

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.

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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.

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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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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.

* * * * *

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.]

MINUTES OF EVIDENCE

TAKEN BEFORE THE COMMITTEE OF PUBLIC ACCOUNTS

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 William

SIR JOHN BOURN KCB, Comptroller and Auditor General, further examined.

MR ROB MOLAN, Second Treasury Office of Accounts, further examined.

REPORT BY THE COMPTROLLER AND AUDITOR GENERAL:

Office for National Statistics: Outsourcing the 2001 Census (HC 1211)

Examination of Witnesses

MR LEN COOK, National Statistician and Registrar General, and MR JOHN PULLINGER, Executive Director, Office for National Statistics, examined.

Chairman

1. Welcome to the public accounts committee. This afternoon we are discussing the report from the National Audit Office concerning the Office for National Statistics: Outsourcing the 2001 Census. Welcome, Mr Cook. Could you introduce your colleague, please?

(Mr Cook) John Pullinger, the executive director of social statistics in the Office for National Statistics, has been in charge of the Census since 1999.

2. Perhaps I could ask you about the budget of 207.1 million which is referred to in paragraph 1.23. It is rather a lot of money. In the light of your experience in the 2001 Census, do you consider there are other, cheaper ways of doing your work?

(Mr Cook) This Census was conducted at some 25% less than it would have been if we had carried out the methods that were adopted in 1991. We will continue to look for efficiencies and other opportunities. For example, in 2011, we would expect to have more opportunities and use of administrative data, using methods more akin to those used in the Nordic countries. That is one key option that we would look at.

3. We are spending £207 million; yet you still have to adjust figures, do you not, for people missed from the original count? That is going to have an important bearing on resources available across government. How are you able to assure us that, for these people whom you have extrapolated, the adjustments are fair and necessary?

(Mr Cook) All Censuses have some degree of inaccuracy. In the case of the 2001 Census in the United Kingdom, we conducted one of the most extensive ever Census coverage surveys, with some 320,000 people in it, which has allowed us to estimate the population for each of the local authorities in the

UK within 5% independent of the Census and in most areas much less. We have an alternative check on the Census.

4. We are talking about a million people, are we not, that you were effectively making up figures for? Is that right?

(Mr Cook) They did not provide us with information but we knew they existed.

5. There are a million people who we are not sure we have accurate information about?

(Mr Cook) We do not get accurate information from 100% of the population in virtually everything we do. What the Census coverage survey gave us was a sound, statistical means of estimating the characteristics of those who were missing from the knowledge we have about the population that we collect.

6. Figure five, page 14. I am talking now about the outsourcing. Clearly, there were some problems with this. There were a number of challenges. I am sure you would accept that. In retrospect, did the Office outsource too much?

(Mr Cook) Firstly, I would draw on the Auditor General's comments when he said that we have a sound strategy for outsourcing Census services. The report that was prepared well before the Census suggested that we outsourced some 42 to 44%. The amount that was outsourced was about 33 to 34% of the Census. I think what we outsourced was a reasonable amount for what we knew. Most countries in the 2000 round Censuses outsourced in some way or another the scanning of their Censuses. That was an activity that was done in most countries and that was the single difference of any real size in what we did.

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MR LEN COOK AND MR JOHN PULLINGER

[Continued

[Chairman Cont]

7. You had some difficulties, did you not, with the coordination of all these services you were outsourcing?

(Mr Cook) Not with the largest contract. We had difficulties with two contracts. One was the payroll contract and the second was with the Royal Mail.

8. Case two, pages 17 and 18. This was a serious matter. Why did the Census director resign before the conclusion of the project?

(Mr Cook) He resigned for matters that were quite unrelated to the NAO report.

9. I am advised that he resigned because he gave the contract to Vogue. That is right, is it not?

(Mr Cook) No. He resigned because, on another matter long after that had been an issue and cleared up, he took some action that was contrary to the action that I would have taken as registrar general.

10. What action did he take?

(Mr Cook) He resigned when he faced charges that were quite unrelated, but they were charges relating to the release of information to another government agency without my authority as part of information that was collected in the 1961 Census.

11. This contract he gave to Vogue he gave to a previous business acquaintance, did he not?

(Mr Cook) I understand that he had worked before with the gentleman from Vogue but in the review done in 1999 and in the audit report which we are now discussing there was no evidence to suggest that that was improper in any way whatsoever.

12. He did not put out the contract in the right way, did he? He broke some rules, did he not, in the way that he tendered this contract?

(Mr Cook) He did not follow the process—

13. Having accepted that he gave this contract, without going through the proper tendering procedures, to a previous business acquaintance, why did he continue as chairman of key client contract committees?

(Mr Cook) At the time, that involvement of his as the chairman of those committees continued after this incident, those committees were concerned with the operation of the contracts that were already let. They were not the committees concerned with the letting of new contracts. We had at that time shifted the involvement of the Office central procurement unit into the oversight of all those contracts.

14. You were estimating a postal response rate of 70% and you got 88%. How did you arrive at this estimate of 70%, which was so much lower than what actually happened? What steps did you take to assess how robust this estimate was?

(Mr Cook) Firstly, we used estimates that were primarily based on the experience of the United States where they have been having mail back Censuses for several decades. Their mail back rate was approximately 70% and quite a reasonable one to estimate. In our dress rehearsal, we were not able to imitate the conditions at the time of a true Census collection. There was quite an extensive public communications programme, you may recall, in April and May last year. Their estimate and the dress rehearsal were not regarded as quite as reliable as the actual operating experience of the United States. Can I draw your attention in the report to the comparison

between the different areas of the country, where it refers, for example, to north Bradford and west Birmingham, where by 8 May north Bradford had a response rate of 50%; the next week, 100%. West Birmingham had a response rate of 78%; the next week, 83%. The huge variation of response rates across the country to the mail back would have made it very difficult for us to have been certain of any particular estimate.

15. 88% responded. We know that 2% you had to make up the figures for anyway, so this vast field force that you were employing, which you were late in paying the wages for, was dealing with 10% of the population. You had eight years to plan for this Census. You knew exactly when it was going to happen and what was going to happen, but a lot of hard working people had to wait longer than they should have done to receive their pay. How did you get it so wrong?

(Mr Cook) The experience in paying people was a very serious failure on the part of my department. I wrote to all those 23,000 people on 12 to 20 June, recognising the concern, taking responsibility for that. The difficulty of getting a good payroll provider for the Census emerged during 1998/99, when we had only three viable alternative providers. In the end, we had to select one of the two alternatives, neither of whom had particularly flexible systems, and we had to put a lot of effort into working with them to create a payroll system. The payroll for the Census is one of the largest payrolls that one would have. 70,000 people is a very large payroll by most people's standards. Secondly, the huge amount of amendment to it in a short period of time would have made it one of the more dynamic payrolls that would have needed to be managed. The Chessington systems are not, I think, awfully flexible.

16. In paragraphs 4.7 to 4.12, pages 30 to 31, you have failure to let the contract, failure to agree the specification and test the payroll system during the dress rehearsal. Are all these failures anything to do with the fact that you experienced subsequent problems with the payroll?

(Mr Cook) My Office made a mistake in dealing with the payroll contract in that we did not sufficiently assess at various times whether we were ever going to get the payroll service that we needed. A huge amount of effort went into working with Chessington to make their payroll fit what we needed. Several times in the dress rehearsal we were not able to test the final system. We had to test what Chessington had available, which was unusual for the dress rehearsal testing of all the other systems. Even by December 2000, we had difficulty paying the district managers in the Census. There were enough problems with mail back and with several other influences on performance that led us to believe that the payroll system would still deliver. However, it is clear that we were working right through to the end to try and get an adequate provider to deliver us a service.

17. We have had a Census since 1801. There is nothing new about this. You are spending £207 million. You are not paying your staff properly on time and there are various other problems. How much have you learned since 1801?

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MR LEN COOK AND MR JOHN PULLINGER

[Continued

[Chairman Cont]

(*Mr Cook*) I think you can assume from the success of the rest of the outsourcing of the Census and the success of the Census generally that we have learned a lot—in fact, quite a remarkable amount—and I would be reluctant to suggest to you that the payroll contract in any way whatsoever typified the work that we actually did in the rest of the Census.

Angela Eagle

18. How much did you expect to save by all the outsourcing that you did? What sort of value for money savings were you looking for?

(*Mr Cook*) The public sector comparator that was used when the scanning project and editing project was outsourced to Lockheed Martin gave a saving of £15 million. We also believe that the Census for 2001 would have cost 25% more if we had done it using the methods that we had used before. Firstly, the mail back was another source of saving of some substance but the savings we saw were, firstly, not an additional cost for the extra 10% of households that were surveyed and, secondly, rather than processing only ten of the hard to code questions, particularly industry and occupation, all of those questions were coded for every area, every electorate in the United Kingdom. There was a huge increase in the information available for small areas and that is how the productivity gain mainly came about.

19. It says in the report that you were expecting to save £5.5 million with the post back arrangements. Is that right? You overspent by £5.8 million on the payroll.

