

# Assessment of compliance with the Code of Practice for Official Statistics

## Statistics on the Public Sector Finances

*(produced by the Office for National  
Statistics and HM Treasury)*

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

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

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

The Statistics Authority has two main functions:

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

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# **Assessment of compliance with the Code of Practice for Official Statistics**

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## NATIONAL STATISTICS STATUS

National Statistics status means that official statistics meet the highest standards of trustworthiness, quality and public value.



All official statistics should comply with all aspects of the *Code of Practice for Official Statistics*. They are awarded National Statistics status following an assessment by the Authority's regulatory arm. The Authority considers whether the statistics meet the highest standards of Code compliance, including the value they add to public decisions and debate.

It is a producer's responsibility to maintain compliance with the standards expected of National Statistics, and to improve its statistics on a continuous basis. If a producer becomes concerned about whether its statistics are still meeting the appropriate standards, it should discuss its concerns with the Authority promptly. National Statistics status can be removed at any point when the highest standards are not maintained, and reinstated when standards are restored.

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# 1 Summary of findings

## Introduction

- 1.1 This is one of a series of reports<sup>1</sup> prepared under the provisions of the *Statistics and Registration Service Act 2007*<sup>2</sup>. The Act gives the UK Statistics Authority power to re-assess whether the *Code of Practice for Official Statistics*<sup>3</sup> continues to be complied with in relation to official statistics already designated as National Statistics. The report covers the set of statistics reported in *Public Sector Finances*<sup>4</sup> (*PSF*), produced jointly by the Office for National Statistics (ONS) and Her Majesty's Treasury (HM Treasury), and *EU Government Deficit and Debt Return*<sup>5</sup> (*Government Deficit and Debt*), produced by ONS.
- 1.2 The previous assessment of these statistics was reported in Assessment report 144<sup>6</sup>, published in November 2011. These statistics have been re-assessed because of their importance in setting fiscal policy and because the compilation of the statistics has significantly changed since the previous assessment in 2011.
- 1.3 This report was prepared by the Authority's Assessment team, and approved by the Regulation Committee on behalf of the Board of the Authority, based on the advice of the Director General for Regulation.

## Decision concerning designation as National Statistics

- 1.4 The Authority confirms that the statistics published in *PSF* and *Government Deficit and Debt* are designated as National Statistics, subject to ONS and HM Treasury implementing the Requirements listed in paragraph 1.10 and reporting them to the Authority by March 2016.
- 1.5 ONS and HM Treasury have informed the Assessment team that they have started to implement the Requirements listed in paragraph 1.10. The Authority welcomes this.

## Summary of strengths and weaknesses

- 1.6 Members of the statistics team from both ONS and HM Treasury participate in a number of formal, expert user groups and actively engage informally with other users about the presentation of statistics in *PSF* to ensure that it continues to meet user needs. The users and data suppliers we spoke to told us that they felt very satisfied with the quality of ONS's engagement with them.
- 1.7 ONS and HM Treasury have made significant methodological changes in the compilation of *PSF* and *Government Deficit and Debt* from September 2014 as a result of the introduction of the European System of Accounts 2010 (ESA

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<sup>1</sup> <http://www.statisticsauthority.gov.uk/assessment/assessment-reports/index.html>

<sup>2</sup> [http://www.opsi.gov.uk/Acts/acts2007/pdf/ukpga\\_20070018\\_en.pdf](http://www.opsi.gov.uk/Acts/acts2007/pdf/ukpga_20070018_en.pdf)

<sup>3</sup> <http://www.statisticsauthority.gov.uk/assessment/code-of-practice/index.html>

<sup>4</sup> <http://www.ons.gov.uk/ons/rel/psa/public-sector-finances/july-2015/stb-july-2015.html>

<sup>5</sup> <http://www.ons.gov.uk/ons/rel/psa/maast-supplementary-data-tables/q1-2015/stb---june-2015.html>

<sup>6</sup> <http://www.statisticsauthority.gov.uk/assessment/assessment/assessment-reports/assessment-report-144---statistics-on-public-sector-finances.pdf>

2010<sup>7</sup>) and the implementation of new 'ex-measures' in *PSF* in response to ONS's review of its public sector finances statistics. From June 2014, ONS published 'shadow' data tables alongside the main data tables to support users' understanding of the expected impact of the coming changes. ONS continued to publish data tables that show the data compiled using the ESA 1995 methodology until July 2015. We consider this to be good practice. ONS also clarifies the comparability of the data published quarterly in *Government Deficit and Debt* with that published monthly in *PSF*.

- 1.8 There have been two errors and corrections to the statistics presented in *PSF* (see Section 3, Principles 2 and 4) in the last 12 months. The Authority is concerned about the quality assurance arrangements for the administrative data used in the compilation of public sector finances statistics. ONS told us that there is insufficient time in the monthly round for them to fully quality assure all aspects of the data supplied. We consider that it is of paramount importance that ONS's processing systems are sufficient, robust and effective to deliver accurate monthly statistics in *PSF*, and that the statistics team is resourced to investigate and challenge the quality assurance arrangements for the data supplied, and to make improvements to these arrangements where necessary.

### Detailed recommendations

- 1.9 The Assessment team identified some areas where it felt that ONS and HM Treasury should improve the production and presentation of statistics on public sector finances. Those which are essential for ONS and HM Treasury to address in order to strengthen its compliance with the *Code* and to enable designation as National Statistics are listed – as Requirements – in paragraph 1.10, alongside a short summary of the key findings that led to each Requirement being made. Other recommended changes, which the Assessment team considers would improve the statistics and the service provided to users but which are not formally required for their designation as National Statistics, are listed – as Suggestions – in paragraph 1.11.

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<sup>7</sup> <http://ec.europa.eu/eurostat/web/products-manuals-and-guidelines/-/KS-02-13-269>

## Requirements for designation as National Statistics

1.10 This section includes those improvements that ONS and HM Treasury are required to make in respect of their statistics on *PSF* and *Government Deficit and Debt* in order to fully comply with the *Code of Practice for Official Statistics*, and to enable designation as National Statistics.

Finding	Requirement	
<p>All stakeholders should have been alerted equally to the correction to public sector net debt in March 2015. Given the recent high profile errors in the public sector finances statistics, there is a risk that a similar error could come to light in the near future. In reviewing its current correction policy as part of addressing Requirement 12 in Assessment Report 309, ONS should:</p>	<p>1</p>	<ul style="list-style-type: none"> <li>a) Ensure that its new policy clearly sets out that all stakeholders should be alerted equally prior to the correction of errors</li> <li>b) Consider whether it would be appropriate to develop a corrections policy specifically for public sector finances statistics (paragraph 3.18).</li> </ul>
<p>There is a clear need for ONS and HM Treasury to identify and investigate the quality assurance arrangements for the administrative data sources for public sector finances statistics. ONS and HM Treasury should:</p>	<p>2</p>	<ul style="list-style-type: none"> <li>a) Identify and investigate data suppliers' quality assurance arrangements</li> <li>b) Work with their data suppliers to strengthen the quality assurance arrangements for administrative data and survey sources</li> <li>c) Publish a comprehensive up-to-date picture of data sources and how they are used in the production of <i>PSF</i> and <i>Government Deficit and Debt</i></li> <li>d) Outline the operational context of the sources in plain language, and what checks are carried out by the data providers in relation to those sources</li> <li>e) Publish a visual representation of the data flows, highlighting the points of risk and how those risks are mitigated, including information about risks in its processing systems and highlighting its own quality assurance checks</li> <li>f) Explain how they assure themselves of the quality of information provided from the different sources; including strengthening any formal agreements and data supplier</li> </ul>



		<p>engagement</p> <p>g) Explain how they have learned lessons and strengthened their own quality assurance checks and in particular their sense-checking of the statistics following the errors identified in 2014 and 2015</p> <p>h) Detail their judgement about the quality of the statistics, and the rationale for this judgement, taking account of what they have learned from reviewing their quality assurance arrangements</p> <p>i) Update their Statement of Administrative Sources to clearly and accurately list all of the administrative data sources and assurance arrangements used to produce <i>PSF</i> and <i>Government Deficit and Debt</i> (paragraph 3.39).</p>
<p>We consider that it is of paramount importance that ONS's statistics team is resourced to investigate and challenge the quality assurance arrangements for the data supplied, and to make improvements to these arrangements where necessary. ONS should:</p>	<p><b>3</b></p>	<p>a) Review the resources allocated to these statistics to ensure that they are sufficient to meet the standards of the <i>Code of Practice</i></p> <p>b) As part of the information that it publishes about its quality assurance arrangements, explain to users how it ensures sufficient time for assurance and sense-checking activities (paragraph 3.48).</p>
<p><i>PSF</i> presents some of the headline measures expressed as a proportion of Gross Domestic Product (GDP). It is unclear how these ratios are derived and what their intended purpose is. Given the very high profile of these statistics, we consider that it would be appropriate for ONS to introduce an enhanced senior review of its presentation of the public sector finances statistics, to provide a further level of assurance on the appropriateness of their presentation. This review should take place regularly, and as a minimum twice a year. With a view to improving its</p>	<p><b>4</b></p>	<p>a) Review the suitability of presenting all the main measures of public sector finances as a % of GDP</p> <p>b) Explore with users their use of these ratios</p> <p>c) Present a clear description of the purpose of the ratios, their intended use and the way that they are derived</p> <p>d) Introduce an enhanced senior review of its presentation of the public sector finances statistics on a regular basis, to provide a further level of assurance on the appropriateness of their presentation (paragraph 3.51).</p>

presentation of the statistics to aid users' interpretation, ONS should:		
With a view to ensuring that users can access the most relevant information for their needs, ONS should:	<b>5</b>	<ul style="list-style-type: none"> <li>a) Review the volume of supporting information that it currently publishes</li> <li>b) With users, review the relevance and accessibility of the supporting <i>PSF</i> documentation</li> <li>c) Consider whether its new website can be utilised in order to improve accessibility to supporting documentation to best effect</li> <li>d) Consider the usefulness of producing and publishing a supporting User Guide for public sector finance statistics</li> <li>e) Consider the points detailed in Annex 1 and Annex 2 (paragraph 3.57).</li> </ul>
The list of individuals from ONS with pre-release access is excessive. ONS should:	<b>6</b>	Review the arrangements for pre-release access to <i>PSF</i> to ensure that it is only granted where absolutely necessary (paragraph 3.64).

## Suggestions for extracting maximum value from the statistics

- 1.11 This section includes some suggestions for improvement to the statistics on public sector finances in the interest of the public good. These are not formally required for designation, but the Assessment team considers that their implementation will improve public confidence in the production, management and dissemination of official statistics.

We suggest that ONS:

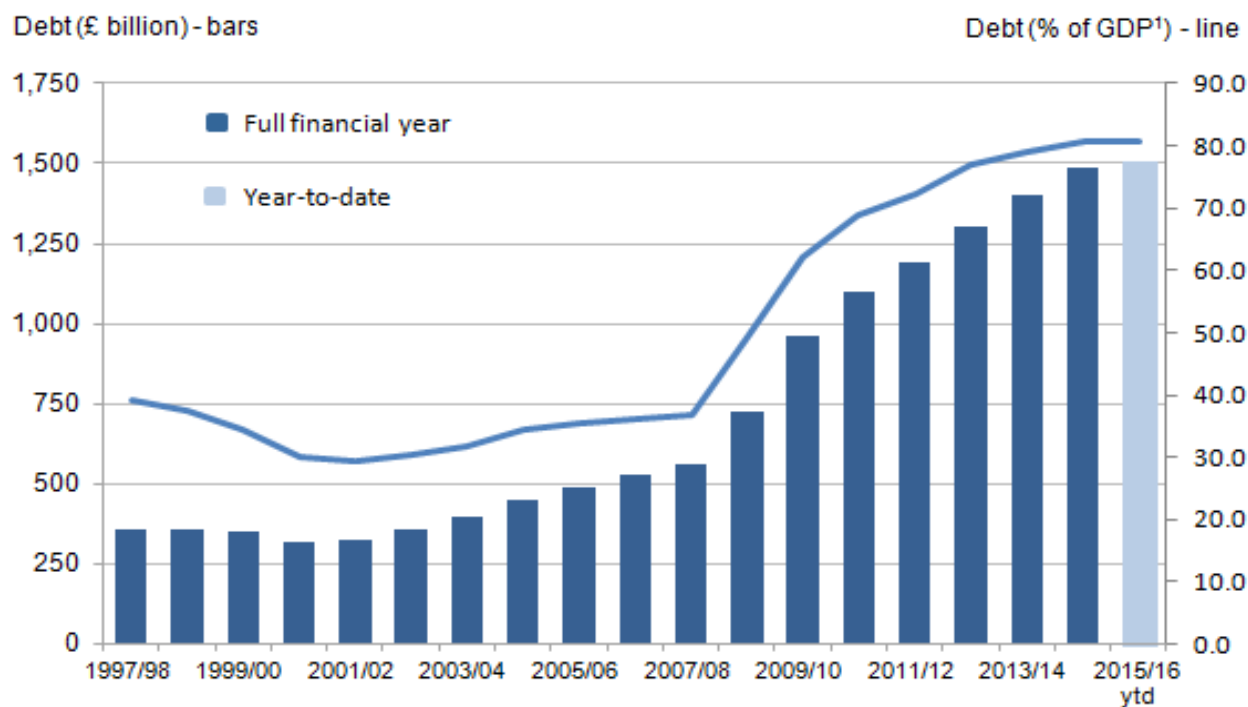
1	Publish a user engagement strategy for public sector finances statistics (paragraph 3.3).
2	Publish information about the timing of the implementation of historic classification and transaction decisions and its plans for implementing the outstanding historic decisions (paragraph 3.11).
3	Consider jointly with HM Treasury the implications of the Authority's <i>Administrative Data Quality Assurance Toolkit</i> (paragraph 3.39).
4	Consider whether it could adopt the practice of an enhanced senior review of its presentation of other high profile economic statistics (paragraph 3.51).
5	With HM Treasury, publish up to date records of those granted pre-publication access to the public sector finances statistics during their development (paragraph 3.64).

