



Office for **National Statistics**

Annual Report and Accounts 2006/2007

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Director's Message

Modernisation, efficiency and relocation – these are the big challenges ONS staff have worked towards this year. During this, my first full year as Director, we have continued to publish our outputs against demanding quality targets and deadlines while also delivering new initiatives. All this has been done at a time of significant changes within the organisation.

These goals of change and delivery have been key aims for ONS during 2006/07 and central to our success are our people. I expect these principal themes to continue in 2007/08. One significant development this year has been the establishment of Newport as the corporate headquarters. I have appointed new Directors of Communication and Human Resources in Newport and have recently announced the recruitment of a new Chief Information Officer.

We are in line to meet the Gershon Review targets due in March 2008, which require financial efficiencies and a reduction in headcount. The Lyons Review required us to relocate posts out of London and the South-East to Newport. We are supporting moves for those people who wish to relocate, helping those who don't want to move to find new jobs in the civil service or in the private sector and recruiting new people to join us. The new specialist staff include statisticians, economists and researchers; to help achieve the recruitment we have set up a new assessment centre in Newport.

Throughout the year we have been closely watching the progress of the Statistics and Registration Service Bill which will set up a new Board to promote and safeguard official statistics. Answerable directly to Parliament rather than to Ministers, its primary goal is to improve trust in official statistics.

The Allsopp Review of the statistical requirements for regional economic policy was published in 2004. It recommended an ONS regional presence to provide direct statistical input to regional policy-makers. Two statisticians are now in post in each English region.

Development of new statistical initiatives has continued and their value in 2006/07 was over £4 million. We also launched the online Personal Inflation Calculator, which has proved to be a valuable tool in helping people understand how inflation affects them directly and why their own figures differ from the average national rate.

With increasing international integration, it is becoming ever more important to consider UK statistical performance in the context of the rest of the world. ONS continues to play an active role in the development of international statistics and statistical systems. Our part in the adoption of international standards, which is described later, also helps safeguard public confidence in the integrity of official statistics.

This report reviews ONS's performance during 2006/07 and includes the year's accounts, audited by the NAO (National Audit Office). I have taken steps to make both myself and the NAO aware of any relevant audit information.

It is a privilege to lead ONS into 2007/08 when successful delivery of an independent statistical executive will be my priority.



Karen Dunnell | National Statistician and Registrar General for England and Wales
July 2007

I: Director's Report

Background

The Office for National Statistics (ONS) was established as an executive agency and government department on 1 April 1996. It has around 4,173 staff (4,131 full-time equivalents) operating in Newport in South Wales, London, Southport, and Titchfield in Hampshire. Of these, 1,337 (757 full-time equivalents) are interviewers who collect information for social surveys.

The Director and Permanent Secretary of ONS is Karen Dunnell, who holds the additional title of National Statistician (the Government's chief statistical adviser and professional head of the Government Statistical Service). Karen is also 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.

ONS Aims and Objectives

Mission

To advance understanding of life in the United Kingdom through trusted official statistics that serve the public good.

Vision

To produce and promote widely used and trusted statistics and analysis that balance the needs of today's users with the information needs of the future.

Strategy

Our strategy to deliver this vision is to focus our management effort on four key tactical themes:

- our statistics and analysis
- the innovation needed to adapt and thrive
- our statistical leadership role
- our people who will deliver this strategy

ONS management



How ONS is Governed

The ONS Board is formed by the Executive Management Group (EMG) and additional Non-executive directors



ONS Board members (comprises EMG plus the Non-executive directors who are listed on page 5)

Executive Management Group (EMG)

- | | | |
|---------------------------|---|---|
| 1. Karen Dunnell | Director and Permanent Secretary of ONS
National Statistician
Registrar General for England and Wales | |
| 2. Steve Newman | Chief Financial Officer | Finance and Planning Directorate |
| 3. Mike Hughes | Secretary to the Board | National Statistics and Planning Group |
| 4. Cynthia Clark | Executive Director | Methodology Directorate |
| 5. Joe Grice | Executive Director | Social and Public Services Analysis and Reporting Directorate |
| 6. Jil Matheson | Executive Director | Census, Demographic and Regional Statistics Directorate |
| 7. Stephen Penneck | Executive Director | Surveys and Administrative Sources Directorate |
| 8. Colin Mowl | Executive Director | Macroeconomic and Labour Market Directorate |
| 9. Dennis Roberts | Executive Director | Registration and Corporate Services Directorate |

Board Structure

ONS Board

The ONS Board oversees strategy and policy for the office. It met four times during 2006/07 to review and report on ONS's business and strategic plans, including previous spending review targets and corporate risks. Karen Dunnell, Director and Permanent Secretary of ONS, chairs the board, which includes executive and non-executive directors. Membership will change following Independence and the creation of a 'Statistics Board'.

The Executive Management Group (EMG) ensures that the day-to-day activities of the office are aligned with and deliver the strategic objectives. This group met 20 times during 2006/07. The EMG reviews progress against targets such as headcount, relocation, efficiency and survey response rates through monthly corporate governance reports. Several committees, which have responsibility to advise on financial, people and statistical issues, support the group. One of these, the New Work Evaluation Board, implemented in 2006/07, has become invaluable in regulating the amount of new information technology work approved and ensuring its strategic fit within the office.

ONS reports annually to Parliament via the Main Supply Estimates and Annual Report. These are also available via our website – www.statistics.gov.uk

Non-executive directors

Sir Robert Culpin Formerly Second Permanent Secretary (HM Treasury)

Professor Janet Finch Vice Chancellor, Keele University

Alex Jablonowski Formerly Divisional CEO of Barclays and CEO of a private and merchant bank

People

ONS is committed to being an equal opportunities employer and to achieving equality of opportunity for all staff. We value and welcome diversity. This year we introduced the ONS Equality Scheme, which explains how we intend to meet our legal obligations to promote equality of opportunity and eliminate any unlawful discrimination, as incorporated in the statutory duties to promote race, disability and gender equality.

ONS actively promotes diversity initiatives to enhance people's working lives. We continue to offer a wide range of alternative working patterns and encourage managers to think creatively and flexibly when appointing people to new positions. A large number of support networks for employees have been introduced and actively led by our senior civil servant (SCS) site 'diversity champions'. The networks have organised awareness days, and initiated an improved process for recording disability status. This year's diversity conference featured external speakers to share good practice in raising awareness of disability issues in the workplace, and to enable staff to contribute to the ONS Diversity Action Plan. Feedback from the staff perception survey indicates that our staff believe that ONS has made significant progress in terms of demonstrating its commitment to diversity. Just under 6 per cent of our staff are from an ethnic minority group and just over 4 per cent of ONS staff have a declared disability. Women account for 60 per cent of our workforce.

Senior Civil Service diversity targets		
	Spending Review 2004 Target for April 2008	ONS at 1 March 2007
	Per cent	Per cent
Women	37	26
Women in top management posts	30	31
Staff from ethnic minority groups	4.0	0
Disabled people	3.2	0

In recognition of our need to improve our diversity at Senior Civil Service (SCS) level we are introducing a mentoring scheme for underrepresented groups. ONS is working towards supporting a number of development opportunity schemes within government, such as *Leaders UnLtd* and *Leaders UK*, to improve and support the numbers of staff from specific groups who are in a position to progress to the SCS.

ONS remains committed to delivering efficiencies and a significant relocation target, with work currently being done in our London office due to relocate to either Newport or Titchfield. We have continued to encourage and support staff wishing to relocate using a variety of methods including familiarisation tours, tailored financial support packages and working with relocation consultants. During 2006/07 we relocated 20 staff from London to Newport and Titchfield and supported over 180 staff who were not relocating to find new careers.

We have developed a series of support policies and an initiative to manage the significant impact redeployment has on people. Employees in London have access

to a dedicated team of experts who provide one-to-one career transition support, helping them improve their CVs and consider career opportunities in other government departments and the public sector as a whole. Financial support has also been available, enabling staff to pursue external training to ensure they are as marketable as possible when considering future employment.

ONS consults employees formally and informally, directly and via the three recognised trade unions. We have a two-way briefing system in place called 'ONS.Talk' that provides key ONS news and serves as a speaking note for managers to discuss topics with staff. Our Executive Directors have also held open sessions for all staff to communicate major change and to respond to questions. We have continued with our in-house magazine, *ONS.Life*, and encourage staff to access 'The Daily', a dissemination tool for both corporate and local messages held on our intranet.

Recruitment activity at Newport and Titchfield has been significant as we have sought to attract a large number of high quality, professional staff from a range of sectors and diverse groups. As part of our attraction strategy, we have developed a dedicated Internet site to market the organisation and to direct interested people to an online application process. We have used a streamlined approach to recruitment and selection, aligned with the requirements of the Government Statistical Service and in accordance with the Civil Service Commissioners Recruitment Code. ONS was categorised as low risk in the external audit report on recruitment practices.

As an 'Investor in People', ONS is committed to being a learning organisation as outlined in the ONS learning strategy. A significant amount of corporate development was undertaken in line with our annual learning and skills plan. Examples include over 4,000 employees training in performance management and over 300 managers taking part in recruitment and selection training. E-learning was introduced throughout ONS and, working with the Cabinet Office, we progressed the government skills agenda which included ONS skills audits and incorporating the professional skills in government (PSG) competencies into the ONS competency framework.

Health and safety

ONS has an ongoing commitment to deliver the best possible health and safety (H&S) performance. ONS H&S policy is regularly reviewed and endorsed by the senior management team to ensure H&S objectives are fully integrated into the management objectives of the organisation. The effectiveness of H&S procedures are continually monitored to measure performance, reinforce control and look for improvement. H&S audits are conducted to ensure that our systems and procedures meet the required standards and remain compliant with all relevant H&S legislation, including the new 'Regulatory Reform (Fire Safety) Order'. The past year has been challenging because of legal and organisational demands, yet proved to be a successful one for the health and safety team. Achievements include:

- a further decrease in the number of reported accidents for office-based staff
- a consistent and high-quality accident/incident investigation system developed across all sites
- a current display screen equipment (DSE) risk assessment in place for over 91 per cent of staff

- completion of site risk assessments at all ONS sites, in addition to assessments for all facilities management service streams
- control measures introduced in response to areas identified for the 'Risk Assessment Register of Specialist Working Environments' to eliminate or reduce risks through a realistic and achievable programme of management actions
- a systematic and rigorous programme of H&S inspections at each site in liaison with H&S representatives

Progress towards sustainable development

ONS recognises that our day-to-day activities, operations and other policy responsibilities impact on society and the environment in a number of ways. In order to reduce this impact we have a commitment to:

- integrate sustainable development into our planning and policy processes
- achieve continuous improvement in our environmental performance
- prevent pollution
- raise awareness of sustainable development throughout the organisation

We intend to reduce our environmental impact through improvements in:

- energy and water use
- waste reduction and recycling initiatives
- purchasing and contract management
- travel plan co-ordination

In particular we will:

- extend the scope and integration of all aspects of sustainable development into our business activities and policy development
- ensure we comply with legislation
- improve performance against objectives and targets
- continue to extend our environmental management systems so that they are capable of meeting ISO 14001 and set a good example to other organisations
- educate and encourage our people to ensure awareness and support for our environmental targets

Our progress in supporting this policy is as follows:

ONS was rated among the top six departments in the fifth annual report published by the Sustainable Development Commission (SDC), measuring progress against a range of sustainable development targets in 2005/06. The report, *Sustainable Development in Government*, is available at www.sd-commission.org.uk

We met 63 per cent of our Framework for Sustainable Development targets and have 100 per cent coverage by environmental management systems across our six offices. Following rigorous audits by the British Standards Institute, we have retained ISO 14001 accreditation at all of our sites. Waste recycling at ONS has increased to 71 per cent of total waste, exceeding the 2010 target.

The reduction in water use target was exceeded by 0.4 cubic metres per person, achieving 7.3 cubic metres per person. Since the publication of the SDC report, ONS has increased the proportion of electricity obtained from renewable sources from 8 to 15 per cent, exceeding another target. As a contribution to reducing transport carbon emissions, we have established bicycle user groups at our four main sites and we have encouraged the use of cycles through the provision of secure shelters and the installation of changing and showering facilities.

Freedom of Information

During the second full year of Freedom of Information, the Office for National Statistics has striven to maintain two key principles:

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

ONS welcomes the measures put forward in the Statistics and Registration Service Bill ensuring that personal information is afforded a greater level of statutory protection and will help support the second key principle.

According to figures from the Ministry of Justice, ONS remains among the top-performing government departments in terms of its performance under the Act. During 2006/07 ONS received a total of 149 formal requests for information as defined by the Act and official guidance. The vast majority of these requests were dealt with within the statutory timescales as prescribed by the Act.

In the 128 cases where we identified that we held the information that had been requested, the information was released in 65 of the cases. There were 60 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 three cases we believed that assembling and supplying the information would have exceeded the cost limits allowed under the Act.

The Information Commission, in late 2006, issued a decision notice that led to the release of personal census information from the 1911 Census prior to its 100th Anniversary. The Information Commissioner was explicit that this decision was only in relation to this particular return, from this particular census. This decision has no effect on the later censuses conducted under different legislation which remain in the custody of the Registrar General.

The European Union and international activity

ONS plays an active role in the development of statistics internationally and our involvement in the adoption of international standards helps safeguard public confidence in the integrity of official statistics. ONS has:

- assisted in determining standards for data collection
- provided comparable, timely data to international organisations
- ensured statistics are disseminated in an efficient and user-friendly manner

All of these are relevant to the leading part ONS plays in the development of the European and global statistical systems. ONS has contributed to the peer review process supporting the implementation of the European Statistics Code of Practice and is an active partner in a series of working groups helping to improve the operation of the European Statistical System. We also contributed to a high-level seminar in New York on the evolution of national statistical systems. In addition, ONS experts have continued to provide input to international work to revise the United Nations System of National Accounts.

During 2006/07, good progress was made towards meeting international objectives including:

- obtaining agreement at the UN Statistical Commission on national accounts measurement
- continuing to support statistical capacity building in Ukraine and working with Department For International Development (DFID) to formulate a strategy for the benefit of statistics in Africa
- continuing to build relationships with other National Statistical Institutes

ONS continues to represent UK at the EU Council Working Party on Statistics. In 2006/07, agreement was reached on new EU regulations concerning:

- statistical classification of economic activities
- European system of integrated social protection statistics
- community statistics on the structure and activity of foreign affiliates
- community statistics on migration and international protection
- amendment of the ESA transmission programme
- statistics on education and lifelong learning
- purchasing power parities
- structural business statistics

With resources for statistics limited in most other member states, as well as the UK, demands for new statistics can only be met by finding efficiencies elsewhere. ONS has been instrumental in ensuring this approach remains on the EU agenda by promoting the reduction of direct costs, as well as reducing the compliance burden (especially on businesses) of statistical surveys.

