

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

## **Statistics on Government Expenditure and Revenue Scotland**

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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 gives the Statistics Authority power to re-assess whether the *Code of Practice for Official Statistics*<sup>3</sup> continues to be complied with in relation to official statistics already designated as National Statistics. The report covers the set of statistics reported in *Government Expenditure and Revenue Scotland*<sup>4</sup> (*GERS*), produced by the Scottish Government.
- 1.1.2 The previous assessment of this set of statistics was reported in Assessment report 98<sup>5</sup>. Annex 4 presents the Requirements from the previous assessment. The Statistics Authority has chosen to re-assess *GERS* because the report presents key Scottish public finances statistics which have a high profile and play an important part in public debate.
- 1.1.3 Section 3 of this report adopts an ‘exception reporting’ approach – it includes text only to support the Requirements made to strengthen compliance with the *Code* and Suggestions made to improve confidence in the production, management and dissemination of these statistics. This abbreviated style of report reflects the Head of Assessment’s consideration of aspects of risk and materiality<sup>6</sup>. The Assessment team nonetheless assessed compliance with all parts of the *Code of Practice* and has commented on all those in respect of which some remedial action is recommended.
- 1.1.4 This report was prepared by the Authority’s Assessment team, and approved by the Assessment Committee on behalf of the Board of the Statistics Authority, based 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 published in *GERS* are designated as National Statistics, subject to the Scottish Government implementing the Requirements listed in section 1.5 and reporting them to the Authority before the next publication of *GERS* (March 2014).

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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/Publications/2013/03/1859>

<sup>5</sup> <http://www.statisticsauthority.gov.uk/assessment/assessment-reports/assessment-report-98---government-expenditure-and-revenue.pdf>

<sup>6</sup> <http://www.statisticsauthority.gov.uk/assessment/assessment/guidance-about-assessment/criteria-for-deciding-upon-the-format-of-an-assessment-report.pdf>

### 1.3 Summary of strengths and weaknesses

- 1.3.1 The consistency between the methods and classifications used to produce statistics in *GERS* and in the UK Public Sector Finances Statistics allows reasoned comparison between Scottish public finances statistics and those for the UK as a whole. In general the Scottish Government provides detailed information about the methods, procedures and classifications used in the production of *GERS* and clear explanations of why particular choices have been made. The Scottish Government maintains and publicises a thorough development plan for these statistics.
- 1.3.2 The Scottish Government engages effectively with the expert users of these statistics represented on the Scottish Economic Statistics Consultants Group (SESCG).
- 1.3.3 The Scottish Government presents two methods for estimating Scotland's share of UK revenues associated with offshore oil and gas activity in *GERS*: a population share estimate and a geographical share estimate. The geographical share estimate is based on a financial model produced by the University of Aberdeen. Since the last publication of *GERS*, HM Revenue & Customs (HMRC) has published an analysis of UK tax revenues which is notionally divided between UK countries<sup>7</sup>. These are described as 'experimental statistics'<sup>8</sup>. Whilst the HMRC analysis broadly adopts the geographical share approach for North Sea revenues, the estimates are not consistent with the equivalent Scottish Government geographical apportionment estimates. Moreover, the shares of other tax revenues used in *GERS* differ from those used in HMRC's country analysis. This could be confusing to users.

### 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) Publish details of the model used to estimate North Sea tax revenues; and (b) publish details of the way in which the estimates provided by the University of Aberdeen are quality assured; (para 3.4).
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<sup>7</sup> <http://www.hmrc.gov.uk/statistics/receipts.htm>

<sup>8</sup> 'Experimental statistics' are new official statistics undergoing evaluation. They are published in order to involve users and stakeholders in their development and as a means to build in quality at an early stage.

## **Requirement 2**

(a) Include a prominent reference in *GERS 2012-13* to the experimental statistics produced by HMRC on taxes raised in Scotland, and in doing so inform users about the differences and the impact that using the alternative sources would make to the final fiscal aggregates; and (b) put in place arrangements for reconciling, and as far as possible aligning, the methodology for allocating Scotland's share of UK tax revenues with HMRC's model (para 3.6).



