



10 DOWNING STREET

PRIME MINISTER

This is the Rayner Project Report on statistical services in the Departments of Trade and Industry. I have mentioned it in connection with Mr. Channon's proposed review - papers in the Action folder. You might like to glance at the key sections summarised in Mr. Priestley's minute below.

MAP

MB

18 January 1980

MR. PRIESTLEY

Thank you for your minute of 16 January, covering Mr. R de L Holmes' report on Government statistical services in the Departments of Industry and Trade.

The Prime Minister was interested to see these papers. I am today writing to Mr. Paul Channon's Office to confirm that the Prime Minister is content for a review of Government statistical services to be set in hand.

MAP

21 January 1980

GC

Mr PATTISON



GOVERNMENT STATISTICAL SERVICES: RAYNER PROJECT BY Mr R de L HOLMES
IN THE DEPARTMENTS OF INDUSTRY AND TRADE

1. Mr Holmes's synopsis of findings and recommendations (Flag A) summarises his conclusions and recommendations. I have marked the main points of interest.
2. The broad approach is shown in paragraph 1.5 of the text (Flag B). It takes the shape of four main questions and an acknowledgement that it costs industry and others to supply government with raw data.
3. These questions are elaborated in paragraph 2.3 in the shape of nine sets of questions applicable to each statistical enquiry (Flag C). A one-man band, Mr Holmes did not have time to apply these to all the enquiries he looked at but they are a good basis on which to interrogate those who demand statistics.
4. His treatment of related issues - organisation, operational efficiency, effective use of resources and the structure of management and control within which statistical services are provided - is creditable. It is also relevant to such questions as the following given that one wants to know what service is being provided at what cost and with what benefits:
 - a. What is the Government's statistical policy? Who is responsible for deciding it? Who is responsible to whom for managing its implementation?
 - b. What are the respective roles of the CSO and of statistical services in Departments? Why is there a "Central" Statistical Office when the Government Economic Service does not have one?
 - c. Who within each department is responsible for its statistical policy? Who is responsible to whom for costing it, reviewing it and implementing it?
 - d. Taking each department as we retrench, what is the irreducible service of good quality needed by Ministers' in the light of the sort of questions Mr Holmes asks in his paragraph 2.3?
5. Those are the sorts of points Sir Derek Rayner will want to cover in the report mentioned by Mr Channon in his minute to the Prime Minister of 14 January.

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C PRIESTLEY
16 January 1980

Enc: Holmes Report

MANAGEMENT IN CONFIDENCE



RAYNER PROJECT

Miss Sullivan
For the Dept. of Industry
file in your room, please.

THE STATISTICAL SERVICES OF THE DEPARTMENTS OF INDUSTRY AND TRADE SYNOPSIS OF FINDINGS AND RECOMMENDATIONS

S.P.
23.12.79

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The main purpose of the study has been to identify any areas within the statistical services in which resources are being unnecessarily or inefficiently employed and to recommend appropriate remedial action. The study has therefore questioned both the need for statistical work and the current organisation and working methods of the statistical services. It has not been possible in the time available to examine every aspect of the statistical services in detail; the study has concentrated on those aspects which on initial scrutiny appeared to merit further investigation. But the study has also proceeded to examine the present machinery for decision-making and managerial control in this field, with a view to ensuring that the services are efficiently managed and adequately scrutinised on a continuing basis in the future.

(a) Statistical inquiries

Taking account both of the progress made in reducing the form-filling burden on smaller firms in recent years (forms sent out by the Business Statistics Office (BSO) reduced by over 20% in 1978 compared with 1976) and of the proposals already made for the 10% option cut (which include a major restructuring of the inquiries into manufacturers' sales), the broad conclusion of the study is that there is no evidence of further major areas in which clearly unnecessary statistics are being collected by the Departments of Industry and Trade. However, the report identifies a number of areas in which statistical activity appears to be less than fully cost/effective, ^{eg because} of duplication, excessive statistical refinement or collection of information primarily of interest to non-governmental bodies. The following reductions in statistical activity are therefore recommended, subject to appropriate consultations with statistics users:-

Recm.

- (i) cessation of quarterly inquiries into manufacturers' sales where it can be established that trade associations or other bodies are effectively collecting information which would serve the same purposes;



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- (ii) transfer of annual inquiries into distribution and service trades to a biennial basis, alternating between distribution one year and services the next;
- (iii) abandonment of one of the three surveys of investment intentions each year and also of the request for a breakdown of manufacturers' investment intentions by type of asset;
- (iv) dropping of plans to include 1200 firms with less than 50 employees in the complex 1979 inquiry into manufacturers' purchases;
- (v) dropping of plans to collect separate information on research and development in Scotland and Wales as part of 1981 survey of R&D (unless representatives of industry can confirm that no significant extra burden on firms is involved);
- (vi) transfer of requests for information on retailers' stocks and credit sales for monthly to quarterly basis;
- (vii) review of quarterly inquiries into company liquidity and sources and uses of funds at the end of 1980 with a view to abandonment of the sources and uses inquiry, at least, unless its cost/effectiveness has improved over the remainder of its current trial period;
- (viii) abandonment of quarterly inquiry on stocks and consumption of steel; and
- (ix) abandonment of annual inquiry into film distributors' receipts.

The report also concludes that the case for continuing the monthly Index of Production is at best marginal on value-for-money grounds and recommends that Ministers should consider the pros and cons carefully before allowing the monthly inquiries which support the Index to proceed.

Recm.

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Recm.

A list of key questions in the cost/benefit analysis of statistical inquiries was drawn up during the study, and it is recommended that such questions must in future be addressed in all submissions seeking Ministerial approval for new statistical inquiries or reviewing existing inquiries. It is also

Recm.

recommended that, wherever users of the statistical services ask for significant amounts of statistical work to be done, they should be made aware of the cost of meeting their requests, and other measures to encourage a closer relationship between the statistical services and the policy divisions they serve are proposed.

(b) Organisation

The report accepts the decentralised nature of the Government Statistical Service, in which statistical services are attached to individual departments and use departmental resources even though they serve many inter-departmental needs. It also accepts that within the Departments of Trade and Industry the geographical division between the Business Statistics Office at Newport (responsible for the collection and processing of most business statistics) and the Economics and Statistics Divisions (EcS) in London must continue. However, the following recommendations are made to minimise duplication and improve the utilisation of facilities at BSO:-

Recm.

- (i) a re-allocation of work on construction statistics should take place between BSO and the Department of the Environment under which BSO would take over all computer work including the creation of a unified register, whilst DoE would bring together all desk work including contact with the industry;
- (ii) three substantial blocs of work largely unconnected with Departmental policy formation - the compilation of wholesale price indices, the quarterly inquiries into capital expenditure and manufacturers' stocks together with the investment intentions survey, and the analysis of published company accounts - should be transferred from London to Newport, involving some 100 posts in all;



(iii) all work on distribution and services statistics, research and development statistics and the monthly inquiry into engineering sales and orders should be brought together at BSO instead of being divided between London and Newport as at present;

(iv) the number of EcS Divisions in London should consequently be reduced from 5 to 4.

(c) Efficiency of working methods and in use of resources

The collection and processing of statistics is already to a considerable extent computerised. The study has revealed a number of problems at the interface between manual and computer work as well as particular instances of the inefficient use of resources. The main recommendations in this section of the report are:-

Recn.

- || X (i) the buildings and land occupied by BSO should be more fully utilised;
- X (ii) subject to the availability of ADP personnel, there is scope for further computerisation in several activities using existing techniques, without waiting for the more far-reaching advances in computer usage to be expected in the 1980's;
- || X (iii) instances of double-banking between manual and computer work should be eliminated;
- X (iv) BSO should take all possible steps to reduce their data preparation costs to levels comparable with the private sector, or, failing that, they should contract out as much of their work as possible;
- (v) pricing policy on publications should be revised to enable prices for certain publications of which industry is the main user to be raised, thus providing for a reasonable sharing of the costs of collecting and processing the relevant statistics

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between Government and industry;

X (vi) procedures for sending reminders to non-responding firms should be reviewed in order to eliminate any wasteful response-chasing, whether by letter or by telephone;

XX W (vii) there is scope for tighter personnel management both by line managers and by Establishment Division.

(d) Management and control

Two main deficiencies in the continuing machinery for decision-making and resource management in the statistical services have been identified - the lack of sufficient means to instil cost consciousness into managers at all levels within the statistical services; and the lack of adequate control for the Departments of Industry and Trade over the use of their resources by these services. The main remedial recommendations are:-

(i) revival of the budget planning system proposed last year for BSO and the drawing up of a corresponding costed work programme for EcS;

(ii) development of BSO's costing system so that it can be used by all managers to compare actual with expected costs and to provide useful indicators of cost/effectiveness;

(iii) establishment of a mechanism for proper consultation with officials of the Departments of Industry and Trade, particularly those involved in financial and manpower planning, before annual work programmes and any proposals for new statistical work are submitted to Ministers.

(e) Costs and savings

The statistical services of the Departments of Industry and Trade employ some 1,340 staff and are expected to cost £14.3m in 1979-80. The estimated savings achievable from implementation of the recommendations of this report in full should amount to between 60 and 100 staff and between £1,250,000 and £1,900,000 at 1979-80 prices, in addition to the savings from a 10% option cut. Just over half of these staff savings and roughly

= 4.5 - 7.5%
= 4.0 - 13.0%



a third of the financial savings would come from the recommended reductions in statistical activity (of which the change from annual to biennial inquiries into the distributive and service trades would be by far the most important). The remainder of the savings would come from the recommendations on organisation and improved efficiency. The estimated savings are likely to be realisable only gradually over the period 1980-85. The cost of the study and production of this report is estimated at approximately £9000.

Department of Industry

25 October 1979

RAYNER PROJECT

THE STATISTICAL SERVICES OF THE DEPARTMENTS OF INDUSTRY AND TRADE

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RAYNER PROJECT

THE STATISTICAL SERVICES OF THE DEPARTMENTS OF INDUSTRY AND TRADE.

Section 1

Description of the Project

(a) Terms of reference

- 1.1 A 3-month study of the statistical services of the Departments of Industry and Trade was commissioned in late June 1979, with the following terms of reference:-

"To identify any aspects of the operation of the Departments' statistical services in which resources are being unnecessarily or inefficiently employed; to make recommendations as to possible remedial action in these cases; and to draw any lessons of general application from the study, including any examples of particularly efficient administration".

(b) Area of Study

- 1.2 The statistical services covered by the study consist of:-

- (a) the Business Statistics Office (BSO) at Newport, employing just over 1000 staff on the collection and processing of statistics at a total estimated cost in 1979-80 of £9.22m;
- (b) the statistical sections of 5 mixed Economics and Statistics Divisions (EcS) in London, amounting to some 320 statisticians and support staff who primarily analyse and interpret industry and trade statistics, but also run a number of statistical inquiries not covered by the BSO (total expected cost of EcS in 1979-80 £5.12m, including some £600,000 spent by the Office of Population Censuses and Surveys in conducting the International Passenger Survey on EcS' behalf).

The expected overall cost of £14.3m compares with a total Departments of Industry and Trade budget of around £1000m, but in manpower terms the statistical services are more significant, accounting for 1,340 out of the two Departments' total of some 16,500 staff. A detailed breakdown of staff by grade and of expenditure by main items in BSO and EcS is shown in Annex A.

- 1.3 Although the Department of Industry is responsible for the financial and manpower resources used in the statistical services, the Department of Trade has equal

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access to the services; and more generally the services are part of the Government Statistical Service. A considerable amount of the data collected by the two Departments' statistical services is used by the Treasury principally for macro-economic policy purposes, and by other Departments such as the Scottish and Welsh Offices; and the Central Statistical Office (CSO) is responsible not only for incorporating industry and trade statistics into the national accounts but also for the personnel management of the professional statistician group. Moreover the clientele of the Departments' statistical services extends beyond the Government, since business statistics are published whenever possible and are widely used in industry, commerce and elsewhere. The study has therefore taken account of the costs and benefits of the statistics to business as well as to Government.

(c) Usage of time during study

1.4 Accordingly it has been necessary to obtain information and opinions on the statistical services from a wide range of interests. Of the 12 working weeks spent on the study, some 5 weeks has been devoted to familiarisation with the services under study, primarily through discussions with staff at all levels; 2 weeks to discussions with users of the services within Government; 2-3 weeks to discussions with outside interests covering both providers and users of statistics - principally individual firms, trade associations, wider representative bodies such as the CBI, NEDO and the Organisation of Professional Users of Statistics, and individuals with a special interest in industry and trade statistics including members of the statutory Advisory Committees on Production and Distribution Statistics; and 2-3 weeks to the validation of evidence and discussion of possible findings and recommendations with senior management. Around 125 separate fact-finding interviews took place.

(d) Method of examination

1.5 The approach throughout the study has been to ask on every possible occasion -

- why is this statistical inquiry or statistical exercise being carried out?
- who uses the results, and do these results meet their real needs?
- how would users be affected if particular statistical work were abandoned or reduced in accuracy or frequency in order to cut costs?
- why is the work done in this particular way, and would there be any significant loss of effectiveness if more economical methods were adopted?

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1.5 In the light of the scope identified for possible reductions in current statistical activity and for improvements in current organisation and working methods, the study has extended in its later stages to consideration of whether recommendations for improvement in the continuing management and control of the statistical services would be justified.

(e) Contact with Minister

1.7 The study has been undertaken by a Principal working full time and reporting direct to Lord Trenchard, Minister of State in the Department of Industry. Lord Trenchard, together with other Ministers concerned and the Permanent Secretary, has been kept in touch with the study, primarily through a written progress report on the first 7-8 weeks' work. Lord Trenchard has also written to his colleagues in other Departments which use statistics collected by BSO and EcS to ask them to re-assess their Departments' need for this information. Their response is reflected in the analysis and recommendations on statistical inquiries (paragraphs 21-27 below).

(f) Involvement of Staff Side

1.8 Two meetings have been held with the Departmental Staff Side and two separate meetings with the local union representatives at the BSO. The prime function of these meetings has been to convey information to the Staff Side about the objectives of the study and the progress of work and to invite any Staff Side contribution. The Staff Side have concentrated on questioning the validity of a 3-month study of such a large and complex area of the Department and have complained about lack of time for proper consultation. They have offered no views on the substance of the study. However, individual staff at all levels have co-operated willingly with the study in providing information and views as requested.

(g) Cost of study

1.9 No specific support staff have been allocated to work on the study, although two statisticians (one in London, one in Newport) were made available to provide expert assistance as necessary and did so with great effectiveness and goodwill. Taking account of a rough estimate of the proportion of their time taken up by the study, the total cost of the study (inclusive of some £300 travel and subsistence and of the time taken to prepare the report) is estimated at around £9000. This estimate does not include the cost of the time of those interviewed

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whether inside or outside government nor time taken by those other than the Statisticians mentioned above to meet requests for information arising from the study. The additional figure would be almost impossible to estimate with any degree of accuracy, but it should be substantially lower than the direct cost of the study, since every effort was made to use information already available for other purposes rather than asking for any special exercises to be conducted.

Structure of study and report

1.10 The remainder of this report is divided in accordance with the main subjects on which the study has concentrated:-

- (i) the need for statistical information to be collected from businesses on the present scale and with the present degree of frequency and accuracy (section 2);
- (ii) the need for the analytical and interpretative work which at present forms one of EcS' main functions (section 3);
- (iii) the internal organisation of the statistical services and their relationships with the bodies and interests which they serve (section 4);
- (iv) the efficiency of the working methods used within the statistical services (section 5); and
- (v) the conclusions which can be drawn from the analysis and findings on the above subjects about the adequacy of the management and control of the statistical services (section 6).

