

Assessment of compliance with the Code of Practice for Official Statistics

Insolvency Statistics

(produced by the Insolvency Service)

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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 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 reports¹ prepared under the provisions of the *Statistics and Registration Service Act 2007*². The report covers the quarterly release on insolvencies³ (*Insolvency Statistics*), produced by the Insolvency Service.
- 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 statistics published in the quarterly statistics release on insolvencies (*Insolvency Statistics*) are designated as National Statistics, subject to the Insolvency Service implementing the enhancements listed in section 1.5 and reporting them to the Authority by December 2010.

1.3 Summary of strengths and weaknesses

- 1.3.1 The statistics are presented clearly and objectively. There is a good explanation of the legal framework around insolvencies. All the data are from administrative sources, so the burden of collecting these data is minimal.
- 1.3.2 There is a lack of published information about methods and quality, and no published revisions policy. Engagement with users has largely been reactive, and it is not clear how user needs inform statistical planning and priority setting.

1.4 Detailed recommendations

- 1.4.1 The Assessment team identified some areas where it felt that the Insolvency Service 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 <http://www.statisticsauthority.gov.uk/assessment/assessment-reports/index.html>

² http://www.opsi.gov.uk/Acts/acts2007/pdf/ukpga_20070018_en.pdf

³ <http://www.insolvency.gov.uk/otherinformation/statistics/insolv.htm>

1.5 Requirements for designation as National Statistics

- Requirement 1** Take steps to engage more effectively with users and make those steps known; publish information about users' experiences of these statistics (para 3.1).
- Requirement 2** Publish a revisions policy for these statistics and confirm that any future changes to methods or classifications will be announced in advance, to ensure that all users are aware of planned changes (para 3.4).
- Requirement 3** Publish more information about the methods, quality and reliability of the statistics (para 3.7).
- Requirement 4** Publish more supporting commentary, including information about the wider context of the statistics (para 3.16)
- Requirement 5** Ensure that there are clear links to relevant policies and other statistical information on the Department for Business, Innovation and Skills website, where these are required to be published by the Code (para 3.17).
- Requirement 6** Review the terminology used on the Insolvency Service's website to ensure a clear distinction between policy and statistics (para 3.18).

2 Subject of the assessment

- 2.1 This Assessment covers the quarterly publication on insolvencies⁴, produced by the Insolvency Service (InsS). The release presents statistics on personal and corporate insolvency procedures. These are based on administrative sources maintained principally by InsS and Companies House.
- 2.2 In England and Wales there are three types of personal insolvency procedures: bankruptcies, individual voluntary arrangements and (since April 2009) debt relief orders. There are five types of corporate insolvency procedures: compulsory liquidations, creditors' voluntary liquidations, administrations, receiverships and company voluntary arrangements. The statistical release presents breakdowns of these insolvencies and related analyses. The statistical release includes insolvency data for Scotland and Northern Ireland, although there are some differences in the relevant legislation, so not all the data are directly comparable. The devolved administrations in Scotland and Northern Ireland have policy responsibility for personal insolvency and some aspects of corporate insolvency.
- 2.3 InsS is an executive agency of the Department for Business, Innovation and Skills (BIS). InsS deals with insolvency matters in England and Wales. This includes administering and investigating the affairs of bankrupt individuals and businesses, particularly those in compulsory liquidation. InsS has produced the official insolvency statistics since 2006, when it took over responsibility for producing, disseminating and briefing on insolvency statistics from the Department of Trade and Industry. The main data series are available back to 1960, but due to legislative changes there are some discontinuities in the data.
- 2.4 The legal framework around insolvency is complex. All individual insolvencies in England and Wales go through InsS or involve insolvency practitioners, who are required to report details of each insolvency to InsS. Company compulsory liquidations are dealt with primarily by Official Receivers within InsS. All other corporate insolvencies dealt with by insolvency practitioners are reported to Companies House. As such, there is a legal basis for collection of data on all insolvencies.
- 2.5 Within InsS and BIS, the statistics are used to forecast insolvency caseloads to inform business planning and to evaluate trends to ensure the insolvency framework is working effectively. Other government bodies use these statistics for policy analysis and advice, economic analysis and forecasting. Insolvency professionals use the statistics to inform their business decisions and they are used widely by the business community and academics and for research purposes. The statistics may be used as an indicator of the economic climate.
- 2.6 InsS produces other insolvency statistics, including detailed geographic breakdowns for personal insolvency procedures in England and Wales and statistics on outcomes for Individual Voluntary Arrangements. These are not currently National Statistics and are outside the scope of this Assessment.

