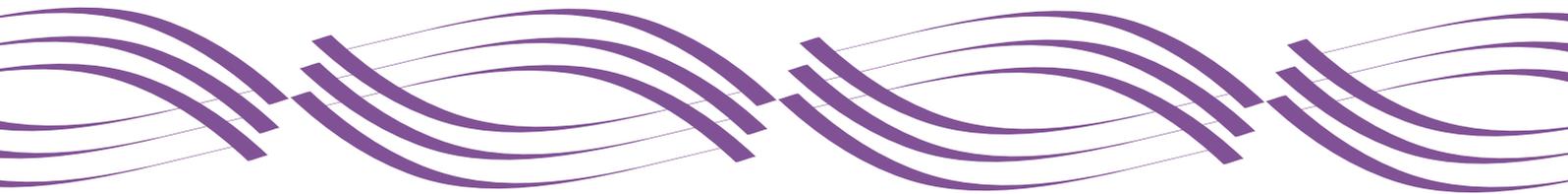


Statistics Commission



Annual Report

2003–2004



Statistics Commission Annual Report 2003–2004

Presented to Parliament by the Economic Secretary
to the Treasury by Command of Her Majesty
July 2004

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www.statscom.org.uk/media_html/annuals/AR200304/ann_rep_eng-01.asp

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Chairman's report

I took over as chairman of the Statistics Commission from my predecessor, Sir John Kingman, on 1 May 2003. Shortly afterwards, Richard Aldritt was appointed as our new Chief Executive. The period since then has been one of sustained activity, as this report demonstrates. This has been partly driven by external events and partly by the Commission's own programme of work to ensure that the public knows it can have trust in official statistics.

The need for legislation

Perhaps our single most important act in the year has been the publication of our report on the need for legislation to strengthen public trust in official statistics. The requirement to address this was put in place by the Government when the Commission was established some four years ago – but with the proviso that work should not start until Summer 2002. Following public consultations, commissioned research and detailed work with the Treasury Solicitor's department, we published *Legislation to Build Trust in Statistics* in May 2004. Central to the recommendations was that the existing, essentially voluntary, arrangements that government departments are expected to adopt should be put on a binding, statutory footing and, as part of this, the existing Commission should be replaced by a statutory one.

The decision to propose legislation – even though others had also urged it – was not taken lightly. We show with examples in this report how the letter and the spirit of the existing, voluntary Code of Practice seem, on occasion, to have been ignored by various government departments. As a Commission, we have experienced frustration at our requests for information sometimes being ignored or our recommendations simply eliciting broad generalisations by way of response. Whilst we recognise that the Government has made real progress in recent years in establishing the concept of statistical independence, we believe that the existing Code of Practice is, in some respects, inadequate – for example in allowing Ministers to decide which statistics are subject to the Code. But our recommendations are not just designed to ensure that departments follow good practice. We believe they would also help to protect Ministers from unfair criticism. In our view, then, the case for legislation is a strong one.

The legislation that we are proposing would not only be an effective contribution to enhancing public trust but would also be practicable and avoid unnecessary changes in the machinery of government. It is now for the Government to decide how our recommendations should be taken forward. But the Commission will continue for as long as necessary to carry out its existing functions, explain its thinking and press for a statutory framework.

The Commission's role

As this annual report makes clear, the year saw the Commission extending the range of its activities. However, a central theme of our work continued to be to help make sure that decision-makers are well-informed by the official figures on which they so often depend. The decisions in question are not just those that find their way into newspaper headlines and major policy announcements. They include the annual distribution of billions of pounds to public services, the assessment and management of those services and the frequent fine-tuning of social and economic policy. Such decisions affect us all through their impact on the services provided by the public sector and some parts of the private sector. Official statistics are of course only one input to such decisions but they are often a critical one.



The Commission's Open Meeting, July 2003. Left to right: Derek Wanless, Janet Trewsdale, chief executive Gill Eastabrook, chairman David Rhind, Sir Kenneth Calman, Colette Bowe, Martin Weale.

Our work is sometimes seen as being akin to that of a regulator, with government statisticians as the regulated. This is misleading. It is true that we are independent of government departments but we share with government statisticians (and others) the goal of well-informed decision-making, based on reliable statistics produced, analysed and disseminated through transparent and fair processes. We aim to work together with the National Statistician and departmental statisticians to bring this about wherever we can.

It is our perspective that is different. We are charged with looking at the needs of government and non-government users of statistics in a dispassionate, non-partisan way.

We point out where we think the public interest lies without worrying about the political and managerial implications. So, for example, we can point to the fundamental requirement for a single, definitive, frequently up-dated 'national address register' to support future demographic statistics without getting caught up in the relationships between the several organisations whose co-operation this will require. Dealing with these managerial issues is a matter for government itself.

The absence of such a definitive national address register, long recognised by statisticians as a problem, was one of several issues that arose in our work on the 2001 Census in Westminster. We shall continue to argue the case for our recommendations on this and other matters until either we see substantive progress or are persuaded that no more can usefully be done.

That said, our concerns go wider than the inner workings of the statistical system. The low level of understanding of mathematics and statistics – even of elementary matters such as percentages – amongst many people has become increasingly

clear. The Smith Report to the Secretary of State for Education and Skills of March 2003 highlighted the real shortfall in teaching and education more generally in these fields and the low levels of numeracy in Britain. We, with many others, have a role to play in enhancing understanding as well as ensuring that all official statistics can be trusted.

Members of the Commission believe that, despite the frustrations alluded to above, we made a useful contribution in 2003-04. But, as official statistics become ever more central to evidence-informed policy across both government and business, we have clearly only begun a long journey. We look forward to developing our role further in 2004-05.

Finally, I take pleasure in thanking Richard Alldritt and his small team of staff for their hard work and enterprise in supporting the Commission in the last year. Theirs has been a superb performance: my commissioner colleagues and I are very grateful to them. And I thank all those in business, government, the media and in universities who have helped us in the course of the past year.

A handwritten signature in black ink that reads "David Rhind". The signature is written in a cursive style with a large, prominent 'D' and 'R'.

David Rhind

1 Highlights

Our work brought together forward-looking reviews, retrospective investigation of matters that arose during the course of the year, and actions in support of the National Statistics Code of Practice.

We advised on the way statistics are compiled and presented:

- We urged government statisticians to expand the textual information provided alongside official statistics so that users could better judge how much reliance to place on them in decision-making. This followed publication of our research report on reliability (see page 25).
- Our review of revisions to economic statistics showed that, whilst there was scope for improvements, public criticism of the revisions had been largely unjustified (see page 25).
- Our research report on forecasting in the national accounts recommended better monitoring of the performance of forecasting models, better communication with users about the role of forecasts in producing national accounts estimates, and the release of more information about the models used (see page 25).

We identified and followed up some specific concerns of users of statistics:

- We undertook an assessment of the methodology used in the 2001 Census to determine the population in the most ‘hard to count’ areas, such as Westminster, and we made recommendations which will, following further work by the Office for National Statistics, help ensure that the next Census provides more precise estimates in such areas (see page 26).
- We held meetings with users and user groups during the year and followed up a wide variety of concerns raised with us on matters including:
 - pensions fund contributions
 - measurement of government performance (and supported the Statistics Users’ Council (SUC) conference on this topic)
 - regional economic statistics, responding to the Allsopp Review

We made recommendations on matters of governance:

- We completed our review of the need for legislation to help to build trust in official statistics, concluding that the most viable approach would be a statutory Code of Practice drawn up by the National Statistician and supported by a statutory Commission accountable to Parliament. Action to follow this up now rests with the Government (see page 20).

- We gave evidence to the Independent Review of Government Communications chaired by Robert Phillis; our recommendation to introduce statistics legislation was reflected in those of the Phillis Review.
- We recommended that the designation 'National Statistics' should henceforth be given a clear and specific meaning that would serve as a public assurance about quality (see page 24).
- We commented on the draft protocols supporting the Code of Practice and engaged with the Office for National Statistics (ONS) on implementation and enforcement of the Code (see page 21).

We began to look for objective measures of public confidence in statistics:

- We started planning research with ONS into measuring public trust in official figures which will be developed in the coming year (see page 29).



The Commission secretariat, left to right: Barbara Buckley Owen, Melissa Rowe, Richard Alldritt (seated), Lovedeep Vaid, Carolyn Leach (seated), Kate Plowman, Emmy Mulla (seated), Alison Eve, Allen Ritchie (seated), Anthony Armistead, Melissa Rice.

2 Who we are and how we relate to others

The Statistics Commission is an independent non-statutory public body sponsored by HM Treasury. It was set up in June 2000 to ‘help ensure National Statistics are trustworthy and responsive to public needs’, to ‘give independent, reliable and relevant advice’ and by so doing to ‘provide an additional safeguard on the quality and integrity of National Statistics’. It operates openly and independently of both Ministers and the producers of statistics.

The Commission

Chairman



Professor David Rhind CBE

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 and is a Fellow of the Royal Statistical Society. In past times, he was centrally involved in building or using major statistical databases, notably of census data. He was appointed through the normal competitive process as chairman in May 2003.

Commissioners



Colette Bowe

Colette Bowe is the Chairman of the Ofcom Consumer Panel. She is also Deputy Chairman of Thames Water Utilities, and a board member of the Yorkshire Building Society and of the Framlington Group. She is the chairman of the Council of Queen Mary, University of London and Chair of Trustees of Alcohol Concern. She is also a member of the Council of Management of the National Institute of Economic and Social Research and a board member of Camden Peoples’ Theatre. She has a PhD in Economics.

2 Who we are and how we relate to others



Sir Kenneth Calman

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 was previously the Chief Medical Officer for Scotland. He is a Member of the Nuffield Council on Bioethics. He is a surgeon by training and has a particular interest in the field of cancer treatment and research.



Dame Patricia Hodgson

Dame Patricia Hodgson is a Governor of the Wellcome Foundation, a non-executive director of the Competition Commission and a member of the Committee for Standards in Public Life. She is a Visiting Bye-Fellow of Newnham College, Cambridge and a non-executive director of GWR Group plc. Until the beginning of 2004 she was Chief Executive of the Independent Television Commission and, before that, a main board director of the BBC. She also served for six years as a member of the Monopolies and Mergers Commission.