## 2 Subject of the assessment

- 2.1 The Scottish Government publishes statistics about the public sector fiscal position in Scotland in *Government Expenditure and Revenue Scotland (GERS)* on an annual basis. The report helps users to understand and analyse the contribution of revenue raised in Scotland towards the cost of providing public goods and services for Scotland under different scenarios. *GERS* presents information about revenues raised from taxation which are attributed to activity in Scotland, the cost of all public services consumed by residents in Scotland, and the balance between the two. The coverage of the statistics is for Scotland as a whole and the report draws comparisons with the fiscal position of the UK presented in the *Public Sector Finances*<sup>9</sup> published by ONS.
- 2.2 The Scottish media use *GERS* extensively as headline information about Scotland's fiscal position, and publication of the statistics stimulates debate for many months following publication. *GERS* is widely used in the public sector to provide analysis and economic briefings to ministers on the effectiveness of fiscal policy. Private companies and academics use *GERS* to provide economic advice to clients and the public, informing business and investment decisions, and for academic research.
- 2.3 *GERS* was first published in 1992 by the Scottish Office and has since gone through a programme of continuous development. Between 1992 and 2006, expenditures and revenues reported in *GERS* were confined to Scotland's onshore activity, and did not distinguish between current and capital expenditure. In 2007, the Scottish Government undertook a review<sup>10</sup> of the data sources and apportionment methods used in *GERS*. Following the review, the Scottish Government updated the methods used to produce *GERS* and added two estimates of the shares of expenditures and revenues from the offshore economic activities associated mainly with oil and gas extraction. These changes met the user need identified by the review to present a more accurate picture of Scotland's fiscal position.
- 2.4 The UK's fiscal framework does not provide detailed intra-country accounts, and there is no formally agreed set of accounting concepts for the formulation of regional accounts. The UK Government generally collects revenue on a UK-wide basis, whereas some expenditure can be allocated on a regional basis. This means that elements of the underlying data required for *GERS*, while available at UK level, do not exist for Scotland. *GERS* therefore presents estimates of Scotland's public sector fiscal position using apportionment methods to address gaps in data availability. The Scottish Government has developed a framework for producing *GERS* which is largely consistent with the *European System of Accounts 1995*<sup>11</sup>.
- 2.5 The Scottish Government operates on the basis of the 'who benefits?' principle in relation to expenditure and 'who pays?' principle with regard to revenues – based upon the residential location of where the revenues are raised, when actual data are not available. This is a different concept to those used in the

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<sup>9</sup> <http://www.ons.gov.uk/ons/rel/psa/public-sector-finances/index.html>

<sup>10</sup> <http://www.scotland.gov.uk/News/Releases/2007/11/16114038>

<sup>11</sup> [http://epp.eurostat.ec.europa.eu/portal/page/portal/product\\_details/publication?p\\_product\\_code=CA-15-96-001](http://epp.eurostat.ec.europa.eu/portal/page/portal/product_details/publication?p_product_code=CA-15-96-001)

National Accounts, which are based on the concept of transactions taking place in an economic territory.

