

# Review of Statistics for Economic Policymaking

---

First Report to the Chancellor of the Exchequer,  
the Governor of the Bank of England  
and the National Statistician

Christopher Allsopp

December 2003



# Review of Statistics for Economic Policymaking

---

First Report to the Chancellor of the Exchequer,  
the Governor of the Bank of England  
and the National Statistician

Christopher Allsopp

December 2003

© Crown copyright 2003

Published with the permission of HM Treasury on behalf of the Controller of Her Majesty's Stationery Office.

The text in this document may be reproduced free of charge in any format or medium providing that it is reproduced accurately and not used in a misleading context. The material must be acknowledged as Crown copyright and the title of the document specified.

Any enquiries relating to the copyright in this document should be sent to:

HMSO  
Licensing Division  
St Clements House  
2-16 Colegate  
Norwich  
NR3 1BQ

Fax: 01603 723000

E-mail: [hmsolicensing@cabinet-office.x.gsi.gov.uk](mailto:hmsolicensing@cabinet-office.x.gsi.gov.uk)

## Contacts

You can find the Allsopp Review on the Internet at:

[www.hm-treasury.gov.uk/allsopp](http://www.hm-treasury.gov.uk/allsopp)

You can contact the Allsopp Review by email:

[allsopp.review@hm-treasury.gov.uk](mailto:allsopp.review@hm-treasury.gov.uk)

For enquiries about obtaining this publication, contact:

Correspondence and Enquiry Unit  
HM Treasury  
1 Horse Guards Road  
London  
SW1A 2HQ

Tel: 020 7270 4558

Fax: 020 7270 4574

Email: [public.enquiries@hm-treasury.gov.uk](mailto:public.enquiries@hm-treasury.gov.uk)

ISBN: 0-947819-77-0

Printed by The Stationery Office 12/03 896458

# Contents

---

	Page
Foreword by Christopher Allsopp	1
Summary	3
Recommendations	9
1. Introduction	17
2. Overall approach	19
3. Regional institutions	29
4. Demands for regional data and information – the regional agenda	43
5. Regional and National Accounts	59
6. Developing Regional Accounts	91
7. Other macroeconomic regional data	103
8. Micro-regional data	115
9. Official statistics and changing economic structure	121
10. Statistical infrastructure and administrative data	133
11. Business compliance costs	139
12. Next steps	147
 Annexes	
A1. Regional geographies	149
A2. Extending the ABI to meet regional requirements, by the Office for National Statistics	153
A3. Organisations consulted and submissions received	157
 List of abbreviations	159
Glossary of statistical terms	163
References	167



## Foreword by Christopher Allsopp

---

This is my First Report, addressed to the Chancellor of the Exchequer, the Governor of the Bank of England and the National Statistician. The terms of reference are wide and encompass two broad headings, either of which could quite properly justify an entire review to itself: the informational requirements for regional economic policy; and whether official statistics have kept pace with the changing structure of the UK economy. Uniting these two strands is the notion that we need a statistical system that is capable of adapting to a changing environment, both as the economy evolves and as policy priorities change.

This Report concentrates, though not exclusively, on the economic data that are needed to support regional policy. This is because of the sheer numbers of parties with legitimate interests in regional economic development; the growing importance of the regional devolution agenda; and not least the considerable disjunction between the increasing informational needs and the paucity of present supply. That should not be taken as a criticism of those involved in producing regional data, but rather as an observation that this is an area of statistics where the latent flaws which accumulate from years of being accorded low priority have been illuminated by the sharply increased demand for regional information of all kinds.

The emphasis given to regional policy has waxed and waned over the past 50 years. The present regional policy agenda is some years into an expansionary phase – one that we assume will continue for some time. Should the pace of change increase significantly, or, indeed, go into reverse, then our recommendations would need to be revisited.

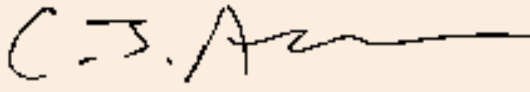
The initial impression of the Review Team was bewilderment at the number of institutions and policies with a bearing on the regional economic agenda – simply getting to grips with the many acronyms seemed no mean feat. In fact, the organisations and official committees involved have been enormously helpful in helping us to navigate through territory that at first seemed impenetrable. We have also found it impossible to consider the needs of the English regions in isolation from those of Scotland, Wales and Northern Ireland – these have broadly similar objectives and policy needs; and there are lessons from the experience gained from their advanced start in the devolutionary process.

