



The Scottish Parliament
Pàrlamaid na h-Alba

FINANCE COMMITTEE

AGENDA

19th Meeting, 2012 (Session 4)

Wednesday 20 June 2012

The Committee will meet at 10.00 am in Committee Room 5.

1. **Financial implications of the Welfare Reform Act 2012 (UK Parliament legislation):** The Committee will take evidence from—

David McColgan, Policy Officer, Scottish Council for Voluntary Organisations;

Dr Margaret Somerville, Director of Public Health, NHS Highland;

Dr Mary Taylor, Chief Executive, Scottish Federation of Housing Associations.

2. **Data collection:** The Committee will take evidence from—

Antony Clark, Assistant Director, Best Value and Scrutiny Improvement, Audit Scotland;

Jim Cuthbert;

Margaret Cuthbert;

Roger Halliday, Chief Statistician, The Scottish Government;

Jenny Stewart, Partner, KPMG.

F/S4/12/19/A

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The papers for this meeting are as follows—

Agenda item 1

Paper by the clerk

FI/S4/12/19/1

Agenda item 2

Paper by the clerk

FI/S4/12/19/2

Finance Committee

19th Meeting, 2012 (Session 4), Wednesday, 20 June 2012

Financial implications of the Welfare Reform Act 2012

Introduction

1. The UK Government's [Welfare Reform Act 2012](#) received Royal Assent on 8 March 2012. The Act introduces a wide range of measures reforming the welfare benefit system.

Background

2. In its supplementary [Legislative Consent Memorandum \(LCM\)](#) the Scottish Government stated that—

“..it is clear that the will Bill have a significant impact on Scotland, particularly on a range of devolved services such as health, social care, housing, employability and vulnerable persons’ support.”

3. In its report to the Health and Sport Committee on the LCM, the Local Government and Regeneration (LGR) Committee highlighted the likely direct and indirect impacts of the Bill on local authority services. In relation to direct impacts, the LGR Committee drew attention to payment of housing benefit to individuals, reduction of housing benefit in cases of over-occupation and replacement of Disability Living Allowance with a Personal Independence Payment.¹

4. In terms of indirect impacts, COSLA suggested, among other things, that the proposed welfare reforms would result in increased demand for a range of local authority services such as advice services, employability and economic development services and social work services.²

5. At its meeting on 11 January the Committee agreed to invite the Cabinet Secretary and relevant stakeholders to give evidence on the direct and indirect financial implications of the then Bill on Scottish public authorities and third sector providers and on the services they provide and the extent to which these impacts have been factored into future budget planning and the spending review.

6. This is the second evidence session with stakeholders. The Committee will take evidence from the Cabinet Secretary for Finance, Employment and Sustainable Growth at its meeting on 26 June.

7. Witnesses have provided short written submissions and these are attached at Annex A.

¹ http://www.scottish.parliament.uk/S4_HealthandSportCommittee/Reports/heR11-04.pdf

² http://www.scottish.parliament.uk/S4_HealthandSportCommittee/Reports/heR11-04.pdf

Conclusions of the Welfare Reform Committee

8. In its [Stage 1 Report on the Welfare Reform \(Further Provision\) \(Scotland\) Bill](#) the Welfare Reform Committee (WRC) commented—

“The Welfare Reform Committee has grave concerns about aspects of the UK Welfare Reform Act 2012.³ This includes the impact that its implementation will have on some of the poorest and most vulnerable in Scottish society.”⁴

9. The WRC called on the Scottish Government to use the powers offered by the Welfare Reform (Further Provisions) (Scotland) Bill “to mitigate, in so far as is possible within the powers of the Scotland Act 1998, and within its fixed budget, the negative impacts of the UK Welfare Reform Act.”^{5 6}

10. The WRC also indicated that—

“The Committee has concerns about, amongst other things, the impact in Scotland of changes proposed to housing benefit, which will be subsumed in the new Universal Credit in the UK legislation. It anticipates significant problems for local authorities and housing associations both in transition and through reduced income and increased costs of borrowing. The Committee plans to look at this further as part of its on-going scrutiny of welfare reforms.”⁷

11. The WRC further indicated that it “would be useful for the Scottish Government to continue its analytical work on welfare reform, to also look at the wider economic and social impacts of welfare reform, as the Welsh Government has been doing.”⁸

12. The WRC noted, however, that the Scottish Government has held back around £20 million of Resource DEL consequentials available in 2012-13 in view of the risk presented by the current economic and financial climate including, particular, those present by UK welfare reform and the unpredictability surrounding the eurozone.⁹

13. The Committee is invited to consider the above in its consideration of the UK Welfare Reform Act.

³ Alex Johnstone MSP dissented from this sentence.

⁴ Welfare Reform Committee, 1st Report, 2012 (Session 4) Stage 1 Report on the Welfare Reform (Further Provision) (Scotland) Bill, paragraph. 13.

⁵ Alex Johnstone MSP dissented from this paragraph.

⁶ Welfare Reform Committee, 1st Report, 2012 (Session 4) Stage 1 Report on the Welfare Reform (Further Provision) (Scotland) Bill, paragraph. 14.

⁷ Welfare Reform Committee, 1st Report, 2012 (Session 4) Stage 1 Report on the Welfare Reform (Further Provision) (Scotland) Bill, paragraph. 30.

⁸ Welfare Reform Committee, 1st Report, 2012 (Session 4) Stage 1 Report on the Welfare Reform (Further Provision) (Scotland) Bill, paragraph. 49.

⁹ Written answer SW4-05984, John Swinney MSP, Cabinet Secretary for Finance, Employment and Sustainable Growth 8 March 2012

FI/S4/12/19/1

**Lucy Scharbert
Assistant Clerk to the Finance Committee**

Written submission from NHS Highland

A written submission by Margaret Somerville, Director of Public Health, NHS Highland

Introduction:

This written submission outlines the impacts of the Welfare Reform Act on the health of people in the Highlands and Argyll and Bute and the healthcare services NHS Highland provides for them.

The changes which are of particular concern include the proposed changes to Disability Living Allowance (DLA) and to Housing Benefits (HB). We are also concerned about increased conditionality and assumptions about the availability of work against an economic backdrop characterised by high levels of unemployment and a paucity of realistic job opportunities. People living in our remote and rural areas are likely to be particularly affected by some of the changes.

Several of the changes will reduce income either directly through, for example, the 20% reduction the government intends to achieve in relation to DLA and revised mechanisms for calculating HB, or indirectly, through increased conditionality and new occupancy requirements around socially rented housing. We acknowledge the Department of Work and Pensions' (DWP) calculation that Universal Credit is likely to result in either no change or a slight increase in income for the majority of claimants, but DWP has confirmed to us that the baseline for this calculation assumes that prior benefit reductions within the Act will already have taken place.

Direct effect of the measures introduced in the Welfare Reform Act are:

- Further reducing incomes for those who are already on low incomes – mean incomes are lower in Highland than the rest of Scotland and the UK. Everyday requirements cost 10% – 20% more in rural than urban areas.
- Increasing income inequalities between the richest and the poorest in society.
- Inducing and increasing housing insecurity through difficulty in paying rent and the requirement on people to match household configuration to occupancy requiring, potentially, a series of house moves as family dynamics change.

Further effects will be determined by how people react and may include:

- Increasing use of inadequate housing, which is known to have a major impact on health
- Reduction in diet quality, particularly in relation to increases in consumption of cheap, high-fat, high-sugar foods accompanied by a reduction in consumption of fresh fruit and vegetables.
- Increased levels of fuel poverty in an area where winter temperatures are already significantly lower than UK and Scottish averages.
- Changes to health risk behaviours such as smoking which the evidence suggests may increase or remain constant, alcohol use which may decrease due to lower spending capacity and unprotected sex in adolescent girls which may increase due to the effects of inequalities

Likely health impacts of the changes:

An extensive review of the literature carried out by NHS Highland demonstrates that illnesses in adults and children requiring inpatient care are likely to increase as a consequence of the health impacts of the Welfare Reform Act. These include mental, cardiovascular and respiratory illnesses resulting from low income, income inequalities, housing difficulties and fuel poverty and specific additional obesity-related illnesses such as diabetes, arthritis and cancer arising from poorer nutrition.

