

Statistics Commission

ANNUAL REPORT 2000-01

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To be laid before Parliament by the Economic Secretary to the Treasury

Contents

Background.....	3
Strategic context and direction.....	5
The Commissioners.....	8
Building links with stakeholders.....	10
Initial audit/research programme.....	14
Other issues considered.....	17
The need for statistical legislation.....	20
National Statistics code of practice.....	20
National Statistics High Level Programme and Quality Reviews.....	20
Resources and ways of working.....	20
Forward look.....	22
Glossary.....	24
Statistics Commission Financial Statements for the 10 months ended 31 March 2001.....	27



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Chairman's foreword

I am pleased to be introducing the first annual report of the Statistics Commission, covering the period from our launch in June 2000 until March 2001.

The Chancellor of the Exchequer, as Minister for National Statistics, established the Commission as part of the new arrangements for National Statistics, to help ensure that National Statistics are trustworthy and responsive to public needs.

He charged us to operate independently of ministers and of the producers of National Statistics. We report through him to Parliament and the general public both on the annual report of the National Statistician and on the way we have fulfilled our own remit. In order to give a prompt account of our own activities, we are reporting now on the latter. Later this year we will make a considered assessment of the National Statistician's report which is, we understand, likely to be produced about the same time as ours, but which we do not see in advance of publication.

It is important that National Statistics should meet the needs of users, from the Governor of the Bank of England to the school student. They should also take account of the interests of other stakeholders, ranging from members of the public and firms which supply the raw data of which the statistics are made, to wider stakeholders such as Parliament. We have reported separately to the Economic Secretary to the Treasury on our work to build links with stakeholders. We indicated that, at least in the shorter term, we would be focusing on building informal links and understanding stakeholder perspectives, rather than on building mechanistic structures which might constrain and potentially exclude key interests which have not yet been identified.

We have launched a number of audit and research projects in specific areas and considered a range of issues raised with us by a number of people and groups, which we discuss in the main body of the report.

In this initial period, we have also played our part in developing the new National Statistics infrastructure for the whole of the United Kingdom. Although the changes are relatively recent, we do not think it is too early to begin to consider whether there is a need for statistical legislation. As part of this, we need to be able to consider how effective the National Statistics code of practice is. We have been very disappointed that, because the code has not yet been issued for consultation, we have been unable either to contribute to its development or to monitor its application, as we fully propose to do. We expect the National Statistician to make much more rapid progress on the code, which should be a lynchpin of the new arrangements.

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



Discussing the accounts with the auditor.

Background

Following a comprehensive overhaul of the UK's arrangements for its official statistics, the new National Statistics framework was launched in June 2000. The initial scope designated as National Statistics all statistical outputs of the Office for National Statistics and many of the key public interest statistics produced by other government departments and devolved administrations. The *Framework for National Statistics*¹ outlined the new governance arrangements, including setting up the Statistics Commission as an independent watchdog.

Our mission is to help ensure that National Statistics are trustworthy and responsive to the developing needs of the public. We advise on the quality assurance and priority setting for National Statistics and on the procedures designed to deliver statistical integrity. We also advise ministers of areas of widespread concern about the quality of official statistics, so that they can take these considerations into account in determining priorities and making decisions about National Statistics.

The Commission is appointed by the Chancellor of the Exchequer, as Minister for National Statistics, but is charged with operating independently of ministers and of the producers of National Statistics, and with carrying out its functions in a fully open and transparent way.

We report through ministers to Parliament and the general public on both the annual report of the National Statistician and the way we have fulfilled our own remit. We have chosen in our first year to do this via separate reports, so that we can give a prompt account of our own activities in the year to March 2001, and then make a considered assessment of the National Statistician's annual report which is, we understand, likely to be produced at about the same time as ours.



The chairman and chief executive gave evidence to the Treasury Committee's enquiry into National Statistics.

¹ Framework for National Statistics, ISBN 1 85774 382 2, published June 2000
www.statistics.gov.uk/about-ns/downloads/framedoc1.pdf

Strategic context and direction

The fundamental driver for our work is the importance of trustworthy statistics in a democratic society. These are needed to support the business of government, but also to give people in general a clear picture of the economy and society, and allow them to assess the impact of government policies and actions. National Statistics also provide essential information for commerce, industry and researchers and to meet international requirements, and it is part of our job to assess whether these user needs are properly understood and efficiently met.

The Commission works on behalf of all users – for example:

- The Monetary Policy Committee uses a wide range of economic data to set interest rates.
- Epidemiologists study statistics on infant mortality to understand and tackle its causes.
- Local and central government use population data to allocate resources and plan services.
- Businesses use trade statistics to understand their markets.
- Parents use information about exam results to help make decisions about schooling.
- Disability organisations use the Labour Force Survey to find out about disabled people's experience of employment.
- Citizens as consumers use a wide range of statistics to judge the performance of public services.

As well as presenting a picture of society and how it is changing, the statistics collected, and the way in which they are collected and presented, need to reflect changes in society. But they also need to be published consistently over time, so that trends can be recognised.

Better and more widely available information and communications technology can provide more efficient ways of collecting, processing and disseminating data, but it also changes the needs for statistics: first, by changing expectations about access so that, for example, people expect detailed figures to be available quickly over the internet; second, these changes directly affect society and the economy, and so change what needs to be measured. Business surveys need to be designed to make sure they reflect the growth of e-commerce. Social surveys need to reflect the way access to the internet via a home computer becomes more and more a normal expectation.

Rising expectations of freedom of information, and emphasis on consumers' rights in relation to both public and commercially provided services, both affect the topics of interest (statistics on complaints, for example) and encourage greater demand for information on services provided, such as on hospital waiting times or school examination results.

One of the other key changes in society which has major implications for National Statistics is greater emphasis on understanding the diversity of people and areas. The need for statistics to

include characteristics of individuals, such as gender, ethnicity and disability, is one part of that, but so is the greater focus on understanding geographical diversity. Devolution has created additional demand for data, not just in relation to devolved administrations, but also by raising consciousness of regional differences within England. Local government's own needs and increasing emphasis on small area statistics, especially, but not solely, in the context of social exclusion, all add to the complexity of what our society demands from its National Statistics.

Changes in society do not just point to the collection of more and more data. Greater recognition of the burden on business of "red tape", and of the rights of individuals (including to privacy), mean that a balance needs to be struck between the benefit to society as a whole, or to some individuals, from more or better data, and the burden on others of supplying it.