We make some important recommendations for institutional changes that we believe would orient the statistical services in a direction that is more in tune with the way that economic policy is evolving; and that can deliver the information required to make a success of devolution of economic policy to the regions and countries. Some of these follow quite simply from the basic principle that where information is available it should be used.

We find it inescapable that the provision of adequate information to support the renewed interest in regional economic policy will entail some additional costs – in terms of finances, people and the compliance burden on business. It is not clear at this stage which might prove the most stringent constraint. Decisions on these are for others, in the light of the many trade-offs involved and the overall constraints on resources. Implementing our recommendations will also take time and is likely to require careful sequencing.

Many of our recommendations bear on the processes involved in the estimation of regional data, and some are necessarily technical in nature. However, our intention has not been to set out a detailed specification, but to chart the direction in which we believe regional statistics should move. Some of our recommendations are overtly consultative, but we would welcome views on all of our conclusions and recommendations – and also on issues that we have not been able to cover here.

This Report represents the views of the team as a whole. We have benefited greatly from the wisdom and experience of those who have given us their time and patience to discuss the issues, or who have sent in submissions to the Review. I would like to extend my personal thanks to the three sponsoring bodies, which have helped in many ways. My thanks go especially to the other members of the Review Team: Andrew Holder, Geoff Tily and Michael Williams.

A handwritten signature in black ink, appearing to read 'C.S. Allsopp', with a long horizontal flourish extending to the right.

Christopher Allsopp

# Summary

---

1. In this First Report, we concentrate on the information required to support the Government's objective of improving economic growth in the regions and countries of the UK.<sup>1</sup> This reflects the growing importance of the regional economic agenda and the large number of interested parties. Some of our recommendations are overtly consultative, others appear more definite, but we would welcome views on all of these, or on any other issue raised in this Report.

2. Many of our recommendations concern the processes required to provide adequate regional and sub-regional data, including expansion of a number of key surveys. The overall package may, of necessity, prove costly – in terms of finances, compliance costs and people. There are also two important institutional recommendations:

- we believe that an Office for National Statistics (ONS) or Government Statistical Service (GSS) presence in the English regions could improve the information that feeds into both Regional and National Accounts; it could strengthen links with key users and providers in the regions; and also help to increase the consistency and comparability of surveys commissioned by regional bodies; and
- greater access for the ONS to administrative records, including tax data, could improve both regional and national data, while offering important savings in the compliance burden from survey forms sent to businesses. Looking the other way, there seems a good case for the ONS granting regional access to information, in particular its key business register. Access rights raise a number of issues, including legal barriers and the need to ensure adequate safeguards of confidentiality.

**The context** 3. The renewed interest in regional policy, and in particular devolution and the creation of Regional Development Agencies (RDAs) with some devolved responsibilities, creates a new, two-fold interest in macroeconomic indicators for each region as a whole (we call these macro-regional data). Central government needs to monitor progress and to assess the performance of the RDAs, while the devolved administrations, RDAs and others wish to understand their own economic environments. The key requirement is for better quality Regional Accounts, plus some other standard macroeconomic indicators. Increasing demand for data is met with a supply that has experienced particular problems recently, but that also falls short for more fundamental reasons – either because of poor underlying quality or because data are not produced.

4. The regional institutions also need data to implement policy effectively, taking account of the fact that differences *within* a region are often greater than differences *between* regions. There is a wide range of possible needs including both sub-regional data and microeconomic indicators for the region as a whole, such as information on the factors that influence productivity and employment (together we call these micro-regional data). There is already a quite substantial supply of regional information, but this is set against a potentially huge demand. Data are not always compiled on a consistent basis in different regions and there is a significant mismatch between supply and demand.

---

<sup>1</sup> *Our remit could be interpreted as referring only to the nine English regions, but Scotland, Wales and Northern Ireland have their own, largely similar, objectives and data needs.*

5. Already there are different degrees of devolution between the countries of the UK, and perhaps in future between the English regions. We have adopted the simplifying but necessary approach of treating each region and country equally, although we acknowledge that the devolved administrations do have additional, political needs. With devolution comes public funding and difficult decisions about how to allocate that funding. Such questions are outside the scope of our Review, though we note that the use of any data for allocating funding between regions would place yet more stringent demands on data quality.

