



UK Statistics  
Authority

# Assessment of Child and Working Tax Credit Statistics

*produced by HM Revenue & Customs*

## Assessment Report 30

March 2010

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### **About the UK Statistics Authority**

The UK Statistics Authority is an independent body operating at arm's length from government as a non-ministerial department, directly accountable to Parliament. It was established on 1 April 2008 by the *Statistics and Registration Service Act 2007*.

The Authority's overall objective is to promote and safeguard the production and publication of official statistics that serve the public good. It is also required to promote and safeguard the quality and comprehensiveness of official statistics, and good practice in relation to official statistics.

The Statistics Authority has two main functions:

1. oversight of the Office for National Statistics (ONS) – the executive office of the Authority;
2. independent scrutiny (monitoring and assessment) of all official statistics produced in the UK.

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# **Assessment of Child and Working Tax Credit Statistics**

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## **ASSESSMENT AND DESIGNATION**

Under the provisions of the *Statistics and Registration Service Act 2007*, the UK Statistics Authority has a statutory function to assess sets of statistics against the Code of Practice for Official Statistics, with a view to determining whether it is appropriate for the statistics to be designated, or to retain their designation, as National Statistics.

Designation as National Statistics means that the statistics are deemed to be compliant with the Code of Practice. Whilst the Code is wide-ranging, designation may be broadly interpreted to mean that the statistics meet identified user needs; are produced, managed and disseminated to high standards; and are well explained.

Designation also signifies that, subject to any caveats in this report, the Statistics Authority judges that the statistics are readily accessible, produced according to sound methods and managed impartially and objectively in the public interest.

Assessment reports will not normally comment further, for example on the validity of the statistics as a social or economic measure; though reports may point to such questions if the Authority believes that further research would be desirable.

Designation as National Statistics will sometimes be granted in cases where some changes still need to be made to meet fully the requirements of the Code, on condition that steps are taken by the producer body, within a stated timeframe, to address the weaknesses. This is to avoid public confusion and does not reduce the obligation to comply with the Code.

Designation is granted on the basis of the information provided to the Statistics Authority, primarily by the organisation that produces the statistics. The information includes a range of factual evidence and also assurances by the producer organisation. The views of users are also sought. Should further information come to light subsequently which changes the Authority's analysis, the Assessment report may be withdrawn and revised as necessary.

Once designated as National Statistics, it is a statutory requirement on the producer organisation to ensure that the set of statistics continues to be produced, managed and disseminated in compliance with the Code of Practice.

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# 1 Summary of findings

## 1.1 Introduction

1.1.1 This is one of a series of reports prepared under the provisions of the *Statistics and Registration Service Act 2007*<sup>1</sup>. The report covers statistics on:

- Child and Working Tax Credit Statistics: Provisional awards (main and geographical analyses);
- Child and Working Tax Credit Statistics: Finalised awards (main and geographical analyses);
- Child and Working Tax Credit Statistics: Supplement on Payments (main and geographical); and
- Child and Working Tax Credit Statistics: Small area analysis

produced by HM Revenue & Customs (HMRC)<sup>2</sup>. These statistics contain information on families and children in receipt of Child Tax Credit (CTC) and Working Tax Credit (WTC), obtained from administrative data. The main finalised awards publication shows the average number of families with positive entitlements to tax credit awards over the year, the elements of CTC and WTC from which they benefited, and the level of their entitlements.

1.1.2 This report was prepared by the Authority's Assessment team, and approved by the Board of the Statistics Authority on the advice of the Head of Assessment.

## 1.2 Decision concerning designation as National Statistics

1.2.1 The Statistics Authority confirms that:

- the *Child and Working Tax Credit Statistics: Provisional and Finalised awards* and *Supplement on Payments* are re-designated as National Statistics, subject to HMRC implementing the enhancements listed in section 1.5 and reporting them to the Authority by May 2010;

and has determined that

- *Child and Working Tax Credit Statistics: Small area analysis* can, for future releases, be designated as a new National Statistics product, subject to HMRC implementing the enhancements listed in section 1.5 and reporting them to the Authority by May 2010.