1.11 It must be emphasised that, in view of the 3-month deadline for completion of the study, selectivity has been essential within the subject-headings covered. Lines of enquiry have been pursued in detail only where, on initial investigation, there appeared to be a possibility that resources were being unnecessarily or inefficiently employed. In addition, two issues were not fully investigated for specific reasons:-

- (a) Regional information. A separate management services investigation is to be launched this autumn into the information system used by the Departments' regional offices and its relationship with other regional industrial statistics.
- (b) New BSO computer. No attempt has been made to intervene in the process of ordering a new ICL 2982 computer for the BSO, since a halt for a major reappraisal at this stage would carry a serious risk that BSO's entire computing operation could break down in the early 1980's.

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SECTION 2

Statistical inquiries

Scope of remit

2.1 A list of statistical inquiries conducted by BSO or EcS, with information on the number of forms sent out annually and the latest available annual costs in each case, is attached at Annex B. (A few small inquiries have not been identified separately or have been excluded altogether on de minimis grounds.)

2.2 A number of limiting factors on the scope of this part of the study have been recognised from the outset:-

(a) An inter-departmental remit would have been needed in order to question the Government's statistical needs from scratch and to tackle some of the possible areas of duplication or potential economy, such as employment statistics or the wider use of VAT data for statistical purposes.

(b) It has been assumed that the reduction in inquiries proposed to meet a 10% option cut will go ahead - this would mean a major reduction in BSO's collection of manufacturers' product sales and the dropping of the export prospects survey, of the monthly manufacturing stocks inquiries and of one of the two quarterly inquiries into the turnover of the catering and motor trades.

(c) As part of the same cuts exercise, other EEC member states are being approached informally to discover whether there would be any support for a relaxation of the EEC Directive requiring a full Annual Census of Production, since to reduce the UK Census to a biennial basis with only a simplified inquiry for national accounts purposes in the intervening years would save 35 staff and nearly £300,000 per annum. The study has not therefore covered this area in detail.

(d) It would not have been possible, within a 3-month study, both to identify any further possible reductions in statistical activity and to secure the firm acceptance of these reductions by the users of the relevant statistics. Decision-making on the recommendations will therefore be a two-stage process in most cases - a decision in principle, followed by a final decision on implementation in the light of detailed consultations with users.

Analysis of inquiries

2.3 The study has therefore concentrated on examining each of the existing statistical inquiries carried out by the Departments' statistical services, beyond those

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affected by a 10% cut. In the course of this examination, a standard analytical framework has been developed which would supplement the basic facts on ^{an} inquiry with the information necessary for a cost/benefit assessment. This framework consists of the following questions:-

- (a) What is the cost to the Government in both manpower and financial terms, and how would the cost be affected by reducing the frequency or the coverage of the inquiry?
- (b) What is the cost to industry, taking account of the number of forms sent out and any information which can be obtained about the man-hours needed to deal with them (not simply in filling in the forms but in directing them to the right person, returning them and answering any queries)?
- (c) Have providers of statistics made any representations or expressed any views about the inquiry? Is the inquiry statutory or voluntary, and what is the response rate?
- (d) Is similar information being collected by another organisation? If so, why cannot this alternative source be used for all purposes? Even if there is no alternative source at present, would such a source emerge if the Government stopped, or cut down on, the collection of this information?
- (e) Who are the main users, and to what specific use do they put the information? What other use is made of the information?
- (f) What would be the precise effect on users if the inquiry were discontinued altogether, and how would they be affected if the inquiry were reduced in frequency or coverage or conducted by any other organisation emerging from question (d) above as an alternative source?
- (g) How long after the reference period of the inquiry does it take to produce the results (this is sometimes a good indicator of the usefulness of the inquiry)?
- (h) What are the views of external users (if any) on the timeliness and reliability of the results? How many copies of the published results are sold?
- (i) Is the UK obliged, legally or morally, to provide the results to an international organisation, and how does the quality and quantity of UK statistics in this area compare with those of other countries?

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2.4 Another promising type of test - that of comparing the costs and output of different inquiries - turned out to be less productive because of the great differences between inquiries. For example, the International Passenger Survey costs more than twice as much as the overseas transactions inquiries, although it makes up a smaller component of the balance of payments accounts; but it is inevitably more expensive to take a sample of the travelling public than of companies. Moreover, cost per form processed varied at the BSO in 1978 - 79 between £5.43 for the fuel and energy inquiries to £31.91 for the Annual Census of Production, the main difference here being in the complexity of the forms. (However, the change in cost per form processed should be a valuable indicator of efficiency within an inquiry).

Cost/benefit assessment

2.5 The information emerging from the above analysis does not of course provide an automatic answer to the cost/benefit equation. Since the benefits cannot normally be expressed in money terms, the overall cost/benefit assessment of an inquiry is essentially a value judgement, as is the assessment of each individual aspect of an inquiry at the margin, eg monthly as against quarterly frequency or 60% as against 80% coverage of the relevant population. But, before even this stage is reached, value judgements are required to answer, or interpret the answers, to some of the analytical questions:-

- (i) The importance of each separate user need must be assessed. This entails penetrating behind such frequent statements as "this information is essential for briefing Ministers and monitoring developments in" to determine the precise importance of the information in policy formation. Most of the main inquiries are interlocking and multi-purpose, the results being used not only in aggregated form for the quarterly national accounts (by the CSO) and macro-economic policy formation (by the Treasury) but in disaggregated form (eg by sector of industry) by the Departments of Industry and Trade as well as outside interests. It is by no means simple to rank in importance the uses and users of such information as monthly retail sales, wholesale price indices, quarterly data on capital expenditure and stocks, the results of the Annual Census of Production and the balance of payments figures (the visible trade figures are not of course included in Annex B because the raw data is collected by HM Customs and Excise). Statisticians themselves find difficulty on occasion in determining priorities between different users.

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(ii) The relative interests of Government and industry have to be evaluated, in such inquiries as the detailed quarterly inquiries into manufacturers' sales and the steel stocks and consumption inquiry. It is not always easy to disentangle these interests, particularly where pressure for more information comes from a NEDO Sector Working Party on which both Government and industry are represented. Moreover, where it can be demonstrated that an inquiry is needed, the question arises as to which of the two parties ought to conduct and pay for it. The answer must depend not only on the relative extent of Government and industry need for the results but on the relative capability of each party to carry out the inquiry. In some cases the Government's centralised collection and processing facilities may be more comprehensive and more economical, whilst in others a well-equipped trade association might be willing and able to conduct the inquiry more effectively because of superior knowledge of the industry. In either event, some method of enabling the party carrying out the inquiry to recover a share of its costs from the other has to be considered (see paragraph 5.4 (g) below).

(iii) Conflicting interests may need to be balanced or reconciled. The study has encountered a considerable diversity of views within industry as well as between industry and Government. Although there are a number of frequently-voiced complaints from external providers and users - too low a priority being given to timeliness as opposed to accuracy of results; inadequate knowledge of individual industries leading to meaningless or misleading results; and duplication of requests from different parts of Government eg on employment - a cost/benefit approach reveals many divergences of interest. In general small firms find statistical form-filling burdensome and are not equipped to derive much benefit from the results; the larger and more efficient the firm, the greater the use it is generally able to make of official statistics even though its burdens are correspondingly greater; and the bias of trade associations and Sector Working Parties as well as of market researchers is generally towards the interests of users rather than providers of statistics. A recent CBI survey attempted a cost/benefit assessment of a number of individual inquiries (copy of results attached at Annex C). The findings from this small sample do not altogether correspond with views obtained during the study or indeed with the views of the CBI's own Statistics Working Party. But they illustrate that Government and industry views on priorities will inevitably diverge in some cases. Whilst most of the inquiries obtain a plus score on value as against cost in the CBI survey, some of the inquiries with the lowest scores are the most irreplaceable for the Government's own purposes - for example, the overseas transactions inquiry in the balance of payments.

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(iv) The true implications of an inquiry's legal status need to be evaluated. The Statistics of Trade Act 1947 does not require any inquiry to be carried out, other than an annual census of production. The Act's main purpose is to provide back-up powers to require businesses to provide information for certain purposes. Most BSO inquiries are conducted on this statutory basis. However, it should not be assumed that the voluntary status of an inquiry is in itself sufficient evidence of satisfaction on the part of providers and users. Even though all BSO and EcS forms now make it clear on the front page whether the inquiry is statutory or voluntary, many companies feel a moral obligation to assist in compiling national statistics and therefore try to fulfil voluntary as much as statutory requests for information. There is also a definite cost to Government as well as to industry associated with voluntary inquiries, such as the annual overseas transactions inquiries, which are outside the scope of the Statistics of Trade Act. An extension of the Act's back-up powers to cover these essential inquiries would actually save 2 staff since the present late and inadequate response to the inquiries involves extra work in recruitment of new contributors, response-chasing and estimating. This does not of course mean that a statutory basis to an inquiry ensures general compliance. Response can be less than two thirds even on statutory inquiries, and it would be impracticable to mount extensive prosecutions. In consequence, the effectiveness of official statistics depends considerably upon the co-operation of industry in their collection.

General findings on statistical inquiries

2.6 In spite of the complexities discussed above, the approach outlined in paragraph 2.3 provides a workable basis on which to analyse individual inquiries. In view of the limited time available, this analysis has not been pursued in depth on every inquiry, but only where there appeared to be a prima facie case for further investigation. It is not therefore proposed to set out in this report the costs and benefits of every inquiry but to concentrate on aspects of current inquiries which appear to justify immediate reconsideration. Recommendations on these are set out in paragraph 2.7 below. The findings on the remainder of the inquiries can be encapsulated in the following general conclusions:-

(a) In response to the pressure to reduce the form-filling burden on smaller firms, a substantial reduction in the number of statistical forms sent to businesses has been achieved in recent years. BSO's total dispatch of 431,000 forms in 1978 represented a fall of over 20% compared with 1976.

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(b) Although a full international comparison has been difficult to make both because of the major differences between national statistical systems and because of the limited time available, the study has uncovered no evidence that the UK collects more business statistics overall than its main industrialised competitors.

(c) Taking account of these points and of the likely effect of a 10% cut in BSO and EcS manpower, the study has revealed no further major areas in which clearly unnecessary statistics are being collected by the Departments of Industry and Trade; but the recommendations in paragraph 2.7 below tackle a number of inquiries, or refinements within inquiries, which appear not to be fully cost-effective.

(d) Given the limitations on the scope and period of this study and the speed with which requirements for statistics can change, all inquiries should be reviewed regularly. All Ministerial submissions which review, extend or initiate inquiries should in future cover the questions listed in paragraph 2.3 (which has not always been the case in the past) or should indicate clearly where the information is inappropriate or unobtainable. The proposed method of regular review is set out in paragraph 6.5.

Specific recommendations on inquiries

2.7 Recommendations with the main reasons for them, are listed below; a more detailed discussion of items (i) - (x) is contained in Annex D, together with proposals for the procedure to be adopted to reach a final decision in each case.

(i) BSO quarterly inquiries into manufacturers' sales by detailed product headings. These inquiries were designed a decade ago to provide comprehensive data on the sales of some 4000 products in 160 manufacturing industries. They have not, however, been uniformly successful in replacing alternative sources of data, and in some industries their results are not used; for example, some trade associations have continued to collect sales or production data in parallel with the BSO system because their members are not satisfied with the BSO results. In addition to the reductions in frequency or in coverage of smaller firms which will be consequent upon a 10% cut, further savings in these inquiries could therefore be made by cutting industries in the above category out altogether from the inquiries where they are sufficiently self-contained to have little effect on the results for other industries and where the alternative source of data is satisfactory for Government purposes. It is recommended that the possible availability of alternative data should be investigated in these cases with a view to cutting out duplication or unnecessary coverage wherever possible.

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(ii) Monthly manufacturing inquiries for Index of Production. The major contribution made by the Departments' statistical services to the monthly Index requires some 25 staff, over £500,000 per annum and the dispatch of some 70,000 forms each year to industry. Although the monthly Index is regarded as a leading economic indicator and is required by EEC obligations, it appears to have no major direct policy use which a prompt quarterly Index based on BSO's quarterly inquiries could not serve. It is recommended that Ministers should specifically consider whether the Monthly Index gives value for money before it is allowed to continue; that they should be presented with an option involving a cruder and cheaper Index which would greatly reduce the monthly inquiry network; and that, if the monthly inquiries continue, elements of duplication between the monthly and quarterly sales inquiries should be removed whenever possible.

(iii) Annual distribution and services inquiries. A substantial saving of some 30 staff could be made by putting these inquiries on to a biennial basis, with alternation between distribution in one year and services in the next. The main statistical loss would be in the less frequent benchmarking of the capital expenditure, stocks and turnover figures obtained for the national accounts from separate monthly or quarterly inquiries using smaller samples. But the results of the annual inquiries arrive too late to have any bearing on most of the possible policy uses of the data. Thus any major divergence between the results of the short-period and annual inquiries would be dealt with more cost/effectively by improving the short-period inquiries than by maintaining annual benchmarks (and in some series there is no major divergence). It is recommended that a proposal to move from annual to biennial inquiries in 1981 or 1982 should be put to the CSO and the Treasury.

(iv) Investment Intentions survey. Of the three surveys conducted each year, there appears to be no major continuing need for the spring survey or for the asset breakdown required from manufacturers in the other two surveys. The results of the manufacturing sector of the spring survey are supplied to the EEC on a contract basis, but, as the fee covers only about one third of the cost of the survey, this would not alone justify continuation. It is recommended that, subject to consultation with the Treasury, both the spring survey and the asset breakdown of manufacturing investment in the other two surveys should be dropped as soon as possible.

(v) 1979 purchases inquiry. Although a major inquiry into manufacturers' purchases is clearly necessary once in every 5 years or so, the inquiry is

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burdensome for firms and generally meets with a low response. Firms with less than 50 employees are generally to be excluded from the 1979 inquiry but for 19 industries the intention has been to include firms with 35-49 employees too, in order to obtain satisfactory coverage of these industries. The extra 1200 forms involved do not appear to be cost-effective, however, taking account of their complexity and the cost to Government of securing a reasonable response and processing the returns, since in practice only about 3 percentage points on average to the coverage of these industries in terms of employment. would be added/ It is recommended that no firm with less than 50 employees should be required to participate in this inquiry.

(vi) Research and development - Scottish and Welsh information. Although a periodic (once in 3 years at present) inquiry into research and development would appear to be justified on economic grounds as well as forming our input into OECD's international statistics in this field, it is more difficult to justify the proposed request for separate information on R & D in Scotland and Wales in the 1981 inquiry. Such information may well prove difficult for some firms to provide, and its validity as an indicator of prospects in the Scottish and Welsh economies is highly questionable. The Welsh Office have said that the information is not essential. It is recommended that the proposal to collect Scottish and Welsh information on R & D should be dropped if, when industry is consulted about the proposal next year, clear evidence is provided that the extra information will significantly increase the work involved for the relevant companies.

(vii) Retail stocks and Credit. Since data on manufacturers' stocks is no longer to be collected monthly, there should be no need to maintain the collection of retail stocks data on a monthly basis. However, BSO could obtain a worthwhile saving from transferring this series to a quarterly basis only if retail credit information were similarly reduced in frequency. Since retail credit appears to be now declining as a proportion of total credit, it is recommended that both stocks and credit should be transferred to a quarterly inquiry as soon as practicable; 1981 would appear a reasonable target for the transfer, but this must depend on consultations with users and the speed with which retail credit declines.

(viii) Sources and uses of funds. This new quarterly survey of large companies is burdensome for contributors (though the CBI were associated with its launch) and has yet to provide results of sufficient quality for publication. It is recommended that, after a further trial period, this survey should not be allowed to continue beyond the end of 1980 without strong evidence of user need and of improved quality of results; and that the longer-established and less burdensome

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quarterly survey of company liquidity should be reviewed at the same time.

