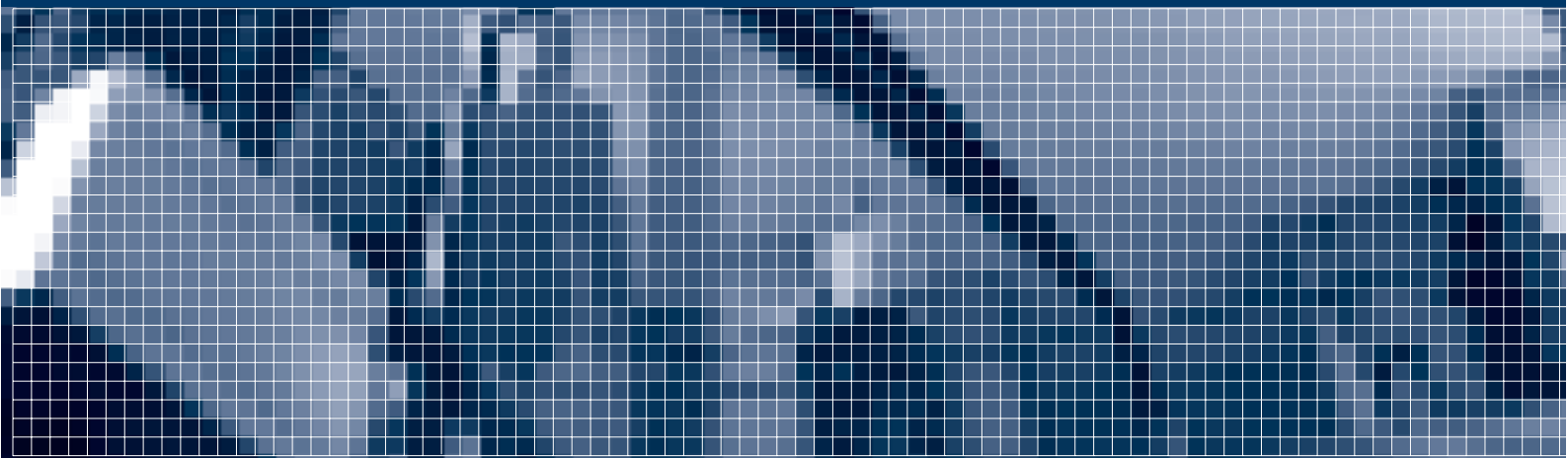


# Office for National Statistics

## Annual Report and Accounts 2005/06



# **Office for National Statistics**

## Annual Report and Accounts 2005/06

Presented to the House of Commons in pursuance of section 6(4)  
of the Government Resource and Accounts Act 2000

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## Message from the Director

I was delighted to be appointed as the Director of the Office for National Statistics (ONS), Registrar General for England and Wales and National Statistician in August 2005. It is an honour to succeed Len Cook, and I look forward to consolidating his inspirational leadership. I believe we can deliver on the agenda Len started and I will be working closely with the executive team to find the best way to meet the challenges we face. Obviously, we are now taking forward work to make ONS independent of government, following the Chancellor's announcement in November 2005.

The independence agenda has quite rightly been a priority for me over this initial period of my tenure, and will no doubt continue to take up a large proportion of my time. I see it as vital to ensure that we maximise the opportunity the Chancellor's announcement has afforded us to put the UK statistical system on a strong legislative footing, reinforcing both the integrity and independence of the way we operate, and building on our international reputation of having one of the strongest statistical systems throughout the world.

Aside from independence, I shall be continuing the large-scale modernisation programme started by my predecessor, which I was very closely involved with in my previous role. As Director of ONS my main goal over the next few years is to deliver the benefits of the statistical, technological, registration and corporate services modernisation that we are about half way through. This will enable us to release and redeploy resources – both human and cash – in order to improve the quality of our current outputs and add new ones, using the rich data sources available to us.

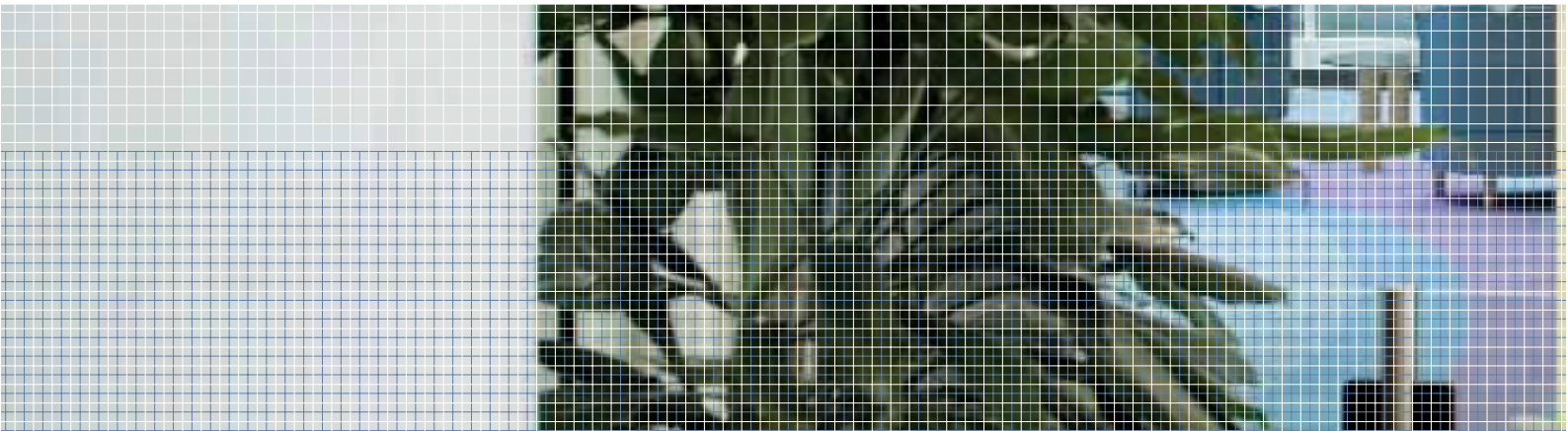
I have become Director in a very challenging period for the Office and will use my knowledge and experience of ONS people, culture and the business to drive forward and deliver on the modernisation goal. Resources will be tight and we have major relocation and efficiency programmes to manage while we strive to achieve our business goals. This means keeping a close eye on the essentials. I have, therefore, focused my attention, during the initial period of my posting, on:

- ensuring that we effectively prioritise our activities and outputs to meet the changing needs of our customers and the world around us. This means making a rigorous analysis of both existing and proposed outputs to make sure that our resources are placed where they have most impact
- enabling staff to exploit the new environment by equipping them with relevant skills and opportunities, delivering improvements in our performance management and ensuring all staff have a clear career path supported by the staged implementation of job families and the Professional Skills for Government programme, and
- completing the current relocation and efficiency programmes

The *ONS Annual Report and Accounts 2005/06* presents a review of 2005/06 and the accounts for that year, which have been audited by the National Audit Office. We have worked closely with the National Audit Office. I have taken steps to make myself aware of any relevant audit information and to establish that the National Audit Office is aware of that information.



**Karen Dunnell**  
**July 2006**



# I Directors Report

## Background

The Office for National Statistics (ONS) was established as an executive agency and government department on 1 April 1996. It has around 5,200 staff (4,400 full-time equivalents) operating in Newport in South Wales, London, Southport and Titchfield in Hampshire. Of these, 1,320 (750 full-time equivalents, of whom 60 per cent are home-based) are interviewers who collect information for social surveys.

The Director and Permanent Secretary of ONS is Karen Dunnell. Karen succeeded Len Cook on 1 September 2005. She is also the National Statistician (the Government's chief statistical adviser and professional head of National Statistics), the Registrar General for England and Wales and the Accounting Officer.

The National Statistician is responsible for the methods and quality of National Statistics and for maintaining the standards set out in the National Statistics Code of Practice and supporting Protocols.



The Registrar General for England and Wales is responsible for the delivery of Civil Registration in England and Wales. In practice she ensures that ONS works in partnership with local authorities to administer the registration of key life events.

ONS is currently relocating staff from London to Newport, which became the headquarters of the department in April 2006, and to Titchfield; some posts are also moving from Titchfield to Newport.

The Director of ONS is accountable to the Chancellor of the Exchequer, Gordon Brown MP, for the department's performance. On 28 November 2005 the Chancellor announced his intention to legislate to make the Office for National Statistics independent of government. More details on this are given on pages 13–15 of this report. The Chancellor delegates ministerial responsibility for ONS to the Financial Secretary to the Treasury, John Healey MP. Mr Healey's remuneration is included in HM Treasury's accounts.



## ONS aims and objectives

ONS's mission is to provide trustworthy official statistics and an efficient registration service, which enable timely and decisive government, business and community activities. All statistics prepared by ONS are accessible and users are able to make enquiries about and studies of ONS surveys (in controlled situations).

ONS's strategic objectives are:

- to be an authoritative and trusted publisher of statistics about the UK economy and society
- to ensure the efficient and accurate registration of key life events
- to drive the development of National Statistics
- to contribute to the leadership of the statistical system of the European Union (EU) and ensure that engagement in international statistics is effective in the breadth of issues important to the UK

## ONS management

### Top management

Karen Dunnell	Director and Permanent Secretary of ONS National Statistician Registrar General for England and Wales	
Stephen Penneck	Executive Director	Surveys and Administrative Sources Directorate
Jil Matheson	Executive Director	Census, Demographic and Regional Statistics Directorate
Joe Grice	Executive Director	Social and Public Services Analysis and Reporting Directorate
Colin Mowl	Executive Director	Macro-economics and Labour Market Directorate
Dennis Roberts	Executive Director	Registration and Corporate Services Directorate
Steve Newman	Executive Director	Finance and Planning Directorate
Cynthia Clark	Executive Director	Methodology Directorate
Mike Hughes	Secretary to the Board	National Statistics and Planning Group

During 2005/06 the following were also members of the Executive Management Group:

- Len Cook: National Statistician; Director of ONS; Registrar General for England and Wales. Contract ended 31 August 2005

- Hilary Douglas: Chief Operating Officer; Executive Director, Corporate Development Directorate. Secondment ended 31 March 2006
- Dayantha Joshua: Corporate Director, Information Management Group

## Non-executive directors

Professor Janet Finch	Vice Chancellor, Keele University
Sir Robert Culpin	Formerly Second Permanent Secretary (HM Treasury)
Alex Jablonowski	Formerly Divisional CEO of Barclays and CEO of a private and merchant bank.

### Note

During 2005/06 Gwen Batchelor's term as a non-executive director ended.

## Top board structure

The ONS Management Board, comprising the Permanent Secretary, the Finance Director and the executive and non-executive directors, is the strategy and policy board for the Office. It met four times during 2005/06. The Executive Management Group governs the day-to-day activity of the Office; it met 16 times during 2005/06.

The high-level planning process and planning priorities are agreed by the ONS Board based on recommendations from the Executive Management Group. The Executive Management Group is supported in this by the Finance and Planning Committee, Departmental Operations Committee and Statistical Policy Committee. These have responsibility for advising on financial investment issues, people issues and the statistical agenda, respectively.

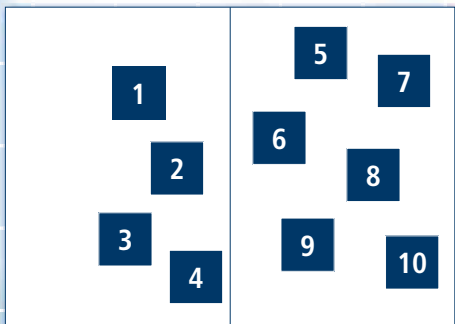
For the financial year 2006/07 onwards, all new work in ONS with an information management content will go through a separate process. An Evaluation Board, chaired by the Finance Director, Steve Newman, will review all new-work requests and assign resources based on a business case, the priorities of the office and the availability of resources.

At each of its meetings the ONS Management Board reviews reports of the organisation's performance, including our progress against targets from the 2004 Spending Review, and reviews corporate risks. The Executive Management Group takes monthly corporate governance reports covering information on finances, headcount, relocation, efficiency, survey response rates and other key performance indicators. The Group also takes a monthly report from the Portfolio Manager on the progress we have made in the investment programmes and projects.

ONS reports annually to Parliament via the Spring Departmental Report, which accompanies the annual Main Supply Estimates – the formal request to Parliament for funding for the financial year – and the ONS Annual Report and Accounts. Both documents can be found on our website at [www.statistics.gov.uk/about](http://www.statistics.gov.uk/about)

# Corporate Governance Structure

## ONS Management Board



**1** **Karen Dunnell**  
Director and Permanent Secretary  
of ONS  
*National Statistician and  
Registrar General for England and Wales*



**2** **Jil Matheson**  
Executive Director  
*Census, Demographic and  
Regional Statistics Directorate*

**3** **Dennis Roberts**  
Executive Director  
*Registration and Corporate  
Services Directorate*

**4** **Joe Grice**  
Executive Director  
*Social and Public Services Analysis  
and Reporting Directorate*



**5** **Colin Mowl**  
Executive Director  
*Macro-economics and  
Labour Market Division*

**6** **Dayantha Joshua**  
Corporate Director  
*Information Management Group*



**7** **Steve Newman**  
Executive Director  
*Finance and Planning Directorate*

**8** **Stephen Penneck**  
Executive Director  
*Surveys and Administrative  
Sources Directorate*

**9** **Mike Hughes**  
Corporate Director  
*National Statistics and Planning Group*



**10** **Cynthia Clark**  
Executive Director  
*Methodology Directorate*



## People

ONS values the diversity of its staff and, through policies and practices, aims to achieve equality of opportunity in employment and fair treatment for all. During 2005/06 an executive director, Colin Mowl, was designated diversity champion. We also appointed a full-time diversity officer, as well as designating senior managers at each site as diversity site champions. They are encouraging staff across all grades to participate in our office networks, which include networks for staff from ethnic minority backgrounds, disabled people and those who want to explore work/life balance issues. We have also established a lesbian, gay, bisexual, transgender and transsexual network.

ONS offers a variety of alternative working patterns, including part-time working, term-time working and flexi-time, to enable staff to achieve a good work/life balance. We have also introduced diversity objectives into the performance agreements of all our senior civil servants. Just under 5 per cent of our staff are from an ethnic minority group. Around 3 per cent have declared a disability. Women make up just over 57 per cent of our workforce. We have carried out a race equality impact assessment as part of our relocation plans and we are working with the local Commission for Racial Equality (CRE) and the ethnic minority diversity network within ONS to minimise the impact of relocation for staff from ethnic minority communities.

### Performance against our diversity targets for the senior civil service

	2002 Spending Review target for 31 March 2006	2004 Spending Review target for 31 March 2008	ONS at 31 March 2006
	(per cent)	(per cent)	(per cent)
Women	35.0	37.0	29.3
Women in top management posts	25.0	30.0	33.3
Staff from ethnic minority groups	3.2	4.0	5
Disabled people	3.0	3.2	3

ONS exceeded the target for women in top management posts in 2005/06 and will continue to work towards the remaining 2008 targets. This will be a challenge over the next three years, which will bring staff reductions and relocation, and we will be considering what further steps we need to take to improve representation of ethnic minority and disabled staff in the senior civil service.

ONS consults employees formally and informally, directly and via the trade unions. We recognise three trade unions and meet them formally four times a year. We also have a two-way briefing system known as ONS.Talk, which provides key ONS news and serves as a speaking note for management meetings across the organisation. Our intranet is used as the main day-to-day communication tool for office-based employees. It provides links to sources of information about key topics, such as relocation and ONS independence, and to policy documents, such as the ONS HR policy. Staff are encouraged to access the intranet daily. As well as using the other channels, major change is usually communicated face-to-face by way of executive director-led events, which include opportunities to ask questions. We also publish a house magazine, which, in addition to raising awareness of the range of ONS's work, focuses on individuals in both the work context and outside the office.

ONS is committed to selecting staff on the basis of fair and open competition. In accordance with the Civil Service Commissioners' Recruitment Code we have put systems in place to ensure that our recruitment meets this standard. The procedures in our *Recruitment Handbook* conform to the Commissioners' Code and the Handbook is reviewed regularly to make sure that it is in line with any changes to the Code and to Equal Opportunities policy. ONS's recruitment of overseas staff from the EU and non-EU countries is also in line with the Commissioners' Code.

Because of our plans for relocation and headcount-reduction targets, all recruitment is tightly controlled and posts are filled through open competition. We will continue to prudently manage our headcount and develop internal candidates' skills and career paths, linking in with the Professional Skills for Government scheme. In addition to the ongoing development opportunities, significant progress has been made throughout ONS to improve learning planning, evaluation and delivery activities to help support our key objectives. This resulted in our being accredited with full Investors in People status in September 2005.

## Health and safety

ONS has an excellent record for health and safety. Our Health and Safety Policy is reviewed and endorsed by the Director and senior management annually. During 2005/06, we:

- completely reviewed all emergency and evacuation procedures
- conducted successful emergency (bomb) evacuation drills at all sites
- reviewed and subsequently refurbished first-aid facilities to ensure compliance with relevant health and safety legislation
- developed and published homeworking procedures
- completely restructured the Control of Substances Hazardous to Health Registers at all sites
- completed all risk assessments for specialist working environments within ONS and Facility Management service streams, and
- saw a continuing reduction in the number of accidents for office-based staff

## Progress towards sustainable development

ONS was highlighted as the star performing government department in a report on sustainable development in government. *Leading by example? Not exactly* was published in 2005 by the Sustainable Development Commission and is available at [www.sustainable-development.gov.uk/publications/index.htm#2006](http://www.sustainable-development.gov.uk/publications/index.htm#2006)

We have met 75 per cent of our Framework for Sustainable Development targets and are currently on course to achieve the remaining 25 per cent. To date, we have performed particularly well in a number of key areas:

- development of environmental management systems
- achievement of ISO 14001 accreditation (ISO 14001 is the generic name given to a family of standards around which an environmental management system (EMS) is implemented. Audits are conducted by the British Standards Institution at our main sites to ensure that our EMSs are continually improved. The accreditation is internationally recognised as part of the EMS standard. All ONS sites are now accredited)
- waste management and recycling
- water consumption
- purchase of energy from renewable sources
- encouragement of bio-diversity
- food procurement

## Freedom of Information

The first full year of the Freedom of Information Act has reinforced two fundamental principles for ONS and official statistics:

- statistical information, and the decisions and methods relating to our outputs, should be freely available to all, and
- the individual statistical records used to compile those outputs are strictly confidential

According to the Department for Constitutional Affairs, ONS is in the top five of all government departments in terms of its performance under the Act. During 2005/06 we received a total of 440 formal requests for information, as defined by the Act and official guidance. All the requests were dealt with within the statutory timescale as prescribed by the Act, except in three cases, where each applicant was given the reason for delay and a decision on the case was reached as quickly as possible.



In the 151 cases where we identified that we held the information that had been requested, the information was released in the majority (100) of cases. There were 44 occasions when we considered that withholding some or all of the information was the proper course of action and exemptions in the Act were used. In seven cases we believed that assembling and supplying the information would have exceeded the cost limits allowed under the Act.

