

# Statistics Commission

## Annual Report

**2002–2003**



# Statistics Commission Annual Report 2002–2003

Presented to Parliament by the Economic Secretary  
to the Treasury by Command of Her Majesty  
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# Chairman's foreword

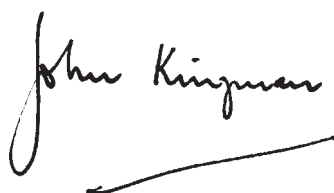
This is the third annual report of the Statistics Commission and covers the period from April 2002 to March 2003. It is also the last to which I shall write a foreword, because my term of office as chairman comes to an end on 30 April, when I hand over to Professor David Rhind. He has been a member of the Commission from the beginning, and is well placed to carry on the work of the last three years.

The year under review has been an eventful one. We have had to work hard to elicit a clear statement of the truth about Network Rail, we have started to unravel some of the mysteries of pension fund asset statistics, and we have encouraged a fundamental debate about the 2001 Census and its successors. But by far the most important event was the long awaited publication in October 2002 of the *National Statistics Code of Practice*. We now have a clear document, signed up to by the whole of UK government and the devolved administrations, and giving a benchmark of good statistical practice. It was worth waiting for, but we must now work with the National Statistician to ensure that it makes a real and permanent change to the culture of official statistics across the whole of government.

Permanence is probably achieved only by legislation. The Commission was instructed not to consider the issue of new legislation until it had been in existence for two years, so that this year saw the beginning of consultation and research on the need for, and the best form of, such legislation. We have made significant progress, which after a further round of consideration and consultation will result in well-founded advice to ministers and Parliament.

Inevitably much of the public output of the Commission has to do with problems or shortcomings of official statistics. We are not a supporters' club of the Government Statistical Service, and we must speak out honestly when things go wrong. But this should not detract from the fact that, across the broad sweep of National Statistics, the UK is well served by the highly professional statisticians who make up the Office for National Statistics and the statistical branches of government departments. The nation relies as much on their impartiality and political independence as on their technical competence, and it is the function of the Commission to build justified public confidence in their work.

As I hand over the chairmanship, I should like to thank my fellow commissioners, and the staff of the Commission, especially our chief executive Gill Eastabrook. She has very ably overseen the setting up of the Commission's office and the support of its work over its crucial initial period. Her period of secondment from the Department of Health comes to an end shortly, and we wish her well for the future.

A handwritten signature in black ink that reads "John Kingman". The signature is written in a cursive style with a long, sweeping underline that extends to the right.



## The Commission

Back row (left to right): Sir Kenneth Calman, Derek Wanless, Patricia Hodgson, Martin Weale, Gill Eastabrook (chief executive)

Front row (left to right): Colette Bowe, David Rhind, Sir John Kingman (chairman), Janet Trewsdale

# 1 Main achievements of the year

The following are the main areas in which the Commission sought to improve matters. Some of the credit for beneficial change certainly also lies with other parties but we believe that we materially influenced the situation in all of these cases:

- the National Statistician eventually published a final, and much improved, version of the *Code of Practice*, plus its first two supporting protocols, in October 2002. We had repeatedly pressed for it to appear and had made constructive comments on the draft. We also pressed successfully for a full set of protocols and for departmental compliance statements
- on the issue of accounting for Network Rail we succeeded, after protracted discussions, in getting a clear statement from government in December 2002. We now have some basis for ensuring that future cases at the boundary of the public and private sectors are handled properly and more promptly in future
- we highlighted problems with the publication of management information on waiting lists and, as a result, the Department of Health has introduced better arrangements for (professionally-controlled) statistical supplements to management reports
- we persuaded the Treasury to improve the way information about Household Tax Credits is shown in the *Pre-Budget Report*
- we sought to ensure that a proper trade-off was found between the risk of disclosure of confidential Census information and any consequent reduction in the value of that data. We took this up with the National Statistician, encouraging him to give proper weight to user needs. We also helped users to understand why some changes were needed
- measuring targets for higher education (HE) initial entry rates gave rise to concerns that definitions of what is HE were being manipulated. We persuaded the Department for Education and Skills to handle this within a National Statistics quality review
- we have engaged strongly with the user community in order to be able to understand and ensure National Statistics respond to their needs
- we have made progress with reviewing the need for statistics legislation.

# 1 Main achievements of the year

Other significant areas of work begun in the year are still in train:

- some local authorities were concerned that their Census populations were lower than expected. We are studying the Westminster situation (where changes between previous estimates of population and Census figures are greatest) to see what could be learned and what action – if any – needs to be taken. The conclusions from this work will also feed into our thinking about the future of the Census
- we raised questions about the reasons for errors which have occurred in the production of National Statistics, notably this year in regard to pension statistics, and have received satisfactory responses in some cases. We continue to pursue those cases where this is not yet true
- we highlighted the problems that can arise in the use of statistical targets as measures of government performance. Some aspects of this will be part of our work programme in the coming year.



## 2 Our work in context

National Statistics are used to shape policy and monitor its successful implementation; they are used to up-rate pensions and many forms of state benefit, to assist the functioning of markets and to provide intelligence for commercial enterprises. They are used in education, within local communities and by the individual citizen as well as by non-governmental bodies, including charities. The needs for such statistics have changed as society has changed. To understand the Commission's work, it is also important to understand this changing context and the practical difficulties of collecting information relevant to the needs of those who use National Statistics. This section summarises the changing context; makes clear a fundamental principle on which the Commission operates; sets out the factors which influence public trust in National Statistics; and describes how we set our priorities.

### What are National Statistics?

National Statistics are those statistics collected by government or its agencies which are most important to us as a nation and which can be given a particular assurance of quality. The aim is that they should represent a sufficiently accurate, comprehensive, up-to-date and meaningful picture of the economy and society to support the formulation, monitoring and delivery of economic and social policies by government at all levels. *The Framework for National Statistics* document makes it clear that National Statistics also aim:

- 'to inform the Parliaments and Assemblies and the citizen about the state of the nation and provide a window on the work and performance of government...
- to provide business with a statistical service which promotes the efficient functioning of commerce and industry
- to provide researchers, analysts and other customers with a statistical service that assists their work and studies
- to promote these aims within the UK, the European Union and internationally and to provide a statistical service to meet European Union and international requirements.'

The initial scope of National Statistics was determined by ministers at the time of their launch in 2000. All of the statistics produced by the Office for National Statistics (ONS) are designated as being National Statistics. This is not the case however for other government departments, such as the Department of Health (DH) and the Home Office (HO). There have been a number of changes to scope of National

## 2 Our work in context

Statistics since 2000 but there is no consolidated list as at April 2003 nor is there a clear process for making and communicating such changes of designation by ministers. The Commission will be seeking to improve on this unsatisfactory situation. The National Statistician has the power to withdraw the designation on any such statistics produced by government if he believes their quality is inadequate to meet the criteria. He has already – and properly – exercised this power.

### Statistics, statisticians and the world in which they operate

Fifty years ago, British society was very different from that of today. The ‘nuclear family’ dominated the structure of society – the father (typically the ‘bread winner’), mother and children normally lived as one unit, sometimes also with grandparents. Very few people then had more than one home: ‘place of residence’ and a ‘place of work’ were simple and unambiguous for almost all the population. Half a century ago, much employment was still provided by manufacturing or related activities – easily measured activity. Women played a much smaller role in that workforce. The dominance of financial services and of other service employment generally came much later. All of these changes have influenced what has had to be collected.

The birth rate was much higher in the 1950s than today but life expectancy has since leapt upwards. Antibiotics, immunisation programmes and improved housing standards have reduced the death rate from infectious diseases. Today, other diseases such as cancer have replaced these as major concerns. Perceptions of what constitutes poverty have changed. Purchases were generally made from local or national firms. Overseas holidays were still in their infancy, as was television. The population was much less diverse ethnically. Asylum seekers were much less common in Britain than at the start of the twenty first century. Respect for government – demonstrated by voting habits and deference to authority – was much greater than today, with consequences for the success of collection of information from citizens.

Finally, the relationship between the public and private sectors has changed considerably since the 1950s. The increased use of Public Private Partnerships (with some commercial confidentiality in financial matters), of contracting out activities to the private sector, the introduction of executive agencies within government (some of which trade commercially) and the introduction of resource accounting have complicated certain measures of performance and accountability. As a consequence of all these changes, the activities that the state and citizens wish to understand are now much more diverse and difficult to summarise in statistical form.

Some things we no longer need. For example, no longer do we need statistics on the proportion of houses with outdoor toilets – that was rendered redundant by imposition of national standards in house building. Now we need (but cannot yet adequately measure) income variations to inform policies on social inclusiveness.

In the last 30 years we became committed to producing increasing numbers of statistics for a diverse and highly educated national populace. We must produce some of them for the European Commission using classifications that ensure meaningful cross-country comparisons can be made. And all of this takes place in a world where some potential respondents (such as young men living alone or the homeless) have proved ever more elusive and where businesses have forcefully sought to diminish the burden of form-filling.

One fundamental change has actually helped matters: the improvement of the technology. In addition, many National Statistics are now routinely generated from management information. What was once impossible to contemplate by way of data assembly or analysis is now entirely feasible. On the other hand, this relative ease has fired ever greater public concerns about privacy and data protection with which statisticians have to grapple, especially when seeking efficient ways of creating statistics from administrative data. Greater use of administrative data also brings challenges in ensuring fair release practices.

Some things have not changed. Then, as now, there was a crucial need for good statistics to help steer government policy, to inform both government and businesses about the economy, and to inform society about itself. Such information was and is needed not only as a 'snapshot' but as a time series to identify trends. Then, as now, the range of statistics required was very wide; then, as now, there were more demands for information than resources to provide it.

**Reflecting the very different societies of the 1950s and the 2000s, the actual statistics needed have changed, the customers for them have expanded and the difficulty of collecting them has increased – although the technology for collecting, marshalling and disseminating them has improved enormously.**

## A fundamental principle

The point of all this is to emphasize that the challenge of creating good quality, relevant, timely National Statistics to meet a plethora of needs is a very difficult one. The National Statistician and his colleagues in the Government Statistical Service face daunting challenges as they seek to improve the current situation, recover from many years of under-investment in the statistical infrastructure and operate in a world of much greater transparency and public scrutiny.

The members of the Statistics Commission understand that full well. We will publicly support the National Statistician and his colleagues wherever it is clear they have done a good job. An important part of our role, however, is also to look at areas where the work of the Government Statistical Service may need improving and we will strive by every possible means to bring about all desirable improvements, reporting our conclusions equally publicly.

In exactly the same way, we will be publicly critical of the actions of government departments wherever we believe these transgress the *Code of Practice* or accepted standards of behaviour where this impacts upon National Statistics. And we will support them where appropriate.