(ix) Steel stocks and consumption inquiry. This voluntary quarterly inquiry of some 1600 steel consumers and stockholders is conducted by EcS in London to enable Ministers and senior officials to be fully briefed on steel demand and to provide published results which are used mainly by the British Steel Corporation. To abandon the inquiry would save EcS some £50,000 per year as well as lifting a burden from the respondents; but in consequence, BSC would have to conduct their own market survey of their customers (there is already alternative data available on the stockholders) and the Department of Industry would be more reliant on BSC for information. This special treatment for the steel sector does not appear to be cost-effective, and it is recommended that Ministers should consider either abandonment of the inquiry or, as a second best, continuation only on condition that the steel industry is prepared to meet the bulk of the cost.

(x) Film distributors' receipts. This annual inquiry has been conducted almost entirely for the benefit of the trade. Although the trade have argued strongly for continuation of the inquiry, it is recommended that the inquiry should be abandoned in view of the lack of Government interest in the results.

(xi) To set against the possible reductions in statistical information listed above, the study has encountered one area in which a gap in official statistics might lead to waste. The abandonment of the proposed 1981 Shops Inquiry (decided in the light of the 3% 'good housekeeping' cut already put into effect) may result in surveys being mounted by individual local authorities and market research organisations to such an extent that it would have been less wasteful to have conducted the inquiry from the centre. It is recommended that the incidence of local surveys should be monitored (through existing channels of information) so that any such waste can be taken into account in considering the need for some form of shops inquiry at a later stage.

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SECTION 3

Analytical and interpretative work of EcS

3.1 It may seem unnecessary to examine the need for the analytical and interpretative side of statistical work, since it is the collection rather than the analysis of statistics which consumes the bulk of the allocated manpower and financial resources. It has not in any event been possible to examine at a fine level of detail the analytical exercises which are conducted within EcS, and such an examination would have had limited value because the content of this work tends to change substantially from year to year. On the other hand, it is this EcS function which is seen by both statisticians and policy divisions as the main direct contribution of statisticians to the day-to-day work of the Departments of Industry and Trade and lies at the heart of the concept of a decentralised statistical service, which the UK maintains (to a greater extent than a number of other industrialised countries) in order to ensure that statisticians are orientated towards the service of current user requirements. Individual exercises in this field can account for several man-years' work.

3.2 Some policy divisions interviewed during the study considered that they received a good service from statisticians and their support staff. But the study has highlighted the following problems:-

(a) A considerable proportion of EcS time is taken up with routine work on production and dissemination of results, statistical development and internal exercises, eg on forecasting. As a result, a relatively small proportion (perhaps some 30% in EcS3, the Division servicing most Department of Industry policy divisions) is available to meet direct requests from policy divisions and related bodies (such as NEDO Sector Working Parties).

(b) Most of the regular EcS work is regulated by fixed timetables and deadlines (eg articles for publication in 'Trade and Industry') which means that other work has to be fitted in around those timetables. Some of these deadlines are of course fixed for the good reason that last-minute changes in publication dates can give rise to suspicions about the integrity and impartiality of statistical information.

(c) Consequently some administrators feel that their needs are not given proper priority by statisticians and suspect that the service generates too much of its own work; others are discouraged from using the statistical services as much as they should, and their feeling of remoteness from EcS is also fostered by the fact that EcS are for the most part accommodated in

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separate buildings from the policy divisions they serve.

(d) Conversely statisticians may find it difficult to decide on priorities between users, since they are not always well placed to weigh the relative importance and urgency of requests from policy divisions. Ministerial requests of course receive top priority, largely irrespective of the resources involved.

(e) Users, including Ministers, may sometimes press hard for information without realising the work involved and indeed without necessarily wishing for the degree of statistical refinement which is devoted to answering their requests. For example, EcS were under considerable pressure from Ministers and senior officials to develop a capability for providing export volume indices by area. To meet this request, some crude information was produced which involved considerable resources but which is only of very limited value because of its potentially misleading nature. Simultaneously an attempt, involving even more resources, was made to construct well-founded area volume indices, but this has now been stopped because of resource considerations. EcS might wish to resume this work as and when the necessary resources become available, although users generally continue to be unaware of the resource use involved.

3.3 The study has also examined two very different ways in which the alleged problem of remoteness between administrators and statisticians has been addressed:-

- (i) It has been suggested that policy divisions are, because of their remoteness from EcS, undertaking their own statistical work which could be done more effectively and efficiently by EcS. The findings of the study are that the statistical activity of policy divisions (normally comprising the maintenance of data banks covering their responsibilities, plus in a few cases the special processing of trade figures where day-to-day knowledge of the relevant international agreements or industries is required) does not represent any significant duplication with statisticians and could only be reduced if there were enough statisticians to locate one next door to each policy section.
- (ii) Air Division of the Department of Industry has a unique arrangement whereby a Principal specialising in statistics and formally attached to EcS works within Air Division on all the Division's statistical requirements. However, this arrangement is unsuitable for wider application, or indeed

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for indefinite extension, because the work could be absorbed more efficiently within EcS3 alongside the professional work which EcS3 currently have to do in relating aerospace statistics to industry statistics generally. (The report on the recent staff inspection of the relevant EcS Division has recommended that this arrangement should be reviewed when appropriate changes of personnel can be made.)

3.4 It would not be appropriate to exaggerate the problems in paragraph 3.2 above by comparison with the overall standard of service provided by EcS. It must also be accepted that statistical work cannot and should not line up exactly with current user needs, if only because statisticians must sometimes anticipate user requirements if sudden requests from policy divisions are to be met on time. The following modest changes are recommended:-

- (i) EcS should ensure that, whenever possible, the deadlines governing their routine work are sufficiently flexible to enable specific requests for work from policy divisions to be met promptly - this applies in particular to such work as articles for the 'Trade and Industry' journal and regular bulletins circulated around Whitehall.
- (ii) Users, whether Ministerial or official, should be confronted with the estimated cost of meeting their requests, if the cost exceeds a specified figure (say £500) - wherever possible, this should take place before the exercise begins. (It should be noted that a 2-hour meeting between a Chief Statistician, 2 Statisticians and 2 Principals would cost nearly £100).
- (iii) Although there are strong arguments against any general bedding out of Statisticians in policy divisions (since there are simply not enough to go around, and statistical activity does need to be closely coordinated), the possibility of an experimental bedding out of a professional Statistician from EcS within one of the larger Department of Industry sponsor divisions with a relatively heavy use of statistics should be considered. The Statistician should not, as in the Air Division case, shed any of the functions he would have performed in EcS3; the main purpose of the arrangement would be for EcS3 to learn general lessons from the experiment about the service which policy divisions require.
- (iv) In exchange for the proposed vacation of some EcS accommodation in London in consequence of the proposed moves to Newport (see paragraph 4.7 below), the remaining London divisions should have greater priority given to their

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requests to be located as close to the policy divisions they serve as is practicable.

3.5 In addition, the Industrial Assessment System (a forecasting exercise which many sponsor divisions in the Department of Industry consider does not give value for money) is under separate review.

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SECTION 4

Organisation

4.1 The decentralised nature of the Governmental Statistical Service has already been referred to in this report, and it has not been within the remit of this study to enter into the arguments over whether centralisation should be increased, for example by hiving off the BSO from the Departments of Industry and Trade and giving the CSO greater central control. Decentralisation and its consequences have been accepted for the purposes of this report. These consequences include:-

(a) BSO and EcS will continue to carry out inquiries and analysis for other Departments who will not be accountable for the resources used. A repayment system was considered for this work by an inter-departmental working party last year. Since around 90% of BSO's work is conducted primarily for the Departments of Industry and Trade and very little of this or the remaining 10% can be ascribed to a single department, the general conclusion was that the difficulties of effecting a realistic attribution of costs to different Departments in these circumstances outweighed the advantages of repayment. Repayment was not, however, absolutely ruled out where, for example, there was disagreement between BSO and a single user Department on priorities. The present study has not revealed any evidence which would challenge this conclusion or any particular case where the immediate introduction of repayment appears justified.

(b) The Department of Industry is thus fully accountable for the resources employed in its statistical service and should therefore have an important say in their use (see paragraph 6.1-6.5 below).

(c) It is not possible to iron out anomalies in the division of responsibilities between different Departments other than by persuasion of the Departments concerned. Within this constraint, the study has highlighted one area in which it may be feasible for two Departments to agree on a useful rationalisation of functions - construction statistics.

Construction statistics

4.2 The prime agency for collection of construction statistics is DOE's recently established unit at Bristol, using the DoE computer at Hastings for computer processing work. BSO, however, run the Annual Census of Construction, which particularly for EEC purposes is regarded as an offshoot of the Annual Census

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of Production. Although it involves no major avoidable duplication in statistics collection, this arrangement gives rise to the following problems:-

- (a) BSO have to keep a modified version of DOE's register of construction firms on their computer, and this lack of a single unified register leads to register amendments being sent backwards and forwards between BSO and DOE in a wasteful manner.
- (b) The 13 staff at BSO who deal with the Annual Census of Construction have to develop a knowledge of the construction industry which should be the stock-in-trade of DOE staff at Bristol.
- (c) DOE's computer work is carried out on a computer which is more geographically distant from their office than BSO's own computer and which is serviced by ADP staff and ancillary machinery less well equipped to handle statistical inquiries.
- (d) The construction industry has to deal with two different statistical offices on inquiries which appear fairly closely related in content.

4.3 Since it would appear wasteful for DoE to disrupt their recently-established Bristol unit at present by a transfer of their construction statistics operations to BSO, it is recommended that discussions should be held between the two Departments with a view to:-

- (i) a complete transfer of all DOE's computer work from Hastings to BSO once the new BSO computer is installed in 1981/82, linked with the creation of a unified register;
- (ii) a corresponding transfer of the manual work on the Annual Census of Construction from BSO to DOE, with BSO's role being limited to association with the design of the Annual Census form and the combining of the results with those of the Annual Census of Production for EEC and other purposes.

In the long run it should be possible to save up to half dozen staff through this rationalisation, especially since DoE may be able to use the Annual Census work to smooth out peaks and troughs in their own work.

Division between BSO and EcS

4.4 The establishment of BSO at Newport almost 10 years ago was a product of dispersal

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policy at that time but was also based on two other assumptions:-

(a) that as far as possible the collection and processing of all business statistics would be centralised there over a period of years; and

(b) that, if statistical work had to be divided at all, the least inefficient geographical split of functions was between collection and processing on the one hand and analysis, interpretation and service to policy divisions on the other.

The movement at (a) above has not happened on the scale envisaged, one of the main reasons being that those responsible for inquiries still based in London and in other Departments were deterred from going ahead with scheduled transfers to BSO in the mid-seventies by the BSO's teething troubles and consequent poor record in handling inquiries. One consequence of this change of plan is that BSO have a well-equipped building which exceeds their needs - it could house some 200 more staff than at present and will perhaps have room for 300 if the 10% option cut is implemented at BSO; there is also spare land on the site.

4.5 In the light of the BSO's more recent record and of experience of the operation of the division of labour described in paragraph 4.4(b) above, this is an appropriate time to look again at the BSO/EcS split. The approach of the present study has been simply to consider - without any pre-determined philosophy - where, in the light of currently available facilities, the various parts of the statistical services can do their jobs with the optimum mix of effectiveness and economy.

4.6 The study has identified a number of problems flowing from the present organisation, in addition to the under-utilisation of facilities at BSO:-

(a) Large blocks of statistical work largely unconnected with departmental policy formation have remained in London (though in some cases with constant uncertainty about the possibility of dispersal) despite the lower costs of operations at BSO and the greater availability of good-quality support staff there.

(b) BSO's effectiveness in conducting inquiries and its general statistical capability have improved in recent years, but this growing expertise is not used in the analysis and interpretation of results, which are instead performed by staff in London cut off from the source of the data itself. As argued in

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in section 3 above, it is important in many areas that links with policy divisions should be maintained and even strengthened through a continued statistical presence in London. But the waste arising from the BSO/EcS split need to be taken into account in considering the question of location in each policy area on its merits.

(c) Many BSO staff - not only in the professional statistician group but amongst support staff - are frustrated both by the fact that their work sometimes has to go to London for completion (and is often cross-checked there) and also by their lack of contact with end-users to balance the morale-sapping effect of criticism and even abuse from reluctant providers of statistics. A CSD report on job satisfaction at the BSO in 1974 identified this frustration as an important factor, and the present study indicates that such feelings persist to a considerable degree.

(d) Some of the criticisms of BSO made by external users (paragraph 2.4(c) above) stem from BSO's total orientation towards collection as against end-use of statistics.

(e) In certain sectors of statistical work (such as distribution, services and research and development statistics) where there are units in Newport and London with a similar range of responsibilities, a clear duplication of expertise exists even if, with care and goodwill on both sides, a significant duplication of functions can be avoided. In addition to any waste arising from this duplication the consequence of spreading statistical capability thinly between London and Newport is that statisticians at either end must in some cases operate without professional cover if they are sick or on leave; this can be a serious problem if the relevant inquiries operate on a monthly frequency.

Transfers of work to Newport

4.7 It would be a mistake to rush into wholesale organisational change because of these problems, and it is important that close links with policy divisions in London should be preserved. However, the study has identified a number of changes which could be made over a reasonable period of time consistently with these considerations. These recommended changes are:-

(i) Three substantial blocks of work comprising over 100 posts should be moved in their entirety from London to Newport - the compilation of wholesale

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price indices, the quarterly inquiries into capital expenditure and manufacturers' stocks together with the investment intentions survey, and the analysis of published company accounts.

(ii) The analysis and interpretation of distribution and services statistics (excluding films, on which the need for a particularly close link with the policy division in London has been demonstrated) and research and development statistics should also be transferred to BSO.

(iii) Once a decision on the future shape of monthly/quarterly inquiries has been taken, EcS should press ahead as quickly as possible with the development of an integrated system for handling the monthly engineering inquiry so that BSO's work on processing the results no longer has to be re-worked and completed by EcS; and EcS should also ensure that any other routine checking or processing of BSO-based inquiries is handed over to BSO.

- 4.8 A more detailed discussion of the practicability of these moves and of timing is attached at Annex E. The timing should take account of the need to achieve the financial savings as quickly as possible, consistently with minimising the disruption of work during the transfer and phasing the moves to balance BSO's own staffing cuts as far as possible. A target of a phased move over the period 1981-83 is therefore recommended. The annual financial savings accruing from the proposals would be of the order of £1m on 1979-80 Ready Reckoner costings, though there would be little saving in the first year of the three main work transfers (paragraph 4.7(i) above) because of the need for a temporary increase in staff during the actual period of transfer. In the long run a small staff saving (perhaps 3 or 4 in all) should accrue from proposals (ii) and (iii), and perhaps a similar saving from eventual integration of the capital expenditure and stocks inquiries into the BSO register and other systems, so that comparison of these quarterly results with the results from BSO's annual inquiries would become easier and BSO's mechanised mailing facilities could be used.

Structure of EcS Divisions in London

- 4.9 The combined effect of a 10% cut, of the further reduction in industrial forecasting work (paragraph 3.5 above) and of the proposed transfers of work to Newport establishes a prima facie case for a reduction in the number of EcS Divisions remaining in London. There are 5 EcS Divisions at present:-

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EcS1 - primarily concerned with economic advice on broad industrial policy decisions, headed by an economist as Under-Secretary but with a small non-professional support staff on regional industrial statistics; no change is needed here, subject to the outcome of the management services assignment on the regional office information system.

EcS3 - a mixed division (with one branch staffed entirely by economists and another comprising both statisticians and economists) headed by a statistician as Under Secretary and responsible for statistical support and economic advice on manufacturing industries.

EcS4 - headed by an economist as Under Secretary and consists of a statistical branch responsible for the Wholesale Price Indices (which would be transferred to Newport), a mixed economist/statistician branch concerned with general economic policy and prices, and an economics branch covering aviation, shipping and competition policy.

EcS5 - the main trade statistics division headed by a statistician Under-Secretary though including an economics branch to advise on trade policy.

