 These statistics generate considerable media interest. In 2006, 2008 and 2009<sup>26,27,28</sup> the BBC News website has reported on *GERS* and what it describes as ‘the political row over whether Scotland pays its way’ that was prompted by the release of these statistics. Many commentators use the statistics as a basis for commenting about how Scotland would perform under different constitutional arrangements, such as greater fiscal autonomy and independence. The Scottish Government told us that media coverage was sometimes ill-informed and that the aim of *GERS* is to provide information about how Scotland performs under current constitutional arrangements. We suggest that the Scottish Government strengthen the engagement between the statisticians responsible for producing *GERS* and the media to improve the way in which these statistics are communicated to a wider audience.
- 3.14 In January 2010, the Scotland Office published an analysis based on *GERS* statistics<sup>29</sup>. In March 2010, the Scottish Government published a short review of the Scotland Office analysis<sup>30</sup> highlighting what it considered to be methodological weaknesses that had the potential to provide a misleading assessment of Scotland’s fiscal position.

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<sup>26</sup> <http://news.bbc.co.uk/1/hi/scotland/6169353.stm>

<sup>27</sup> <http://news.bbc.co.uk/1/hi/scotland/7465840.stm>

<sup>28</sup> <http://news.bbc.co.uk/1/hi/scotland/8108219.stm>

<sup>29</sup> *Time Series Analysis of Government Expenditure and Revenues in Scotland*, <http://www.scotlandoffice.gov.uk/scotlandoffice/files/Time%20Series%20Analysis%20of%20Government%20Expenditures%20and%20Revenues%20in%20Scotland.pdf>

<sup>30</sup> *A review of the methodology used in the Scotland Office report “Expenditure and Revenue Scotland”*, <http://www.scotland.gov.uk/Topics/Economy/17858/exprevscot>

## Principle 4: Sound methods and assured quality

**Statistical methods should be consistent with scientific principles and internationally recognised best practices, and be fully documented. Quality should be monitored and assured taking account of internationally agreed practices.**

- 3.15 *GERS* provides detailed information about the methods adopted, including explanations of why particular choices were made. Some of the underlying data that are needed to construct regional fiscal accounts are not available for each of the UK's regions. In the absence of data specifically relating to Scotland, the Scottish Government aims to use the best available information and best considered apportionment methods to produce estimates of expenditure and revenue. *GERS* acknowledges that alternative approaches and data sources could be used in the analysis. It highlights where there are different options and presents an analysis of the sensitivity of the results.
- 3.16 The major review of *GERS* in 2007 and 2008 resulted in some significant improvements to the way in which these statistics are produced. On the expenditure side, improvements were made to:
- the way in which UK Government expenditure was allocated to Scotland, Wales, Northern Ireland and the English regions;
  - the methods used to apportion expenditure that was incurred on behalf of the UK as a whole; and
  - the methods used to remove elements of double-counting.

These improvements are fully documented in *GERS 2006-07*.

- 3.17 As part of the review, the Scottish Government commissioned Nalroh Ltd to carry out independent reviews of the data sources, the methods used and the presentation of these statistics. We suggest that the Scottish Government publish the findings of these independent reviews.
- 3.18 The special session of the Scottish Parliament's Finance Committee considered the implications for *GERS* of inaccuracies that had been identified in PESA statistics published by HM Treasury. Many of these problems were addressed in the major review of *GERS* in 2007 and 2008. *GERS* now states that every effort is made to verify the credibility and accuracy of the PESA data and that Scottish Government officials will continue to liaise with UK Government colleagues to improve further the quality of the PESA data.
- 3.19 The paper, *A Critique of GERS*, states 'if a GERS type exercise is to be attempted, this should only be done if the results are indeed set in a wider financial context as is done in the FSBR [Financial Statement and Budget Report]' A similar point was made by the same authors in a paper discussed by SESCOG in October 2010, which suggested that *GERS*, viewed in isolation, may distort public debate about the Scottish economy. The Scottish Government aims to produce a wider range of consistent and comparable economic statistics for Scotland through SNAP. The Assessment team notes that the production of a full set of National Accounts for Scotland is a long term aspiration of the Scottish Government. We suggest that the Scottish Government publish additional information about the benefits and

disadvantages of publishing *GERS* in the absence of a full set of accompanying National Accounts for Scotland.