**Regional institutions** 6. Many different organisations are involved in regional economic development. The devolved administrations have responsibility for setting their own economic development objectives and plans. And some powers and responsibilities have been devolved to the English regions. But central government retains responsibility for the overall macroeconomic framework and for setting objectives and targets, including the Public Service Agreement (PSA) target set in 2002 to improve the economic performance of all English regions and to reduce the persistent gap in growth rates between the regions. The regional PSA target sets up an immediate need for regional Gross Value Added (GVA) estimates in volume terms.

7. The RDAs were established to promote economic development and regeneration in their regions. A major part of this role involves co-ordination with the range of public and private bodies involved in regional economic development. These include central government departments, Government Offices for the Regions, local authorities, the Small Business Service and local Learning and Skills Councils.

**The regional policy agenda** 8. Several different policy agendas add to the demand for regional data:

- the productivity agenda aims to raise the productivity of all countries and regions. It requires indicators at a regional and sometimes sub-regional level of productivity and its determining factors, especially those that may signal market failures or account for differences in regional performance. The Government's productivity strategy focuses on five 'drivers': investment, skills, innovation, competition and enterprise. These are often complemented by a related interest in employment rates;
- the flexibility agenda aims to make the economy work better and be more resilient in the face of shocks. Data needs are probably most well-defined in terms of indicators of labour market flexibility and its determinants, but could also include factors that influence product and capital market flexibility; and
- the welfare and re-distribution agenda encompasses the political economy notion of regional 'fairness', which can include access to public services and allocation of public funding between regions. This suggests a need for data on public sector activities in the regions as well as indicators that may be used in determining the regional and local distribution of public spending.

9. In addition, there are a number of requirements for specific regional information. The Government has asked for estimates of regional prices to inform public sector pay bargaining. And a wider set of indicators has been compiled to assess 'quality of life' issues. These cover social and environmental factors, which are largely outside the scope of our report. They also include information on poorer neighbourhoods and on the relative performance of rural areas, which correspond to other important areas of Government policy.

**Regional Accounts** 10. UK Regional Accounts are a by-product of national systems. The regional allocation of national totals is underpinned by the *income* approach to GDP, with estimated household and company incomes for the UK as a whole shared out between the regions and countries according to a number of administrative and survey sources. There have been substantial problems with some of these underlying sources, which have led to major delays in the publication of figures. GVA estimates have recently been released, but other macroeconomic aggregates have yet to catch up. However, even once these problems have been resolved, it seems unlikely that regional data will be of sufficient quality to meet the increased demand.

11. The national perspective of the UK statistics system has two crucial consequences for regional data. First, survey samples are structured to produce national rather than regional estimates. Second, figures are collected for enterprises as a whole, rather than according to the specific geographical location of activity. Neither factor rules out the production of regional data, but they do make regional estimates necessarily more subjective and less accurate than national equivalents.

**Developing Regional Accounts** 12. We propose bringing Regional Accounts more into the National Accounts framework. Regional GVA is likely to be estimated best from the production approach, based on data from the ONS' key annual survey of businesses, the Annual Business Inquiry (ABI). While some components of expenditure and income should be produced, and improved where necessary, we stop short of recommending that the ONS produces fully coherent Regional Accounts based on each of the output, income and expenditure methods. From an institutional perspective, Regional Accounts should be produced involving a partnership approach with statisticians based in devolved administrations and regions.

13. Alongside that, we recommend moving survey processes closer to regional requirements. There are three key elements:

- the sample size of the ABI should be increased in order to improve the level of accuracy at the regional level;
- the ONS should review the industrial stratification of the ABI, which may be excessively detailed and biased towards the manufacturing sector; and
- the ONS should review the models that underpin the allocation between regions of the activity of national enterprises, including discussion with business.

14. Such processes would, however, provide benchmark annual figures according to a lag of 18-21 months. This is unlikely to meet regional users' needs for timely baseline information. We therefore propose the development of an advance measure of annual regional GVA, based on short-term manufacturing and services inquiries. We do not, however, recommend quarterly estimates of GVA for the regions.

15. At present, UK Regional Accounts are produced only in current prices. The explicit requirement of the regional PSA target is for volume estimates, which entails significant additional complexity. Whether a full system of regional prices is necessary should depend on the extent to which regional price changes differ in practice, which we believe the ONS should investigate.

**Other macro-regional data** 16. Labour market statistics are already used extensively for regional economic analysis and key samples have been boosted to produce regional estimates. The current *ad hoc* arrangements for such boosts should be consolidated and centralised. However, discrepancies between different sources have reduced users' confidence in the figures, and need to be resolved.