(*Mr Cook*) We expected that, with the 70% response rate, if we had increased it, we would have saved £300,000 for every 1% increase.

20. You seem to be making a comparison on cost between your estimate of what it would have cost not to outsource it, which is very conveniently 25% more, and what happened which is that you spent more because of mistakes that were made on payroll than the money that you saved by putting the stuff out to tender.

(*Mr Cook*) The whole Census operated within the budget of £207 million.

21. It is quite a large budget, is it not?

(*Mr Cook*) By international standards, it is not an unreasonable budget. We only have a Census every ten years and there is such a huge amount of public policy that is dependent on the Census, whether—

22. Let us get back to my question. You have done a comparison which is a bit sneaky because you said you saved 25% on cost that you would have had if you had not outsourced anything. That is your estimate of what the Census would have cost to do without outsourcing. You are saying you have saved 25% but, if you look at the figures with outsourcing, what you saved on things like post back you overspent on budgets for pay.

(*Mr Cook*) The £207 million that the Census cost us we estimate would have been 25% higher if we had not carried out the Census as we did. Some of that was outsourcing. Some of it was carrying out a mail back Census, so I think it is not possible to say that all that 25% was due to outsourcing at all. In terms of the explicit outsourcing contract of Lockheed

Martin, the estimate I have given you is that 15 million of that is estimated by using the public sector comparator for comparing what we ended up paying to Lockheed Martin as opposed to the process endorsed by the Treasury for calculating that comparator. When it comes to the additional cost of the field collection, we estimated that with a 70% response rate, for every 1% that the first mail back increased by—and we got 88% instead of 70%—we would reduce our field costs by £300,000. That gives us a figure of over £5.5 million. In fact, we did not achieve those gains and we spent five million in addition.

23. What is also interesting is all of the bureaucracy that you had to put in place in order to have all the outsourcing. How much did all of that cost?

(*Mr Cook*) It was £2.5 million in total out of £70-odd million.

24. You allowed the Census Office to have some delegated powers to authorise expenditures of £20,000 without getting back in touch with the main Office. In the case of the Vogue contract, this £20,000 turned into a million, did it not?

(*Mr Cook*) The £20,000 authority was exceeded by the Census manager and it was not picked up by my Office when we conducted an internal review by the procurement division of how the Census procurement was going. It was not discovered until it had reached a far greater sum of £400,000. When immediately this was discovered, a review was conducted and the assessment was carried out of the cause of these problems. The Census manager was put under a charge of serious misconduct.

25. He had his pay reduced by 4%?

(*Mr Cook*) Yes.

26. Then it was increased again to compensate the next year, was it not?

(*Mr Cook*) In 1997—

27. Is that true or not?

(*Mr Cook*) In 1997, the Office agreed that the Census manager during the years 2000 and 2001 would have an 8% increase in his pay because of the vast increase in his workload during the two years of the Census. On 1 January 2002, his pay went down again by that 8% because that period had concluded. He was given a pay deduction of 4% and the allowance sat on top of that because it was unrelated to it.

28. Where does he work now?

(*Mr Cook*) I honestly do not know.

29. Does he work for Vogue?

(*Mr Cook*) No, I believe not. I think the newspaper told us that last week.

30. Do you think it is rather odd to hear somebody say that there was nothing improper in any way whatsoever about somebody giving a £1 million contract vastly exceeding his delegated responsibilities of merely £20,000 when such contracts ought to be advertised in *The European Journal* anyway to other businesses? How can those two things be true?

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[Continued

[Angela Eagle Cont]

(Mr Cook) All the payments after the first sum of £400,000 were agreed to by the accounting officer of the department because they were payments made after the arrangement had been reviewed and it had been decided to carry on with it. The reason it was decided to carry on with it was, very simply, it was judged to be in the best interests of the government in terms of the risk of having a significant change in the way in which the contract was organised and negotiated at quite a critical period. It was very much regarded as likely to cost the government more to set up negotiations with companies such as Lockheed Martin with an entirely new team.

31. What are you going to do to strengthen oversight of these cosy little deals in future?

(Mr Cook) We have already done it. Firstly, I think it is important to recognise that the ONS itself started up in 1996 as a new department. The procurement side of the Office—an erroneous decision was made to not expand it specifically for the Census; whereas we have since centralised through our central procurement unit, which reports through the principal financial officer to me, all decisions relating to procurements of this sort.

32. Do you not think it is very odd that somebody should be in charge of the procurement and ignore the rules in such a blatant way? He is a long-standing civil servant; he must have known what the rules were. He allowed £1 million of business to be given to a business acquaintance and then had the person—that is you—to whom he is answerable say in public at the public accounts committee that this is not improper in any way whatsoever. Do you not think that the public, looking at that, will be rather cynical?

(Mr Cook) It was judged that there was no impropriety in the process and—

33. It is all rather conveniently cosy, is it not, apart from being illegal in terms of procurement?

(Mr Cook) I do not regard it at all as an acceptable action and that is why the processes of procurement were centralised into the procurement office, why the manager concerned had no role in initiating procurement activity after that. He was carried on very much for the reasons of the best interests of the Census.

Mr Williams

34. Can I continue on the line that the Chairman started off with Vogue Consultants? We understand that the Census director selected Vogue through a single tender. Is that against the Agency's rules?

(Mr Cook) To use it for more than £20,000 a year would have been inappropriate, yes.

35. Would it also be against Treasury rules?

(Mr Molan) Yes.

36. Having given the £24,000-worth of work against your rules and against Treasury rules, he then gave them further work of £34,000 without bothering to go on with any sort of tender at all. He just gave them an extension, also against your own rules and against Treasury rules.

(Mr Cook) Yes.

37. Then someone in the organisation got wise to this and KPMG came in. They found that he had also done it without any written contract. Is that outside your rules?

(Mr Cook) To the extent that it was done, yes.

38. I am sure it is outside Treasury rules as well. That did not specify a maximum contract value, a termination date; nor did it observe the standard terms and conditions of the department. It might be easier if I ask: are there any rules that he did not break? In this latter case £485,000 was involved, was it not, so Vogue and this friend got altogether over £500,000 without any competition, all obtained by breaches of your rules. I do not want to be unfair to the person concerned. You do make the point that, while it was regarded as serious misconduct, the report does say that the Office accepted that the motivations were in the best interests and that there was no evidence that personal gain was made. I do not want it to be thought that I am making allegations that are unfounded about that. You have told the Chairman he resigned. Why did you not sack him? He breached your rules again, did he not, when he gave confidential information to another agency? What was the nature of the information and to which agency?

(Mr Cook) The Criminal Cases Review Commission has the ability, as I referred to in my annual report to Parliament for the years 2001–02, to obtain information from government departments where it believes it is acting in the interests of the individual who it is obtaining the information for in its review of legislation.

39. You felt it was serious enough for him to go?

(Mr Cook) I would not have provided information to the Criminal Cases Review Commission without testing it.

40. You have made that clear in reply to the Chairman. Why was he not sacked rather than allowed to resign?

(Mr Cook) A case of gross misconduct was being prepared through the processes in my Office for reviewing performance. During the preparation of that, the union that represented the Census manager raised the issue of whether I would accept a resignation without any additional payment, simply a resignation.

41. When you say “without any additional payment” what do you mean? Tell me precisely what the terms of the separation were. Do you mean his salary stopped immediately?

(Mr Cook) It did.

42. He did not get any notice?

(Mr Cook) No. He left. His final pay was for a date in April. When he left, he was on suspension from 27 February to 5 April and his pay ceased at that time. He received no payment, no gratuity, no additional money from the Crown whatsoever.

43. That is very reassuring. Can we switch to case study one, the payroll contract? Here, this is rather strange. MP Systems put in a bid of £600,000. Chessington put in more than three times as much, £1.9 million. MP Systems were ruled out and miraculously Chessington then reduced their £1.9

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[Continued

[Mr Williams Cont]

million, almost halved it, to £1.2. It was still twice as much as MP Systems. What was wrong with MP Systems?

(Mr Cook) Firstly, part of their bid was that they would work in partnership with my Office. Secondly, when we were carrying out the process of assessing the three organisations, at one stage, we invited our internal auditors to review the process we were adopting and they advised us that MP Systems should be excluded from the next stage for two prime reasons: concerns in terms of their financial instability and, secondly, their complete lack of experience in a management payroll service of this size and complexity.

44. But they had done work on the two previous Censuses, had they not, which was satisfactory?

(Mr Cook) They had provided us with computing services to operate the 1991 payroll, which we operated ourselves.

45. The firm you gave it to then made a complete dog's dinner of it, did it not? According to paragraph 4.11, during acceptance testing, your Office raised over 160 incident reports of shortcomings. That is so, is it not?

(Mr Cook) Yes.

46. You employed consultants to look into what they had done. They found errors in completion of forms which made the forms unscannable, poor quality of keying errors by their Mauritius based staff and inconsistent imaging standards. They are quite serious problems, are they not, for you to be able to process the documentation?

(Mr Cook) Very much so. The Chessington systems were quite rigid for the task that we had and a lot of effort was made to adjust for the nature of the task.

