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Len Cook welcomes Atkinson Review Final Report and outlines the way forward

The National Statistician, Len Cook, has welcomed the Final Report of the Review of the Measurement of Government Output and Productivity for the National Accounts delivered to him by Sir Tony Atkinson. Mr Cook said:

"I am very grateful to Sir Tony Atkinson for his Report, published today. Like the Interim Report in July, it explains complex technical issues with great lucidity, grounded on economic principles and international guidance. It is a major contribution in its field, both domestically and internationally, and will be widely regarded as such."

Mr Cook went on to say that it was already clear that a critically important agenda lay ahead:

"The recent discussion on measures of public sector activity, and the conclusions of this report, confirm my own view that key statistics that measure public sector activity have a sensitivity in public life in the UK that is comparable with that of the Retail Prices Index. I want to provide an outline of what actions the report will lead to, and I hope this note will provide an indication of the broad direction I expect that it will take.

"I am already clear that the broad way forward that Sir Tony Atkinson recommends, with the cautious approach he has advised, is the right one. The way ahead is to build carefully and steadily on the first generation methods ONS has already put in place. I want to begin now to meet the challenge posed by Sir Tony Atkinson's Report, but I recognise the breadth of engagement and collaboration necessary to advance with the caution needed.

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“To provide a way of both concentrating and delineating our work in this sensitive area, we will create a new UK Centre for the Measurement of Government Activity within the Office for National Statistics. It will work to coordinate and drive forward the work that is now needed, in combination with experts in government departments and public services in all of the countries of the United Kingdom, and with experts outside government.

“We are seeking to have the Centre become one of a few European Union Centres of Excellence on statistical matters, so that the wider interests of EU statistics are recognised, as well as the pooling of expertise on an issue all the countries share concerns about.

“This report reinforces the international guidance on national accounting, maintained and promulgated by the United Nations, OECD, Eurostat, the IMF and the World Bank, by making much more transparent the current limitations in practice, method and concepts with which we work. These need to be resolved, in order for the UK to meet the international obligations we face, especially the requirements embodied in the European Commission Decision of 17 December 2002.

“I fully agree that it is essential that the work that this report inspires for the UK National Accounts methodology in respect of public services has to remain firmly within this international guidance on national accounting. Indeed, much of the new thinking will need to build its credibility through application in other statistics, such as satellite accounts, before being incorporated in the National Accounts themselves.

“Confidence in the condition of the UK economy rests in part on a variety of decisions taken in monetary policy by the Bank of England, in money and commodity markets, and by global investors, in response to what the National Accounts tell us. It is essential for the National Accounts of the UK and for the international framework for national accounts, that they retain their authoritative status and wide acceptance.

“I would always want to reinforce Sir Tony Atkinson’s emphasis, in chapter 7 of his report and elsewhere, on the need for proposed changes to methodologies not only to be conceptually well based, but also to be implemented carefully and transparently, and only after rigorous scrutiny.



“The report was initiated by me. I did so because of my concern that there were a variety of constraints on the level of analysis that we could draw from the National Accounts about government activity. Constraints on the availability of relevant information and access to it, perceived limitations in existing methods, and the absence of an international or EU consensus about the application of practices that would be needed to meet our obligations under the European Commission Decision of 17 December 2002, had become particularly important.

“In his report, Sir Tony Atkinson has amplified and enriched our understanding of those concerns, and has set out a context for them. It has not only outlined the scale of activity, and a path for their resolution, but the review process itself has generated solutions that have had immediate application. We have a path to extend continually the quality, range and depth of analysis of sector specific measures of government activity, and to demonstrate their relationship with other published measures.

“The National Accounts can never give a fully comprehensive and detailed account of government performance, neither in aggregate, nor for individual sectors and institutions. A comprehensive and detailed assessment of public sector performance would have to include many facets that will never be included in how the national accounts measure the activity of government.

“Any comprehensive and detailed account would in practice include information which is essentially both managerial in nature, and reflects aspects of targets and commitments of Ministers. These are never likely to be embraced in international frameworks such as national accounts, which have to meet conflicting needs of international comparability and national relevance.

