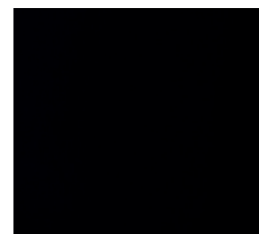
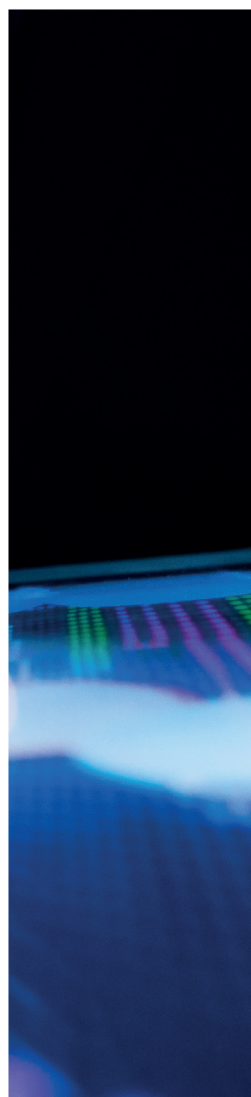
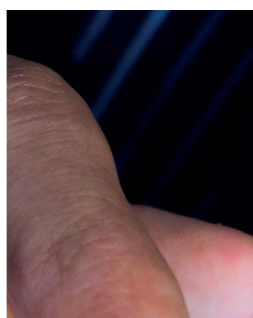
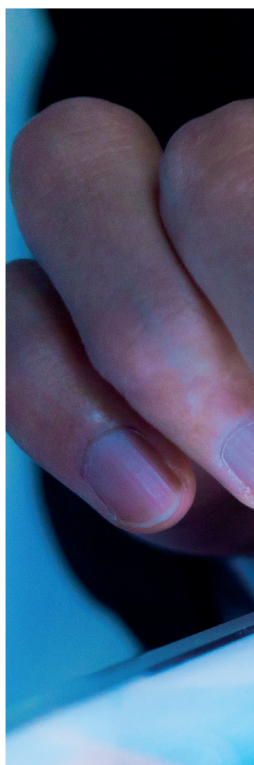




# ENTERPRISE AND SKILLS REVIEW: REPORT ON PHASE 2

DATA, EVALUATION AND PERFORMANCE MANAGEMENT



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## 1. Introduction

The main recommendation from the Enterprise and Skills Review Phase 1 report was:

*“To bring greater integration and focus to the delivery of our enterprise and skills support to businesses and users of the skills system, we will create a new Scotland wide statutory board to co-ordinate the activities of HIE and SE, including SDI, SDS and the SFC.”*

However the report also recognised the need to have an appropriate analytical function alongside the new Strategic Board to ensure that the decisions of the board are well informed and take account of appropriate evidence. The specific recommendation stated:

*“To support the new board, we will review existing data and evaluation functions to further align our enterprise and skills support and to ensure robust evaluation of activity and impact.”*

The Crerar report on Governance, published in February 2017, also highlighted the importance of the analytical support to the board in ensuring that the board works effectively. It stated:

*“Any secretariat and/or analytical capacity to support the SB must be adequately resourced to allow it to perform its core functions of supporting the development of a Strategic Plan and an associated Common Performance Management framework.”*

## 2. Purpose, Vision and Benefits

### Purpose

Phase 1 of the review highlighted the importance of effective evaluation, research and data to support effective decision-making about the enterprise and skills system. Given the creation of the overarching board this overarching analytical function becomes even more important to ensure that the board has the necessary intelligence to help it make effective decisions about prioritisation and resource allocation.

### Vision

This work is in support of a Vision of an enhanced analytical function in Scotland:

*“To have a more effective and transparent system of measurement for the Scottish economy and the operation of the Enterprise and Skills Agencies. The analysis should be high quality and publicly available.”*

We want an analytical function which will provide effective evidence and advice across the entire enterprise and skills system helping to inform decisions which will have the maximum possible positive impact. The analytical function will work across organisational boundaries, will be informed by and will inform academia and the private sector. The analytical function will provide an effective public challenge to the system to ensure that resources are used as efficiently and effectively as possible.

