

Analytical Unit and Performance Framework Workstream

1. Summary

This paper describes the activity undertaken by the group to date and invites the Board to endorse the approaches proposed.

The key deliverables for this short-term project group are:

- 1. Developing plans for the Analytical Unit, and;**
- 2. The development of the draft Performance Framework.**

The workstream is led by Gary Gillespie, Chief Economist at SG, and supported by a Working Group coordinating input from the Implementation Board, SG and Agencies.

2. Working Group Members

The following members have been involved to date:

- Stephen Boyle
- Donald MacRae
- Stuart King (SG)
- Natalie Hemmings (SG)
- Kenny Richmond (SE)
- Linda Murray (SE)
- Alison More (SDS)
- David Jack (SDS)
- Martin Fairbairn (SFC)
- Alastair Nicolson (HIE)

Additionally, the following organisations have expressed an interest in attending future meetings:

- SLAED
- SCDI

3. Summary of Work Required

Delivery of Analytical Unit	Development of Performance Framework
<ul style="list-style-type: none">• Agreed draft role specification for Head of Unit.• Following SG processes to evaluate seniority of role – decision expected early August.• 3 options on recruitment evaluated. Recommend the most open process to ensure widest talent pool.• Expect Head to begin in post early 2018.• Developed recommendation on interim arrangements to deliver Unit's activities in 2017/18.	<ul style="list-style-type: none">• Coordination with the Strategic Planning workstream activity.• Assessment of agencies current goals/objectives, outcomes and outcome measures.• Assessed against main Scottish economic and skills strategies.• Suggested high level thematic outcomes and measures of success.• Next steps

4. Decision points for the Implementation Board

- Recommendation: That the Implementation Board supports the recommendation to recruit a Head of Analytical Unit and that the Scottish Government begins an open, external recruitment process as quickly as possible.
- Recommendation: That the Implementation Board supports the recommendation for interim staffing arrangements of a small, dedicated core team in SG overseen by Gary Gillespie and supported by informal support from the agencies on a project basis and as agreed by the Analytical Steering Group. This arrangement to be revisited on appointment of a permanent Head of Unit.
- Recommendation: That the Implementation Board notes options for the Performance Framework and supports the continued development of the draft as detailed below.

Delivery of Analytical Unit

5. The Role of the Analytical Unit

The Analytical Unit will support the Strategic Board and ensure that its decisions are well informed and take account of appropriate evidence, including research, data and evaluation. The Analytical Unit will also be responsible for generating evidence, either itself or in collaboration with others.

This will be achieved through better coordination and collaboration on intelligence between Government and the Enterprise and Skills Agencies, helping to identify the most effective interventions to support inclusive economic growth and productivity improvements – including strengthening the evidence base on return on investment. In addition, the unit will make improved use and sharing of administrative data and intelligence across the enterprise and skills system a particular focus of its work.

The analytical unit will help to develop an effective set of performance measures and a set of shared outcomes in line with an agreed strategic plan and which will focus the Strategic Board on the areas which will have the biggest impact on long term sustainable inclusive economic growth. This is discussed in more detail on page 7.

The analytical unit will aim to provide evidence to the wider enterprise and skills system, including helping to focus the actions of other public bodies and private institutions on delivering inclusive growth.

6. Priority Tasks

Immediate Priority Tasks

The Implementation Board has identified the following priorities to be completed prior to the first meeting of the Strategic Board:

- Plans for establishing the unit - including recruiting the Unit Head and interim staffing for the Unit.
- Developing the draft Performance Framework and other support for the Strategic Plan.

Other activities specified in the Phase 2 report

The Phase 2 report is clear that the Unit Head is responsible for shaping the direction of the Analytical Unit, including its final size and structure – based on further consideration of the unit's operations, the Strategic Board's requirements and in consultation with agency partners.

Nevertheless, the Phase 2 report has already outlined a number of actions which could be progressed in 2017/18 and, as appropriate, approved by the Strategic Board and agreed with partners.

- Finalise the performance framework.

- Develop a workplan for the Unit. There should be wide consultation on the content of the plan alongside an assessment of existing research, evaluation and other analytical activity in order to identify evidence gaps.
- Establish a Steering Group comprising the Unit Head and the appropriate senior analytical leads of the agencies to help co-ordinate analysis across the enterprise and skills system.
- Develop a shared analytical plan for SG and agencies. This should take account of the shared outcomes and priorities set by the Strategic Board.
- Engage with local and regional structures to help develop a coherent evidence base for the system as a whole.
- Identify 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.