- 2.6 The primary source used to estimate public sector *expenditure* on services in Scotland is the Country and Regional Analysis<sup>12</sup> (CRA) database published as part of HM Treasury's (HMT) *Public Expenditure Statistical Analyses*<sup>13</sup> (PESA). The Scottish Government then adjusts the PESA data to estimate total managed expenditure using data provided by ONS, HMT and apportionment methods. *GERS* distinguishes between the following:
- identifiable expenditure, which can be clearly demonstrated to have been spent for the benefit of Scotland (typically the devolved activities)
  - non-identifiable expenditure which has been incurred on behalf of the UK as a whole, but which cannot be identified as benefitting a particular country or region of the UK (for example, debt interest payments and defence). The Scottish Government applies an apportionment method for non-identifiable expenditures based on the 'who benefits?' principle – if the benefits of the expenditure are thought to accrue to residents and enterprises of Scotland
- 2.7 The Scottish Government estimates public sector *revenue* for Scotland based on the same data used to produce *Public Sector Finances*, published by the ONS. The Scottish Government treats each individual revenue stream – such as Income Tax, VAT and National Insurance Contributions – separately for presentation in *GERS*, applying an apportionment method based, where available, on Scottish data for each component.
- 2.8 ONS's Regional Accounts treat the UK Continental Shelf<sup>14</sup> (UKCS) as a notional, separate region of the UK. ONS does not allocate UKCS economic activity, which includes offshore oil and gas extraction, to any specific geographic region within the UK mainland. *GERS* presents Scotland's fiscal balances excluding North Sea activities, in line with the conventions adopted by ONS for Regional Accounts. Such a convention is well suited to the purpose of monitoring the pattern of fiscal flows to and from Scotland within the UK under current accounting conventions. Since 2007, *GERS* also considers the impact that North Sea Oil and Gas revenues would have on the fiscal position, if it was attributed to Scotland, by presenting two other estimates of Scotland's fiscal balances:
- A per capita share of UK *Extra-Regio* activity, based on the latest population estimates
  - A geographical share<sup>15</sup> of UK *Extra-Regio* activity, based on a detailed financial model developed by the University of Aberdeen, using fishery demarcation boundaries
- 2.9 *GERS* covers financial years and the Scottish Government produces the statistics between December and March of the following year. It deploys 0.8 full-time equivalent members of staff to produce the statistics.

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<sup>12</sup>[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/223615/PESA\\_2013\\_Cm\\_CRA\\_Interactive\\_Table.xls](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/223615/PESA_2013_Cm_CRA_Interactive_Table.xls)

<sup>13</sup><https://www.gov.uk/government/collections/public-expenditure-statistical-analyses-pesa>

<sup>14</sup>[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/43320/designations.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/43320/designations.pdf)

<sup>15</sup><http://www.scotland.gov.uk/Publications/2008/06/UKContinentalShelfRevenue>

- 2.10 The Scottish Government publishes *GERS* in HTML and PDF, with supplementary tables and charts published in Excel and CSV formats. This equates to a level 3 rating under the Five Star Scheme proposed in the *Open Data White Paper: Unleashing the Potential*<sup>16</sup>, which means that the report and files are available in an open, non-proprietary format.

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<sup>16</sup> [http://data.gov.uk/sites/default/files/Open\\_data\\_White\\_Paper.pdf](http://data.gov.uk/sites/default/files/Open_data_White_Paper.pdf)

### 3 Assessment findings

- 3.1 The Scottish Government engages with users of these statistics through the Scottish Economic Statistics Consultants Group (SESCG) and announcements on ScotStat<sup>17</sup>. SESCg meets formally once a year to discuss planning arrangements for the production of economic statistics in Scotland and offers advice on methodological issues, and the Scottish Government engages with the members and the wider user community through ScotStat on an ongoing basis. SESCg consists of academics, consultants and central government representatives. The group agreed at its September 2013 meeting to fix the future meeting dates in March each year, and to develop further, more frequent meetings of sub-groups to address individual elements of Scotland's national accounts. The SESCg members agreed to widen the membership for the new sub-groups. We suggest that the Scottish Government refers to the Statistics Authority's Monitoring Brief *The Use Made of Official Statistics*<sup>18</sup> when seeking to identify new members for SESCg and the proposed new sub-groups, and include representation from the key sectors identified in the Brief.
- 3.2 The Scottish Government publishes minutes from the meetings of SESCg on its website<sup>19</sup>. The minutes provide evidence of regular and detailed engagement between the Scottish Government and the users represented on SESCg. Users who attend the meetings confirmed this to us. The minutes provide information about users' experiences and highlight topics under consideration and review. However, the minutes are lengthy and it takes some time to synthesise the relevant information about users' experiences. There is scope for the Scottish Government to summarise more clearly the needs of users and how it addresses or does not address these. We suggest that the Scottish Government publishes a separate summary of users' key needs from the minutes of the SESCg meetings with some examples of how it has developed the statistics to meet such needs.
- 3.3 Since 2008, some of the statistics in *GERS* have been derived from an analysis by academics at the University of Aberdeen<sup>20</sup> who estimate Scotland's share of the UKCS Hydrocarbon tax revenues using the median line approach<sup>21</sup> to determine which oil and gas fields reside in notional Scottish waters. The information from the academics at the University of Aberdeen is derived from their detailed model of the oil and gas industry that has been developed over many years and which is widely used for analysis of and by the industry. The model contains detailed industry-level data, some which is commercially confidential. The Scottish Government has regular meetings with the University of Aberdeen to peer review the model and to discuss the estimates of production and taxation relating to the oil and gas sector. The Scottish Government quality assures estimates from the model where alternative data