A decision by the Scottish Information Commissioner relating to sparse tables of cancer diagnoses in children is being appealed in the Scottish courts. The case is important because some accepted methods and standards for statistical disclosure control in Scottish health statistics could be undermined if the decision stands.

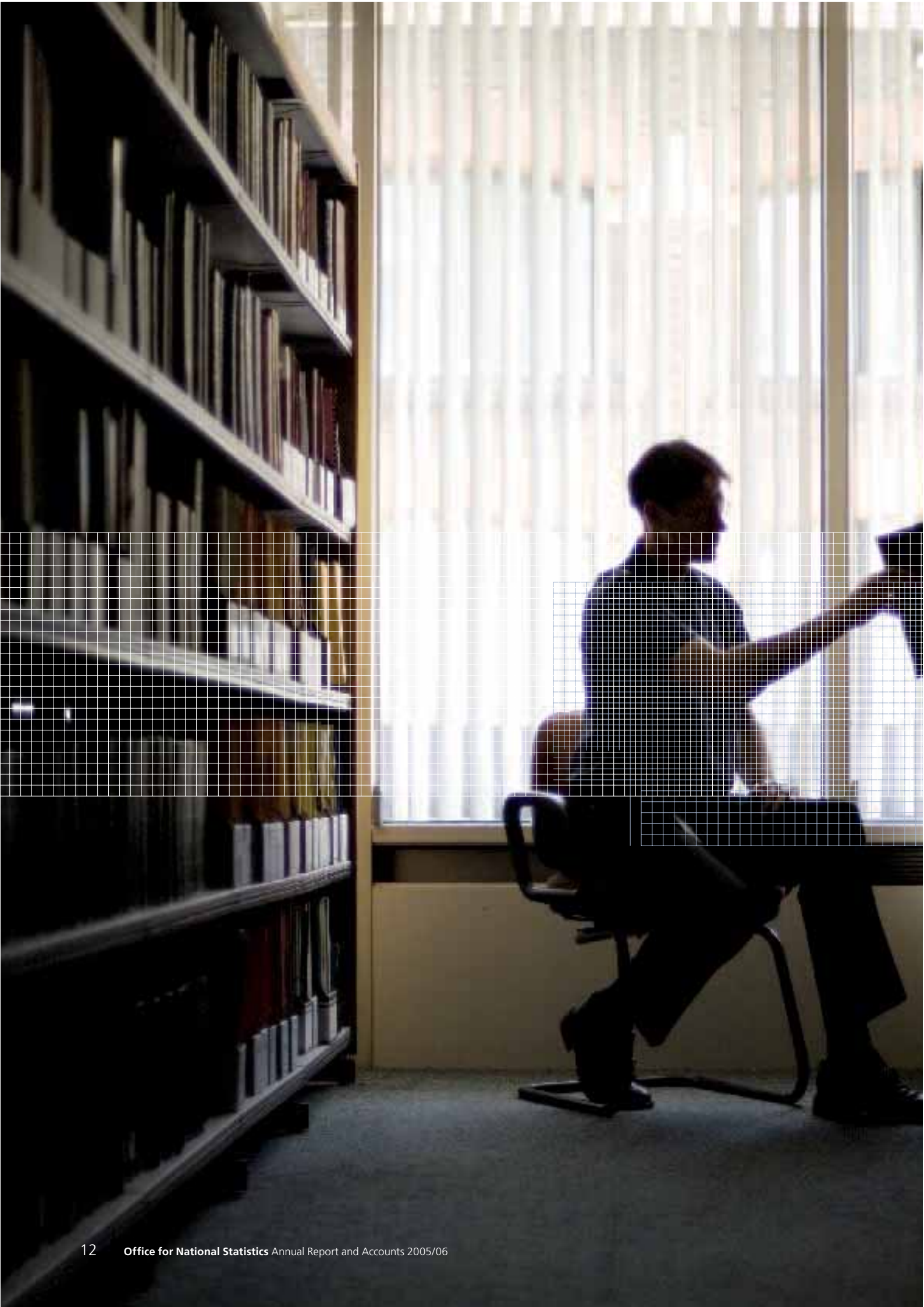
## The European Union

European Union regulations are designed to achieve comparability between national estimates and produce EU totals on a consistent basis. They impact on many of the statistics we produce and ONS is involved in work to determine and develop the regulations. As part of the UK's Presidency of the EU in the second half of 2005, ONS took forward the EU's statistical agenda, including chairing the Council Working Party on Statistics. Good progress was made towards meeting the objectives set, including a statistical package covering:

- a Code of Practice for the European Statistical System, where the main achievement of the UK Presidency was to secure agreement that the Code applied to Eurostat as well as to the statistical offices in the member states
- improvements to the Excessive Deficit Procedure
- reprioritisation of EU statistical requirements, a top priority for ONS because reprioritisation in the UK is in many areas constrained by EU regulations. This work also supported the Better Regulation agenda by reducing the compliance burden of statistical surveys

Under the UK Presidency agreement was also reached on new EU regulations covering inland waterways transport statistics; statistics on the landings of fishery products; a framework for business registers; and foreign affiliates statistics. The last two offer the prospect of significant improvement to statistics on multinational enterprises, with direct benefit to international trade negotiations and better understanding of globalisation. ONS was also successful in securing the agreement of the Commission to undertake impact assessments for all new draft regulations, and all four regulations are now subject to approval by the European Parliament under the co-decision procedure.





# II Management Commentary

## Background

The Office for National Statistics is the government department that provides UK statistical and registration services. We are responsible for producing a wide range of key economic and social statistics, which are used across government to create evidence-based policies and targets and monitor performance against them. We also build and maintain data sources for our own use and for business and research customers, subject to confidentiality conditions. We make statistics available so that all citizens can easily assess the state of the nation, the performance of government and their own position in society.

ONS includes the General Register Office for England and Wales (GRO). GRO is responsible for ensuring the registration of all births, marriages and deaths in England and Wales, and for maintaining a central archive dating back to 1837.

As a government department, ONS has its funds determined by the spending review process. The 2002 Spending Review financial settlement, which covered the period 2003/04 to 2005/06, provided ONS with resources to modernise both the statistical and the registration processes. The statistical modernisation programme has proved particularly challenging and we have been unable to meet the targets for delivery set by that review. The original vision, of holding all statistical data in a single database and using a set of common tools to access and process them, remains but we have had to change the delivery method. We have adopted a more incremental approach, which also recognises the need to move away from high-risk legacy systems and acknowledges explicitly the need to protect our existing outputs. We have reviewed the governance of the work and adapted its management to deliver a rolling, integrated programme of innovation and modernisation. The modernisation of civil registration is now focused on delivering GRO's services as efficiently as possible. There will be benefits to central government, local authorities and the public but the vision of an electronically based registration service will require primary legislation to deliver.

The 2004 Spending Review settlement (2005/06 to 2007/08) recognised the need for continuing modernisation investment and new/improved statistics on regional economy and measuring government activity. It also set ONS challenging targets for delivering efficiency, reducing headcount and relocating posts out of London and the South East. Performance towards these targets, as well as those from previous reviews, is set out in annex A to this report.

### Independence

On 28 November 2005 the Chancellor of the Exchequer announced in a written statement to Parliament:

Having reviewed the Framework for National Statistics, we will publish plans by early in the New Year to legislate to make the Office for National Statistics independent of Government, making the governance and publication of official statistics the responsibility of a wholly separate body at arms' length from Government and fully independent of it.

We propose to legislate for:

- the creation of an independent governing board for the Office for National Statistics, with delegated responsibility for meeting an overall objective for the statistical system's integrity
- the appointment of external members to the board, drawn from leading experts in statistics and including men and women from academia and business, and
- a new accountability to Parliament through regular reporting by the board to explain and be questioned by the Treasury Select Committee on its performance

The Chancellor's commitment was reaffirmed in his Budget speech on 22 March 2006 when he also announced the publication of the consultation document, *Independence for Statistics*.

In summary, the proposals are:

- to remove the statistics office from ministerial control by establishing it as a non-ministerial department
- for special funding arrangements, outside the normal spending review process
- to create a new independent governing board, reporting directly to Parliament rather than through ministers, which will oversee the statistics office and be responsible for ensuring quality and integrity across National Statistics
- to place a statutory responsibility on this board to assess and approve all National Statistics against the Code of Practice, also backed by statute
- to create the post of Chief Statistician (akin to the current role of National Statistician) who will combine the roles of Chief Executive of the statistics office, Government Chief Statistical Adviser, and Head of the Government Statistical Service
- for the Government to consider the position of the General Register Office and the National Health Service Central Register within government, in recognition that their functions necessarily involve ministers and are distinct from those envisaged for the new governing board, and
- responsibilities within the new governing board. (The Commission will be wound up once the new arrangements are in place.)

The consultation period ran until 14 June 2006. Sixty-six responses were received from a wide range of organisations and individuals. Additionally, Karen Dunnell, the National Statistician, will send a submission containing all the issues discussed at her recent independence roadshows and those raised through the ONS independence database. The most common and substantive comments from the responses concern:

- the role of the board and Chief Statistician
- the scope of reforms
- a residual role for ministers

There were also many references to pre-release and data sharing.

HM Treasury will make all the responses available on their website ([www.hm-treasury.gov.uk](http://www.hm-treasury.gov.uk)) by the end of June. It is expected that the Government will publish its response to the consultation exercise after the summer break.

## 2005/06 review

### Summary of financial performance – key points

The Statement of Parliamentary Supply: Summary of Resources Outturn 2005/06, contained in the Resource Account, shows that our net resource outturn for the year was £169.5 million as against an estimate of £170.1 million.

The underspend of £0.6 million is largely attributable to:

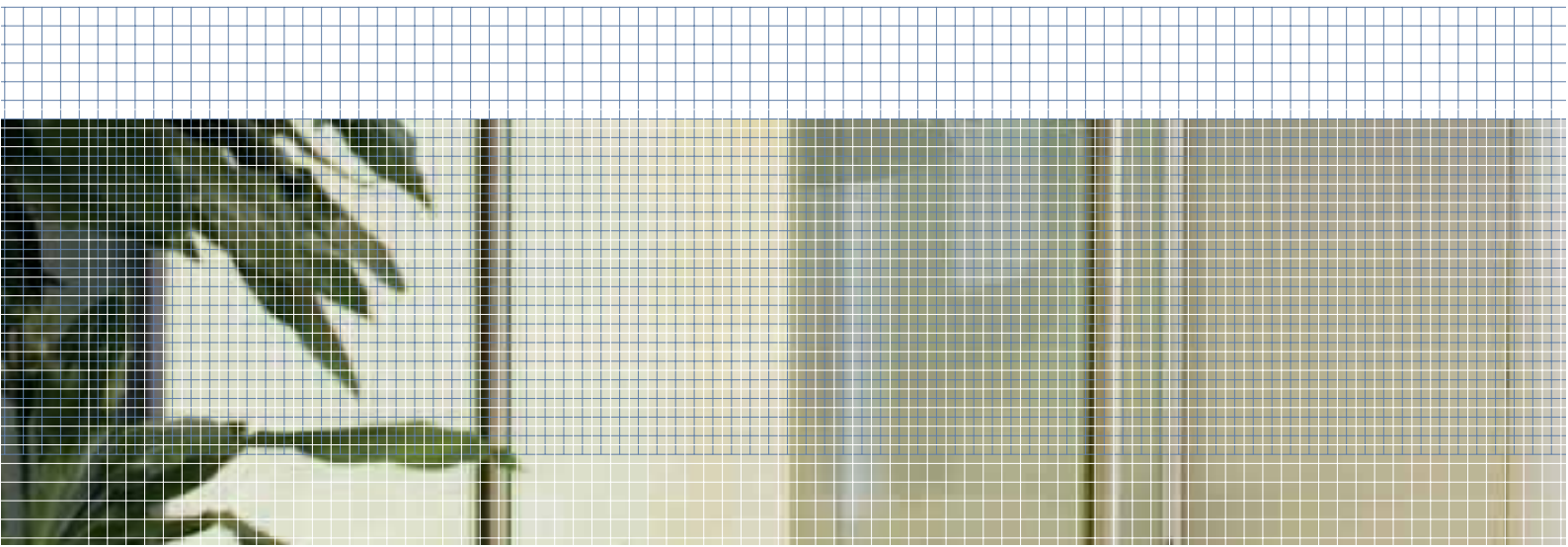
- a an under-achievement on income of £2.1 million, which was recognised early and led to an ONS-wide campaign to tighten controls and reduce expenditure, particularly on external consultancy within IMG, travel and subsistence, hospitality and training
- b cancellation of £600,000 of Communication Division's plans in the customer research, marketing and branding areas, and
- c changes in accounting policies, together with delays in capital expenditure, leading to savings on capital charges of £2.2 million

Our income decreased by some £2 million over the previous year. This was largely due to the Office of the Deputy Prime Minister providing additional funding for the Annual Population Survey in 2004/05 but also, in part, because of a decision not to bid for as many social surveys as in previous years.

The Balance Sheet, within the Resource Account, shows a significant increase in the value of our fixed assets (£28.6 million). This is due largely to continuing expenditure on the construction of software applications, Neighbourhood Statistics (NeSS), the Statistical Modernisation Programme (SMP) and the Civil Registration Review Project (CRRP). A detailed analysis of assets under construction can be found at note 12(b).

The Balance Sheet also shows a significant increase in the amount outstanding for provisions for liabilities and charges, largely resulting from the voluntary early severance (VES) and retirement (VER) schemes we introduced during 2005/06. A detailed breakdown of the provisions can be found at note 17.

Although ONS has only one departmental aim, the Statement of Operating Costs by Departmental Aim and Objectives discloses expenditure on the two objectives of



statistical and registration services, where the proportions of net expenditure on each remains at about 90:10 overall, although registration's share of the total staff costs has increased from 16 to 17 per cent.

The table of staff numbers at note 8 shows a decrease of 112, of which 48 relate to agency staff, inward secondments and interviewers, the remainder being permanently employed staff. The increase in staff numbers in registration reflects the increase in demand for certificates and the commencement of the CRRP.

Note 8 also details payments made with regard to pension liabilities. Employees of ONS are civil servants to whom the conditions of the Superannuation Acts 1965 and 1972 and subsequent amendments apply. For the year ended 31 March 2006, contributions were paid to the Paymaster General at rates of 16.2 per cent to 24.6 per cent (according to grade) of salaries determined by the Government Actuary and advised by HM Treasury.

Note 9, Other administrative costs, shows a significant decrease in expenditure on consultancy in 2005/06 and a sharp increase in depreciation and other capital charges, which reflects ONS's continued investment in modernisation programmes.

ONS has a clear creditor payment policy, is committed to the CBI prompt payment code and aims to pay all invoices within 30 days of receipt of goods or presentation of a valid invoice, whichever is later. During 2005/06 99.06 per cent of all valid invoices were paid within 30 days.

In addition to VES and VER, a new category is included in provisions at note 17 to allow for the bonus payments resulting from the August 2005 pay award, which cover the period April to June 2006 but which will not be paid until 2006/07.



ONS indicates in note 28 its intention to transfer space within the Drummond Gate complex to another government department and to run another VES and VER scheme in 2006/07.

All executive, non-executive and divisional directors were requested to sign related party transaction declarations, the outcome of which can be found in note 27.

The Comptroller and Auditor General examines ONS's Resource Accounts under the Government Resources and Accounting Act 2000 and reports his findings to the House of Commons. There was no other statutory audit work undertaken during the year. The cost of these statutory audit services for the year ended 31 March 2006 can be found in note 9.

Details of ONS's use of derivatives and other financial instruments as required by Financial Reporting Standard 13 can be found in note 24.

ONS continues to make improvements to its processes for good financial management. As a consequence of relocation, we are in the process of recruiting qualified accountants to fill senior positions – the number of qualified accountants in senior positions has increased from one to five – and we continue to provide financial awareness training. We are also continually seeking to simplify our financial procedures and actively moving to centralise and streamline our financial management functions, in order to introduce good practice in practical financial management issues, such as forecasting and budgeting.

**Karen Dunnell**

**July 2006**

## Summary of achievements

### Transfer of function

Following the recommendations of the Morris Review of Actuarial Services, the Financial Secretary to the Treasury announced on 1 November 2005 the creation of the National Statistics Centre for Demography (NSCD). This came about when, on 31 January 2006, national population projections work transferred from the Government Actuary's Department to our Population and Demography Division. The NSCD will work closely with its major partners – the General Register Office for Scotland, Northern Ireland Statistics and Research Agency and Welsh Assembly Government – to develop and deliver a UK-wide work programme on population statistics and demographic analysis. This will provide easily accessible, coherent and consistent statistics and analysis for the UK. A UK population committee will oversee and provide future direction on the UK-wide work programme. In addition, we are establishing an advisory board that will give advice and guidance to the director of the NSCD.

### Census 2011

The census is the only peacetime operation that involves all members of the public in the UK, and is the largest operation that ONS runs. The 2001 Census cost £207 million. It is a huge logistical operation that requires questionnaires to be delivered to, and collected from, about 25 million households, as well as the employment of a large temporary fieldforce. To help determine the content of the next census and enable ONS to develop questions, a public consultation was carried out between May and August 2005. We published our response to this consultation on 8 March (for details see *The 2011 Census: Assessment of initial user requirements on content for England and Wales* at [www.statistics.gov.uk/about/consultations/2011Census\\_response.asp](http://www.statistics.gov.uk/about/consultations/2011Census_response.asp)). A pilot, involving 100,000 households in five local authorities (Bath and North East Somerset, Camden, Carmarthenshire, Liverpool and Stoke), will be carried out on 13 May 2007 to test the content as well as major innovations, including the post-out of census questionnaires and new field procedures.

Outsourcing of data capture and coding for the 2001 Census worked well, but one important lesson we learned was the need to start the procurement process earlier. Our procurement strategy for the probable 2011 Census started in September 2005. The main procurement, which ONS will lead, will meet the needs of the statistical offices of England and Wales, Scotland and Northern Ireland, and will provide printing, web-capture, scanning and data capture, and contact centre services, as well as a form-tracking system. The statement of requirements for this procurement was issued on 8 March 2006. The project has been subject to the OGC Gateway process to review its business justification and procurement strategy stages (Gates 1 and 2). Gate 3 – to review the investment decision – is scheduled for September 2007.

## Statistical improvements in 2005/06

Most of the resources available to ONS for improving the quality of statistics were allocated to the Statistical Modernisation Programme, which includes modernisation of the National Accounts and Labour Force Survey. Nevertheless, resources were also found to deliver improvements in a range of statistics that users identified as priorities. The following are summaries of these improvements.

### a Index of services

Since December 2000, ONS has published a monthly Index of Services (IoS) as an experimental statistic. In March 2006 the development programme for the IoS took a major step forward, with a further six industries being designated National Statistics. This brought the number of designated industries to 12, out of a total of 27, accounting for 60 per cent of the index. In recognition of this, we upgraded the release from its previous experimental status to a mainstream First Release. The programme to improve the IoS continues, and we will evaluate the suitability of five more industries in each of the next three quarters, with the aim of the whole of the IoS becoming a National Statistic by early 2007.