Janet Trewsdale OBE

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

Derek Wanless is a director of Northern Rock plc, Northumbrian Water Group plc and Business in the Community, 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 and, in 2004, on Public Health to the Prime Minister, Chancellor and Secretary of State for Health. He has also advised 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 CBE

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.

Chief Executive



Richard Alldritt

Richard Alldritt is the Chief Executive of the Statistics Commission. He has worked in several government departments including the Home Office, Office for National Statistics and the National Assembly for Wales where he was most recently Head of Information and Knowledge Management. Before that he was Head of the Statistical Directorate in the Welsh Office and Welsh Assembly.

Our committees

Audit Committee

Derek Wanless (chairman)
 Glenn Hull*
 John Smock*

Research and Review Sub-committee

Martin Weale (chairman)
 Colette Bowe
 Sir Kenneth Calman
 Carolyn Sinclair*

Legislation Sub-committee

Dame Patricia Hodgson (chairman)
 Colette Bowe
 Sir Kenneth Calman
 Jane Hill*
 Graham Mather*
 Professor David Rhind

Review of Revisions Project Board

Derek Wanless (chairman)
 James Mitchell**
 Janet Trewsdale
 Colin Mowl (ONS observer)
 Martin Weale**

Note: Martin Weale sat on the Review of Revisions Project Board in his capacity as Director of NIESR.

* consultants
 ** project contractors.

2 Who we are and how we relate to others

Review of Health Statistics Project Board

Sir Kenneth Calman (chairman)

Louise Carr**

Peter West**

Deana Leadbeter (Health Statistics Users Group)

John Fox (DH observer)

Martin Weale

Carolyn Sinclair*

* consultants

** project contractors.

Relationship with stakeholders

The user community

Building links with users has been a key part of our work in our early years. It has taken time to establish the right sort of relationships and explore the possibilities and limitations of our role.

Ministers

One of the key roles of the Commission is to provide advice to Ministers. The Minister to whom we address most advice is the Financial Secretary to the Treasury, who is the Minister for National Statistics and, as such, the Minister to whom the Office for National Statistics is accountable. We have also had discussions with the Minister for Local Government and the Regions about the Census and address registers. We write to other Ministers on matters for which they are responsible. However we are conscious that our communication with Ministers is currently sporadic and we will seek in future to develop it into a more coherent dialogue. Our report *Legislation to Build Trust in Statistics* describes the pivotal role that Ministers play in determining the coverage and scope of the statistical services in government. Thus we need to understand their views both as users of statistics and as the owners of the statistical services across government.

UK Parliament

The Commission was once again invited to give evidence to the Treasury Sub-committee to answer questions on our 2002-03 annual report. The committee was particularly interested in: whether public trust in National Statistics has been shaken; how the Commission builds public confidence; enforcement of the Code of Practice and protocols; the Census, including its reliability, the possible value of a 2006 population count, mid-year population estimates; and revisions to economic data. The Commission's view that 'National Statistics' should be a kitemark of quality was shared by the committee.

For the first time, we were also invited to give evidence to the House of Lords Select Committee on Economic Affairs. The committee was interested to know how the Commission responds to ‘public needs’ and whether the Commission’s advisory role is sufficiently strong.

Devolved administrations

Though we have formal agreements with each of the devolved administrations, mirroring our advisory role for the UK as a whole, we became increasingly aware during the year of the need for the Commission to engage more fully with issues relating specifically to the four countries of the UK. Examples of such issues include: how the Code of Practice is interpreted in each administration; how user consultation is managed and how effective it is; whether customer needs are being met and whether the devolved administrations’ needs for data from Whitehall are being met. In February we had a very useful meeting with stakeholders in Scotland and we intend to develop a fuller dialogue with the devolved administrations in the coming year.



The chairman and Professor Timothy O’Shea (Principal and Vice-Chancellor of the University of Edinburgh) hosting a dinner in Scotland. Back row (l to r): Professor Michael Anderson, Duncan MacNiven, Richard Alldritt, Professor Donald MacRae, Professor Alistair Gillespie. Centre row (l to r): Professor David Rhind, Sir Kenneth Calman, Professor Timothy O’Shea, Rob Wishart, Jill Alexander, Professor John Simmons. Front row (l to r): Professor Vicki Bruce, John Elvidge, Nick Dyson, Tavish Scott, Professor Brian Ashcroft.

Government departments

Government departments are major users of official statistics as well as producers. To get a better understanding of their needs, and the services they provide, we have made occasional visits to meet the statistical staff and senior managers. Our visit to

2 Who we are and how we relate to others

DEFRA in York in September 2003 was valuable in opening up communication on this important area of statistical work. We also had useful meetings with the Prime Minister's Delivery Unit and the Strategy Unit.

The Commission has contact with government departments in relation to research reviews (such as our Review of health statistics), and in following up concerns raised with us (eg statistics on juvenile reoffenders).

The Commission has occasional meetings with the heads of government departments to discuss the production of official statistics. Such meetings in 2003-04 included ones with John Gieve, Permanent Secretary at the Home Office and with Sir Nigel Crisp, chief executive of the National Health Service (NHS).

Public bodies

We expanded our engagement with those public bodies that are important users of statistics. The chairman met members of the Monetary Policy Committee of the Bank of England in December 2003 and we are now meeting annually with the Bank of England to discuss issues of mutual interest. The chairman and colleagues discussed the adequacy of pensions data with Adair Turner, chairman of the Pensions Commission; and the adequacy of statistics to measure public service performance with Steve Bundred, chief executive of the Audit Commission.

Statistics Users' Council and User Groups

The Commission strengthened its relationship with the Statistics Users' Council (SUC) and user groups during 2003-04. As well as meeting with the chairs of user groups on two occasions, commissioners attended meetings with members of the Demographic Users Group and the Health Statistics Users Group. In November we supported the SUC conference Measuring Government Performance that attracted a wide range of speakers and delegates and generated much constructive debate. We also set in motion an initiative to identify user groups' priorities for improvements to statistical services and to assess whether there was scope for a consensus view to emerge. We are in the process of developing an initial shortlist that we plan to pursue in the coming year. The Royal Statistical Society (RSS) and user groups have now come to an agreement on how the groups will operate under the 'umbrella' of the RSS, with the support of a grant from the Economic and Social Research Council (ESRC). We will review with the RSS and user groups how best the Commission can support the new arrangements.

Royal Statistical Society

Although we have discussed with the RSS a number of issues of common interest, the main focus of our dialogue during the past year has been on the need for statistics legislation to build trust in official statistics. We will be continuing our debate as we move to the next stage of promoting our proposals for legislation.

Media

Both the Treasury Sub-committee and the House of Lords Select Committee on Economic Affairs have commented on the Commission's relatively low profile in the press. The last few months have seen a considerable growth in media coverage of our work and a strengthening of our interactions with journalists. We will continue to encourage this valuable dialogue.

Producers of National Statistics

Office for National Statistics

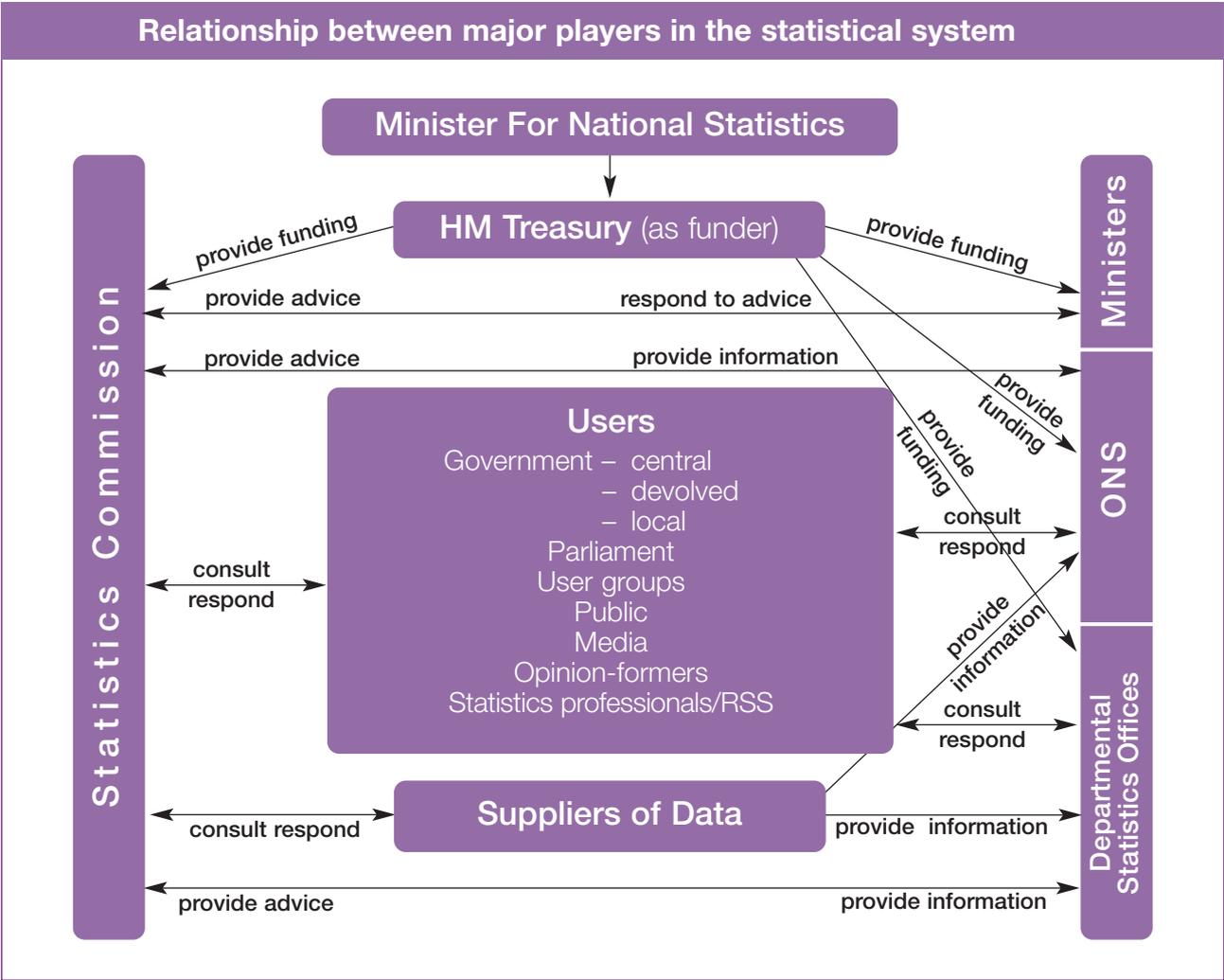
We have regular contact with the Office for National Statistics (ONS), as the largest producer of official statistics. The chairman and National Statistician formally meet quarterly to discuss topics of mutual concern. This year these topics included: the need for legislation; population statistics; the Census in Westminster; and the revisions to economic statistics.



