



ONS Compliance Plan 2002-2004

Office for National Statistics

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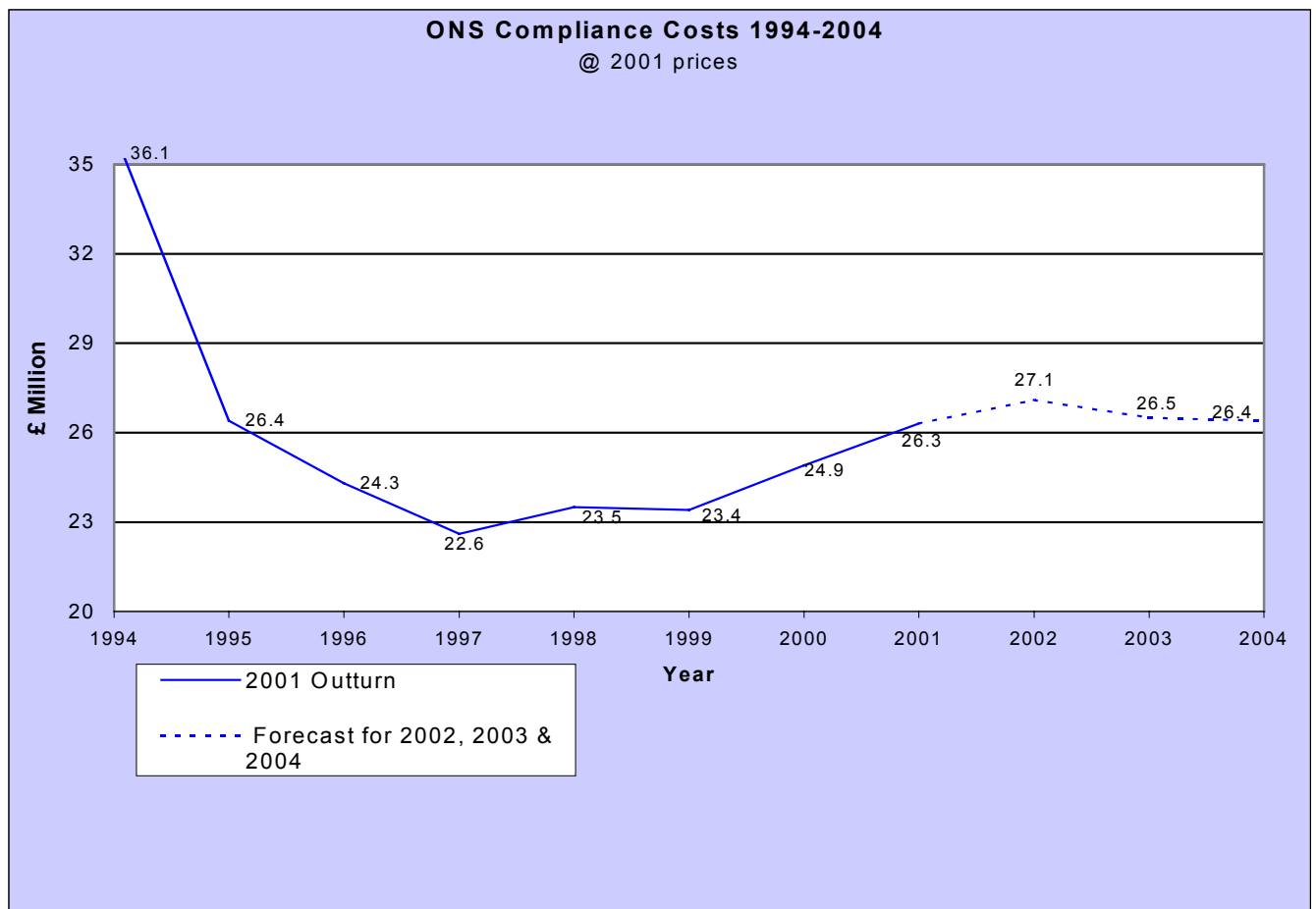
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EXECUTIVE SUMMARY

The ONS compliance cost ceiling has been set at £27.1 million for 2002 and is projected to fall to £26.5 million in 2003 and £26.4 million in 2004.

The chart below shows the estimated compliance costs at 2001 prices over the period 1994 - 2004 and the significant reduction that has been achieved since 1994. (The numbers in the chart refer to the historic series and the forecast.) It shows ONS's ceiling for compliance costs in 2002 as £27.1 million, 25% lower in real terms than its peak in 1994 and, despite significant improvements to the range and quality of ONS's outputs since 1998, 2002 is still only 3% higher than 1995 in real terms. The forecast is that compliance costs in 2004 will be the same as the 1995 level in real terms.



Since 1997, compliance costs have risen, reflecting ONS's need to be responsive to the changing users for the economic statistics of the UK, including meeting EU needs. The 1998 Comprehensive Spending Review (CSR) confirmed the value of the outputs of the ONS and highlighted a number of areas where the quality of information could be improved. This has had a significant effect on compliance costs since 1999.

In addition to the new work identified in the CSR, the ONS, in consultation with key customers in the Bank of England, HM Treasury and the Department of Trade and Industry, identified a further programme of new work to improve the quality of

Economic Statistics. While much of this work does not impact on the compliance burden, some additional data collection has been necessary.

Although this increase in compliance costs is unwelcome, it does reflect the growing need and demand for higher quality statistics covering the whole of the economy. Since 1999 ONS has responded to this demand and introduced several new surveys, such as those into E-commerce activity and the introduction of a Vacancy Rate Survey, to provide an accurate and comprehensive measure of the total number of vacancies across the economy, and expanded the existing quarterly inquiry into Capital Expenditure to redress recognised weaknesses in that inquiry. ONS has also responded to the need to improve the data available for the service sector by developing a monthly Index of Services, akin to that produced for the production sector, and by improving the service sector data for surveys such as the International Trade in Services, the quarterly Inventories inquiries and the collection of detailed purchases data for the Annual Business Inquiry. Initiatives such as these have resulted in a significant improvement in the range and quality of the ONS's business statistics outputs since 1995, yet compliance costs for 2002 are still only 3% higher than 1995 in real terms.

Taking into account future demands that will be placed on compliance costs from both UK Government and the European Union (EU), ONS estimates that compliance costs will fall to £26.4 million in 2004, the same as the 1995 level in real terms. ONS has achieved this by making every effort to minimise the impact existing and new initiatives have on businesses. Improvements in collection methods, statistical methodology and sampling have limited the effect of the increased demand on the total compliance cost figure for the forecasted years. One particular initiative is the reduction in the Annual Business Inquiry (ABI) sample collecting employment data. A review of the inquiry has determined that employment data supplied by businesses to the short-term employment and turnover surveys can now replace employment data previously collected by the ABI. This will have no adverse impact on the quality of the annual employment data and will reduce both ONS's operational costs and the burden on businesses.

The ONS continues to be involved in implementing the recommendations of the independent study 'Statistical Surveys: Easing the Burden on Business' led by Sir Edward Osmotherly in 1996. It has also considered how it can extend its guarantees to enterprises with employment of between 10 and 19. The much higher sampling fractions for these enterprises compared with those for smaller businesses means that a guarantee would have to be weaker than that applied to enterprises with employment between 0 and 9. A review by the ONS to identify ways of reducing the number of surveys that an individual business is asked to complete has recommended a number of initiatives for enterprises with employment between 10 and 19.

The Plan confirms the series of initiatives which will enable ONS to continue to live within the compliance ceilings and bear down on future compliance costs whilst allowing surveys to continue to meet users' growing needs and demands for higher quality statistics covering the whole of the economy.

Section 1: Introduction/Background

Compliance planning is an integral part of the business planning process in ONS, whereby the overall compliance costs to business are controlled within limits agreed by the Economic Secretary to the Treasury for each calendar year.

This plan is produced to help monitor and control the burden imposed on businesses by ONS surveys. It includes all surveys for which the ONS has direct responsibility, but not those that are conducted on behalf of other Government departments or agencies.

All Government Departments undertaking statistical surveys are required to produce a compliance plan on a three year rolling basis. This Compliance Plan fulfils this requirement for the ONS and has been approved by the Economic Secretary to the Treasury prior to its publication. Peter Haslett, Head of the Pay Information Group at the CBI, acted as an external independent observer in the preparation of this Compliance Plan.

This report provides details of:

- the proposed 2002 survey programme and compliance costs;
- projected compliance costs for 2003 and 2004;
- achievements and plans for minimising the compliance burden;
- performance against previous compliance plans, including an analysis of the compliance costs of ONS surveys, and an assessment of the impact of surveys on businesses of different sizes.

