

**Submission**

**No 8**

# **INQUIRY INTO THE PARLIAMENTARY BUDGET OFFICE**

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**Date Received:** 20/08/2011

**budgetofficecommittee - Submission to Inquiry into the New South Wales Parliamentary Budget Office**

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**Subject:** Submission to Inquiry into the New South Wales Parliamentary Budget Office  
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Dear Mr Elliott

Thank you for inviting the Scottish Parliament to make a submission to your committee inquiry considering the purpose and role of a budget office, including its functions and powers; structure, staffing and resourcing; and accountability and oversight mechanisms.

You specifically asked for information on the experience of the Scottish Parliament Financial Scrutiny Unit (FSU) regarding its establishment, functions and ongoing operations. I am Principal Researcher, leading the FSU, and Michelle Hegarty, Head of Communications and Research has asked me to reply direct to you.

The FSU is a relatively new team within the Parliament. It was set up on a pilot basis in October 2009, and following an evaluation the Parliament's Corporate Body (SPCB) decided, in May 2010 to continue with the FSU on a permanent basis. The paper considered by the SPCB at the time summarises the staffing, functions and operations and is available here

[http://www.scottish.parliament.uk/corporate/organisation/documents/0519\\_Paper\\_48.pdf](http://www.scottish.parliament.uk/corporate/organisation/documents/0519_Paper_48.pdf)

Over the last year the FSU has continued to operate along the lines set out in the May 2010 paper to the SPCB. Amongst the key challenges facing the FSU are the following:

- **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. However there is always room for improvement, including the timely provision by the Government of the detailed figures in the draft budget.
- **Additional financial powers for the Scottish Parliament** – 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.
- **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
- **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 Scottish Parliament workforce and budget.

Another paper considered by the SPCB in September 2009, before the pilot was under

way, summarises the main drivers leading to the establishment of the FSU. That paper is available here [http://www.scottish.parliament.uk/corporate/spcb/minutes/papers-09/0916\\_Paper\\_64-Enhancingparliamentaryfinancialscrutiny.pdf](http://www.scottish.parliament.uk/corporate/spcb/minutes/papers-09/0916_Paper_64-Enhancingparliamentaryfinancialscrutiny.pdf)

You may also be interested in the evaluation of the FSU's six month pilot. This includes information on outputs along with an assessment of the impact those outputs made. The evaluation report is attached

<<Financial Scrutiny Unit Evaluation FINAL.doc>>

I hope this short response is helpful.

Please do not hesitate to get back in touch if you require further information or clarification

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# Financial Scrutiny Unit Evaluation

April 2010

Simon Wakefield and Scherie Nicol

This paper outlines the findings of the evaluation of the Financial Scrutiny Unit and sets out options for the future of the Unit.



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# EXECUTIVE SUMMARY

## Evolution of the FSU

In recent years the need for more resources to be made available to support Members and committees in carrying out effective financial scrutiny has been raised by Members across the political spectrum. The SPCB considered the need for a budget office or unit at its meetings of [10 June 2009](#) and on [16 September 2009](#) and agreed to the establishment of the FSU on a pilot basis. The Conveners Group (17 September 2009) subsequently agreed to the release of up to £80,000 of funding from the Commissioned Research budget to support the pilot phase.

In order to establish the Unit quickly, and in order to provide a flexible approach in the long term, the Unit has been resourced with a combination of existing researchers, staff brought in from other parts of SPICe and short-term external secondees. The “secondment model” has allowed extra resource to be brought in for the duration of the pilot and the addition of a call-off contract has enabled the FSU to cope with peaks in workload as well as accessing specialist expertise.

## Objectives of the FSU

The FSU continues to deliver existing SPICe services, but increased resources allow for a new emphasis on enhancing the effectiveness of financial and economic scrutiny in the Scottish Parliament. The FSU’s 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:

- to support and encourage improved information and reporting;
- to support and encourage more effective budget scrutiny;
- to provide financial costings and analysis; and
- to provide economic information and analysis.

## Performance of the FSU

During the FSU pilot all outputs measured (committee briefings, research briefings, enquiries and web portal work streams) exceeded those in the comparable period of the previous year. This is likely to be in part as a result of increased demand due to economic and financial circumstances and in part due to the raised profile of the FSU’s new services.

Key areas of additionality provided by the FSU during the pilot period include: sourcing Level 4 budget data for just under half the Scottish budget, developing a web portal which provides a “one-stop-shop” for accessing Scottish budget information, support for committees in the areas of budget scrutiny and costing, new briefings analysing key areas of Government spend, such as the Economic Recovery Programme and the Forth Replacement Crossing, and an improved enquiry service which has been able to cost alternative spending proposals and deal with increased throughput as a result of the economic downturn.

Given the forthcoming constrained public spending environment, potential areas of future business development have been identified and include: obtaining more detailed budget information across all portfolios in time for budget scrutiny; a higher level of support for subject committees, including support for committee budget advisers; providing support to NEBU in costing Bills to ensure that the methodology is robust; analysing non-salary expenditure above £25,000 that the Government has agreed to publish on a quarterly basis as part of the last series of budget negotiations; undertaking briefings on key areas of topical interest and further developing the capacity to carry out costing of alternative spending proposals.

Feedback from customer groups on the services provided has been positive. At its meeting of 15 April the Conveners Group discussed a draft version of this report and agreed that it was essential for the Parliament to have a permanently established resource to support financial scrutiny.

## **Risks**

Key risks to the continued delivery of new services and the development of these proposed services include a decline in the quality of output by the FSU; the FSU not being sufficiently resourced to meet demand, and access to Government information being reduced.

Mitigating factors include matching the future FSU resource with political expectations and anticipated demand; ensuring that staff have access to appropriate training and development and ensuring that measures are in place to guarantee Parliamentary access to information regardless of changing political circumstances.

## **Conclusions and options**

Overall, FSU seems to be a welcome mechanism which has enhanced and improved the effectiveness of budget scrutiny during a period of economic downturn and tighter budget settlements. At this stage it is difficult to say if levels of demand will be sustained in the longer-term due to the exceptional economic and financial events. However, given the anticipated reductions in the Scottish block grant over the next 5 years, it is not unreasonable to expect that demand will continue at least at this level in the medium-term.

A number of options are available including the following:

1. Revert to the previous arrangements and services prior to the pilot
2. Continue with the current (scaleable) model on a permanent basis
3. Continue with the pilot for up to 12 or 24 months

## INTRODUCTION

The FSU was set up on a pilot basis, running from October 2009 to March 2010 with the overarching aim of supporting and encouraging more effective financial and economic scrutiny, with a particular focus on a better-informed budget process. This evaluation provides:

- an overview of the FSU, including a look at the rationale behind it being established, how it is funded and what it aims to achieve;
- an analysis of how the FSU has performed against its objectives;
- reflections on the FSU pilot, including a look at limitations of this evaluation and longer-term challenges; and
- options for the future of the FSU.



# AN OVERVIEW OF THE FSU

## THE EVOLUTION OF THE FSU

### Background

The need for effective financial scrutiny by the Parliament was recognised from the outset. Guided by the key aims of the Consultative Steering Group (CSG) the Financial Issues Advisory Group (FIAG) considered the financial procedures which the Scottish Parliament might adopt following devolution and agreed to:

“A number of key objectives which have been endorsed by CSG in relation to the proposed financial procedures for the Parliament as follows:

- to ensure probity in the handling of the public funds under the Scottish Parliament's control;
- to help maximise the cost effectiveness of the expenditure under the Scottish Parliament's control;
- to provide the information which the Parliament needs to make properly informed and timely decisions and to judge the probity and wider value of the actions of the Executive;
- to provide the Scottish people with understandable, consistent, relevant and timely information; and
- to contain the overhead and compliance costs associated with the procedures”

Source: [The Scottish Office](#) 1999

The main vehicle for financial scrutiny by the Parliament is the budget process. Challenges to effective scrutiny of the budget include the following:

**Table 1: Challenges to budget scrutiny**

<b>Timescale for analysis</b>	The Draft Budget is scrutinised against a strict Parliamentary timeline.
<b>Complexity of information</b>	The volume of information, combined with complex terminology and inconsistent presentation.
<b>Quality of information</b>	The reliability and suitability of data varies extensively, although that is not often clear to those scrutinising the information.
<b>Level of detail</b>	The inconsistency in the level of detailed information provided across different portfolios.

Since the establishment of the Scottish Parliament SPICe has been a key resource through which financial and economic scrutiny has been made more effective. The range of Parliamentary services demanded of SPICe has been diverse and includes specific economic and financial enquiries, informal advice and guidance and committee support. SPICe also contributes towards the recruitment of budget advisers and pro actively publishes a number of briefings which summarise key budgetary and economic information.