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<sup>17</sup> <http://www.scotland.gov.uk/Topics/Statistics/scotstat>

<sup>18</sup> <http://www.statisticsauthority.gov.uk/assessment/monitoring/monitoring-reviews/monitoring-brief-6-2010---the-use-made-of-official-statistics.pdf>

<sup>19</sup> <http://www.scotland.gov.uk/Topics/Statistics/Browse/Economy/ScotStat/Meetings>

<sup>20</sup> See footnote 15

<sup>21</sup> The boundary is based on the United Nations Convention on the Law of the Sea (UNCLOS) which entered into force in 1994. The Treaty defines countries' rights to territorial waters and continental shelves, and the mineral rights within them. It uses a median line approach for adjacent countries or those with competing claims.

are available (such as turnover and operation costs) and sense checks estimates where detailed data are not available (such as tax revenues). However, the Scottish Government has published no details about these checks.

- 3.4 *GERS* both presents and provides links to information about the methods used (for example in the accompanying technical guidance<sup>22</sup>). However, it does not include detailed information about the model itself; we understand that this information has not been made available to the Scottish Government. As a result the Scottish Government has been unable to fully validate the key estimate derived from the model – the proportion of tax revenues which can be attributed to Scotland, but (as noted above) it does quality assure other variables derived from the model (such as turnover and operating costs, which are used to estimate a proxy for profits). As part of the designation as *National Statistics*, the Scottish Government should (a) publish details of the model used to estimate North Sea tax revenues; and (b) publish details of the way in which the estimates provided by the University of Aberdeen are quality assured<sup>23</sup> (Requirement 1).
- 3.5 Subsequent to the publication of *GERS 2011-12*, HMRC published for the first time a set of experimental statistics which estimate the level of taxes raised in Scotland, England, Wales and Northern Ireland<sup>24</sup>. These present significantly different results to those produced by the Scottish Government. For 2011-12, there is an approximate difference in estimated hydrocarbon tax revenue apportioned to Scotland of £1.275bn out of approximately £11.25bn hydrocarbon tax revenue estimated for the UK by HMRC, or just under 2.25 per cent of Scotland's estimated Public Sector Revenue for that year. These HMRC experimental statistics have been widely circulated, quoted and contrasted with the Scottish Government's figures.
- 3.6 The Authority regards the existence of two sets of official statistics covering the same revenues as being potentially confusing to users. To support public debate it is important that there be an early and public reconciliation of the different estimates of apportioned revenues. As part of the designation as *National Statistics*, the Scottish Government should (a) include a prominent reference in *GERS 2012-13* to the experimental statistics produced by HMRC on taxes raised in Scotland, and in doing so inform users about the differences and the impact that using the alternative sources would make to the final fiscal aggregates; and (b) put in place arrangements for reconciling, and as far as possible aligning, the methodology for allocating Scotland's share of UK tax revenues with HMRC's model<sup>25</sup> (Requirement 2). The UK Statistics Authority has written to both HMRC and the Scottish Government asking them to work together to reconcile the two sets of estimates.
- 3.7 The Scottish Government presents consistent time series data in *GERS* for the previous 5 years. In *GERS 2011-12*, this time series captures the period since the introduction of the estimates based on a geographical share of offshore revenues from the UKCS starting in 2007. ONS presents its public sector finance statistics back to 2004 to capture a longer period before the recession,

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

<sup>23</sup> In relation to Principle 4, Practice 1 of the *Code of Practice*

<sup>24</sup> <http://www.hmrc.gov.uk/statistics/receipts.htm>

<sup>25</sup> In relation to Principle 4, Practice 1 of the *Code of Practice*

and to provide a more complete picture of the changing trend. We suggest that the Scottish Government investigate the user need for the presentation of longer time series in *GERS* and take steps to meet any identified need.

