
Chair of the UK Statistics Authority, Sir David Norgrove

Gordon Lindhurst MSP
Convener
Economy, Jobs and Fair Work Committee

15 September 2017

Dear Convener,

I write to offer evidence to your Committee's inquiry on Economic Data.

As you may be aware, the UK Statistics Authority is an independent body at arm's length from government, which reports directly to the UK Parliament, the Scottish Parliament, the National Assembly for Wales and the Northern Ireland Assembly. Established by the *Statistics and Registration Service Act 2007*, the Authority is charged with "promoting and safeguarding the production and publication of official statistics that serve the public good."

The Office for National Statistics (ONS) is the Authority's executive arm, and the UK's National Statistical Institute. ONS produces statistics on a range of key measures, including economic change across countries and regions of the UK.

The Authority also oversees the Office for Statistics Regulation (the OSR). The OSR provides independent regulation of all statistics produced by the UK Government, Devolved Nations, and by related public bodies. It does so by assessing official statistics for compliance with the *Code of Practice for Official Statistics*. Those statistics that are judged to comply with the Code are designated as *National Statistics*, a sign that the data are trustworthy, and of high quality and public value.

I understand that Committee members were particularly interested in what assessments the OSR have made of Scottish economic data. The OSR have prepared a detailed report on the issues the Committee raised, which I attach to my letter.

As the report highlights, the evidence base on the Scottish economy has been growing in recent years, as the Scottish Government has developed a range of new official statistics. This is encouraging, as is the fact that the OSR have seen fit to designate so many of these series as *National Statistics*.

I am also encouraged by the continuing good cooperation between Scottish Government statisticians and those in Wales, Northern Ireland and at the UK level. This enables statisticians to agree common standards, share good practice and set the Scottish economy in context.

Of course, some gaps do remain, for instance, in our understanding of flows between Scotland and other countries of the UK, and in our understanding of how inflation might vary between Scotland and other nations of the UK.

In the coming years, harnessing the potential of alternative data sources (including administrative data), will provide statisticians with new opportunities to develop the evidence available to decision-makers, and close these gaps. The OSR report sets out in further

detail how the new *Digital Economy Act 2017* is expected to provide statisticians and researchers with greater access to data than ever before.

I hope the Committee members find this note helpful; we would of course be happy to provide further analysis as necessary.

Yours sincerely,

A handwritten signature in black ink that reads "David Norgrove". The signature is written in a cursive, slightly slanted style.

Sir David Norgrove



Office for
Statistics Regulation

Economic Data in Scotland

*A response to a call for evidence from the Economy, Jobs
and Fair Work Committee of the Scottish Parliament from
the Office for Statistics Regulation, part of the UK Statistics
Authority*

September 2017

Summary

Thank you for the invitation to provide evidence to the Committee's inquiry. This response addresses each of the areas raised by the Committee in turn, drawing on the work of the Office for Statistics Regulation (the OSR) and others.

There are four main themes which run through our responses to individual questions:

- The Office for Statistics Regulation has conducted a full range of assessments and other work on economic statistics for Scotland, upholding the Code of Practice for Official Statistics; advocating improvements to serve better the interests of users; and challenging aspects of statistical provision where appropriate.
- Understanding the Scottish economy is well-supported by a wide range of economic statistics produced by the Scottish Government and the Office for National Statistics (ONS). There are however areas for improvement, most notably related to the coverage of sectors of the economy and the level of disaggregation of Scotland-level statistics.
- The production of economic statistics by the Scottish Government depends on access to data collected by others, particularly ONS. Improvements to the quality and value of economic statistics will rely in large part on access to a wider range of data, which could in the future include making use of administrative records (for example, the ONS is currently exploring the potential of making greater use of VAT information held by HM Revenue and Customs (HMRC)).
- While we are, in general, confident that the production of official statistics by the Scottish Government complies with the Code of Practice for Official Statistics, we consider that the principles of the Code should apply more widely to other analytical outputs. This would help enhance the trustworthiness of the Scottish Government as a provider of economic analysis and interpretation.