⁴ <http://www.insolvency.gov.uk/otherinformation/statistics/insolv.htm>

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 InsS statisticians told us that they have developed the statistical output in response to requests from users. Examples of this include the publication of historic and regional data, and expanded analysis in the release. However, there is no regular, formal engagement with users, particularly those outside government. It is not clear that users' needs are considered in a structured way or feed into statistical planning and priority setting. There is no published information about the user experience. As part of the designation as National Statistics, InsS should take steps to engage more effectively with users and make those steps known. InsS should also publish information about users' experiences of these statistics⁵ (Requirement 1).

⁵ In relation to Principle 1 Practices 1, 3 and 5 of the Code of Practice

Principle 2: Impartiality and objectivity

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

- 3.2 The Assessment team considers that the commentary in *Insolvency Statistics* is impartial and objective. InsS publishes statistics on the internet free of charge, and does not charge for responding to data requests.
- 3.3 InsS statisticians showed us examples of changes to methods or classifications that they announced in advance in briefing material for government users, but this information has not always been made available more widely. InsS has no published revisions policy. The statistics are based on administrative data and this source data can change to reflect new information, so it is important that there is a clear policy to explain when the statistics might be revised. Some series are also seasonally adjusted, which leads to routine revisions at the end of each year.
- 3.4 As part of the designation as National Statistics, InsS should publish a revisions policy for these statistics and confirm that any future changes to methods or classifications will be announced in advance, to ensure all users are aware of planned changes⁶ (Requirement 2).

⁶ In relation to Principle 2 Practices 4 and 6 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.

- 3.5 No incidents of political pressure, 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.

- 3.6 The data on insolvencies are obtained from administrative sources. Details of the sources and legislative background are included in *Insolvency Statistics*, in the Notes to Editors section. This section of the release also explains the seasonal adjustment process, discontinuities in the data and some changes to methods.
- 3.7 Users who contacted us in response to this Assessment highlighted a need for more information about how to interpret the data over time, taking account of discontinuities. We saw no published information about how the data are compiled, nor information about data quality. InsS statisticians told us that the administrative data sources are subject to audit processes, but there is no published information about this, nor is there any information about the completeness or accuracy of the data. As part of the designation as National Statistics, InsS should publish more information about the methods, quality and reliability of the statistics⁷ (Requirement 3).
- 3.8 Some of the administrative databases that are used to compile the statistics continue to be updated after the statistics have been published. This does not generally affect the published statistics, which are mainly based on the date of registration of insolvencies. However, InsS statisticians told us that they will review this position later this year, when a new database system is introduced which may make it more practical to use the date the insolvency commences. This in turn may make it necessary to introduce more regular revisions to the data. As stated under Principle 2, InsS should publish a revisions policy to make it clear to users the circumstances in which the statistics might be revised, and if so, when. We also suggest that InsS investigate the extent of updates to the source administrative data, to inform the development of the revisions policy.
- 3.9 Users who contacted us in response to this Assessment expressed a need for more detailed data, particularly in terms of industry and geographic breakdowns. InsS statisticians have produced separate statistics presenting detailed geographic breakdowns on personal insolvency procedures, but these are not currently National Statistics as the quality of the underlying postcode data is not sufficiently robust. InsS statisticians told us that the published statistics in the release are generally as detailed as the source data permit.
- 3.10 *Insolvency Statistics* focuses on England and Wales, reflecting InsS's main policy remit. The release also includes statistics for Scotland and Northern Ireland, from Companies House, the Accountant in Bankruptcy in Scotland and the Department of Enterprise, Trade and Investment in Northern Ireland. UK totals are not presented. InsS statisticians told us that differences in the legislation between England and Wales, Scotland, and Northern Ireland mean that some of the data are not directly comparable. The legislative differences

⁷ In relation to Principle 4 Practices 1 and 2 and Principle 8 Practice 1 of the Code of Practice.

are explained in the release, but it is not clear whether there are valid comparisons that can be drawn, and users who contacted us regarding this Assessment highlighted this as an unmet need. We suggest that InsS investigate the feasibility of, and need for UK-level data. InsS statisticians told us that there is relatively little comparative analysis with statistics from other countries (outside the UK) again because legislative and definitional differences mean data comparisons are complex.

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.

