

Public Administration and Constitutional Affairs Committee
House of Commons
Westminster
London SW1A 1AA

31 August 2023

I am writing in response to the [Public Administration and Constitutional Affairs Committee's inquiry into Transforming the UK's Evidence Base](#), which is exploring how officials produce statistics and analysis, how demands for data are changing, and whether the privacy of citizens is being adequately protected as new and innovative sources become available.

This submission is made in a personal capacity. I am a chartered accountant and an author and advisor on public finances who consumes official statistics on a regular basis and who has utilised accounts and other forms of structured financial data throughout my career.

The principal point that I make in my submission to the Committee is that while I support the use of digital technology to develop new data sources on governmental performance, activities, and outcomes the reality is that the government is **not comprehensively collecting and utilising financial data that is routinely produced by 10,000 or so public bodies in the UK.**

In particular, the government has **not implemented a comprehensive monthly financial consolidation system** for the UK public sector in line with basic practice in the private sector.

Implementing such a system would not only provide the government with a **significantly better understanding of the public finances** – enabling better performance management and strategic decision-making – but it could also be used to establish a **controlled process for the collection of non-financial data** across the entire public sector, replacing ad hoc data requests and other collection mechanisms.

I would be delighted to discuss my submission further if the Committee so desires.

Your sincerely,

Martin Wheatcroft FCA
Advisor and author on public finances

KEY POINTS

Introduction

1. This response is provided in a personal capacity.
2. My response does not represent the views of Pendan Limited, a firm I own that advises on public finances and communicating financial information, nor The Modern Professional Body Limited, a consultancy firm where I am the chief operating officer that provides strategic advice to professional bodies, nor any of the clients of either firm.
3. I am a qualified chartered accountant and fellow of the Institute of Chartered Accountants in England & Wales (ICAEW) with extensive business finance experience in the UK and internationally working in and with a wide range of sectors. My areas of expertise include the public finances, business strategy and operating models, finance function leadership, planning and risk management, technical accounting, internal and external reporting, and financial processes and systems. I am also a member of the Society of Professional Economists.
4. I am the author of the Simply UK Government Finances series of books on the public finances.
5. My blog martinwheatcroft.com contains publications, articles and charts relating to my work on the public finances and other topics including the economy and the public sector.
6. I would be delighted to discuss my submission with the Committee if that would be helpful.

10,000 monthly financial reports that are not being collected and analysed centrally

7. Almost all of the UK's 10,000 or so public bodies prepare a monthly financial report for the use of their management team and board. These typically comprise monthly financial statements, a narrative summary, key financial and non-financial metrics, progress against strategic and tactical objectives, financial analyses (often in the form of annotated charts and graphs highlighting trends and exceptions as well as numerical analyses), a discussion on risk, and other matters that management or board consider important.
8. This is a hugely rich dataset created and refreshed each month that is not being used to its full extent because – unlike basic practice in large organisations in the private sector – the government does not collate it and hence cannot analyse it.
9. The government does prepare a monthly financial consolidation that aggregates the budgets, financial results and month-end position of around 60 or so central government departments, agencies, and the devolved administrations. However, this dataset excludes public corporations, most non-departmental public bodies, local authorities, police and fire services, academy schools, and a multitude of other public sector entities.
10. The government collects a more comprehensive annual financial dataset for the purposes of preparing the Whole of Government Accounts each year. Unfortunately, this dataset is currently not collected until many months after the end of each financial year, limiting its usefulness for effective financial management. The most recent dataset also failed to include submissions from a substantial number of local authorities, resulting in an additional qualification by the Comptroller & Auditor General in his audit report

11. Once established, financial consolidation systems used to collect financial data from group entities often provide a vehicle for the collection of monthly, quarterly, or annual non-financial data, avoiding the need for separate data collection systems and reducing the volume of ad hoc data requests. The use of a common system can also help with data quality through the operation of similar controls to those routinely used to validate financial data.
12. A listed company, large private company or large charity that did not prepare a comprehensive monthly financial consolidation would in most circumstances be in breach of its legal obligations to maintain adequate financial records and unable to meet corporate governance requirements. I personally believe that the lack of a comprehensive financial consolidation is a major weakness in the system of financial control and management in the UK public sector.
13. For example:
 - a. The Department for Levelling Up, Housing and Communities (DLUHC) would have benefited from being able to see the explosion in debt-financed commercial investments by local authorities such as Thurrock, Woking, Croydon or Slough as they developed month-by-month over the course of several financial years instead of waiting until the eventual publication of their year-end financial statements. Similarly, with the appropriate chart of accounts and data structure, DLUHC would have been able to reliably track the disbursement by local authorities of covid grants in 2020, rather than being unable to report an accurate estimate of such disbursements many months later.
 - b. A comprehensive monthly dataset covering schools – both academies and local authority schools – would likewise provide the Department for Education with a much clearer view of how budgets are being managed and the state of school balance sheets as the financial year progresses.
 - c. More granular and comprehensive cash flow data across the entire public sector would also benefit HM Treasury in identifying funding requires managing public borrowing.
14. Data that could really help government be more effective already exists, it is just not being collected and analysed.