## 1.3 Summary of strengths and weaknesses

The outputs are disseminated widely in an impartial manner and, in the main, appear to meet users' needs. Quality improvements, particularly the use of 100% data for the annual publications from 2004-05 onwards, have enabled

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<sup>1</sup>[http://www.opsi.gov.uk/Acts/acts2007/pdf/ukpga\\_20070018\\_en.pdf](http://www.opsi.gov.uk/Acts/acts2007/pdf/ukpga_20070018_en.pdf)

<sup>2</sup><http://www.hmrc.gov.uk/stats/personal-tax-credits/cwtc-quarterly-stats.htm>

detailed small area statistics to be published. The statistics are used extensively for monitoring government policy.

- 1.3.1 The published outputs are available from a landing page on the HMRC website along with a short explanation of the background for the statistics. The outputs do not contain commentary on time trends or geographical distributions, nor do they include graphical presentations of the data.
- 1.3.2 There is little evidence of consultation with users or potential users. HMRC should systematically identify users and engage with them, not least to understand the ways in which the statistics are used.

#### **1.4 Detailed recommendations**

- 1.4.1 The Assessment team identified some areas where it felt that HMRC could strengthen its compliance with the Code. Those which the Assessment team considers essential to enable designation as National Statistics are listed in section 1.5. Other suggestions, which would improve the statistics and the service provided to users but which are not formally required for their designation, are listed at annex 1.

## **1.5 Requirements for designation as National Statistics**

- |                       |   |
|-----------------------|---|
| <b>Requirement 1</b>  | Take steps to engage more effectively with users and make those steps known (para 3.3)  |
| <b>Requirement 2</b>  | Investigate and document the uses made of the statistics (para 3.4)   |
| <b>Requirement 3</b>  | Publish a revisions policy on the HMRC website (para 3.6)   |
| <b>Requirement 4</b>  | Publish a business case for the production of the small area analysis tables on a regular basis (para 3.11)   |
| <b>Requirement 5</b>  | Publish details for protecting confidential data on HMRC's website (para 3.12)  |
| <b>Requirement 6</b>  | Provide commentary in each release explaining the differences between the data published in the provisional and final outputs (para 3.20)                           |
| <b>Requirement 7</b>  | Provide commentary in statistical releases to aid interpretation, such as time trends and changes over geographical areas (para 3.21)                               |
| <b>Requirement 8</b>  | Adopt consistent and appropriate formats and terminology for all tables to enhance interpretability (para 3.22)   |
| <b>Requirement 9</b>  | Make CTC and WTC publications, along with a timetable of future publications twelve months ahead, available via the National Statistics Publication Hub (para 3.24) |
| <b>Requirement 10</b> | Publish the responsible statistician's name and contact details in future releases and on the HMRC website (para 3.25)  |
| <b>Requirement 11</b> | Prepare and publish a Statement of Administrative Sources (para 3.28)   |



## **2 Subject of the assessment**

- 2.1 The report covers the sets of statistics listed at para 1.1.1. Child Tax Credit (CTC) and Working Tax Credit (WTC) statistics are produced directly from administrative data held in the Tax Credits Computer System. CTC and WTC replaced Working Families' Tax Credit, Disabled Persons Tax Credit and Children's Tax Credit in April 2003.
- 2.2 CTC is available to families with children aged up to 16, or up to 20 and in full-time non-advanced education or certain forms of training. WTC tops up earnings of families on low or moderate incomes. WTC is available to people working for at least 16 hours a week if they have children, or have an illness or disability which puts them at a disadvantage in getting a job. Certain other adults also qualify - for example, if they are aged at least 25 and work for at least 30 hours a week.
- 2.3 Provisional statistics are published twice a year in April and December. These figures are a snapshot of families who had claimed, and were eligible for CTC or WTC at April or December each year. The tables classify families according to their annualised entitlements, modelled on circumstances and latest annual incomes reported and processed by that date. Finalised annual figures are published in May the following year once final information for the whole year has been received. The tables show the average over the year of the numbers of families at various positions on the tax credits profile, and their entitlements. Supplement on Payments figures are published at the same time as the finalised figures and show the number of awards underpaid or overpaid at the end of the year. The snapshot figures for provisional awards are more up to date than the annual finalised figures but are subject to revision.
- 2.4 Provisional statistics were published quarterly from July 2003. In July 2004 HMRC announced that the statistics would be released twice-yearly instead of quarterly due to concerns over the quality of information between April and September. This is due to tax credit claimants being asked to report their final incomes for the previous tax year by the end of September. This volatility makes the numbers very difficult to interpret during this period.
- 2.5 Finalised estimates of the numbers and values of over and underpayments are considered by HMRC to be the most high profile of this set of statistics as a result of their use in monitoring the impact of policy changes designed to reduce overpayments. Provisional and finalised statistics are also used as a means of identifying the existence and level of fraud and error in claims for CTC and WTC. The statistics are also an important indicator in monitoring child poverty at local government level. Annual figures on the number of families benefiting from formal childcare are also used in the measurement of Local Area Agreements.