## 2 Subject of the assessment

### Introduction

2.1 Statistics on public sector finances present measures of government and public sector borrowing and debt, providing an indication of the current state of the United Kingdom (UK) government's financial position. The statistics provide an important measure of how effectively public sector debt and deficit are managed and controlled, and are used to inform fiscal policy decisions, such as how much money the UK government should spend and how this spending should be financed, either by taxation or borrowing. Although the statistics have always been of high profile to their primary users, there has been an increasing focus on the UK's public sector finances during the recent economic downturn and increase in public sector net borrowing and net debt, and during the subsequent economic recovery (see Figure 1 below). In particular, users and political commentators have paid close attention to the current and projected fiscal position presented in the Chancellor of the Exchequer's Budget Speeches, and the monthly statistics are subject to intense media focus.

**Figure 1: UK public sector debt, March 1998 to August 2015**



Source: ONS

## Uses and users of statistics

- 2.2 The primary purpose of the public sector finances statistics is to inform users of the state of the public sector finances and the fiscal position. The statistics form a vital input to the policy and forecasting work of HM Treasury. HM Treasury is the UK government's economic and finance ministry, and is responsible for maintaining control over public spending, setting the direction of the UK's economic policy and working to achieve strong and sustainable economic growth. Its fiscal objective is to deliver sound and sustainable public finances. The UK government sets fiscal targets, which can change over time. Fiscal targets set out in HM Treasury's *Charter for Budget Responsibility: Autumn Statement 2014 update*<sup>8</sup>, published in December 2014, are: (i) 'to achieve cyclically adjusted current balance by the end of the third year of the rolling five-year forecast period' (this would mean to 2018-19); and (ii) 'public sector net debt as a percentage of GDP to be falling in 2016-17'. The 2015 draft *Charter for Budget Responsibility* is expected to be adopted by Parliament during the Autumn. HM Treasury is both a users and joint producer of public sector finances statistics. HM Treasury analysts produce a monthly public sector finances brief for Ministers and policymakers within HM Treasury, which is based on the monthly public sector finances statistics presented in *PSF*.
- 2.3 The Office for Budget Responsibility<sup>9</sup> (OBR) is a key user of the public sector finances statistics. It was established in May 2010 to provide independent and authoritative analysis of the UK's public finances, and was placed on a permanent, statutory footing in March 2011. OBR's main duty is to examine and report on the sustainability of the UK's public finances. As set out in the *Budget Responsibility and National Audit Act 2011*<sup>10</sup>, the OBR has a duty to prepare five-year fiscal and economic forecasts twice each year, to accompany the Chancellor's Budget Statement and Autumn Statement (see Figure 2 below). The UK government has adopted the OBR's forecasts as the official forecasts used to inform policy decisions, and set out its intention to continue this practice in its *Charter for Budget Responsibility*<sup>11</sup>. The OBR publishes its forecasts in its *Economic and Fiscal Outlook*<sup>12</sup> publications, and examines how these forecasts compare to subsequent outturns in its annual *Forecast Evaluation Report*<sup>13</sup>. The OBR judges the UK government's performance against its fiscal targets, scrutinises HM Treasury's costing of tax and welfare spending measures and assesses the long-term sustainability of the public finances. The OBR also produces a same-day briefing on the official public sector finances statistics presented in *PSF*, to help users interpret the latest statistics by providing contextual information about assumptions made during OBR's forecasting process in its most recent forecasts.

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<sup>8</sup>[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/386973/charter\\_for\\_budget\\_responsibility\\_AS2014\\_web.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/386973/charter_for_budget_responsibility_AS2014_web.pdf)

<sup>9</sup><http://budgetresponsibility.org.uk/>

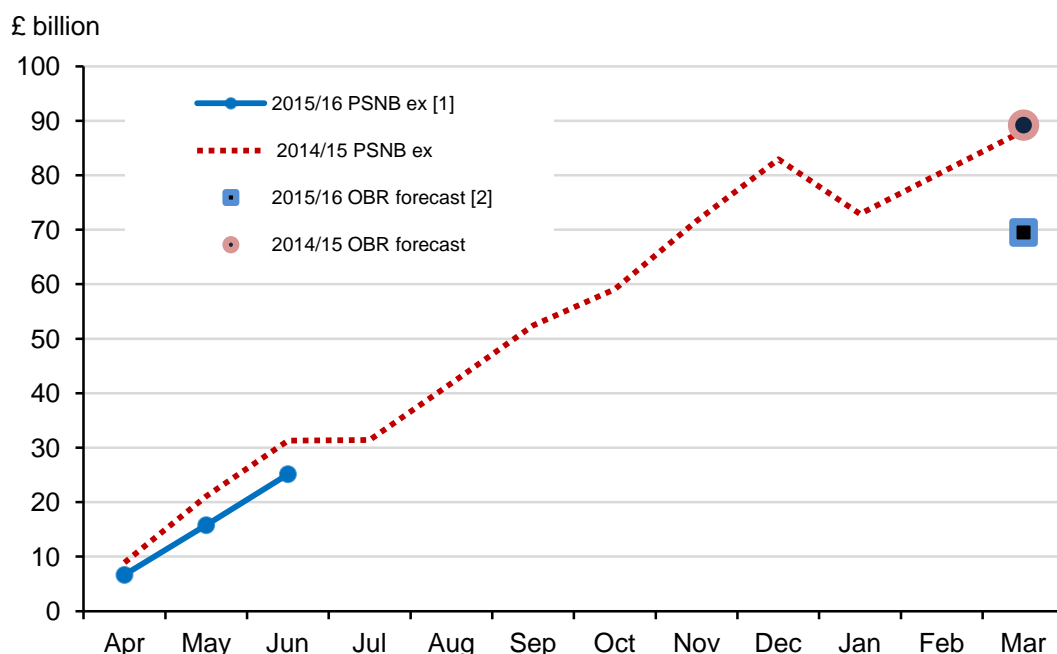
<sup>10</sup><http://www.legislation.gov.uk/ukpga/2011/4/contents>

<sup>11</sup>[http://budgetresponsibility.org.uk/wordpress/docs/charter\\_budget\\_responsibility040411.pdf](http://budgetresponsibility.org.uk/wordpress/docs/charter_budget_responsibility040411.pdf)

<sup>12</sup><http://budgetresponsibility.org.uk/economic-fiscal-outlook-july-2015/>

<sup>13</sup><http://budgetresponsibility.org.uk/forecast-evaluation-report-october-2014/>

**Figure 2: Cumulative public sector net borrowing by month, comparison between PSF and OBR forecast**



Source: ONS

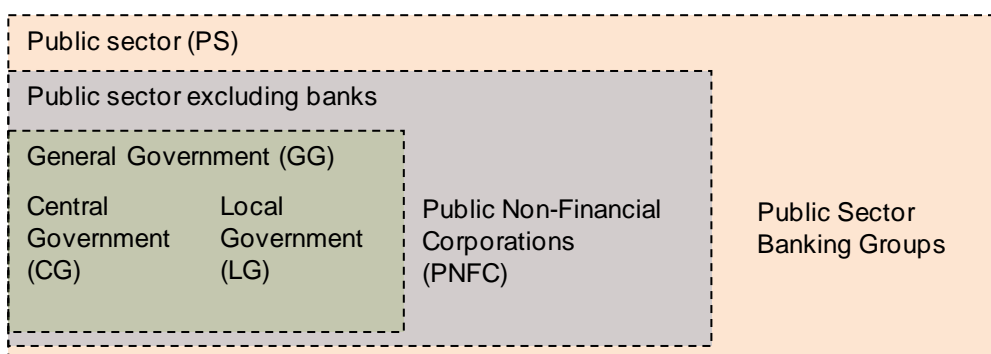
- 2.4 The UK Debt Management Office<sup>14</sup> (DMO) was established on 1 April 1998 as an Executive Agency of HM Treasury. From that time, responsibility for the UK government’s wholesale sterling debt issuance was transferred from the Bank of England to the DMO. The DMO’s remit is to carry out the UK government’s debt management policy of minimising financing costs over the long term, taking account of risk, and to minimise the cost of offsetting the UK government’s net cash flows over time. Its responsibilities include debt and cash management for the UK government, lending to local authorities and managing certain public sector funds. The DMO is both a supplier of data to and a user of public sector finances statistics, and uses the statistics to monitor the key fiscal measures presented to help inform its decisions relating to debt management.
- 2.5 The Bank of England (the Bank) uses the statistics to inform monetary policy, to understand how much the UK government is borrowing and why, and to assess the UK government’s performance against its fiscal targets and performance against the OBR’s forecasts. It uses the statistics to monitor and understand developments in the overall level of public borrowing, and to understand the counterparts to changes in other sectors; to monitor developments in tax receipts including changes to the tax mix and effective tax rates, and to changes in the spending mix (for example, between benefits, other current expenditure and investment). The Bank also has an interest in the statistical classifications used in the public sector finances statistics and other decisions that relate to policy measures undertaken by the Bank, or decisions made by UK government that impacts upon the Bank, for example, the

<sup>14</sup> <http://www.dmo.gov.uk/>

treatment of the Asset Purchase Facility (APF), or the sectoral classification of bank or building societies in receipt of official support.

2.6 The European Commission is a key user of public sector finances statistics. The 1992 Maastricht Treaty on European Union<sup>15</sup> obliged EU member states to avoid excessive government debt levels. EU Member States have to report their actual and planned government deficits, and their levels of debt, to the European Commission at specific deadlines twice each year. The data are analysed by the European Commission to monitor the UK's performance against the Maastricht Treaty and stability growth pact<sup>16</sup>. ONS submits estimates in accordance with the schedules in the Excessive Deficit Procedure<sup>17</sup> (EDP), and publishes the data that it submits, along with supporting commentary, in *EU Government Deficit and Debt Return*. These statistics differ slightly from the monthly public sector finances statistics, which have a UK national focus. The statistics submitted to the European Commission focus on the general government sector (specifically, central government and local authorities only), while *PSF* focuses on the public sector as a whole. Figure 3 shows how these different sub-sectors fit together to make the public sector. Eurostat publishes the statistics on its own website<sup>18</sup> with a press release which places the UK figures in a European context and provides commentary on any issues specific to member states.

**Figure 3: Composition of the public sector<sup>19</sup>**



Source: ONS

2.7 Eurostat provides extensive feedback on ONS's submission of Government Deficit and Debt data via a clarification document in which it asks detailed questions regarding the transmitted data. ONS is obliged to respond to these questions promptly (within three weeks of the initial transmission) and often actions are identified as a result of these exchanges. In cases where Eurostat has concerns about the accuracy of debt or deficit data then it will place an EDP Reservation on the Member State which the Member State must take action to lift within six months. Other international bodies such as the European Central Bank (ECB), the Organisation for Economic Cooperation and Development (OECD) and the International Monetary Fund (IMF) use the

<sup>15</sup> <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=URISERV:xy0026>

<sup>16</sup> [http://ec.europa.eu/economy\\_finance/economic\\_governance/sgp/index\\_en.htm](http://ec.europa.eu/economy_finance/economic_governance/sgp/index_en.htm)

<sup>17</sup> [http://ec.europa.eu/economy\\_finance/economic\\_governance/sgp/corrective\\_arm/index\\_en.htm](http://ec.europa.eu/economy_finance/economic_governance/sgp/corrective_arm/index_en.htm)

<sup>18</sup> <http://ec.europa.eu/eurostat/web/government-finance-statistics/publications/press-releases>

<sup>19</sup> PNFC includes some public financial corporations that are not classified in the banking sector, e.g. Export Credits Guarantee Department.

Government Deficit and Debt statistics in monitoring and assessing the performance and sustainability of the UK economy.

2.8 Other users of the public sector finances statistics include:

- the general public – who will use the (headline) statistics in assessing UK fiscal performance and in assessing the impacts for their own well-being and investment decisions
- research/analytical organisations such as the Institute for Fiscal Studies (IFS), the National Institute for Economic and Social Research (NIESR), the Office of the Chief Economic Adviser to the Scottish Government and the Economic and Statistics department of the House of Commons Library, which use the data as input into their economic assessments of economic performance and sustainability
- commercial analysis and research bodies, for example, CEIC Data Co. Ltd, FactSet and Timetric, which make use of the data to provide analytical services to clients
- research and analytical bodies of other countries (for example, the Spanish Embassy's Economic and Commercial Office and the Japan Post Bank's research department), which are interested in the data in the context of comparative international performance and competitiveness
- academic bodies (for example, Cardiff Business School and Aberdeen Business School), which make use of the data in many ways, particularly for economic analysis and as the data foundation of articles for academic journals
- advisers to large national and international businesses and institutions and securities dealers and advisers (for example, McKinsey and Company Inc and Investec Securities), which make use of the data in preparing analyses, risk assessments and investment advice for clients
- financial institutions (for example, Morgan Stanley and JP Morgan), which use the statistics in assessing risk, investment strategy etc and in providing advice to clients
- news media organisations, such as Thomson Reuters, Bloomberg and the national newspapers, who use the statistics and associated commentary in delivering the 'headlines' and in 'telling the story'
- rating agencies (for example, Moody's, Fitch), who make use of the data in providing risk analysis and investment advice to clients.

