

# Construction Statistics Transfer Review

## Executive Summary

1. The purpose of this review is to identify issues that would affect the transfer of Construction statistics from the DTI to ONS and its timing. Transferring the current DTI operation to ONS Newport would provide savings in the medium or longer term, although there are uncertainties about the scale and timing of these savings. The transfer proposals would also lead to a significant reduction in the compliance costs for businesses arising from a change in the sample design for the annual inquiry which would lead to a large reduction in the number of forms sent to SMEs. Although this will give rise to a loss of quality to more detailed statistics on construction activity, the team nevertheless on balance recommends that DTI and ONS consider whether they are willing to finance all or part of the transition costs of the move in order to realise the savings for government as a whole, and for businesses.

2. If the transition costs can be financed, the following recommendations made by the Review Team should be implemented to bring about the transfer. The Review Team recommend that responsibility for Construction Statistics should transfer to ONS from July 2005 and that ONS should embark upon a programme of redesign of the survey with the aim of launching the new system during the second half of 2006/07. The cost of the transfer would be a maximum of around £1.7 million and there would be savings of just under £450 thousand a year subsequently as a result. ONS have some concerns about operating the current system from the Bristol office but would accept responsibility provided that, at the time of the transfer, a plan of transition is announced. The proposed date of transfer would allow for both a smooth transfer of responsibility and some more detailed planning to confirm the precise date in 2006/07.

3. The new system will in addition deliver savings in compliance costs of around £1.7 million a year for businesses, all for smaller firms employing less than 20. This saving is achieved by reducing significantly the size of the Annual Inquiry (AI), which acts as a source of both register proving and the sampling frame for the monthly and quarterly surveys. DTI is broadly satisfied that the design proposed by ONS should help towards some improvements in the quality of the overall short period estimates. It also recognises that a move to a sample survey for the Annual Inquiry has a cost reduction benefit. However the large reduction in data from the loss of the AI will have the effect of reducing the quality of construction statistics generally and the detail for SMEs in particular. Methodological work could help assess the effect of reduction in AI sample size on the quality of current outputs. There is also a recognition that there will be discontinuities as a result of the proposed redesign. DTI would want to see sufficient time devoted to parallel running to be assured that the redesign is satisfactory.

4. The subsequent relocation of the work to the ONS Newport office will probably lead to redundancies if staff do not wish to transfer. The departments should aim to minimise these costs by devoting a dedicated resource to assisting in the redeployment of staff. We have assumed a worst-case scenario for the costs of redundancy.

5. Further detailed discussions are necessary between the two departments to avoid unnecessary expense and bureaucracy during the period when ONS might have staff in former DTI offices in Bristol or London.

6. A full list of the recommendations follows:

We recommend that:

- responsibility for Construction statistics, as defined in paragraphs 9-11, is transferred from DTI to ONS.
- the scope of the proposed transfer includes the six sources in paragraph 9 together with their associated publications in paragraph 11, with DTI retaining responsibility for briefing DTI customers.
- transfer of construction price statistics to ONS be considered, to take effect from March 2008, particularly in relation to any data collection which is similar to current ONS surveys.
- the review of user needs for the output of the Building Materials survey should be

extended in scope to consider whether responsibility for the outputs and their publication should be transferred to ONS along with the relevant budget.

- any redesigned IM system recognises the changing user needs for Construction statistics and is sufficiently flexible to meet those changing needs.
- £1,483k a year is transferred in respect of the statistics and outputs listed under paragraph 9;
- ONS should take responsibility for the current Construction statistics operation from July 2005.
- ONS embark upon a methodological research programme that builds upon work to date and specifies in greater detail the design of the new construction system
- the ONS proposed governance arrangements are adopted following the transfer
- the two departments, plus the holder of the lease for the Bristol office (Planning Inspectorate) have detailed discussions on the arrangements for transferring the Occupancy Agreement under which DTI occupy the Bristol office
- the renegotiation of the IM contract with LogicaCMG should ensure that the cost of transferring responsibility to ONS is minimised.
- as part of the further discussions between the two departments, ONS consider whether they are content to take over the IM contract for the CISTATS system.
- a dedicated resource is identified with the aim of maximising the number of staff who can be redeployed following the transfer.
- the two departments agree a mutually acceptable transfer following the principles that have been established in paragraph 44
- a full risk review is undertaken as part of the project managing the transfer

### **Background to the Review**

7. This review arose following correspondence between Sir Robin Young and Len Cook. They agreed in principle to the transfer but sought assurances over the costs and risks to their respective department's interests that might arise from such a move. The review was undertaken jointly by DTI and ONS and was guided by a Steering Committee chaired by Bob Dobbie, a retired Grade 3 formerly with DTI. The ONS input was led by Stephen Penneck, head of Statistical Outputs Group and the DTI was led by Christopher Moir, head of Industry Economics and Statistics directorate with responsibility for Construction statistics. A full list of the review team and the agreed terms of reference for the review are shown in annex 1.

