

IMPLEMENTATION OF THE RECOMMENDATIONS FROM THE ALLSOPP REVIEW OF STATISTICS FOR ECONOMIC POLICYMAKING

INTRODUCTION

1. The Allsopp review of statistics for monetary and wider economic policymaking published its Final Report on 31 March 2004.¹ The Review's remit had two parts:
 - to examine the provision of data required for regional economic policy making;
 - and to assess how well the provision of economic statistics captures structural change in the economy.
2. The Review put forward recommendations for improving the provision of economic statistics. Overall, they point to two main changes in the statistical system in the UK. The first is that the pressing need for better regional data should be satisfied, including a radical change in the way regional Gross Value Added (GVA) data are produced. The second is that the core data systems, especially those for producing National Accounts, need to be re-balanced to provide proper detail and coverage of the service sectors.
3. Overall, the ONS welcomes the strategic direction provided by the Review for the development of economic statistics and the recommendations for how the provision of statistics should be developed. The ONS has committed to full implementation of the recommendations as part of the Spending Review agreement.² In return for funding from the Spending Review the ONS has agreed a specific Performance Management Framework (PMF) target:

To implement the recommendations from the Allsopp Review of Statistics for Economic Policymaking

- *We will begin launching new surveys during 2006 in accordance with a plan for full delivery by 2009*
- *We will create a Government Statistical Service presence in each region by March 2007.*

4. Most of the recommendations from the Review are for the Office for National Statistics (ONS) to implement, although a number will require other Government departments, the Devolved Administrations and English regional institutions to be involved in their implementation (for example, the production of regional accounts on an output basis will require inputs from the Department for Trade and Industry and Department for Food and Rural Affairs on the construction industry and agriculture respectively). Implementing the recommendations presents a major challenge to the ONS, not least because it will require significant changes to existing work plans and new areas of work to be developed.

¹ The Final Report is available at www.hm-treasury.gov.uk/allsopp. The First Report focussed on the first part of the remit, regional data, and consulted on proposed recommendations for improving this data. The recommendations presented in the final report reflect comments received during the consultation.

² Spending Review 2004, paragraph 4.42.

5. This paper explains, at a general level, the type of work the ONS will undertake to implement the recommendations that fall mainly to the ONS. Detailed work plans are being developed, in consultation with users and key interest groups through the ONS' usual consultation channels, to enable a full work programme to be drawn together. This work programme will include a timetable for when new data will be produced, as well as improvements to existing data, to meet the Spending Review requirement for full implementation by 2009. This is a slightly longer timetable for implementation than was presented in the Final Allsopp Report (Table 11.1). Information on specific parts of the overall programme and on the various projects will be provided when it is possible to do so, to keep customers and users informed.

IMPLEMENTING THE ALLSOPP REVIEW'S RECOMMENDATIONS

6. Both the Chancellor of the Exchequer and the National Statistician welcomed the publication of the Allsopp Review's final report. Len Cook, in welcoming the Report, said "the Review gives a clear direction for the development of economic statistics across government." While the ONS has committed to full implementation of the recommendations as part of the Spending Review agreement, the detail of how this will be done has yet to be decided and the various options need to be fully considered.

7. Subject to discussions with key stakeholders, the ONS proposes to deliver the PMF target in the following stages

- 2004-06 thorough and detailed planning and development including interim improvements that can be made ahead of delivery of results from new sources
- 2006-08 sources development, initial survey expansion and testing, including links with tax data
- 2008-09 sources delivery, with data collected in earnest.
- 2010 first data (regional GVA) published in the Blue Book using experimental and probably still partial data
- 2010-13 progressive incorporation of fully tested results

Analysis and assessment of potential discontinuities in key economic series will mean that implementation will be in incremental steps only as and when new approaches are thoroughly tested and understood. The timetable envisaged here is consonant with that adopted following the Pickford review and Chancellor's initiatives from 1989 but will benefit from the Statistical Modernisation Programme now underway within ONS.

8. Implementing the Review's recommendations to this timetable presents a major challenge for the ONS and the wider Government Statistical Service, as it requires a big investment in, and change to, the provision of statistics. Improving the provision of sub-UK data presents a significant challenge because the statistical system is generally focussed on the provision of national data and the needs for data vary between the countries and regions of the UK. The challenge to ONS, and other departments involved in the provision of statistics, will be to re-orient the statistical system so that regional data are provided to a satisfactory quality, whilst also realising improvements in the quality and provision of national UK data.