47. Then they made advance payments which cost you £250,000, which was not recovered. Is that correct?

(Mr Cook) We have recovered half the advance payments made by ONS.¹

48. And at least a quarter of a million you did not recover?

(Mr Cook) Yes.

49. Overpayments were made to 2,700 Census field staff, totalling nearly £498,000, half a million.

(Mr Cook) Yes.

50. 38 of that had to be written off. I make that £200,000. That is quite a costly mistake, is it not?

(Mr Cook) Yes.

51. Do you get any compensation from them? They messed up so much. Did they get the 1.2 million they contracted for?

(Mr Cook) Yes, they did.

52. Despite this complete mess up of the whole system? Were there any penalty clauses in the event of non-delivery of service?

(Mr Cook) There were penalty clauses and the department's ability to have those penalty clauses applied was offset by the part of that contract that required us to deliver an accuracy level of 2.5% which was not achieved. In fact, the accuracy level that we delivered was much more like 10 or 7.5% overall.

53. Between the two of you, you were messing it up on the input side and they were messing it up on the output side. Between you, you have lost the taxpayer a lot of money and £200,000 ended up being written off?

(Mr Cook) The contract had a quality of documentation being provided to Chessington which was not delivered by my Office.

54. No one really comes out of this very well, do they?

(Mr Cook) No, certainly not a success story for my Office in the particular aspect of having the accuracy level of 2.5% in the contract. That was an error in judgment.

Mr Williams: I cannot commend you on your performance. I can at least commend you on your honesty.

Mr Osborne

55. You would have thought the ONS would be pretty good at statistical predictions but littered throughout this report are cases where you have got your statistical predictions wrong in the handling of the Census that have led to the over-budget and so on. Would you accept that?

(Mr Cook) We got some things wrong but you have to look at the thing as a very large operation which has delivered on budget overall. That is the ultimate test which we have delivered on. Secondly, the most significant thing that I think we did fail at was we put our contingency money in the wrong year. We should have put our contingency money in the year when the Census uncertainties were at their greatest, but when the Census budget had £20 million removed from it in 1999 we did not realign the budget with where we expected the risks to fall. That was an error.

56. Why did you not do that?

(Mr Cook) I cannot answer that.

57. Your budget was less than you thought it was going to be and you did not therefore make adjustments.

(Mr Cook) The year of expenditure was not seen as an issue in terms of the traditional cash accounting used in government. This is one of the times when the move to accrual accounting bit into the organisation and I think, for any organisation carrying out a very large expenditure such as the Census, it was a learning experience. I would put a large part of it down to the move to cash and accrual accounting.

58. The Office for National Statistics estimate was that 600,000 people would call this helpline that you set up. 2.6 million people did. You were way out on that guess.

¹ Note by witness: The issues are slightly more complex than suggested in the question (as noted in para 4.22 and 4.26 of the NAO Report). ONS, not Chessington, made advance payments to field staff using its own systems and just over £244,000 of this was not recovered when Chessington made final payments to field staff. There were also overpayments for other reasons, bringing the total overpayments to nearly £498,000. To update para 4.27 of the NAO Report, ONS has now recovered 32% of all overpayments, with a further 7% being due in instalments. 45% has now been written off as unrecoverable other than at uneconomic cost, while the remaining 16% continues to be pursued.

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[Continued

[Mr Osborne Cont]*(Mr Cook)* That did not really matter, did it?

59. It mattered to the 53% of callers on 23 April who got an engaged tone when they called.

(Mr Cook) If we had overestimated, I suspect you may have been asking us why we overestimated. I think we were very successful in that we obtained a contractor who could scale up from 350 lines to 1,300 within 48 hours. If we did underestimate, what we underestimated was the huge goodwill of the British public to fill in Census forms.

60. Maybe they could not understand the forms which is why they were phoning the helpline.

(Mr Cook) I disagree. The key concern of people ringing the helpline was, firstly, can I get more forms and, secondly, can you tell me, given that I have a form, whether this person should be in my household or not. There was a huge interest in completing Census questionnaires.

61. That information suggests the form was not very clear if people had to phone up to discover who they should put down on the form.

(Mr Cook) I think it reflected a huge interest in a big part of the Census. An 88% response rate in mail back is a confirmation of that.

62. That was another prediction you got badly wrong because you predicted that only 70% of people would post back their forms and 88% did. Why were you so wrong in that?

(Mr Cook) We used the best information that was available. If you look back on April/May last year, we may well have had a fair wind in terms of public goodwill to filling in the Census that, if we had carried it out six months later, we may not have had. I think we had a pretty good estimate. We had to have an estimate that we could meet. If there was a fault—and clearly in hindsight we did not estimate a figure that was close to what was achieved—we would in future plan to deliver on a range rather than a point estimate.

63. It did lead to all sorts of problems. At one point you had to deploy your staff, instead of knocking on doors, to sorting the mail.

(Mr Cook) We had huge difficulties in getting the mail that was provided to post offices back out to the 2,000-odd Census managers. The 69 postal centres of the Royal Mail provided a hugely variable service to us and we found it very difficult to predict or even understand what was actually happening for a four week period.

64. That suggests that the failure to estimate correctly the number of forms posted back ended up causing you a huge number of problems. Indeed, it led to significant extra expenditure, did it not, of about £4.5 million?

(Mr Cook) There is an excellent chart in the report on page 13 of when the Office predicted the post back and what happened. Except for the fact that far more forms came in the two weeks before the Census, our predictions were not too bad in terms of the capacity of the Royal Mail to deliver. For an organisation whose peak capacity is 80 million postal items a day, we were collecting £20-odd million over the whole experience.

65. If you turn to page 27, paragraph 3.23, it says that the costs of the difficulties arising from the post back were, taking out the bit about foot and mouth, 4.4 million and, "... due to the lack of reliable management information from the field, the Office's managers have no accurate means of assessing whether the level of additional resource committed to the collection of outstanding forms was necessary." In other words, you do not know whether that 4.4 million of taxpayers' money was well spent.

(Mr Cook) We are reliant more than we would want to be, in the same way that we have always been in a Census, on the judgment of the managers in the field at this very tightly packed time for collecting Census forms, in the three or four weeks straight after the Census. What happened in this Census is that they had considerably fewer forms to collect than the 100% that they normally collect in a Census. They had no less information than they have had in the past. What we did put in place for the Census was a much more comprehensive management information system that did not actually work.

66. Did the delay and the problems with the return of the forms interfere with the Census coverage survey you were doing?

(Mr Cook) In the end, no.

67. How can you be sure of that?

(Mr Pullinger) The Census coverage survey was due to take place primarily during the month of June. The Census enumeration was intended to finish on 21 May. When we discovered there were difficulties with the post back, we gave discretion to local managers to extend the period of enumeration by one week from 21 to 28 May. Where they needed to do that, that is what they did and it was the expenses incurred particularly during that week which added to the cost.

68. The Census coverage survey, if I understand it correctly, is where you get the figure of a million people that you missed in the Census.

(Mr Pullinger) Yes.

69. It is absolutely crucial that you are fairly sure that that process worked correctly. You can say with absolute certainty that the delay and the problems caused by the mail back did not affect the Census coverage survey and therefore produced a figure of a million people. Can you be sure of that? A single word answer?

(Mr Cook) Yes, and we did a test of it afterwards.

70. Can I ask about these million people? There has been lots of speculation about who they are. They are supposed to be all young men in Ibiza and so on. What is your guess as to who these million are?

(Mr Cook) There are two different things we are talking about. One is the difference between the population estimate that we have produced for June 2001 and the final Census figure. We estimate that of the 900,000 difference 300,000 is caused by an adjustment that we made for people missing from the 1991 Census that we now no longer believe we should have made. We believe the 1991 Census was more accurate. We believe that our ability to measure people leaving the United Kingdom is the key vulnerability that we had in the statistical system we had for measuring population change between

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[Continued

[Mr Osborne Cont]

Censuses. To that extent, there were some 3.4 million people who arrived in the United Kingdom between 1991 and 2001, and where we previously estimated 2.5 million departed we now believe that some three million departed. When we examined the age profiles and sex profiles, we believed that we lost more young men between 20 and 35 than other groups, but there is a shortfall in other groups.

71. What has happened to all those people who registered their religion as Jedi?

(Mr Cook) We can count them in terms of how many there but of course we would not call them a religion.

72. How many are there?

(Mr Cook) We will not know until 13 February when the more detailed parts of the Census—

73. Why will you not call them a religion? Is that your judgment to make?

(Mr Cook) Yes.

Mr Gibb

74. Did any of the return forms go missing in the post?

(Mr Cook) We had one incident in a rest home where 14 forms ended up being found in a neighbouring letter box. We believe that they were placed in the letter box that may have been overflowing and someone may have placed them somewhere else. We obtained nearly all of those forms back through them being mailed to us, but that was the key incident we had. We also had a second incident in St Hilda's where some forms went missing and we recovered them later.

75. The answer to that is no. How long between posting a form and having it registered at your Office where it has been received to process the information? How long between posting and registering?

