



Statistics Commission
Annual Report 2004-2005





Statistics Commission

Annual Report 2004-2005

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to the Treasury by Command of Her Majesty

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Annual reports always look backwards, and much of this one focuses on the Commission's work in the 2004-05 financial year. However, a theme running through our work in that year was the future evolution of official statistics in the UK and this report also draws together some of the forward-looking perspectives of the Statistics Commission.

The context for the Commission's work

Before turning to the issues that have most engaged the Commission, it may be helpful to offer a reminder of some important developments in 2004-05 in which we were not so directly involved but which provide important context for our work. In late March 2004, the *Review of Statistics for Economic Policymaking*, undertaken by Christopher Allsopp, made wide-ranging recommendations to improve statistics needed for regional policy development. The introduction to the report noted that we are starting from "a statistical system that at present does not provide all the data needed to support regional economic policy". Later in the year, the Atkinson Review *Measurement of Government Output and Productivity for the National Accounts* set out important principles for the direct measurement of the output and productivity from government spending. These principles will both guide and focus the debate on this controversial issue for many years to come.

The Office for National Statistics launched a number of substantial initiatives during 2004-05, not least the major overhaul of its entire technical infrastructure and its plans to relocate many activities to its offices in South Wales. It also broke new ground by holding a seminar for economic journalists and analysts to explain in depth the reasons for revisions to economic statistics. The National Statistician set out his views on the future of National Statistics in the Vice-Chancellor's lecture at The City University (see www.city.ac.uk/whatson/dps). The Department of Health announced the creation of a new Health and Social Care Information

Centre within the NHS with responsibility for drawing together all the relevant statistics and related activities for England. The Royal Statistical Society announced the creation of a new umbrella forum for statistics user groups – the Statistics Users Forum – which is intended to focus the priorities of the user community outside government. The European Commission took steps towards firmer guidance for, and oversight of, national statistical offices in member states. And the Conservative Party published a draft Bill that would have led to radical changes in the organisational arrangements for official statistics, had they won power in May 2005 and implemented it.

These were all, in their own way, momentous events in the world of official statistics. They are part of the tide of proposals and changes that seemed at times to overwhelm the otherwise regular business of compiling statistical data.

Such official statistics drive a multitude of everyday decisions in government, public services and beyond. But, as was powerfully illustrated in the run-up to the May 2005 general election, they are also ever more central to the highest level of political debate. As the election issues ebbed and flowed between crime, immigration, the health service, education, fiscal policy, pensions and many other topics, the figures – and their meaning – were never far from centre stage. Politicians, the news media and other commentators maintained a relentless flow of statistical data and analysis designed to illuminate the issues – and influence the voters.

The Commission perspective

The Statistics Commission has contributed to the climate of change, fostering the case for better communication of the reliability of statistics and much else. We believe that the current, heightened debate about statistical organisation, priorities and governance is a good development – so long as it does not create too many new risks, disruptions and uncertainties for those people who have to produce the statistics. Managing change is of crucial importance. Moreover, there is in fact much in the current statistical system across the UK that is good – world-leading in some respects – and we will continue to emphasise this whilst making our own proposals for improvement.

The June 2000 *Framework for National Statistics* is now, having reached its fifth anniversary, due for review. The year ahead is thus likely to see important decisions made about the direction, structure and governance of statistical work. We will seek to influence the outcome of this review so as to enhance the value of official statistics for the public and businesses, as well as government, and to ensure that the public can have trust in the statistics.



Guest speaker Ian Diamond, chief executive of the Economic and Social Research Council at the Commission's open meeting in September 2004.



The Statistics Commission held its annual open meeting on the 22nd of September 2004. The meeting was attended by 95 delegates.

Key Commission work 2004-05

As will be evident from the rest of the report, 2004-05 was a busy year for the Commission. Here however I will highlight only our work on public trust and the role we believe legislation could play in buttressing it.

We could not, and would not seek to, take official statistics out of political debate but everyone involved must continue to strive to keep politics out of official statistics. The great majority of countries, spurred in many cases by United Nations guidance, now have a Statistics Act designed to ensure that statistical work is beyond inappropriate influence and carried out according to purely professional statistical considerations in order to meet the needs of users. A few countries, including the United Kingdom and the USA, do not have such overarching legislation but rely instead on a range of other structures, conventions and agreements to achieve the same goal.

In the UK, the most important of these arrangements are set out in the *Framework for National Statistics* and the related *National Statistics Code of Practice*. The current *Framework* established the Statistics Commission, set out the principles that should be followed – developed further in the *Code of Practice* – and explained the roles of the National Statistician, Ministers and other key players. The Commission believes that the introduction of the *Framework* in 2000 was an important step forward. However, over the last year – and notably in our May 2004 report *Legislation to Build Trust in Statistics* – we have argued that a stronger set of arrangements is needed.



Guest speakers Keith Dugmore, Demographic Decisions, and Robert Chote, Institute for Fiscal Studies, with Chairman Professor David Rhind at the Commission's open meeting in September 2004.



Statistics Commission visits Northern Ireland, 6-7 October 2004. Left to right: Richard Aldritt, Statistics Commission Chief Executive; John Hunter, Permanent Secretary Department of Finance and Personnel; David Rhind, Statistics Commission Chairman; Janet Trewsdale, Statistics Commissioner; Norman Caven, Chief Executive NISRA.

Stronger arrangements could ensure that the National Statistician, with an independent Commission answering to Parliament, has effective oversight across the whole range of statistical work carried out by government departments; at present his real authority is limited to the Office for National Statistics. And they would also help to address the related problem of how best to maintain and reinforce public trust in official statistics. Trust is essential for the effective conduct of government business and public services as much as in the context of high political debate. The Commission's report *Official Statistics: Perceptions and Trust* (February 2005) noted that, whilst well-informed commentators had a lot of respect for UK official statistics, many believe a stronger framework is essential. The wider public are more wary still, remaining sceptical about the effectiveness of existing arrangements to ensure the political neutrality of official figures. Research for the report indicated that more than half the members of the public interviewed said that they thought figures were changed to support particular political arguments or that there was political interference in their production.

The Commission's view is that a properly designed UK Statistics Act is likely to prove both effective and, in the longer-term, necessary to underpin public trust and to facilitate the operation of the Government's statistical system. In part this is because legislation commands a level of authority in the eyes of Parliament, officials and the general public that is beyond that of any non-statutory code.

Standing back from the detail of our many investigations, I believe our reports in recent years have demonstrated that the UK has a statistical service with some real strengths. Criticism of any failings is perfectly proper and essential if the system is to improve: equally properly, the Government Statistical Service has become as much a focus of attention in this respect as other professional bodies (eg in law and medicine). But some of the criticism has been unreasonably harsh. In the Commission's view, many of the problems that have attracted savage media attention were due more to communication frailties than substantive statistical errors. We therefore welcome the signs that the statistical service as a whole is becoming more self-aware, open and capable of addressing the challenges ahead.

To close on a personal note, this Annual Report will be published shortly before Len Cook, the National Statistician, leaves after five years in his most challenging job. He and I have had many discussions and debates on official statistics during this period. I pay tribute to Len's utter determination to improve and modernise official statistics in the UK, and wish him well in the future.

David Rhind

Chairman



Chapter Two Statistical governance

The Chairman's report draws attention to the case for statistical legislation to underpin public trust and to facilitate the operation of the Government's statistical service. However it is important also to look at the scope for non-statutory improvements. Many of the practical arrangements for official statistics are not of a kind that can be captured by

We hope that the Government will take the opportunity presented by the planned review of the *Framework* to pinpoint weaknesses and propose robust measures to address them. A number of ideas were highlighted in a debate on official statistics in the House of Lords in February 2005; we hope the views expressed on that occasion will be closely examined in the forthcoming review. Based on our work in 2004-05, the areas which the Commission believes should be examined include:

- The limited authority of the National Statistician in relation to statistics produced by many of the major government departments and agencies. These statistics include key social series such as those relating to health and education as well as those produced by the devolved administrations.
- The absence of a robust and transparent government-wide planning system for official statistics that gives the many important users of official statistics outside central government – including the general public – an audible and influential voice.
- The current convention that the Code of Practice applies only to those statistics branded by government departments as 'National Statistics'. There are other official statistics that must be collected to the defined standards of quality as set out in the Code and which should be handled with equal care.
- A lack of clarity in the interpretation of the Code of Practice as it applies in different government departments, making the

legislation and would still need to be set out in less formal statements – along the lines of those that already exist in the *Framework for National Statistics*. Legislation should be seen as a way of underpinning and strengthening these arrangements rather than replacing them.

challenge of monitoring adherence to the Code and of its enforcement more problematic.

House of Lords debate on official statistics 23 February 2005:

What they said about us:

"...the Statistics Commission was set up primarily to monitor and scrutinise all government statistics. It does a first-class job. Its publications — now some 20-odd reports — are of the highest order. It is independent of government and, through its independence, achieves the kind of aims that the opposition party is now looking for. The Statistics Commission should be strengthened and should feel more free than at present to criticise Ministers and the media when they misuse statistics. ..."

Lord Moser

"The Statistics Commission has, so far, done a robust, independent job in pressing for improvements in official statistics and cutting the scope for the Government to delay or spin official announcements. However, the key point is that the commission can only advise. It cannot decide. It must, in the view of these Benches, be reconstituted. It must be given the statutory power to appoint the National Statistician, to lay down the code of practice for national statistics and to ensure that we have a genuinely independent national statistical service — as the 1997 Labour general election manifesto promised. I commend to the House last year's excellent report of the Statistics Commission, *Legislation to Build Trust in Statistics*."