9. The Allsopp Review did not just focus on the provision of regional information. It also made a number of recommendations aimed at re-balancing the statistical system, including a significant change to the way samples are drawn to produce regional and industrial data. To develop the system so that it is more soundly based on rigorous

statistical analysis and underpinnings and better able to respond to the changing structure of the economy presents a major methodological challenge.

10. It is important that the challenges to produce the required regional data and better balanced statistical system are not addressed in isolation. The programme to implement the Allsopp recommendations will therefore ensure that both demands are met, interactions identified and synergies exploited. For example, both have implications for the design and conduct of surveys and the subsequent processes employed to produce the national and regional accounts and other data.

11. In addition to developing an overall plan to implement the Allsopp recommendations, the ONS faces the challenge of implementing them alongside a number of other improvements to the provision of statistics which are already underway, including the Neighbourhood Statistics programme and the wider Statistical Modernisation Programme (SMP). The programme to implement the Allsopp recommendations will therefore also take into account how the recommendations fit with the existing programmes. This is discussed later.

12. The recommendations will be taken forward and developed in twelve work packages, with recommendations related to similar areas bracketed together, for example all recommendations relating to business surveys. These work packages are themselves grouped into three blocks, relating to the relatively distinct areas of work involved, including:

- *Developing the essential infrastructure*: this covers the development of the Inter-Departmental Business Register (IDBR), the ONS' central business register; and the access to and use of administrative sources of data as an alternative to surveys;
- *Building surveys*: including the methodological development and expansion of business and, where feasible, household surveys to provide the regional data envisaged by Allsopp; and
- *Enhancing analytical and strategic capacity*: this includes increasing the ONS' analytical capacity, to cover the development of the new methods to produce Regional Accounts, improved regional labour market data, and the development of an improved ability and capacity in the ONS to analyse structural changes in the economy so they can be identified earlier and the production of statistics adapted accordingly. It also includes the implementation of the other Allsopp recommendations, of which developing an ONS presence in the English regions is among the most significant.

13. There are large interactions between the work packages in the three blocks and development of key stages in some areas will depend on successfully completing stages in others. The critical path for success will follow the improvement in the business register, expanding surveys, and the ABI in particular, to feed into a new process for producing regional accounts. For example, the expansion of the business surveys will depend on the development of the business register. Hence the timing and sequencing of the work will be very important.

14. In light of the recent Spending Review allocation of resources, the ONS is developing detailed work plans for the twelve work packages in these three blocks. More detailed information on how specific recommendations will be implemented will be provided as plans are developed. The main developments that would be expected under each block are discussed below.

DEVELOPING THE ESSENTIAL INFRASTRUCTURE

15. The quality of the data produced by the ONS is heavily dependent on the quality of information collected from the different sources, such as from firms or from individuals or households. The design of surveys to collect this information therefore depends on the underlying registers and lists from which the surveys and samples are drawn. The development of these registers and lists is therefore key to the development of better regional and national data.

Business Register

16. Enhancing the Inter-Departmental Business Register (IDBR) is an important part of the Allsopp recommendations. The IDBR is the essential infrastructure on which business surveys that collect information for the National Accounts are based. At present, the Annual Register Inquiry (ARI), which maintains and updates the IDBR, is not designed to meet demands for both regional and industry data. One option is to consider is the merger of the ARI and the separate Annual Business Inquiry (employment) to create a Business Register Employment Survey (BRES). The existing IDBR collection units meet most existing requirements however to meet the changes required by Allsopp more system flexibility will be required.

17. The existing IDBR does not meet the requirements for regional and industry statistics set out in the Allsopp Review. However, the IDBR is being re-engineered as part of the ONS' Statistical Modernisation Programme, which provides the ideal opportunity to undertake the developments required to meet the Allsopp agenda. The re-engineered system will have greater flexibility to permit better use of existing administrative sources and to exploit a wider range of sources. It will do this by providing a gateway for linking administrative data on businesses to ONS business survey outputs. The new business register units model also provides more information at the local unit level to meet the growing demands for statistical outputs at the regional and lower levels. The completed re-engineered IDBR, which is scheduled to "go live" in December 2006, will provide the essential base for the development of business surveys as well as being the direct source for improved information on the structure of UK businesses.