(Mr Cook) The contract that we had with the Royal Mail was for three days' return to us.

76. Is that including the computer time of getting that registered, that Mr X of 9 Acacia Avenue has returned his form?

(Mr Cook) They would deliver back locally. Each of the 2,000 managers maintained the forms for their area when they were returned and ordered to work out where we went back, so all that was managed locally.

77. How long did that process take from posting to acknowledging?

(Mr Cook) It was 8 May that we were going to start going back and that became delayed in a number of areas, because the Post Office did not provide us with the information that they had sometimes up to two or three weeks later.

78. I heard of lots of incidents of people being chased for their Census forms when they had already sent them off.

(Mr Cook) That would have occurred very much in the period between 8 May and the following two weeks.

79. What cost implications are there for field officers being sent out to chase forms that have already been returned?

(Mr Cook) The 4.4 million.

80. How many people have you identified as refusing or failing to complete Census forms?

(Mr Cook) We have prosecuted 39 people successfully and they are the number where we believe we could sustain right through to the point of prosecution with the advice of Crown solicitors.

81. Only 39 people did not send back their returns?

(Mr Cook) No. We estimate that there are some million people, from the Census coverage survey, that were not included in the Census.

82. You could only find 39 to prosecute?

(Mr Cook) 39 gave us reason to prosecute according to the law and the evidence and the processes we had for ensuring that we can prosecute.

83. How did the other 990,000-odd get away with it? What did they do differently from the 39?

(Mr Cook) In general, we would not have been able to identify them to be able to follow through a complaint. Usually, the people that we are successful at being able to prosecute are people who bitterly object and make a point of doing so, who obstruct the Census or are threatening in some way.

84. If you have a principled objection to the Census you are prosecuted; if you are feckless, you are not?

(Mr Cook) The odds would certainly be against you. That happens, I think, in many walks of life.

85. What was the penalty for those 39 people who were successfully prosecuted?

(Mr Cook) You can be fined up to £1,000.

86. How much were they fined?

(Mr Cook) It varies.²

87. Is it possible to have a breakdown?

(Mr Cook) We can give you the whole 39.

88. What was the cost of the 1991 Census in cash terms and in real terms by 2001 prices?

(Mr Cook) 115 million in 1991 dollars.

89. New Zealand dollars?

(Mr Cook) It would certainly be value for money then.

90. How is the 115 million in real terms?

(Mr Cook) Roughly 250 million.

91. You have saved money in real terms?

(Mr Cook) We believe so. That is recognising that there were 10% more households and that we processed the hard to code questions including industry and occupation for the whole population rather than the 10%. That has a consequence for all small parts of the country. We have that very detailed information that we did not produce in 1981 or in 1991 for cost reasons.

92. What was the most common query to the Census helpline for those who managed to get through?

² Ev 17

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[Continued

[Mr Gibb Cont]

(*Mr Cook*) The most significant one was, "Can I get a form?" The next one was very much about: is this person eligible for being in the Census or, "I am in my second house. What do I have to do?" They were very much questions of location versus form.

93. Will you be able to make that clear on the form next time? There were some ambiguities on the form.

(*Mr Cook*) The review we do of issues like that plays a very major part in the way we shape the next Census and I have no doubt that will be critical.

94. Finally, why did you need to know my religion?

(*Mr Cook*) Parliament passed a law in 2000.

Chairman

95. It is an interesting question. You do not have to answer it but you can make a stab at it if you want to.

(*Mr Cook*) In the case of the UK, it was very much part of providing information as an extension of the social exclusion agenda in terms of the question of ethnicity and religion is another way in which we can find out about the culture of people. You will notice it was not really a question on religion because it lumped a large number of Christian religions together. The Church of England was not separated, for example, so it was very much seen as a complementary culture and ethnicity question.

Mr Gibb

96. Does the fact that it was, quite rightly in my view, a voluntary question make the data meaningless?

(*Mr Cook*) We will know that when we have seen the proportion of responses, but we do not believe so at this stage. I think we should hold our powder on that.

Jon Trickett

97. I want to come back to the question of subcontractors. I am not sure that we have got everything out into the open yet. On the question of Vogue, there is one point which has not yet emerged. In paragraph 2.18, you say that one of the reasons for retaining Vogue was that they had a high degree of familiarity with the Census contracts. I presume that means they knew the ins and outs of the contracts which had been let to other subcontractors?

(*Mr Cook*) They were very closely involved with the Lockheed Martin contract, with the Cable & Wireless contracts and I think the Royal Mail contract.

98. What was your concern, if you had dismissed them, that they would do this with this information?

(*Mr Cook*) It was not a concern of what they would do with the information. It was a concern that we were dealing with quite a comprehensive contract with Lockheed Martin that has delivered within four weeks of being on time within budget. It must be one of the most successful IT projects that we have in government. If we had changed our horses midstream, we may well have lost the continuity of negotiation that is quite important in the development stages of the contract.

99. In the same paragraph you say that you imposed contract conditions upon Vogue which were standard terms and conditions and you backdated those conditions from August 2000 to January 2000. The contract with Vogue was an oral one, was it, at that stage? There was no written contract?

(*Mr Cook*) The contract was not written according to our organisational standards. There was a contract but it was Vogue's contract, not the contract of the Office, which is our rule.

100. The UK Government, through whatever agency or individual, signed a contract which had been offered to us by a subcontractor?

(*Mr Cook*) Until the contract was changed by the Office in 2000, yes.

101. They were our advisers in relation to other subcontractors but there was also a legal adviser and they do not seem to have gone to tender either, do they, as far as I can see?

(*Mr Cook*) The legal advice that was received at the time that this was going on was the procurement of Bird & Bird.

102. It is paragraph 2.12. We have two sets of advisers, Bird & Bird who were the lawyers, and Vogue who were helping over other technical aspects in relation to subcontractors. This whole debate is really about the way in which you were ripped off by the private sector, it seems to me, or not as the case may be. This paragraph 2.12 appears to say that the legal advisers which you used to give you advice were not appointed by tender either. Is that right?

(*Mr Cook*) They were appointed under an arrangement that the government has for contract procurement as noted on page 18. The contract with Bird & Bird was not regarded as improper because it was started out under the procurement rules.

103. You are struggling to avoid saying yes. There was no tender.

(*Mr Cook*) There was no tender. There was a facility for the employment of Bird & Bird in quite a different way—

104. Bird & Bird were advising the government on the Central Computer and Telecommunications Agency which is a long way from the Census. You or someone seems to have decided on your behalf that that was acceptable, to use them to give you legal advice on the Census. Is that not correct?

(*Mr Cook*) The CCTA, the predecessor of the Office of Government Commerce, did create a list of consultants who had been approved and Bird & Bird were on that list. That was the basis of the employment.³

105. What consideration was given to other firms which are also on the list? In other words, there was an approved list with draw-down contracts of legal advice. That is how it sounds.

(*Mr Cook*) Yes.

106. Why did you choose Bird & Bird rather than any of the others?

³ Note by witness: Bird and Bird were the only consultants on the list. Ev 18

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[Continued

[Jon Trickett Cont]

(*Mr Cook*) I do not have the answer that, except that Bird & Bird were on the list. They had considerable experience in this area and they provided an excellent service.

107. Highly convincing, listening to your response. Vogue were appointed in an outrageous way and Bird & Bird were appointed to a degree in a slightly mysterious way. They were then responsible for advising yourselves on public procurement. Is that what their two functions were?

(*Mr Cook*) Yes.

108. We have already looked at Chessington. There were ten companies who said they may have been interested in bidding for this tender. Only three bid and somehow or other yourselves plus our two advisers selected the one who provided the highest tender, as has already emerged. In the case of one of the tenderers, the lowest tender, you paid them £22,000 for messing them about. That is right, is it not?

(*Mr Cook*) We paid them £22,000 because we kept them in, in order to ensure that we had a competitive lot of bids that were regarded as a viable alternative. When the internal audit that was contracted out to KPMG reviewed that, it was concluded that it was not right for my Office to carry on with the company because of its financial viability and because of its lack of experience in dealing with a payroll of that size, so we immediately dropped them from that list and it was believed that we should pay them compensation for the work that we had required them to do, because we were advised by our auditors that we should not have had them on that list up to the point we did.

109. You chose a partner and went into a partnership with them, again without tender.

(*Mr Cook*) No, this was a fully competitive—

110. You had a partnership with MP Systems and eventually decided they were not competent to—?

(*Mr Cook*) We did not have a partnership with them. They were one of three people who carried on past the indicative bids, who were short listed to provide services for a payroll for the Office.

111. It says here that they had an indicative quote for the 2001 Census based on a joint venture with the Office's finance branch.

(*Mr Cook*) Their quote was a proposition to have a joint venture. One of the reasons why they were regarded as not acceptable was because it was outside the—

112. The way this paragraph reads, you led them to believe, and you compensated them when you failed to deliver, that a possible joint venture was an appropriate way of bidding for this work. Then you decided that they were not competent to do it perhaps because they were not large enough and then you dumped them and paid them £22,000 of taxpayers' money for the inconvenience which you had caused them. Is that not correct?