## The rising demand for more effective scrutiny

In recent years demands for more resources to be made available to support Members and committees in effective financial scrutiny have been made by Members across the political spectrum. Explicit statements of support for the creation of a budget office include:

- **Tavish Scott MSP (Lib Dem):** “A new parliamentary budget office [should] be established to give parliamentarians, of all political hues, access to expert advisers. This would supplement the work of Spice and provide a counterweight to the resources of the government and civil service” (Scotsman 2008).
- **Derek Brownlee MSP (Conservative):** “[a new budget office would] provide support for MSPs of all parties, who are investigating financial issues” (Scotland on Sunday 2009).
- **Alex Neil MSP<sup>1</sup> (SNP):** “[I am] absolutely convinced of the need of something along the lines of a Parliament budget office – a dedicated centre of excellence, with expertise in finance and in monitoring performance – to advise the committees” (Scottish Parliament Finance Committee 2008).

This initial momentum gained strength as a result of the economic downturn. This has brought increased public and political attention to how spending is prioritised by the Government, and the anticipation that there will be reductions in the Scottish budget settlement over coming years, with tougher spending decisions having to be made. Alongside this, the Finance Committee also carried out an inquiry into the budget process. These developments emphasised the need to make financial and economic scrutiny more effective within the Scottish Parliament.

Given this political, economic and financial climate, the SPCB considered the need for a budget office or unit at its meetings of [10 June 2009](#) and [16 September 2009](#) and agreed to the establishment of the FSU on a pilot basis. The pilot would run from the end of October 2009 to the end of March 2010. At the latter meeting the SPCB recognised:

“That budget scrutiny is a fundamental role for the Scottish Parliament irrespective of the political and economic circumstances of the time”

and that:

“Whilst scrutiny of the budget arguably becomes more important when budgets are tight, a budget unit would need the flexibility to adapt to any changes in economic circumstances and the devolution settlement.”

This decision was welcomed by the Finance Committee which recognised the current budgetary position and agreed with the SPCB that “to provide the required level of support significant resources would be required” (Finance Committee [Review of the Budget Process](#) 2009).

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<sup>1</sup> Note: Alex Neil made this comment as an MSP sitting on the Finance Committee but has subsequently become Minister for Housing and Communities.

## Resourcing the FSU pilot

### Finance

The Conveners Group (17 September 2009) subsequently agreed to the release of up to £80,000 of funding from the Commissioned Research budget to support the pilot phase (up to 31 March 2010) to enhance the capacity of the committees, and the wider Parliament, to scrutinise the Scottish public finances.

The actual additional spend during the pilot was approximately £60,000. This is slightly less than the £80,000 allocated, a reflection partly of the fact that the Audit Scotland secondee was made available free of charge to the Parliament, but also of the time taken to recruit secondees and members of the expert panel.

### Staffing

In order to establish the Unit quickly, and in order to provide a flexible approach in the long term, the Unit has been resourced with a combination of existing researchers, staff brought in from other areas of SPICe and short-term external secondees. A full breakdown is provided in Table 2.

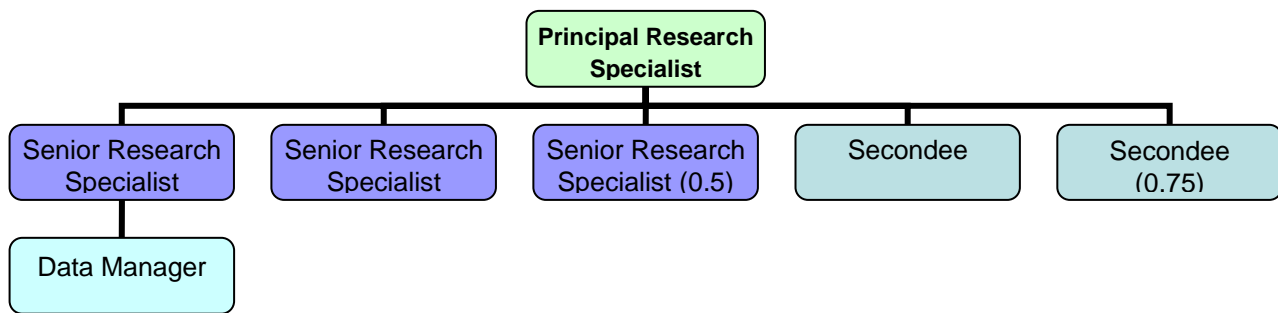
**Table 2: Staff resource for the FSU pilot**

Staff resource	Grade	FTEs	Date of transfer
Head of Unit seconded in from SPICe (post backfilled)	6	1	Oct 09
Existing researchers with specialisms in economy & finance transferred in (continued delivery of existing workload)	5	2.5	Oct 09
Secondees from private sector	5	0.75	Sep 09
Secondees from Audit Scotland	5	1	Nov 09
Data Manager seconded in from SPICe (post backfilled)	3	1	Dec 09
<b>Total FTE resource – 6.25</b>			

It is important to note that the FSU 'inherited' a commitment to continue delivering research support to the Finance and Economy, Energy & Tourism Committees as well as individual enquiries on financial and economic issues. The additional staff described in Table 2 above have enabled the FSU to improve the scale and scope of that work and to introduce new services.

The new FSU team has been set up as below (see Figure 1).

**Figure 1: FSU staffing structure**



*Additional expertise*

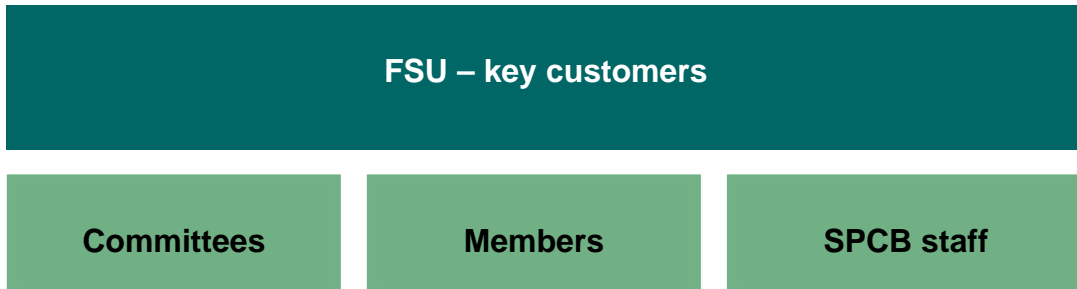
The FSU has established a call-off framework contract with a 'panel' of public finance and economic external experts to bring in extra expertise and resources as required (subject to resource limitations). Now that the formal tendering process has been undertaken (defining and issuing the specification) the FSU is able to contract a range of specialists at relatively short notice. This allows the FSU to access outside expertise, as internal expertise develops, and provides a longer-term model for coping with workload fluctuations. During the pilot period, the FSU has committed to expenditure of just under £20,000 on three pieces of work:

- An analysis of the information requirements for effective financial scrutiny (Dec 2009)
- Analysis of aspects of the costs of the Forth Replacement Crossing (Feb 2010)
- International experience of approaches to budget constraints (ongoing), including a comparative assessment of reduced public spending on vulnerable groups (ongoing)

## CUSTOMERS

As with other SPICe teams, the FSU prioritises work for committees and Members, with committee work taking priority over requests from individual Members. Where resources have allowed, the FSU has also been able to undertake work for SPCB staff.

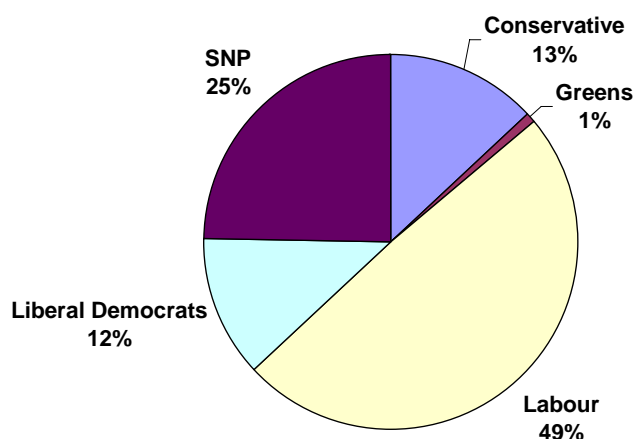
Figure 2 – FSU customers



Although the vast majority of committee work has been in supporting the Finance Committee and the Economy, Energy & Tourism Committee, some support has also been requested by other committees, for example, research into the impact budget redistribution has had on vulnerable groups in other countries for the Equal Opportunities Committee, and an assessment of spend on 'international' activity for the European and External Relations Committee. If the FSU continues, developing support for other committees, for example, through analysis of costings of Government policy or programmes, accessing relevant information and supporting budget advisers, is likely to be a key area of development.