18. The existing IDBR does not hold suitable telephone numbers to support the collection of information by telephone surveys and thus limits its use within the research community. The addition of telephone numbers will make the IDBR more usable by other government departments who prefer to conduct surveys by telephone, it will also help improve the cost efficiency of collecting surveys and impose a smaller burden on businesses. This development again would be significant and require changes to the system to take on the data and populate the IDBR.

Use of Administrative data sources

19. The Allsopp Review identified the use of administrative sources of data (such as measures of value added from Her Majesty's Revenue and Customs (HMRC), for example) as a potentially huge source of information that could be used in the production of National Accounts and Regional Accounts. Access to such information could also help mitigate some of the increase in the size of the main business survey (ABI) (that is more firms will need to complete survey questionnaires) than would otherwise be required, for the development of an output-based measure of regional GVA. Any mitigation in the increase in the ABI will also help against the associated increase in compliance costs. Access to administrative data may also have large benefits for the ONS' micro-data linking work and hence research into the changing structure of the UK economy as well as the productivity and other policy agendas.

20. However, issues regarding right of access for ONS to this data need to be addressed before it can be utilised, to ensure the data are properly protected and used only for statistical purposes. Existing barriers will not easily be overcome and will largely determine the time by when ONS can access the data and for what purpose. Legislation is likely to be needed to address a number of the legal issues and barriers to use. The ONS has already begun exploring possible options with HMRC and HM Treasury.

21. In addition to overcoming the legal and other barriers to access to the data, ONS will need to assess the data for its reliability, timeliness and suitability for use in the production of Regional and National Accounts. It is intended for this work to begin early, in preparation for appropriate gateways being created. The ONS will also have to develop compatible information systems with other departments, in particular with HMRC, so data can be shared. There is a significant dependency here since the scale and nature of survey development will depend on the extent to which tax data can be utilised in the creation of the needed statistical measures.

BUILDING SURVEYS

22. As noted above, the aggregate data produced by the ONS is derived from a large amount of individual information provided through a variety of surveys. The Allsopp Review put forward a number of recommendations for the development of ONS' surveys, notably the expansion of surveys to produce better quality regional data. But any expansion should be based on sound methodological underpinnings. It will also need to take place after the sample frames, or essential infrastructure, on which they are based has been suitably developed. The methodological and planning work will begin early, alongside the development of the essential infrastructure, in order to meet the target to "begin launching new surveys during 2006."

Business Surveys

23. In order to produce regional data of appropriate quality the amount of information collected needs to be increased, that is more firms need to be surveyed. For example, on advice from the ONS, the Allsopp Review recommended increasing the sample

size of the ABI survey by three times to gather sufficient information to estimate GVA in each of the countries and regions of the UK to a suitable level of quality.

24. In addition to extending the ABI to collect more turnover data, corresponding price information is also needed to produce the final GVA estimates in constant price, or volume, terms. This therefore requires a similar expansion of the Producer Price Index (PPI) survey. As the PPI is based on the manufacturing sector, developing the measurement of prices in the service sector, the Corporate Service Price Index, will be essential to provide a more balanced measurement of economic activity. This in turn will depend on the development of a SERVCOM to provide a 'benchmark' list of detailed service sector products from which an expanded CSPI can be drawn.

25. Hence, the most extensive part of the programme to implement the Allsopp recommendations will involve a large expansion of a number of business surveys, including:

- The Annual Business Inquiry
- Regional producer price data collection
- Development of a SERVCOM³
- Corporate Service Price Indices (CSPI)
- International Trade in Services (IT IS)
- Monthly Business Survey
- Producer Price Index (with CSPI to provide regional price deflators)
- Business Omnibus Survey
- Vacancies Survey.

26. In addition, the Allsopp Review also recommended changing the design of samples by which industry data for the National Accounts is collected.⁴ Hence, the re-design of surveys will also need to incorporate these changes in addition to expanding surveys to collect better regional data. To meet the demand for the changes envisaged, the preparatory methodological work will fundamentally examine the design of the survey forms to ensure they are optimised. This work will also examine the scope for consolidating and integrating business surveys as well as investigate the relevant roles of survey and administrative data, for when administrative data becomes available.

27. The expansion and amendment to surveys will be considered alongside the existing statistical modernisation programme and the migration of the surveys into the ONS' new central data repository. This has implications for the sequencing of the planning and preparatory work to expand surveys. To begin producing data according to the timetable set out by the Spending Review, that is from 2009, implies that the expansion and development of surveys needs to begin in 2006-07 which in turn will depend on progress with statistical modernisation and access to tax data

28. An important consideration for the ONS is the extent to which the 'budget' for compliance costs – the cost to firms of complying with ONS requirements – will

³ The Allsopp Review recommended the development of a 'SERVCOM' survey of products sold by the service sector to provide information for the service sector akin to that provided by the PRODCOM survey for manufacturing industries.