What all of this means is that the demands on our producers of National Statistics are increasing in complexity, and satisfying them is a task requiring careful professional judgement and a constant need to assess the legitimacy of demands versus the cost-effectiveness of meeting them. It is an important part of our job to keep watch over the continuing ability of the producers of National Statistics to perform this balancing act.

What do not change are the fundamental characteristics National Statistics have to demonstrate:

integrity;
quality;
relevance/user responsiveness.

These are constant themes running through our considerations.

Integrity

Integrity, and the perception of integrity, are vital. Public confidence that no-one is "fiddling the figures" is of course essential, but more than that is required. The process by which decisions on collection and dissemination of statistics are made must also be totally transparent.

Quality

To be trusted and trustworthy, statistics must also be accurate enough, and based on the best available methodology. The former is not an absolute standard, and data may have multiple uses, some of which require very precise figures whereas others just need a broad indication of the trend or relative magnitudes. Quality involves ensuring that users have the information to decide whether the figures are fit for a specific purpose.

Relevance

Most of all, trustworthy but irrelevant statistics are no use. The data collected must take account of the needs of users – all users, not just those in government.

We have noticed in our early discussion of these, both among ourselves and with different stakeholders, that while all agree that these three are important, there are different views of precisely what they mean. For example, some people use the term "integrity" to cover all the essential characteristics rather than in the specific sense of independence and freedom from interference which we have used. We do not argue that our use is the only correct one: as Humpty

Dumpty said “When I use a word, it means just what I choose it to mean – neither more nor less”, but we decided it would be helpful, in this our first annual report, to offer some definitions which explain the terms, not because we want to impose our meaning on others, but so all are clear what we mean. We have not attempted a complete glossary of statistical terms but have focused (see pages 24 and 25) on those words frequently used in discussion of official statistics, some of which have a slightly different or more specific meaning in this context. Equally, we have not restricted ourselves to terms we have used in this document.

As this report briefly shows, we have tackled, and will continue to tackle, different topics in different ways, both to suit the variety of the issues we are considering and to test out what sort of approach works best. But there are a few common principles underpinning our approach:

- our contributions must be thoroughly researched and considered. We resist responding without due study and consideration to topical issues just because they are topical;
(for example, we did not join the debate about whether a tick box for indicating Welsh nationality should have been included in the census form when it was raised last summer, but will look at the wider issues of language and nationality in the census when some results are available for study)
- we see our remit as to check that the National Statistician has proper processes in place, and that they are delivering the required outcomes. We cannot, and should not, undertake his quality assurance or user consultation for him;
(for example, we have alerted him to our concern that users need better information on reliability but have not laid down how best to do this in specific areas)
- we look at specific examples but with the aim of drawing out general points from these;
(for example, one of our reasons for looking at the NHS Cancer Plan was to draw wider lessons about monitoring the implementation of policies)

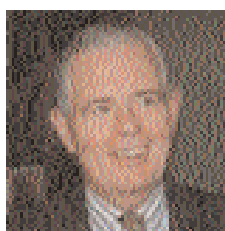


Several of us visited the main ONS data collection sites to improve our understanding of how National Statistics are produced.
(Photograph courtesy of ONS).

Who are the Commissioners?

Commissioners come from a wide range of backgrounds, but we have one thing in common: a good understanding of statistical issues and of the value of trustworthy statistics in democratic debate.

The Chairman



Sir John Kingman

Sir John Kingman is chairman of the Commission. He has been Vice-Chancellor of the University of Bristol since 1985, but will leave later this year to become Director of the Isaac Newton Institute for Mathematical Sciences at Cambridge. He is a Chartered Statistician and a former President of the Royal Statistical Society. He has been Chairman of the Science and Engineering Research Council, and has served as a non-executive director of IBM (UK) Holdings Ltd, SmithKline Beecham plc and the Bristol Technology Group.

The Commissioners



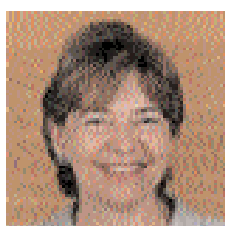
Sir Kenneth Calman

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 is a surgeon by training and has a particular interest in the field of cancer treatment and research. He is currently Chairman of the Institute for Learning and Teaching.



Colette Bowe

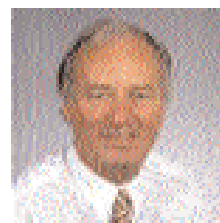
Colette Bowe is a non-executive director of Thames Water Utilities, and was previously the chairman of Fleming Asset Management's European mutual fund business. She has worked for 12 years in the City, including four years as chief executive of the Personal Investment Authority, the city regulator. Before that she spent 11 years in the Department of Trade and Industry, which she joined as a professional economist. She is also a member of the Council of Queen Mary College.



Patricia Hodgson

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

David Rhind is Vice-Chancellor and Principal of City University, London. He is also currently chairing a national review of the social sciences. A Chartered Surveyor, he was until 1998 the Director General of Ordnance Survey, Britain's national mapping organisation and a government department. He has been a Council Member of the Economic and Social Research Council and of the Royal Geographical Society. In past times, he was centrally involved in building major statistical databases, notably of census data.



David Rhind

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 and member of the Statistics Advisory Committee (NI). For the past 19 years she has represented the RSS on the Statistics Users' Council.



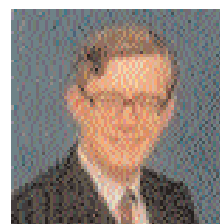
Janet Trewsdale

Derek Wanless is a director of Northern Rock plc, Forces Group Ltd, Business in the Community and Nesta Enterprises Ltd. He is Chairman of the Financial Services National Training Organisation and a Trustee of the National Endowment for Science, Technology and the Arts. He undertakes a variety of consultancy projects, including one currently for the Chancellor of the Exchequer on future health trends. He worked for NatWest for 30 years and was its Group Chief Executive for 7 years. He has an MA in Mathematics from Cambridge University and qualified as a Member of the Institute of Statisticians (MIS).



Derek Wanless

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, and, before that, 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.



