

House of Commons
Committee of Public Accounts

**THE OFFICE FOR
NATIONAL STATISTICS:
OUTSOURCING THE 2001
CENSUS**

Ninth Report of Session 2002–03

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*Report, together with
Proceedings of the Committee, Minutes of
Evidence and Appendices*

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Committee of Public Accounts

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Ms Angela Eagle MP (*Labour, Wallasey*) was also a Member of the Committee during the period of this inquiry.

Powers

Powers of the Committee of Public Accounts are set out in House of Commons Standing Orders, principally in SO No. 148. These are available on the Internet via www.parliament.uk.

Publications

The reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) can be accessed via internet via www.parliament.uk. A list of reports of the Committee in the present parliament is at the back of this Report.

Contacts

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Footnotes

In the footnotes of this Report, references to oral evidence are indicated by ‘Q’ or ‘Qq’ followed by the question number; references to the written evidence are indicated by the page number as in ‘Ev’.

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EVIDENCE (*Monday 28 October 2002*) (HC 1267-i, Session 2001–02)

WITNESSES

Sir John Bourn KCB, Comptroller and Auditor General	Ev 1
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LIST OF REPORTS PUBLISHED IN SESSION 2002–03

NINTH REPORT

The Committee of Public Accounts has agreed to the following Report:

THE OFFICE FOR NATIONAL STATISTICS: OUTSOURCING THE 2001 CENSUS

INTRODUCTION AND LIST OF CONCLUSIONS AND RECOMMENDATIONS

1. The 2001 Census was conducted throughout the United Kingdom on 29 April 2001. The Office for National Statistics (the Department) was responsible for the planning and conduct of the Census in England and Wales. Responsibility for the Census in Scotland and Northern Ireland rests with the appropriate Registrars General.

2. The Department agreed a budget of £207 million with HM Treasury for the Census in England and Wales. Although the Census is not yet complete, with further Census results and reports scheduled for release throughout 2003, the Department estimates that the Census will be delivered within budget.

3. Planning for this Census began in 1993. The Department introduced a number of innovations in the 2001 Census to improve the quality of Census outputs and to achieve better value for money. For the first time in a United Kingdom Census householders were asked to return completed Census forms by post, allowing the Department to reduce the number of field staff employed. The Department also used electronic scanning and coding technology to record all the information included in Census returns. It also conducted a post Census coverage survey to enable it to adjust the Census results for the estimated 2% of the population not recorded in the original count.

4. The Department published the first outputs from the Census on 30 September 2002. These showed an estimated population of England and Wales of just over 52 million—some 900,000 less than the Department's most recent mid-year population estimate at June 2001. The main national and local Census results will be published in 2003.

5. On the basis of a Report by the Comptroller and Auditor General, we examined how well the Office for National Statistics had managed the outsourcing of the 2001 Census, the problems with field staff pay, the outcome of the use of post for returns (post back), and the accuracy of the population figures. We draw the following conclusions from our examination:

- Outsourcing helped the Department to introduce some important innovations to deliver the 2001 Census. The post back allowed the Department to reduce the number of temporary field staff employed on the Census by some 33% compared with 1991. The introduction of electronic form scanning and coding meant that all information submitted on Census returns was recorded.
- In appointing Vogue Consultants as procurement advisers for the Census, the Department failed to follow its own procedures by initially engaging and extending the appointment of the consultants without competition and by entering into a contract that did not meet its own standard terms and conditions. It also failed to seek authoritative advice on the requirement to advertise the procurement and publish details of the award in Official Journal of the European Communities. The Department paid Vogue £485,000 in fees before the irregularities came to light.
- The Department encountered a number of problems in its outsourcing of the contract for the field staff pay. The competition was limited and the Department did not sufficiently

assess whether it was procuring the payroll service it needed. Nor did it assess the ability of field staff to deliver payroll input forms to the standards required under the contract. It did not react to warnings by internal audit about potential problems in the operation of the Census payroll system and the contract was not let in time to ensure that the proposed approach could be tested as part of the Census dress rehearsal in April 1999. As a result of these failings the Census payroll ran into serious difficulties; payments to 23,000 field staff (30%) were significantly delayed and 2,800 were overpaid by some £500,000.