⁴ In particular, the Allsopp Review recommended (recommendation 47) that the ONS should review the relevant level of industrial stratification for its main business surveys.

increase as a result of implementing the Allsopp recommendations, and the expansion in business surveys in particular. This includes the need for small firms to rotate through surveys more quickly than at present.⁵ It is not possible to estimate the increase in compliance cost required to implement the Allsopp recommendations until the preparatory work and detailed planning has been further developed. However, the planning work will investigate ways by which the increase in compliance costs can be kept to a minimum. Possibilities include the consolidation of surveys as well as the potential use of administrative data sources.

Household Surveys

29. As with the business surveys, the envisaged expansion in the provision of regional and sub-UK data derived from household surveys will require an increase in the size and quality of the survey samples. The implications of expanding surveys will need to be analysed and assessed before the survey sample increases can take place.

30. The main household surveys to be developed include:

- the Expenditure and Food Survey, to provide estimates of Household Final Consumption Expenditure by region; and
- the Annual Population Survey, to be expanded to provide better estimates of regional labour market data, including for English local authorities.

31. As with the business surveys, the actual expansions in the survey size will depend on the outcome of the preparatory work, including an examination for efficiency savings. The changes to meet the Allsopp recommendations will be integrated with the ongoing modernisation of the household surveys and development of the Continuous Population Survey.

ANALYTICAL AND STRATEGIC CAPACITY

32. The third block of work largely covers analytical, methodological and structural changes envisaged in the Allsopp Reports. Much methodological work will need to be undertaken to support the expansion in surveys, but detailed work will also be required to develop the process for the production of regional GVA based on the new production approach as well as address other recommendations. Other work includes developing the ONS' infrastructure, such as its decision making process and new regional offices in the each of the English regions. The work envisaged in this block can be largely undertaken alongside the work of the two blocks above.

Increasing ONS' analytical capacity

33. There are three areas in which the ONS needs to expand and develop its analytical capability. Two of these are short term and relate to the need to develop the processes and methods required to produce the data envisaged by the Allsopp Review. This includes the development of surveys and the registers and lists that underlie the samples. However, the third part is a step increase in the ONS' capacity to analyse the UK economy and scan for evidence of structural change which would have an

⁵ The 'Osmotherly' rules govern the frequency by which small firms can be included in ONS' surveys. These will need to be changed to meet the Allsopp recommendations for improved regional GVA data.

effect on the production of National Statistics. The Statistical Modernisation Programme will deliver a more adaptable infrastructure to respond to any future change.

Developing Regional Accounts

34. The big strategic change recommended by the Review is an increase in the provision of regional and sub-UK statistics. A key part of this vision is the recommendation to produce regional Gross Value Added using a production approach, compared to the income approach used at present, with the aim of bringing the regional accounts more fully into line with the National Accounts. However, the processes and methodology to produce Regional Accounts using the production approach need to be developed. This has implications across a range of ONS activities, including the need to develop new data sources and a new Regional Accounts methodology. The expansion to surveys is addressed above. Moreover, as the recommendation is for regional GVA at constant prices, suitable regional deflators will also need to be developed.

35. The first stage will specify exactly what needs to be done to meet the requirement, including defining the framework in which estimation will be made. This will cover, for example, the detail to be used and the relationship with national data. It will also include research into appropriate regional deflators.

36. The next step will take the initial blueprint and develop it so it can be made operational. It may include running a prototype system for testing. The first data produced by this approach will be in line to meet the timetable set out in the Spending Review.

37. Similar development work will be undertaken to enhance the income measure of regional GDP and develop regional measures of some of the components of the expenditure measure. This will require a review of expenditure sources and methods to identify appropriate ways forward. An approach to deflation will also need to be developed. As with the production approach, the initial stages will involve a full exploration of the problem, defining the framework for estimation, including a review of data sources and research methods before implementation of the new approaches which will require statistical and IT systems development.