EcS6 - an entirely statistics division also headed by a statistician as Under Secretary, which deals with both trade and industry questions and is discussed in more detail below.

- 4.10 Since a review of economists' functions would have taken the study beyond its remit, it is not possible for this report to make a firm recommendation as to how the EcS Divisions might best be reorganised and their number reduced from 5 to 4. Looking purely at the statistical work, it would appear feasible to split up and abolish EcS6 at an appropriate time during the process of work transfer to Newport, since under the proposals in this report it would lose the equivalent of considerably more than one branch to BSO and its remaining functions are rather more heterogeneous than those of EcS3 or EcS5. These remaining functions could be re-distributed as follows:-

Company financial statistics (excluding acquisitions and mergers-see below - and the company accounts analysis work destined for Newport, and also excluding the source and uses of funds inquiry if this is abandoned at the end of 1980) - this work could be moved either to EcS3, on the grounds that it should be linked

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more closely with advice given by that Division on the problems of particular industries or companies, or to EcS4 because its present macro-economic emphasis links with other EcS4 work.

Other financial institutions (finance houses, insurance companies etc) - this work is at present within the same Chief Statistician responsibility as company financial statistics; this could continue or, if for example EcS3 were able to absorb company financial statistics alone without an increase in their complement of Chief Statisticians, the work on financial institutions could be moved separately to EcS5 in view of its links with overseas transactions work and other Department of Trade policy interests.

Statistics of acquisitions and mergers - this work would fit in well with the Office of Fair Trading (OFT)'s scrutiny of acquisitions and mergers (there is a small element of duplication at present) and should be offered to them on condition that they maintain the publication of these statistics and the supply of information to the CSO and other interested parties.

Overseas transactions - belongs naturally in EcS5 as part of the balance of payments responsibilities of that Division.

Films - this forms only part of a statistician job which could also be absorbed in EcS5, possibly in the section dealing with tourism.

Data on qualified manpower - could be absorbed by EcS3.

4.11 In addition to the saving of an Under Secretary post from an EcS reorganisation, it should also be possible to save a Chief Statistician post, because:-

(a) the reorganisation should enable BSO to take on more than the equivalent of two Chief Statisticians' areas of responsibility without requiring more than two extra Chief Statisticians (and this expansion may be partly offset by the probable loss of a Chief Statistician post at BSO as a result of a 10% cut); and

(b) other reductions in EcS work should leave some free Chief Statistician capacity.

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This saving ought to be achievable by either EcS3 /EcS4 (in the case of company financial statistics) or EcS5 (in the case of overseas transactions) taking on their extra responsibilities without an increase in the number of Chief Statisticians. The decision between the two would depend primarily on the destination of the EcS6 work on other financial institutions. However, all the options for reorganising EcS as a whole should be further explored in conjunction with the complementing staff of Establishment Management Services and Manpower Division.

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SECTION 5

Efficiency of working methods and in other uses of resources

5.1 The fall of over 20% in BSO's output of statistical forms between 1976 and 1978 was accompanied by a reduction of only 6% in BSO and EcS staff between 1 January 1976 and 1 January 1979. Thus cost per form processed has risen faster than the rate of inflation. There are many possible reasons for this - the demand for statistical analysis of existing data has probably increased; special efforts have been needed in some inquiries to catch up on previous unacceptable delays in the production of results; and there are inevitable time-lags and teething troubles before full advantage can be taken of changes in the scope or method of inquiries. But these figures provide a prima facie basis for examining why faster progress in cost-saving has not been possible.

5.2 Neither BSO nor EcS display any lack of awareness of the latest working techniques or mechanical and electronic aids nor any lack of willingness to introduce them. BSO are well advanced in computing techniques and are examining the feasibility of database management systems and the scope for further progress in computerisation once their new computer has been introduced in the early 1980's; they have also introduced word processors and automatic mailing machinery successfully. EcS are developing the use of a mini-computer for small statistical inquiries with very promising results. The overall impression given by BSO in particular is of a modern and well-organised office.

5.3 However, in any large organisation small pockets of outdated or inefficient practices may be overlooked. The interface between human beings and machines has attracted particular attention during the study. It has been argued by many of those interviewed within the statistical services that the existence of a large computer branch (some 300 staff) at BSO entirely separate from the sections responsible for particular inquiries has contributed to inefficiency in this area. In the short term there is no alternative to this arrangement, because BSO's ADP resources will need to be carefully marshalled to ensure the smooth introduction of the new computer. In so far as the overriding requirements of that task permit, it is desirable that existing liaison arrangements between ADP and inquiry sections should be embellished by more intensive participation of systems analysts in these sections' work, leading eventually to some outposting of systems analysts in inquiry sections. In the longer term computer-related work is likely to become so dominant throughout the BSO that the distinction between the computer branch and the rest should be largely broken down altogether.

5.4 More specifically, the study has led to the following findings and recommendations:-

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- (a) Use of building and land - BSO's building and land, which are Crown property, will remain under-utilised even after the proposed move of EcS work to Newport has taken place. It is recommended that the Departments of Industry and Trade as a whole should consider whether any further work could conveniently be located in the building; and when these possibilities have been exhausted, PSA should be informed of the remaining accommodation and land available so that they can explore other possibilities.
- (b) Further computerisation - Quite apart from the advances in computing techniques which can be expected in the 1980's and in which the statistical services are keeping a close interest, there is scope for examining what further savings could be achieved through existing computer techniques in a number of activities. It is recommended that such an examination should be set in hand, or continue in cases where work has already begun during the study, on the activities listed, with commentary where appropriate, at Annex F. All EcS Divisions should also review the possibility of moving their computer work to the new BSO computer once this is in operation.
- (c) Double-banking with computers - A number of examples of double-banking between human and computer work have been discovered. For example, staff on some BSO's inquiries perform checking operations which the computer is programmed to perform subsequently; and BSO's register of some 100,000 manufacturing establishments is maintained manually on cards as well as on computer files because of inadequate access for the register clerks to the computer. These instances are also itemised in Annex F, with recommendations for remedial action.
- (d) Manufacturing register - BSO's central register of companies derived from VAT data is at present only partly used because all manufacturing inquiries are based on the longer-established register of production establishments. A working party is at present examining this problem, which is complex and will take a considerable time to solve. But it is important that the cost advantages of a unified VAT register are given full weight against certain statistical arguments (such as continuity of statistical series) for adhering to the existing manufacturing register.
- (e) Data preparation costs - In one area of operations where direct comparison of costings with the private sector has been possible - data preparation - the BSO's costs appear to amount to more than twice the price being offered by a

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local data preparation bureau. Although BSO must of course look at all possible means of reducing their costs, CSD should also consider the problem, since BSO's costs are not out of line with those of other Government dataprep operations. It is recommended that the proficiency allowance for data processors should be examined, as 80-90% of BSO's data processors have little difficulty in reaching and maintaining the required level and little incentive to achieve more; and that any constraint on employing casual labour (eg on an occasional evening shift) to avoid keeping permanent staff to cover the peaks in workload should if possible be removed. If these and other areas of study do not produce significant savings, BSO should consider contracting out such proportion of their dataprep work as is not covered by the requirements of commercial confidentiality. On the other hand, this would produce operational disadvantages, because this work is useful in smoothing out some of the peaks and troughs in BSO's dataprep section.

(f) Management services BSO has its own management services unit which is generally used to the full within the Office but represents a substantial overhead. In order to ensure that the unit is efficiently employed on tasks of greatest priority to the Departments of Industry and Trade, it is recommended that the unit should be brought under the control of the Departments' management services branch in London; it would continue to be based at Newport but could then be used for assignments elsewhere.

(g) Publications The main characteristics of business statistics publications appear to be proliferation of numbers, low prices and low sales. Over 350 separate Business Monitors are published, but sales revenue is little over £250,000 per annum and average sales little over 500 per publication (of which considerably more than half is accounted for by standing orders for complete sets from libraries, market research organisations etc). The overall policy of the Government Statistical Service has been to seek to keep prices as low as possible ^{consistently} with covering Her Majesty's Stationery Office (HMSO)'s costs of printing and distribution, with the objective of achieving the widest possible dissemination of statistics. However, in the field of business statistics it seems unlikely that the sales of publications are highly price-elastic, and many business users consider Business Monitors and similar publications ludicrously under-priced. It is not a complete answer to point out that industry incurs costs in providing statistics, since providers and users are far from synonymous. A logical approach would be a full pricing system for statistics, whereby the Government reimbursed providers and passed on the costs to users. But this would be impracticable without a vast bureaucracy to administer it. More modestly, it is

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recommended that, where the Government incurs costs in collecting and processing statistics which are to a major extent for the benefit of industry, a share of those costs should be borne by users through the prices of publications. Annex G suggest a number of publications to which this criterion would apply and indicates the steps which would be needed to put this policy into effect. On two related matters - the ordering of statistical publications by BSO and the system of allocating time to work for which external customers are charged by EcS5 - steps have been taken to tighten up existing procedures since the study began.

(h) Response-chasing. Procedures for chasing up non-responders to BSO and EcS inquiries vary between inquiries, being dictated primarily by the quality and timeliness required in the results. Non-responders normally receive two or three written reminders, followed (if there is still no response) by telexes or telephone calls with varying degrees of selectivity and in a few cases by visits. In most cases these procedures are operated sensibly and with good reason - are used selectively for those contributors whose returns are vital - telephone calls and visits to the accuracy of the results, and the full sequence is followed only where a prosecution is envisaged (since the Court has to be satisfied that all reasonable efforts have been made to secure compliance). The procedures can, however, on occasion be wasteful;

- (i) examples have been encountered of unselective chasing by telephone or telex after first results have been published, the main purpose of this work being to improve procedures for estimating missing results for those who have not responded initially to the inquiries;
- (ii) the value of written reminders seems also questionable on monthly inquiries where the results timetable is so tight that simultaneous telephone chasing of all key contributors may have to take place;
- (iii) the very large number of final written reminders which have to be issued on some annual inquiries (up to 50% of all firms covered by the inquiry) would appear to indicate that there is scope for relating the timing of reminders to the accounting years of the firms concerned, which in turn governs their ability to respond promptly.

It is therefore recommended that response-chasing procedures (both instructions and actual practices of staff) are reviewed on all BSO and EcS inquiries, with the objective of cutting out unnecessary response-chasing, whether by letter or by telephone. Some experimentation may be desirable in order to identify the most **cost-effective method in each case.**

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- (1) Personnel management. There is evidence that tighter personnel could contribute to reduction of costs, particularly if supported as necessary by Establishment Division. First, the incidence of sick leave at BSO appears high compared with the last national Civil Service figures (now 10 years old) and with all more recent surveys of particular Civil Service groups. (Unfortunately these surveys are few and do not cover any other parts of the Departments of Industry and Trade, where BSO seems unique in maintaining this aggregate data.) The BSO costing system shows an average of 16 days sick leave per head taken in 1978-79; further analysis to allow for maternity and other special leave in these figures has indicated, on a sample basis, an average of over 4 days uncertificated sick leave per annum for CO's and CA's and over 3 days per annum for EO's and above. The average uncertificated sick leave for 8000 MoD staff surveyed recently was 1.7 days. At present responsibility for looking into cumulative absences of sick leave rests with the Departments' Establishment Division in London. This responsibility needs to be exercised more energetically or devolved to BSO. Secondly, whilst BSO management is actively seeking to prevent abuse of the flexitime system (used by a large majority of BSO staff), line managers appear reluctant to override flexitime, as they are empowered to do, in order to ensure that operational needs are met. Thirdly, several managers who were interviewed were dissatisfied with the system for reporting adversely on idle or inefficient staff, believing that Establishment Division would not support them and would take all possible steps to avoid activating the procedure leading to possible premature retirement. Fourthly, several line managers in London commented on the poor quality of many of the support staff offered to them by Establishment Division observing that, if it were necessary to compel staff to take posts in EcS, Establishment Division should compel able (and numerate) as well as less able staff to do a tour of duty in EcS. It is recommended that Establishment Division should consider remedial action on all these four issues, including the possibility of giving a clearer lead to line managers on the second and third points.

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SECTION 6

Management and control

6.1 Sufficient evidence emerges from the preceding pages of this report to suggest that a more general review of decision-making and management in the statistical services would be justified. Many of the findings of this report are symptomatic of general problems, some of which are inherent in the existence of a large professional service which has both inter-Departmental and Departmental responsibilities:-

(a) Users of the service, often located in other Departments, do not have to bear the costs of the service and may not even be fully aware of their extent.

(b) The professional ethic of the statistician emphasises accuracy and timeliness as measures of achievement (although consciousness of the form-filling burden has greatly increased in recent years); this means that, in the absence of external pressures, it is difficult for a statistician as a manager to give or obtain credit for cost-saving at the expense of accuracy or timeliness, and cost has not always been given due prominence in submissions to Ministers on statistical matters.

(c) The Department providing the manpower and financial resources for the statistical service finds it difficult to question what appear to be professional judgements about the costs which need to be incurred in order to meet particular demands for information.

(d) The management tools necessary to instil a proper degree of cost-consciousness throughout the statistical service are lacking. EcS has no separate costing or budgeting system at all, and the statistical service is not identified separately in the Department of Industry's Estimates. BSO has an extremely elaborate computerised costing system, the main function of which is to generate publishable figures of the cost of BSO and of individual BSO inquiries (and these ought to be published more regularly than at present once the policy has been settled); but BSO does not use it to give line management either meaningful performance indicators or comparison with budgets.

6.2 What then are the existing procedures for control of the statistical services, and are they not adequate to overcome these problems?

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(i) A network of official Committees based on the CSO supervises BSO's statistical activities and decides on the overall programme of inquiries. These Committees are, however, almost entirely composed of professional statisticians; users other than the Treasury are not generally represented, nor are the financial interests of the Departments whose resources are being committed.

(ii) The Survey Control Unit of the CSO has to vet new inquiries and extensions to existing inquiries and has a particular remit to prevent duplication; but this is only a small part of the continuing programme of statistical work, and the Unit's primary concern is that the inquiry is not irresponsible or professionally unsound rather than that a Department's resources are being used in the most economical way.

(iii) Ministerial approval is sought for new inquiries and for extensions to existing inquiries, and the Permanent Secretary as Accounting Officer is consulted at the same time. But for most inquiries they have access to no other advice in the Department than the statistical service itself on the need for the inquiry; and they do not normally have the time to question statistical judgements in detail, particularly the key judgements on the margin which have featured in this report's findings on the current statistical inquiries.

(iv) A budget planning system has been proposed for BSO, under which an annual work programme would be compiled within the total resources available, discussed under the auspices of the CSO and submitted to Ministers for approval. This is a welcome development but still suffers from the defects of the decision-making machinery discussed above and begs the question as to how the Department decides what should be the total resources made available. The Department is rightly criticised in the statistical world if it proceeds by arbitrary cuts irrespective of the value for money obtained from its resources.

(v) Certain organisations within the Department do examine the statistical services from time to time - management services, staff inspectors and Internal Audit. However, these bodies have not generally had much success in questioning policy, which is essential here if 'value for money' is to be analysed by reference to the resources expended by the statistical services.

(vi) The statutory Advisory Committees on Production and Distribution Statistics provide a useful means of registering the views of external interests but are not of course concerned with the use of Government resources.

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6.3 Accordingly the conclusion^{and} of this study is that there are two important gaps to be filled in the management/control of the statistical services - a need for measures to improve cost-consciousness within the services and, as a logical consequence of a decentralised statistical service, a need to give the Department a bigger say in decisions on the statistical services so that the services are more genuinely accountable than at present to the Minister and the Permanent Secretary.

6.4 It will no doubt be objected that participation by Departmental officials in this decision-making process may cut across the existing inter-Departmental machinery and would involve the interference of non-statisticians with professional judgements. But there is no reason why the statistical services should not consult fully within the Department as well as outside it; and the relevant judgements are far from entirely statistical. They involve questions of resource availability, the strength of user needs (which as observed in paragraph 2.5 are essentially value-judgements), and judgements as to the desirability of imposing burdens on industry. The required accuracy of a statistical inquiry often turns out to be a moveable feast when confronted with these and other constraints.