II: Management Commentary

Overview

The main business of ONS is to provide UK statistical and registration services. We publish a diverse range of economic and social statistics which provides evidence to assist government both when creating policies and tracking performance against those policies. We also create and maintain data sources that are made available, subject to confidentiality conditions, to business and research customers.

The service to register all births, marriages and deaths in England and Wales is administered by the General Register Office for England and Wales (GRO), which forms part of ONS.

The Spending Review 2004 determined the resource amount ONS was afforded over the period 2005/06 to 2007/08. The settlement included resource to continue with the modernisation of statistical and registration processes. Challenging efficiency targets, headcount reductions and relocation targets were also set as part of this settlement. Progress towards these targets is shown later in this report.

Independence

In November 2005 the Chancellor of the Exchequer announced his intention to make statistics independent of Government, 'making the governance and publication of official statistics the responsibility of a wholly separate body at arm's length from Government and fully independent of it'.

The National Statistician, Karen Dunnell, welcomed this announcement as an important step forward in enhancing the integrity of official statistics. 'ONS has always worked in an independent, open and transparent way but there has been a perception that this is not so, which has been very damaging for official statistics as a whole. This announcement will increase the public confidence in official statistics.'

Since the Chancellor's announcement, ONS has worked with HM Treasury (HMT) to develop and articulate the proposals for independence. The aim of the work at ONS is to deliver a smooth transition from the present to the future arrangements as well as to ensure that ONS adapts fully to statistical independence and reaps the benefits that this offers. The high-level objectives of this work are to deliver measurable improvements in public trust and confidence in official statistics.

In the Queen's Speech on 15 November 2006, the Government announced legislation during this parliamentary session to reinforce the independence, integrity and quality of statistics produced in government. The Financial Secretary to the Treasury (FST), John Healey, explained that the Government's aim was 'to establish a system in statute that will deliver the highest standards of quality, integrity and credibility in government statistics. A system that can evolve in light of experience and the developing demands for national statistics that are reliable, timely and relevant'.

The Statistics and Registration Service Bill was introduced into the House of Commons on 21 November 2006. The Bill provides for independence from Ministers by creating a Statistics Board, as a non-Ministerial department, reporting directly to Parliament. The Statistics Commission will cease to exist, with its functions being subsumed by the Statistics Board and placed on a statutory footing.

The Statistics Board will have a statutory responsibility to promote and safeguard the quality and comprehensiveness of all official statistics. This objective will be delivered through three main functions:

- Monitoring and reporting on official statistics across the statistical system, wherever produced
- placing a statutory responsibility on the Board to assess and approve all National Statistics against a Statutory Code of Practice
- independent oversight of the Executive Office

In brief, other features of the Bill include:

- allowing for application of the new arrangements across the UK, while retaining the current decentralised system of statistical production across devolved administrations, government departments and agencies
- introduction of clauses to enable increased data sharing for statistical purposes
- granting the Board the power to determine the scope, definition and methodology of the Retail Prices Index
- separation of functions relating to civil registration from the new Board

At the Commons' Second Reading of the Bill on 8 January 2007, the FST announced the Government's commitment in principle to the creation of a central publication hub through which all National Statistics will be published, separating statistical commentary from policy statements. He also announced that current pre-release would be tightened, reducing early access to data from up to five days as at present to 40.5 hours for all National Statistics.

HMT are steering the Statistics and Registration Service Bill through Parliament with assistance from ONS and the Government Statistical Service (GSS). With the Bill now before Parliament the focus at ONS has moved to consideration of the practical implications of the Bill and to delivery of its provisions.

HMT and ONS have agreed the governance arrangements for the work programme needed to prepare for Independence. Two work streams have been established which draw a distinction between:

- professional matters, led by the National Statistician and
- other matters, which will ultimately be for the new Chair, but at this stage, are led by HMT's Statistics Reform Steering Committee

The professional work stream is a substantial body of work and is being run as a dedicated work programme. During 2006/07 the programme has worked toward the following objectives:

- co-ordinate the development for proposals on professional matters for consideration by the National Statistician and incoming Chair as appropriate
- co-ordinate input from across the GSS and from other stakeholders, ensuring proposals for delivering the professional aspect of Independence are informed by, and reflective of, the balance of views across the Service
- oversee the implementation of the chosen options across the GSS and ensure a smooth transition to the new arrangements
- identify and manage the risks, interdependencies and resources involved in the transition to independence in a controlled and structured programme environment

The point at which the new arrangements come into force will depend on the parliamentary process and timetable. However, the working assumption is for the new system to be up and running by April 2008. Meanwhile, it is anticipated that a Chair will be appointed in advance of this date.

2006/07 review

Summary of financial performance – key points

The Statement of Parliamentary Supply: Summary of Resources Outturn 2006/07, contained in the Resource Account, shows that our net resource outturn for the year was £195.5 million against an estimate of £196.1 million.

The underspend of £0.6 million is largely attributable to a decision to balance the costs of exiting from the Bessborough and Rampayne annexes of our London Office with savings in other operating costs, including capital charges, and not to fully commit the total budget.

Reconciliation of resource expenditure between Estimates, Accounts and Budgets		
	£000 2006/07	£000 2005/06
Net Resource Outturn (Estimates)	196.125	170.102
Under spend	0.623	0.638
Net Operating Cost (Accounts)	195.502	169.464
Resource Budget Outturn (Budget)	190.639	169.943
<i>of which</i>		
Departmental Expenditure Limit (DEL)	196.125	169.464

Income, analysed at note 10, at £48.7 million was higher than last year by £5.8 million mainly because of a large increase in payments from other Government Departments for the Wealth and Assets Survey and partly due to increased income from registration certificates.

The value of fixed assets within the Balance Sheet continues to increase, with the main areas of expenditure being on Odyssey (the statistical modernisation programme), the Civil Registration Review Project (CRRP) and building refurbishment, offset by the disposal of Bessborough and Rampayne annexes at Drummond Gate in London. A detailed analysis can be found at note 11.

We have again had a significant increase in the amount of provisions. This is mainly owing to voluntary early severance (VES) and retirement (VER), including amounts we expect to incur as the London office reduces to 50–100 by April 2010, retention allowances, and the costs of transferring two of our London buildings to a new tenant. A detailed breakdown can be found at note 16.

Note 7 shows that staff numbers decreased by 225 as part of our efficiency programme.

Note 7 also details payments made with regard to pension liabilities. Employees of ONS are civil servants to whom the conditions of the Superannuation Acts of 1965 and 1972 and subsequent amendments apply. For the year ended 31 March 2007, contributions were paid to the Paymaster General at rates of 17.1 per cent to 25.5 per cent (according to salary band) of salaries determined by the Government Actuary and advised by HM Treasury.

ONS has a creditor payment policy, and aims to pay all invoices with 30 days of receipt of goods, or presentation of a valid invoice, whichever is later. During 2006/07 89 per cent of all valid invoices were paid within 30 days.

All executive, non executive and divisional directors were requested to sign related party transaction declarations, the outcome of which is at note 26.

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 work undertaken during the year. The cost of these statutory audit services for the year ended 31 March 2007 can be found at note 8.

Details of ONS's use of derivatives and other financial instruments as required by Financial Reporting Standard 13 can be found at note 23.

Summary of achievements:

One of ONS' major achievements this year included producing all of our outputs to tight deadlines and high quality standards. Our 'business as usual' approach to operations is as important to ONS as delivering new products and outputs. Our success is thanks to the exceptional performance of our staff in extremely challenging circumstances.

Targets from the Spending Review 2004	
To leverage the benefits of investment in statistical modernisation and organisation transformation, as reflected by:	
<ul style="list-style-type: none"> the value of outputs per £ of cost increasing 20 per cent by March 2008, compared with 2003/04 	<p>ONS is on track to meet this target. Using the methodology developed in 2006 to measure statistical value, ONS has reported improvements of £6.8 million in 2004/05, £7.8 million in 2005/06, £4.2 million in 2006/07 and expects to realise £6.2 million next year. 2007/08 figures are in line with expectations for significant benefits from the Odyssey modernisation programme (£4 million) due by the end of the 2007/08 period. Using the methodology, the 2003/04 benchmark is £108 million and the increase in value (uninflated) at the end of 2007/08 will be 23 per cent, 17 per cent of which has been achieved to date.</p>
<ul style="list-style-type: none"> the proportion of transactions with business completed electronically reaching 25 per cent by March 2008 <p>EMG owner: Stephen Penneck</p>	<p>ONS is making progress and the target should be met but there are some aspects that require attention. ONS uses 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. During 2006/07 11 per cent of business transactions were completed electronically (10 per cent were TDE returns and 1 per cent were by various forms of file transfer); this figure is unchanged from the previous years. ONS has developed an improved TDE system, which is currently being tested; this should enable the proportion of data collected electronically to reach 25 per cent.</p>
To modernise Civil Registration	
<ul style="list-style-type: none"> 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"> new registrations by September 2005 post 1935 birth records by June 2007 post 1980 death records by March 2008. <p>EMG owner: Dennis Roberts</p>	<p>The requirements of government bodies have changed since the target was set and, although there have been some revisions to the delivery dates, ONS is working towards mutually-agreed dates that meet those requirements. This target comes within the compass of the wider Civil Registration Review Project, which implements 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>There is some slippage against the original timetable. These result from longer than expected periods of testing and piloting in the case of the system for new registrations and supplier infrastructure difficulties relating to the contract for digitising old records</p> <p>The web-based registration system, which enables Register Offices to register civil partnerships online was launched in March 2006, with some local authorities being able to register births and deaths online by April 2007. It will be extended to cover all birth, death and marriages in the course of 2007/08. The revised estimates for post-1935 birth records and post-1980 death records are January 2008 and June 2008 respectively. Access to new registrations is available to government bodies that have the necessary legislative gateways to the data.</p>
To implement the recommendations from the Allsopp review of Statistics for Economic Policy Making	
<ul style="list-style-type: none"> we will begin launching new surveys during 2006 in accordance with a plan for full delivery by 2009 	<p>ONS is on target to deliver production-based regional gross value added estimates in current and constant price terms by the end of 2009. ONS was not in a position to launch new surveys in 2006, but will undertake comprehensive pilot work during 2008 and fully implement the new Business Register Employment Survey in 2009. The focus to date has been on development of the essential infrastructure (the Business Register, access to business administrative data) on which surveys depend, as well as on the technical development work required for the development of new surveys.</p>

<ul style="list-style-type: none"> • we will create a Government Statistical Service presence in each region by March 2007 <p>EMG owner: Colin Mowl</p>	<p>ONS has met this target. The formal launch of the ONS regional presence was held on 14 May 2007 in Birmingham. The event was hosted by the Financial Secretary to the Treasury, the Right Honourable John Healey MP, and attended by the National Statistician, Karen Dunnell, the author of the Review of Statistics for Economic Policymaking, Christopher Allsopp, and the Chief Executive of the East of England Development Agency, David Marlow.</p>
<p>To improve the quality and reliability of statistics relating to population, pensions, government output, and wealth and assets</p>	
<ul style="list-style-type: none"> • we will complete population studies on at least five local councils and publish the findings by March 2008 <p>EMG owner: Jil Matheson</p>	<p>ONS is on track to meet the target. 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, ONS selected four local authorities for initial study. ONS completed the studies and published the results between February and April 2007. The studies were discussed with local authorities through a series of workshops ending in May 2007. A final report on all the work will be published by March 2008. ONS's current assessment is that it is unlikely that the benefits obtained from conducting further studies over this timescale would provide good value for money.</p>
<ul style="list-style-type: none"> • we will develop and complete the fieldwork required for a mid- decade population benchmark, with results to be published by the end of 2008 <p>EMG owner: Jil Matheson</p>	<p>ONS is on track to meet the target, albeit not as originally envisaged. ONS will not be mounting a large and costly fieldwork-based benchmark but will work to ensure the desired outcome is achieved as effectively as possible. To date ONS has completed work on the use of administrative data to create a quality assurance tool and researched possible uses of housing data. The conclusion was that there is no strong direct link between housing and population. By April 2007 ONS will have reported the findings of work on improving data on the geographical distribution (to regions and local authorities) of international migration. ONS have undertaken other research and analysis to improve data on internal and international migration (for instance, the Inter-Departmental Task Force on International Migration) and continue to review research being carried out by other countries into alternative methods, or improvements to current methods, for producing population estimates. The findings will be published by March 2008.</p>
<ul style="list-style-type: none"> • from 2005 we will produce an annual Pension Trends report pulling together a comprehensive set of statistics and analysis on UK pensions for the first time <p>EMG owner: Jil Matheson</p>	<p>ONS has met this target. 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 ONS consulted users of <i>Pension Trends</i> to seek feedback on the first edition, to check users' requirements and to gather users' views on ways of releasing Pension Trends in future. In light of this, ONS now updates chapters of Pension Trends in a rolling quarterly programme and publishes them, with all other chapters and supporting material, on the Pension Trends section of the National Statistics website.</p>
<ul style="list-style-type: none"> • we will implement the response to the Atkinson report on measuring Government output <p>EMG owner: Joe Grice</p>	<p>ONS is on track to meet the target. The UK Centre for Measurement of Government Activity (UKCeMGA) continued to improve methods of measuring public service output for the National Accounts, including its use in public service productivity articles. UKCeMGA conducted a formal consultation on the principles of measuring quality as part of output. This consultation included details of development work on quality measures for health and education. A strategy based on the results of consultation will be published in 2007.</p> <p>UKCeMGA also worked with the Organisation for Economic Co-operation and Development (OECD) and individual national statistical offices to develop international understanding and comparability of public service output measures. We hosted a conference in London in October 2006 with OECD and the Norwegian Government, and we are now working closely with OECD to develop a best practice handbook. A project to increase the quality and transparency of the way government spending data are used in the National Account was completed with significant improvements.</p>

- we will develop and complete the fieldwork required for a comprehensive Wealth and Assets Survey, with results to be published in 2007

EMG Owner: Stephen Penneck

ONS is on track to meet the target. The Wealth and Assets main stage wave 1 survey went live in July 2006 and ONS plan to publish the first year's results by the end of 2007 (wave 1 covers two years). Further development work is planned on the longitudinal survey design and ONS intends to pilot wave 2 of the survey in November 2007.