Likely service impacts:

As GPs constitute the direct interface between the public and the NHS, we anticipate significant increases in numbers visiting GPs or contacting NHS 24., in line with predicted increases in ill health

GPs are paid to provide a service, regardless of the frequency of visits but a step-change in consultations could result in the need for more GPs, more admin support and to greater stress for GPs and their staff. Additional consultations will bring consequent costs associated with increased prescribing and diagnostic testing. This will increase pressures on and financial impact in other parts of the service.

We also anticipate increases in population mobility as a result of the changes to Housing Benefit. In Highland people who attempt to meet occupancy requirements may have to move a considerable distance due to the remote nature of much of the area. This will reduce continuity of care resulting in reductions in access to necessary healthcare.

Indirect financial impacts on NHS Highland services we provide:

Personal Independence Payment at standard or enhanced level will provide a gateway to benefits for carers. As fewer people are likely to receive disability benefits, it is also likely that fewer will receive carers' benefits. As people become less able to self-manage, the NHS is likely to require to provide increased levels of rehabilitative and therapeutic services.

The proposed occupancy requirements within Housing Benefit may also significantly reduce the number of familial carers due to the distances people are likely to have to move to meet occupancy requirements. Relocation may also be an issue for the NHS as employers, where staff are in receipt of Housing Benefit. The availability of unpaid carers is thought to save NHS Highland considerable sums in, for example, the avoidance of emergency hospital admissions.

The extent to which the financial impacts have been factored into future budget planning.

Though NHS Highland considers it likely that there will be significant financial impacts arising from the measures proposed within the Welfare Reform Act (and associated prior changes), these cannot currently be quantified because of a range of uncertainties.

- Much of the detail of the way in which welfare reform will operate is not yet available and will be contained in secondary legislation

- It is not clear how people will react to the changes. For example, where a family is under-occupying their socially rented house, will they move, take in a lodger or cut back on other elements of spend.
- While we know there are clearly defined health detriments involved in the areas outlined above, there is little or no quantification of this within the literature. We do not know whether reducing income by £20 per week for 5000 people will cause one more case of cardiovascular disease or ten. There is a current lack of knowledge as to how these detriments can be mitigated.

We are concerned that the Welfare Reform Act represents a significant but unquantifiable area of financial risk for NHS Highland.

Written submission from the Scottish Council for Voluntary Organisations

Summary

The full financial impact of the Welfare Reform Act is unknown at present and much will be revealed through the impending regulations relating to Universal Credit. However now is the time that Scotland needs to prepare to help the people of Scotland and mitigate the impact the reforms will have.

In an era of diminishing budgets and financial uncertainty the pressures of the reforms will be heightened and the impact on public services and those that deliver them will be great.

The Scottish Government, local authorities and the third sector will face great demand on services right across the board and this increase in demand comes at a time when we are all being asked to deliver more for less.

Our response

SCVO welcomes the opportunity to respond to this consultation and would like to contribute the following:

The situation in Scotland can have been likened to a “Perfect storm” where in the past 20 or so years Scotland has never faced an economic downturn of this magnitude, local services have never been under such great pressure, levels of unemployment across the country have never been so high and add on to this the impending welfare reforms, Scotland will be facing a situation unseen in recent years.

Third sector organisations are operating in a climate of reduced budgets right across the country however we are about to enter a period of time where the services provided will be needed more than ever. In some cases, demand is already increasing.

It is predicted that local authority budgets will decrease 3% on average per year with some predicting we are only 20% through the financial cuts in Scotland this will most certainly impact on the ability to help those most in need.

As local authority budgets tighten and services become increasingly squeezed for resources the role for the third sector in Scotland will be greater than ever. However the ability for the sector to continue to support and provide quality for service users will be impacted on by cuts across the country.

Organisations such as Shelter have recently reported substantial increase in calls to their helpline. Carers Centres are seeing an increase in demand for support and advice – Pollok carers centre has seen in the region of 83% increase in enquiries around welfare benefits alone and a 250% increase in referrals for support during the last quarter alone. The Centre expects the increase in referrals relating to benefit queries to increase to over 100%. The impact on staff in the Carers Centre is substantial – with staff having to deal with increasing numbers of time limited appeal documents and benefit applications and staff sitting with substantial amounts of Time Off in Lieu which they can't take.

In addition to this, carers are experiencing health affecting stress and worry over appeal processes which in turn impacts on their need for emotional and practical support.

Third sector organisations that give grants to individuals for basic equipment are experiencing rapid increase in demand. ECAS has seen demand rise by over 50% and are setting new records annually. Other charities are reporting similar problems with some spending reserves to meet demand, with others are closing applications for some months. Neither option is sustainable.

Citizens Advice Scotland noted in their submission on Stage 1 of Scottish Welfare Reform Bill that:

“since the introduction of the employment and support allowance, there has been a 33 per cent increase in the number of people seeking advice about it in the past year and last year there was a spike when people who were already on incapacity benefit - not new claimants - migrated to the new benefit”.

There are also concerns that the Scottish Government’s commitment to prevention may be heavily impacted by the effects of welfare reform. Many in the sector already worry that preventative spend is being used to plug gaps in service provision by the public sector rather than be directed at truly preventative work. We must ensure that all prevention work is truly aimed at tackling a problem before it arises rather than filling gaps in service provision if we are to achieve our aims in this area.

Conclusion

The examples above are a snapshot of the reaction and impact Welfare Reform has had and will continue to have in the future in Scotland.

The Scottish Government, local authorities and the third sector need to work together to support each other in the mitigation of the welfare impacts. Budgets may be diminishing and service demand is undoubtedly rising but we need to look at ways that work best in supporting the most vulnerable in society.

Written submission from the Scottish Federation of Housing Associations

1 Summary of Our Primary Concerns

- 1.1 The Housing Benefit changes in the Welfare Reform Act relate to working age claimants only. Over two-thirds of working age households in housing association / co-operative tenancies rely on Housing Benefit to pay all or some of their rent.¹
- 1.2 Many/most working age claimants face reduced support under Universal Credit, which will be paid direct to the claimant rather than the landlord.
- 1.3 Restricting the present system of payment of the housing support element direct to social landlords makes the collection of rent more costly, less efficient and more precarious.
- 1.4 Any significant interruption to rental income will impact on our sector's ability to maintain existing stock and to repay loans already taken out to build much-needed affordable homes, as well as possible new supply. This is at a time when there are 335,000 households on Scottish housing association and co-operative waiting lists.²
- 1.5 The Welfare Reform Act and associated secondary legislation thus have the potential to significantly reduce the revenue income of Scottish housing associations and co-operatives. In 2010-11, Housing Benefit accounted for at least 56% of all rent receivable by housing associations and co-operatives.³
- 1.6 The Welfare Reform Act and associated changes also have potential to significantly increase the operating costs of housing associations and co-operatives. This is at a time when the sector is striving to:
 - prevent and alleviate homelessness through a range of tenancy sustainment initiatives;
 - deliver continuously improving value for money to tenants and other service users, in line with the expectations of the new Scottish Social Housing Charter;
 - sustain new genuinely affordable housing supply with greatly reduced subsidy in a more challenging borrowing environment.
- 1.7 The planned changes and restrictions to Housing Benefit generally will impact on demand for housing, levels of household indebtedness, and potentially increase homelessness. A number of the changes proposed to welfare benefits, including the Universal Credit proposal, have the potential to exacerbate this impact.
- 1.8 We anticipate that the combined consequence of the direct and indirect impacts will reduce household income in our sector by around £221m in total over the period from now to 2016-17.⁴ The main objective of the UK Government's welfare reform agenda has been to reduce public spending but the combined effect represents a significant loss to local economies.
- 1.9 All of this has implications for matters of housing policy devolved to the Scottish Parliament, specifically homelessness, new supply, setting the standards for social landlord services (including arrears management) to name a few.