The National Statistician and colleagues visiting the Commission on 18 March 2004. Back row left to right: Len Cook, National Statistician; Dame Patricia Hodgson; Richard Alldritt; Colette Bowe; Martin Weale. Front row left to right: Chairman David Rhind; Janet Trewsdale; Karen Dunnell, Executive Director, Sources ONS; Mike Hughes, Director, National Statistics Policy Group, ONS.

Suppliers of data

Whilst the main focus of our work is with users and producers of official statistics, we are also concerned with the burden placed on businesses and public services by the requirement to complete statistical returns. One specific issue that we followed up with the Association of British Insurers was the process difficulties encountered by insurance companies in providing figures sought by ONS for calculating pensions contributions data for the UK.



3 Review of the year

Strategy and planning

The Commission is a small organisation and needs to plan its work systematically to ensure that its resources are focused on those issues that most warrant its attention. It is also important for it to ensure that a good balance is struck between responding to matters raised with it and more pro-active investigation. We begin with a short description of our approach to planning in order to set the context.

We made a fresh appraisal of our role and goals in 2003-04. Our core role is helping to ensure that official statistics are trustworthy and responsive to public needs. In more practical terms this means helping government to improve its statistical services and helping to ensure that decision-makers, and the public, are well-informed and are not misled by official statistics.

We now focus our work on three main aspects of statistical services:

- are appropriate data collected?
- are appropriate messages from the statistics communicated?
- are appropriate procedures followed to ensure: openness; impartiality; use of the best methodology; rapid and universal availability; and meaningful analysis?

And we press for:

- the needs of all users of statistics to be recognised, evaluated, and met subject to value for money considerations
- openness about statistical processes at all stages
- the use of best international practice by all government departments in all their statistical work.

During the year these broad themes were developed into a more detailed set of aims, strategies and plans in the Strategy and Business Plan that can be found on the Commission's website: www.statscom.org.uk. To maintain the relevance of this business plan in a rapidly changing environment, we have undertaken to update it quarterly from April 2004.

The Commission also introduced new arrangements to keep people informed about progress. We now maintain on our website summaries of the history and current 'state of play' on each of the main strands of our work – about 30 at any one time.

3 Review of the year

In so doing, the Commission is giving substance to its commitment to be as open as possible in its work. Most of the Commission's correspondence with government departments and others is already published routinely. Our Publication Scheme, as required by the Freedom of Information Act, was approved during the year.

Impact

Ultimately it is for others to judge the value of the Commission's work and its impact. However, our own assessment is that, in 2003-04, we succeeded in focusing attention on important issues but had less success than we would have wished in forcing the pace of improvements to official statistics. Our success in assuaging public anxieties about the reliability and utility of official statistics was also mixed. These varied outcomes were one of the considerations underlying our recent call for a statutory framework. Such a framework would give these matters greater prominence within Whitehall and help us to ensure they are addressed effectively.

However, we believe we have been effective in keeping government departments thinking about the users of statistics, both inside and outside government; and also thinking about where the public interest lies, and the importance of full and honest statistical interpretation. In that respect, the existence of the Commission is helping to reassure those outside government that the UK statistical system, of which the Commission is itself an integral component, is alert and responsive to the public interest.

Recommendations

We drew attention to the case for many improvements to statistical services and made specific recommendations. Some of the following examples are discussed in more detail in the next chapter:

- a more robust and statutory Code of Practice
- further steps to prevent, but also to defend departments against, unwarranted suggestions of 'spin'
- more systematic consideration of user needs
- more public information on the reliability or precision of official statistics when they are published
- improved estimates (population, pensions, migration)
- new approaches to censuses of population
- a national address register.

The Commission made clear that it wants to see the National Statistician, who is also the head of the Office for National Statistics, given greater influence over statistical work carried out across other government departments. Our proposals for legislation would strengthen his position by making it his statutory responsibility to prepare and enforce a statutory Code of Practice.

Building trust

In addition to making specific recommendations for improvement and for addressing the need for legislation, we took several steps during the year to support trust in official statistics and in those who produce them:

- We recommended that the existing designation 'National Statistics' should be interpreted purely as an indication that the National Statistics Code of Practice had been followed. It should not be allowed to become merely a brand name or continue to be restricted to a subset of official statistics. We see no need to have two sets of standards – one for National Statistics and a less defined one for non-National Statistics. Almost by definition, those not so designated are the most problematic.
- We have pointed out frequently that the collection of many sets of official statistics requires professional judgment and is not a simple matter. Given that, no statistics can be considered 'perfect'. We have therefore encouraged government departments to improve the information they provide about the reliability of statistics at the time of publication so that decision-makers and other users have a better feel for how much, and in which applications, they can rely on them. Statistics can be misleading for many reasons, even when they are technically accurate. They may not mean exactly what users assume them to mean. All but the most expert and experienced users often need clear and detailed advice from government statisticians to avoid pitfalls. We think that more such help could and should be given.
- Our major review of revisions to economic statistics, published in early April 2004, showed that – whilst there were some improvements that could be made – press criticism of revisions to the key economic statistics was generally unjustified. We did have concerns, however, about delays in announcing an intention to revise GDP estimates (owing to the discovery that criminal activities were distorting the trade figures). We are in discussion with the National Statistician about how best to balance market sensitivity and transparency.
- Our report on the 2001 Census in Westminster helped to explain to non-experts where in the estimation processes a degree of uncertainty was likely to arise in particularly 'hard to count' areas of the country (typically inner-city areas, especially parts of central London). This report concluded that there was a real and deep-rooted technical uncertainty that could only be addressed by fundamental improvements in administrative registers.

3 Review of the year

- We started work on research, jointly with ONS, into how to measure public trust in official figures – and thus provide an indication of the need for further action. This is technically difficult ground but we expect to publish some results in the coming year.

Matters raised by others

A substantial amount of the Commission's time is devoted to following up concerns raised with us by a wide range of interested parties – researchers, politicians, journalists, academics and members of the public. A selection of the subjects on which the Commission was approached, and on which we took some action, illustrates their breadth:

- pension contribution statistics
- relative performance of grammar and comprehensive schools
- juvenile reoffending
- Census and immigration issues
- population estimates
- availability of health data
- NHS waiting lists
- NHS star ratings
- seasonal adjustment of data
- use of statistics in monitoring government performance
- reliability of trade statistics
- calculation of the Retail Prices Index.

The approach the Commission follows when a concern is raised with it is normally to:

- ask the relevant government department(s) for information
- decide whether the issue is likely to be a serious matter and, if so, one which falls within the Commission's purview. If both of these are true then we:
 - seek the views of independent experts, or undertake internal research, before reaching a conclusion which we publish in a paper or report
 - engage with Ministers and departments until the Commission is content that no further action on its part is appropriate.

Larger projects

Whilst many of the matters raised with, or by, the Commission are handled through correspondence and the preparation of committee papers, some require more substantive research. The Commission commonly engages external experts to assist with such research but now also has a small research team of its own that can undertake some of the research in-house and act as an ‘intelligent customer’ for work carried out by contractors. The subjects on which significant research was undertaken in the year included:

- the 2001 Census methodology and the lessons from that
- issues relating to the reliability of statistics about the assets of, and contributions to, pensions funds
- the adequacy of health statistics in relation to user needs
- issues bearing on the case for legislation, including international statistical practice and the impact of current statistical legislation
- understanding user priorities for improvements or additions to official statistics and the extent of consensus (early stage).

4 Ongoing issues

This chapter considers the position at the end of the year on several important issues which will spill over into 2004-05:

- the need for legislation to help build trust
- compliance with the National Statistics Code of Practice
- RPI governance arrangements
- meaning of 'National Statistics'
- reliability of statistics
- revisions to economic statistics
- population census
- a national address register
- health statistics
- benchmarking public confidence in official statistics
- pensions statistics
- measuring public sector performance
- regional and sub-regional data.

The need for legislation to help build trust

The Commission was invited by the Government to review the need for legislation when new arrangements to strengthen the management of official statistics were introduced in June 2000 – the review to be undertaken after the new arrangements had been in force for two years.

A Commission sub-committee, chaired by commissioner Dame Patricia Hodgson, undertook a comprehensive study (see www.statscom.org.uk/media_pdfs/reports/LegislationToBuildTrust.pdf). It drew on extensive discussions with interested parties, public consultations, commissioned research, and the advice of legal advisers. Our main conclusion, confirming (but amplifying considerably) those of other recent reviews that have touched on this subject, was that legislation is required. The non-statutory framework for official statistics introduced in 2000 has been beneficial but has not gone far enough. A statutory underpinning would bring the UK into line with the large number of countries that already have such legislation.

Commission position

We want to see legislation introduced that will require government departments and agencies to follow a new statutory code of practice for official statistics, enforced by a statutory commission reporting to Parliament, and replacing the present non-statutory Statistics Commission.

Compliance with the current National Statistics Code of Practice

Commission position

We want to see the current Code respected and enforced across all government departments and agencies. Indeed, we want it to be strengthened, extended and supported by statute. On the question of pre-release access to statistics by Ministers and officials – which is one of the more controversial provisions of the Code – we want to see this phased out over time to avoid any suggestion that the statistics have been open to political influence or exploitation ahead of their release.