Lord Oakeshott of Seagrove Bay

Implementing the Code

Whilst we see scope to strengthen the existing National Statistics Code of Practice, we also want to see the current model respected and enforced across all government departments and agencies. At present, the day-to-day interpretation of the Code can vary widely between the numerous bodies that produce official statistics. The Statistics Commission believes that the onus should be on those bodies to demonstrate – through careful documentation of procedures etc – that they are employing a consistent and rigorous interpretation, rather than being on the National Statistician or the Commission to hunt down evidence to the contrary.

We favour a strict interpretation of key provisions of the Code and believe this would lead to a service that better supports users, buttresses trust in the process of creating statistics and therefore better serves the public interest. However, we need also to recognise the challenge that a strict interpretation presents. For example, the concept of a statistical service that ‘meets user needs’ is not straightforward. Official statistics, and messages based on them, are used very widely to inform decisions across society. But many bodies and individuals who draw on messages derived from statistics do not see themselves as significant ‘users’ of statistics, and do not therefore recognise their own interests or make coherent demands. This passivity, or lack of knowledge of how to articulate real needs, on the part of some users makes the process of ascertaining user priorities all the harder.

Nor should the use of statistics in relation to high profile government decisions be regarded as *necessarily* of greater public value than the aggregated use of statistical information by, say, the general public, for example in relation to voting in elections or considering the performance of local schools or hospitals. Clearly, the assessment of what is of greatest public value is not simple.

Finally, producing statistics that *will* meet user needs is not enough. Potential users need to be *made aware* of the existence of statistical data, be supported in accessing the information they need, and able to get it in a form that they can readily use. The statistics themselves need to be presented in a way that minimises the risk of misinterpretation. Often this will be in words and messages rather than tables and figures.

We therefore believe three key principles are required to support users:

Planning to meet user needs – a joined-up planning (and funding) system across government for official statistics that takes systematic account of the full range of user needs and identified priorities.

Frank comment on reliability – almost all statistics are estimates and can never be perfectly accurate. Thus we see a need for greater openness in describing the reliability of statistics and any limitations of the data in relation to their potential uses.

Good communication and packaging of the available statistical data to meet the needs of different user communities.

The Commission wants to see these three principles given clear and binding interpretations. These interpretations must require government departments to draw a broad range of users of statistics into the planning process and ensure that statistical outputs are well-targeted to meet identified needs.

With this in mind, in 2004-05 we responded to concerns that the statistical priorities of people outside central government had not been well-articulated inside government. Following a series of meetings with the chairs of user groups, the Commission co-ordinated the identification of some of their priorities and we wrote to Ministers in November to draw attention to this initial set. The priorities identified by user groups were:

- **Statistics access teams:** the creation of such teams within government departments to help users. At present many users are unable to make good use of the available statistics because of the complexities of definitions etc, or indeed an inability to find the relevant statistical information.
- **UK-wide data:** Main government departments should address more systematically the need for UK-wide consistent statistics.
- **Geographic coding:** Government departments should identify an approach to geographic coding that overcomes data confidentiality concerns and code all records consistently, not least to help accelerate development of (the highly successful) Neighbourhood Statistics.

- **Income statistics:** Improve statistics on income, in particular on low pay, and take steps to provide richer statistical information from existing Inland Revenue sources.
- **Confidentiality/disclosure:** Ensure sensible restrictions that protect confidentiality of personal data, but that still allow information to be used effectively.

These priorities are now being taken forward by the recently-established Statistics Users Forum, with our support.

Code of Practice casework

Through the year, the Commission's attention was drawn to various suspected breaches of the Code. None of these was particularly serious in itself, and in total they relate to an extremely small percentage of the mass of statistical releases. Taken together, however, they do raise a question about how well the Code is understood across government. Details of the specific cases raised with the Commission are given in Annex D. It is important to note here that only a few parts of the Code are of a kind that allows an unequivocal judgement to be made about adherence to it. Much of the Code is aspirational in style and requires no specific evidence of adherence. Thus the evidence that does exist often relates to transgressions against less fundamental aspects of the Code. The Commission believes it is better to focus attention on the more crucial elements – such as those associated with the three principles above.



Chapter Three Reports and research

This section summarises research undertaken by, or on behalf of, the Statistics Commission during the year (see also Annex E). It also covers follow-up activity relating to research in earlier years and some work in progress at the end of the year.

Published reports

During the year we published major reports on:

- recommendations for legislation to build trust in official statistics
- revisions to economic statistics
- enhancing the value of health statistics
- census and population estimates
- perceptions of, and trust in, official statistics.

In addition, we reported on:

- changes in the calculation of the Retail Prices Index and RPI governance
- measuring standards in English primary schools.

We also investigated the treatment of depreciation on roads in public finance statistics and will be publishing a short report on that issue in the summer of 2005. A review of school education statistics is also due to be published in the summer.

The full texts of all Statistics Commission reports are on our website at www.statscom.org.uk/reports_2-06.asp.

Set out below are some of the main points from the reports.

Report No. 17: *Revisions to Economic Statistics* April 2004

(See: www.statscom.org.uk/media_html/reports/report_017/report_017-01.asp.)

The bulk of revisions to key economic statistics are an inherent 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. Much of the news media criticism of revisions to the statistics in 2003-04 was ill-informed.

Following critical media comment about the possible impact of statistical revisions on the work of the Bank of England and more generally, the Statistics Commission commissioned research to review recent revisions. The successful tender was made by the National Institute of Economic and Social Research (NIESR).

One conclusion 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 for those who need them to make policy or take decisions. Routine and pre-announced revisions that incorporate updated information should not be confused with – and need to be distinguished from – the correction of errors.

Revisions to Gross Domestic Product (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 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 revisions.

We recommended that the Office of National Statistics should provide more information about past revisions in its First Releases, and should publish further analyses and information relating to reliability. ONS have since taken a number of initiatives, including: the incorporation of information about revisions in all First Releases; a new economic revisions section of the National Statistics website; and have provided extended analyses in the regular annual article on revisions to GDP.

The review also looked at the use of forecasts in early estimates of GDP, in the context of Department of Trade and Industry forecasts of construction output. It recommended that the performance of forecasting models should be assessed more systematically. A joint DTI/ONS investigation has since carried out a thorough assessment and the Commission has endorsed this.

The report 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. This issue is still under discussion between the Commission and ONS.

Report No. 18: *Legislation to Build Trust in Statistics* May 2004

(See: www.statscom.org.uk/media_pdfs/reports/LegislationToBuildTrust.pdf.)

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.

The Commission was invited by the Government to review the need for legislation – the review to be undertaken after the June 2000 *Framework for National Statistics* had been in force for two years.

Following public consultations and commissioned research, we published *Legislation to Build Trust in Statistics* in May 2004. Central to the recommendations is 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. We believe that the non-statutory framework 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.

Our report underpinned a number of debates on public trust and the need for statistical independence in the run up to the 2005 general election. In particular, the Conservative Party accepted the need for legislation but proposed a more radical solution than that of the Commission. We understand that the Commission's views on the need for legislation will be considered by the Government in the course of the review of the *Framework for National Statistics* which is due to begin in summer 2005.

Report No. 20: *Changes in the calculation of the RPI and RPI governance* September 2004

(See: www.statscom.org.uk/media_html/reports/report_020/report_20.asp)

The *Framework for National Statistics* contains an exception to normal statistical arrangements in the case of the *Retail Prices Index* (RPI). 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.

The Commission looked at the methodological changes to the *Retail Prices Index* (RPI) announced in 2004, at the handling of that announcement, and at the special governance arrangements that exist for RPI. In view of the special importance of the RPI, there is a strong case for clear and open announcement by ONS of any methodological changes. The Commission believes ONS could do more to draw attention to changes, and to explain them to the media and other interested parties.

The Statistics Commission takes the view that the scope and definition of the RPI should be the responsibility of the National Statistician, not of the Chancellor of the Exchequer. We think the governance arrangements should be revisited as part of the review of the *Framework for National Statistics*. In the meantime, the *Framework* should be supplemented by a clear statement as to what is meant by 'scope and definition' (at present the responsibility of the Chancellor) and by 'methodology' (the responsibility of the National Statistician). A statement is also needed on the role, if any, of the RPI Advisory Committee, which advises the Chancellor under the existing arrangements; this does not appear to have met for many years.

Report No. 21: *Enhancing the Value of Health Statistics: User Perspectives* October 2004

(See: www.statscom.org.uk/media_html/reports/report_021/report_021_pt1_01_contents.asp.)

A wide range of organisations, not just the National Health Service, 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.

In October 2004 the Commission published the first in a series of reports, each looking at an entire field of official statistics. The report *Enhancing the Value of Health Statistics: User Perspectives* was built upon research work commissioned from York Health Economics Consortium who carried out the detailed review on our behalf.

In framing the Commission's recommendations, our approach was to identify a small number of high-level proposals which had wide relevance. The report made recommendations on: improving online access to statistics; user consultation on requirements for specific datasets; statistical consistency across the four countries of the UK; the needs of organisations for health data by geographic area; and the importance of identifying systematically the use made of health statistics in research and decision-making across the UK.

We have had positive feedback from the Department of Health and from user groups and will be taking forward the recommendations with the department and the new Health and Social Care Information Centre.

Report No. 22: *Census and Population Estimates and the 2001 Census in Westminster: Final Report* February 2005

(See: www.statscom.org.uk/media_html/reports/report_022/contents.asp.)

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.

Population estimates derived from the Census influence the allocation of over £80 billion of public funding annually. It is important that these statistics are fit for purpose in all parts of the UK. We were approached in 2002 by the City of Westminster who believed the 26 per cent decline in their Census population compared to previous estimates was an error. Following our *Interim Report on the 2001 Census in Westminster* in October 2003, we revisited the recommendations in our final report as part of a wider consideration of issues relating to census and population estimates.

Looking ahead to the 2011 Census, we made the following recommendations to ONS:

- ONS should seek to draw together public sector expertise in demography and related disciplines from across the UK.
- Targeted studies or surveys should be pursued in selected areas well ahead of 2011 with a view to improving population estimates for the most problematic areas.