1.0 The Office for Statistics Regulation – what we do

- 1.1 The OSR¹ provides independent regulation of all statistics produced by the UK government, those in Devolved Nations and by related public bodies². The OSR is the independent regulatory arm of the UK Statistics Authority³ (the Statistics Authority). The Authority was established by the Statistics and Registration Service Act 2007 (the SRSA). The OSR is led by the Director General for Regulation, who reports directly to the Chair of the Statistics Authority.
- 1.2 We set the standards producers of official statistics must meet through the statutory Code of Practice for Official Statistics. We assess compliance with this Code, and where the Code is met in full, the Statistics Authority designates the statistics as National Statistics. We also report publicly on system-wide issues and on the way people are using statistics, celebrating

¹ <https://www.statisticsauthority.gov.uk/osr/>

² <https://www.statisticsauthority.gov.uk/national-statistician/producers-of-official-statistics/non-crown-bodies/>

³ <https://www.statisticsauthority.gov.uk/about-the-authority/>

when people uphold the standards and challenging publicly when they are not.

1.2 Our staff are split across three locations: Newport, Wales; London; and Edinburgh.

A. Accuracy of Scottish Economic Statistics

A1 We are currently consulting around refreshing our Code⁴ to recognise explicitly its three foundation pillars:

- Trustworthiness: trusted people, systems and processes
- Quality: robust data, method and statistics
- Value: statistics that serve the public good

The Committee's questions about the accuracy of Scottish economic statistics are primarily questions about the quality of the data and methods used to provide economic statistics. Quality in *the Code* means that statistics and numerical information represent the best available estimate of what they aim to measure at a particular point in time and that they are not materially misleading. Alongside quality, our comments in this paper touch on public value and trustworthiness, and highlight the importance of well-qualified and curious statistical and analytical professionals ready to bring insight to economic data.

A2 How reliable is the economic data currently available at the Scottish level?

A2.1 At the outset of our comments, it is important to recognise the nature of the statistical system in the UK where the provision of government economic data has a number of dependencies. The Scottish Government relies to a large degree on economic data about Scotland from other bodies – ONS, HMRC and HM Treasury for example. To improve economic data about Scotland we have required enhancements be made not just to Scottish economic statistics produced by Scottish Government but by these other producers also to improve the range and quality of data about Scotland's economy. Scottish Government has responded positively to requirements we have made to them to improve their economic statistics. The OSR has assessed and the Statistics Authority designated Scotland's main economic statistics as meeting the standards as set out in *the Code* – this means they can carry the badge of 'National Statistics' meaning they meet the same standards as their UK equivalents. We list those Scottish economic statistics that the Statistics Authority has designated as National Statistics in an annex to this paper.

A2.2 That said, we accept the overall view of Sir Charles Bean's review of economic statistics⁵ that Government (both centrally and in the Devolved Nations including Scotland) can and should do better in regard to their economic statistics. We pick up in our response to the Committee particularly Bean Review Strategic Recommendation A – to address established statistical limitations, in the context of income and earnings statistics (our paragraph B2.4) and Bean Review Strategic Recommendation D – make the most of existing and new data sources and the technologies (our paragraphs 3.8 and 4.1).

⁴ <https://www.statisticsauthority.gov.uk/news/uk-statistics-authority-launches-consultation-for-a-refreshed-code-of-practice/>

⁵ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/507081/2904936_Bean_Review_Web_Accessible.pdf

A3 What are the areas of strength and weakness of provision within Scotland and at the UK level?

Strengths:

A3.1 The Scottish Government brings together different data sources, and while its statistical publications do not cover everything about the Scottish economy, they tell people a lot about it. There are many more indicators now than some years ago, including the savings ratio and estimates of exports and imports and capital investment in Scotland. Scottish Government publishes detailed information about key sectors of the economy such as manufacturing exports, retail sales and oil and gas. Scottish Government publishes widely about the labour market as well as statistics about income and poverty and about business. We see Scotland as being relatively well-served by the range of its economic statistics compared with other regions and Devolved Nations in the UK. In this regard, Scotland's economic statistics are doing well in terms of public value.

Areas of Weakness:

A3.2 In Scotland, Scottish Government is the main publisher of economic data. Where a Ministerial-led department produces statistics, it is easier for perceptions of inappropriate influence to arise. Under *the Code*, we take the view that statistics and other numerical information are trustworthy when they are produced free from vested-interest, and are based on the best professional judgement of statisticians and other analysts. The Code sets out the requirements to secure this trustworthiness, and our assessments have concluded that the Scottish Government complies with these aspects of the Code.