Developing Labour Market data

38. As with the analytical work required to develop the Regional Accounts, the development of regional and local labour market data will depend on analytical developments. A key recommendation on the labour market data relates to the consolidation of the boosts to the Annual Population Survey (APS) in Scotland and Wales. And to provide more reliable data at local authority level across the whole of the UK, the APS boosts need to be made permanent and extended further for English local authorities.⁶ The resulting improved data would benefit a wide range of both economic and social policy makers. The main work to produce this will involve developing an expansion of the APS samples in English local authority districts. But

⁶ Recommendation 16.

first, it will be necessary to review the existing boost arrangements including whether they provide data of adequate quality.⁷

39. The need for whole employment job vacancies data at regional level is recognised especially given the present unavailability of administratively-based vacancies data from the Jobcentre Plus organisation. This will require a modification of ONS's existing survey or a new survey.

40. The great value to users of the NOMIS dissemination service for local area labour market statistics is recognised as is the need to continue to retain and resource NOMIS until the analytical requirements of its users can be met in some other way.

41. Reconciling the different measures of employment from the Annual Business Inquiry (ABI) and the LFS requires greater attention to be paid to the coherence of the different sources. The development of business surveys (outlined above), supplemented by linkage of IDBR and LFS records for industry, sector and workplace would help significantly in this respect. The further development of the method of employment and jobs reconciliation will be reported in the Final Report of the Employment and Jobs Quality Review and will continue to be undertaken on an ongoing basis. This will involve investigation of the different factors behind the discrepancies.

Capturing structural change

42. The Allsopp Review said that “as well as responding to structural change that has already taken place, producers [of statistics] need to ensure that official statistics keep pace with further change in the economy.” The Review recommended that “the innovative and strategic capacity within the statistical services needs to be strengthened, so they respond in a more satisfactory way to changes in the policy framework, in the economy and in society.”⁸

43. Views on this recommendation were sought as part of the Review's consultation to its First Report. The Final Report reports that there was agreement amongst respondents to the consultation on the need for innovative and strategic capacity within the statistical services. But it is not enough simply to spot issues. There needs to be a mechanism to embed developments in the statistical system and for reallocating resources as priorities change. One crucial aspect is the need to keep the balance and stratification of surveys under review to reflect ongoing change in economic structure. The consultation identified the importance of regular liaison between producers and users of statistics as a way of keeping in touch.

44. In responding to this recommendation the ONS intends to expand its research and analytical capability in a number of areas, including greater involvement in wider policy agendas and data demands, but also to ensure statistical developments are driven by proper analysis. More specialists will be recruited to provide this capacity. The areas to receive increased focus include,:

⁷ This analysis will also determine whether existing boost arrangements of the separate labour force survey in Northern Ireland do provide data of adequate quality.

⁸ Recommendation 35.

- Expanding the methodological capacity of the ONS to ensure statistical developments are driven by proper analysis and best practice;
- The Statistical Modernisation Programme will deliver an infrastructure in 2006 that is more flexible and able to adapt to changing demands placed on the ONS;
- Development of a public policy division within ONS to develop better links with policymakers, including central government and policy makers within the devolved administrations and the English regions;
- An expansion of the ONS' analysis functions. In particular, the ONS will be expanding the analysis of our own outputs to add greater value to our products, such as improving advice on the usability of data. The following areas will benefit in particular:
 - The ONS is expanding the analysis of regional data, to inform the policy agenda generally, but to add value to ONS provision of information on data on the countries and regions of the UK more generally;
 - The wider analysis of UK economic developments to identify changes in the structure of the economy.
 - Development of the business microdata analysis carried out by the ONS. Analysis of the datasets resulting from linking, at a micro level, ONS data with data held by other government departments has enriched the evidence base for the productivity and growth agendas.
 - Analysis of the economic trade-offs to be made by ONS and users of statistics between the quality of statistics, definition, degree of detail provided, timeliness and indicators of reliability. Such analysis is important for analysis of revisions, as well as assessing competing demands for ONS resources.
 - Development of new indicators, such as the measurement of the productivity of the service sector, which present a number of conceptual, practical and measurement challenges.

Other Work

45. The remaining work to implement the Allsopp recommendations captures the non-survey and non-National Accounts related elements, of which, perhaps the most significant is the development of an ONS/GSS statistical presence in each of the English regions. The Allsopp Review identified a number of roles for such a regional statistical presence, including a source of regional expertise for ONS, providing regional intelligence to inform the production of the Regional Accounts, as a source of expertise available to regional institutions and others involved in data collection and assimilation to improve the comparability of regional data, and as an improved link between regional and central institutions with an interest in statistics. The Review also suggested that the location of each regional office could differ between regions, dependent on the strengths in each region. A working group involving regional stakeholders has been established to work up proposals. Early work of the group will focus on the exact functions of the regional presence, before addressing the exact location for each office in each region. 'Pathfinders' will be started before the end of the current financial year. Under the Spending Review 2004 the ONS is committed "to create a Government Statistical Service presence in each region by March 2007".