### b Business sector output

An estimate of market sector gross value added (GVA) from the production side was introduced in 2005 as an experimental series, and is now published on a regular basis alongside the Output, Income and Expenditure and Quarterly National Accounts releases. A time series is available back to 1995 Quarter 1, with a proxy series going back to 1955 Quarter 1. A series for market sector GVA, excluding oil and gas, is available back to 1977 Quarter 1.

### c Short-term earnings indicators

Average weekly earnings, previously known as 'true' average earnings or the average earnings ratio, was introduced as an experimental monthly series. Unlike the average earnings index, average weekly earnings allows for movement in earnings due to changes in the composition of employment between industries. A quarterly index of labour costs per hour was also introduced as an experimental series.

### d Annual Survey of Hours and Earnings

Following the introduction of the Annual Survey of Hours and Earnings in 2004, as a modernised version of the New Earnings Survey, more improvements were made for the 2005 survey. A new questionnaire was introduced, which improved the consistency of the information collected on bonuses and picked up elements of pay that had previously been missed. The impact of this discontinuity was evaluated to allow the production of consistent statistics between 2004 and 2005.



#### **e Public sector employment**

Previously, public sector employment estimates were annual only, published once a year and with a lag of a year or more. We are now publishing quarterly estimates on a regular basis, around three months after the end of the quarter in question. There have been other improvements in quality: standardised definitions are being used across the public sector; and full-time equivalents as well as headcounts are available. These improvements have indirectly added value to estimates of private sector employment. We published articles in March and October 2005 which gave greater analytical detail than before of public sector employment.

#### **f Labour Force Survey time series**

We have kept continuous Labour Force Survey (LFS) time series in line with the latest population estimates and projections, using the interim reweighting methodology adopted in advance of the completion of LFS re-engineering. Following the introduction, in December 2004, of an econometric modelling technique for extending key LFS series back in time on a continuous basis, high and low points in rates and levels of employment, unemployment and inactivity can now be quoted across the full 35-year span of the LFS series. As a further part of the analysis supporting each month's release of labour market statistics, ONS now publishes on the website LFS estimates for individual months of employment, unemployment and inactivity rates.

#### **g Employment and Jobs Quality Review**

In January 2006 ONS published the final report of the Quality Review of employment and jobs statistics. The report covered a very broad area and had implications for statistical sources of employment estimates, ranging from the decennial population census to the Interdepartmental Business Register. Recommendations were set out for improving the coherence of employment statistics derived from different sources and for analytical work designed to assist users to interpret the existing published series. An action plan, following up the recommendations of the review will be published by ONS during the first half of the 2006/07 year.

#### **h Consumer Price Index and Retail Price Index**

We extended the use of local probability sampling for item selection in retail outlets to fridge freezers and audio systems. And we introduced laptop computers and pre-pay mobile telephone handsets to the index, using hedonic regression to value changes in quality.

### **i Public sector output**

We continued to improve the measurement of public sector output. *United Kingdom National Accounts 2005*, also known as the Blue Book, showed improvements in health (the number of treatment categories identified increased from 1,732 to 1,929), education (measurement switched from pupil numbers to pupil attendance), personal social services (a range of changes), social security administration (coverage included existing as well as new claims) and fire services. The Organisation for Economic Co-operation and Development (OECD) concluded that, cumulatively, improvements to measurement had added around 1 per cent to GDP.

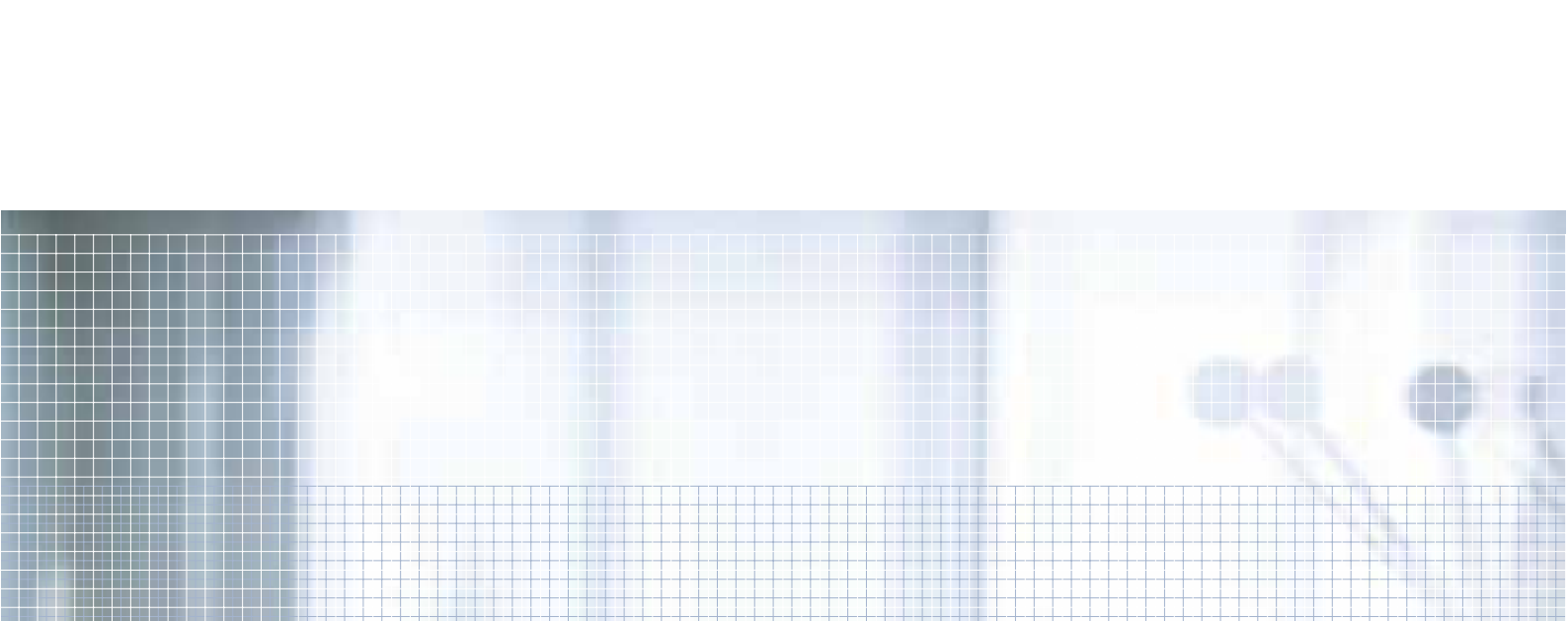
### **j Volume Index of Capital Services**

ONS published pilot Volume Index of Capital Services (VICS) estimates in November 2003. We have since improved and updated the series, with revisions made to the component data and data covering a longer period (now 1950 to 2004). The most recent VICS estimates include a fuller treatment of computers, a lower level of industry breakdown (57 industries) and estimates that are more consistent with the National Accounts. This updated series was first published in November 2005 and will be released on a yearly basis.

## **National Accounts classification**

Classifying transactions to, for example economic categories, and organisations to sectors is a continuous and integral part of the compilation of the National Accounts. Most classification decisions are routine; some have wider significance and are of public interest, primarily because they can have implications for the fiscal aggregates. Such decisions are taken, following a transparent and well established process, by the ONS National Accounts Classification Committee, and subject to authorisation by the National Statistician. Articles are published to explain the reasons for the decisions. During 2005/06 articles were published on:

- the classification of the proposed International Finance Facility for Immunization as a private sector entity (August 2005)
- the reclassification of securitised bonds issued by London and Continental Railways as public sector borrowing (August 2005)
- the reclassification of London and Continental Railways from the private to the public sector (February 2006), and
- the reclassification of the BBC within the public sector from public corporations to the central government sector, and the reclassification of the television licence fee from a charge to a tax (January 2006)



In addition, the National Statistician wrote to the chair of the Treasury Sub-Committee on 29 November to confirm that the Railways Act 2005 did not change the classification of Network Rail as a private non-financial corporation. The classification, like all UK National Accounts decisions, follows international guidelines. What matters in this instance is not the degree of government financial support for Network Rail, but who controls general corporate policy, and that control clearly lies with Network Rail itself through its board and the members who appoint it. In evidence to the Treasury Sub-Committee on 9 November the National Statistician said that she intended to further strengthen the process for taking classification decisions by issuing a National Statistics Protocol on classification. A draft will be published for consultation during 2006.

## Web development and publishing

National Statistics Online is a primary channel of communication for ONS in our role as a publisher of statistics and a statistical news provider. Between April 2005 and March 2006 the site received an average of 737,000 visitors a month. This compared with an average of 565,000 a month in the same period in the previous year. On 18 October 2005 there was a record 53,000 visitors in one day.

We continually update the content of the website and publish over 200 'nuggets', or statistical news stories, a year. During 2005/06 web pages were developed and improved for our main publications, giving visitors easier access to the information. *Social Trends* number 35, 12 titles in the 'Focus on' series, *Pension Trends*, *Health of Children and Young People*, *Children's Dental Health* and *Living in Britain* were among the publications to be developed in this way.

A new release calendar was introduced on National Statistics Online in August 2005. It replaces Updates. Visitors to National Statistics Online can now search for past, current and planned releases on the Press Office database. The functionality of the new calendar includes the ability to sort results by a variety of criteria and was developed in consultation with several users. Our aim is to continue improvements during 2006/07.

## Statistical reporting

The 'Focus on' series continues to grow, with new full reports and online overviews on older people, people and migration, and health published during the year. We also produced an online overview of *Focus on Families*. Together, the reports and overviews provide a



comprehensive statistical picture of each topic, using the best source of data. While the full reports are primarily paper-based, electronic versions with underlying data are also available on the National Statistics website. 'Focus on' reports planned for publication in 2006 include full reports on families, the digital age, and ethnicity and religion, and web-based overviews of *Focus on Children and Young People* and *Focus on Gender*.

*Labour Market Review*, published in March 2006, is a new publication bringing together labour market statistics and analysis to give an overall picture of the key social and economic aspects of labour market trends in the UK in recent years. We launched the Review at the same time as an online guide to labour market statistics, which provides a comprehensive reference source. The Review is both paper-based and available on the National Statistics website, with links to the online guide.

*Regional Trends* provides an overview of the diversity that exists in areas of the UK and EU through data and commentary covering a wide range of topics. In September 2005 we launched a Regional Snapshot web page to complement the publication and facilitate easier access to a wealth of information at regional and local levels. During 2006 we will extend the Snapshot and improve it to allow more frequent updating and alternative, or in-depth, analysis to be presented. Both products are key elements in a more integrated approach to delivering data to our customers.

In April 2005 the Neighbourhood Statistics website was relaunched offering users a number of new and improved features. In the following year we added over 130 new datasets to the site and the number of visitors increased steadily, peaking at over 100,000 in November 2005. The next phase of development of the website, which improved the usability and navigation, was released on 28 April 2006 and a further release, to improve the resilience of the site, is planned for 20 June 2006.

### Strengthening data access arrangements

We initiated a coordinated effort to strengthen our data access and confidentiality protection arrangements. We extended our Business Data Laboratory to become a Virtual Microdata Laboratory accessible from all four of our sites. Researchers who come to the site may now use data with identifiers if required in their research. We also introduced a special licence for access to microdata files that are potentially identifiable for research at academic institutions. The licensees have contracts that prevent them from releasing outputs from their research in any identifiable form.

We also issued a Survey Charter that explains to both interviewers and respondents how data collected or received by ONS is handled to preserve its confidentiality. We developed standard procedures for applying statistical disclosure control methods to tabulations from our surveys and census, led a review issuing guidance for disclosure control procedures for tabulations of abortion statistics, and issued a consultation document with guidance for disclosure control procedures for tabulations of health statistics from administrative data. We held regular meetings with users to discuss how we could better meet their needs while protecting the confidentiality of our data.

## Reducing the burden on suppliers

ONS has been publishing estimates of compliance costs for many years and has a track record of achieving its annual targets (see below). Our record of transparency in this field is recognised in the UK. We are developing a model of best practice for measuring the impact on business of non-statistical regulations. The latest outturn on compliance is given in annex A.

Compliance costs				
Year	2002/03	2003/04	2004/05	2005/06
Target (£ millions)	27.1	27.1	28.1	29.6
Actual (£ millions)	26.5	27.1	27.8	29.2
Difference (£ millions)	- 0.6	0.0	- 0.3	- 0.4

ONS strongly supports the Administrative Burdens Reduction Project, and is participating fully in this Cabinet Office-led initiative. We formed a monitoring group to oversee the project and offer comments on the outputs derived by the consultants. In addition, we supported the project by supplying, where the law allowed, contact information for businesses from the business register, which enabled the consultants to carry out their work more effectively.

One of the challenges facing ONS over the next financial year is meeting the Better Regulation Executive Target. All departments are required to publish rolling plans for regulatory simplification by the time of the Pre-Budget Report in late 2006.

We have worked closely with the Better Regulation Executive to develop a draft Simplification Plan and provided advice and guidance on measuring the administrative burden and developing guidelines for good questionnaire design.

The approach we have proposed for reducing the burden on business concentrates on:

- data sharing, using existing administrative data from other government departments to replace and enrich survey data

- working with the EU to reduce the impact of EU regulations on the business community
- using modernised ONS systems and processes to improve flexibility, helping businesses comply with survey requests, saving them time by presenting requirements in a way most suited to their business, and giving them more choice in how to respond, and
- continuing to use current mechanisms to regulate the burden on business, building on the well established process of producing an annual compliance plan

## **Risk management**

ONS faces a range of risks from both internal and external sources and we take a robust approach to risk management. There are a number of specific factors:

- we produce a wide range of products that must be delivered to time and to the required standard
- we are in a period of change, modernising our business and subject to plans to make ONS independent of government
- we have a number of critical government targets to meet – in particular, the 2004 Spending Review requires us to meet cash-releasing efficiency targets, and
- our reputation is critical to us. It affects the willingness of people and organisations to provide us with data, and the trust our customers have in our outputs

Risk management is well established in ONS. All risks are logged on a register held on a central database using common definitions. In the summer of 2005 we set a programme management standard for risk management. Corporate risks are discussed at the ONS Board and copied to our audit committee. During 2005/06 we developed a new quarterly corporate risk report. This report reviews anticipated risks and gets greater input from the executive-level risk owners before risks are discussed at Board level. We improved this new process throughout the year and feedback from the non-executive directors suggested that combining the risk and planning discussions at the ONS Board was particularly effective. The next development will be to place greater emphasis on the horizon-scanning role.

The corporate risks under the Board's purview in 2005/06 covered planning and monitoring resources within the limits set by government, including headcount, reputation management, delivery of the modernisation programme, business continuity and delivery of the 2011 Census.

## **Stakeholder management**

ONS executive directors are responsible for improving working relationships with our key stakeholders. This includes better understanding their needs and refining the processes that underpin our relationships. It also involves receiving feedback from stakeholders every year

to measure our performance against our key targets to deliver all service level agreement outputs to time, cost and service delivery standard.

ONS has one or more service level agreement with all its key account customers, including HM Treasury, the Bank of England, Department of Health, Department of Trade and Industry and the National Assembly for Wales. We have a number of other agreements with other government departments. Our long-term aim is to bring these various arrangements under the umbrella of a single, high-level service level agreement for each key account, and rationalise the underpinning agreements (content, number, etc).

Our key account customers provide us with an assessment of our performance. Summaries of these for 2005/06 are shown here.

Summary of assessments for 2005/06	
Key account	Summary assessment
Bank of England	The Bank of England noted that it continued to enjoy a very good working relationship with ONS. The overall quality of the regular flow of ONS statistics used by the Monetary Policy Committee (MPC) had been maintained/supplied in a consistent and reliable manner. ONS had also responded well to requests and queries about data. ONS made further improvements to the quality of its statistics, including to the Index of Services. But there were other aspects of ONS's performance where the Bank was not satisfied. In particular, the delay to the implementation of the statistical modernisation programme. This was seen as regrettable. The MPC also noted the slower than expected progress on a number of statistical issues, including the development of the Corporate Services Price Index. More generally, despite the ongoing improvements made in recent years, ONS's measurement of prices and volumes in the service sector remained deficient. The Bank continued to attach a very high priority to improving the quality of service sector data and to the modernisation programme being completed to the current timetable and delivering the expected improvements in statistical quality.
Department of Health	DH judged that, overall, service delivery has been good or satisfactory for all the service level agreements. Similarly, performance was maintained across the agreements. The Chief Medical Officer expressed his satisfaction with the analytical work received from ONS. Following the creation of the Information Centre for Health and Social care on 1 April 2005, there has been a need to put new Concordat and Service Level Agreements in place. Work has started on this and is ongoing.
Department of Trade and Industry	DTI reaffirmed its strong dependency on ONS as a major supplier of statistical data. Communication between DTI and ONS is good. In some areas there have been significant and welcome developments, for example the Wealth and Assets Survey and expansion of the role of the Business Micro-Data Lab. DTI is, however, concerned about proposed reductions to samples for some business surveys and slowing of the Business Surveys Improvement Programme.

Department for Work and Pensions	DWP reported positively on the overall level of service received from ONS, with most areas rated as good or excellent. Areas for improvement include the provision of accurate data from the Labour Force Survey, responses to FRS queries, and slight delays in the provision of data templates for Neighbourhood Statistics.
HM Treasury	HM Treasury judged that ONS maintained a good overall level of performance in 2005/06. The high priority accorded to investment in the statistical modernisation programme has continued to limit resources for other developments, but ONS has delivered a consistent and smooth service under the service level agreements with HM Treasury and introduced various statistical improvements, keeping HM Treasury well informed and consulting effectively in the process.
National Assembly for Wales	NAW considered ONS's performance for 2005/06 to be good.  ONS has had some success in addressing areas requiring improvement, and overall performance has improved slightly on 2004/05. ONS and NAW are continuing efforts to identify and rectify other areas of weakness.
Northern Ireland Statistics and Research Agency	NISRA considers its relationship with ONS to be good. The formulation of a service level agreement during the assessment period has clarified the understanding of the services to be provided by ONS and the responsibilities of both parties. The service level agreement and introduction of bi-lateral meetings have improved communications and the interchange of information at a strategic/policy level. This is seen as a welcome addition to the interaction that already exists between NISRA and ONS at an operational level. To maintain and build on the current assessment NISRA will be looking to focus on processes relating to the sharing of data and pre-release access to statistics, publications and press releases. This will help to deliver improvements in compendia publications.
Scottish Administration	The Scottish Administration judged that ONS's performance, in terms of working on specific statistics topics, is good in most areas. There are few problems. Most areas were judged as having performance that was excellent, including some areas of economic and business statistics. There were no areas reported as being 'less than satisfactory', however performance in Labour Market had deteriorated from the previous year's report for a few outputs.  On more general aspects of the working relationship, ONS's performance is generally good, although many issues are to a significant extent now on hold or subject to adjustment in the wake of UK Government proposals on independence.



# III Remuneration Report

## Remuneration policy

The remuneration of senior civil servants is set by the prime minister following independent advice from the Review Body on Senior Salaries.