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.

ONS is currently on track to meet this target. The summary results to date show that ONS will:

- exceed the cash target by £2.4 million
- exceed the non-cash targets by £7.4 million
- meet the procurement target of £2.5 million
- meet the headcount reduction target of 700 full-time equivalents by March 2008 compared with April 2004

Cash efficiencies have come from a wide range of initiatives and will be augmented by savings from the statistical and registration modernisation programmes. The efficiency programme for 2006/07 was made up of around 80 different initiatives including:

- an Enterprise Resource Planning system within Human Resources and Finance, which has automated processes and introduced greater "self-service" (such as e-learning) thereby enabling efficiency savings of over £1 million
- greater use of internet technology saving £0.5 million within the IT function
- business process re-engineering within business as usual areas creating savings of over £1 million
- estate savings of £0.6 million.

The cash and non-cash releasing efficiencies for 2005/06 and to December 2006 and to March 2007 are shown in the table overleaf, together with the projected level of efficiencies ONS plans to secure from each workstream by March 2008.

Workstream				
	2005/06 (at 2006/07 prices)	2006/07 to December 2006	2006/07 to March 2007	2007-08
Cash-releasing efficiencies	£ m	£m	£m	£m
Statistical modernisation	2.9	4.5	6.1	8.0
Civil registration	0.0	0.3	0.3	0.3
Corporate services	1.7	3.4	3.8	4.9
Procurement	1.9	2.0	2.0	2.0
Total cash-releasing savings	6.5	10	12	15
Non cash-releasing efficiencies	£m	£m	£m	£m
Statistical modernisation	8.0	12	12	18
Civil registration	0.0	0.0	0.8	0.8
Corporate services	0.0	0.0	0.0	0.0
Procurement	0.5	0.1	1.9	0.5
Total non cash-releasing savings	8.5	12	15	19
Total efficiency savings	15	23	27	34

Note: All efficiencies, apart from Procurement, are cumulative across the years

Achieved and planned workforce reductions					
Milestone date	March 2005	Achieved			Planned
		March 2006	December 2006	March 2007	March 2008
Full-time equivalents in post	4,750	4,331	4,117	4,081	3,702
Progress towards target	348	-71	-285	-321	-700
<p>ONS is continuing to use Voluntary Severance schemes and a range of career transition processes to achieve headcount reductions. These include: active networking by HR Division with other government departments and other professional organisations to try and identify vacancies and potential opportunities for ONS staff in Government, other public sector organisations or private sector; funding for those wishing to train for careers outside of the ONS; a dedicated career advice centre.</p>					
<p>To respond to the challenge of Sir Michael Lyons's Relocation Review:</p>					
<ul style="list-style-type: none"> we will re-locate 850 jobs from London and the South-East by March 2010. <p>EMG owner: Dennis Roberts</p>	<p>By 31 December 2006, ONS had relocated 213 posts from London and the South-East to Newport. A further 25 posts had moved by March 2007, resulting in total relocations to date of 238.</p>				

The Government uses National Statistics in its decision-making process, and the following improvements have been made with that in mind.

Census 2011

ONS got off to an early start in September 2006 when we short-listed suppliers for providing elements of the census. Two final bidders were selected, and both supported our delivery of the test census in 2007. The successful supplier will be chosen in early 2008. The test questionnaire, which covered 100,000 households, was approved and printed; the actual test took place on 13 May 2007. Question testing will ensure that final census forms are easy to understand, allowing us to collect accurate and relevant data. ONS has established an early, detailed consultation process with all diverse groups to ensure the 2011 questionnaire is appropriate, balanced and enables the government to make valid decisions in areas such as regional funding.

Neighbourhood Statistics Service

In 2006, we redesigned the Neighbourhood Statistics website to better meet users' needs. A consultation period enabled us to better understand users' requirements and ultimately led us to transform the site's navigation system. The site usage jumped to 100,000 visits a month and customers reported a high level of satisfaction.

Personal Inflation Calculator

Like many national statistical offices, ONS faced claims that official inflation measures do not reflect people's personal experience. ONS responded by launching a package of measures outlining the reasons why people's inflation experience and perceptions might

differ from published averages. An online personal inflation calculator that allows users to obtain a closer estimate for their own spending pattern was included in this package.

The online version of the personal inflation calculator received nearly 30,000 visitors on launch day, while the downloadable version received nearly 14,000, and interest has yet to waver. We plan on developing the calculator further, as well as exploring other opportunities to create tools for 'personalising' our data.

National Accounts classifications

The classification of organisations to institutional sectors, and economic transactions between these sectors play an integral part in the production of the UK National Accounts. Most classification decisions are routine although some have wider significance and are of public interest, primarily when they have implications for the fiscal aggregates. Such decisions are taken by the National Accounts Classification Committee following a transparent and well established procedure. The procedure is detailed in the redrafted and expanded Protocol on Statistical Integration and Classification which was published for public consultation from May 2007.

Index of Services

The Index of Services (IoS), in March 2007, was reclassified from an experimental to a National Statistic, as planned. This was in recognition of the significant improvements that have been made in the last five years to the short term measurement of service sector output. The IoS meets a key demand from economic users in that it provides for the service sector what the Index of Production has provided for the production and manufacturing sector. The development of the IoS has also significantly improved the service sector element of the output measure of GDP (GDP(O)), as IoS and GDP(O) share the same data sources. The UK is now considered a world leader in the short-term measurement of the service sector; indeed the UK is the only country in the world to produce a monthly indicator for the whole of the service sector based mostly on internationally accepted methodologies.

Relocation

Following the Lyons review published in March 2004, ONS was set challenging targets to relocate work out of London and the South-East. In doing this, we must deliver the same quality of service before, during and after the move.

Significant progress has been made over the past three years, with around 240 posts already having moved out of London and the South-East and 60 having moved from London to Titchfield. So far we have provided support to 50 staff who have agreed to move to the new location with the work and expect approximately 15 per cent of relocating posts to be filled by existing staff in this way. In 2006/07, 13 members of staff relocated from London to Newport and seven from London to Titchfield. In order to give staff as much opportunity and information as possible, familiarisation tours took place in Newport and Titchfield, with other personalised tours arranged as required.

Newport will increasingly become the centre for the collection and analysis of key economic statistics. It already has a large cadre of experienced statisticians, producing high-quality outputs on, for example, retail sales, producer prices, earnings, production and the first estimate of gross domestic product. Bringing statistical collection and

analysis together in Newport is broadening and deepening career opportunities. Over the next three years, more than 300 posts will move to Newport with a small number moving to Titchfield. We will reduce our London staff numbers to between 50 and 100. Those posts relocating include production of some of our most high-profile statistics on inflation and the labour market.

Our management of relocation has and will continue to take full account of business needs with a strong focus on risk management. We have scheduled the moves to allow the most time to relocate areas that contain more specialist expertise. So, as a result, National Accounts staff are likely to form the majority of London-based staff in 2010. We have in place a comprehensive package to support those who decide to move and to help those who are unable to relocate to consider their future career options.

Migration Task Force

This year ONS initiated, led and published a report by the Inter-departmental Task Force on Migration Statistics. It explored the scope for improving estimates of migration – one of the hardest aspects of the population to measure. With increased population mobility, accurate population and migration statistics have become vital for economic policy. The task force successfully identified ways to capture this data and proved the value of working with other departments to address a shared problem.

We also published data on short-term migrants for the first time. Migration has a significant impact on local economies and on the provision of local services. As part of this work, we identified the importance of accessing alternative sources of data such as national insurance numbers issued to overseas nationals, GP registrations and the issue of work permits.

Economic and Labour Market Review

In January 2007, *Labour Market Trends* merged with *Economic Trends* to become *Economic & Labour Market Review*. This online and print publication draws together the expert research, analysis and range of content found in *Economic Trends* and *Labour Market Trends* to build an up-to-date, comprehensive and unique statistical picture of the UK economy and labour market.

Wealth and Assets Survey

2006/07 saw the successful launch of the Wealth and Assets Survey (WAS), a new longitudinal survey that collects information from people living in private households in Great Britain. The survey will enable the government to assess wealth and indebtedness of households for the first time. Additionally, the survey is cited within the Second Pension Commission report as being a prime source of data for monitoring individual pension provision, and this data will feed into future pension policy.

The WAS will be at the core of the Wealth and Assets statistical system. This will link survey information to administrative records held by Department for Work and Pensions (DWP) and Her Majesty's Revenue and Customs (HMRC) as well as tie aggregate data to the survey records. The survey also makes use of HMRC data in its sample design to produce more efficient estimates of wealth and allow for more detailed analysis of those in the wealthiest households. The survey is funded by a cross-departmental

association including the DWP, HMRC, Department for Trade and Industry, Department for Communities and Local Government, Cabinet Office and ONS. After extensive development and testing, the fieldwork for the survey started in July 2006. The first wave of interviews will be conducted over a two-year field period, and a full analytical report of Wave 1 data will be published in 2009.

Occupational pension schemes

In October 2006, responsibility for running the Occupational Pension Schemes Survey was transferred from the Government Actuary's Department to ONS. This shift followed a recommendation in the Morris Review of Actuarial Services. The survey is conducted using a sample of occupational pension schemes in the public and private sectors. It presents a range of statistics on the membership and number of occupational pension schemes analysed, for example, by type and size of scheme, and includes data on benefits provided and contributions paid.

Preparatory work for the 2006 survey began in ONS before the formal transfer of responsibilities. This included developing the survey questionnaires, designing the sample, and negotiating contracts with external providers to mount a web-based data collection system. Data collection was completed in February 2007 with a response rate of 82 per cent. Producing survey results began shortly after, leading to the first publication in June. ONS and main users of the information (via an OPSS Advisory Group) will carry out further work on both the 2006 and future surveys.

Improved pensions statistics

The Annual Survey of Hours and Earnings (ASHE) team published improved pensions statistics results for 2005 that provided better estimates of the number of employees who have pension provision with their employer. Estimates of employee and employer contribution rates are now available, which, when combined with other information available from ASHE, offers a wealth of analysis on pensions-related issues.

Civil Service statistics

ONS continued to improve public sector and Civil Service employment statistics during 2006/07. For the first time, ONS published a breakdown of Civil Service employment by department as part of the regular quarterly Public Sector Employment First Release in July 2006. In September 2006 (after beating our deadline by three weeks) ONS brought the quarterly publication forward to coincide with the Labour Market Statistics Integrated First Release.

Seasonally adjusted public sector employment statistics were published for the first time during December 2006. This is a significant improvement, as it allows quarterly comparisons for the first time.

In the same period, two Civil Service data collection operations, the Senior Civil Service and annual mandate collections, were successfully transferred from the Cabinet Office in Whitehall to ONS headquarters in Newport. Both collections achieved a 100 per cent response rate and the first publication is scheduled for summer 2007.

A review of user requirement specifications for Civil Service statistics was carried out to improve future collections. A full methodological review is scheduled for 2007/08.

Modernisation programme

A range of new technologies were purchased in 2006/2007 to make data collection from businesses more efficient, giving suppliers convenient methods of submission:

- secure electronic file transfer (SEFT) – enabling respondents to submit file-based survey returns to the ONS securely over the Internet
- telephone data entry (TDE) – allowing respondents to submit data over the telephone for smaller surveys
- paper capture – new scanning technology for business survey forms, significantly improving the speed and efficiency with which data are taken into the system

Modernisation of National Accounts methods and systems

The National Accounts, along with the Labour Force Survey, are at the forefront of the ONS's programme to re-engineer or modernise its statistical methods and systems.

Plans for modernisation of the National Accounts were set out in an article published in February 2007. The aim is to produce the UK National Accounts Blue Book in September 2008 using modernised systems and methods, giving significant benefits to users in the form of better quality statistics. Benefits will include:

- a more coherent picture of the economy produced by extending the framework for balancing income, expenditure and output
- expanded coverage of the services sector from 31 industries to around 100
- early estimates of GDP less prone to revision because changes to the structure of the economy will be incorporated more quickly, making full use of the available data

Both HM Treasury and the Bank of England were consulted and commented that they: 'regard the delivery of better quality statistics through modernisation as a high priority, because modernised National Accounts will mean more reliable and coherent data that are less prone to revision, taking on latest information and improved methods on a much more timely basis. It will also increase our ability to relate supply and demand to each other. This will be of considerable benefit in the setting of both monetary and fiscal policy with consequent benefits for the economy at large.'

Carrying forward modernisation of the National Accounts is one of ONS's top development priorities in 2007 and 2008. This has necessitated some re-prioritisation, including reducing the scope of the Blue Book in 2007. Expert national accounts resources are being focused on testing and analysing modernised systems and methods. In order to retain key staff until the delivery of the Blue Book in 2008 a retention package for National Accounts staff in London has been put in place at a potential cost of £1.712 million.

Blue Book 2007 will, therefore, be a transition *Blue Book*, paving the way for modernised National Accounts in 2008. The scope of *Blue Book 2007* will be reduced in two main ways:

- Annual benchmarking, including balancing the accounts in current prices for 2005 using supply and use balancing and benchmarking to annual surveys, will be postponed to 2008. The UK is unusual in fully benchmarking its accounts every year; most countries do it only every three to five years or even less

frequently. According to a recent OECD study, the UK is only one or two countries to benchmark every year, the other being Poland

- Previously planned methodological improvements will be postponed to 2008, apart from the improved method for measuring software investment, which will go ahead

The postponement of annual benchmarking inevitably means some temporary additional uncertainty about the path of the economy. The Treasury and Bank of England were consulted about this and said that they considered that the 'consequences for economic policy are manageable'. ONS will be monitoring carefully the quality of the ongoing quarterly estimates.

Blue Book 2007 estimates were published on 29 June as planned. In the event ONS was able to use more benchmark sources than envisaged at the time of the article in February.

Modernisation of registration

The ability to order certified copies of births, marriages, deaths and civil partnerships online, along with popular television programmes such as 'Who Do You Think You Are?' has resulted in a huge increase in requests. A record two million birth, marriage and death certificates were issued in the last financial year and more than 80 per cent of customers now request certificates online.

During 2006/07, ONS delivered live systems for processing and publishing new statistics on civil partnerships. Statistics on civil partnerships were first produced in 2006/07. Provisional data covering civil partnerships in December 2005 and the first three quarters of 2006 were produced in December 2006 to coincide with the first anniversary of the civil partnerships legislation.