6.5 The following measures are therefore recommended:-

- (i) revival of the budget planning system proposed last year for BSO;
- (ii) development of BSO's costing system, along lines which BSO staff have themselves been considering, so that it relates actual costs to budgets, highlights any other available cost/performance indicators, such as cost per form processed, and is actually used by all BSO's senior management; the bureaucracy involved in the system should also be reduced if possible, eg. by requiring returns less frequently than once a week from sections with a relatively stable mix of functions;
- (iii) drawing up of a costed annual work programme for EcS;
- (iv) involvement of Finance Division (FEA) at working level in the above processes, with possible management services assistance being needed to draw up the model for an EcS work programme;
- (v) a requirement on the statistical services to consult FEA and other interested Divisions on their detailed annual budgets and work programmes and on any new inquiries or major internal exercises before

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these are submitted for Ministerial approval - this consultation should take place both at working level initially and then through a Departmental Committee chaired by the Director of Statistics on which the Under Secretaries of FEA, Establishment Management Services and Manpower (EM), Industrial and Commercial Policy (IC) and certain other Divisions would sit or be represented and which users in other Departments would be invited to attend if they wished;

(vi) the reflection of the views expressed in this Committee as well as the views of the appropriate inter-Departmental Statistical Policy Committee in submissions to Ministers, thus assisting Ministers in using the criteria set out in paragraph 2.3 to assess the costs the benefits of the proposal; the Committee's views should also be reflected in regular reports to Ministers and to the Permanent Secretary as Accounting Officer on the annual work programmes for the statistical services and on progress in implementing the measures agreed as a result of this report.

Details of how the above Committee would be constituted and approach its task are attached at Annex H.

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SECTION 7

Savings arising from report

7.1 Savings of manpower or financial resources would be obtainable in a number of different ways if the recommendations in this report were implemented:-

- (a) Savings from the discontinuation of inquiries and other possible reductions in statistical activity listed in paragraph 2.7;
- (b) Savings from improved organisation of the statistical services - these will be mostly financial since the transfer of work from London to Newport will not directly save many staff (see paragraphs 4.1- 4.11);
- (c) Savings from computerisation and other changes of working methods (paragraph 5.4);
- (d) Savings flowing indirectly from the recommendations designed to achieve greater cost-consciousness within the statistical services and tighter control of the relevant resources by the Department (paragraph 6.5).

7.2 There are many imponderables which will influence the timing and amount of the savings. The savings from the proposed reductions in statistical activity will depend in some cases on discussions with users and would not all be achieved quickly; moreover, a reorganisation of the relevant branch or section may be needed to realise some of the savings because the work involved forms only a part of the jobs of several staff. The organisational changes would also take a considerable time to plan, and the potential savings would be realised only when the new organisation had settled down. Indeed costs at the time of the changes themselves would temporarily increase because of the disruption which transfers of work generally cause. The savings obtainable from computerisation and improved working methods would also need time to be realised, particularly as BSO will be unable to take further significant steps in computerisation until their new computer is installed and in operation (probably from 1981). Some of the savings in the different categories are also interrelated, since for example it may be wasteful to proceed with implementation of new working methods until the content and organisation of the work has been finally settled.

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7.3 Accordingly it is only possible to give, with any degree of confidence, a range of possible savings for each of the categories (a)-(c) above, with a similarly broad time-span for the achievement of the savings. Savings from the recommendations in category (d) are of course unquantifiable. The savings estimated below are in addition to a 10% option cut but assume that in all other respects the present workload and organisation would otherwise have remained unchanged over the next few years:-

(a) Recommendations on inquiries - Excluding savings which would be achieved if the monthly Index of Production were transferred to a quarterly basis (probably some 20 staff), total potential savings from implementation of all the recommendations in paragraph 2.7 are estimated to range between 35 and 50 staff. The bulk of this saving would come from putting the annual distribution and service inquiries on to a biennial basis, and savings could not accrue from this change before 1982. If this recommendation were not implemented, total savings would amount to only 10-20 staff. It seems likely that these savings could be achieved by 1981/82. Additional financial savings would accrue from a reduction in demand for computer processing time. Total financial savings (excluding savings from discontinuation of a monthly Index - some £400,000) would amount to between £500,000 and £600,000 at 1979-80 prices, or £100,000-£200,000 without the recommendation on the annual distribution and service inquiries.

(b) Recommendations on organisation - The total estimated staff savings from the rationalisation of construction statistics work, the transfer of certain functions from EcS to BSO and the abolition of EcS6 would be in the range of 10-20. (The estimated saving on construction, 3-6, represents the combined saving between DoE and BSO and would not therefore be reflected fully in BSO's own figures). It is unlikely that more than 3-4 of these posts could be saved before 1982, and at that time the saving would be outweighed by a temporary increase in staff to cover the transfer of work to Newport. The full saving might not be realisable until the mid-1980's. Financial savings are estimated at £600,000-£800,000.

(c) Recommendations on working methods and use of resources This is the most difficult area in which to provide even a rough order of magnitude; but as a broad guide the potential staff savings from the recommendations should

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be in the region of 15-30, achievable gradually over the period 1980-85. Taking account of possible additional financial savings from the recommendations to improve utilisation of the building and to raise the prices of certain publications, total financial savings could vary between £150,000 and £500,000.

Total Savings

7.4 The total estimated savings from implementing this report in full (excluding any action on the monthly Index of Production) should therefore be within the range of 60-100 staff and between £1,250,000 and £1,900,000 at 1979-80 prices, spread over the period 1980-85. This represents 4½-7½% of total staff and 9-13% of the total costs of the statistical services at present levels. The actual outturn may not necessarily undershoot by these amounts the current manpower and financial projections for the statistical services as reduced by a 10% cut, since the totals will of course be influenced by many future policy decisions and possible efficiency improvements which the study could not have taken into account.

Department of Industry

25 October 1979

MANPOWER AND COSTS OF STATISTICAL SERVICES

(Staff in post on 1 July 1979; cost estimates for 1979-80 from Ready Reckoner)

Numbers in grade

Grade	<u>Numbers in grade</u>		<u>Total</u>	<u>Average salary cost</u>		<u>Average salary cost</u>		<u>Basic staff Cost + accommodation + Common Services</u>	
	<u>BSO (Newport)</u>	<u>EcS (London) (incl Dep Sec)</u>		<u>BSO (£)</u>	<u>EcS (£)</u>	<u>Cost EcS (£)</u>	<u>Cost EcS (£)</u>		
Deputy Secretary		1	1	-	25,216		25,926	38,230	
Under Secretary	1	3	4	20,811	65,367		67,347	99,705	
AS	1		1	17,924	-		-	-	
Chief Statistician	4	9	13	70,964	168,021		174,411	258,075	
Senior Principal	1		1	15,892	-		-	-	
Principal	12	2	14	151,752	27,148		28,568	42,712	
Statistician (+1 PRO(R))	9	35	44	107,964	452,375		477,225	714,805	
SEO	27	4	31	277,398	44,808		47,648	71,852	
Sen Asst Statistician	3	11	14	22,428	93,214		101,024	154,484	
Asst Statistician	2	3	5	10,676	19,014		21,144	32,982	
HEO	94	43	137	783,302	400,674		431,204	655,277	
HScO		1	1	-	8,571		9,281	14,182	
Librarian	1		1	8,333	-		-	-	
EO	232	74	306	1,420,536	527,028		579,568	897,324	
Asst Librarian	1		1	6,123	-		-	-	
CO	371	112	483	1,626,835	602,784		682,304	1,083,152	
CA	78	11	89	270,348	49,324		49,324	84,535	
SPS		1	1	-	7,234		7,234	10,252	
PS	7	12	19	36,232	74,076		74,076	104,964	
Snr Sup Typists	2		2	12,142					
Sup Typists	1		1	5,364					
Typists	23		23	85,376					
Photoprinter I	1		1	4,378					
Photoprinter II	1		1	3,671					
Snr Data Processor	24		24	120,600					
Data Processor	81		81	304,398					
Office Keeper II	1		1	5,462					
Chief Paperkeeper	1		1	4,798					
Snr Paperkeeper	4		4	17,972					
Paperkeeper	12	1	13	52,416	5,031		5,031	7,108	
Telex Op	1		1	4,205					
Telephonist	4		4	13,352					
Snr Messenger	3		3	12,162					
Messenger	17		17	63,648					
Total	1021	321	1343	5,557,462	2,569,855		2,776,815	4,269,639	

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BSO manpower costs in the table are confined to average salary costs, since BSO are able to cost their services element separately as follows (1979-80 forecast at 1978-79 prices plus 15%):-

Personnel	<u>£ 000</u>
- Direct manpower costs (brought forward from table)	5,557
- Allowances for ADP programming, proficiency & shift working	77
- Travel and subsistence	85
- Training	47
- Other	3
Accommodation	
- Rental, rates, fuel, furniture, maintenance	1,193
- Telephone and telex	207
- Security	52
- Cleaning	60
Plant and machinery	
- Depreciation	325
- Hire	64
- Maintenance	253
- Interest and insurance	40
Office services	
- Printing and stationery	239
- Postal and freight	115
- Other	2
Headquarters services	900
	<hr/>
Total forecast cost of BSO 1979-80	<u>£9,219,000</u>

EcS The following are the 1979-80 estimates of the major identifiable costs of EcS work not included in "basic staff costs + accommodation + common services" overleaf:-

Computer costs (other than BSO computer)	-	£185,000
Travel and subsistence	-	£ 45,000
Supply of fiches from		
CRO for company accounts work	-	£ 10,000

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Add: Staff cost, accommodation, common services	-	£4,270,000
(brought forward from table)		
Total forecast cost of EcS 1979-80		£4,510,000

In addition, the Office of Population Censuses and Surveys is expected to incur costs of £610,000 in conducting the International Passenger Survey, which EcS use in their work on estimates for the balance of payments and on tourism. Substantial costs are also incurred by HM Customs and Excise in preparing the trade figures for use by EcS, but these have not been included in the calculations since it is difficult to identify to what extent they are determined by EcS requirements; they are also under separate review by Customs as part of the option cuts exercise.

Revenue Forecast revenue of BSO and EcS from work charged to non-exchequer customers in 1979-80 is £44,000.

Therefore, total net cost of the statistical services in 1979-80 is estimated at:-

	<u>£ 000</u>
BSO	9219
EcS	4510
OPCS cost of International Passenger Survey	610
	14,339
Less: Revenue	44
Total	14,295

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ANNEX B

MAJOR STATISTICAL INQUIRIES CONDUCTED BY BSO AND EcS

<u>Inquiry</u>	<u>Frequency</u>	<u>No of forms issued 1978</u>	<u>Forecast cost 1979-80 (£'000)</u>
<u>BSO</u>			
Engineering Sales and orders	} Monthly	73,600	482
Production, stocks and orders in certain manufacturing industries			
Manufacturers' Sales	Quarterly	100,500	2799
Census of production (manufacturing)	Annual	34,100	1189
Census of production (construction)	Annual	13,400	195
Manufacturers' purchases	Occasional (1968; 1974; 1979)	-	121
Expenditure on research and development	Triennial	4,600	45
Building materials production	Monthly and quarterly	8,300	78
Minerals raised	Annual	3,500	80
Fuel stocks consumption of large users	} Monthly and quarterly	10,200	91
Purchases of fuel by large users			
Electricity generated by large users			
Short-period inquiries into distributive and service trades	Monthly and quarterly	66,700	413
Retailing (turnover, purchases etc)	Annual	25,000	622
Capital expenditure and stocks in distributive and service trades	Annual	67,300	} 448
Film exhibitors	Annual	1,600	
Register proving and other miscellaneous forms		20,900	
Total BSO		431,300	6563
<u>EcS</u>			
Capital expenditure	Quarterly	14,000	140
Manufacturers' stocks	Monthly and Quarterly	14,800	120
Investment intentions	4-monthly	7,700	50
Wholesale prices	Monthly and Quarterly	124,200	590
Overseas transactions	Quarterly and Annual	9,200	275
Company liquidity and sources and uses of funds	Quarterly	1,600	35
Steel Stocks and consumption	Quarterly	1,600	50
Financial institutions	Monthly, quarterly, annual	5,300	110
		178,400	1370

Footnote: BSO inquiries are costed at 1978-79 prices plus 15%; EcS costs are at 1979-80 prices.

Cost - Benefit Survey Results - June 1979

Figures given are the number of companies indicating a certain answer expressed as a percentage of the total number of replies received for the particular question.

Statistics

Is it easy for you to supply these statistics from your company records?

Are the published statistics useful to your company?

In your judgement is the amount of data justified by the level of usefulness of the results to your company?

	<u>Yes</u>	<u>No</u>	<u>Yes</u>	<u>No</u>	<u>Yes</u>	<u>No</u>
Quarterly Manufacturers' Sales	93	7	65	35	57	43
Monthly Wholesale Prices of Materials and Fuels Purchased	75	25	81	19	82	18
Monthly Wholesale Output Prices	55	45	82	18	100	0
Monthly Figures of Sales and orders for certain industries* X	100	0	73	27	86	14
Triennial Statistics of Research and Development Expenditure	0	100	73	27	50	50
Quarterly Statistics of Corporate Liquidity	33	67	75	25	33	67
The various statistics derived from the Annual Censuses of Production, including the Classified Lists of Businesses and the Operating Ratios	14	86	78	22	58	42
Quarterly Corporate Profits	78	22	59	41	58	42
Statistics derived from annual overseas transaction inquiries.	25	75	47	53	11	89
Quarterly data on capital expenditure and stocks	80	20	56	44	40	60
Statistics of Earnings and Hours of Manual workers (April and October Surveys)	86	14	80	20	80	20
Annual New Earnings Survey Statistics	67	33	93	7	67	33
Employment Statistics	90	10	79	21	63	37

* Timber, Clothing, Engineering and Machine Tools Industries

RECOMMENDATIONS ON STATISTICAL INQUIRIES

This note contains detailed facts and arguments, as appropriate, to support the specific recommendations on reductions in statistical inquiries listed in paragraph 2.7 of the report -

(i) BSO quarterly inquiries on manufacturers' sales

2. The report recommends that the possibility of cutting out certain industries altogether from the quarterly inquiry system should be investigated. There are four possible reasons why the inclusion of such industries may be unnecessary:-

(a) Alternative sources of data may already be used to meet both Government and industry needs - this is the case with inquiries into 5 food and drink industries currently conducted for MAFF (milk and milk products; sugar; cocoa, chocolate and confectionery; biscuits; and animal and poultry foods).

(b) Existing monthly inquiries to service the Index of Production may (if they continue - see (ii) below) be sufficient to meet any other need for quarterly information.

(c) Trade associations may be collecting detailed sales or production information which would be, or could be adapted to be, sufficient to meet the Government's needs.

(d) Certain inquiries may be of little or no use to the policy divisions or industries concerned, either because they do not enter into a sufficient level of product detail or because they exclude sectors of the market which are needed to give the figures any economic meaning.

3. Clearly, with a total of 160 industries in the quarterly inquiry network, any findings from this study about specific industries are bound to be fragmentary. However, possible examples of industries in each category have been encountered. In category (b) might fall most of the sectors of the textile industry for which the monthly Index of Production is already serviced by data collected by the Textile Statistics Bureau in Manchester, the Wool Industry Bureau of Statistics in Leeds and the Man-Made Fibre Producers Committee in London. In addition, if a 10% option cut leads to a severe reduction of the product detail at present collected on a quarterly

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basis, it would not appear worthwhile to retain any form of separate quarterly inquiry into the sales of most of the engineering industry, for so long as the monthly inquiries for the Index of Production continue. Examples of category (c) are aluminium, domestic electrical appliances and paper. In category (d), the British Internal Combustion Engine Manufacturers continue to collect their own production figures because BSO's quarterly sales figures exclude in-house manufacture by certain users of engines and therefore have no economic meaning in their view; and statistics of button sales are collected but no longer separately published because too large a proportion of button manufacture is unidentifiable from other product headings to enable a meaningful total to be calculated.