### **Scope of work to be transferred**

8. The Industry Economics and Statistics directorate in DTI employs 26 staff in its data collection and validation branch in Bristol and a further 3 statistical staff in London, working wholly on conducting surveys of the construction industry or analysing the results. The work of these units was the main focus for the review.

9. DTI is responsible for the collection and compilation of six main surveys of the GB construction industry. These are:

- Quarterly Inquiry of Activity for Construction and Allied Trades
- The Building and Civil Engineering Employment and Output Enquiry
- Monthly Inquiry of Contracts and New Orders
- Annual Inquiry
- Quarterly Inquiry of Projects in Progress
- Key Performance Indicators

10. The first four of these surveys are clearly, in principle, appropriate to be transferred to ONS. They are surveys which are conducted under the Statistics of Trade Act and lead either directly or indirectly to outputs which are labelled as National Statistics. For the remaining two surveys,

although the results are not currently published, there is the potential to do so and therefore these surveys can also be included. More detail on each of the surveys is given in annex 2.

11. Following the transfer, ONS would operate the Construction surveys in a similar way to other ONS surveys in Newport. This will require a number of changes from present DTI survey practices (see paragraph 21) In line therefore with other surveys, ONS would seek responsibility for the data collection operation and would also publish the survey results in the form of the First Releases. ONS would also take responsibility for secondary analysis and publications. In detail the press releases and publications covered are the monthly Construction new orders release, the quarterly Construction output release and the Construction Statistics Annual. Responsibility for other forms of dissemination, including to Eurostat would also transfer but responsibility for the publication of the Key Performance Indicators pack would remain with DTI. Responsibility for briefing policy colleagues and Ministers responsible for the Construction industry would also remain with DTI along with the role of intelligent user for the surveys. DTI statisticians would represent policy colleagues in statistical discussions and would have a quality assurance role in the production of the survey results.

**We recommend that the scope of the proposed transfer includes the six sources in paragraph 9 together with their associated publications in paragraph 11, with DTI retaining responsibility for briefing DTI customers.**

12. The list of surveys considered above are those where the data collection is currently performed by the Bristol office. There are two other areas of Construction Statistics where data collection is elsewhere and where the arrangements would need to be reviewed if the scope outlined above is agreed. Construction Price statistics is a specialist area which has been contracted out to a consortium of experts in the field and the contract is due to run until March 2008. There seems little prospect of including this in scope of the current transfer.

**We recommend that transfer of construction price statistics to ONS be considered, to take effect from March 2008, particularly in relation to any data collection which is similar to current ONS surveys.**

13. The outputs of the Building Materials surveys are currently the responsibility of DTI but the data collection is already done by ONS. DTI are currently undertaking a review of user needs which has confirmed the need for these surveys to continue but has identified some changes to the detail that are necessary. The Review Team could see no immediate reason why responsibility for the Building Materials surveys should not transfer to ONS but that this should be considered further by the DTI review of user needs.

**We recommend that the review of user needs for the output of the Building Materials survey should be extended in scope to consider whether responsibility for the outputs and their publication should be transferred to ONS along with the relevant budget.**

#### **User needs**

14. The user needs for statistics on the Construction industry were reviewed as part of the National Statistics quality review published in November 2001, which confirmed that the statistics currently meet user requirements. As a result, user needs were not generally revisited as part of this review. There were however two areas where it was known that user needs were changing and there were possible implications for these surveys. There is a need for monthly estimates of Construction output to meet the European Short Term Statistics Regulation and also there will be a need for regional estimates of output to meet the emerging "Allsopp" agenda. At this stage the survey design work to meet these requirements has not been done and indeed the requirements may be met by a "modelling" approach rather than by using surveys. However, the emerging requirements demonstrate that it will be important to have a flexible system to respond to changes. A fuller description of user needs is described in annex 3.