The analytical function will strive for excellence in all of its work, from the recruitment and development of its people to the preparation of its work programme, from the techniques it employs in its analysis to the openness of its communications. It should be set ambitious targets by the Board and stakeholders and held to these.

## Benefits

Some of the key benefits of an improved analytical function include:

- The analytical unit will support the new Strategic Board in identifying the best way to drive the enterprise and skills system to achieve its aims.
- This will be achieved through better collaboration on intelligence across the Enterprise and Skills Agencies, helping to identify the most effective interventions to support productivity improvements - including improving the evidence base on return on investment.
- The analytical unit will help to develop a more effective set of performance measures and a set of shared outcomes which will focus the Enterprise and Skills Agencies on the areas which will have the biggest impact for productivity, wellbeing and equality.
- The analytical unit will aim to provide evidence to the wider enterprise and skills system, beyond the Agencies, helping to focus the actions of other public bodies and private institutions on delivering productivity growth.

## 3. Delivering Better Outcomes

### Workstream Approach

To help consider how this new analytical function might be delivered, a project group from across the enterprise and skills agencies and Scottish Government has been working together to look at the process and outputs which comprises the current model of analytical function in the agencies in order to develop recommendations for an improved system.

As a first stage, an Asset Register was developed by each agency and SG to describe current analytical activity and outputs. Following this, the project group then considered each aspect of the analytical process in more detail looking at what works well and where there are potential opportunities for improvement.

Alongside this, Scottish Government officials have been considering the form that a new analytical function may take based on input from the agencies and wider stakeholders, including the Ministerial Review Group.

This report sets out recommendations on the issues outlined above. There are nine primary recommendations relating to the establishment of a new analytical unit to serve the Strategic Board, the principles underpinning the unit's operations, consideration of structure and a commitment to improvements in use of administrative data.

There are a further set of secondary recommendations developed through our consideration of how analytical functions are currently carried out and based on what we consider to be best practice going forward. These have been developed in close collaboration with the agencies. They should help to shape the initial direction of the analytical unit and should be considered further by the head of the analytical unit and Strategic Board.

## Strategic Approach to Analysis

All four agencies, to a greater or lesser extent, currently follow a process of collecting and analysing research and data to help them to plan, deliver, report on and evaluate the effectiveness of their delivery functions. The process broadly comprises:

- **Insight** activity – undertaking research and analysis to determine economic context and better understand the policy issues facing Scotland.
- **Planning and Performance** activity – to describe and align policy deliverables with agreed outcomes and measure progress.
- **Evaluation** – to assess the impact of the activities undertaken.
- **Data Collection and Reporting** – management information to support performance reporting and to collect information from clients about what they want.