In supporting Members, the FSU has been used by all parties within the Parliament. Figure 3 below illustrates the cross party use made of the FSU by enquirers.

Figure 3: Breakdown of substantive enquiries by party group



Other key stakeholders with whom the FSU has needed to work closely include the Scottish Government, other providers of information, colleagues in the Parliament, committee budget advisers, academics and think-tanks.

## RAISING AWARENESS

Raising awareness among key customers and stakeholder groups with regard to the services and new resources available within the FSU has been necessary to enable groups to use the FSU and thus to support more effective financial and economic scrutiny.

FSU staff have therefore put significant resource into discussing the Unit's remit and possible future work priorities with a number of stakeholders including:

- Committee budget advisers (Oct 2009)
- The Finance Committee (Nov 2009)
- Committee clerks and SPICe researchers individually and at a consultative workshop in (Dec 2009)
- The Conveners Group (Sep 2009, Jan 2010, and April 2010 )
- A selection of individual MSPs, including finance spokespersons
- Party research teams
- Other SPCB staff in human resources, finance, procurement and senior management
- External stakeholders including Government finance officials, Audit Scotland, and other key organisations and individuals in the economic and finance research community

As part of its outward communications the FSU has also set out the services it can offer in a [short guide](#), and its '[meet the team](#)' pages – available on the Parliament's intranet.

## WHAT DOES THE FSU AIM TO ACHIEVE?

### Purpose

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.

### Objectives

The FSU developed its core objectives taking into account the roles recommended by the Finance Committee within their '[Review of the budget process](#)' dated 29 June 2009 and the types of output suggested within the SPCB paper dated 16 September 2009. These were grouped under four core objectives: to support and encourage improved information and reporting; to support and encourage more effective budget scrutiny; to provide financial costings and analysis and to provide economic information and analysis. Examples of work streams under each objective are shown below:

**Table 3 – FSU workstreams under each objective**

1. Support and encourage improved information and reporting	2. Support and encourage more effective budget scrutiny	3. Provide financial costings and analysis	4. Provide economic analysis and information
Developing an information sharing protocol with the Scottish Government.	Support the Finance Committee in their inquiries and in strategic budget scrutiny.	Analysis of costings of Government policy, financial memoranda accompanying Bills and potential post-legislative consideration of costs associated with legislation.	Supporting the Economy, Energy and Tourism Committee in their inquiries.
Sourcing of level 4 budget data, to allow more detailed budget understanding and analysis.	Detailed analysis of the Scottish Government's draft budget 2010-11. Provision of resources, such as budget spreadsheets, to allow further analysis to be carried out directly.	Costing of alternative spending proposals in the budget process by individual members and the committees including the Finance Committee.	Provision of regular economic updates and briefings to help answer enquiries and to be of interest to the wider Parliament.
Briefings on the quality of reporting relating to topics of particular interest to committees and the wider Parliament.	Working closely with the committees' budget advisers to provide further analysis of budget portfolios.	Supporting Finance Committee consideration of the costing of policy announcements outwith the annual budget process.	Analysis of Government economic publications, data and measures.
Developing a financial scrutiny web portal as a "one-stop-shop" to access information relating to public finance in Scotland.	Supporting the identification and tracking of trends and issues to assist in planning and delivering a strategic phase of budget scrutiny.	Supporting the financial aspects of committee inquiries so that the mainstreaming of financial scrutiny continues to be enhanced.	Briefings on specific topics of particular interest to committees and the wider Parliament.
	Monitoring and tracking different aspects of Government expenditure as well as tracking and analysis of outputs and outcomes from existing spending programmes.	Briefings on specific topics of particular interest to committees and the wider Parliament.	

## Outputs

The FSU has developed a set of core Outputs, through which it has been able to deliver its Objectives. These are:

**Table 4: FSU Outputs**

<b>Outputs</b>	<b>Description</b>
<b>Committee support</b>	Lines of questioning, private papers, briefings, enquiry responses.
<b>Research briefings</b>	Reactive to committee requests and pro-active concerning topical issues.
<b>Enquiry responses</b>	Ranging from small quick enquiries to substantial longer-term pieces of work. This includes “costing” requests from Members.
<b>Informal advice and guidance</b>	Provided one-on-one with party researchers and Members upon request.
<b>Public finance web portal</b>	Web portal hosted on Scottish Parliament website providing “one-stop-shop” for material relating to public finance and the economy in Scotland.

Although the majority of outputs are reactive, the FSU has been proactive in providing briefings of topical interest, e.g., Mapping the Recession, The Scottish Government’s Economic Recovery Plan and the Pre-Budget Report.

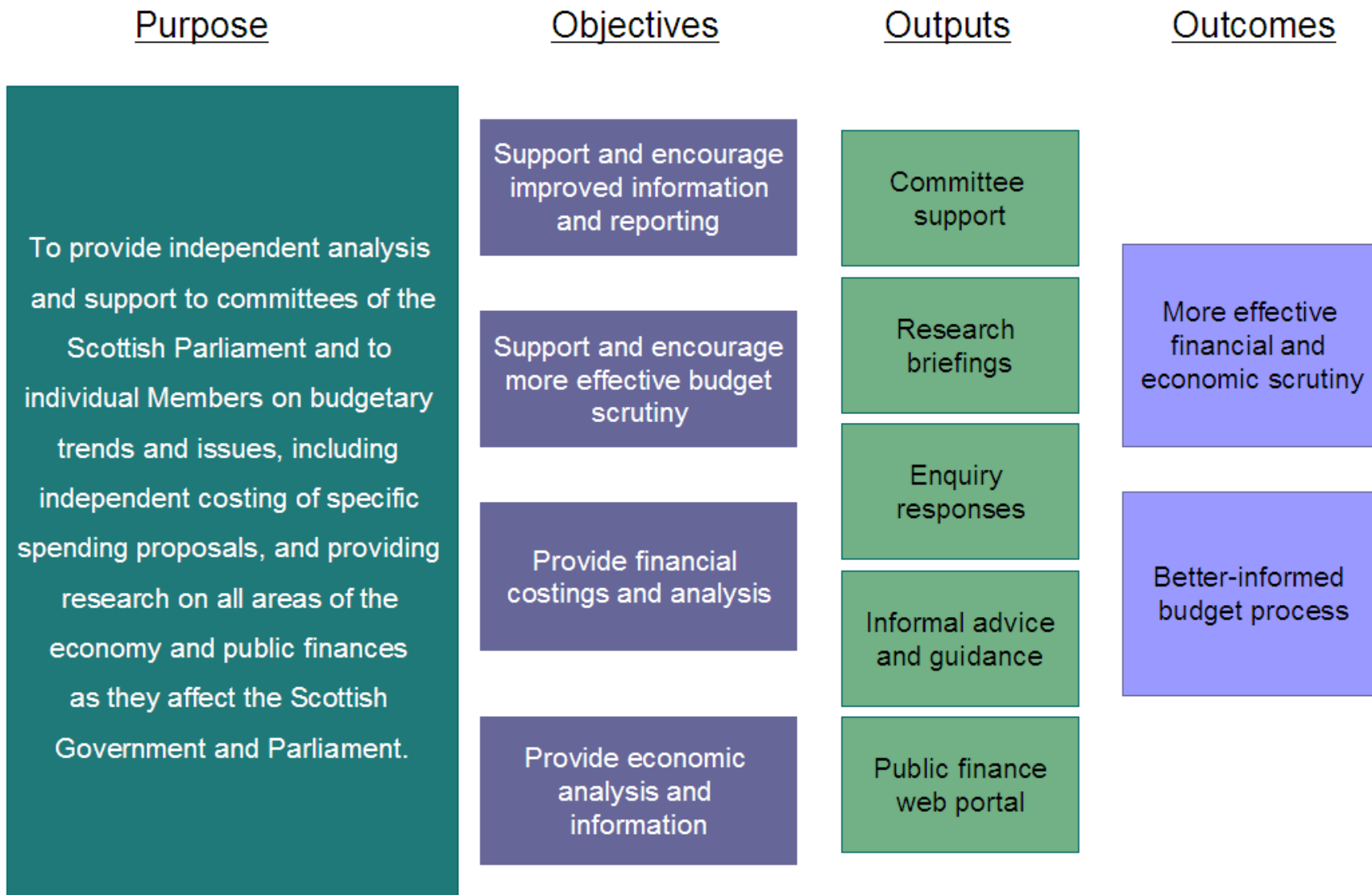
## Outcomes and measures of success

The FSU works to achieve more effective financial and economic scrutiny within the Parliament, with a particular focus on a better-informed budget process. Success in this area is challenging to measure due to its subjective nature. However, a series of case studies are provided which consider the output provided by the FSU, how it was used by the key customer and feedback received on its usefulness in achieving more effective financial and economic scrutiny.