Methodological improvements

The pressure to deliver efficiency savings has led most ONS business areas to look at the possibility of changing the validation rules for business surveys. In order to maintain the quality of the data and achieve a maximum saving, ONS developed an approach known as SNOWDON, which enables survey managers to evaluate the attainable savings and their relationship to output quality.

SNOWDON works across many alternative permutations of validation rule parameters. Customers are supplied with a table that shows savings alongside parameters (for these savings), consequential quality levels and impact on final estimates. During 2006/07, the SNOWDON approach was used by three different business surveys, and this year we want to further automise and optimise SNOWDON, making it generic for the majority of ONS surveys.

Index numbers

A research project that tested the feasibility of creating a generic index number construction system was completed. The project produced a generic data model and a set of procedures which successfully proved implementing such a system (through the creation of generic algorithms for the three-core modules) was feasible. This work will be progressed during 2007/08.

Prices

We developed a new allocation for producer price indices (PPI), catering for a 25 per cent reduction in overall sample size while maintaining the quality criteria set. A comprehensive quality review of all 30 published Services Producer Price Indices was also completed. The review included many recommendations for changes, and an implementation programme is currently being developed and applied.

Atlas Financials

Building on the implementation of Atlas Human Resources in 2004/05, we successfully replaced our legacy finance systems with Atlas Financials on 3 April 2006. Atlas Financials is a finance solution with integrated online procurement and expense claim functionality. The new system automated some of our key financial operations, removed duplication of effort and provides a comprehensive audit trail. A new financial delegation and approval policy was introduced at the same time, ensuring clarity and consistency of authorisation limits across the organisation.

An important module called AtlasHR has been implemented. This module replaced the outdated Access database solution, providing payroll cost apportionment. Staff costs account for approximately £120 million of operating costs within ONS. It is essential that these costs are accounted and reported accurately. The replacement system was delivered, as planned, on 1 April 2007 and is working successfully. As part of this implementation, management accounting processes were streamlined and improvements made to management information.

Property

Property Services Division worked in support of the relocation programme and successfully delivered a significant level of refurbished accommodation at the Newport site for relocating business units. Behind the scenes various projects also focused on infrastructure issues to ensure better site resilience against business disruption from utilities failures, health and safety and other issues. Examples of our achievements include:

- refurbishment of accommodation for four business areas
- creation of a NHR Assessment centre at Newport
- replacement of cooling towers at Newport and installation of associated heating and cooling units
- an upgrade of the waste water system, involving laying a new mains sewer and replacement of the pumps in the pump house at Newport
- separation and upgrade of the fire alarm and CCTV systems at the London site
- re-cladding of a building at Titchfield
- replacement of the gas and water ring mains at Titchfield
- refurbishment of wings at Titchfield
- provision of a storage distribution warehouse at Titchfield

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. During 2006/07 ONS worked closely

with the Cabinet Office Better Regulation Executive and published our Simplification Plan in December, alongside other Government Departments. The Simplification Plan subsumes the annual Compliance Plan.

Using the new measurement method proposed by the Better Regulation Executive (the Standard Cost Model), the estimated cost to business of completing ONS business surveys for 2005/06 was £39.7 million at 2005 prices. This compared with the ONS estimate based on the previous compliance cost methodology of £32.2 million for the same period. ONS accepted the new method and estimate.

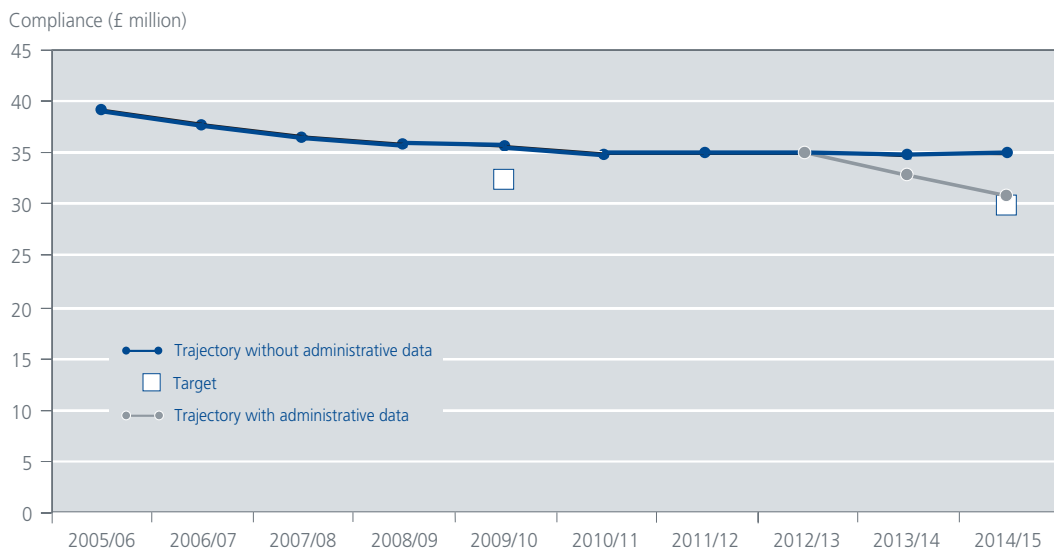
In common with other departments, ONS has been set a target to reduce this burden on business. The first part of the target is to reduce by 19 per cent by 2010. The second part, to reduce by a further 6 per cent by 2015, will be confirmed next year in light of European initiatives and data sharing legislation.

The Simplification Plan sets out how we will reduce the burden on business by concentrating 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
- continuing to use current mechanisms to regulate the burden on business, such as the regular reviews of the main business surveys

The progress towards the target of all government departments will be monitored by the Cabinet Office on a six-monthly basis. Following the first round of assessments in October 2006, ONS received a highly positive response.

ONS Simplification Plan - trajectory towards target



Risk management

ONS faces a range of risks, internal and external, with a number of specific factors having potential impact:

- ONS is in a period of change. It is relocating work from its London office as well as undertaking an ambitious modernisation programme and preparing for an ONS independent of Ministers from April 2008
- ONS has critical targets to meet, in particular, the 2004 Spending Review set targets for cash-releasing efficiency savings and staff number reductions
- ONS produces a wide range of products that must be delivered to time and to the required standard;
- ONS's reputation is critical. It affects the willingness of people and organisations to provide data, and the trust customers have in ONS outputs

Risk management is well established and taken seriously. All risks are logged on a register held on a central database using common definitions and there is a programme management standard for risk management.

Corporate risks are discussed at the ONS Board and copied to the Audit Committee. The corporate risk report to the Board is developed by reviewing anticipated risks and getting input from the executive level risk owners before it is presented to and discussed at Board level. The process is under continuous review with feedback from the non-executive directors, in particular, leading to refinement and improvement. ONS also shares risk management experience with other government departments.

The corporate risks reviewed by the Board in 2006/07 were similar to those that featured in 2005/06 and covered planning and monitoring resources including headcount within the limits set by government, reputation management, delivery of the modernisation programme, business continuity and the delivery of the 2011 Census.

Stakeholder management

The very wide range of users of ONS statistics presents the department with huge demands and a significant management challenge. To meet this ONS has established a comprehensive user liaison strategy, which uses existing and bespoke communication channels, both formal and informal.

ONS has formal relationships with the major national users of its statistics: the Bank of England, HM Treasury, the Department of Trade & Industry, the National Assembly for Wales, the Scottish Executive, the Northern Ireland Statistical Research Agency and the Department for Work and Pensions – its 'key accounts'. There are plans to extend these to include the Department of Health (a replacement agreement following that department's reorganisation), the Economic Statistics and Research Council, the Department for Communities and Local Government and the Home Office.

ONS also works closely with Eurostat (the Statistical Office of the European Commission) and other international agencies such as the OECD. The relationship with Eurostat is particularly important because EU Regulations have the potential to increase ONS's costs, as well as costs on survey respondents.

All relationships are managed consistently and according to the National Statistics Framework Document Code of Practice and its supporting protocols. ONS meets with

senior representatives of each key account at least every six months to discuss not only ONS's performance in delivering the current statistical outputs but also new or impending requirements.

There are also semi-formal relationships with a wide range of bodies, including local government, other national statistical institutes and academics. In addition ONS consults widely on a variety of topics and issues, for example, the Census of Population. Together with strategic reviews, such as that of regional and economic statistics (the Allsopp review) and that of measurement of the public sector (the Atkinson review), and other mechanisms for engaging users, these inform the agenda for ONS's statistical programme.

ONS remains at the heart of the Government Statistical Service (GSS) and plays an active co-ordinating role in relation to standards and guidance, recruitment and training and the provision of specialist advice. This role will tend to assume greater importance after Independence.

Executive directors from ONS are responsible for improving working relationships with key stakeholders. This includes better understanding their needs and refining the processes that underpin the relationship. It also involves receiving feedback from stakeholders every year to measure performance against key targets to deliver all service level agreement outputs to time, cost and service delivery standard. Summaries of responses for 2006/07 are shown in the table below.

Key account	Summary assessment
<p>Bank of England</p>	<p>Reflecting the views of the Monetary Policy Committee, the Bank of England noted that it continued to enjoy a very good working relationship with ONS, and the ONS had, as usual, responded speedily and helpfully to requests and queries about the data. The Taskforce report on improving migration data was a welcome development and the Bank hoped its recommendations would be implemented as swiftly as possible. There were other aspects of ONS performance that the Bank regarded as unsatisfactory, as stressed in the Bank's previous letter to ONS under the organisations' service level agreement. In particular, the continued difficulties in implementing National Accounts re-engineering were very unwelcome; so were the cuts, to regular activities and specific ONS products such as the 2007 Blue Book, that ONS deemed necessary to tackle those problems. The MPC remained concerned about the need to reduce the quality of some statistical data in order to carry out the re-engineering programme. The MPC also noted the slower-than-expected progress on a number of statistical issues; in particular, measurement of prices in the services sector was still deficient. The Bank continued to attach a very high priority to: improving the quality of services sector data and migration statistics; National Accounts re-engineering being successfully implemented in the 2008 Blue Book; and the statistical modernisation programme delivering the expected improvements in statistical quality. The Bank stressed that the ONS relocation project should be managed in a way that does not pose a risk to the quality of ONS economic data, which are vital for monetary policy.</p>
<p>Department of Health</p>	<p>Over the past year Department of Health have received a very good level of service from ONS in relation to the advice received, relevant information and speed of responses in dealing with ad-hoc and ongoing requests. ONS has kept the Department regularly informed of developments to ongoing work, progress with associated publications and revisions to population estimates.</p>

<p>Department of Trade & Industry</p>	<p>DTI's evidence base is highly dependent on business, labour market and macro-economic statistics produced by the ONS. Throughout 2006/07 the regular flow of data has been reliable and delivered in a consistent manner. We enjoy close and open communications through a variety of channels and requests for additional analyses and briefing are responded to in a helpful manner.</p> <p>However, in March 2007 ONS announced its 2007/08 work plan. This contained a number of changed priorities. For the DTI, while there were some welcome improvements, the overall balance of changes was overwhelmingly negative with cuts to samples for most business surveys and especially the Annual Survey of Hours and Earnings (ASHE). The normal channels of effective communication were not used and no consultation with users was carried out. The ASHE changes will seriously impact on the DTI's ability to carry out analyses of employment relations issues and in particular low pay. DTI looks forward to ONS proposals for improved consultation with users in this sort of situation in the future.</p>
<p>Department for Work and Pensions</p>	<p>Overall, DWP is again pleased to report positively on the overall service received from ONS, with most areas rating the service as good or excellent.</p> <p>A main concern this year was around the reduction in sample size for ASHE that was made without consultation.</p>
<p>HM Treasury</p>	<p>Through 2006/07 ONS has constructively confronted the key challenges of the Government's statistical reform programme, in particular the statistical modernisation, relocation and independence agendas. The Treasury recognises that these mutually reinforcing elements of the reform programme, aimed at improving longer-term value for money, efficiency and the quality of statistical outputs, have demanded strict shorter-term re-prioritisation in allocating limited resources. In these circumstances, the Treasury is satisfied that ONS has adopted an appropriate balance between investing to secure the quality of future statistical delivery and maintaining standards in interim delivery of ongoing statistical outputs. Overall we judge that ONS continued to provide a good service in delivering regular outputs and related advice. Indeed there have been some advances on public finance data and, despite ongoing uncertainties, national accounts revisions partly relieved previous tensions with some other macroeconomic indicators.</p>
<p>National Assembly for Wales</p>	<p>The Welsh Assembly Government and ONS continued, during 2006/07, to work together on a range of statistics relating to Wales with a generally good relationship between the two organisations. For example there now exists much closer working on developments for the 2011 Census; of particular note is the work on the use of the Welsh language on the census form. Some positive steps have also been made in the general area of demographic statistics which will hopefully lead to a better shared understanding of our relationship, possibly in the form of an Service Level Agreement (SLA). For economic and household/individual survey data, the regularisation of outputs from the Annual Population Survey over the last year has been particularly welcome and was an important step in raising its profile as a key source of labour market statistics for Wales. The planned introduction of household-level outputs and re-weighting of the survey to current population estimates over the coming year, 2007/08, will further enhance the survey's relevance and broaden its customer base. ONS also carried out a substantial piece of work in reviewing the methodology used for some of the short-term output indicators (that is the index of production and the index of distribution for Wales). The Assembly was, however, very disappointed not to receive more consultation over, and investigation of, the effect on regional-level data of the cuts in surveys to business announced in the ONS work programme for 2007/08 (these proposals were developed during 2006/07).</p> <p>Overall, the Welsh assembly Government considers the ONS performance for 2006/07 to be good and merit a '3' rating.</p>

<p>Northern Ireland Statistics and Research Agency</p>	<p>The Northern Ireland Statistics and Research Agency (NISRA) considered ONS's performance for 2006/07 to be good (3).</p> <p>Communications between ONS and NISRA have improved. The exchange of information on statistical work programmes and developments has, on the most part, been timely and beneficial. The SLA has provided an effective mechanism for collaborative work and issue resolution. ONS have been positive in addressing any matters raised by NISRA and this has led to the improvement of processes in a number of areas. Most notably in relation to the compilation of compendia publications. An improvement in ONS's role as broker between NISRA and the broader GSS could enhance our contribution to the measurement of public service output and productivity.</p>
<p>Scottish Administration</p>	<p>In most areas, performance in the ONS has maintained similar levels to that of the previous year, with excellent performance noted in the area of Health and Care. There were some problems reported in the area of Businesses and in Housing (though recent improvements were also noted in this area). In these instances, late delivery of work and staffing issues contributed, though positive statements were made in relation to individual ONS staff.</p> <p>Overall however, working relationships with ONS staff are generally good, with communication often seen as a factor in both positive and negative performance.</p>

Looking forward

In March 2007 ONS published a statistical work programme for 2007-08, which set out our approach to maximise what we can produce through improved efficiency and modernised procedures. This means expanding some activities, such as improving population and migration estimates, and scaling back on others, such as survey activity, where careful planning will minimise any impact on data quality.