### 3 Assessment findings

#### Principle 1: Meeting user needs

**The production, management and dissemination of official statistics should meet the requirements of informed decision-making by government, public services, business, researchers and the public.**

- 3.1 HMRC statisticians are aware of the wide range of uses of CTC and WTC statistics both within HMRC and across government departments, but have less detailed knowledge of wider uses. The main source of user engagement is through users contacting HMRC with queries concerning the interpretation of the statistics. In the case of local authority users, additional guidance has been produced by statisticians and published as metadata on the Neighbourhood Statistics website. HMRC should consider publishing this guidance more widely on their website alongside the published outputs.
- 3.2 The Assessment team found some evidence that requests from users were considered and changes made where appropriate. One example is the change to the format of the provisional bi-annual statistics published in December 2009. Some users, including the Department for Children, Schools and Families, contacted statisticians requesting that the childcare recipient information in the annual publication be included in the geographical version of the twice-yearly provisional statistics. This change has been made from December 2009.
- 3.3 Despite some evidence of engagement with users, HMRC does not maintain a formal log of contact with users. The Assessment team would expect to see more evidence of the systematic collection and documentation of user needs and responses. As part of the re-designation as National Statistics, HMRC should take steps to engage more effectively with users and make those steps known<sup>3</sup> (Requirement 1).
- 3.4 The data are used to monitor a range of government policies, including national indicators. The documentation of these uses of the statistics is not available on the HMRC website or in the published outputs. As part of the re-designation as National Statistics, HMRC should investigate and document the uses made of the statistics<sup>4</sup> (Requirement 2).

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<sup>3</sup> In relation to Principle 1 Practice 1 and Principle 1 Practice 2 of the Code of Practice

<sup>4</sup> In relation to Principle 1 Practice 2 of the Code of Practice

## **Principle 2: Impartiality and objectivity**

**Official statistics, and information about statistical processes, should be managed impartially and objectively.**

- 3.5 Statistics are published on the HMRC website in an orderly and timely manner and are free of charge. HMRC provides additional analyses without charge and prioritises requests according to the resource required, irrespective of the source of the request. Changes to the methods used to compile the statistics are referred to in the introduction and relevant footnotes of each publication.
- 3.6 HMRC does not have a published revisions policy. As part of the re-designation as National Statistics, a revisions policy should be published on the HMRC website<sup>5</sup> (Requirement 3).

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<sup>5</sup> In relation to Principle 2 Practice 6 of the Code of Practice of the Code of Practice

### **Principle 3: Integrity**

**At all stages in the production, management and dissemination of official statistics, the public interest should prevail over organisational, political or personal interests.**

- 3.7 No incidents of political pressures, abuse of trust or complaints relating to professional integrity, quality or standards were reported to or identified by the Assessment team.