In addition, qualitative feedback from customers on overall work by the FSU during the pilot period has been provided.



## Summary of what the FSU aims to achieve



## PERFORMANCE AGAINST OBJECTIVES

The following section provides an overview of outputs by the FSU during the pilot period, compared with the same period the previous year. It then goes on to measure performance against the four specific FSU objectives before providing a future outlook for FSU.

### AN OVERVIEW OF OUTPUTS

SPICe is largely a demand-led service and thus a change in output levels is largely a reflection of increased interest in a subject area. This can be influenced by a number of factors such as political cycles, current affairs, the economic climate or even the specific membership of committees.

While the FSU is also a demand-led service, as has already been mentioned, the Unit made particular efforts to communicate the new resources available to Members and committees and some effort has been made to produce proactive briefings so as to illustrate the type of expertise available. Table 5 compares the achieved outputs over the FSU pilot period (October 2009 to February 2010) with those of the same period the previous year (produced by the Economy and Finance team from October 2008 to February 2009).

**Table 5: FSU outputs during the pilot period compared with the same period the previous year**

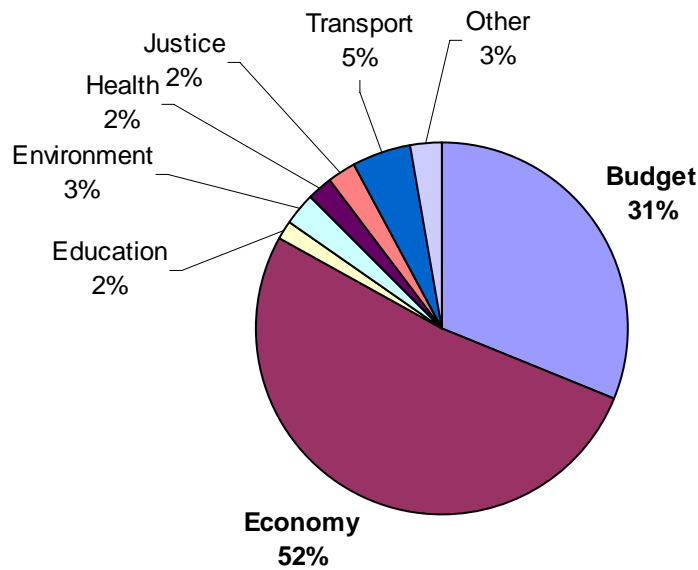
Output	Oct-Feb 2008-09	Oct-Feb 2009-10	% Change
Committee Briefings	12	24	+100%
Research Briefings	8	12	+50%
Enquiries	79	109	+ 38%
Web Portal Workstreams	n/a	2	n/a

During the FSU pilot all outputs measured exceeded those in the comparable period for the previous year. This is likely to be in part as a result of increased demand due to economic and financial circumstances and in part due to the raised profile of the FSU's new services.

It should be noted that this analysis does not capture the improvement in quality that has also been facilitated by the additional resource within FSU. For example, more in-depth analysis of enquiries, faster turnaround of enquiries and briefings and improved quality checking using a combination of the subject knowledge of other SPICe researchers and the financial expertise being built up in the FSU.

Figure 4, overleaf, indicates that around a third of enquiries have been about general cross-cutting budget issues, nearly half have been on economic issues and the remainder related to financial analysis of particular subject areas (often in conjunction with other SPICe researchers).

**Figure 4: FSU outputs broken down by topic**



At this stage it is difficult to say if current levels of demand stimulated by the recent exceptional economic situation will be sustained in the longer-term. However, given the reductions anticipated in the Scottish block grant over the next 5 years, it is not unreasonable to anticipate that demand will continue at least at this level in the medium-term.

## **PERFORMANCE AGAINST SPECIFIC OBJECTIVES**

### **Objective 1: Support and encourage improved information and reporting**

#### *Background*

Access to the right information at the right time is a crucial underpinning of effective financial and economic scrutiny. To achieve this objective the FSU has been liaising with the Scottish Government to obtain more detailed budget information, scrutinising the quality of the financial and economic information published by the Government and ensuring that key information is made accessible for scrutiny.

#### *Outputs*

Table 6, overleaf, compares key outputs by the Economy and Finance team relating to this objective over the period October 2008 to February 2009, prior to the establishment of the FSU, with the outputs so far during the pilot period October 2009 to February 2010, before looking at some potential areas for development beyond the FSU pilot.

**Table 6: Key outputs relating to Objective 1**

Objective 1: Support and encourage improved information and reporting	
<b>Outputs</b> <b>Oct 08-Feb 09:</b> prior to FSU pilot	<p><b>Enquiries and committee support</b> – SPICe provided general support for Members and committees by obtaining more detailed information from the Scottish Government and aiding the understanding of complex information when requested.</p>
<b>Outputs</b> <b>Oct 09-Feb 10:</b> during FSU pilot	<p><b>Information sharing protocol</b> – The FSU liaised with the Scottish Government to develop an information sharing protocol between FSU and the Scottish Government which was subsequently agreed by the Cabinet Secretary.</p> <p><b>Briefings</b> – The FSU published a new <a href="#">interactive summary</a> of the budget to make key budget information more accessible. The FSU is also in the process of completing a briefing aimed at encouraging better quality information – more specifically, looking at reducing complexity in budget reporting.</p> <p><b>Level 4 budget information</b> – The FSU negotiated with the Scottish Government to obtain <a href="#">Level 4 Draft Budget data</a> for just under half of the Scottish Government's budget – the most detailed breakdown since devolution.</p> <p><b>Committee support</b> – The FSU is developing a template which can be used by the Enterprise Agencies when providing budget information to committees to improve transparency and help improve the comparability of budget information over time.</p> <p><b>Public finance web portal</b> - A <a href="#">Financial Scrutiny web portal</a> has been developed by the FSU which provides a “one-stop-shop” for information relating to public finance in Scotland. Making this information available in a public portal ensures information can be accessed for scrutiny.</p>
<b>Areas for development</b> beyond FSU pilot	<p><b>Briefings</b> – As part of the 2010-11 budget negotiations the Government agreed to publish online all non-salary expenditure above £25,000 on a quarterly basis. Depending on the nature of the information provided the FSU could examine the scope to undertake a regular analysis of the data.</p> <p><b>Level 4 budget information</b> - The FSU would like to work to obtain more detailed budget information across all portfolios. It would also like to add value to this by working with the Scottish Government to ascertain “what it buys” for each Level 4 budget line to aid Parliamentary scrutiny.</p> <p><b>Committee support</b> – The FSU is keen to ensure that Level 4 budget information is provided to subject committees and budget advisers in time for the scrutiny of the 2011-12 draft budget, and that support in scrutinising that information is available.</p> <p><b>Public finance web portal</b> – Development of the Financial Scrutiny web pages is crucial to making financial and economic information more accessible, with a specific focus on creating an easy to use interactive web platform.</p>

### Measuring success

The following section uses case studies to assess the success of different outputs at achieving the desired outcome of more effective financial and economic scrutiny through supporting and encouraging improved information and reporting. Both quantitative information gathered by the FSU as well as unprompted qualitative information identified by the FSU within the *Official Report* or SPICe Research Review regarding use of the outputs is used in assessing the success of each in contributing towards achieving this objective.

**Table 7: Measuring the success of Objective 1**

**Desired outcome linked to all objectives**

The FSU works to achieve **more effective financial and economic scrutiny within the Parliament**, with a particular focus on a **better-informed budget process**.

**Case study:**  
Interactive budget publication

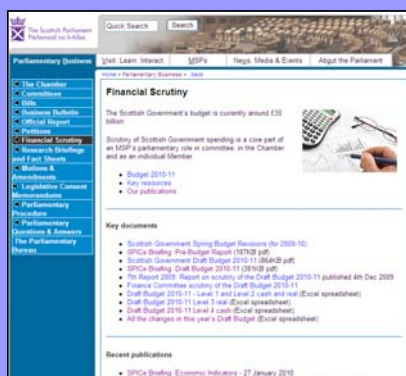


**Assessment of success:**

The interactive budget publication attempted to make budget information more accessible by using simple graphics to convey key messages. By making information easier to understand it is hoped that there will be more effective scrutiny.