7. Appointing the Head of the Analytical Unit

The Scottish Government 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 Board.

A role profile for the Unit Head will be created for review by the Implementation Board. An initial draft is attached in Annex C for discussion.

We will follow SG procedures for evaluating the appropriate seniority of that position but anticipate that this will be a permanent SG position at Senior Civil Service Deputy Director level. The evaluation decision will be taken on the basis of the role profile and is expected in early August.

There are 3 options for recruitment:

(1) **Internal expressions of interest** need only be advertised for 2 weeks. The process is light touch, run by the line manager assisted by another Director. The initial sift can be done quickly and the interview process is less formal. In theory a successful candidate can be identified in around 4 weeks and notice periods for internal candidates should not normally exceed 6 weeks. Approx. 2.5 months to appoint a candidate. This process is only open to existing SG employees.

(2) **Internal or Other Government Department (OGD) promotions** still allow minimum 2 weeks for applications as a minimum. The Panel should also include an HR representative and an external/OGD representative. There must also be a psychometric assessment between sift and interview so that the timeframe extends to around 6 weeks to complete the interviews and then negotiate release. If the successful candidate is OGD there could be a 3 month notice period. Approx. 4 to 5 months total to appoint a candidate. This process is only open to employees covered by the Civil Service Commission – broadly UK civil service and some agencies but importantly current employees of SE, HIE, SDS and SFC would be ineligible for this process.

(3) For an **external advert** the advertising, sift and interview process would be expected to take up to 3 months altogether. The same panel requirements and need for psychometric testing would apply. Successful external candidates may also have a 3 month notice. Approx. 6 months total to make an appointment. This process would be open to all external candidates including existing government staff and staff from the agencies.

The Working Group recommends that greater weight be given to an open recruitment process than to making a quick appointment from a more limited talent pool. While this has some implications for the time taken to appoint a permanent Head of Unit the following sections discuss how the initial tasks of the unit can be progressed by interim staffing arrangements and close SG/agency collaboration.

Recommendation: That the Implementation Board supports the recommendation to recruit a Head of Analytical Unit and that the Scottish Government begins an open, external recruitment process as quickly as possible.

8. Interim arrangements to take forward priority tasks

If agreed, interim arrangements will be put in place until the Unit Head is in post to progress the priority analytical work of the Implementation Board and other tasks set out in Phase 2.

In interim, priority analytical tasks for the remainder of 2017/18 could be delivered by:

- A small dedicated core team with a lead analyst within Scottish Government overseen by Gary Gillespie and drawing on wider analytical support from the Office of the Chief Economic Advisor if required.
- This team to be augmented by existing agency resource on a project basis and as agreed by a steering group comprising the analytical leads in each of the agencies. In practice, this group already exists in the form of the working group for this workstream.

This interim arrangement could be effective in the early life of the unit as much of the initial work will already require close collaboration with the agencies in order to:

- Identify shared outcomes, activities and finalise the performance framework.
- Assess existing research, evaluation and analytical activity to identify evidence gaps and priorities for the Analytical Unit's workplan.
- Develop a shared analytical plan for SG and agencies taking account of the shared outcomes and priorities set by the Strategic Board.

There are other advantages in that this will be relatively quick to set up, allows flexibility to deliver initial workplan, builds on existing good practice in joint working, collaboration & knowledge sharing and makes best use of the expertise that agency analytical staff have of organisations roles and remits.

These interim arrangements for delivery of the Unit's initial activity should be kept under review by Gary Gillespie, as well as the agencies themselves, and in any case should be fully reviewed by the Head of Unit as they finalise a workplan for the unit and determine the necessary resource to deliver to the Strategic Board's requirements.

Recommendation: That the Implementation Board supports the recommendation for interim staffing arrangements of a small, dedicated core team of analysts in SG overseen by Gary Gillespie and supported informally by the agencies on a project basis and as agreed by the Analytical Steering Group. This arrangement to be kept under review and revisited on appointment of a permanent Head of Unit.

Performance measurement framework

The remainder of this paper sets out the potential approaches to developing the Performance Framework in line with the Strategic Plan.

1. Background

Overarching goal

The Review Phase 2 report sets out an overall ambition for Scotland's economy to rank amongst the top quartile of OECD countries for productivity, equality, sustainability and wellbeing. It also set out five drivers of productivity and four factors of inclusive and sustainable economic growth. These are listed in Annex A.