**We recommend that any redesigned system recognises the changing user needs for Construction statistics and is sufficiently flexible to meet those changing needs.**

#### **Current Resources**

15. DTI currently spend £1.610 million on Construction Statistics but this will reduce next year by £77k because of lower IM support costs. Next year's costs break down as £723k on staff costs, £593k on GAE and £217k on property costs associated with the Bristol office. Although this is the cost of the current operation, it does not represent the amount that would be transferred to ONS as it

includes a small amount that would be retained within DTI to fulfil their on-going briefing and quality assurance role in Construction statistics. This is estimated to be £50k and would leave £1.483 million as the baseline cost of the operation. The detail of these costs and a discussion of the counterfactual is shown in annex 4.

**We recommend that £1,483k a year is transferred in respect of the statistics listed under paragraph 9**

### **Current Systems**

16. The register of construction businesses is known as the Builders' Address File (BAF) and is maintained through links with the Inter Departmental Business Register (IDBR) which is the ONS register of businesses. The BAF and the construction survey results are stored and analysed using the CISTATS suite of computer programs. CISTATS is a bespoke, Oracle-based system developed and maintained by LogicaCMG. The current contract runs until 31 March 2005. DTI are currently negotiating a short extension to the contract that might coincide with the likely date of an ONS replacement system. The CISTATS system is supplemented by an Excel based spreadsheet system which is used by the London team as part of the results processing. As part of the two departments agreeing to the transfer, DTI would need to seek ONS acceptance of the renegotiated contract,

**We recommend as part of the further discussions between the two departments, ONS consider whether they are content to take over the IM contract for the CISTATS system.**

### **Current Methodologies**

17. A full description of the methodologies used for the six surveys is shown in annex 5. The detailed statistical methodologies are broadly similar to those operated by ONS but there are some important differences in design. These are discussed below.

### **ONS assessment of current system and opportunities for development**

18. There are four main issues with the current Construction Statistics system that differ significantly from standard ONS practice. These are:

- Use of a full census for the Annual Inquiry
- Absence of enforcement procedures
- Non-compliance with ONS interpretation of the Osmotherly guarantee
- Reliance on spreadsheets for producing results

19. The methodologies of the present Construction surveys are broadly similar to those operated by ONS, as there was input from the ONS at the time the IM system was being specified. The key methodological issues that would arise immediately from a transfer of the Construction Surveys from DTI to ONS largely arise from the Annual Inquiry being a census of all known construction businesses and, in particular, the impact of that on the "Osmotherly guarantee". The Annual Inquiry provides information to keep the BAF up to date, and information on construction orders to enable a further sample of businesses to be taken for the Monthly Inquiry of contracts and new orders. The Osmotherly guarantee is given by ONS to businesses with less than 10 employment and says that such businesses will only be included in one ONS survey and that, having responded to that survey, they will be given a 3 year holiday from receiving any further questionnaires. The guarantee also states that we will tell businesses at the outset how long they will be included in a survey. The guarantee is a key part of ONS strategy for minimising survey load for small businesses. The current Construction surveys breach ONS policy and practice with regard to the Osmotherly guarantee in a number of areas.

- The Annual Inquiry (AI) breaches the Osmotherly guarantee for small businesses (less than 10 employees) in two ways. They should receive a 3 year holiday after completing an annual form and they should be excluded from other surveys both while selected for the annual survey and during the subsequent holiday period. These issues could be addressed by a redesign of the AI.
- Rotation rates (the number of times a business is required to respond to a survey) for the current Construction surveys are longer than for ONS equivalents. Currently businesses are rotated out of the Quarterly Inquiries of Construction Activity (CA) after 8 quarters, in excess of the Osmotherly maximum of 5 quarterly forms. Rotation for New Orders is for

24 months whereas ONS guarantee a maximum of 15 monthly forms, then a 3 year holiday. This may not be particularly significant if small companies tend not to hold orders over £25,000, which the New Orders survey covers, although excluding them will introduce a source of bias.

- The current stratification of the CA straddles the boundary for identifying firms covered by Osmotherly, i.e. size group 3 covers firms with 8-13 employees. A re-stratification would require a minor change in the estimation formula, with consequences for the IM system in terms of reprogramming. In the longer term ONS would probably want to revisit the general estimation approach, in addition to this necessary 'quick fix'.
- ONS would wish to explore the compliance costs, and consider respondent load, for medium sized enterprises (e.g. those with 10-49 employees) some of which have comparatively high sampling fractions for the CA and may also be in other existing surveys, e.g. ABI. This would naturally arise from the work identified above.