The Review Body also advises the prime minister from time to time on the pay and pensions of members of Parliament and their allowances; on peers' allowances; and on the pay, pensions and allowances of ministers and others whose pay is determined by the Ministerial and Other Salaries Act 1975.

In reaching its recommendations, the Review Body has regard to the following considerations:

- the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities
- regional/local variations in labour markets and their effects on the recruitment and retention of staff
- Government policies for improving the public services, including the requirement on departments to meet the output targets for the delivery of departmental services
- the funds available to departments as set out in the Government's departmental expenditure limits, and
- the Government's inflation target

The Review Body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations.

Further information about the work of the Review Body can be found at [www.ome.uk.com](http://www.ome.uk.com)

### Service contracts

Civil service appointments are made in accordance with the Civil Service Commissioners' Recruitment Code, which requires appointment to be on merit on the basis of fair and open competition. It also outlines the circumstances when appointments may be made outside the limits of the Code.

Unless otherwise indicated in the table on pages 30-1, the officials covered by this report hold appointments that are open-ended until they reach the normal retiring age of 60. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Further information about the work of the Civil Service Commissioners can be found at [www.civilservicecommissioners.gov.uk](http://www.civilservicecommissioners.gov.uk)

## Salary and pension entitlements

The following sections provide details of the remuneration and pension interests of the executive directors and other senior directors of the Office for National Statistics, including those who have vacated their positions during 2005/06.

Remuneration		
	2005/06	2004/05
Name and title	Salary £000	Salary £000
<b>Mr Len COOK *</b> Director, Registrar General, Head of the Government Statistical Service and the National Statistician until 31 August 2005	80–85	170–175
<b>Ms Karen DUNNELL</b> Executive Director until 31 August 2005 and Director, Registrar General, Head of the Government Statistical Service and the National Statistician from 1 September 2005	120–125	100–105
<b>Ms Cynthia CLARK</b> Executive Director	110–115	60–65 (full year equivalent 90–95)
<b>Mrs Hilary DOUGLAS</b> Executive Director	125–130	35–40 (full year equivalent 115–120)
<b>Mr Joe GRICE</b> Executive Director	95–100	90–95
<b>Ms Jil MATHESON</b> Executive Director	90–95	80–85
<b>Mr Colin MOWL</b> Executive Director	100–105	100–105
<b>Mr Steve NEWMAN</b> Finance Director from 4 July 2005	65–70 (full year equivalent 90–95)	--
<b>Mr Stephen PENNECK</b> Executive Director from 1 September 2005	95–100	--
<b>Mr Dennis ROBERTS</b> Executive Director	100–105	95–100
<b>Mr Dayantha JOSHUA</b> Director	consent to disclosure withheld	

	Remuneration	
	£	£
Gwen Batchelor	4,625	2,625
Alex Jablonowski	1,250	--
Professor Janet Finch	5,875	2,625
Sir Robert Culpin	7,250	--

Non-executive directors are paid a flat fee plus expenses and have no pension disclosures.

**Note**

Joe Grice is on loan from HM Treasury. The Treasury pays his salary, of which ONS reimburses 80 per cent. This practice will continue until mid-2007 when his chairmanship of the Economic Policy Committee ends. From this date, ONS will be responsible for the full salary costs.

## Salary

'Salary' includes gross salary; performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances; and any other allowance to the extent that it is subject to UK taxation.

This report is based on payments made by ONS and recorded in these accounts.

## Benefits in kind

None of the above received any benefits in kind during 2005/06.

Pension benefits					
Officials	Real increase in pension and related lump sum at age 60	Accrued pension at age 60 as at 31.03.06 and related lump sum	Cash Equivalent Transfer Value at 31.03.05	Cash Equivalent Transfer Value at 31.03.06	Real increase in Cash Equivalent Transfer Value
	£000	£000	£000	£000	£000
<b>Mr Len COOK *</b> Director, Registrar General, Head of the Government Statistical Service and the National Statistician until 31 August 2005	0.5–1.0 plus 1.5–2.0 lump sum	5–10 plus 20–25 lump sum	100	112	11
<b>Ms Karen DUNNELL</b> Executive Director until 31 August 2005 and Director, Registrar General, Head of the Government Statistical Service and the National Statistician from 1 September 2005	9.5–10.0 plus 29.5–30.0 lump sum	45–50 plus 145–150 lump sum	674	882	216

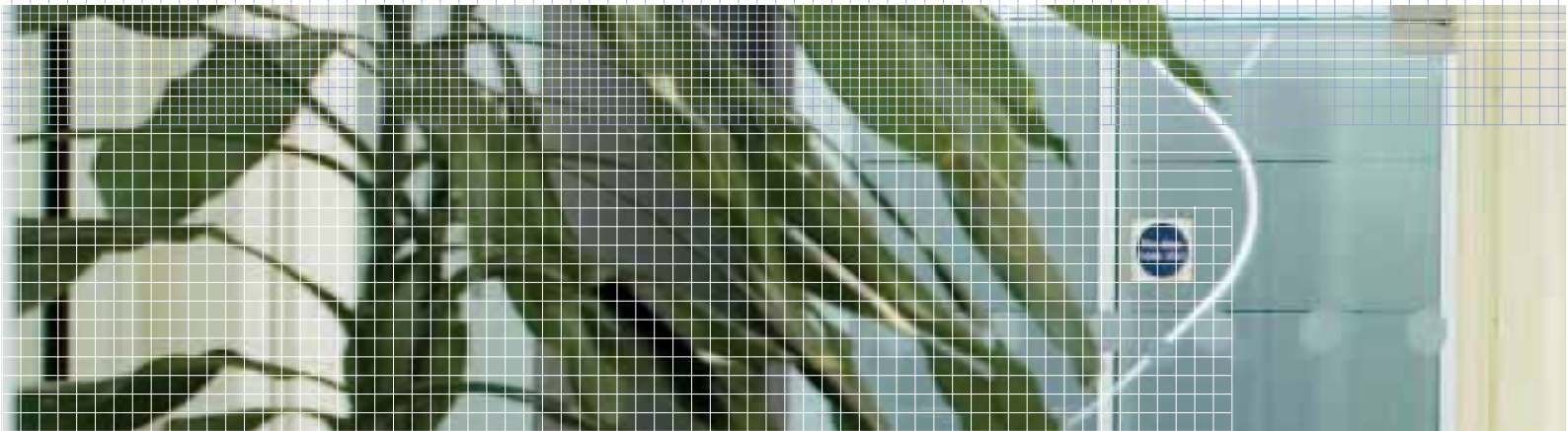
<b>Ms Cynthia CLARK</b> Executive Director	1.5–2.0	0–5	13	33	29
<b>Mrs Hilary DOUGLAS</b> Executive Director	2.0–2.5 plus 6.0–6.5 lump sum	45–50 plus 135–140 lump sum	723	795	44
<b>Mr Joe GRICE</b> Executive Director	No pension details at the time of publication				
<b>Ms Jil MATHESON</b> Executive Director	4.0–4.5 plus 12.0–12.5 lump sum	35–40 plus 105–110 lump sum	485	584	83
<b>Mr Colin MOWL</b> Executive Director	1.0–1.5 plus 4.0–4.5 lump sum	40–45 plus 130–135 lump sum	756	818	32
<b>Mr Steve NEWMAN</b> Finance Director from 4 July 2005	1.0–1.5	1–1.5	0	14	16
<b>Mr Stephen PENNECK</b> Executive Director from 1 September 2005	4.0–4.5 plus 13.0–13.5 lump sum	25–30 plus 105–110 lump sum	510	607	92
<b>Mr Dennis ROBERTS</b> Executive Director	1.0–1.5 plus 4.0–4.5 lump sum	40–45 plus 125–130 lump sum	715	769	29
<b>Mr Dayantha JOSHUA</b> Director	Consent to disclosure withheld				

\* Pensions Cap used

### Cash Equivalent Transfer Value

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The CETV figures, and from 2003/04 the other pension details, include the value of any pension benefit in another scheme or arrangement that the individual has transferred to the civil service pension arrangements and for which the Civil Superannuation Vote has received a transfer payment commensurate with the additional pension liabilities being assumed.



They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

The factors used to calculate the CETV were revised on 1 April 2005 on the advice of the Scheme Actuary. The CETV figure for 31 March 2005 has been restated using the new factors so that it is calculated on the same basis as the CETV figure for 31 March 2006.

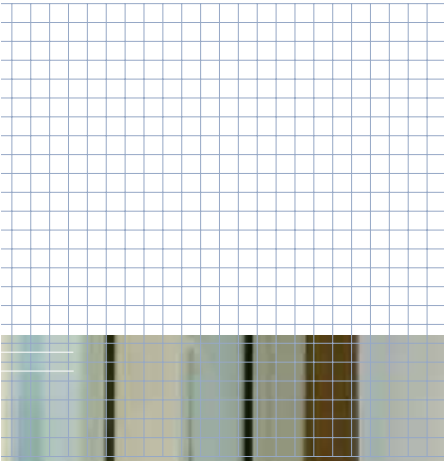
### Real increase in CETV

This reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, and contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement). It uses common market valuation factors for the start and end of the period.

### Civil service pensions

Pension benefits are provided through the civil service pension arrangements. From 1 October 2002 civil servants may be in one of three statutory based, 'final salary' defined benefit schemes (classic, premium and classic plus). The schemes are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium and classic plus are increased annually in line with changes in the Retail Prices Index. New entrants after 1 October 2002 may choose between membership of premium or joining a good quality 'money purchase' stakeholder arrangement with a significant employer contribution (a partnership pension account).

Employee contributions are set at the rate of 1.5 per cent of pensionable earnings for classic and 3.5 per cent for premium and classic plus. Benefits in classic accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th



of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum (but members may give up (commute) some of their pension to provide a lump sum). Classic plus is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly in the same way as in classic

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3 per cent and 12.5 per cent (depending on the age of the member) into a stakeholder pension product chosen by the employee from a selection of approved products. The employee does not have to contribute but, where they do make contributions, the employer will match these up to a limit of 3 per cent of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8 per cent of pensionable salary to cover the cost of centrally provided risk-benefit cover (death in service and ill health retirement).

More details about the civil service pension arrangements can be found at the website [www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)

**Karen Dunnell**

**July 2006**



# Annexes

## Annex A

### Targets from the 2004 Spending Review

To leverage the benefits of investment in statistical modernisation and organisation transformation, as reflected by:

<ul style="list-style-type: none"> <li>the value of outputs per £ of cost increasing 20 per cent by March 2008, compared with 2003/04</li> </ul>	<p>We developed a methodology to measure and quantify the value of statistical outputs, which was quality assured and signed-off by the Office for Government Commerce's (OGC's) Metrics and Benchmarking Team. The methodology was developed specifically to meet the need to report against this efficiency target. In the longer term, we will explore further the potential for using benefits valuation as a corporate prioritisation tool and develop a more detailed set of outputs that will help improve understanding of our cost structure and the flow of resources through our core and intermediate outputs. Using the methodology, the 2003/04 benchmark was £108 million, and the increase in value at the end of 2005/06 was calculated as £5.3 million (5 per cent). This was in line with expectations as the significant benefits from modernisation were due towards to the end of the period.</p>
<ul style="list-style-type: none"> <li>the proportion of transactions with business completed electronically reaching 25 per cent by March 2008</li> </ul>	<p>We use two methods to collect data from business electronically: automatic telephone data entry (TDE) and file transfer. ONS has chosen to extend TDE in preference to other possible electronic collection modes because its use is already well-established and successful. International research has identified it as a cost-effective method of data collection.</p> <p>The latest figures for 2005/06 show that 15 per cent of business transactions were completed electronically, of which 6 per cent were TDE returns and 9 per cent made by various forms of file transfer. This figure is unchanged from the previous year.</p> <p>We plan to modernise our data collection systems and this will extend the proportion of data collected electronically. Our milestone targets are for 17 per cent of transactions to be made by TDE by the end of 2006/07, rising to 26 per cent by the end of 2007/08, and for an improved secure file transfer facility to raise the use of this method to 16 per cent of transactions by the end of 2007/08.</p>

To modernise civil registration:

<ul style="list-style-type: none"> <li>subject to parliamentary approval we will implement a fully web-enabled registration system, with approved government bodies having electronic access to:             <ul style="list-style-type: none"> <li>new registrations, by September 2005</li> <li>post-1935 birth records, by June 2007</li> <li>post-1980 death records, by March 2008</li> </ul> </li> </ul>	<p>This target comes within the compass of the wider Civil Registration Review Project, which will implement the recommendations of the Civil Registration Review. The work includes the electronic capture of new and existing registration records, including the digitisation of paper-based records that go back to 1837.</p> <p>All work is currently on track to deliver on time. The web-based registration system, which enables Register Offices to register civil partnerships online, was launched in March 2006. We plan to also use this system to register births, marriages and deaths within the next 12 months. Access to new registrations is available to government bodies who have the necessary legislative gateways to the data.</p>
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To implement the recommendations from the Allsopp Review of Statistics for Economic Policy Making:

<ul style="list-style-type: none"> <li>• we will begin launching new surveys during 2006 in accordance with a plan for full delivery by 2009</li> </ul>	<p>ONS is committed to delivering output-based, real, regional Gross Value Added estimates by 2009, albeit on an experimental basis initially. The focus to date has been on development of the essential infrastructure (the Business Register, access to administrative data) on which surveys depend, as well as on the technical development work required for the development of new surveys. We will not be in a position to launch new surveys in 2006 but we plan to undertake pilot work during 2007.</p>
<ul style="list-style-type: none"> <li>• we will create a Government Statistical Service presence in each region by March 2007</li> </ul>	<p>As part of the 2006 Pre-Budget Report, the Financial Secretary, John Healey MP, made an announcement that: 'Regional Development Agencies have agreed to work in partnership with ONS, including providing some funding, to deliver a full regional statistical presence by March 2007'. Initial scoping for an appropriate IT solution to support the regional offices took place in 2005/06 and plans were developed that consider both the functions of the new offices and the practicalities of setting them up. Work in 2006/07 will provide the groundwork for optimal rollout of the new offices by March 2007; consultation is planned with key stakeholders and further scoping, of a cost-effective IT solution, will take place.</p>

To improve the quality and reliability of statistics relating to population, pensions, government output, and wealth and assets:

<ul style="list-style-type: none"> <li>• we will complete population studies on at least five local councils and publish the findings by March 2008</li> </ul>	<p>The population studies are designed to investigate whether there is an appreciable risk of under- or over-estimating the population in the annual mid-year estimates. Using an objective and evidence-based method, we selected four local authorities for initial study. By summer 2006 we will have completed the studies and will publish the results by March 2007. The studies will be evaluated to assess whether they have delivered value for money and, subject to the outcome of the evaluation, more local authorities may be selected. The results of these studies will be published by March 2008.</p>
<ul style="list-style-type: none"> <li>• we will develop and complete the fieldwork required for a mid-decade population benchmark, with results to be published by the end of 2008</li> </ul>	<p>ONS will not be mounting a large and costly fieldwork-based benchmark but we will do work to ensure we achieve the desired outcome, as effectively as possible. To date we have completed work on the use of administrative data to create a quality assurance tool and researched into possible uses of housing data. Our conclusion was that there is no strong direct link between housing and population.</p> <p>By the end of 2006 we will have reported the findings of our work on improving data on the geographical distribution (to regions and local authorities) of international migration. We will continue other research and analysis to improve data on internal and international migration and review research being carried out by other countries into alternative methods, or improvements to current methods, for producing population estimates. Our findings will be published by March 2008.</p>

<ul style="list-style-type: none"> <li>• from 2005 we will produce annually a report on pension trends, pulling together a uniquely comprehensive set of statistics and analysis on UK pensions</li> </ul>	<p>The first edition of <i>Pension Trends</i> was published as planned in October 2005. In November 2005 ONS established a Pensions Analysis Unit to replace the Pension Statistics Task Force. In January and February 2006 the unit consulted users of <i>Pension Trends</i> to seek their feedback on the first edition, check their requirements and gather their views on ways of releasing <i>Pension Trends</i> in future.</p>
<ul style="list-style-type: none"> <li>• we will implement the response to the Atkinson Review on measuring government output</li> </ul>	<p>In order to develop and take forward the challenges set out by the Atkinson Review, the National Statistician established the UK Centre for the Measurement of Government Activity (UKCeMGA), to form an integral part of ONS, in July 2005. UKCeMGA's remit is to make relevant information available about public services' output and productivity. It makes a vital contribution to the accounting of spending on public services and works in partnership with government departments, public services, the research community, practitioners and other National Statistics offices.</p> <p>During 2005/06 the Centre made progress in identifying and building relationships with key stakeholders, both within and beyond government, including international partners. It also published a range of productivity analyses through its Public Service Productivity articles, for example on education (October 2005) and health (February 2006). In addition, development action plans, to carry out the collaborative work necessary, were agreed with HM Treasury and the Department of Health, Department for Education and Skills, Department for Work and Pensions, Department for Constitutional Affairs, Office of the Deputy Prime Minister (for fire services), Scottish Executive and Northern Ireland Office.</p> <p>Key deliverables and milestones for 2006/07 and 2007/08 include: improvements to both measures of spending on public services and measures of public services' output; consultation with the wider public – analysts and practitioners – on proposals for new measures; and implementation of improvements for health, education, public order and safety, and social protection. Ongoing challenges for the Centre will be to make further progress on: local authority expenditure data; capital consumption, capital services and input deflators; devolved administrations; timeliness of quarterly output data for the health services; measures for criminal justice; and children's social services.</p>
<ul style="list-style-type: none"> <li>• we will develop and complete the fieldwork required for a comprehensive Wealth and Assets Survey, with results to be published in 2007</li> </ul>	<p>The Wealth and Assets survey will begin in July 2006, following a feasibility study in 2005 and a pilot survey in early 2006. Given the complexity of the information and the multipurpose nature of the survey, the development of the content has been a long and intensive process. The feasibility study indicated that the survey would be viable but raised issues regarding the content and length of the questionnaire and potential response rates. The results from the pilot survey were generally positive but also identified areas for work (for example to achieve a reduction in the questionnaire length). After the main stage wave 1 survey has started in July 2006, we plan to do further development work on the longitudinal survey design; we expect to publish the first results from the wave 1 survey in 2007.</p>

To respond to the challenge of Sir Peter Gershon's Efficiency Review:

- we will deliver efficiencies, rising to £25 million per year by 2007/08, and reduce staff numbers

We are pursuing a range of initiatives to remove obsolete tools, systems and processes, and restructure our business, both organisationally and geographically. Programmes include fundamental statistical and technology modernisation, the introduction of an Enterprise Resource Planning System (ERPS) to modernise and streamline administrative processes, a significant relocation project to transfer posts out of London and the South East, a reduction of 700 full-time equivalent (FTE) posts from a total workforce of 4,310 (2003/04) and a major modernisation of civil registration. Each of these initiatives is at a different stage of planning and maturity but, taken together, they affect nearly every person, process and system in ONS and will deliver significant long-term cost and efficiency benefits to government and our customers.

Full details of the measures and methodologies we are using to assess the achievement of efficiency savings are set out in the updated ONS Efficiency Technical Note published in December 2005.