Section 2: The 2002-2004 Compliance Plan

The ONS compliance cost ceiling for 2002 has been set at £27.1 million and compliance costs are projected to fall to £26.5 million in 2003 and £26.4 million in 2004.

The ceiling for compliance costs in 2002 is £27.1 million, 25% lower in real terms than its peak in 1994 and, despite the introduction of new surveys and the expansion of existing surveys, 2002 is still only 3% higher than 1995 in real terms. The forecast is that compliance costs in 2004 will be the same as the 1995 level in real terms.

Since 1999, compliance costs have risen, reflecting ONS's aims to be responsive to the changing needs of its customers. The 1998 Comprehensive Spending Review (CSR) confirmed the value of the outputs of the ONS and highlighted a number of areas where the quality of information could be improved. This has had a significant effect on compliance costs since 1999.

In addition to the new work identified in the CSR, the ONS, in consultation with key customers in the Bank of England, HM Treasury and the Department of Trade and Industry, identified a further programme of new work to improve the quality of Economic Statistics. While much of this work does not impact on the compliance burden, some additional data collection has been necessary.

Since 1999 ONS has introduced a number of new surveys and expanded existing surveys:

- In order to introduce a monthly **Index of Services**, akin to that currently produced for the production sector, a staged conversion of the quarterly inquiries into distribution and services sector to monthly inquiries was completed during 2000.
- After a successful pilot during 2000, the **Vacancy Rate Survey** was rolled out to 6,000 suppliers a month in 2001. This new survey of employers will provide an accurate and comprehensive measure of the total number of vacancies across the economy, and fill a gap in the information available about the demand for labour. At present the only existing vacancies data that can be obtained and published is that provided by administrative records from the Employment Service (Job Centres data). The Vacancies Inquiry aims to build on and expand that information.
- The **Annual E-commerce inquiry**, a stand-alone survey on use of e-commerce by businesses, was introduced in 2001 to provide indicators of the extent and nature of use of e-commerce by businesses. The survey covers all industries and all sizes of business except those below 10 employees. The 2001 survey is part funded by Eurostat as part of an EU wide initiative to develop EU harmonised indicators of e-commerce. The results of the survey are of particular interest to the Office for the E-envoy, the Department of Trade and Industry (DTI) and the Bank of England.
- The **Monthly Inquiry to Internet Service Providers**, collecting information on the numbers of internet subscribers broken down by type of subscriber (business/household) and by the type of access, was introduced in 2000. The

information is intended to monitor trends in business access to the internet. Principal customers for this data include the Office for the E-envoy and the DTI.

- The Turnbull/King Review of the Revision to the Average Earnings Index recommended the introduction of new samples for the **Monthly Wages and Salaries Survey**. The increased sample in 1999 improved the precision of the estimates of growth in average earnings - a key indicator of inflationary pressures.
- The sample in the **Quarterly Inquiries into Inventories** was increased to comply with the European Standard for National Accounts definition of stocks which has been changed to include work in progress in service industries. The annual results also indicated that stocks were not insignificant in industries such as catering. Including some of these industries, whilst at the same time boosting the sample for existing industries, improved the precision of the inventories estimates feeding into the national accounts.
- The sample of the **Annual Business Inquiry** asking for detailed information on purchases has been increased and expanded to cover industries in the distribution and services sector and more recently, in the construction sector. This, together with the increased sample in the quarterly Inquiries into Inventories, improves essential data for both the construction of accurate input-output tables and for the expenditure measure of GDP, respectively.
- In order to comply with the European Standard for National Accounts, the ONS is required to produce a separate account to cover **Non-profit Institutions Serving Households (NPISHs) in the Financial Assets and Liabilities Survey**. NPISHs cover organisations such as universities and charities.
- As part of the ONS Review Process, the **International Trade in Services** inquiry increased its sample size in 2001. It also improved the targeting of the sample by introducing additional questions on the Annual Business Inquiry, which will better identify those businesses with international trade in services. These two measures will lead to improvements in the estimate of the UK's Trade Balance and overall GDP. The Department of Trade and Industry share the compliance costs for this expansion.
- In 1999 the sample size of the **Quarterly Inquiries into Capital Expenditure** was significantly increased in response to users' concern about the accuracy of the quarterly capital expenditure results. Capital expenditure is highly volatile and whilst much of it is generally related to size of firm, a significant amount in the total arises from large amounts spent by firms of all sizes from the very small firms not yet in production to large expanding firms. The capital expenditure sample was therefore expanded to measure this more ad hoc element.
- Since 1999, the **Business Spending on Capital Items Survey** has provided information necessary for the calculation of weights for use in the deflation of capital expenditure on vehicles and other equipment.

The following surveys have also been introduced since 1999, but have or will be discontinued:

- In 2001, ONS conducted a **SERVCOM** pilot as part of a feasibility study on the introduction of a survey equivalent to PRODCOM, but collecting data on detailed service industry sales. The study is one of a range of initiatives to improve the quality and availability of official statistics on the service sector, given its growing importance in the UK economy. Detailed service product statistics would input to the National Accounts, provide weights for the Corporate Sector Price Indices, and provide business with information for monitoring developments at the micro and macro economic level. The pilot was successful in demonstrating ONS's capability of collecting data in this sector of the economy. Decisions as to whether to continue and expand the service sector output statistics will be dependent on availability of ONS resources and the possible balancing of ONS resource and compliance costs with production sector statistics.
- The **Capital Stocks Survey** collects details on capital stocks from fixed assets held by UK businesses. The information was necessary to calculate capital consumption for the measure of Net Domestic Fixed Capital Formation and Net National Income. This survey will cease from April 2002.

In 1999 compliance costs arising from the Comprehensive Spending Review (CSR) were largely offset by the early realisation of savings arising from the introduction of the Annual Business Inquiry (ABI). The ABI replaced the Annual Inquiries into the Distribution and Services Trades, the Annual Production, Construction and Purchases Inquiries, and includes production and non-production purchases. The ABI, together with the Annual Register Inquiry (ARI) also replaced the Annual Employment Survey.

The impact of the increased demand for higher quality statistics began to materialise in 2000 and 2001. The main reason for the increase for 2000 was the completion of the staged increase in the monthly distribution and service sector inquiry for the development of an Index of Services and the expansion of the purchases questions on the Annual Business Inquiry. Compliance costs for 2001 rose again, reflecting the introduction of new surveys such as the Vacancy Rate Survey and the annual E-commerce inquiry.

Despite these initiatives to improve significantly the quality of ONS's outputs, compliance costs for 2001 were lower than had been originally anticipated. A review of the operational aspects of the Annual Register Inquiry (part 1, covering existing businesses on the register) (ARI/1) recommended that the inquiry should move from an annual to a rolling quarterly basis. This had the effect of balancing the best use of available staff in Runcorn with the advantages of more timely register data obtained from a rolling quarterly inquiry. Selection of the sample for the ARI/1 took place after the annual register update in June 2001 and as a consequence compliance costs for this inquiry straddled compliance plans which are produced on a calendar year basis. For the 2001/02 ARI/1 this meant that only the two quarterly despatches in August and November 2001 were reflected in the 2001 compliance costs, effectively reducing compliance estimates by half. The remaining two despatches for the 2001/02 inquiry (February and May 2002) are reflected in the

2002 plan. The recent decision to close the ONS office in Runcorn has resulted in a change to a bi-annual despatch for ARI/1 to keep operating costs in its Newport site to a minimum, whilst retaining some of the benefits of greater timeliness. This has effectively resulted in bringing forward two of the despatches from the 2003 into scope for the 2002 compliance ceiling. The Plan for 2002 therefore reflects a temporary increase which offsets the undershooting of the 2001 target. In future years the ARI/1 will revert to its normal pattern of compliance costs. This is in effect an accounting phenomenon which explains most of the increase between 2001 and the fall back in 2003.

The Plan does however reflect a small increase overall in the ARI/1 compliance costs. This covers an increase in the inquiry in 2002 and 2003 which supports and is funded by the Neighbourhood Statistics (NeSS) project by improving the quality of geographical reference data for local units of multi unit businesses on the Inter Departmental Business Register (IDBR). This initiative also enables ONS to meet one of the recommendations of the 2001 Quality Review of the IDBR. The additional compliance costs are of the order of £100 thousand in each of the two years.