46. The Review suggested that the ONS develop an intermediate Kitemark that could be awarded to data collected by regional institutions if it meets a set of minimum

standards set out by ONS. The aim of the Kitemark is to improve the comparability and consistency of data collected and presented by different regional institutions.⁹ The Kitemark will be developed between ONS officials and representatives of regional institutions who have an interest in its development. A key question to be addressed is how it will relate to the National Statistics badge. Options for consideration include standards for the process and types of questions used in a survey, adoption of best practice methodology for deriving estimates, and the presentation of the final estimates.

47. Similarly, the Review said that “a mechanism should be set up for establishing priorities and assessing demands for micro-regional data.” Such a mechanism should take full account of the relative costs and benefits of data provision. However, the Review stopped short of setting out a specific recommendation for how such a mechanism should work or who should be involved. The ONS has set up a working group to develop such a mechanism, including principles to prioritise between competing demands for regional and sub-UK data. As with the working group discussing the regional statistics offices, the working group on decision making process also includes the ONS and key stakeholders.

LINKS TO THE STATISTICS MODERNISATION PROGRAMME

48. The Allsopp Review said “The [ONS’] modernisation programme also offers an opportunity to further rebalance the statistical system and help to integrate regional data better into the overall statistical framework.” The changes to be implemented under the Statistics Modernisation Programme provide a key strategic opportunity to implement the Allsopp Review’s recommendations.

49. The 2002 Spending Review allocated £75 million to fund ONS modernisation over 2003-04 to 2005-06. A key element of the ONS’ modernisation is the Statistical Modernisation Programme (SMP), which includes:

- Re-engineering key statistical systems;
- Moving ONS surveys and other data onto a corporate database systems, called the Central ONS Repository for Data (CORD);
- Introducing a set of standard tools; and
- Standardising and systematise the processing and presentation of statistical outputs.

50. The benefits to be achieved through SMP include:

- Cash benefits accrued through the elimination of redundant processes, the use of common tools and CORD;
- Increase in the value and quality of outputs;
- Reduction of risk (in the production of data); and
- Improved integration and harmonisation of ONS processes.

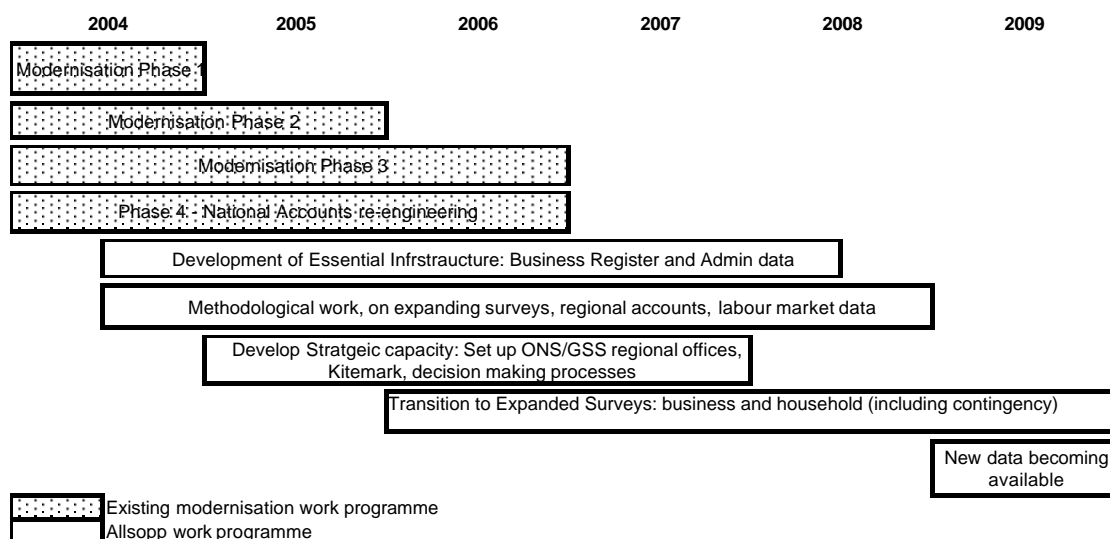
51. Hence, the plans to implement the Allsopp recommendations are being built into the work plans for the existing modernisation programme, to take full advantage of the synergy between the two agendas. For the large part, the early work for each of the Allsopp work packages will be undertaken alongside, and/or as part of, the

⁹ Recommendation 28

Statistical Modernisation Programme over the next year or two, with the main focus on the development of the essential infrastructure and the IDBR in particular. The extent of the interaction, including the timing and sequencing of the different programmes, and where new resources may be needed to implement the Allsopp recommendations will be addressed over the next few months.