## Public trust in National Statistics

It is universally accepted that public trust in official statistics, in particular in National Statistics, is an essential under-pinning of our democratic society. One important role for the Statistics Commission is to ensure that public trust can confidently be given to National Statistics and to foster it when that is the case. We see the following being the main influences on whether the public actually can have trust in such statistics:

- the statistics are of demonstrably high quality, fit for their purposes and their reliability is clearly specified
- the statistics are compiled and processed by means which are published and the methodologies used have been the subject of appropriate consultation (though the National Statistician must exercise his professional judgement in the last analysis and defend that where necessary)
- core statistics are readily available, are free of charge, are well documented and are in a form which is easy to use
- the scope of National Statistics is seen to be reasonable, with no major data series hidden from the quality scrutiny that comes with this description
- National Statistics are compiled independently from ministers, with no political interference
- there are clear terms of reference for the National Statistician and lines of accountability between him and those producing National Statistics, even where they are not part of a government department, such as the Higher Education Statistics Agency
- the statistics are reported clearly and fairly by key influencers such as the media
- citizens are adequately educated to understand important characteristics of the statistics.

To achieve this aspect of our role, the Commission must be involved in ensuring all of the above conditions are met and this influences the setting of our priorities.

## How we set our priorities

Some of our tasks, such as commenting on the National Statistics Work Programme, are laid down in the *Framework for National Statistics* document. We select which other issues to consider based on the following:

- issues which we determine to be of fundamental current importance
- matters which we anticipate may well become of fundamental importance in the future eg in regard to public trust in National Statistics

- what we are asked to do by government or Parliament
- approaches made to us by members of the public or by organisations.

What we chose to examine inevitably does not reflect the full range of work going on across the Government Statistical Service. Our work should focus primarily where improvements are, or appear to be, needed or where trust in National Statistics is most at risk. But it is important to recognise the nature of this selection – we have not aimed to look at a comprehensive or representative sample of National Statistics.

These drivers have led us to set our current priorities in three major areas:

- firstly, we are looking at big issues that are fundamental to people's lives, for example pensions
- secondly we are following up matters of immediate public concern which people raise – such as assessing the meaningfulness of NHS waiting list figures
- finally, we are working with the National Statistician and his team to ensure that good practice is embedded across the Government Statistical Service. This has been done through our engagement with the development of the *National Statistics Code of Practice* and its accompanying protocols. It is continuing through ensuring that these are being followed in all government departments.

In addition, we are building a research programme which will help us tackle long term issues (see section 6).

# 3 The Commission's work in 2002–03: meeting our obligations in the *Framework for National Statistics*

Much of our work in 2002-03 related to National Statistics as an entity, rather than the many individual statistical series within it. Our aim was to help improve the formal, the organisational and the cultural environment in which such statistics are produced.

Among the overarching duties laid on us by the *Framework for National Statistics*, three were particularly important this year. In summary these were:

- to comment on the application of the *National Statistics Code of Practice*
- to review the need for statistical legislation after two years
- to consider the high level programme for National Statistics, drawing on the views of users and suppliers.

## *National Statistics Code of Practice*

Getting to a position where a final version of the Code is in place and is public has taken far too long. We acknowledge that the National Statistician and his team have worked hard to get us to where we are now but we expected that the whole machinery of government would show a stronger commitment to making rapid progress on the production of a Code than it has done.

In the first half of the year we followed up our earlier comments on the draft Code. We exerted public pressure for the final version of the Code to be published and for the remaining protocols to be released for consultation. Success was finally achieved when the Code was published in October 2002, along with two of its supporting protocols. We were pleased to see that our comments on matters both of presentation and substance were largely accepted. One excellent out-turn was that, as a result of Commission pressure, the Scottish Executive decided to reduce their pre-release access timescale to match those in the rest of the UK. The only real

**The framing and implementation of the *Code of Practice* is central to ensuring that National Statistics are worthy of public trust. It provides the Commission with a benchmark against which we can measure whether appropriate processes are in place for producing and publishing National Statistics.**

disappointment, apart from the extended delay in appearance of the Code, related to the role of the Chancellor in the RPI which we are now following up separately (see section 4 under ‘Price indices and deflators’).

Since publication of the Code we have been pressing for, and commenting on, other supporting protocols and raising issues with ONS about implementation and enforcement of the Code.

Four more draft protocols were published between November and February and we publicly commented on all of them. These covered:

- Professional Competence
- Quality Management
- Revisions and
- User Consultation.

As each protocol was released, a progressively clearer picture of the overall ‘control environment’ emerged. Central to all this was the draft protocol on User Consultation. We decided that this in particular would benefit from a wider public debate. We shared our initial views on this with users at various meetings. Their comments were helpful in informing our own final response on how the protocol could be strengthened, particularly in coordination of the consultations, sharing of best practice and evaluation. Such meetings not only potentially improve the comments which we can make: they help us to raise the profile of the protocols and enable user groups and others – many of them with modest resources and reliant on voluntary effort – to engage and respond.

We are continuing this approach with the rest of the protocols, published at the end of March 2003, arranging and participating in public meetings if appropriate. We anticipate that two areas will need particularly careful consideration to ensure that the correct balance is achieved between different interests:

- Data Access and Confidentiality and
- Managing Respondent Load.

In the meantime we have developed our thinking in related areas which bear upon the *Code of Practice*. We noted the Performance and Innovation Unit’s report *Privacy and data-sharing: The way forward for public services* which took a comprehensive view of the issues of privacy and data-sharing as they relate to administrative data. We looked at specific issues of disclosure control in the Census. We also held preliminary discussions with others interested in controlling costs on data suppliers, such as the Cabinet Office’s Business Regulation Team, and the CBI. We will continue to keep a close watch on this particular area in the year ahead.

# 3

## The Commission's work in 2002–03: meeting our obligations in the *Framework for National Statistics*

Now that the Code is in place, it is clearly vital that we work with the National Statistician to ensure that it is fully and irrevocably implemented across government. Key issues being addressed include:

- departmental statements of compliance with the Code: we have agreed to wait until the National Statistician has completed his audit of these statements before we scrutinise them systematically but we have raised points with the Home Office (HO) and with the Department of Health (DH) where these have been relevant to specific issues we are considering
- arrangements for appointment and accountability of Heads of Profession (HoPs) for statistics in departments. HoPs, and chief statisticians in devolved administrations, have a crucial role in the implementation and enforcement of the Code. It is vital therefore that there should be a clear mechanism for resolving any conflicts which arise between their departmental objectives and their professional responsibilities
- handling perceptions of breaches to the Code. We have been alert to, and acted upon, such alleged breaches – notably statements based on local management information which give the impression that National Statistics are being selectively leaked before publication.

We expect that the National Statistician will put arrangements for systematic monitoring of adherence to the Code in place and we will support him to achieve ongoing compliance with it. We have already raised specific examples where there appeared to have been early breaches of the Code. Examples of this are discussed under 'Waiting lists' and 'Crime statistics' in section 4.

This aspect of our work is central to our role of helping to ensure that National Statistics deserve to have the public's trust. It will expand as the other protocols are agreed and then implemented. We expect that this will generate a significant workload for the Commission until such time as the Code and all the protocols are part of the normal under-pinning of government. Such work is scarcely ground-breaking and may even appear as a bureaucratic process. In reality, however, it is of fundamental importance to establishing a culture of good practice across government.

### The need for statistics legislation

The last few years have seen significant advances in the provision of official statistics with the setting up of the National Statistics 'brand' of quality and now the *Code of Practice*. As we were required to do by the *Framework for National Statistics*, we initiated a review of the case for statistics legislation. Such legislation could enshrine the advances with permanent effect; there may also be a need to revise and consolidate the range of historic legislation which determines or impacts upon the collection of statistical information.



We commissioned fact-finding research to identify international and other comparators and to describe the current scope of relevant legislation. We are grateful to the Royal Statistical Society for organising a meeting for us with a number of international experts in such matters. We also consulted widely to seek views on the most important issues for our review to consider. The responses broadly confirmed that we had identified the most important issues, but drew attention to the need to consider the particular issues for devolved administrations. They also reinforced our view of the importance of confidentiality and issues concerning the disclosure of information about individuals – though it seems that there is no clear consensus within the statistical community on the type of change needed here. Some respondents found current legislation too restrictive, others did not.

Following discussion of the responses, in February 2003 we set up a sub-committee chaired by commissioner Patricia Hodgson to take the review forward. Further work required includes a study of the ways in which current legislation affects the ability of the GSS to operate efficiently and effectively. We envisage the completion of this task to be a medium term one; full consultation and engagement with stakeholders will be a crucial element of this work.

## The relevance of National Statistics

We are also charged with helping to ensure that National Statistics are responsive to public needs (*Framework for National Statistics*, 4.2.1). To do this, we must build relationships with users as well as with producers of National Statistics, with providers of raw data and with the wider community of those who need and use statistics. This communication is a two way process:

- to understand their perspectives, and
- to communicate our findings and conclusions to them.

We use and develop these links in a way which seeks to take account of, and does not undermine, the National Statistician's own consultation processes. We regard this element of our work as being so fundamental that we devote Section 5 to it.

The information and understanding we get from these links informs all our work but it is particularly important in informing our comments on the *National Statistics Work Programme* each year. In 2002–03 a meeting with user group chairs and others strongly influenced our comments on the second *National Statistics Work Programme* (these are summarised in Annex C) and on the National Statistician's proposals for changing arrangements for carrying out these programmes. We will be discussing further with him how the working of the National Statistics planning system can be improved so as to ensure priorities are set responsively, transparently and in a timely fashion.

# 4 The Commission's work in 2002–03: issues chosen for investigation

Our programme of research, review and intelligence gathering assembles evidence on specific issues to support our policy views. Depending on the scale and nature of the work, we may commission outside consultancy. During the coming year we will be taking a more strategic approach to our long term research programme, selecting topics and themes from across National Statistics. This aspect of our work will be overseen by a sub-committee led by commissioner Martin Weale.

A crucial part of our work has been to investigate where public confidence had been shaken and identify where practice could be improved so as to reduce the probability of recurrence. We therefore sought explanations from the National Statistician and from government where we judged either or both of these two situations had arisen. Some of the problem areas were brought to our attention directly by individuals and organisations or through the media. Notably this year these have included aspects of the Population Census, the treatment of Network Rail in the National Accounts, NHS waiting lists, pensions, Household Tax Credits and higher education initial entry rates. We explain below how we dealt with them.

## The Population Census

The Census results are a major input to the allocation by central government to local government of over £40 billion annually. They will also be used for nearly a decade in long term planning of services at every level from the devolved governments to local communities. They therefore have implications for everyone in the UK. Initial results of the 2001 Census were published in September 2002 and were probably the National Statistics which aroused the most general interest during the year.

Our work on the Census falls into two main areas: issues arising from the 2001 Census and the future of the Census-type activities. Two specific issues were raised with us by users of the data: the accuracy of figures for certain local authorities and the methodology used for ensuring confidentiality of personal data.