20. Broadly speaking, the organisational set-up, the boundaries between the data collection operation in Bristol and the Results team in London, and the data capture and validation processes are very similar to ONS practices. The key issues for ONS are:

- Non-compliance to ONS business surveys is subject to enforcement. This strategy establishes rules for enforcing businesses in line with the criteria laid down in the UK Government's Enforcement Concordat, namely that 'we will carry out our duties in a fair, equitable and consistent manner.' DTI do not currently enforce non-responders to their surveys. ONS would wish to do this; ONS does not presently conduct a statutory survey under the Statistics of Trade Act without the ultimate sanction of legal action.
- The present results system is heavily dependent upon spreadsheets. This would be of particular concern and high risk in the context of a transfer to ONS because it is likely that the results team would be completely new.
- The current results of the quarterly output survey include an adjustment to correct for a discontinuity in methodology when the CISTATS system was written. This has the effect of changing the level in the latest periods although there should be little impact on the growth rates. Also, because the weight for the Construction sector in GDP(O) come from a different survey, there should be little impact on constant price index numbers. However, the current and constant price series (£million) will be affected. ONS would wish to remove this adjustment as part of any transfer.

21. If ONS takes responsibility for Construction surveys, they would be operated and managed in the same way as any other business survey in Newport. In addition to the key differences identified above, the review has identified a difference in the approach to quality adopted by the two departments, particularly in relation to response chasing. DTI seeks to maximise the quality of the survey outputs by having large sample sizes but devote relatively little resource to ensuring that the questionnaires are returned. In contrast ONS seeks to reduce the compliance cost of surveys by having fewer questionnaires in well-designed samples but devote more resources to ensuring that a response is received and that this response is valid. Annex 6 compares response rates achieved by the two departments for similar surveys and shows that there is evidence that the additional resource devoted to response chasing by ONS leads to higher response rates, possibly by around 10 per cent. Annex 7 sets out a proposed ONS methodology for the new orders survey and annex 8 lists the proposed changes from current practice for all the surveys. These proposals have been based on a limited amount of methodological work over the short period of the review. At an early stage, following agreement to transfer, the ONS would embark upon a methodological programme that would firm up the proposal. This programme would include assessments of the quality of outputs stemming from the redesigned system compared to the present system and the likely scale of revisions.

### **Proposed ONS system (including governance)**

22. ONS are currently embarking upon a redevelopment programme that aims to modernise its systems and processes over the next few years. However, current priorities for that programme make it impossible to fit the Construction surveys into that programme in the next 2½-3 years. If ONS were to take responsibility for the surveys before that time, they would seek to integrate the surveys into the current ONS systems but in such a way to reduce the impact of the subsequent modernisation. Annex 9 describes in detail the ONS vision of modernisation. We have identified that

the processes identified for Construction surveys fit in with this vision.

23. When the surveys have been transferred to ONS it will be important that DTI retain a key role in their governance. Annex 10 describes the proposed governance arrangements for the Construction surveys.

#### **DTI assessment of ONS proposals**

24. Annex 11 gives a detailed response by DTI to the ONS proposals; main points are below.

#### **Assessment of both options from a statistical standpoint**

25. Both departments agree that the DTI methodology is not intrinsically inferior to the ONS proposals for producing construction statistics. ONS have proposed a package of changes to the Construction surveys that would lead to significant savings in both the cost to government and the cost to businesses. These proposals retain the sample sizes for the new orders survey and quarterly output inquiry which DTI would support. The proposals also include the replacement of the Annual Inquiry by a much smaller survey.

26. Some aspects of the package improve quality. There is agreement that enforcement should increase response rate and reduce any bias in sample estimates and that putting more resource into validation should increase quality of estimation. Other aspects of the package reduce risk. Whilst the current spreadsheet system is flexible, it carries risks if the necessary degree of professional experience and competence are not available. Everything else being the same DTI welcomes actions that reduce the form filling burden on business.

27. Against this, moving from a census to a sample survey for the Annual Inquiry will, in itself, introduce a loss of quality to the more detailed statistics on construction activity in general and the activities of SMEs in particular. DTI notes that it has not been possible within the timescale of the review to quantify the overall impact of the package on the quality of particular outputs and this will form part of the methodological work programme.