The cash- and non-cash-releasing efficiencies up to March 2006 are shown here, together with the projected level of efficiencies ONS plans to secure from each workstream by 2007/08 and the proposed annual milestones.

**ONS cash-releasing efficiencies, 2005/06–2007/08**

Workstream	March 2006	March 2007	March 2008
Statistical modernisation	2.9	5.2	6.6
Civil registration <sup>1</sup>	0.0	0.0	0.0
Corporate services	1.6	3.2	4.4
Procurement <sup>2</sup>	1.9	1.5	1.5
<b>Total cash-releasing savings</b>	<b>6.4</b>	<b>9.8</b>	<b>12.5</b>

**ONS non-cash-releasing efficiencies, 2005/06–2007/08**

Workstream	March 2006	March 2007	March 2008
Statistical modernisation	5.3	5.8	8.4
Civil registration <sup>1</sup>	0.3	1.0	2.5
Corporate services	0.0	0.0	0.6
Procurement	0.5	0.5	1.0
<b>Total non-cash-releasing savings</b>	<b>6.1</b>	<b>7.3</b>	<b>12.5</b>

**1 Savings from civil registration are non-cash as cost reductions will eventually be passed on to customers through reduced certificate fees.**

**2 Some procurement cash savings are time-limited.**

Of the £6.4 million cash savings achieved up to March 2006, some £4.8 million was recycled from our existing business into new corporate priorities, including £2.9 million from core statistical production (achieved by, for example, restructuring teams in advance of modernisation and scaling back on development and investigative costs); and £1.6 million from corporate services, largely from staff reductions due to the successful introduction of the next stage of ERPS (the financial and i-expenses modules were introduced on 1 April 2006).

The overall efficiencies achieved in 2005/06 represent 50 per cent of the overall target. This includes £8.5 million towards the overall target of £17.5 million on statistical and civil registration modernisation. A major exercise on valuing benefits was concluded in March 2005, which identified £5.3 million of improvements in statistical outputs achieved through several modernisation projects. Corporate services delivered £1.6 million of their £5 million target; efficiencies will be ongoing as further stages of the enterprise system are introduced.

Additionally, some £1.9 million of savings were achieved through better procurement, calculated in line with the OGC guidance for procurement measurement. The largest element of procurement savings was the reduced IM consultancy costs.

In total, around 50 separate initiatives contributed to the 2005/06 cash savings total.

We continue to explore the scope for additional savings that could enable us to exceed the targets or provide additional contingency. During 2005/06, examples included:

- a review of the ONS portfolio of change programmes, which included a rigorous challenge of the identification, calculation and reporting of programme benefits, and the identification of additional potential benefits
- a significant business process re-engineering initiative within our existing business, which entailed end-to-end process mapping and review, and led to the development of more efficient process designs and a strategy for their implementation
- an exploration of the potential of sub-letting part of the ONS estate, to reflect the reduced space requirements arising from relocation and efficiency
- a review of the senior civil service posts within ONS

Wherever possible, we have sought to ensure that efficiency reductions do not adversely affect the quality of our outputs.

The Office increased its staff numbers during 2004/05 to resource change programmes and meet increased public demand in the form of a large upsurge in requests into the General Register Office; these were mainly temporary appointments. However, as we moved through our modernisation and efficiency programme, the introduction of more modern, systematised and efficient approaches to almost all aspects of our business resulted in a sustained fall in staff numbers during 2005/06. As planned, this fall was achieved through a combination of natural wastage, recruitment restrictions, voluntary early severance and effective redeployment of existing staff. Staff were supported through the provision of career transition training, individual meetings and job searching in other government departments.

The Office continues to face the challenge of successfully meeting staff efficiency and relocation targets while developing and enhancing our key outputs. We are on target to achieve our commitment to significantly reduce staff resource by 700 FTE posts by March 2008. As planned, we have already successfully reduced our FTE posts to our baseline figure of March 2004 by using the methods described. Forward business plans show how further efficiencies and the completion of modernisation projects will enable future workforce reductions to be achieved in line with those given in the table here. In meeting these targets we will continue to support the redeployment of those staff who wish to remain in the civil service.

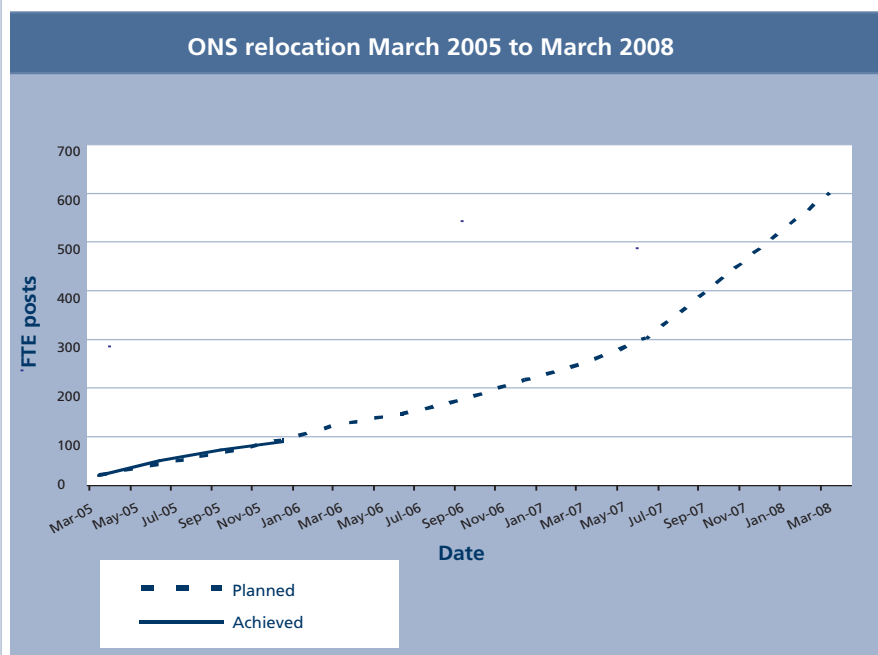
To respond to the challenge of Sir Michael Lyons' Relocation Review:

- we will relocate 850 jobs from London and the South East by March 2010, with 600 to be relocated by March 2008

By 31 March 2006 we had relocated 125 FTE posts to Newport from London and Titchfield, meeting our 2005/06 target. We have also relocated 19 posts from London to Titchfield. We have helped 27 staff to move with their posts and are on course to reduce our London estate to our target level by June 2006. The reduction of the London estate is expected to provide savings of around £1.4 million in 2006/07, rising to £3.3 million in 2010/11.

We announced that UKCeMGA and the Labour Market Division will relocate to Newport by April 2008, which will contribute over 100 posts to our relocation plans. We decided, however, not to relocate the Titchfield telephone unit to Newport.

Forward planning up to April 2010 will be done during the first half of 2006 in preparation for our submission to the 2007 Comprehensive Spending Review. This planning will reflect our future business requirement, taking account of the staff profile that emerges from the delivery of our efficiency targets, and the needs of an independent ONS.



## Targets from the 2002 Spending Review

Key result – To modernise ONS’s statistical infrastructure and processes

<ul style="list-style-type: none"> <li>• By March 2006, to deliver higher quality and noticeable business benefits through holding the major ONS statistical sources in a common statistical database and using common processes, tools and practices</li> </ul>	<p>We did not meet this target.</p> <p>This was to be achieved through the ONS Statistical Modernisation Programme, phase 1 of which was to develop a working, central ONS repository for data. However, the original scope was found to be too demanding given the timescales, and there were a significant number of conceptual and technical difficulties. As a result, in October 2004, the scope of phase 1 was limited to producing a prototype of the repository and this was delivered successfully at the end of March 2005.</p>
<ul style="list-style-type: none"> <li>• By March 2006, to manage the National Accounts and labour market statistics through an integrated set of standard statistical processes</li> </ul>	<p>We did not meet this target.</p> <p>As a result of the review of the modernisation programme, we moved our focus from all systems to the central systems for the National Accounts (for example supply use tables, income and capital account), and from all labour market statistics to the Labour Force Survey. Delivery of the bulk of the functionality for these specific systems by March 2006 has provided the foundation to deliver the remaining systems for National Accounts and labour market statistics at a later date.</p> <p>Initial functionality for the National Accounts and Labour Force Survey was delivered and demonstrated to a number of key ONS customers. Significant progress was also made on customer acceptance testing of the first functional release of the National Accounts.</p> <p>The second functional software release is being constructed and, during 2006/07, will deliver the majority of functionality required for building National Accounts central systems. The gradual introduction of all the tools required for the National Accounts will allow National Accounts Group to build a system based on the central repository in time to test new methods by the summer of 2006. The aim is for the central systems to go live in 2008 with production of the 2008 Blue Book. The additional functionality required for the rest of National Accounts will be developed during 2006/07 and 2007/08, and incrementally rolled out during 2008/09. By the summer of 2006 we plan to have delivered the functionality needed to produce, in a timely fashion, consistent Labour Force Survey outputs that are aligned with the latest population totals. We expect data to have been entered into the new system, and for the system to be in use, by the first half of 2007, reducing significantly the time taken to re-weight population estimates and produce consistent microdata outputs.</p>
<ul style="list-style-type: none"> <li>• By March 2006, to provide the capability to make automated, UK-wide population estimates and projections</li> </ul>	<p>We did not meet this target.</p> <p>This target was to be achieved through a project within ONS’s Statistical Modernisation Programme but the review (see previous entry) removed the population and projections project from the scope of the planned programme.</p>
<ul style="list-style-type: none"> <li>• To deliver through Neighbourhood Statistics the agreed statistical requirements for neighbourhood renewal</li> </ul>	<p>We did not meet this target.</p> <p>During 2005/06, 225 datasets were loaded onto the Neighbourhood Statistics website, exceeding the target by 50. These included counts of low-birthweight babies and population estimates by ethnic group. Of the new datasets, 48 per cent used super output area geography, compared with a target of 40 per cent. The website is proving extremely popular and phased releases are being managed to continually improve usability and functionality.</p>

Key result – To provide a trusted and authoritative statistical service

<ul style="list-style-type: none"> <li>• To publish all ONS's statistics at the preannounce time, with revision levels consistent with agreed or published user delivery requirements</li> </ul>	<p>As in previous years, the target was met for all market sensitive outputs.</p> <p>In addition, 99 per cent of all non-market sensitive outputs were published on time, which represents an improvement over 2004/05.</p>
<ul style="list-style-type: none"> <li>• To deliver all service level agreement outputs to time, cost and service delivery standard</li> </ul>	<p>See page 23, Stakeholder management.</p>
<ul style="list-style-type: none"> <li>• To ensure the delivery of improved services that contribute to the delivery of other departments' public service agreement targets</li> </ul>	<p>See page 23, Stakeholder management.</p>
<ul style="list-style-type: none"> <li>• To improve the public perception of the integrity of National Statistics to the extent that it is publicly recognised by the press, the Royal Statistical Society (RSS) and the Statistics Commission</li> </ul>	

Key result – To ensure the efficient and accurate registration of key life events

<ul style="list-style-type: none"> <li>• The registration of births does not fall below 99.9 per cent of all births</li> </ul>	<p>Target met. Achieved 99.99 per cent.</p>
<ul style="list-style-type: none"> <li>• 93 per cent of Principal Registration Officers performing satisfactorily or better</li> </ul>	<p>Target met. Achieved 93.5 per cent.</p>

- By March 2006, subject to parliamentary approval of the legislative process required to implement the changes in the White Paper 'Civil Registration: Vital Change', to have developed a system for web-enabled registration of all key life events

ONS has partly met this target.

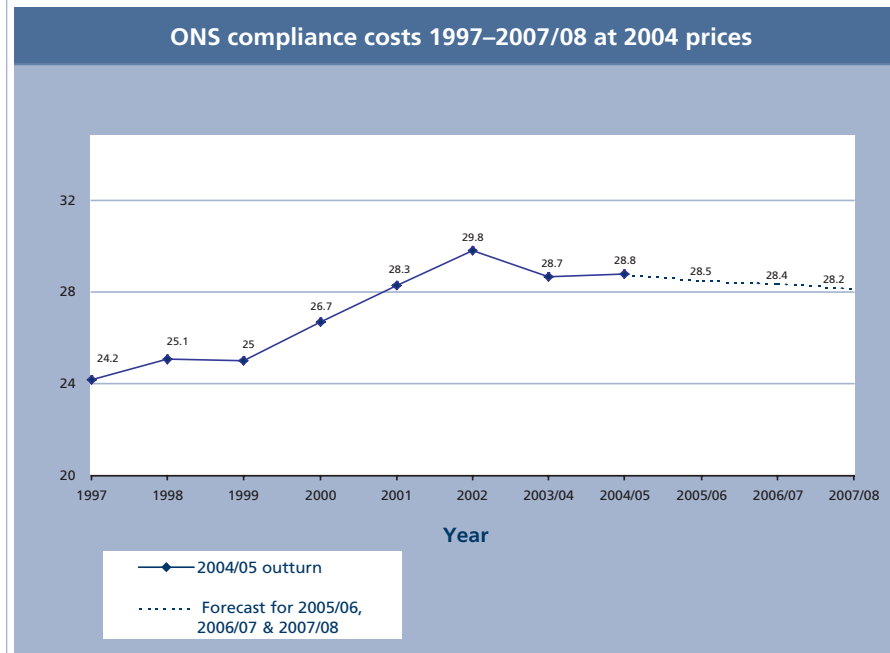
The web-based registration system was launched for live use on 6 March 2006. Currently Register Offices can register civil partnerships online but we plan to use the system for the online registration of births, marriages and deaths within the next 12 months. Target still to deliver web-enabled registration system but without the changes in the White Paper due to lack of legislation.

## Extant targets from earlier spending reviews

### Supplier burden

- ONS will agree with the ministerial plans for compliance costs, which will include targets that recognise the balance between the need for reliable information and the burden on suppliers

ONS has achieved its target of living within its compliance ceiling of £28.5 million at 2004 prices for 2005/06. ONS produced a draft Simplification Plan for the Administrative Burdens Project in January 2006.





Service level targets	
<ul style="list-style-type: none"> <li>To pay all valid bills within 30 days of receipt (target 100 per cent)</li> </ul>	Target not met. 99 per cent of invoices paid on time (total invoices = 11, 825).
<ul style="list-style-type: none"> <li>To answer public enquiries about statistical activities within ten days (target 99 per cent)</li> </ul>	Target met. All enquiries answered within ten days.
<ul style="list-style-type: none"> <li>To answer urgent registration enquiries within five days (target 99 per cent)</li> </ul>	Target not met. Achieved 97 per cent. We were on track until the end of January 2006 (99 per cent) but the large volume of additional certificate applications referred to later in this table had an adverse impact on our answering of urgent enquiries.
<ul style="list-style-type: none"> <li>To answer non-urgent registration enquiries within 20 days (target 95 per cent)</li> </ul>	Target met. Achieved 99 per cent.
<ul style="list-style-type: none"> <li>To post or have available for personal collection (at the Family Records Centre only) applications for certified copies of birth, marriage and death entries received by personal application, by post, electronically or by telephone within the specified delivery target for the service (details of all the services are on the GRO website at <a href="http://www.gro.gov.uk">www.gro.gov.uk</a>)</li> </ul>	Target not met. Achieved 84 per cent. We were on track to meet the target until there was a surge in applications, prompted by the BBC television series <i>Who Do You Think You Are?</i> , reaching record levels in January, February and March and leading to a backlog of work. (Performance to end January was 98 per cent.) Various measures have been taken to eliminate the backlog and we were on track to meet monthly targets from the end of June.

# Annex B

## ONS publishing plan 2005/06

ONS publishes a wide range of publications covering economic and other social statistics. This annex lists the high profile and other regular releases issued during 2005/06, as well as the major ad hoc and occasional publications.

All publications are available on the National Statistics website [www.statistics.gov.uk](http://www.statistics.gov.uk). Those marked with an asterisk\* are also published in paper format, by ONS's official publisher Palgrave Macmillan.

Subject and frequency	High profile regular outputs – First Releases	Other regular and major ad hoc outputs – reports
<b>Compendia and reference</b>		
Monthly	—	Monthly digest of statistics*
<b>Commerce, energy and industry</b>		
Monthly	Motor vehicle production	Aerospace and electronic cost indices (MM19) Digest of engineering turnover and orders Engineering turnover and orders Metalworking machine tools Motor vehicle production and new registrations (PM34.10) Price index numbers for current cost accounting (MM17) Producer price indices (MM22)
Quarterly	Distributive and service trades Investment by insurance companies, pension funds and trusts Mergers and acquisitions involving UK companies	Assets and liabilities of finance houses and other credit companies (SDQ7) Insurance companies, pension funds and trusts investments (MQ5) Prodcom sales and trade reports (PRQ series) Stockbuilding (SQ1)
Annual	Capital expenditure items purchased by businesses Gross domestic expenditure on research and development International transactions of the UK film and television industries Overseas direct investment	Mineral extraction in Great Britain 2004 (PA1007) Prodcom sales and trade reports (PRA series) Research and development in UK business 2004 (MA14) UK business: activity, size and location 2005

The economy		
Monthly	Consumer price indices Index of distribution <sup>1</sup> Index of production Internet connectivity Producer prices Public sector finances Retail sales UK trade	Economic trends* Financial statistics* Focus on consumer price indices Internet access Monthly review of external trade statistics (MM24) Retail sales (SDM28)
Quarterly	Business investment – provisional and final results GDP preliminary estimate Productivity Profitability of UK companies United Kingdom balance of payments United Kingdom quarterly national accounts United Kingdom output, income and expenditure	Consumer trends Corporate services price index (experimental) Environmental accounts Public sector finances supplementary data United Kingdom economic accounts* United Kingdom trade in goods analysed in terms of industries (MQ10)
Six monthly	Government deficit and debt under the Maastricht treaty International comparisons of productivity	—
Annual	Annual business inquiry – provisional, revised and regional results Business enterprise research and development Gross domestic expenditure on research and development Internal comparisons of productivity Local gross value added Regional gross value added	Capital stocks, capital consumption and non-financial balance sheets 2005 Economic trends annual supplement 2005* Financial statistics explanatory handbook 2006* Overseas direct investment 2004 (MA4) Regional household income NUTS 1,2,3 1995–2002 Share ownership 2004 United Kingdom balance of payments (Pink book) 2005* United Kingdom input-output analyses 2005 United Kingdom national accounts (Blue book) 2005*