### Reliability of the Census figures

A number of local authorities saw substantial reductions in population as measured by the Census when compared to the previous mid-year population estimates. This could reduce – severely in some cases – the amount of grant received from central

government. Westminster City Council, which saw the largest percentage drop in population (see table below), approached the Commission to investigate the matter. Using the Census results for that council as an example, we are considering evidence provided by the various parties concerned on whether the Census was properly conducted and what lessons are to be learned for the future. We expect to report on our findings, probably in stages, between the summer and autumn 2003.

**2001 Census population compared with 2000 mid-year estimates: 8 English Local Authorities with largest absolute percentage difference**

<i>Local Authority</i>	<i>Mid-2000 Population estimates</i>	<i>Population on Census day 2001</i>	<i>% Difference</i>
Westminster	244,600	181,300	-25.9%
Forest Heath	70,800	55,500	-21.6%
Kensington and Chelsea	190,300	158,900	-16.5%
Cambridge	124,400	108,900	-12.5%
Richmond upon Thames	195,100	172,300	-11.7%
Manchester	439,500	392,800	-10.6%
Oxford	149,100	134,200	-9.9%
City of London	6,400	7,200	+12.8%

Source: Office for National Statistics. Numbers are rounded to the nearest 100.

## Confidentiality

With increasingly sophisticated technology in use to handle and disseminate National Statistics, it is possible to analyse the collected data in more detail than before. But this also gives rise to the theoretical possibility of being able to identify individuals who completed the Census forms eg by comparing different Census tables.

Confidentiality of personal data – and public belief that it is confidential – is vital to protect the privacy of individuals in their dealings with the state – and, more prosaically, if we want people to take part in any future Census. Too much adjustment or suppression of detailed data to protect against possible disclosure, however, risks compromising its value. Users were therefore concerned when the National Statistician decided at a late stage in the Census processing that he needed to strengthen the arrangements for disclosure control. We recognised the difficult technical decisions involved but urged him to prioritise user needs in deciding how best to tackle the problems. He refined his approach in the light of our and users’ comments.

## 4 The Commission's work in 2002–03: issues chosen for investigation

In the course of these discussions, we noted that the Registrar General for Scotland took a different approach to disclosure. We are concerned about the implications of different methodological practice across the UK and will return to this inconsistency and the legal framework operating in different parts of the UK.

### The future of the Census

We also explored a number of strategic issues in regard to the future of the Census of Population. The main issues are summarised in question form below:

- do we need a Census at all, given other ways of allocating resources?
- do we need a traditional Census to collect information required?
- does a traditional Census ask the right question(s)?
- can administrative data be used in place of or to supplement the Census?
- what form should any future Census take?

To further our thinking, we commissioned an overarching review study and shared the results with the Census Offices. This foresight exercise is continuing: we are organising a policy-oriented one-day conference in the autumn on the likely needs for statistical information of this sort by 2011.

### Network Rail

When Network Rail was being set up as a successor to Railtrack plc, it was necessary to decide how this new organisation – which had some features of both the public and the private sector – should be classified in the National Accounts.

ONS decided that Network Rail should be treated as a private sector company, and the Strategic Rail Authority's (SRA) guarantees treated as contingent liabilities and so not shown as government debt in the National Accounts. This was based on the European System of Accounts (ESA95) rules, which the UK is obliged to follow to provide a consistent basis for international comparisons. The judgement was challenged by a number of commentators, especially once the Comptroller and Auditor General (C&AG) – using commercial accounting standards as applied to government – concluded that Network Rail should be accounted for as a subsidiary of the SRA.

The Commission considered the issues and concluded that the ONS had done an honest and rigorous job in working within the ESA95 rules. But we called for a single, clear public explanation of the reasons for the different approaches.

The joint statement produced by the National Audit Office and the Office for National Statistics did not meet the whole of our request. We therefore pressed for an overall and public reconciliation of the impact of the two different treatments, including a

transparent statement of when and why one rather than the other should be used. Following a request to the Cabinet Secretary, we obtained a clarification from HM Treasury and the Department for Transport. This consolidated note confirmed that, although Network Rail is classified as private sector in the National Accounts in line with international conventions, there is a significant potential liability which could fall on the taxpayer.

As our chairman commented in December ‘... there is little of real substance in the HM Treasury and Department for Transport note that could not have been said in July.’ This delay fuelled perceptions that the public was not being given a clear, straight story.

We were pleased that the Treasury Committee endorsed our concerns when it said: ‘We agree with the Statistics Commission that in these circumstances, where two different processes based on the same facts appear to have produced contradictory results, namely whether Network Rail is in the private or the public sector, the onus is on the parties concerned to align their different positions and explain the rationale for them to the public.’ *National Statistics: The Classification of Network Rail*, HC 154, January 2003.

Looking to the future, we are sure that other cases will arise which lie close to the traditional boundary between public and private sector – for example foundation hospitals. We will continue to press for clear public statements explaining any liabilities to be made available at an early stage. A full picture of liabilities should be available as part of government reporting and we expect this to occur within Whole of Government Accounts. These are currently scheduled for the financial year 2005-06.

**‘I am keen that we do not undermine the Government’s intentions as set out in the Framework for National Statistics and fully support attempts to flesh out procedures that should apply in relation to prior access to statistical information for management purposes.’**

***Nigel Crisp, chief executive, National Health Service, 19 June 2002, in a letter to the chairman***

## Waiting lists

In April 2002, the NHS chief executive published his report to the NHS, including unaudited waiting list figures based on management information. These showed that only two people were kept waiting more than 15 months for treatment in the NHS in England. When final National Statistics for numbers waiting at end-March were published in May 2002, the true figure was closer to 200 – but this figure was not given the same high profile on the Department of Health website. The chairman wrote expressing concern that, by putting management information selectively in the public domain in a way which would clearly attract more publicity than the authoritative figures published subsequently, the chief executive of the NHS had put at risk public trust in official statistics and undermined the Government’s intentions as set out in *Framework for National Statistics*.

We received – and welcomed – a positive response (see left). The next report to the NHS was supported by a professionally produced statistical supplement. This supplement was not ‘badged’ as National Statistics but it is nevertheless a welcome development. We would expect that it will be possible to bring it fully within National Statistics in due course.

## 4 The Commission's work in 2002–03: issues chosen for investigation

**The Commission regards waiting list statistics as an important example of a wider issue: when government sets itself targets, it needs to ensure that they are meaningful, that they do not distort incentives and that they can be properly measured. This is vital for proper public accountability.**

The importance of waiting list statistics was reinforced by a different issue considered later in the year. David Laws MP raised with us his constituents' concerns that statistics on patients waiting for admission to hospital for treatment did not capture the full waiting experience of people who may also have to wait for outpatient consultations and diagnostics tests. This links to points we made in last year's annual report on monitoring the NHS Cancer Plan. We have raised questions with the Department of Health about their plans for addressing the collection of data on the full waiting period and will be following this up.

### Government targets and their statistical basis

We have observed a number of areas in which National Statistics are not currently adequate to monitor the achievement of government targets. This is either because the relevant National Statistics simply do not exist or because they were designed for a different purpose. There is, to our knowledge, little readily available information about the extent to which this applies more generally. In the absence of good baseline information, the inevitable arguments about whether such targets have actually been met are liable to undermine public confidence in government.

As a result of our shared concerns, the National Statistician has set up a cross-Government Statistical Service group looking at these and related issues. Progress here has been slower than we would like. We have also raised our concerns more widely, including offering evidence to the Public Administration Select Committee. We are undertaking a pilot project to assess the extent to which National Statistics can be used to monitor Public Service Agreement targets, concentrating on those targets set for the Department for Education and Skills. Parallel to this, we are sponsoring the Statistics Users Conference in November 2003 which will focus on the statistical aspects of measuring the performance of government.

### Pension statistics

Developments in personal, occupational and state pensions – in part reflecting demographic changes in the UK population – have been dramatic and worrying for most citizens of Britain in the last few years. Companies, pension funds, government and the citizen all need to have accurate, reliable information on which to base their decisions on pension matters.

It was therefore particularly worrying when a number of problems arose over the year relating to ONS statistics about pension funds. We, and others, have raised and will continue to pursue questions about these matters. The National Statistician commissioned and is now implementing the results of the *Review of ONS Pension Contribution Statistics*. We will monitor this implementation. We will also continue to engage with him and other stakeholders to ensure that the public has the information it needs in this crucial area of public concern and that it is presented clearly and unambiguously.

## Household Tax Credits

The Commission intervened with the Treasury to seek a clearer explanation for the benefit of taxpayers in relation to Working Families' Tax Credits and the Disabled Person's Tax Credits. These are classified as public expenditure by the ONS in the National Accounts, whereas the Treasury classified them as negative taxation (to the extent to which they are less than, or equal to, the tax liabilities of the household) for their tax ratio measure as presented in the *Budget Report*. The Permanent Secretary to the Treasury agreed with the points made by the Commission and an extended explanation of the differences was included in the *2002 Pre-Budget Report*.

These particular tax credits were abolished in April 2003 so the problem is now a historical one. But the Commission will continue to monitor any significant classification differences to ensure that the reasons for them are explained, that their significance is understood and that harmonisation is improved wherever possible.

## Higher education initial entry rates

After the Government announced a target of 50 per cent of young people who should receive higher education by 2010, questions were raised in the press about how higher education would be defined, ie exactly which courses should be included. Following pressure from the Commission, the Department for Education and Skills decided to treat this as a National Statistics matter and a targeted National Statistics Quality Review is being undertaken. We look forward to seeing the report of this review shortly.

## Price indices and deflators

We undertook a scoping study on the price indices and deflators produced by the Office for National Statistics. The study recognised the methodological and technical complexities in this area. It also reinforced our earlier conclusions on the need for regional deflators. We concluded however that, in view of the work ONS had in hand already, there was no need for us to conduct a substantive study.

Our work reinforced our long-standing concern about the role of the Chancellor of the Exchequer in the Retail Prices Index. Under the *Framework for National Statistics*, the National Statistician takes the lead in advising on methodological questions concerning the RPI. But the scope and definition of the index continue to be matters for the Chancellor of the Exchequer. This is an anomaly; no other minister has such a role in defining a National Statistic. We pressed, and will continue to press, for a clear explanation of the reasons for this special role and of how it works in practice. We noted with interest the Chancellor's comments in his budget statement on the possible future use of the Harmonised Index of Consumer Prices – a statistic used by others in the European Union and all G7 nations except Japan.

## 4 The Commission's work in 2002–03: issues chosen for investigation

### Regional accounts

Last year we reported on the short study which we undertook to identify key issues which should be covered in the National Statistics quality review of regional accounts, scheduled for its 2001–02 programme. We are still waiting for the quality review to be published. This is deeply disappointing. In the meantime, other problems have arisen and the National Statistician has yet to make a statement on the timing of the release of the 2000–01 regional GDP data or the re-release of the 1989–99 data withdrawn in December 2002. We recognise, however, that the National Statistician deserves our support for the open way he has admitted the current weaknesses and committed ONS to improving those statistics.

