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# **Statistical Surveys: Easing the Burden on Business**

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**A Report by the Steering Group:**

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# STATISTICAL SURVEYS: EASING GOVERNMENT BURDENS ON BUSINESS

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## REPORT OF THE STEERING GROUP

### Introduction

1 In January this year you appointed us to conduct an independent study of the options for reducing the burden on businesses created by the Government's statistical surveys. Our terms of reference were:

To consider how Government survey compliance costs to business, particularly SMEs, might be reduced; to assess cumulative options for achieving reductions, in light of the Deregulation Task Force recommendation to examine a 25% saving; to consider any impact on the quality of essential Government statistics and associated policies; and to prepare advice by June 1996.

2 We have been greatly assisted by all those who have given us evidence. They include representatives of business and Departmental officials. A list of all those contacted is at Annex A. We are particularly grateful to our external consultants, NERA, led by Ms Phillipa Marks. NERA's report to us is attached as Annex B and includes a short executive summary. We have taken all the evidence presented to us into account in preparing this advice to you.

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### Summary of recommendations

3 We have identified a range of options which, taken together, offer the prospect of a reduction of up to a 26% in business survey burdens by the year 2000. Most of this saving can be secured within 2 years. We wish to draw attention to our proposals for the treatment of small firms (recommendations 8-11) and in particular to the proposal for a **guaranteed survey holiday**. Our full list of recommendations is:

- (1) *We recommend that Departments should follow the ONS approach of producing and publishing Compliance Plans for all major surveys and include an external independent element in this process (paragraph 15).*
- (2) *We recommend that an external independent person should take part in Departments' reviews of their major surveys (paragraph 15).*
- (3) *We recommend that work on accounting software be given higher priority and Ministers should provide the encouragement and resources required to achieve major savings within the next three years (paragraph 16).*
- (4) *We recommend creating a high powered accounting software project team to accelerate development (paragraph 16).*

- (5) *We recommend implementation of the proposals set out in our consultant's report for streamlining construction sector surveys (paragraph 17).*
- (6) *We recommend that the Ministry of Agriculture Fisheries and Food should examine the potential to reduce the burden of the agricultural census by accelerating plans to introduce sampling (paragraph 18).*
- (7) *We recommend that only in exceptional circumstances should Departments draw up surveys without using the Inter-Departmental Business Register (paragraph 19).*
- (8) *We recommend that the ONS should provide a guarantee to all firms with under 10 employees that after taking part in one of their surveys they should enjoy a survey holiday for at least 3 years thereafter (paragraph 21).*
- (9) *We recommend that other Government Departments should be invited to match this guarantee (paragraph 21).*
- (10) *We recommend that Departments collectively should examine the practicability of going beyond what we propose in 8 and 9 above, by giving firms with less than 10 employees a guarantee that, if they complete a survey<sup>1</sup> for any one Department, they will not be asked by any other Department to take part in another survey for 3 years. The aim should be to bring such a guarantee into effect by June 1999 (paragraph 22).*
- (11) *We recommend that Departments should consider the scope for giving firms with 10-24 employees equivalent guarantees to those in recommendations 8 and 9 by 1999 (paragraph 23).*
- (12) *We recommend that the Government should seek to persuade its EU partners to cut Intrastat burdens by reducing the number of data fields, simplifying product detail, raising the compliance threshold, and introducing sampling guarantees for small firms (paragraph 26).*

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## **The base year**

4 Our terms of reference asked us to examine options to reduce costs to business. It was necessary for us to decide, therefore, what was the base year against which we should measure potential savings. We decided 1994 was appropriate because it was costs in that year which the Deregulation Task Force would have had in mind when recommending in 1995 a study of how burdens might be reduced by 25%.

## **The burden**

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<sup>1</sup> excluding Intrastat

5 In 1994, the total compliance cost to businesses of Government statistical surveys is estimated at £69m in 1995 prices. Almost half (£33m) arose from the EC Intrastat survey of monthly UK exports and imports within the European Union.

6 The compliance costs of surveys should not be seen in isolation: they are part of the total additional cost imposed on industry by regulation and other governmental requirements. Any reduction in this burden helps improve the competitiveness of individual UK businesses and enables managers to spend more time on wealth creation. The evidence we have received leaves us in no doubt about the importance of reducing survey compliance costs.

7 Smaller firms face greater difficulties in completing surveys. It is a major diversion of the efforts of owner/managers and partners. We do not believe that the opportunity costs are fully reflected in standard compliance cost estimates. We agree with NERA that this issue should be considered further, though it lies outside our remit to do so.

### **The need for data**

8 We are satisfied of the Government's continued need for timely and accurate statistical data about the performance of business. Well-informed decisions by the Chancellor of the Exchequer can have more effect on the competitiveness of UK businesses than even quite large changes in the cost of completing statistical surveys.

9 We have concluded that - Intrastat apart - most of the data currently collected is necessary and justified. We are aware of proposals for additional surveys on the service sector, and to meet EU requirements. Such demands should be resisted unless fully justified, and add further weight to the need to pursue vigorously the potential savings we have identified.

