

Christopher Allsopp
Room 3/19
HM Treasury

1 Horse Guards Road
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Your
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Our CS.F.5
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30 January 2004

Dear Mr Allsopp

Allsopp Review - comments in response to draft report

Thank you for the invitation to comment.

Firstly, I'd like to note that I found your analysis and constructive proposals for improvements to regional economic statistics very welcome.

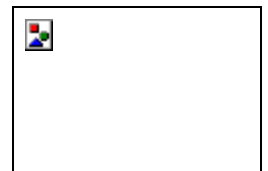
To recap the basis for our interest, as I discussed when our Chief Economist and I met your team, regional dimensions are highly pertinent to Department for Culture, Media and Sport sectors. This follows from the substantial devolution of responsibilities to regions.

Added to this, DCMS is responsible for sectors whose economic contribution approaches 15% of UK GDP. It covers Creative Industries, which total around 8% of GDP¹, and Tourism which accounts for 4.5% of UK GDP. Tourism has the additional regional relevance of being an innately geographically redistributive sector. Meanwhile the Creative and Cultural Industries are widely held to be sectors that can drive growth and regeneration.

Our comments on the Review are as follows:

1) Firstly, we strongly welcome the proposed enhancements to the **Annual Business Inquiry.**

¹ [Creative Industries Economic Estimates](#) and ONS's [Input-Output Analyses: Creative Sector](#)



i) The lack of emphasis on the Service Sector, in which much of DCMS's sectors reside, is undisputed. We agree that prompt action is certainly needed to bring about change.

ii) We strongly endorse boosting of ABI sample. Such improvements in data would greatly assist informing policy across DCMS's sectors, not least given the interest for productivity to be measured and reported upon regionally.

Data are needed at the lowest possible levels of disaggregation of SIC, in order to be regrouped according to our sectors, as they are defined in reality.

This is particularly problematic at regional level due to smaller sample sizes. Any improvement here will revolutionise the scope for the measurement of the cultural and creative sectors. The latter alone accounts for 8% of UK GVA ¹ !

2) We question the apparently high prioritisation of short-term indicators at a regional level.

Not only given the inevitable realities of resource and the consequent need to prioritise, but also the reaction times to new figures in policy and planning cycles in every organisation, we strongly believe that a **first priority for quality and prompt annual data** should be made clear in the report.

This opinion, which is widely held across our sectors, is no surprise given the relatively weak starting point for much of regional economic statistics. Moreover, priority must be given to improvement of the level of detail publishable, so that patterns in headline figures can be effectively interpreted and understood.

3) We welcome the references to proposed improvement of the **Regional Accounts**. We think that the final report could be more explicit in noting that:

i) ONS is the right organisation to lead on the production and development of regional accounts. *This is not least due to critical importance of standard practice in order to deliver consistency and hence comparability between regions.*

Furthermore there is a critical mass of accounting expertise that exists only within the ONS.

- ii) The needs identified in the improvement of the Regional Accounts should be a key driver to improvements in regional data sources.
- iii) Improved income-based estimates are also required if a better understanding of regional economies is to be achieved.

All modelling and analysis at a regional level is hindered by the small number of categories of data that is publishable within the income based GDP accounts. Separate recording of investment, for example, would greatly improve the usability and interpretability of the Regional Accounts.

There is also an undeniable need for improved regional data across 'our' sectors. To this end, DCMS has led the development of the *Cultural Data Framework*. The substantial economic effect of cultural activity is a key area for development and one possibility for this may be the developments toward a *Cultural Satellite Account*.

I'd like to highlight an example of a pressing need for much enhanced regional accounts to permit the understanding of regional economies. This relates to the irrepressible appetite of Tourism bodies and the Tourism industry, and the consequent rapid progress toward *Tourism Satellite Accounts* (TSA) both for the UK and for English Regions. As you may be aware, a TSA has to satellite around economic accounts in the form of input-output tables. The Regional Development Agencies' need for TSAs is so great, that they have commissioned the University of Nottingham to simulate input-output table data for English regions.

To conclude this third area of comment, any improvement to Regional Accounts data would clearly enable much improved economic measurement and analysis at regional level. In the case described, it would permit far more robust simulation for those variables, which while desperately needed, will nevertheless still not be available.

- 4) We welcome the recommendation of a statistical presence in the English regions - this should certainly provide an extra input ensuring quality and coordination more generally. This role should engage regional

organisations involved in research; for example in DCMS areas, this would include certainly Regional Cultural Consortia and Regional Development Agencies, in the case of Tourism and the Creative Industries.

I look forward to reading your final report. I would of course be happy to provide further clarification or further information if needed.

I am copying this letter to Greg Philpotts at the Office for National Statistics, for information.

Yours sincerely,

Ian Wood
Chief Statistician
DCMS