We recognise that the task of fully implementing the existing voluntary Code and all the supporting protocols across government is incomplete. Even where Ministers have agreed that the Code should apply to particular sets of statistics, the implementation process may still be at an early stage. In order to monitor progress, we suggested early in the year that it would be helpful to have implementation plans, with timescales, in the various departments, both for ourselves and for those involved in the implementation.

The Office for National Statistics developed a draft Implementation Plan which we welcomed as clear and easy to understand. We agreed with the need to produce a smaller, general guide to the Code and protocols for non-experts. We subsequently queried how good practice and lessons learned would be identified and fed back into the implementation. We are not convinced that all appropriate steps to implement the Code have been taken or are yet fully effective. We will be exploring the matter further.

Accountability

An issue related to implementation of the existing voluntary Code is the need for clarity in the extent and nature of the accountability of departmental heads of profession for statistics (HoPs) to the National Statistician. This issue is complicated by the fact that the accountability of civil servants does not normally run outside their own department and distinguishing professional accountability from other types of accountability is at best problematic. We have discussed these issues with ONS and understand that they are developing a joint statement with other government departments.

Pre-release access

In the course of the year, the Commission strengthened its position on the question of pre-release access to official statistics – that is the convention under which Ministers and some officials are allowed up to five days to consider statistics before they are made public. We recognise that, in cases such as access to statistics based on administrative data, this matter is not straightforward. However the Commission is convinced that pre-release access should be phased out over time to avoid any suggestion that the statistics have been open to political influence or exploitation ahead of their release. It is argued that Ministers and their advisers need to know what the figures show ahead of their publication so that they can respond promptly. But the Commission believes there is a stronger and contrary argument: that allowing Ministers and advisers early access undermines trust in the objectivity of the

4 Ongoing issues

statistics and in what is said about them when they are published. The removal of pre-release access could be phased, starting with the results of sample surveys and leaving more difficult issues of early access to outputs based on administrative data until initial problems had been resolved.

Administrative statistics

Many of the most controversial and sensitive statistics emerge from administrative systems – police and court records, NHS records, school records etc – which are generally managed outside the direct control of central government statistical services, at least until the final stages of aggregation into statistical data. We want to see the handling of such statistics considered more explicitly under the Code of Practice so that the reputation of statistics is not undermined by political use – real or perceived – of these figures before they find their way into official publications.

Breaches of the Code

Since the existing Code of Practice came into force, the Office for National Statistics, and government statisticians in other departments, have been alerting the Commission to suspected breaches of the Code and to other steps taken by departments – such as putting statistics outside the coverage of the Code – that might undermine trust. We have considered very carefully whether to make public comment on the cases that concern us and have concluded that we must do so to illustrate the nature of the problem. In doing this, our goal is not to pillory government departments about specific cases, but rather to highlight the problem and to obtain assurances that the Code will be fully respected in future. The sort of actions by departments that the Commission regards as being against the letter and/or spirit of the Code include:

- briefing journalists about statistics in advance of their publication
- release of (unreliable) figures against the professional advice of statisticians
- unauthorised release of market-sensitive figures after they were improperly obtained by a journalist (the breach here is in allowing unauthorised individuals to have access to the statistics rather than in their subsequent publication)
- early release of administrative statistics for political reasons by a body that had been given pre-release access to them.

Specific examples of cases where the Commission believes there were incidents of the kinds cited above were:

- Early release of Quarterly Crime Statistics and Gun Crime Statistics by the Metropolitan Police Association – one of a number of organisations given pre-release access by the Home Office (October 2003).
- Political comment on Radio 4's Today programme about what the figures would show ahead of the release of applications for asylum by the Home Office (May and November 2003).
- Unauthorised release (before publication) of retail sales figures after they were improperly obtained by a journalist (October 2003).
- Off the record briefing based on management information sources leading to press reports on NHS waiting lists before their publication (April 2003).
- Statistics of delayed discharges from Scottish hospitals quoted in *The Sunday Times* two days ahead of their publication after a 'preview' copy of the report had been widely distributed within the NHS and local authorities (September 2003).
- Press reports of comments by a Minister in the Scottish Executive about statistics of violence in schools ahead of their publication (January 2004).
- Release by a Minister in the Scottish Executive of statistics at a level of local disaggregation that statisticians had undertaken not to publish due to their unreliability at this level of detail (January 2004).
- Movement of the timing of release of the Office of the Deputy Prime Minister's (ODPM's) House Price Index so as not to clash with a political announcement – the index is not strictly covered by the Code of Practice but the Commission believes the action was out of keeping with its spirit (September 2003).
- The Commission wrote to the Department of Health in December 2003 about press stories suggesting that the methodology for producing hospital 'star-ratings' had been influenced for political reasons – again the star-ratings are not strictly covered by the Code of Practice but the principles should still apply.

Issues of political influence or premature exploitation are not the only aspects of the Code that cause the Commission concern but they are particularly sensitive and therefore important for public trust. The Commission is not convinced that all government departments and devolved administrations are yet fully committed to supporting what is essentially a voluntary Code. We shall continue to draw to their attention, and publicise, any cases that seem to us to warrant it – as well as pressing for a statutory Code.

RPI governance arrangements

Commission position

The Statistics Commission is not persuaded that there is public benefit in treating the RPI differently from other key statistics. We believe that this tends to undermine confidence that the construction of the index is handled in a wholly impartial way.

Recognising that methodological changes to the RPI may require the safeguard of formal and independent scrutiny, the Commission believes that a standing advisory committee, reporting publicly to the National Statistician, is the best way to achieve this.

Under the *Framework for National Statistics*, the scope and definition of the Retail Prices Index (RPI) are the responsibility of the Chancellor of the Exchequer – unlike other key economic statistics produced by the Office for National Statistics, where such matters are decided by the National Statistician. The Commission has called for clarification of the Chancellor's role on a number of occasions.

We raised the issue in the context of our response to the draft protocol on Consultation Arrangements Between the National Statistician and UK Government Ministers but the final document made no mention of the Chancellor's role. The National Statistician provided a helpful letter in May 2003 which explained what was meant by 'scope and definition' and 'methodology' but "the procedures by which the Chancellor exercises his role are a matter for him". Questions remain about the reason for the Chancellor's special role and how it is exercised. We believe that a standing RPI advisory committee, reporting publicly to the National Statistician, is the best way to safeguard the independence of methodological changes.

Meaning of 'National Statistics'

Commission position

'National Statistics' should only be used to refer to statistical outputs that have been prepared and managed in accordance with the National Statistics Code of Practice.

In the course of our review of the need for statistical legislation we came to the firm conclusion that the term 'National Statistics' should have only one meaning as indicated in the *Commission position*. At present the term 'National Statistics' has been used in official statements with several different meanings depending on the context. For instance, the June 2000 *Framework for National Statistics*, which introduced the phrase, uses it in various ways – such as a subset of official statistics to which Ministers want the Code of Practice to apply, a brand name for the main statistical outputs, a broad concept of the statistics needed to inform national debate and a framework of ethical values and processes. The Commission believes that there is now some confusion about its meaning and significance and wants it to mean only one thing – that statistics bearing the 'National Statistics' label have been prepared and managed in accordance with the Code of Practice (and there is publicly available evidence for this being the case).

Reliability of statistics

Commission position

We would like to see statistical outputs containing concise statements, written by government statisticians, on their understanding of the main uses to which the data are likely to be put and any observations on the limitations of the data in relation to those uses.

The Commission's *Reliability Study Report* recommended that statistical offices in government departments should improve communication with external users about the purpose of statistical outputs and about their limitations and appropriate use. The concept of reliability in relation to official statistics is complex – they may be reliable for one purpose but not for another – and this needs to be better explained, highlighting the subjective elements of reliability as well as any quantitative measures. This concept of reliability is much broader than simply 'accuracy' or 'precision'. It requires the producers of statistics to pay close attention to the likely use of the figures and to advise accordingly. In our dealings with government departments throughout 2003-04 we have stressed the importance we attach to more open communication about reliability.

Revisions to economic statistics

Commission position

The great bulk of revisions to key economic statistics are simply an inherent, routine and necessary part of statistical work, allowing for updated information to be incorporated in published estimates. This should not be confused with the correction of errors. A lot of the news media criticism of revisions in 2003-04 was ill-informed and unreasonable.

In October 2003 the Commission announced its intention to review the revisions made to key economic series following media criticism and concern about the impact on the work of the Monetary Policy Committee of the Bank of England and the City. The review was carried out for the Commission by the National Institute of Economic and Social Research (NIESR). The Commission's report on revisions to economic statistics was published in April 2004.

One of the main conclusions was that much of the public criticism was unreasonable. Revisions are inevitable if initial estimates of key economic figures are to be available sufficiently early to those who need them to make policy or take decisions. Routine and pre-announced revisions that incorporate updated information are the norm and should not be confused with the correction of errors.

Revisions to GDP were the source of the greatest concern among decision-makers. However, the UK's record on revisions to GDP in recent years compares favourably – in some cases very favourably – with that of other countries. We noted that whilst some of the underlying statistical processes could be improved, this would not have had a major effect on the scale of revisions.

The report also identified a need for greater clarity in the existing National Statistics Code of Practice in relation to the precise time at which a public announcement about an impending exceptional revision ought to be made.

Forecasting in the National Accounts

The Commission published its report *Forecasting in the National Accounts* in December 2003. The report recognised that forecasting plays an essential role in the production of timely estimates of the main macro-economic aggregate statistics. It

Commission position

Forecasting plays an essential role in the production of timely early estimates of key national accounts aggregates. There is a need to assess more systematically the forecasting models used for the early estimates of GDP, to undertake further methodological development, and to introduce greater transparency.

recommended better monitoring of the performance of forecasting models, better communications with users about the role of forecasts in producing national accounts estimates, and the release of more information about the models used.

The Commission returned to the issue of forecasting in the national accounts in its report on revisions to economic statistics (above). One of three major revisions to GDP in 2003 investigated in that report was in part attributable to problems with the forecasts of construction output. The revisions report recommended that ONS should assess more systematically the performance of forecasting models used in the compilation of GDP. It also made a number of detailed recommendations aimed at improving forecasts, both generally and for construction output in particular, through greater transparency and adoption of best practice.

Population Census

Commission position

The 2001 Census was conducted according to the best methodology available for a conventional census, but the methodology failed to cope adequately with the most extreme circumstances. A more multi-lateral approach to population estimates is needed in future.