Martin Weale

The Chief Executive

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



Gill Eastabrook

Building links with stakeholders

General approach

The white paper *Building trust in statistics* envisaged that the government would ask the Commission to “recommend to Ministers . . . its own machinery for covering the interests of users and producers of National Statistics...”. Although no formal request was made, we took up the spirit of this, and reported to the Economic Secretary to the Treasury in December. We extended our interpretation of the task slightly to cover the full range of stakeholders in National Statistics.

Our report identified three specific groups of stakeholders: users and producers of National Statistics, and providers of the raw data on which they are based. It also noted the importance, as a fourth group, of wider stakeholders, including Parliament, employers, trade unionists or professional societies and, ultimately, the general public.

We stressed our focus on building informal links first (see photographs throughout), then considering the need for more formal structures in the longer term and taking account of stakeholder views.

The full report can be found on our website².



The chairman addressed the Royal Statistical Society. He is seen here with Denise Lievesley, president of the RSS, and Len Cook, the National Statistician. (Photograph courtesy of RSS).

Links with devolved administrations

One issue which had not been fully resolved when National Statistics was launched was the way we should operate in relation to the devolved administrations. We felt it right to let the administrations themselves “make the running” and decide how they wished us to be involved, but we are very pleased to report that we have now been approached by all three of them. We were delighted to take up their invitations that we should relate to them in broadly the same way as we do to the UK Government and Parliament.

¹ www.statscom.org.uk/resources/reports-docs/blwsreport.pdf



We have established links with the Transport Statistics User Group.



Ordinary people use statistics too.



The chief executive has visited Local Government Association Staff.

Initial audit/research programme

We recognised that in our first (part) year we would not be able to complete a great deal of quality assurance work. We were keen, however, to initiate some “audit” type projects in specific areas which could yield substantive conclusions in their own right, but would also allow us to test different ways of working. We chose five topics which were important in their own right, but which also provided a contrasting range of work. For example, some of these our secretariat could investigate, others needed input from individual commissioners and others needed us to seek input from external experts.

Reliability of National Statistics

We noted in our earliest discussions that it is important to get the numbers right, but that few sets of statistics will be 100% accurate. What matters is that users should be able to understand the limitations of the data they are using, and judge whether they are fit for their purposes. We have discussed with the National Statistician the importance we attach to this.

To include good information on reliability across the full range of National Statistics outputs will represent a major task. We have asked the Office for National Statistics to establish the baseline position, perhaps initially for a subset of outputs. They completed an initial step – producing a full list of all National Statistics outputs – in February 2001, and are now, following discussion with us, taking this forward.

We are disappointed that it has not been possible for them to make progress as quickly as they originally hoped. We hope that follow-up work will be properly resourced in the coming months.

National Statistics to monitor the *NHS Cancer Plan*

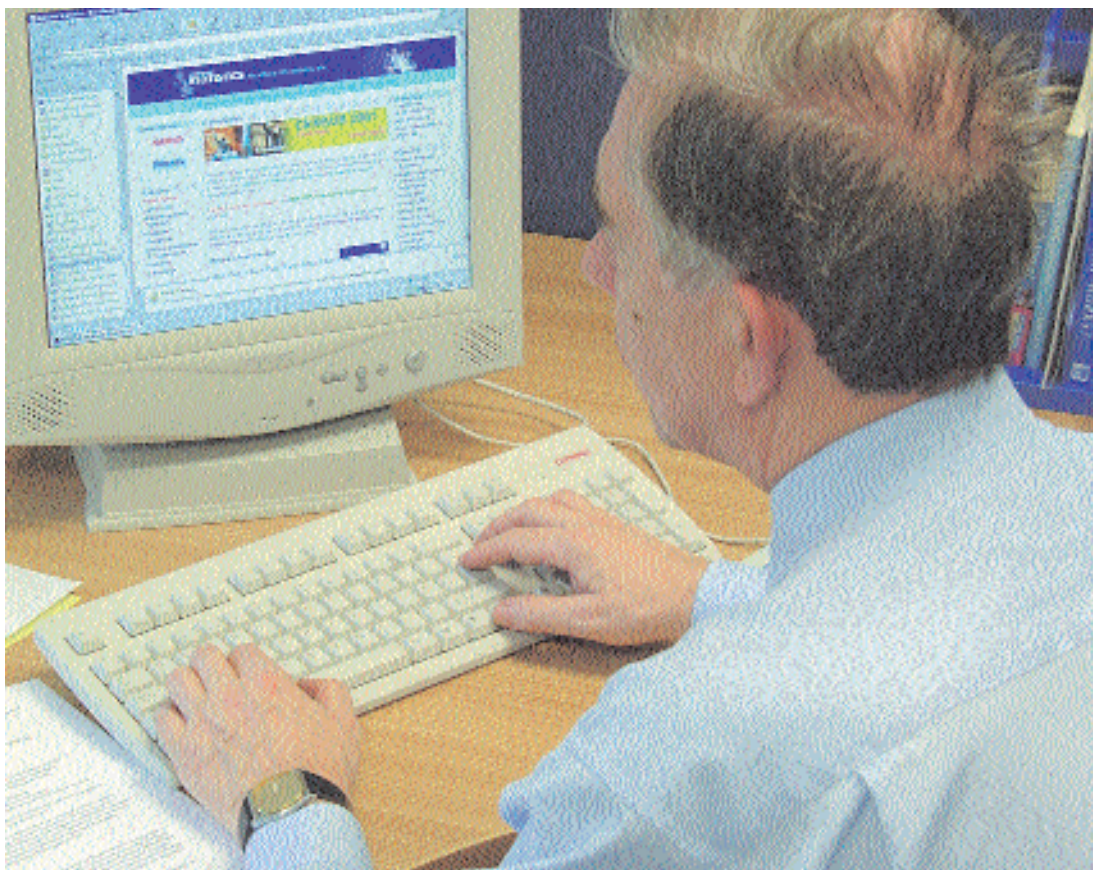
There were several reasons for choosing this as one of the first areas for a scoping study to assess the case for further more substantial work. There are high levels of concern about cancer care and recognition that policy needs to be rooted in facts. The need to balance other more economic statistics based projects with one from the social area was another driver, as was a desire for work with the potential to draw out wider lessons about the use of National Statistics to monitor policy implementation. The National Statistician had also drawn the Commission’s attention to the difficult confidentiality issues relating to cancer registries. All these made it an obvious high priority topic in the health field.