4. It is recommended that, when a decision in principle has been reached about the frequency and level of detail at which these inquiries into product sales should continue in the light of a 10% option cut, all trade associations which are known to have a statistical capability should be asked about the feasibility of their undertaking these inquiries instead of the Government. This consultation should extend not only to establishing whether trade associations collect data which would be sufficient for Government purposes in its present form but also to asking whether trade associations could adapt their own statistics so that they met both industry and Government needs. Where trade associations express strong interest in the continuation of the relevant BSO inquiries, the possibility of sharing the costs through higher prices for Business Monitors (see Annex G) should be explored. Conversely, the Government should be prepared to pay for trade association data (as it does at present for monthly textiles statistics) where this is more economical than maintaining the BSO inquiry. Finally, where no real need for the product breakdown of an industry is discovered, the collection of the data should of course cease.

5. It is, however, important to maintain a system which provides consistent and comparable statistics covering all the industries where these are needed and enabling overall indices of production to be calculated and other related statistics such as the wholesale price index and the input/output tables to be properly weighted by product. This means that the Government can only leave statistical collection to trade associations in this field where the relevant industries are reasonably self-contained, where trade association membership covers the vast majority of manufacturers and where the trade association is willing to provide sufficient back-up information to enable Government statisticians to use the figures for their various purposes. The general judgement of this study is that these criteria are unlikely to be met for a large number of industries, although it would be reasonable to expect them to be met in a sufficient number of cases to make the exercise worthwhile.

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(ii) Monthly manufacturing inquiries for Index of Production

6. Since Department of Industry statistics provide the main input into the calculation of the monthly Index of Production, it has appeared more logical to consider the need for the Index as a whole than to examine the Department's input to it separately. The compilation of the full Index is, however, the responsibility of the CSO rather than the Department, and the main user is the Treasury.

7. The following arguments have been put forward during the study to justify a monthly Index of Production as against the possibility of relying on quarterly data:-

(a) The Index is one of a number of leading economic indicators which are collectively essential to the formation of economic policy by the Government. If quarterly figures were used, production data would lag considerably behind other indicators which are available on a monthly basis, such as retail sales, trade figures, price indices and unemployment.

(b) Monthly figures indicate developments within a quarter, such as the effect of strikes, more precisely than a quarter's figures could do and enable upward or downward trends to be spotted more quickly.

(c) The Index is given much attention by industry, the press and Parliament, and the Government would be heavily criticised for dropping it.

(d) An EEC Directive requires monthly indices of production to be supplied to the Commission, and no other member state has showed any sign of wishing to escape this obligation.

(e) The data is relatively straightforward for industry to provide, and small firms are in general outside the scope of the monthly inquiries.

8. The reasons for nevertheless questioning the cost/effectiveness of the Monthly Index are as follows:-

(a) The Department of Industry's contribution to the Monthly Index requires some 25 staff and expenditure of over £ $\frac{1}{2}$ million per annum at current prices. Further manpower and financial resources are involved in the CSO and other Departments.

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(b) The total cost to industry of filling in the forms, passing them backwards and forwards and answering queries is probably at least as much again; some 70,000 forms per annum are sent out in the course of the Department's monthly inquiries.

(c) It is difficult to identify any particular macro-economic policy decisions which depend critically on up-to-date information from the Monthly Index.

(d) Whilst the Index is certainly of general interest, little use appears to be made either inside or outside Government of the disaggregated indices for individual sectors of industry, either because the general need is for quarterly and more detailed information or because the disaggregated indices are not considered sufficiently reliable. Thus there is no major micro-economic ('spin-off' from the monthly inquiries which could not be undertaken satisfactorily on a quarterly basis.

(e) Ad hoc arrangements can be mounted to monitor the effects of strikes, as was done during the road haulage dispute earlier this year.

(f) With the quarterly sales inquiries likely to be reduced considerably in the detail they collect, the element of duplication between the monthly and quarterly inquiries will become more obvious and more difficult to defend. The opportunity of such a major change in the quarterly system could be taken to absorb the information previously collected monthly, with a reasonable expectation that the data for a quarterly Index could be provided considerably more quickly after the end of a quarter than is the case at present. This approach should also mean that more than two-thirds of the cost of the monthly inquiries should be saved by moving to a quarterly Index.

9. It is recommended that Ministers should consider the cost/effectiveness of the Monthly Index, which they have not previously been given the opportunity to do, and should decide between three options:-

Option A - decide in principle to reduce the frequency of the Index from monthly to quarterly and seek the support of our EEC partners for an amendment to the relevant Directive, as is being attempted for the Directive governing the Annual Census of Production.

Option B - maintain the monthly Index in its present form.

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Option C - maintain a monthly Index on a cruder and cheaper basis, whereby detailed statistics would be collected only on a quarterly basis but a monthly estimate would be made by extrapolation from the quarterly figures, supported by monthly production data obtained from a few hundred large manufacturing companies by telephone and by other general indicators such as Department of Employment data on overtime and short-time working. This option would be designed solely to meet any macro-economic policy needs and our EEC obligations and would have to be supplemented, eg by extension of the monthly telephone requests for information, if more detailed monitoring of the effects of major strikes were required.

10. A small number of monthly inquiries in the manufacturing sector are maintained for reasons other than the Index of Production, and the need for these to remain on a monthly basis has been reviewed. The monthly inquiry on paper is in the process of being handed over to the trade association; and a similar handover of the inquiry on imported timber is already under discussion. It is now recommended that discussions should also be opened with the trade about the monthly inquiry on wood chipboard and that the same approach should be adopted on both timber and wood chipboard - if the trade are unable to take over the inquiries, the work should only continue for as long as is considered necessary for Government purposes alone, and the Government should seek to secure a sharing of the costs by the trade through the pricing of the relevant Business Monitors (see paragraph 5.4(g) and Annex G).

11. If both monthly and quarterly inquiries into sales of the engineering industry are allowed to continue, it is recommended that the practice of asking for employment and export sales information in both inquiries should be stopped. Employment is used primarily as a means of checking the basis on which the sales data has been reported; even if the monthly and quarterly figures are received from different units of the company and cannot be reconciled, it should only be necessary to ask about employment in the monthly inquiries once a year. In general, export sales data duplicates Customs figures and has been retained only for those industries where the trade figures are deficient; but for these industries it does not appear necessary to ask for this information on a monthly as well as a quarterly basis.

(iii) Annual distribution and services inquiries

12. The main issue here is - how much is the Government prepared to pay (and to require the trades concerned to pay) to secure an annual rather than a biennial benchmark for use in adjusting estimates in the national accounts based on the

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results of shorter-period inquiries? The prime purpose of the annual inquiries into the distributive and service trades is to provide such benchmarks for the quarterly inquiries into capital expenditure, for the quarterly wholesalers' stocks inquiry, for the monthly inquiry into retail sales and stocks and for the quarterly inquiries into turnover in the catering and motor trades. These shorter-period inquiries use smaller panels consisting mainly of the largest companies. The annual inquiries ask questions on other subjects too; but there is no need to seek this further information annually. Indeed such information was obtained only on a very occasional basis until the new system of annual inquiries based on the VAT register was set up in the mid-seventies. However, the commodity detail of sales obtained from the annual retailing inquiry is now used to re-base the monthly retail sales inquiry each year.

13. The savings obtainable by transferring the annual inquiries to a biennial basis, alternating between distribution and services in order to smooth out the BSO's workload, would be of the order of 30 staff and up to £400,000 per annum. Some 90,000 forms per annum are involved, and henceforth firms would receive these forms every second year. The cost of the present inquiry system to industry is difficult to estimate, but evidence suggests that, although many small firms would be able to complete their annual forms in an hour or less, the time and cost of dealing with the forms is increased for many others by the need to pass on the forms to their accountants; and larger firms would expect to take considerably longer to fill in their more complicated returns. On these assumptions the saving to industry from biennial inquiries should comfortably exceed the saving to Government.

14. The main effect of a move to biennial inquiries would of course be that, for one year in two, the benchmarking of the results of the shorter-period inquiries would occur 4 quarters later than at present. The time-lag for the other year would be unaffected. The value of an annual benchmark must be judged against a number of criteria, and perhaps the most important is the time when the benchmarking process takes place. The results of the annual inquiries into the distributive and service trades are not normally available until 15-18 months after the end of the relevant year. Thus the national accounts are reliant on the results of shorter-period inquiries for as many as 9 quarters before the annual benchmark information becomes available, and the annual results do not influence the weighting of the monthly retail sales inquiry until the third year after the year to which they relate. Whilst the annual benchmarks may therefore improve the reliability of the national accounts as an historical record, it seems likely that any policy decisions which

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might be influenced by information on the capital expenditure, stocks and turnover of the distributive and service trades (or indirectly by their effect on the rest of the national accounts) would have been taken on the basis of the results of the shorter-period inquiries. The inescapable time-lag on annual inquiries must also limit their usefulness in short-term forecasting.

15. It is therefore arguable that, where there is a large and erratic divergence between the short-period and annual inquiry results, it would be more cost/effective to improve the short-period inquiries than to improve or even maintain the annual benchmarks. In fact, for the main aggregates important in the national accounts the annual inquiries for 1977 (the most recent year for which results are available) have not generally caused major revisions to the estimates which appeared in the 1978 Blue Book. The revision for capital expenditure in the distributive and service trades was roughly 2% of the figure given in the 1978 Blue Book; the revisions for individual sectors were considerably larger than 2% in some cases but were in general well within the year-on-year change experienced in 1977. The revision for retail turnover was approximately 1%. For retailers' stocks the revision was 11% in cash terms, although the short-period inquiry results were extremely accurate on stockbuilding as a percentage of total stocks. On wholesalers' stocks the quarterly inquiry results were much less accurate, with a 22% revision being generated by the annual inquiry. The annual inquiries have occasioned larger revisions to some of these aggregates in earlier years, but in view of the development of the VAT-based register it would appear more reasonable to look forward than back in assessing the likely effect of biennial benchmarking. The transfer of the quarterly wholesale stocks inquiry to the same VAT-based register as the annual inquiry should improve congruence between the two, and as explained in paragraph 27 below the proposed move from monthly to quarterly collection of retail stocks information may also make possible an improvement in the quality of this inquiry. In the longer term the quarterly capital expenditure^{inquiries} could be improved by transfer to the BSO register, (see paragraph 4.8 of the report).

16. On balance, the annual benchmarking process does not appear to justify the substantial extra cost compared with biennial inquiries. (Although a similar argument could be raised on manufacturing industry, information on the distribution and services sector is not governed by EEC obligations and is not so much demanded on a regional basis as in manufacturing, where the Scottish and Welsh Offices consider information on capital expenditure from the Annual Census to be essential). To give as much time as possible for improving the congruence between quarterly and annual inquiries before the change takes place, it is recommended that the annual inquiries

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other than for the motor trades should become biennial with effect from 1981 or 1982.

17. The quarterly inquiries into the turnover of the catering and motor trades are at present under discussion between the Departments' statistical services and the CSO with a view to eliminating one of them as part of BSO's contribution to a 10% cut. If, as seems likely, the quarterly motor trades inquiry is dropped because of its poor quality, the annual motor trades inquiry will need to be retained for national accounts purposes. (The estimated savings from a move to biennial inquiries allow for this.) The annual catering inquiry could, however, be part of a general move to biennial inquiries if its quarterly counterpart survives.

(iv) Investment intentions survey

18. (a) Need for spring survey This was introduced as a post-budget survey mainly at the request of the Treasury but has been little used by them in the last two years. The saving to the Government from abandoning this survey would be small, because of the continuing need for the August and November surveys. But some 2500 fewer forms would have to be filled in by industry; and the nature of the information may require the form to be filled in at a more senior level in a company than is the case with information about past sales, for example. The current fee recoverable from the EEC for supplying the results of the manufacturing sector of the spring survey on a contract basis is roughly £3500, compared with a total cost of well over £10,000. If the whole EEC contract were lost as a result of discontinuation of the spring survey, the total EEC contribution forgone would be roughly £7000.

(b) Need for asset breakdown of manufacturers' investment intentions
Manufacturers are at present asked in the August and November surveys to split their forecast investment into buildings, plant and machinery and vehicles. However, no significant use has so far been made of this breakdown. The total for vehicles is automatically added to that of plant and machinery; and although buildings are kept separate in the grossing-up calculation to estimate total investment, the effect of this separate grossing-up on the total does not appear substantial in view of the relatively small proportion of total investment which buildings represent. Interpretation of the results of the survey is based on the total investment figures rather than the asset breakdown. Accordingly the asset breakdown appears to have been a waste of Government time in processing returns and a waste of industry's time to the extent that firms

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may be making a special effort to forecast their asset split for the purposes of the survey. The Division responsible for the surveys have argued that they may soon begin to use the information to take account of the differences in the patterns of leasing and of price expectations between different types of asset, but it is difficult to accept that such possible uses are essential or that they could provide worthwhile results without further requests for relevant back-up information from industry.

19. An asset breakdown is, however, needed in the survey of the distributive and service trades, where expenditure is more evenly spread over the three types of asset and changes in the asset mix have to be taken into account in forecasting.

(v) 1979 inquiry into manufacturers' purchases

20. This inquiry, which is needed only every 5 or 6 years, is inescapably complex for firms because its objective of tracing the flow of goods through the economy involves obtaining information which firms would not necessarily collect for their own management purposes. Firms may well take some 3 man-days to fill in the forms, and it would be inconsistent with the objectives of the inquiry to simplify the breakdown of purchases in the forms sent to smaller firms.

21. The smallest firms are excluded from the inquiry by cut-offs related to employment which are designed to leave a reasonable proportion of each industry within the scope of the inquiry. Although most industries have been given cut-offs which exclude all establishments with less than 50 or 100 employees, establishments with 35-49 employees are to be included in the inquiry for 19 industries where a 50-employee cut-off would have reduced the coverage (by employment) to less than two-thirds. In fact, however, the sending of some 1200 forms to these small firms will only increase the average coverage of all 19 industries from 57% to 63% of employment even if all respond; and, assuming on the basis of past experience of purchases inquiries that only a 50% response can be obtained from firms of this size, the actual increase in coverage by employment is likely to average only 3 percentage points on an expected overall response of 40-45% for these industries. The burden imposed on the firms which do reply and the cost to BSO of sending out the forms and chasing up replies would appear to outweigh this small statistical gain. It should be borne in mind that, by the time the results of the inquiry become available for reweighting indices and other economic purposes, the effect of the time-lag would arguably render such fine tuning nugatory so far as any future policy use was concerned.

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22. This is a prime example of a marginal statistical decision which it is difficult for Ministers to question in depth but where non-statistical judgement is of great importance. It could be argued that the above approach could be used to erode statistical samples almost down to nothing, since the marginal element in any sample could be cut down in the same way. Such an extension of this approach would be a mistake; but it is reasonable to use the approach to question areas where some particular statistical refinement, such as the special 35-employee cut-off in this case, needs to be justified.

23. Although Ministers have approved the 1979 purchases inquiry, it is not too late to prevent forms being sent to the 1200 establishments concerned.

(vi) Research and development - Scottish and Welsh information

24. BSO have provisionally agreed with the Scottish and Welsh Offices that firms which acknowledge that they undertake research and development work in Scotland or Wales should be asked to provide separate information on this work in addition to their figures for the UK as a whole. In response to requests to reassess their need for this information, the Welsh Office agreed that it was not essential, but the Scottish Office insisted that the information would be important in assessing the prospects for Scottish industry and particularly for high technology industries. The Scottish Office also argued that, as information had to be collected for the UK as a whole, there would be little extra cost either for Government or for industry in generating separate information for Scotland.