(*Mr Cook*) If you come back to the comments in the report by the Comptroller and Auditor General, he placed emphasis on the fact that we did not show special consideration to deliver value for money from the services that we obtained in outsourcing. In this particular bid, we sought to ensure that we retained

competitive tenders in an area where we were quite disappointed with the people who were putting themselves forward to do the Census payroll. We did not want to exclude, at the early stages, someone who had a significant chance of doing that.

113. The Committee will have noted that you did not answer my question.

(*Mr Cook*) I am sorry.

114. It is okay because we have noted that you have not answered the question or at least I have. That boiled down to the fact that eventually, from ten potential bidders, we got down to two and the highest initial bidder was accepted. I rather think that, looking at the details of some of these tender processes, they do leave a great deal to be desired. Frankly, I am not certain in my own mind that we have got value for money in relation to any of these matters that I have been discussing with you.

(*Mr Cook*) If you come back to the report, the report does make the point that we had a sound strategy for outsourcing services and that we achieved this. We did have a number of challenges in doing that. Perhaps I can refer you to a letter from NCS, National Computer Systems, who were a bidder for the Census processing tender, who make the point that our entire team has been most impressed with the professionalism, knowledge and integrity of the members of the UK Census team and despite our many years of experience rarely have any of us seen such a well managed procurement opportunity.

115. They have made high profits from you.

(*Mr Cook*) We have not employed them for anything since.

Geraint Davies

116. You mentioned that the cost in 1991 was £115 million at those prices and I think you said that that was 220 million at today's prices?

(*Mr Cook*) Approximately 250.

117. In 1991, you had a field force of 115,000 people collecting 24 million forms. That is right, is it?

(*Mr Cook*) Yes.

118. They were collecting 209 forms each, on my simple arithmetic. In 2001, you had a field force of 73,000, not to collect 100% of the 24 million but just to collect 10%. 2% were not returned and 88% came by post. Your new field force, instead of collecting 209 forms each, are collecting 33 forms each. Do you not think that, on the face of it, that does not look like good value for money and good use of resources?

(*Mr Cook*) Firstly, they had to deliver forms to every household and make contact with every household in a way so that they knew they should be mailing back their forms.

119. You knocked at the door and said, "Hello, Mr Jones. Here is the form." You did not just put it in the post box and find it came back 88% of the time?

(*Mr Cook*) We made contact with the overwhelming majority of households to deliver them forms so that they knew their obligations to return. There was a huge effort to make contact with households, particularly in the last two weeks.

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120. It was not the case that in the first instance in terms of delivering efficiency, you delivered forms to each household —

(*Mr Cook*) It was only a mail back Census.

121. So you did not think to have the Post Office delivering them all and then basically chase them up? You actually went round delivering them all?

(*Mr Cook*) The judgment was made that we would make the most effective changes and maintain the integrity of the Census by continuing to call, but then to mail back.

122. Because it just struck me that you estimated you needed 73,000 field force people in order to achieve collection 30% of the forms which were not mailed back and in practice you only needed to collect a third of that. Why is it that you did not then reduce your field force accordingly?

(*Mr Cook*) We, in fact, increased considerably the number of people involved in the larger cities in the United Kingdom.

123. I know that, but if you were doing some business management and you were saying, “Okay we think that 30% of these forms we will have to collect, and we need 73,000 people to do that”, and then it transpires that only 10% of the forms needed to be chased up, surely you could have reduced your field force from 73,000 to around 30,000—29,240. Why did you not do that?

(*Mr Cook*) By the time you have got 88% back by mail, the remaining forms that come back are coming back from people who are very hard to get hold of, who generally take a large number of visits to make contact with and who are people who will require persuasion to complete Census forms.

124. But that is the case for the marginal 10% anyway. If it was the case that 30% did not mail back, of those, a third of those are probably the “very hard to get” category. You must have factored that in anyway. It seems to me that you have overspent your budget for field staff by £5.8 million, you spent £59.9 million when, in fact, the amount of work that they had to do was a third of what you were originally projecting. In other words, you did this calculation and you estimated collecting a third of the forms and it would cost, whatever it is, £54 million, and in fact you only had to collect a third of that but you still overspent by £5.8 million, it just seems extraordinarily bad management, does it not, Mr Cook?

(*Mr Cook*) If we leave aside the fact that the last six million would have been the hardest six million whether it was out of 18 million or six million, we also ended up, because of the difficulties with the Post Office, employing people at a time when we did not need them and people made far more visits back to households than we needed to make because we did not have the information that forms were already in our possession because they were at the Post Office. In fact, that created a significant increase in the cost.

125. I am sure there were all sorts of problems. I am really querying the capabilities in forecasting the costs and even when the forecasts were made on the presumption that there would be a 30% chase-up and you found you only needed 10%, how you ended up using more money. That seems to me not very good.

In fact, on my calculation, given the amount you spent of nearly £60 million, you were spending something like £25 for every form in this 10% you had to collect just on field force staff as opposed to your other overheads. That is a tremendous amount.

(*Mr Cook*) I would remind you that all of this takes place in a four to five-week period in a very large devolved management. I think that is the key issue there.

126. You had all these people running around chasing very few forms so you would have thought at least you could have managed the quality of the pay claims these people were going to make. On my calculation these people were only collecting 33 forms each and I think they were being paid something like £820 each to do this. Yet we paid over the odds to Chessington, to whom we gave the contract, and Chessington say on Page 33, paragraph 4.21 that in 46% of cases the claims/pay forms that were put in they could not process because they were not properly presented. Given that you did not have as much work to do and more people to do it, could you not at least have got them to put their claims in correctly so you did not preclude being able to charge penalties to Chessington for their own ineptitude?

(*Mr Cook*) Can I say, firstly, that the Chessington 46% is a mystery to us, we do not know where it comes from. It reflects, we believe, a sample of their forms. Our figures for the 123,000 pieces of material we had was half that, 9,400, and 7.5%.

127. It says 10% in 4.21. It says here that you believe the true error rate in forms submitted by field staff was around 10%. You are now saying it is 7.5% so you do not agree with the Report that you signed off?

(*Mr Cook*) What we are saying is the rejection rate that we received in April to July for the period when this test was carried out was 7.5%, 9,400—

128. So you do not accept the last line of 4.21; I assumed you did?

(*Mr Cook*) We would accept that the true error rate is somewhere around that, yes, but it is difficult to estimate.

129. What you are saying is the error rate is three or four times the rate that you stated in the contract and because it is so far out you have been able to stop us recovering some of the million pounds or more we paid to Chessington who have been able to say, “We would have given you the money back but you have not given us the right input because you have not got the accuracy you prescribed in your contract.” Do you not think that is a bit of a failure?

(*Mr Cook*) I think it is. I think 2.5% was an error to include in the contract.

130. I will not go on at length about Vogue, but in terms of the amount of money spent on advice, £2.5 million on an outsourcing budget of £79 million (3.2% overall); is that a reasonable amount being spent on advice? We know that half a million was spent on Vogue in some very dodgy way. Do you not feel that you were spending too much on gaining advice, in particular given the outputs of all of this?

(*Mr Cook*) I think that it has proven to be a reasonable amount in terms of the risks that exist with major IT contracts and the fact that the contract

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has been managed within the budget set, and the fact that the overall Census is within budget I think bears out the judgment that was made to allocate that amount of time.

131. This £2.5 million advice, did they give you any advice on how to reduce your field staff overheads in the event that the postal return was higher than you projected in your calculations? Obviously it was much higher. Did they give you any idea how to manage your way into a lower cost regime in that event or not?

(Mr Cook) No.

132. They did not?

(Mr Cook) No, the range that we used for assessing the likely response rate was set and the judgment was made as to what the processing costs would be. We did not obtain advice—

133. Finally, you are going to give an evaluation of your own performance in June 2003, I read. Are you still on target to do it by June 2003?

(Mr Cook) Of the Census?

134. Yes.

(Mr Cook) Yes.⁴

Geraint Davies: Thank you, Chairman.

Chairman: Thank you, Mr Davies. David Rendel?

Mr Rendel

135. Can I follow up a bit on this error rate again, which I think is important. When was the contract set out? When was the figure of 2.5% decided? Was that before or after the dress rehearsal?

(Mr Cook) December 1998 was when the payroll contract was actually awarded.

136. And the dress rehearsal was?

(Mr Cook) The dress rehearsal was April 1999.

137. So you awarded the contract based on a 2.5% likely error rate before you had done the dress rehearsal and before you had therefore taken evidence of what the error rate was likely to be?

(Mr Cook) The expectation would have been that the payroll provider would have been fully tested during the dress rehearsal, but the delays in getting a payroll provider meant that we were not able to use the final payroll system that we used during the Census during the dress rehearsal.

138. By that time it would have been too late anyway. If you had agreed your contract based on a 2.5% error rate and then afterwards discovered in the dress rehearsal that the error rate was between ten and 46%, it would have been too late to change the contract?