The study has not advanced beyond the “pre-scoping” or initial stage because some key documents we had hoped to study will not now be available until summer 2001. There was also uncertainty, now resolved, about whether we would have access to the key *Service and Financial Framework* material. However, an initial examination of the *NHS Cancer Plan* itself, along with some discussions with Department of Health and Office for National Statistics staff, have confirmed the initial rationale. Two other potential issues have also been identified:

- there may be issues relating to the speed with which National Statistics can respond to any new monitoring requirements if these are not identified promptly. The scoping study will need to take account of this;
- independently of this project, our attention has also been drawn to the potential implications of the concordat with the private sector for the completeness of data used to monitor the quality and outcome of care for NHS patients. This could be particularly important for cancer patients.

Use of seasonal adjustment in ONS

We chose this topic partly for its intrinsic importance to a very substantial range of economic statistics, but also as an example of a technical/methodological issue which cut across a number of National Statistics outputs. Contrary to our normal approach of looking in specific areas, or right across National Statistics, we restricted ourselves to the Office for National Statistics itself. We found, in our pre-scoping discussions with ONS, that they were in the later stages of an internal review, so we deferred our scoping study until May/June 2001, when we could take account of the reports of that exercise. We have commissioned Professor Ken Wallis of Warwick University to undertake the scoping study, then to assess whether, *prima facie*, a useful purpose would be served by a substantive study of seasonal adjustment procedures used at ONS.



Commission staff using the National Statistics website.

Quality of Regional GDP estimates

As indicated earlier, we see the increasing need for, and emphasis on, data below national level as one of the most important issues for National Statistics at the moment. As well as pointing to production of more disaggregated estimates, this raises questions about the fitness for purpose of existing estimates, such as regional level GDP estimates, whose original uses may have been less demanding than current needs. Regional GDP estimates are now used in a wide range of contexts, including allocation of EU structural funds and public service agreement (PSA) targets for regional growth, as well as being important for devolved administrations.

We are aware of anecdotal evidence of concerns about the quality of regional GDP estimates, and had originally intended to commission our own research in this area. As the National Statistics quality review programme has identified this as a topic for its 2001-02 programme, however, rather than risk duplication we will make formal recommendations on the scope of the review to the National Statistician.

Check on progress with the Average Earnings Index

We were conscious that the *Review of the Revisions to the Average Earnings Index (AEI)* published in 1999 (Turnbull King Report)³ had been an important influence on the development of the new National Statistics arrangements. It made a number of recommendations, some concerned specifically with the production of the AEI and others of wider application to the management of official statistics. So we asked ONS to let us have a report on progress in implementing the recommendations. While progress has been made on a good many of these, there are two broad areas where more remains to be done.

A number of the more complex methodological recommendations required substantial development work. It is disappointing that it has not yet been possible to complete this, but we recognise the nature of the difficulties here, and have asked for clarification of the timescale for completion. We will continue to monitor progress on this.

Another group of recommendations was concerned with the management of statistical work. We were pleased to see good progress in some areas, such as strengthening the Office's methodological capacity, and we have been impressed by what we have seen, but we were concerned that some of the more straightforward recommendations relating to strengthening "sign off" procedures for statistical series, and to release practices, do not yet appear to have been completed. We have asked ONS for clarification in some of these areas, and look forward to receiving the revised and updated report which they have offered us.



The chairman attended a pre-Monetary Policy Committee briefing.

³ Which can be found listed under its title on the Treasury's website at www.hm-treasury.gov.uk

An issue which causes concern: our dependence on producers of National Statistics

Apart from our substantive conclusions, one very strong message came out of this early audit work and from our consideration of some of the specific issues discussed below. This was the extent to which we depend on the cooperation and availability of National Statistics staff to make information and background material available to our secretariat team and/or to our expert researchers.

Clearly there will be times when we ask the National Statistician to undertake substantive work in particular areas, and he tells us he does not share our view of the priority it should be given. We are not talking about these, but about the very limited resources which appear to be available to answer our straightforward requests for information which is, or should be, fairly readily available. We are concerned that our work can be substantially delayed. This could effectively allow areas of National Statistics to “opt out” of our scrutiny. We are satisfied that this has not been the intention in any of the projects mentioned above, but we need to be clear that this could never be the case in future, and that adequate resources will be made available to deal with our requests. We realise that, on occasion, this may mean indicating that our apparently simple question will need a great deal of work to answer, but we need to have that made explicit, so that we can, where appropriate, decide our own priorities. We shall pursue this resourcing issue vigorously over the coming year.

Other issues considered

Our consideration was not, however, restricted to the specific planned audits. We considered a wider variety of issues raised with us – particularly in the later part of the year, as stakeholders became more conscious of our existence and our role. We have been very grateful to those who have drawn our attention to a range of issues, from the treatment in statistics of road accidents at work and house price indices to the burden on businesses arising from data collection. Although we have not necessarily taken specific action on all these, we found them helpful in developing our understanding of the breadth and depth of National Statistics issues.

The census

A key National Statistics activity during the year has been the build-up to the April 2001 population census. An early representation made to us concerned the lack of a tick-box for Welsh nationality in the England and Wales census which took place in April 2001. We felt that it would not be appropriate for us to intervene in this specific issue at the time, but it was the main driver of our early decision to undertake a review of the census more broadly after it had taken place.



The 2001 population census

This review will address issues of nationality and language. We are currently considering, and consulting about, what other areas should be covered, but strong candidates currently include:

- the success of the “one number census” (ONC) approach to ensuring one single set of authoritative outputs;
- issues relating to burden on data suppliers and the ease with which people could complete the form;
- linked to this, the balance between the census as a direct source of detailed data on the population at large and the census as the authoritative basis, or sampling frame, for more detailed work involved in sampling and additional collection.

Price indices and deflators

We are aware of a number of concerns about price indices and deflators, including those expressed by the Treasury Committee. These ranged from very technical issues relating to the adjustment of prices for quality changes in areas such as information and communications technology to the role of the Chancellor of the Exchequer in determining the scope and definition of the Retail Prices Index (RPI). We have identified this area as one which will need our attention in the coming year and are undertaking some initial scoping work.

Numbers of welfare benefit claimants

Another issue brought to our attention was the apparent discrepancy between information from Department of Social Security administrative systems and social surveys on numbers of benefit claimants. We were not entirely convinced by our correspondent’s view that this could be fully resolved by the use of benefit records to enhance the sampling frame for social surveys, but we

recognised that this was an important issue, not only because of the importance of the figures concerned, but also because it was relevant to something we had already identified for our possible future attention: the relative strengths and weaknesses of administrative and survey-based data. We have deferred substantive consideration until we are able to take account of the planned National Statistics quality review on consistency of socio-economic estimates, which we understand will cover employment and welfare benefits.