- 88% of Census forms were returned through the Royal Mail, exceeding the Department's forecast of 70%. The Department had planned on the basis of a single estimate, drawing on the experience of other countries, and was not adequately prepared to take advantage of the higher rate of return. The Department's field information systems proved to be inadequate and prevented it from assessing the progress of the post back in 2017 Census districts immediately after the Census. This failure to realise savings from the post back and the decision to keep the staff in the field during May contributed to some £11.3 million being spent which could have been avoided. When managing complex field operations, Departments should ensure they receive the necessary information to adjust the project to changes in circumstances.
- The estimated response rate of 98% implies that the Department may not have obtained responses from some one million people. The Department undertook an in-depth survey to provide it with a statistical basis for adjusting the results of the count to arrive at more accurate estimate of the overall population. But in some areas response rates were much lower than that achieved nationally. The response rate in ten Inner London boroughs was below 80%, which has led to some local authorities to question the results for their areas. A key aspect of the 2001 Census was to target field staff at the hard to count areas. The Department should examine why in some areas it nevertheless failed to bring the response rates anywhere near to the national response rate. It should also explore alternative approaches in the resourcing of enumeration teams in Inner London.

6. Our more specific recommendations are as follows:

On the outsourcing of services

- (i) Contracts for professional advice on major procurement projects, including those for specialist information technology procurement, should be subject to competitive procedures.
- (ii) Departments should ensure that those in charge of procurement understand their responsibilities and manage procurement activities in accordance with departmental and Treasury procedures. Senior managers must also exercise sufficient oversight to ensure conformity with these procedures.

On the field staff payroll

- (iii) Where departments encounter problems in establishing an appropriate bidding field, as was the case in the contract for the Census payroll, they should examine whether the planned procurement strategy remains viable. Departments should not retain bids from those contractors it has assessed as not having the capability to deliver the required services in order to maintain the appearance of competition.

- (iv) Where the service delivery is subject to uncertainties, for example in the case of the Department's ability to deliver error-free forms for input to the payroll, the assumptions underpinning contract terms and service performance should be rigorously assessed and tested in advance.

On the post back

- (v) The tight timetable set for the conduct of the Census coverage survey contributed to the pressure on the Department to complete the enumeration by the end of May. The Department should assess whether the timetable allowed sufficient time to complete the post back and conduct any further enumeration necessary to chase outstanding forms.

On the accuracy of population figures

- (vi) When the Department carries out its review of the 2001 Census, it should consider whether the Census coverage survey was sufficient to identify under-enumeration, or whether additional resources in the hard to count areas would have helped to increase the overall response rate and the accuracy of the count.
- (vii) In the light of the Census results showing that the Department's mid-year population figures for June 2001 were overestimated by some 900,000, the Department should consider what steps might be taken to improve the systems to track outward migration from the UK and avoid similar errors in estimates of the population made in between Censuses.

THE OUTSOURCING OF THE CENSUS

7. The Department's budget for the Census included £84 million for outsourced services. The Department has spent £69.1 million on Census contracts, of which the contract with Lockheed Martin for processing Census forms accounted for £54.3 million. In addition, the Department paid to the Royal Mail £7.7 million under the service level agreement for the post back and spent a further £2.5 million on professional advice.

8. The Department aimed to deliver better quality data for local communities from the 2001 Census than from previous Censuses by using electronic data processing technology to capture and code all the information received. As it had neither the skills nor the technology to deliver this aim in-house, the Department invited tenders from firms who were implementing similar solutions for the United States Census. The Department estimated that its contract with Lockheed Martin gave a saving of £15 million against its public sector comparator. The Department believed that the procurement and management of this contract had gone very well, but difficulties in delivering the processed results had contributed to a five week delay in the publication of the first population estimates. While the Department had yet to conclude negotiations on outstanding claims from Lockheed Martin, it remained confident that the Census would be delivered within the overall budget.

9. Post back arrangements were introduced for the first time in a United Kingdom Census. This allowed the Department to reduce the field force from 115,000 used in 1991 to 73,000 in 2001 and, in its judgement, made a major contribution to the achievement of better value for money in the 2001 Census. It estimated that the 2001 Census would have cost 25% more than the 1991 Census if it had been conducted using the same methods.

10. The Comptroller and Auditor General found that the Department's strategy for procuring other Census services was generally sound. Contracts, other than those for professional advice,

were subject to competitive tender. However, the Department's procedures for appointing external advisers and a contractor to handle field staff pay fell short of normal public sector standards.

EXTERNAL ADVISERS

11. The Department gave the Census Director delegated authority to approve expenditure up to £20,000. He appointed Vogue Consultants (UK) Ltd without competition and at a fee of £26,500, to advise on the procurement of outsourced services. He then extended their work and paid a further £34,000 in fees without any written contract being in place. When a contract was eventually put in place it did not comply with the Department's standard conditions. Vogue were paid a total of £485,000 in fees under these arrangements before the irregularities in their appointment came to light and were investigated by the Department.