In April 2007 the Chief Secretary to the Treasury wrote to the Financial Secretary recording the new Statistics Board's five year funding settlement for the period 2007/08 to 2011/12. The settlement recognised the importance of the 2011 Census, the commitment to statistical reform and the need to provide a firm platform for independence. It also set out expectations that the Board will maintain and develop high quality statistics, which reflect the Government's and user's priorities. Going forward this should include substantial improvements to regional statistics, implementation of recommendations from the inter-departmental taskforce on migration and improvements in service sector statistics, reflecting the increasingly important role this sector plays in the wider economy.

ONS is working with stakeholders to develop options for the new Board that meet requirements. The three phase consultation will conclude in February 2008. As well as looking at our priorities, we are also reviewing the way we work and how we organise ourselves in order to continue to deliver efficiency savings, which will be used to fund new and improved outputs.



Karen Dunnell
10 July 2007

Annex A

Targets from the Spending Review 2002

Progress against extant targets from the Spending Review 2002 are shown below

Key result	
To ensure the efficient and accurate registration of key life events	
The registration of births does not fall below 99.9 per cent of all births.	Target met – 668,966 births were registered in 2006/07 – 99.99 per cent of all births.
93 per cent of Principal Registration Officers performing satisfactorily or better	Target met – the final figure for inspections carried out in the financial year 2006/07 was 97 per cent
Service level targets	
i. To pay all valid bills within 30 days of receipt (Target 100 per cent)	i. Target not met – 89 per cent of invoices were paid on time
ii. To answer public enquiries about statistical activities within 10 days (Target 99 per cent)	ii. Target met - 99 per cent of enquiries were answered within 10 days (total enquiries = 80,215)
iii. To answer urgent Registration enquiries within 5 days (Target 99 per cent)	iii. Target not met – because of backlog at beginning of the year, performance was back on target from July 2006 and the overall achievement was 97 per cent (total enquiries 12,865).
iv. To answer non-urgent Registration within 20 days (Target 95 per cent)	iv. Target met – performance was 97 per cent (total enquiries = 37,270)
v. To post or to 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, post, electronically or by telephone within the specified delivery target for the service (details of all the services are on the ONS website)	v. Target not met – because of backlog at beginning of the year, performance was back on target from July 2006 and the overall achievement was 79 per cent (total applications = 2,085,326)
Supplier burden – ONS will agree with the Minister annual plans for compliance costs, which will include targets that recognise the balance between the need for reliable information and the burden on suppliers.	
This target is now obsolete as the Simplification Plan has been launched and has a target for 2009 agreed by the Minister.	

Annex B

ONS Publishing Plan 2006–07

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 2006/07, as well as the major ad hoc and occasional publications. In total, ONS published 737 publications during the year, comprising 297 first releases, 382 other regular publications, and 58 ad hoc and occasional publications. All these products are available on the National Statistics website www.statistics.gov.uk and 63 publications are also published in paper format (asterisked in table below) by ONS's official publisher Palgrave Macmillan.

Subject and frequency	High profile regular outputs – First Releases	Other regular and major ad hoc outputs – reports
Compendia and reference		
Monthly Annual	Annual abstract of statistics 2006* Regional trends 2006*	Monthly digest of statistics*
Commerce, energy and industry		
Monthly	Motor vehicle production	Aerospace and electronic cost indices (MM19) Digest of engineering turnover and orders Distributive and service trades ¹ Engineering turnover and orders ² Metalworking machine tools ² 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 ¹ 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) Stockbuilding (SQ1)
Annual	Foreign direct investment Gross domestic expenditure on research and development International transactions of the UK film and television industries	Capital expenditure items purchased by businesses Mineral extraction in Great Britain 2005 (PA1007) Prodcom annual industry reports 2005 (250 reports) Research and development in UK business 2005 (MA14) UK business: activity, size and location 2006

The economy

Monthly	<p>Consumer price indices</p> <p>Index of production</p> <p>Index of services³</p> <p>Producer prices</p> <p>Public sector finances</p> <p>Retail sales</p> <p>UK trade</p>	<p>Economic & labour market review*⁴</p> <p>Economic trends*⁴</p> <p>Financial statistics*</p> <p>Focus on consumer price indices</p> <p>Monthly review of external trade statistics (MM24)</p> <p>Retail sales (SDM28)</p>
Quarterly	<p>Business investment – provisional and final results</p> <p>GDP preliminary estimate</p> <p>Internet connectivity</p> <p>Productivity</p> <p>Profitability of UK companies</p> <p>United Kingdom balance of payments</p> <p>United Kingdom quarterly national accounts</p> <p>United Kingdom output, income and expenditure</p>	<p>Consumer trends</p> <p>Corporate services price index (experimental)⁵</p> <p>Environmental accounts</p> <p>Market sector gross value added (experimental)</p> <p>Public sector finances supplementary data</p> <p>Services producer price index (experimental)⁵</p> <p>United Kingdom economic accounts*</p> <p>United Kingdom trade in goods analysed in terms of industries (MQ10)</p>
Six monthly	<p>Government deficit and debt under the Maastricht Treaty</p> <p>International comparisons of productivity</p>	
Annual	<p>Annual business inquiry – provisional, revised and regional results</p> <p>Business enterprise research and development</p> <p>Internal comparisons of productivity</p> <p>Internet access – individuals and households 2006</p> <p>Regional household income (GDHI)</p> <p>Regional, subregional and local gross value added</p>	<p>Economic trends annual supplement 2006*</p> <p>Financial statistics explanatory handbook 2007*</p> <p>Foreign direct investment 2005 (MA4)</p> <p>International trade in services 2005</p> <p>United Kingdom balance of payments (Pink book) 2006*</p> <p>United Kingdom input-output analyses 2006</p> <p>United Kingdom national accounts (Blue book) 2006*</p>

Health and care

Weekly		Weekly deaths in England and Wales
Quarterly		Health statistics quarterly*
Annual		<p>Cancer statistics registrations 2004 (MB1)</p> <p>Congenital anomaly statistics 2005 (MB3)</p> <p>Deaths in 2005: excess winter mortality in 2004–05 and 2005–06</p>

		<p>Mortality statistics – cause 2005 (DH2)</p> <p>Mortality statistics – childhood, infant and perinatal 2005 (DH3)</p> <p>Mortality statistics – general 2004 (DH1)</p> <p>Mortality statistics – injury and poisoning 2004 (DH4)</p>
Ad hoc		<p>Alcohol-related death rates in the UK 1991–2004</p> <p>Cancer incidence and mortality 2001–03</p> <p>Contraception and sexual health 2005</p> <p>Drinking: adults’ behaviour and knowledge 2006</p> <p>Smoking-related behaviour and attitudes 2005</p> <p>Standardised mortality ratios for deaths under 85 years for wards in England and Wales 1997–2003</p> <p>UK health statistics (UKHS)*</p>
Labour market		
Monthly	<p>Integrated labour market statistics</p> <p>Regional labour market statistics (11 releases)</p>	<p>Average weekly earnings (experimental)</p> <p>Labour disputes</p> <p>Labour market trends*4</p> <p>Public and private sector breakdown of labour disputes</p>
Quarterly	Public sector employment	<p>Index of labour costs per hour</p> <p>Labour force survey quarterly supplement</p> <p>Local area labour market statistical indicators</p>
Annual	<p>Annual survey of hours and earnings</p> <p>Low pay estimates</p> <p>Work and worklessness among households</p>	<p>Annual survey of hours and earnings 2004 and 2005 (revised) and 2006</p> <p>International comparison of labour disputes 2005</p>
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 2005</p> <p>Birth statistics 2005 (FM1)</p> <p>Conception statistics 2004</p> <p>Divorces 2005</p> <p>Electoral statistics 2006</p> <p>Estimates of population in private households, mid-2005 (experimental)</p>

		<p>Internal migration estimates, mid-2004–05</p> <p>International migration 2004 (MN)</p> <p>Key population and vital statistics 2004 (PP1/VS)*</p> <p>Life expectancy at birth by health authorities and local authorities 2003–05</p> <p>Marriage, divorce and adoption statistics 2004 (FM2)</p> <p>Marriages 2005</p> <p>Mid year marital status estimates de jure 2005</p> <p>Mid year population estimates for the UK, Great Britain and local authorities in England and Wales 2005</p> <p>National population projections 2004-based (PP2)*</p> <p>Subnational population projections for England 2004-based</p>
Ad hoc		<p>Interim life tables for the UK and constituent countries 2003–05</p> <p>Mid 2002–05 population estimates for primary care organisations in England at October 2006 boundaries (experimental)</p> <p>Population estimates by ethnic group for England 2001–03 revised and 2004 (experimental)</p>
Social and welfare		
Annual	Effects of taxes and benefits on household income	<p>Effects of taxes and benefits on household income 2004–05</p> <p>Family spending 2005–06*</p> <p>Results from the general household survey 2005</p>
Ad hoc		<p>Focus on ethnicity and religion (full report)*</p> <p>Focus on gender (overview)</p> <p>Focus on the digital age (full report)*</p> <p>Pension trends update</p>
Transport, travel and tourism		
Monthly	Overseas travel and tourism	
Quarterly		<p>Overseas travel and tourism (MQ6)</p> <p>Travelpac</p>
Annual		Travel trends 2005*

1 Discontinued as quarterly First Release from August 2006 and replaced by monthly web release

2 Discontinued from March 2007 and incorporated into Digest of engineering turnover and orders

3 Replaced Index of distribution First Release from March 2006 - experimental status until March 2007 when reclassified as a National Statistic

4 Economic trends and Labour market trends replaced by Economic & labour market review from January 2007

5 Corporate services price index replaced by Services producer price index from November 2006

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Resource Accounts

Year ending 31 March 2007

Statement of the Accounting Officer's responsibilities

Under the Government Resources and Accounts Act 2000, the Office for National Statistics (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 the 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 ONS as the Accounting Officer for the department with responsibility for the preparing the department's estimate.

The responsibilities of an Accounting Officer, which include the 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 the responsibility for the maintenance, integrity and upkeep of the resource accounts on the National Statistics website.

Statement on Internal Control, 2006/07

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, 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 2006/07 this was the Financial Secretary to the Treasury, 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 and reputation. In addition my finance team, lead by the Chief Finance Officer, have regular meetings with the Treasury spending team.

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 only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of departmental policies, aims and objectives; to evaluate the likelihood of those risks being realised and the impact should they be realised; and to manage them efficiently, effectively and economically. The system of internal control has been in place in ONS for the year ended 31 March 2007 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

Capacity to handle risk

ONS has a number of committees that oversee its operation and the first is the ONS Board, which I chair. It meets regularly and comprises executive and non-executive directors. At these meetings it discusses high level strategic issues and current or potential aspects of 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 as well as achievement against its spending review targets.

The Audit Committee meets not less than three times a year and has a mixture of non executive and executive members, and is chaired by a non-executive. I am not a member of the Committee but do attend, as do the National Audit Office and our internal auditors. Its terms of reference include to consider, assist and advise the Accounting Officer on the adequacy of risk management processes underpinning the annual Statement of Internal Control and to assess the strategic processes for risk, control and governance and the Statement on Internal Control.

The ONS Executive Management Group (EMG), comprising the executive directors of the Office, meets monthly as the senior internal management committee for the Office. Executive directors also meet weekly, where discussion on emerging risks takes place. In addition EMG members are committed to regularly reviewing the major risks for which

they are responsible.

The Finance and Planning Committee (FPC) is chaired by the Chief Finance Officer, and is attended by a mix of executive, corporate and divisional directors. FPC meets regularly to review the financial state of the Office and act as a challenge to the directors delivering the ONS Efficiency Programme and to manage the risks associated with the delivery of efficiency targets.

The Departmental Operations Committee (DOC) is chaired by the Director for Registration and Corporate Services and meets regularly to direct ONS policies on HR, business continuity, security and internal communications. It also monitors performance on relocation and headcount targets, and manages the associated risks.

Training in risk management is incorporated across a wide range of ONS training programmes, and is a core element of management training. This includes guidance on the compilation of risk registers which provides direction for risk escalation.

The risk and control framework

One of the key strategic priorities for the Office has been to increase the systematisation of statistical processes. This is being achieved by an ongoing investment in the modernisation of our statistical processes and the associated IT environment to reduce our reliance on outdated or legacy IT systems. This has been carried out using funds from the 2004 Comprehensive Spending Review and is subject to oversight using the Office for Government Commerce's Gateway process. As detailed last year, the programme has focused on delivering incremental change, while at the same time protecting statistical outputs.

We have a process to identify, evaluate and manage risk built around the themes of

- 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
- a culture to support well managed risk-taking where it is likely to lead to sustainable improvements in service delivery.

The need for quality and reliability in statistical outputs requires ONS to have a relatively low tolerance of risks in business areas. There are components in older systems that require more oversight because they are out of date. Our medium term approach to this risk is the modernisation strategy; where that is not sufficient for the shorter term, more traditional measures 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 and details actions taken
- a review of corporate risks by the ONS Management Board.
- a requirement to consider risk in the business planning process, with high level

risks included in the ONS plan, and others identified in lower level (directorate and divisional) plans

- project and programme management process/techniques that require programme and project managers to identify, report on and manage risks

The EMG takes monthly portfolio reports on the management of 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 of the system has been 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 outcome of my review of the effectiveness of the system of internal control by the Board, the Audit Committee, the Strategic Reporting and Delivery Unit and the Risk Unit and a plan to address weaknesses and ensure continuous improvement of the system is in place.

As described earlier, the Audit Committee is constituted in line with Treasury guidance. Following an earlier decision the outsourced internal audit function was taken over by the Companies House internal audit team from KPMG in April 2006, whilst ensuring a suitable hand-over period, and KPMG have continued to work as a specialist subcontractor to this team on IT-related audit issues.