28. Irrespective of the impact of the ONS proposals on the quality of the outputs, there will be a significant discontinuity or revision to the time series for construction. The impact of the various operational and methodological changes would need to be quantified as part of the work programme. It is important that users are consulted over the proposed changes in line with the National Statistics Code of Practice and its protocols.

**We recommend that ONS embark upon a methodological research programme that builds upon work to date and specifies in greater detail the design of the new construction system**

**We recommend that the ONS proposed governance arrangements are adopted following the transfer**

#### **Cost of proposed ONS system and comparison with current costs**

29. If Construction statistics are transferred to ONS, they would be moved to Newport at the earliest opportunity and integrated into current ONS IM systems as a first step to becoming part of the ONS modernisation programme. The costs to ONS of operating the new Construction surveys cannot be precisely calculated before the necessary detailed methodological work has been undertaken. For the purpose of the review it has been assumed that there will be a significant reduction in the Annual Inquiry, from 165,000 forms to 24,500, but that all of the other surveys remain unchanged. This reduction would allow ONS to introduce improved response chasing procedures for all of the surveys with a smaller on-going budget for the work but would need significant transitional expenditure.

30. Annex 12 shows the detailed costs of operating the new system. The total costs are estimated to be £1.038 million a year, representing savings of £445k a year. In addition, there would be compliance cost savings of around £1.7 million and this would all be from the 0-19 employee sizebands. There are three main areas where direct cost savings can be expected:

- Accommodation - DTI staff currently occupy a Bristol city centre office which is more expensive than the ONS Newport office
- IM support costs - Economies of scale would allow ONS to provide IM support cheaper than the current outsourced LogicaCMG
- Salaries - For historical reasons labour costs are high. This is discussed more in the

section below on HR issues.

### Transition costs

31. The transition from the present operation to new systems operational from Newport has a number of different elements associated with it, which it may be possible to introduce at different times. The situation is further complicated because some of the dates may be different for the Bristol and London operations.

32. The key transitions relate to a change of:

- Responsibility - this is the key date that senior managers will be focusing on;
- Location - important for the present staff;
- Staffing - if existing Bristol staff have and exercise a choice to leave and are replaced by Newport staff
- IM systems - important for the renegotiation of the present LogicaCMG contract;
- Standards - this is the move to agreed ONS standards and working practices for surveys, i.e using enforcement, ONS response chasing, ONS validation, but not involving survey redesign (which is the final bullet);
- Methodology - moving to a more sample based approach. Important for users who would need to be satisfied about quality. Brings with it a reduction in compliance costs.

33. The main costs associated with the transfer are:

- Possible redundancy costs for staff who do not wish to transfer and cannot be redeployed in the Bristol area
- Relocation costs for those who wish to transfer, which might take the form of additional travelling expenses
- Rewriting the IM system
- Undertaking the methodological research
- Various costs if ONS have staff in Bristol for a short period
- Set up costs for data collection operation including Enforcement
- Accommodation set up
- Parallel running of the Bristol and Newport operations

34. These costs are estimated to be a maximum of a little over £1.7 million, most of which falls in 2006/07, although there is some small variation depending upon how the transition is managed. The detail of these costs is included in annex 13. As noted in paragraph 22, the savings arising from the transfer are estimated to be around £445k a year, coupled with a reduction in the compliance costs to business of around £1.7 million a year. Annex 14 includes a formal cost benefit analysis and identifies a pay back of a little over 4 years from the date of transfer. On this basis, the transfer can be justified in financial terms without considering the non-cash benefits and is worth pursuing. We will now explore the various options for transition.

**We recommend that responsibility for Construction statistics, as defined in paragraphs 9-11, is transferred from DTI to ONS.**

### Options for paths for transition

35. The review team spent some time considering the dependencies between the various aspects of the transfer and in particular, those that might affect timing. Annex 15 includes a discussion of the options. From this discussion, three options were identified;

- an early transfer, whereby ONS would take over the current arrangements (option 1);
- a late transfer, whereby ONS would take responsibility for the surveys at the point at which the new design could be implemented on a new IM system (option 3);
- a compromise, whereby ONS would take responsibility for the current systems for a short period (option 2).

36. There was little support for option 2 from the review team. Option 3 is, on the face of it, the cheapest option but carries with it additional risks of having unclear responsibilities for a period.