- 3.11 InsS statisticians told us that the data used to compile *Insolvency Statistics* are not confidential. However, the statistics team do handle confidential data in the production of other outputs. InsS assured us that it takes all necessary steps to protect the confidentiality of the data it holds, including issuing guidance for staff on handling confidential data.
- 3.12 InsS does not publish information about the arrangements for protecting confidential data. InsS statisticians told us that they follow the published policy of their parent Department, BIS, but this is not made clear in any published material. In addition, there are no arrangements in place for InsS statisticians to sign a declaration covering their obligations under the Code. While *Insolvency Statistics* are produced without confidential data, these policies may be relevant to other sets of statistics produced by the Department and its agencies. We suggest InsS publish details of the arrangements for confidentiality protection and ensure arrangements are in place for staff to sign declarations covering their obligations under the Code.

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.

- 3.13 All the data used in *Insolvency Statistics* are from administrative sources, so the burden of collecting these data is minimal. InsS statisticians told us that the only additional burden introduced for statistical purposes has been the need to record the Standard Industrial Classification of businesses. The statisticians told us that InsS does carry out surveys, mostly for research purposes and to measure customer satisfaction. The burden information is collected and reported to BIS, which is responsible for publishing it.
- 3.14 Data suppliers who contacted us regarding this Assessment said that there were no formal arrangements for supplying the data. They indicated that this had caused some confusion in the past, particularly when there have been changes to requirements. We suggest that InsS liaise with data suppliers to establish a more formal agreement for data supply, including a process for requesting changes.

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.

- 3.15 The production of *Insolvency Statistics* appears to be adequately resourced. The only cost in the production of these statistics is staff time.

Principle 8: Frankness and accessibility

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

- 3.16 *Insolvency Statistics* is clearly accessible on InsS's website. The release provides some commentary, graphs and tables. The 'Notes to Editors' section includes descriptions of the main terms used and clearly describes the legal framework around insolvencies. Other data are available on the website providing longer time series and geographic breakdowns. However, there is no published information about the wider context of the statistics, for example, the relationship with other economic statistics, or commentary about what the longer time series show. This was raised by users who contacted us in response to this Assessment. As part of the designation as National Statistics, InsS should publish more supporting commentary, including information about the wider context of the statistics⁸ (Requirement 4). InsS statisticians told us that this information is sometimes compiled in response to user requests, but is not published. Such information could be released as occasional articles or in expanded quarterly releases. Users' views on the areas where it would be useful to provide additional commentary could be collected as part of the improved user engagement that will flow from Requirement 1.
- 3.17 InsS statisticians told us that some BIS organisational policies are followed, for example in relation to recruitment, learning and development, and quality guidelines. BIS also publishes the lists of all those who have pre-release access to statistics, for all its agencies (including InsS). The Code requires much of this information to be published, but there is currently no link from the statistics pages on InsS's website to BIS's website, so it is not readily accessible to users. As part of the designation as National Statistics, InsS should ensure that there are clear links to relevant policies and other statistical information on BIS's website, where these are required to be published by the Code⁹ (Requirement 5).
- 3.18 The statistics pages on InsS's website are headed with the title 'Policy Directorate: Statistics', while *Insolvency Statistics* is referred to as a 'press notice' on the website, but called a 'statistics release' when downloaded. This mix of policy and statistics terms could be confusing for users. As part of the designation as National Statistics, InsS should review the terminology it uses on its website to ensure a clear distinction between policy and statistics¹⁰ (Requirement 6).
- 3.19 *Insolvency Statistics* refers to other relevant data about business formations and closures, published by the Office for National Statistics. However, the release does not refer to more closely related statistics about company winding up petitions, and creditors' and debtors' bankruptcy petitions, issued in the High Court and county courts of England and Wales¹¹, published by the Ministry of Justice. There is no link to the Ministry of Justice statistics on InsS's website, nor any explanation of how the data compare. There are also no links from the

⁸ In relation to Principle 8 Practice 2 of the Code of Practice.

⁹ In relation to Principle 8 Practice 4 of the Code of Practice.

¹⁰ In relation to Principle 8 Practice 4 of the Code of Practice.

¹¹ <http://www.justice.gov.uk/publications/companywindingupandbankruptcy.htm>

statistics pages of InsS's website to their own research outputs, which can be relevant but which are hard to find on InsS's website. We suggest that InsS provide links from the statistics pages of its website to other relevant information.

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.

3.20 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.