Since its publication it has had over 150 downloads. In addition, a number of enquiries relating to this specific publication were generated from party researchers and Members. There is not enough feedback available to judge whether or not this type of publication is valued, but what feedback there is indicates evidence of use by key customers.

**Case study:**  
Financial scrutiny web portal



**Assessment of success:**

The financial scrutiny web portal aims to publish all key budget information in one area to make it easier to access and thus facilitate more effective scrutiny.

Since it went live it has had around 900 visits, with the visits peaking during January suggesting that the website is being utilised to inform the budget process. It is hoped that further development of the web portal, with a focus on creating an easy to use budget analysis platform, would make it a more attractive product and, over time, its profile will rise so that it becomes a key facilitator of more effective scrutiny.

**Objective 2: Support and encourage more effective budget scrutiny**

*Background*

The FSU has been supporting committee and Parliamentary scrutiny of the Draft Budget to achieve more effective budget scrutiny. Key tasks have included providing briefings on budget information, working closely with the committees to provide further analysis of the budget and assisting in the consideration of alternative spending proposals in the budget process.

*Outputs*

Table 8 compares key outputs by the Economy and Finance team relating to this objective over the period October 2008 to February 2009, prior to the establishment of the FSU, with the outputs so far during the pilot period October 2009 to February 2010, before looking at some potential areas for development beyond the FSU pilot.

**Table 8: Key outputs relating to Objective 2**

Objective 2: Support and encourage more effective budget scrutiny	
<p><b>Outputs</b>  <b>Oct 08-Feb 09:</b>                      prior to FSU pilot</p>	<p><b>Budget briefings</b> – SPICe published a Draft Budget briefing along with accompanying spreadsheets containing detailed budget information within a week of the Draft Budget publication. A Pre-Budget Report 2008 briefing was also published.</p> <p><b>Committee support</b> – SPICe provided a shortlist of budget advisers to the Finance and Economy, Energy &amp; Tourism (EET) Committees. Research support was also provided to these committees during Draft Budget scrutiny.</p> <p><b>Enquiries</b> – Approximately 20 substantive enquiry responses provided relating to the budget.</p>
<p><b>Outputs</b>  <b>Oct 09-Feb 10:</b>                      during FSU pilot</p>	<p><b>Budget briefings</b> – The FSU published a <a href="#">Draft Budget 2010-11</a> briefing along with accompanying spreadsheets containing detailed budget information within a week of the Draft Budget publication. A <a href="#">Pre-Budget Report 2009</a> briefing was also published.</p> <p><b>Committee support</b> – The FSU provided a shortlist of budget advisers to the Finance and Economy, Energy &amp; Tourism (EET) Committees. Research support was also provided to the Finance Committee and the Economy, Energy &amp; Tourism (EET) Committee during Draft Budget scrutiny – in particular, intensive support was provided to the EET Committee to enable an in-depth look at historic trends in the Enterprise budget line. A scoping paper was provided to the Finance Committee with regard to their ongoing Budget Strategy Phase, a private briefing was provided on the Spring Budget revisions and research has been commissioned by the FSU to provide a comparative analysis of Government responses to recession for the Finance Committee. Research has also been commissioned on the extent to which any budget redistribution has or could lead to vulnerable groups being disproportionately disadvantaged for the Equal Opportunities Committee.</p> <p><b>Enquiries</b> – Approximately 30 substantive enquiry responses provided relating to the budget. The cancellation of GARL, together with this being the first devolved budget since Scotland entered recession, gave rise to both a larger quantity of and more detailed enquiries.</p> <p><b>Other</b> – The FSU and the Finance Committee jointly organised two events led by the Finance Committee budget adviser. The first brought together a number of subject committee budget advisers to discuss the budgetary context and potential future developments. The second was with SPICe and committee representatives to discuss potential future developments in the budget process.</p>
<p><b>Areas for development</b>                      beyond FSU pilot</p>	<p><b>Briefings</b> – The FSU is keen to undertake proactive briefings in budget areas of topical parliamentary interest – for example, capital spending, financial implications of demographic changes, and public sector pay. The changing UK political environment in 2010 could also generate demand for briefings.</p> <p><b>Committee support</b> - The FSU is keen to continue to provide a high level of service to the committees during the Budget Strategy Phase. In the longer term, given that the FSU pilot only began last year after draft budget scrutiny was already underway, the FSU would like to be able to provide a higher level of service for subject committees during budget scrutiny, utilising Level 4 data and costing alternative spending proposals.</p> <p><b>Budget advisers</b> – The FSU sees potential for joint working with the Finance Committee clerks to better co-ordinate and support the work of the committee budget advisers.</p>

*Measuring success*

At its meeting of 15 April the Conveners Group discussed a draft FSU evaluation report and agreed that it was essential for the Parliament to have a permanently established resource to support financial scrutiny. The following section uses case studies to further assess the success of different outputs at achieving the desired outcome of more effective financial and economic scrutiny through supporting and encouraging more effective budget scrutiny. Both quantitative information gathered by the FSU as well as unprompted qualitative information identified by the FSU within the *Official Report* or SPICe Research Review regarding use of the outputs is used in assessing the success of each in contributing towards achieving this objective.

**Table 9: Measuring the success of Objective 2**

Desired outcome	
The FSU works to achieve <b>more effective financial and economic scrutiny within the Parliament</b> , with a particular focus on a <b>better-informed budget process</b> .	
<p style="text-align: center;"><b>Case study:</b></p> <p style="text-align: center;"><b>Case Study</b></p> <p style="text-align: center;">Pre-Budget Report Briefing</p> <div style="border: 1px solid black; padding: 5px; margin: 10px auto; width: 250px;"> </div>	<p style="text-align: center;"><b>Assessment of success:</b></p> <p>The Pre-Budget Report 2009 was published subsequent to the UK Pre-Budget Report, summarising the Barnett consequential for the Scottish budget. Given the political tensions between Westminster and the Scottish Government, this briefing aims to show impacts on the Scottish budget from a neutral standpoint, to ensure a better-informed budget process.</p> <p>It has had around 350 downloads compared to around 150 the previous year for the equivalent briefing. Within the short FSU pilot period it has been quoted 14 times by Members across the political spectrum, including by the First Minister. In addition, it has been quoted by the Finance Secretary John Swinney within the Finance Committee who stated “All I can say is that the First Minister was quoting from the SPICe briefing paper that we all have in front of us and which makes the position absolutely clear” (Finance Committee 2009).</p> <p>Outwith the Parliament the briefing has also been referenced by the Centre for Public Policy for Regions (CPPR) within their <a href="#">Update of the Scottish Government’s budget projections up to 2013-14</a> as well as in a variety of media articles such as Brian Taylor’s blog.</p> <p>It is likely that the popularity of this briefing is down to its neutral presentation of budget consequential in the middle of the budget process when there was raised interest in public finance. One Member stated that "politics can interfere with the facts... [the FSU] can help the Finance Committee make decisions based on the facts", while a party researcher stated that they “found the FSU particularly useful in terms of understanding the budget”. There may well be increased demand for this type of briefing in future years given that public finance is likely to be of continued political and media interest.</p>

### Objective 3: Provide financial costings and analysis

#### Background

In addition to ongoing support for the Finance Committee in their inquiries and monitoring and tracking different aspects of Government expenditure, the SPCB paper identified new areas of support that could bring more effective financial scrutiny. These included the FSU undertaking analysis of costings of Government policy and legislation, estimates of costing of alternative policies and briefings on areas of topical interest.

#### Outputs

Table 10 compares key outputs by the Economy and Finance team relating to this objective over the period October 2008 to February 2009, prior to the establishment of the FSU, with the outputs so far during the pilot period October 2009 to February 2010, before looking at some potential areas for development beyond the FSU pilot.