Selected comments on the inquiry themes

15. Data and analysis in government: How are official statistics and analysis currently produced?
 - a. Outside of the 10-yearly census, official statistics continue to be based primarily on surveys, extrapolated sample selections, and estimation.
 - b. It is only relatively recently that the ONS has started to use 'big data' to compile its statistics, for example in the use of VAT returns, PAYE submissions and supermarket transaction-level data in the production of economic statistic.

Even then it often does not have comprehensive datasets for the statistics that are being produced, for example the many small businesses are not captured in the VAT dataset

because of a relatively high VAT threshold (in contrast to Spain for example, where all businesses have to register for VAT).

- c. The positives are the diligence with which official statistics are prepared by the ONS and by most government departments including the use of robust statistical techniques and the oversight of the Office for Statistical Regulation.
- d. A major negative is the huge gaps in existing statistics that frequently limit their usefulness significantly, for example in the lack of up-to-date accurate population data by local authority area that undermines the local government funding system. Another negative is the way official statistics are presented, including the often very complex spreadsheets that are not easy to understand and cannot be easily used as basis for further analysis without substantial reworking.

16. Data and analysis in government: How do other nations collect and produce statistics?

- a. The majority of statistical agencies around the world operate on a very similar basis to the ONS, which is in general viewed as a world-leading producer of statistics.
- b. However, one area where other national statistical agencies have an advantage over the ONS is where they are able to access more comprehensive administrative data prepared and maintained by their respective governments.

For example, the requirement for residents to register with local authorities in many European countries provides their respective statistical agencies with a much more accurate data source on their populations, and where people live, than is available to the ONS or the government.

17. The changing data landscape: Is the age of the survey, and the decennial Census, over?

- a. It should be, but I suspect that the census in the UK will still be required for several decades to come unless and until the government invests sufficiently in the systems and processes to improve the quality and timeliness of the administrative data it collects on the population and where (for example) people live.

18. The changing data landscape: What new sources of data are available to government statisticians and analysts?

- a. The ONS, as a statistical agency operationally independent from government, has the opportunity to reach agreement with private sector organisations for transaction-level datasets that would help improve the quality of existing statistics and enable new statistics.
- b. However, I believe the ONS would most benefit from having access to data that is already exists, especially monthly financial and non-financial data that is already being produced by the 10,000 or so public sector bodies in the UK but that is not being collected and analysed.

19. Understanding and responding to evolving user needs: Who should official data and analyses serve?
 - a. Government (central and local): high quality official data and analyses are essential to effective decision-making acting in the public interest.
 - b. Parliament and other elected representatives: high quality official data and analyses are essential to Parliament in its role in holding central government departments and agencies to account and to other elected representatives in holding their devolved administrations, local authorities, or police services to account as appropriate.
 - c. Citizens: we should all have access to official data and analyses in a digestible format, to understand how our country works and to inform ourselves in making democratic choices.
 - d. Business: Official data and analyses are extremely important to the success of many businesses. The open data initiative including the Open Government Licence has been a welcome step in making public data available to support innovation and economic growth.

20. Understanding and responding to evolving user needs: How do users of official statistics and analysis wish to access data?
 - a. The primary form of access should continue to be via 'statistical bulletins' that provide an overview and analysis of the principal statistics concerned, the methodology and data sources used to compile them, and help put them into context.
 - b. Unfortunately, many detailed statistics are provided through complex spreadsheets that are often difficult to understand and don't meet best practice in the presentation of numerical information. Examples include the multiple spreadsheets that accompany each monthly public finance release that use inconsistent formats, are extremely difficult to follow, and make it difficult to find many specific numbers unless you are very familiar with them.
 - c. Regular consumers of statistics would also benefit immensely from a central repository or repositories of core monthly, quarterly and annual statistics in standard format to ensure that they are using the latest available data, as well as facilitating easier analysis.

21. How do we ensure that users, in the Civil Service, Parliament and beyond, have the skills they need to make effective use of data?
 - a. Professional users, for example, in the civil service need to have training in statistical techniques and access to statistical tools to enable them to analyse data rigorously.
 - b. Other users, including Parliamentarians and citizens, would benefit from an education system that provide everyone with the statistical basics as well as easily accessible training when required.
 - c. However, the primary onus should be on the ONS and government departments to produce clear summaries and explanations of the statistics that they produce (together with accessible supporting detail) so that users do not need to be experts to be able to understand and use them.