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Ed Humpherson, Director General for Regulation

Darren Morgan
Director of Economic Statistics Production and Analysis
Office for National Statistics (by email)

21 November 2022

Dear Darren

Business Enterprise Research and Development (BERD) statistics

Thank you for your letter of 4 November setting out your development plans for UK Business Enterprise Research and Development (BERD) statistics. These plans align with the Code of Practice for Statistics, particularly relating to innovation and improvement.

ONS has been considering for some time the opportunities from linking its BERD data to HMRC's Research and Development Tax Credit statistics as a means of improving the estimates. As statistics regulator, we first proposed that ONS investigate the potential of data linkage between ONS and HMRC in June 2012, as a requirement in our assessment report of these statistics. In our Compliance Check in August 2020 we again raised the issue, highlighting the need for ONS to publish information explaining to users the differences between the ONS and HMRC data on research and development in the UK.

Now that we can see the impacts of the joint endeavour between ONS and HMRC, it is clear that there are considerable benefits from collaborative working and data linkage for better statistics.

Linking to HMRC's data has also allowed ONS to recognise that very small businesses have not previously featured in the BERD population but have actually been playing a much more prominent role in research and development than previously thought. The data linkage has also allowed ONS to be confident in the uplift factors that it has applied to deal with the under-coverage of mainly small businesses in the latest BERD survey. All in all, the ability to triangulate the BERD statistics with HMRC's administrative tax data has given robust reassurance to ONS around the latest estimates of BERD spending.

I welcome your commitment to make further improvements to the methodology behind these statistics. While the interim method for producing BERD estimates yields much higher figures than those published in previous years they are far closer to the levels of BERD that other measures, especially HMRC's R&D Tax Credit statistics, have indicated. The work that ONS and HMRC have conducted together has provided sufficient reassurance that the new method has produced the better estimates of total UK BERD. We therefore agree with you that total UK BERD statistics being published on 22 November 2022 should retain National Statistics status.

I recognise that there is greater uncertainty around the more-detailed breakdowns of BERD and you are prudently restricting the publication of data in those tables. I agree that the current National Statistics of such detailed sub-national and sectoral statistics should be suspended temporarily until after the second stage of your development plans are

completed in 2023. We will add information to our webpages about the temporary suspension following this letter.

In the methodology article [published](#) at the end of September 2022, ONS is commendably open around the uncertainty in the latest estimates. Users and stakeholders in the statistics may have residual questions about the quality of the total aggregate level of UK BERD. It is important that you continue to be clear in communications of the newest statistics and data concerning your judgements around strengths and limitations of the latest estimates. You should particularly think about the advice you signpost to users of historical UK BERD time series around the uncertainty they should bear in mind when using that data series.

I look forward to engaging further with you and your team as you carry out these developments and around the eventual reconfirmation of National Statistics status of disaggregated BERD data when there is more certainty around those low-level statistics.

Yours sincerely

Ed Humpherson
Director General for Regulation