2 Introduction

- 2.1 As the national representative body for housing associations and co-operatives in Scotland, the Scottish Federation of Housing Associations (SFHA) welcomes the invitation from the Scottish Parliament's Finance Committee to provide evidence on the direct and indirect financial impacts on our sector and the services it provides. We also note the Committee's interest in the extent to which these impacts have been factored into future budget planning and the spending review.
- 2.2 While the SFHA broadly supports the principle of simplifying benefits, the Welfare Reform Act and associated changes threaten to undermine the existing safety net for households whose income is threatened by unemployment, low wages, or disability. The radical changes to the welfare system introduced by the Welfare Reform Act 2012 and through some earlier secondary legislation⁵ will have serious implications for tenants and their landlords.

3 Changes Affecting Support for Housing Costs

- 3.1 Tenants face losses of financial support particularly in relation to housing costs:
- Significant increases in Non Dependent Deductions for all tenants in receipt of housing costs subsidy were introduced from April 2011;⁶
 - From April 2013, those working age households claiming Housing Benefit (HB) who are deemed to be under-occupying will have their HB reduced by either 14% (where under occupying by one room) and by 25% (where under occupying by two rooms or more). We estimate that this will impact on approximately one in seven households in our sector. This will penalise many households who simply don't have an alternative, due to the housing shortage generally and the lack of available smaller properties.⁷ This under occupation penalty will be transported into the housing costs element of Universal Credit when it begins to be phased in between 2013 – 2017.
- 3.2 From April 2013, a household benefit cap will be introduced: £350 a week for single households and £500 a week for couple households. It is our understanding that Housing Benefit/housing costs element of Universal Credit will be adjusted down to meet the cap. We estimate that this will impact on around 1,800 working age households in our sector, with an estimated loss of £79.50 per household per week.⁸
- 3.3 It is proposed that Universal Credit will be paid direct to the claimant and that it will be paid monthly in arrears. Currently, around 96% of all housing association and co-operative tenants choose to have their Housing Benefit paid directly to their landlord.⁹ Although discussions are continuing between the Department for Work and Pensions (DWP) and social landlord representatives as to how to protect vulnerable tenants from getting into arrears with their rent, we remain to be convinced that sufficient protection will be in place to ensure that support for rent costs will reach landlords. SFHA is working closely with the Scottish Demonstration Project¹⁰ in an advisory and support capacity, in order that the lessons learned can be shared with the sector, subject to DWP permission.

4 Changes Affecting Other Areas of Household Income

- 4.1 Rising demand: Various changes to the Local Housing Allowance for private tenants, which took effect from April 2011, have the potential to make tenants in the private rented sector look elsewhere for accommodation. This has been exacerbated by the extension of the Single Room Rate for the LHA from age 25 to age 35 (where LHA will cover only a room in shared accommodation) in January 2012. We anticipate significant numbers of private renters applying to join HA application lists and/or approach homeless services for assistance. This is compounded further by the difficulties facing new households in accessing mortgages, which increases demand for rented housing generally.
- 4.2 The childcare element of Working Tax credits was reduced, in addition to detrimental changes to thresholds and tapers, from April 2011.
- 4.3 The replacement of the Disability Living Allowance with Personal Independence Payment (PIP) is intended to reduce the amount of benefit payable to disabled working age claimants by around 20%, affecting people with learning disabilities and/or mental health problems.
- 4.4 The localisation of the Social Fund and Council Tax Benefit between 2013-17 is intended to save the UK Government money through less funds being transferred to the Scottish Government. We note that the Scottish Government intends to mitigate the reduction in Council Tax Benefit via the Scottish Budget and this will offer some protection to tenants in our sector from this particular change.

5 Direct Impacts on Our Sector

Rent Arrears and Rent Collection

- 5.1 Research by SFHA prior to welfare reform highlighted that 20% of our sector's working age tenants receiving Housing Benefit said that they are in "some financial difficulties", 5% are in "deep financial trouble", while 15% "don't manage very well".¹¹ If 40% of working age tenants on Housing Benefit found it difficult to manage their finances before the significant welfare cuts begin to bite, the impact on rent collection could be significant, pushing arrears up.
- 5.2 If this came to pass, it would in turn increase the operating costs of housing associations and co-operatives as they face increasing demands to provide tenants with advice, support and debt management. It would also increase the need (and therefore cost of) existing tenancy sustainment initiatives for already vulnerable tenants. These services and supports are currently funded out of rental income.
- 5.3 Any reduction in revenue income would impact on our sector's ability to repay loans, manage and maintain stock and provide for future maintenance and prudent risk cover. It is difficult to model/quantify this in precise terms, as the context in which each organisation is operating varies. All housing associations and co-operatives have been seeking to establish which of their tenants is most at risk, and to factor this in to business plans and budgets. However, there is limited scope for individual organisations to fund the additional costs and make up the rental shortfall, given what already has to be funded from rental income.

Homelessness

- 5.4 Evictions are always a last resort. However, if significant rent arrears begin to build, there may come a point when individual landlords will have to consider that option. SFHA is currently urging the Scottish Government to take account of the impact of welfare reform in finalising the guidance for the pre action requirements for eviction (due to be published in August 2012).
- 5.5 This year, 2012, is the Scottish Government's target year for having all unintentionally homeless housed in settled accommodation. Some formerly homeless households are particularly vulnerable and seriously at risk under the provisions of the Welfare Reform Act. Without support, these individuals are at risk of being unable to sustain their tenancies.

Impact on New Supply and Retrofit

- 5.6 Though it is difficult to model, we are gravely concerned that insecure revenue streams will impact on the viability of individual organisations and on capacity to add to new supply.
- 5.7 We anticipate that increasing insecurity of revenue streams will compel lenders to increase the cost of private finance. We are already seeing a number of our members having difficulty accessing private finance and where it is available, finance has become significantly more expensive and short term. We are currently collating evidence of this to discuss with lenders and to share with the Scottish Government.
- 5.8 Not only will the availability and terms of private finance constrain the ability of the sector to sustain much needed new and genuinely affordable housing supply, but it will also impact on the funding of retrofit to existing stock. Retrofitting existing stock is essential if our sector is to comply with the forthcoming Climate Change Standard and to assist in delivering the Scottish Government's forthcoming Sustainable Housing Strategy, including reducing fuel poverty.
- 5.9 Whilst it is often claimed that that our sector has significant reserves to draw upon, we must emphasise that the reserves have been built up over time and the majority are designated for future planned maintenance and prudent risk cover. There is limited capacity to deploy these reserves differently and if they could be used to support new supply, they could only be used once.

6 Action Required by Scottish Government

- 6.1 Housing associations and co-operatives are working hard to identify the profile of their tenants and therefore who is at greatest risk from the welfare reforms. This information is being used to inform business planning and budgeting. We know that many are setting aside funds to mitigate some of the impact but for all of the reasons outlined in this evidence, this is limited. **Appendix 1** outlines the key headlines from a recent SFHA survey of housing associations and co-operatives in respect of their preparation for welfare reform.
- 6.2 However, there are areas where we would encourage the Scottish Government to consider assisting financially and in brokering improved arrangements, for example:

- Assisting with the cost of advice to social tenants via a series of national promotional campaigns about the welfare reform changes;
- Promoting the use of bank accounts and credit unions, building on lessons we anticipate from the Scottish Demonstration Project;
- Ensuring that the Scottish Government's digital inclusion strategy takes account of the expectation that the majority of Universal Credit claims (and reporting of changes of circumstances) will be made online.

6.3 SFHA also seeks the Scottish Government's support for our sector, by ensuring that the lessons of the Scottish Demonstration Project are fully taken into account in developing Universal Credit arrangements. We are pleased that the Scottish Government's Housing Benefit Team has already taken a close interest in the project. It is our view that the existing arrangements for direct payment of Housing Benefit direct to social landlords is very administratively efficient. We would wish to discuss with the Scottish Government the potential for local administration of Universal Credit, using the existing expertise of HB staff in local authorities where possible. We would also urge the Scottish Government to consider whether there is scope for Scotland to continue with the existing tenants' right to choose arrangement in respect of payment of housing costs support.