- ONS should develop one or more alternative measures of population, in addition to ‘usually resident’, suited to the needs of different user groups.
- ONS should take account of the concerns of local bodies about the accuracy of population estimates through systematic consideration of, and response to, matters raised with them.
- Improvement of the quality of migration data should be addressed urgently by the Home Office and ONS together.
- ONS should lead government-wide consideration of a common approach on disclosure control methods, aimed at giving the user community the best possible data quality whilst reducing the risks of disclosure of confidential data to acceptable levels.

We also made some wider recommendations:

- Government departments, local authorities and other public bodies should commit to working closely together in the planning and execution of the 2011 Census.
- Government departments should assess more systematically, and publish, their own data requirements in relation to the Census.
- The creation of a robust and continuously updated national address register should be a priority for government and be led by the Office of the Deputy Prime Minister.

We will continue to follow up these recommendations with the ONS, Ministers and government over the coming months. We were pleased to note that ODPM made an important announcement on the way forward in relation to address registers in May 2005.

Report No. 23: *Measuring Standards in English Primary Schools* February 2005

(See: www.statscom.org.uk/media_html/reports/report_023.asp.)

We concluded that the reported improvement in Key Stage 2 test scores between 1995 and 2000 overstated the improvement in attainment over that period, but recognised that there was nevertheless some rise in standards.

Professor Peter Tymms of the Curriculum, Evaluation and Management (CEM) Centre at the University of Durham, asked the Commission to consider the issues raised in his article ‘Are standards rising in English primary schools?’ that has subsequently appeared in issue 30(4) of the *British Educational Research Journal*. His concern was that Key Stage 2 (KS2) test scores are not suitable for monitoring trends in standards over a period of years. We concluded that:

- The improvement in KS2 test scores between 1995 and 2000 (particularly in relation to English) overstates the improvement in attainment in primary schools over that period, but there was nevertheless some rise in standards.

- Ministers, and others who may want to use the test scores in a policy context, need to be made fully aware of any caveats about their interpretation: the sharp rise in KS2 scores in the latter 1990s cannot be simply interpreted as a rise in school performance standards – there are a number of qualifications that need to be made.
- Public presentation of the KS scores in statistical releases should include a clear statement about the uses to which the data may safely be put, and the limitations on the data in respect of those uses.
- KS test scores may not be an ideal measure of standards over time, but there is no real alternative at present to using statutory test scores for setting targets for aggregate standards.

Report No. 24: *Official Statistics: Perceptions and Trust* February 2005

(See: www.statscom.org.uk/media_html/reports/report_024/report_contents.asp. The Office for National Statistics has also published related reports on public confidence. These are available at: www.statistics.gov.uk/about/data/public_confidence/reports.asp.)

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.

The Commission's investigations into how key opinion-formers view official statistics was part of a wider research programme on public confidence which we undertook with the Office for National Statistics (ONS). Our study sought to determine what a group of leading opinion-formers *actually* believed about public trust in official statistics.

The interviews, undertaken on our behalf by MORI, buttressed the need for still greater effort in planning the collection of statistics across all of government and pointed to the need for communication of statistics to be improved.

Widely-held views were that:

- The quality of UK official statistics is generally up with the best in the world although there is still scope for improvement.
- There needs to be greater distance between the producers of statistics and government, possibly with an independent regulatory body which would monitor the use of official statistics.
- Official statistics are perceived as sometimes being pushed too far, beyond what they are capable of measuring, notably in relation to government-set targets.
- There is a need for a greater range of comparable statistics for the four countries of the UK. (We are addressing the scale of the requirement through other work.)
- Government statisticians could improve their communication with users, for example being clearer about the reasons for revisions and providing a fuller explanation of the figures. The media could also play a more constructive part in interpreting data.

Other research issues

Public Finance Revisions – Depreciation on Roads

Following an examination of the background to the changes to the *Public Finance First Release*, the Commission accepted the case for making revisions to correct a problem of double counting in relation to depreciation on roads maintained by the Highways Agency. On the basis of the many papers available to us, we saw no evidence of any inappropriate involvement of Treasury ministers or policy officials.

An issue concerning the proper counting of expenditure relating to road repairs, as announced in the *Public Finance First Release* on 18 February 2005, generated considerable public comment. The suggestion in some of the news stories was that the nature and timing of the proposed changes may have been designed to help the Government. Following an examination of the background to the changes, the Commission fully accepted the case for making the revisions. In essence, the changes corrected a problem of double counting in relation to depreciation on roads maintained by the Highways Agency. On the basis of the many papers available to us, we saw no evidence of any inappropriate involvement of Treasury ministers or policy officials. On the question of the way the revision was made, we noted that there were, and remain, essentially two accounting options which have different effects at more detailed levels of the national accounts, but have the same effect on the fiscal aggregates.

This aspect will require careful public explanation when the revisions to the national accounts are decided and implemented.

UK-wide common datasets

There are a number of instances in which similar statistics are collected on differing bases in the four countries of the UK. We believe the case for consistency across the administrations needs to be considered for each subject, and each dataset within a subject area.

We have detected growing concern among users about the lack of consistency across data from the four UK administrations. At the same time, we recognise that there is real value in meeting local needs within each of the four countries. We are undertaking a study to see if the current balance is beneficial overall or whether there is a good case for specific changes. We are also examining the effectiveness, from the user perspective, of existing mechanisms to co-ordinate statistical practice between the four administrations, both to bring about harmonisation where that is justified and to support local variation where that is needed.

Statistics from administrative records

Official statistics are increasingly based on administrative records (relating to education, benefits, tax etc). This trend should be encouraged and facilitated by government, subject to proper protection of the 'raw data' to ensure personal confidentiality.

There is no sharp distinction between 'management information' and 'official statistics' when these are drawn from a single administrative system – both may take the form of statistical tables and text. The essential differences are in how they are produced and quality-assured, and how they are then managed. The use of administrative records to produce statistics is increasing world-wide, with a consequent shift in the emphasis of statistical work. The Commission wants to see principles agreed between all government departments that might apply wherever official statistics are based on administrative systems. In part this is to ensure that – as far as possible – statistical series can be maintained on a consistent basis over time regardless of changes in administrative systems.

National Statistics quality management

High quality official statistics are needed for effective decision-making. Quality assurance processes are part of ensuring quality in the longer term.

The *Framework for National Statistics* assigns the Statistics Commission a role in advising on the quality assurance of official statistics. We have started a review of quality management principles and practice.

This review, part of which is being carried out jointly with ONS, will cover some or all of the following issues:

- how far the principles of internal audit can be applied to the quality management of statistical outputs which span different government departments
- the identification and mitigation of risk in the production, release and interpretation of official statistics
- how the existing programme of quality reviews might be improved.

PSA targets

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

The Commission is concerned that the figures used in measuring government performance targets should be appropriate and adequate for the task. They should not mislead either managers of public services or the public. We have examined the ‘measurability’ of the Public Service Agreement targets in the 2004 Spending Review and expect to report later in the year.

Reliability statements

For all statistical outputs we would like to see government statisticians including concise statements on their understanding of the main uses to which the data can safely be put and any observations on the limitations of the data in relation to those uses.

The Commission wants to see statisticians in government departments publish more information on the reliability of official statistics and on the purposes for which they are suitable. We have made recommendations in various reports and continue to pursue this matter with Ministers and departmental officials. We have received an assurance from the Financial Secretary to the Treasury (the Minister with responsibility for National Statistics) that this issue will be considered as part of the review of the *Framework for National Statistics*.

Review of school education statistics

Official education statistics have improved substantially in recent years and there is now a wealth of valuable data available for people who need such information to guide their decisions. However some users of statistics need more guidance and support.

In August 2004 the Statistics Commission invited the National Foundation for Educational Research (NFER) to carry out a review of UK primary and secondary school education statistics, focusing on the extent to which the needs of users of statistics, both within the education sector and more generally, were being met. This is the second in an ongoing series of reviews of statistics relating to major areas of policy; the first was of health statistics.

We have considered NFER’s Review report and have reached the following broad conclusions:

- The range and detail of official education statistics has been extended substantially in recent years.
- There are however signs that some potential users of the statistics need more support and guidance.
- There are a few significant gaps and inconsistencies in the otherwise impressive coverage of the statistics.

We will be publishing our report, incorporating NFER's report, in summer 2005 and will be recommending that:

- The four UK administrations should each aim to improve the transparency of their planning processes for education statistics.
- The producers of the statistics should re-assess whether the scope and nature of existing statistical databases, reports and other outputs are likely to meet the needs of the full range of potential users.
- The four UK administrations should each make a commitment to ongoing participation in international comparative studies of education performance.
- Full and informative statistical commentary should be provided alongside the figures to guide users.
- In the interests of users of statistics, including parents, a consistent approach should be taken across the UK to the publication of examination and test results for individual schools.

Impact of European statistical requirements on the UK

European Union statistical legislation results in statistics which are comparable across member states and this has considerable benefits for many users of UK statistics. However the obligation to produce them has the potential to skew priorities in a way which may not reflect the best interests of the full range of users of UK statistics.

We are conducting a study to look at the demands placed on the UK statistical system by the European Union and examine their impact on users.

For brief details of other issues addressed by the Commission during the year, see Annex E.

Update on earlier research recommendations

The Commission published its *Reliability Study Report* in December 2003, as Report No. 11. This included the following recommendations:

- We would like to see statistical outputs containing concise statements, written by government statisticians, on their understanding of the uses to which the data can safely be put and any observations on the limitations of the data in relation to those uses.
- The Commission would like to see statisticians commenting directly, and independently of government policy advisers, on the policy inferences that can be safely made from the available statistics and the pitfalls of interpretation that need to be avoided.
- We would like to see more work done to highlight existing good practice in relation to communicating reliability.