- 3.20 The statistics in *GERS* are presented in ways intended to promote comparability with the equivalent statistics for the UK. The public sector revenue statistics presented in *GERS* are consistent with the Public Sector Finance statistics (see paragraph 2.4) produced by ONS. The expenditure analysis presented in *GERS* is consistent with the approach HM Treasury takes to estimate public sector expenditure in the UK. The Scottish Government makes some accounting adjustments to bring the expenditure estimates into line with the international guidelines for the National Accounts. The estimates are comparable with the presentation of the UK's current budget balance presented in documents about the Budget published by HM Treasury<sup>31</sup>.
- 3.21 The Scottish Government has published information on its website about the quality assurance procedures it follows for its economic statistics<sup>32</sup>. This informs users how the Scottish Government addresses each of the dimensions of the European Statistical System (ESS) Quality Framework<sup>33</sup>. Scottish Government officials told the special session of the Finance Committee that it had been making progress in estimating the accuracy of some of the components of the *GERS* statistics, although these are not reported in the publication. There is scope for the Scottish Government to provide users with additional information about the accuracy of these statistics. As part of the designation as National Statistics, the Scottish Government should provide more detailed information about the accuracy of *GERS* statistics, including information about the main sources of bias and other errors<sup>34</sup> (Requirement 4)
- 3.22 *GERS* identifies and explains discontinuities in trends and changes to methods and coverage. It provides information about the impact of revisions since the previous publication, but does not provide information about the impact of revisions over a longer period of time. We suggest that the Scottish Government provide more information about how *GERS* statistics have been revised over time.
- 3.23 *GERS* presents five years of historic data on a consistent basis. Some users have expressed a desire to analyse the expenditure statistics over a longer period. The Scottish Government told us that it intends to investigate options for producing the expenditure statistics on a consistent basis over a longer time period, although this is difficult because HM Treasury maintains only five years of back data for PESA statistics on a consistent basis.
- 3.24 *GERS* presents statistics on revenue and expenditure for both Scotland and the UK. It does not present comparisons between Scotland and the UK for the headline estimates concerning the balance between expenditure and revenue, even though these statistics are produced on a comparable basis. As part of the designation as National Statistics, the Scottish Government should include comparisons between Scotland and the UK for the headline estimates

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<sup>31</sup> [http://webarchive.nationalarchives.gov.uk/20100407010852/http://www.hm-treasury.gov.uk/budget2010\\_documents.htm](http://webarchive.nationalarchives.gov.uk/20100407010852/http://www.hm-treasury.gov.uk/budget2010_documents.htm)

<sup>32</sup> <http://www.scotland.gov.uk/Topics/Statistics/Browse/Economy/ScotStat/EconStatsQA>

<sup>33</sup> The six dimensions of the ESS Quality Framework are: relevance, accuracy, timeliness and punctuality, accessibility and clarity, comparability and coherence.

<sup>34</sup> In relation to Principle 4 Practice 2 of the Code of Practice

concerning the balance between expenditure and revenue in *GERS*, accompanied by suitable commentary<sup>35</sup> (Requirement 5).

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<sup>35</sup> In relation to Principle 4 Practice 6 and Principle 8 Practice 2 of the Code of Practice

## **Principle 5: Confidentiality**

**Private information about individual persons (including bodies corporate) compiled in the production of official statistics is confidential, and should be used for statistical purposes only.**

- 3.25 The Scottish Government has assured us that it takes all necessary steps to protect the confidentiality of the data it collects. This includes storing the data securely on a separate statistical data server. Only the producer statisticians and administrative staff have access to these data.
- 3.26 Statistics in *GERS* are presented at a high level, with minimal risk of disclosure.

## Principle 6: Proportionate burden

**The cost burden on data suppliers should not be excessive and should be assessed relative to the benefits arising from the use of the statistics.**

3.27 The majority of the data used by the Scottish Government to produce *GERS* come from already published sources compiled by ONS<sup>36</sup> and HM Treasury<sup>37</sup>.

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<sup>36</sup> *Public Sector Finances*, <http://www.statistics.gov.uk/statbase/Product.asp?vlnk=805>

<sup>37</sup> *Public Expenditure Statistical Analyses*, [http://www.hm-treasury.gov.uk/pespub\\_pes10.htm](http://www.hm-treasury.gov.uk/pespub_pes10.htm)

## Principle 7: Resources

**The resources made available for statistical activities should be sufficient to meet the requirements of this Code and should be used efficiently and effectively.**

- 3.28 The Scottish Government told us that 0.8 full-time equivalent (FTE) employees are involved in the production of *GERS* and that these resources are just sufficient to produce these statistics to the standards of the *Code*.
- 3.29 The Scottish Government publishes its statistical planning arrangements on its website. This includes guidance for producer teams on statistical planning and the Chief Statistician's annual Business Plan.
- 3.30 The Scottish Government has well-established procedures for recruiting staff. It also has a dedicated training and development intranet for statistical staff that includes a competence framework and provides learning and development opportunities.