A3.4 However, one area where we have challenged Scottish Government is in respect to the standards relating to the production, management and dissemination of its numerical information about the Scottish economy. We received correspondence in 2015 from Jackie Baillie MSP⁶ drawing our attention to her concerns about the release of numerical analyses about the Benefits of Improved Economic Performance published by Scottish Government based on work of Scottish Government analysts. Her concerns were around the lack of an explanation of the modelling in the papers and the release timing of the papers, which she felt were not be consistent with *the Code*.

A3.5 Whilst we could not require Scottish Government to meet relevant Code standards in respect to these examples of numerical information, as they were not official statistics, we did however advocate publicly to Scottish Government⁷ that they consider voluntary adherence to relevant parts of *the Code*. We felt strongly that there are benefits in terms of public confidence in voluntary adherence with basic core principles of *the Code*, particularly relating to transparent publication. We advocated to Scottish Government

⁶ https://www.statisticsauthority.gov.uk/wp-content/uploads/2015/11/letterfromjackiebailliemsp15041_tcm97-44561.pdf

⁷ https://www.statisticsauthority.gov.uk/wp-content/uploads/2015/11/letterfromsirandrewdilnottojackiebailliemsp15041_tcm97-44559.pdf

- clearer labelling and presentation of the publication (as not being official statistics)
- the provision of guidance to users on how to replicate the analysis
- adoption of professional standards in the presentation and the setting out of strengths and limitations of the analysis.

A3.6 We consider that this case reflects a broader opportunity for the Scottish Government to adopt the principles of *the Code* for numerical information that are not produced as official statistics, such as economic analytical bulletins.

A3.7 Another area where practice in Scotland differs from that in other parts of the UK is around pre-release access (PRA), which permits privileged access to government statistics. In Scotland, those granted PRA are given access to economic (and other) data five days prior to their publication. In addition, there is no requirement within the Pre-Release Access to Office Statistics (Scotland) Order 2008⁸ for the Scottish Government to publish the lists of those who have such privileged access (although Scottish Government is required to keep such lists and make them available on request). This is in stark contrast to arrangements in other parts of the UK. On 1 July this year, ONS ended its previous more modest 24-hour pre-release access to its statistics, and on 24 July the Bank of England followed suit. The OSR and indeed the Statistics Authority have long been concerned by the impact on public trust in official statistics deriving from Government Ministers and officials accessing the statistics before Parliament and members of the public. Equality of access to official statistics is a fundamental principle of statistical good practice, and the existence of pre-release access undermines trust in our official statistics system. To this end, we recommend that the Committee should advocate the repeal of the provisions of the Pre-Release Access to Official Statistics (Scotland) 2008 Order.

A3.8 **Plugging gaps in economic data.**

(i) **Scottish national accounts.** Scottish Government officials told the Scottish Parliament's Finance Committee in 2015⁹ that while they had made much progress towards a full set of Scottish national accounts, many gaps remain. It is not straightforward to plug the gaps for a number of reasons, not least of which is that statisticians are unable to collect financial information from some large firms, because such firms' accounts do not break down their UK operations to provide a Scottish figure. This is a particular problem for estimating trade flows, because firms do not record data in a way that would allow analysis of flows between Scotland and other countries. Additionally, exports from Scotland to the rest of the UK are particularly challenging to measure, and measuring imports from the rest of the UK to Scotland more challenging still. It is for this reason that the OSR is planning to review trade statistics including Scotland's Export Statistics Scotland shortly¹⁰.

(ii) **Regional prices.** Without good inflation data, analysts cannot be sure whether the degree of economic output change is real or caused primarily by

⁸ <http://www.legislation.gov.uk/ssi/2008/399/contents/made>

⁹ <http://www.parliament.scot/parliamentarybusiness/CurrentCommittees/90923.aspx>

¹⁰ <https://www.statisticsauthority.gov.uk/wp-content/uploads/2016/06/OSR-Regulatory-Work-Programme-2017-18-1.pdf>

inflation (or occasionally deflation). The average change in prices in Scotland for goods and services are not the same as those averaged across the whole of the UK. Similarly, the amount Scots spend on various goods and services is unlikely to be the same as the average across the UK (the weights). Currently there is insufficient economic data on what people are spending their money on (the weights that should be attached to various items of spending) and on price movements in Scotland and hence about price inflation. In our 2013 assessment of Consumer Price Inflation statistics¹¹ we challenged ONS about not meeting some user's aspirations that ONS should explore the production of modelled estimates of regional consumer prices. ONS told us at the time that it would not be pursuing regional price indices because the costs of doing so were prohibitive. We told ONS then that it should keep users informed about the development of estimates of regional relative price levels. We understand from ONS that improvements in technologies have resulted in new, alternative sources of price data, and that it is looking now at the viability of exploiting these new sources to produce regional price indices. We consider that statistics producers should do more to improve statistics about what Scottish households spend (see paragraph B2.1 below) with the aim of improving weighting data.

