

19 May 2010

FINANCIAL SCRUTINY UNIT: EVALUATION AND OPTIONS FOR WAY FORWARD

Executive summary

1. The Financial Scrutiny Unit (FSU) was set up as a pilot in October 2009. An evaluation has shown that the unit has successfully responded to an increase in demand for financial scrutiny from committees and individual Members, delivering well beyond what would have been possible under previous arrangements. Having reached the end of its pilot it is now recommended that the FSU is established on a permanent basis.

Issues and Options

Establishment of the FSU

2. The SPCB agreed to establish a Financial Scrutiny Unit (FSU) as a pilot project to run from October 2010 until 31 March 2011, with the aim of enhancing the effectiveness of financial scrutiny. This recommendation followed publication of a review of the budget process by the Finance Committee which had in turn recommended that the Parliament put additional resources into financial scrutiny.

Objectives of the FSU

3. The FSU's overarching purpose is "to provide independent analysis and support to committees of the Scottish Parliament and to individual Members on budgetary trends and issues, including independent costing of specific spending proposals, and providing research on all areas of the economy and public finances as they affect the Scottish Government and Parliament". It delivers this through working towards four core objectives:
 - i. to support and encourage improved information and reporting;
 - ii. to support and encourage more effective budget scrutiny;
 - iii. to provide financial costings and analysis; and
 - iv. to provide economic information and analysis.

Evaluation of the FSU

4. An evaluation of the pilot period has now been completed – the full report is attached. Among the key findings are:
 - **Outputs have increased** compared to the same period in the previous year. Specifically there has been an increase in the number of

- Individual enquiries (provided for all parties, total number up 38%)
 - committee briefings (number doubled)
 - research briefings (increase of 50%)
 - and the development of new web pages
- **Key areas of additionality** (work which could not have been done without the resources in the FSU) include
 - sourcing level 4 budget data for most of the Scottish budget,
 - developing a web portal to access Scottish budget information,
 - more support for committees in budget scrutiny and costing,
 - new briefings analysing key areas of spend, such as the Economic Recovery Programme and the Forth Replacement Crossing
 - and an improved enquiry service to cost alternative spending proposals and deal with increased demands.
5. 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.

Future development

6. The FSU would continue to deliver a core service to the Finance and Economy committees, and continue to answer individual finance enquiries. It could also further develop services with current resources by:
- obtaining more detailed budget information across all portfolios in time for budget scrutiny by all committees;
 - analysing non-salary expenditure above £25,000 (to be published on a quarterly basis);
 - providing a higher level of support for committees, working with committee budget advisers;
 - anticipating demand for briefings on key areas of topical interest;
 - increasing the capacity to carry out costing of alternative spending proposals and
 - providing support to individual Members in economic and financial analysis.

Options

7. Options for the way forward for the FSU are set out in the table below.

Option	Implications
<p>1. Revert to the previous arrangements and services prior to the pilot</p> <p>Revert to the previous economy and finance research team, with 2.5 FTE researchers and a</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>

Option	Implications
principal researcher managing the team part time.	
<p>2. Continue with the current (scaleable) model on a permanent basis</p> <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 in the future by employing one secondee instead of two (potentially saving £50,000)</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> <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>3. Continue with the pilot for up to 12 or 24 months</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, continuing the pilot would divert some staff resource from the delivery of services to on-going monitoring and evaluation. In addition, continued uncertainty about the future of the FSU would affect 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>

Resource Implications

8. The FSU has been staffed on a pilot basis by a combination of existing finance/economics researchers, two staff brought in from other parts of

SPICe and two secondees. An Audit Scotland secondee was provided at no cost to the Parliament until 1 April 2010.

Table 1: FSU staffing resources during pilot period

Staff resource	Grade	FTEs	Date of transfer
Head of Unit seconded in from SPICe <i>(post backfilled)</i>	6	1	Oct 09
Existing researchers with specialisms in economy & finance transferred in <i>(continued delivery of existing workload)</i>	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 <i>(post backfilled)</i>	3	1	Dec 09
Total FTE resource – 6.25			

9. The FSU also set up a framework contract with a panel of external experts from which it could commission a limited number of small pieces of work in response to fluctuations in demand.
10. The FSU is also exploring an internship programme using high-calibre postgraduate students. The running costs of the FSU in 2010-11 are expected to be approximately £350,000. These costs can be met in 2010-11 from within the SPCB's existing approved budget by transferring existing staff, and reallocating other financial resources from within the Research, Information and Reporting Group. This includes a proportion of the commissioned research budget.

Dependencies

11. Delivery of effective financial scrutiny requires close working with SPICe research subject specialists, with committee clerks and budget advisers, and is dependent the Scottish Government and other public bodies in Scotland providing access to the required financial information.

Governance issues

12. The FSU can contribute to equalities by improving the Parliament's understanding of the allocation of spend and its potential impact on different groups. An equalities impact assessment has been carried out, and there are no anticipated implications for health & safety, or environmental issues.

Publication Scheme

13. This paper can be published in line with the SPCB's Publication Scheme.

Next steps

14. It is recommended that the FSU become a permanent, but scaleable, unit within the Research, Information and Reporting Group, as set out in option 2 above

Decision

15. The SPCB is asked to confirm that the FSU be established on a permanent basis

Research, Information and Reporting Group

May 2010