## **Principle 4: Sound methods and assured quality**

**Statistical methods should be consistent with scientific principles and internationally recognised best practices, and be fully documented. Quality should be monitored and assured taking account of internationally agreed practices.**

- 3.8 All data are extracted from the Tax Credits Computer System and transferred using a secure system on to the HMRC local network for analysis. Sufficient processes are in place to ensure no records go missing during the transfer and duplicate records are removed.
- 3.9 Given the unique population and eligibility criteria of Tax Credits, the data are not regularly checked against other statistical outputs. Modelled data using the Family Resources Survey has been used to estimate the eligible population to compare against. Provisional snapshot data are checked against a monthly monitoring spreadsheet which highlights changes from the previous month and changes from the same month the previous year. Finalised annual data are checked against past published data.
- 3.10 Some quality improvements have been made to the statistics, including the use of 100% data for the annual publications from 2004-05 onwards and the use of an improved source of data for information on the chosen frequency of payments to families. Detailed descriptions of these changes were included in the technical notes of the relevant publications.
- 3.11 Small area analyses of CTC and WTC statistics were published as experimental statistics for 2005 and 2006. User comments indicate that this information is important for a range of reasons, including the calculation of indices of multiple deprivation. As part of the designation as National Statistics, HMRC should publish a business case for the production of the small area analysis tables on a regular basis<sup>6</sup> (Requirement 4).

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<sup>6</sup> In relation to Principle 4 Practice 3 and Principle 4 Practice 5 of the Code of Practice

## **Principle 5: Confidentiality**

**Private information about individual persons (including bodies corporate) compiled in the production of official statistics is confidential, and should be used for statistical purposes only.**

- 3.12 HMRC staff and staff from other government departments who are seconded to HMRC to carry out analysis of the data are required to sign a declaration of confidentiality. There is currently no statement available concerning data confidentiality and as part of the re-designation as National Statistics, details of the arrangements for protecting confidentiality should be published on HMRC's website<sup>7</sup> (Requirement 5).
- 3.13 Appropriate rounding and suppression procedures appear to be in place to avoid the possible disclosure of information about individual families. Rounding conventions are included in each statistical release.

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<sup>7</sup> In relation to Principle 5 Practice 4 of the Code of Practice

## **Principle 6: Proportionate burden**

**The cost burden on data suppliers should not be excessive and should be assessed relative to the benefits arising from the use of the statistics.**

- 3.14 The statistics are produced from data held in an administrative system and there are ongoing costs involved in accessing the data for statistical purposes. Changes to the extract, such as the inclusion of additional variables, incur additional costs although as the data are used in policy development and evaluation, these additional costs cannot be directly attributed to the statistical outputs.
- 3.15 HMRC makes efforts to minimise the size of the files required for statistical analysis in order to reduce transfer and storage costs. The use of 100% weekly data has reduced the number of variables in the data extract for the provisional publication and therefore reduces costs.

## Principle 7: Resources

**The resources made available for statistical activities should be sufficient to meet the requirements of this Code and should be used efficiently and effectively.**

- 3.16 The Knowledge, Analysis and Intelligence directorate (KAI) within HMRC is restructuring, which is likely to result in a reduction of resources. HMRC has assured the Assessment team that the resource required to produce the CTC and WTC statistics will be protected.
- 3.17 Although there was evidence of some consideration of the resources available, it would be useful for HMRC to clarify the procedures used to allocate resources, and monitor their application, according to users' priorities. This is particularly in relation to responding to users' queries.
- 3.18 The 100% weekly data have the potential to provide HMRC statisticians with a more up to date and flexible set of data for analysis. This data could be used to produce all of the current outputs without having to request additional extracts from the Tax Credit computer system. Setting up analysis files from relevant tables in the format required would, according to HMRC statisticians, require a significant amount of extra resource. HMRC should investigate further the possibilities of developing such a system and balance these resource costs against the analytical benefits for users.
- 3.19 Clear recruitment guidance and competence frameworks are in place.