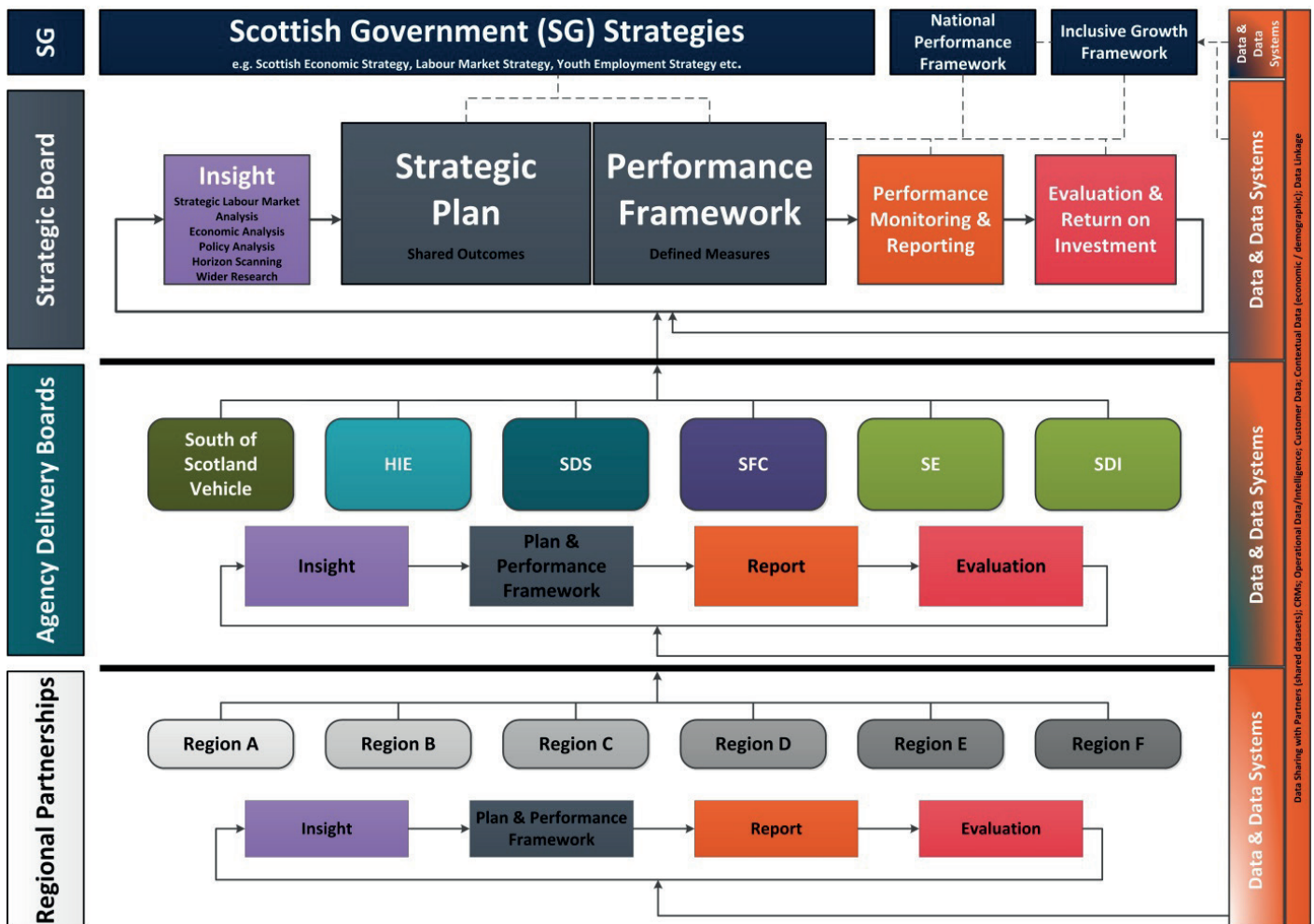
The primary focus of this activity in the agencies is their own area of delivery/responsibility. This is not to suggest that there is no joint-working on analysis across agencies, indeed there is already good practice to build on in relation to information sharing and collaboration.

Supporting the Strategic Board to address strategic issues that impact on outcomes will require continued collaborative effort to join up analytical activity – including research, data gathering, performance monitoring and importantly evaluation – across the enterprise and skills system. This will help the Strategic Board focus on high-level issues informed by shared objectives, the best available intelligence and a rigorous assessment of current policies, programmes and the performance of the agencies.

While there is the need to develop strategic analysis to support the Strategic Board, the individual agencies require analytical capacity to deal with delivery and process issues.

Figure 1 shows how the different components of the analytical process could operate at different levels within the system. Analytical planning across the system will need to make clear how the analytical activities, at each level, will join up to provide the right focus for each level without duplication.

Figure 1. Analytical functions in the Enterprise and Skills System



An immediate action for the Strategic Board will be the setting of shared outcomes and support for the development of the framework for a single Strategic Plan. Delivery of this will need to be aligned with the timetable to implement the Strategic Board.

This report is focussed on the Strategic Board, the four main agencies and the Scottish Government, however, there is a recognition that other stakeholders and delivery bodies (including Transport Scotland, VisitScotland, Local Authorities etc.) have an important role in the system. These other partners are not in scope for this work but it is anticipated that the strategic analytical function would work with these bodies to provide a coherent evidence base for the enterprise and skills system as a whole.

A small working group drawn from staff in each of the agencies has considered in more detail the analytical process described in Figure 1. This has led to a number of technical recommendations in relation to improvements at each stage of the analytical process. These will be considered further by the analytical unit and Strategic Board.

## 4. Implementation

### Action 1 - Developing a New Analytical Unit

Based on discussions with the Ministerial Review Group and wider stakeholders, the Scottish Government's view is that a new unit should be established to provide a focus for analytical activity to support the Strategic Board<sup>1</sup>. This section outlines the key actions required to drive this process.