### **Subject of this Assessment**

2.9 *PSF* is a monthly statistical report that presents key indicators about the public sector finances, including the public sector current budget, public sector net borrowing and public sector net debt as a percentage of Gross Domestic Product (GDP). The statistics use definitions based on National Accounts concepts, which are adapted to allow effective monitoring of performance against the fiscal forecasts. Special arrangements apply to the production of *PSF*, which is produced jointly with HM Treasury. This arrangement reflects their joint responsibility for measuring the statistical aggregates. ONS is



responsible for publishing *PSF* on ONS's website and is also responsible for drafting the commentary in the statistical report. Following the Authority's review of the Asset Purchase Facility Fund, the Authority advised that ONS and HM Treasury should publicly make clear their roles and responsibilities in producing the public sector finances statistics, to aid transparency to users of the statistics; paragraphs 2.25 to 2.28 provide further detail about the Authority's review and subsequent developments relating to ONS and HM Treasury's consideration of the joint publication arrangements.

- 2.10 *Government Deficit and Debt* presents statistics that ONS submits to the European Commission about the UK's general government deficit<sup>20</sup> and debt<sup>21</sup>. The statistical report was formerly labelled as the *Government Deficit and Debt under the Maastricht Treaty*, with an overarching release titled *EU Government Deficit and Debt Return*. However, since January 2015, the statistical report is now labelled as *EU Government Deficit and Debt Return*, following user feedback. ONS produces these statistics in accordance with the Protocol on the Excessive Deficit Procedure<sup>22</sup>, which is an annex to the 1992 Maastricht Treaty on European Union. The Treaty obliges Member States of the European Union to avoid excessive budgetary deficits. EDP defines two criteria and reference values for compliance with the Treaty. These are a deficit to GDP ratio of three per cent, and a debt to GDP ratio of 60 per cent. *EU Government Deficit and Debt Return* is published solely by ONS.

## Methods and sources

- 2.11 ONS publishes a Methodological Guide<sup>23</sup> to monthly public sector finances statistics that describes some of the historical background to these statistics. In 1998 the UK government introduced a new framework for public finances, which corresponded more closely to the National Accounts. ONS first published *PSF* in its current form in 1999, presenting statistics relating to the new framework. The Guide also explains the concepts underlying the monthly statistics, and the way that they are produced. Public sector finances statistics are available back to 1997, but *PSF* also presents a historic time series of key fiscal indicators as a percentage of GDP back to 1975/76, and additional data series back to 1946 in its supplementary table (which ONS publishes the day after the main *PSF* report). As described in paragraph 2.10, ONS's statistical report relating to the general government sector finances was titled *Government Deficit and Debt under the Maastricht Treaty*, with an overarching release titled *EU Government Deficit and Debt Return*. However, since January 2015, the statistical report is now labelled as *EU Government Deficit and Debt Return*.
- 2.12 Since 1997 the public sector finances statistics and National Accounts have been, as far as possible, aligned. However, public sector finances statistics have an 'open revisions' policy for historic revisions (meaning that revisions can

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<sup>20</sup> Deficit is defined as net borrowing, and is a measure of how much the government has to borrow to cover its expenditure once revenue has been netted off.

<sup>21</sup> Debt is the total gross debt at nominal value outstanding at the end of the year and consolidated across all sectors of general government

<sup>22</sup> See footnote 15

<sup>23</sup> <http://www.ons.gov.uk/ons/guide-method/method-quality/specific/economy/public-sector-finances/monthly-statistics-on-public-sector-finances--a-methodological-guide.pdf>

be taken on as soon as possible); whereas, for UK National Accounts, revisions for early periods are only taken on at the time of each Blue Book. This means that at each Blue Book, ONS brings the UK National Accounts as far into line as possible with classification decisions that have already been implemented in the public sector finances statistics.

- 2.13 The UK National Accounts, and therefore public sector finances statistics, must adhere to international standards, specifically the European System of Accounts, to ensure international comparability. Prior to September 2014, *PSF* and *Government Deficit and Debt* were based on standards set out in the European System of Accounts 1995<sup>24</sup> (ESA 1995). From September 2014 the public sector finances statistics have been published using standards consistent with the European System of Accounts 2010<sup>25</sup> (ESA 2010), in accordance with the United Nations' System of National Accounts 2008<sup>26</sup> (SNA2008). These manuals are updated periodically to reflect economic and technological developments and changes in user needs. The statistics presented in *Government Deficit and Debt* are compiled using the National Accounts framework and according to European Government Finance Statistics<sup>27</sup> concepts that are set out in the Eurostat Manual on Government Deficit and Debt<sup>28</sup> (MGDD).
- 2.14 As described in paragraph 2.6, there are some coverage and conceptual differences between the statistics presented in *PSF* and *Government Deficit and Debt*. *PSF* relates to the public sector (and includes local and central government and public corporations) whereas *Government Deficit and Debt* relates to the general government sector only (and excludes public corporations). *PSF* also presents public sector debt net of liquid assets rather than general government sector gross debt, as used in *Government Deficit and Debt*. ONS told us that the European Union requirements for a measure of general government deficit and debt were in large part driven by data availability in Member States in the 1990s. Due to the relative maturity of statistical and administrative systems in the UK, the UK has been able to publish and monitor deficit and debt levels for the entire UK public sector and has chosen to do so in *PSF*.
- 2.15 *PSF* lists the financial events and classification decisions implemented in a section titled 'Recent events and methodological changes'. Figure 4 lists the most high profile changes and the impact on public sector finances.

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<sup>24</sup> <http://ec.europa.eu/eurostat/en/web/products-manuals-and-guidelines/-/CA-15-96-001>

<sup>25</sup> <http://ec.europa.eu/eurostat/web/esa-2010/overview/>

<sup>26</sup> <http://unstats.un.org/unsd/nationalaccount/sna2008.asp>

<sup>27</sup> <http://ec.europa.eu/eurostat/web/government-finance-statistics/overview>

<sup>28</sup> <http://ec.europa.eu/eurostat/web/products-manuals-and-guidelines/-/KS-GQ-14-010>

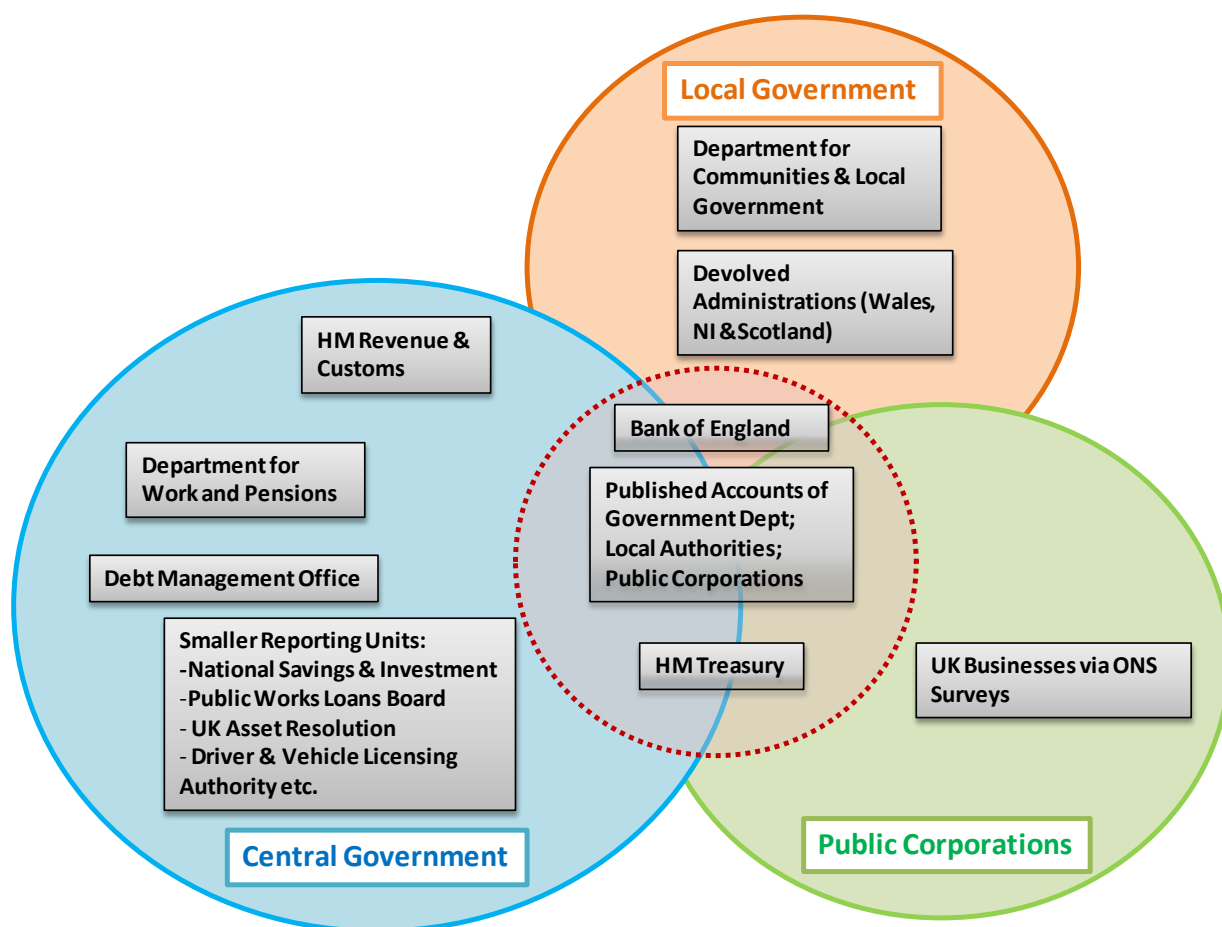
**Figure 4: Recent classification decisions and impact on public sector finances**

Event	Date	Impact
Sale of half of the UK government's retained shareholding in Royal Mail, equivalent to 15 per cent of all shares.	June 2015	The £750 million raised from this sale has reduced central government net cash requirement and public sector net debt by a corresponding amount.
Introduction of the <i>Diverted Profits Tax</i> to counter the use of aggressive tax planning techniques used by multinational enterprises to divert profits from the UK.	April 2015	The revenue is treated as a tax on income and wealth and so reduces central government and public sector net borrowing.
Lloyds Banking Group being re-classified from a public sector body to a private sector body, following the sales of UK government share holdings.	March 2014	The proceeds of these sales reduce the central government net cash requirement (CGNCR) and public sector net debt (PSND), but have no impact on public sector net borrowing (PSNB).
The Bank transfer of the excess cash in the Asset Purchase Facility Fund (APF) to the Exchequer.	November 2012	Transactions between the APF and central government have no impact on PSNB ex, while the net liabilities of the APF increase PSND ex.

Source: produced by Assessment team

2.16 ONS compiles statistics on the public sector finances using data for three sub-sectors: central government, local government and public corporations. Administrative data for central government are supplied by HM Treasury; data for local authorities and public corporations are compiled from other sources, mainly surveys of local authorities carried out by the Department for Communities and Local Government (DCLG) and banking statistics collected by the Bank of England. See Figure 5 for a simplified representation of the full range of sources used.

**Figure 5: Sources of data used to produce Public Sector Finances statistics**



Source: produced by Assessment team

### *Central government*

- 2.17 HM Treasury compiles and supplies the main source of central government expenditure, from data recorded on its accounting system, the Online System for Central Accounting and Reporting (OSCAR). Central government departments use OSCAR to record their expenditure. These data are used by HM Treasury for its own fiscal planning purposes and by the OBR for forecasting the UK government finances. HM Treasury also publishes data from OSCAR on its website<sup>29</sup>.
- 2.18 A number of suppliers provide data on the stock of debt and associated interest payments, including the DMO and HM Treasury, based on their own finance systems. The DMO also supplies monthly data on the issuances and redemptions of UK government securities (mainly gilts and Treasury bills). ONS sources data on householder deposit and saving schemes from National Savings and Investments (NS&I). The statistics team sources central government subsidies to public corporations from ONS's public corporation data. Other administrative data are supplied by bodies such as DMO, HM Revenue and Customs (HMRC), the Bank, UK Asset Resolution Ltd (UKAR) and Network Rail. ONS or HM Treasury collect these data directly from the source institutions.

<sup>29</sup> <https://www.gov.uk/government/collections/hmt-oscar-publishing-from-the-database>

- 2.19 Most central government income is in the form of tax receipts, the vast majority of which are collected by HMRC. HMRC submits these data directly to both ONS to HM Treasury (see paragraph 3.34 for further information). HMRC also publishes these data in its own National Statistics series<sup>30</sup>.

#### *Local government*

- 2.20 DCLG, Scottish Government, Welsh Government, the Northern Ireland Executive and the Bank all submit consolidated local government data to ONS, either monthly, quarterly or annually. These organisations compile and submit detailed annual returns of expenditure and income, which are based on audited accounts. ONS publishes final data on local government expenditure, interest and dividend receipts and council tax receipts, which are based on audited resource accounts. Until final data are available, data for any current year are based on a mixture of monthly borrowing and lending data, quarterly survey data and annual local government budget data. In addition, data for transactions between central government and local government data are provided by central government sources. Quarterly statutory surveys, which are run in England by DCLG and in Scotland by the Scottish Government, provide estimates of expenditure and income. ONS supplements the DCLG data on interest and dividends, with data that it receives from the Bank. DCLG also collects monthly data for the whole of the UK on the borrowing and lending of local government.