- 3.8 *GERS 2011-12* includes an executive summary clearly setting out the public sector's expenditure and revenue levels for the last five years using three variant methods. The executive summary also provides the overall fiscal position using two measures: the current budget balance and the net fiscal balance. In addition to presenting the statistics in tables, the Scottish Government provides accompanying impartial narrative comment, including the aims and objectives of *GERS*. *GERS* also includes details of the methods and assumptions adopted along with some insights into the questions which *GERS* seeks to address. The Assessment team sees scope to clarify some issues within the commentary, including the position of text explaining the geographic share model for North Sea oil revenues, and the other methods for calculating Scotland's share of UK revenues and expenditure, and the description of the National Statistics designation. We suggest that the Scottish Government should consider the points detailed in annex 2 to improve the commentary and aid user interpretation.
- 3.9 The Scottish Government's policy is to pre-announce the month of publication for statistical releases 12 months in advance and to pre-announce the date of release the month before. The list of forthcoming statistical publications is available on the Scottish Government's website. In addition, the Scottish Government publishes a detailed economic statistics publication list on its website. The Scottish Government provided us with a list of those granted pre-release access to the separate macroeconomic products and maintains this list on its records management system. We suggest that the Scottish Government publish records of those granted pre-release access to these statistics in their final form.

## Annex 1: Suggestions for improvement

A1.1 This annex includes some suggestions for improvement to *GERS* 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> | Refer to the Statistics Authority’s Monitoring Brief <i>The Use Made of Official Statistics</i> when seeking to identify new members for SESCOG and the proposed new sub-groups, and include representation from the key sectors identified in the Brief (para 3.1). |
| <b>Suggestion 2</b> | Publish a separate summary of users’ key needs from the minutes of the SESCOG meetings with some examples of how it has developed the statistics to meet such needs (para 3.2).  |
| <b>Suggestion 3</b> | Investigate the user need for the presentation of longer time series in <i>GERS</i> and take steps to meet any identified need (para 3.7).   |
| <b>Suggestion 4</b> | Consider the points detailed in annex 2 in seeking to improve the statistical report and aid user interpretation (para 3.8).   |
| <b>Suggestion 5</b> | Publish records of those granted pre-release access to these statistics in their final form (para 3.9).  |

## Annex 2: Compliance with Standards for Statistical Reports

- A2.1 In November 2012, the Statistics Authority issued a statement on *Standards for Statistical Reports*<sup>26</sup>. While this is not part of the *Code of Practice for Official Statistics*, the Authority regards it as advice that will promote both understanding and compliance with the *Code*. In relation to the statistical reports associated with *Government Expenditure and Revenue Scotland* Statistics, this annex comments on compliance with the statement on standards.
- A2.2 In implementing any Requirements of this report (at paragraph 1.5) which relate to the content of statistical reports, we encourage the producer body to apply the standards as fully as possible.

### **Include an impartial narrative in plain English that draws out the main messages from the statistics**

- A2.3 *GERS* is written in plain English and the statistics are presented impartially and objectively. The Scottish Government clearly explains technical terms in the main commentary and provides a glossary of terms. The report includes an executive summary which presents the headline statistics on Scotland's fiscal position. This is appropriate given the length of the report and the profile of the statistics. The report includes tables to aid user interpretation, but only one chart. The commentary does not explain why some tables have been boxed. Chapter 4 includes a map of the UKCS and Scotland's assumed share of North Sea activity under the geographical share of revenue model to aid user interpretation.
- A2.4 Following a requirement made in Assessment report 98, the Scottish Government re-drafted Chapter 3 Scotland's Public Sector Accounts to present the Scottish fiscal balance calculations alongside the UK balances on a consistent basis. The Scottish Government presents individual statistics in *GERS* 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 for the UK produced by ONS. The expenditure analysis presented in *GERS* is largely consistent with the approach HMT takes to estimate public sector expenditure in the UK.