7 Concluding Comments

- 7.1 The Welfare Reform Act and associated secondary legislation will reduce support, including housing cost support, to a large number of working age claimants. As we have outlined in this evidence, this has significant potential to cause a major disruption to our sector's revenue stream, with accompanying consequences for landlord services, homelessness, new supply, retrofitting to existing stock and viability.
- 7.2 While we have focused in more detail in this evidence on housing costs, this is not the whole story. Wider welfare reforms will also impact on tenants and landlords in our sector.
- 7.3 The precise impact is difficult to predict in quantitative terms for the whole sector as each organisation has different starting points and contexts in terms of Housing Benefit income, incidence of direct payments and arrears levels.
- 7.4 It is also difficult to judge how tenants will respond to the circumstances that they find themselves in once the extent of welfare reform begins to bite. The reforms bring about a fundamental change in the landlord/tenant relationship.
- 7.5 Even at this stage, with the Welfare Reform Act on the statute books, there remain many known unknowns and unknown unknowns.
- 7.6 We would urge the Committee to take account of our concerns in considering the extent of mitigation that can be incorporated in to the Scottish Budget going forward. We have included in this evidence some suggestions for both financial and non-financial action by the Scottish Government.

APPENDIX 1

HEADLINES FROM SFHA SURVEY OF SECTOR'S PREPARATIONS FOR WELFARE REFORM

In April 2012, SFHA collated information from housing associations and co-operatives across the country about how they are each preparing for welfare reform.

Here are the headlines from the survey:

- 75% of respondents rely on Housing Benefit for more than half of their income;
- 89% of respondents have discussed Welfare Reform in their management committees/boards;
- Two-thirds have identified tenants likely to be impacted by Welfare Reform ;
- Half have made additional provisions in their business plan for Welfare Reform;
- 1 out of 10 respondents has not yet assessed the impact of Welfare Reform;
- The penalty for under-occupying households and the shift to direct payments to tenants have been seriously considered in nearly half of all business plans;
- Half have introduced welfare rights or debt/ budgeting advice in the past year, and a further third plan to introduce these services in the future;
- 85% have introduced or planned to introduce financial inclusion initiatives;
- 2 out of 3 plan on introducing support for under-occupiers to downsize;
- 89% have changed or planned to change their rent arrears policy and practice;
- More than a quarter have changed their money and debt advice policy in the last year and more than half planned to change this policy;
- 2 out of 3 respondents preserved tenant services in the past and upcoming year;
- Two-thirds of tenancy sustainment services lost was attributed to discontinued Wider Role funding.

¹ Data supplied to SFHA by IS4 Consultancy, publication forthcoming.

² Statistics supplied to SFHA by the Scottish housing Regulator (05 July 2011) based on data in the 2009-10 Annual Performance and Statistical Return

³ Figure provided to the SFHA by the Scottish Housing Regulator, based on information provided in the 2010-11 Annual Performance and Statistical Return. We understand this amount to be around 96% of all Housing Benefit payments made in relation to housing association/co-operative tenants.

⁴ Figure supplied to SFHA by IS4 Consulting, publication forthcoming.

⁵ Changes to Non Dependant Deductions for all tenants in receipt of housing costs subsidy and to the Local Housing Allowance paid to private sector tenants did not require primary legislation and have been in place since April 2011.

⁶ In 2012-13, a household with a non-dependant on minimum wage for a 40 hour week loses £59.05 per week in Housing Benefit.

⁷ Research for SFHA in 2011 estimated that, across all housing associations/co-operative tenants, 62% need a one bedroom property but 34% of these have a larger property due to flexible allocation policies. Littlewood's research is available at:

http://www.sfha.co.uk/component/option,com_docman/Itemid,82/gid,1288/task,doc_download/ (accessed 13th June 2012).

⁸ Data supplied to SFHA by IS4 Consultancy, publication forthcoming.

⁹ Figure provided in answer to a Parliamentary Question on 18th July 2011, posed by Sheila Gilmore MP. Full text of written answer available at:

<http://www.publications.parliament.uk/pa/cm201011/cmhansrd/cm110718/text/110718w0002.htm#11071842000702> (accessed 13th June 2012).

¹⁰ Dunedin Canmore HA is participating in the DWP demonstration project, affecting only their tenants in Edinburgh who are of working age, of whom there are around 1,800.

¹¹ Littlewood's research is available at:

http://www.sfha.co.uk/component/option,com_docman/Itemid,82/gid,1288/task,doc_download/ (accessed 13th June 2012)

Finance Committee

19th Meeting, 2012 (Session 4), Wednesday 20 June 2012

Data collection

Purpose

1. The purpose of this paper is to provide background information for the evidence session on data collection. It outlines particular issues which have been previously highlighted and discussed by the Committee across its current work programme.
2. Written submissions from the Scottish Government and Audit Scotland are attached at Annex A. A paper by the Budget Adviser is attached at Annex B.

Background

The quality and range of data

3. The context for this discussion is well set out in the Budget Adviser's paper. There are wide and varying dimensions to a discussion on data collection. For example, what statistics are gathered, how, why, for what purpose, how is data shared/disseminated/utilised, how does data inform policy and, importantly, used to evaluate outcomes.
4. The Committee may wish to focus on the relevance and importance of good data collection and its relationship to its on-going work programme e.g. on its main themes of fiscal sustainability, improving sustainable economic growth, annual budget scrutiny, and whether the data which is necessary to inform and support policy in these areas, and subsequently measure outcomes, is properly collected, shared, analysed, utilised etc. The devolution to the Scottish Parliament of additional financial powers is an area where the gathering of key data will be particularly important.
5. The issue was highlighted in the report of the [Independent Budget Review](#)—

'The Panel also concludes that there is a need to move towards a more outcomes-based approach to public service management and to improve the quality, availability and application of evaluation, monitoring and reporting data and information in relation to outcomes across the public sector in order to ensure that resources are applied to full benefit. This is vital if the Scottish Parliament is to exercise an effective monitoring and scrutiny role.'

Fiscal sustainability

6. The Committee will recall from its [round table discussion on demographic changes](#) the point made on the need to gather, share and use data in the most effective way. The Registrar General for Scotland made the point—

“One of the challenges that we are looking at is whether we can make better use of that data and share it more effectively than we have done up till now.”

7. He also stated that raw data is gathered by the National Records Office and the Information Services Division of NHS Scotland but that better evaluation of this is needed. The point was made that the public sector collects a great deal of data for different purposes but the best use is not then made of it (there may data protection, legal or ethical considerations which impact on the ability to use data).

8. On a similar issue, the Committee’s Budget Adviser made the point—

“I have been involved in a Europe-wide project that looked at telecare interventions. We found that there are not only hundreds but probably thousands of little interventions that physicians have decided would be a good idea, but which are not taken forward. We do not know whether they work, because the evaluations have been poor. If we want to know what works, we must have a system that will enable us to evaluate the evidence coherently.”

9. The issue of data gathering, of what type, how it is evaluated, shared and used and for what purpose was also identified as a key issue during the consideration of the written evidence received in respect of the Committee’s consideration of preventative spend during the 2012-13 draft budget scrutiny.

Employability

10. During the Committee’s [recent evidence session](#) on employability, Skills Development Scotland gave an example of a lack of data collection. The result of this was not then being able to identify and measure the impact which an employment programme has—

“..... get ready for work, for example, is considered in isolation and that we use the straight hard measure of what happened to an individual. At the moment, we are finalising a piece of work that looks at how that compares with other programmes. The problem is that we do not have a lot of published data on programmes and, in fact, what data does exist is only for very small initiatives. We might know, for example, that 30 people took the get into cooking course and that it had a very high achievement rate; however, we would have no data on how much funding went into what is a very small-scale programme.”

11. However, in a further example, SDS highlighted the positive impact which good data collection and sharing can bring—

“A great advantage for us within the local employability partnerships has been the creation of the 16+ learning choices data hub, because that means that we have a facility to identify young people in schools, to offer them support post-school under our case management approach, and to track what employment, learning or training they gain. The data hub enables us to share the data with schools, and we are now also working closely with Jobcentre Plus and the Department for

Work and Pensions, because another dimension is the youth contract that the DWP has introduced throughout the UK, which offers a service to young people, particularly 18 to 24-year-olds. We have to ensure that all the organisations are working together, and the data hub is a useful tool because it allows the advisers to share information on where young people are.”