Job vacancy figures

There has been some concern, both about the quality of the data on job vacancies registered with the local Employment Services, and about the extent to which more general conclusions can be drawn about the overall level of vacancies from these data, which, of course, only cover part of the picture. ONS are undertaking work to produce regular enterprise survey-based estimates. This is still in the experimental phase, and does not yet cover all the economy. We look forward to seeing the results, which ONS hope will be available at the end of 2001. We will consider then whether we need to undertake or commission further work of our own.

National Accounts: treatment of mobile phone licences

The first approach we received expressed concern about the Office for National Statistics' treatment of receipts from the sale of third generation mobile phone licences in the National Accounts. We recognised that the National Statistician had made an interim decision to treat these as rental payments spread over 20 years before the decision to treat them as capital receipts was made at European level, and that a further second level of interim decision in advance of full international agreement would not be sensible. We judged, however, that it was important that this treatment should be flagged up more clearly in all the relevant publications. We are pleased to report that the National Statistician has agreed to do so, though we were disappointed at the length of time it took to resolve this.



Central government is a big user of statistics

The need for statistical legislation

The *Framework for National Statistics* charged the Commission to review the need for statistical legislation after two years, and report back to the Minister for National Statistics. While experience of the first two years of the new arrangements will be important in this consideration, we also need to make an early start in addressing areas where the factual basis for our work is lacking.

The Royal Statistical Society had offered to organise a meeting of international experts to provide us with independent briefing on the role and organisation of official statistics and, in accepting this offer, we asked them to focus particularly on international perspectives. We look forward to the meeting which is being organised for summer 2001.

The report of the Treasury Committee on National Statistics, published in January 2001, provided us with the opportunity to consider the current balance of arguments for and against legislation. We concluded that at present the balance of the arguments is strongly in favour of legislation, although we recognise that precisely what that legislation should cover, and how, will need careful consideration in the light of experience of the new arrangements.

National Statistics code of practice

If this experience is to provide a sound basis for future decisions, it is important that the new arrangements are fully in place as soon as possible. One vital missing component of the non-statutory framework is the new National Statistics code of practice. This has still not been put in place a year after the introduction of National Statistics in June 2000. We are extremely disappointed that the National Statistician has not yet been able to issue the consultation version of this code, and are anxious to see it as soon as possible. We have been concerned about a number of incidents where information has been “trailed” in advance of publication, and until there are clear protocols in place we believe this is likely to continue.

National Statistics High Level Programme and Quality Reviews

The procedures which the National Statistician is putting in place to produce a co-ordinated high level programme for National Statistics, and to implement a clear structure for quality assurance right across National Statistics, are very important developments. These are not yet fully established, and we did not receive the high level programme for National Statistics in time to comment before the period to which it applied. We have some concerns about the programme, and the approach to planning, which we have raised now, and we will be commenting on this further in our assessment of the National Statistician’s annual report in the autumn.

Resources and ways of working

Like any new organisation we needed to give some of our attention in the first year to deciding how we would work, and to establishing the practical infrastructure to allow us to operate effectively. Our main decisions about how we should work are set out below.

Openness and transparency

We realised we could take a purely reactive attitude to our duty to operate transparently, but decided to be more proactive and to use our website at www.statscom.org.uk to make it easy for people to access papers and minutes from our meetings. We are conscious, however, that there is a balance to be struck between putting everything we receive or produce on the web, and managing the volume of material, so that most of what people want to see is there. They also need to be aware that we are happy to provide copies of other things. We may not have got the balance right yet, but we try to take account of feedback as we receive it.

Research procurement

We have a variety of experience relevant to the collection and use of statistics, and we have two professional statisticians on our small secretariat, but, if we are to speak authoritatively on complex technical issues, we will need to have access to a wide range of specialist advice on specific issues. We decided, therefore, that rather than building a larger technical secretariat, we should gear up to make best use of outside experts on a project-specific basis. Our research procurement strategy is not yet fully developed, but we have already commissioned one academic expert to undertake a scoping study on ONS use of seasonal adjustment, and plan to make substantial use of both methodological and subject experts for individual studies in the future.

Meetings and ways of working

We met five times between September 2000 and March 2001 and plan to meet formally six times a year in future. Between meetings we take the business forward in a variety of ways: individually and in groups, working with and steering our small secretariat on specific projects; for example, one commissioner and our chief executive worked together on the scoping study on monitoring the *NHS Cancer Plan*.



Colette Bowe and Commission Staff.

Funding

Subject to need, funding of up to £1.35 million a year will be available for the Commission for its first few years. In the first year, though, actual payments proved to be much lower than originally forecast, although significant costs were accrued, for example both capital and current accommodation costs. Other main costs included staffing, internal IT systems and setting up our website. In 2001-02, our first full year, the balance will change, with staffing and related costs and externally commissioned research and audit work likely to account for the majority of expenditure.

Staff

Currently the Commission has a staff of six. Of these, four are seconded from government departments - one, with a private sector background, following an open competition - and two are temporary while longer-term staffing needs are properly evaluated.