Our identification of this as an important area has been reinforced by the Chancellor, who has commissioned Christopher Allsopp to review Statistical Requirements for Monetary and Wider Economic Policymaking. We look forward to discussing issues of mutual concern with Mr Allsopp. All the points raised in the Commission's 2001 report are relevant to the Allsopp study but the fifth (on regional GDP deflators) – which ONS did not at the time feel able to address because of resource constraints – is particularly so.

### Crime statistics

While there is much press comment on the reliability of crime statistics – and intrinsic measurement problems in this area – we have as yet seen no evidence to give major cause for concern.

We have, however, raised issues about the way National Statistics on crime are published. Our concern was primarily about the publication of management information: the Home Secretary felt forced by ill-based press comments to publish a set of interim figures on street crime. The Home Secretary responded to our chairman's concerns, acknowledging the difficult issues involved.

Crime figures provide one good example of a general problem – where local management data are available before professionally aggregated and checked National Statistics. In these circumstances, they are often aggregated by the press. Sometimes this is done using inappropriate methods and inadequate quality checks. Often it gives the impression of a leak of National Statistics prior to publication. We recognise that there is no easy solution but will monitor the success of government departments in avoiding such problems (see section 6).

We were more concerned, however, by the way in which the Home Office handled *Statistics on Race and the Criminal Justice System*. This was withdrawn by the National Statistician from National Statistics because of data quality concerns; we understand and applaud such action. We were however concerned about subsequent delays to publication compared with previous years, once these were no longer constrained by National Statistics rules. We understood this was to allow



ministers to link the release of these statistics to the substantive policy response. This delay raises questions about the extent to which National Statistics release practices should still apply to data which are important in policy and service delivery terms, even when such data have to be removed temporarily from being National Statistics because of quality concerns. We have raised this with ONS, along with the related question of how removals from National Statistics should be announced and explained.

## Communicating the reliability of National Statistics

Since we were set up in 2000 we have been concerned that National Statistics should be fit for purpose. It is a truism that few if any statistics are 100 per cent accurate. Since most are in practice multi-purpose, users can only judge the ‘fitness’ of statistics if they have good information on their reliability. During 2002-03 we undertook a study, working with a volunteer government agency and government department (Defence Analytical Services Agency and Department for Education and Skills), to investigate how ONS work in this area might be applied in other departments. We will be discussing the outcome of this study with the National Statistician and further work is planned. However difficult to produce, meaningful and understandable descriptions of the quality and reliability of National Statistics must be available. For example, we believe that ONS should provide summary information on past revisions data such as GDP which are issued in successive vintages to a regular timetable.

## Other topics studied

We engaged with many other, sometimes less fundamental, topics and problems in 2002-03. In some areas we were entirely content with what we found or were satisfied that the National Statistician was already tackling the issue effectively, that proper explanations had now been put in the public arena and no further action was required on our part at the moment. Examples of these include:

- our study of whether the General Household Survey now meets user needs. We concluded that users welcomed recent changes to this survey
- following our investigation of user concerns about aspects of the *Review of the Framework for Labour Market Statistics*, we were satisfied with the National Statistician’s explanations and encouraged him to communicate them to users
- our study of the reliability of figures on GDP as a measure of economic growth. We concluded that there was no major cause for concern but that we could not form a definitive view until the full set of relevant quality reviews have been completed
- our study of the way the Home Office (HO) rates of juvenile re-offending were calculated, excluding juveniles sentenced to custody. We accepted the HO explanation that they had no reason to believe that this exclusion would have

## 4 The Commission's work in 2002–03: issues chosen for investigation

had a significant impact on the headline figures. We welcomed their recognition that the explanation could have been given more public prominence.

We also commissioned a scoping study on forecasting, focusing on National Accounts. The Commission is now studying the report and considering what extra recommendations it wishes to make to the National Statistician.

In addition, we also followed up on points we had raised in earlier years for which a satisfactory resolution had not already been achieved. For example, following on from our 2001 report on seasonal adjustment, the ONS Statistics Policy Committee has agreed that the technical procedure X12-ARIMA will be the standard method for seasonal adjustment at ONS. There is, however, no date for implementation yet.

# 5 Communicating with users and other key players

Central to the success of the Commission is good communication with stakeholders. In practice, this necessitates periodic meetings – some on a regular basis, others arranged to address particular issues – with these stakeholders. This section summarises what we have worked on with the groups with whom we meet most frequently.

As indicated in the previous section, an important part of our role is to consider whether the needs of the various constituents of the statistics community are being met, both as users and producers. For some of these we have specific routes of communication, such as through statistics user groups and the Statistics Users Council, through the Royal Statistical Society for professional statisticians, through research councils to the research community – and of course through the National Statistician to the Government Statistical Service.

## Media coverage

More problematic is how to reach the citizens of this country. Do they have the information needed to make life decisions? Are National Statistics worthy of their trust? The Treasury Sub-committee is in a sense a proxy for the public and we take very seriously their concerns in our discussions with the committee each year (see below). We also respond to approaches from individuals about specific concerns. But it is probably through the media that we can make the biggest impact on the public.

We were already aware of the need to raise the Commission's profile. This was reinforced by a message that came out of the Open Meeting in July 2002, as indicated in the quotation. Our initial approach was deliberately to speak publicly only when we had something substantial and reliable to say, and not to comment immediately on each and every issue as it arose. In practice, our approach has changed as the Commission has garnered a collection of studies and hence has had more to say proactively. This is manifested by the issuing of press notices for reports and comments on substantial issues. This year has seen a rise both in our actual coverage in the press and in the number of background enquires that we have had from reporters. The bulk of inquiries arise from high-profile issues such as Network Rail.

**'The picture painted in the Commission's annual report and in the presentations at this meeting is of a very active body. This is somewhat at odds with the perception at least in quite a lot of the user community that it is rather passive, rightly or wrongly, and toothless at times... Is the Commission concerned that there does seem to be a difference between what it is doing and what it is perceived to be doing in the user community?'**

*Rob Clements, House of Commons Library: question posed at the Commission's Open Meeting on 17 July 2002*

# 5 Communicating with users and other key players

## Website development

Beyond the face-to-face meetings (see below) and our links to citizens via the media, we see websites as a vital means of communication. We aim to put all significant Commission documents and correspondence up rapidly on our website and we achieved this aim in 2002–03. The Office for National Statistics (ONS) website was radically overhauled in 2002–03. We are in the process of redesigning our own site to make searching easier, to encourage others to link to our site and to enhance access through the major search engines so that those who are not familiar with our work are more likely to find us and the material they require.

## Interaction with stakeholders

The Commission has grown its relationships with a number of key stakeholders in the statistical world in the year just gone. But we recognise that we have got a lot to do to build even better, more informative and more substantial relationships in the year coming up. We will be reviewing how best to do this and implementing our conclusions in the coming year. In particular, we are keen for people at large to realise that we exist – in part to reflect and pursue their legitimate concerns about the availability and quality of statistics.

We have identified four groups of stakeholders: Parliament and ministers, both UK and in devolved administrations, to whom we are charged to report; the user community; those who create statistics and are responsible for quality control, ie the National Statistician and his colleagues in government; and those called on to supply raw data eg business and citizens.

### Parliament and ministers

#### UK Parliament

We were again invited to attend the Treasury Sub-committee to answer questions on last year's annual report. The committee is an important stakeholder in National Statistics; it devoted sessions to questioning the National Statistician and the Statistics Commission during the year. The chairman was able to raise the Commission's concerns on a range of issues, in particular the treatment of Network Rail in the National Accounts (see also under 'Network Rail' in section 4 above) and pension fund statistics. These were subsequently followed up by the committee with the National Statistician and in the Treasury Committee report *National Statistics: The Classification of Network Rail* HC 154, January 2003.

#### Government ministers

An important part of our role is to advise ministers on National Statistics. We do so directly and via their senior officials, in writing and in face-to-face meetings.



### Devolved administrations

During 2002–03 we completed our initial programme of visits to devolved administrations, meeting statisticians and their colleagues in the Scottish Executive and the National Assembly for Wales. We were also pleased on these visits to meet the Scottish Minister for Statistics and to observe discussion of a statistical Assembly Question while we were in Cardiff. During the visits we also discussed issues including the application of the Code in devolved administrations and the way in which statisticians are addressing the growing needs of devolved administrations, both for data and for analysis. We believe that issues arising from the statistical needs of the devolved administrations will be of growing importance in the years ahead.



### The user community

#### Statistics User Groups and the Statistics Users Council

During the year we continued the regular meetings with chairs of statistics user groups and others, covering topics such as the National Statistics Work Programme, the protocol on user consultation, our review of the need for statistics legislation and the 2001 Census results. The discussions at meetings with chairs of statistics user groups have proved helpful to us in forming our views and are welcomed by the user community.



We will be carrying on these meetings in future in between Statistics Users Council (SUC) meetings. The Commission's secretary is now an observer on the SUC and on the organising committee for the next SUC conference in November 2003 on measuring government performance. The Commission is providing financial support for the event, an example of where we can give targeted assistance to support the user community on a topic which fits in well with our own work on government targets.

#### Royal Statistical Society

We have worked with the Royal Statistical Society (RSS) in a number of ways during the year. In June the RSS organised a meeting of international experts to inform the Commission's review of the need for statistics legislation. In January this year we met with RSS representatives to address the scope of National Statistics and the implementation of the *Code of Practice* and found much common ground; both organisations have a role in the promotion of the public use of statistics. The RSS also organises regular meetings in which both commissioners and staff have participated.



**Commissioners and staff meeting with user representatives**

### Producers and custodians of National Statistics

#### The National Statistician

The chairman of the Statistics Commission meets the National Statistician on a regular basis to discuss matters of mutual concern. In addition, the National

## 5 Communicating with users and other key players

Statistician meets the Commission as a whole from time to time. The secretariats of the Commission and ONS are in very frequent contact.

Other government statisticians

It is important that we understand the roles and approaches of statisticians across government. For that reason, we periodically visit government departments, holding discussions with government statisticians at various levels. For example, we visited the Department of Health and saw staff involved in a wide range of statistical work, from dentists' pay to social services for older people.

### Suppliers of raw data

As mentioned in section 3 above under the *'The National Statistics Code of Practice'*, we have had discussions with those interested in controlling costs on data suppliers, such as the Cabinet Office's Business Regulation Team and the CBI, and will be addressing the needs of providers in our response to the protocol on Managing Respondent Load. We are concerned about the burden of surveys on respondents and will be doing a test case based on comments from the business community. We requested – and obtained – more information from ONS on compliance costs in their latest work programme.

