

28 September 2011

UPDATE ON FINANCIAL SCRUTINY UNIT (SPICe)

Executive summary

1. This paper updates the Corporate Body on the work of the Financial Scrutiny Unit (FSU) in SPICe. Members are invited to give their views on the next steps for the FSU as outlined in this paper.

Issues and Options

Update on Financial Scrutiny Unit

2. The Financial Scrutiny Unit (FSU) was set up as a pilot in October 2009. An evaluation of the first six months indicated that the unit successfully responded to an increase in demand for financial scrutiny from committees and individual Members, delivering well beyond what would have been possible under previous arrangements. The SPCB agreed to establish the FSU on a permanent basis in May 2010. Following a wider review of SPICe Research in 2010, the FSU operates as one of three research units within SPICe.

3. The FSU's overarching purpose is:

“To provide independent analysis and support to committees of the Scottish Parliament and to individual Members on budgetary trends and issues, including independent costing of specific spending proposals, and providing research on all areas of the economy and public finances as they affect the Scottish Government and Parliament”.

It delivers this through working towards four core objectives:

- i. to support and encourage improved provision of information and reporting;
- ii. to support and encourage more effective budget scrutiny;
- iii. to provide financial costings and analysis; and
- iv. to provide economic information and analysis.

Work to date

4. Some examples of the research support provided by the FSU are given below:

- i. **Support to Committees** – as well as support to the Finance, Economy, and Local Government committees, the FSU has provided research support and briefings, specifically on financial

issues to the European, Equal Opportunities, Infrastructure, and Health committees, amongst others. This support is provided jointly with that from other SPICe researchers. In addition the FSU has provided a high level of support to the Scotland Bill committees in both sessions 3 and 4.

- ii. **Enquiries** – the FSU has responded to a variety of economic and financial questions from individual Members (on a confidential basis), including a number of requests to cost spending proposals, or scrutinise costings undertaken by others.
- iii. **Briefings and resources** - these are provided in response to existing demand from MSPs, or anticipated demand, on topics of interest to the Parliament, as resources allow. [Examples](#) include regular briefings on economic indicators, constituency unemployment rates, and more in depth analysis on topics such as the spending implications of demographic change, and an analysis of the costs of the Forth replacement crossing.
- iv. **Budget analysis and improved access to information** – the FSU produces [detailed briefings and spreadsheets](#) on the Scottish Government’s draft budget, in time for parliamentary consideration. The FSU has worked closely with Scottish Government officials to improve access to budget information, including detailed ‘level 4’ data regularly requested by committees (providing a disaggregation beyond that in the published budget documents).

Challenges and Opportunities

5. Amongst the key challenges facing the FSU are the following:

- i. **Access to information** – the FSU has agreed a high level protocol with the Scottish Government to ensure access to information, and generally experiences a high degree of co-operation. Committees have regularly requested ‘level 4’ data to aid their budget scrutiny. For the 2011-12 draft budget the government provided just under 500 level 4 headings, with a total value £16.2 billion, just under half the total budget. However, many of these ‘level 4’ figures are simply allocations to external bodies and not all include an additional explanation of what the money buys. One of the challenges is therefore to continue to work with Scottish Government officials to improve access to information.
- ii. **Additional financial powers** – as new financial powers (tax and borrowing) are discussed and subsequently transferred to the Parliament, so the range of topics on which the FSU is required to brief has and will continue to increase. A key challenge is

therefore to consider how knowledge and expertise in these areas can be built up in the team.

- iii. **Constrained public finances** – the public finances are set to remain at the top of the political agenda for some time to come, and the requirement for the Parliament to be well informed in this area is thus unlikely to diminish. A key challenge is to improve the financial scrutiny support to committees, and the analysis of costs of spending proposals.
- iv. **Matching expectations to resources** – whilst the FSU aims to be as responsive to Members' needs as possible, it must of course prioritise and focus on those areas where it will have the most impact especially as we move towards a smaller SPS workforce and budget. The majority of FSU work will continue to be reactive to requests from committees and individual MSPs. However the FSU will look to add value to the work of the Parliament through occasional pro-active briefings. Trigger points for such briefings include cases where there are numbers of requests for briefings on a particular topic; in anticipation of significant changes or developments likely to be of interest to the Parliament; or to highlight key issues (and statistics) to the Parliament, for example at relevant points in the parliamentary calendar (such as following publication of the draft budget). A key challenge is to understand Members' needs and be as flexible and responsive as possible with the resources available.

Resource Implications

6. Additional resources within the FSU currently includes two seconded posts (which have at different times been drawn from the private sector, from Audit Scotland, and from other offices in the Parliament), and an additional post of data manager. These additional posts have been funded entirely by re-allocation of resources and budgets from within SPICe to create the current team of 7.25 FTEs. SPICe will be subject to an office review as part of the Change Management Programme, after which it is anticipated that longer term funding will be determined.

Governance issues

7. An Equalities Impact Assessment was carried out when the FSU was established.

Publication Scheme

8. This paper should be published in line with the SPCB's Publication Scheme.

Next steps

9. It is proposed that the FSU continues to follow its existing objectives, producing work in the above categories in response to existing and anticipated parliamentary demands.

10. As part of this it is proposed that the FSU continues to work with Scottish Government officials to improve access to financial information.

Decision

11. Members are invited to note this update and agree the approach that FSU will adopt over the remainder of the session as set out at paragraph 5, points i-iv.

SPICe
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