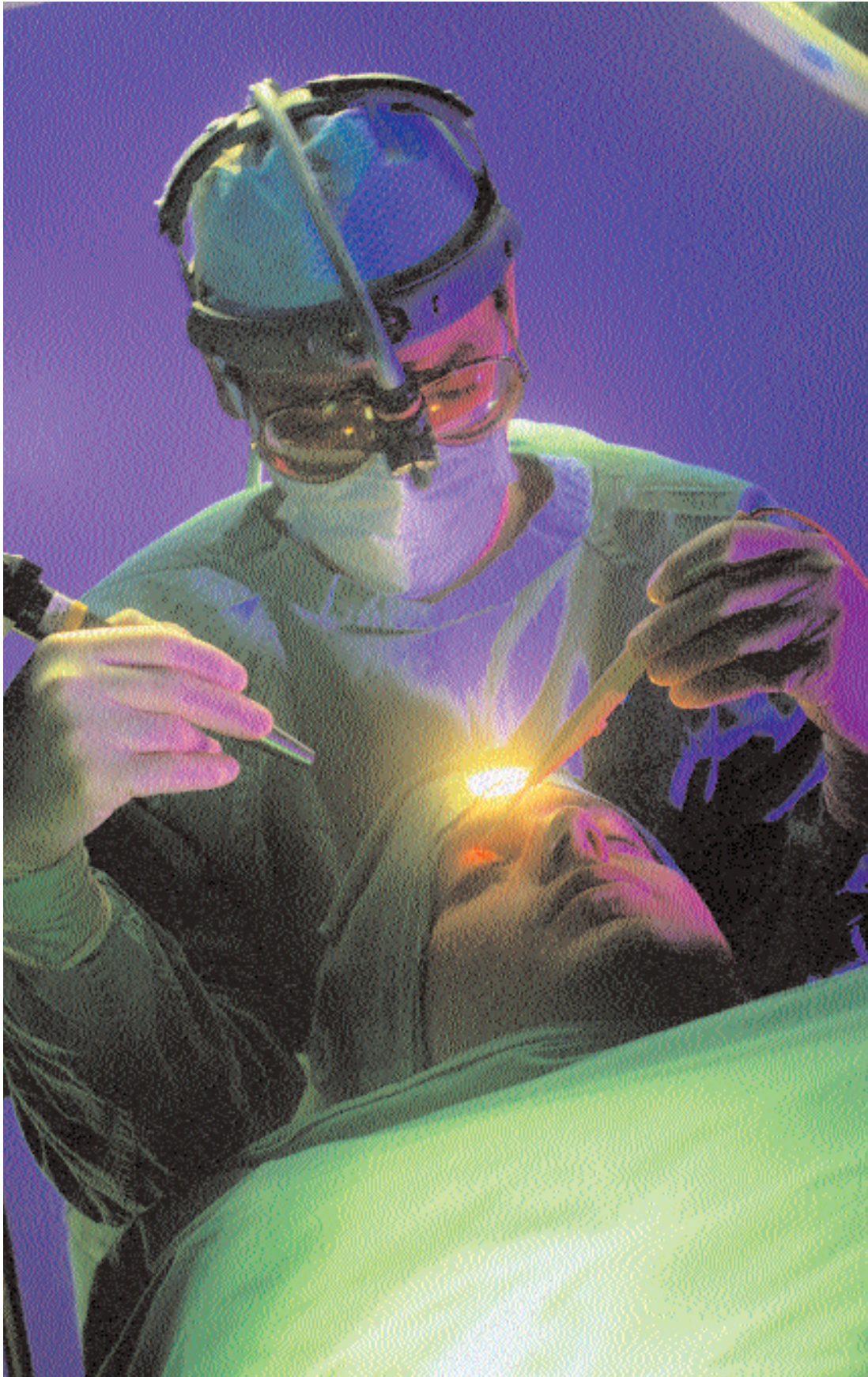
Forward look

Many of the specific issues discussed above will continue into the new financial year. For example, as mentioned above, we are consulting on the areas to be covered in our census review, and taking forward work on seasonal adjustment and on monitoring the *NHS Cancer Plan*. Important as these specific topics are, there are three overarching issues which will be most important in this coming year:

- ensuring that, in its second year, the National Statistics planning system works properly;
- fuller consideration of the case for, and possible nature of, statistical legislation;
- commenting on the consultation version of the National Statistics code of practice, which as we have said, is overdue and which should not be further delayed.



The Commission's offices at 10 Great George Street.



We have established links with the Health Statistics User Group.

Glossary

Statistics groupings and coverage

National Statistics – currently those products listed in the initial scope leaflet distributed with the *Framework for National Statistics*. They are subject to the policies and arrangements set out in that document and will be covered by the National Statistics code of practice.

Scope (of National Statistics) – the range of outputs designated by ministers for inclusion in National Statistics. It will evolve over time.

Government statistics - those produced by, or under the control of, members of the Government Statistical Service (GSS). As well as National Statistics produced by the GSS, government statistics will include other GSS products not included in the scope of National Statistics, and statistical analysis used in government but not published. All government statistics are governed by the existing *Official statistics code of practice* and by other professional standards promoted by the GSS.

Official statistics - statistical outputs prepared by or for the purpose of government. This would include 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 narrower sense of independence and freedom from interference. (It is sometimes used by others to include aspects of quality and completeness as well.)

Quality – being sufficiently accurate for the purpose for which they are being used and based on best available methodology. (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).

Relevance – extent to which outputs address the important questions.

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 and validity (not in the more specific sense of reproducibility used in attitude scaling).

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.

**Statistics Commission Financial Statements
for the 10 months ended 31 March 2001**

Contents

	Page
Foreword to the Accounts	29
Statement of the Commission's and the Accounting Officer's Responsibilities	31
Statement on the System of Internal Financial Control	32
The Certificate of the Comptroller and Auditor General to the Houses of Parliament	33
Income & Expenditure Account	35
Statement of Total Recognised Gains and Losses	35
Balance Sheet	36
Cash Flow Statement	37
Notes to the Accounts	38
Accounts Direction given by the Minister for National Statistics	47

2. Foreword to the Accounts

Introduction

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

History

The Statistics Commission was established in June 2000 as part of the new arrangements for National Statistics. It is an advisory Non-Departmental Public Body, funded by grant-in-aid from a Treasury Vote (Class XVI, Vote 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 39) 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*¹, published in June 2000.

Principal Activities

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

Results for the Period

The results for the period are set out on page 35 of these accounts.

Post Balance Sheet Events

There are no post balance sheet events to report for the period ended 31 March 2001.

Compliance with Public Sector Payment Policy

HM Treasury processes the Statistics Commission's invoices on its behalf. HM Treasury is committed to the CBI code on prompt payment of invoices, and aims to pay all valid invoices within 30 days of receipt. HM Treasury's payment performance for the year to 31 March 2001 showed that this target was achieved in respect of 99% of invoices paid.

¹ Framework for National Statistics, ISBN 1 85774 3822, published June, 2000, www.statistics.gov.uk/about-ns/downloads/framedoc1.pdf

Terms of Employment, Employee Relations and Communications

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

The Commissioners

The following were commissioners during the period ended 31 March 2001:

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

A register of commissioners' interests is being set up by the Commission and will be held at 10 Great George Street, London SW1P 3AE. It will be open to inspection.