12. Information about the National Performance Framework is given below. One of the National Indicators is [Increase the proportion of young people in learning, training or work](#). This measures the proportion of school leavers from the publicly funded sector who are ‘in a positive destination approximately 9 months after leaving school’. According to the technical note for this indicator, data is collected in a follow up survey to the ‘School Leavers Destination Survey’ and is based on a simple count of young people and their reporting of their current destination. Positive destinations are defined as: Further Education; Higher Education courses; employment; training; and volunteering.

13. While there will no doubt be extensive data collected on various aspects of employment programmes (e.g. number of participants, age groups etc.), the Committee may wish to consider whether there is adequate linkage between the National Indicators (such as that above for example) and the actual implementation of policies (such as, for example, those relating to improving employability). It is not suggested that the data which informs this particular indicator is lacking but the Committee may wish to consider whether, where data is not collected, it is possible to then properly measure the outcome and effectiveness of the policy itself and the subsequent National Indicator which informs the overall Scottish Government Purpose.

14. A further point for consideration might be whether adequate data is gathered to measure the outcomes from the various employment initiatives (and whether it is in fact possible to measure). As members are aware, a purpose of the Committee’s improving employability sessions has been to consider how public spending is being directed to improve the employability of, and create sustainable employment for, individuals from the most deprived backgrounds. Without gathering appropriate data, it is difficult to assess whether this improvement is being achieved.

15. The above is used as an example to illustrate points made to the Committee in discussions of the need to collect the right data and then utilise it for evaluation purposes.

Financial and economic information

16. The Committee has taken evidence from the Office for Budget Responsibility and HM Revenue & Customs on the financial powers arising from the Scotland Act 2012.

17. The OBR [stated in oral evidence](#) that—

“One set of issues that arises is less to do with our ability to forecast and more to do with data availability. Some of the data relating to determinants for income

tax—data on mixed income and self-employment income, for example—are, as far as I am aware, not available for Scotland. A breakdown of expenditure and income is being produced on an experimental basis with some lag and so on.

The obstacle to producing a Scottish macro forecast as an underpinning for a Scottish fiscal forecast is not only a lack of resources to put together the model to do that—we would need to do it in a way that was consistent with the UK forecast as a whole—but the fact that some of the data that underpin the UK-wide forecast are not available at a Scottish level. The raw material that you would need to input into the model is not there. I am not fully up to speed with how much of that data the ONS or others intend to generate, but I think that you are some way away from having the data infrastructure available to be able to do something more dramatic on that score.”

18. Professor David Bell (the Committee’s Budget Adviser) published a paper (not for the Committee), [The Scotland Bill Proposals for Forecasting and Reconciling Income Tax Receipts](#). The following extract may be of interest—

‘Information on employment and wages in Scotland would be an essential component of SITF. Such data is available from the Labour Force Survey (LFS) with no more than a two month delay. Nevertheless, earnings data are only drawn from 40% of employees in the sample. It would be important to establish whether the standard errors on these earnings estimates are acceptable for forecasting purposes.

Data on prices are not routinely collected for Scotland. Nevertheless, due to Scotland’s membership of a currency union with the rest of the UK and the integration of labour and capital markets, differences in price inflation between Scotland and the rest of the UK are likely to be small and short lived. Though the need for separate Scottish price data for SITF is likely to be limited, this is another issue that the Scottish government might wish to consider.

There is little Scottish data available on mixed income – how income is treated by sole traders and partners for SA [self-assessment] purposes. This may not have a large effect on SITF, but these effects should be investigated to determine if there are differences between Scotland and the UK behaviour by the Scottish Government in conjunction with HMRC.

Currently, there is also little information on financial bonuses and high earners in Scotland. Recipients of high salaries and bonuses tend to seek ways to minimise their tax liabilities. This will be an issue of potential significant importance to the Scottish Government given the relative importance of higher income taxpayers to total income tax revenue. The top 5 per cent of income earners contribute over 25 per cent of total income tax revenue in the UK as a whole. Given there are proportionally fewer very high earners in Scotland, the proportion is likely to be somewhat lower in Scotland, but not significantly so. Thus a large proportion of Scotland’s income tax revenues will depend on a relatively small number of people.

There is a range of other economic data available to the Scottish Government which might help inform SITF, including:

- Other labour market data such as unemployment and hours of work
- Annual Survey of Hours and Earnings (can be used in addition to the LFS to check on earnings growth) and
- Business surveys for the Scottish economy.
- Commercial and academic forecasts of both the UK and Scottish economies
- Gross Value Added data for the Scottish economy.

The last of these, which is potentially an important leading indicator of activity in the labour market, is available only after a considerable lag. There is a need to make it available more rapidly. The need for more accurate and timeous data will now be a necessary condition for budgetary stability in Scotland. This may mean revisiting the agreement between the Scottish Government and the UK Government in relation to the production of statistics.

We next consider whether one would expect large differences between the predictions of UK and Scottish income tax revenues, after making allowance for the relative size of the economies. To do this we try to establish whether there are significant differences in the characteristics of the labour market in Scotland and in the UK as a whole.'

19. The Scottish Government currently gathers economic statistics on—

[Gross Domestic Product](#): Quarterly GDP figures are produced in basic prices, also known as Gross Value Added.

[Labour Market](#): Statistics on the labour market provide the latest information on unemployment, employment, economic inactivity, earnings, and public sector employment.

[Business and Enterprise](#): Analysis and research on the business stock and business financial performance.

[Exports](#): Statistics from the Global Connections Survey and the Index of Manufactured Exports.

[Public Finances](#): Information on estimated net fiscal balance and current budget balance.

[Households](#): Information on estimated household expenditure.

[Income and Poverty](#): Information about income and poverty statistics.

[Structure of the Economy](#): Input-Output tables provide a complete picture of the flows of goods and services in the economy for a given year. They detail the relationship between producers and consumers and the interdependencies of industries.

[Economic Pocket Databank](#): Summary of the key statistics on economy including information on the labour market, GDP, and other main economic indicators.

20. In addition, it publishes [Government Expenditure and Revenue in Scotland](#) which aims to 'enhance public understanding of fiscal issues in Scotland. The primary objective is to estimate a set of public sector accounts for Scotland through detailed analysis of official UK and Scottish Government finance statistics. GERS estimates the

contribution of revenue raised in Scotland toward the goods and services provided for the benefit of the people of Scotland. The report is designed to allow users to understand and analyse Scotland's fiscal position under different scenarios. GERS captures the entire public sector in Scotland and includes activity by each of the constituent sub-sectors of the public sector: central government, local government and public corporations. In addition to providing an analysis of aggregate expenditure and revenue, the report contains a detailed breakdown according to individual expenditure and revenue components.'

21. The Committee may wish to consider the linkage between these various economic data sets, the Scottish Government's economic strategy, the overall Purpose as set out in the National Performance Framework and how this informs the draft budget which comes before the Parliament (see 'Data linkage' below).

The National Performance Framework (NPF)

22. The Scottish Government established the NPF in the 2007 spending review to underpin its overarching 'Purpose' ('to create a more successful country, with opportunities for all Scotland to flourish, through increasing sustainable economic growth'). The '[Scotland Performs](#)' website measures and reports on progress by the Scottish Government in achieving the priorities set out in the NPF. The site is updated whenever relevant new statistical information is available to indicate progress against a purpose target or indicator. It also identifies when updates are anticipated.

23. The NPF could be described as having four layers. Sitting at the top is the Scottish Government's [Purpose](#) and its associated targets. The website states—

'The [Government Economic Strategy](#) (GES) sets out the measures that we are taking to accelerate recovery, drive sustainable economic growth and develop a more resilient and adaptable economy. Faster sustainable economic growth is the key which can unlock Scotland's full potential and is the avenue through which we can deliver a better, healthier and fairer society. An updated GES - which considers the challenges and opportunities that have emerged from the marked change in economic conditions since 2007 and which builds upon the fundamental principles set out in the [2007 Strategy](#) - was published in September 2011. A challenging set of high level Purpose targets, that include specific benchmarks, will track progress in boosting Scotland's economic performance and ensure that the benefits of higher growth are sustainable and shared by all of Scotland.'