# 6 Forward look 2003–04

The Statistics Commission has a number of key priorities for the year ahead which we have touched on throughout this report. Briefly summarised, they are as follows:

- taking forward our review of how the Census of Population was conducted and the ramifications of this for the reliability of certain results now in dispute, the appropriateness of the question(s) asked and the relationships between Census and other data
- engaging with the National Statistician and others to ensure that pensions data better meet public needs
- carrying out a review of the use of league tables by government, especially the statistical basis. This will also include the ‘downstream’ consequences of their use. We will link this to our continuing consideration of statistics for monitoring government targets
- completing our work on the various protocols associated with the Code of Practice; and continuing to work in support of the National Statistician to ensure that it is rigorously enforced
- continuing our review of the need for statistics legislation, commissioning further research and consulting with key players
- considering how best to justify a particular set of information as being a National Statistic and reviewing which existing statistics are so denoted. We expect that others might appropriately be brought into this category but some existing ones may also exit from the category
- reviewing the implications for release practice of the fact that some National Statistics are derived from management information. The latter is routinely available long before the former. Beyond that, we will study the possible extension in use of administrative data as a basis for statistics and the constraints on its more widespread use, such as data protection legislation
- reviewing how best to extend our understanding of the needs of users – current and latent – for National Statistics

## 6 Forward look 2003–04

- continuing our work to promote the description of reliability attached to all National Statistics. We do not accept the view that any such descriptions are liable to undermine public trust in statistics or are necessarily meaningless to the non-expert. On the contrary, we believe the public understands very well that collection of good quality statistical information is a complex matter and the results usually are less than perfect for valid reasons. We will be discussing with ONS how ‘quality’ is to be defined and communicated
- seeking ways to enhance – over the longer term – the better understanding and appreciation of National Statistics by citizens, perhaps through encouraging education programmes and media engagement.

Given that our Research and Review Sub-committee is devising its new programme as this report is being written, this list of topics will grow.



# Annex A: The Statistics Commission

## Who we are

We were set up in June 2000 under the *Framework for National Statistics* to 'help ensure National Statistics are trustworthy and responsive to public needs'. The *Framework* designated as National Statistics all statistical outputs of the Office for National Statistics (ONS) and many of the key public interest statistics produced by other government departments and devolved administrations. The UK is attempting to resolve some long-standing concerns about public trust in statistics and the Commission was given the responsibility of advising on the quality, quality assurance and priority setting for National Statistics.

## Our objectives

The emphasis of much of our work is on whether the National Statistician has the right systems in place and whether these are delivering the required outcomes: for quality assurance; for consultation with users and with suppliers of raw data; and for proper planning and setting priorities. We do not, and should not, undertake these functions for him. Another important role for us is to promote such cultural and constitutional change as is required if the positive changes in statistical practice of the last few years are to be built upon, rather than reversed or allowed to decay.

To achieve these aims, we provide independent, high-level strategic advice to ministers and to others and make this advice public for the whole community. Our advice must be based on evidence but at the same time must recognise and respond to important contemporary issues in UK society. Success in achieving our aims would mean that National Statistics have, and are perceived to have, integrity, relevance and quality. A second test of success is that public debate focuses on what the figures say about the substantive issues and not on how the figures are produced.

**Integrity:** includes fair dealing (for example in release practice) and continuity of key series, not just the absence of ‘fiddling’. Public confidence in the integrity of National Statistics requires that the processes by which decisions are made should be transparent to all.

**Relevance:** to **all** users, not just those in government. National Statistics cannot meet all conceivable needs for data but they should provide an accurate, up-to-date, comprehensive and meaningful picture of the economy and society. This will support the formulation and monitoring of economic and social policies by government as well as inform the citizen.

**Quality:** accuracy is important but measurement is inherently imperfect. What matters is that users should understand how reliable the statistics are so they can judge whether they are fit for their intended purpose. Good conduct of our society requires that all have access to the information they need to make decisions, so it is important to foster widespread and informed use of National Statistics. The statistics themselves must be intelligible in the way they are presented.

# Annex **B**: The Commissioners

Commissioners come from a wide range of backgrounds, but share a good understanding of statistical issues and of the value of trustworthy statistics in democratic debate.

## The Chairman

**Sir John Kingman** was appointed in May 2000 to serve for three years as the first Chairman of the Commission. He was then Vice-Chancellor of the University of Bristol, but moved to Cambridge in 2001 to become Director of the Isaac Newton Institute for Mathematical Sciences. He is a Chartered Statistician and a former Chairman of the Institute of Statisticians and President of the Royal Statistical Society. He has been Chairman of the Science and Engineering Research Council and has served as a non-executive director of SmithKline Beecham plc, IBM (UK) Holdings Ltd and the British Technology Group.

## The Commissioners

**Colette Bowe** is Deputy Chairman of Thames Water Utilities, Chairman of the Telecoms Ombudsman Service, and is a member of the board of the Yorkshire Building Society. She is also a member of the Council of Queen Mary, University of London and of the Board of Management of the National Institute for Economic and Social Research. She was previously the Chairman of Fleming Asset Management's European mutual fund business. She has a PhD in economics.

**Sir Kenneth Calman** is Vice-Chancellor and Warden of the University of Durham. Before that he was Chief Medical Officer for the Department of Health and chaired the Executive Committee of the World Health Organisation. He is a surgeon by training and has a particular interest in the field of cancer treatment and research. He is currently Chairman of the Institute for Learning and Teaching.

# Annex B: The Commissioners

**Patricia Hodgson** is the Chief Executive of the Independent Television Commission and was previously Director of Policy and Planning at the BBC. She served for six years as a Member of the Monopolies and Mergers Commission (now the Competition Commission) and has been an Associate Fellow of Newnham College, Cambridge.

**David Rhind** is Vice-Chancellor and Principal of City University, London. A Fellow of the Royal Society and an Honorary Fellow of the British Academy, he was until 1998 the Director General of Ordnance Survey, Britain's national mapping organisation and a government department. He has been a member of the Economic and Social Research Council. In past times, he was centrally involved in building major statistical databases, notably of Census data. He was appointed to succeed Sir John Kingman as chairman in May 2003.

**Janet Trewsdale** is Chairman of the Northern Ireland Economic Council and Senior Lecturer in Economics at The Queen's University of Belfast. She is a Chartered Statistician. She is a past Vice-President of the Royal Statistical Society (RSS) and member of the Statistics Advisory Committee (NI). She represented the RSS on the Statistics Users' Council for 19 years.

**Derek Wanless** is a director of Northern Rock plc, Business in the Community and Nesta Enterprises Ltd, Chairman of the Financial Services National Training Organisation and a Trustee of the National Endowment for Science, Technology and the Arts. In 2002 he reported on UK health services to the Chancellor of the Exchequer. He is currently reviewing subsequent progress and also advising the Welsh Assembly Government. He worked for NatWest Bank for 30 years and was its Group Chief Executive for seven years. He has an MA in Mathematics from Cambridge University and qualified as a Member of the Institute of Statisticians (MIS).

**Martin Weale** is the Director of the National Institute of Economic and Social Research and has written widely on economic statistics. He previously lectured in Economics at Cambridge University, where he was a Fellow of Clare College. Before that he worked in the National Statistical Office in Malawi. He is an Honorary Fellow of the Institute of Actuaries and Treasurer of the Alzheimer's Research Trust. The European Commission has recently adopted proposals from a project he led for producing prompt estimates of economic growth in the Euro Area.

## The Chief Executive

**Gill Eastabrook** has spent most of her career in the Government Statistical Service as a user and producer of statistics. Most recently, she was head of workforce statistics in the NHS Executive and before that worked on the Department of Health's public expenditure survey team. She has an MSc in Statistics from the London School of Economics and is a Chartered Statistician.

# Annex C: Playing our part in National Statistics

## National Statistics Work Programme

The *Framework for National Statistics* lays a duty on the Commission to comment on the performance and planning of National Statistics, and in particular the annual report and high-level work programme. We welcomed the production of the second work programme, and the wide range of work right across the Government Statistical Service reflected there, and commented on it in August 2002.

### *Comments on the National Statistics Work Programme 2001–04*

The Commission welcomed the further development of the overarching strategy for National Statistics, recognising both the progress made in some aspects of planning since last year and the substantial body of important work reflected in the programme. We remained concerned, however, about a number of aspects of the process, including the timing and the linking of resources to outputs. The National Statistician was urged to consider how best we and the other stakeholders could be supported to add value to the planning process without adding further to the burdens on staff across the GSS, whose efforts need to be devoted to the delivery of the programme.

The Office for National Statistics (ONS) is now revising the arrangements for consultation on the work programme, which would mean that comments would only be invited every other year, and at a stage several months into the period to which the programme relates. However the Commission welcomed the offer of being able to comment on proposals at an earlier stage in the Spending Review process, before financial allocations to individual departments are decided.

### *National Statistics Annual Report 2001/02*

The Statistics Commission discussed the *National Statistics Annual Report 2001/02* at its January meeting and concluded that much valuable work is being done under the National Statistics banner. During the year we commented on issues as they arose, rather than wait until the publication of the report, and this we will continue to

## Annex C: Playing our part in National Statistics

do. We did, however, write to ONS regarding points of process, most particularly that it would be easier to track progress if the connection between the relevant work programme themes and the various sections of the annual report was more obvious. We also made points about providing better information on changes to the scope of National Statistics which we are following up with ONS, particularly in the light of *Statistics on Race and the Criminal Justice System*.

### Quality reviews

The rolling programme of quality reviews of key National Statistics outputs has continued to develop, with 11 reports being received by the Commission during the year. Whilst we do not usually play a part in the reviews themselves, we find the range of information provided helpful in assessing overall progress in ensuring the quality of National Statistics.

Topics of particular interest to the Commission have been: the methodology for projecting mortality; the framework for labour market statistics; the Labour Force Survey; and government accounts and indicators. Many reviews focus on whether the statistics covered meet users needs rather than concentrating specifically on data quality. The need to prioritise recommendations due to resource constraints has also been an issue.

One of the recommendations arising from the *Review of the Framework for Labour Market Statistics* was to replace workplace-based claimant count rates for sub-regional areas with resident based rates. We followed this up with the National Statistician as a result of concerns raised by the user community. The figures were withdrawn from National Statistics and ceased to appear in ONS publications from January 2003. The re-labelling, from January 2003, of the Labour Force Survey estimates of unemployment as 'unemployment' rather than 'International Labour Organization unemployment' is intended to emphasize that this is the official UK measure of unemployment – this is also as a result of a recommendation in the review.

A recommendation with wider implications from the *Review of the Higher Education Student Statistics* is 'that the National Statistics Quality Assurance Programme Board should consider to what extent the work of a third party can be quality assured by the publisher of a National Statistics product. The review team also suggests that the Office for National Statistics should review other areas of National Statistics output to find out what proportion of the logo-carrying publications are sourced from organisations that currently fall beyond the scope of the National Statistics framework'.

# Annex D: List of Commission reports to date

## Research Reports

*Building Links with Stakeholders: our general approach and report of progress so far.* Statistics Commission Report No. 1, December 2000.

Janet Trewsdale and Gill Eastabrook, *National Statistics to Monitor the NHS Cancer Plan: report of a pre-scoping study.* Statistics Commission Report No. 2, May 2001.