12. The Census Director was subsequently disciplined for his role in the appointment of Vogue, and all procurement delegations were withdrawn from the Census Division. But the Department allowed him to remain in post on the grounds that he was motivated by the best interests of the Census and its success and that he had not benefited personally. The Department also decided that it was in its best interests to retain the services of Vogue Consultants to ensure continuity in its negotiations with Lockheed Martin. It agreed a revised contract with Vogue that met its standard terms and conditions, and the Accounting Officer approved all further sums paid to them.

FIELD STAFF PAYROLL

13. The Department received only three indicative bids for outsourcing field staff pay. There was confusion as to the acceptability of one of the proposals, from MP Systems, which was based a joint bid with the Department. The Department decided not to proceed with a joint bid but allowed MP Systems to remain in the competition only to exclude them later stage on the grounds of financial viability. The Department paid MP Systems £22,000 to compensate them for their wasted efforts. Of the two remaining bidders, ADP Chessington Ltd were selected after reducing their indicative bid by over 40% to £1.05 million.

14. The Department said that the competition for the Census payroll was disappointing and that none of the bids was wholly satisfactory. It had kept MP Systems in the bidding field to maintain competition, despite having clear reservations about the capability of the firm to operate a payroll of the size and complexity of that envisaged for the Census.

15. As a result of the time taken to appoint a contractor for field staff pay the final systems to be used could not be tested at the Census Dress Rehearsal. Setting up pay records and processing payments to a temporary field force of 73,000 staff was a complex task. The payroll relied on input forms authorised in the field and submitted directly to the payroll contractor by Census District Managers, who were themselves temporary employees. The Department accepted a contract clause requiring it to supply payroll data with errors not exceeding 2.5% without assessing whether this could be achieved. ADP Chessington encountered further problems with the design and implementation of the payroll system. The Department was warned by its internal auditors of the risks it was running but still failed to deal adequately with all the issues.

16. As a result the pay system was unable to deal with the volume and poor quality of claims submitted by field staff. The Comptroller and Auditor General's Report showed significant delays in paying some 23,000 field staff (30%) and that failures in controls resulted in overpayment to 2,800 staff totalling £498,000. To help sort out the 12,000 pay queries raised by field staff the

Department had to recruit an extra 50 staff at a cost of £300,000. The Department said that it was recovering 39% of the overpayments and that they would continue to pursue a further 23%. The Department has written off 38% of the overpayments where it considered recovery to be uneconomic.

17. The Department's failure to meet the contracted standards for the delivery of payroll input forms prevented it from recovering from the contractor the additional costs it incurred in resolving these problems.

POST BACK

18. It was the first time post back arrangements had been used in the UK for a Census. The Department based its prediction that 70% of forms would be returned through these arrangements on experiences in the United States. Post back also allowed the Department to concentrate the efforts of the 73,000-strong field force on chasing missing forms in those Census Districts which had traditionally poor responses.

19. The Department expected around 70% of the 21 million forms distributed in England and Wales to be returned through post, leaving 30% to be collected by the field staff. In the event, the post back was more successful than anticipated, with 88% of Census forms returned through the Royal Mail, leaving only 12% to be collected. The follow up work by the Department's field staff collected 2.4 million forms (10%) of the forms delivered to households.

20. The Department set up a telephone information system with the 2,017 District Managers to allow it to monitor progress in the receipt and checking of returns by field staff. But the system failed. The tight timetable the Department had set itself for following up outstanding returns in advance of the Census coverage survey, which was due to take place in June, also limited the time available to senior managers to assess progress fully. On 9 May, when the timetable required field staff to be sent out to follow up outstanding forms the Department's managers did not have a clear view of the progress. The Department therefore told District Managers to instruct staff to chase returns without being able to assess fully how this would affect field staff costs. In many cases field staff time was spent chasing forms that had already been returned through the post. The Department said that follow up work by field staff needed to be carried out in a three week period up to the end of May 2001 so as to avoid adversely affecting the Census coverage.

21. The Department's overall budget for field staff pay was set at £54.1 million. According to the Department's own calculations, the high post back and reduction in the amount of follow up work required should have resulted in savings against the payroll budget of around £5.5 million. The Department was not, however, adequately prepared for the higher than expected post back return. Its instruction to District Managers on 9 May to chase outstanding forms without regard to the high rate of return, rather than helping secure potential savings, contributed to the payroll budget being overspent by £5.8 million. The Department therefore spent £11.3 million more than it need have done if it had taken full advantage of the high levels of post back and had managed the follow up work more effectively.

THE ACCURACY OF THE CENSUS FIGURES

22. The information the Census provides is used to support important decisions on the allocation of public money. Accurate data are essential if taxpayers' money is to be targeted where it should be. For the first time in a UK Census the Department sought to adjust the results of the Census for those groups missed from the main 2001 count. The adjustments made for the 2001 Census were based on a large scale national survey conducted in June 2001 and the

Department said that this survey had to be conducted promptly after the completion of the Census so as to minimise effect of population movements after Census day.