The 2001 Census was in many respects the most sophisticated ever conducted in Britain. Yet evidence we examined on the use of One Number Census methodology in the Westminster area in 2001 indicated that, when the initial enumeration misses as much of the resident population as it did in Westminster (about a quarter of the populace), even sophisticated estimation techniques may not entirely compensate for the initial absence of reliable data. In simple terms, there is too much uncertainty about the final results in the 'most hard to count' areas.

The work undertaken by, and on behalf of, the Statistics Commission led us to the conclusion that the results of the 2001 Census in Westminster were less reliable than implied by the published confidence intervals. These ranges only captured the uncertainty associated with the sampling involved in the process. Other sources of uncertainty were present but were much less readily quantified. The Office for National Statistics did not have enough reliable information available to provide a confident estimate in this case. We believe that the problems of estimation were compounded by the fact that the concept of 'usually resident population' is particularly difficult to measure in the centre of London.

Some of the organisations most concerned about this problem, notably Westminster City Council which first raised its concerns with the ONS in October 2002, are convinced that the official estimates for their areas are too low. Because of the uncertainties in the estimates, we cannot say whether or not they are right but our work suggested that the original ONS estimates were at the lower end of the plausible range. Further research now being undertaken by ONS (which will be published *circa* mid-2004) will throw more light on this question.

The Commission published its interim report on the 2001 Census in Westminster in October 2003 and received the Government’s response some seven months later in April 2004. This response is summarised against our recommendations below. It was not only somewhat later than we would have expected but a number of the responses to individual recommendations were couched in very general terms. We will update and finalise our report as soon as the further research is completed by ONS.

Commission recommendations on the Census and the Government response

Commission recommendations	Government response
ONS should revisit the Westminster population estimates.	This will be considered after further research by ONS (and is now being taken forward).
A 2006 population count should be pursued, at least for the areas that proved most difficult to count in the 2001 Census. In practice this is likely to mean some areas of inner London.	ONS is committed to “look at options for providing an effective mid-decade population benchmark for London and possibly other large urban areas...”.
The quality of migration data should be addressed with urgency.	Agrees that further development is required and some proposals have been made but implementation “would be some years away” if at all.
A national address register should be a priority for government.	“working ...to develop an agreed way forward”.
ONS should do more to explain their methods.	“ONS is committed to being open and transparent ...” Some specific proposals mentioned.
Government should address its data requirements more systematically.	“agrees that it is important for data requirements to be addressed systematically”.
Other measures of population should be developed as alternatives to ‘usually resident’ population.	“agrees very much needed”. ONS have made a commitment to investigate this issue further.

National address register

Commission position

A single definitive and frequently updated national address database for use by all public authorities should be a priority for government.

The quality of the address lists available for use in the 2001 Census was a material contribution to the low response rates in certain areas and to weaknesses in estimation procedures. There are many different lists of addresses available at local and national level that can be used to support statistical work but they all currently have weaknesses. A single, definitive and frequently updated national address database used by all public authorities would be a major step forward. Attempts to resolve this over the last decade have been bedevilled by the number of government departments and other bodies involved; these include the local authority community, the Post Office, Ordnance Survey, HM Land Registry, ONS and private sector bodies. The Commission will continue to take every opportunity to press the government to resolve the problems and put in place arrangements that will produce a robust database.

Review of health statistics

Commission position

A wide range of organisations, not just the NHS, rely on health statistics as an input to policy and decision-making. All such users, and uses, need to be considered when balancing the costs and benefits of compiling statistics. Health statistics are not unique in this respect but were selected as the first subject area for study.

During 2003 the Commission reviewed the way in which it conducts research on the extent to which National Statistics, in terms of both their substance and their accessibility, are aligned with user needs. The Commission's Research Sub-committee, under the chairmanship of commissioner Martin Weale, undertook to examine a succession of broad areas of statistics, starting with health statistics. The Sub-committee expects to cover all the main fields of statistics over a period of years; work has already commenced on the next review, of school education statistics.

Following the Commission's health statistics seminar on 29 July 2003, the Sub-committee sought a partner to undertake the review of health statistics and this contract was awarded to York Health Economics Consortium. They are working with the support of a project board chaired by commissioner Sir Kenneth Calman. The project is expected to report in summer 2004. Once the initial review has been completed, plans will be made as necessary to follow up its findings in greater depth.

Benchmarking public confidence in official statistics

Commission position

Public confidence in official statistics is essential for the effective working of the state and the effective delivery of public services. Unless decision-makers trust the statistics they will ignore them – and this carries a big economic cost in the long run.

Looking at issues of public trust in official statistics in broad terms, the table below gives an indication of how the Commission presently sees the key factors and the scope for action.

Factor	What the Commission is pursuing or supporting
Uncertainty about how much of a problem there is	Devising quantitative measures etc to show how serious the problem of public trust is; drawing together Parliamentary statements plus newspaper stories.
Confidence in the independence of the official machinery	<ul style="list-style-type: none"> • Demonstrably transparent processes. • New statutory Code and statutory Commission to investigate and pronounce on findings (requires primary legislation). • No early release; all releases calendered. • Appropriate, restricted use of the term 'National Statistics'.
Confidence in professional competence of statisticians and others collecting data	Periodic reviews with independent element, allied to Quality Reviews carried out by the Government Statistical Service, with cross-departmental and external representation.
Are the statistics what users need?	Highlighted in legislation report. RSS umbrella arrangements. Follow up of Quality Reviews. Dialogue with user groups.
Can the users understand the statistics?	<p>Better descriptions of statistics and the limits to their utility in official outputs.</p> <p>Better statistical understanding of intermediaries (eg journalists), politicians and end-users via dialogue (and a long term educational goal).</p>
Decrease in public trust in government generally and spill-over effect	Primary legislation to keep statistical issues separate from general government ones as far as possible.

4 Ongoing issues

As noted earlier in this report, the Commission exists to help ensure that official statistics are trustworthy and responsive to public needs. Ideally we would wish to have information that would tell us the current level of trust, but assessing the level of public trust is not easy. It is likely to be subject to the day-to-day influence of events as reported in the media and to longer term effects as confidence in government generally ebbs and flows.

The Commission is currently working on a series of exercises to:

- devise a more systematic method to assess the general public's confidence in official statistics (being pursued jointly with ONS)
- carry out interviews with those we regard as 'opinion formers'
- understand better how public views are formed.

It remains to be seen how effective this work will be in pointing to ways of enhancing the level of confidence, but it should at least give us a better understanding of the forces at work.

Pensions data

Commission position

The Commission remains concerned about the quality of the available statistical information on contributions to pension funds. We will continue to encourage all parties to work together to find solutions that will support well-informed public debate on issues of pension provision.

Statistics of pension contributions were the subject of much public comment in 2003-04 because of concerns that some financial transfers between companies that manage pensions funds may be being reported to the Office for National Statistics as if they were new contributions. This has the potential to influence substantially the debate on the use of private pensions schemes and this, in turn, is important in the context of pensions policy.

The Office for National Statistics is pursuing a review of these statistics and has provided the Commission and others with information on progress. The Commission has also discussed the issues with the Pensions Commission and the Association of British Insurers. We will re-assess the position and scope for action when the Pensions Commission issues its interim report in September 2004.

Measuring public sector performance

Commission position

Key government targets should be measured by official statistics that are fit for purpose and which are produced to the standards of the National Statistics Code of Practice.

The use of official statistics to create indicators for assessing and managing the performance of public services has grown greatly in recent years. There were a number of reports on the subject in 2003-04. The Commission made a contribution to two in particular. One was by the Public Administration Select Committee *On Target? Government By Measurement* published in July 2003 and the other was by the *Royal Statistical Society Working Party on Performance Monitoring in the Public Services*, published in October 2003.

The Commission's main concern with the use of statistics in performance measurement is that the figures used should be adequate for the task and should not mislead either the managers of public services or the public. At the most basic level, quantified targets should not be set if there is no agreed way to measure progress. Enthusiasm to set targets for public services has at times run ahead of the availability of data to monitor those targets, and this undermines confidence in both statistics and government. Similarly, when systems of indicators become over-elaborated and complex, they may fall into disuse and spread confusion rather than enlightenment. The Commission has contributed to the debate on these and related matters and will continue to do so, engaging with expert bodies such as ONS, the Royal Statistical Society, the National Audit Office and the Audit Commission wherever possible.

Regional and sub-regional data

Commission position

We believe the Government should take rapid action to implement the recommendations of the *Allsopp Review of Statistics for Economic Policymaking* in respect of regional economic statistics.

The Commission believes that the Government has in the past been slow to recognise the depth of demand, and real need, for reliable regional and sub-regional economic statistics. We therefore very much welcomed the report commissioned in 2003 by the Chancellor of the Exchequer from Christopher Allsopp, a leading economist, that recommends extensive improvements. We suspect that the reason that the Government has previously failed to address this matter adequately is that improving regional statistics requires substantial investment and we will be pressing for those resources to be made available. Part of this agenda is a need for clarity about where there should be consistent data across the UK and where the emphasis should be on meeting local needs.

5 Forward look

The Commission's Strategy and Business Plan (see www.statscom.org.uk/media_html/about/business_plan-01.asp) identifies four high level aims:

- To provide independent and reliable advice as a safeguard on the quality and integrity of official statistics, with a particular focus on safeguarding the interests of decision-makers who depend on these statistics.
- To help improve the quality and relevance of official statistics through identifying areas that require improvement and pressing for action.
- To help improve public confidence in the UK statistical system by helping it to improve its services and by celebrating success.
- To carry out the Commission's functions impartially and use resources efficiently, effectively and economically.

The Commission has a number of plans for the year ahead which it will pursue in the context of these aims. These include:

- Promote the case for primary legislation as recommended in our May 2004 report *Legislation to Build Trust in Statistics*.
- Contribute to the review of the non-statutory *Framework for National Statistics*.
- Complete our report on the 2001 Census in Westminster and pursue the recommendations made to the Government in the *Interim Report* in October 2003. The priorities are:
 - to ensure a mid-Census population count is carried out in key 'hard to count' areas
 - to seek more urgent action on improving migration data
 - to press for action on a national address register
 - to ensure agreement on alternative population measures (other than 'usually resident').
- Follow up our review of revisions to economic statistics, published in March 2004, by engaging key politicians, journalists and commentators in discussion with technical experts so as to promote a better understanding of the issues. Ensure that statistical processes continue to be improved.