Phase 2 established the aims of the Strategic Board as follows:

- i Improve the overall performance of the economy by ensuring that the whole enterprise and skills system delivers Scotland's Economic Strategy and supporting strategies, in all parts of Scotland.
- ii Through collective responsibility ensure hard alignment between Agencies to drive improvement in Scottish productivity and better support business and users of the skills system.
- iii Hold Agencies to account for performance against agreed measures, both collectively and individually.
- iv To actively engage with other agencies and bodies who support the economy with a view to increasing alignment and challenging others where collaboration is not happening.
- v To deliver wider collective leadership, based on common culture and values, and which inspires and empowers delivery.

2. Measurement Framework

Aim of the Measurement Framework

The Strategic Board will need to ensure that its work is clearly linked to the overarching aim to rank in the top quartile of the OECD for productivity, equality, sustainability and wellbeing. It is currently only possible to rank Scotland against the OECD on productivity and equality – there is no internationally agreed measure of wellbeing or sustainability¹.

Development of the Performance Framework will need to be clearly linked to the development of the Strategic Plan. The Performance Framework could set out, in broad terms, the relevant criteria against which interventions are evaluated for return on investment. This would promote a focus on the areas which will have the biggest impact on long term sustainable

¹ The Scottish Government has ambitious targets for emissions reductions and publishes annual Greenhouse Gas Emissions Statistics, alongside an annual target report setting out whether each annual target has been met.

inclusive economic growth and link to the objective of the Analytical Unit to identify effective interventions to support inclusive economic growth and productivity improvements.

There are several approaches which the framework could take to monitoring performance. These include:

1. Scotland-level performance (for measures linked to the outcomes)
2. Agency contribution to the outcome measures
3. Progress in achieving Strategic Plan actions
4. All of the above

It is not intended that the chosen measures within the Performance Framework should be used as drivers of actual activity. As with most such systems, the measures can only ever act as proxies for the actual outcomes and therefore the activities should instead be focused on achieving the outcomes, rather than improving the measures.

Existing Measurement Frameworks

In developing the Performance Framework, it will be important to consider the interaction with existing measurement frameworks and frameworks in development. This includes the National Performance Framework², which is currently being updated, Scotland CAN DO indicators³, and the Inclusive Growth Measurement Framework⁴, currently being developed by the Office of the Chief Economic Adviser at the Scottish Government (Annex B).

Existing agency strategic and operational plans and measurement systems will also be considered.

Tracking the measures

It is expected that the Analytical Unit will take lead responsibility in maintaining and updating the measures.

Describing progress

It is also expected that the Analytical Unit will co-ordinate production of the interpretation of progress against the measures for the Strategic Board. As already noted, most of the measures will only be proxies for the desired outcomes and therefore it will be key that the measures are accompanied by an interpretation that:

² <http://www.gov.scot/About/Performance/scotPerforms>

³ <http://www.cando.scot/indicators/>

⁴ The Inclusive Growth Measurement Framework will contain indicators to measure the 5 inclusive growth outcomes: Economic Performance, Labour Market Access, Fair Work, People, and Place. This covers growth from a people and business perspective, as well as the regional dimension and impacts on specific groups.

- Describes the background to any material changes in the measures.
- Comments on the relevance of movements in the measures to achievement of the related outcomes.
- Comments on the extent to which progress with related operational activity is consistent with movement in the measures.

Scoping options

Should the Implementation Board not have a preferred way forward based on the four options set out above, it is proposed that the working group continues to further develop the options for the Performance Framework, ensuring alignment with the Strategic Plan and existing measurement frameworks, to consider potential shared outcomes and performance measures.

Following this, a recommendation will be made on the proposed way forward.

Recommendation

The Implementation Board is invited to note the potential options for design of the measurement framework and agree that the performance measurement framework continues to be developed in the way described in this paper.