#### *Public corporations*

- 2.21 For public corporations, ONS collects and quality assures quarterly survey data directly from the five largest public corporations<sup>31</sup> via survey questionnaires. ONS receives annual data on public corporations from the audited *Whole of Government Accounts*<sup>32</sup> compiled by HM Treasury. Some other data are provided by Bank surveys and published annual accounts.

### **The Authority's Review of the Asset Purchase Facility Fund**

- 2.22 On 12 June 2013, the Authority published a report<sup>33</sup> of its review of ONS and HM Treasury's statistical treatment of changes to cash management arrangements between the Bank Asset Purchase Facility Fund (BEAPFF) and HM Treasury. The review was in response to ONS announcing<sup>34</sup> in February 2013 its decision that the cash flows from the Bank to HM Treasury, in respect of the BEAPFF holdings of excess cash, should be treated as permanent effects of a financial intervention. These cash flows would, therefore, reduce the headline measure of public sector net borrowing, which excludes the temporary effects of financial interventions ('PSNB ex'). The announcement prompted concerns from some media commentators that the decision might not

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<sup>30</sup> <https://www.gov.uk/government/statistics/hmrc-tax-and-nics-receipts-for-the-uk>

<sup>31</sup> Scottish Water, Post Office Limited, Channel 4, Transport Trading Limited, Export Credits Guarantee Department

<sup>32</sup> <https://www.gov.uk/government/publications/whole-of-government-accounts-2013-to-2014>

<sup>33</sup> <http://www.statisticsauthority.gov.uk/reports---correspondence/reports/asset-purchase-facility-fund.pdf>

<sup>34</sup> <http://www.ons.gov.uk/ons/media-centre/statements/treatment-in-official-statistics-of-the-cash-transfers/index.html#skiptotop>

- have been consistent with previously published principles and criteria for the production and publication of public sector finances official statistics.
- 2.23 The review highlighted a number of concerns relating to the governance arrangements that led to the decision on the statistical treatment of the BEAPFF, as well as how this decision was communicated. The Authority drew a number of conclusions in its report and presented advice to ONS, including that it review the membership and governance structure of the Public Sector Finances Technical Advisory Group (PSFTAG) and the way that the group operates in arriving at public sector finances classification decisions. The report also included a suggestion that ‘ONS may wish to return to the issue raised in the Assessment Report about whether it would be more appropriate for one organisation to take full responsibility for the Public Sector Finances Statistical Bulletin, which is currently published jointly by ONS and HM Treasury’.
- 2.24 In response to the Authority’s review, ONS established its own ‘Review of Public Sector Finances’ in May 2013, with a view to addressing the conclusions and advice set out by the Authority. ONS’s review also focussed on improving the presentation of the statistics and a review of the methodology and guidance underpinning the ‘ex-measures’ of public sector net debt and borrowing, developed in response to the financial crisis. ONS reviewed the membership and governance structure of the PSFTAG and made changes to the way that it operates in arriving at Public Sector Finances classification decisions, setting this out in *Clarifying how Public Sector Finances classification decisions are made*<sup>35</sup>, published in August 2013. From September 2014, ONS and HM Treasury also introduced new ‘ex-measures’ alongside the ESA 2010 changes, that exclude the debt and borrowing of the public sector banks.
- 2.25 On 22 May 2015, ONS published its *Update Report on Implementation of the Review of Public Sector Finance Statistics*<sup>36</sup>, in response to its Review of Public Sector Finance Statistics. The update report includes a summary of ONS and HM Treasury’s consideration of the merits and weaknesses of the current joint publication arrangements against a publication model with only one institution responsible for the publication of *PSF*. They concluded that ‘the current joint publication arrangements do not present any serious weaknesses and offered some advantages over the single organisation publication model as the two organisations working together provided an additional degree of resilience when it came to quality assurance’, and that they will continue with the joint publication arrangements. See paragraph 3.22 of this Assessment report for further detail.

## Accessibility and costs

- 2.26 Sir Tim Berners-Lee first proposed a 5\* rating system for linked open data in 2010<sup>37</sup>. Subsequently in June 2012, the UK Government published its Open

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<sup>35</sup> <http://www.ons.gov.uk/ons/rel/psa/public-sector-finances/clarifying-how-public-sector-finances-classification-decisions-are-made-/index.html>

<sup>36</sup> <http://www.ons.gov.uk/ons/guide-method/method-quality/specific/economy/public-sector-finances/update-report-on-implementation-of-the-review-of-public-sector-finance-statistics.pdf>

<sup>37</sup> The scheme is summarised as 1\* Available on the web (in any format) with an open licence; 2\* Available as structured data (e.g. Excel instead of an image scan of a table); 3\* Available in an open non-proprietary format (e.g. CSV or XML); 4\* All the above plus Uniform Resource Locators (URLs)

Data White Paper: Unleashing the Potential<sup>38</sup>, and began promoting to UK government departments the release of operational data in electronic open formats and equate to at least a 3\* rating in the 5\* scheme. The Northern Ireland Open Data Strategy (2015-18)<sup>39</sup> has as one of its principles that all dataset owners will publish their data at level 3 (or above) on the 5\* scheme and that the vision is to move to data publication at level 5. In February 2015, the Scottish Government adopted an Open Data Strategy<sup>40</sup> stating that it seeks to publish data as 3\* and work towards, where it is appropriate and there is demand, offering the data in higher formats. The Welsh Government does not have a published Open Data strategy but statisticians aim for at least 3\* data dissemination as far as it is appropriate. This is generally done operationally on its web platform, StatsWales<sup>41</sup>, in re-usable formats. ONS publishes *Public Sector Finances* and *Government Deficit and Debt* in PDF and HTML with supplementary data tables published in Excel and a time series dataset published in Excel, CSV, XML, structured text file and navidata formats. This equates to a level of 3 stars.

- 2.27 ONS told us that *Public Sector Finances* and *Government Deficit and Debt* will cost approximately £425,000 to produce in 2015/16.

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so that people can 'point' to them directly, rather than just to an area on a website; and 5\* All the above, plus a link from the data to other people's data to provide context.

<sup>38</sup> [http://data.gov.uk/sites/default/files/Open\\_data\\_White\\_Paper.pdf](http://data.gov.uk/sites/default/files/Open_data_White_Paper.pdf)

<sup>39</sup> [http://www.dfpni.gov.uk/open\\_data\\_strategy\\_for\\_northern\\_ireland\\_2015-18.pdf](http://www.dfpni.gov.uk/open_data_strategy_for_northern_ireland_2015-18.pdf)

<sup>40</sup> <http://www.gov.scot/Publications/2015/02/6614>

<sup>41</sup> <https://statswales.wales.gov.uk/Catalogue>

### 3 Assessment findings

#### Principle 1: Meeting user needs

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

Requirements from previous Assessment report 144 (November 2011):

- Investigate and document the users and uses made of these statistics and seek to engage with users outside of the public sector, such as academics and financial institutions
- Publish information on users' experiences of these statistics

Suggestions from previous Assessment report 144 (November 2011):

- Refer to the types of use put forward in the Statistics Authority's Monitoring Brief, *The Use Made of Official Statistics*

- 3.1 ONS has a good understanding of its user base and has well-developed relationships with its primary users. These users, such as HM Treasury, the OBR and the Bank, told us that they have a positive, active relationship with the statistics team and commented that they had been very well briefed on the recent mandatory ESA 2010 changes. Between May 2013 and November 2013, the statistics team carried out a formal 'Review of Public Sector Finance Statistics'. This work involved consulting with a range of known users, including City of London financial analysts, researchers, media organisations and government bodies, and a public consultation about improvements to the information presented in *PSF*. ONS published its response to the review in February 2014<sup>42</sup>, and included a timeline for the changes that were planned. The statistics team has also run two other public user events to discuss specific issues and elicit feedback from the wider user community. These events took place on 22 February 2012<sup>43</sup> and on 23 September 2014<sup>44</sup>. The September event was held in order to explain the transition from ESA 1995 to ESA 2010 to the press and the public, and to update users about ONS's progress towards implementing the actions arising from the PSF Review.
- 3.2 In September 2012, ONS published a document titled *Users of Government Finance Statistics*<sup>45</sup> outlining the main uses and users of public sector finances statistics. During the course of this Assessment, ONS published an updated version titled *Public Sector Finances Classification: Uses and Users of*

<sup>42</sup> <http://www.ons.gov.uk/ons/guide-method/method-quality/specific/economy/public-sector-finances/2013-review-of-public-sector-finance-statistics---consultation-response.pdf>

<sup>43</sup> <http://www.ons.gov.uk/ons/rel/psa/public-sector-finances/june-2012/public-sector-finances-user-engagement-workshop---summary--june-2012.html>

<sup>44</sup> <http://www.ons.gov.uk/ons/guide-method/method-quality/specific/economy/public-sector-finances/public-sector-user-event.pdf>

<sup>45</sup> <http://www.ons.gov.uk/ons/guide-method/method-quality/specific/economy/public-sector-finances/users-of-government-finance-statistics.pdf>



*Government Finances Statistics*<sup>46</sup> in July 2015. The document explains in detail the uses and types of user of these statistics, demonstrates an understanding of the decisions made using them and incorporates the feedback obtained from recent stakeholder engagement activities.

- 3.3 Members of the statistics team participate in a number of economic user groups, such as the PSF Data Group (PSFDG), the Sector Accounts and Local Government Group (SALGG), the Economic Forum, the Economic Statistics Theme Group (ESTG), the Government Finance Statistics Task Force and the EDP Statistics Working Group. Both PSFDG and SALGG are cross-government groups that focus on operational aspects of the public sector finances data collection; no agendas or minutes of these meetings are published, to maintain confidentiality. The ESTG provides a forum for ONS to engage with users of the statistics, including representatives from the OBR, the Bank, the Devolved Administrations, the British Bankers' Association and some City of London financial organisations. The data users and suppliers we spoke to told us that they felt very satisfied with the quality of ONS's engagement with them through these groups. The Assessment team considers that ONS's engagement with users is positive, and there is clear evidence of continuous improvement to the statistics. However, we suggest that ONS publish a user engagement strategy for public sector finances statistics, to enhance the transparency of its user engagement.
- 3.4 In response to a request by users during the PSF Review, ONS included general government net borrowing and gross debt figures in *PSF*. These figures are consistent in definition with those reported in *Government Deficit and Debt*<sup>47</sup>. In October 2014, the statistics team also rescheduled its publication of *Government Deficit and Debt* to coincide with its publication of the *Government Deficit and Debt* data tables; and commenced quarterly publications of *Government Deficit and Debt* from January 2015.
- 3.5 The statistics team engaged with the wider user community, using social media, during an informal review of *PSF* in the summer of 2014 and again in the summer of 2015 to gather feedback on the presentation and format of *PSF*. In response to the feedback, since October 2014, ONS publishes a monthly *Summary*<sup>48</sup> of key information about public sector finances in plain English and has told the Assessment team that it plans to publish graphical representations (infographics) to aid different users' interpretation and understanding of the statistics (see also Principle 8 of this report).

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<sup>46</sup> <http://www.ons.gov.uk/ons/guide-method/method-quality/specific/economy/public-sector-finances/users-of-government-finance-statistics.pdf>

<sup>47</sup> [http://www.ons.gov.uk/ons/dcp171778\\_380981.pdf](http://www.ons.gov.uk/ons/dcp171778_380981.pdf)

<sup>48</sup> <http://www.ons.gov.uk/ons/rel/psa/public-sector-finances/june-2015/sum-public-sector-finances--june-2015.html>

## Principle 2: Impartiality and objectivity

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

Suggestions from previous Assessment report 144 (November 2011):

- Provide a direct link to the revisions policy for these statistics in the statistical release

- 3.6 ONS publishes these statistics in an orderly and timely manner on its website, free of charge to users. The statistics are presented impartially and objectively.
- 3.7 ONS made significant methodological changes in the compilation of public sector finances statistics in September 2014 as a result of the introduction of ESA 2010 and the implementation of new 'ex-measures' agreed as part of the PSF Review. In order to manage the impact on users, both changes were implemented at the same time. ONS devised a communication plan and published articles to notify users about the forthcoming changes. These articles were published in December 2013<sup>49</sup>, February 2014<sup>50</sup> and June 2014<sup>51</sup>. From June 2014 to the transition in September 2014, the statistics team published 'shadow' data tables<sup>52</sup> alongside the main data tables to help users understand the expected impact of the changes. In September 2014, ONS published a revisions data table<sup>53</sup> showing how each methodological change had impacted upon the data.
- 3.8 When compiling the National Accounts and public sector finances, the classification of organisations and financial transactions against agreed standard definitions is vital in order to consistently and accurately reflect the state of the public finances. ONS has published a document titled *Clarifying how Public Sector Finances classification decisions are made*<sup>54</sup>, but this document was only updated in August 2013 and some of the personnel and responsibilities have since changed. It notes that 'ONS is solely responsible for decisions on classifications. All classification decisions which relate to the Public Sector Finances are ultimately the responsibility of the ONS Executive Director responsible for National Accounts and Public Sector Finances'. The ONS Executive Director is supported in their classification decision-making role by the advice of two groups:
- The National Accounts Classification Committee (NACC), which interprets international guidance and rules on how entities should be treated in National Accounts, and so Public Sector Finances;

<sup>49</sup> <http://www.ons.gov.uk/ons/guide-method/method-quality/specific/economy/public-sector-finances/esa-2010--impact-on-public-sector-finances.pdf>

<sup>50</sup> <http://www.ons.gov.uk/ons/guide-method/method-quality/specific/economy/public-sector-finances/developments-to-public-sector-finance-statistics---february-2014-update.pdf>

<sup>51</sup> <http://www.ons.gov.uk/ons/guide-method/method-quality/specific/economy/public-sector-finances/developments-to-public-sector-finance-statistics---june-2014-update.pdf>

<sup>52</sup> <http://www.ons.gov.uk/ons/rel/psa/public-sector-finances/may-2014/rft---public-sector-finances-tables-1---12.xls>

<sup>53</sup> <http://www.ons.gov.uk/ons/rel/psa/public-sector-finances/august-2014/rft---revisions-table.xls>

<sup>54</sup> <http://www.ons.gov.uk/ons/guide-method/method-quality/specific/economy/public-sector-finances/clarifying-how-public-sector-finances-classification-decisions-are-made.pdf>

- The PSFTAG is an expert group that only advises on classification decisions where there is a transition between National Accounts and the UK government's fiscal framework which requires a judgement to be made on how to treat an institution, transaction or stock that is outside of the National Accounts' guidelines and rules.