24. Sitting below this Purpose are five [Strategic Objectives](#) (Wealthier and Fairer; Safer and Stronger; Healthier; Greener; Smarter) which describe where the Scottish Government will focus its actions. Below this are the 16 [National Outcomes](#) which describe what the Scottish Government wishes to achieve over the ten years to 2017, articulating more fully its [Purpose](#). The Scottish Government considers that these will 'help to sharpen the focus of government, enable our priorities to be clearly understood, and provide a clear structure for delivery'. Finally, there are the 50 [National Indicators](#)

which enable the Scottish Government to track progress. The [Scotland Performs website](#) states—

‘Indicators have been chosen to show how we are progressing on the range of Outcomes. Wherever possible we have selected Indicators that come from existing datasets to allow us to understand progress and trends over time.

The 50 indicators do not provide comprehensive measurement of every activity undertaken to achieve the Outcomes and Purpose. Instead they are a carefully chosen set which we believe most clearly shows progress towards the achievement of a more successful and prosperous Scotland.’

25. The [2011 Spending Review](#) announced a refresh of the NPF which was published on [14 December 2011](#). An [updated SPICe briefing on Scotland Performs](#) was published on 12 June 2012. This shows progress by the Scottish Government against its Purpose Targets and National Indicators.

Data linkage

26. In its report on the draft 2012-13 budget ([paragraphs 9-19](#)) the Committee highlighted the refresh and invited the Scottish Government to consider the written evidence received in respect of the NPF, particularly concerns expressed about the lack of early years indicators. Further, it repeated the point about the lack of linkage between the NPF, draft budget document and the Scottish Government’s economic strategy. Overall, the Committee sought clarification from the Scottish Government on whether—

- there has been a review of its progress over the period of the previous spending review against the NPF and how this informed the spending review 2011;
- the NPF continues to be fully integrated into its spending plans over the spending review period and how this works in practice;
- the national indicators represent its priorities and have been funded accordingly;
- the national outcomes and national indicators have been reviewed to reflect the shift towards preventative spending; and
- specific indicators will be introduced to measure progress arising from the introduction of the shift towards preventative spending.

27. Related to the ‘linkage’ point above, it highlighted ([paragraphs 150-7](#)) the finding from the [Christie Commission report](#)—

‘5.2 In recent years there have been efforts to encourage an ‘outcomes-based approach’ among public service organisations, including the Scottish Government’s introduction of the National Performance Framework in 2007. Our evidence suggests, however, that the wider system of governance and organisation of public services still does not fully embrace this approach.’

28. The Committee highlighted the point in the Christie report that different accountability frameworks often pull organisations in different directions and that there is a focus on inputs and outputs rather than outcomes e.g. the NHS is measured

against the Health Improvement, Efficiency Access Treatment (HEAT) targets and not the single outcome agreement or the community plan. The Commission argues that this must change.

29. The Committee, in its report, indicated that it would welcome a six-monthly update from the Scottish Government on its progress in implementing the Christie recommendations. The Scottish Government responded to this by stating it would be happy to update the Committee 'on a regular basis.' As yet, no report has been published.

30. The Committee will recall it took oral evidence from the Carnegie UK Trust on its report, [More than GDP: Measuring What Matters](#). There are several references in that report to the NPF. In a written submission to the Committee the Trust stated—

'To ensure that the revised National Performance Framework is embedded, and wellbeing improved, we need to look at how we measure, deliver and hold Government to account. The Round Table concluded that since its introduction in 2007 the National Performance Framework has not been used as effectively as it could be to hold the Scottish Government to account, either by the Scottish Parliament or by the public. This has meant that, outside of the civil service and Cabinet, few people have understood how to use the Framework to scrutinise Government performance. Government's chosen method of reporting - Scotland Performs - is thorough but technical, and does not encourage a debate about how better to organise government and develop and deliver better-coordinated policies. Scotland Performs should be maintained, and it is critical that its statistics are easy to access and use and are seen as objective - but Government should look to report annually against any dashboard or framework it sets.'

31. The Scottish Government is currently [consulting on a data linkage framework](#). Its webpage states—

'Our vision for the future is one where evidence of what works in delivering positive outcomes for all of Scotland is delivered quickly and efficiently with minimal burden on front-line services. Where the public recognises that their information is secure, and is used ethically, legally and efficiently to answer crucial research questions, providing answers on how to tackle the major issues facing Scottish people. Where Scotland is recognised the world over as a hub of innovative and powerful statistical research, attracting investment and job creation. The Scottish Government is working with a wide range of partners to establish a collaborative framework that will facilitate data linkages for research and statistical purposes to be conducted safely, securely, legally, ethically and efficiently. It is in the public interest both to safeguard individuals' right to privacy and to make efficient use of data for statistical and research purposes. The Data Linkage Framework aims to help every-one involved in data linkage to balance these values; to provide the public with assurance that personal data are being used safely and appropriately; and to provide a common framework of principles

and standards that data custodians and users can work within. Data linkage is already widely used in the health sector, and Scotland has an international reputation as a leader in linkage-based research. But there is scope to extend the use of data linkage within and between sectors and to develop the methods collaboratively. The framework is broad, and is intended to provide multiple benefits to a wide range of stakeholders. The aims of the data linkage framework are to:

- Speed up cycles of improvement through the delivery of a higher quality cross-sectoral evidence base to inform public policy and strategic spending decisions
- Enable better use of existing data to develop efficient and reliable methods of producing demographic and census-type statistics
- Increase the power of statistics available to all
- Allow relatively low cost longitudinal research to be conducted both retrospectively and prospectively, informing preventative spend
- Increase the capacity to robustly evaluate the costs, benefits and risks of new health, social, educational and associated programmes
- Provide exemplars of research excellence, enhancing Scotland's reputation and attracting investment and job creation to Scotland.'

Draft budget scrutiny and provision of level 4 figures

32. The Committee will recall from its draft budget scrutiny of the concerns raised by a number of committees in relation to the publication of level 4 figures. The Written Agreement with the Scottish Government on the budget process states that “while there is no formal definition of “level 4” information there is nevertheless a presumption for information below “level 3” to be released.” However, as in previous years, subject committees again encountered difficulty in obtaining level 4 figures.

33. Following representations by the Committee, the Scottish Government has agreed that it will provide this information within ten working days following the publication of the draft budget. The provision of such data will assist committees in their draft budget scrutiny.

Other issues

34. Highlighting the importance of good data collection has been actively considered previously. The Session 3 Public Audit Committee in its [‘Key themes’ report](#) drew attention to data collection and measuring quality. The report stated that the PAC—

‘has often reported that the data collected at national level has not always enabled the factors that improve productivity to be identified or benchmarking to be meaningfully achieved. Such information is vital to support informed decision taking. The Committee is also aware that the measurement of outputs, outcomes and the quality of services has lagged behind the collection of input data.’

35. The report then set out some examples from earlier PAC reports. For example, the PAC’s 2008 report on free personal and nursing care highlighted variations in local

authorities' financial planning, monitoring and reporting of expenditure on FPNC and that the data collected by local authorities did not provide an adequate basis for the Scottish Government to know how much had been spent by local authorities on FPNC nor make accurate projections of future costs [at that time].

36. Similarly, its 2009 report on palliative care services highlighted that there were no specific actions within the then Scottish Government's action plan on recording consistent information across NHS boards. The PAC believed that consistent and accurate data collection, carried out on a national basis was critical to enabling reliable planning and monitoring of service delivery.

37. Finally, in its 2010 report on the overview of mental health services, the PAC considered a range of issues including the expenditure, accessibility and delivery of mental health services. It learned that anti-depressant prescribing had quadrupled between 1993 and 2008 and that the NHS may not meet its then target for reducing the annual rate of increase in anti-depressant prescribing. In evidence, many reasons were provided as to why anti-depressant prescribing were increasing but the then Scottish Government also acknowledged that information on the number of people on anti-depressants was not collected [at that time]. It was therefore uncertain as to whether the number of people taking anti-depressants had increased during that period.