17. Population data are also vital to regional economic analysis, not least as the denominator for the regional PSA target. It is essential that the ONS deals with users' concerns about both the Census and other methods of population estimation, and a number of initiatives are already in place. A problem for regional data is the need for estimates of inter-regional migration, which is particularly difficult to capture.

18. Outside of GVA deflators and the Chancellor's announcement of price level estimates to inform public sector pay bargaining, we have not met an extensive demand for information on regional prices. The ONS has already outlined proposals, which we support, to produce price level comparisons.

**Micro-regional data** 19. There is already a wide range of micro-regional data available, including sub-regional data. The ONS' Neighbourhood Statistics Service has been developed over a relatively short period to include an impressive array of data, and shows what can be achieved when given priority and resources. We believe the infrastructure developed for the Service could provide a good base for expansion to include the available micro-regional economic data and become the primary platform for sub-national data.

20. The sizeable demand for micro-regional data and differing interests of regional institutions mean that regions may still wish to commission their own data collection, and it is right that this should happen. But there are considerable advantages if comparison between regions is possible. We see an important advisory and guiding role for an ONS or GSS regional statistical presence, enabling regions to conduct their own surveys with greater consistency. We see some attraction in an intermediate 'kite mark' that would signal greater comparability, while not requiring the more stringent criteria for *National Statistics*.

**Changing economic structure** 21. We have not been able to cover the structural aspect of our remit in detail for this Report, but intend to say more in our Final Report. Nevertheless, it is clear that the statistical system in the UK has not evolved to reflect fully the changing sectoral balance of the economy, particularly the relative importance of the manufacturing and service sectors. The ONS should continue to improve its coverage of the service sector. But we believe that there could be some scope to offset this by scaling back some of the most detailed coverage of the manufacturing sector.

22. Some of our recommendations for developing Regional Accounts should also improve the quality of the national picture, particularly the increased sample sizes for key surveys and the ability to take greater account of local intelligence. There is further scope for improving both national and regional data through making better use of the administrative information already held within government, particularly tax records. It is important that improved provision in one area of statistics should not lead to reduced or inferior provision in another. But it is beyond our remit to consider the detailed trade-offs involved, in particular between the relative benefits of investment in different areas of statistics.

**Statistical infrastructure** 23. As well as proposing a statistical presence in all English regions and greater sharing of administrative information, we see a need for a framework that would bring together users and producers of regional statistics, with the aim of co-ordinating the decisions on the production of micro-regional data. This would include deciding on priorities and responding to the evolving regional policy agenda.

**Compliance costs** 24. Surveys impose compliance costs on business through the need to compile information and complete forms. The ONS has taken a number of steps to minimise this burden on business, and particularly to reduce that on small firms. But compliance costs would be raised by the increases in sample sizes that we recommend to underpin Regional Accounts. This is one of the costs of better data.

25. There are steps that could be taken to offset this effect, for instance simplifying or consolidating surveys. Furthermore, greater access to administrative data, such as tax records, may be an important way of improving data quality while limiting any increase in compliance costs. Nevertheless, the ONS accounts for only a very small portion of the total regulatory burden on business. We believe it would be unfortunate if concern over compliance burdens proved to be a barrier to improvements to regional and national statistics.

**Next steps** 26. We would welcome comments on our conclusions and recommendations.<sup>2</sup> In some places we have explicitly asked for the views of others. In others we may have made specific proposals partly as a way of eliciting reactions from interested parties. All responses will help us work towards our Final Report, by the time of the Budget next year, in which we also expect to say more about those areas that we have been unable to cover in detail in this Report.

---

<sup>2</sup> Responses should be received by Friday 13 February 2004; Chapter 12 gives details of how to respond.