- 3.9 High value classification decisions are subject to intense speculation and debate in the public arena, such as that around the classification of Network Rail<sup>55</sup>. This Assessment considers the governance and the transparency around the classification decisions that are made for public sector finances statistics. From time to time, however, the Authority will review individual classification decisions made, usually in response to a complaint made to the Authority. An example of this was its review in 2013 of ONS and HM Treasury's statistical treatment of changes to cash management arrangements (see paragraphs 2.23 and 2.24). The Authority's report on its review, *Statistics Relating to Transfers from the Asset Purchase Facility Fund* advised ONS to review the membership and governance structure of the PSFTAG and the way it operates in arriving at Public Sector Finances' classification decisions. In response to this, ONS made changes to the way it operates in arriving at Public Sector Finances' classification decisions. PSFTAG now includes members from both ONS and HM Treasury to reflect the joint nature of the production arrangements of *PSF*. PSFTAG has a core membership of seven: two members from HM Treasury and five from ONS, including the Chair of the PSFTAG who will be a senior member of staff in the ONS Directorate responsible for the Public Sector Finances appointed by the ONS Executive Director responsible for National Accounts. HM Treasury has a small classification branch that provides advice and guidance to departments on the interpretation of manuals and ONS's classification decisions that are taken.
- 3.10 The ONS National Accounts Classifications team publishes a monthly *Classifications Update*<sup>56</sup> detailing the classification decisions taken that month and their planned implementation dates. The same team also publishes a quarterly *Forward Work Plan*<sup>57</sup> detailing the classifications which will be considered over the coming 12 months. The section titled 'Recent Events and Methodological changes' in *PSF* itemises high profile classification decisions that have been, or are due to be, implemented. See Figure 4, paragraph 2.15 for examples. The statistics team told us that it does not apply formal criteria on deciding when to implement classification changes, but the intention is always to introduce the changes at the first opportunity. Where it is not possible to implement the changes the month following the classification decision, or real world event, then the implementation work is prioritised based on:
- size of impact on headline measures
  - materiality of change
  - complexity of change
- 3.11 The statistics team told us that the implementation of many historic, minor classification changes was still outstanding and that a project is underway

<sup>55</sup> <http://www.theguardian.com/uk-news/2015/aug/17/goblin-lines-fate-could-be-electrifying>

<sup>56</sup> <http://www.ons.gov.uk/ons/rel/na-classification/national-accounts-sector-classification/index.html>

<sup>57</sup> See footnote 57

within ONS to plan the implementation of outstanding classification decisions. Some users we spoke to told us that they need to account for classification or transaction changes in their work and were concerned that they could not access information about the dates of implementation of historic classification or transaction changes. We suggest that ONS publish information about the timing of the implementation of historic classification and transaction decisions and its plans for implementing the outstanding historic decisions.

- 3.12 *PSF* is published monthly and *Government Deficit and Debt* is published quarterly. ONS ensures that statistics presented in *Government Deficit and Debt* each April are fully consistent with the statistics presented in March's *PSF*, for example, and *Government Deficit and Debt* published in October is fully consistent with *PSF* published in September. The National Accounts include a full set of accounts for general government, and its sub-sectors, and these are compiled from the same data sources as *PSF* and *Government Deficit and Debt*. However, there are still differences between the Government Finance Statistics reported in ONS's quarterly National Accounts and those reported in *PSF*. The quarterly processes for compiling National Accounts provide a more detailed dataset for UK government and public corporation finance statistics than is available on a monthly basis for *PSF*. All the detailed data from the National Accounts are replicated in *PSF* only every quarter, although the different revisions policies and timing differences mean that users still observe some differences between quarterly National Accounts and *PSF*.
- 3.13 During the course of this Assessment, on 22 September 2015, ONS published an updated revisions policy<sup>58</sup> for the public sector finances statistics. *PSF* and *Government Deficit and Debt* include sections where revisions since the last publication are presented and explained, and includes a prominent link to the updated policy. ONS publishes three revisions tables to provide insight into the drivers of historical revisions between publications, supplemented by a statistical analysis of the size and direction of data revisions, which is presented in an appendix alongside *PSF*. To ensure that the latest data are used for fiscal policy at all times, all time periods are open for revision every month. *Government Deficit and Debt* is fully consistent (back to 1997) with published data from *PSF*, with all time periods open to revisions and the same revision policy is applied. Table PSA1R in *PSF* and Table M8R in *Government Deficit and Debt* present the latest revisions to key aggregates.
- 3.14 ONS publishes details of recent errors to the public sector finances statistics: one error in October 2014 and one error in March 2015. The causes of these errors, and how ONS has responded to them, are discussed under Principle 4 (paragraphs 3.28 and 3.29). Principle 2 of the *Code* is concerned with how promptly and effectively the errors are corrected and users alerted, once they are detected. Figure 6 presents a summary of the timings of the corrections.

**Figure 6: Timings of corrections**

Error	Date first published	Date error discovered	Date users alerted	Date Authority alerted	Date correction published

<sup>58</sup> <http://www.ons.gov.uk/ons/guide-method/revisions/revisions-policies-by-theme/economy/public-sector-accounts-revisions-policy.pdf>

Time series for CGNCR	January 2013	10 October 2014	15 October 2014	15 October 2014	21 October 2014
Public Sector Net Debt	October 2014	16 March 2015	20 March 2015	20 March 2015	20 March 2015

- 3.15 On 15 October 2014, ONS announced a correction<sup>59</sup> to *PSF* that related to time series data about the central government net cash requirement (CGNCR). Due to the market sensitivity of the public sector finances statistics, and the fact that the main users of CGNCR are city analysts and market participants, ONS issued the correction notice at 07:00 ahead of markets' opening. At 07:00, ONS, HM Treasury and the DMO all sent the correction announcement to their contacts in the media, the City of London and elsewhere to ensure maximum possible awareness of the announcement. Stakeholder feedback to the Assessment team about the communication of this error was very positive, particularly in light of the fact that this was market sensitive information. On 21 October ONS published *PSF* as part of the routine monthly round, with the central government net cash requirement corrections included. The Authority considers that the elapsed time between the realisation that the data were erroneous (10 October) and their public announcement (15 October) is consistent with the *Code's* requirement to 'correct errors...promptly'.
- 3.16 On 20 March 2015, ONS issued *PSF*<sup>60</sup> with a correction to public sector net debt. The correction was reported widely by media outlets, because the 2015 Budget Statement had been presented<sup>61</sup> on 18 March and was based on the uncorrected data. In this instance, the statistics team had not notified external users or senior stakeholders in the Authority, prior to the report being published. Only colleagues in HM Treasury, who assisted with quality assurance or those users with pre-release access, were aware of the nature and fact of the correction ahead of time. Considering the importance of these statistics being used to compile the Budget ahead of a general election, a published announcement the day before the release of the corrected data would have been appropriate. The Authority considers that a breach of Principle 2, Practice 7 of the *Code of Practice* occurred and that all stakeholders should have been alerted equally.
- 3.17 ONS told us that, as a percentage of total net debt, £5.5 billion amounted to less than 0.4 per cent; whereas, the CGNCR correction was around 10 per cent of total annual CGNCR. ONS also told us that, whilst net debt is an important fiscal aggregate, it does not have the same market sensitivities as the CGNCR figure, nor did the revisions significantly affect the overall trajectory of debt over time. This was why the team did not notify a wide range of users about the error and correction. The Authority considers that given the recent high profile errors in the public sector finances statistics, there is a risk that a similar error could come to light in the near future. In Assessment report 309 *Population*

<sup>59</sup> <http://www.ons.gov.uk/ons/media-centre/statements/correction-announcement-for-public-sector-finances/index.html>

<sup>60</sup> [http://www.ons.gov.uk/ons/dcp171778\\_398880.pdf](http://www.ons.gov.uk/ons/dcp171778_398880.pdf)

<sup>61</sup> <https://www.gov.uk/government/speeches/chancellor-george-osbornes-budget-2015-speech>

*estimates and projections*<sup>62</sup>, the Authority required ONS to review its correction policy, especially the classification of errors as major and minor, and ensure that all statistical teams are able to apply the policy consistently.

- 3.18 As part of the designation as National Statistics, in reviewing its current correction policy as part of addressing Requirement 12 in Assessment Report 309, ONS should ensure that its new policy clearly sets out that all stakeholders should be alerted equally prior to the correction of errors. ONS should consider whether it would be appropriate to develop a corrections policy specifically for public sector finances statistics<sup>63</sup> (Requirement 1).

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<sup>62</sup> <http://www.statisticsauthority.gov.uk/assessment/assessment-reports/assessment-report-309---population-estimates-and-projections.pdf>

<sup>63</sup> In relation to Principle 2, Practice 7 of the *Code of Practice*

### Principle 3: Integrity

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

Requirements from previous Assessment report 144 (November 2011):

- ONS and HM Treasury should commit to either (a) the publication of the statistics by one or the other organisation; or (b) the publication of a note explaining who is responsible and accountable for decisions about Public Sector Finances.

- 3.19 No incidents of political pressures, abuses of trust or complaints relating to professional integrity, quality or standards were reported to, or identified by, the Assessment team.
- 3.20 In 2012, ONS published a document titled *Production of the Public Sector Finances Statistical bulletin: responsibilities and accountabilities*<sup>64</sup>. This document noted that ‘The PSF bulletin is produced jointly by ONS and HM Treasury and appears on the websites of both bodies, along with pre-release access lists. There is a high degree of cooperation in the statistical production, governance and decision-making processes needed to produce the bulletin.’
- 3.21 The Authority’s report *Statistics relating to transfers from the Asset Purchase Facility Fund*, published in June 2013, noted that ‘ONS may wish to return to the issue raised in the Assessment Report about whether it would be more appropriate for one organisation to take full responsibility for the *Public Sector Finances Statistical Bulletin*, which is currently published jointly by ONS and HM Treasury.’
- 3.22 In May 2015, ONS published a report<sup>65</sup> about its progress against the findings of the PSF Review, which included an up-to-date explanation of the joint responsibilities of ONS and HM Treasury in producing *PSF* and the rationale for the joint publication. The article noted ‘ONS and HM Treasury senior management have carefully considered whether it would be appropriate to change the current joint publication arrangement for the monthly public sector finances statistical bulletin and concluded that the current joint publication model should be retained’. Annex C of the article explains the roles and responsibilities of each department in detail. During this assessment, the statistics team told us that ONS is responsible for the final content of *PSF* and the timing of the publication, which is pre-announced and based on a working-day production process. All supplementary commentary and data tables published by HM Treasury are released after *PSF* and associated data tables are published. The joint production arrangements for *PSF* do not appear to have stimulated questions by users about the integrity of these statistics. We

<sup>64</sup> <http://www.ons.gov.uk/ons/rel/psa/public-sector-finances/production-of-the-public-sector-finances-statistical-bulletin--responsibilities-and-accountabilities/art-psf-sb--responsibilities-and-accountabilities.html>

<sup>65</sup> See footnote 36

consider that ONS and HM Treasury should keep these publication arrangements under review.



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

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

Requirements from previous Assessment report 144 (November 2011):

- ONS and HM Treasury should update the Methodological Guide to Public Sector Finances and document the data sources used to produce these statistics

Suggestions from previous Assessment report 144 (November 2011):

- Review the quality assurance procedures currently in place for Public Sector Finances to reduce the risk of future errors
- Inform users about the findings from Eurostat's biennial assessments of the statistics published in Government Deficit and Debt under the Maastricht Treaty, and about the actions that it plans to take in response
- Publish the Wroe report and provide users with information about how it has responded to the main recommendations in the report
- Provide a link from Government Deficit and Debt to comparable statistics published on Eurostat's website

3.23 ONS publishes a *Quality and Methodology Information Report*<sup>66</sup> (QMI) for the public sector finances statistics on its website. This report was revised and re-published on 7 October 2014 to reflect the recent move to ESA 2010 and implementation of the recommendations of the 'Review of Public Sector Finances'. QMI presents information about the quality of the public sector finance statistics, based on the five European Statistical System (ESS) Quality Dimensions<sup>67</sup>. The report describes how 'data suppliers are responsible for ensuring that the data are of appropriate quality for their own purposes and ONS has assured itself that these data meet the necessary legal requirements for robust data on public sector finances.' It also describes the close working arrangement between ONS and HM Treasury in publishing *PSF*, and the quality assurance that is undertaken by both teams each month. However, the report does not include a description of how the statistics team has considered and applied the Authority's new Regulatory Standard on *Quality Assurance of Administrative Data*. Some of the key sources of quality information, such as

<sup>66</sup> <http://www.ons.gov.uk/ons/guide-method/method-quality/quality/quality-information/economy/summary-quality-report-for-public-sector-finances.pdf>

<sup>67</sup> <https://gss.civilservice.gov.uk/statistics/methodology-quality/quality-2/quality-resources/ess-dimensions-quality/>

*Public Sector Finances, 2012: Sources and quality assurance procedures*<sup>68</sup> have not been updated.