25. Since this information has not been collected previously, the cost to industry is difficult to assess. It will depend on how many of the 1700 firms likely to be covered by the inquiry have research and development facilities in Scotland and Wales and on how easy it would be to identify expenditure in these countries separately. In the CBI survey at Annex C, information on research and development is shown to be extremely difficult for most firms to extract. It may therefore be deduced that, for large firms with operations covering England, Scotland and Wales (or any two of these), a breakdown by country may present even greater difficulties. For companies operating solely in Scotland or Wales or owning identifiable and separately costed research establishments, there would of course be no extra cost. The cost to Government would partly depend on the cost to industry, in terms of the numbers of firms involved and the possible difficulty in obtaining an adequate response. But it is doubtful whether the cost would exceed the equivalent of one man-year.

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26. Since the exploitation of research and development through production would not necessarily be influenced by the location of the R & D, it is difficult to see how the details of research and development in Scotland could be put to effective use either in economic forecasting or in policy formation. On balance, the benefit obtainable from the information would appear unlikely to match even a small extra cost to firms plus the extra cost to Government. It should be possible to assess the cost to firms when the CBI and other organisations are consulted on the proposed inquiry next year.

(vii) Retail stocks and Credit

27. Information on credit is sought from about 500 retailers and on stocks from about 250 retailers as part of the monthly retail sales inquiry. Since sales information would still be required each month, BSO would obtain very little saving from transferring only the stocks question to a quarterly basis, but a more worthwhile saving - at least 1 member of the inquiry staff plus computer processing work - could be achieved if all supplementary information other than sales (ie both stocks and credit) were on a quarterly basis. The saving to the firms concerned would also be significant, and it is possible that BSO could improve the quality of the stocks and credit information on a quarterly basis because more traders would find it possible to provide the information quarterly than monthly.

28. Retailers' credit accounted for roughly one third of total consumer credit in 1978, but the growth of credit cards seems likely to reduce this figure very substantially from this year onwards, perhaps to as little as 10% by 1982. Taking account both of BSO's desire to make the change for stocks and credit at the same time and of the need for monthly information while retail credit is still a major element in consumer credit, it is suggested that the change should be made in 1981 if the proportion of retail credit in total credit has by then fallen to below half its 1978 level. Failing that, the change should be made on stocks in any case, and on credit as soon as possible thereafter.

(viii) Sources and uses of funds

29. The quarterly survey of company liquidity, covering just over 200 large companies, has been conducted for many years, but the quarterly survey of sources and uses of funds - designed to explore the constituents of, and reasons for, changes in company liquidity - is of recent origin and is at present obtaining too

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low a response from the 160-strong panel to enable results to be published. In the CBI's ranking of inquiries at Annex C, these two inquiries together are shown to be burdensome for firms and to have raised considerable doubts in industry as to their cost/effectiveness. The main problems appear to arise on the survey of sources and uses of funds - for example, one large company has to devote 15 man-hours per annum to this survey but only 2 to the company liquidity survey. The most time-consuming aspect of the surveys for firms is the requirement to split UK from overseas financial data.

30. Since the sources and uses of funds survey was set up as recently as 1976 after consultations with industry, it seems reasonable to give this small survey a further trial period up to the end of 1980. But if it continues to fail to fulfil the purpose for which it was set up, it should certainly be abandoned at that time. It would be useful to review the company liquidity survey with users at the same time, since although it provides the only source of information on liquidity in manufacturing industry there are alternative sources for financial information on industrial and commercial companies as a whole.

(ix) Steel stocks and consumption inquiry

31. The central question here is one of principle - should information about a primarily commercial matter such as the market for steel be collected by the steel industry or by the Government? The arguments are set out in paragraph 2.7 (ix) of the report. If Ministers are reluctant to abandon the collection of this information, an alternative approach would be to ask the steel industry to meet most, if not all, of the cost of the inquiry. This would not, however, relieve the burden on the steel consumers and stockholders who provide the information. Although the inquiry is voluntary, many contributors no doubt feel a moral obligation to respond. This option would therefore appear to be a second-best to the abandonment of the inquiry.

(x) Film distributors' receipts

32. This small annual inquiry involving only 100 contributors has been strongly defended by the trade in the past, though it is the film exhibitors rather than the film distributors themselves who have pressed most strongly for continuation. Since there is no significant Government interest in the results and since response was poor in the 1978 inquiry, even the very small cost of this inquiry (in the

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region of £1000) outweighs any benefit from continuation. Although two external committees are at present considering the film industry, there would appear to be no advantage to the Government in awaiting their reports before taking a decision (or at least announcing a proposal) on this inquiry.

Procedure for further discussion of recommendations

33. Most of the above recommendations require further investigation or discussions with users before final decisions are taken. Items (ii), (iii), (iv), (vii) and (viii) need to be discussed with the Treasury at official level in conjunction with the CSO, and a report on the discussions should then be prepared for Ministers in the Departments of Trade and Industry and the Treasury (with the Departmental Committee recommended in paragraph 6.5 (v) of the report and Annex H being given the opportunity to register its views). Item (vi) will be discussed with the Scottish Office before industry is consulted. Item (i) will require detailed consultations with trade associations before the potential for savings can be reported to Ministers; and these consultations cannot begin until firm decisions have been taken on a 10% cut and on how it should be implemented at BSO. Items (v) and (ix) are for decision by Department of Industry Ministers and item (x) by Department of Trade Ministers.

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ANNEX E

TRANSFER OF ECS WORK TO BSO NEWPORT: FEASIBILITY AND TIMING

This note sets out the detailed reasoning behind the proposals in paragraph 4.7 of the report for the transfer of certain EcS functions to BSO and makes recommendations on the timing of the moves and on the organisation of the functions which would be transferred.

(a) Company accounts analysis

2 Approximately 30 staff, primarily EO's and CO's under the charge of a Statistician, are occupied in the analysis of published company accounts in order to produce data in various aggregated forms on company finance and profitability. This work has been under consideration for possible dispersal for some time, but in the light of the Government's recent announcement on dispersal policy it is likely that no further action would have been taken. The case for going ahead with the move on cost and efficiency grounds is:-

- (i) The cost difference between housing these staff in an existing under-utilised building in Newport compared with the much more expensive accommodation (and higher salaries) in London is very substantial.
- (ii) Apart the Statistician, the staff have little contact with other Divisions in London, and the service they require from the Companies Registration Office could be obtained at least as easily in Newport as in London.
- (iii) Whilst not in the same mould as normal BSO work on statistical inquiries, this work would dovetail well into the BSO structure because it is statistical in content yet would provide some variety and more demanding employment for EO's and CO's at BSO, who in some cases are over-qualified for the type of work normally available to them.
- (iv) The BSO computer is already used in this work.

3 The main problems will be the temporary cost of overlap and loss of continuity whilst BSO staff are trained in this specialised and demanding work and the danger that the Statistician, who is heavily involved in general advisory work on company finance as well as in supervision of company accounts analysis, would lose contact with users both in the Department of Industry and in other Departments. The first

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problem is inevitable, and a balance simply has to be struck between unacceptable loss of effectiveness during the transition period and excessive provision of extra staff to achieve a completely smooth transfer. This question will involve the complementing and perhaps also the management services branches of Establishment Manpower and Management Services Division, who will need to look critically at current estimates of a temporary overlap cost of 21 man-years' work (including 6-12 month training periods for a nucleus of staff) in the light of the present rate of staff turnover in this work. The second problem seems best solved by not transferring the Statistician from London and relying on non-statistical supervision of the company accounts analysis work at BSO, allied of course with continuous feedback from the Statistician in London on statistical matters and on users' needs. Involvement from London in this work should ~~not~~ detract from proper line management responsibilities in BSO.

4 There is general agreement that an appropriate time for the transfer to take place would be in the first half of 1982.

(b) Wholesale Price Index

5 This work occupies an entire branch of some 40 staff under the charge of a Chief Statistician. The main function is executive and clerical - the collection and processing of monthly wholesale price indices-but the branch is responsible for the monthly publication of the indices with accompanying analysis. Its status under previous dispersal proposals has been similar to that of company accounts analysis. The case for transfer to Newport is almost identical with that relating to company accounts analysis, with two significant differences - first, there are somewhat more London contacts which need to be maintained, although these are generally with other parts of the Government Statistical Service (who are growing accustomed to communicating with Newport) rather than with policy divisions in the Departments of Industry and Trade; and secondly the work of collecting and processing data from industry is closer to the mainstream of existing BSO work than is the analysis of company accounts.

6 The problems associated with the transfer are similar, and those relating to the transition period should be treated in a similar way, to those of the company accounts work. However, there should be no question in this case of any supervision from London other than from the Director of Statistics, since at present the branch requires the full-time involvement of a Chief Statistician on the spot but generates very little Under Secretary work.

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7 The branch has argued for deferment of the move to Newport until 1985 because of the intensive work involved in changing over to the new BSO computer in 1981 and in the planned rebasing exercise from 1982 to 1984. Whilst a firm date in 1985 would be preferable to no target date at all, it would be desirable on financial grounds to bring forward the move if at all possible, either to 1981 (since the changeover to the new BSO computer will certainly not be assisted by maintaining the inquiry work in London) or to 1983 after the bulk of the rebasing exercise has been completed for the 1983 Blue Book.

(c) Capital expenditure, stocks and investment intentions

8 This group of functions involves almost an entire branch under a Chief Statistician comprising some 30 posts. (The remainder of this branch's work - research and development statistics - is also proposed to be transferred, but this is considered separately in (e) below.) The work consists of:- quarterly inquiries into the capital expenditure of manufacturers and of the distributive and service trades; monthly and quarterly inquiries into manufacturers' stocks (though if the 10% option cut is implemented this inquiry will in future be conducted only on a quarterly basis); and surveys of investment intentions taking place generally in April, August and November of each year (though it is recommended in this report that the April survey should be dropped).

9 Monthly data on retailers' stocks and quarterly data on Wholesalers' stocks is already collected and processed at BSO Newport. The transfer of the wholesalers' stocks inquiry to BSO in 1975 was originally envisaged as the first stage of a phased move of the whole of the capital expenditure, stocks and investment intentions work to Newport. Further stages in the move were halted from the end of 1975 on the grounds that the investment intentions survey was too judgemental and too closely linked with forecasting functions in London to be transferred to Newport and that the capital expenditure inquiries needed to be located alongside the investment intentions surveys because of the frequent need for cross-checking between the two sources.

10 The case for transferring all these functions to Newport, taking account of the above arguments, is as follows:-

- (i) The financial savings will be substantial, with lower staff costs and improved utilisation not only of BSO's building but also of their automatic mailing facilities.
- (ii) There would be long-term gains in both statistical effectiveness and efficiency if the quarterly capital expenditure and stocks inquiries

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could be integrated into the BSO inquiry system using the same registers as the annual (or biennial) inquiries which act as their benchmarks. As a result comparison between quarterly and annual data would be easier and less labour-intensive.

- (iii) The new BSO computer, with its extra capacity, is likely to be better equipped than its predecessor would have been to provide the quick and flexible service which these inquiries need; if immediate transfer to the BSO computer were impracticable, BSO could accommodate the relatively small volume of computer work involved at present in these inquiries on their existing mini-computer or on additional mini-computer facilities.
- (iv) The extra experience and statistical expertise built up in BSO since 1975 should enable the Office to carry out the investment intentions survey more effectively than was feared in 1975.
- (v) The location of the manufacturers' stocks inquiry in London separately from the work on wholesalers' and retailers' stocks in Newport seems anomalous. Although the processing of data on manufacturers' stocks is more complex, BSO already have to handle similar complexities in collecting annual stocks data in the Annual Census of Production.
- (vi) Face-to-face contact between the relevant Statisticians and users in London, such as Departmental economists, the CSO and the Treasury, does not appear to be so intensive that it could not be maintained at a satisfactory level by travel to or from Newport.
- (vii) Firms would not have to supply data on the same subject to two different points in the Government Statistical Service.

11 Against these arguments, it must be acknowledged that the investment intentions survey is somewhat different from the factual inquiries which BSO normally conduct and that both this and the complete removal of expert statistical advice on capital expenditure, stocks and investment intentions from London to Newport involve risks. These risks do, however, appear worth taking in order to reap the financial savings and other advantages from the move.

12 The cost of overlap during the transfer should be less than for company accounts analysis or wholesale price indices because of BSO's existing experience in closely related work. The organisation of the work at BSO could take a number of possible

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forms. But if BSO chose to split the inquiries between their manufacturing and distribution branches to a greater extent than capital expenditure and investment intentions work is split at present, there is no reason why BSO should not make such accommodation and other liaison arrangements as are necessary to ensure that the inquiries are closely coordinated.

13 It would be important to ensure that these functions were fully centralised at BSO and that no duplication arose through the retention of a capability in London. If users have no alternative but to contact Newport and if the relevant Statisticians in Newport have responsibility for awareness of user needs placed squarely upon them, there is no reason why a satisfactory relationship should not be established without a middle man in EcS.

14 How far the transfer would need to be phased over a period requires detailed consideration in the light of availability of staff in BSO as well as the need to minimise disruption of work at critical times. No convincing reasons have been advanced for delaying the move beyond 1983, and it may be possible to begin the process from 1981.

(d) Distribution and services statistics (excluding films)

15 This is a small area of analytical and interpretative work, involving some 6 posts in all, in a field where all the relevant inquiries are conducted at Newport. The financial saving from transfer to Newport would therefore be small, although this is of course no justification for ignoring it. In this type of work full account must be taken of the quality and speed of advice available to Ministers and other users as well as of purely financial questions. From this point of view, there are certainly risks in abandoning any expert statistical presence in London on the distributive and service trades.

16 The case for the proposed transfer, in addition to the small financial gain from employing and accommodating staff in Newport rather than London, is as follows:-

(i) There is a duplication of knowledge and expertise between the relevant branches in London and Newport which, with the best will in the world, cannot permit a clear dividing line to be maintained between functions and is bound to lead to some cross-checking of others' work, duplication in attendance at meetings, duplication in record-keeping etc.

(ii) BSO's statistical expertise in this field has been growing and their

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new VAT-based register settling in, to the extent that cross-checking of BSO's work in London should no longer be so necessary as in the past.

- (iii) In the light of the above factors BSO should not need to take over the London organisation as it stands but would be able to absorb it into their existing structure, with a probable small saving and a better provision for covering the existing Statisticians at BSO when they are sick or on leave.
- (iv) Contact with policy divisions, other than Films Branch, is not extensive and ought to be maintainable adequately from Newport. BSO would have more incentive to increase their awareness of users' needs and serve these needs flexibly if they were solely responsible for this aspect of the work.
- (v) Although it is argued that BSO could not meet rapid requests for PQ material or Ministerial briefing or even take sole responsibility for providing the monthly press notice on retail sales with associated briefing, the experience of Parliamentary Branch and Press Office indicates that such problems could be overcome without requiring experts to be present in London. Indeed the monthly press notice on the Wholesale Price Index would have to be handled without such a presence. Moreover, there are few cases in this field where ad hoc briefing is demanded, and genuinely needed, within 24 hours. It would, however, be desirable at the same time to improve the present facilities for facsimile transmission of papers from BSO to London.

These arguments do not outweigh the attendant risks so much as on capital expenditure, stocks and investment intentions, where larger financial savings are involved. But on balance it is recommended that the transfer would be worthwhile.

17 It is suggested that the transfer of this work should take place in 1981, thus allowing a further year both for improvement in BSO's experience of operating their new register and for the gradual transfer of such background knowledge and expertise as is not at present available to the BSO.