**Table 10: Key outputs relating to Objective 3**

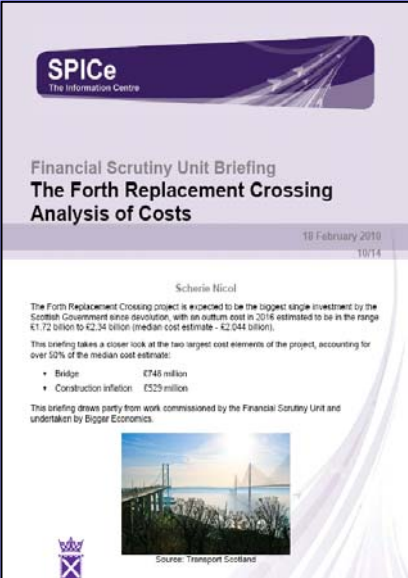
Objective 3: Provide financial costings and analysis	
<b>Outputs</b> <b>Oct 08-Feb 09:</b> prior to FSU pilot	<b>Briefings</b> – None.  <b>Committee support</b> – SPICe provided information on public sector pay across a range of public sector agencies for the Finance Committee.  <b>Costing enquiries</b> – Approximately 15 substantive financial analysis enquiries and no costing enquiries.
<b>Outputs</b> <b>Oct 09-Feb 10:</b> during FSU pilot	<b>Briefings</b> – The FSU published two briefings related to the Forth Replacement Crossing Bill – the most expensive single capital investment since devolution. The most substantive briefing provided an in-depth analysis of the two largest cost elements within the Financial Memorandum of the Bill: the bridge and construction inflation.  <b>Committee support</b> – The second briefing was for the Forth Crossing Bill Committee on the First Principles of the replacement crossing. The FSU has also just begun a piece of work for the European Affairs Committee to cost international spending - all devolved spend that occurs outwith the UK.  <b>Costing enquiries</b> – The FSU has developed a costing template for enquiries – ensuring a standard methodology is applied in this new area of work, and to ensure that assumptions, methodologies and caveats are always made clear. Approximately 15 substantive financial analysis enquiries and 10 substantive costing enquiries have been undertaken during the FSU pilot.  <b>Other</b> – The FSU has provided support in costing one Private Member’s Bill during the pilot period.
<b>Areas for development</b> beyond FSU pilot	<b>Non-Executive Bills Unit (NEBU)</b> – The FSU has indicated a willingness to provide support in costing Bills coming through NEBU to ensure that the methodology is robust.  <b>Committee support and costing enquiries</b> – The FSU could develop further capacity to carry out costings of alternative spending proposals.  The FSU also responded positively to the <b>SPPA Committee inquiry into financial resolutions</b> , identifying the scope for the FSU to undertake costings



*Measuring success*

The following section uses case studies to assess the success of different outputs at achieving the desired outcome of more effective financial and economic scrutiny through providing financial costings and analysis. Both quantitative information gathered by the FSU as well as unprompted qualitative information identified by the FSU within the *Official Report* or SPICe Research Review regarding use of the outputs is used in assessing the success of each in contributing towards achieving this objective.

**Table 11: Measuring the success of Objective 3**

Desired outcome	
The FSU works to achieve <b>more effective financial and economic scrutiny within the Parliament</b> , with a particular focus on <b>a better-informed budget process</b> .	
<p style="text-align: center;"><b>Case study:</b></p> <p style="text-align: center;">Forth Replacement Crossing Analysis of Costs</p> 	<p style="text-align: center;"><b>Assessment of success:</b></p> <p>This briefing was proactively undertaken by the FSU given that it is the most expensive single capital investment project since devolution and there is a lot of political interest and media coverage surrounding the cost. The briefing was published in time for Finance Committee scrutiny of the Bill with the general aim of enabling more effective scrutiny of the Financial Memorandum associated with the Bill.</p> <p>Immediately after publication the briefing was covered on the front page of <i>Scotland on Sunday</i>, bringing attention to some of the key findings. The briefing was circulated to both the Finance Committee and the Forth Crossing Bill Committee by the Clerks to aid their scrutiny of the Bill and it became evident that the briefing had generated lines of questioning in both Committees. Since publication in mid-February the briefing has had almost 200 downloads.</p> <p>What is clear from this case study is that the media and Members hold high regard for costing work undertaken by the FSU, despite the fact that it is a relatively new area. One party researcher stated “it is a back-up in the Chamber to say that figures/costings came from the FSU”. A Member also felt that support from SPICe was good “for example when looking at Financial Memoranda, which informed committee questions”. This trust places the FSU in a position where topics selected for in-house financial analysis are likely to receive more effective financial scrutiny.</p>

**Objective 4: Provide economic information and analysis**

*Background*

The economic context in which a Parliament operates has a large influence on spending decisions and effective scrutiny requires these circumstances to be understood and taken into

account. In common with other budget offices, such as the Congressional Budget Office in the USA and the Parliamentary Budget Office in Canada, the FSU provides economic information and analysis to committees and Members throughout the year. Key priorities include providing accessible and innovative economic briefings, supporting the Economy, Energy & Tourism Committees in their inquiries and providing briefings on subjects of topical interest.

### Outputs

Table 12 compares key outputs relating to this objective by the Economy and Finance team over the period October 2008 to February 2009, prior to the establishment of the FSU, with the outputs so far during the pilot period October 2009 to February 2010, before looking at some potential areas for development beyond the FSU pilot.

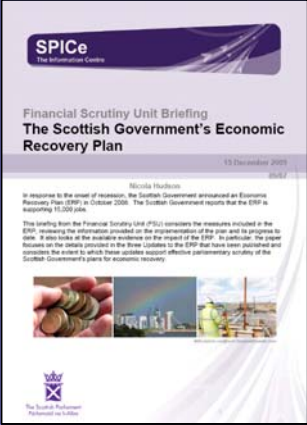

**Table 12: Key outputs relating to Objective 4**

Objective 4: Provide economic information and analysis	
<b>Outputs</b> <b>Oct 08-Feb 09:</b> prior to FSU pilot	<p><b>Briefings</b> – Four economic briefings were produced: SPICe published two Economic Indicators briefings, an Energy Prices briefing and a briefing on The Size of the Public Sector.</p> <p><b>Committee support</b> – SPICe commissioned and project managed research into trade and investment promotion to help the EET committee decide on the potential scope for an inquiry into international trade. SPICe also provided a briefing for the EET committee/STUC joint seminar on Economic and Social Models in Ireland, Norway and Sweden: A Trade Union Perspective and a general Economic briefing for the committee given the exceptional economic circumstances.</p> <p><b>Enquiries</b> – Over 40 substantial enquiries, above trend as a result of the onset of financial crisis.</p>
<b>Outputs</b> <b>Oct 09-Feb 10:</b> during FSU pilot	<p><b>Briefings</b> – Nine economic briefings were produced: the FSU published two Economic Indicators briefings (one of which included an <a href="#">illustrated audio summary</a>), five monthly Unemployment briefings, one Mapping the Recession briefing and one on the Government’s <a href="#">Economic Recovery Plan</a>. The FSU is also undertaking a proactive briefing looking at the Scotland Performs measurement framework and its limitations.</p> <p><b>Committee support</b> – SPICe provided a briefing on the <a href="#">Whisky Industry</a> for the Committee following large scale redundancy announcements, provided research support throughout the Banking inquiry (which included the provision of a suite of briefings) and is now commissioning and project managing an evaluation of the Homecoming evaluation.</p> <p><b>Enquiries</b> – Over 40 substantial enquiries, continuing above trend as a result of entrance into recession and interest in the financial sector and the economy.</p>
<b>Areas for development</b> beyond FSU pilot	<p><b>Briefings</b> – The FSU would like to maintain the capacity for continued production of proactive and reactive briefings of topical interest as economic circumstances evolve and the economic recovery programme continues.</p> <p><b>Web portal</b> – The FSU has obtained graphic software that will enable it to better present economic information, and would like to use it to develop the economic section of the Financial Scrutiny web portal.</p>

Measuring success

The following section considers examples of outputs and the evidence available to judge the FSU’s success at achieving more effective financial and economic scrutiny.

