

ONS COMMENTS ON INTERIM REPORT FROM THE ALLSOPP REVIEW

I am writing on behalf of the ONS as the Director of the Regional and Local Division with comments on your interim report.

The Head of the ONS, Len Cook, has already welcomed in principle the main thrust of your recommendations in a press notice that he issued on 10 December, 2003. Furthermore, John Pullinger, the head of the Economic and Social Reporting Directorate at ONS has already spoken in broad terms as to how we plan to address the recommendations in the interim report in a presentation he gave at a Treasury seminar on 12 January, 2004 (his paper is supplied as an annex). This was on the presumption that the major recommendations remain as currently set out and that major new recommendations affecting regional data do not appear in the final report.

As one of the sponsors of the review, we do not feel that a full formal response from ONS to the interim report at large is really appropriate. You will I am sure have seen the press notice that Len Cook issued on 10 December, which indicated the Office's broad welcome in principle to the main thrust of the recommendations.

I attach a copy of the presentation that John Pullinger gave to the seminar held at the Treasury on 12 January, to give you a general feeling for the way in which we are tackling the question of how to address the recommendations in the interim report. This does of course assume that the major recommendations remain as set out and that major new recommendations affecting regional data do not appear in the final report.

What we have done recently is address those recommendations that specifically call for comment so that you can consider the response in producing the final report. These are numbers 2, 31, 35 and 45, and our responses are below. I also cover some other specific recommendations about which colleagues have concerns about the current formulation.

Recommendation 2 - timetable for change

The broad approach is as set out in John Pullinger's paper. This is as previously discussed subject to necessary resources being found, both for development work and for enhancements in surveys.

We see the key ingredients as being those set out in the attached diagram covering the major blocks of work and affecting the overall timescale. The timetable for enhancing business surveys will need to be considered as part of the ONS' Statistical Modernisation Programme. Development of business surveys within this Programme is currently being considered by the Office Management Board; they will now need to take into consideration this Review's recommendations. The timetable shown below assumes that redevelopment of the ABI is one of the highest priorities for the modernisation programme. In terms of the changes within National and Regional Accounts, the work involves development of the conceptual framework for GVA (in particular to move to a production basis and to provide the foundation for deflating), population of the framework with initial best current data and improvement through the development of more appropriate sources.

Recommendation 8 - apportionment

We have some concerns about the scope to improve the apportionment in the sense of getting more of GVA allocated to local units. The aim to reduce the degree of

variability in the regional estimates should not be at the expense of harming the quality of the national estimates. I understand that Robin Lynch wrote to you about this and other matters in January.

Recommendation 12 - first bullet - extending the sample of the Expenditure and Food Survey

We have two concerns with this. First, depending on the level of precision required at regional level, our previous work showed that at a minimum we would need to be looking to achieve 2000 interviews per region per year. Given that in the North East we currently achieve approximately 26 interviews per month, achieving 2000 in a single boost would clearly be impossible. Secondly, the current continuous design overcomes potential issues with seasonality in expenditure. A single monthly boost (even if it were feasible from the point of view of field operations) would introduce problems on seasonality. We recommend, therefore, that extension to the EFS sample should be part of the current continuous design.

Recommendation 31 - Skew towards manufacturing sector

This subject has already been the subject of much discussion in the briefing sessions held in January at the early stages of stage 2 of the review. There does not seem much more to add at this point from ONS's perspective. We can, however, tell you that there are well advanced plans at Eurostat to reduce the level of industrial detail that is mandatory in the GVA data that we are legally obliged to supply under the European System of Accounts 1995 (ESA95) Regulation. Eurostat's original proposal was to accelerate the delivery of NUTS2 and NUTS3 level data by 6 months, but at the same time reduce the level of industry detail at NUTS2 from 17 industries to 6. A revised proposal of accelerating the timetable by 3 months rather than 6 has since been sent to National Statistical Institutes and will be discussed at the National Accounts Working Party on 25th February. It is hoped to implement the new timetable by 2005. The revised proposal is therefore:

At NUTS2 level: Total GVA for year t will be required by t+15 months
GVA by 6 way industry split will be required by t+21 months

At NUTS3 level: GVA by 3 way industry split will be required by t+21 months

Recommendation 33 - third bullet - benchmarking of short-term constant price production data

This recommendation looks logically inappropriate, in that it appears to suggest that constant price data be benchmarked onto current price data. We suggest that either current price data from short term surveys should be benchmarked onto the ABI, or short-term constant price production data should be benchmarked onto constant price input-output data. If we have misinterpreted what the recommendation is aiming at, it might be helpful to discuss.