A4 What could be done by Scottish Government and / or others to improve the quality of the data? How would this be funded?

- A4.1 In principle, statisticians could design better-quality sub-regional estimates by collecting far more information at a very fine spatial level. However, this would be costly, not only for government but also for survey respondents. Survey sample sizes often become too small to provide reliable estimates for small areas. Scottish statisticians will soon have access through ONS to more-detailed HMRC data, including Value Added Tax (VAT) data. HMRC VAT data can provide near-census information for over 174,000 businesses in Scotland where statisticians can deduce their location from their postal address. Many of these businesses will operate from just a single site, providing data on activity at a very fine geographical level. Scottish Government will be able to make use of these data to provide estimates at very low levels of geography.
- A4.2 **What can be done by others to improve the quality of the data?** *The Digital Economy Act 2017*¹² is the most important legislation relating to official statistics in a decade and gives statisticians the power to use new sources of data to build a much more up-to-date picture of the economy and society. In particular, the right of access for ONS to private sector data is ground-breaking. The Act therefore represents a significant opportunity to improve economic data.
- A4.3 The Inter-Departmental Business Register (IDBR)¹³ only covers VAT-registered and PAYE-registered companies. As such, the IDBR omits a large number of start-ups and early stage companies. Given the preponderance of such start-ups and young companies in emerging sectors, it is possible that statistics will miss off many digital companies. ONS is accessing new sources

¹¹ https://www.statisticsauthority.gov.uk/wp-content/uploads/2015/12/images-assessmentreport257statisticsonconsumerpriceinflatio_tcm97-43135.pdf

¹² <http://www.legislation.gov.uk/ukpga/2017/30/contents/enacted>

¹³ <https://www.ons.gov.uk/aboutus/whatwedo/paidservices/interdepartmentalbusinessregisteridbr>

of data about businesses that will improve the quality of statistical estimates. ONS is currently thoroughly updating the Statistical Business Register to replace the IDBR. For example, the work will increase coverage to identify the active trading status of businesses and to identify more easily the smallest of undertakings. These activities will enhance the coverage and accuracy of UK business statistics. This work will allow ONS to improve its analysis of the UK economy and provide more-responsive analysis, and it should allow Scottish Government statisticians and analysts to improve their models of the Scottish economy significantly from the additional data available.

- A4.4 The new ONS Economic Statistics Centre of Excellence research facility¹⁴ has a UK-wide remit and research projects, some being lead by researchers in Scottish Universities, are intended to improve the quality of economic statistics and data.

How will improvements to the quality of the data be funded?

- A4.5 The range of ONS's economic data that breaks down to quite low levels of geography increases by the year. Increasing collaboration between the Devolved Nations and ONS might identify areas where ONS can in future provide economic data that previously had been provided exclusively by Scottish Government. It would not be a good use of resources for both Scottish Government and ONS to provide economic data on the same topic, for example public finance statistics. We mentioned earlier that a generic challenge for Scottish economic data is the reliance on data collected by others (largely ONS, but also HMRC and DWP for labour market data). Collaboration between Scottish Government and other economic data producers can enhance various aspects of the provision of the data e.g. timing, coverage, geographical breakdowns etc. And it may be that there is a bonus from collaborations where savings gained by discontinuing some existing devolved statistical outputs may be re-invested. Such re-investment might be used to boost data collection from businesses and households in sectors and in sub-regions where new statistical insight would be particularly useful.
- A4.6 While new powers to access private sector and government administrative data through the *Digital Economy Act 2017* are wide and will obviate the need to significantly increase collection costs and burden, there will be a continuing need to collect survey data. The costs of such collections will inevitably rise. One region of Scotland where survey returns are particularly poor and costs of collection high is above the Great Glen. Scottish Government has historically boosted the collection of key business and household data above the Great Glen and may need to extend such boosts if they are to properly inform its industrial and economic strategy. As identified by the Scottish Parliament's Information Centre to the Finance Committee another area not well served is tourism expenditure data. The estimates of tourism expenditure in Scotland are based on a relatively small sample from the International Passenger Survey and assumptions are made on the value of tourism from the rest of the UK. Given the importance of this industry to the Scottish economy, Scottish

¹⁴ <https://www.ons.gov.uk/news/statementsandletters/economicstatisticscentreofexcellenceescoe>

Government should be prepared to devote greater resources on collecting good economic data for this vital sector.