<b>Education and training</b>		
Ad hoc	—	Student achievement in Northern Ireland: results from the 2003 PISA study
<b>Health and care</b>		
Weekly	—	Weekly deaths in England and Wales
Quarterly	—	Health statistics quarterly*
Annual	—	Cancer statistics registrations 2002 (MB1) Cancer statistics registrations 2003 (MB1) Congenital anomaly statistics 2004 (MB3) Deaths in 2004: excess winter mortality in 2003–04 and 2004–05 Mortality statistics – cause 2004 (DH2) Mortality statistics – childhood, infant and perinatal 2004 (DH3) Mortality statistics – general 2003 (DH1) Mortality statistics – injury and poisoning 2003 (DH4)
Ad hoc	—	Cancer atlas of the UK and Ireland 1991–2000* Contraception and sexual health 2004 Long-term survival care for breast cancer, England and Wales to 2003 Mental health of children and young people in Great Britain, 2004* Smoking-related behaviour and attitudes 2004 UK health statistics
<b>Labour market</b>		
Monthly	Integrated labour market statistics Regional labour market statistics (11 releases)	Labour market trends*
Quarterly	Public sector employment	Labour force survey historical quarterly supplement
Annual	Annual survey of hours and earnings Low pay estimates Work and worklessness among households	Annual survey of hours and earnings 2005 Public sector employment trends 2005
Ad hoc	—	Labour market review 2006*

Population and migration		
Quarterly	—	<p>Inter-regional migration movements within the UK</p> <p>Population trends*</p> <p>Quarterly population estimates for England and Wales (experimental)</p>
Annual	—	<p>Births and deaths in 2004</p> <p>Birth statistics 2004 (FM1)</p> <p>Conception statistics 2001</p> <p>Conception statistics 2002</p> <p>Divorces 2004</p> <p>Electoral statistics 2005</p> <p>Estimates of population in private households, mid-2004</p> <p>Internal migration estimates, mid-2003–04</p> <p>International migration 2003 (MN)</p> <p>Key population and vital statistics 2003 (PPI/VS)*</p> <p>Life expectancy at births by health authorities and local authorities, 2002–04</p> <p>Marital status population estimates, mid-2004</p> <p>Marriage, divorce and adoption statistics 2003 (FM2)</p> <p>Marriages 2004</p> <p>Mid-2004 population estimates for England by de jure marital status</p> <p>Mid-2004 population estimates for England by primary care organisation area</p> <p>Mid-2004 population estimates for the UK, England and Wales, local authorities and government office regions in England</p> <p>Ward population estimates for England and Wales, mid-2001 and mid-2002</p>
Ad hoc	—	<p>2001 Census: general report*</p> <p>2001 Census: quality report for England and Wales*</p>

<b>Social and welfare</b>		
Monthly	—	—
Annual	Effects of taxes and benefits on household income	Effects of taxes and benefits on household income 2003–04 Family spending 2003–04* Family spending 2004–05* Results from the general household survey 2004 Social trends 2006*
Ad hoc	—	Focus on families (overview) Focus on health (full report)* Focus on older people (full report)* Focus on people and migration (full report)* Focus on social inequalities (overview) Pension trends 2005* Social capital measurement in the UK: young people and social capital
<b>Transport, travel and tourism</b>		
Monthly	Overseas travel and tourism	—
Quarterly	—	Overseas travel and tourism (MQ6) Travelpac
Annual	—	Travel trends 2004*
<b>Other</b>	—	National Statistics socio-economic classification: origins, development and use* National Statistics socio-economic classification: user manual* Survey methodology bulletin (six-monthly)

1. Index of distribution replaced by index of services from March 2006.

# Resource Accounts

The background of the slide is a blurred office scene. In the foreground, the back of a man's head and shoulder is visible, looking towards the right. The office environment includes desks, chairs, and other office equipment, all out of focus.

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# Resource Accounts

## Year ended 31 March 2006

### Statement of the Accounting Officer's responsibilities

Under the Government Resources and Accounts Act 2000, ONS is required to prepare resource accounts for each financial year, in conformity with an HM Treasury direction, detailing the resources acquired, held or disposed of, and the use of resources, by the department during the year. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of ONS and its net resource outturn, resources applied to objectives, recognised gains and losses, and cash flows for the financial year.

In preparing accounts, the agency is required to meet the requirements of the *Government Financial Reporting Manual* and, in particular, to:

- observe the accounts direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- make judgements and estimates on a reasonable basis
- state whether applicable accounting standards have been followed, and disclose and explain any material departures in the financial statements, and
- prepare the financial statements on the going-concern basis, unless it is inappropriate to presume that the agency will continue in operation

HM Treasury has appointed the Director of the Office for National Statistics as the Accounting Officer for the department with responsibility for preparing the department's estimate.

The responsibilities of an Accounting Officer, which include responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, keeping proper records and safeguarding the department's assets, are set out in the Accounting Officer Memorandum, issued by the Treasury and published in Government Accounting.

The Accounting Officer's responsibility for keeping proper records includes responsibility for the maintenance, integrity and upkeep of the resource accounts on the ONS website.

# Statement on internal control, 2005/06

## Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of ONS's policies, aims and objectives, set out in the Annual Business Plan and agreed by Treasury ministers, while safeguarding the public funds and departmental assets for which I am personally responsible in accordance with the responsibilities assigned to me in Government Accounting. ONS is both an executive agency and a Chancellor of the Exchequer's department and, as such, takes direction on resources, priorities and business compliance from its assigned minister within the Treasury. In 2005/06 this was the Financial Secretary, John Healey MP. I report to the minister on major issues affecting the Office, including risks, on a regular basis. Where necessary I have meetings with the minister on serious issues of risk or reputation.

## The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can, therefore, provide only reasonable and not absolute assurance of effectiveness. It is based on an ongoing process designed to identify and prioritise the risks to the achievement of departmental policies, aims and objectives; evaluate the likelihood of those risks being realised and the impact should they be realised; and devote appropriate resource to managing them. The system of internal control has been in place in ONS for the year ended 31 March 2006 and up to the date of approval of the Annual Report and Accounts, and accords with Treasury guidance.

## Capacity to handle risk

In 2005/06 the ONS Executive Management Group, which comprised the executive and corporate directors of the Office, met monthly and acted as the senior internal management committee of the Office. Weekly meetings of executive directors provided opportunities for discussion on emerging risk. Nominated Management Board members are committed to reviewing regularly the major risks for which they are responsible.

The ONS Board comprises the executive and non-executive directors and meets six times per year. It uses these meetings to discuss both high level strategic issues and current or potential aspects of specific risk or difficulty, giving non-executive directors the opportunity to provide advice from an external perspective. At each meeting the Board reviews the current corporate risks and key performance metrics; each quarter it reviews progress against ONS's Performance Management Framework, which comprises a series of targets from spending reviews.

The ONS Finance and Planning Committee, chaired by the Chief Operating Officer and comprising a mix of executive, corporate and divisional directors, met regularly in 2005/06 to prioritise investment in ONS systems and to recommend (to the Executive Management Group) financial allocations to projects and programmes of work. The Finance and Planning Committee also acts as the programme board for the ONS Efficiency Programme and has formed a sub-group specifically to manage the risk associated with delivery of the efficiency targets.

The Departmental Operations Committee, also chaired by the Chief Operating Officer, met regularly in 2005/06 to direct ONS policies on HR, business continuity, security and internal communications. It monitored performance towards ONS's relocation and headcount-reduction targets and, through its sub-groups, managed the risks associated with both those initiatives.

Training in risk management has been incorporated into ONS training programmes ranging from induction to advanced management. In particular, it is a core element of project management training. Guidance has been provided for completing risk registers, which provides direction for risk escalation. Staff in the Corporate Risk Management Unit have been given more specialist training on risk management, ensuring they are better able to provide advice on this subject.

## The risk environment

The legacy of varying systems and practices that ONS took over when we formed in 1996 means that risk management has represented a disproportionately high cost for the Office, arising from the need to maintain close oversight of what should be systematised processes. Key strategic priorities for us over the last four years, and for the future, were to increase the systematisation of statistical processes; upgrade these processes so as to reduce the risk to statistical outputs; reduce our reliance on outdated or legacy IT systems; and put in place an ongoing programme of investment in modernisation and innovation. This involves some temporary risk to ongoing business and the delivery of outputs under existing statistical systems, which is consequently a key issue for ONS risk management.

We are carrying out the changes to statistical processes through a major transformation programme, using funds allocated to the Office in the 2002 Spending Review, and subject to oversight through the Office for Government Commerce's (OGC's) Gateway process. This reporting year, 2005/06, was the second year when significant development funds became available from the 2002 Spending Review for this purpose. The 2004 Spending Review settlement acknowledged the ongoing need for investment in modernisation. While the vision for modernisation remains unchanged, we have altered the mode of delivery to one of incremental change, which also protects existing outputs.

Under current systems and delivery arrangements, the main process we have in place for identifying, evaluating and managing risk is a risk strategy that is built around four key themes:

- clear ownership of roles and responsibilities
- corporate systems to identify, report and evaluate risks and their potential impact
- ensuring staff have appropriate skills to identify and assess the potential for risks to arise, and
- a culture that supports well-managed risk-taking where it is likely to lead to sustainable improvements in service delivery. This means having the right leadership and management to focus and motivate ONS to capitalise on emerging opportunities in the face of constantly changing circumstances

The need for quality and reliability in statistical outputs requires ONS to have a relatively low tolerance of risks within its core business areas. There are components in most current systems that require more oversight because they are out of date. Our medium-term approach to mitigating this risk is the modernisation strategy; where that is not sufficient for the shorter term, more traditional measures will continue to be deployed.

Management of risk is embedded in policy making, planning and delivery, through:

- a central Risk Unit to manage the corporate risk infrastructure and guidance
- a Risk Register that identifies risks and assesses their potential impact
- a quarterly review of corporate risks by the ONS Management Board, with emerging issues being escalated immediately to the next top management forum and/or me, as appropriate
- a requirement to consider risk in the business planning processes, with high level risks included in the ONS plan, and others identified in lower-level (directorate and divisional) plans
- project and programme management processes/techniques that require programme and project managers to identify, report on and manage risks. The Executive Management Group takes monthly reports from the portfolio manager on the management of the investment programmes and projects. These reports include risk management, and
- the Audit Committee's focus on risk, particularly as identified by internal audit and during the preparation and publication of the Resource Account

Although ONS statistics have a key role to play in the formulation of public policies, our delivery of statistical outputs does not have much direct impact on the public individually.

However, controls over the confidentiality of unit data records is an important issue for both the public and businesses. Maintaining such controls is a key feature of our data management systems and is now embedded in the National Statistics Code of Practice (Principle 5) and the associated Data Access and Confidentiality protocol.

## Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed by the work of the internal auditors and the executive managers within the department who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of my review of the effectiveness of the system of internal control by the Board, the Audit Committee and the Strategic Reporting and Delivery Unit. A plan to ensure continuous improvement of the system is in place.

The ONS Audit Committee is constituted in line with Treasury guidance with a balance of executive and non-executive members and a non-executive member in the chair. I am not a member of the Committee but usually attend its meetings, as do our internal auditors and the National Audit Office. The Committee's terms of reference incorporate a right of access to the chair for the head of Internal Audit. The effectiveness of Internal Audit has been strengthened by adopting an audit programme that has an increased focus on higher-risk areas.

The internal audit programme covers the range of ONS activities, including statistics and registration, but has a strong emphasis on corporate, financial and administrative systems. Within the statistical areas, a range of reviews takes place outside the audit programme, including reviews that are part of the National Statistics quality review programme, those initiated by the Statistics Commission and others initiated by the National Statistician.

During 2005/06 new appointments at the senior management level significantly increased the number of qualified accountants in the Finance Directorate. This in turn reduced the risk associated with the introduction of new financial systems and provided strong leadership for the adoption of the proposals by HM Treasury for reform of the departmental finance functions and more integration of the planning of developments with the organisation of ongoing operations.

I also approved the appointment of an experienced portfolio manager, who reports monthly to the Executive Management Group on the delivery capability of ONS's programmes and projects.

The introduction, from April 2006, of a new-work process to cover all requests for investment in projects with an IT element will strengthen our planning processes. An evaluation board, chaired by the Finance Director, will recommend investment based on a business case, the priorities of the Office and the availability of financial resources and skills.

## Significant management and control issues for the Office in 2005/06

These issues have been identified because of their potential impact on ONS financial accounts, rather than any possible threat to public confidence in the reliability of ONS judgement or the integrity of National Statistics.

Financial management at ONS during the year was considered a red risk for most of 2005/06 and was subject to an in-depth and objective review. Although measures taken during the year ensured that our expenditure was kept within the limits of the Parliamentary Estimates, there is still concern, reflected in the ONS Corporate Risk Register, that future years' finances are exceptionally challenging.

The census is the only peacetime enterprise that involves all members of the public and is the largest operation that we run. It is a huge logistical exercise, which needs strong project management. The 2011 Census project received two consecutive red OGC Gateway reviews, in September 2004 and July 2005, because of concerns about the availability of skills and uncertainty about the financial resources. The subsequent recruitment of an experienced project manager has reduced the skills risk; the financing of the Census is being addressed as part of the 2007 Comprehensive Spending Review.

In 2005/06 we actively managed the interdependencies between our four key modernisation programmes: the Statistical Modernisation Programme (SMP), the Technology Modernisation Programme (TMP), the Neighbourhood Statistics Programme and implementation of the Allsopp recommendations for regional economic statistics. The approach taken used proven methodology for benefits realisation management, which helped identify the options and activities most likely to lead to cash benefits. It also identified any potential duplication of activity as well as those activities that could be stopped or deferred.

With most of the Neighbourhood Statistics development programme due to be completed at the end of 2005/06 and the risk posed by our dependency on outdated legacy IT systems increasing, we redefined the modernisation programme as part of the planning process for 2006/07. This programme now brings together SMP, TMP, the continuing development of Neighbourhood Statistics and the i-dissemination project. We recognise, and will manage, the dependency between this programme and the successful delivery of our targets for regional economic statistics.

We have a target to reduce staff numbers by 700 full-time equivalents by 2008, compared with 31 March 2003. We are on course to reach this target. Our planning for 2006/07 and 2007/08 includes business area targets for reductions, consistent with the overall target. We have run two voluntary early severance schemes: one, in 2005/06, saw 89 people leaving ONS; the scheme run in early 2006/07 will see a further 78 people leave. We have also set up schemes to assist those of our staff who want to leave for other civil service jobs and for those who may want a change in career.

We have a target to relocate 600 jobs from London and the South East by March 2008 and a further 250 by March 2010. Although we have made good progress to date – we had relocated 128 posts by 31 March 2006 – this presents us with a considerable challenge. Early in 2006/07, the Executive Management Group will be reviewing further the options for ensuring we meet this target. We are also monitoring the risk to our outputs of both the relocation and the efficiency targets.



**Karen Dunnell**

5 July 2006

## Certificate and Report of the Comptroller and Auditor General to the House of Commons

I certify that I have audited the financial statements of the Office for National Statistics for the year ended 31 March 2006 under the Government Resources and Accounts Act 2000. These comprise the Statement of Parliamentary Supply, the Operating Cost Statement and Statement of Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the Statement of Operating Costs by Departmental Aim and Objectives and the related notes. These financial statements have been prepared under the accounting policies set out within them.

### **Respective responsibilities of the Accounting Officer and auditor**

The Accounting Officer is responsible for preparing the Annual Report and the financial statements in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).



I report to you my opinion as to whether the financial statements give a true and fair view and whether the part of the Financial Statements and the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report to you if, in my opinion, the Annual Report is not consistent with the financial statements, if the department has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the statement on page 54 reflects the department's compliance with HM Treasury's guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider whether the Accounting Officer's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the department's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors Report, Management Commentary and the unaudited part of the Remuneration Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

## **Basis of audit opinion**

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the department's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations that I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

## Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the Government Resources and Accounts Act 2000 and directions made thereunder by HM Treasury, of the state of the department's affairs as at 31 March 2006 and the net cash requirement, net resource outturn, resources applied to objectives, recognised gains and losses and cash flows for the year then ended
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000, and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them

I have no observations to make on these financial statements.

**John Bourn**

**Comptroller and Auditor General**

National Audit Office

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July 2006



Statement of Parliamentary Supply  
Summary of resources outturn 2005/06

								2005/06	2004/05
								£000	£000
Estimate				Outturn				Net total outturn compared with estimate: saving/(excess)	Outturn
Request for resources	Note	Gross expenditure	A in A	Net total	Gross expenditure	A in A	Net total		Net total
Providing statistical and registration services	4	215,102	(45,000)	170,102	212,355	(42,891)	169,464	638	155,060
Total resources	5	215,102	(45,000)	170,102	212,355	(42,891)	169,464	638	155,060
Non-operating cost A in A				(250)			(84)	166	(39)

Net cash requirement 2005/06

					2005/06	2004/05
					£000	£000
	Note	Estimate		Outturn	Net total outturn compared with estimate: saving/(excess)	Outturn
Net cash requirement	6	178,044		173,178	4,866	172,203

Summary of income payable to the Consolidated Fund.

(In addition to appropriations in aid, the following income relates to department and is payable to the Consolidated Fund (cash receipts being shown in italics and figures).)

Forecast 2005/06				Outturn	2005/06
					£000
	Note	Income	Receipts	Income	Receipts
Total	--	--	--	--	--

Explanations of variances between estimate and outturn are given in note 4 and in the Management Commentary. The notes on pages 69 to 98 form part of these accounts

## Operating Cost Statement for the period ended 31 March 2006

				2005/06	2004/05 (re-stated)
				£000	£000
	Note	Staff costs	Other costs	Income	
<b>Administration costs</b>					
Staff costs	8	124,894	--	--	119,556
Other administration costs	9	--	87,805	--	80,765
Operating income	11	--	--	(42,548)	(44,662)
<b>Programme costs</b>					
Staff costs	8	208	--	--	320
Other administration costs	10	--	(344)	--	(195)
Operating income	11	--	--	(343)	(311)
		124,894	87,461	(42,891)	155,473
<b>Net operating cost</b>		--	--	169,464	155,473

Note The 2004/05 outturn has been re-stated for comparative purposes to show consistent disclosure of programme costs (note 10) and the transfer of function (note 2).