## **Principle 8: Frankness and accessibility**

**Official statistics, accompanied by full and frank commentary, should be readily accessible to all users.**

- 3.20 The provisional publications only mention the relationship between the provisional and final figures in the footnote to the first table. As part of the re-designation as National Statistics, HMRC should provide commentary in each release explaining the differences between the data published in the provisional and final outputs<sup>8</sup> (Requirement 6).
- 3.21 Commentary included at the front of each release focuses on the definitions used and the calculation of benefit entitlement – there is no focus on the main messages in the statistics, or a narrative to explain what the statistics show. As part of the re-designation as National Statistics, HMRC should provide commentary in statistical releases to aid interpretation, such as time trends and changes over geographical areas<sup>9</sup> (Requirement 7).
- 3.22 The tables in the publications do not have consistent formats. The table descriptors shown for some tables are inappropriate and totals of sub tables are sometimes shown at the bottom and sometimes at the top. Users commented that inconsistent terminology in publications created confusion, particularly in the supplements on payments release. As part of the re-designation as National Statistics, HMRC should adopt consistent and appropriate formats and terminology for all tables to enhance interpretability<sup>10</sup> (Requirement 8).

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<sup>8</sup> In relation to Principle 8 Practice 1 of the Code of Practice

<sup>9</sup> In relation to Principle 8 Practice 2 of the Code of Practice

<sup>10</sup> In relation to Principle 8 Practice 2 of the Code of Practice

## **Protocol 1: User engagement**

**Effective user engagement is fundamental both to trust in statistics and securing maximum public value. This Protocol draws together the relevant practices set out elsewhere in the Code and expands on the requirements in relation to consultation.**

3.23 The requirements for this Protocol are covered elsewhere in this report.

## Protocol 2: Release practices

**Statistical reports should be released into the public domain in an orderly manner that promotes public confidence and gives equal access to all, subject to relevant legislation.**

- 3.24 Releases are published on HMRC's website but are not accessible from the National Statistics Publication Hub. Publication dates are published in the preceding release. As part of the re-designation as National Statistics, CTC and WTC publications, along with a timetable of future publications twelve months ahead, should be made available via the National Statistics Publication Hub<sup>11</sup> (Requirement 9).
- 3.25 Users have commented that contacting the appropriate statistician is sometimes difficult. The Assessment team notes that each publication carries a generic contact point for enquiries. As part of the re-designation, HMRC should publish the responsible statistician's name and contact details in future releases and on its website<sup>12</sup> (Requirement 10).
- 3.26 A list of 20 individuals in HM Treasury and HMRC who are eligible for pre-release access to the statistics is published on the HMRC website along with a statement of compliance.
- 3.27 A delay occurred to the publication of the 2007-8 finalised annual awards geographical edition due to a problem with the postcodes used to allocate an area to each family. The delay was announced on the HMRC website and HMRC has made plans to receive the postcode extract at an earlier date to avoid a delay to publication in future.

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<sup>11</sup> In relation to Protocol 2 Practices 2 and 3 of the Code of Practice

<sup>12</sup> In relation to Protocol 2 Practice 6 of the Code of Practice

### **Protocol 3: The use of administrative sources for statistical purposes**

**Administrative sources should be fully exploited for statistical purposes, subject to adherence to appropriate safeguards.**

3.28 HMRC should prepare and publish a Statement of Administrative Sources as part of the re-designation as National Statistics<sup>13</sup> (Requirement 11).

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<sup>13</sup> In relation to Protocol 3 Principle 5 of the Code of Practice

## **Annex 1: Suggestions for improvement**

A1.1 This annex includes some suggestions for improvement to the *Child and Working Tax Credit Statistics* in the interest of the public good. These are not formally required for designation, but the Assessment team considers that their implementation will improve public confidence in the production, management and dissemination of official statistics.

**Suggestion 1** Consider publishing additional guidance on the interpretation of the statistics on HMRC's website alongside published outputs (para 3.1).

**Suggestion 2** Clarify the procedures used to allocate resources, and monitor their application, according to users' priorities, particularly in relation to responding to users' queries (para 3.17).

**Suggestion 3** Investigate further the possibilities of developing a system based on the 100% weekly extract data (para 3.18).

## **Annex 2: Summary of assessment process and users' views**

A2.1 This assessment was conducted from July to December 2009.