A5 Do you have any views on how data is collected, specifically the role of businesses and households in providing economic data?

- A5.1 The new powers of the *Digital Economy Act 2017* allow the better use of data, much of which is held already on behalf of the citizen within government departments and public bodies, but also within rich datasets held within the private sector. Policy- and decision-makers want insights drawn from what these datasets tell us when analysts combine and share them to shed new light on what is happening in our communities and cities across the country, or in different sectors of the economy. They want to see professional and objective statistical analysis now – in real time – rather than months or even years after the event. Statisticians should take the approach with both businesses and households that they should ‘collect once and use often’.

B. Utility

B1 How are economic statistics used by local, regional and national policy-makers to deliver and scrutinise policy?

B1.1 One of the pillars of *the Code* is Value – statistics that serve the public good. Value means that the statistics and numerical information are accessible, remain relevant and benefit society, helping the public to understand important issues and answer key questions. In August this year we completed the first phase of our investigations into statistics on Regional Gross Value Added, which measure economic growth in the Devolved Nations and regions¹⁵. It provided a good summary of some of the contemporary uses made of such economic data. We identified some of the important economic questions that we felt the statistics address. These included:

- how much is this region growing compared to the average or against another region?
- are the shares of economic growth changing in favour of any one or group of regions?
- when the size of a region (in population terms) is taken into account, how does the population compare with the average or any one or group of regions?

B1.2 Users raised a range of issues, many of which are relevant to economic data for Scotland:

- establish the growth sectors within regions to allocate funding support
- distribute European Structural Funding
- evaluate city deals and as triggers for further public funding support of such deals
- estimate the size of regional economies
- examine the regional distribution of the impacts of economic shocks
- examine the impacts of greater devolution and Brexit
- teach students of economic classes at universities
- model regional business cycles
- construct new econometric forecasting models
- analyse productivity – these statistics can help answer questions about what a region does (the mix of sectors) and how well the region performs (productivity within sectors)

B2 Where are there gaps in provision?

B2.1 **Economic data on what household buy.** ONS's Living Costs and Food Survey¹⁶ asks respondents in detail about the things that households buy. Decision-makers use the results of the Survey to estimate the share of VAT that should be assigned to Scotland for the household sector. Until very recently the survey covered only about 500 households a year for Scotland, which in statistical terms is a very small survey. Therefore, ONS pooled the sample over three years to get more stable results. We understand that from

¹⁵ <https://www.statisticsauthority.gov.uk/publication/statistics-on-regional-gross-value-added-phase-1/>

¹⁶ <https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/methodologies/livingcostsandfoodssurvey>

April 2017 the Scottish Government and HMRC have jointly funded a 100 per cent boost to the Living Costs and Food sample in Scotland. This means that the households north of the Great Glen and also from the islands will be included in the sample for the first time. We agree that this would be useful as this is a gap at present as we identify in paragraph A3.8(ii) above.

- B2.2 Economic data on the financial services and insurance industry.** Our recent assessment report on Statistics on Regional Gross Value Added (GVA)¹⁷ highlights an issue on the apportionment of the financial and insurance services industry GVA, which we see as not as robust as other sectors due to conceptual difficulties in measuring the output. Not having good measures of the growth and success of this sector, important as it is to the Scottish economy, is a significant gap.
- B2.3 Economic data on the exercise of fiscal powers.** As the Scottish Parliament's Devolution Committee stated in its 3rd Report 2016 (Session 4): New Powers for Scotland: Final Report on the Scotland Bill¹⁸ expert commentators have made the point to the Committee that it would be helpful if either or both governments (Scottish and UK) published data about how the fiscal framework operates in practice, on an annual basis. One example would be comparative expenditure per capita on devolved services for Scotland and the rest of the UK, which should include the total comparable expenditure used in the calculation of the Barnett formula, and how it compares to expenditure in Scotland.
- B2.4 Economic data on income from self-employment** is currently a gap across the UK as set out in the UK Statistics Authority's Monitoring Review on the Coherence and Accessibility of Statistics on Income and Earnings¹⁹. Official estimates of the numbers of self-employed in Scotland can range from between 146,000 to 229,000 which leaves a significant uncertainty over the actual figures. The Federation of Small Business in Scotland estimates the number at around 200,000²⁰ which is more than the number of people who work for the NHS or Scottish local authorities. Many users have therefore expressed their concern to us about the lack of a robust measure in official statistics of 'earnings' for all workers in official statistics.