38. The PAC concluded that accurate, reliable and comparable nationally held data is essential if public bodies were to achieve the efficiency savings current and future governments would call for. Such data would support informed decision taking enabling public bodies to have greater confidence the anticipated outcomes will then be delivered.

39. The Committee will recall that similar points have been made to it. In its discussion with the David Hume Institute, the point was made that there was a need to gather more informed data on useage on a range of public services in order to gauge what future costs might be e.g. how many free eye tests in the next five years and at what cost. The question was put as to how the Scottish Parliament can properly assess performance if the data isn't there. A further point was made about measuring performance across and within sectors and what the incentive mechanism was for individual departments/sectors/agencies etc. to perform well.

40. A number of these points also arose in the round table discussions on preventative spending which the Committee held as part of its 2012-13 draft budget scrutiny. For example, how do local authorities, NHS boards and community planning partnerships gather information on and then share good practice? how are outcomes measured and are they measured in a consistent way across the relevant agencies?

41. Several organisations saw a key role for the Scottish Government in providing analytical support and disseminating research evidence. For example, Renfrewshire CPP suggested that partnerships require analytical support from the Scottish Government in order to base preventative spend activity on robust evidence and

accurate estimates of the benefit of the activity while the Royal Society of Edinburgh recommended that the Scottish Government should make available all existing evidence on preventative interventions and should place on agencies an obligation to gather and share evidence on new and on-going initiatives from the outset.

Conclusion

42. **The Committee is invited to consider the above.**

**Fergus D. Cochrane
Senior Assistant Clerk to the Committee**

Scottish Government submission

1. Background: The Role of Scottish Government Statistics Group and our approach to data collection

- 1.1. The Scottish Government Statistics Group exists to provide statistical information and analysis. An important element of this is data collection but our role does not stop there. The Statistics Group has embraced the Outcomes Based Approach and alongside analytical colleagues throughout Scottish Government, statisticians add value to data through analysis and interpretation, joining statistics up with other relevant evidence, making data available and communicating evidence widely.
- 1.2. In order to deliver statistical outputs that meet the needs of both Ministers and the wider public, provide value for money and places minimal burden on data providers, we place stakeholder engagement at the centre of our processes, from the early stages of planning through to feedback on dissemination methods.
- 1.3. The Statistics Group works in accordance with the UK Statistics Authority's Code of Practice for Official Statistics and are committed to continuous improvement and efficiency savings.
- 1.4. There is constant demand for more and better statistical information to be delivered faster, with greater accuracy and reliability, at smaller geographical levels and, in the case of population statistics, with increased coverage of small equalities groups. At the same time there is pressure to reduce the burden on survey respondents and front-line services for data, to develop new and innovative ways to collect, analyse and report statistical data, and to do so with decreasing resources. We do not shy away from these challenges and we would welcome the committee's scrutiny on the balances we strike between competing demands. There are two tensions inherent in the production of statistics that we would like to highlight:
 - 1.4.1. Accuracy and timeliness: To collect and quality assure statistics takes time, and there is a limit to the extent to which statistics can be produced more quickly without compromising accuracy. The Scottish Government Statistics Group takes an approach of ensuring statistics are not published before they are "fit for purpose", i.e. accurate enough to base decisions on.
 - 1.4.2. Minimising respondent burden and comprehensiveness: Collection of data for the production of statistics always imposes some level of burden on respondents. For example, the production of statistics by all equality characteristics cannot be achieved without requiring people to report their ethnicity, religion and sexual identity both when responding to surveys and engaging with services (when data are collected for administrative purposes and can subsequently be used for statistical purposes).

2. Using data to evaluate outcomes: The National Performance Framework

- 2.1. The National Performance Framework, with the Purpose and National Outcomes sets out a vision for Scotland. The vast majority of indicators are compiled using data collected for the production of Official and National Statistics. This ensures that performance is measured and evaluated in a credible, impartial and objective way.
- 2.2. Across the government, policy development and evaluation is both outcomes-focussed and evidence-based, driving the demand for more and better data. Delivery-based frameworks and associated performance indicators have been developed which are aligned to the National Outcomes. The Scottish Government has been working with Community Planning Partnerships to increase analytical understanding and improve performance information at a local level, including through the Improving Local Outcome Indicators project.

3. Improvements to survey data: The Long Term Survey Strategy

- 3.1. In 2009 the Scottish Government consulted on and subsequently published the Long Term Strategy for Population Surveys in Scotland 2009 - 2019. The aims of which are to ensure that population surveys meet key information needs while maximising the analytical potential of the data they generate, the precision of estimates and value for money; to give full consideration to issues of survey participation, respondent burden, data quality and data security; and to make recommendations that align survey practice across Government and promote good practice to other public bodies.
- 3.2. In 2010, as part of the strategy, the Scottish Government conducted a “Survey Efficiency Project” to look at our own surveys. The outcome was a reduction and redesign of population surveys leading to recurring annual saving of approximately £2.8 million with minimal loss of data, and the incorporation of a set of core questions in all surveys which will be pooled to provide robust analysis of rarely occurring characteristics at a national level and other characteristics at a smaller level.
- 3.3. The next 2-4 years of work towards the strategic aims for surveys will see a shift towards data analysis, dissemination, and co-ordination across other surveys in Scotland.

4. Improvement in Administrative Data Collection

- 4.1. The Statistics Group are committed to making use of administrative data as an alternative to more burdensome surveys wherever that is possible. Furthermore, we constantly strive to make improvements in the efficiency of our collection methods.
- 4.2. In the Scottish Government Education Directorate major efficiencies have been realised through the establishment of ScotXed - the Scottish Exchange of Education Data - programme in 2001. An external evaluation of the programme carried out in 2007 found that there had been clear benefits in increasing the confidence in data and increasing the use of the data at local and national level. Coupled with increased demand for data there had been a reduction in the burden on teaching staff previously involved in supplying this data.

- 4.3. A central component of ScotXed was the investment in data quality, which led to improved statistical outputs and also created opportunities for data linkage and similar developments in related data collection. For example, £850,000 was invested in Looked After Children data, and £150,000 on software systems enhancements to improve data collection. This has generated extremely valuable insights into educational outcomes for looked after children. We are currently considering how the successes of ScotXed can be emulated in other areas of Scottish Government data collection.
- 4.4. In the Directorate for Environment and Forestry in 2009 data on land use was obtained from the Single Application Form for 24,700 holdings claiming Single Farm Payments for the first time. This data was combined with land use data from all the other holdings, collected through June Census forms, to generate overall 2009 June Census results. This development led to a substantial reduction in statistical data collection and an overall improvement in the quality of land use statistics.
- 4.5. We are also contributing to the work of a UK wide Administrative Data Task Force, chaired by Sir Alan Langlands with secretariat from the Economic and Social Research Council, seeking to propose new mechanisms and collaborative agreements to enable and promote the wider use of administrative data for research and policy purposes. The taskforce are considering potential needs for legislative changes, clarifying the legal situation governing the use of routinely collected data for statistical purposes, and developing methods for data linkage.

5. Improvements in the use of data: The Data Linkage Framework

- 5.1. Data linkage is a method for making much better use of statistical information, from surveys and/or administrative sources, by joining it together at a record level (i.e. person or household level), anonymising the resulting dataset and making it available to trusted researchers for analysis, production of official statistics or one-off evaluation projects. Scottish Government is working with a wide range of partners to establish a collaborative framework that will facilitate data linkages for research and statistical purposes¹ to be conducted safely, securely, legally, ethically and efficiently.
- 5.2. A consultation on the aims and principles of the framework closed on 15 June and the responses are currently being analysed. The aims of the data linkage framework as set out in the consultation paper (and hence open to revision) are to:
 - Speed up cycles of improvement through the delivery of a higher quality cross-sectoral evidence base to inform public policy and strategic spending decisions
 - Enable better use of existing data to develop efficient and reliable methods of producing demographic and census-type statistics
 - Increase the power of statistics available to all

¹ The framework is concerned exclusively with data linkage for **research and statistical purposes**. It does not cover the sharing of personal information about an individual between organisations in order to deliver a co-ordinated service to that person. i.e. it concerns only linkages where there is no *direct* impact on an individual because of information about that individual being linked.