# Recommendations

---

## Developing Regional Accounts to provide better quality, more timely annual baseline estimates (see Chapter 6)

- Momentum of improvement** 1. The momentum behind ongoing changes to the production of Regional Accounts in the ONS should be maintained and developed as necessary. There should be appropriate senior management input into the process and demonstration that these are priority areas. Specifically, present problems with Inland Revenue sources should be resolved as a matter of urgency.
- Annual baseline GVA from production** 2. Present estimates of regional Gross Value Added (GVA) are not of sufficient quality to support analysis of the Government's policy objective to increase growth in the regions. Each region and country (at NUTS 1 level)<sup>1</sup> should have annual baseline data for GVA at current prices and in (chained-) volume terms, which would be derived according to the production approach. The ONS should take preliminary steps, including proposing an appropriate timetable for the production of these data, in time for a statement on progress to be included in our Final Report.
- Income measure** 3. The ONS should continue to publish the income-based measure of regional GVA. The production and income measures should be accompanied by the main components of domestic expenditure, but we do not propose full estimation of the expenditure measure.
- Short-term activity** 4. For most purposes, it would be better to assess short-term regional activity by looking at a range of timely indicators and surveys than by constructing quarterly GVA estimates for each region, which may have relatively low information content. Countries and regions could, however, produce or commission their own quarterly GVA estimates if these were thought necessary. As with initiatives presently underway, some might prefer to do this in collaboration with the ONS.
- Measuring welfare** 5. We support the use of regional GVA both per head of population and relative to some measure of employment; and support the notion that indicators of welfare should emphasise residence-based household income. A fuller picture, however, requires an assessment of a far wider range of indicators than GVA. In addition, below NUTS 2 level, the concept of GVA becomes less and less meaningful, and other indicators are likely to provide a better picture of local economic conditions.

---

<sup>1</sup> *The Nomenclature of Units for Territorial Statistics is the standard geographical classification, explained in detail in Annex A1. The nine English regions plus Scotland, Wales and Northern Ireland are the NUTS 1 level. The NUTS 2 level corresponds to groups of counties and unitary authorities, averaging between three and four NUTS 2 areas in each NUTS 1 region.*

**Improving the Annual Business Inquiry** 6. Extensions to the Annual Business Inquiry (ABI) are likely to be a central component of initiatives to improve the quality of Regional Accounts. Changes to survey arrangements and sample sizes should, however, be an element of a wider review of the national ABI arrangements that encompasses the following issues:

- the relevant degree of industrial stratification: while any eventual design would clearly be expected to deliver significantly less industrial detail at the regional level, we also argue that the ONS should develop a more balanced, coherent and flexible approach to the industry structure at the national level. In this connection we support an urgent review of whether EU commitments can be met in alternative ways; if necessary, by challenging the increasingly-outdated basic requirement for industry detail at the four-digit level of the Standard Industrial Classification (SIC);
- the feasibility and desirability of expanding the survey to industrial sectors not covered or not adequately covered at present, such as government; alternatively, discussion of the necessary techniques for regional allocation of non-ABI sources for these sectors;
- whether the ABI sample should be drawn according to levels or growth;
- publication of the overall standard error of ABI data at national and regional levels each year;
- whether a degree of harmonisation could be achieved between, on one hand, the ABI and ARI and, on the other hand, the ABI and PRODCOM (PRODCOM is addressed specifically in Chapter 9); and
- an examination of the divergence between (i) the annual ABI production figures and equivalent annual expenditure figures reflected in the National Accounts adjustments (discussed in Chapter 5); and (ii) ABI employment figures and LFS/workforce jobs figures (in conjunction with the ‘Employment and Jobs Review’ – see Chapter 7).

**Annual Register Inquiry** 7. The arrangements for the Annual Register Inquiry (ARI) should be consolidated, and extended if necessary, in order to ensure permanently reliable estimates of employment at the local unit level. NISRA should review local arrangements in light of changes in GB. Arrangements that allow those with local knowledge to scrutinise the Register should be put into place. Combining the ARI and the employment stage of the ABI may also offer efficiencies and additional coherence to the local-unit employment profile. The ONS should investigate the feasibility of such an initiative.

**Apportionment** 8. The ONS should, as a matter of priority, review the methodology for apportioning reporting-unit returns to regions. This appears to be a significant source of volatility and uncertainty in the aggregate estimates of regional GVA. Such a review should be complemented by case studies of some of the largest enterprises to indicate whether there is justification in the current practice of allocating the returns of large enterprises according to the observed behaviour of small firms. It should also consider whether some local-unit reporting of accounting information should be introduced.