23. The overall response rate at 98% was consistent with the 1991 Census and left the numbers and characteristics of some 2% of the population to be determined through the coverage survey. The Department told us that the post back arrangements it employed were designed to allow it to concentrate field staff on chasing missing forms in metropolitan and inner city areas. Despite this, the response rates in some of these areas were still well below those achieved nationally. In ten Inner London Boroughs the response rates were less than 80%, and Kensington and Chelsea, with only 64%, achieved the lowest response rate of all local authorities.

24. The coverage survey identified some one million people who had not been included in completed Census forms. The Department told us that it had successfully prosecuted 38 people for not returning completed Census forms. Most of those prosecuted paid fines, in some cases up to £1,000, and were also responsible for meeting the costs of the court case.

25. The population figure based on the coverage survey's results, which the Department published in September 2002, was around 900,000 fewer than the mid-year population estimate at June 2001. That estimate was derived from the 1991 Census figures adjusted for the cumulative reported movements in the 10 years to June 2001. The Department estimated that 300,000 of the difference was caused by the adjustment made for people missing from the 1991 Census and that it no longer believed should have been made. The remaining 600,000 arose from weaknesses in estimating the number of people leaving the UK. The Department had previously estimated that 2.5 million people left the UK between 1991 and 2001 but now thought the figure was nearer to 3 million.

MINUTES OF PROCEEDINGS OF
THE COMMITTEE OF PUBLIC ACCOUNTS

SESSION 2001–02

MONDAY 28 OCTOBER 2002

Members present:

Mr Edward Leigh, in the Chair

Mr Ian Davidson
Geraint Davies
Angela Eagle
Mr Nick Gibb

Mr George Osborne
Mr David Rendel
Jon Trickett
Mr Alan Williams

Sir John Bourn KCB, Comptroller and Auditor General, was further examined.

The Committee deliberated.

Mr Rob Molan, Second Treasury Officer of Accounts, was further examined.

The Comptroller and Auditor General's Report on The Office for National Statistics: Outsourcing the 2001 Census (HC 1211) was considered.

Mr Len Cook, National Statistician and Registrar General, and Mr John Pullinger, Executive Director, The Office for National Statistics, were examined (HC 1267-i).

* * * * *

[Adjourned until Monday 4 November at Four o'clock.

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SESSION 2002–03

MONDAY 17 MARCH 2003

Members present:

Mr Edward Leigh, in the Chair

Mr Richard Bacon
Mr Geraint Davies
Mr Frank Field
Mr Nick Gibb
Mr George Howarth

Mr George Osborne
Mr David Rendel
Mr Gerry Steinberg
Mr Jon Trickett

Sir John Bourn KCB, Comptroller and Auditor General, was further examined.

The Committee deliberated.

Mr Rob Molan, Second Treasury Officer of Accounts, was further examined.

* * * * *

Draft Report (The Office for National Statistics: Outsourcing the 2001 Census), proposed by the Chairman, brought up and read.

Ordered, that the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 5 read and agreed to.

Paragraph 6 postponed.

Paragraphs 7 to 25 read and agreed to.

Postponed paragraph 6 read and agreed to.

Resolved, That the Report be the Ninth Report of the Committee to the House.

Ordered, That the Chairman do make the Report to the House.

Ordered, That the provisions of Standing Order No. 134 (Select Committees (Reports)) be applied to the Report.

* * * * *

[Adjourned until Wednesday 19 March at half past Three o'clock.]

REPORTS BY THE COMMITTEE OF PUBLIC ACCOUNTS
SESSION 2002–03

	<i>Publication Date</i>
1 Collecting the Television Licence Fee (HC 118)	18/12/02
Government Reply (Cm 5770)	06/03/03
2 Dealing with pollution from ships (HC 119)	09/01/03
Government Reply (Cm 5770)	06/03/03
3 Tobacco Smuggling (HC 143)	10/01/03
Government Reply (Cm 5770)	06/03/03
4 Private Finance Initiative: redevelopment of MOD Main Building (HC 298)	30/01/03
5 The 2001 outbreak of Foot and Mouth Disease (HC 487)	14/03/03
6 Ministry of Defence: Exercise Saif Sareea II (HC 502)	12/03/03
7 Excess Votes 2001–02 (HC 503)	19/03/03
8 Excess Votes (Northern Ireland) 2001–02 (HC 504)	19/03/03
9 The Office for National Statistics: outsourcing the 2001 Census (HC 543)	26/03/03