52. On the face of it this may seem straightforward. The first phase of the statistical modernisation programme is due for completion by the end of 2004 with key elements of the existing programme to be completed in 2006. Further integration work will take place between 2006 and 2008. Data collection in earnest will follow thereafter. Detailed planning and preparatory analysis for implementing the Allsopp recommendations will need to be undertaken alongside much of the SMP work.

53. It will be essential for the two programmes to be complementary - the two programmes combined provide one strategic vision for the ONS and the data it provides. The resulting work programme for the overall vision will deliver both the existing modernisation aims and the Allsopp recommendations.



54. The development of the Regional Accounts provides an example of how the interactions between the two programmes need to be developed. The Allsopp Review recommended a fundamental change, to produce regional GVA on a production approach basis. But re-engineering of the National Accounts does not include any development of the regional accounts within the existing modernisation programme. The two programmes will be dovetailed to deliver the overall vision, the work to develop the new Regional Accounts will be integrated with the work to re-engineer the National Accounts.

LINKS TO THE NEIGHBOURHOOD STATISTICS SERVICE

55. The Allsopp report calls on the government to make dramatic improvements in the regional and lower level statistical information base necessary to support economic policy making. Although the Allsopp Review focussed on economic statistics, it recognised that at lower levels of geography the distinction between economic and

social statistics is blurred, and less relevant to the policymaker trying to use information across the spectrum to look at how communities are developing. There is consequently some overlap and synergy between the aims of the Neighbourhood Statistics Programme what the ONS will do to respond to Allsopp. The recommendation in the Allsopp Report specifically directed to NeSS is with regard the provision of sub-UK data by the ONS:

“We recommend that [Neighbourhood Statistics], and parallel systems in devolved administrations, should include scope to cover an expanded range of economic data, which could be presented at a range of different geographies ... to become the key central resource for micro-regional data. ... [This] might suggest a suite of different access portals for such an expanded system.”

56. The vision from the Allsopp Report is for a central system, similar to NeSS, to provide all regionally based data, including data collected by regions themselves that conforms to the proposed kite-mark, possibly assisted by the new regional statistics presence. The various recommendations aimed at improving the quality and provision of regional data chime well with the NeSS programme and need to be planned in conjunction with the development of NeSS as the main tool for disseminating area based data. As part of the institutional work programme a mechanism for deciding what would qualify to go on the new regional website will need to be developed.

57. However, the links between Allsopp and NeSS go beyond the portal by which geographical information and data will be obtained from the ONS. Many of the changes and developments in the IDBR and surveys have positive benefits for the data collected for and used by NeSS. By way of simple example, an expansion of surveys to provide better quality regional and country estimates will also, by virtue of the larger sample size, also improve estimates at lower levels of geography. Similarly, improving access to administrative micro-data will benefit both the Allsopp and NeSS programmes. But this provides a further challenge to implement the Allsopp recommendations because the implementation programme will also have to take into account the needs of the NeSS programme, in addition to the aims of the SMP.

CONCLUSION

58. This paper outlines the main ways in which the ONS will implement the Allsopp Review's recommendations for improving the provision and quality of economic statistics. These include the improvement of registers, enhancements and expansion of surveys and development of new National and Regional Accounts processes. The developments will be undertaken to meet the target set for the ONS as part of the 2004 Spending Review, with the new Regional Accounts data coming on stream in the 2010 Blue Book.

59. As outlined above, the initial work, over the next year or so, will focus on the detailed statistical research, thinking and planning to ensure the eventual developments, expanded surveys and new statistical processes and outputs are grounded in the best practice and guided by proper statistical practices. The Allsopp Review rightly identified the need for detailed changes to be fully analysed and assessed. But the need to progress with the development of the lists that underpin the surveys, and the IDBR in particular, means the ONS will have to press ahead with

developments of the essential infrastructure. It will be important for these developments to be in place before expanded surveys can be conducted.