The new Internal Audit team initially conducted an identification of assurance needs based on an assessment of risk from the Risk Management framework, a review of the Business Plan and identification of stakeholders expectations, including external certification requirements. Preparation of this assessment involved interviews with Directors from across ONS, the Chair of the Audit Committee. From this was identified a risk based audit plan that was presented to the Audit Committee for agreement. This was reviewed at each subsequent meeting and revised as necessary. In addition to the internal audit programme, a range of reviews of statistical areas were conducted as part of the National Statistics quality review programme, initiated by the National Statistician.

The process for evaluating new work with an IT element, and the portfolio reporting for all major projects, has been successful in strengthening our planning and reporting processes.

Significant management and control issues for the Office in 2006/07

Last year financial management was considered a red risk for most of the year. It has now improved to green for 2006/07, although there is still scope for improvement in 2007/08. Measures were taken during the year to ensure that our expenditure was kept within the limits of our Parliamentary Estimates, with the result that the Office was able to withstand the large accounting provisions necessary following the decision to dispose of the Bessborough and Rampayne annexes to the London offices at Drummond Gate. However, following the decision in early 2007 to reduce further the staffing levels and scale of accommodation provision in London, it was necessary to seek funds from the Reserve. This decision had been made in the full knowledge of the financial effect it would incur and was fully discussed with the Treasury before any decision was taken.

The UK Census is a count every ten years of all people and households in the country. The next Census is planned for 2011, with a Test in 2007 and a Dress Rehearsal in 2009. This will consist of the planning, delivery, collection, capture, analysis and reporting of information taken from about 30 million census returns. ONS has responsibility for the Census of Population and Housing for England and Wales, while the General Register Office for Scotland (GROS) and the Northern Ireland Statistics & Research Agency (NISRA) have such responsibilities for Scotland and Northern Ireland respectively. As such it is the largest exercise run by the Office.

The 2011 Census has had three consecutive red OGC gateway reviews: in September 2004 (Gateway 1 – where mitigation actions to address the recommendations on risk management, roles and responsibilities, skills and resources, benefits planning, and scheduling and planning were implemented after the review); July 2005 (Gateway 2 – a single red recommendation because of uncertainty of financial resources for 2006/07 and 2007/08 that was quickly resolved); and October 2006 (Gateway 2a – a single red recommendation on risk management). Given that the Comprehensive Spending Review (CSR) covers the three years from April 2008 and the project carries on past that date, the office carried out a zero based review of the needs of the Census for the life of the project that was well received by the Treasury CSR team and we are hopeful that the funding will be ring fenced and be agreed for the life of the project.

Gateway 3 is planned for November/December 2007; the latest review was an update on the July 2005 Gateway 2, to ensure that the procurement strategy remains robust and appropriate. Its main recommendation was that the project's risk management strategy should be reviewed to ensure that it adequately covers all relevant aspects of the discipline and is aligned to best practice and that the project's risk management strategy should be approved by the project board. This has been accepted and mitigation actions to address the recommendations on risk management, roles and responsibilities, skills and resources, benefits planning, and scheduling and planning were implemented after the Gateway 1 Review.

Risk management is one component of a thorough overhaul of project governance, management and control now taking place within a fundamental transformation of the Census project. This is designed to ensure that the Census organisation, governance and ways of working are fully aligned toward successful delivery moving

forward. Experienced advisers from Ernst and Young are supporting this initiative and excellent progress is being made toward delivering a transition to new structures, governance and ways of working during March 2007. After reviewing the scope and approach to the changes planned and the schedule for implementation, with the OGC, the project has agreed an appropriate and timely programme of assurance for 2007. A jointly sponsored healthcheck will take place during June 2007 focussing on the new governance, management and control regime and highlighting any additional work that needs to be undertaken ahead of Gateway 3 (Investment Decision) planned for November/December 2007.

Given that the Comprehensive Spending Review (CSR) was, in common with the rest of Government, intended to cover the three years from April 2008 and the project carries on past that date, the Office carried out a zero based review of the needs of the Census for the life of the project that was well received by the Treasury CSR team. Influenced by the needs of the Census and of Independence, the settlement was actually for five years commencing April 2007, and this will allow the Census project to plan with more certainty across those years.

In the 2006/07 planning process we identified a number of continuing initiatives to address modernising our statistical infrastructure, but we have some way to go to finally cease to be reliant upon all outdated legacy systems. Currently risks reviewed focus on the website and its architecture, field operations, National Accounts, and the Labour Force Survey. A separate but major plank to our modernisation strategy is the Civil Registration Review project (CRRP), where delayed delivery in one area could impact achievement of efficiency plans.

A recent review of disaster recovery in our computer rooms revealed some shortcomings. Solutions to overcome these are being prepared and once these have been approved they will be addressed.

We have a target to reduce staff numbers by 700 full-time equivalents by 2008, compared with 1st April 2004. We remain on target and have built into the business plans for this year and next target reductions for business areas to ensure we achieve that target. This has partly been achieved by a number of voluntary early severance schemes. Overall 46 per cent (321 FTEs) of the target was achieved by 31 March 2007.

In conjunction with the staff number target we also have a target to relocate 600 jobs from London and the South East by March 2008 and a further 250 by March 2010. So far we have relocated 238 FTE posts, and continue to make progress. In early 2007 the EMG developed detailed plans to 2010 involving a substantial reduction in London to between 50–100 posts. These plans have been approved by Ministers. Achieving these targets create risk to our outputs, these are managed within our system of internal controls.

In April 2006 a new financial and procurement system was introduced based on the Oracle E-Business Suite. Elements of HR were introduced a year earlier, and more HR functionality will be included in 2007. The financial accounting work has been relocated from Titchfield to Newport and centralised with management accounting at Newport. These changes were fully considered in the risk environment and managed using standard ONS risk tools. A recently published Post Implementation Review has concluded

that this project delivered on time and to budget, delivering the planned functionality.

Finally the Office has considered the implications that will flow from the Statistics and Registration Bill currently before Parliament, and has set up an Independence Programme Board that has amongst its terms of reference to “Consider the plans for each of the various projects (workthemes) to deliver the Programme and their relative resource requirements and monitor their performance, including risks and quality issues that affect the Programme and their impact on and implications for the performance of the overall Programme”. This will be taken forward in 2007 as

A handwritten signature in black ink that reads "Karen Dunnell". The signature is written in a cursive style and is positioned above a light grey rectangular background.

Karen Dunnell

10 July 2007

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 Others Salaries Act 1975.

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

- The need to recruit, retrain 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
- 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

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 tables on pages 50 and 51, the officials covered by this report hold appointments that are open-ended until they reach the normal retirement 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

Salary and pension entitlements

The following sections provide details of the remuneration and pension interest of the executive directors and other directors of ONS.

Remuneration		
	2006/07	2005/06
Name and title	Salary £000	Salary £000
Karen Dunnell Director and Permanent Secretary of ONS, National Statistician and Registrar General for England and Wales	140–145	120–125
Mike Hughes Corporate Director	95–100	95–100
Jil Matheson Executive Director	110–115	90–95
Dennis Roberts Executive Director	120–125	100–105
Joe Grice Executive Director	95–100	95–100
Colin Mowl Executive Director	110–115	100–105
Steve Newman Executive Director	110–115	65–70 (full year equivalent 115–120)
Stephen Penneck Executive Director	105–110	95–100
Cynthia Clarke Executive Director	110–115	110–115
Hilary Douglas Executive Director	10–15 (full year equivalent 135–140)	125–130
Dayantha Joshua	n/a	Consent to disclosure withheld

	Remuneration £	Remuneration £
Gwen Batchelor Non-executive Director	870	4,625
Alex Jablonowski Non-executive Director	13,378	1,250
Professor Janet Finch Non-executive Director	5,000	5,875
Sir Robert Culpin Non-executive Director	5,000	7,250

Note.

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

A settlement has been made to a Senior Manager in line with the employment contract and the rules of the Compensation scheme

Joe Grice is on loan from the Treasury. The Treasury pays his salary, of which ONS reimburses 80 per cent.

Dayantha Joshua was no longer a member of the board from 1 April 2006.

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.

Bonus payments are awarded by Non-executive Directors on an individual basis and agreed by Karen Dunnell, the director and Permanent secretary of ONS, National Statistician and Registrar General for England and Wales.

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

Benefits in kind

None of the above received benefits in kind.

Pension benefits					
Officials	Real increase in pension and related lump sum at age 60	Accrued pension at age 60 as at 31.03.07 and related lump sum	Cash Equivalent Transfer Value at 31.03.06	Cash Equivalent Transfer Value at 31.03.07	Real Increase in Cash Equivalent Transfer Value
	£000	£000	£000	£000	£000
Karen Dunnell Director and Permanent Secretary of ONS, National Statistician and Registrar General for England and Wales	8.5–9.0 Plus 39.0–39.5 lump sum	59.5–60.0 Plus 190–195 lump sum	882	n/a	n/a
Mike Hughes Corporate Director	0–1.0 plus lump sum 2.5–3.0	39.0–39.5 plus lump sum 115–120	676	727	20
Jil Matheson Executive Director	1.5–2.0 plus lump sum 4.5–5.0	38.0–38.5 plus lump sum 110–115	584	642	30
Dennis Roberts Executive Director	2.0–2.5 plus lump sum 6.0–6.5	45.0–50.0 plus lump sum 135–140	769	843	42
Joe Grice Executive Director	1.5–0 lump sum 0	44.5–45.0 plus lump sum 110–115	825	881	24
Colin Mowl Executive Director	1.0–1.5 plus lump sum 3.5–4.0	47.0–47.5 plus lump sum 140–145	820	883	26
Steve Newman Executive Director	0–2.0	0–3.0	14	41	27
Stephen Penneck Executive Director	2.5–3.0 plus lump sum 8.0–8.85	40.0–45.0 plus lump sum 120–125	607	691	47
Cynthia Clarke Executive Director	1.5–2.0	4.0–4.5	13	n/a	n/a
Hilary Douglas Executive Director	(–6)–(–19)	45.0–45.5 plus lump sum 135–140	795	797	0

Hilary Douglas' last day of service at ONS was 17 April 2006. The negative increase arises because of the uplift in lump sum.

Dayantha Joshua was no longer a member of the board from 1 April 2006.

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 members' accrued benefits and any contingent spouse's pension payable to 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.

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 a 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 earning 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 civil service pension arrangements can be found at the website www.civilservice-pensions.gov.uk



Karen Dunnell

10 July 2007

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 2007 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 Cashflow 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. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

The Accounting Officer is responsible for preparing the Annual Report, which includes the Remuneration 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 and the part of the Remuneration Report to be audited 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 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. I report to you whether, in my opinion, certain information given in the Annual Report, which comprises the Director's Report, Management Commentary and the un-audited part of the Remuneration Report, is consistent with the financial statements. 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.

In addition, I report to you 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 Internal Control reflects the Department's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers 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. I consider the implications for my certificate 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 opinions

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 judgments 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 which 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

Audit Opinion

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 2007, and the net cash requirement, net resource outturn, net operating cost, operating costs applied to objectives, recognised gains and losses and cashflows 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
- certain information given in the Annual Report, which comprises the Directors Report, Management Commentary and the un-audited part of the Remuneration Report, is consistent with the financial statements.

Audit Opinion on Regularity

- In my opinion, 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.

Report

I have no observations to make on these financial statements.

John Bourn, *Comptroller and Auditor General*

National Audit Office

157-197 Buckingham Palace Road,

Victoria, London SW1W 9SP

12 July 2007

Statement of Parliamentary Supply

Summary of Resource Outturn 2006/07

		2006/07			2005/06				
		£000	Estimate £000	£000	£000	Outturn £000	£000	Outturn £000	
Request for Resources	Note	Expenditure	A in A	Net Total	Gross Expenditure	A in A	Net Total	Net Outturn Compared with Estimate saving/ (excess)	Net Total
Providing Statistical and Registration services	3	245,425	(49,300)	196,125	244,205	(48,703)	195,502	623	169,464
Total Resources	4	245,425	(49,300)	196,125	244,205	(48,703)	195,502	623	169,464
Non-operating A in A				(3,412)			(3,187)	(225)	(84)

Net Cash Requirement

		2006/07			2005/06	
		Note	Estimate £000	Outturn £000	Net Outturn Compared with Estimate saving/ (excess) £000	Outturn £000
Net cash requirement	5		170,960	149,630	21,330	173,178

Note

Net cash requirements were lower than the estimates due mainly to less than expected acquisition of fixed assets (£5.268 million), increased year-end creditors (£9.728 million) plus variations from estimates of non-cash items (mainly provisions, depreciation and downward revaluations) with a net effect of some £4.4 million

The notes on pages 61 to 88 form part of these accounts

Operating Cost Statement

For the period 2006/07

	Note	2006/07 Staff Costs	Other Costs	Income	2005/06 (re-stated)
		£000	£000	£000	£000
Administration Costs					
Staff costs	7	120,729	--	--	125,104
Other administration costs	8	--	117,840	--	88,024
Operating income	10	--	--	(48,703)	(42,548)
Programme Costs					
Staff costs	7	--	--	--	208
Other administration costs	9	--	5,636	--	(344)
Operating income	10	--	--	--	(343)
		120,729	123,476	(48,703)	170,101
Net Operating Costs		--	--	195,502	170,101

Statement of Recognised Gains and Losses

For the period ended

	Note	2006/07	2005/2006
		£000	£000
Net gain on revaluation of Tangible fixed assets	18	4,646	17,728
		4,646	17,728

The notes on pages 61 to 88 form part of these accounts

Balance Sheet

As at 31 March 2007

		2006/07		2005/2006	
	Note	£000	£000	£000	£000
Fixed Assets					
Tangible Assets	11	121,855		120,579	
Intangible Assets	12	4,499		5,045	
			126,354		125,624
Debtors falling due after more than one year	13	133			360
Current Assets					
Debtors	13	11,019		10,730	
Cash at bank and in hand	14	4,028		4,866	
		15,180		15,596	
Creditors (amounts falling due within one year)	15	(27,786)		(18,059)	
Net Current Assets			(12,606)		(2,463)
Total assets less current liabilities			113,748		123,521
Creditors (amounts falling due after more than one year)			-		-
Provisions for liabilities and charges	16		(33,579)		(5,674)
			80,169		117,847
Taxpayers' equity					
General Fund	17		43,739		80,838
Revaluation reserve	18		36,430		37,009
			80,169		117,847



Karen Dunnell
10 July 2007

The notes on pages 61 to 88 form part of these accounts

Cash Flow Statement

For the period ended 31 March 2007

		2006/07	2005/2006
	Note	£000	£000
Net outflow from operating activities	19	(132,870)	(147,729)
Capital expenditure and financial investment	19	(16,760)	(25,449)
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	19	148,792	176,055
(Decrease)/Increase in cash in the period		(838)	2,877

The notes on pages 61 to 88 form part of these accounts

Statement of Operating Costs by Departmental Aim and Objectives

For the period ended 31 March 2007

	2006/07					2005/06
	Gross	Income	Net	Gross	Income	(re-stated) Net
	£000	£000	£000	£000	£000	£000
Aim						
Objective 1 Statistical Services	201,022	(25,108)	175,914	175,768	(22,150)	153,618
Objective 2 Register Services	43,183	(23,595)	19,588	37,224	(20,741)	16,483
Net Operating Costs	244,205	(48,703)	195,502	212,992	(42,891)	170,101

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.