- Incorporating regional intelligence** 9. Over the longer term, the ONS should identify and take the necessary steps to integrate Regional Accounts into the National Accounts framework as fully as possible and to increase the quality of Regional Accounts data towards that of the National Accounts. Statisticians in regions/countries should be involved in production of the figures for their areas:
- there should be adequate arrangements to incorporate locally-obtained information from this process into national totals;
  - all relevant institutions should approve the quality of the final estimates; and
  - existing mechanisms for resolving differences should be developed to meet the requirements of all interested parties.
- This recommendation should be subject to the processes improving both national and regional figures; national totals should remain the responsibility of the National Statistician.
- Regional price deflators** 10. The ONS should conduct a study of whether the rates of change of producer and corporate service prices vary regionally, and if they do, to follow up with a feasibility study of whether price data currently provided centrally can be provided locally.
- Income components** 11. There will continue to be a demand for GVA according to the income approach, and for a measure of gross household disposable income. The ONS should put together proposals for any necessary improvements to existing methods and sources.
- Expenditure components** 12. There is a requirement for estimates of individual components of the expenditure measure of GDP. The ONS should put together proposals for the following:
- extending the sample of the Expenditure and Food Survey, perhaps once a year as part of the developing Continuous Population Survey, in order to provide a more robust annual regional breakdown of Household Final Consumption Expenditure;
  - the development of fuller regional measure of Gross Fixed Capital Formation that look beyond apportionment techniques;
  - the production of an annual National Accounts measure of Government Final Consumption Expenditure that takes into account the recommendations in Professor McLean’s Report and subsequently revisits the fuller government accounts exercise; and
  - potential deflation techniques for each measure.
- Sub-regional estimates** 13. We consider that initiatives should be aimed at the improvement of regional economic accounts data at the NUTS 1 level. These should improve the quality of sub-regional data, but we make no further recommendations at this stage on sub-regional data. However, we would welcome user views on this issue.
- More timely estimates** 14. There should be a measure of annual regional GVA growth, based on short-term inquiries, that is more timely than the ABI or income-based approaches. The ONS should put together proposals involving discussion of any need for current short-period surveys to be boosted.

**Timescale** 15. In terms of timing, preparatory work on extending samples for both the ABI and short-term inquiry-based measures should begin as soon as possible. Changes for the short-term measures should be faster to agree and should be put in place first.

### Improving existing labour market and population data; estimating regional price levels (see Chapter 7)

**Boosting the Labour Force Survey** 16. The extension of existing arrangements, via the introduction of the Annual Population Survey (APS), to boost the Labour Force Survey (LFS) have led to more reliable figures at local authority level. And the publication of quarterly APS results on the basis of rolling 12-month periods would improve the timeliness of local area labour market estimates. However, the funding arrangements should be centralised within the ONS, in order to put this beneficial development on a more permanent footing. Before this, the ONS should review whether the existing arrangements are leading to detailed geographical data of adequate quality, given the differing allocation of resource between countries.

**Consistency of LFS and ABI** 17. Divergences between LFS and ABI estimates of employment continue to cause concern to users. Ongoing investigations concerning discrepancies between the ‘workforce jobs’-, ABI- and LFS- based estimates of employment at national and regional levels should be pursued as a matter of urgency. In the longer term, we hope that the project to improve the industry detail on the LFS should help to resolve such discrepancies.

**Hours worked** 18. We suggest that the ONS should publish a regional breakdown of usual hours information and pursue the feasibility study of annual regional estimates of employer-based vacancies.

**Earnings** 19. We do not propose the construction of a monthly regional measure of wage/earnings pressures. The New Earnings Survey already provides detailed regional earnings information that wider initiatives should improve, although the presentation should recognise the increasing importance to users of the time series dimension of the results.

**Population** 20. Resolution of concerns with population statistics is of crucial importance from the perspective of regional and local policymakers. We welcome the programme of work set out in the Quality Review of ‘International Migration Statistics’, and recommend further that the ONS develops its programme of research in order to establish how intra-UK migration can also be estimated more accurately.

**Regional prices** 21. We support the ONS’ existing approach to 2003 and 2004 regional price level estimates. It should lead to figures fit for purpose. In future, production should be based on a cycle of surveys and updates according to a timetable that meets user demand. The ONS should integrate change and level systems as necessary, but these should be aimed at operational simplicity rather than full coherence between price levels and changes.