ONS have been working on a number of projects with the general aim of developing measures of data quality. One is the introduction of general 'usability statements', initially for the national accounts and eventually for all ONS outputs. The first, for Gross Domestic Product (GDP), is due to be released at the end of June 2005.

The Commission very much welcomes the ONS development of quality statements and reports for the national accounts, and looks forward to the extension of the approach to other ONS outputs. We would like to see similar developments for the statistics released by other government departments.

Commission Report No. 12, *Forecasting in the National Accounts at the Office for National Statistics*, was also released in December 2003. It made a number of recommendations regarding the use of forecasts and forecasting for the early estimates of GDP, which were largely overtaken by the subsequent report (No. 17) on *Revisions to Economic Statistics*. The latter report dealt at some length with the use of forecasts of construction output, and made several recommendations, including more systematic assessment of the performance of the forecasting models used. DTI and ONS have now jointly assessed forecasting models for construction output, but the same has not as yet been done for other areas where forecasts are used.





Chapter Four Forward look

The Commission has a number of projects either already in train or planned for 2005-06, some of which will extend into subsequent years. The Statistics Commission Plan is updated twice a year to take into account our assessment of public priorities and competing demands on our resources.

The Statistics Commission Plan

(www.statscom.org.uk/media_html/about/business_plan-01.asp) identifies three objectives:

- 1: To develop our understanding of the diverse **needs of users** of official statistics, including those of Parliament and the public, and to make appropriate proposals that would enhance the statistical service provided by government to users.
- 2: In the light of the needs of users of statistics, to consider and make proposals relating to the **governance of official statistics** in the United Kingdom.
- 3: To carry out the Commission's functions impartially and use resources efficiently, effectively and economically.

Objective 1:

Main projects 2005-06

- **Devolution research:**
Examine the comparability of statistics across the UK and assess a) the need for common UK datasets and b) the adequacy of the government machinery for handling devolution issues relating to statistics.
- **Education statistics:**
Complete the review of school education statistics with NFER. Aim to report summer 2005.

- **Crime statistics:**
Undertake a review of crime statistics. Aim to report May 2006.
- **PSA targets:**
Prepare a report on the statistical robustness of quantified targets in Public Service Agreements across government. Aim to report summer 2005.
- **'Excessive use':**
Produce a published paper on the over-use and misuse of official statistics and make proposals.
- **'Use made' research:**
Research the actual use made of official statistics – on a sample basis – in decision-making across government and draw conclusions. Aim to report autumn 2006.
- **European project:**
Examine the impact on UK users of incorporating EU requirements into national statistical systems and invite similar contributions from other countries.
- **National Statistics planning:**
Consider and comment to Ministers on the *National Statistics Work Programme 2005/06 – 2007/08* and the *National Statistics Annual Report 2004-05*.
- **Revisions to statistics:**
Monitor developments in this area, in the context of the recommendations of the review of revisions to economic statistics, published in April 2004.

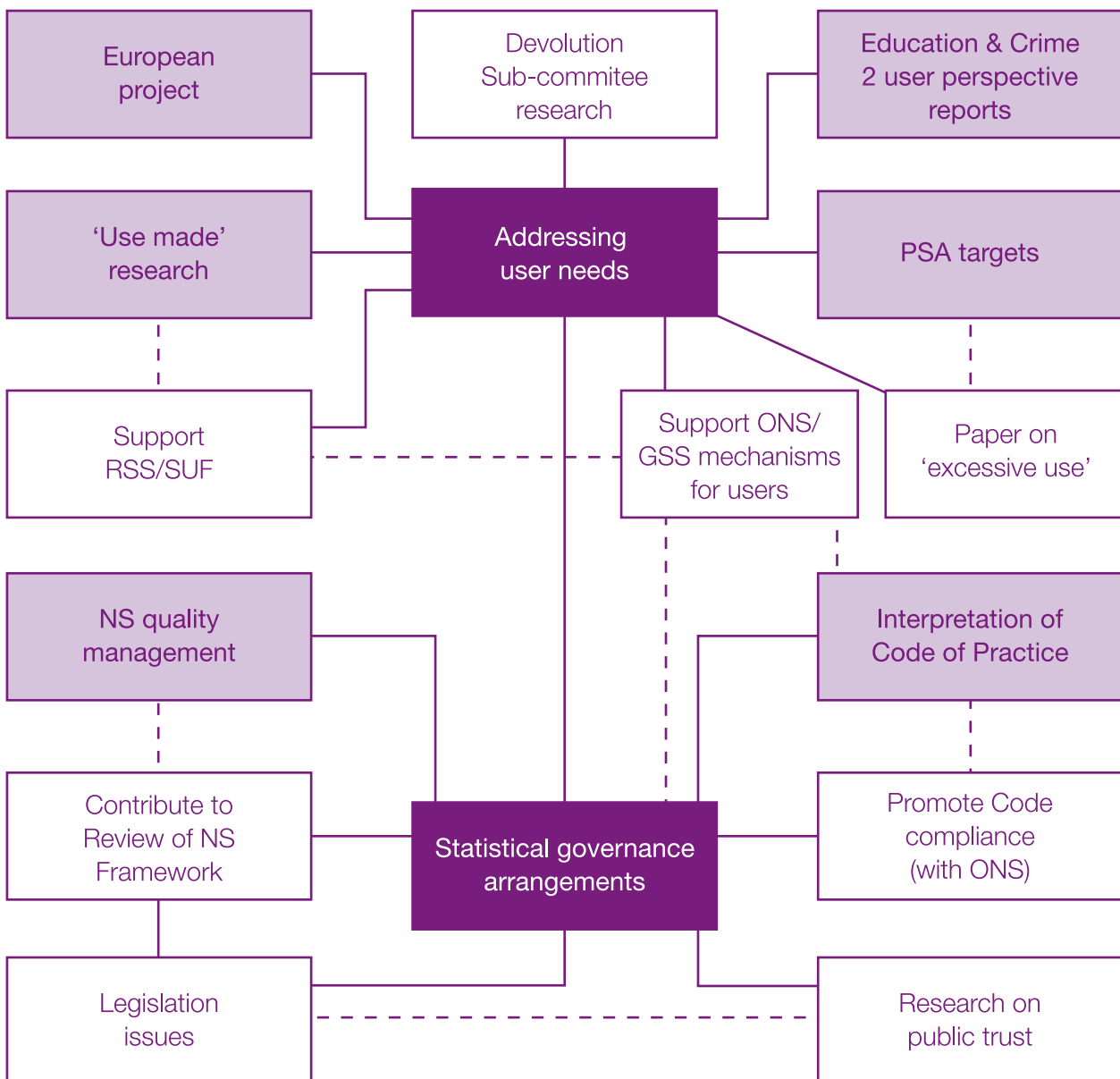
Objective 2: Main projects 2005-06

- **Legislation:**
Promote the case for primary legislation as recommended in the report *Legislation to Build Trust in Statistics*.
- **Framework review:**
Contribute to the government review of the non-statutory arrangements in the *Framework for National Statistics*.
- **Quality reviews:**
Review UK official statistics quality management, including the National Statistics quality review programme.
- **Public confidence:**
Take further steps to assess the level of public confidence in official statistics, and identify the underlying reasons.
- **Code of Practice:**
Make recommendations relating to the interpretation of the National Statistics Code of Practice.
- **Value of research:**
Assess the impact of Commission-funded research projects and make results available publicly.
- **Business processes:**
Maintain systematic procedures for managing the work of the Commission. This will include regular updates of the Commission Plan, maintenance of Issue Summaries and individual project plans, and adherence to project management procedures. A 'Potential Actions List' has also been developed to record all matters raised with or by the Commission.
- **Website usability:**
Monitor and improve the Commission's website to enhance usability.
- **Staff development:**
Review and update the training and development framework for all staff to meet both the short and long term needs of the Commission.
- **Business continuity:**
Maintain disaster recovery procedures and update the Business Continuity Plan accordingly.
- **Code of Practice:**
Make recommendations relating to the interpretation of the National Statistics Code of Practice.

Objective 3: Main projects 2005-06

- **Value to stakeholders:**
Establish a regular assessment of the Commission's value in the eyes of stakeholders.
- **Risk register:**
Review and update the risk register twice a year in January and July.

Summary of Key Projects 2005-06



Indicates projects expected to lead to a Commission report in 2005-06.



Annex A: The role of the Commission

The role of the Commission, set out in the June 2000 Framework for National Statistics (paragraph 4.2.3), is to “give independent, reliable and relevant advice on National Statistics to Ministers and, by so doing, to provide an additional safeguard on the quality and integrity of National Statistics”.

Given this, and bearing in mind the importance of official statistics in influencing decisions across all sectors of society and the wide-ranging effects these have on the lives of everyone in the United Kingdom, the Statistics Commission interprets its role as being:

To work with all those in the UK who fund, produce or use official statistics, or who are affected by them, to review current practice and identify the scope for beneficial change and make proposals accordingly; and support present practice where this is found effective and appropriate.

In the course of our work we will also learn from the experience of other countries and consider overseas experience that is relevant to the UK.

The Commission’s role is advisory rather than regulatory. It has no statutory powers to require the supply of information by government departments or to force implementation of its recommendations.

Aims and objectives

The Commission aims to ensure that decision-makers and the public can trust official statistics and that the statistics meet the needs of users. These aims will be achieved through the following objectives with effect from April 2005:

Objective 1:

To develop our understanding of the diverse **needs of users** of official statistics, including those of Parliament and the public, and to make proposals that enhance the statistical service provided by government.

Objective 2:

In the light of the needs of users of statistics, to consider and make proposals relating to the **governance of official statistics** in the United Kingdom.

Objective 3:

To carry out the Commission’s functions impartially and use resources efficiently, effectively and economically.