Annex A: Drivers of Productivity and Factors of Inclusive and Sustainable Economic Growth (as set out in Phase 2 report)

- **Investment:** including digital infrastructure, new plant, machinery and equipment, foreign direct investment.
- **Skills:** including investment in our young people through our education and skills system, and the up-skilling and reskilling the existing workforce.
- **Innovation:** including investment in R&D by the private and higher education sectors, knowledge exchange between industry and universities and colleges, the development of 'clusters', and fostering innovative behaviours among businesses across different sectors and within businesses, in the form of workplace innovation.
- **Internationalisation:** including the degree of exposure to international competition and larger international markets through exports and trade.
- **Enterprise:** including entrepreneurship, start-ups, businesses' ambition for growth, and the dynamism of the business base. This should also include competition.
- **Fair work:** including fair wage levels, job security, ownership and management and leadership capabilities.
- **Health and wellbeing:** the health and wellbeing of our workforce underpins our ability to improve labour productivity.
- **Natural resources and sustainability:** the quality and diversity of natural resources available in Scotland and economic effect of transitioning to a more resource efficient, lower carbon economy.
- **Regional-specific factors** such as composition and size of sector mix, business base and supply chains, infrastructure, skills and workforce all contribute driving productivity differences. A more balanced regional economy will enable us to increase our national economic potential.

Annex B: Inclusive Growth Measurement Framework (in development)

Draft Inclusive Growth Outcome	Illustrative sub Outcome – under development	Illustrative Scotland Performs Indicators – under development	Monitoring Data Gaps
		Key: Black – Scotland Performs Blue – non-Scotland performs	
<u>Economic Performance:</u> Economic Growth is resilient, sustainable, and inclusive.	<u>Resilience:</u> <i>Short term economic performance</i>	<u>This could include indicators such as:</u> GDP growth [Scot Gov. GDP] Registered Businesses [ABS] Exports [Export Statistics Scotland] Growth by industry/ sector [Scot Gov. GDP] Number of small businesses [ABS] Business start-ups [ABS] Share of output accounted for by firms of differing size [ABS]	Numbers of social enterprises [Not in the Businesses in Scotland survey] •
	<u>Sustainability:</u> <i>Long term economic performance</i>	<u>This could include indicators such as:</u> Population [Census, NRS] Productivity [Scot Gov. Productivity] Innovation – Growth in R&D Spend/ R&D Spend per head [HERD/ BERD] Survival rate for newly born businesses [Business Demography report ONS] Environmental indicators i.e. natural capital etc	
	<u>Inclusion:</u> <i>High level economic indicators relating higher quality jobs</i>	<u>This could include indicators such as:</u> Earnings growth [ASHE] Participation [LFS/ APS] Employment/Unemployment/Inactivity [LFS/ APS] Median household Income [HBAI] Share of wages in overall output •	Gap between periods of employment Demand for employment (discussed and perhaps not possible to measure) •
<u>Labour Market Access:</u> Improved access to labour markets and jobs, inequality of opportunity to access work is addressed, and everyone is able to maximise their potential.	<u>Participation:</u> <i>How different groups are accessing the labour market</i>	<u>This could include indicators such as:</u> Proportion of young people in learning, training or work [LFS/ APS] Proportion of graduates in positive destinations [HESA] Employment, unemployment and inactivity by some of the protected characteristics –age; disability; gender reassignment; race; religion or belief; sex (equalities website) [APS, SCQS, Census] Length of time in unemployment [LFS/ APS] Long term unemployment, rates and levels [LFS/ APS] Occupational segregation [APS] Concentrations of employees in ‘low paying’ sectors [APS]	Probability of becoming unemployed Service availability and uptake (e.g. childcare) Transport links - % of journeys to work by mode [Transport and travel in Scotland]

		Gender segregation (occupational and skills) [APS]	
	Barriers: <i>Why various groups are not accessing the labour market</i>	Reason for labour market inactivity by reason [LFS/ APS] •	•
	Skills: <i>Skill levels and matching skills to jobs.</i>	<u>This could include indicators such as:</u> Skill profile of the population (NPF indicator) [APS] Job related training [APS] Skills shortage, skills gaps [UK Employers Skill Survey] Skills mismatch from SDS at sector and regional level through a boost of sample for the Employer Skills Survey [SDS] Qualification and Job Skill level [APS]	•
<u>Fair Work</u> Fulfilling, secure and well-paid jobs, where employees' contributions are encouraged, respected and valued.	Job security	<u>This could include indicators such as:</u> Underemployment (NPF indicator) [APS] Zero-hour contracts [APS] Part-time and Full-time [LFS/ APS]	•
	Pay: <i>Well-paid jobs and fair pay</i>	<u>This could include indicators such as:</u> Proportion of employees earning less than the Living Wage (NPF indicator) [ASHE] Gender Pay Gap [NPF indicator] - gender earnings by occupation and earnings decile and gender segregation (occupational and skills) by age group [ASHE, APS] In-work poverty [ASHE] Palma Ratio [HBAI] Median Weekly earnings	•
	Wellbeing at work	<u>This could include indicators such as:</u> Stress - Stress, Work/ Life Balance, Time Pressure [SHeS] Control over work - Control, Role, Change at work [SHeS] Workplace relationships - Managerial Support, Colleague Support, Relationships [SHeS]	•