The compliance costs for the ARI for 2000 to 2004 at 2001 prices, including and excluding the proposed expansion funded by NeSS, are:

	2000	2001	2002	2003	2004
Excluding NeSS	£854k	£424k	£1,040k	£824k	£824k
Including NeSS	£854k	£424k	£1,152k	£935k	£824k

Taking into account future demands that will be placed on compliance costs from both UK Government and the European Union, ONS estimates that compliance costs will actually fall to £26.4 million in 2004, the same level in real terms as the 1995 figure. ONS has achieved this by making every effort to minimise the impact existing and new initiatives have on businesses. Improvements in collection methods, statistical methodology and sampling have limited the effect of the increased demand on the total compliance cost figure for the forecasted years. One particular initiative is the further reduction in the Annual Business Inquiry (ABI) compliance costs which will be achieved by making use of short-term employment data obtained from other inquiries. This will have no adverse impact on the quality of the annual employment data and will reduce both ONS's operational costs and the burden on businesses. Current estimates are that the 2002 ABI/1 will despatch 16,000 less questionnaires in 2003, reducing compliance costs by £213 thousand.

Further examples of ONS's achievements and initiatives to reduce the compliance burden are set out in Section 3.

Section 3: Achievements and initiatives to reduce the compliance burden

ONS continues to pursue a number of initiatives designed to minimise the burdens which surveys place on UK business.

Business Charter and the Osmotherly Guarantee

ONS operates a Business Charter which explains what service businesses (both users and providers of data) can expect. An important element of this Charter is ONS's continued involvement in implementing the recommendations of the independent study 'Statistical Surveys: Easing the Burden on Business' led by Sir Edward Osmotherly in 1996, referred to as the Osmotherly Guarantee. 1997 was the first year in which the recommendations of the Osmotherly Committee were incorporated in ONS's business surveys. As a result, businesses with employment between 0 and 9 are guaranteed that, if selected for an ONS survey:

- they would be notified of the period during which they will be included in the survey (generally not exceeding 15 months);
- they would not be required to contribute to another of ONS's statutory surveys during that time;
- following this period, they would not be required to contribute to any statutory ONS postal survey for a further three years.

2001 was the sixth year in which the Osmotherly Guarantee was in force. ONS has been largely successful in applying the guarantee but a small number of businesses have been considered so important to some surveys that they have had to be selected despite their low employment, usually because of their high level of turnover. Additionally, in December 1998 the then Economic Secretary to the Treasury agreed that the New Earnings Survey (NES) should be excluded from the Osmotherly Guarantee. This exemption was requested to ensure that the results of the survey were sufficient in quality and coverage to enable appropriate evaluation of the effect of the introduction of the national minimum wage. As a direct consequence, the number of breaches of the guarantee have, as anticipated, increased.

In 2001, 1,810,700 enterprises with employment between 0 and 9 were identified on the Inter-Departmental Business Register (IDBR). Of these, only 128,673 (7%) were selected for inclusion in surveys conducted by ONS during 2001. By restricting our analysis to genuinely small enterprises (i.e. those not members of larger enterprise groups) there were 380 breaches of the Osmotherly Guarantee of which 127 were attributable to the NES exemption. There were 253 cases which were not generated by this NES exemption, but this number is less than last year's figure of 278. In all cases the breaches occurred only when it was essential to obtain data from companies with small employment but exceptionally large turnover, or where current employment information was not available.

ONS has continued to adopt sampling strategies designed to avoid burdening the smaller businesses as far as possible. As a result of this, businesses with less than ten employment, that are subject to the Osmotherly Guarantee, have a 1 in 14 chance of being selected for an ONS inquiry.

The ONS has also considered how it can extend its guarantees to enterprises with employment of between 10 and 19. The much higher sampling fractions for these enterprises compared with those for smaller businesses means that a guarantee would have to be weaker than that applied to enterprises with employment between 0 and 9. The ONS conducted a review to identify ways of reducing the number of inquiries that an individual business is asked to complete and recommended the following initiatives for enterprises with employment of between 10 and 19:

- If the business was selected for the Monthly Production Inquiry (MPI) and either Quarterly PRODCOM or Annual PRODCOM, then it was automatically excluded from the Annual Business Inquiry (ABI) sample in 2000;
- If a business was classified to the Computer Related/Data Processing (Standard Industrial Classification 72) was selected for the 2000 ABI, then it was excluded from the pilot SERVCOM Inquiry;

The follow-up review has just been completed and has extended its recommendations to:

- Stopping any business in the 10 - 19 stratum which has been selected for ABI 2001 and PRODCOM 2001 from receiving an MPI form for 2002;
- Investigate the overlap between the Annual Register Inquiry and the Monthly Inquiries into Distribution and Service Sectors.

Business Profiling Team

Whilst the Osmotherly Guarantee focuses on smaller enterprises, the Business Profiling Team (BPT) focuses on larger, more complex enterprises. Its role is to profile large and complex businesses to agree a reporting structure for the firm that meets the ONS need for information and minimises the burden associated with providing it. The burden of ONS inquiries on these enterprises is high and savings are achieved through:

- redefining the reporting structure in line with the organisational structure of the enterprise;
- asking for information compatible with their accounts; and
- using common definitions across surveys.

The work of the BPT also improves the quality of statistics obtained from the more complex businesses.

Comprehensive Business Directory

The ONS partnership project has been looking at the feasibility of a single business register for government, based upon cross-government data access and data cleaning tools. This project has facilitated successful electronic transfer of VAT data to ONS, which has the potential to reduce compliance costs.

Reducing the need to re-contact businesses

The ONS has introduced a shared internal contributor database which allows common access for all surveys resulting in a reduced re-contact rate. It has also developed selective editing techniques which also reduce the need to re-contact businesses to query returned data.

Rationalising surveys

Wherever possible surveys are combined and rationalised, the most notable example being the employment surveys. These surveys were previously conducted by the former Employment Department and have now been merged with other ONS surveys of businesses. ONS has continued to explore initiatives to reduce duplication with employment data. From December 2002, businesses supplying data to the monthly turnover and employment surveys will not be required to provide data for the 2002 Annual Business Inquiry (Part 1). This initiative is expected to affect around 16,000 businesses, reducing compliance costs for 2003 by £213 thousand.

European Union requirements

The ONS has been active in negotiation with Eurostat and officials of other member states to minimise the burden of new statistical requirements emerging from European Union regulations.

Accountancy and other Business Software

This initiative is designed to automate the transfer of information from contributors to the ONS and so virtually eliminate the extraction and reproduction costs within the business. Clearly this is an area where the potential benefits are great but also one where the timing is most uncertain.

Data Collection Initiatives

Data capture initiatives are being expanded to increase the choice of methods that businesses have to respond to ONS surveys. Several business surveys are now using Telephone Data Entry (TDE) to supply data to the ONS, resulting in approximately 20% of survey forms being returned using this medium. TDE allows the contributor to key the required information using their telephone keypad and is best suited to simple inquiries collecting up to eight or so data items. The benefit to

the business is that the data is validated at the point of entry, they are given the opportunity to explain suspect data and therefore are only exceptionally re-contacted for explanations. The TDE system used by ONS was upgraded during the first quarter of 2001. Plans have been made to expand the data collected via this medium to include the collection of information on turnover and employment.

The next phase of the data collection initiatives programme is focused on utilising the World-Wide Web for the purposes of collecting data. Pilot projects were carried out to collect data via the Internet for a small number of contributors to both the quarterly Prodcom and annual Research and Development inquiries. Both pilots have been successful. Investigations are now underway and plans are being drawn up to implement Web collection on a much wider scale. It seems likely that this will use the services provided by the Office of the e-Envoy in the Government Gateway. The benefits to business of this approach are similar to those associated with accounting software but without the problem of needing to deal with a wide range of software suppliers. The system being developed will address any security concerns about collecting information using the Internet. The major uncertainty is the speed of take up by businesses, particularly those where paper still plays a major role in the business. For that reason no estimates of the reduction in compliance have been included in this Plan.

Depending on the technology, the benefits of this data collection initiatives programme are reduced costs to the business, reduced costs to ONS and improved timeliness and quality of the data. Whilst it is often difficult to quantify the benefits to businesses of introducing these technologies, the assumption is that increasing the choice of how a business responds to a particular survey can only be a benefit to them. Therefore, even if the actual effect of a technology is small, the perceived benefit is greater as it enables businesses to plan their responses in a way that better suits them.

Questionnaire Design

Work has been initiated to review and improve the design and testing of questionnaires used to gather data from businesses. The project will also examine the feasibility of producing "Bespoke Forms", with the content tailored to individual contributors or groups of contributors, rather than a blanket approach to forms content.

In the meantime, work is continuing to align the definitions used in surveys with those used by the businesses themselves and the layout of questionnaires has been further improved - with an increased emphasis being placed on those surveys causing particular problems for contributors.