## A framework for providing micro-regional data and increasing comparability (see Chapter 8)

- Developing infrastructure** 22. The considerable work undertaken in recent years to develop the Neighbourhood Statistics Service shows what can be possible, although not without a price. We support the aim of the ONS to continue development of the Service. We recommend that this should include scope to cover an expanded range of economic data, which could be presented at a range of different geographies below and up to NUTS 1 regions, to become the key central resource for micro-regional data. Where possible, data for small areas should identify those that cover rural areas, once a consistent definition has been agreed within government. The range of different data, including regional economies and local neighbourhoods, might suggest a suite of different access portals for such an expanded system. But the ‘Neighbourhood Statistics’ badge should be retained for those data most relevant for neighbourhood renewal.
- Regional dimension to new surveys** 23. When designing new surveys, the ONS and other bodies should take full account of the need for regional and sub-regional data. How precisely this is done will depend on the particular circumstances, but cases of surveys that produce robust results only for the UK as a whole and not for regions should be the exception rather than the rule.
- Geography** 24. The NUTS hierarchy is now widely accepted across a broad range of statistical and administrative bodies. It should ideally be the standard, at the very least at the NUTS 1 level, unless there are overriding operational reasons to do otherwise. We welcome the ONS’ proposals for a more stable small-area geography. Any new classifications that are introduced should where possible be built up from this proposed geography.
25. The current policy is that data included in the Neighbourhood Statistics Service should be available for all areas. However, in some cases there may be good reasons why data are not available for all areas. Within reasonable bounds, we do not believe this should prevent their inclusion on a central system.
- NOMIS** 26. Future development of the Neighbourhood Statistics Service, including the introduction of economic statistics, should take full account of the needs of professional users. Accordingly, the ONS should ensure that the analytical requirements of NOMIS users are met in the new framework. Until this is possible, NOMIS or an equivalent system should be retained separately and adequately resourced to maintain service to users.
- Transparency** 27. The ONS should aim to provide full information to users about how data have been constructed and which are appropriate uses.
- Consistency of regional surveys** 28. Regional and local bodies will still have particular needs that are best met through *ad hoc* data collection. Regional autonomy is important, but balanced against this are significant advantages of having data that are compiled on a consistent basis and that are comparable across regions. We therefore recommend that:
- wherever possible, business surveys should use a common sample frame, usually the IDBR;
  - Regional Observatories can play an important role here, including sharing of best practice;
  - but this may be further facilitated by the ONS acting as a source of advice and best practice for data collected by regional bodies; and
  - the ONS and others should consider an intermediate ‘kitemark’ for surveys which have been undertaken in accordance with ONS advice and compiled according to agreed standards and procedures, but are outside of ONS responsibility.

### A statistical system that can better reflect the UK's changing economic structure (see Chapter 9)

- PRODCOM** 29. The ONS should investigate ways of reducing the financial and compliance burden associated with the PRODCOM survey of production, in discussion with Eurostat and others as appropriate. The ONS should look at the best way of collecting similar information for the service sector.
- Manufacturing detail** 30. While it is always more difficult to stop an existing activity than to refrain from a new one, improved coverage of the service sector would imply a significant and continuing expansion of ONS activities overall unless there were some offset from reducing the detail in which some sectors are covered, particularly manufacturing. While recognising that EU regulations themselves focus particularly on the production industries, we ask the ONS to review the level of detail that is required of its surveys and sectoral coverage, including consideration of the statistical requirements for accurate aggregate results.
31. The introduction of the ABI as a single survey covering most of the economy was a welcome move away from the previous separate treatment of the manufacturing and service sectors (and Recommendation 6 on the level of industrial stratification may help to rebalance the ABI coverage). But the Input-Output Supply and Use framework remains heavily skewed towards the manufacturing sector. We would welcome the views of the ONS and others on whether this is still appropriate and on options for future development.
- Measuring services** 32. The coverage of the service sector in surveys of activity and prices should continue to be increased, building on the development of the experimental Corporate Services Price Indices and Index of Services, especially on improving the sectoral coverage. The ONS should accelerate work toward both the CSPI and the IoS losing their 'experimental' labels. A target date should be set for this to happen, which we suggest should be by 2006 at the latest.
- Short-term indicators** 33. We believe there could be advantages from a more consistent approach to short-term surveys across all sectors of the economy, as suggested by the Short-Term Output Indicators Review (STOIR). A Monthly Business Inquiry could be developed to complement the ABI. Also we would welcome further work, as suggested by the STOIR, on the scope for using VAT data in place of surveys (see also Recommendation 41). The ONS should consider the benchmarking of short-term constant price production data onto the Annual Business Inquiry, retrospectively and as a matter of routine.
- Non-ONS data** 34. We would welcome views from data providers and others on the quality of data for those sectors where the ONS is not the main data producer, such as agriculture, construction, the public sector and financial services. And also on the availability of regional data, or ways that estimates of regional activity might be derived. If current sources were found wanting, our initial presumption would be for future inclusion in the appropriate surveys to be considered as a matter of urgency.
- Capturing change** 35. The innovative and strategic capacity within the statistical services needs to be strengthened, so that they can respond in a more satisfactory way to changes in the policy framework, in the economy and in society. A proactive approach to identifying and responding to these issues would include a strengthened research capability and greater ability to prioritise in the face of substantial but disparate user needs. We would welcome views on how this might best be done.