B3 Can you identify examples of international good practice and case studies?

- B3.1** We would suggest that New Zealand provides an interesting case study in the way they have transformed their statistical provision. Recently, the New Zealand public sector gave a mandate to StatsNZ (the country's National Statistical Institute) to be New Zealand's Functional Lead for Data and Analytics across Government. This development has conferred a much broader role on StatsNZ than its leadership of New Zealand's national statistical system, which it retains. StatsNZ now has a more formal and powerful role across the public sector in building capability in data

¹⁷ <https://www.statisticsauthority.gov.uk/publication/statistics-on-regional-gross-value-added-phase-1/>

¹⁸ <http://www.parliament.scot/parliamentarybusiness/CurrentCommittees/97413.aspx#a54>

¹⁹ https://www.statisticsauthority.gov.uk/wp-content/uploads/2015/12/images-mr11_tcm97-44425-3.pdf

²⁰ <https://www.fsb.org.uk/media-centre/press-releases/scotland-s-self-employment-hot-spots-mapped-by-fsb>

management, data use, championing common data standards, data quality and sharing of data.

B4 Are there barriers preventing the Scottish and UK Governments from improving statistical provision?

B4.1 We would caution that in an age when it is very easy to publish vast amounts of economic data, transparency is not always or necessarily achieved merely by the publication of data. 'Data dumping' can be inimical to transparency and good government. It is the task of government statisticians, and a requirement of *the Code*, to produce official statistics that are intelligible, readily accessible, with objective and impartial commentary.

B4.2 It is our experience that many users of economic statistics value the provision of statistical advice from skilled and experienced statisticians but that they are in short supply and are expensive. With greater devolved powers and new bodies requiring analytical expertise, one of main limiting factors on greater use of economic data is likely to be skilled people. As ONS ramps up its capability in processing the vast data resources that it now has access to, it has also had to recruit new data scientists, economists and other analysts. Scottish Government and other related public bodies should do the same. The Committee might consider the importance of an adequately resourced supply of people qualified in meeting analytical needs as well as the demand for economic data.

B4.3 There is clearly a huge role for administrative economic data linkage to help answer key economic questions, and a large investment has been made to support this via the Administrative Data Research Network (ADRN)²¹. However, the ADRN's progress has been hampered by various technical, legal, resource and motivational barriers. At the same time, government departments have started to make greater use of linked data, often within their own domains, but also linking with other policy areas to try and answer some of the bigger picture questions. These initiatives have often faced many of the same technical and legal barriers that the ADRN has found. Additionally, the potential for processes and infrastructures to be duplicated across departments, with associated inefficiencies, is huge. We are initiating shortly some work to review two distinct – but highly related – aspects of the UK statistical system's ability to make best use of the new provisions about to be enacted and therefore maximize the potential that linked data holds. These are:

- Are the right structures in place to identify the most important and relevant questions to ask?
- Are the right structures in place to answer those questions efficiently?

The work will be framed around closing the gap between what users want from linked data and what is currently possible.

²¹ <https://www.adrn.ac.uk/>

C. Interpretation

C1 We have no further comments on this aspect of the Committee's inquiry.

D Scrutiny

D1 What are we measuring and what should we be measuring?

D1.1 While we have no specific points on this question, we would make a general observation. Those responsible for producing statistics that serve the public good should focus not only what experts think but also seek to gain a good grasp of the key issues in the minds of the general public. There will be things that the public are interested in that experts do not think are issues at all, and vice versa. Both are important, and it is imperative that both experts and the public have the information they need. The Committee may want to explore this question further.

D2 What data are necessary for effective parliamentary scrutiny by the Economy, Jobs and Fair Work Committee?

D2.1 We have no further views to share with the Committee on the data that are necessary for effective parliamentary scrutiny.

D3 Are the current National performance Framework indicators the best way of measuring innovation, internationalisation, investment and inclusive growth in the Scottish economy?

