

Economic Data Inquiry

Reform Scotland

Introduction

In June 2017, Reform Scotland published the '[State of Scotland's Economy](#)'. The purpose of that report was to try and give an overview of Scotland's economic performance, looking not just at how we compare with the UK as a whole, but also regions and countries within the UK.

What emerged was far from clear. In some areas we struggled, in other areas we performed well. A different picture emerged depending on whether Scotland was compared with the UK as a whole, which includes London, or with other UK regions.

In other words, whichever political stance you wanted to take, you could find a set of statistics to back you up.

Not only does this highlight the need for more reliable data, but it poses a real problem for policy makers trying to judge the best way forward.

Focus on statistics not the economy

"Without such basic tools, there is a danger that measuring Scottish growth becomes an argument over statistics and economic assumptions, rather than what can be done to improve our performance."

[Powers for Growth](#)
Reform Scotland
March 2008

When Reform Scotland started work on its first report nearly a decade ago, aiming to set out a picture of the Scottish economy, we encountered a major obstacle – a lack of robust economic data, especially with regard to growth and GDP.

Although the Scottish Government now publishes 'National Accounts for Scotland', as well as some other statistics that weren't published then, nearly ten years later, our concern about arguing over data remains.

Recently, this argument has centred on the use of Government Expenditure and Revenue Scotland (GERS) data. Reform Scotland has used GERS data in many of its publications over the years. We believe it is an important contribution to the debate and, as a National Statistics publication, that the statistics have been independently judged to be methodologically sound and produced free of political interference.

Graeme Roy, Director of the Fraser of Allander Institute and former civil servant in the GERS team, wrote an excellent explanation of how GERS is put

together and the important role it plays.¹ He explained why estimates are used and how even the UK relies on estimates to work out its GDP.

However, he also accepted the limitations of GERS, especially with regard to Scotland's balance sheet.

Professor Richard Murphy of the University of London has also highlighted the limitations of GERS, commenting *"When Scotland has taxing powers it is shocking that data on so much of the tax paid in that country is unavailable. Again, this is not just bad for Scotland it is also a bad precedent when devolved tax powers are being discussed for many other parts of the UK. Managing tax without data is impossible. It's ludicrous that this situation has been allowed to develop and it must be addressed if proper decision making is to take place not just in Scotland but in other regions as well."*²

The two positions are not incompatible. GERS is a good starting point and does provide a lot of useful information on the Scottish economy. But that doesn't mean we cannot do better. Scotland still needs more accurate data.

Areas for improvement

Regional statistics

It would be helpful if both the UK and Scottish Governments would provide more statistics broken down by country/region/local authority to allow for more meaningful comparisons.

Scotland may struggle to compete with London, but we should be performing better than many other areas.

Data which suggests Scotland is lagging behind the UK in a particular area gives only a basic indication of a problem. However, saying it is lagging behind most other UK regions (for example with regard to the number of small businesses per capita where only the North East is below Scotland) paints a more detailed picture.

In contrast, Scotland could lag behind the UK, but outperform most other regions (for example with regard to the percentage of tax payers who are higher or additional rate payers, where only London, the South East and East have a higher percentage).

A focus on more regional statistics would help to give a greater level of clarity to the statistics.

However, the same applies within Scotland. There is no such thing as the "Scottish economy", but different regional economies, with the same degree of variation within Scotland as there is within the UK. The more detailed the

¹ <https://fraserofallander.org/2017/03/28/estimating-scotlands-fiscal-position/#more-1745>

² <http://www.taxresearch.org.uk/Blog/2017/04/12/debating-scottish-economic-data-on-bbc-scotland-at-12-30-today/>

level of information, the easier it is to identify where problems are more prevalent or see where different priorities lie.

Compatibility with Local Government finance statistics

Leading on from the need for regional broad economic data, there is a need for local government finance to better fit in with Scottish economic data.

The latest edition of Scottish Local Government Finance Statistics was published in February 2017 and covers 2015/16.³ Customer and Client Receipts in 2015/16 was £2.4 billion. According to the report, this funding stream (which covers the income local authorities receive from sales, rents, fees and charges as a result of providing a range of services) raised more money than the £2.1bn raised in council tax, and not much less than the £2.8bn raised in business rates. In other words, this is a substantial income stream. To put it in a wider context, it raises more than Air Passenger Duty, Landfill Tax and Land and Buildings Transaction Tax combined, yet does not feature in the Scottish revenue tables in GERS. Council tax is collected and spent by local authorities and does feature, so there is no reason not to include it. However, it also undermines the broad total figures used in that document, because £2 bn more is raised than reported, but that money is also spent.

As a result, Reform Scotland believes work needs to be done to make GERS and Scottish Local Government Finance Statistics more compatible.

We believe that these are two initial steps which could help bring greater clarity to economic data in Scotland.

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³ <http://www.gov.scot/Resource/0051/00514568.pdf>