## Statement of Recognised Gains and Losses for the period ended 31 March 2006

		2005/06	2004/05
		£000	£000
		Note	
Net gain/(loss) on revaluation of tangible fixed assets	19	17,728	3,086
<b>Recognised gains and losses for the financial year</b>		17,728	3,086

The notes on pages 69 to 98 form part of these accounts

## Balance Sheet as at 31 March 2006

		2005/06	2004/05
	Note	£000	£000
<b>Fixed assets</b>			
Tangible assets	12	120,579	94,625
Intangible assets	13	<u>5,045</u>	<u>2,467</u>
		125,624	97,092
Debtors falling due after more than one year		360	296
<b>Current assets</b>			
Debtors	14	10,730	10,196
Cash at bank and in hand	15	<u>4,866</u>	<u>1,989</u>
		15,596	12,185
Creditors (amounts falling due within one year)	16	(18,059)	(15,698)
<b>Net current assets</b>		(2,463)	(3,513)
<b>Total assets less current liabilities</b>		<u>123,521</u>	<u>93,875</u>
Creditors (amounts falling due after more than one year)		--	--
Provisions for liabilities and charges	17	<u>(5,674)</u>	<u>(1,827)</u>
		<u>117,847</u>	<u>92,048</u>
<b>Taxpayers' equity</b>			
General Fund	18	80,838	72,567
Revaluation reserve	19	37,009	19,481
		<u>117,847</u>	<u>92,048</u>

July 2006

The notes on pages 69 to 98 form part of these accounts

## Cash Flow Statement

for the period ended 31 March 2006

		2005/06	2004/05
		£000	£000
	<b>Note</b>		
Net outflow from operating activities	20	(147,729)	(136,980)
Capital expenditure and financial investment	20	(25,449)	(35,223)
Receipts due to the Consolidated Fund which are outside the scope of the department's activities		--	--
Payments of extra receipts to the Consolidated Fund		--	--
Financing	20	176,055	166,589
Increase/(decrease) in cash in the period		<u>2,877</u>	<u>(5,614)</u>

The notes on pages 69 to 98 form part of these accounts

## Statement of Operating Costs by Departmental Aim and Objectives for the period ended 31 March 2006

			2005/06 £000 Net			2004/05 £000 Net
	Gross £000	Income £000		Gross £000	Income £000	
<b>Aim</b>						
Objective 1 Statistical services	175,131	(22,150)	152,981	165,102	(25,609)	139,493
Objective 2 Register services	37,224	(20,741)	16,483	35,344	(19,364)	15,980
<b>Net operating costs</b>	<b>212,355</b>	<b>(42,891)</b>	<b>169,464</b>	<b>200,446</b>	<b>(44,973)</b>	<b>155,473</b>

### The department's objectives were as follows:

Objective 1 - To be an authoritative and trusted publisher of statistics about the UK economy and society; drive the development of National Statistics; contribute to the leadership of the statistical system of the European Union; and ensure that engagement in international statistics is effective in the breadth of issues important to the UK.

Objective 2 - To ensure the efficient and accurate registration of key life events.

See note 21

**The notes on pages 69 to 98 form part of these accounts**





# Notes to the account

## 1. Statement of accounting policies

These financial statements have been prepared in accordance with the 2005/06 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM follow UK generally accepted accounting practices for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector.

In addition to the primary statements prepared under UK GAAP, the FReM also requires the department to prepare two additional primary statements. The Statement of Parliamentary Supply and supporting notes show outturn against estimate in terms of the net resource requirement and the net cash requirement. The consolidated Statement of Operating Cost by Departmental Aim and Objectives and supporting notes analyse the department's income and expenditure by the objectives agreed by ministers.

Where the FReM permits a choice of accounting policy, the accounting policy that has been judged to be the most appropriate to the particular circumstances of the department for the purpose of giving a true and fair view has been selected. The department's accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

### 1.1 Accounting convention

The accounts have been prepared under the historical cost convention, modified to account for the revaluation of tangible fixed assets at their value to the business by reference to their current costs.

### 1.2 Fixed assets

Tangible assets include land and buildings, computers and associated equipment, in-house developed software and applications, vehicles, office machinery, furniture and fittings.

Intangible assets consist of proprietary software.

With the exception of PCs, software and office furniture, individual assets must exceed a capitalisation threshold for inclusion as fixed assets.

PCs, software and office furniture items falling below the threshold are capitalised as groups.

ONS rents accommodation at Drummond Gate and Myddelton Street in London and at Lancaster Court in Titchfield.

Civil Estate property is occupied in Newport, Titchfield, Christchurch, and Southport. The land and buildings have been restated at current cost using professional valuations every five years and appropriate indices in intervening years. A professional valuation took place in April 2005.

Other tangible assets have been stated at current cost by using indices taken from the ONS publication *Price Index Numbers for Current Cost Accounting*, with the exception of in-house developed software applications, which uses an index developed by our National Accounts Division.

### 1.3 Statistical and registration records

Statistical and registration information has built up over many years and is stored for reference purposes. No attempt is made to value this data, as there is no realistic way of doing so that would arrive at a meaningful valuation.

The cost of storing and maintaining the data has been charged to the Operating Cost Statement as incurred.

### 1.4 Depreciation

Civil Estate land is not depreciated.

Depreciation is calculated so as to write off the revalued cost or the valuation of assets by equal instalments over their estimated useful lives down to a residual value, as follows:

Computers	4 – 7 years
In-house developed software and applications	9 years
Office machinery, furniture and fittings	4 – 10 years
Motor vehicles	5 years
Buildings and refurbishment	Remaining life of lease

The life of each category of asset is reviewed annually.

Purchased computer software licences are capitalised as intangible fixed assets, where the expenditure exceeds the capitalisation threshold, or pooled in below this threshold. Software licences are amortised over the shorter of the term of the licence and the useful economic life.

### 1.5 Assets in course of construction

This consists of certain property related expenditure, the construction of bought-in computer configurations and the development of in-house bespoke software applications. It is valued at the lower of cost, including appropriate overheads and net realisable value, and capitalised on completion in accordance with FRS15.

### 1.6 Research and development

ONS undertakes certain research into statistical and survey methodology. Costs are charged to the Operating Cost Statement as they arise.

## 1.7 Operating income

Operating income comprises the invoiced value of services supplied to the private sector, the wider public sector and other government departments. Prices are calculated in accordance with the *Treasury Guide to Fees and Charges* and aim to recover the full economic cost of their production.

## 1.8 Leases

Assets held under finance leases are included under tangible fixed assets at their capital value and depreciated over their useful economic lives. Leasing payments consist of capital and interest elements and the interest is charged to the Operating Cost Statement. Rentals due under operating leases are charged over the lease term on a straight-line basis or on the basis of actual rentals payable where this fairly reflects usage.

ONS sub-leases some property to third parties. Income from these leases is charged as income in the Operating Cost Statement.

## 1.9 Administrative and programme expenditure

ONS's programme income and expenditure relates to work undertaken on behalf of the European Union (EU) and wholly or partially funded by EU grants and contracts.

## 1.10 Capital charge

The financing structure of ONS does not include specific interest-bearing debt but, to ensure that the Operating Cost Statement bears an appropriate charge for the use of capital in the business in the year, a notional interest charge is included. In accordance with Treasury guidance, the calculation is based on a 3.5 per cent rate of return on average net current assets employed at closing balance sheet values. For tangible, intangible and assets under construction the capital charge is calculated on their net book value.

## 1.11 Foreign exchange

Transactions that are denominated in a foreign currency are translated into sterling at the exchange rate ruling on the date of each transaction.

Where considered material, assets and liabilities denominated in a foreign currency are translated into sterling at the exchange rate ruling at the Balance Sheet date.

## 1.12 Pensions

Past and present employees are covered by the provisions of the Civil Service Pension Schemes that are described at note 7 and in the departmental Remuneration Report. The defined benefit elements of the schemes are unfunded and are non-contributory, except in respect of dependants' benefits. The department recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the Principal Civil Service Pension Schemes (PCSPS) of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution elements of the schemes, the department recognises the contributions payable for the year.

### 1.13 Early departure costs

ONS is required to meet the additional cost of benefits beyond the normal PCSPS benefits in respect of employees who retire early. ONS provides in full for these costs whenever there is commitment to early retirements. ONS may, in certain circumstances, settle some or all of its liability in advance by making a payment to the Paymaster General's account at the Bank of England for credit to the Civil Superannuation Vote. The amount provided is shown net of any such payments.

### 1.14 VAT

Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

## 2. Transfer of function

As part of a Machinery of Government change, the demographic function undertaken by the Government Actuary's Department (GAD) was transferred to ONS on 31 January 2006. ONS included in its Spring Supplementary an increase of £78,000 in net resource and £78,000 in net cash requirement to cover expenditure in February and March 2006. As specified by the Financial Reporting Manual (FReM) ONS has included in operating costs, £344,000 to cover GAD's expenditure for the period from April 2005 to January 2006. This amount is also included in note 16, Creditors. The 2005/06 estimates included cover for costs from 1 February 2006 only. ONS will be seeking a further £344,000 in our 2006/07 Winter Supplementary Estimate to cover the costs of the first ten months of 2005/06.

Details of the expenditure incurred on the demographic function are shown below:

	2005/06	2004/05
	£000	£000
Salaries	221	213
Consultancy	148	155
General administration and overhead costs	66	45
<b>Total</b>	<b>435</b>	<b>413</b>

### 3. Change to estimation technique

With effect from the 2005/06 accounts the following material changes in estimating techniques have been introduced in order to fall in line with prevailing accounting practice.

- **Timing of additional and backlog depreciation in relation to revaluation of fixed assets**

ONS has previously depreciated assets on their value at the opening balance sheet date and revalued assets to closing balance dates. As a consequence the effects of the revaluation on depreciation has not been realised until the following year, which also increased the losses on disposal. For consistency, ONS is now depreciating assets on their value at closing balance sheet date.

#### Impact of change in estimating technique.

The above changes have had the following effects:

- **Statement of Supply, Operating Cost Statement and Statement of Operating Costs by Departmental Aim and Objectives:** a decrease in expenditure of £437,000
- **Balance Sheet:** an increase in the values of fixed assets of £431,000

#### 4. Analysis of net resource outturn by section

	2005/06						2004/05		
	Outturn					Estimate			
	Admin	Other current	Current grants	Gross resource expenditure	A in A	Net total	Net total	Net total compared with estimate	Prior-year outturn
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Request for resources 1: Providing statistical and registration services</b>									
Central government spending									
Section A. Administration (gross control)									
	212,491	(136)	--	212,355	(42,548)	169,807	171,102	1,295	155,371
Section B. EU receipts									
	--	--	--	--	(343)	(343)	(1,000)	(657)	(311)
<b>Resource outturn</b>	<b>212,491</b>	<b>(136)</b>	<b>--</b>	<b>212,355</b>	<b>(42,891)</b>	<b>169,464</b>	<b>170,102</b>	<b>638</b>	<b>155,060</b>

##### Brief explanation of the variances between estimate and outturn (net total resources)

1. An anticipated under-achievement of income led to an office wide campaign to tighten controls and reduce expenditure.
2. Changes in accounting policies and practices resulted in a reduction in capital charges.

##### Brief explanation of the variances between estimate and outturn (net cash requirement)

1. The cash utilisation of provisions was less than expected because a significant number of staff were granted early retirement and severance terms. The leaving date for many of these staff was at the end of March 2006, therefore payments have slipped into 2006/07.

Detailed explanations of variances between estimate and outturn are given in note 3 and in the Management Commentary.



## 5. Reconciliation of outturn to operating cost and against Administration Budget

### 5(a) Reconciliation of net resource outturn to net operating cost

				2005/06	2004/05
	Note	Outturn	Supply estimate	£000 Outturn compared with estimate	£000 (re-stated) Outturn
Net resource outturn	4	169,464	170,102	638	155,060
Prior period adjustments		--	--	--	413
Non-supply income (CFERs)		--	--	--	--
Non-supply expenditure		--	--	--	--
<b>Net operating cost</b>		<b>169,464</b>	<b>170,102</b>	<b>638</b>	<b>155,473</b>

### 5(b) Outturn against final Administration Budget

		2005/06	2004/05
	Budget	£000 Outturn	£000 (re-stated) Outturn
Gross Administration Budget	214,552	212,491	200,322
Income allowable against the Administration Budget	(44,000)	(42,548)	(44,662)
<b>Net outturn against final Administration Budget</b>	<b>170,552</b>	<b>169,943</b>	<b>155,660</b>

**Note** The 2004/05 outturn has been re-stated for comparative purposes and includes the net control section.

## 6. Reconciliation of resources to cash requirement

	Note	Estimate £000	Outturn £000	Net total outturn compared with estimate: saving/(excess) £000
<b>Resource outturn</b>		<b>170,102</b>	<b>169,464</b>	<b>638</b>
<b>Capital</b>				
Acquisition of fixed assets	20	27,820	24,620	3,200
<b>Non-operating A in A</b>				
Proceeds of fixed asset disposals	20	(250)	(84)	(166)
<b>Accruals adjustments</b>				
Non-cash items	9	(22,744)	(23,908)	<b>1,164</b>
Changes in working capital other than cash	20	--	1,114	(1,114)
Payments from provision	17	3,116	1,972	1,144
Excess cash receipts to be surrendered to the Consolidated Fund		--	--	--
<b>Net cash requirement</b>		<b>178,044</b>	<b>173,178</b>	<b>4,866</b>

## 7. Non-operating A in A income

			2005/06	2004/05
	Note	Estimate	£000 Outturn	£000 Outturn
Proceeds on disposal of fixed assets	20	(250)	(84)	(39)
<b>Non-operating A in A income</b>		(250)	(84)	(39)

## 8. Staff numbers and related costs

### 8(a) Staff costs consist of:

	2005/06			2004/05
	Total	Permanently-employed staff	£000 Others	£000 (re-stated) Total
Wages and salaries	87,417	85,566	1,851	87,520
Social security costs	6,496	6,429	67	6,404
Other pension costs	15,625	15,486	139	11,107
<b>Sub total</b>	<b>109,538</b>	<b>107,481</b>	<b>2,057</b>	<b>105,031</b>
Fee-paid Interviewers	15,172	15,172	--	14,632
Machinery of Government transfer	184	184	--	213
<b>Total</b>	<b>124,894</b>	<b>122,837</b>	<b>2,057</b>	<b>119,876</b>
Less recoveries in respect of outward secondments	(236)	(236)	--	(177)
<b>Total net costs* (see notes)</b>	<b>124,658</b>	<b>122,601</b>	<b>2,057</b>	<b>119,699</b>

1. Of the total, £208,000 relates to programme costs (£320,000 in 2004/05).

2. Of the total, £2,196,000 has been charged to capital.

The Principal Civil Service Pension Schemes (PCSPS), of which most of the department's employees are members, are unfunded multi-employer defined benefit schemes, but the Office for National Statistics is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out at 31 March 2003 and details can be found in the resource accounts of the Cabinet Office: Civil Superannuation ([www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)). For 2005/06, normal employer contributions of £16,711,151 were payable to the PCSPS (2004/05: £11,966,908) at one of four rates in the range 16.2 to 24.6 per cent (2004/05: 12 to 18.5 per cent) of pensionable pay, based on salary bands. The scheme's Actuary reviews contributions every four years following a full scheme valuation. Rates will increase from 2005/06. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme. Employees joining after 1 October 2002 could opt to open a partnership pension account, a stakeholder pension with employer contribution. Employers' contributions of £174,798 (2004/05: £166,291) were paid to one or more of a panel of four appointed stakeholder pension providers. Employer contributions are age-related and range from 3 to 12.5 per cent of pensionable pay. In addition, employer contributions of £13,192 (2004/05: £15,209) 0.8 percent of pensionable pay, were payable to the PCSPS to cover the cost of future provision of lump sum benefits on death in service and ill health retirement of these employees. Contributions due to the partnership pension providers at the balance sheet date were £15,545 (2004/05: £14,393). Contributions prepaid at that date were nil.

### 8(b) The average number of whole-time equivalent persons employed (including senior management), during the year was as follows:

	2005/06			2004/05
	Total	Permanently-employed staff	Number Others	Number Total
<b>Objective</b>				
1 Statistical services	3,495	3,447	48	3,721
2 Register services	903	903	2	789
<b>Total (see notes)</b>	<b>4,398</b>	<b>4,350</b>	<b>48</b>	<b>4,510</b>

1. £2,196,000 of salary costs have been charged to capital and not included in the Operating Cost Statement. In 2004/05 the amount charged to capital was £3,056,000.

	2005/06		2004/05	
	Costs £000	FTEs	Costs £000	FTEs
Statistical Modernisation Program (SMP)	2,065	70	2,540	92
Neighbourhood Statistics (NeSS)	57	2	516	19
Civil registration Review Project (CRRP)	74	2	--	--
<b>Total</b>	<b>2,196</b>	<b>74</b>	<b>3,056</b>	<b>111</b>

2. Included in Others above are non-executives, inward secondments or loans from other organisations, agency/temporary staff and contract staff.

3. The staff numbers tabulated above at B (4,398) differ from those forecast in the Spring Departmental Report where the forecast average was 4,540 (ie the average of 1.4.05 actuals of 4,769 and the 1.4.06 estimate of 4,310) due to different methods of calculating adopted.

4. The staff numbers at B were averaged out on a month by month basis in accordance with para 56(1a) of the Companies Act 1985 and relate to the number of staff on the payroll each month.

5. The recoveries in respect of outward secondments are included in the administrative income shown on note 11.

## 9. Other administration costs

	2005/06		2004/05	
	£000		£000 (re-stated)	
Rentals under operating leases				
Hire of plant and machines	284		416	
Other operating leases	7,929	8,213	7,818	8,234
Non-cash items				
Depreciation	10,242		7,722	
Downward revaluation	897		2,902	
(Profit)/loss on disposal of fixed assets	173		526	
Write offs (see note 1 below)	2,504		2,219	
Interest on working capital	4,167		3,260	
Auditor's remuneration and expenses (see note 2 below)	50		46	
Provisions	5,819		810	
Treasury funded early retirement	56	23,908	90	17,575
Travel and subsistence		6,693		7,103
Hospitality		219		324
Consultancy	21,977		27,118	
Contractual payments	767		980	
Ex-gratia payments (see note 24)	20		5	
Exchange rate gains and losses	(10)		(37)	
Information technology	6,804		6,615	
Accommodation	11,688		10,883	
Programme costs (see note 10)	344		195	
Other expenditure (see notes 3 and 4 below)	7,182	48,772	1,770	47,529
<b>Total</b>		<b>87,805</b>		<b>80,765</b>

### Notes

1. The write offs relate to the written down costs incurred in the development of the NeSS SP1-3 asset (£1,933,000) which was replaced by the NeSS SP4 asset and expenditure incurred in 2003/04 and 2004/05 (£571,000) on creating the NeSS assets which has now reclassified as operating costs.
2. No payments were made to the auditors in respect of non-audit services.
3. Included in other expenditure are costs incurred on telecommunications, postage and carriage, stationery, statistical services and miscellaneous fees.
4. Also included in other expenditure are credits for costs incurred on assets under construction and transferred to capital (see note 12(b)).

## 10. Programme costs

	2005/06	2004/05
	£000	£000 (re-stated)
Other costs	<u>58</u>	<u>107</u>
	58	107
Offset by 50% of EU non-grant income (note 2)	<u>(402)</u>	<u>(302)</u>
<b>Total</b>	<u>(344)</u>	<u>195</u>

### Notes

1. All programme costs are in respect of work for the European Union (EU) and were incurred on the statistical services objective.
2. In accordance with PES (2003) 03, 50 per cent of the gross non-grant income from the EU is offset by the expenditure incurred on work undertaken on behalf of or commissioned by the EU.

## 11. Income

	2005/06	2004/05
	£000	£000
Administration income	2,756	2,589
Sales of registration certificates	14,538	13,240
Other register services	5,692	5,643
Sales of statistical data	7,915	8,016
Provision of social surveys	11,990	15,485
	42,891	44,973

An analysis of income from services provided to external and public sector customers is as follows:

	2005/06			2004/05		
	External £000	Public sector £000	Total £000	External £000	Public sector £000	Total £000
Administration income (see note 1 below)	536	2,220	2,756	352	2,237	2,589
Statistical services (see note 2 below)	3,248	16,658	19,906	3,183	20,318	23,501
Register services	14,599	5,630	20,229	13,173	5,710	18,883
	18,383	24,508	42,891	16,708	28,265	44,973

### Notes

1. The administration income includes repayment of rent, expended under operating leases, from other departments with regard to the shared sites at Newport, Lancaster Court, Drummond Gate and Myddelton Street. This amounted to £2,328,000 (2004/05: £1,966,000).
2. Included in statistical services income is £343,000 related to programme costs (see note 4).