- 3.24 The legislation around the Excessive Deficit Procedure establishes the definitions of debt and deficit that Member States must report; the reference rates to be used when monitoring Member States' deficit and debt (3 per cent of GDP for deficit and 60 per cent of GDP for debt); and the role of Eurostat in collecting and quality assuring Member State data. The classification of entities, the deficit and debt aggregates and the supporting data are all compiled in compliance with ESA 2010 legislation, Eurostat's *Manual on Government Deficit and Debt*<sup>69</sup> and Eurostat's Government Finance Statistics Guidance notes<sup>70</sup>. The public sector finances statistics are therefore produced on an internationally comparable basis, which is stated clearly in *Government Deficit and Debt*. Every Member States' data transmission in March/April and September/October is reviewed in detail by Eurostat and, in addition, Eurostat visits each Member State every two years to carry out a 'Dialogue Mission' to assure itself that Member States' submission of debt and deficit statistics is methodologically compliant. A Eurostat delegation visited ONS during April 2015, to quality assure the processes and procedures for compiling the UK's data return (presented in *Government Debt and Deficit*) which is used in Eurostat's production of *Government Finance Statistics*. Following its visit, Eurostat detailed a list of actions to be addressed by ONS and HM Treasury. Eurostat's report from the visit will be published on its website in due course.
- 3.25 The compilation of the public sector finances statistics follows ESA 2010, applying the latest common EU standards to the classification and compilation of public sector finances. The comparability of the statistics with OBR's forecasts for borrowing and debt are made clear in *PSF*. In July 2015, ONS published a document titled *Background for users of Public Sector Finance Statistics*<sup>71</sup> which includes a paragraph on comparability of the statistics.
- 3.26 Both ONS and HM Treasury carry out a number of checks during the production of the statistics, including consistency checks; missing data checks; revision and growth rate checks; and cross-referencing checks. In some critical parts of the processing (such as that for gilts) HM Treasury and ONS both use their own systems to calculate the same aggregates for publication and compare the results. Any differences are investigated to identify the cause and systems are re-run to achieve agreement.
- 3.27 The statistics team explained to us the quality assurance processes that occur for the production of *PSF*; these are summarised in Figure 7 below. The statistics presented in *Government Deficit and Debt* are based on the same data sources used for the statistics presented in *PSF*. However, the quality assurance for *Government Deficit and Debt* is carried out by ONS only.

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<sup>68</sup> <http://www.ons.gov.uk/ons/guide-method/method-quality/specific/economy/public-sector-finances/sources-and-quality-assurance-procedures.pdf>

<sup>69</sup> See footnote 28

<sup>70</sup> See footnote 27

<sup>71</sup> <http://www.ons.gov.uk/ons/guide-method/method-quality/specific/economy/public-sector-finances/background-for-users-of-public-sector-finance-statistics.pdf>

**Figure 7: Quality assurance processes for the production of *PSF***

Action	Date	Responsibility
Understand and quality assure the latest tax receipts data	8th working day	HM Treasury and ONS
Understand and quality assure the latest UK government expenditure data	11th working day	HM Treasury and ONS
Review the output tables to identify any unexpected or unexplained data movements	12th working day	HM Treasury and ONS
Quality assurance meeting to discuss and understand data movements and commentary around these.	13th working day	HM Treasury and ONS
Production of tables and commentary for <i>PSF</i>	13th working day	HM Treasury and ONS
Quality assurance of tables and commentary for <i>PSF</i>	14th working day	HM Treasury and ONS
Sign off of <i>PSF</i>	Usually the 14th working day	ONS
Publication of <i>PSF</i>	Usually the 15th working day	ONS

### Errors in Public Sector Finances statistics

3.28 On 15 October 2014, ONS announced a correction to *PSF*. The correction related to time series data for the CGNCR. The correction announcement informed users of the precise magnitude of the errors (including an Excel spreadsheet with the time series), the reason for the correction and which series were impacted: the error was limited to net cash requirement series and reconciliation items. Users were informed that ONS would be bringing forward its planned implementation of new reconciliation tables between net cash requirement and debt (originally planned for 2015) to reduce the risk of this happening again. On 21 October, *PSF* was published as normal with the central government net cash requirement corrections included. The correction was highlighted prominently on the cover page of the report, to bring it to the attention of users who might not have been aware of the announcement on 15 October. ONS published the new reconciliation tables for the first time on 21 November 2014, as an annex to the main report. Following ongoing work to improve the reconciliation, ONS publishes public sector net borrowing to public sector net cash requirement as table REC1 in *PSF*, central government net borrowing to central government net cash requirement as table REC2 and central government net cash requirement to central government net debt as table REC3 (labelled experimental). The statistics team told us that the key

lesson from the October 2014 error was the importance of having in place adequate reconciliation tables between the measures of net debt, net borrowing and net cash requirement to provide quality assurance and transparency. Immediately following identification of the error, HM Treasury statisticians put in place a monthly reconciliation to highlight any differences between debt and cash data reported by the DMO.

- 3.29 On 20 March 2015, ONS published the February 2015 edition of *PSF*, which included a notice about an error and subsequent correction. The front page of *PSF* stated 'The public sector net debt has been revised upwards by £5.5 billion, from October 2014, as the result of a correction to previously published estimates which were erroneously double counting bank deposits held by the central government body, UK Asset Resolution Ltd. The double counting was identified as part of the quality assurance undertaken when compiling this month's bulletin'. The explanation given by ONS in *PSF* was that:

*'Quality assurance work at ONS and HM Treasury has highlighted that the previously published central government liquid asset data (which is a component of net debt) for October 2014 was double counting some of the bank deposits held by UK Asset Resolution Ltd. This occurred as the result of changes in the coverage of one of the liquid asset data sources. The error has been corrected in the current dataset leading to a £5.5 billion decrease in central government bank deposits since October 2014 and a corresponding increase in public sector net debt. The public sector net debt as at the end of January 2015 has only been revised upwards by £2.7 billion as the £5.5 billion decrease in liquid assets has been partially offset by data revisions (as a result of the regular process of taking on the latest available data), the most significant of which was a £2.3 billion decrease in the bond liabilities of Network Rail.'*

### **Quality assurance of administrative data sources**

- 3.30 As described in paragraph 2.17, ONS and HM Treasury compile statistics on the public sector finances using mainly administrative data for three sub-sectors; central government, local government and public corporations. Administrative data for central government are compiled by HM Treasury; data for local authorities and public corporations are compiled from other sources, mainly surveys of local authorities carried out by the DCLG and administrative data from the Devolved Administrations, and banking statistics are collected and supplied by the Bank. The following paragraphs describe the current quality assurance arrangements in place between the data suppliers and ONS and HM Treasury, for the main administrative data sources.

#### *Quality assurance of financial corporation data*

- 3.31 The *Firm Agreement*<sup>72</sup> between the Bank of England and ONS notes that the agreement covers 'all data provided by the Bank to ONS using the Outputs System of the Statistics and Regulatory Data Division' and 'certain statistical series which are required in order to compile data which it in turn supplies to the ONS'. The document includes a commitment that the Bank will 'supply ONS with advice to assist ONS in interpreting the components of national accounts

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<sup>72</sup> <http://www.bankofengland.co.uk/statistics/Documents/about/firmagreement.pdf>

in which the Bank's data are used... to endeavour to respond to questions about data for the latest reference period, and revisions to that for previous periods, in time to meet ONS requirements for input to their compilation process'. The agreement does not explain how the quality of the data is assessed by the Bank, only that 'to ensure that data are fit for purpose, the quality of the data is assessed regularly, and improvements are made where necessary'. There is also no commitment to let ONS know in advance about any changes to the Bank's procedures for compiling the figures. The document notes 'The Bank will take all reasonable steps to achieve satisfactory and representative coverage of institutions measured by its surveys', but no information is given about the response rates expected or achieved.

#### *Quality assurance of tax receipt data*

3.32 HMRC supplies receipts data to ONS on both a cash and accrued basis. The *Firm Agreement* between ONS and HMRC notes

*'It is important that any measure of public revenue which is put into the public domain should be consistent and reconcilable to other measures. Published data should be traceable back to original sources, so that any differences can be resolved with reference to audited accounts. Because the monthly PSF Statistical Bulletin is a joint publication, ONS and HM Treasury are jointly responsible for the quality assurance of the HMRC data'.*

The agreement states that ONS and HMRC will contribute to a quality meeting on the eighth day of the monthly production process and to a quarterly review of statistical methods. For data quality, the *Firm Agreement* also notes that 'HMRC data is currently accepted at face value with no supporting metadata. Basic year-on-year checks identify any significant data movements and these are queried via HM Treasury and the Day 8 Meeting'. The agreement adds that 'HMRC will provide Quality Management Information on: the results of the quality checks; all significant data anomalies; all adjustments made by HMRC'. Some small taxes (Stamp Duty and Landfill tax) were recently devolved to Scotland with effect from April 2015. ONS is currently working with Revenue Scotland to collect these tax data directly because, from April 2015, HMRC has stopped collecting these.

#### *Quality assurance of local government data*

3.33 Local government income and expenditure data are supplied by DCLG for England and by the devolved administrations in Scotland, Wales and Northern Ireland. In addition, data for some financial accounts series are provided by other sources. For example, local government banking deposits series are provided by the Bank of England. The data collections carried out by DCLG and the devolved administrations are carried out using these same financial reporting standards<sup>73</sup> wherever possible. The definitions used are closely aligned with ESA 2010. The Service Level Agreement (SLA) between ONS and DCLG notes 'DCLG will endeavour to collect, via their surveys, local government data that conform to the National Accounts Classification of local government bodies'. The SLA includes a series of quality measures for the

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<sup>73</sup> The Chartered Institute of Public Finance and Accountancy and the Service Reporting Code of Practice

survey and outturn data that DCLG provides, such as: 'Final outturn data are not subsequently revised by £100 million or more on any line'; and 'Published Budget/Outturn data contain reported (not imputed) data for at least 95 per cent of Local Authorities' net current expenditure'. The quality measures section notes that 'DCLG provide briefing to ONS explaining the main features of the data, for example, large revisions, new lines, discontinuities'. DCLG provides quality management information to ONS, but this is not published. ONS and HM Treasury alternately chair a formal meeting with DCLG to quality assure the data. There is no Service Level Agreement between ONS and the devolved administrations for the supply of local government income and expenditure data for Wales, Scotland and Northern Ireland. The statistics team informed us that it is in the process of drafting these agreements.

#### *Quality assurance of central government expenditure and revenue data*

- 3.34 Expenditure data and departmental revenue data (specifically, excluding tax revenue and interest receivable data) for the central government sub-sector are sourced from HM Treasury's Online System for Central Accounting and Reporting (OSCAR). HM Treasury compiles the central government accounts using OSCAR and additional data sources, such as finance data from the DMO and cash data from HM Treasury. HM Treasury compiles central government data for Scotland, Wales and Northern Ireland in the same way as for other central government bodies in the UK with OSCAR data and Bank of England survey data available for the whole of the UK. The Service Level Agreement between ONS and HM Treasury notes that 'HM Treasury is responsible for ensuring that the public finances statistics published by HM Treasury in the Budget, Autumn Statement, Public Expenditure Statistical Analyses and related National Statistics publications, Whole of Government Accounts and other statistical publications are fully consistent (or reconcilable) with those in ONS publications. HM Treasury will ensure that the detailed OSCAR administrative data which underlies much of the UK government expenditure statistical aggregates are published on a regular basis (normally at quarterly and annual intervals) allowing the user community to produce their own analyses of UK government expenditure'.
- 3.35 While there are formal agreements in place between ONS and the government departments who are primary data suppliers for public sector finances statistics, these do not provide sufficient evidence that ONS and HM Treasury have considered the adequacy of the current quality assurance arrangements of the administrative data sources for *PSF* and *Government Deficit and Debt*. In light of the de-designation of police recorded crime statistics in January 2014 (in Assessment report 268), the Authority published its new Regulatory Standard that confirms the quality assurance arrangements that are required for statistics compiled using administrative data to comply with the Code of Practice, set out in *Quality Assurance of Administrative Data*<sup>74</sup>. The *Administrative Data Quality Assurance Toolkit*<sup>75</sup> is the mechanism that the Authority is using to determine compliance in relation to four areas of practice:

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<sup>74</sup> <http://www.statisticsauthority.gov.uk/assessment/monitoring/administrative-data-and-official-statistics/setting-the-standard.pdf>

<sup>75</sup> <http://www.statisticsauthority.gov.uk/assessment/monitoring/administrative-data-and-official-statistics/quality-assurance-toolkit.pdf>