Operating costs have been apportioned on the basis of the gross administration costs split between the objectives.

The notes on pages 61 to 88 form part of these accounts

Note 1.

1. Statement of accounting policies

These financial statements have been prepared in accordance with the 2006/07 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 to show outturn against estimate in terms of the net resource requirement and the net cash requirement. The consolidated Statement of Operating Costs 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 purposes of giving a true and fair view has been selected. The departments 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 cost.

1.2 Fixed assets

Tangible fixed 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 propriety 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 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 costs 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 use 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 re-valued cost 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
Building and refurbishment	Remaining life of the lease

The life of each category of each asset is reviewed annually.

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

1.5 Assets in the 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 of 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 financial 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, the interest is charged to the Operating Cost Statement. Rentals due under the 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' 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. In line with the Parliamentary Supply estimates for the years, in 2006/07 the costs are included in the administration costs and in 2005/06 the EU costs were disclosed as programme costs.

1.10 Capital charge

The financial structure of ONS does not include specific interest-bearing debt, to ensure the Operating Cost Statement bears an appropriate charge for the use of capital in the business year, a notional charge is included. In accordance with Treasury guidance, the calculation is based of a 3.5 per cent rate of return on average of 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 in note 7 and in the department 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 costs of these elements on a systematic and rational basis over a 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 PCSPS. In respect of the defined contribution elements of the schemes, the department recognises the contribution 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. This includes costs arising out of the decision to reduce staffing in London to approximately 100 by March 2010. 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.

1.15 Provisions

Longer term provisions (for early departure costs, relocation costs and the Bessborough rent) are discounted at the rate of 2.2 per cent. These provisions will be reviewed each year.

2. Transfer of functions

During the course of 2006/07 two functions transferred to ONS as 'Machinery of Government' changes.

In the Winter Supplementary Estimate, net resources and cash were increased by:

- £61,000 and £10,000 (capital) in respect of the transfer of the Occupational Pension Scheme Survey from the Government Actuary's Department to ONS, and
- £457,000 in respect of the transfer of Civil Service Statistics from the Cabinet Office to ONS

Details of the expenditure incurred on the OPS Survey function are:

	2006/07	2005/06
	£000	£000
Salaries	57	50
Consultancy	--	--
General Administration and overhead costs	21	20
Capital	--	--
Total	78	70

Details of the Civil Service Statistics expenditure shown below:

	2006/07	2005/06
	£000	£000
Salaries	299	368
Consultancy	--	142
General Administration and overhead costs	129	57
Capital	47	--
Total	475	567

Note

Actual spend was slightly higher than estimates as the estimates were made from best information available at the time of compilation. Prior year 2005/06 comparatives have been adjusted accordingly.

3. Analysis of net resource outturn by section

For the period ended 31 March 2007

							2006/07	2005/06	
							Outturn	Estimate	
							Net Total	Net Total	Prior-year
							Compared with	Estimate	Outturn
							Estimate	Estimate	Estimate
							£000	£000	£000
Request for resources1: Providing statistical and registration services									
Central Government									
Spending									
Section A. Administration									
(gross control)									
	238,569	5,636	--	244,205	(48,703)	195,502	196,125	623	169,807
Section B. EU Receipts									
	--	--	--	--	--	--	--	--	(343)
Resource Outturn									
	238,569	5,636	--	244,205	(48,703)	195,502	196,125	623	169,464

Detailed explanation of variances are in the Management Commentary.

As the amount shown above under other current exceeds the amount in the supply estimates, ONS has used its delegated authority to vire £150,000 from administration to other current.

4. Reconciliation of outturn to operating cost and against Administration Budget

For the period ended 31 March 2007

	Note	Outturn £000	Supply Estimate £000	2006/07 Outturn compared with Estimate £000	2005/06 Outturn £000
Net resource outturn	3	195,502	196,125	623	169,464
Prior period adjustments		-	-	-	637
Non-supply income (CFERs)		-	-	-	-
Non-supply expenditure		-	-	-	-
Net operating cost		195,502	196,125	623	170,101

Outturn against final Administration Budget

	Budget £000	2006/07 Outturn £000	2005/06 Outturn £000
Gross Administration Budget	239,939	238,569	212,491
Income allowable against the Administration Budget	(49,300)	(48,703)	(42,548)
Net outturn against final Budget	190,639	189,866	169,943

5. Reconciliation of resources to cash requirement

For the period ended 31 March 2007

	Note	Estimate £000	Outturn £000	Net total Outturn compared with estimate: saving/(excess) £000
Resource outturn		196,125	195,502	623
Capital				
Acquisition of fixed assets	19	27,830	22,562	5,268
Non operating A in A				
Proceeds from fixed asset disposals	19	(3,412)	(3,187)	(225)
Accruals Adjustments				
Non-cash items	8	(48,805)	(53,545)	4,740
Changes in working capital other than cash	19	(119)	(10,498)	10,379
Bessborough Disposal	9	(4,800)	(4,950)	150
Payments from provision	16	4,141	3,746	395
Excess cash receipts to be surrendered to the consolidated fund		--	--	--
Net cash requirement		170,960	149,630	21,330

Note

The differences between the Estimate and the Outturn are explained in the note to the Statement of Parliamentary Supply.

6. Non-operating A in A income

For the period ended 31 March 2007

			2006/07	2005/06
	Note	Estimate	Outturn	Outturn
		£000	£000	£000
Proceeds on disposal of fixed assets	19	(3,412)	(3,187)	(84)
Non-operating A in A income		(3,412)	(3,187)	(84)

Note

These proceeds are mainly from the disposal of Bessborough and Rampayne and are explained in more detail in Note 11(a) Tangible Fixed Assets.

7. Staff numbers and related costs

For the period ended 31 March 2007

7 (a) Staff costs consist of

	2006/07			2005/06 (re-stated)
	Total £000	Permanently employed staff £000	Others £000	Total £000
Wages and salaries	84,370	80,461	3,909	87,417
Social security costs	6,060	6,038	22	6,496
Other pension costs	14,818	14,779	39	15,625
Sub total	105,248	101,278	3,970	109,538
Fee-paid Interviewers	15,298	15,298	--	15,172
Machinery of Government Transfer 2005/06	--	--	--	184
Machinery of Government Transfer 2006/07	183	183	--	418
Total	120,729	116,759	3,970	125,312
Less recoveries in respect of outward secondments	(246)	(246)	-	(236)
Total net costs * (see notes)	120,483	116,513	3,970	125,076

7(b) Staff numbers

	2006/07			2005/06
	Total	Permanently employed staff	Number Others	Number Total
Objective				
Statistical services	3,247	3,214	33	3,495
Register services	926	917	9	903
Total (see note)	4,173	4,131	42	4,398

	2006/07		2005/06	
	Costs £000	FTEs	Costs £000	FTEs
Odyssey (SMP) (6 months average)	647	15	2,065	70
Neighbourhood Statistics (NeSS)	--	--	57	2
Civil Registration Review Project (CRRP) (12 months average)	642	15	74	2
Total	1,289	30	2,196	74

Notes

Of the total £1,289,000 (2005/06: £2,196,000) of salary costs have been charged to capital and not included in the Operating Cost Statement. Included in Others above are non-executives, inward secondments or loans from other organisations, agency/temporary staff and contract staff. The staff numbers in note 7b were averaged out on a month by month basis in accordance with para56(1a) of the Companies Act 1985 and relate to the number of staff on the payroll each month

The recoveries in respect of outward secondments are included in the administrative income shown on note 10

During the year, costs of £14,818,000 were incurred in respect of pensions (2005/06 £15,625,000)

The Principal Civil Service Pension Schemes (PCSPS), of which most of the department's employees are members, are unfunded multi-employer defined benefit schemes, the Office for National Statistics is unable to identify its share of the underlying assets and liabilities. Details can be found in the resource accounts of the Cabinet Office (www.civilservice-pensions.gov.uk)

For 2006/07 normal employer contributions of £16,151,608 were payable to the PCSPS (2005/06: £16,711,151) at one of the four rates in the range of 17.1% to 25.5% (2005/06: 16.2% to 24.6%) of pensionable pay, based on salary bands. Employees joining after the 1st October 2002 could opt to open a partnership account, a stakeholder pension with employer contribution. Employers contributions of £172,276 (2005/06: £174,798) were paid to one or more of a panel of four appointed stakeholder pension provider. Employer contributions are age-related and range from 3 per cent to 12.5 per cent of pensionable pay

In addition, employer contributions of £13,127 (2005/06: £13,192) 0.8% of pensionable pay were payable to the PCSPC to cover the cost of future provision of lump sum benefits on death in service and ill health retirement. Contributions due to the partnership pension providers at balance sheet date were £14,284 (2005/06: £15,545).

Contributions pre-paid at that date were nil.

8. Other administration costs

For the period ended 31 March 2007

	2006/07		2005/06 (re-stated)	
	£000	£000	£000	£000
Rentals under Operating leases				
Hire of plant and machines	258		284	
Other operating leases	7,692	7,950	7,929	8,213
Non-cash items				
Depreciation	16,441		10,242	
Downward revaluation	1,650		897	
Profit/loss on disposal of fixed assets (see below)	(12)		173	
Write offs	268		2,504	
Interest on Working Capital	3,471		4,167	
Auditor's remuneration and expenses (See note below)	55		50	
Provisions (see note below)	31,651		5,819	
Treasury funded early retirement	21	53,545	56	23,908
Travel and subsistence		6,278		6,693
Hospitality		208		219
Consultancy	10,873		10,675	
Contractual payments	397		767	
Ex-gratia payments	31		20	
Exchange rate gains and losses	26		(10)	
Information technology	6,616		6,804	
Accommodation	12,296		11,688	
Programme costs (note nine)	-		344	
Other Expenditure	3,329		3,942	
External Training	1,150		1,483	
Miscellaneous Fees	5,674		4,082	
Payments for carrying out surveys	3,593		3,628	
Stationery	2,410		1,929	
Postage	1,650		1,283	
Telecomms	1,814		2,356	
		49,859		48,991
		117,840		88,024

Notes

No payments were made to auditors in respect of non audit services

For provision details see note 16

This year ONS disposed of five vehicles resulting in a write off of £13,391 and income on disposal of £25,063 resulting in a net profit of £11,672

A write off of £268,000 consists of £7,343 irrecoverable overpayments and aged imprest balances and £261,000 Asset Under Construction see Note 11b.

Programme costs in 2005/06 included EU costs, these are included in administrative costs in 2006/07.

9. Programme Costs

For the period ended 31 March 2007

	2006/07	2005/06
	£000	£000
Other costs	--	58
Off-set by 50% EU non-grant income	--	(402)
Loss on Bessborough Disposal	4,950	--
One off End of Year Flexibility allocation to meet Voluntary Early Severance costs	686	--
	<u>5,636</u>	<u>(344)</u>

Notes

The loss on disposal is explained in more detail in Note 11(a) Tangible Fixed Assets

10. Income

For the period ended 31 March 2007

	2006/07	2005/06
	£000	£000
Administration income	4,045	2,756
Sales of registration certificates	17,289	14,538
Other register services	5,661	5,692
Sales of statistical data	9,692	7,915
Provision of social surveys	12,016	11,990
	<u>48,703</u>	<u>42,891</u>

2006/07 includes EU income of £879,889.

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

	External	Public Sector	2006/07 Total	External	Public Sector	2005/06 Total
	£000	£000	£000	£000	£000	£000
Administrative income (see note below)	1,422	2,623	4,045	536	2,220	2,756
Statistical services (see note below)	4,065	17,643	21,708	3,248	16,658	19,906
Register services	17,301	5,649	22,950	14,599	5,630	20,229
	<u>22,788</u>	<u>25,915</u>	<u>48,703</u>	<u>18,383</u>	<u>24,508</u>	<u>42,891</u>

Note

Administrative income includes repayment of rent, expended under operating leases, from other departments with regard to shared sites at Newport, Lancaster Court, Drummond Gate and Myddelton Street.

11. Tangible fixed assets and assets under construction

11(a) Tangible fixed assets

For the period ended 31 March 2007

	Land and buildings	In-house developed software applications	Computers	Motor Vehicles	Office Machinery	Furniture and fittings	Total
	£000	£000	£000	£000	£000	£000	£000
Valuation at 31 March 2006	87,466	10,504	20,754	184	4,181	8,486	131,575
Additions	--	--	1,890	62	268	617	2,837
Transfers from assets under construction	3,632	12,795	124	--	--	--	16,551
Disposals	(14,093)	--	(52)	(69)	(89)	--	(14,303)
Revaluation	5,251	(4)	(1,650)	2	(99)	81	3,581
Valuation at 31 March 2007	82,256	23,295	21,066	179	4,261	9,184	140,241
Depreciation provision at 31 March 2006	17,257	1,257	13,631	98	2,934	2,818	37,995
Charge in year	9,544	1,631	2,077	33	538	874	14,697
Disposals	(5,981)	--	(52)	(56)	(88)	--	(6,177)
Revaluation	661	(31)	--	1	(78)	30	583
Depreciation Provision at 31 March 2007	21,481	2,857	15,656	76	3,306	3,722	47,098
Net book value at 31 March 2007	60,775	20,438	5,410	103	955	5,462	93,143
Net book value at 31 March 2006	70,209	9,247	7,123	86	1,247	5,668	93,580
Asset Financing							
Freehold ownership	54,135	--	--	--	--	--	54,135
Leasehold ownership (under 50 yrs)	6,640	--	--	--	--	--	6,640
Owned	--	20,438	5,410	103	955	5,462	32,368
Net book value at 31 March 2007	60,775	20,438	5,410	103	955	5,462	93,143

Notes

Included in the £2,837,000 of additions are £729,000 worth of capital creditors. The capital creditors brought forward from 2005/06 amounted to £215,000. 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.