**Table 13: Measuring the success of Objective 4**

Desired outcome	
The FSU works to achieve more effective financial and economic scrutiny within the Parliament, with a particular focus on a better-informed budget process.	
<p style="text-align: center;"><b>Case study:</b></p> <p style="text-align: center;">Briefing on The Scottish Government’s Economic Recovery Plan</p> 	<p style="text-align: center;"><b>Assessment of success:</b></p> <p>This briefing was proactively undertaken by the FSU given the political and public interest surrounding the economic downturn and the Scottish Government’s response. The briefing was published in time for a chamber debate on the economy with the intention of providing increased understanding on the components of the economic recovery plan and the impacts being reported and allow more effective economic scrutiny.</p> <p>The briefing was utilised to inform lines of questioning within the debate. For example, one Member stated “The Government has made assertions about the number of jobs that it has created. I invite the cabinet secretary to respond to the briefing that the Parliament’s independent Financial Scrutiny Unit published on Tuesday, which states: ‘Without full details on the profile of capital spending, it is difficult to examine whether the Government’s estimates relating to the impact on employment are reasonable.’ Will the Government provide more details, as the Parliament’s Financial Scrutiny Unit requests?”. Since publication in mid-December the briefing has had around 200 downloads.</p>
<p style="text-align: center;"><b>Case study:</b></p> <p style="text-align: center;">Whisky briefing</p> 	<p style="text-align: center;"><b>Assessment of success:</b></p> <p>This briefing was undertaken by the FSU at the request of the EET Committee subsequent to large scale redundancy announcements. It is included as an example of continued delivery of the “existing workload” by SPICe staff transferred into the FSU.</p> <p>Since publication at the end of October the briefing has had around 1,100 downloads. Comments from EET Committee members indicate high levels of satisfaction with the work. Members’ comments include: “I thank the SPICe researcher, Scherie Nicol, for turning around such a comprehensive report within a short space of time. That has been very helpful indeed” and “I suggest that the import of Scherie Nicol’s excellent report is such that it raises plenty of questions that the committee should follow up” as well as “I concur with the comments that have been made about the quality of the paper—it is an excellent piece of work”.</p> <p>The FSU continues to prioritise Committee work and places great importance on continued delivery of the “existing workload” despite the new areas of activity.</p>

# REFLECTIONS

## LIMITATIONS OF THE EVALUATION

### Quantitative data

Although user data, such as the number of briefing downloads and webpage hits, are a good indicator of how much interest there is in a particular topic, they do not provide insight into who is accessing the product, how they are using it and whether or not they value it. Caution should be exercised in using the user data alone to evaluate FSU products. As a result of this, the evaluation has taken into account qualitative data received about FSU products to gain a more rounded picture of how products are valued.

### Qualitative data

The FSU pilot has run concurrently with the SPICe Research Review. As part of the latter, key customer groups are being surveyed and to avoid “survey fatigue” a separate approach to these groups regarding the FSU was not pursued. Instead, any feedback regarding the FSU provided through the Research Review has fed into the FSU evaluation. While this means that the quantitative feedback is not as in-depth as it could have been, it has still provided a useful insight into how the FSU service is viewed in its infancy.

### Timing of the pilot

The nature of enquiries and briefings demanded suggests that a proportion of additional requests recorded during the FSU pilot are due to economic and financial circumstances and it is difficult to foresee whether or not this raised level of interest in financial and economic scrutiny will be sustained. However, due to the significantly constrained public spending environment over the medium-term it would not be unreasonable to anticipate that raised levels of demand will be at least sustained. This assumption is validated by feedback from the SPICe Research Review. One Member commented “The work of the Financial Scrutiny Unit is absolutely vital and the need for this will increase rapidly and will be much required”.

## DISPLACEMENT

There is the potential that subject-based financial enquiries previously handled by subject specialists in other SPICe research teams now come directly to the FSU – thus displacing activity from one part of SPICe to another. Discussion with research staff indicated that there is limited evidence of any workload reduction on financial matters among other subject specialists during the pilot period.

Other support that is available to Members and committees to aid financial scrutiny, in addition to that provided by the FSU, includes academic and think-tank reports, for example, those by the Centre for Public Policy for Regions, the Institute for Fiscal Studies and Reform Scotland.

However, these bodies can tend towards formulating their own conclusions on key issues, whereas the FSU presents the facts impartially and free from political bias. Given this, it is likely that the work of the FSU is adding to the support in scrutiny, rather than duplicating existing

work. Feedback from the SPICe Research Review indicates that Members share this view. One Member commented:

“In terms of the Financial Scrutiny Unit, this research can’t be done by a third party – tracking the money spent in an impartial way that is factually accurate – fulfilling and expanding this role should be the top priority in SPICe.”

Another Member commented:

“There are some areas where SPICe doesn’t need to provide all the work themselves, could move this to third parties so that SPICe can concentrate on the true parliamentary depth of research and very specialist areas e.g. financial scrutiny.”

Similar views were aired by another Member who felt that the FSU should concentrate its energies in carrying out work no other body is doing, for example, tracking money spent by the Government in an impartial way that is factually accurate.

## **BEST PRACTICE ACROSS BUDGET OFFICES**

Over recent years a fundamental change has taken place in the way citizens view the government’s stewardship of taxpayer resources which has demanded unprecedented levels of transparency and accountability across the public sector. New global standards and best practices are emerging to promote financial and budgetary transparency. Budget offices around the world provide essential financial capacity to raise the quality of debate and scrutiny in a parliamentary system.

These budget offices operate in different political environments which means that their focus can vary. For example, in some countries parliamentarians are allowed to submit budget amendments and this can elicit hundreds (Denmark) or even thousands (Spain, Brazil) of amendments and, in these countries, costing amendments comprises a major part of the workload of the budget office. In other instances (Norway, Switzerland) the budget office is more akin to the Finance Committee clerking team. Some budget offices (Canada, US, Sweden) get involved in debate on macro-level balances e.g. whether fiscal rules will be met. In addition, different budget offices have different approaches to prioritising their work; some focus almost entirely on committees, others are much more willing to protect their time for large pieces of work and say no to other requests. Some budget offices have subject specialists (eg health, transport etc) within their teams. The location of the offices in relation to parliamentary structures also varies.

In order to develop the FSU as a world-class budget office, the Unit has built close links with a number of parliamentary budget offices, in particular the Canadian Budget Office (which was also recently established), the US Congressional Budget Office (the most high profile budget office in the world) and the House of Commons Scrutiny Unit (the geographically closest equivalent model). Additionally the FSU has benefited from involvement in the OECD network of parliamentary budget offices. Work shadowing has allowed FSU staff to develop the skills needed to undertake new areas of work such as financial costing and the development of close links has also allowed the sharing of best practice.

Over the course of the pilot, the FSU has learned that key areas of best practice include:

- **Securing timely access to Government’s financial and economic information:** Accessing information is the key challenge for any budget office and actions to secure access need to be prioritised, for example by putting in place information sharing

agreements, ensuring legislation includes a provision for access to information and developing good relationships with Government staff.

- **Ensure the Unit is sufficiently resourced:** Resources should not be spread too thinly, the budget office must be resourced sufficiently to produce robust analysis that will stand up to challenge from the Government and elsewhere. Financial expertise is also critically important and most budget offices include individuals with formal accountancy training as well as economists/other specialists. There is recognition that combining financial expertise with subject knowledge will provide the best analysis.
- **Ensuring a solid initial performance:** Budget offices must work to raise their visibility from the beginning in order to be relevant. This can be done by providing parliamentarians with access to financial and economic analysis in a relevant, timely and systematic manner. Initial performance is particularly important; “laying the foundations with fast-setting cement”.
- **Develop a good relationship with committees and Clerks:** Parliamentary committees are the workhorses of Government oversight and should benefit from additional independent and authoritative advice on financial and economic matters. Clerks can help in trying to highlight linkages and match the budget office’s services with the interests of the committees.
- **Develop a good relationship with Members and researchers:** Trust is the crucial issue; the budget office needs to be deemed by all sides to be an effective arbiter on points of fact. Trust needs to be carefully nurtured and when lost is difficult to get back. It only takes one mistake to undermine the work of a budget office. In the early days a budget office needs to work hard to build a solid reputation trusted by every party through building close working relationships with Members and having regular dialogue.
- **Tackle the key issues of the moment:** This means questioning if the Government is taking appropriate account of long term economic, demographic and social trends in its planning, if its expenditures are appropriately linked to stated policy priorities and results, and if its expenditures and executions are based on sound business cases that reflect due diligence, effectiveness and efficiency relative to best practices, policies and the Government’s own assertions.

The FSU has aimed to adopt these guiding principles throughout the pilot to ensure it is fit for purpose.

It is worth noting that the FSU has also engaged in discussions with the Research & Library Services of the Northern Ireland Assembly as they begin the process of establishing their own Financial Scrutiny Unit. The head of the FSU has been invited to give evidence to the Finance Committee of the Northern Ireland Assembly as part of an inquiry into budget scrutiny.

## CHALLENGES AND LONGER-TERM ISSUES

### Workforce and training

The Canadian Parliamentary Budget Officer stated “Our value proposition to Parliament is entirely based on the quality of talent that we attract and retain”.

#### *Secondment model and ability to recruit staff*

The “secondment model” adopted during the pilot period was the only model that enabled the FSU to be sufficiently resourced with staff and expertise, while maintaining the flexibility in future resource levels required of a pilot. While there was a good response to the initial advert for a six month secondment, the FSU has received fewer applicants for the more recently advertised three month secondment, with feedback indicating that the short time period is not attractive within the competitive market for talent in the financial and economic analysis domains.