Kenneth F. Wallis, *Report of a Scoping Study on Seasonal Adjustment Methods at the Office for National Statistics.* Statistics Commission Report No. 3, June 2001.

Malcolm Jones, *Statistics Commission's Views on Topics to be Covered in the Office for National Statistics Review of Regional Accounts.* Statistics Commission Report No. 4, September 2001.

*Implementation of the Review of Revisions to the Average Earnings Index Report: Statistics Commission's consideration of the ONS progress report.* Statistics Commission Report No. 5, January 2002.

Steer Davies Gleave, *Access to National Statistics on Transport via the Web.* Statistics Commission Report No. 6, January 2002.

Janet Trewsdale and Gill Eastabrook, *National Statistics to Monitor the NHS Cancer Plan: report of a scoping study.* Statistics Commission Report No. 7, February 2002.

Lovedeep Vaid, *Does the GHS Now Meet User Needs?: report of a scoping study* Statistics Commission Report No. 8, June 2002.

Malcolm Jones, *Price Indices and Deflators Produced at the Office for National Statistics: report of a scoping study.* Statistics Commission Report No. 9, August 2002.

## Annual Reports

*Statistics Commission Annual Report 2000–01.* The Stationery Office, July 2001.

*Statistics Commission Annual Report 2001–02.* The Stationery Office, July 2002.

# Annex D: List of Commission reports to date

## Evidence and Comments

*Submission of Evidence to the Treasury Sub-committee Inquiry into National Statistics: 16 November 2000.* November 2000.

*Response to the Treasury Committee Report on National Statistics.* March 2001.

*Comments on the High-Level Programme for National Statistics.* July 2001.

*Comments on the National Statistics Annual Report 2000–01.* November 2001.

*Submission of Evidence to the Treasury Sub-committee Inquiry into the 2001 Census in England and Wales.* November 2001.

*Draft National Statistics Code of Practice: response of the Statistics Commission.* March 2002.

*National Statistics Code of Practice and Protocol on Release Practices: response of the Statistics Commission to the consultation paper on Arrangements in Scotland.* June 2002.

*Comments on the National Statistics High Level Programme 2002/03 – 2004/05.* August 2002.

*Draft Protocol on Professional Competence: response of the Statistics Commission.* February 2003.

*Draft Protocol on Quality Management: response of the Statistics Commission.* March 2003.

Unpublished reports are available from the Commission on request.



# Annex E: Performance against 2002–03 objectives

Objectives	Achievements
<p>Maintain and develop effective channels of communication with stakeholders.</p>	<p>Three meetings were held with chairs of statistics user groups and others and two meetings with the RSS. Papers were presented at four events. The press coverage of the Commission continues to expand and we released 14 press notices during the year.</p>
<p>Undertake research and intelligence gathering so we can respond to contemporary issues from a firm evidence base.</p>	<p>Six research projects were completed and two reports published. Shorter term intelligence gathering took a greater role this year. It supported some of the Commission's most important achievements in a range of topical areas from Network Rail to NHS waiting lists.</p>
<p>Take forward work on the 2001 Population Census and on longer term Census issues</p>	<p>A research study was commissioned looking at lessons to be learnt from the 2001 Census, and considering options for a future Census. Concerns relating to the results were pursued, including disclosure control and reliability issues. A programme to scrutinise the Census Offices' evaluations of the 2001 Census was instigated. Plans were developed for a conference on Census public policy issues.</p>
<p>Ensure that an appropriate <i>Code of Practice</i> and supporting protocols are put in place as soon as possible, and then monitor how they work.</p>	<p>Commission comments were incorporated into the final version of the <i>Code of Practice</i> with the exception of the role of the Chancellor in the Retail Prices Index, and discussion on that continues. The Commission has responded to three protocols and comments on the other eight are in hand. The secretariat has been monitoring and following up any apparent breaches in the Code and discussing how to improve enforcement with ONS.</p>
<p>Review the need for statistics legislation.</p>	<p>We ran a consultation exercise which confirmed the key issues that would need to be addressed in our review. Under-pinning work to identify the key issues for review and build up our knowledge base was completed by the end of November 2002. A sub-committee was set up in February 2003 to take the review forward.</p>

# Annex F: Resources and risk management

## Funding

Subject to need, grant in aid funding of up to £1.35 million a year is available for our first few years. Spending for 2002-03 was £1.16 million, the main elements of which were accommodation, staffing and related costs and the research programme. It is expected to be higher next year as the work programme, and particularly the research and review programme, develops.

## Current staffing levels

At the end of the year the Commission had a staff of 10, including four on secondment from their permanent employers and five on fixed-term contracts with our sponsor department. One support position has been filled with a temporary member of staff.

We continued to use outside experts for their specific expertise and authority on research projects as appropriate, or where we do not have the in-house capacity to undertake the work.

## Risk management

Risk management is a fundamental element of our internal control structure, and has been built into our management processes. During the year we assessed the risks to which we are exposed, reviewed our risk control strategies accordingly and set them out in a risk register. We set up an Audit Committee, which met four times during the year. It considered a number of issues including risk management, internal control, governance arrangements and the internal audit programme.

# Statistics Commission Financial Statements

For the year ended 31 March 2003

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# Foreword to the Accounts

## Introduction

These accounts have been prepared in a form directed by HM Treasury as set out in the Accounts Direction. The Comptroller and Auditor General has agreed to be appointed as the auditor to the Statistics Commission.

## History

The Statistics Commission was established in June 2000 as part of the new arrangements for National Statistics. It is an advisory non-departmental public body, funded by grant in aid from the Treasury's Request for Resources 1, and is independent of both ministers and the producers of National Statistics. It has its own budget and is able to commission its own activities. Some key support services (see note 1g on page 54) are provided to the Commission by HM Treasury.

The Commission was set up on a non-statutory basis, but its role and responsibilities are set out in the *Framework for National Statistics*, published in June 2000<sup>1</sup>.

## Principal activities

The Statistics Commission has been set up to advise on the quality, quality assurance and priority-setting for National Statistics, and on the procedures designed to deliver statistical integrity, to help ensure National Statistics are trustworthy and responsive to public needs. It is independent of both ministers and the producers of National Statistics. It operates in a transparent way with the minutes of its meetings, correspondence and evidence it receives, and advice it gives, all normally publicly available for scrutiny.

## Results for the period

The results for the period are set out on page 49 of these accounts.

## Post balance sheet events

There are no post balance sheet events to report for the period ended 31 March 2003.

<sup>1</sup> *Framework for National Statistics*, ISBN 1 85774 382 2, published June 2000

### Compliance with public sector payment policy

HM Treasury processes the Statistics Commission's invoices on its behalf. The Treasury's target is to make all payments not in dispute within 30 days or less of acceptance of the relevant goods and services, or the receipt of a legitimate invoice if that is later. For 2002-03 HM Treasury achieved a performance of 82.5% against this target. The shortfall in performance arose during the period of transition to a new financial information system.

### Terms of employment, employee relations and communications

The Commission has no directly employed staff. At the end of the period there were nine secondees from government departments or other public bodies and one temporary staff member. Given these circumstances, consultation and communication between staff and management take place directly and on an informal basis. Seconded staff remain subject to their parent organisations' terms and conditions of employment, and temporary staff to those of their employing organisations.

### The Commissioners

The following were commissioners during the period ended 31 March 2003:

Sir John Kingman (chairman)	Colette Bowe
Sir Kenneth Calman	Patricia Hodgson
David Rhind	Janet Trewsdale
Derek Wanless	Martin Weale

David Rhind was appointed to succeed Sir John Kingman as chairman in May 2003.

A register of commissioners' interests is available for inspection on the Commission's website at [www.statscom.org.uk](http://www.statscom.org.uk).

### Audit Committee

The audit committee is chaired by a commissioner, Derek Wanless. There are two other members, both external: Glenn Hull, ex 2nd Treasury Officer of Accounts; and John Smock, a Home Office accountancy adviser.

## Future developments

Many of the specific activities discussed in the annual report will continue into the year ahead. The promotion of cultural and constitutional change in regard to statistics and their use will continue to be important as will work on specific topics, including the Census, and developing our longer term research and review programme.

The Treasury will conduct a Financial Management and Policy Review of the Statistics Commission at least every 5 years or at such other intervals as it may determine.

A handwritten signature in black ink that reads "Gill Eastabrook". The signature is written in a cursive style with a large initial 'G'.

Gill Eastabrook  
Chief Executive  
18 June 2003

# Statement of the Commission's and the Accounting Officer's responsibilities

Under paragraphs 31-35 of the Cabinet Office's *Guidance on Codes of Practice for Board Members of Public Bodies*, the Commission is responsible for ensuring propriety in its use of public funds and for the proper accounting for their use. On the authority of the Chancellor of the Exchequer, in his capacity as Minister for National Statistics, the Treasury has directed the Statistics Commission to prepare a statement of accounts for each financial year in the form and on the basis set out in the accounts direction. The accounts are prepared on an accruals basis and must give a true and fair view of the Statistics Commission's affairs at the year-end and of its income and expenditure, total recognised gains and losses and cash flows for the financial year.

In preparing these accounts the Statistics Commission is required to:

- observe the accounts direction issued by the Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- make judgements and estimates on a reasonable basis
- state whether applicable accounting standards have been followed, and disclose and explain any material departures in the accounts
- prepare the accounts on a going concern basis, unless it is inappropriate to presume that the Statistics Commission will continue in operation.

The Accounting Officer of HM Treasury has designated the Chief Executive of the Statistics Commission as its Accounting Officer. Her relevant responsibilities as Accounting Officer, including her responsibility for the propriety and regularity of the public finances and for the keeping of proper records, are set out in the Accounting Officers' Memorandum, issued by the Treasury and published in *Government Accounting*.



Gill Eastabrook  
Chief Executive  
18 June 2003



# Statement on the system of internal control

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Commission's policies, aims and objectives, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in *Government Accounting*. The chairman of the Commission has responsibility for providing effective strategic leadership on the formulation of the Commission's strategy for discharging its duties, including for encouraging high standards of regularity and propriety and promoting the efficient and effective use of resources.

The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The Commission's system of internal control is based on a continuing process designed to identify the principal risks to the achievement of the Commission's policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. The Commission has 10 members of staff, all working in the same location. As a result, informal day-to-day management techniques are, and will remain a key part of this process. Key financial control procedures are in place, and I am now able to confirm that the remaining procedures necessary to implement Treasury guidance were fully in place, with respect to all the Commission's functions, by 31 March 2003.

The commissioners receive periodic reports from the chairman of the audit committee on internal control and I receive regular reports from staff on the steps they are taking to manage risks in their areas of responsibility including progress reports on key projects.

During the past year we have held further risk management workshops, attended by key members of staff, during which we identified and re-evaluated the risks likely to threaten the achievement of the Commission's objectives. This process has now been embedded in the management process with control strategies being developed for each of the significant risks. Risk management and internal control is considered and updated on a regular basis by management throughout the year. A full risk and control assessment was completed during the year ended 31 March 2003.