(e) Research and development statistics

18 The analysis and interpretation of research and development statistics, together with the collection of these statistics from public corporations, private research laboratories and research associations not covered by the BSO inquiry, occupies 3 staff in EcS plus 50% of a Statistician's time. The arguments for, and risks of,

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transfer of these responsibilities to BSO are similar to those relating to distribution and services statistics, but stronger for two reasons:-

- (i) there is less need for urgent briefing or the speedy handling of press notices and PQ's in this case; and
- (ii) it is anomalous that EcS retains a small amount of statistics collection and processing even though the main R & D inquiry is run by BSO.

19 There seems no reason why the transfer should not take place in 1980 or 1981 before the main work begins on the triennial inquiry into R & D due to take place in respect of 1981.

(f) Monthly engineering inquiry

20

Although BSO is responsible for collection and initial processing of returns to the Monthly Engineering Inquiry (sales and orders information, - but used also to provide the engineering input to the Index of Production), some basic checking functions (occupying approximately half of the time of three executive and clerical staff and an appreciably lesser proportion of the time of the two professional staff) are undertaken in EcS3. The main calculations, the analysis, the presentation and publication of results are performed by EcS3. A limited amount of duplication of effort exists (in computer processing, record keeping and scrutiny of individual company figures), but EcS3 judge that their procedure is necessary at present because of the unique complexity of the adjustments which have to be made to keep the quality of the resulting volume indices at a sufficiently high level; but this leaves BSO staff all the more frustrated because they feel that they are not trusted to handle the complete job. EcS3 have been engaged in development work with the ultimate objective of enabling the inquiry to be processed in a more unified and efficient fashion. It is recommended that greater impetus be given to this work (including the active involvement of BSO) so that a firm date can be set for full transfer to the BSO. Two events are imminent which affect this. Firstly, the conversion by the BSO of monthly inquiries to BASIS - their new data storage system (planned to occur in early to mid 1980) - will require a particular section of the programme currently in use by EcS3 to be revised to take account of the new file format. Secondly, the introduction of the new computer for the BSO will to some extent pre-empt scarce staff resources at the BSO. A target of transfer by the beginning of 1981 would be desirable.

21 The head of EcS3 has undertaken to review any other routine tasks connected with BSO - based inquiries which are at present undertaken by his Division, with a view

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to ensuring that, wherever possible in his judgement, they are left to the BSO to perform in future.

Manageability of BSO and availability of professional staff

22 It may be argued that the acquisition of all the above functions would make BSO unmanageable in its present form (headed by a Under Secretary who is a professional statistician), particularly because of the different type and quality of work involved in many of these new tasks. This is bound to be a matter of judgement, principally the judgement of the Director of BSO, but the following points should weigh in favour of the view that BSO will be manageable:-

- (i) In terms of numbers, BSO would not become significantly larger than at present, taking account of the combined effect of these proposals and of a 10% option cut.
- (ii) Much of the work proposed for transfer has little or no Under Secretary content.
- (iii) The longer-established BSO's existing inquiries become, the less intervention they require at Under Secretary level.
- (iv) In relation to the new tasks which have a higher statistical policy content - such as capital expenditure, investment intentions and distribution and services statistics - BSO has a professional statistician rather than an administrator as a Director so that he can participate in this type of work. Moreover BSO are involved at present in these subjects, and to centralise responsibility for them may actually reduce rather than increase the number of high-level meetings which have to be attended.

23 It is also argued that BSO will have difficulty in filling their extra professional posts because of the general reluctance on the part of professional statisticians in London to move to Newport. To some extent this depends on how career prospects for the average statistician in Newport may in future compare with those in London. But early agreement on a phased programme of moves will certainly assist forward planning on this difficult subject, both at the BSO itself and in recruitment and career management in the Government Statistical Service as a whole.

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Savings

24. The estimated financial savings of the order of £¹/₂m quoted in paragraph 4.8 of the report are calculated on the basis of 110-115 posts being transferred, with the cost difference per post between London and Newport being the difference in average salary costs plus the cost of accommodation in London. Since BSO already possess a fully equipped but under-utilised building, marginal accommodation costs in Newport would be small; to balance these and an expected increase in travel and subsistence costs, no allowance has been made for the common services which are more expensive to provide in London than in Newport. This calculation gives a figure in excess of £450,000. To be added to this is the effect of the small staff savings mentioned in paragraph 4.8 of the report.

SCOPE FOR FURTHER COMPUTERISATION AND MORE EFFICIENT USE OF COMPUTERS

(a) Further computerisation

It has not been possible within a non-specialist study to enter into the sphere of advanced computer technology and prescribe methods and timescale for the widespread introduction of various techniques for the large-scale streamlining of statistical work which should become available some time in the 1980's. Examples are the use of micro-computers, database management systems, machine printing of tables for publication and more automatic means of data take-on to the computer. The computer staff at BSO are well aware of these possibilities, and there is no reason to believe that BSO will lag behind other Government computer operations in developing and introducing them.

2 Instead the study has concentrated on aspects of current work which, in the light of general observation and enquiries, appear to be capable of computerisation within existing techniques and where the necessary investment in programming and systems work could yield worthwhile savings on manual operations. In some of the activities listed below, progress towards computerisation is already being made or contemplated, but it is important that the impetus should not be lost, either because of delays during the rewriting of programmes for the new BSO computer or because of any misguided desire to cut short-term costs in a way which would sacrifice longer-term efficiency:-

(i) Comparison of annual inquiry returns with those of previous year - much repetitive desk work could be saved in BSO if, as part of the validation process for forms, the computer could be programmed to highlight large variances in firms' returns compared with the previous year.

(ii) Tabulation, and rolling up of headings to prevent unauthorised disclosure of individual returns - Many instances were observed throughout both BSO and EcS of staff engaged on laborious transcription of tables from computer print-outs. In some cases the figures were simply being set out in a different way, whilst in others the ostensible reason for undertaking the task manually was that human judgement was needed in a few cases where headings needed to be rolled up together to prevent disclosure. It is recommended that all inquiry sections should review their tabulation processes in conjunction with ADP staff so that scope for computerisation can be identified in detail; even where human judgement is required in a few cases, the computer could produce the necessary table with some form of marking to show the figures which might require checking or amendment. Computerisation would of course be justified only where it could be demonstrated to be cost/effective.

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(iii) Annual minerals raised inquiry - this inquiry is run entirely manually at present; despite its complexity, an annual total of 3000 forms should in theory be sufficient to justify computerisation.

(iv) Wholesale stocks inquiry - work has begun on bringing the form of this inquiry into line with other BSO inquiries; at present the inquiry is not even able to use any of BSO mailing facilities for its 2600 forms per annum because of lack of integration with BSO's computer systems.

(v) Processing of multiple shops return in monthly retail sales inquiry - this work is at present performed at the desk although all other returns in the inquiry are processed on the computer; it would appear sensible to aim for complete computerisation, though this will require greater flexibility and speed in the computer operations.

(b) Double-banking and deficiencies in work flows

The following instances of double-banking between human and computer effort and/or unsatisfactory work flows leading to wasted work have been observed:-

(i) Manual checking procedures. Where staff in inquiry sections at BSO receive forms before they are sent to the computer for data take-on, staff are in some cases performing checking operations which are then duplicated on the computer, eg comparing the return with that of the previous quarter. In some cases this is done to avoid having to raise queries with the firm both before and after the data is taken on to the computer; but this can easily develop into a general checking procedure which may lead to a complete waste of the computer's validation programme and error reports. There are a number of possible solutions; for example, computer systems could be developed to make it easier to take on data and check it even when the return is incomplete, thus reducing the need for inquiry sections to scrutinise forms in advance of take-on; and staff could simply be instructed much more clearly than at present to confine their initial checking to the bare essentials prior to computer take-on. BSO has already launched an O and M study into this problem which should identify the most economical work flow in each of the relevant inquiries. It is suggested that this aspect of procedure should be reviewed in all inquiry sections.

(ii) BSO register of manufacturing establishments. This register is kept on cards as well as on the computer, involving considerable manual work, primarily because of inadequate access to the computer. The two visual display units

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provided for the register section often fail to function, and the register section cannot directly put data on to the computerised register but have to raise forms for keying in by the computer section. It is recommended that whatever improvements in access to the computer are needed to enable the manual register to be dispensed with should be investigated as a matter of priority - these might include improved VDU equipment and equipment to enable the register section to key in individual register amendments directly to the computer where appropriate (although bulk keying operations would still be performed more efficiently by full-time data processors).

(iii) Access for BSO inquiry sections to computer. Most if not all inquiry sections appear to have their own system for receipting of returns in addition to the computer receipting system; and in some cases inquiry sections come across apparent requirements for register amendments and send the appropriate form to register section without having been able to check for themselves whether the register has already been amended. It is suggested that effort could be saved in both these areas by quicker access to information on returns receipted by the computer and by wider availability of VDU equipment for inquiry sections.

PRICING OF PUBLICATIONS

The following are the main steps which need to be taken in pursuit of the recommendations in paragraph 5.4 (g) of the report:-

- (a) Identification of appropriate publications where a price increase would be justified on the grounds that external users have at least as great an interest in the results as does the Government. Examples which have emerged during the study are:- the quarterly Business Monitor on computer services statistics; Business Monitor MA3 on company finance; and Price Index Numbers for Current Cost Accounting (shortly to be transferred to the Department from CSO). All quarterly Business Monitors flowing from the BSO's quarterly manufacturers' sales inquiries, together with certain monthly Monitors covering inquiries such as imported timber and wood chipboard which are conducted primarily for the trade, would also fall into this category at present, but their future position must depend on the outcome both of BSO's review of their quarterly inquiries in the light of the 10% cut and of approaches to the relevant trades to take over certain inquiries. (see Annex D).
- (b) Consideration of appropriate share of costs to be added to price. In some cases the costs attributable to the collection or processing of the statistics in a particular way to serve external users can be directly identified; for example, an estimate can be made of the extra cost of servicing Price Index Numbers for Current Cost Accounting to the branch compiling the Wholesale Price Index. In other cases a more general judgement is needed, taking account of the relative interest of Government and industry in the results and the costs to Government in relation to the current and expected circulation of the relevant publications. The cost to industry of providing the statistics may also be taken into account, but not to the exclusion of any possibility of adding a proportion of the Government's costs to publications prices; the users of statistics may be a quite different population from the providers in many cases. Moreover, this consideration does not apply to publications such as Business Monitor MA3 which consist of analysis of already published figures. It is suggested that, as a general rule, prices should not initially be more than doubled over and above what HMSO would charge to cover their printing and distribution costs, but it would certainly be desirable to experiment with price increases of this order in some cases.
- (c) Discussion in CSO Publications Policy Committee. This new approach to pricing will need to be discussed with the CSO and other statistical Departments. But in the last resort there is no reason why the Department should conform with a

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general rule about pricing of statistical publications, since there are clear differences in the markets for different types of publication, eg as between business and social statistics.

(d) Agreement with HMSO both on new prices and, as far as possible, on arrangements for the Departments to claw back the extra revenue in so far as this exceeds HMSO's own recovery of costs.

(e) Tightening up of copyright rules on Business Monitors so that they are in similar terms to other CSO publications (thus discouraging trade associations from re-publishing the Monitors almost in full, as some do in their regular bulletins to members). Care should also be taken to avoid re-publishing the Monitors in the 'Trade and Industry' journal in anything more than summary form.

(f) Evaluation of results. The effect of higher prices on the sales of Business Monitors should provide a useful guide to the value placed by users on the results of particular inquiries. This should feed back into reviews of the inquiries themselves. Where sales fall, all possible causes should of course be investigated, including the possibility that there is some duplication between different publications.

The savings from this exercise will be small but nevertheless worth making - total revenue from Business Monitors at present is only slightly above £250,000 per annum.

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Annex H

STATISTICAL SERVICES COMMITTEE

The purpose of the committee would be to ensure that the Departments of Industry and Trade are receiving value for money from their statistical services. Its main functions would therefore be to consider the annual work programmes and budgets of the BSO and EcS, plus any proposals for new statistical inquiries, extensions to existing inquiries or major new internal exercises which arise between the annual budgeting processes, and to advise Ministers, and the Permanent Secretary of the Department of Industry in his capacity as Accounting Officer, as necessary.

2 The Committee would thus need to meet at least once a year and on an ad hoc basis in the intervening months when new proposals arose. In some of these ad hoc cases it might be sufficient to obtain the Committee's views by correspondence. However, in all cases the statistical services should consult relevant Divisions at working level before circulating papers to the Committee. This should not only save the time of the Committee but ensure that the more detailed marginal decisions relating to statistical inquiries receive proper scrutiny.

3 The Committee should comprise:- the Director of Statistics as Chairman; the Under Secretaries (or their representatives) of Finance and Economic Appraisal (FEA) and Establishment Management Services and Manpower (EM) Divisions covering the common financial and manpower interests of the two Departments; the Under Secretaries (or their representatives) of Industrial and Commercial Policy (IC) Division of the Department of Industry and General (G) Division of the Department of Trade covering the general policy interests of the two Departments including the burden of statistics on industry and commerce; and the Under Secretaries (or their representatives) of Publishing, Tourism, Films and Distribution (PTFD) Division of the Department of Trade and of Regional Policy and Development Grants (RPDG) Division of the Department of Industry which should both have a wide-ranging interest in business statistics through their respective responsibilities for the distribution and services sector and for the regional organisation of the Department of Industry. The Director of the BSO and the Under Secretaries with statistical responsibilities in EcS would also be members but would normally attend only when their particular areas of responsibility were being discussed. Others who would attend meetings of the Committee as appropriate would be:- members of any policy divisions concerned with the particular issues under discussion (where a large number of policy divisions are involved, eg all divisions sponsoring manufacturing industries in the Department of Industry, members of two representative divisions should be invited); and representatives of other user Departments when their requirements were being discussed.

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4 Prior consultations at working level (see paragraph 2 above) should embrace, as a minimum, representatives of FEA, EM, IC and G Divisions. Although as a matter of convenience it is desirable to fix a threshold of, say, 2 man-years' work for internal statistical exercises which would be brought to the Committee's attention, the working level consultations should proceed at whatever finer level of detail the relevant Divisions consider appropriate, with contentious issues being brought to the Committee if necessary. Moreover, the annual work programme of EcS would need to show whatever level of detail was required to make the work of a particular branch comprehensible to the outsider.

5 The annual review of budgets and work programmes should provide the opportunity to re-examine continuing statistical inquiries as well as to consider new proposals. Most continuing inquiries are unlikely to require a detailed review each year, but it is recommended that each inquiry should be reviewed in detail at least every 3 years as part of the presentation of annual budgets and work programmes. It would be the responsibility of the statistical services to arrange this and of course to meet any specific requests for background information from the divisions represented on the Committee. The annual review should also include:-

(a) comparison of previous budgets with actual outturn (in terms both of cost and of work done);

(b) coverage of any other major statistical work being undertaken within the two Departments but outside the statistical services themselves;

(c) review of progress on implementation of the other recommendations in this report, including achievement of the estimated savings (a report to Ministers should be submitted through the Committee every 6 months on this question).

6 The Committee is not intended to take away from the statistical services the responsibility for efficient management of their resources or for taking the lead in advising Ministers and the Permanent Secretary on statistical issues. In particular it would be for the statistical services to put papers to the Committee and to prepare submissions to Ministers in the light of the Committee's views. The Director of Statistics would also have to decide in the light of the particular circumstances the sequence in which the CSO-based statistical committee, the Departmental Committee and the Statutory Production (or Distribution) Statistics Advisory Committee (consisting of representatives of external providers and users of statistics) are consulted on proposals

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for statistical inquiries, before Ministerial approval is sought. As between the inter-departmental and departmental committees, it would seem appropriate to consult the inter-departmental committee first on matters of primary interest to other Departments, and vice versa.

7 Finally, it must be emphasised that the Committee should not impose an unreasonable bureaucratic burden on the statistical services or significantly lengthen the process of taking statistical decisions. It should be simply the focus of what should become a natural process of consultation within the Department on the work of the statistical services and should save some Ministerial time in questioning statistical proposals.