Future Developments

In the year ahead the Commission will build on its initial groundwork. Three important overarching issues will be: ensuring that, in its second year, the National Statistics planning system works properly; fuller consideration of the case for, and possible nature of, statistical legislation, and commenting on the consultation version of the National Statistics code of practice.

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



Gill Eastabrook
Chief Executive and Accounting Officer

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

Under paragraphs 22-25 of the Treasury's Code of Best 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 on page 47 of these accounts. The accounts are prepared on an accruals basis and must give a true and fair view of the Statistics Commission's affairs at the year-end and of its income and expenditure, total recognised gains and losses and cash flows for the financial year.

In preparing these accounts the Statistics Commission is required to:

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

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



Gill Eastabrook
Chief Executive and Accounting Officer

Statement on the System of Internal Financial Control

As Accounting Officer, I acknowledge my responsibility for ensuring that an effective system of internal financial control is maintained and operated by the Statistics Commission.

Any system can provide only reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

The Commission's system of internal financial control is based on a framework of regular management information, administrative procedures including the segregation of duties, and a system of delegation and accountability. In particular, it includes:

- budgeting systems with an annual budget which is reviewed and agreed by myself;
- regular reviews of periodic and annual financial reports which indicate financial performance against forecasts;
- setting objectives and milestones to measure operational performance;
- as appropriate, formal project management disciplines.

The Statistics Commission plans to secure internal audit services to the standards defined in the *Government Internal Audit Manual* and the *Government Information Systems Audit Manual*. Work will be informed by an analysis of the risk to which the body is exposed, and annual internal audit plans will be based on this analysis. The analysis of risk and the internal audit plans will be endorsed internally, and approved by me. At least annually, the internal auditor will provide me with reports on internal audit activity in the body. Such reports will include the internal auditor's independent opinion on the adequacy and effectiveness of systems of internal financial control.

My review of the effectiveness of the system of internal financial control will be informed by the work of the internal auditor and the executive managers within the body who have responsibility for the development and maintenance of the financial control framework, and comments made by the external auditors in their management letter and other reports.

Implementation of the Turnbull Report

As Accounting Officer, I also have responsibility for reviewing the effectiveness of the wider system of internal control. The Statistics Commission will be establishing a system for the identification and assessment of risks, and policies, including internal controls, to mitigate them. I, and executive managers within the office, will regularly review reports setting out key performance and risk indicators. Once established, these processes will provide the basis of internal control reporting. In this context I am aware of the recommendations of the Turnbull Committee and am taking reasonable steps to comply with the Treasury's requirement for a statement of internal control in accordance with current guidance.



Gill Eastabrook
Chief Executive and Accounting Officer

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

I have audited the financial statements on pages 35 to 45. 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 38.

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

As described on page 31, the Accounting Officer is responsible for the preparation of the financial statements in accordance with the Treasury directions and for ensuring the regularity of financial transactions. The Accounting Officer is also responsible for the preparation of the other contents of the Annual Report. My responsibilities, as independent auditor, are guided by the Auditing Practices Board and the auditing profession's ethical guidance.

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

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

I review whether the statement on page 32 reflects the Commission's compliance with Treasury's guidance 'Corporate Governance: Statement on the System of Internal Financial 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.

Basis of audit opinion

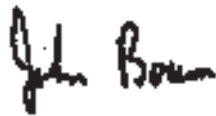
I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes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

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

Opinion

In my opinion:

- the financial statements give a true and fair view of the state of affairs of the Statistics Commission at 31 March 2001 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

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

Date: 6 July 2001

Income and Expenditure Account for the 10 months ended 31 March 2001

	Note	£	£
Income			
Grant in aid	2		480,857
Other operating income	3		73,483
			554,340
Expenditure			
Staff costs	4	161,488	
Commissioners' fees	5	47,250	
Other administration costs	6	211,924	
Depreciation	7	71,502	
		(492,164)	
 Retained surplus transferred to general fund	 11		 62,176

The notes on pages 38 to 45 form part of these accounts

Statement of Total Recognised Gains and Losses for the 10 months ended 31 March 2001

	£
Retained surplus for the period	62,176
Unrealised surplus on the revaluation of tangible fixed assets	5,686
	67,862
	67,862

The notes on pages 38 to 45 form part of these accounts

Balance Sheet as at 31 March 2001

	Note	£	£
Fixed assets			
Tangible assets	7		261,346
Current assets			
Recoverable VAT	8	14,455	
Cash at bank and in hand		585,855	
		<u>600,310</u>	
Creditors: amounts falling due within one year	9	<u>(497,876)</u>	
Net current assets			102,434
Creditors: amounts falling due after more than one year	10		(30,258)
Net assets			<u>333,522</u>
Reserves			
General fund	11		72,176
Government grant reserve	11		261,346
			<u>333,522</u>

Signature


Chief Executive

The notes on pages 38 to 45 form part of these accounts

Cash Flow Statement for the 10 months ended 31 March 2001

	Note	£
Net cash inflow from operating activities	12	304,946
Capital expenditure		
Payments to acquire tangible fixed assets		<u>(48,234)</u>
Net cash inflow before financing		256,712
Financing		
Grant in aid for capital expenditure		329,143
Increase in cash and cash equivalents	8	<u>585,855</u>

The notes on pages 38 to 45 form part of these accounts

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.

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.

No comparatives have been presented as the period to 31 March 2001 is the Statistics Commission's first period of existence.

c. Grant in aid and government grant reserve

The Statistics Commission is financed by grant in aid from the HM Treasury Class XVI, Vote 1.

Grant-in-aid applied to revenue is accounted for on a cash received basis. A proportion of the grant-in-aid received, equal to expenditure on fixed asset acquisitions in the period, 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 the 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 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 13.

g. Notional charges

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, to the extent that it is irrecoverable, is charged to the income and expenditure account included under the heading relevant to the type of expenditure. Where VAT is recoverable in respect of Statistics Commission's expenditure, it is recovered by HM Treasury and will be reimbursed to the Statistics Commission.

i. Pension Arrangements

Pension contributions paid or payable are included within the income and expenditure account. Statistics Commission's staff, the majority of whom are on secondment from other government departments, are members of the Principal Civil Service Pension Scheme (PCSPS).

The PCSPS is non-contributory and unfunded. Although it is a defined benefits scheme, liability for the payment of future benefits is a charge to the PCSPS. Contributions to the PCSPS are recharged to the Statistics Commission.