- Allow relatively low cost longitudinal research to be conducted both retrospectively and prospectively, informing preventative spend
- Increase the capacity to robustly evaluate the costs, benefits and risks of new health, social, educational and associated programmes
- Provide exemplars of research excellence, enhancing Scotland's reputation and attracting investment and job creation to Scotland

- 5.3. The consultation paper also set out the main barriers to more data linkage occurring:
- Uncertainty amongst data custodians about the legalities and public acceptability of data sharing and linkage
 - Incomplete data, or data that cannot be linked
 - Limited capacity for secure exchange and access to data
 - Limited capacity of public sector organisations to analyse and make use of linked data.
- 5.4. Again, these are open to revision on the basis of consultation responses. A common view emerging from stakeholder meetings about the framework relates to genuine legislative barriers to data access and sharing (as opposed to perceived legislative barriers, resulting from, for example, misunderstanding the Data Protection Act). Some legislative barriers prevent data linkage but also production of statistics that would be useful for Scottish Ministers. Examples include access to anonymised data held about Scottish tax payers and benefit recipients held by HM Revenues and Customs and the Department for Work and Pensions. We are currently making arrangements to investigate the legal barriers in more depth.
- 5.5. Following analysis of the consultation responses the aims and approach will be altered as appropriate and the Scottish Government will consider how best to proceed in advancing the Scottish statistical system - particularly in terms of a joined-up understanding of how outcomes are achieved – that will allow for more informed spending on public services and early interventions that save money in the long run. An important element of this is the project investigating alternatives to the traditional decennial census in Scotland, assessing the potential of data linkage and making better use of administrative data.

6. Data held in Scottish public bodies

- 6.1. While the Scottish Government has traditionally been the largest producer of official statistics, the majority of data held by the public sector in Scotland is held elsewhere. Over the last few years, we have brought in 13 other public bodies to be producers of official and national statistics. This has improved the capacity and capability of staff in these bodies, the quality of the data and the impact evidence has on decision making. This is a journey we are planning to pursue further.

Data Requirements for the Scottish Parliament Finance Committee

Professor David Bell, Stirling Management School, University of Stirling

March 2012

Attempts by the Finance Committee of the Scottish Parliament to analyse Scotland's budget are frequently hampered by lack of good quality information. This paper discusses some of issues associated with the lack of the types of budgetary information that would benefit the Committee.

First, this problem is not unique to Scotland. Many countries have a much less adequate statistical infrastructure than Scotland. This means that government lacks transparency, which can cause a myriad of problems, not only financial.

For budgetary purposes, the key issue is establishing the linkage between the spending of public money and the outcomes that such spending is expected to produce. Provision of such information tends to encounter problems of timing, resource and ethics. We deal with these in turn.

Timing

The timing issues arise partly because of delays in the production of statistics. Thus, for example, results of the 2011 census will not be available until 2013. Census data is used extensively in the allocation of resources to local authorities and health boards. However, sometimes delay is inevitable, particularly where the investigators have to assess why a particular return may be seemingly in error or absent.

There is a further timing issue, which is perhaps best exemplified by the so-called "preventative spend". There may be a strong case for preventative spend, but sometimes the benefits occur some considerable time after the original spend. For example, interventions to improve fitness may reduce hospitalisations over a period of several years. Early years intervention may yield benefits throughout the life course. This makes evaluation difficult because it implies prolonged observation of a sample of subjects which have received the preventative intervention. These are usually addressed through so-called "cohort" or "longitudinal" study. In such a survey, a sample of individuals or households is re-surveyed regularly. This poses problems when families move or split up, which adds to their expense. Scotland has two cohort studies of children, "Growing Up in Scotland" and "the Millenium Cohort". The Economic and Social Research Council conducts a large longitudinal survey known as "Understanding Society" which has a significant Scottish sample and covers all ages. However, Scotland is one of the few developed countries that does not have a longitudinal survey that focuses exclusively on older people and the ageing process.

There is also a resource issue associated with data collection. There is generally no point in collecting data which government, nor any third party, can usefully use to aid

decision making. Scotland has a historical legacy of collecting vast amounts of data on agriculture, which may now lack significant usefulness.

Resources

With survey data, resources only permit the collection of data on a small sample of individuals or households. Typical surveys might collect information on 5000 individuals out of Scotland's population of just over 5,000,000. This means that there will always be some uncertainty, associated with conclusions drawn about the statistics derived from the sample. There are quite sophisticated ways of dealing with this uncertainty, but it cannot be eliminated.

Given budgetary constraints, there is a temptation to focus data collection on current policy issues. This is a mistake. If policy changes, previously collected statistics may not be relevant and hence there is no baseline from which to calibrate the effectiveness of a new policy. Data effort should be proportional to the overall importance of the issues confronting government, and there should be rules preventing it from changing rapidly.

The Scottish Government already collect a large number of statistics. In several respects, the Scottish statistics are more extensive and of better quality than that available in other parts of the UK. Specific examples included data on industrial structure and on social care.

There are strong arguments for producing data that are comparable both to other parts of the UK and to wider international groupings. Comparisons can then be made which offer insights into the efficiency of resource use in Scotland compared with other parts of the world.

There is also a compelling case for producing timely comparisons between Scotland's local authorities and between Scotland's NHS boards. A regular complaint from those charged with inspecting care quality and those whose task is to audit Scotland's health board and local authority accounts is that it is difficult to compare performance across local authorities and across NHS boards. More transparency around the performance of local authorities and NHS boards would be likely to have productivity enhancing effects. An argument that is frequently made is that some councils or health boards deliver greater efficiency for the same level of resource, but this is often difficult to confirm due to a lack of appropriate data.

The Scottish Government does produce a statistical "report card" on its performance. This is known as Scotland Performs.

The Scotland Performs website (<http://www.scotland.gov.uk/About/scotPerforms>) has a large number of indicators that are kept reasonably up-to-date. There is also information on each indicator and why it is relevant to Scottish national outcomes. Most of the indicators are measured relative to some external benchmark. The website does not have detailed information on comparative performance: rather, it focuses on whether Scotland is improving, staying the same or declining relative to the selected

international comparators.

The NHS now publicises its performance, as measured by the so-called HEAT targets, on the Scotland Performs website. These targets largely focus on efficiency measures, such as waiting times. These are useful indicators of some aspects of performance, but are not commonly collected in other countries. They serve a useful purpose in relation to government's performance framework. Nevertheless, there are always dangers of the "unintended consequences" of basing a system heavily on target outcomes. Particularly good examples of such unintended consequences can be found in the league table framework that is an important component of schools policy in England.

In relation to health, key indicators recorded for international comparisons would normally include data on clinical outcomes such as cancer survival times. There is always a case for producing data that helps Scotland understand its comparative position internationally. An important example of this is the OECD PISA data, which establishes how the literacy and numeracy of 14 year olds compares with those of children in other countries. This provides the Committee with useful measures of outcomes that have substantial credibility.

Ethics

One of the most exciting new areas of statistical investigation is the linkage of survey data to administrative data. Thus, for example, one might collect data on unemployed people to determine the policy is most likely to get them back to work. If it were possible to link this data with information on their JSA claims record, a much more complete picture of the experience of unemployment would be available. This issue has received considerable attention from the Office of National Statistics in recent years. The principal concerns with this approach are ethical. The method of data linkage has to protect the privacy of the individual, household or firm. Investigators also have to meet all of the legal requirements concerning confidentiality. The Office of National Statistics has recently introduced the Secure Data Service where accredited researchers can investigate data in a secure environment.

This innovation is likely to pave the way for an extension of data linkage in the future. This should help the research community to provide a greater range of policy relevant advice. It should also be of value to budget holders interested in the real effects of the way that resources are allocated to different parts of the community. However, it is essential that any such activities protect the privacy of the individual. If public confidence in the handling of data by public authorities and the research community is lost, then both research and policy advice will be diminished.