### **Include information about the context and likely uses of the statistics**

- A2.5 The design of *GERS* allows users to understand and analyse Scotland's fiscal position under different scenarios. The commentary presents a list of key questions that users aim to address through analysis of the statistics. The Scottish Government published minutes from the SESCOG providing information about the main uses of *GERS* and the users' experience. The minutes are however very detailed, and it can be difficult to distinguish users' experiences, as they are not summarised separately.
- A2.6 The Scottish Government clearly presents a range of hypothetical estimates relating to Scotland's share of UKCS activity, and explains why these allow for a more accurate estimate of Scotland's overall fiscal position. The explanation

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<sup>26</sup> <http://www.statisticsauthority.gov.uk/news/standards-for-statistical-reports.html>



of the geographic share of North Sea oil revenues would be more helpful if presented earlier in the report. *GERS* consistently refers to an ‘illustrative’ geographic share throughout the report. The term ‘illustrative’ used only in relation to estimates of the fiscal balance based on a geographical share of oil and gas revenues might give the impression that such estimates are less valid than the estimates using other apportionment assumptions.

- A2.7 The commentary accompanying data about total North Sea Oil Revenue contained in table 4.1 of *GERS* focuses significantly on the volatility of wholesale oil and gas prices but does not refer to the recent trend in increasing expenditure and in declining production which are likely to have affected revenues.

### **Include information about the strengths and limitations of the statistics in relation to their potential use**

- A2.8 The Scottish Government provides detailed information about the methods, procedures and classifications used in the production of *GERS*, and clear explanations of why particular choices have been made. *GERS* clearly presents the statistics as estimates in the commentary. The description of National Statistics in the preface is brief and does not summarise the key features of the designation. *GERS* provides a link to another producer’s (ONS) website for further information about National Statistics rather than to the Statistics Authority’s website.
- A2.9 The Scottish Government states its aim to use the ‘best available’ information and ‘best considered’ apportionment methods to produce estimates of expenditure and revenue. *GERS* acknowledges the availability of alternative approaches and data sources in the analysis. It highlights where there are different options and presents an analysis of the sensitivity of the results. Despite these efforts, some users told us that the treatment of non-identifiable expenditure is not sufficiently clear in *GERS* to inform users about the scope for change in these levels in the event of independence.

### **Be professionally sound**

- A2.10 *GERS* clearly explains the uncertain political position about the treatment of revenues derived from the UKCS in the event of independence, and presents a range of alternative scenarios to aid user interpretation. HMRC’s latest set of statistics on tax receipts<sup>27</sup> presents a further apportionment approach to tax revenues allocated to Scotland, which differs to those adopted in *GERS*. HMRC allocates Scotland a share of UK oil and gas related corporation tax, ranging from 83.6 percent in 2011-12 to 90.6 per cent in 2009-10, and a share of petroleum revenue tax ranging from 70.7 percent in 2008-09 to 78.2 percent in 2011-12. The Scottish Government’s geographical share model assumes a share of total North Sea revenues ranging between 90.9 percent in 2008-09 and 95.3 percent in 2007-08 by comparison, based on data provided by Professor Alex Kemp and colleagues.

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<sup>27</sup> <http://www.hmrc.gov.uk/statistics/receipts.htm>

### **Include, or link to, appropriate metadata**

- A2.11 The Scottish Government has published two supporting methods papers that provide further analysis of the expenditure and revenue data used in *GERS* as well as changes and revisions since the last publication. *GERS* also 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.
- A2.12 The Scottish Government has published a corporate policy for revisions<sup>28</sup> for all Scottish Government official statistics as well as a revisions policy for Scottish economic statistics, including *GERS*, on its website. The policy explains how the producer manages planned and unplanned revisions.
- A2.13 The name and contact details for the responsible statistician presented in *GERS* and on the Scottish Government's website are out of date.

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<sup>28</sup> <http://www.scotland.gov.uk/Topics/Statistics/About/CPSONRevisionsCorrections>

## Annex 3: Summary of assessment process and users' views

- A3.1 This assessment was conducted from July to November 2013.
- A3.2 The Assessment team – Iain Russell and Russell Whyte – agreed the scope of and timetable for this assessment with representatives of the Scottish Government in July. The Written Evidence for Assessment was provided on 5 September. The Assessment team subsequently met the Scottish Government during October 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