During the SPICe Research Review, one Member recognised the importance of being able to recruit talented staff, stating that the development of the FSU and its functions should be a priority for SPICe and that the Unit should ensure it recruits and retains people with, “...particular excellence and huge specialist skills”. In the longer-term it is likely that more lengthy secondments will enable the FSU to compete more effectively for talent while still allowing for a variety of fresh expertise to be drawn in at different periods.

#### *Developing core staff*

Ensuring that core staff have the knowledge and expertise to deliver effective support for financial and economic scrutiny is vital for the long-term sustainability of any budget office. One Member interviewed as part of the SPICe Research Review stated:

“There are some areas of research that require particular excellence and huge specialist skills, for example finance, so the career progression in SPICe needs to reflect specific subject excellence – not all areas of research are at the same market level e.g. a premium for Financial Scrutiny because this research is so important for MSPs.”

**Any future FSU model needs to accommodate appropriate recruitment, training and development of staff at its core.**

### Resource issues

It is inevitable that the FSU pilot will have created an expectation of future service provision in the area of financial and economic scrutiny. This expectation is evident from the speech of one Member, who stated in the Chamber:

“I am also grateful for the new Financial Scrutiny Unit—the embryonic parliamentary budget office — which has wide support across Parliament and which I hope will in time develop into an even more useful resource for Parliament in scrutiny of the budgets of whichever party is in power. As members so far have all identified, there is a need to level the playing field by giving greater resources to Parliament for it to scrutinise the budget of the Government”.

[Official Report, 17 December 2009, Col 22267](#)

The impact of reducing resources at this stage of heightened expectation could create a situation where top quality service provision is not maintained, putting into jeopardy the reputation of the FSU and SPICe that has been built up. **Any future FSU model needs to sufficiently manage expectations to match available resource.**

## **RISKS AND RISK MANAGEMENT**

### **Decline in quality of output**

Within the SPICe Research Review one Member stated that the “Precision of information is excellent in SPICe. Especially with financial information, accuracy is really important and this is required in the Chamber”.

A single error could potentially severely damage the reputation of the FSU and SPICe. Quality control procedures are currently in place which ensure that high quality outputs are maintained. However, if resources are over-stretched or staff expertise does not develop sufficiently to match demand it is possible that errors will begin to appear. **This risk is best managed by ensuring that FSU staff are provided with appropriate training and development and that any future FSU model matches available resource with political expectations.**

### **Unit not sufficiently resourced relative to demand**

There are many pressures on public finances, for example, real terms reductions in the Scottish budget, demographic issues, fallout from the recession and the requirement to make efficiency savings. As a result there is political consensus about the challenges that lie ahead for any future Government. With these challenges comes the need for tough financial decisions, as emphasised by the Auditor General, Robert Black, when giving evidence to the Public Audit Committee:

“There is no doubt that we will shortly enter a long, difficult period in Scotland's public finances. I hope not only that my report informs people, but that it gives a sense of the urgency with which everyone in the public sector should address the challenges.”

In this context, the Auditor General sees the Financial Scrutiny Unit as a positive development, stating:

“I welcome the work of the Finance Committee to strengthen the budget scrutiny process. I am sure that that will bring improvements. Audit Scotland will support the experiment of having a Financial Scrutiny Unit by seconding Michael Oliphant, who is present with the Audit Scotland team today, to support that exercise.”

[Official Report, 18 November 2009, Col 1306](#)

Given the challenging period ahead with public finances it is possible that any future FSU model may not be sufficiently resourced to deliver the support demanded. **This risk is best managed by a model which allows flexible staffing levels and expertise to be drawn in during peak periods.**

### **Access to Government information reduced**

To enable effective financial and economic scrutiny the Parliament needs ready access to information at the right level of detail at the right time. While relations are currently conducive to



the provision of this, changing political circumstances, such as a new Government administration, could result in different levels of access to information from the Scottish Government. Reduced levels of access could seriously impede the ability of Parliamentarians to scrutinise public finances at a time of great challenges. **This risk would be best managed by putting in place measures which ensure long term access to Government information.** For the Congressional Budget Office in the US and the Parliamentary Budget Office in Canada legislative provisions are in place.

**Table 15: Key risks for any future model of the FSU**

Key risks	Likelihood if status quo	Likelihood if resource levels reduced	Likelihood if resource levels increased	Likelihood if change in Government administration
Drop in quality of output	LOW	HIGH	LOW	LOW
Unit not sufficiently resourced to meet demand	MEDIUM	HIGH	LOW	LOW
Access to Government information reduced	LOW	LOW	LOW	MEDIUM

## TRANSITION PERIOD AND SPICE RESEARCH REVIEW

The FSU pilot officially ran until 31 March 2010. Since that time ‘transition’ arrangements have been put in place to keep the current resources in place. These transition arrangements run until 2 July 2010.

During the period of the FSU pilot a review of SPICe research services has also been under way. This review, has encompassed the role of the FSU, and has gathered structured feedback from stakeholders in the form of questionnaire responses, individual interviews and focus groups. The SPICe Research Review was due to report on 22 April 2010 and was to take into account the results and recommendations of the FSU evaluation. It should be noted that any extension of the FSU pilot could potentially impact on the SPICe Research Review being able to draw up final recommendations and interim recommendations are likely to be put in place.

## CONCLUSIONS AND OPTIONS

Overall, FSU seems to have been welcomed by all parties as a means of increasing the effectiveness of financial and economic scrutiny given the current economic, financial and political climate. At this stage it is difficult to say if levels of demand will be sustained in the longer-term due to the exceptional recent economic and financial events. However, given the reductions anticipated in the Scottish block grant over the next 5 years, it is not unreasonable to anticipate that demand will continue at least at this level in the medium-term.

There are a number of options included below for consideration, along with a short discussion of the merits of each option.

Option	Implications
<p><b>1. Revert to the previous arrangements and services prior to the pilot</b></p> <p>Revert to the previous economy and finance research team, with 2.5 FTE researchers and a principal researcher managing the team part time.</p>	<p>Under these arrangements, there would not be the capacity to answer enquiries at the level that has been experienced during the pilot, nor to improve the level of services to committees, produce briefings or make progress on, for example, access to Government financial information.</p>
<p><b>2. Continue with the current (scaleable) model on a permanent basis</b></p>	<p>This would establish the FSU as a permanent presence. The FSU could begin to plan for the longer term with more certainty, and resources could be fully focused on delivering services.</p> <p>The current model of the FSU reduces the risk for the SPCB in that it is flexible and scaleable as it includes two secondees, a panel of experts and possibly interns. The unit can thus be scaled up or down with relative ease as circumstances change, and in the context of reduced funding available to the Parliament over coming years. It can also draw in expertise from different fields quickly as required.</p> <p>This means that the FSU would be able to develop in a flexible and responsive manner. It would also put the FSU in a stronger position in discussions with the Government about access to Government information.</p>

Option	Implications
<p>Under option 2 resources may be scaled back as circumstances change - for example reducing the budget for external experts from £25,000 to £15,000.</p> <p>A further reduction in resource may be achieved by employing one secondee instead of two (potentially saving £50,000)</p>	<p>The FSU would be able to continue to operate with reduced resources, although that would affect its capacity to deliver services. Reducing funding available to the expert panel would have a significant impact on the unit's ability to undertake additional work using external experts for committees or in response to short-term surges in demand – for example, costings of amendments to bills as identified by the SPPA committee.</p> <p>Operating with one secondee instead of two would significantly reduce the ability to improve access to information from the Government and other public bodies. It would probably put this piece of work on hold, or at best allow only limited progress. It would also severely restrict the support that could be provided to committees other than the Economy and Finance committees, and the ability of the team to respond to short-term surges in demand.</p>
<p><b>3. Continue with the pilot for up to 12 or 24 months</b></p> <p>Continue with the current model as set out above to the end of the current session or the first year of the next session</p>	<p>A continuation of the pilot would allow further experience to be built up before a commitment was made.</p> <p>However, it should be noted that continuing the pilot would divert significant staff resource from the front line as staff time would continue to be dedicated to on-going monitoring and evaluation. In addition, continued uncertainty about the future of the FSU would affect existing staff and the FSU's ability to plan for the longer term and to recruit the best secondees and interns; all with knock-on implications for delivery of services to meet parliamentary demands.</p>

The annual running costs of the FSU in 2010-11 are expected to be approximately £350,000. These costs can be met in 2010-11 by transferring existing staff, and reallocating other financial resources from within the Research, Information and Reporting Group. This includes a large proportion of the commissioned research budget.