37. In many ways option 1 offered most clarity with ONS having unambiguous responsibility for managing the transfer but there were many detailed issues that might lead to extra costs. These largely related to the costs of ONS operating from the Bristol office. In particular, there is an obligation to give 5 years notice and be liable for the rent, if the space cannot be re-let (although this is thought to be unlikely). In addition there is a possibility that there would be an additional cost if responsibility for the Logica CMG contract moved from DTI to ONS. The fact that the present contract is currently being renegotiated should help to ameliorate the second risk.

38. Option 1 would require ONS to take responsibility for the current system before the issues identified in paragraphs 18-21 have been addressed. ONS have agreed that they would be prepared in principle to take responsibility of the current system provided that, at the time of transfer, there is a clear plan to relocate the surveys to Newport and integrate the practices for Construction surveys with those for Business surveys more generally.

**We recommend that the two departments have detailed discussions on the arrangements for transferring the lease on the Bristol office**

**We recommend that the renegotiation of the IM contract with LogicaCMG should ensure that the cost of transferring responsibility to ONS is minimised.**

**We recommend that ONS should take responsibility for the current Construction statistics operation from July 2005.**

#### **HR issues**

39. Annex 16 is a restricted annex that contains a detailed assessment of all of the HR issues posed by the transfer. The main issues are highlighted here.

40. We have been advised that, although TUPE does not apply to cases where work is transferred from one government department to another, the principles of TUPE are usually followed in such cases. The HR divisions of both departments have indicated that they would wish TUPE to be followed. This means:

- people employed immediately before the transfer would become ONS employees on the date of the transfer, bringing their current terms and conditions with them (including any collective agreements). If no suitable other employment, which they choose to accept, has been found for them before the transfer (either at DTI or another department) they become ONS employees from the date of the transfer or they are made redundant.
- ONS cannot make DTI employees redundant simply because we do not want to transfer them and give them their current terms and conditions. If the work continues to exist, they continue to have the right to do it.
- The only reason that ONS can make them redundant would be if there were "economic, technological or organisational" reasons to justify this, that could clearly be shown to be separate from the issue of the transfer.

41. For many aspects of the issues affecting staff, the key element of the transition is the relocation. At that time, staff who wish to move to Newport can do so, and will be paid whether to relocate their homes or excess travel, depending on their wishes. Staff who choose not to work in Newport will be helped to find alternative jobs with other departments in Bristol. If this does not prove possible, they may be made redundant.

42. The Review Team identified that government departments in the Bristol area operate a scheme designed to increase the likelihood of surplus staff in one department being redeployed in another department. However, a number of departments will be seeking to redeploy surplus staff in the near future and opportunities may be limited. Clearly, there is a significant financial advantage in maximising the number of staff who can be redeployed.

**We recommend that a dedicated resource is identified with the aim of maximising the number of staff who can be redeployed following the transfer.**

#### **Who pays for the Investment**

43. The Review Team are content that the transfer of Construction Statistics from DTI to ONS

can be recommended as a financially sound decision, particularly when coupled with the savings in compliance costs. We have established in the review that the savings can only be delivered through making an initial investment and that we should follow the principle that the department that funds the investment should get the savings. Our recommendation concerning the timing of the transfer would naturally lead to ONS fully funding the investment and DTI transferring the full current cost of the system. However, it may be possible to consider an alternative financial arrangement whereby DTI fund a proportion of the up-front investment and, as a consequence, transfer a lower amount to fund the on-going operation.

**We recommend that the two departments negotiate further on the funding arrangements following the principles that have been established in paragraph 43.**

#### **Risks**

44. Annex 17 is a restricted annex that contains an analysis of the risks to the regular statistical outputs, the development project and the financial assessment.

**We recommend that a full risk review is undertaken as part of the project managing the transfer.**

#### **The Way Forward**

45. Both departments will wish to consider this report and, if it is broadly accepted, should begin negotiations to find a mutually acceptable financial solution. If these negotiations are successful and the more detailed recommendations are accepted, we would propose a formal announcement that there is an intention to transfer the work. This announcement should follow a short period of more detailed planning by ONS in order that a date for relocation of the work to Newport can be included. Whilst there is no need to consult on the transfer, which is merely a change in departmental responsibility, there is a need for consultation on the proposed redesign of the surveys. This would need to be undertaken in accordance with the National Statistics Code of Practice and its Protocols before the redesigned system is introduced in 2006/07. There is also a need to carry out an early preference exercise with the staff who provide the service at present, to explain the options open to them and to help them decide how to respond to the proposed changes.

#### **Cost of the Review**

46. We estimate that this review has cost around £100k.