Strategic issues

We currently identify the following main issues:

- how to ensure effective and transparent statistical planning, and quality assurance, within government to meet the needs of *all* users (in government and its agencies, in local government, in business, in the not for profit sector and in academia and elsewhere) – taking full account of the costs and burdens of data collection
- how to ensure that all official statistics are accompanied by frank, easy to understand and genuinely independent commentary and analysis
- how to stimulate improved communication of statistics, and messages drawn from statistics, to key groups of users, including the general public
- how to ensure the continuation and development of the independent scrutiny role currently embodied in the Statistics Commission
- how best to engage in the public debate about official statistics and maintain an active dialogue with key opinion-formers
- how best to use the resources available to the Commission to research and pursue relevant issues.

Strategy

Bearing in mind the issues identified above, our current strategy is to:

- urge government to adopt a more robust and statutory framework for official statistics in which people will have greater trust
- promote the case for a statutory Code of Practice binding on all government departments and agencies
- promote the case for a statutory Commission with specific powers to replace the existing one
- make proposals to strengthen the existing non-statutory arrangements for the management of official statistics (to the extent that these would not be replaced by a statutory framework)
- actively pursue through correspondence and dialogue the proposals and recommendations that the Commission has already made
- undertake, or commission, research and produce public reports in pursuit of our aims
- support and supplement existing channels of communication between users and producers of official statistics
- foster a constructive dialogue with the Office for National Statistics, other government departments, the devolved administrations and other public bodies with substantial responsibility for official statistics
- support cases made by complainants where appropriate and defend the producers from unreasonable criticism where this is justified, publishing the basis on which Commission assessments have been made.

Values

In carrying out its tasks the Commission commits itself:

- to respect and promote all uses of official statistics that are of public value
- to report the results of all its investigations openly and deal systematically with criticism of its work, seeking to learn lessons and continuously improve
- to consult interested parties before the release of Commission findings so as to understand and respond to other views – without shrinking from giving an independent view on controversial issues
- to operate in a transparent way with the minutes of its meetings, correspondence, evidence it receives, and advice it gives, normally made available on the Commission's website
- to present its views in an impartial way, offering praise and criticism where appropriate.



Annex B: Who we are

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 The City University in 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.

Vice Chairman
Sir Derek Wanless



Sir Derek Wanless is a director of Northern Rock plc and Northumbrian Water Group plc

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 is currently leading a project on social care for the King's Fund. 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).

Commissioners

Ian Beesley



Ian Beesley is a retired senior partner at PricewaterhouseCoopers who now runs his own strategy consultancy. He is a Fellow of the Royal Statistical Society and of the British Institute of Management. As

a consultant he worked with organisations in the media and arts, defence, UK and foreign public sector and with international agencies. Before joining PWC in 1986, he was head of the Prime Minister's Efficiency Unit. He started his career in the Central Statistical Office working in the fields of balance of payments, national accounts and monetary policy. He has an MA in politics, philosophy and economics, and a Post Graduate Diploma in statistics, both from Oxford University.

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.

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 chair of the Higher Education Regulation Review Group, a Governor of the Wellcome Foundation and a member of the Committee for Standards in Public Life. She is a non-executive director of GCAP Media plc and the Competition Commission. 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.

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

Sir Derek Wanless (chairman)
John Gant*
Linda Peacock*
John Smock*

Legislation Sub-committee

Dame Patricia Hodgson (chairman)
Colette Bowe
Sir Kenneth Calman
Jane Hill (Treasury Solicitors)*
Graham Mather (European Policy Forum)*
Professor David Rhind

Review of Revisions Project Board

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

Note: Martin Weale sat on the Review of Revisions Project Board in his capacity as Director of the National Institute of Economic and Social Research.

Review of Health Statistics Project Board

Sir Kenneth Calman (chairman)
Louise Carr (York Health Economics Consortium)**
Peter West (York Health Economics Consortium)**
Deana Leadbeter (Health Statistics Users Group)
John Fox (Department of Health observer)
Martin Weale
Carolyn Sinclair*

Devolution and Regional Sub-committee

Janet Trewsdale (chairman)
Sir Kenneth Calman
Sir Derek Wanless

Research and Review Sub-committee

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

Official Statistics: Perceptions and Trust Project Board

Professor David Rhind (chairman)
Colette Bowe
Suzanne Hall (MORI)**
Andrew Johnson (MORI)**
Maryanne Kelly (ONS observer)

Review of School Statistics Project Board

Janet Trewsdale (chairman)
Malcolm Britton (Department for Education and Skills)
Peter Rudd (National Foundation for Educational Research) **
Ian Schagen (National Foundation for Educational Research) **
Martin Weale

* consultants ** project contractors

Annex C: Plans and performance 2004-05

Performance against the 2004-05 Forward Look included in the Annual Report 2003-04

ACTIONS PLANNED	PERFORMANCE
<p>Promote the case for primary legislation as recommended in the Commission's report of May 2004, <i>Legislation to Build Trust in Statistics</i>.</p>	<p>Letters to Ministers. Discussions with government and opposition parties. Presentations at events.</p>
<p>Contribute to the review of the non-statutory arrangements in the <i>Framework for National Statistics</i>.</p>	<p>Formal review has not yet started but the Commission has begun discussions about the non-statutory arrangements.</p>
<p>Complete the review of the 2001 Census in Westminster and pursue the recommendations from the <i>Interim Report</i>.</p>	<p>Final report published January 2005, included an update on the previous recommendations.</p>
<p>Follow up the review of revisions to economic statistics published in March 2004.</p>	<p>Seminar held October 2004. Review of progress undertaken in March 2005.</p>
<p>Complete a review of health statistics used in monitoring health services.</p>	<p>Report published October 2004 and followed up with Ministers/officials.</p>
<p>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.</p>	<p>Ongoing communication with ONS and others.</p>
<p>Consult further the RSS 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.</p>	<p>List of user priorities developed and followed up with the Financial Secretary to the Treasury. RSS has set up Statistics Users Forum that will now lead on user priorities.</p>

ACTIONS PLANNED	PERFORMANCE
<p>Begin mapping the key uses of official statistics in decision-making.</p>	<p>A research project has been agreed in principle and is being planned.</p>
<p>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.</p>	<p>We noted the assessment of the forecasting models for construction output that appeared in the DTI/ONS review of construction output and have encouraged ONS to use this as a model for other areas where forecasts are used in compilation of GDP. ONS intend to undertake a review of the forecasting models used for the preliminary estimate of GDP.</p>
<p>Continue to press for more information to be provided by government statisticians about the reliability and utility of published statistics.</p>	<p>Incorporated in various Commission correspondence and presentations.</p>
<p>Examine the National Statistics planning system based around Theme Working Groups.</p>	<p>Incorporated in current work on quality management of official statistics.</p>
<p>Ensure that there is an adequate government response to the <i>Allsopp Report</i> on the need for better regional and sub-regional statistics.</p>	<p>HM Treasury is committed to implementing the proposals in full and an implementation groups has been set up within ONS.</p>
<p>Consider the adequacy of the enforcement arrangements that ensure that the National Statistics Code of Practice is respected across government.</p>	<p>The Commission will follow this up in its engagement with the review of the <i>Framework for National Statistics</i> and expects to make specific proposals.</p>
<p>Examine the practices and principles adopted by government departments for those official statistics derived from administrative records.</p>	<p>The Commission has done some initial work on this. ONS has commissioned a review of the wider implications of the use of administrative data.</p>

ACTIONS PLANNED	PERFORMANCE
<p>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.</p> <hr/>	<p>Worked with the ONS on the public confidence in official statistics research. Commissioned research and published own report on the perceptions of opinion-formers in February 2005.</p> <hr/>
<p>Undertake a review of school education statistics. Aim to report 2004-05.</p> <hr/>	<p>Seminar to inform review held June 2004. National Foundation for Educational Research commissioned to undertake review. Commission report due summer 2005.</p> <hr/>
<p>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.</p> <hr/>	<p>Sub-committee set up. Letters sent to users to assess whether user needs are being met.</p> <hr/>
<p>Consider and report on the statistical implications of the development of 'population registers' within government.</p> <hr/>	<p>Considered as part of the final report on the Census, published January 2005.</p> <hr/>
<p>Contribute to the public debate on the proper role of statistics, and statisticians, in the setting and monitoring of government targets.</p> <hr/>	<p>Research on the PSA targets set in the 2004 Spending Review is ongoing. A report will be published in the summer of 2005.</p> <hr/>
<p>Explore further the scope for government statisticians to present a more integrated set of messages about society and the economy.</p>	<p>Taken forward in various correspondence and presentations.</p>

List of publications 2004-05

Reports

Revisions to Economic Statistics. Statistics Commission Report No. 17, in 3 volumes. Volume 1: *Report by the Statistics Commission*. Volume 2: *Review by the National Institute of Economic and Social Research*. Volume 3: *Annexes to the Review by the National Institute of Economic and Social Research*. April 2004.

Legislation to Build Trust in Statistics. Statistics Commission Report No. 18, May 2004.

Report of June 2004 Seminar: School Level Education Statistics. Statistics Commission Report No. 19, July 2004.

Statistics Commission Annual Report 2003-04. The Stationery Office, July 2004.

Changes in the Calculation of the RPI and RPI Governance. Statistics Commission Report No. 20, September 2004.

Enhancing the Value of Health Statistics: User Perspectives. Statistics Commission Report No. 21, incorporating *Review of Health Statistics* by York Health Economics Consortium, October 2004.

Open Meeting Report 22 September 2004. Statistics Commission, October 2004.

Report of the Revisions Seminar 28 October 2004. Statistics Commission, October 2004.

Census and Population Estimates and The 2001 Census in Westminster: Final Report. Statistics Commission Report No. 22, January 2005.

Measuring Standards in English Primary Schools. Statistics Commission Report No. 23, February 2005.

Official Statistics: Perceptions and Trust. Statistics Commission Report No. 24, incorporating *Trust in official statistics: MORI Report on Behalf of the Statistics Commission*, February 2005.