60. Much of the early work will take place over a key period in the ONS' modernisation programme and, hence, much of the early work will be built into existing work as part of SMP. A key challenge for the ONS is to ensure we take full advantage of the opportunities of modernisation to implement the changes. The extent of the complexity and interdependencies between the various parts of the Allsopp recommendations and the modernisation and other existing programmes underway with the ONS, supports our intention to spend the first year undertaking full analysis. The Programme is further complicated by the fact that not all of the work will be for the ONS to carry out alone. Developments to surveys and processes will also have to be carried out in parallel in other departments, such as the collection of data on the construction industry by DTI, and the Devolved Administrations, and in Northern Ireland especially where a separate business survey to the ABI is conducted. The ONS will work closely with the relevant departments to ensure the developments are joined-up. Consequently, it will take some time to develop detailed work plans, which we will do in conjunction with key stakeholders, including relevant experts in other Government departments, the Devolved Administrations, English regional institutions and other organisations. We will, of course, use various routes to explain our intentions and statistical developments to ensure as many people as possible can be involved in the debate on how to take this huge agenda forward.

Michael Williams
Office for National Statistics
November 2004

Annex – Summary of Allsopp Review’s findings

1. The Allsopp Review was commissioned by the Chancellor of the Exchequer in February 2003 with the remit to investigate the provisions of statistics for monetary and wider economic policy making. The terms of reference for the Review were:

To deliver an assessment to the Chancellor, the Governor of the Bank of England and the National Statistician, with a first report by the 2003 Pre-Budget Report on the following:

- *The regional information and statistical framework needed to support the Government’s key objective of promoting economic growth in all regions and reducing the persistent gap in growth rates between the regions; and*
- *Whether the changing economic structure of the UK is being properly reflected in the nature, frequency and timeliness of official economic statistics.*

2. The First Report, which focussed on the first bull point of the terms of reference, was published in December 2003. It contained a number of recommendations for changes to the provision of regional statistics, including the proposal that regional Gross Value Added should be estimated using the production approach and on the same timescale as the National Accounts so the two process could be fully integrated, compared with the use of the income approach at present and the regional GDP determined after the national level has been set. The recommendations were presented for consultation.

3. The Final Report, published in March 2004, focussed largely on the second part of the terms of reference, although it also summarised the results of the consultation and revised the recommendations presented in the First Report in light of the responses.

4. The full list of recommendations included recommendations for the provision of data not currently provided by the ONS. It also included recommendations for how some of this data should be produced, for example on the required increase in the sample size of the Annual Business Inquiry to provide the required data for estimating regional GVA using the production approach. While other recommendations were with regard institutional arrangements, for example that the ONS of Government Statistical Service should have a presence in each of the English regions, similar to that which exists in the devolved administrations. Overall, the view of the Review was that the principal outcomes of the recommendations would be:

- Good quality baseline GVA estimates for NUTS 1 regions, and improved detail at lower levels, as part of an integrated system producing both National and Regional Accounts;
- A statistical system that is not skewed towards particular sectors of the economy, that reflects the contribution and nature of different economic sectors, and that evolves alongside future change in the economy;
- A coherent and efficient suite of registers, surveys and estimation procedures, based on sound statistical principles, that reflects the balance of the economy and delivers reliable results at acceptable compliance cost;
- That the range of information held by government can be used to increase the quality and the compliance and cost efficiency of economic statistics, while safeguarding its confidentiality; and

- Good links between the centre, ONS or Government Statistics Service statisticians located in the regions and devolved administrations and regional bodies, with greater comparability of those micro-regional data that are not collected centrally.

5. The Review noted that many developments are taking place already within the statistical system to ensure it remains responsive to changing demand for data. And the Review welcomed the widely shared vision of a coherent system that is capable of responding to changes in the structure of the UK economy and to new demands. However, the Review also recognised that there are real resource constraints on the ONS and consequently “the sheer impossibility of responding to all ... demands”. In response, the Reports, and their recommendations, focussed on the core demands and core systems.

6. The Report also recognised that the implementation of the recommendations is not inexpensive, and the ONS would require additional financial and staff resources. Moreover, implementation would also impose additional costs and burdens on firms. While there would be some savings, such as from the consolidation of surveys, greater access to administrative data and a review of EU data requirements, say, these increases in costs would have to be faced head-on if the required data is to be provided. However, ultimately, the benefit would be improved quality and provision of statistics for policymakers and others.