- operational context and administrative data collection
  - communication with data supply partners
  - quality assurance principles, standards and checks by data suppliers
  - producers' QA investigations & documentation.
- 3.36 The judgement by statistical producers about the suitability of the administrative data for use in producing official statistics should be pragmatic and proportionate. It should be made in the light of an evaluation of the likelihood of quality issues arising in the data that may affect the quality of the statistics. It should also reflect the nature of the public interest served by the statistics. Statistical producers should determine the types of assurance and documentation required to inform users about the quality assurance arrangements for administrative data.
- 3.37 ONS states in its *QMI* document that 'Data suppliers are responsible for ensuring that the data are of appropriate quality for their own purposes and ONS has assured itself that these data meet the necessary legal requirements for robust data on public sector finances'. ONS also publishes *Public Sector Finances, 2012 – Sources and Quality Assurance Procedures*<sup>76</sup> which details ONS and HM Treasury's own quality assurance procedures. However, this document includes very limited information about some of the data suppliers' own quality assurance and audit arrangements for the administrative data sources. This document was last published in October 2012, and is likely to be out of date. ONS and HM Treasury have not sufficiently identified or demonstrated publicly their own awareness of the risks posed by the administrative data sources to the quality of *PSF* or *Government Deficit and Debt*, and they have not adequately explained the assurance arrangements undertaken for source data or the role of external bodies in inspecting or auditing the data collecting organisations.
- 3.38 Paragraphs 3.16 and 3.17 highlighted at least two recent errors that ONS has corrected. The Authority is concerned that more errors could occur during the compilation of the public sector finances statistics, and considers that these errors have exposed a high risk level of quality concerns relating to the administrative data collection processes, due to the different number of data suppliers and sometimes complex data collection processes. This, coupled with the high public interest in public sector finances statistics, mean that the Authority considers that public sector finances statistics should be subject to a comprehensive level of quality assurance. While there is evidence that ONS and HM Treasury have undertaken work to mitigate the risk of some recent errors identified in *PSF* from occurring again, there is a clear need for statisticians in ONS and HM Treasury to be encouraged and resourced to identify, investigate and challenge the quality assurance arrangements for all the administrative data sources for public sector finances statistics.
- 3.39 As part of the designation of National Statistics, ONS and HM Treasury should:
- a) Identify and investigate data suppliers' quality assurance arrangements

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<sup>76</sup> [http://www.ons.gov.uk/ons/dcp171766\\_283050.pdf](http://www.ons.gov.uk/ons/dcp171766_283050.pdf)

- b) Work with their data suppliers to strengthen the quality assurance arrangements for administrative data and survey sources
- c) Publish a comprehensive up-to-date picture of data sources and how they are used in the production of *PSF* and *Government Deficit and Debt*
- d) Outline the operational context of the sources in plain language, and what checks are carried out by the data providers in relation to those sources
- e) Publish a visual representation of the data flows, highlighting the points of risk and how those risks are mitigated, including information about risks in its processing systems and highlighting its own quality assurance checks
- f) Explain how they assure themselves of the quality of information provided from the different sources; including strengthening any formal agreements and data supplier engagement
- g) Explain how they have learned lessons and strengthened their own quality assurance checks and in particular their sense-checking of the statistics following the errors identified in 2014 and 2015
- h) Detail their judgement about the quality of the statistics, and the rationale for this judgement, taking account of what they have learned from reviewing their quality assurance arrangements
- i) Update their Statement of Administrative Sources to clearly and accurately list all of the administrative data sources and assurance arrangements used to produce *PSF* and *Government Deficit and Debt*<sup>77</sup>

(Requirement 2).

In meeting this Requirement, we suggest that ONS consider jointly with HM Treasury the implications of the Authority's *Administrative Data Quality Assurance Toolkit*.

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<sup>77</sup> In relation to Principle 4, Practice 3 and Protocol 3, Practice 5 of the Code of Practice



## Principle 5: Confidentiality

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

- 3.40 The statistics team has assured us that it takes all necessary steps to protect the confidentiality of the data they collect. Data are treated as ‘official sensitive’ prior to release and access is restricted to those directly involved in the production process. ONS uses Eurostat’s secure web portal, eDAMIS for international transmission of UK government finance statistics data tables to Eurostat. Most of the data used to compile *PSF* and *Government Deficit and Debt* are derived from aggregate administrative sources and resource accounts for public sector bodies that are already in the public domain. ONS conducted extensive negotiations with the public sector banks to assure them that the published PSF data would not provide any advantage to their competitors. ONS has maintained confidentiality around the addition of new data to account for the acquisition and disposal of public sector banks, and avoided any adverse impacts on the banks’ competitiveness.
- 3.41 ONS published an article outlining the *Treatment of public sector banks in public sector finances*<sup>78</sup>, in November 2014. The required banking data are sourced from the Bank, using a secure data transmission. Although data are reported monthly and quarterly to the Bank of England, ONS only receives six-monthly data points. To produce the monthly data tables, ONS smoothes the time series across the six months so that less detail on the public sector banks’ activities can be identified. Banking data in *PSF*’s data tables lags the publication of profit and loss data by the banks by between two and six months. This means that the banks would have published their annual accounts or interim results prior to the same data being used in *PSF*. Users are appropriately cautioned that ‘PSF data on public sector banks (RBS from April 2014) can lag by six months’ and are advised to refer to a bank’s own financial reports, if they are specifically interested in the position of a public sector bank.

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<sup>78</sup> <http://www.ons.gov.uk/ons/guide-method/method-quality/specific/economy/public-sector-finances/treatment-of-public-sector-banks-in-public-sector-finances.pdf>

## Principle 6: Proportionate burden

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

- 3.42 Most of the data that are supplied to ONS for these statistics are already produced and used by the data suppliers for their own financial management purposes. The processes operated by HM Treasury to align UK government budgets and fiscal management based on National Accounts concepts means that classification changes that affect central government are routinely implemented in HM Treasury's administrative data collection systems. HM Treasury supplies data on central government expenditure through OSCAR, the data collection system it uses to plan, control and report on departmental expenditure. ONS staff were involved in the development of OSCAR to ensure that the system would provide the required data required to produce *PSF*, *Debt and Deficit* and National Accounts, without any additional burden on departments.
- 3.43 ONS and HM Treasury engage with local authorities through meetings of the Central and Local Government Information Partnership (CLIP) Group, which considers ways of accessing local government information to minimise the burden placed on the respondents. Data from DCLG surveys, which collect management information from local authorities, are used in the compilation of public sector finances statistics.
- 3.44 Where forecasts or previous year profiles are available they are used to interpolate annual to monthly data. Where no other information is available a flat profile is used (for example North Sea Oil Licences). ONS is currently exploring with DCLG how to collect information on public-private partnerships (PPPs) and contingent liabilities (such as guarantees) from local authorities as this information is not currently collected by DCLG but is required by European legislation.

## Principle 7: Resources

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

- 3.45 ONS has a centralised recruitment process to ensure that suitably skilled people are employed to produce these statistics. Appropriate competence frameworks are in place and we were told that ONS supports its staff to develop their skills. The PSF delivery team contains a mix of experienced and new team members. ONS provided the staff reporting structure for these statistics – the PSF and Deficit and Debt delivery branch is responsible for compiling and publishing the statistics; the PSF and Deficit and Debt implementation branch is responsible for implementing system changes resulting from new government initiatives, classification changes or quality improvement projects. The statistics team told us that it was ‘in the process of filling one vacancy, while another post is currently on hold while a new team structure is established’. ONS provided the work plan for the Public Sector implementation branch, which itemises the work outside of business as usual for the production team.
- 3.46 The statistics team told us that they are currently resourced to produce business as usual outputs and to implement methodological changes. Any additional work arising may put a considerable strain on resources, for example, future developments in measuring finances at a regional level. There is a lot of work required to ensure that actions arising from the Eurostat mission are complied with, to ensure ESA 2010 developments and PSF classifications are implemented, and to assure the quality of the statistics each time they are produced. The statistics team told us that the consultation around the PSF Review took considerable senior resource, with a significant amount of support from other grades from within ONS and HM Treasury.
- 3.47 ONS intends to publish the Blue and Pink Books 2015 in September 2015<sup>79</sup>. The statistics team told us that this will place considerable strain on itself, since it will not be able to make use of the usual quarterly National Accounts processing round to produce *PSF* in September 2015. This is because *PSF* will include the latest 2014-15 government finance outturn data, but the September National Accounts publication will not. We consider that it is of paramount importance that ONS’s processing systems are sufficient, robust and effective to deliver accurate monthly statistics in *PSF*, and that the statistics team is resourced to investigate and challenge the quality assurance arrangements for the data supplied, and to make improvements to these arrangements where necessary. This will be of particular relevance in ONS and HM Treasury’s work to address Requirement 2 of this Assessment.
- 3.48 As part of the designation as National Statistics, ONS should:
- a) Review the resources allocated to these statistics

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<sup>79</sup> <http://www.ons.gov.uk/ons/guide-method/method-quality/specific/economy/national-accounts/changes-to-national-accounts/blue-book-and-pink-book-2015-changes/index.html>

b) As part of the information that it publishes about its quality assurance arrangements, explain to users how it ensures sufficient time for assurance and sense-checking activities<sup>80</sup>

(Requirement 3).

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<sup>80</sup> In relation to Principle 4, Practice 3 and Principle 7, Practice 1 of the *Code of Practice*

## Principle 8: Frankness and accessibility

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

Requirements from previous Assessment report 144 (November 2011):

- ONS and HM Treasury should provide additional information on the quality of the statistics, including their strengths and limitations, in relation to the use made of them
- ONS and HM Treasury should improve the presentation and commentary in the releases so that it aids user interpretation of the statistics
- ONS should review the presentation of the tables accompanying Government Deficit and Debt to ensure that users are easily able to access the information that they require

Suggestions from previous Assessment report 144 (November 2011):

- Consider the points detailed in annex 2, in seeking to improve the statistical releases

3.49 *PSF* is a long and detailed report, consisting of 42 pages of information and 26 pages of tables. Some expert users told us they refer to section 8 (Recent events and methodological changes) first to understand the recent changes, then they refer to the spreadsheet data tables. *PSF* includes an overview that draws out the key messages in the latest month's statistics, as well as a description of the main terms needed to understand the statistics. The report includes very helpful commentary about recent events or methodological changes that have an impact on the statistics. The language in the report is generally clear, although it can be quite technical in places. The statistics team has recently introduced illustrative diagrams to explain the composition of certain measures presented in *PSF*, which help less-expert users to understand the relationship between the different measures, and how they are derived. The Assessment team considers that the explanation could be supplemented by a conceptual diagram to present an overall picture of *PSF* and its components, to illustrate how they are related to each other.

3.50 The 'main points' section of *PSF* presents headline measures of public sector net borrowing, public sector net debt and general government gross debt as absolute values and as changes compared to the equivalent month 12 months previously. Measures of public sector net borrowing and central government net cash requirement are also presented as financial year-to-date totals. These headline measures are also expressed as a proportion of Gross Domestic Product (GDP). It is not immediately clear how these ratios are derived, what period the GDP measure relates to and how the GDP denominator is chosen in each case. ONS published an article earlier in 2015 titled *The use of GDP in fiscal ratio statistics*<sup>81</sup> which explains the procedure for deriving GDP forecasts for periods when National Accounts outturn GDP is not yet available, and

<sup>81</sup> <http://www.ons.gov.uk/ons/guide-method/method-quality/specific/economy/public-sector-statistics/the-use-of-gross-domestic-product--gdp--in-fiscal-ratio-statistics.pdf>

ONS's use of a 12-month centred rolling average of GDP to calculate these ratios. However, the information presented in this article does not reflect recent changes to the use of GDP in the presentation of public sector finances statistics and does not convey a clear sense of the intended purpose of these measures, nor of the suitability of the GDP denominator to calculate GDP ratios for year-to-date and monthly figures. The article itself is not referenced in *PSF* and is not immediately accessible from the suite of *PSF* supporting guidance and methodology documents. As described in Section 2 of this report, the monthly publication of *PSF* is subject to intense media focus. Given the very high profile of these statistics, we consider that it would be appropriate for ONS to introduce an enhanced senior review of its presentation of the public sector finances statistics, to provide a further level of assurance on the appropriateness of their presentation. This review should take place regularly, and as a minimum twice a year.

- 3.51 As part of the designation as National Statistics, with a view to improving its presentation of the statistics to aid users' interpretation, ONS should:
- a) Review the suitability of presenting all the main measures of public sector finances as a % of GDP
  - b) Explore with users their use of these ratios
  - c) Present a clear description of the purpose of the ratios, their intended use and the way that they are derived
  - d) Introduce an enhanced senior review of its presentation of the public sector finances statistics on a regular basis, to provide a further level of assurance on the appropriateness of their presentation<sup>82</sup>

(Requirement 4).

We suggest that ONS consider whether this practice could be adopted in its presentation of other high profile economic statistics.