(Mr Cook) With the system that we used, which was not the final system to be used during the Census, the error rate was approximately 10% and we believed that with the changes that we made in the forms that we actually could reduce that error rate quite significantly. We had no estimate of what we would reduce it to because we did not test it again.

139. But the 2.5% that went into the contract was before any of this estimate or any of the dress rehearsals, so you put it in as a pure guess, which turns out to be disastrously wrong and as a result of which we cannot get back any of the money because we failed to fulfil our side of the contract.

(Mr Cook) Yes, it was an error accepting the 2.5%. It was a figure that was put in by Chessington. It was not an evaluation by my office. It was a figure that was put in by Chessington and during the final —

140. So Chessington set the 2.5%? They suggested that you ought to get down to that and you just accepted it without having done any testing?

(Mr Cook) Yes, we did.

141. That seems extremely daft. Is that the normal way you go about procurement?

(Mr Cook) No, it is not but it happened in this case.

142. I am glad to hear it. I certainly would have expected you to do some sort of testing rather than accepting the estimate made by the contractor to whom you were giving the contract as to what you ought to do. Were the other contractors also offering you contracts on this basis, that they would set the error rate that you had to get to?

(Mr Cook) No, the contracts had independently established errors. This contract was one that involved us dealing initially with three quite inadequate tenderers. We got down to a process where we believed that Chessington would do the work that we wanted. That involved a huge number of changes to their systems to do that.

143. But in the end, as you said in answer to the Chairman, the Chessington systems were not all that flexible?

(Mr Cook) No, they were not.

144. You were eventually given three bids, of which one was going to be excluded because the company concerned was not financially viable. Of the two others, you chose in the end the lowest bidder once you had agreed a change in their pricing system as a result of further definition of the work involved. This was a bid which had decided what your error rate was going to be in spite of the fact that you had not done any testing on it and it was inflexible in terms of having to manage any difficulties that might arise. The whole of that sounds to me like an extraordinary error of judgment, but the further question that arises is given that that was the situation why did you not then go back to potentially doing it all in-house?

(Mr Cook) We simply did not have the time to do that. As this evolved, by December 2000 we were in the difficult situation of—

145. And there is nobody in Government Services who could have run that for you at that time?

(Mr Cook) We went out to competitive tender.

146. That is external contractors?

(Mr Cook) External contractors. We looked as far as possible.

147. And you had a public sector comparator presumably?

(Mr Cook) Yes. This is a very large payroll of 70,000 people. It is a one-off job for a three-week period and there was not the interest in doing it.

⁴ Note by witness: The Quality Report is due out in June 2003. The General report is due out in December 2003.

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[Mr Rendel Cont]

148. And it was, as you say, a big, one-off job, it was a job that you also already knew was likely to have lots of variations and lots of difficulties in terms of the forms being filled in, lots of changes at the last minute, and yet you decided to use an outside firm which apparently had little experience of this sort of thing and did not have flexible enough services to deal with it.

(Mr Cook) Let's remember that Chessington paid for a significant proportion of the public service their payroll every month. They were our payroll providers. I think the important difference between Chessington and the other outsourced companies that we had is that, for example, with Cable & Wireless and with Lockheed Martin we had essentially an effective partnership which was able to respond to problems as they arose. With Chessington what we received was quite a rigid service which they were quite unwilling to change or adjust to as our circumstances varied. They were generally a relatively unco-operative partner.

149. Let me move on to a more general point about procurement. Your office does quite a lot outside the time of the Census as well?

(Mr Cook) Outside the—?

150. Outside the time of the Census, you are procuring stuff all the time, all sorts of things?

(Mr Cook) In information technology particularly, yes.

151. How do you normally manage your procurement? Do you normally have procurement advisers in?

(Mr Cook) For example, in the establishment of our new information technology architecture which we are working on, we have people advising us as to the validating of the direction we are doing, much more reviewing what we are doing rather than —

152. How do you choose those procurement advisers normally?

(Mr Cook) By using the processes of the Office of Government Commerce. We would take them as part of the panel that had already been validated in terms of eligibility.

153. So you would normally go through the Government Office but on this occasion because you had somebody in charge who knew somebody in Vogue, it all went wrong?

(Mr Cook) The contract clearly started out on a smaller scale which was initially within the authority and then, quite properly, it was expanded beyond their authority with Vogue, yes, and then it was reviewed after that by the office and it was decided deliberately to carry on with it after it had reached 400-odd thousand.

154. Let me move on to a different point. You said at one point that you are reliant on the judgment of district managers to decide who should be paid, what extra, and how much extra and what extra work they should do. Are you saying that it is simply up to each of the district managers to appoint whoever they wish, to do whatever work they wish, to fix their level of pay and then to agree how much work they have done and therefore how much they should be paid? Is it just that one district manager in each case who decides all that?

(Mr Cook) Good heavens, no.

155. I am sorry?

(Mr Cook) I said no. There is a quite tightly-defined prescription of the roles, the recruitment processes to be adopted, and the scale of payments for every employee in the Census, right down to the 70,000 enumerators.

156. What is it that the district manager is given power to decide?

(Mr Cook) They basically have the authority ultimately to hire and fire.

157. So they can choose who does it?

(Mr Cook) They have a process of doing it, just as I do, so they do not hire and fire willy-nilly, they have to follow the procedures that are laid down.

158. They have to interview people?

(Mr Cook) There is a process of interviewing and assessment, yes.

159. So each of the district managers has to interview people before he appoints them and then he or she decides at that point to whom to give the job?

(Mr Cook) Yes, these processes have the capacity to be appealed and argued, as any other process.

160. But in practice each individual district manager has the right to appoint people to do the work? He has to follow certain processes, no doubt, but it is for him or her to decide on that appointment?

(Mr Cook) Yes.

161. And they decide how much work to give them in each case?

(Mr Cook) The loads have been assessed in the Census Office before the Census in each area, so each enumerator has a load which is based on the number of addresses that they are going to go to.

162. I thought you said when things started going wrong and questions were being asked, in practice each district officer then had the power to decide how much more to give each person.

(Mr Cook) That was because once the Post Office problems emerged they had quite different effects in each area of the country. Each of the 69 Post Office districts performed quite differently and so it was very difficult to establish a national pattern of how long forms were being held up in different parts of the country.

163. So you had to give the district manager the chance to decide how much work there was that still needed to be done?

(Mr Cook) They had to make the judgments. If they had already trained people, did they put them aside for two weeks or one week before they started using them again? So people may have been trained, their training may have been deferred if they had not already been trained—

164. Effectively, what you seem to be saying is the district managers had the right to appoint who was to do the work. In the end because it was uncertain type of work they had the right to decide how much work everybody did. There were certain pay levels for that type of work but, in effect, it was in the hands of one person to decide who to employ and how much work to give them?

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(Mr Cook) They had a review of the regional manager/the area manager above them. Essentially a Census is a franchised activity where, in fact, there are checks in terms of the authority that people have to do things, there are review processes, because they are part of a management chain, and finally there is, of course, after the event of the Census a very extensive review process where we look at how the Census performed. Each Census is essentially a prototype for the next one.

Chairman: Thank you very much. Your last questioner is Mr Ian Davidson.

Mr Davidson

165. Could I come back to the question of Mr Jones and Vogue. I am not quite sure whether I am getting this right because when the rules were not followed, he did get his bonus cut from 8% to 4%, but he was left in charge of the on-going relationship, which hardly indicates that all that serious a view was taken of it. Would I be right in assuming that while the rules were not followed and it was not a set of decisions that were unduly outrageous and that had the rules properly been followed and all the right hoops jumped through, you might actually have ended up with the same conclusion anyway?

(Mr Cook) That is most probably the case; possibly the case.

166. And that perhaps we are focused unduly on issues of procedure here and mislead ourselves about the seriousness of this issue?

(Mr Cook) No, I think conformance to proper process is one of the few ways you have to judge the effectiveness of many government operations. So I would not make that point.

167. If it was serious, why did the bonus get cut from 8% to 4%? Would it not have been easier to abolish the whole bonus or something else? It seems to be a mixed message I am getting here.

(Mr Cook) Firstly, can I say that advice was taken—as an accounting officer would—both legal advice and of the principal finance officers of two large organisations, once the penalty had been decided by the officer in the department responsible for judging the case, on appeal, whether in fact that penalty was fair. That advice led to the conclusion that in fact the penalty was if anything a little on the high side for the situation which had been described to those people.

168. I understand that. It is the juxtaposition then of that and the disciplinary action which was being taken in the later case and his resignation in quite severe circumstances. Can you clarify for me what information was being passed over? You have not touched on the nature of this information. Could you clarify that?

(Mr Cook) There is an individual whose case was being dealt with by the Criminal Cases Review Commission, and the Criminal Cases Review Commission legislation enables that authority to have access to any government record about a person who is seeking to have their own case reviewed. The Criminal Cases Review Commission sought information from my office about that person from the 1961 Census.

169. It was information about the person themselves?

(Mr Cook) Yes, it was about the person.