ONS Accountant

ONS has appointed an accountant to provide advice and training on accountancy-related matters to personnel at all levels. This has a direct effect on reducing compliance costs for contributors as the advice training and consultancy provided:

- will improve inquiry form design and content - saving time for contributors;
- improves the relevance of data collected - therefore reducing the collection of obsolete/unnecessary data;
- improves the ability of ONS staff to respond effectively to contributor queries - saving time and frustration for contributors;
- aids the process of developing more effective data collection methods saving time and duplication of effort for contributors.

Survey Control Unit

The ONS has responsibility for survey control across all Government departments. The Survey Control Unit aims to promote necessary surveys of the highest quality, prevent bad or unnecessary surveys and ensure that burdens on data providers are minimised. It is independent of the areas that conduct the business inquiries and it serves to ensure that survey control procedures are followed by all parts of Government, in particular that:

- the compliance burden is clearly identified;
- new survey proposals are clearly justified;
- alternative sources are thoroughly examined;
- proposals follow recognised guidelines for best practice;
- regular surveys are subject to periodic review;
- each department produces annual reports or compliance plans for survey activity. Each year the Unit produces an annual summary of survey activity which highlights the impact of Government surveys on business. This is called the GSS Report on Survey Activity.

Survey Review Process

The initiatives identified above are designed to minimise the burden of collecting the necessary information. They do not question the need for the information. This is a process that has been carried out regularly in the past as part of the Survey Control Unit's procedures. This review process is now triennial for the more frequent surveys (quinquennial for others). Each review undertakes to look for ways to reduce compliance costs. This is often done through a combination of eliminating unnecessary surveys or questions and reducing sample sizes by using more efficient sample design.

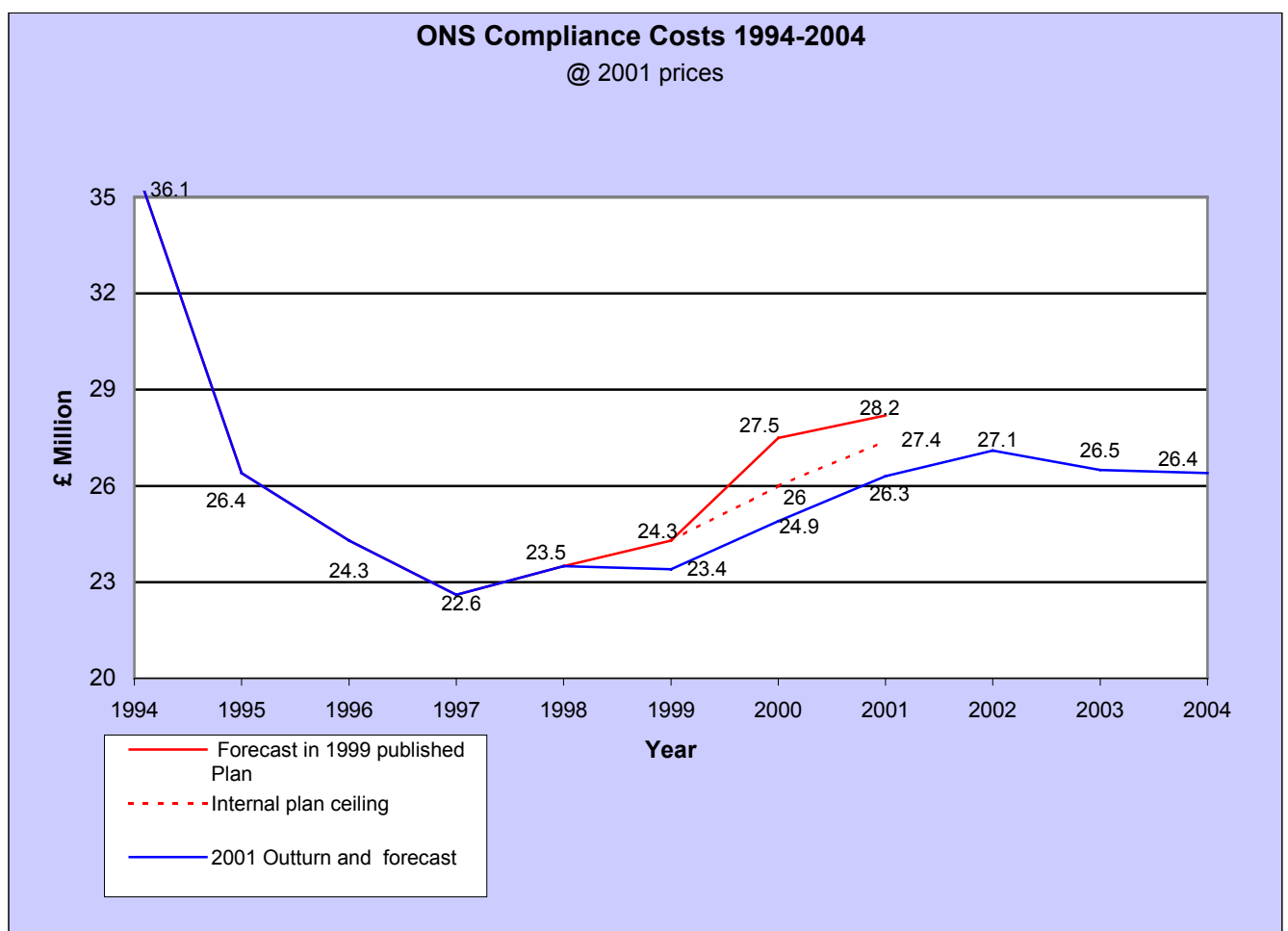
A summary of the reviews conducted since 1999 are provided in Section 5.

These reviews have been instrumental in securing reductions in compliance costs, for example, the removal of the employment question from all PRODCOM forms which has reduced compliance by £262 thousand, and for the exploration of the collection of volume data in the PRODCOM inquiries.

Section 4: Performance Against Previous Compliance Plan

The last published ONS Compliance Plan related to 1999-2001. Compliance Plans for 2000-2002 and 2001-2003 were prepared by ONS but were not published. The internal plan for 2000-2002 had a compliance ceiling for 2000 of £26 million (in 2001 prices). In the event the costs in 2000 were actually £24.9 million (at 2001 prices) some 4% below the ceiling. Similarly, in the 2001-2003 plan the ceiling was £27.4 million (at 2001 prices) and the outturn was £26.3 million, 4% below the ceiling. This reduction is largely attributable to the move to a quarterly Annual Register Inquiry (which has been referred to above in Section 2) and which contributes to the projected increase in 2002.

The chart below shows the compliance costs forecast by ONS in the last published plan for the years 1999-2001 reworked to 2001 prices, against the outturns for these three years, also at 2001 prices. Compliance costs in 1999 are estimated to be £23.4 million at 2001 prices, 4% below the ceiling set for 1999. As anticipated in the 1999-2001 Plan, compliance costs increased in 2000 and 2001, reflecting the commencement of a number of quality improvement initiatives, identified as part of the Comprehensive Spending Review of departments. Whilst delivering these changes to significantly improve the quality of the ONS's outputs, compliance costs for 2000 and 2001 were lower than forecast by some 4%.



In 1999 compliance costs arising from the Comprehensive Spending Review (CSR) were largely offset by the early realisation of savings arising from the introduction of the Annual Business Inquiry. In 2000, ONS introduced a number of new surveys, in particular the expansion of the monthly inquiries into distribution and service sectors to facilitate the production of an Index of Services. The expansion continued in 2001 with the introduction of new surveys such as the annual E-commerce inquiry and the roll out of the Vacancy Rate Survey, following its successful pilot in 2000.

Section 2 above provides details of the improvements ONS has made to its outputs since 1999, reflecting the recommendations of the CSR and ONS's aims to be responsive to the changing needs of its customers.

Surveys conducted in 2001

ONS conducted 69 surveys of business on its own behalf during 2001, issuing 1.573 million inquiry forms to some 274,324 businesses, an increase of 97,000 forms on the previous year. The increase was, as indicated above, largely due to the expansion of the Vacancy Rate Survey and the introduction of an annual E-commerce inquiry. A complete list of the 69 surveys of business carried out by ONS on its own behalf during 2001, including a short explanation of the continuing need and purpose of each survey, can be found on the ONS Web site www.statistics.gov.uk/other

In 2001, ONS received **593** complaints from businesses about ONS inquiries which were deemed serious enough by ONS to warrant a written response (1 complaint for every 2,646 forms). Additionally, approximately 3,000 businesses verbally expressed some degree of dissatisfaction about receiving inquiry forms from the ONS. **10** Ministerial cases were received that included some form of complaint.