A2.2 The Assessment team agreed the scope of and timetable for this assessment with representatives of the HMRC in July 2009. The Written Evidence for Assessment was provided in October 2009. The Assessment team subsequently met with the HMRC during December 2009 to review compliance with the Code of Practice, taking account of the written evidence provided and other relevant sources of evidence.

### **Summary of users contacted, and issues raised**

A2.3 Part of the assessment process involves our consideration of the views of users. We approach some known and potential users of the set of statistics, and we invite comments via an open note on the Authority's website. This process is not a statistical survey, but it enables us to gain some insights about the extent to which the statistics meet users' needs and the extent to which users feel that the producers of those statistics engage with them. We are aware that responses from users may not be representative of wider views, and we take account of this in the way that we prepare assessment reports.

A2.4 The user/supplier consultation was carried out in conjunction with the assessment of *Child Benefit Statistics* (Assessment Report 23). The Assessment team received 11 responses from the user consultation. The respondents were grouped as follows:

|  |   |
|--|---|
| Local government                       | 1 |
| Central government                     | 2 |
| Devolved administrations               | 3 |
| Academic                               | 1 |
| Charities/Not for profit organisations | 1 |
| Other                                  | 3 |

A2.5 Users generally found the statistics of good quality and the producers approachable and helpful. Some users mentioned the recent delay to the geographical edition of the final awards publication and the difficulties this caused. Some also mentioned difficulties in getting hold of members of the appropriate team to answer queries.

### **Key documents/links provided**

Written Evidence for Assessment document

## List of assessment reports published to date<sup>14</sup>

1. Statistics from the National Drug Treatment Monitoring System  
*National Treatment Agency for Substance Misuse*
2. Recorded Crime in Scotland  
*Scottish Government*
3. Statistics on Enrolments at Schools and in Funded Pre-School Education in Northern Ireland  
*Department of Education, Northern Ireland*
4. Road Casualty Statistics  
*Department for Transport*
5. UK Energy Sector Indicators  
*Department of Energy and Climate Change*
6. Statistics on Road Freight  
*Department for Transport*
7. Prison Population Projections  
*Ministry of Justice*
8. Migration Statistics  
*Office for National Statistics*
9. Statistics on International Development and the ODA:GNI Ratio  
*Department for International Development*
10. The Scottish Health Survey  
*Scottish Government*
11. Scottish House Condition Survey  
*Scottish Government*
12. Scottish Crime and Justice Survey  
*Scottish Government*
13. Statistics on Children Looked After by Local Authorities in England  
*Department for Children, Schools and Families*
14. Statistics on Children Looked After by Local Authorities in Scotland  
*Scottish Government*
15. Statistics on Children Looked After by Local Authorities in Wales  
*Welsh Assembly Government*
16. Statistics on Children Looked After by Health and Social Care Trusts in Northern Ireland  
*Department of Health, Social Services and Public Safety, Northern Ireland*
17. Wealth in Great Britain  
*Office for National Statistics*
18. Statistics on the National Child Measurement Programme  
*NHS Information Centre*
19. Average Weekly Earnings  
*Office for National Statistics*
20. Energy Statistics  
*Department of Energy and Climate Change*
21. 18 Weeks Referral to Treatment Statistics  
*Department of Health*
22. Agriculture in the UK and selected crop and livestock statistics  
*Department for Environment, Food and Rural Affairs*

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<sup>14</sup> Published reports are available at: <http://www.statisticsauthority.gov.uk/assessment/assessment-reports/index.html>

23. Child Benefit Statistics  
*Her Majesty's Revenue & Customs*
24. Producer Price Indices  
*Office for National Statistics*
25. Services Producer Price Indices  
*Office for National Statistics*
26. Scottish Household Survey outputs  
*Scottish Government*
27. Scottish Labour Market Statistics  
*Scottish Government*
28. Special Assessment of the 2011 Censuses in the UK: Phase 1  
*Office for National Statistics, the General Register Office for Scotland and the Northern Ireland Statistics and Research Agency*
29. Labour Market Statistics for Northern Ireland  
*Department of Enterprise, Trade and Investment, Northern Ireland*
30. Child and Working Tax Credit Statistics  
*Her Majesty's Revenue and Customs*