Evidence and Comments

Presentation and Availability of Seasonally Unadjusted Data. June 2004.

Evidence to the Treasury Sub-committee, September 2004.

Public Finance Revisions – Depreciation on Roads. March 2005.

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

Resources

Grant in aid funding of up to £1.75 million was available, which included funding for an accommodation move in March 2005 when the lease on current premises expired. Actual expenditure for 2004-05 was £1.58 million, the main elements of which were staff, accommodation (including the cost of moving offices), and research costs. Next year grant in aid funding is decreased to £1.35 million, the same as in each of the preceding years.

Current staffing levels

At the end of the year the Commission had a staff of ten with one vacancy, including seven on secondment from their permanent employers and three on fixed-term contracts with our sponsor department.

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.



Annex D: Code of Practice casework

In Part 2 of this Annual Report, Statistical Governance, we discussed the challenge of ensuring that different government departments uniformly observe the current National Statistics Code of Practice. Uncertainty about the interpretation of the Code is demonstrated by the range of possible breaches that were drawn to our attention during the year. However none of these was particularly serious in itself. It is important to note here that only a few parts of the present Code are of a kind that readily allows an independent judgement to be made about adherence. Much of it is more aspirational than prescriptive in style and requires no specific evidence – and is not susceptible to ‘proof’ – of adherence. Thus the evidence that does exist often relates only to the more prescriptive and detailed aspects of the Code. It is also important to recognise that the Code relates to activities of *all* staff in government departments, not just the statisticians. The job of statisticians is to promote and uphold the Code in relation to all those involved, not just follow it themselves.

It may be helpful to explain the process of reporting breaches of the Code. When a departmental Head of Profession for statistics is notified of an actual or perceived breach of the Code, he or she investigates the circumstances and completes a ‘breach report’ for the National Statistician, including action taken to avoid future breaches. The National Statistician’s office forwards these reports to the Commission.

In addition, the Commission identifies some suspected breaches directly and refers these to departmental statisticians for investigation, leading to further reports. The reports mostly show that, where breaches do occur, they are the result of accidental premature release of data or lack of awareness of the Code by non-statisticians within a department. The Commission has expressed some concern about whether all relevant staff in government departments are fully aware yet of the Code but we note that departmental statisticians have been trying to raise the level of awareness, especially where a breach has occurred.

The following cases of accidental release have been notified since April 2004 and in each case we accepted the report’s findings and were satisfied with the actions taken:

- *Early release of trade union membership data:* there was an accidental early release of *Trade Union Membership 2003* by TSO.
- *Disclosure of information from a National Statistics release on homelessness:* A ministerial statement inadvertently disclosed information from a Homelessness statistical release before publication later that morning.
- *Children’s dental health statistics breach:* Some children’s dental health reports were mistakenly available on the Government news network the day before publication.

There were cases where breaches occurred but we were satisfied with the action that was taken:

- *Transport emission statistics:*
A report in *The Guardian* claimed ONS withdrew a news release on transport emission statistics because of political pressure. This proved not to be the case. However a breach of the Code of Practice occurred when there was premature circulation for briefing purposes. We have been assured that processes have been put in place to avoid similar problems in future.
- *Gun crime figures:*
BBC News and Radio 4 quoted an accurate figure for the rise in gun crime prior to publication. Following an internal investigation by the Head of Profession, the source of the leak was not believed to be within the Home Office. All those who received pre-release copies of the statistical bulletin were reminded of their obligations under the Code of Practice. Internal procedures were also emphasised to statistical staff, press office and policy divisions, although they were not implicated in the breach.
- *Notification of a publication:*
Only 13 days notice, rather than the stipulated 14 days, had been given by ONS for the publication of the initial findings on Public Confidence in Official Statistics, due to technical problems.

Sometimes the Head of Profession will grant an exception to the Code, and provide a report on this to the National Statistician, and thence to the Commission. Examples of these during the year were:

- *Department for Work and Pensions exception report on pre-release access:*
Because the *Housing Benefit Review* was a complex piece of work with a high profile, some policy officials outside the team compiling the report were given more than the five days pre-release access to the results allowed under the Code of Practice. Ministers themselves did not have extended access.
 - *Pre-release access to Households Below Average Income:*
the Department for Work and Pensions gave four days extra access to three officials to assist in Ministerial briefing on the *Housing Below Average Income* results for 2003/04.
- Other Code issues brought to the Commission's attention were:
- *Release of migrant worker statistics:*
'Migrant worker' statistics were suspended because of doubts about the quality of the source data and re-instated in September as *National Insurance number allocations to overseas nationals entering the UK* to reflect more accurately the coverage of the statistics.
 - *Super Output Areas consultation by ONS:*
A local authority raised concerns with the Commission about the timing and nature of the ONS consultation on the implementation of Super Output Areas (small geographic areas which can be used as building bricks to provide geographic data, so that, for example, ward boundary changes do not affect time series). We followed this up with ONS and concluded that in future more time would need to be allowed for such consultations.

- *NHS statistical press release and ministerial comment:*

An external expert complained that recent press releases from the Department of Health statisticians and Ministers were not as informative as they should be under the Code of Practice. We have raised this concern with the department and will continue to press for adequate statistical commentary on all statistical releases.

Other cases (not breaches)

Sometimes, notably with statistics derived from administrative systems – such as crime or health statistics – journalists will telephone individual authorities for their local figures and aggregate the results, publishing just before the official figures are due for release.

Examples of unhelpful media reporting were:

- *Asylum statistics:*

An article in *The Observer* headed “Big fall in numbers seeking asylum” gave the impression that there might have been a breach of the Code of Practice with the press being briefed before publication of the statistics. Following an internal investigation, the Home Office indicated that they did not believe there was a leak. The Statistics Commission concluded that the matter could not be pursued further.

- *Migration statistics:*

An article in the *Sunday Times* suggested that the Home Office had been consulted inappropriately by ONS in the context of immigration and population statistics. The Commission followed this up with the ONS and concluded that the press had got the story wrong and that ONS had no case to answer.

- *Crime statistics:*

Crime figures published in the *Daily Mail*, before the release of the official figures, were based on management information from police statistics produced by individual forces and not from a leak of the official statistics.

- *Deletion of academic comment by ONS from Social Trends article:*

The Commission was alerted to an article which made claims about the motives of ONS in deleting parts of a contributed article in *Social Trends* 34. In response, ONS strongly refuted any accusations of acting from political motives and explained that ONS’s actions were to ensure that it conformed to the Code of Practice; the removed sections amounted to political comment on government policy (which is not appropriate in a statistical publication).

Annex E: Other issues considered by the Commission

In addition to our programme of research and Code of Practice casework, the Commission has addressed a wide range of issues. Some of these were identified by the Commission itself, some were brought to our attention by users or producers of statistics and others were raised in the media.

Here are some examples of other issues we have considered during the year.

National Statistics planning

The Commission responded to the consultation on the annual planning documents for National Statistics, making some observations on the presentation of the plans. Changes are being made to the presentation for the next work programme.

Statistical Modernisation Programme

The Commission would like to see ONS set out more fully the specific benefits that will flow from the ONS Modernisation Programme, and the timetable for these benefits and has raised these issues with ONS and HMT. We regard the Programme as of fundamental importance but, like major IT projects, it carries substantial risks.

Access to Inter-Departmental Business Register

A local authority approached the Commission with a complaint about the number of forms they were now required to complete in order to gain access to data from the Inter-Departmental Business Register. ONS has now streamlined its procedures.

Disclosure of ONS staff's financial interests

A local authority councillor asked the Commission for assurance that processes were in place to prevent ONS staff gaining any financial benefit from early access to market sensitive statistics. We referred this matter to ONS itself as this is not within the remit of the Statistics Commission.

Overseas statistical arrangements

The Commission produced a summary of statistical governance arrangements in other countries for the Treasury. We also responded to a request from a consultant to provide information that would be useful to developing countries interested in setting up their own statistics commissions.

Health and Social Care Information Centre

The Commission wrote to the Chief Executive of the Department of Health and National Health Service, asking about the managerial arrangements, role and priorities for the new Health and Social Care Information Centre. We have had a helpful reply and will be taking forward the dialogue with officials in the departments and senior staff in the new Information Centre.

Statistics on the new Department of Health website

The Commission was contacted by an expert user regarding changes to the Department of Health website which had apparently resulted in less information being available. We wrote to the Minister at the Department of Health and will be taking this forward as part of our ongoing discussions about the work of the new Health and Social Care Information Centre.

Withholding abortion statistics to maintain confidentiality

The Department of Health notified the Commission that some abortion statistics would be withheld until concerns over the confidentiality of personal data had been resolved. We were satisfied that this was the appropriate course of action.

2002 star ratings for NHS trusts

The Commission wrote to the Department of Health about the accusation in media reports that Ministers required changes to the methodology for producing the star-ratings in order to create politically more acceptable results. The department's reply rejected the accusations and indicated that the matter had been the subject of a Parliamentary debate. The Commission concluded that the issue could not be pursued further.

Hospital waiting times

An MP copied to the chairman his letter on hospital waiting lists to Sir Nigel Crisp, chief executive Department of Health and NHS. He claimed that, according to the latest Hospital Episode Statistics, the median and mean waiting times had increased during the last financial year, rather than decreased, as suggested in the Report to the NHS. Sir Nigel replied to the MP, including a technical explanation and outlining procedures for publishing *Hospital Episode Statistics*. We accepted that the current arrangements are appropriate.

Government smoking figure targets

The Royal Statistical Society raised concerns about the presentation of figures for smoking against government targets by the Department of Health compared with the ONS General Household Survey figures. On investigation, the Commission found that the presentation was technically correct but could have given a misleading impression. We have drawn the matter to the attention of the ONS.

Publication of Key Stage 3 results

Following some media comment, the Department for Education and Skills explained to the chief executive the decision to defer some Key Stage 3 results until September when the outcome of the extended review process for schools would be known.