10 Moreover, we warn against looking only at the total amount of compliance cost. It is as important to focus on the impact on individual businesses and particularly on small ones. Much can be done to spread and ease the burden on the individual firm, and to improve perceptions of survey burdens.

### **Departments have got the message**

11 From the evidence we have received from officials it is clear that Ministers have succeeded in getting across their message about the need to bear down on survey compliance burdens. As the Office for National Statistics (ONS) have already shown savings can be achieved by changing the way surveys are conducted. We found encouraging evidence of action programmes in other Departments aimed at curbing business survey costs. These welcome initiatives are bringing some costs down, and need to be both encouraged and built upon.

## Options for reducing burdens

- 12 In identifying options for Ministers to consider we have
- aimed to reduce business burdens **without** reducing the value to Government of survey data
  - focused particularly on ways of lifting burdens on individual **small firms**
  - concentrated on savings which might be achieved over the **next four years**, noting where there is further longer term potential

## Potential cost saving packages

- 13 Options for compliance cost savings are of three kinds.
- I - Those which Departments are now implementing or planning and which do not depend on reaching agreements with other EU Member States. Such savings should rise to £8.6m per annum or 12% of the total burden by 1998.
- II - New options identified during the course of our enquiry. These offer both near term and longer term additional savings and again could be adopted without the agreement of other countries. When added to savings from option I, these will enable reductions of 17% by 1999 and 20% by 2000.
- III - Further savings which are contingent on obtaining agreement with other EU Member States, and where timing is also less certain. When added to options I and II, these produce total reductions in survey burdens of £17.6m per annum or 26% by 2000.

	1994	1995	1996	1997	1998	1999	2000
<b>Compliance Costs, £m pa (1995 prices)</b>	<b>68.9</b>						
<b>I Planned changes</b>		-6.7	-7.3	-7.8	-8.6	-8.6	-8.6
- 1995 reduction		-6.7	-6.7	-6.7	-6.7	-6.7	-6.7
- ONS Compliance Plan			-0.6	-1.1	-1.7	-1.7	-1.7
- Agricultural Census					-0.2	-0.2	-0.2
<b>II Further changes</b>					-1.0	-3.0	-5.0
- Construction surveys					-0.7	-0.7	-0.7
- Accounting software					-0.3	-2.3	-4.3
<b>III Changes to Intrastat requiring EU agreement</b>					-4.0	-4.0	-4.0

## I Present plans

14 ONS and other data collecting Departments have been re-examining their survey requirements. A number of means of simplifying and improving surveys have been identified and are now being introduced. Principal developments are:

- **reducing overlaps** between different enquiries;
- tighter controls on the number and length of individual **questions**;
- better questionnaire **design**; and
- greater use of **administrative data** as an alternative to business surveys.

15 We have been impressed by the Compliance Cost Plan produced for the first time this year in ONS. This enables Treasury Ministers to consider the overall survey burden ONS expects to place on business; and to set and publish forward targets for business compliance costs. In their report to us, NERA recommended that there should be an external independent element in all major survey reviews and forward planning exercises. This should help Departments identify those improvements which would be of most value to business. Accordingly,

*We recommend that Departments should follow the ONS approach of producing and publishing Compliance Plans for all major surveys and include an external independent element in this process.*

*We recommend that an external independent person should take part in Departments' reviews of their major surveys.*

## **II New proposals**

### ***Wider IT applications***

16 As the ONS has been able to show us, and as experience in New Zealand and the Netherlands confirms, there is potential for significant savings from a variety of IT applications. The most notable involves designing surveys so far as possible in ways that seek data in a form that is consistent with standard accounting definitions. As a result, data that businesses need for their annual accounts can be used to answer surveys. Moreover, software packages are being developed to enable accounting data to be retrieved quickly and cheaply for surveys. ONS is already piloting this with three software houses.

*We recommend that work on accounting software be given higher priority and Ministers should provide the encouragement and resources required to achieve major savings within the next three years.*

To spearhead this work,

*we recommend creating a high powered accounting software project team to accelerate development.*

This team could include representatives of Government Departments and the new Central IT Unit in the Cabinet Office. The team should be set the challenge of achieving by 1999 savings of at least twice current plans, in order to deliver the cost reductions set out in paragraph 13.

### **Construction**

17 NERA have examined the present proposals for streamlining construction sector surveys. As will be seen from the Table in paragraph 13, they have identified scope for achieving even greater savings.

*We recommend implementation of the proposals set out in our consultant's report for streamlining construction sector surveys.*

### **Agriculture**

18 NERA have also examined plans for reducing the burden imposed by the Agricultural Census which provides information for the EU. Simplifying questions, reducing overlaps with other surveys and making greater use of administrative data could reduce the compliance costs by a third by 1998. Beyond this, NERA suggest that greater use of sampling might reduce census burdens by half. They propose that the feasibility of starting sampling earlier than 2000 should perhaps be investigated.