- Report in Summer 2004 on the Commission’s review of health statistics – this is the first of a series of broad subject-area reviews.
- Engage with the Office for National Statistics and others on the need for further measures to ensure that statistics of contributions to pensions funds are reliable and are adequate to support pensions policy development.
- Consult further the Royal Statistical Society and users of official statistics outside central government on their priorities for improvements and additions to official statistics and support them in developing a consensus.
- Begin work on mapping the ‘use made’ of official statistics in substantive decision-making inside and outside government, with a view to developing and sharing a fuller understanding of the actual and potential added-value of official statistics. This is essential for analysis of the value for money of new investment in statistical outputs.
- Pursue actions proposed in the Commission’s reports on forecasting in the national accounts and on revisions to economic statistics to improve forecasting for national accounts.
- Continue to press for more information to be provided by government statisticians about the reliability and utility of published statistics.
- Examine the National Statistics planning system based around Theme Working Groups.
- Ensure that there is an adequate government response to the Allsopp Report on the need for better regional and sub-regional statistics.
- Consider the adequacy of the enforcement arrangements that ensure that the existing National Statistics Code of Practice is respected across government.
- Examine the release practices adopted by government departments for those official statistics derived from administrative systems and management information systems.
- Take steps to assess the level of public confidence in official statistics, and identify the underlying reasons, as a baseline against which to judge future trends.
- Develop plans for a review of (school) education statistics and carry out that review in 2004-05.
- Examine the comparability of statistics across the UK and whether devolved administrations are receiving the information they need. The Commission will establish a Devolution and Regional Statistics Sub-committee.
- Consider and report on the statistical implications of the development of ‘population registers’ within government.

5 Forward look

- Contribute to the debate on the proper role of statistics, and statisticians, in the setting and monitoring of public service indicators and targets.
- Explore further the scope for government statisticians to present a more integrated set of messages about society and the economy.

This is a substantial work programme for the Commission and we will be seeking wherever possible and appropriate to work in partnership with ONS and other government departments, the Royal Statistical Society, the Statistics Users' Council and other public bodies.

6 Objectives and performance

Performance against objectives

Objective	Performance
Review methods of communication with stakeholders.	We held two meetings with user group chairs and others and sat on the Statistics Users Council as an observer. We met regularly with the National Statistician and his team. We revamped our website to improve the search function. We met key stakeholders in Scotland.
Develop research and intelligence gathering so we can respond to contemporary issues from a firm evidence base.	We set up a sub-committee to steer more systematic planning of research and implemented a new post of Head of Research. A review of revisions to economic statistics was completed and a review of health statistics was started. Plans were put in place for a review of school education statistics. We are following up the responses from the National Statistician to our report on forecasting in the National Accounts and the reliability study.
Complete work on the 2001 Population Census and on longer-term census issues	We published our interim report on the issues raised by Westminster City Council in October 2003 and are waiting for further research to be completed by ONS before preparing our final report.
Ensure that the remaining Code of Practice protocols are put in place as soon as possible, and then monitor how they work	We commented on the outstanding draft protocols. We monitored the application of the Code and commented on the compliance statements and draft implementation plans. We continued to push for, and commented on, guidance for heads of profession in carrying out their responsibilities under the Code of Practice.
Complete our review of the need for statistics legislation.	The review was substantially completed in the year and published on 4 May 2004.

List of reports published 2003-04

Reports

Statistics Commission Annual Report 2003-03. The Stationery Office, July 2003.

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The 2001 Census in Westminster: Interim Report. Statistics Commission Report No. 15, October 2003.

Report of the July 2003 Seminar on Health Statistics. Statistics Commission Report No. 16, November 2003.

Graham Mather, *Comparators to the Statistics Commission*. Statistics Commission Report No. 14, December 2003.

Georgina Fletcher-Cooke, *Effect of the Statistical Legislation Framework in the UK on the Work of the Government Statistical Service*. Statistics Commission Report No. 13, December 2003.

Forecasting in the National Accounts at the Office for National Statistics. Statistics Commission Report No. 12, with an annex by Michael P. Clements and David F. Hendry, December 2003.

Mary Sweetland, *Reliability Study Report*. Statistics Commission Report No. 11, December 2003

Evidence and Comments

Draft Protocol on User Consultation: response of the Statistics Commission. April 2003.

Draft Protocol on Revisions: response of the Statistics Commission. May 2003.

Draft Protocol on Statistical Integration: response of the Statistics Commission. June 2003.

Draft Protocol on Respondent Load: response of the Statistics Commission. June 2003.

Draft Protocol on Data Presentation, Dissemination and Pricing: response of the Statistics Commission. June 2003.

Draft Protocol on Data Matching: response of the Statistics Commission. June 2003.

Draft Protocol on Data Management: response of the Statistics Commission. June 2003.

Draft Protocol on Data Access and Confidentiality: response of the Statistics Commission. June 2003.

Draft Protocol on Customer Service: response of the Statistics Commission. June 2003.

Evidence to the Royal Statistical Society Working Party on Performance Monitoring in the Public Services. October 2003.

Evidence to the Treasury Sub-committee. October 2003.

Evidence to the House of Lords Select Committee on Economic Affairs. December 2003.

Review of Statistics for Economic Policymaking – First Report: Comments from the Statistics Commission. February 2004.

All the above are available on our website: www.statscom.org.uk.

Resources

Grant in aid funding of up to £1.35 million was available. Actual expenditure for 2003-04 was £1.32 million, the main elements of which were staff, accommodation, and research costs. Next year grant in aid funding is increased to £1.75 million to cover the potential cost of a change in accommodation when the lease runs out in March 2005.

Current staffing levels

At the end of the year the Commission had a staff of ten, including five on secondment from their permanent employers and four on fixed-term contracts with our sponsor department. One support post has been filled on a casual basis. A further secondee will be starting at the beginning of April 2004.

Risk management

Risk management and review processes operated throughout the year. During the year the risk strategy was updated, and the risk register reviewed and updated in July and January. The Audit Committee met three times during the year and considered all internal and external audit reports, draft financial statements and the operation of corporate governance arrangements, including the risk management process.

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Annex B: Glossary

Statistics groupings and coverage

National Statistics – those products that are produced in compliance with the National Statistics Code of Practice.

Scope (of National Statistics) – the range of outputs designated by ministers as National Statistics.

Official statistics – statistical outputs prepared by or on behalf of government. This includes National Statistics and other GSS outputs, but could also include published departmental statistics produced by officials who are not part of the GSS, as well as statistics produced by other public bodies.

General characteristics of statistics and statistical systems

Integrity – this term is used by the Commission in the sense of independence and freedom from interference. (It is sometimes used by others to include aspects of quality and completeness as well.)

Relevance – extent to which outputs address the important question of public policy or accountability.

Quality – being sufficiently reliable for their intended use and based on best available methodology. Users need information about reliability to judge whether statistics are fit for their particular purpose. (The term is sometimes used by others also to include aspects of relevance and timeliness.)

Trustworthy – subject to a (well-founded) perception of both integrity and quality.

Timeliness – being produced to a timetable which is appropriate for their purpose(s).

Validity – whether an estimate is measuring what it is intended to measure; relates to conceptual differences as well as measurement errors.

Reliability – this term is used by the Commission in a very general sense to include all aspects of accuracy, relevance and utility

Accuracy – the combination of precision and degree of unbiasedness.

Bias – how far the average of an estimate lies from the true value of what it is estimating.

Precision – the extent to which the value of an estimate is expected to be close to its underlying average.

Processes

Quality assessment – checking whether data meet appropriate quality standards.

Quality assurance – ensuring that data meet appropriate quality standards.

Statistical audit – an evaluation of the processes by which a particular set of statistics is assembled and produced.

User consultation – finding out from users what kind of statistics they want/need and what they think of those they get.

User responsiveness – (see also relevance) undertaking and acting on results of user consultation.

Roles

Users – individuals and organisations making use of statistics.

Providers – those who provide raw data, for example by completing questionnaires, taking part in surveys or sending in information about their businesses.

Suppliers – as for providers.

Producers – those who produce statistics from raw data, for example ONS staff.

Head of Profession – the designated senior individual responsible to the National Statistician for the professional integrity of the outputs of government departments and related bodies which produce National Statistics or official statistics, or which have a group of official statisticians.

Other

Compliance costs – how much time, money and other resources it takes to provide the raw data from which statistics are compiled.

Release practices – how decisions are made about what data to release to whom and when.

Raw data – the individual returns and completed questionnaires from which statistics are produced.

Annex C: List of acronyms

DEFRA	Department for the Environment, Food and Rural Affairs
DH	Department of Health
ESRC	Economic and Social Research Council
GDP	Gross Domestic Product
HoPs	Heads of Profession
NHS	National Health Service
NIESR	National Institute of Economic and Social Research
ODPM	Office of the Deputy Prime Minister
ONS	Office for National Statistics
RPI	Retail Prices Index
RSS	Royal Statistical Society
SUC	Statistics Users' Council

Statistics Commission Financial Statements

For the year ended 31 March 2004

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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. The actual cost of audit services for 2003-04 was £6,756.

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 59) 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 2000.¹

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 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 54 of these accounts.

¹ *Framework for National Statistics*, ISBN 1 85774 382 2, published June 2000

Post balance sheet events

There are no post balance sheet events to report for the period ended 31 March 2004.

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 2003-04 HM Treasury achieved a performance of 81% against this target for all invoices.

Terms of employment, employee relations and communications

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

The Commissioners

The following were commissioners during the period ended 31 March 2004:

Sir John Kingman (chairman until 30 April 2003)	Colette Bowe
David Rhind (chairman from 1 May 2003)	Dame Patricia Hodgson
Sir Kenneth Calman	Janet Trewsdale
Derek Wanless	Martin Weale

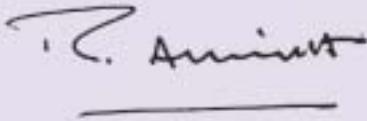
A register of commissioners' interests is maintained by the Commission and is available for inspection on the Commission's website at www.statscom.org.uk.