Analysis of the written complaints received during 2001 showed that the majority of complaints (about 53%) were about the inquiry burden on business. These often come from businesses who are already completing one or more inquiry forms, but complain when they receive another inquiry form. The two other most common types of complaint are concern about the confidentiality of the data that we collect from businesses, and requests for payment for completion of the forms.

ONS is mindful of the burden its surveys place on businesses and takes positive action to minimise this burden. In addition to the achievements and initiatives to reduce the compliance burden detailed in Section 3 of this report, ONS has taken the following action to respond to the concerns of contributors to its surveys:

- Creation of a dedicated Correspondence Unit to ensure prompt and coherent responses to all correspondence received regarding ONS inquiries. This Unit also monitors the level and type of complaint;
- Development of a strong line of communication between the Correspondence Unit and the Small Business Service (SBS), leading to improved dialogue between the two organisations so that smaller businesses receive a clear and

coherent response to their concerns whether they raise the issue of completing statistical forms with the ONS or the SBS;

- The piloting of the use of an explanatory leaflet sent to businesses receiving an ONS inquiry form for the first time. The leaflets cover common concerns about the confidentiality of data and way the information is needed. Following the success of the pilot, the use of these leaflets is being extended to all new contributors selected for business surveys.

Section 5: The Survey Review Process

Departments and agencies are required to undertake periodic reviews of regular surveys of business and local authorities. The purpose of these reviews is to confirm the continuing need for the survey, to re-assess compliance costs, to update other information and, where the need for a survey is confirmed, to ensure that the survey is suitably designed.

Fifteen ONS surveys have been reviewed since 1999. These are listed below. During the exercise, improved estimates of the time taken to complete survey forms were obtained. For several surveys, this has resulted in lower average completion times being used in the compliance calculations. Whilst this does not represent an actual fall in the compliance burden, it has resulted in lower, more accurate, absolute compliance costs for 1999 and subsequent years.

1. Review of Monthly and Quarterly Inquiries into the Distributive and Service Sector
2. Review of the Quarterly Inquiry into Companies' GB Profits
3. Review of the Pension Fund Inquiries
4. Review of the Quarterly and Annual Inquiries into Companies' Financial Assets and Liabilities
5. Review of International Trade in Services Inquiries
6. Review of Unit and Investment Trust Inquiries
7. Review of Producer and Trade Price Inquiries
8. Retail Price index
9. Review of the Motor Vehicles and Engine Production Inquiries
10. Review of the Acquisitions and Mergers Inquiries
11. Review of the PRODCOM inquiries
12. Review of the Foreign Direct Investment Survey
13. Review of the Monthly Production Inquiry (MPI)
14. Review of the Quarterly Inquiry into Capital Expenditure
15. Review of the Quarterly Inquiries into Inventories

Appendix A

Analysis of 2001 Compliance Costs

Compliance costs by broad inquiry - constant prices

It is a feature of the compliance planning process that a new time series of costs is calculated as the basis for future ceilings and estimates. These costs make use of all available information, in particular, where improved measures of completion times have been obtained, often as part of the review process.

Table 1 shows estimates on this basis for 1996-2001 in constant price terms, broken down by broad type of inquiry. The costs are calculated using the pay rates for 2001.

	1996	1997	1998	1999	2000	2001
Labour Market	6.4	5.0	5.2	5.9	5.7	5.5
Overseas and Financial	4.0	3.8	4.2	4.0	4.3	4.4
Distribution and Services	5.9	6.1	6.8	5.8	7.4	8.5
Products and Prices	2.2	2.2	2.7	2.7	2.8	2.7
Production	5.1	3.9	3.9	4.3	4.9	5.1
Other	0.3	0.3	0.1	0.2	0.1	0.1
Total	23.9	21.3	22.9	22.9	25.2	26.3

Table 2 below includes comparable estimates at current prices for the period 1996-2001.

	1996	1997	1998	1999	2000	2001
Labour Market	5.1	4.7	4.8	5.6	5.4	5.5
Overseas and Financial	3.2	3.5	3.9	3.8	4.1	4.4
Distribution and Services	4.6	5.6	6.2	5.5	7.0	8.5
Products and Prices	1.8	2.0	2.4	2.5	2.6	2.7
Production	4.1	3.6	3.6	4.0	4.7	5.1
Other	0.3	0.1	0.1	0.2	0.1	0.1
Total	18.9	19.5	21.0	21.6	23.9	26.3

Appendix A1

Table 1. UK Statistical inquiries of businesses carried out by the ONS, 2001

Statistical Inquiry	Statutory or voluntary	Frequency (1)	Number of forms in 2001 compliance year	Costs for 2001 compliance year (£000) (2)	Target response for inquiry year (%) (3)	Was 2001 target achieved (4)	Last reviewed	Next review by	Complaints about inquiry requiring a substantive reply 2001	Minister's cases involving complaints in 2001	Availability of results / comments	Appendix A2 reference number
EARNINGS AND EMPLOYMENT												
Wages and Salaries	S	M	99,600	1,558	80	No	1998	2002	5	0	6 to 7 weeks after survey date	1
New Earnings	S	A	234,700	2,295	86	Yes	1996	2002	3	1	6 months after survey date	2
Labour Disputes	V	C	287	5	100	Yes	1998	2002	0	0	6 weeks after survey date	3
The Quarterly Inquiry into the number of Employees in Local Government (Local Authority Survey)	S	Q	1,800	21	80	Yes	n/a	2002	0	0	results included in Workforce Jobs aggregates published 3 months after survey date	4
Vacancy Rate Inquiry	S	M	62,952	638	80	Yes	n/a		4	0	not presently published	5
OVERSEAS AND FINANCIAL												
Unit Trusts Quarterly Return of Transactions	S	Q	328	243	70	Yes	1999	2002	0	0	12 weeks after end-quarter	6
Unit Trusts Annual Return of Assets and Liabilities	S	A	82	39	70	Yes	1999	2002	0	0	25 weeks after end-year	7
Property Unit Trusts Quarterly Return of Transactions	S	Q	48	5	70	Yes	1999	2002	0	0	12 weeks after end-quarter	8
Property Unit Trusts Annual Assets & Liabilities	S	A	12	1	70	No	1999	2002	0	0	25 weeks after end-year	9
Investment Trusts Quarterly Return of Transactions	S	Q	172	21	70	Yes	1999	2002	0	0	12 weeks after end-quarter	10
Investment Trusts Annual Return of Liabilities and Assets and Overseas Income and Interest Paid	S	A	43	7	70	Yes	1999	2002	0	0	25 weeks after end-year	11
Monthly Inquiry to Credit Grantors	S	M	290	3	90	Yes	1998	2002	0	0	5 weeks after end-quarter	12
Security Dealers Quarterly Return of Liabilities and Assets of Transactions in Securities	S	Q	241	186	90	Yes 2/4	1999	2002	0	0	12 weeks after end-quarter	13
Security Dealers Quarterly Return of Income & Expenditure	S	Q	241	108	90	Yes 1/4	1999	2002	0	0	12 weeks after end-quarter	14

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Assets Financing Quarterly Return of Assets and Liabilities of Transactions	S	Q	532	426	70	Yes 3/4	n/a	2002	1	0	12 weeks after end quarter	15
Asset Financing Annual Income and Expenditure	S	A	137	31	70	Yes	n/a	2002	0	0	12 weeks after end quarter	16
Quarterly Inquiry into Insurance Companies: Long Term Funds, Income and Expenditure	S	Q	382	155	78	Yes 3/4	1997	2002	0	0	11 weeks after end-quarter	17
Annual Inquiry into Insurance Companies: Long Term Funds, Income and Expenditure	S	A	140	123	91.3	No	1997	2002	0	0	11 months after end-year	18
Quarterly Inquiry into Insurance Companies: Long Term Transactions in Financial Assets	S	Q	382	205	82	Yes 2/4	1997	2002	0	0	11 weeks after end-quarter	19
Annual Inquiry into Insurance Companies: Long Term Funds Balance Sheet	S	A	140	135	88.4	No	1997	2002	0	0	11 months after end-year	20
Quarterly Inquiry into Pension Funds: Income and Expenditure	S	Q	1,324	257	78	Yes 1/4	1999	2002	2	0	11 weeks after end-quarter	21
Quarterly Inquiry into Pension Funds: Transactions in Financial Assets	S	Q	1,324	239	78	Yes 1/4	1999	2002	0	0	11 weeks after end-quarter	22
Annual Inquiry into Pension Funds: Balance Sheet	S	A	331	92	85	Yes	1999	2002	0	0	11 months after end-year	23
Quarterly foreign direct investment												
Outward: oil	S	Q }	1,497	226	90	Yes 2/4 }			0	0 {		
Outward: other	S	Q }			70	Yes 1/4 }	2001	2004	1	0 {	12 weeks after end-quarter	24
Inward : oil	S	Q }	2,922	148	90	No }			0	0 {		
Inward : other	S	Q }			75	Yes 1/4 }			0	0 {		
Annual foreign direct investment												
Outward:	S	A }	786	240	90	No }	2001	2004	4	0	12 months after end-year	25
Inward :	S	A }	1,797	144	90	No }			2	0		
Acquisitions and Mergers	S	C/Q }		{	80	Yes	2000	2003	0	0	7 weeks after end-quarter	26
		}	2,570	46 {								
		}		{								
Domestic acquisitions and mergers	S	C/Q }		{	80	Yes	200	2003	0	0	7 weeks after end-quarter	27
		}		{								
Quarterly Inquiry into Companies GB Operating Profits	S	Q	6,510	113	83	Yes	1999	2002	0	0	Quarterly Press Release Profitability of UK companies	28
Quarterly Survey of Financial Assets and Liabilities	S	Q	2,730	205	80	Yes	1999	2002	0	0	Monthly	29