170. Not about other people?

(Mr Cook) It was about the person themselves. That is the only basis on which they could obtain the information.⁵

171. That was considered a sacking offence. Maybe Mr Pullinger could answer himself.

(Mr Cook) Was there another person?

(Mr Pullinger) The information was being sought by the Criminal Cases Review Commission for a case they were investigating. It was about other people.

172. It was about other people. The information about these other people was provided and that was what led to the disciplinary action?

(Mr Cook) Yes. Yes, because I would not have done that.

173. I understand. I was not sure from your initial answer whether it was about the individual themselves. How many other people was it?

(Mr Cook) We understand it was two people.

174. Could I turn to another point. As the alleged head, for these purposes, of a household which contained a number of Jedi, could I clarify your answer about when the number of Jedi will be known?

(Mr Cook) 13 February.

175. You have decided not to give this as a religion, despite people having filled in the box which says “What religion are you”, “Jedi”. On what basis do you decide people have made the wrong decision about what their religion is?

(Mr Cook) It is not for me to decide on the religions in the United Kingdom. It is not for me to turn Jedi into a religion.

176. Or to declare it is not a religion either, presumably. If people self-declare as Jedi then that presumably should be acceptable to you, because on what basis do you declare it is not a religion?

(Mr Cook) We will prepare an analysis of the number of people who call themselves Jedi but we will not present the results as though they were a genuine religion. There was a wonderful response from people which undoubtedly led to a good many people more enthusiastically completing the Census than they might otherwise have done, but one should treat it however as a somewhat frivolous act.

177. That is interesting. So all these people who filled it in were doing it somewhat frivolously. I can tell you that certainly in my household those who filled it in and friends who filled in the same thing were making a clear statement. It was not done in a frivolous or light-hearted fashion, they saw themselves as making a statement, perhaps thumbing the nose at organised religion but it was certainly not done frivolously and it was done in all seriousness. I would hope you would reconsider the way in which you present this information in order not to trivialise what I think was a very serious statement by a number of sensible individuals. I am aware of course

⁵ Note by witness: This is incorrect. This was information on other people.

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[Continued

[Mr Davidson Cont]

in Glasgow, and no doubt elsewhere, there will be requests to classify whether or not people are Protestant Jedi or Catholic Jedi but I will leave that aside for the moment. I would certainly hope these figures would come forward in a meaningful way. Could I ask you something else about the pattern of returns? On page 26 I am fascinated by the return from North Bradford which is over 100%. Could you clarify for me how you can have that return? This is not the Iraqi elections here. How do you manage to get more forms back than you sent out?

(Mr Cook) We produced an estimate of the number of households in the area and by the time the forms were delivered by the enumerators they in fact delivered more forms and we recovered more forms back. So this is based on the address list which we start the Census with and it is the key reference point.

178. I was looking at the left hand side where it said "Percentage Returned" and I was presuming that was a percentage of those issued.

(Mr Cook) No, it is a percentage of the base population which started the Census.

179. What lessons do you draw from the fact you obviously in that area got it wrong? I am wondering whether or not there are other similar areas where you got it wrong because your estimates were wrong, that you got a lower turnout than would have been appropriate in the circumstances and you were therefore satisfied with a lower figure than you ought to have been.

(Mr Cook) I think one of the important experiences that you get from doing a mail-back the first time is that you have a huge amount of information about a great variety of experiences that you are going to encounter. Planning to manage a Census with such a huge variety of experiences is considerably more difficult than assuming any average performance. I think one of the difficulties we have with the Census is that what we do not know is the extent to which regional differences were either exacerbated or muted by the performance of the Royal Mail in delaying the process of Census forms, so in some ways we still need more information to understand the variability of different areas.

180. That leads me on to a couple of other points I wanted to ask, the successes in this. Am I right in thinking that the two major areas of success overall are the way in which the postal system operated and Royal Mail in general, and the IT system of Lockheed Martin? Would you generally say those were successes? We have to be looking at some good out of this, look for things which went well, and are those particularly areas which you think you handled well?

(Mr Cook) Firstly, if you come back to the Report, the Report does say we did have a sound strategy for outsourcing Census services, and I think that is clearly dominated by the success of the most significant outsourcing contract. We did actually have a lot of competition for the bids, we had over 100 bids for example. We did actually have risk management arrangements. We carried out the Census during the foot and mouth epidemic; we carried it out through a huge lot of issues in Wales in terms of the public's response to the Welsh question; we carried it out at a time of real difficulty in getting

people to want to even work on the Census in London. We had staff from about seven government departments and 12 local authorities who were given time by their managers to come and work for us. Finally, as you well know, we had a chance for quite a while there would be a general election in the middle of the Census. So we had a whole raft of things where risks were being actively managed. So I think given those risks which were managed, the comment in the Report that we had effective contingency arrangements with our contractors is quite an important point. I think in fact the Census overall went very well when you look at it as a job where the key successes are, four to six weeks after a Census do you get a good form from people, do you actually get a Census carried out where the overwhelming majority of people just want to give you a form rather than question whether they can trust you, and finally, can you actually process the results afterwards.

181. Having given you the opportunity to get that off your chest, I hope you will bear in mind the points I made about the Jedi.

(Mr Cook) Thank you.

Chairman: Thank you very much. We have a wrap-up question from Angela Eagle.

Angela Eagle

182. On page 20 it says you are apparently in some kind of dispute with Lockheed Martin about additional costs they are demanding from you and you have encountered compensation claims from them. Can you tell us please how much money is involved?

(Mr Cook) Generally it is less than £10 million. Can I say that the contract negotiations are at a relatively sensitive point at this stage. We have no doubt that we will resolve that contract within the budget of the Census and that in fact our ability to carry on negotiations at this stage reflects the fact we have a very effective contract where we have some costs we are claiming off Lockheed Martin, they have some additional costs they believe we should bear which their other contractor caused them to incur, and at this stage I do not think we will see a settlement with Lockheed Martin as being a matter of great significance in the light of the issues in this Report.

183. What percentage of the overall contract cost is "about £10 million"?

(Mr Cook) The percentage of the overall contract cost which is in debate is of the order of £2 to £3 million.

184. Sorry?

(Mr Cook) The amount we are talking about is £2 to £3 million, which is about 5% of the contract cost.

185. So what is the £10 million?

(Mr Cook) I said it was under £10 million. I was recognising the fact we are still negotiating.

Angela Eagle: Okay.

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[Continued

Mr Rendel

186. I want to follow up a little more on the points I was raising earlier because I think there is a potentially serious weakness here. If I were one of your district managers and I have a nephew, for example, who is called by a name which is not recognised as anything to do with me, would I have been able to ask for him to be paid, say, for five days' work when actually he had done nothing, and how would that have been stopped?

(*Mr Cook*) In each of the areas that you work there is generally a very small team and were there to be one-off unusual arrangements they would tend to become obvious because there is a lot of team management.

187. This is not necessarily an unusual arrangement. I, as the district manager, could have had enough work for, say, 20 people to do, and I added a twenty-first who just happened to be my nephew, and I gave him five days' work which he did not do but he got paid for it. How would that come to light?

(*Mr Cook*) It would come to light in terms of the areas that people were employed in. People have to complete logs, they have to certify their work—

188. But if it is just between my nephew and me?

(*Mr Cook*) If your nephew were to do that, in order to do it they would have to provide enough evidence for us to actually prosecute them, if they could, in terms of deceit and in terms of false statements of the eligibility for work—

189. But how would you have known the statements were false? If he said, "I did this work, I went round 15 houses" and it had not been followed up by anybody else, how would you spot the fact there was anything wrong about that?

(*Mr Cook*) In each of the areas there is a process of reinforcement of the activities of managers by the activities of managers at a higher level. So there are 101 area managers, they have an oversight of 2,000 Census district managers who have an oversight of the work of 6,000 team leaders, who can reach in between the Census district managers and the team leaders and the combined interests of the 30-odd staff which each Census district manager is responsible for, and this would in fact have provided a very, very strong oversight of the employment arrangements. It would have been absolutely impossible this could have occurred—

190. It seems to me a basic principle in these financial matters is that you always ought to have two people involved in authorising any major payment at all, and it seems to me in this case there was only one.

(*Mr Cook*) No. We have a whole process, we have a team leader, a Census district manager, and of course payments for expenses went through our area manager regional office, so there is a whole process of validation. Can I say that when you go to a team briefing of our Census area managers, as I did, the biggest complaint they have is the excessive bureaucracy that we put in place in order to create validating processes for this.

Mr Williams

191. I want to impose on the fact that we have an eminent statistician with us today and ask a question which is nothing to do with the inquiry but it is very important to this Committee. We do a lot of investigations into PFI deals and in the PFI deal we are always shown a public sector comparator which eventually always manages to work out at a result which shows the public sector costing marginally or massively more than the PFI alternative. We have treated the public sector comparator as an accounting concept but it is a statistical concept. Has there been any exchange of information between offices such as yours and the NAO to help guide this Committee on how we can assess whether the public sector comparators which are put before us are valid or not? If not, is there any way you can concede that you in consultation with the NAO could devise something which might be of help to this Committee and to Parliament and to parliamentary accountability?