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

The Forward Look section in the Annual Report outlines key plans for the year ahead. The Commission has been developing its future research programme and plans to undertake research in a number of areas including health, education and benchmarking public trust in statistics. It will also continue to pursue concerns raised by others. The Commission will follow up the recommendations in its previous reports, in particular the 2001 Census in Westminster, the review of revisions to economic statistics and the report Legislation to Build Trust in Statistics.

A handwritten signature in black ink, appearing to read 'R. Alldritt', with a horizontal line underneath it.

Richard Alldritt
Chief Executive
30 June 2004

Statement of the Commission's and the Accounting Officer's Responsibilities

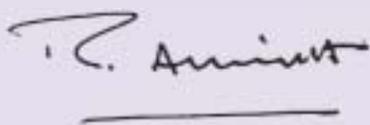
Under paragraphs 31-35 of the Cabinet Office's *Guidance on Codes of Practice for Board Members of Public Bodies*, the Commission is responsible for ensuring propriety in its use of public funds and for the proper accounting for their use. On the authority of the Chancellor of the Exchequer, in his capacity 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. His relevant responsibilities as Accounting Officer, including his 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*.

The Accounting Officer's responsibility for the keeping of proper records includes the responsibility for the maintenance, integrity and upkeep of the accounts on the Commission's website.



Richard Alldritt
Chief Executive
30 June 2004

Statement on Internal Control

Scope of responsibility

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 Statistics Commission is appointed by the Minister for National Statistics and is personally responsible for probity in the conduct of the Commission's affairs. The chairman also has responsibility for providing effective strategic leadership on matters including the formulation of the Commission's strategy for discharging its duties, encouraging high standards of regularity and propriety and promoting the efficient and effective use of resources. The Minister for National Statistics also appoints ordinary members of the Commission. The commissioners including the chairman have corporate responsibility for ensuring that the Commission complies with statutory or administrative requirements for the use of public funds. Commissioners are also responsible for:

- ensuring that high standards of corporate governance are observed at all times;
- establishing the overall strategic direction of the Commission within the policy and resources framework agreed with the Minister for National Statistics; and
- ensuring that the Commission operates within the Framework for National Statistics and the terms of the Management Statement and Financial Memorandum, and in accordance with any other conditions relating to use of public funds.

To help Commissioners fulfil their responsibilities the Commission has produced a statement of all matters which should be reported to Commissioners.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Commission's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Commission for the year ended 31 March 2004 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

Capacity to handle risk

The Commissioners have ultimate responsibility for deciding how much risk can be tolerated and for managing the Commission's risks, in particular for

- conveying their attitude towards risk management to the Chief Executive;
- making decisions which affect the Commission's risk profile or exposure; and
- reviewing at least annually the Commission's risk strategy and the risk register.

The Commissioners have delegated to the Chief Executive the day-to-day responsibility for managing risk within the Commission. The Chief Executive, as informed by senior managers, is responsible for assessing and reporting risk to the Commissioners and the Audit Committee. Commissioners and staff are committed to delivering a robust corporate governance and risk management framework appropriate to the size and type of the organisation. Key staff have received risk awareness and risk management training.

The risk and control framework

The Commission has a risk management strategy which follows the principles of the guidance issued by HM Treasury, NAO and the Office of Government Commerce. The approach developed is appropriate to the particular size and circumstances of the Commission.

The identification and evaluation of risks is undertaken by holding a risk management workshop twice a year, attended by key staff, at which all the operations and activities of the Commission in relation to its objectives are considered and associated risks identified and reviewed. Risks are evaluated by assessing the likelihood and impact of the risk occurring and the risks then categorised according to whether they are high, medium or low. Risk appetites are assessed on a risk by risk basis on the degree to which the Commission should accept inherent risk; should attempt to reduce risk through mitigation and control measures; or maximise opportunity through risk taking. This judgement is reached taking into account the Commission's general approach to risk and the attitude of the Commissioners to risk management. The Commission considers its risk priorities to be building links with stakeholders, research and strategy and internal management processes.

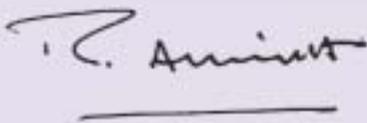
Each risk is assessed for the most appropriate way to manage it and responsibility for action assigned to individuals. Risks identified are recorded in a risk register together with the Commission's evaluation and planned action. At the lower level staff have included action for addressing risks in their work objectives and include risk assessment in project reports.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the Commission who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of effectiveness of the system of internal control by the Commissioners and the audit committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The main processes which have been applied in maintaining and reviewing the effectiveness of the system of internal control were:

- Commissioners approved the Business Plan and monitored progress at their meetings held six times per annum. From January 2004 a monthly progress report was submitted to Commissioners. The Commissioners received periodic reports from the Chairman of the audit committee.
- The audit committee met three times during the year and examined all internal and external audit reports and reviewed the risk management strategy and progress on maintaining the risk register and addressing the risks identified.
- Two risk management workshops were held during the year attended by key members of staff, during which staff re-evaluated the risks likely to threaten the achievement of the Commission's objectives and reviewed progress on the control strategies. Progress on, and changes to the risk register were reviewed by the audit committee.
- Regular reports from staff to the Chief Executive on the steps they took to manage risks in their areas of responsibility including progress reports on key projects.
- The Commission's internal audit service operates to Government Internal Audit Standards. The Head of Internal Audit submitted regular reports to the Chief Executive, and 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.
- A management letter from the NAO to the Chief Executive on the outcome of its annual audit of the accounts.



Richard Alldritt
Chief Executive
30 June 2004

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

I have audited the financial statements on pages 54 to 69. 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 58.

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

As described on page 48, the Commission and the Accounting Officer are responsible for the preparation of the financial statements in accordance with Treasury directions and for ensuring the regularity of financial transactions. The Commission and the Accounting Officer are also responsible for the preparation of the Annual Report. My responsibilities, as independent auditor, are guided by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

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 49 to 51 reflects the Commission's compliance with Treasury's guidance on the 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. I am not required to consider, nor have I considered whether the Accounting Officer's Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Commission's corporate governance procedures or its risk and control procedures.

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 Commission and 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 2004 and of the surplus, 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

5 July 2004

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

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR
ENDED 31 MARCH 2004

		2004		2003	
	Note	£	£	£	£
Income					
Grant in aid	2		1,331,392		1,079,733
Other operating income	3		74,293		74,822
			<u>1,405,685</u>		<u>1,154,555</u>
Expenditure					
Staff costs	4	514,234		452,778	
Commissioners' fees	5	61,917		66,500	
Other administration costs	6	672,831		592,949	
Depreciation	7	74,095		74,822	
Cost of capital charge/(credit)	12	869		(26,791)	
			<u>1,323,946</u>		<u>1,160,258</u>
Retained surplus/(deficit) transferred to/(from) General Fund					
	12		<u>81,739</u>		<u>(5,703)</u>

The notes on pages 58 to 69 form part of these accounts

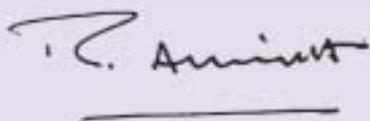
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 MARCH 2004

	2004 £	2003 £
Retained surplus/(deficit) for the year	81,739	(5,703)
Unrealised surplus on the revaluation of tangible fixed assets	<u>3,974</u>	<u>11,975</u>
Total recognised gains for the year	<u><u>85,713</u></u>	<u><u>6,272</u></u>

The notes on pages 58 to 69 form part of these accounts

BALANCE SHEET AS AT 31 MARCH 2004

		2004		2003	
	<u>Note</u>	£	£	£	£
Fixed assets					
Tangible assets	7		81,061		145,144
Current assets					
Debtors	8	441,979		436,809	
Cash at bank and in hand	9	9,987		17,390	
				<u>454,199</u>	
		451,966			
Creditors: amounts falling due within one year					
	10	(478,454)		<u>(568,640)</u>	
Net current liabilities					
			(26,488)		(114,441)
Creditors: amounts falling due after more than one year					
	11		<u>—</u>		<u>(8,255)</u>
Net assets					
			<u>54,573</u>		<u>22,448</u>
Reserves					
General fund	12		(26,488)		(122,696)
Government grant reserve	12		81,061		145,144
			<u>54,573</u>		<u>22,448</u>



Richard Alldritt
Chief Executive
30 June 2004

The notes on pages 58 to 69 form part of these accounts

CASH FLOW STATEMENT FOR THE YEAR
ENDED 31 MARCH 2004

	Note	2004 £	2003 £
Net cash outflow from operating activities	13	(8,466)	(977,356)
Capital expenditure			
Payments to acquire tangible fixed assets		<u>(5,173)</u>	<u>(7,882)</u>
Net cash outflow before financing		(13,639)	(985,238)
Financing			
Grant in aid for capital expenditure		<u>6,236</u>	<u>7,882</u>
Decrease in cash and cash equivalents	9	<u>(7,403)</u>	<u>(977,356)</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 2004 shows net current liabilities of £26,488 and the income and expenditure account for the year shows a retained surplus of £81,739. 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 2004-05 of £1.75 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.

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.

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.

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 3.5% (2002-03 – 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

The Commission is a non-statutory organisation and cannot directly employ staff. So everyone other than temporary staff is seconded to the Commission. The parent organisations of staff seconded to the Commission invoice the Commission for the pension and social security costs of the individual secondees. Most past and present Commission staff are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) which is an unfunded multi-employer defined benefit scheme. A full actuarial valuation was carried out as at 31 March 2003. Details can be found in the resource accounts of the Cabinet Office.