## 12. Tangible fixed assets and assets under construction

### 12(a) Tangible fixed assets

	Land and buildings	In-house developed software applications	Computers	Motor vehicles	Office machinery	Furniture and fittings	Total
	£000	£000	£000	£000	£000	£000	£000
<b>Valuation at 1 April 2005</b>	67,742	5,329	20,396	176	3,785	7,040	104,468
Additions (see note 1 below)			1,884	48	500	1,381	3,813
Transfers from assets under construction	6,549	9,070	715		334		16,668
Reclassifications (see note 3 below)		(952)	259				(693)
Disposals (see note 2 below)		(3,249)	(1,603)	(42)	(344)		(5,238)
Revaluation (see note 4 below)	13,175	306	(897)	2	(94)	65	12,557
<b>Valuation at 31 March 2006</b>	87,466	10,504	20,754	184	4,181	8,486	131,575
<b>Depreciation provision at 1 April 2005</b>	17,319	1,840	13,407	88	2,594	1,729	36,977
Charged in year	4,444	1,035	1,686	36	619	923	8,743
Reclassifications (see note 3 below)		(336)	78				(258)
Disposals (see note 2 below)		(1,316)	(1,540)	(27)	(310)		(3,193)
Revaluation (see note 4 below)	(4,506)	34		1	31	166	(4,274)
<b>Depreciation provision at 31 March 2006</b>	17,257	1,257	13,631	98	2,934	2,818	37,995
<b>Net book value at current cost at 31 March 2006</b>	70,209	9,247	7,123	86	1,247	5,668	93,580
<b>At 1 April 2005</b>	50,423	3,489	6,989	88	1,191	5,311	67,491
<b>Asset financing</b>							
Freehold ownership	20,610	--	--	--	--	--	20,610
Leasehold ownership (under 50 years)	49,599	--	--	--	--	--	49,599
Owned	--	9,247	7,123	86	1,247	5,668	23,371
<b>Net book value at 31 March 2006</b>	70,209	9,247	7,123	86	1,247	5,668	93,580

#### Notes

- Included in the £3,813,000 of additions are £215,000 worth of capital creditors. The capital creditors brought forward from 2004/05 amounted to £745,000.
- Assets to the value of £5,238,000, as shown in note 12(a) above, were disposed of during 2005/06. The disposal of these assets realised a net loss of £2,045,000, which has been debited to the Operating Cost Statement. ONS received £84,000 from the sale of assets. The net loss includes £1,933,000 in respect of the NeSS SP1-3 asset (see note 9).
- The reclassification of assets and associated depreciation relates to the write off of the NeSS SP1-3 asset (see note 9), which was replaced by NeSS SP4. Some of the initial creation costs, eg PC components are still of value and have therefore been reassigned.
- The properties at Titchfield, Christchurch, Newport and Southport were professionally valued as at 1 April 2005 by Debenham Tie Leung, an External Valuer, qualified to undertake these valuations. The valuations were prepared in accordance with the appropriate sections of the Practice Statements (PS) and the United Kingdom Practice Statements (UKPS) contained within the RICS Appraisal and Valuation Standards, 5th Edition (the Red Book).



## 12(b) Assets under construction

	Computer configurations	Registration projects	Buildings refurbishment	SMP projects	NeSS projects	Total
	£000	£000	£000	£000	£000	£000
<b>Opening balance at 1 April 2005</b>	861	280	2,320	11,873	11,800	27,134
In-year expenditure (see note 1 below)	149	3,394	4,389	6,970	2,408	17,310
Disposals (see note 2 below)	--	--	--	(60)	(571)	(631)
Transfers to fixed assets (see notes 3 and 4 below)	(861)	(991)	(6,549)	--	(8,413)	(16,814)
<b>Closing balance at 31 March 2006</b>	149	2,683	160	18,783	5,224	26,999

### Notes

1. Included in the in-year expenditure of £17,310,000 is £1,687,000 worth of capital creditors. The amount of capital creditors brought forward from 2004/05 was £2,973,000.
2. The disposals relate to expenditure incurred in 2003/04 and 2004/05 not now categorised as capital (see note 9).
3. The transfer to fixed assets of £861,000 relates to intangibles (£146,000) and computers (£715,000).
4. The transfer to fixed assets of £991,000 relates to office machinery (£334,000) and in-house developed software applications (£657,000).

## 13. Intangible fixed assets

	Software licences £000
<b>Valuation at 1 April 2005</b>	5,300
Additions (see note 1 below)	3,497
Transfers from assets under construction	146
Reclassifications (see note 3 below)	693
Disposals (see note 2 below)	(6)
Revaluation	--
<b>Valuation at 31 March 2006</b>	<u>9,630</u>
<b>Depreciation provision at 1 April 2005</b>	2,833
Charged in year	1,583
Reclassifications (see note 3 below)	173
Disposals (see note 2 below)	(4)
Revaluation	--
<b>Depreciation provision at 31 March 2006</b>	<u>4,585</u>
<b>Net book value at current cost</b>	
<b>At 31 March 2006</b>	<u>5,045</u>
<b>At 1 April 2005</b>	<u>2,467</u>

### Notes

1. Included in the £3,497,000 of additions is £576,000 worth of capital creditors. There were no capital creditors brought forward from 2004/05 but there were capital prepayments of £327,000.
2. Assets to the value of £6,000, as shown in note 11, were disposed of during 2004/05. The disposal of these assets realised a net loss of £2,000.
3. The reclassification of assets and associated depreciation relates to the write-off of the NeSS SP1-3 asset (see note 9), which was replaced by NeSS SP4. Some of the initial creation costs, eg software licences are still of value and have therefore been reassigned.

## 14. Debtors

### 14(a) Analysis by type

	2005/06	2004/05
	£000	£000
Amounts falling due within one year		
Valued Added Tax	625	208
Trade debtors	3,891	3,053
Other debtors	66	--
Deposits and advances	506	388
Prepayments and accrued income	5,642	6,547
	<u>10,730</u>	<u>10,196</u>
Amounts falling due after more than one year		
Deposits and advances	360	296
	<u>11,090</u>	<u>10,492</u>

### 14(b) Intra-government balances

	Debtors: amounts falling due within one year		Debtors: amounts falling due after more than one year	
	2005/06	£000 2004/05	2005/06	£000 2004/05
Balances with other central government bodies	3,934	2,360	--	--
Balances with local authorities	37	1,349	--	--
Balances with NHS Trusts	161	96	--	--
Balances with Eurostat	710	1,577	--	--
	<u>4,842</u>	<u>5,382</u>	0	0
Balances with bodies external to government	5,382	4,426	251	234
Balances with staff	506	388	109	62
<b>Total debtors at 31 March</b>	<b>10,730</b>	<b>10,196</b>	<b>360</b>	<b>296</b>

## 15. Cash at bank and in hand

	2005/06	2004/05
	£000	£000
Balance at 1 April	1,989	7,603
Net cash inflow	2,877	(5,614)
Balance at 31 March	4,866	1,989
The following balances at 31 March were held at:		
Office of HM Paymaster General	4,729	1,911
Commercial banks and cash in hand	137	78
	4,866	1,989

## 16. Creditors

### 16(a) Analysis by type

	2005/06	2004/05
	£000	£000
Amounts falling due within one year		
Other taxation and social security	2,597	2,532
Trade creditors	1,087	1,809
Other creditors	--	1
Accruals and deferred income	9,509	9,367
Amounts issued from the Consolidated Fund for supply but not spent at period end	4,866	1,989
	<u>18,059</u>	<u>15,698</u>

### 16(b) Intra-government balances

	Creditors: amounts falling due within one year		Creditors: amounts falling due after more than one year	
	2005/06	£000 2004/05	2005/06	£000 2004/05
Balances with other central government bodies	9,979	6,335	--	--
Balances with local authorities	--	--	--	--
Balances with NHS Trusts	--	--	--	--
Balances with Eurostat	125	48	--	--
	<u>10,104</u>	<u>6,383</u>	<u>0</u>	<u>0</u>
Balances with bodies external to government	7,955	9,314	--	--
Balances with staff	--	1	--	--
<b>Total creditors at 31 March</b>	<b><u>18,059</u></b>	<b><u>15,698</u></b>	<b><u>0</u></b>	<b><u>0</u></b>

## 17. Provisions for liabilities and charges

	Early departure costs £000	Eurostat £000	Industrial tribunal liabilities £000	Bonus payments £000	Relocation costs £000	Total £000
Balance at 1 April 2005	1,060	70	80	--	617	1,827
Provided in the year	4,094	--	97	650	1,210	6,051
Provisions not required written back	--	--	(50)	--	(182)	(232)
Provisions utilised in the year	(1,738)	--	(25)	--	(209)	(1,972)
Balance at 31 March 2006	3,416	70	102	650	1,436	5,674

### Early departure costs

The department meets the additional costs of benefits beyond the normal PCSPS benefits in respect of employees who retire early by paying the required amounts annually to the PCSPS over the period between early departure and normal retirement date. The department provides for this in full when the early retirement programme becomes binding on the department by establishing a provision for the estimated payments.

### Bonus payments

As part of the 2005 pay award it was agreed that bonus payments would be paid covering a period from April 2005 to June 2006 with payments being made in 2006/07. A provision has been created to cover these payments.

### Industrial tribunal liabilities

The department has a number of industrial cases pending and has created a provision to meet costs associated with any decisions that might go against it.

### Relocation costs

As a result of the Lyons and Gershon reports, decisions were taken during 2004/05 to relocate a number of staff from London and Titchfield. This provision represents an estimate of the costs outstanding from 2005/06 and costs expected to be incurred on relocating staff during 2006/07 and 2007/08.

### Eurostat

The department has been advised by Eurostat that it will seeking repayment of some contact payments and grants.

## 18. General Fund

The General Fund represents the total assets less liabilities of ONS, to the extent that the total is not represented by other reserves and financing items.

	2005/06		2004/05	
	£000	£000	£000	£000
<b>Balance at 1 April</b>		72,567		50,843
Net parliamentary funding				
Drawn down	176,055		166,589	
Deemed	<u>1,989</u>	178,044	<u>7,603</u>	174,192
Net transfer from operating activities				
Net operating cost	(169,464)		(155,060)	
Prior period adjustment	<u></u>		<u>(413)</u>	
Non-cash items:		(169,464)		(155,473)
Interest on working capital	4,167		3,260	
Audit fee	50		46	
Treasury funded early retirement	<u>56</u>	4,273	<u>90</u>	3,396
Transfer to General Fund in respect of realised element of revaluation reserve		200		1,122
Reclassification of fixed assets				24
Prior period adjustment				413
Consolidated Fund creditor for cash unspent		(4,866)		(1,989)
Non-operating appropriations in aid		<u>84</u>		<u>39</u>
<b>Balance at 31 March</b>		<u>80,838</u>		<u>72,567</u>

## 19. Revaluation reserve

The revaluation reserve reflects the unrealised element of the cumulative balance of indexation and revaluation adjustments (excluding donated assets).

	2005/06	2004/05
	£000	£000
<b>Balance at 1 April</b>	19,481	17,517
Arising on revaluation during the course of the year (net)	17,728	3,086
Transfer to General Fund in respect of realised element of revaluation reserve	(200)	(1,122)
<b>Revaluation reserve at 31 March</b>	<u>37,009</u>	<u>19,481</u>



## 20. Notes to the Cash Flow Statement

### 20(a) Reconciliation of operating cost to operating cash flows

		2005/06	2004/05
		£000	£000
	<b>Note</b>		
Net operating cost	4	169,464	155,473
Prior year adjustment			413
Adjustments for non-cash transactions	9	(23,908)	(17,575)
Increase/(decrease) in debtors	14	598	580
less movements in debtors relating to items not passing through the OCS	13	327	
(Increase)/Decrease in creditors	16	(2,361)	3,243
less movements in creditors relating to items not passing through the OCS	12, 13 & 15	1,637	(4,946)
Utilisation of provisions	17	1,972	618
<b>Net cash outflow from operating activities</b>		<b>147,729</b>	<b>136,980</b>

### 20(b) Analysis of capital expenditure and financial investment

	<b>Note</b>		
Tangible fixed assets additions	12	4,343	11,067
Assets under construction additions	12	18,596	21,076
Intangible fixed asset additions	13	2,594	3,119
Proceeds of disposal of fixed assets		(84)	(39)
<b>Net cash flow for capital expenditure and financial investment</b>		<b>25,449</b>	<b>35,223</b>

### 20(c) Analysis of capital expenditure and financial investment by request for resources

	Capital expenditure £000	Loans etc £000	A in A £000	Net total £000
Request for resources	24,620	--	(84)	24,536
Net movement in debtors/creditors	913	--	--	913
<b>Total 2005/06</b>	<b>25,533</b>	<b>0</b>	<b>(84)</b>	<b>25,449</b>
<b>Total 2004/05</b>	<b>35,262</b>	<b>0</b>	<b>(39)</b>	<b>35,223</b>

## 20(d) Analysis of financing and reconciliation to the net cash requirement

		2005/06	2004/05
		£000	£000
	<b>Note</b>		
From the Consolidated Fund (Supply): current year	18	176,055	166,589
From the Consolidated Fund (Supply): prior year	18	--	--
Advances from the Contingencies Fund		13,913	--
Repayments to the Contingencies Fund		(13,913)	--
<b>Net financing</b>		176,055	166,589

## 20(e) Reconciliation of net cash requirement to increase/(decrease) in cash

Net cash requirement	(173,178)	(172,203)
Net cash flows other than financing	176,055	166,589
CFERs received in a prior year and paid over	--	--
CFERs received and not paid over	--	--
<b>Increase/(decrease) in cash</b>	2,877	(5,614)

## 21. Notes to the Consolidated Statement of Operating Costs by Departmental Aim and Objectives

Capital employed by departmental aim and objectives at 31 March 2006

	2005/06	2004/05
	£000	£000
Objective 1 Statistical services	101,818	77,278
Objective 2 Register services	21,703	16,597
	<u>123,521</u>	<u>93,875</u>

The capital employed (fixed assets plus net current assets) has been apportioned on the basis of the gross administration cost split between the two objectives.

## 22. Capital commitments

	2005/06	2004/05
	£000	£000
Contracted capital commitments as at 31 March 2006 for which no provision has been made	15,970	2,407
	<u>15,970</u>	<u>2,407</u>

### Note

All the capital commitments are in respect of the Civil Registration Review Project, which includes the electronic capture of new and existing registrations records. This also involves the digitisation of paper-based records going back to 1837.

## 23. Commitments under operating leases

	Land and buildings	Other	Land and buildings	Other
	2005/06		2004/05	
	£000	£000	£000	£000
At 31 March 2006 ONS was committed to making the following payments during the next year in respect of operating leases expiring within:				
1 year	--	--	--	--
2–5 years	--	--	--	--
after 5 years	<u>7,729</u>	--	<u>7,582</u>	--
	7,729	--	7,582	--

## 24. Financial instruments

### Risk management objectives and policies

Financial Reporting Standard 13: Derivatives and Other Financial Instruments requires disclosure of the objectives and policies of an entity in holding financial instruments, and the role financial instruments have had during the period in creating or changing the risks the entity faces in undertaking its activities. As permitted by FRS13, debtors and creditors that mature or become payable within 12 months from the balance sheet date have been omitted from these disclosures. Because of the largely non-trading nature of its activities and the way government departments are financed, the department is not exposed to the degree of financial risk faced by business entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS13 mainly applies.

### Liquidity risk

ONS's net revenue resource requirements are financed by resources voted annually by Parliament, as largely is its capital expenditure. It is not, therefore, exposed to significant liquidity risks, and the department has no need to maintain commercial borrowing facilities.

### Interest rate risk

ONS has no material financial assets or financial liabilities carrying variable rates of interest and it is not therefore exposed to significant interest rate risk.

### Currency risk

	2005/06		2004/05	
	Non-interest bearing financial assets £000	Non-interest bearing financial liabilities £000	Non-interest bearing financial assets £000	Non-interest bearing financial liabilities £000
Euro	710	(125)	1,577	(48)
US dollars	--	(475)	--	--
Gross financial assets/liabilities	(710)	(600)	1,577	(48)

### Credit risk

Long-term debtors are fully recoverable and therefore there is no material credit risk.

### Financial liabilities

All of ONS's financial liabilities are interest free, and mature within one year or less, or on demand, except for certain provisions as described below. The maturity profile of provisions are set out below:

	Early departure £000	Bonuses, Eurostat and industrial tribunal £000	Relocation £000	Total £000
a) in one year or less, or on demand	1,357	822	1,225	3,404
b) in more than one year but not more than two years	495	0	211	706
c) in more than two years, but not more than five years; and	1,069	0	0	1,069
d) in more than five years	495	0	0	495

All material financial liabilities are carried at their fair value, and are denominated in sterling.

### Financial assets

The department's financial assets comprise its long-term debtors as set out in note 14 and cash at bank and in hand as set out in note 15. All financial assets are non-interest bearing. Cash at bank and in hand is available on demand. Long-term debtors are expected to be realised in two to ten years. All material financial assets are carried at their fair value, and are denominated in sterling.

## 25. Contingent liabilities

ONS has no contingent liabilities.

## 26. Special payments and losses

ONS has suffered losses amounting to £47,148 during 2005/06 (2004/05: £36,508).

ONS paid out £19,523 of ex-gratia payments during 2005/06 (2004/05: £4,903).

## 27. Related party transactions

ONS has had various material transactions with other government departments and other central government bodies. Most of these transactions have been with HM Treasury and the Departments of Health, the Deputy Prime Minister, Trade and Industry, Education, and Work and Pensions.

During the period reported on, none of the board members, members of the key management staff or other related parties had undertaken any material transactions with ONS.

## 28. Post Balance Sheet events

1. Note 12(a) Tangible fixed assets indicates £20,610,000 of freehold ownership, of which £20,394,000 relates to the Drummond Gate complex. As a consequence of the Lyons and Gershon reports, ONS has moved or plans to move staff and posts away from London to both Titchfield and Newport and will not require the full complex. At the Balance Sheet date ONS was in negotiations with another government department to transfer over 41 per cent of the complex.

The transfer of the lease took place on 24 June 2006 with ONS being reimbursed £3,162,000. It is anticipated that this transfer will save ONS £1,020,000 in capital charges during 2006/07.

2. The Chancellor of the Exchequer announced in Parliament on 28 November 2005 that it was planned to legislate in order to make ONS independent of Government. This was reaffirmed in the Chancellor's Budget speech on 22 March 2006. A consultation document was published with the consultation period lasting until 14 June 2006. Final decisions will not be taken until after the summer recess.

3. ONS announced to its staff in February 2006 that it was considering voluntary early severance (VES) and voluntary early retirement (VER) schemes in 2006/07 and requested for indications of interest. ONS has decided to proceed with these schemes at an estimated cost of £6,000,000.









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