- A3.3 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.
- A3.4 The Assessment team received 8 organisational responses from the user consultation, covering the full membership of SESCOG. The respondents were grouped as follows:
- |  |   |
|--|---|
| Central government and other public bodies | 4 |
| Private companies and consultants          | 2 |
| Academics and institutes                   | 2 |
- A3.5 Users reported that *GERS* has benefited from a programme of continued improvement in recent years, and meets their principal needs. The inclusion of a range of results for Scotland using different estimates of shares of North Sea oil revenue has been particularly welcomed, and is the focus of much analysis as part of debate in advance of the Scottish Independence Referendum. The users who commented on SESCOG reported it to be a valuable and open-minded group, but felt that there was scope for more frequent meetings. One user suggested that there is a perceived reliance on Scottish Independence Referendum 'outsiders' (the SESCOG) to identify major methodological issues within the quality assurance process. Users commended the Scottish Government's response to ad hoc requests and questions.
- A3.6 Two users reported that the treatment of non-identifiable expenditures in *GERS* is not sufficiently clear to inform users about the scope that the Scottish Government would have to vary these levels in the event of independence, and that further analysis and examples could enrich the debate in advance of the Scottish Independence Referendum. Examples given by users included the treatment of quantitative easing payments and defence expenditure.

### Key documents/links provided

Written Evidence for Assessment document

## Annex 4: Summary of Requirements from Assessment Report 98

- A4.1 The set of statistics in this assessment, *GERS*, were assessed in Assessment report 98, published in March 2011<sup>29</sup>. They have been re-assessed because the statistics are regarded by users as including key public finances statistics in Scotland which play an important part in public debate. In the near future, such debate takes place in the context of the Referendum on Scottish independence.
- A4.2 Assessment report 98 identified the following Requirements in relation to the statistics being re-assessed here:

<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.
<b>Requirement 2</b>	Announce changes to methods or classifications well in advance of the release of the changed statistics.
<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> .
<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.
<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.
<b>Requirement 6</b>	Provide additional explanation and commentary to aid interpretation of <i>GERS</i> .
<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.
<b>Requirement 8</b>	Announce a timetable for the release of these statistics twelve months ahead.

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<sup>29</sup> <http://www.statisticsauthority.gov.uk/assessment/assessment-reports/assessment-report-98---government-expenditure-and-revenue.pdf>

**Requirement 9** Clearly label statistical and ministerial news releases for *GERS* to distinguish them from each other.

A4.3 The Statistics Authority confirmed the National Statistics designation of these statistics in a letter to the Scottish Government on 23 July 2012<sup>30</sup>.

A4.4 Both Requirements within this report relates to aspects of *Code* compliance that resulted in one of the Requirements in Assessment report 98. These are:

**Requirement 1** (a) Publish details of the model used to estimate North Sea tax revenues; and (b) publish details of the way in which the estimates provided by the University of Aberdeen are quality assured; (para 3.4)

**Requirement 2** (a) Include a prominent reference in *GERS 2012-13* to the experimental statistics produced by HMRC on taxes raised in Scotland, and in doing so inform users about the differences and the impact that using the alternative sources would make to the final fiscal aggregates; and (b) put in place arrangements for reconciling, and as far as possible aligning, the methodology for allocating Scotland's share of UK tax revenues with HMRC's model (para 3.6).

A4.5 In response to Requirement 4 in Assessment report 98, the Scottish Government published new summary charts detailing the change in levels of revenue and expenditure. The Scottish Government told us that it saw a revisions analysis as being more appropriate as this would identify how the UK totals had changed over time, how the apportionment metrics had been revised, and how both these revisions had affected the revenue, expenditure and fiscal balance estimates. The Scottish Government took the view that this would give some indication of the accuracy and reliability of the overall estimates. However, although the Scottish Government met Requirement 4 in Assessment report 98, it is now clear that in the light of the further estimates published by HMRC, the Scottish Government needs to offer additional justification and reassurance about its own statistics and to put in place arrangements for making improvements to the underpinning modelling used in the analysis, leading to Requirements 1 and 2 in this report.

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<sup>30</sup> <http://www.statisticsauthority.gov.uk/assessment/assessment/assessment-reports/confirmation-of-designation-letters/letter-of-confirmation-as-national-statistics---assessment-report-98.pdf>