2. Grant in aid

	31-Mar-04	31-Mar-03
	£	£
Grant receivable from Request for Resources 1	1,337,628	1,087,615
Transfer to government grant reserve in respect of fixed asset additions	(6,236)	(7,882)
	1,331,392	1,079,733

3. Other operating income

	31-Mar-04	31-Mar-03
	£	£
Transfer from government grant reserve in respect of depreciation charge	74,095	74,822
Transfer from government grant reserve in respect of deficits on revaluation	198	–
	74,293	74,822

4. Staff costs

	31-Mar-04	31-Mar-03
	£	£
a. Staff costs for the year comprised:		
Wages and salaries (staff on secondment)	391,420	304,588
Wages and salaries (temporary staff)	27,179	78,657
Social security costs	43,690	23,319
Other pension costs	51,945	46,214
	514,234	452,778

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.

Wages and salaries (staff on secondment) and social security costs include £34,625 (2002-03 – £Nil) and £10,214 (2002-03 – £Nil) respectively in respect of tax and NIC on the Chief Executive's benefits in kind for the three years to 2002-03.

- b. The average number of persons contracted to work for the Commission during the year was as follows:

	31-Mar-04	31-Mar-03
	Number	Number
Senior staff on secondment	1	1
Other staff on secondment	8	7
Temporary staff	1	2
	<u>10</u>	<u>10</u>

- c. Emoluments of the chief executive:

The salary, pension entitlements and value of any taxable benefits in kind of the chief executive were as follows:

Name	Salary, including performance pay	Benefits in kind (rounded to nearest £100)	Real increase in pension and related lump sum at age 60	Total accrued pension at age 60 at 31/3/04 and related lump sum	CETV at 31/3/03 or start date (nearest £000)	CETV at 31/3/04 or end date (nearest £000)	Real increase in CETV after adjustment for inflation and changes in market assessment factors (nearest £000)	Employer contribution to partnership pension account including risk benefit cover – to nearest £100
	£000	£	£000	£000	£000	£000	£000	£
Gill Eastabrook								
Until								
26 August 2003	25-30	11,100	0-2.5	20-25	281	307	8	–
Richard Alldritt								
From 26 August 2003	45-50	26,400	2.5-5	25-30	296	352	34	–

Salary

Salary' includes gross salary; performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by the Inland Revenue as a taxable emolument. The chief executive received benefits in kind consisting of lodging allowance, travel costs and settlement of the related tax liability.

Pension

Pension benefits are provided through the CSP 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). The Schemes are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, and classic plus are increased annually in line with changes in the Retail Prices Index. New entrants after 1 October 2002 may choose between membership of premium or joining a good quality 'money purchase' stakeholder arrangement with a significant employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium and classic plus. Benefits in classic 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. For premium, 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 give up (commute) some of their pension to provide a lump sum). classic plus is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per classic.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement). Further details about the CSP arrangements can be found at the website www.civilservice-pensions.gov.uk

Columns 5 & 6 of the above table show the member's cash equivalent transfer value (CETV) accrued at the beginning and the end of the reporting period. Column 7 reflects the

increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the CSP arrangements and for which the CS Vote has received a transfer payment commensurate to the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

5. Commissioners' fees

The chairman is paid an annual fee of £28,000 (2002-03: £28,000) for 60 (2002-03: 60) days work and each of the commissioners is paid an annual fee of £5,500 (2002-03: £5,500) for 20 (2002-03: 20) days work. The actual amounts paid during the year were:

	31-Mar-04	31-Mar-03
	£	£
Sir John Kingman (chairman until 30 April 2003)	2,333	28,000
David Rhind (chairman from 1 May 2003)	26,584	5,500
Colette Bowe	5,500	5,500
Sir Kenneth Calman	5,500	5,500
Dame Patricia Hodgson	5,500	5,500
Janet Trewsdale	5,500	5,500
Derek Wanless	5,500	5,500
Martin Weale	5,500	5,500
	61,917	66,500

In addition, expenses amounting to £7,789 (2002-03: £7,770) were reimbursed to the commissioners.

6. Other administration costs

	31-Mar-04	31-Mar-03
	£	£
Rent, rates and service charges	277,278	271,489
Consultants and professionals	27,849	17,369
IT current	63,951	48,094
HM Treasury notional costs	13,600	13,255
External auditors' fees	6,756	6,756
Commissioners' expenses	7,789	7,770
Training	13,027	5,843
Research costs	143,575	118,134
Printing and stationery	28,743	18,817
Other costs	90,263	85,422
	<u>672,831</u>	<u>592,949</u>

Other costs include £198 (2002-03: £Nil) for the downward revaluation of tangible fixed assets.

7. Tangible fixed assets

	IT Equipment £	Office Equipment £	Furniture & Fittings £	Leasehold Improvements £	Total £
Valuation					
At 1 April 2003	31,985	3,637	100,487	231,963	368,072
Additions	3,640	–	2,596	–	6,236
Revaluation	(333)	(54)	(497)	19,492	18,608
At 31 March 2004	<u>35,292</u>	<u>3,583</u>	<u>102,586</u>	<u>251,455</u>	<u>392,916</u>
Depreciation					
At 1 April 2003	30,608	2,209	55,728	134,383	222,928
Charge for year	2,570	717	20,517	50,291	74,095
Revaluation	(278)	(43)	(365)	15,518	14,832
At 31 March 2004	<u>32,900</u>	<u>2,883</u>	<u>75,880</u>	<u>200,192</u>	<u>311,855</u>
Net book value					
At 31 March 2004	<u>2,392</u>	<u>700</u>	<u>26,706</u>	<u>51,263</u>	<u>81,061</u>
At 31 March 2003	<u>1,377</u>	<u>1,428</u>	<u>44,759</u>	<u>97,580</u>	<u>145,144</u>

8. Debtors

	31-Mar-04 £	31-Mar-03 £
Accrued income – Grant in aid (see Note 1c)	438,243	427,615
Prepayments	3,736	6,315
Other debtors	–	2,879
	<u>441,979</u>	<u>436,809</u>

9. Cash at bank and in hand

	31-Mar-04	31-Mar-03
	£	£
At 1 April	17,390	994,746
Decrease in cash in the year	(7,403)	(977,356)
At 31 March	<u>9,987</u>	<u>17,390</u>
Bank account at Office of Paymaster General	9,982	17,384
Cash in hand	5	6
	<u>9,987</u>	<u>17,390</u>

10. Creditors: Amounts falling due within one year

	31-Mar-04	31-Mar-03
	£	£
Amount payable to HM Treasury	333,363	420,683
Trade creditors	24,976	71,440
Other creditors	8,252	11,000
Accruals	111,863	65,517
	<u>478,454</u>	<u>568,640</u>

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

	31-Mar-04	31-Mar-03
	£	£
Other creditors	-	8,255
	<u>-</u>	<u>8,255</u>

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:

	31-Mar-04	31-Mar-03
	£	£
Within 1 to 2 years	-	8,255
	<u>-</u>	<u>8,255</u>

12. Reserves

	Government		Total
	Grant Reserve	General Fund	
	£	£	£
At 1 April 2003	145,144	(122,696)	22,448
Surplus for the year	–	81,739	81,739
HM Treasury notional costs	–	13,600	13,600
Reversal of cost of capital credit	–	869	869
Surplus on revaluation of fixed assets	3,974	–	3,974
Deficit on revaluation of fixed assets	(198)	–	(198)
Grant for fixed assets additions	6,236	–	6,236
Depreciation transferred to income and expenditure account	(74,095)	–	(74,095)
As at 31 March 2004	<u>81,061</u>	<u>(26,488)</u>	<u>54,573</u>

13. Reconciliation of operating surplus to net cash outflow from operating activities

	31-Mar-04	31-Mar-03
	£	£
Operating surplus/(deficit)	81,739	(5,703)
Adjustment for non-cash transactions:		
Depreciation	74,095	74,822
Notional support costs	13,600	13,255
Cost of capital/(credit)	869	(26,791)
Deficit on revaluation of fixed assets	198	–
Release from government grant reserve	(74,293)	(74,822)
Adjustment for movements in working capital other than cash:		
Decrease in creditors	(99,504)	(524,604)
Increase in debtors	(5,170)	(433,513)
Net cash outflow from operating activities	<u>(8,466)</u>	<u>(977,356)</u>

14. Commitments under operating leases

The annual commitment under operating leases were as follows:

	31-Mar-04	31-Mar-03
	£	£
Land and buildings		
Lease expiring within one year	194,323	194,323
	<u> </u>	<u> </u>

15. Contingent liabilities

The Statistics Commission had no contingent liabilities at 31 March 2004.

16. Capital and other commitments

In March 2004, the Statistics Commission appointed York Health Economics Consortium to carry out a review of Health Statistics at a total cost of £70,177, of which £21,053 was paid during 2003-04.

The Statistics Commission had no capital commitments at 31 March 2004.

17. Related party transactions

During the year, HM Treasury provided total grant in aid of £1,337,628 (2002-03: £1,087,615). Any costs incurred by the Statistics Commission are disbursed by HM Treasury on the Commission's behalf. The Statistics Commission reimburses HM Treasury for these payments on a quarterly basis.

During the year the Statistics Commission received recruitment, finance, health and safety, security and procurement services from HM Treasury, for which notional charges of £13,600 (2002-03: £13,255) are made.

During the year, following a tender exercise, the Statistics Commission contracted the National Institute of Economic and Social Research (NIESR) to undertake a review of Revisions to Economic Statistics. One of the Commissioners, Martin Weale, is also Director of NIESR. To avoid a possible conflict of interest he was excluded from the procurement process within the Commission.

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 the Statistics Commission.

18. Financial instruments

Financial Reporting Standard (FRS) 13, Derivatives and Other Financial Instruments, requires disclosure of the role which financial instruments have had during the year in creating or changing the risks an entity faces in undertaking its activities. As permitted by FRS 13, debtors and creditors which mature or become payable within 12 months from the balance sheet date have been omitted from these disclosures. Because of the largely non-trading nature of its activities and the way it is financed, the Commission is not exposed to the degree of financial risk faced by business entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS 13 mainly applies. The Commission has limited powers to borrow or invest funds, financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing the Commission in undertaking its activities.

Liquidity risk

The Commission's net revenue resource requirements are largely funded by grant in aid from its sponsor department. The capital expenditure is also financed through grant in aid. The Commission is therefore not exposed to significant liquidity risks.

Interest rate risk

The Commission is not exposed to any interest rate risk.

Foreign currency risk

The Commission's exposure to foreign currency risk is not currently significant.



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