We recognise the need for analytical capacity to remain at agency level and that as a principle of the unit it should be able to draw on the resources and expertise of the four agencies and Scottish Government. In both, the immediate and longer term analytical support to the Strategic Board will involve collaborative working between the unit, government and agencies. However, the unit will need a core staff to perform its functions in support of the Strategic Board.

**We will appoint a head to lead the new analytical unit. The person will provide a strong figurehead to inform the decisions of the Strategic Board, working collaboratively across the enterprise and skills system to draw together evidence and intelligence to support the Strategic Plan and Framework for Delivery.**

- The head of the analytical unit should in principle attend every meeting of the board and have the right to contribute to its discussions with respect to the available evidence.
- The head of the analytical unit will initially be supported by a small team as they undertake the work necessary to quickly establish a programme of analytical activity.
- Appointments to the unit will be made by Scottish Government and jointly funded by Scottish Government and the agencies.
- The final size and structure of the unit will be determined by the unit head in consultation with agency partners and based on further consideration of the unit's operations, and the Strategic Board's requirements.
- The analytical unit will initially be based within the Scottish Government linked to the Office of the Chief Economic Advisor and reporting to the Strategic Board.
- The unit head will work with the appropriate senior analytical leads of the Agencies to help co-ordinate analysis across the enterprise and skills system.

**The unit and agencies will develop a shared analytical plan setting out the activity that they will undertake both individually and collectively. This should flow from the shared outcomes and priorities set by the Strategic Board.**

<sup>1</sup> The unit and agencies will develop a shared analytical plan setting out the activity that they will undertake both individually and collectively. This should flow from the shared outcomes and priorities set by the Strategic Board.

Further, this plan will make clear how the activities and responsibilities for the unit and agencies will join up to provide the right focus and impact for each level without duplication. This may involve a model in which some analytical activities are delivered by the unit alone; some are delivered in close collaboration with one or more of the agencies as appropriate on a project basis; and some specialist activities are contracted out.

**There are a number of important principles for the operation of the unit and its interaction with the Strategic Board. These are:**

- A core principle of the unit will be openness. One example of this will be that the unit will consult widely on the content of its plan of work. We envisage the unit operating a rolling three-yearly plan with greater detail provided on each annual plan. One of the advantages of adopting this open approach is that it should reduce, if not eliminate, duplication of activities across the system.
- In the spirit of openness and demonstrating impartiality, the analytical plan will be published with clear timescales of when work will be completed.
- Reflecting the unit's openness, the presumption will be that all work carried out by the unit will be made publicly available to help transparency with the Strategic Board decisions and to ensure there is a shared evidence base for wider stakeholders.
- As the board reports on substantive decisions it has taken it must outline how the evidence has helped to shape these decisions.
- The unit will work with and be able to draw on the wider analytical resources across the four agencies and the Scottish Government.
- The unit will develop a reputation as being respected, trusted and objective – providing challenging advice which will improve the Enterprise and Skills System.
- The unit will work with local and regional structures to ensure a coherent evidence base for the system as a whole. For example, the unit could provide advice on research methods; lead a programme of knowledge exchange at which professional skills and knowledge can be developed; offer development opportunities to national and local partners through secondments.
- The unit will draw on a range of intelligence from across the public, private and academic sectors, within and beyond Scotland, building on current strengths which already exist in the system.
- While the unit will report to the Strategic Board, it would be supported in its work by an Advisory Panel, membership of which will be drawn from academia, governments, the agencies and other experts. Among other functions, the Advisory Panel would provide peer review of the unit's activities, including its methods and outputs. Minutes of the Advisory Panel meeting will be published.



## Action 2 – Data Improvements

**The unit will work with the SG, Agencies and Local Authorities to improve the use and sharing of administrative data across the enterprise and skills system. This should in time support the development of economic data in Scotland.**

Effective economic data is key to the understanding of the issues affecting the economy and to determining ways to improve performance. Our consideration of the new analytical function for the enterprise and skills system has also considered ongoing work to improve the data informing economic policy decisions in Scotland.

Scotland has a range of economic data providing evidence on macroeconomic and microeconomic issues. This range of data has been considerably improved since the 1990s through improvements to data collection and boosts to sample sizes. Our understanding of the issues informed by the data is also much improved as a consequence.