2. Grant in Aid

	31-Mar-01
	£
Grant received from Class XVI Vote 1	810,000
Transfer to government grant reserve in respect of fixed asset acquisitions	(329,143)
	<u>480,857</u>

3. Other Operating Income

	31-Mar-01
	£
Transfer from government grant reserve in respect of depreciation charge	71,502
Transfer from government grant reserve in respect of deficit on revaluation	1,981
	<u>73,483</u>

4. Staff Costs

	31-Mar-01
	£
a. Staff costs for the period comprised:	
Wages and salaries	135,528
Social security costs	9,264
Other pension costs	16,696
	<u>161,488</u>

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

	Number
Senior Staff	1
Other Staff	3
	<u>4</u>

c. Emoluments of the chief executive:

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

Name	Age (£000)	Salary (£000)	Real increase in pension at age 60 (£000)	Total accrued pension at age 60 at 31 March 2001
Gill Eastabrook	47	45-50	0-2.5	10-15

Pension benefits are provided through the Principal Civil Service Pension Scheme (PCSPS). This is a statutory scheme which provides on a 'final salary' basis at a normal retirement age of 60. Benefits accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to 3 years' pension is payable on retirement. Members pay contributions of 1.5 per cent of pensionable earnings. Pensions increase in payment in line with the Retail Prices Index. On death, pensions are payable to the surviving spouse at a rate of half the member's pension. On death in service the scheme pays a lump sum benefit of twice pensionable pay and also provides a service enhancement on computing the spouse's pension. The enhancement depends on length of service and cannot exceed 10 years. Medical retirement is possible in the event of serious ill-health. In this case, pensions are brought into payment immediately without actuarial reduction and with service enhanced as for widow(er) pensions.

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.

5. Commissioners' Fees

The chairman is paid an annual fee of £28,000 for 60 days work. Each of the commissioners is paid an annual fee of £5,000 for 20 days work. The actual amounts paid during the period were:

	31-Mar-01
	£
Sir John Kingman (chairman)	21,000
Sir Kenneth Calman	3,750
David Rhind	3,750
Derek Wanless	3,750
Colette Bowe	3,750
Patricia Hodgson	3,750
Janet Trewsdale	3,750
Martin Weale	3,750
	<u>47,250</u>

In addition expenses amounting to £7,607 were reimbursed to the commissioners.

6. Other Administration Costs

	31-Mar-01 £
Rent, rates and service charges	111,352
Consultants and professionals	26,904
IT current	28,400
HM Treasury notional costs	10,000
Auditor's fee	6,500
Commissioners' expenses	7,607
Training	1,750
Research costs	6,982
Printing and stationery	4,118
Other costs	8,311
	211,924

Other costs include £1,981 for the downward revaluation of IT and office equipment.

7. Tangible Fixed Assets

	IT Equipment £	Office Equipment £	Furniture & Fittings £	Leasehold Improvements £	Total £
Cost or valuation					
Additions	42,563	3,479	84,437	198,664	329,143
Revaluation	(2,851)	(100)	2,099	5,009	4,157
At 31 March 2001	39,712	3,379	86,536	203,673	333,300
Depreciation					
Charge for period	14,186	696	16,887	39,733	71,502
Revaluation	(950)	(20)	420	1,002	452
At 31 March 2001	13,236	676	17,307	40,735	71,954
Net book value					
At 31 March 2001	26,476	2,703	69,229	162,938	261,346

8. Cash at Bank and in hand

	31-Mar-01
	£
Increase in cash in the period	585,855
Balance at 31 March 2001	<u>585,855</u>
Bank account	585,838
Cash in hand	17
	<u>585,855</u>

9. Creditors: Amounts falling due within one year

	31-Mar-01
	£
Amount payable to HM Treasury	103,222
Trade creditors	4,506
Other creditors	11,000
Accruals	379,148
	<u>497,876</u>

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

	31-Mar-01
	£
Other creditors	30,258

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:

	£
Within 1 year	11,000
Within 2 to 5 years	19,258
	<u>30,258</u>

11. Reserves

	Government Grant Reserve £	General Fund £	Total £
Surplus for the period		62,176	62,176
HM Treasury notional costs		10,000	10,000
Surplus on revaluation of fixed assets	5,686		5,686
Grant for fixed assets additions	329,143		329,143
Deficit on revaluation of fixed assets	(1,981)		(1,981)
Depreciation transferred to income and expenditure account	(71,502)		(71,502)
As at 31 March 2001	261,346	72,176	333,522

12. Reconciliation of Operating Surplus to Net Cash Inflow from Operating Activities

	31-Mar-01 £
Operating surplus	62,176
Adjustment for non-cash transactions:	
Depreciation	71,502
Notional support costs	10,000
Deficit on revaluation of fixed assets	1,981
Release from government grant reserve	(73,483)
Adjustment for movements in working capital other than cash:	
Increase in creditors	247,225
Increase in recoverable VAT debtor	(14,455)
Net cash inflow from operating activities	304,946

13. Commitments Under Operating Leases

At 31 March 2001, commitments under operating leases were as follows:

	Land and Buildings £
Between two and five years	<u>170,165</u>

14. Contingent Liabilities

The Statistics Commission had no contingent liabilities at 31 March 2001.

15. Capital Commitments

The Statistics Commission had no capital commitments at 31 March 2001.

16. Related Party Transactions

During the period, HM Treasury provided total grant-in-aid of £810,000.

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 period the Statistics Commission received recruitment, finance, health and safety, security and procurement services from HM Treasury, for which notional charges of £10,000 are made.

None of the Commission members, senior managers or other related parties has undertaken any material transactions with the Statistics Commission during the period.

Appendix A

Accounts Direction given by the Minister for National Statistics

The annual accounts shall give a true and fair view of the income and expenditure and cash flows for the financial year, and the state of affairs as at the year end. Subject to this requirement the Statistics Commission shall prepare accounts for the financial year ended 31 March 2001 and subsequent financial years in accordance with:

- a. Executive Non-Departmental Public Bodies Annual Reports and Accounts Guidance;
- b. other guidance which the Treasury may issue from time to time in respect of accounts which are required to give a true and fair view;

except where agreed otherwise with the Treasury, in which case the exception shall be described in the notes to the accounts.

Signed by Authority of the Minister for National Statistics



David Loweth
Head of the Central Accountancy Team,
Her Majesty's Treasury
22 June 2001

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