OECD Survey of school attainment

The UK was the only country out of 40 surveyed by OECD not to be included in the report as the participation rate for England fell below the required level. We followed this up with ONS.

Value added measures in school performance tables

Following expressions of concern from a leading academic about the quality and presentation of value added measures in school performance tables, the Commission took the matter up with the Department for Education and Skills. We are pleased to learn that they are piloting a model for 'value added' between Key Stages 2 and 4 in the 2005 tables. This is designed to take account of contextual factors which are outside the school's control, such as gender, mobility and levels of deprivation which may have a further impact on pupil results, even after allowing for prior attainment. The Commission also welcomes DfES's plans to publish value added estimates with confidence intervals, and looks forward to seeing the results of the 2005 pilot.

Classification decisions

Commissioners are concerned that all classification decisions should be transparent. The National Statistician informed the Commission of the decision to classify British Energy as a public corporation in the National Accounts. He also alerted the chairman to the Network Rail refinancing package, explaining the change of date from which it was classified in the private sector that had resulted from information relating to a transitional arrangement for directors' incentive pay.

Changes to PRODCOM statistics

The Commission is concerned that there must be adequate public consultation on user needs before changes are made to official statistics. ONS are consulting on the proposal to reduce the frequency of all figures of sales from the production industries from a monthly basis to an annual one in the light of a change to EU legislation.

Gender-disaggregated regional statistics

The secretariat met with the chairman of the Gender Statistics Users Group to discuss the need for gender-disaggregated statistics, particularly at regional level.

Population projections and immigration

The Commission has been approached by MigrationWatchUK with various concerns. These included: the statistical treatment of failed asylum seekers; net migration estimates and presentation of the migration-related growth in the population projections. We have followed these up with ONS and the Government Actuary's Department. There are now a number of improvements to migration statistics underway and more plans are due to be published in the autumn.

Poverty statistics

An article in the press claimed ministers selected the way poverty is measured so that targets would be easier to achieve. This raised issues of how targets are set which the Commission followed up on a visit to the Department for Work and Pensions. We were satisfied that the definition of poverty adopted was an appropriate one but felt that fuller information on how the decision was taken should have been made available.

Statistics on poverty and social exclusion

The Joseph Rowntree Foundation (JRF) raised concerns about the quality of official statistics on poverty and social exclusion. Various discussions have taken place and the matter is currently being discussed between JRF and ONS.

Report on impact of drug testing in prisons

An expert user contacted the Commission for help in getting information about the report on ONS research into performance indicators for mandatory random drug testing of prisoners. The Commission wrote to the Home Office. The report has now been published.

British Crime Survey

The Commission has had correspondence with the Crime and Society Foundation, and others, about the adequacy of *British Crime Survey* data. This topic will be addressed in our forthcoming review of crime statistics.

Statistics Commission

Financial Statements

For the year ended 31 March 2005

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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 2004-05 was £7,050.

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 57) 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 2000¹.

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 52 of these accounts.

Post balance sheet events

There are no post balance sheet events to report for the period ended 31 March 2005.

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 2004-05 HM Treasury achieved a performance of 90.23% against this target for all invoices. This remains slightly below the target, due to the residual effects of a major internal systems change in 2003-04.

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

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. Seconded remain subject to their parent organisations' terms and conditions of employment.

The Commissioners

The following were Commissioners during the period ended 31 March 2005:

David Rhind (Chairman)
 Sir Derek Wanless (Vice chairman from 1 July 2004)
 Colette Bowe
 Dame Patricia Hodgson
 Sir Kenneth Calman
 Janet Trewsdale
 Martin Weale
 Ian Beesley (from 1 July 2004)

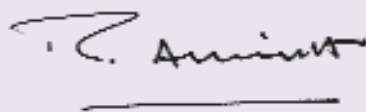
A register of Commissioners' interests is maintained by the Commission and is available for inspection on the Commission's website at www.statscom.org.uk.

Audit Committee

The audit committee is chaired by a Commissioner, Sir Derek Wanless. There are two other members, both external: John Gant CB, ex-Finance Director of Inland Revenue; and Linda Peacock, Deputy Director Corporate Governance, UK Trade and Investment.

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 crime, the needs of users of statistics outside central government and quality reviews. The Commission plans to contribute to the government review of the non-statutory arrangements in the Framework for National Statistics. The Commission will follow up the recommendations in its previous reports, in particular the review of health statistics, the review of revisions to economic statistics and the report *Legislation to Build Trust in Statistics*. It will also continue to pursue concerns raised by others.



Richard Alldritt
 Chief Executive
 04 July 2005

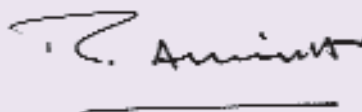
Statement of the Commission's and the Accounting Officer's Responsibilities

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*.



Richard Aldritt
Chief Executive
04 July 2005

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 the formulation of the Commission's strategy for discharging its duties, including for encouraging high standards of regularity and propriety and promoting the efficient and effective use of resources. The 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

- 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 2005 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, the National Audit Office 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.

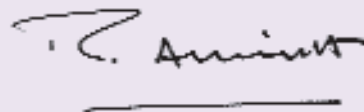
Each risk is assessed for the most appropriate way to manage it and responsibility for action assigned to individuals. Risks identified are recorded in a risk register together with the Commission's evaluation and planned action. This helps senior staff in reviewing and updating the business plan to ensure resources are directed to areas of greatest risk. At the lower level staff have included action for addressing risks in their work objectives and include risk assessment in project proposals.

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. The Chief Executive submitted a progress report to each Commission meeting. 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 report from the National Audit Office to the Chief Executive on the outcome of its annual audit of the accounts.



Richard Alldritt
Chief Executive
04 July 2005

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

I have audited the financial statements on pages 52 to 72. 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 56.

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

As described on page 46, 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 47 to 49 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 2005 and of the deficit, total recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the directions made by Treasury; and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.



John Bourn
Comptroller and Auditor General
06 July 2005

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

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

**INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2005**

		2005		2004	
	Note	£	£	£	£
Income					
Grant in aid	2		1,332,996		1,331,392
Other operating income	3		136,695		74,293
			<hr/>		<hr/>
			1,469,691		1,405,685
Expenditure					
Staff costs	4	554,041		514,234	
Commissioners' fees	5	67,187		61,917	
Other administration costs	6	818,522		672,831	
Depreciation	7	63,246		74,095	
Deficit on disposal of fixed assets	12	73,349		-	
Cost of capital charge	12	2,263		869	
		<hr/>		<hr/>	
			1,578,608		1,323,946
			<hr/>		<hr/>
Retained (deficit)/surplus transferred (from)/to General Fund	12		(108,917)		81,739
			<hr/>		<hr/>

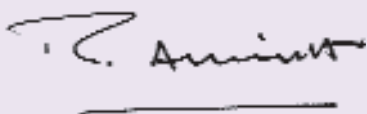
The notes on pages 56 to 72 form part of these accounts

**STATEMENT OF TOTAL
RECOGNISED GAINS AND LOSSES FOR
THE YEAR ENDED 31 MARCH 2005**

	Note	2005 £	2004 £
Retained (deficit)/surplus for the year		(108,917)	81,739
Unrealised surplus on the revaluation of tangible fixed assets	12	84	3,974
		—————	—————
Total recognised (losses)/gains for the year		(108,833)	85,713
		—————	—————

**BALANCE SHEET
AS AT 31 MARCH 2005**

		2005		2004	
	Note	£	£	£	£
Fixed assets					
Tangible assets	7		206,107		81,061
Current assets					
Debtors	8	736,439		441,979	
Cash at bank and in hand	9	2,169		9,987	
			738,608		451,966
Creditors: amounts falling due within one year	10	(853,750)		(478,454)	
Net current liabilities			(115,142)		(26,488)
Creditors: amounts falling due after more than one year	11		(4,062)		-
Net assets			86,903		54,573
Reserves					
General fund	12		(119,202)		(26,488)
Government grant reserve	12		206,105		81,061
			86,903		54,573



Richard Alldritt
Chief Executive
04 July 2005

The notes on pages 56 to 72 form part of these accounts

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2005**

	Note	2005 £	2004 £
Net cash outflow from operating activities	13	(28,492)	(8,466)
 Capital expenditure			
Payments to acquire tangible fixed assets		(240,981)	(5,173)
		_____	_____
Net cash outflow before financing		(269,473)	(13,639)
 Financing			
Grant in aid for capital expenditure		261,655	6,236
		_____	_____
Decrease in cash and cash equivalents	9	(7,818)	(7,403)
		_____	_____

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 2005 shows net current liabilities of £115,142 and the income and expenditure account for the year shows a retained deficit of £108,917. 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 2005-06 of £1.35 million has already been approved. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

b. Accounting convention

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

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

c. Grant in aid and government grant reserve

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

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% (2003-04 – 3.5%) 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 procurement and finance. 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-05 £	31-Mar-04 £
Grant receivable from Request for Resources 1	1,594,651	1,337,628
Transfer to government grant reserve in respect of fixed asset additions	(261,655)	(6,236)
	<hr/> 1,332,996 <hr/>	<hr/> 1,331,392 <hr/>

3. Other operating income

	31-Mar-05 £	31-Mar-04 £
Transfer from government grant reserve in respect of depreciation charge	63,246	74,095
Transfer from government grant reserve in respect of deficits on revaluation	100	198
Transfer from government grant reserve in respect of deficit on disposal of fixed assets	73,349	-
	<hr/> 136,695 <hr/>	<hr/> 74,293 <hr/>

4. Staff costs

	31-Mar-05	31-Mar-04
	£	£
a. Staff costs for the year comprised:		
Wages and salaries (staff on secondment)	447,833	391,420
Wages and salaries (temporary staff)	-	27,179
Social security costs	42,020	43,690
Other pension costs	64,188	51,945
	<hr/>	<hr/>
	554,041	514,234
	<hr/>	<hr/>

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.

b. Average number of staff:		
The average number of persons contracted to work for the Commission during the year was as follows:	31-Mar-05	31-Mar-04
	Number	Number
Senior staff on secondment	1	1
Other staff on secondment	10	8
Temporary staff	-	1
	<hr/>	<hr/>
	11	10
	<hr/>	<hr/>

c. Salary and pension entitlements

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

Name	2004-05		2003-04	
	Salary £000	Benefits in kind £000	Salary £000	Benefits in kind £000
Richard Alldritt	70-75	38	45-50	26
Gill Eastabrook	-	-	25-30	11

Gill Eastabrook was Chief Executive until 26 August 2003.
Richard Alldritt appointed Chief Executive from 26 August 2003.