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Export price indices	S	M	44,727	81	75	Yes	1999	2002	1	0	2 weeks after end-month	47
Import price indices (inc import of capital goods)	S	M	22,848	46	75	Yes	1999	2002	1	0	2 weeks after end-month	48
Corporate service sector price indices (inc CSPI turnover inq)	S	Q	18,375	141	82	Yes	1998	2001	0	0	2 months after end-quarter	49
PRODCOM Quarterly	S	Q	13,786	617 }	80	Yes }	2000	2003 {	40	0	20 weeks after end-quarter	50
PRODCOM annual	S	A	23,072	1,567 }				{		0	8 months after end-year	51
SERYCOM	S	Q	2,017	54	80	Yes	n/a	n/a	0	0	7 months after reference year	52
PRODUCTION SECTOR												
Monthly production (8)	S	M	107,968	997	80	Yes	1998	2002	20	0	6 weeks after end-month	53
Motor vehicles production	V	M	372	7	100	Yes }		}	0	0	3 weeks after end-month	54
Engines production	V	M	96	1	100	Yes }	2000	2004 }	0	0	4 weeks after end-month	55
Quarterly - production capital expenditure	S	Q }		}		}				{	7 weeks after end-quarter	56
Quarterly - non-production capital expenditure	S	Q }	127,498	858 }	67	Yes }	1998	2004	20	0 {	7 weeks after end-quarter	57
Monthly production stocks	V	M	828	2	90	No	1998	2004 }		{	not directly published	58
Quarterly production stocks (17)	S	Q	29,416	264	65	Yes	1998	2004 }		{	6 weeks after end-quarter (Internally)	59
Quarterly construction stocks(16)	S	Q	13,178	118	57	Yes	1998	2004 }	8	0 {	6 weeks after end-quarter (Internally)	60
Quarterly retailers' stocks	S	Q	17,678	115	63	Yes	1998	2004 }		{	6 weeks after end-quarter (Internally)	61
Quarterly wholesalers' and dealers' stocks	S	Q	16,050	72	65	Yes	1998	2004 }		{	6 weeks after end-quarter (Internally)	62
Quarterly motor traders' stocks	S	Q	6,637	60	63	Yes	1998	2004 }		{	6 weeks after end-quarter (Internally)	63

Table 1. UK Statistical inquiries of businesses carried out by the ONS, 2001

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business spending on Capital Goods Survey	S	A	2,499	62	60	Yes	n/a	2002	0	0	not directly published	64
Capital Stocks Survey	S	O	935	72	70	Yes	n/a	2004	0	0	not directly published	65
REGISTER AND PROVING												
Register Inquiry - Annual	S	A	33,850	424	80	Yes	n/a	2003	12	0	not directly published	66
Register Inquiry - Other	S	A	17,000	127	90	Yes			0	1	not directly published	67
RETAIL PRICES												
Retail prices index (6)	V	M	3,478	39	100	Yes	1999	2002	0	0	4 weeks after	68
ANNUAL BUSINESS INQUIRY												
Employment	S	A)		641	85	No	n/a	2003		0	12 months survey date	69
)	75,604						229			
Financial (including purchases)	S	A)		6,771	80	Yes	n/a	2003		1	18 months after end year	
)	1,572,917	26,264					593	10		

Table 1. UK Statistical inquiries of businesses carried out by the ONS, 2000

Notes

- (1) AH = ad hoc
A = annual
Q = quarterly
M = monthly
C = continuous
W = weekly
O = Other

(2) Compliance costs are based on the number of forms dispatched; the time taken to collect the information and complete each form; an estimated hourly rate of compliance; plus any other costs e.g. computing, recontacts etc.

(3) This is the target response rate achieved in time for first publication of the results and is set internally. It is shown as a percentage unless indicated by (v) value or 'n/a' - not available.
A lower target may apply in some quarters for inquiries e.g. to take account of earlier publication or to allow for the end of an accounting year.

- (4) Yes 1/4 = one quarter out of four
Yes 2/4 = two quarters out of four
Yes 3/4 = three quarters out of four

(5) The inquiry wasn't run in 2001. It will resume in 2002

(6) This covers only businesses that complete ONS forms and excludes forms filled in by local price collectors employed by ONS.

- (7) STSD - Short Term and Structural Inquiries Division
EED - Earnings and Employment Division
SED - Socio Economic Division
NEI - National Expenditure and Income Division
OFD - Overseas and Financial Division
CPGID - Consumer Price General Inflaters Division
BDD - Business Data Division
STOID - Short Term Outputs and Indicators Division

(8) Includes the collection of quarterly employment figures from existing inquiries.

Appendix A3

A Brief Justification for the Continuation of Each Regular Statistical Survey to Businesses (including Local Authorities) carried out by the ONS during 2001. Also detailed are ad hoc surveys and all new surveys planned for 2002.

The surveys conducted by the ONS during 2001 are listed in the tables at Appendix A1. A short explanation of the continuing need and purpose of each survey, or group of surveys, is given below. The survey number refers to the number given in the right hand column of each table at Appendix A1.

Ref No.	Comments
1	The Monthly Wages and Salaries Survey forms the basis for the Average Earnings Index, which is a major economic series used by Government and the Bank of England in monitoring the economy and preparing up-to-date national accounts. The survey is also used by companies for comparing movements in their particular industry or industrial sector. It is also used as a measure of the increase of labour costs in long-term contracts.
2	The New Earnings Survey (NES) is the regular comprehensive source of information on the structure and distribution of earnings in the UK. Major users are the Department for Education and Skills and the Department of Trade and Industry who use the data to address issues such as low pay, tax, benefits and the effects of the national minimum wage. The NES also provides a vital input into the personal sector of the national accounts.
3	Labour dispute statistics are regarded as an important indicator of industrial relations within the UK. The data has been collected on a consistent basis since 1891. Ministers, city analysts, researchers, local authorities and private industry use the information.
4	The Quarterly Inquiry into the number of Employees in Local Government (Local Authority Survey) provides data for inclusion in the Employee Jobs and Workforce Jobs Series, headline figures for ONS published in the integrated First Release and Labour Market Trends. The survey is funded by the Employers' Organisation for Local Government.
5	The Vacancy Rate Survey is a new regular survey of employers, which will provide an accurate and comprehensive measure of the total

number of vacancies across the economy, and fill a gap in the information available about the demand for labour. At present the only existing vacancies data that can be obtained and published is that provided by administrative records from the Employment Service (Job Centres data). The Vacancies Inquiry aims to build on and expand that information.