In addition to the actions introduced above, the Commission has:

- established an audit committee chaired by a commissioner with two appointed external members, which meets at least three times a year to advise the Accounting Officer on both internal and external audit matters and control aspects in general
- established an internal audit service which operates in accordance with terms of reference agreed by the audit committee

## Statement on the System of Internal Control

- established a risk register to be kept under regular review by management
- agreed an internal audit programme based on the Commission's risk assessment and
- received reports by internal audit on its finance functions and corporate governance framework together with recommendations for improvement.

In addition to the regular reports I receive from managers on risk management in their area of responsibility, I receive periodic advice from the audit committee concerning internal control. I provide information to the audit committee as and when appropriate. The audit committee in turn reports at least annually to the Commissioners.

In the following year the Commission intends to maintain the above system of control and develop more fully its operational and monitoring systems on the project management side of its business.

The Commission can confirm that its Statement on Internal Control for 2004 will be fully in accordance with Treasury guidance as specified in DAO(GEN)13/00.

The Commission's internal audit service operates to standards defined in the *Government Internal Audit Manual* and the *Government Information Systems Audit Manual*. The Head of Internal Audit submits regular reports to me, and also to the audit committee, including an independent opinion on the adequacy and effectiveness of the Commission's system of internal control, together with recommendations for improvements.

My review of the effectiveness of the system of internal control is informed by the work of the Head of Internal Audit and staff within the Commission who have responsibility for the development and maintenance of the control framework, and comments made by the external auditors in their management letter and other reports.



Gill Eastabrook  
Chief Executive  
18 June 2003

# The Certificate of the Comptroller and Auditor General to the Houses of Parliament

I have audited the financial statements on pages 49 to 63. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on page 53.

## Respective responsibilities of the Commission, the Accounting Officer and the Auditor

As described on page 44, the Accounting Officer is responsible for the preparation of the financial statements in accordance with Treasury directions and for ensuring the regularity of financial transactions. The Accounting Officer is also responsible for the preparation of the annual report. My responsibilities, as independent auditor, are guided by the Auditing Practices Board and the auditing profession's ethical guidance.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Treasury directions, and whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report if, in my opinion, the Foreword is not consistent with the financial statements, if the Commission has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I read the other information contained in the annual report and consider whether it is consistent with the audited financial statements. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements.

I review whether the statement on pages 45 and 46 reflects the Commission's compliance with Treasury's guidance *Corporate governance: statement on internal control*. I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements.

## The Certificate of the Comptroller and Auditor General to the Houses of Parliament

### Basis of audit opinion

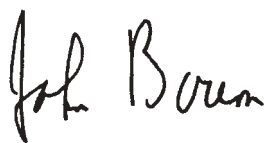
I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Commission's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by error, or by fraud or other irregularity and that, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I have also evaluated the overall adequacy of the presentation of information in the financial statements.

### Opinion

In my opinion:

- the financial statements give a true and fair view of the state of affairs of the Statistics Commission at 31 March 2003 and of the deficit, total recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the directions made by Treasury and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.



John Bourn  
Comptroller and Auditor General

30 June 2003

National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London SW1W 9SP

The maintenance and integrity of the Statistics Commission's website is the responsibility of the Accounting Officer; the work carried out by the auditors does not involve consideration of these matters and accordingly the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR  
ENDED 31 MARCH 2003

		2003		2002	
	Note	£	£	£	£
<b>Income</b>					
Grant in aid	2		<b>1,079,733</b>		694,769
Other operating income	3		<b>74,822</b>		75,198
			<u>1,154,555</u>		<u>769,967</u>
<b>Expenditure</b>					
Staff costs	4	<b>452,778</b>		319,044	
Commissioners' fees	5	<b>66,500</b>		64,169	
Other administration costs	6	<b>592,949</b>		501,765	
Depreciation	7	<b>74,822</b>		73,246	
Cost of capital credit	12	<b>(26,791)</b>		(34,512)	
			<u>1,160,258</u>		<u>923,712</u>
<b>Retained deficit transferred from General fund</b>	12		<u><b>(5,703)</b></u>		<u><b>(153,745)</b></u>

*The notes on pages 53 to 63 form part of these accounts*

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES  
FOR THE YEAR ENDED 31 MARCH 2003

	2003 £	2002 £
Retained deficit for the year	<b>(5,703)</b>	(153,745)
Unrealised surplus on the revaluation of tangible fixed assets	<b>11,975</b>	8,730
	<hr/>	<hr/>
Total recognised gains/(losses) for the year	<b>6,272</b>	(145,015)
	<hr/> <hr/>	<hr/> <hr/>

*The notes on pages 53 to 63 form part of these accounts*

BALANCE SHEET AS AT 31 MARCH 2003

		2003		2002	
	<u>Note</u>	£	£	£	£
<b>Fixed assets</b>					
Tangible assets	7		<b>145,144</b>		200,109
<b>Current assets</b>					
Debtors	8	<b>436,809</b>		3,296	
Cash at bank and in hand	9	<b>17,390</b>		994,746	
				<u>998,042</u>	
		<b>454,199</b>			
<b>Creditors: amounts falling due within one year</b>					
	10	<b>(568,640)</b>		<b>(1,082,244)</b>	
<b>Net current liabilities</b>					
			<b>(114,441)</b>		(84,202)
<b>Creditors: amounts falling due after more than one year</b>					
	11		<b>(8,255)</b>		(19,255)
<b>Net assets</b>					
			<b>22,448</b>		96,652
<b>Reserves</b>					
General fund	12		<b>(122,696)</b>		(103,457)
Government grant reserve	12		<b>145,144</b>		200,109
			<u>22,448</u>		<u>96,652</u>

Signature



Gill Eastabrook  
Chief Executive  
18 June 2003

*The notes on pages 53 to 63 form part of these accounts*

CASH FLOW STATEMENT FOR THE YEAR  
ENDED 31 MARCH 2003

	<u>Note</u>	2003 £	2002 £
<b>Net cash (outflow)/inflow from operating activities</b>	13	<b>(977,356)</b>	408,891
<b>Capital expenditure</b>			
Payments to acquire tangible fixed assets		<u>(7,882)</u>	<u>(5,231)</u>
<b>Net cash (outflow)/inflow before financing</b>		<b>(985,238)</b>	403,660
<b>Financing</b>			
Grant in aid for capital expenditure		<u>7,882</u>	<u>5,231</u>
<b>(Decrease)/increase in cash and cash equivalents</b>	9	<u><b>(977,356)</b></u>	<u>408,891</u>



# Notes to the Accounts

## 1. Accounting Policies

### a. Basis of preparation

These financial statements have been prepared in accordance with the HM Treasury Accounts Direction and HM Treasury's guidance *Executive Non-Departmental Public Bodies Annual Reports and Accounts Guidance*. The particular accounting policies adopted by the Statistics Commission are described below. They have been applied consistently in dealing with items considered material in relation to these financial statements.

The balance sheet as at 31 March 2003 shows net current liabilities of £114,441 and the income and expenditure account for the year shows a retained deficit of £5,703. This reflects the particular circumstances of the Commission's financing whereby there can be timing differences between the recognition of grant in aid receivable from HM Treasury and the incurring of expenditure by the Commission. Grant in aid for 2003–04 of £1.35 million has already been approved. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

### b. Accounting convention

The financial statements have been prepared under the historical cost convention, as modified to account for the revaluation of tangible fixed assets at their value to the business by reference to their current cost.

Without limiting the information given, the financial statements meet the accounting and disclosure requirements of the Companies Acts and the accounting standards issued by the Accounting Standards Board so far as those requirements are appropriate.

### c. Grant in aid and government grant reserve

The Statistics Commission is financed by grant in aid from the Treasury's Request for Resources 1.

From 1 April 2002 grant in aid applied to revenue is accounted for on an accruals basis to match payments made during the year that will be funded by grant in aid, but for which a claim had not been submitted at the year end. This represents a change in accounting policy from the previous year when only grant in aid for which a claim had been submitted was recognised. This change in policy has no effect on prior year income as grant in aid had been drawn down prior to 31 March 2002, hence no prior period adjustment is necessary.

A proportion of the grant in aid received, equal to expenditure on fixed asset acquisitions in the year, is taken to the government grant reserve at the end of the financial year. Each year, an amount equal to the depreciation charge on the fixed assets acquired through grant in aid, and any deficit on their revaluation in excess of the balance on the revaluation reserve, will be released from the government grant reserve to the income and expenditure account.

## Notes to the Accounts

### d. Tangible fixed assets

Individual tangible fixed assets with a purchase cost in excess of £500 are capitalised and are revalued each year using appropriate indices to their net current replacement cost. All assets acquired on an individual or grouped basis (for similar items or those used together) for ongoing use falling above this threshold will be shown as tangible fixed assets.

### e. Depreciation

Depreciation is provided on a straight-line basis, calculated on the revalued amounts to write off assets, less any estimated residual balance, over their estimated useful lives. The useful lives of tangible fixed assets have been estimated as follows:

IT equipment	3 years
Office equipment	5 years
Furniture and fittings	5 years
Leasehold improvements	Over lease term

A full year's charge for depreciation is provided in the year of acquisition and none is provided in the year of disposal.

### f. Operating leases

Rental payable under operating leases is charged to the income and expenditure account on a straight-line basis over the term of the lease. The Statistics Commission's commitments are disclosed in note 14.

### g. Notional charges

A notional cost of capital is calculated at 6% on average net assets, excluding the Paymaster General bank balance. Where there are net liabilities (excluding the Paymaster General bank balance) a cost of capital credit arises. Central HM Treasury costs and other overheads are charged on a notional basis and included in the financial statements. These charges include centrally provided support services for recruitment, procurement, finance, security and health and safety services. Notional costs are charged to the income and expenditure account and credited as a movement on the general fund.

### h. Value added tax

Value added tax (VAT) on purchases is not recoverable, hence is charged to the income and expenditure account included under the heading relevant to the type of expenditure.

### i. Pension arrangements

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) which is a defined benefit scheme and is unfunded and non-contributory. Statistics Commission recognises the expected cost of providing pensions on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS.

## 2. Grant in aid

	<b>31-Mar-03</b>	31-Mar-02
	£	£
Grant receivable from Request for Resources 1	<b>1,087,615</b>	700,000
Transfer to government grant reserve in respect of fixed asset additions	<b>(7,882)</b>	(5,231)
	<u><b>1,079,733</b></u>	<u>694,769</u>

## 3. Other operating income

	<b>31-Mar-03</b>	31-Mar-02
	£	£
Transfer from government grant reserve in respect of depreciation charge	<b>74,822</b>	73,246
Transfer from government grant reserve in respect of deficits on revaluation	–	1,952
	<u><b>74,822</b></u>	<u>75,198</u>

## 4. Staff costs

	<b>31-Mar-03</b>	31-Mar-02
	£	£
a. Staff costs for the year comprised:		
Wages and salaries	<b>383,245</b>	272,175
Social security costs	<b>23,319</b>	16,294
Other pension costs	<b>46,214</b>	30,575
	<u><b>452,778</b></u>	<u>319,044</u>

Salaries include gross salaries, performance bonuses payable, reserved rights to London Weighting or London allowances, recruitment and retention allowances, private office allowances and the monetary value of benefits in kind.