- 3.21 *Insolvency Statistics* is published just over one month following the end of the reference period. The release is clearly accessible on InsS's website, and is available through the Publication Hub. The release includes names and contact details for the statisticians and separate contact details for press enquiries.
- 3.22 InsS provides pre-release access to the quarterly release to 22 individuals. The statisticians in InsS have conducted two recent exercises to ensure that only those with a legitimate reason for early access are included on this list: one in 2008 which resulted in removing 3 people from the list, and one towards the end of 2009 which resulted in removing a further 3 people. The pre-release access list includes entries for 'briefing clearance' and 'briefing preparation', but it is not made clear whether this refers to individuals or teams of people. InsS statisticians told us that only one person under each heading has pre-release access. We suggest that InsS clarify this in the pre-release access lists.
- 3.23 The list of those granted pre-release access is published on BIS's website, with the lists for all other releases from BIS and its agencies. As noted under Principle 8, there is no link to this information from the statistics pages on InsS's website. This is addressed by Requirement 5.
- 3.24 There have been two unscheduled releases of information from *Insolvency Statistics*. In May 2008 an email containing the release was accidentally sent by InsS's press office to some media organisations before the pre-announced release time. In February 2009 the release was again sent out in error to some media organisations ahead of release. Both breaches were investigated and reported to the National Statistician, and corrective actions were taken. The two breaches were unrelated and neither resulted in information from the statistics release being broadcast more widely (than the recipient organisations) before the pre-announced release time. The 2009 breach report¹² is published on the Statistics Authority's website. In the interests of transparency, we suggest that InsS publish the details of the breaches.

¹² <http://www.statisticsauthority.gov.uk/news/code-of-practice-breach---insolvency-statistics--q4-2008.pdf>

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.

- 3.25 InsS is developing a new Case Information System, to record details of insolvencies. The statisticians told us that their input has been limited, but includes participating in a user group during the development of the new system. The new system should improve the level of detail available and the quality of the data. We suggest that InsS take more steps to promote statistical purposes actively during the development of administrative systems. This will help to enhance the statistical potential of new systems and ensure that changes to existing systems take account of the implications for statistical outputs.
- 3.26 InsS has a published Statement of Administrative Sources¹³. The Statement clearly sets out background details of the range of internal and external administrative systems that feed into the production of the statistics. However, there is a need for more information about the arrangements for auditing the quality of these administrative systems. This is addressed by Requirement 3 under Principle 4.

¹³ http://www.insolvency.gov.uk/otherinformation/statistics/InsS_administrative-sources_final.pdf

Annex 1: Suggestions for improvement

A1.1 This annex includes some suggestions for improvement to the insolvency statistics produced by InsS, 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 | Investigate the extent of updates to the source administrative data, to inform the development of the revisions policy (para 3.8). |
| Suggestion 2 | Investigate the feasibility of, and need for UK-level data (para 3.10). |
| Suggestion 3 | Liaise with data suppliers to establish a more formal agreement for data supply, including a process for requesting changes (para 3.14). |
| Suggestion 4 | Provide links from the statistics pages of InsS's website to other relevant information (para 3.19). |
| Suggestion 5 | Publish details of the arrangements for confidentiality protection and ensure arrangements are in place for staff to sign declarations covering their obligations under the Code (para 3.12). |
| Suggestion 6 | Clarify references to 'briefing clearance' and 'briefing preparation' in the pre-release access lists (para 3.22). |
| Suggestion 7 | Publish the details of breaches (para 3.24). |
| Suggestion 8 | Take more steps to promote statistical purposes actively during the development of administrative systems (para 3.25). |

Annex 2: Summary of assessment process and users' views

A2.1 This assessment was conducted from March to April 2010.

A2.2 The Assessment team – Jacob Wilcock and Emma Bowditch - agreed the scope of and timetable for this assessment with representatives of InsS and BIS in March. The Written Evidence for Assessment was provided on 11 March. The Assessment team subsequently met with InsS and BIS on 30 March to review compliance with the Code of Practice, taking account of the written evidence provided and other relevant sources of evidence.

Summary of users consulted 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 assessment team received 14 responses from the user consultation. The respondents can be grouped as follows:

Internal InsS and BIS	4
Other government departments and local government	4
Insolvency professionals	3
Financial sector	2
Other	1

A2.5 These users need the statistics for policy analysis and communications, monitoring trends, economic and time series models and forecasting. In general, these users were satisfied with the statistics and considered them well presented. They were very satisfied with the communication with the producer team.

A2.6 The most frequent requests were for further detailed breakdowns of the data, for example by industry and region. There were requests for more frequent (for example, monthly) publication of the data; UK data comparisons; guidance on comparing the data over time; and further analysis of the data, for example by company size and individual insolvencies by age and gender.

Key documents/links provided

Written Evidence for Assessment document