People Economic benefits and opportunities are spread more widely across Scotland's population, with lower poverty levels, and more equal income and wealth distribution	<i>Inequality:</i> <i>Concerning poverty and wealth.</i>	<u>This could include indicators such as:</u> Proportion of individuals living in poverty [HBAI] Solidarity Target (income inequality) [HBAI] Relative poverty [HBAI] In-work poverty [HBAI] Wealth distribution [HBAI] Child Poverty [HBAI] (including relative poverty , absolute poverty , persistent poverty [Understanding Society] and low income and material deprivation)	<ul style="list-style-type: none"> • Workless households • Volunteering rates
	<i>Broader Social Outcomes:</i> <i>Concerning health and education.</i>	<u>This could include indicators such as:</u> Population health [SHeS] Improve Children's Health [Care inspectorate] Improve levels of educational attainment (PISA)	Social mobility Service availability and uptake (e.g. childcare)
Place More economic opportunities across Scotland's cities, towns and regions and rural areas, ensuring sustainable communities	Economic balance Covering key aspects of the other 4 outcomes to compare inclusive growth across local authorities.	<u>This could include indicators such as:</u> Reduce inequalities in participation across Scotland (APS) Reduce inequalities in median weekly earnings across Scotland (ASHE) Infrastructure (inc. transport and digital) (SHS , Ofcom)	<ul style="list-style-type: none"> •
	Sustainable communities Including physical (including environmental), economic and social sustainability, drawing on outcome 11.	<u>This could include indicators such as:</u> Quality housing (Scottish House Quality Survey) Derelict land sites (Scottish Vacant and Derelict Land Survey) Community belonging (SHS) Fuel poverty	<ul style="list-style-type: none"> •

Annex C: Draft Unit Head Role Profile

A more complete role profile and job description will be completed, but this initial draft is to generate discussion on the likely skills and characteristics that will be sought.

THE ROLE

The Enterprise and Skills Review Phase 2 committed to establish an Analytical Unit to support the new Strategic Board. The Analytical Unit will ensure the Strategic Board's decisions are well informed and take account of appropriate evidence. The Unit will work across organisational boundaries, will be informed by and will inform academic and the private sector.

The Unit Head will have a key leadership role within the Enterprise and Skills system in supporting the Strategic Board in the delivery of the Scottish Government's objectives. The person will require excellent analytical skills, but also strong leadership, influencing, and the ability to work across boundaries in a fast-paced and dynamic environment.

MAIN DUTIES

The Analytical Unit will aim to provide evidence to the wider enterprise and skills system, including helping to focus the actions of other public bodies and private institutions on delivering inclusive growth. The Unit will provide an effective public challenge to ensure that resources are used as efficiently and effectively as possible.

As head of the Unit, you will inform decisions of the Strategic Board, working collaboratively across the enterprise and skills system to draw together evidence and intelligence to support the Strategic Board.

PERSON SPECIFICATION

Key criteria:

It is essential that you can provide evidence of:

- Forming effective relationships with a range of stakeholders across central and local government, agencies and the wider public sector to generate confidence, success and collaborative working
- Developing analytical strategy and managing a programme of analytical activity
- Strong analytical skills and professional credibility
- Strong understanding of economics, evaluation and skills issues
- Personal resilience, with the determination and stamina to sustain effectiveness while upholding the values of the Scottish Government and the Civil Service
- Excellent communication and presentation skills with the ability to perform appropriately in different settings and with different audiences.

- Leadership – providing direction, delivering results, building capability, motivating and inspiring staff at a time of change and challenge
- Financial management – driving quality, efficiency and value for money in the management of budgets
- Evaluation experience
- Management information experience
- Performance management experience

Scottish Government Skills for Success

Skills for Success is the Competency Framework that underpins career planning and development in the Scottish Government. It identifies a set of core skills that everyone should have and be able to demonstrate, whatever they do.

Managing and Leading

- People Management
- Leading Change
- Strategic Thinking

Delivering Outcomes

- Communications and Engagement
- Improving Performance