## Principle 8: Frankness and accessibility

**Official statistics, accompanied by full and frank commentary, should be readily accessible to all users.**

- 3.31 *GERS* provides detailed information about the methods, procedures and classifications used in the production of the statistics. The Scottish Government also publishes two supporting methods papers<sup>38</sup> that provide further analysis of the expenditure and revenue data used. These papers are published annually to document changes and revisions since the last publication.
- 3.32 *GERS* provides little information about the context of the statistics and little commentary to aid interpretation. *GERS 2008-09* includes a very short Executive Summary that quotes 12 different headline estimates of the balance between expenditure and revenue for Scotland. It is difficult to interpret these different estimates. The BBC<sup>39</sup> reported the *GERS* statistics for 2008-09 under a headline that quoted a £1.3 billion surplus for Scotland while the Daily Telegraph<sup>40</sup> reported the same statistics under a headline that quoted a £4 billion deficit. As part of the designation as National Statistics, the Scottish Government should provide additional explanation and commentary to aid interpretation of these statistics<sup>41</sup> (Requirement 6).
- 3.33 *GERS* is provided in both HTML and PDF document formats. The supporting data to *GERS* are not available separately. As part of the designation as National Statistics, the Scottish Government should release the *GERS* tables in forms that allow for further analysis and re-use, and that are convenient to users<sup>42</sup> (Requirement 7).
- 3.34 The Scottish Government's website has a section for economic statistics which provides a gateway to statistical publications and related information. It also provides topic pages which include a high-level summary of trends and relevant publications<sup>43</sup>. At the time of the assessment, some of the links within the main publications area were out-of-date, namely the *GERS* publication which links to the 2006 release. We suggest that the Scottish Government ensure that the links on the economic statistics pages of its website are kept up-to-date.

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<sup>38</sup> <http://www.scotland.gov.uk/Topics/Statistics/Browse/Economy/GERS/Methodology>

<sup>39</sup> BBC, 23 June 2010, <http://www.bbc.co.uk/news/10389974>

<sup>40</sup> Daily Telegraph, 24 June 2010,

<http://www.telegraph.co.uk/news/newstoppers/politics/7851147/Independent-Scotland-4-billion-in-the-red.html>

<sup>41</sup> In relation to Principle 8 Practice 2 of the Code of Practice

<sup>42</sup> In relation to Principle 8 Practice 6 of the Code of Practice

<sup>43</sup> <http://www.scotland.gov.uk/Topics/Statistics/Browse/Economy>

## **Protocol 1: User engagement**

**Effective user engagement is fundamental both to trust in statistics and securing maximum public value. This Protocol draws together the relevant practices set out elsewhere in the Code and expands on the requirements in relation to consultation.**

3.35 The requirements for this Protocol are covered elsewhere in this report.

## Protocol 2: Release practices

**Statistical reports should be released into the public domain in an orderly manner that promotes public confidence and gives equal access to all, subject to relevant legislation.**

- 3.36 The Scottish Government announces the month of publication for statistical releases 12 months in advance and the date of release the month before in a list of forthcoming statistical publications on the Scottish Government website. In addition there is also a detailed economic statistics publication list, available on the Scottish Government's website. At the time of the assessment, *GERS* was not on these lists. As part of the designation as National Statistics, the Scottish Government should announce a timetable for the release of these statistics twelve months ahead<sup>44</sup> (Requirement 8).
- 3.37 The Scottish Government delayed the release of *GERS* in 2007, while the major review of these statistics was taking place. The Scottish Government told us that it had not received any complaints about this delay. Since 2008, the release date of *GERS* has been brought forward from December to June to reduce the time lag between data processing and reporting.
- 3.38 The Scottish Government deviated from the standard release time of 9.30am for the *GERS* publication for 2007/08. It was released at 15:00 on 18 June 2009, ahead of the original schedule for 09:30 on 19 June 2009. This resulted in a breach of Protocol 2, Practice 4 of the *Code*. The breach, and reasons for it, were notified to the Authority and published on the Authority's website<sup>45</sup>.
- 3.39 The Scottish Government provided us with a list of those who are granted pre-release access to *GERS*. This list is maintained in the Scottish Government's records management system. We suggest that the Scottish Government publish records of those granted pre-release access to these statistics in their final form.
- 3.40 On the day that the Scottish Government publishes *GERS*, it issues two news releases. One is a statistical news release<sup>46</sup>; the other is a ministerial news release<sup>47</sup>. The statistical news release includes the National Statistics badge, which helps to distinguish it from the ministerial news release. The ministerial news release contains a prominent link to the statistical news release and meets basic professional standards. However, it is not clearly labelled as a policy statement or ministerial news release, and there is a risk that some users may fail to distinguish it from the statistical news release. As part of the designation as National Statistics, the Scottish Government should clearly label statistical and ministerial news releases for *GERS* to distinguish them from each other<sup>48</sup> (Requirement 9).