“Critical in delineating the current boundary between what the national accounts measure in practice and what they should measure in theory, and the scope of any comprehensive account of public sector performance, is an ongoing assessment of the change in quality of government services, in either direction.



“Sir Tony Atkinson’s report has enriched our understanding of the various forms of quality change, enabling us to better understand and anticipate the tensions between policy and methodology. We face very different issues in methods, and of confidence in the selection of methods, when we consider quality change involving individual services, from when we assess the impact of changes in several services on the quality of outcomes experienced by the public. We are now more able to plan and explain changes in the first; in the latter, we will need first to proceed outside of the National Accounts.

“It has long been the practice that statistical experts, in the light of the international guidance, resolve decisions regarding technical issues in the National Accounts. Accordingly, it is my responsibility as National Statistician to uphold the continuing integrity and acceptance of the National Accounts. That is a fundamental duty applying across the Accounts as a whole.

“However, it is clear that the methodology and statistics relating to the public services are of such sensitivity that some additional means are needed to underline and buttress their integrity. It is my job to establish these, with the appropriate consultation in doing so.

“To that end, I have already announced, in my letter of 21 December 2004 to Professor David Rhind, the Chairman of the Statistics Commission, the procedure I intend to adopt in respect of this year’s Blue Book, consistent with the National Statistics Code of Practice:

- Where changes are proposed which amount to incremental improvements to existing methodologies, they will be subjected to ONS’s normal rigorous quality assurance process. Proposals that pass the quality assurance process will be published with full details of the methodologies and the associated data. The National Accounts themselves, however, will be changed only at the time of the publication of the annual Blue Book, in the summer, in accordance with normal procedures. The sort of changes that would be considered in this way for the Blue Book of 2005, released in June 2005, are at most likely to involve the list given at [\[website link\]](#). I have today written again to Professor Rhind with further information and details.

- Proposed improvements which represent more radical changes to the current methodologies will be treated under a different procedure. In such cases, I would expect the proposals to be published so that they can be subjected to public scrutiny and expert debate. Only after this would proposals, amended as necessary in the light of that debate, be put to the normal quality assurance process. If and as appropriate, such changes could then be incorporated into the National Accounts at the time of future Blue Books.

“In addition, to enhance my capacity to discharge my responsibilities to decide on complex and/or contentious issues relating to the public services, I will be appointing a professional advisory board consisting of acknowledged experts of the first rank, alongside the leading national accounts experts already preparing UK National Accounts. The advisory board will give the new ONS Centre on the Measurement of Government Activity support from expertise of the highest professional calibre. It will be able to offer challenge and guidance in what is both a technically difficult and politically sensitive area.

“I will also be considering whether there are other ways in which my own independent assurance can be enhanced so that the confidence in the integrity and professional basis of methodological choices that exists in other areas of the work of ONS is seen by all major interest groups as continuing in this more politically sensitive area.”



BACKGROUND NOTES

1. The Atkinson Review was commissioned by the National Statistician in December 2003. Its terms of reference were published in an ONS Press Notice of 4 December 2003.
2. These include a requirement to publish an Interim Report in July 2004 (actually published 19 July 2004) and a Final Report in January 2005. Sir Tony's report published today meets that requirement.
3. The Review was commissioned by the National Statistician, as a professional matter, not by the Government. Sir Tony's report is accordingly addressed to the National Statistician and it is similarly for him to respond to it.
4. Sir Tony's report sets out the principles he recommends should underpin future work in the measurement of government output and productivity. It makes specific proposals for improving ONS output measures in Health, Education, Public Order and Safety and Social Protection. It also recommends broad approaches for developing the measurement of the output of public services which will improve the accuracy, coverage and interpretation of figures, with publication of methods and figures to ensure transparency and debate on ways of achieving further improvements.
5. Len Cook wrote to Professor David Rhind on 21 December 2004 setting out the procedure he intended to adopt in respect of this year's Blue Book. Mr Cook has written to Professor Rhind again today with further details. These letters are available at http://www.statistics.gov.uk/about/other_letters/default.asp.
6. Joe Grice, Deputy Head of the Government Economic Service and Executive Director of the Atkinson Review team, will be the Executive Director in ONS of the new Centre for the Measurement of Government Activity.