However, it is recognised that the economic data we have could still be improved and that this improved data would be key to providing high-level evidence on issues of interest to Strategic Board, and to wider stakeholders.

To help with this an improvement plan has been put in place to deal with some of the issues which have been raised around economic data. This work is being led by Scottish Government and will improve the quality of the data available to the analytical unit and wider stakeholders. Examples of work in the improvement plan include:

- **Improvements to trade data**

HMRC has recently updated its methodology for producing regional trade in goods statistics and is now allocating trade to a region based on a company's proportion of employees in that region rather than the location of their head office. These changes have improved their estimates for Scotland and using these data, in conjunction with our own collection of exports data and data from other sources, will improve our overall estimates of Scottish trade.

- **Improvements in National Accounts**

There are a number of projects underway in 2017/18 to improve the range and quality of Scotland's National Accounts statistics.

1. We are looking for alternative data sources and improved extrapolation methods to allow us to produce our quarterly real-term GDP estimates earlier. The 2016 Q4 estimates were published 95 days after the end of the quarter. This was the first time this has been done in under 100 days. In time, we shall investigate whether VAT turnover data can be used in addition to the sales data collected by monthly and quarterly surveys.
2. We are extending the range of economic data available for Scotland. This will include producing quarterly Gross National Income figures to complement the GDP nominal estimates. Also, we will aim to produce annual Balance of Payments estimates for Scotland.
3. We are working on a satellite account relating to Scottish economic activity currently assigned to the Extra Regio part of the UK. This will complement our Onshore Input-Output tables to produce a set of economic accounts for the whole of Scotland.

- **Improvements in Scotland's Public Sector Finances statistics**

The GERS publication will be updated in August 2017. We shall consult users on how best to present Scotland's public sector finances to take into account the new fiscal framework and its consequences. Possible developments might include producing quarterly aggregates for total managed expenditure so that quarterly fiscal balance estimates can be derived. The annual publication could potentially be re-worked to provide users with more transparent information about how public services in Scotland are funded and how the funding is allocated to different services, rather than focussing narrowly on the fiscal balances.

The improvements described above will take time to materialise and in the meantime it will be important that we use the existing data available in the most effective manner.

Additionally administrative data is still a largely untapped source of intelligence. Each of the agencies collects this data as part of its operational activities and some of this is published in line with ONS guidelines, for example Modern Apprenticeship data and college performance statistics. However, outside of the data which is published the agencies could do more to share access to the data they collect as they deliver services and interact with clients. This would improve the consistency and coverage of the evidence base available to the Strategic Board.

In addition, this workstream notes the significant interest that Local Authorities will have as both providers and users of economic data and intelligence. Management information collected by the local authorities about individuals and businesses in relation to the operation of services such as Business Gateway and local employment services will continue to be a vital component of our intelligence systems. Indeed, Local Authorities are already working with Scottish Enterprise to establish systems for the effective sharing of data. The unit and agencies will work closely with Local Authority partners in any future work to improve data quality and access.

Restrictions apply to agencies external to Government in granting full access to some official Government data such as that held in the IDBR or by HMRC. Nevertheless, the new unit should work closely with Scottish Government to allow access to this data where possible and to develop formal data sharing agreements to facilitate this.

## **Next Steps**

The work carried out during this workstream has helped to shed light on some of the issues which are relevant to improving analysis for the enterprise and skills system. It has identified some really positive practice which is already being carried out by the agencies and Scottish Government but has also identified areas where there is a need for new work or an increased focus on action to improve things.

The majority of the recommendations in this paper should be taken forward by the new analytical unit (apart from those relating to setting up this unit) however, they will need the support of the new Strategic Board and the staff of the individual organisations.

The collaborative working which was apparent during the work of the project group suggests that there is a willingness to work together to make the most of the available analytical capacity. Drawing on the wealth of talent across the analytical services of the agencies and SG will be key to making a success of this new analytical approach.

The timing of taking forward the recommendations of this paper will be highly dependent on when the Strategic Board, or the shadow predecessor, is in place. In the meantime, continuing to engage with the staff who supported this workstream will help to ensure that the new unit will hit the ground running when in place.



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