- 6 - 16** The **quarterly Transactions and annual income and expenditure and Balance Sheet inquiries** are undertaken in order to obtain data to measure the contribution to the UK national accounts of these financial institutions (i.e. asset finance companies, investment trusts, unit trusts and securities dealers). They are a component of the 'other financial institutions' sector.
- 17 - 23** Figures from the insurance and pension funds surveys into **Quarterly Income and Expenditure, Quarterly Transactions in Financial Assets, Annual Balance Sheets, insurance companies' survey into Annual Income and Expenditure and the Annual Surveys into the Overseas Direct Investment of Insurance Companies** are used in the income, expenditure and output measures of the gross domestic product, in the current, capital and financial accounts, and in the balance of payments current and capital accounts. The data are also required to fulfil international obligations, for example, to OECD and Eurostat.
- 24 - 25** The **Quarterly and Annual Inquiries into Foreign Direct Investment** collect financial information on the relationship between UK companies and their foreign parent companies (inward investment) and between UK companies and their foreign affiliates (outward investment). The information is primarily required for measuring the UK's balance of payments and international investment position.
- 26 - 27** The **Domestic and Cross Border Mergers and Acquisitions Inquiries** collect details of mergers and acquisitions involving UK companies. The information is used in the compilation of overseas direct investment estimates and in the measurement of transactions in UK company securities to form part of the UK Financial Accounts. The information is not available from any alternative sources. Without these inquiries the quality and accuracy of the estimates of overseas direct investment and the financial accounts would be significantly compromised and the maintenance of up-to-date registers would be impaired.
- 28** Company profits are a major component of the income measure of gross domestic product. However, definitive annual estimates of non Continental shelf, private non-financial corporations' profits are derived

from corporation tax assessments and are not available to sufficient quality until two years or more after the event. The current statutory **Quarterly Inquiry into Companies' GB Profits** was launched in June 1991 and replaced an Inland Revenue voluntary survey which was considered inadequate following investigations recommended by the Pickford Scrutiny Report. The information is sought in a form which is generally available from companies' own management records.

- 29 The **Quarterly Survey into Companies' Financial Assets and Liabilities** provides estimates of private non-financial corporations' holdings of various financial assets and liabilities. These form part of the financial statistics of the company sector in the national accounts and are also used to estimate the liquidity of large private non-financial corporations. The current quarterly statutory survey replaced a set of quarterly and annual surveys during 2000.
- 30 - 31 The **Quarterly International Trade in Services Inquiry** started in April 1996 and the new **Annual Inquiry** started in January 1997 (in respect of 1996). These inquiries are required for the compilation of the UK balance of payments and without these there would be a significant drop in the quality and accuracy of measurements of the balance of payments. The data collected by these surveys are standard components of the International Monetary Fund's balance of payments manual and it is a condition of membership that these items are collected.
- 32 The **Merchanting and Commodity trading Inquiry** provides information on earnings from merchanting and commodity trading on own account. The information is used in compiling the balance of payments.
- 33 The **Films and TV Inquiry** is required for the balance of payments trade in services account. The survey is important for the balance of payments compilation and there is also considerable use of the results by the Department of Trade and Industry, the Department of Culture, Media and Sport, industry and researchers.
- 34 The function of the **Business Enterprise R&D Survey** is to supply data for policy purposes on Science and Technology, of which Research and Development is an important part. Within the UK the Department of Trade and Industry (DTI) and the Office of Science and Technology (OST) make extensive use of R&D statistics. The April 1998 Report on the Triennial Review of the Business Enterprise Research and Development Inquiry lists extensive policy requirements by these departments. For example, OST use the aggregated data for monitoring Science Policy. They also publish the results in Science,

Engineering and Technology Statistics and the Forward Look on Science and Technology, both of these publications being high profile command papers. DTI is interested in the product group information which they use to inform industrial and innovation policy. In addition both the OECD and the EU make use of the data for policy purposes. Expenditure and personnel data is required under the European Structural Business Regulation. Eurostat use the regional data to help monitor the workings of the Structural Fund across EU countries.

There are no other surveys covering this important subject matter. Information is available from published company accounts on R&D expenditure, but on a different basis and with less detail. The Competitiveness White Paper Our Competitive Future Building the Knowledge-driven Economy underlined that science is a major priority for the UK Government.

- 35** With the abolition of Advance Corporation Tax in April 1999 ONS lost its source of data on dividends paid by UK companies. Some of this information could be obtained from alternative sources but a **Dividends Inquiry** was introduced to provide the rest. The data from this survey is a key variable in the National Accounts, appearing in both sources and uses in the primary income account. They are also important in their own right. The Treasury, DTI, the Bank of England and the City also use these figures.
- 36** See point 24 - 25
- 37** The **Annual E-commerce inquiry** is a stand-alone survey on use of e-commerce by businesses. It was introduced in 2001 to provide indicators of the extent and nature of use of e-commerce by businesses. The survey covers all industries and all sizes of business except those below 10 employees. The 2001 survey is part funded by Eurostat as part of an EU wide initiative to develop EU harmonised indicators of e-commerce. The results of the survey are of particular interest to the Office for the E-envoy, the DTI and the Bank of England.
- 38** The **Monthly Inquiry to Internet Service Providers** collects information on the numbers of internet subscribers broken down by type of subscriber (business/household) and by the type of access. It is sent to a panel of internet service providers. The information is intended to monitor trends in business access to the internet. Principal customers for this data include the Office for the E-envoy and the DTI.
- 39** The **Ship Managers Survey** is used to complement data collected by the Chamber of Shipping which is used to derive the sea transport account of UK trade in services. Trade in services is an important

component of both the balance of payments and GDP. This survey was not carried out in 2001 but will resume in 2002.

- 40** The **GB Cinema Exhibitors Inquiry** is a small voluntary inquiry which collects number of admissions and box office takings to feed into the expenditure measure of GDP. A decision has been made to discontinue this inquiry from the fourth quarter 2001 publication.
- 41-42** The **Monthly Inquiries into the Distribution and Services Sector** collect monthly turnover and quarterly employment, with some forms collecting just employees quarterly. A programme to convert all the quarterly turnover inquiries to monthly was completed in 2000. The information is used for the output measure of GDP and in the development of the Index of Services.
- 43** The **Monthly Inquiry into Retail Trades** provides the source data for the retail sales index, one of the ONS's main monthly economic indicators. The index is used by the Treasury, independent analysts and retailers themselves, and is a primary source of information on households, final, consumers' expenditure (HHFCE) and retailers' real output for the national accounts. The survey also collects employment data on a quarterly basis to monitor trends in employment.
- 44** The **Retail Trades Quarterly Commodity Inquiry** collects information against eight commodity headings from around 73 large retailers and is designed to improve the estimates of households, final, consumers' expenditure (HHFCE) by providing up-to-date commodity sales information. This inquiry ceased with effect from the second quarter of 2001.
- 45 - 46** **Producer Price Indices (PPI)** are long established and widely used measures of manufacturing sector inflation. As well as being crucial for National Accounts deflation, they are also used as a basis for contracts by the private sector.
- 47** **Export Price Indices (EPI)** were established in 1995 to provide comparable information for exports. EPIs are used in deriving the value at constant prices for exports of manufactured goods both within the Index of Production and in the current account of the Balance of Payments.
- 48** **Import Price Indices (IPI)** are long established and provide comparable information on imported commodities and semi-manufactured products. IPIs are also used in deriving the value at constant prices for imports of manufactured goods within the current

account of the Balance of Payments. The collection of import prices is being extended to cover capital goods.

- 49** **Corporate Sector Price Indices** have been steadily increasing in coverage since ministers first approved plans in 1995 for an expanded statutory survey into the important service sector of the economy. Eight indices are currently used as deflators in National Accounts and it is anticipated that this number will double in the next year or so. New business-to-business activities within the sector are being brought into scope of the survey on a rolling programme basis. Eventually, these indices will fulfil a role similar to that of the PPI.
- 50 - 51** The **PRODCOM** surveys are a European initiative and are governed by a EU Regulation which is binding on all member states. Primary use of the data is by Eurostat to allow for international comparisons with data from other European countries and the ONS for who use the data for National Accounts and as a source of weighting Producer Price Indices. Data is also used by other Government departments, academia, financial institutions and trade associations.
- 52** The **SERVCOM** pilot is part of a feasibility study on the introduction of a survey equivalent to PRODCOM, but collecting data on detailed service industry sales. The study is one of a range of initiatives to improve the quality and availability of official statistics on the service sector, given its growing importance in the UK economy. Detailed service product statistics would input to the National Accounts, provide weights for the Corporate Sector Price Indices, and provide business with information for monitoring developments at the micro and macro economic level.
- 53** The **Monthly Production Inquiry** is a primary input to the Index of Production and the Workforce Jobs series. It is a main indicator of short term changes in economic activity and a significant component of the output measure of GDP.
- 54 - 55** The **Motor vehicles production inquiry** and the **Engines production inquiry** provide information used to compile the motor vehicle component of the Index of Production, a key economic indicator.
- 56 - 57** The **inquiries into Capital Expenditure** are conducted to provide important information for the national accounts. They provide a significant input into the compilation of Gross Fixed Capital Formation, which is a major component of the expenditure measure of gross domestic product.
- 58 - 63** The **quarterly** and **monthly Inquiries into Inventories** provide essential information for the expenditure measure of GDP. Monthly and

quarterly production inquiries provide holding gain for the Index of Production, while all inquiries provide the stock appreciation component of the income measure of GDP.