Recommendation 35 - Innovative and strategic capacity in the statistical services

It has been for some time an ambition within ONS to create a centre of expertise dedicated to statistical analysis for policy. In recent years we have seconded staff to the No 10 Strategy Unit and are increasingly being asked to provide statistical

analysis to guide policy decisions. A centre of expertise within ONS would allow us to be much more proactive in our links with key policy areas and build our capacity in areas most likely to assist the policy process, complementing what already exists within individual Departments. Examples of reviews that have already taken this kind of approach are the review of Short Term Output Indicators and the report on a Demographic Statistics Service for the 21st Century.

Such a framework would in addition support the idea of seconding people in and seconding them out for particular projects. The current Atkinson review provides an example of how this might be done, as does Geoff Tily's secondment to your team.

A central goal of this team would be to build capability to do this kind of work and explore options for innovation in analysis. This would assist policy directly but also allow us to be much better at understanding changes in the economy and society. Statistics Canada adopted this approach with a team led by Michael Wolfson.

A centre of expertise would most easily be established as a Public Policy Division within John Pullinger's Directorate. It would link with the key accounts strategy we have developed which aims to enhance the engagement between ONS and key other bodies: notably the Treasury, Bank of England, DTI, DH, DWP, ODPM and Cabinet Office. The Public Policy Division could take the lead in pulling together policy needs and preparing an annual review for the ONS Board as part of a broader environmental scanning process designed to inform our planning process.

Recommendation 45 - trade-off of compliance cost and benefits from improved data

It is recognised that surveys only account for a very small proportion of the overall regulatory burden that government places on businesses.

ONS surveys operate within a compliance planning framework which regularly monitors and controls the cost to business of completing statistical questionnaires. The costs for 2003/4 are £28.1m, which is less than the costs for the previous year and the same as for 1995 (after allowing for inflation). This position has been achieved despite significant improvements to the range and quality of ONS statistics in the last four years.

The Allsopp proposals for improved access to existing administrative records (recommendation 40) will be key to ensuring that the additional respondent load is minimised as far as possible. Existing ONS strategies for improved forms design and electronic collection will reinforce this. Despite these mitigation strategies, the Allsopp proposals will require some rebalancing of the respondent load between sectors, could lead to increases in overall compliance costs, and could require some changes to the strict Osmotherley rules currently in place to reduce the respondent load on smaller businesses. ONS's record on managing compliance costs should give confidence that any increases would be carefully controlled.

The benefits from improved statistics will be demonstrated through a more comprehensive evidence base that will assist public policy making; help the monitoring and assessment of those policies by government and by others; and help businesses make decisions and improve their performance.

The benefits of such policy decisions have not been quantified, and ministers will need to assess how far they outweigh the additional respondent load proposed, in the broader context of the non-statistical regulatory burden government places on businesses.

I hope that these responses are sufficient for your current purposes. Please do not hesitate to contact us if further information is needed on the above, or you need our reactions on other recommendations.

Greg Phillpotts
Regional and Local Division
Office for National Statistics

Work package	2004-05	2005-06	2006-07	2007-08
Enhance surveys	Development work	enhance value through modelling for enterprise/unit apportionment	New survey developments being implemented, following ONS modernisation programme changes to ABI and other systems	New data start to come on stream from revised surveys, initially as experimental statistics
National Accounts and other analytical work	Conceptual development work for new methods of compilation and deflation. Specification of new approaches to modelling data to increase value from and for regional data. Explore real scope for use of administrative data	Increased modelling to make use of Inland Revenue data, and take on new sources as they become available.	Developments to make use of richer data on services etc	Take on changed data as they start to become available from the main sources, initially as experimental statistics
Regional statistical presence	Develop agreed statement of functions for regional staff Initiate pilot work in one or two regions	Start discussions to develop regional capacity in all regions	Subject to money, roll out programme. Regional teams getting bedded in and providing services both locally and nationally	