*We recommend that the Ministry of Agriculture Fisheries and Food should examine the potential to reduce the burden of the agricultural census by accelerating plans to introduce sampling.*

### **More efficient sampling<sup>2</sup>**

19 The main source from which survey samples are drawn is the Interdepartmental Business Register (IDBR), containing information on 1.9 million firms. But several important surveys do not use this register. Wider use of the IDBR would be beneficial because it can often enable accurate grossing up from smaller samples. Moreover, the continued use of different Departmental registers means that individual firms may be approached, without sufficient cause, by several Departments for different enquiries at much the same time. Accordingly,

*we recommend that only in exceptional circumstances should Departments draw up surveys without using the Inter-Departmental Business Register.*

### **Guarantees for Small Firms**

20 Smaller enterprises take part in surveys less frequently than larger firms, but usually feel the compliance burden more acutely. We believe the most pressing need is to reduce the burden on the

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<sup>2</sup> We have not attributed specific compliance cost savings to the proposals in paragraphs 19-23.

smallest firms. We have identified the following options to help them, which will also improve response rates.

21 Through careful use of the IDBR,

*we recommend that the ONS provide a guarantee to all firms with under 10 employees that after taking part in one of their surveys they should enjoy a survey holiday for at least 3 years thereafter.*

To extend this guarantee to all Government surveys (excluding Intrastat) would greatly enhance the value of such a guarantee.

*We recommend that other Government Departments should be invited to match this guarantee.*

22 From the perspective of the individual business, a single guarantee covering all Government surveys excluding Intrastat would be of most value<sup>3</sup>. Small firms could then look forward with confidence to a completely survey-free period. Such an all embracing guarantee raises issues of co-ordination and efficient sample selection. These require examination. Accordingly,

*we recommend that Departments collectively should examine the practicability of going beyond what we propose in 8 and 9 above, by giving firms with less than 10 employees a guarantee that, if they complete a survey for any one Department, they will not be asked by any other Department to take part in another survey for 3 years. The aim should be to bring such a guarantee into effect by June 1999.*

23 We recognise that there are at present genuine difficulties in extending this guarantee to firms in the 10-24 employee band. But,

*we recommend that Departments should consider the scope for giving firms with 10-24 employees equivalent guarantees to those in recommendations 8 and 9 by 1999.*

### **III Proposals subject to EU agreement**

24 The importance of achieving savings, especially for surveys subject to EU requirements such as Intrastat, is all the greater because Eurostat has made proposals for additional surveys which could cost UK businesses an extra £2m a year if approved. (These new costs **have** been allowed for in our savings proposals.)

25 There is scope for major savings in the compliance costs of the Intrastat survey. The main options identified are:

- reduce the number of data fields collected. Principal candidates are those covering mode of transport; weight of imports and exports; delivery terms, number of consignments and traders transaction reference

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<sup>3</sup> to include Intrastat would require EU agreement



- simplify product detail. Currently business must record data in a highly dis-aggregated way (using eight digits to define individual products). Burdens could be reduced if such fine detail was not required, or perhaps sought on a less frequent basis. NERA say that most UK Departmental data needs from Intrastat could be met by monthly enquiries at the simpler two digit level, supplemented by quarterly enquiries at six or eight digit level.
- increase the threshold for returns, which currently stands at £160,000 annual value of trade. Raising the threshold would be an effective way of targeting savings on smaller firms.
- providing small firms with under 10 employees with the same guaranteed survey holiday for Intrastat as we have proposed for other surveys.
- reduce the frequency of enquiries. A move from monthly to quarterly returns would reduce burdens, though comprehensive data for the whole period would still have to be provided so savings are likely to be limited.

26 The group is particularly attracted to the first four of these options.

*We recommend that the Government should seek to persuade its EU partners to cut Intrastat burdens by reducing the number of data fields, simplifying product detail, raising the compliance threshold and introducing sampling guarantees for small firms.*

27 These savings depend on achieving the agreement of other Member States. That will not be easy. But it is encouraging that Intrastat is being reviewed by a Commission working group under its new SLIM (Simpler Legislation for the Internal Market) programme, with concrete proposals for simplification being put to Ministers by November this year.

#### **Secretariat**

28 From start to finish we have been ably assisted by our Secretariat: Bryan Avery, Andrew Machin, Steve Cook, Teresa Monaghan and Penny Whitfield. We record here our warm thanks to each of them and, in particular, to the leader of the team, Mr Avery.

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## LIST OF PEOPLE WHO PROVIDED EVIDENCE FOR THE STUDY GROUP

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## Our consultants (NERA) also interviewed representatives of:

Confederation of British Industry  
 HM Customs and Excise  
 Densitron International  
 Department of Education and Employment  
 Department of the Environment  
 The Inland Revenue  
 INSEE (French Statistics Office)  
 Ministry of Agriculture Fisheries and Food  
 The Office for National Statistics  
 Department of Social Security  
 Statistics Canada  
 Statistics Sweden  
 Department of Trade and Industry  
 HM Treasury