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<sup>44</sup> In relation to Protocol 2 Practice 2 of the Code of Practice.

<sup>45</sup> <http://www.statisticsauthority.gov.uk/assessment/code-of-practice/breach-reports/government-expenditure-and-revenue-scotland-2007-08.pdf>

<sup>46</sup> <http://www.scotland.gov.uk/News/Releases/2010/06/23101213>

<sup>47</sup> <http://www.scotland.gov.uk/News/Releases/2010/06/23103654>

<sup>48</sup> In relation to Protocol 2 Practice 9 of the Code of Practice.

### **Protocol 3: The use of administrative sources for statistical purposes**

**Administrative sources should be fully exploited for statistical purposes, subject to adherence to appropriate safeguards.**

3.41 The Scottish Government has published a Statement of Administrative Sources<sup>49</sup> which includes information about the administrative data available to the Scottish Government.

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<sup>49</sup> <http://www.scotland.gov.uk/Topics/Statistics/About/StatementAdminSources/Q/EditMode/on>

## Annex 1: Suggestions for improvement

A1.1 This annex includes some suggestions for improvement to statistics on Government Expenditure and Revenue Scotland, in the interest of the public good. These are not formally required for designation, but the Assessment team considers that their implementation will improve public confidence in the production, management and dissemination of official statistics.

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|---------------------|--|
| <b>Suggestion 1</b> | Publish all previous editions of <i>GERS</i> on its website (para 3.7).  |
| <b>Suggestion 2</b> | Consider options for adopting more transparent arrangements for developing <i>GERS</i> , to demonstrate that all decisions about these statistics are taken in the public interest (para 3.12).      |
| <b>Suggestion 3</b> | Strengthen the engagement between the statisticians responsible for producing <i>GERS</i> and the media to improve the way in which the statistics are communicated to a wider audience (para 3.13). |
| <b>Suggestion 4</b> | Publish the findings of the independent reviews of the data sources, the methods used and the presentation of <i>GERS</i> (para 3.17).   |
| <b>Suggestion 5</b> | Publish additional information about the benefits and disadvantages of publishing <i>GERS</i> in the absence of a full set of accompanying National Accounts for Scotland (para 3.19).               |
| <b>Suggestion 6</b> | Provide more information about how <i>GERS</i> statistics have been revised over time (para 3.22).   |
| <b>Suggestion 7</b> | Ensure that the links on the economic statistics pages of its website are kept up-to-date (para 3.34).   |
| <b>Suggestion 8</b> | Publish records of those granted pre-release access to <i>GERS</i> in their final form (para 3.39).  |

## Annex 2: Summary of assessment process and users' views

A2.1 This assessment was conducted from August 2010 to November 2010.

A2.2 The Assessment team – Neil Jackson and David Duncan-Fraser – agreed the scope of and timetable for this assessment with representatives of the Scottish Government in August 2010. The Written Evidence for Assessment was provided on 3 September. The Assessment team subsequently met the Scottish Government during September to review compliance with the *Code of Practice*, taking account of the written evidence provided and other relevant sources of evidence.

### Summary of users contacted, and issues raised

A2.3 Part of the assessment process involves our consideration of the views of users. We approach some known and potential users of the set of statistics, and we invite comments via an open note on the Authority's website. This process is not a statistical survey, but it enables us to gain some insights about the extent to which the statistics meet users' needs and the extent to which users feel that the producers of those statistics engage with them. We are aware that responses from users may not be representative of wider views, and we take account of this in the way that we prepare assessment reports. The consultation on *GERS* was combined with the separate assessment of Scottish macro-economic statistics produced by the Scottish Government<sup>50</sup>.

A2.4 The Assessment team received 14 responses from the user consultation. The respondents were grouped as follows:

Scottish Government, local authority and agencies	4
Academia	5
Consultants	4
Media	1

A2.5 Most users were positive about the coverage and recent development of *GERS*. Most users were positive about the level of consultation with the Scottish Government via the ScotStat forum and the relevant expert user groups. Some users expressed concern that *GERS* statistics are frequently misquoted and misused.

A2.6 In addition to the user consultation outlined, the Assessment team was invited to attend the Scottish Economic Statistics Consultation Group (SESCG) on 18 October 2010. This provided an opportunity for the team to explore in more detail some of the written comments that had been received.

### Key documents/links provided

Written Evidence for Assessment document

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<sup>50</sup> [Assessment Report 83; Scottish Macro-Economic Statistics produced by the Scottish Government](#)