- 64** The **Business Spending on Capital Items** Survey provides information necessary for the calculation of weights for use in the deflation of capital expenditure on vehicles and other equipment. This has been an annual survey since 1999.
- 65** The **Capital Stocks Survey** collects details on capital stocks from fixed assets held by UK businesses. The information is necessary to calculate capital consumption for the measure of Net Domestic Fixed Capital Formation and Net National Income
- 66 - 67** The **Annual Register Inquiry** (ARI) is integral to maintaining the Inter-Departmental Business Register (IDBR). The IDBR is the source from which samples for virtually all other ONS business surveys are drawn. As such, it must be maintained to a level of quality which meets EU regulations on units and harmonisation of registers. The ARI collects details of businesses (employment and business classification) at local unit level thus enabling estimates (particularly employment) to be calculated at the sub-national level. The survey is divided into two distinct parts, ARI/1 (the larger element which covers 65,000 existing businesses per annum) and ARI/2 (the smaller element which covers newly created, i.e. unproven businesses).
- 68** The **Retail Prices Index** (RPI) is the main domestic measure of inflation. It is used to set government inflation targets, monitor Government economic policy and for the indexation of taxes, benefits, pensions and gilts. It is also widely used for wage bargaining and price escalation in contracts.
- 69** The **Annual Business Inquiry** (ABI) replaced the Annual Inquiries into the Distribution and Services Trades, the Annual Production, Construction and Purchases Inquiries, and includes production and non-production purchases. The ABI, together with the Annual Register Inquiry (ARI) also replaced the Annual Employment Survey. The surveys provide data on and contribute to:

The output and expenditure measures of GDP and provides estimates of value-added for the compilation of input-output tables.

The benchmarking of the quarterly capital expenditure, quarterly and monthly inquiries into inventories and consumers' expenditure.

The production of weights for the Index of Production, and is a requirement of European Directives.

Ad-hoc analyses for repayment to Government Departments, local authorities, universities and others.

The rebasing of the system of producer price index numbers compiled by ONS.

The numbers employed in local areas, by detailed industrial categories, throughout Great Britain. The data is also used to compile employment estimates at local area level published in the Annual Business Inquiry (ABI).

APPENDIX B MEASURING THE COST OF GOVERNMENT SURVEYS ON BUSINESS

General

Compliance Cost Assessments (CCAs) involve estimating the costs to employers (including their staff) of providing statistical information for Government. A CCA is required as an essential input to the decision to proceed with the survey. (There may be benefits to the responder resulting from the survey and also costs to the Government from the survey but these are assessed separately.)

CCAs are based on consultations with respondents, pilot tests or surveys, or other ways of obtaining evidence of the impact of the survey. Estimation of the compliance costs involve three main components:

- R = the number of respondents;
- T = the time required to provide the information. This will include time spent assembling information prior to completing a form or taking part in interview and the time taken up by any subsequent contacts after receipt of the questionnaire (Recontact time);
- C = the typical hourly cost of a respondent's time.

It also includes an estimate of the cost to non-respondents in deciding not to respond, where:

- N = the number of non-respondents approached;
- t = the time taken by non-respondents in deciding not to respond.
- c = the hourly cost of a non-responder's time
- r = recontact time

To measure the cost of a survey to business, two sets of calculations should in theory be performed. $(R \times T)$ gives the time taken by respondents to reply - this is then multiplied by C to give the cost of that time. A similar calculation $(N \times t \times c \times r)$ gives the cost of the non-respondents time. The two should then be added together. However, in practice the non-respondents' values for t and c will be unknown therefore the respondents' values for T and C will be used. This will give an upper limit to the compliance cost by overvaluing the non-responder part.

To this costing of the recipients' time must be added an additional component (A) which covers the start-up costs of creating systems to comply with the survey, computing costs and the use of consumables.

The overall cost is therefore:

$$(R \times T \times C) + (N \times t \times c \times r) + A$$

As described, t and c are usually not known, giving

$$((R + N) \times T \times C) + A$$

(R + N) is the total number of forms dispatched, ignoring dead letters.

Representing the total dispatch as D we therefore have the upper estimate of a survey's compliance costs as

$$(D \times T \times C) + A$$

In theory C should be estimated directly at the same time as obtaining the completion times for the questionnaires and should be the actual pay-rates of the respondents, weighting together different pay-rates if the form passed through several hands before its return to the Office. However, in practice actual pay rates are very difficult to obtain. As the purpose of compliance planning is to agree and monitor changes, it is sufficient to use average hourly rates for the relevant managerial levels of the people completing the forms and to ensure that these are applied consistently across inquiries. Therefore, in practice, C is estimated using the appropriate hourly rates for the level of management of the responder as recommended by the Survey Control Unit who use information from the New Earnings Survey for these recommendations.

Measuring compliance costs

The measurement of compliance cost should not in itself add significantly to the compliance cost burden. For this reason large-scale surveys are not run to establish the costs of other surveys. A selection of the following methods should be employed, at least every three years:

- data should be collected from a random sample of contributors, each form-type being collected separately;
- data should usually be collected by a telephone survey as this is likely to be less burdensome and contributors can be guided through the process;
- an extra question can be added to the questionnaire, particularly for new form types, although this may be less flexible than direct contact;
- the effect of new initiatives should be measured directly through contacting a sample of contributors.

The surveys should approach all size-bands, and average completion times specific to those size-bands should be calculated wherever possible. In the intervening years, the estimate of total compliance cost should be based on the latest number of forms and the previous average completion times. Where forms change significantly

and it is not possible to obtain new times directly they should be recalculated. This should be done by applying ratios pro-rated to the change in the number of questions. Reduced weights should also be used for certain types of question such as those which involve the use of tick-boxes rather than the supply of actual data.

Measuring Outturns

There are two types of Outturn : Relative and Absolute.

The Relative Outturn is used to assess performance against the previous year's Compliance Plan. It restricts the changes to those aspects of performance which were directly under the ONS's control - these are:

1. The number of forms dispatched
2. The complexity of those forms

1. is expressed simply as the count of the forms leaving the office while 2. can be estimated by establishing a time per question from the last form in that series; this will be a firmly established (Triennial review) time. A pro-rata adjustment should then be applied to the changed form. The time per question should vary depending on the types of question wherever possible e.g. tick-boxes would have a lower time than financial questions.

The cost per hour of the respondent is outside ONS control; therefore the Relative Outturn is:-

Actual number of forms * Hours per form (adjusted for complexity changes)
* Original cost per hour.

This provides a measurement of the accuracy of the original planning process.

The Absolute Outturn measures the cost as it really is i.e. it takes on board ALL new information. For instance, if a study showed that the actual time to complete a form was only half what it was supposed to be the new completion time would not be used in the Relative outturn calculation. However, it would be used to calculate the new time series in the absolute outturn. Previous years' completion times would also be reworked using the new information, if it were judged meaningful to do so. This would be allowed if there had been little change to the form over time. The full set of new information is therefore the actual number of forms, the actual time to complete and the actual cost per hour. This measure is used in setting the new Compliance Plan.

Relative Outturn: Worked examples

Example 1.	Original forms	= 6,000
	Original hrs/form	= 0.5
	Original cost/hr	= £24

Cost	= 6,000 * 0.5 * 24
	= £72,000

Actual number of forms	= 6,000.
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Let us assume that when the time comes to measure the outcome against the Plan that there has been no change to the complexity of the forms but more accurate measurement (e.g. in a triennial review) reveals that actual hours per form = 0.75.

Relative Outturn	= NO CHANGE
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Example 2. Original forms	= 17,000
Original hrs/form	= 0.80
Original cost/hr	= £35

Cost	= 17,000 * 0.8 * 35
	= £476,000

Actual number of forms	= 16,455
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In measuring the performance against the Plan it is revealed that more questions were asked than planned. No remeasurement of the time taken per form has been carried out but a pro-rata increase suggests 0.92 hrs/form

Relative Outturn	= 16,455 * 0.92 * 35
	= £529,851

Absolute Outturns: Worked example

Example:	Original forms	= 35,000
	Original hrs/form	= 1.2
	Original cost/hr	= £26

Original cost	= 35,000 * 1.2 * 26
	= £1,092,000

Revised forms	= 42,123
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New measurement of hrs/form	= 0.95
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New measurement cost/hr	= £27
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New cost	= 42,123 * 0.95 * 27
	= £1,080,455

In actual compliance measurement it is quite likely that things will change simultaneously e.g. a new measurement of completion time/form will coincide with a change in the forms complexity. For the Relative Outturn a scaled version of the original time should be employed and the true time used for the Absolute.