## Notes to the Accounts

- b. The average number of persons employed by the Commission during the year was as follows:

	<b>Number</b>	Number
Senior staff	<b>1</b>	1
Other staff	<b>9</b>	6
	<u><b>10</b></u>	<u>7</u>

- c. Emoluments of the chief executive:

The salary and pension entitlements of the chief executive were as follows:

<b>Name</b>	<b>Age</b>	<b>Salary (£000)</b>	<b>Real increase in pension at age 60 (£000)</b>	<b>Total accrued pension at age 60 at 31 March 2003 (£000)</b>
Gill Eastabrook	49	55–60	0–2.5	15–20

In addition to her salary, the Chief Executive received benefits in kind amounting to £31,065 (2001–02: £31,805) and consisting of lodging allowance, travel costs and settlement of the related tax liability. The Chief Executive is a member of the Principal Civil Service Pension Scheme and from 1 October 2002 she joined the premium defined benefit scheme (see Note 4(d) for details of the pension scheme).

- d. Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 October 2002, civil servants may be in one of three statutory based ‘final salary’ defined benefit schemes (classic, premium, and classic plus). New entrants after 1 October 2002 may choose between membership of premium or joining a good quality ‘money purchase’ stakeholder based arrangement with a significant employer contribution (partnership pension account).

### Classic Scheme

Benefits accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years’ pension is payable on retirement. Members pay contributions of 1.5 percent pensionable earnings. On death, pensions are payable to the surviving spouse at a rate of half the member’s pension. On death in service, the scheme pays a lump sum benefit of twice pensionable pay and also provides a service enhancement on computing the spouse’s pension. The enhancement depends on length of service and cannot exceed 10 years. Medical retirement is possible in the event of serious ill health. In this case, pensions are brought into payment immediately without actuarial reduction and with service enhanced as for widow(er) pensions.

#### Premium Scheme

Benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum, but members may commute some of their pension to provide a lump sum of up to a maximum of 3/80ths of final pensionable earnings for each year of service or 2.25 times pension if greater (the commutation rate is £12 of lump sum for each £1 of pension given up). For the purposes of pension disclosure the tables assume maximum commutation. Members pay contributions of 3.5 per cent of pensionable earnings. On death, pensions are payable to the surviving spouse or eligible partner at a rate of 3/8ths the member's pension (before any commutation). On death in service, the scheme pays a lump-sum benefit of three times pensionable earnings and also provides a service enhancement on computing the spouse's pension. The enhancement depends on length of service and cannot exceed 10 years. Medical retirement is possible in the event of serious ill health. In this case, pensions are brought into payment immediately without actuarial reduction. Where the member's ill health is such that it permanently prevents them undertaking any gainful employment, service is enhanced to what they would have accrued at age 60.

#### Classic Plus Scheme

This is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per classic.

#### Partnership Pension Account

This is a stakeholder-type arrangement where the employer pays a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product. The employee does not have to contribute but where they do make contributions, these will be matched by the employer up to a limit of 3% (in addition to the employer's basic contribution).

Employers also contribute a further 0.8% of pensionable salary to cover the cost of risk benefit cover (death in service and ill health retirement). The member may retire at any time between the ages of 50 and 75 and use the accumulated fund to purchase a pension. The member may choose to take up 25% of the fund as a lump sum.

## Notes to the Accounts

### 5. Commissioners' fees

The chairman is paid an annual fee of £28,000 (2001–02: £28,000) for 60 (2001–02: 60) days work and each of the commissioners is paid an annual fee of £5,500 (2001–02: £5,500) for 20 (2001–02: 20) days work. The actual amounts paid during the year were:

	<b>31-Mar-03</b>	31-Mar-02
	£	£
Sir John Kingman (chairman)	<b>28,000</b>	28,000
Colette Bowe	<b>5,500</b>	5,167
Sir Kenneth Calman	<b>5,500</b>	5,167
Patricia Hodgson	<b>5,500</b>	5,167
David Rhind	<b>5,500</b>	5,167
Janet Trewsdale	<b>5,500</b>	5,167
Derek Wanless	<b>5,500</b>	5,167
Martin Weale	<b>5,500</b>	5,167
	<hr/> <b>66,500</b> <hr/>	<hr/> 64,169 <hr/>

In addition, expenses amounting to £7,770 (2001-02: £9,523) were reimbursed to the commissioners.

## 6. Other administration costs

	<b>31-Mar-03</b>	31-Mar-02
	£	£
Rent, rates and service charges	<b>271,489</b>	266,902
Consultants and professionals	<b>17,369</b>	35,346
IT current	<b>48,094</b>	64,725
HM Treasury notional costs	<b>13,255</b>	12,624
External auditors' fees	<b>6,756</b>	8,187
Commissioners' expenses	<b>7,770</b>	9,523
Training	<b>5,843</b>	4,456
Research costs	<b>118,134</b>	23,739
Printing and stationery	<b>18,817</b>	14,775
Other costs	<b>85,422</b>	61,488
	<b><u>592,949</u></b>	<u>501,765</u>

## 7. Tangible Fixed Assets

	IT Equipment £	Office Equipment £	Furniture & Fittings £	Leasehold Improvements £	Total £
<b>Valuation</b>					
At 1 April 2002	38,812	3,453	88,915	215,653	346,833
Additions	–	–	7,882	–	7,882
Revaluation	(6,827)	184	3,690	16,310	13,357
At 31 March 2003	<u>31,985</u>	<u>3,637</u>	<u>100,487</u>	<u>231,963</u>	<u>368,072</u>
<b>Depreciation</b>					
At 1 April 2002	24,987	1,402	35,134	85,201	146,724
Charge for year	15,930	695	18,464	39,733	74,822
Revaluation	(10,309)	112	2,130	9,449	1,382
At 31 March 2003	<u>30,608</u>	<u>2,209</u>	<u>55,728</u>	<u>134,383</u>	<u>222,928</u>
<b>Net book value</b>					
At 31 March 2003	<u>1,377</u>	<u>1,428</u>	<u>44,759</u>	<u>97,580</u>	<u>145,144</u>
At 31 March 2002	<u>13,825</u>	<u>2,051</u>	<u>53,781</u>	<u>130,452</u>	<u>200,109</u>

## 8. Debtors

	31-Mar-03 £	31-Mar-02 £
Accrued income – Grant in aid (see Note 1c)	427,615	–
Prepayments	6,315	3,296
Other debtors	2,879	–
	<u>436,809</u>	<u>3,296</u>



## 9. Cash at bank and in hand

	<b>31-Mar-03</b>	31-Mar-02
	£	£
At 1 April	<b>994,746</b>	585,855
(Decrease)/increase in cash in the year	<b>(977,356)</b>	408,891
	<hr/>	<hr/>
At 31 March	<b>17,390</b>	994,746
	<hr/> <hr/>	<hr/> <hr/>
Bank account at Office of Paymaster General	<b>17,384</b>	994,742
Cash in hand	<b>6</b>	4
	<hr/>	<hr/>
	<b>17,390</b>	994,746
	<hr/> <hr/>	<hr/> <hr/>

## 10. Creditors: Amounts falling due within one year

	<b>31-Mar-03</b>	31-Mar-02
	£	£
Amount payable to HM Treasury	<b>420,683</b>	939,741
Trade creditors	<b>71,440</b>	28,395
Other creditors	<b>11,000</b>	11,000
Accruals	<b>65,517</b>	103,108
	<hr/>	<hr/>
	<b>568,640</b>	1,082,244
	<hr/> <hr/>	<hr/> <hr/>

## 11. Creditors: Amounts falling due after more than one year

	<b>31-Mar-03</b>	31-Mar-02
	£	£
Other creditors	<b>8,255</b>	19,255
	<hr/>	<hr/>

Other creditors relate to the operating lease incentive for a rent-free period.

This amount will be released to the income and expenditure account as follows:

	<b>31-Mar-03</b>	31-Mar-02
	£	£
Within 1 to 2 years	<b>8,255</b>	11,000
Within 2 to 5 years	<b>–</b>	8,255
	<hr/>	<hr/>
	<b>8,255</b>	19,255
	<hr/> <hr/>	<hr/> <hr/>

## Notes to the Accounts

### 12. Reserves

	Government Grant Reserve £	General Fund £	Total £
At 1 April 2002	200,109	(103,457)	96,652
Deficit for the year	–	(5,703)	(5,703)
HM Treasury notional costs	–	13,255	13,255
Reversal of cost of capital credit	–	(26,791)	(26,791)
Surplus on revaluation of fixed assets	11,975	–	11,975
Grant for fixed assets additions	7,882	–	7,882
Depreciation transferred to income and expenditure account	(74,822)	–	(74,822)
As at 31 March 2003	<u>145,144</u>	<u>(122,696)</u>	<u>22,448</u>

### 13. Reconciliation of operating deficit to net cash (outflow)/inflow from operating activities

	31-Mar-03 £	31-Mar-02 £
Operating deficit	(5,703)	(153,745)
Adjustment for non-cash transactions:		
Depreciation	74,822	73,246
Notional support costs	13,255	12,624
Cost of capital credit	(26,791)	(34,512)
Deficit on revaluation of fixed assets	–	1,952
Release from government grant reserve	(74,822)	(75,198)
Adjustment for movements in working capital other than cash:		
(Decrease)/increase in creditors	(524,604)	573,365
(Increase)/decrease in debtors	(433,513)	11,159
Net cash (outflow)/inflow from operating activities	<u>(977,356)</u>	<u>408,891</u>

## 14. Commitments under operating leases

The annual commitment under operating leases were as follows:

	<b>31-Mar-03</b>	31-Mar-02
	£	£
Land and buildings		
Lease expiring between two and five years	<b>194,323</b>	194,323
	<u>          </u>	<u>          </u>

## 15. Contingent liabilities

Statistics Commission had no contingent liabilities at 31 March 2003.

## 16. Capital commitments

Statistics Commission had no capital commitments at 31 March 2003.

## 17. Related party transactions

During the year, HM Treasury provided total grant in aid of £1,087,615.

Any costs incurred by Statistics Commission are disbursed by HM Treasury on the Commission's behalf. Statistics Commission reimburses HM Treasury for these payments on a quarterly basis.

During the year Statistics Commission received recruitment, finance, health and safety, security and procurement services from HM Treasury, for which notional charges of £13,255 are made.

During the year, other than the receipt of fees and expenses and salaries as disclosed in Notes 4 and 5, none of the Commission members, senior managers or other related parties has undertaken any material transactions with Statistics Commission.



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