In June 2006 ONS disposed of the Bessborough and Rampayne annexes to its Drummond Gate Office in London as reduced staff numbers had led to a need for less office accommodation. As a result ONS received £3.162m shown in Note 6 Non Operating AiA income, and suffered a loss on disposal of £4.950m shown in Note 9 Programme Costs. It has also provided £4.065m to allow the new tenant a rent free period and this is shown in Note 16 Provisions for Liabilities and Charges. These costs were judged good value for money compared to the cost of retaining these properties until the next opportunity to surrender the lease in 2017.

Subsequently, ONS announced that further relocations from London allowed the location of all staff in the Family Record Centre in Islington in April 2008. As a result the remaining property at Drummond Gate will be available for disposal at this point and therefore depreciation has been accelerated at a cost this year of £4.818m.

11(b) Assets Under Construction

	Computer	Registration	Building	Odyssey (SMP)	NeSS	Total
	£000	£000	£000	£000	£000	£000
Opening balance at 1 April 2006	149	2,683	160	18,783	5,224	26,999
In year expenditure	87	9,199	6,542	2,722	--	18,550
Disposals	--	--	--	--	(261)	(261)
Transfers to fixed assets	(148)	(1,850)	(3,632)	(8,644)	(2,302)	(16,576)
Closing balance at 31 March 2007	88	10,032	3,070	12,861	2,661	28,712

Notes

The in-year expenditure of £18,550,000 includes £4,055,000 worth of capital creditors. The amount of capital creditors brought forward from 2005/06 was £1,687,000.

£261,000 previously categorised as capital spend for Neighbourhood Statistics (Ness) has now been removed from this category as it will no longer lead to an asset being created.

The transfer to fixed assets relates to building refurbishments and in-house developed software.

12. Intangible fixed assets

For the period ended 31 March 2007

	Software licences
	£000
Valuation at 31 March 2006	9,630
Additions	1,175
Transfers from assets under construction	24
Disposals	(2)
Revaluation	-
Valuation at 31 March 2007	<u>10,827</u>
Amortisation provision at 31 March 2006	4,585
Charge in year	1,744
Disposals	(1)
Revaluation	-
Amortisation provision at 31 March 2007	<u>6,328</u>
Net book value	
At 31 March 2007	4,499
At 31 March 2006	5,045

Note

Included in the £1,175,000 is £309,000 worth of capital creditors. The amount of capital creditors brought forward from 2005/06 is £576,000.

13. Debtors

13(a) Debtors Analysis by type

For the period ended 31 March 2007

	2006/07	2005/06
	£000	£000
Amounts falling due within one year		
Value Added Tax	1,094	625
Trade debtors	4,686	3,891
Other debtors	--	66
Deposits and advances	348	506
Prepayments and accrued income	4,891	5,642
	11,019	10,730
Amounts falling due after more than one year		
Deposits and advances	133	360
Total Debtors at 31 March	11,152	11,090

13(b) Debtors Intra-government balances

For the period ended 31 March 2007

	Debtors: amounts falling due within one year		Debtors: amounts falling due after more than one year	
	2006/07 £000	2005/06 £000	2006/07 £000	2005/06 £000
Balances with other central government bodies	5,234	3,934	--	--
Balances with local authorities	1,291	37	--	--
Balances with NHS Trusts	64	161	--	--
Balances with Commission of European Community (Eurostat)	885	710	--	--
	7,474	4,842	--	--
Balances with bodies external to government	3,197	5,382	--	251
Balances with staff	348	506	133	109
Total Debtors at 31 March	11,019	10,730	133	360

14. Cash at bank and in hand

For the period ended 31 March 2007

	2006/07	2005/06
	£000	£000
Balance at 1 April	4,866	1,989
Net cash (outflow)/inflow	<u>(838)</u>	<u>2,877</u>
Balance at 31 March 2007	<u>4,028</u>	<u>4,866</u>
The following balances at 31 March were held at		
Office of HM Paymaster General	3,945	4,729
Commercial banks and cash in hand	<u>83</u>	<u>137</u>
	<u>4,028</u>	<u>4,866</u>

15. Creditors

For the period ended 31 March 2007

15(a) Creditors

Analysis by type

	2006/07	2005/06
	£000	£000
Amounts falling due within one year		
Other taxation and social security	3,728	2,597
Trade creditors	6,724	1,087
Other creditors	--	--
Accruals and deferred income	13,306	9,509
Amounts issued from the Consolidated Fund for supply but not spent at period end	4,028	4,866
Total Creditors at 31 March	27,786	18,059

15(b) Intra-government balances

	Creditors: amounts falling due within one year		Creditors: amounts falling due after more than one year	
	2006/07 £000	2005/06 £000	2006/07 £000	2005/06 £000
Balances with other central government bodies	10,619	9,979	--	--
Balances with local authorities	--	--	--	--
Balances with NHS Trusts	--	--	--	--
Balances with Eurostat	62	125	--	--
	10,681	10,104	--	--
Balances with bodies external to government	17,105	7,955	--	--
Balances with staff	--	--	--	--
Total Creditors at 31 March	27,786	18,059	--	--

16. Provisions for liabilities and charges

For the period ended 31 March 2007

	Early Departure Costs	Eurostat	Industrial Tribunal Liabilities	Bonus Payments	Relocation Costs	Bess- borough Rent	Retention Allowance	Fixed Term Appointment Contract Termination Cost	Lease Penalty Clause	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2006	3,416	70	102	650	1,436	--	--	--	--	5,674
Provided in year	25,088	28	--	--	746	4,065	1,712	250	100	31,989
Provisions not required written back	--	--	(102)	(236)	--	--	--	--	--	(338)
Provisions utilised in the year	(2,796)	--	--	(414)	(536)	--	--	--	--	(3,746)
Balance as at 31 March 2007	25,708	98	--	--	1,646	4,065	1,712	250	100	33,579

Notes

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.

In previous years this became binding when agreement had been reached with individual staff who are leaving under this heading. In 2006/07 it was announced that staff numbers in London would reduce to about 100 by the end of 2009/10, and a provision has been made for early retirement of those staff, allowing for those who leave by other means, such as transfer, relocation or resignation.

These provisions were funded in part by a Reserve Claim agreed by HM Treasury and submitted as part of the Spring Supplementary Estimate, which was laid before Parliament. This claim consisted of £5m in respect of ONS Efficiency and Restructuring, £16.77m in respect of Early Departure Scheme and £5.27m in support of the write down on Drummond Gate.

Eurostat

The department has been advised by Eurostat that it intends to launch proceedings to recover amounts paid on a selection of grants to ONS following an ex-post control audit. ONS in line with many other European National Statistical Institutes, have been deemed to have been overpaid due to ineligibility of some of the costs claimed according to the rules of the agreement, and are unable to provide supporting documentation due to the passage of time.

Relocation Costs

As a result of the Lyons and Gershon reports, decisions were taken to relocate a number of staff from Titchfield and London. This provision represents an estimate of the costs outstanding from 2006/07 and costs expected to be incurred, and now includes additions to reflect the extension of plans to 2009/10

Bessborough Rent

See Note 11(a) Tangible Fixed Assets

Retention Allowance

As a result of the Lyons and Gershon reports, a provision has been created to pay retention allowances to key London staff to maintain business continuity during the relocation.

Fixed Term Appointment Contract Termination Costs

Certain staff were employed on fixed term contracts. Since their employment the Fixed Term Regulations has given them an entitlement to statutory redundancy payments, if the reason for non renewal of their contract was redundancy.

Lease Penalty Clause

As a result of an exercise to review our design, print and despatch operations, some machinery will become surplus to requirement and returned early to the lease provider resulting in a penalty cost

17. General Fund

For the period ended 31 March 2007

	2006/07		2005/06 (re-stated)
	£000	£000	£000
Balance at 1 April		80,838	72,567
Prior period Adjustment		--	637
Adjusted opening balance		80,838	73,204
Net parliamentary funding:			
Drawn down	148,792		176,055
Deemed	<u>4,866</u>	153,658	<u>1,989</u>
Net from operating activities:			
Net operating cost		(195,502)	(170,101)
Interest on working capital	3,471		4,167
Audit fee	55		50
Treasury funded early retirement	<u>22</u>	3,548	<u>56</u>
Transfer to General Fund in respect of realised element of revaluation reserve		5,225	200
Consolidated fund creditor for cash unspent		(4,028)	(4,866)
Non-operating appropriation in aid		<u>--</u>	<u>84</u>
Balance at 31 March		<u>43,739</u>	<u>80,838</u>

18. Revaluation reserve

For the period ended 31 March 2007

	2006/07	2005/06
	£000	£000
Balance at 1 April	37,009	19,481
Arising on revaluation during the course of the year (net)	4,646	17,728
Transfer to General Fund in respect of realised element of revaluation reserve	<u>(5,225)</u>	<u>(200)</u>
Revaluation reserve at 31 March	<u>36,430</u>	<u>37,009</u>

19. Notes to the Cash Flow Statement

For the period ended 31 March 2007

19(a) Reconciliation of operating Cash Flow Statement

		2006/07	2005/06
	Note	£000	£000
Net operating cost	4	195,502	169,464
Adjustment for non-cash items	8	(53,545)	(23,908)
Loss on disposal of Bessborough	9	(4,950)	--
Increase/(decrease) in debtors	13	62	598
less movement in debtors relating to items not passing through OCS (see note)	12	--	327
(Increase)/decrease in creditors	15	(9,727)	(2,361)
less movement in creditors relating to items not passing through OCS	11,12 & 14	1,782	1,637
Utilisation of provisions	16	3,746	1,972
Net cash outflow from operating activities		132,870	147,729

Note

There were no capital prepayments in 2006/07

19(b) Analysis of capital expenditure and financial investment

		2006/07	2005/06
	Note	£000	£000
Tangible fixed assets additions	11	2,323	4,343
Assets under construction additions	11	16,182	18,596
Intangible fixed asset additions	12	1,442	2,594
Proceeds of disposal of fixed assets	8 & 11a	(3,187)	(84)
Net cash flow for capital expenditure and financial investment		16,760	25,449

19. Notes to the Cash Flow Statement

For the period ended 31 March 2007

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

	Note	Capital Expenditure £000	Loans etc £000	A in A £000	Net Total £000
Request for resources	11&12	22,562	--	(3,187)	19,375
Net movement in debtors/creditors		(2,615)	--	--	(2,615)
Total 2006/07		19,947	--	(3,187)	16,760
Total 2005/06		25,533	--	(84)	25,449

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

	Note	2006/07 £000	2005/06 £000
From the consolidated Fund (Supply): current year	17	148,792	176,055
From the consolidated Fund (Supply): prior year	17	--	--
Advances from the Contingencies fund		--	13,913
Repayments to the contingencies fund		--	(13,913)
Net Financing		148,792	176,055

19(e) Analysis of net cash requirement to (decrease)/increase in cash

	Note	2006/07 £000	2005/06 £000
Net Cash Requirement		(149,630)	(173,178)
Net cash flows other than financing		148,792	176,055
CFERs received in a prior year and paid over		--	--
CFERs received and not paid over		--	--
(Decrease)/Increase in cash		(838)	2,877

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

For the period ended 31 March 2007

Capital employed by departmental aim and objectives at 31 March 2007

	2006/07	2005/06
	£000	£000
Objective 1 Statistical service	93,273	101,818
Objective 2 Register services	20,475	21,703
	<hr/> 113,748	<hr/> 123,521

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

21. Capital commitments

For the period ended 31 March 2007

	2006/07	2005/06
	£000	£000
Contracted commitments as at 31 March 2007 for which no provision has been made	11,410	15,970
	11,410	15,970

Notes

The capital commitments are in respect of £210,000 for building refurbishment. The remaining £11,200,000 are in respect of the Civil Registration Review Project.

22. Commitments under operating leases

For the period ended 31 March 2007

	2006/07		2005/06	
	Land and Buildings	Other	Land and Buildings	Other
	£000	£000	£000	£000

At 31 March 2007 ONS was committed to making the following payments during the next year in respect of operating leases

1 year	3	--	--	--
2–5 years	4,196	266	--	--
After 5 years	1,930	--	7,729	--
	6,129	266	7,729	--

23. Financial instruments

For the period ended 31 March 2007

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 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 listed companies to which FRS 13 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

For the period ended 31 March 2007

	Non-interest bearing financial assets	2006/07 Non-interest bearing financial liabilities	Non-interest bearing financial assets	2005/06 Non-interest bearing financial liabilities
	£000	£000	£000	£000
Euro	724	(25)	710	(125)
US Dollars	--	--	--	(475)
Gross financial assets/liabilities	724	(25)	710	(600)

Credit risk

For the period ended 31 March 2007

Long-term debtors are fully recoverable and therefore there is not material credit risk

Financial liabilities

For the period ended 31 March 2007

Long-term debtors are fully recoverable and therefore there is not material credit risk

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

	Retention, Casual Contract & Early Departure	Bonuses, Eurostat and Industrial tribunals	Relocation	Bessborough Rent Agreement	Total
	£000	£000	£000	£000	£000
a) in one year or less	7,204	98	1,646	1,521	10,469
b) in more than one year, but not more than two years	8,226	--	--	1,286	9,512
c) in more than two years, but not more than five years; and	8,998	--	--	1,258	10,256
d) in more than five years	3,342	--	--	--	3,342

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 financial assets are carried at their fair value, and are denominated in sterling.

24. Contingent liabilities

For the period ended 31 March 2007

ONS has no contingent liabilities

25. Special payments and losses

For the period ended 31 March 2007

A settlement has been made to a senior manager in line with the employment contract and the rules of the Compensation scheme

ONS has suffered losses amounting to £33,864 during 2006/07 (2005/06: £47,148)

ONS has paid out £31,117 of ex-gratia payments during 2006/07 (2005/06: £19,523)

26. 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, the Deputy Prime Minister, Trade and Industry, Education and Work and Pensions.

During the period reported one key member of staff, Alex Jablonowski, a non-executive director at Companies House, the Service Personnel, Wilton Park and Veterans Agency and holds various non executive board positions within the Department for Transport family including the Highways Agency and the Driver Vehicle Operator Group, had related party connections. None of the board members and key management staff or other related parties has undertaken any material transactions.

27. Post Balance Sheet events

There were no post balance sheet events for the period ended 31 March 2007

28. Authorisation to Lay Accounts

Authorisation to lay the accounts before the Houses of Parliament on the 17th of July was granted by HM Treasury (HC No. 627).

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