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**PROFILING PRACTICES AND RELATED ISSUES (PROFILING OF PUBLIC SECTOR
UNITS, SPECIAL PURPOSE ENTITIES, ETC.)**

Profiling in United Kingdom

Note by Office for National Statistics Business, United Kingdom

I. INTRODUCTION

1. Office for National Statistics Business (ONS) Data Division has a branch, part of which devotes its resources to profiling all types of business from Limited Companies, Limited Liability Partnerships, Public Corporations and Public Sector.

II. SUMMARY

2. Statistical Office of the European Communities (Eurostat) Regulation requires the National Institution to maintain its enterprises on a regular basis. ONS has applied a criteria to ensure it captures the relevant companies, etc that need to be profiled.

3. Over the past three years the trigger to profiling local authorities has shifted from those with known education employment problems to using the ratio between Her Majesty (HM) Revenue and Customs Pay-As-You-Earn (PAYE) jobs figures and ONS survey employment sources to indicate possible structural problems. An acceptable range for the PAYE income tax/

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employment ratio is within 0.9 and 1.1. This ratio came out of the work undertaken as part of the Allsopp Programme in 2007.

A. Local authority profiling in 2008/2009

4. The priority for local authority profiling was those authorities with a high PAYE/employment ratio. This is a good indicator that there could be significant difference between the different ONS survey employment sources and PAYE jobs data and can occur when there are a large number of schools in a local authority that have chosen not to have their payroll functions administered by the local authority. The target number of local authorities to be profiled for this period was 24 which were achieved.

B. Local authority profiling in 2009/2010

5. For the current year, priority will continue to be based on the PAYE/employment ratios. For local authorities not previously profiled the trigger will continue to be a large difference in the ratio (plus or minus), whilst for those previously profiled the trigger will be a significant change in the ratio. As we are now over three years into the four year cycle a number of local authorities profiled in early 2006 will come back into scope for reprofiling before the end of the 2009/2010 year. The target number of local authorities to be profiled will be 48.

III. ANALYSIS OF LOCAL AUTHORITY PROFILING SINCE DECEMBER 2005

6. The table below summarizes all local authority profiling that has taken place since December 2005 when local authority profiling recommenced. The new 2009/2010 profiling criteria has been used to calculate the data below. The figures in the table relate to local authorities only:

Table 1

Total number of enterprises on IDBR	Total employment	No of enterprises in scope for profiling	Total Employment of enterprises in scope	No. of profiles completed with employment in brackets	Percentage (%) of employment for completed cases
4,232	2,941,680	230	2,615,849	126 (1,724,831)	65.9

IV. DEALING WITH DISCREPANCIES

7. One of the main reasons for discrepancies between PAYE and employment has been due to schools that have their own payroll provider. For a number of years PAYEs for new school were automatically linked to their respective local authority and the local authorities were either unable or unwilling to continue to provide data for those schools via the annual Business Register Survey (BRS). The result was a fall in the BRS employment data leading to the growing discrepancies between PAYE and employment.

8. New procedures were put in place in 2007 to monitor and control all new PAYE's relating to schools to ensure that when the PAYE is linked to the respective local authority then they were able to supply the BRS employment data. As the process of schools obtaining their own payroll provider has been going on for a number of years a large number of local authorities have been affected, some to more of a degree than others. The profiling of the local authorities is addressing this problem by ensuring that all schools are accounted for either by the BRS of their respective local authority or by separating them into a separate enterprises on the Inter Departmental Business Register (IDBR) and being made available for BRS selection.

9. Whilst the presence of the school PAYE's account for some of the discrepancies between PAYE and employment, it does not account for all of them. Another explanation for the discrepancy is that local authorities usually employ a large number of casual staff, which includes supply teachers, who do not work throughout the year but will remain on the local authorities payroll. If the casual staff are not employed at the time of the BRS then this can be a contributory factor in any discrepancy between PAYE and employment because the BRS questionnaire asks for it to be completed at a point in time.

10. The creation of Survey Specific Reporting Units for the Monthly Wages and Salary Survey has been used when the local authority are unable to provide salary data for schools that have their own PAYE and have opted to use an external payroll provider whilst still being able to supply employment data for other ONS surveys. The reason for adopting this approach was to try and keep compliance costs down as the alternative strategy would have involved moving each school with a separate PAYE to a separate enterprise, therefore becoming available for selection to all relevant surveys. An example can be provided.

11. Other discrepancies that can arise are:

- (a) Arms Length Management Organizations;
- (b) Private Finance Initiative;
- (c) Joint Ventures.

V. STANDARD INDUSTRIAL CLASSIFICATION FOR SCHOOLS

12. One of the issues that has arisen during the profiling of local authorities over the past three years is the level of misclassification of schools. The checking of local units returned by the BRS survey is part of the standard profiling checks carried out for all profiles and usually is a check that the business descriptions of the local units held on the IDBR match with the Standard Industrial Classification (SIC) allocated and that the SIC looks relevant to the type of business being profiled.

13. As all local authorities have a full list of schools on their website it is very easy to check if a school has been misclassified and invariably even after BRS processing a lot of school misclassifications still occur. This can be significant to the overall classification of the local

authority as education and specifically primary education is usually the dominant Standard Industrial Classification (SIC). Anomalies with the classification tool used by ONS regarding the distinctions between special schools relating to primary and secondary education have been addressed.

VI. ANALYSIS OF TOP TWENTY ENTERPRISES

14. A list of the top 20 local authorities by employment is provided. An acceptable range for the PAYE/employment ratio is within 0.9 and 1.1. The top 20 account for 26.6 per cent of the total employment of local government bodies that fall within the Business Profiling Team (BPT) criteria, and 23.7 per cent of all local government bodies.

Table 2

Local authority	PAYE	Employment	Ratio
Enterprise 1	21832	25752	0.85
Enterprise 2	54354	60171	0.90
Enterprise 3	31493	34386	0.92
Enterprise 4	42217	43932	0.96
Enterprise 5	23329	24257	0.96
Enterprise 6	33295	34160	0.97
Enterprise 7	30742	31173	0.99
Enterprise 8	50055	50575	0.99
Enterprise 9	42914	41956	1.02
Enterprise 10	34572	33771	1.02
Enterprise 11	25611	24713	1.04
Enterprise 12	35946	33025	1.09
Enterprise 13	30556	28045	1.09
Enterprise 14	36563	32157	1.14
Enterprise 15	36233	30830	1.18
Enterprise 16	46179	38725	1.19
Enterprise 17	30329	24999	1.21
Enterprise 18	31000	25235	1.23
Enterprise 19	32975	26496	1.24
Enterprise 20	44068	28511	1.55
TOTAL	714263	696726	1.03

VII. CONCLUSIONS

15. When profiling there are several issues to deal with:

- (a) Schools that have separate PAYEs set up need to be checked with the local authority as to whether it can be accounted for in the local authority returns;
- (b) Continually revisiting the criteria as other scenarios arise is important;

- (c) Creation of survey specific reporting structures to support specific ONS surveys;
- (d) Dealing with Arms Length Management Organizations, Private Finance Initiative and Joint Ventures;
- (e) Standard Industrial Classification issues on local units returned by the Business Register Survey.

16. In 2006, it was announced that there would be a number of new Unitary Authorities created to move to a single tier local government structure rather than the two tier system still commonplace in England. There are now 9 new Unitary Authorities that have been set up as from 1 April 2009. For the profiling process, the action will be to merge a number of existing district and county councils to create the new Unitary Authority.