Chairman: Of course it is not relevant to this inquiry, but I am sure Mr Williams would be very grateful if you could do your best to answer the question which was put so politely to you.

(*Mr Cook*) I am not sure I am competent to give you—

Chairman: You can always give us a note.

192. Yes, put a note in. Sorry, Sir John, do you want to say something?

(*Sir John Bourn*) I am very glad to work with Mr Cook in responding to that. Of course when our work on public sector comparators includes work of a statistical nature, it is in fact done by statistically qualified people in the Office, so there is proper professional backing to that work. But I should be glad to work with Mr Cook in responding to the points you make, Mr Williams.

Mr Williams: Thank you. That would be helpful.

Chairman

193. Thank you, Sir John. Geraint Davies wanted to put a question. He thought you said that Chessingtons had half the public sector payroll. Is this correct?

(*Mr Cook*) I think that might have been me using a loose term. They have a significant part of the public sector but "half" is not me speaking as a National Statistician!

194. Could you do a note for us on it please?

(*Mr Cook*) Yes.⁶

195. It is just that there are so many problems perhaps we should have a hearing on how much has been wasted in the rest of the public sector.

(*Mr Cook*) Insofar as I can confidently give you a response, I would think that would need to be qualified.

196. There are just one or two questions which occur to me. I still do not understand why you spent the same money you were expecting to in the first place despite the much higher than expected postbag.

(*Mr Cook*) In terms of the Census vote overall?

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MR LEN COOK AND MR JOHN PULLINGER

[Continued

[Chairman Cont]

197. Yes, the £207 million.

(*Mr Cook*) Firstly, we have the contingency. We believe we should have had the contingency in the Census year and in fact we had the contingency available in the wrong year for the Census, so in fact what was actually in the later years included a higher amount for the contingency for the Census than it should have been.

198. I am still not entirely happy but no doubt we will come back to it in our Report. I have described your outsourcing problem as quite serious, why did these occur given all the advice available to you from departments such as the Office of Government Commerce?

(*Mr Cook*) The Lockheed Martin contract and the Cable & Wireless contract for the help desk I, as I said before, regard as a success because of their ability to scale up within 48 hours. I think that is a real success. Those contracts were a real success and I think we did follow the practices of the Office of Government Commerce and I think they should be quite pleased with us.

199. Is this a true Census in the light of the missing million?

(*Mr Cook*) Very much so, because it is a Census where we have gone and counted the population and, recognising the increased difficulties which exist in all countries for getting the same proportion of people of all characteristics in the Census, the one number Census this time made an extremely extensive effort to understand not only for the country as a whole but in each of the 376 local authorities what was the likely population in total, and it was the detailed Census which gave us the characteristics of all those people. In most areas we did not really need the one number Census count because the response rate was sufficiently high but in large parts of London, for example, we would not without the Census coverage survey be able to get the same value out of the Census as we did.

200. Can we learn anything from overseas?

(*Mr Cook*) We learnt a lot from overseas. For example, other countries have done scanning before, we learnt a huge amount from the 2000 United States Census and scanning. We have added to general knowledge on the value of sampling. We learnt a lot in terms of the way in which we collect information, form design, the difficulties countries have with different questions, so there is quite an international sharing of advice about the Censuses. I myself in my earlier life met with British statisticians in third countries for several years on issues with respect to Censuses, for example.

201. So there are better ways of doing a Census perhaps?

(*Mr Cook*) There are a variety of ways. I think in this Census we did the most relevant thing we could because in fact we have no more administrative data than that which was available to us for validating responses, and we used that quite extensively. You can see in most countries future Censuses will move down the path that the Nordic countries and countries like Singapore have moved on to already where there is more administrative data used. The real question for us in the future is, do we still need an actual head count and to visit households.

202. Mr Cook, thank you very much for coming to see us this afternoon. We are very grateful for the way you have answered our questions. There still remain some problems and we shall return to them in our Report and no doubt we shall be dealing with the award of contracts, payments to staff, questions we have asked about Vogue, the missing million, the lack of savings despite the higher than expected post back, but thank you for your answers. Thank you for the way you answered my colleague, Mr Davidson. I understand you are appearing in front of the Treasury Select Committee on Wednesday, so I can only say, "May the force be with you"!

(*Mr Cook*) Thank you very much.

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[Continued

APPENDIX 1

Supplementary memorandum submitted by the Office for National Statistics

Question 85 and 86: What was the penalty for those 39 people who were successfully prosecuted? How much were they fined?

The following table provides a breakdown of the penalties against those people who were successfully prosecuted for not returning completed census forms.

Those prosecuted paid a fine for not completing a census form, which is shown down the left hand side. They were also responsible for paying the costs for the court case, which is shown along the top.

In total, 39 people were successfully prosecuted. One person, however, appealed against the decision, and was successful in this appeal. The table below therefore shows the fines and costs for the prosecutions against the 38 people which still stand.

ANALYSIS OF FINES AND COSTS FOR THE 38 SUCCESSFUL PROSECUTIONS FOR 2001 CENSUS NON-COMPLIANCE

Fine	Costs						All costs
	£0	£1-£99	£100-£199	£200-£499	£500-£999	£1,000+	
Conditional Discharge (£0)	4	1	—	1	—	1	7
£1-£99	—	5	—	—	—	—	5
£100-£199	—	8	2	2	—	1	13
£200-£299	1	6	1	—	—	—	8
£300-£499	—	—	2	1	—	—	3
£500-£1,000	—	2	—	—	—	—	2
All fines	5	22	5	4	—	2	38

Questions 193 and 194: He thought you said that Chessington had half the public sector payroll. Is this correct? Could you do a note for us on it please?

In paragraph 193, Mr Cook stated that Chessington have a “significant part of the public sector [payroll]”. Chessington are well-known for having had at one stage a near monopoly on payroll provision for the Government service and it was this knowledge on which Mr Cook’s claim was based.

In following up the Committee’s request, we have tried to provide an exact measure of the share of the payroll services to departments provided by Chessington, but have not found any centre of comprehensive information within Government about the supply of payroll services to departments (still less information regarding the public sector as a whole). It would of course be possible to compile such information, but it would be resource-intensive, and take some time to complete.

An alternative way of obtaining this information would be for us to approach Chessington themselves and ask them if they would provide the relevant information for the PAC members. For ONS to do this, however, would be difficult given the history of the Census payroll, Chessington’s disaffection with the NAO investigation and report, and the fact that they remain (for a little longer) the ONS payroll provider. ONS has gone so far as to review the Chessington website, but this unearthed no information relevant to the Committee’s question.

ONS are able to provide a broad indication of Chessington’s client base from existing knowledge, with some caveats. The information we have relates to material gleaned from the company’s initial expression of interest when ONS and other departments started to undertake a joint re-tendering of their payroll services. This indicated that existing Chessington payroll services embraced just under 200,000 public sector, or ex-public sector, employees, with some 162,700 of these working in “central-government-related” organisations.

*28 October 2002]**[Continued*

APPENDIX 2**Copy of correspondence from Mr Hamish Sandison, Bird & Bird to Mr Len Cook, National Statistician and Registrar General, Office for National Statistics**

PAC HEARING 28 OCTOBER 2002

I promised to write following the PAC hearing to amplify the answer given by Len Cook to Jon Trickett MP concerning our appointment as ONS's legal advisers in relation to the Census programme.

Mr Trickett asked whether your legal advisers had been appointed without competition. Len Cook replied that we were appointed through a CCTA framework. That much was absolutely correct. Len went on to say that we were on a list of firms, which is not entirely correct; and when asked why we were chosen from that list, he said that he could not answer.

A fuller answer is that Bird & Bird were appointed by CCTA (now part of OGC) as its sole legal advisers following a competitive tendering exercise conducted on behalf of CCTA by the Treasury Solicitor's Department. As CCTA's lawyers, Bird & Bird's services are available to all government departments without further advertising or competitive tendering.

I attach a CCTA notice published at the relevant time which describes our framework arrangement. As you will see, the notice states in the pertinent part that:

“CCTA offers expert legal advice at competitive rates, with quick response times and minimal administration. There is no need for your organisation to engage in further competition for legal advice. CCTA has already satisfied that government requirement by engaging Bird & Bird through the competitive procurement procedure”

As the NAO concluded, the appointment of Bird & Bird by ONS was therefore completely proper and provided the same competitively tendered rates as were available to all other government departments under CCTA's framework.

Indeed, it is worth noting that the PAC itself has gone further and recommended that government departments should use such framework agreements wherever possible. According to its Twenty-First Report, at paragraph 30:

“The use of framework agreements to purchase information technology services has enabled Departments to secure discounts of up to 20% in consultants' fees. There is considerable potential for similar savings to be made in other types of professional services.

I hope that this clarification is useful, and that it will assist you in taking whatever opportunity is available to amplify the record of the PAC hearing.

If I can provide any further information, please do not hesitate to let me know.

Hamish Sandison
Bird & Bird

13 November 2002

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SESSION 2002–03

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