## Integrating regions into the statistical infrastructure and making better use of administrative data (see Chapter 10)

- Regional statistical presence** 36. There should be a significant ONS or Government Statistical Service (GSS) presence in each English region:
- they should seek to provide a source of regional expertise to improve the ONS' understanding of the regions, while also developing links with and acting as principal contacts with regional bodies and researchers;
  - the offices must be sufficiently resourced to make a real contribution. One person in each region, even with support from ONS Head Office, is unlikely to be enough; and
  - regional statisticians should work with the same independence as those in ONS Head Office, while liaising closely with Government Offices, Regional Development Agencies, Regional Observatories, local authorities and other relevant bodies and individuals.
- Assessing micro-regional priorities** 37. A mechanism should be set up for establishing priorities and assessing demands for micro-regional data. This might take the form of a high-level group including both producers and users of micro-regional data, with regional bodies having a significant voice in the group. The decisions of the group should take full account of the relative costs and benefits of data provision.
- ONS central resources** 38. A higher level of resources should be devoted to building methodological, user liaison and ICT capacity to the level necessary for compliance with the wider recommendations in this Report.
- Data needs for PSA targets** 39. As targets need to be measurable, there are benefits from ONS or GSS experts being involved at an early stage of the development of targets, to advise on any associated measurement difficulties. All suggestions for new Public Service Agreement targets should therefore set out how performance can be measured, based on early consultation with the relevant analysts.
- Administrative data** 40. Administrative data, if used wisely, appear to offer opportunities to increase the quality and analytical power of key *National Statistics*, as well as reducing the associated compliance costs. More generally, within the important constraints of adequate protection for sensitive information and limiting use to solely statistical purposes, we believe there is considerable scope for the Government to make better use of the information that it holds. The ONS and the Government should explore the extent to which tax and other administrative sources could replace business survey data, considering ways in which the legal, administrative and confidentiality barriers could be overcome.
- Tax records and IDBR** 41. We recommend in particular that the Government should develop mechanisms whereby the ONS and the statistical services in the devolved administrations could have greater access to the information collected by the two Revenue Departments. On the other hand, the ONS should investigate how information on the IDBR could be made more widely available, subject to appropriate safeguards on confidentiality and use only for statistical purposes. Either of these may require changes to existing legislation, or indeed new legislation.

### Minimising the effect of our proposals on business compliance costs (see Chapter 11)

- Simplification** 42. We welcome action by the ONS to keep the complexity of its survey forms under review. The ONS should simplify forms as much as possible (recognising the constraint of the need for consistent questions) and also consider whether there is scope for rationalising surveys, for instance by amalgamation, where this would reduce compliance costs.
- Relationship with respondents** 43. The ONS should seek to exploit full advantage from further developing its relationship with companies providing data, for instance by explaining how surveys are used and offering firms information about their sector. The ONS, possibly with the involvement of HM Treasury and the Bank of England, could also improve its ‘brand image’, so that firms recognise the outputs to which their responses to surveys contribute and their importance for national policy. This could improve the response rate of surveys and the quality of returns made by companies, as well as the potential to reduce complaints over compliance burdens:
- the ONS should review the way it explains to firms why it is seeking information from them; and
  - part of this could involve (with help from HM Treasury and the Bank of England) regular roadshows to the regions to show firms how their responses feed into the production of national and regional statistics and subsequently into better policy making.
- ONS compliance in context** 44. We recognise that businesses today face many administrative and regulatory burdens, which can be especially difficult for small firms. The compliance cost associated with statistical inquiries is rightly under close scrutiny. But we believe that the ONS accounts for a very small part of the overall regulatory and administrative requirements placed on business. While such burdens should never be increased without good cause, it would be unfortunate if concern over compliance costs proved to be a barrier to significant improvements in national and regional statistics. There may be scope to offset some of this, in particular through making better use of administrative and tax information.
45. We would welcome the views of the ONS, the Government and others on the trade-off between the cost of any increased burden on business and the benefits from improvements in economic statistics.