Name	Real increase in pension and related lump sum at age 60	Total accrued pension at age 60 at 31/3/05 and related lump sum	CETV at 31/3/04 or start date (nearest £000)	CETV at 31/3/05 or end date (nearest £000)	Real increase in CETV after adjustment for inflation and changes in market assessment factors (nearest £000)	Employee contribution to partnership pension account including risk benefit cover – to nearest £100
	£000	£000	£000	£000	£000	£
Richard Alldritt	2.0-2.5	30-35	352	401	22	4,300

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 (2003-04: £28,000) for 60 (2003-04: 60) days work and each of the commissioners is paid an annual fee of £5,500 (2003-04: £5,500) for 20 (2003-04: 20) days work. Sir Derek Wanless was appointed vice chairman in July 2004 and is now paid an annual fee of £8,250 for 30 days work each year. The actual amounts paid during the year were:

	31-Mar-05	31-Mar-04
	£	£
Sir John Kingman (chairman until 30 April 2003)	-	2,333
David Rhind (chairman from 1 May 2003)	28,000	26,584
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
Sir Derek Wanless (vice chairman)	7,562	5,500
Martin Weale	5,500	5,500
Ian Beesley (started July 2004)	4,125	-
	<hr/>	<hr/>
	67,187	61,917
	<hr/>	<hr/>

In addition, expenses amounting to £7,952 (2003-04: £7,789) were reimbursed to the commissioners.

6. Other administration costs

	31-Mar-05 £	31-Mar-04 £
Rent, rates and service charges	362,295	277,278
Research costs	268,430	143,575
IT current	45,816	63,951
Consultants and professionals	20,060	27,849
HM Treasury notional costs	13,940	13,600
Training	12,391	13,027
Printing and stationery	16,907	28,743
Internal audit	10,300	7,050
Recruitment	13,033	44,675
External auditors' fees	7,050	6,756
Commissioners' expenses	7,952	7,789
Cleaning	6,308	9,333
Relocation expenses	5,002	0
Telephones	4,679	4,615
Photocopying	3,601	5,334
Postage	5,436	2,769
Publicity	5,317	7,522
Travel	3,847	3,349
Other costs (eg bank charges, electricity, health and safety, etc)	6,158	5,616
	<hr/>	<hr/>
	818,522	672,831
	<hr/>	<hr/>

Rent, rates and service charges include an exceptional charge of £65,339 (2003-04 £Nil) in respect of base build rent payable on termination of lease. Other costs include £100 (2003-04: £198) for the downward revaluation of tangible fixed assets.

7. Tangible fixed assets

	IT Equipment £	Office Equipment £	Furniture & Fittings £	Leasehold & Improve- ments £	Total £
Valuation					
At 1 April 2004	35,292	3,583	102,586	251,455	392,916
Additions	33,323	-	41,921	186,411	261,655
Disposals	(22,399)	-	(79,534)	(251,455)	(353,388)
Revaluation	(263)	(4)	1,178	-	911
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2005	45,953	3,579	66,151	186,411	302,094
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation					
At 1 April 2004	32,900	2,883	75,880	200,192	311,855
Charge for year	12,017	717	13,230	37,282	63,246
Withdrawn	(22,035)	-	(57,814)	(200,192)	(280,041)
Revaluation	(162)	(21)	1,110	-	927
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2005	22,720	3,579	32,406	37,282	95,987
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value					
At 31 March 2005	23,233	-	33,745	149,129	206,107
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2004	2,392	700	26,706	51,263	81,061
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

The large movement in fixed assets is due to the Statistics Commission moving to new premises at the end of the lease at 10 Great George Street in March 2005.

8. Debtors

	31-Mar-05	31-Mar-04
	£	£
Accrued income – Grant in aid (see Note 1c)	717,893	438,243
Prepayments	16,686	3,736
Other debtors	1,860	-
	<hr/>	<hr/>
	736,439	441,979
	<hr/>	<hr/>

9. Cash at bank and in hand

	31-Mar-05	31-Mar-04
	£	£
At 1 April	9,987	17,390
Decrease in cash in the year	(7,818)	(7,403)
	<hr/>	<hr/>
At 31 March	2,169	9,987
Bank account at Office of Paymaster General	2,169	9,982
Cash in hand	-	5
	<hr/>	<hr/>
	2,169	9,987
	<hr/>	<hr/>

10. Creditors: Amounts falling due within one year

	31-Mar-05	31-Mar-04
	£	£
Amount payable to HM Treasury	605,202	333,363
Trade creditors	130,111	24,976
Other creditors	10,666	8,252
Accruals	107,771	111,863
	<hr/>	<hr/>
	853,750	478,454
	<hr/>	<hr/>

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

	31-Mar-05	31-Mar-04
	£	£
Other creditors	4,062	-
	<hr/>	<hr/>

Other creditors relate to the operating lease incentive for a rent-free period. This amount will be released to the income and expenditure account as follows:

	31-Mar-05	31-Mar-04
	£	£
Within 1 to 2 years	4,062	-
	<hr/>	<hr/>

12. Reserves

	Government Grant Reserve £	General Fund £	Total £
At 1 April 2004	81,061	(26,488)	54,573
Deficit for the year	-	(108,917)	(108,917)
HM Treasury notional costs	-	13,940	13,940
Reversal of cost of capital	-	2,263	2,263
Surplus on revaluation of fixed assets	84	-	84
Deficit on revaluation of fixed assets	(100)	-	(100)
Grant for fixed assets additions	261,655	-	261,655
Depreciation transferred to income and expenditure account	(63,246)	-	(63,246)
Deficit on disposal of fixed assets transferred to income and expenditure	(73,349)	-	(73,349)
	<hr/>	<hr/>	<hr/>
As at 31 March 2005	206,105	(119,202)	86,903
	<hr/>	<hr/>	<hr/>

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

	31-Mar-05 £	31-Mar-04 £
Operating (deficit)/surplus	(108,917)	81,739
Adjustment for non-cash transactions:		
Depreciation	63,246	74,095
Deficit on disposal of fixed assets	73,349	-
Notional support costs	13,940	13,600
Cost of capital	2,263	869
Deficit on revaluation of fixed assets	100	198
Release from government grant reserve	(136,695)	(74,293)
Adjustment for movements in working capital other than cash:		
Increase/(Decrease) in creditors	358,682	(99,504)
Increase in debtors	(294,460)	(5,170)
	<hr/>	<hr/>
Net cash outflow from operating activities	(28,492)	(8,466)
	<hr/> <hr/>	<hr/> <hr/>

14. Commitments under operating leases

The annual commitment under operating leases were as follows:

	31-Mar-05 £	31-Mar-04 £
Land and buildings		
Lease expiring within one year	-	194,323
Lease expiring after one year but not more than 5 years	106,661	-
	<hr/>	<hr/>
	106,661	194,323
	<hr/> <hr/>	<hr/> <hr/>

15. Contingent liabilities

The Statistics Commission had no contingent liabilities at 31 March 2005. (2004: None)

16. Capital and other commitments

In December 2004, the Statistics Commission appointed NFER Trading Limited to carry out a review of Education Statistics at a total cost of £98,631, of which £31,886 was paid during 2004-05.

The Statistics Commission had no capital commitments at 31 March 2005.

17. Related party transactions

During the year, HM Treasury provided total grant in aid of £1,594,651 (2003-04: £1,337,628).

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 finance and procurement services from HM Treasury, for which notional charges of £13,940 (2003-04: £13,600) are made.

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

19. Intra-government balances

	Debtors: amounts falling due within one year £	Creditors: amounts falling due within one year £	Creditors: amounts falling due after more than one year £
Balances with HM Treasury	717,893	605,202	-
Balances with other government departments	-	85,255	-
Balances with bodies external to government	18,546	163,293	4,062
	<hr/>	<hr/>	<hr/>
At 31 March 2005	736,439	853,750	4,062
	<hr/>	<hr/>	<hr/>
Balances with HM Treasury	438,243	333,363	-
Balances with other government departments	-	89,462	-
Balances with bodies external to government	3,736	55,629	-
	<hr/>	<hr/>	<hr/>
At 31 March 2004	441,979	478,454	-
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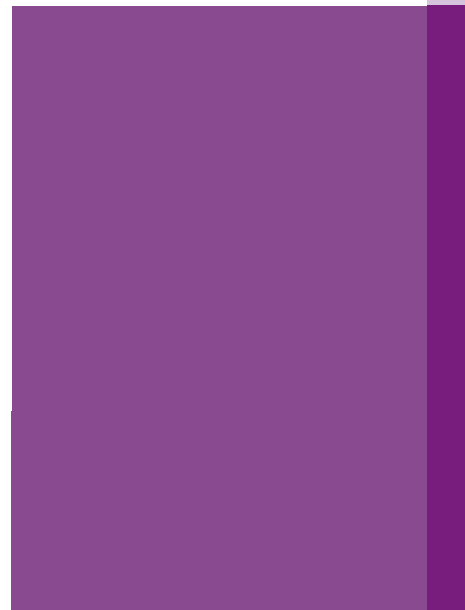
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