D3.1 In May 2015 we published a review of official statistics, performance measurement and targets²² concluding that:

- the practice of using official statistics to report performance measures and achievement against targets is carried out with mixed success;
- statistical producers have a crucial role to play in putting measures (of current performance) and targets (for intended performance) into context – especially where statistical reporting of performance is central to informing democratic debate; and
- publishing information about measures and targets as official statistics provides assurance that performance levels are being measured and decisions made using statistics that are produced to high professional standards.

D3.2 Our review underlined the importance of:

- senior officials responsible for policy making working with senior statisticians to embed statistical thinking in the development of performance measures and targets;
- bringing statistical thinking to bear when performance management systems are developed, and performance measures and targets are evaluated;
- performance measures and targets being recognised explicitly in official statistics that report the underlying data;
- those engaged in policy making and statistical production recognising the twin, mutually-beneficial roles of the statistician as expert advisors in the

²² https://www.statisticsauthority.gov.uk/wp-content/uploads/2015/12/images-monitoringreview315officialstatisticsperformancemeasurementandtarget_tcm97-44608.pdf

policy making process and as independent producers of statistics that are compliant with the Code; and

- senior departmental officials providing active support to enable statisticians to fulfil these dual roles effectively.

Annex – List of Scottish Economic Statistics which are National Statistics

Assessment of Scottish Labour Market Statistics (incl. Public Sector Employment in Scotland; Local Area Labour Markets in Scotland; & Work and Worklessness among Households in Scotland)	17 Dec 2009
Scottish Macro-Economic Statistics (incl. Quarterly GDP for Scotland, and Scottish Quarterly Index of Manufactured Exports) +	06 Jan 2011
Statistics on Scottish Businesses and Research and Development (incl. Business in Scotland, Scottish Annual Business Survey statistics, Business Enterprise Research and Development (BERD) and Gross Expenditure on Research and Development (GERD))	01 Mar 2012
Statistics on Local Government Finance and Council Tax Collection in Scotland (incl. Scottish Local Government Financial Statistics Council Tax Collection Statistics)	28 Jun 2012
Quarterly National Accounts Scotland	30 Jan 2014
Statistics on Government Expenditure and Revenue Scotland	11 Feb 2014

+ The National Statistics status of Scottish Government's Scottish Supply and Use tables had also been confirmed at this assessment. However, the Statistics Authority determined that the UK Supply and Use Tables should not be designated as National Statistics, following which the Chief Statistician in Scotland, wrote to the Statistics Authority. He suggested that as the Scottish Supply and Use Tables and multipliers largely depend on the UK Supply and Use data the Scottish statistics would also be impacted and asked whether it would be appropriate to de-designate these also. The Statistics Authority subsequently agreed to remove the National Statistics status from these statistics.

An 1 The table above shows that the Statistics Authority re-confirmed in 2014, the designations as National Statistics of the *Statistics on Government Expenditure and Revenue Scotland (GERS)* - Scotland's Public Sector Finances- as well as for the first time the *Quarterly National Accounts Scotland (QNAS)*. The former, when first released, had been highly criticised by a number of people. In our assessment of GERS, we drew attention to the possible confusion to users over inconsistent estimates of tax revenues between GERS and HMRC country analysis of UK tax revenues. This resulted in us requiring Scottish Government to;

- publish greater detail on the model used to estimate North Sea tax revenues and how the estimates are quality assured
- provide users with information on the differences between HMRC and GERS on taxes raised in Scotland.

An 2 After twice being assessed against *the Code*, the GERS statistics now have higher utility for policy-makers and other users. Scottish Government produced the Quarterly National Accounts as experimental statistics for more than seven years, during which Scottish Government improved the statistics continually before reaching a level of maturity worthy of designation as National Statistics. Scottish Government compiles both sets of statistics using a combination of ONS data and that of other UK Departments and bodies as well as from Scottish sources. The quality of Scotland's *GERS* and *QNAS* reflects the quality of ONS and statistics from other producers such as HMRC. Improvements that we require ONS to make to economic data will also spill over into improvements to Scotland's economic statistics.

An 3 The *Code* sets high expectations which Scottish Government needs to maintain. Our assessments have challenged the Scottish Government to improve the statistics continuously to meet these standards. The OSR will continue to challenge Scottish Government to develop economic statistics further.



Office for
Statistics Regulation