- 3.52 The transmission of *Government Deficit and Debt* data to Eurostat is set in legislation and is scheduled for 31 March and 30 September each year; Eurostat publishes its *Government Finance Statistics* three weeks later. ONS publishes *Government Deficit and Debt* quarterly; it is a shorter statistical report and presents clear contextual information about the UK's obligation to collect and provide these statistics to the European Commission. It also presents graphs and charts that are relatively easy to interpret. *Government Deficit and Debt* notes that the UK is currently in Excessive Deficit Procedure, and includes some context around international comparability. The report also references the fact that Eurostat publishes data on deficit and debt values for EU Member States and contains prominent links to the Eurostat metadata<sup>83</sup> which help explain the legal frameworks for data collection, the *Government Deficit and Debt* data specifications and Eurostat's quality assurance processes, including the 'Dialogue Missions'.
- 3.53 The statistics team told us that it receives between 10 and 15 queries a month about *PSF*, most of which are for clarification of the contents of the bulletin or for advice on where to access time series data. The statistics team has worked

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<sup>82</sup> In relation to Principle 2, Practice 2 and Principle 8, Practice 2 of the *Code of Practice*

<sup>83</sup> See footnote 29

with the GSS Good Practice Team<sup>84</sup> and has sought feedback from users to understand their views of the data and the statistical reports. In response to this feedback, ONS now publishes a monthly *Summary of the UK government's financial position* alongside *PSF* for the less-expert reader, and a document titled *Background for Users of Public Sector Finance Statistics*<sup>85</sup>. The statistics team told us that it is considering new and innovative ways to disseminate the information presented in *PSF*, by utilising the functionality of the new ONS website, which is currently in the Beta testing phase. The statistics team has recently started another project to obtain more feedback from users about the public sector finances statistical reports. The Assessment team considers that *PSF* could be improved by re-ordering and refining the sections, so that key information is presented earlier in the report, followed by relevant, but less essential information towards the end of the report, using the 'inverted pyramid' approach to presenting information.

- 3.54 *PSF* and *Government Deficit and Debt* are published in PDF and HTML format. ONS publishes supplementary data for *PSF* and *Government Deficit and Debt* data on its website, in Excel format. The data tables accompanying each release are publicised clearly on the landing pages for each publication, and the charts and tables presented in the reports include prominent links to the associated Excel tables. The statistics team also publishes time series data back to 1946 and uses four-letter codes to identify the individual series, to help users relate them back to the statistics presented in the statistical reports. The time series data is available to download from the ONS website using CSV, Excel and navidata formats.
- 3.55 Following ONS's implementation of ESA 2010 from September 2014, ONS and HM Treasury published a new time series based on ESA 2010, back to 1997. Prior to the implementation of ESA 2010, ONS published shadow tables from June 2014. *PSF September 2014* included an appendix titled 'Revisions to Fiscal Aggregates by Individual ESA 2010 and *PSF* Review Method Changes', which disaggregated the revisions in the month into: (i) those introduced as a result of the move from ESA 1995 to ESA 2010; (ii) those introduced as a result of ONS's implementation of changes following its *PSF* Review; and (iii) those changes relating to updated data sources. These were presented and explained to interested parties at a user engagement event in September 2014 when the first data set based on ESA 2010 was released. We consider this to be good practice in communicating complicated changes patterns to users. As part of this Assessment, users highlighted some improvements that ONS could consider to facilitate their use of the data; these are detailed in Annex 2.
- 3.56 In total, ONS has published on its website approximately 40 separate documents about public sector finances since the year 2000 (see paragraph A1.10 for a summary of the published documentation). While it is clear that this represents a comprehensive suite of documentation describing the methodology and changes to the methodology used to compile the public sector finances statistics, the most relevant supporting documentation and guidance are not as accessible to users as they could be. We also consider

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<sup>84</sup> <https://gss.civilservice.gov.uk/national-statistician-2/gss-professional-support-team/good-practice-team/good-practice-resources/>

<sup>85</sup> <http://www.ons.gov.uk/ons/guide-method/method-quality/specific/economy/public-sector-finances/background-for-users-of-public-sector-finance-statistics.pdf>

that there could be scope for the statistics team to review its suite of supporting documentation, and seek users' views, with a view to streamlining and updating the information currently published.

- 3.57 As part of the designation as National Statistics, with a view to ensuring that users can access the most relevant information for their needs, ONS should:
- a) Review the volume of supporting information that it currently publishes
  - b) With users, review the relevance and accessibility of the supporting *PSF* documentation
  - c) Consider whether its new website can be utilised in order to improve accessibility to supporting documentation to best effect
  - d) Consider the usefulness of producing and publishing a supporting User Guide for public sector finance statistics
  - e) Consider the points detailed in Annex 1 and Annex 2<sup>86</sup>
- (Requirement 5).

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<sup>86</sup> In relation to Principle 8, Practice 4 of the *Code of Practice*



## **Protocol 1: User engagement**

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

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

## Protocol 2: Release practices

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

Suggestions from previous Assessment report 144 (November 2011):

- Review the titles used on the Publication Hub to make them consistent with the titles given to the statistical releases

- 3.59 ONS makes *PSF* and *Government Deficit and Debt* available through the GOV.UK Statistics Release Calendar<sup>87</sup> and publishes a timetable of releases as part of that calendar and through its website<sup>88</sup>. ONS also publishes the date of the next publication alongside the latest statistics. Users can also sign up for email alerts.
- 3.60 ONS declared breaches<sup>89</sup> to Protocol 2, Practice 4 from 1 March 2012 to 31 March 2013 that includes *PSF* released on 21 December 2012. The nature of the breach was that *PSF* was not released at 09:30; rather it was released at 09:31:33. ONS told us that a number of improvements are being implemented relating to the publication process. There have been no further breaches reported relating to *PSF* or *Government Deficit and Debt*.
- 3.61 The publication of *PSF* follows a monthly cycle based on working days rather than specific dates within the month. ONS normally publishes *PSF* on the 15th working day of the month, unless it is a Monday, when it is published on the 16th working day. In September 2014, the statistics team had to delay *PSF* until the 17th working day. The delay to publication was due to the additional quality assurance needed following the ESA 2010 and *PSF* Review changes being implemented that month. ONS communicated this delay to users several months ahead of time, using the Publication Hub and in preceding *PSF* reports.
- 3.62 ONS publishes the list of roles<sup>90</sup> of individuals with pre-release access to *Government Deficit and Debt* and the list of roles<sup>91</sup> of those with pre-release access to *PSF* on its website. Five individuals have pre-release access to *Government Deficit and Debt*, 23 individuals have pre-release access to *PSF*. Some members of the Treasury's Fiscal Statistics and Policy team will have access to the information underlying both *PSF* and *Government Deficit and Debt* at all stages of production, because they are involved in the compilation or quality assurance of data.
- 3.63 HM Treasury also publishes the list of roles<sup>92</sup> of those with pre-release access to *PSF* on its website. The website notes that 'The list below shows those individuals who receive access in advance of publication to the monthly

<sup>87</sup> <https://www.gov.uk/government/statistics/announcements>

<sup>88</sup> <http://www.ons.gov.uk/ons/release-calendar/index.html>

<sup>89</sup> <http://www.statisticsauthority.gov.uk/assessment/code-of-practice/breach-reports/collective-09-30-breaches.pdf>

<sup>90</sup> <http://www.ons.gov.uk/ons/rel/psa/maast-supplementary-data-tables/q3-2014/pra---edp.html>

<sup>91</sup> <http://www.ons.gov.uk/ons/rel/psa/public-sector-finances/june-2015/pra-june-2015.html>

<sup>92</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/459150/PSF\\_PRA\\_Se\\_p\\_15.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/459150/PSF_PRA_Se_p_15.pdf)

National Statistics release on Public Sector Finances, which is produced jointly with the Office for National Statistics (ONS). The officials on this list are either involved in the production of briefing for ministers on these statistics or are regularly called upon to give direct advice to ministers to enable them to comment on the statistics shortly after their publication’.

- 3.64 As part of the designation as National Statistics, ONS should review the arrangements for pre-release access to *PSF* to ensure that it is only granted where absolutely necessary<sup>93</sup> (Requirement 6). We suggest that ONS and HM Treasury publish up-to-date records of those granted pre-publication access to the public sector finances statistics during their development.

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<sup>93</sup> In relation to Protocol 2, Practice 7 of the *Code of Practice*

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

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

Requirements from previous Assessment report 144 (November 2011):

- ONS should ensure that the administrative sources used in the production of the statistics on public sector finances are clearly listed in the Statement of Administrative Sources and that specific information is provided about the arrangements for auditing the quality of these data

- 3.65 ONS has published a Statement of Administrative Sources<sup>94</sup> (SoAS) and includes many of the sources of administrative data used to produce *PSF* and *Government Deficit and Debt*. However, the list is out of date and some of the descriptions are unclear. We consider it important that users can easily cross-reference the SoAS with the statistical reports and supporting information about methods and quality, particularly since ONS includes only very minimal information about its assurance arrangements in the SoAS and relies instead on published quality reports associated with the statistical outputs.
- 3.66 The Requirements relating to this Protocol are detailed in Principle 4 paragraph 3.39.

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<sup>94</sup> <http://www.ons.gov.uk/ons/guide-method/the-national-statistics-standard/code-of-practice/statement-of-administrative-sources/statistical-usage-of-administrative-or-management-sources/statement-of-administrative-sources.xls>

## Annex 1: Compliance with Standards for Statistical Reports

- A1.1 In November 2012, the Authority issued a statement on *Standards for Statistical Reports*<sup>95</sup>. While this is not part of the *Code of Practice for Official Statistics*, the Authority regards it as advice that will promote both understanding and compliance with the *Code*. In relation to the statistical reports associated with Public Sector Finances Statistics, this annex comments on compliance with the statement on standards. The comments included in this annex are based on a review of *EU Government Deficit and Debt Return Quarter 1 2015*<sup>96</sup> published on 17 July 2015 and *Public Sector Finances June 2015*<sup>97</sup> published on 21 July 2015.
- A1.2 In implementing any Requirements of this report (at paragraph 1.10) which relate to the content of statistical reports, we encourage the producer body to apply the standards as fully as possible.

### **Include an impartial narrative in plain English that draws out the main messages from the statistics**

- A1.3 *PSF* is a very long report and includes detailed information included to put the figures into context, but this makes it very difficult 'to see the wood for the trees' for a less-expert reader. ONS publishes the document *Summary of the UK government's financial position* alongside *PSF*, which is written so that the less-expert reader is able to make sense of the key monthly messages.
- A1.4 *Government Deficit and Debt* is a clear publication, which includes helpful charts and commentary. The main points are included in a series of bullet points at the start of the report, to draw out the key messages in the latest statistics.

### **Include information about the context and likely uses of the statistics**

- A1.5 *PSF* includes prominent information about how the statistics are used to monitor UK fiscal policy. The report links to a document titled *Uses and Users of Government Finance Statistics* which was published on 21 July 2015, and details the main users and uses of *PSF*.
- A1.6 *Government Deficit and Debt* clearly explains the legal reasons for the data collection and its importance in measuring the UK government's performance against the EU reference values to avoid excessive budget deficits.

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<sup>95</sup> <http://www.statisticsauthority.gov.uk/news/standards-for-statistical-reports.html>

<sup>96</sup> [http://www.ons.gov.uk/ons/dcp171778\\_410693.pdf](http://www.ons.gov.uk/ons/dcp171778_410693.pdf)

<sup>97</sup> [http://www.ons.gov.uk/ons/dcp171778\\_411807.pdf](http://www.ons.gov.uk/ons/dcp171778_411807.pdf)

## **Include information about the strengths and limitations of the statistics in relation to their potential use**

- A1.7 Both *PSF* and *Government Deficit and Debt* link to the *QMI* dated 2014, which includes a section on users and uses for the data and links to the document titled *Uses and Users of Government Finance Statistics* dated 21 July 2015. *PSF* notes ‘Initial estimates soon after the end of the financial year can be subject to sizeable revisions in later months. In addition, in-year timing effects on spending and receipts can affect year-to-date comparisons with previous years. Central government departmental expenditure data are subject to various validation processes and improve over time.’
- A1.8 Deficit and debt data are used to allow comparison of the general government financial performance across the EU. *Government Deficit and Debt* links to the 2012 *PSF* Revisions Policy and also includes a table analysing revisions, showing the average revision for initial estimates compared to those calculated one year later over the last nine years. The report notes “Therefore while the revisions analysis may be of interest, users should be wary about using the size of revisions as a measure of the reliability of early estimates of data.” *Government Deficit and Debt* mentions that *PSF* data and Deficit and Debt data are aligned, following the ESA 2010 changes in September 2014 and that methodological changes can have significant effect on revisions observed.
- A1.9 The commentary describes future classification changes that will affect the statistics, for example, the implementation of VAT rules (refer to paragraph 2.15).

## **Be professionally sound**

- A1.10 The ‘main points’ section of *PSF* presents public sector net borrowing as rolling year-to-date totals and as annual changes, and net debt as annual changes. These measures are presented as absolute values and as a percentage of GDP. It is not clear how the GDP denominator is chosen for each headline measure presented in this way. Both *PSF* and *Government Deficit and Debt* generally include commentary that is consistent with the statistics, and include charts and tables that conform to professional standards. The charts in *PSF* are usually presented in nominal terms, but more clarity could be provided by presenting the figures as percentages of GDP to provide context about the relative scales of debt and borrowing. *PSF* includes flowcharts to indicate the compilation of the statistics, but this information detracts from the overall messages and would more usefully be included in the methods documentation.

## **Include, or link to, appropriate metadata**

- A1.11 ONS publishes a range of supporting documentation alongside *PSF* and *Government Deficit and Debt* to supplement *QMI*, not all of which are linked in *PSF* or *Government Deficit and Debt*. ONS lists the majority of this documentation chronologically in a Guidance and Methodology webpage<sup>98</sup>. The range of documentation includes the following documents:

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<sup>98</sup> <http://www.ons.gov.uk/ons/guide-method/method-quality/specific/economy/public-sector-statistics/index.html>

- *2013 Review of Public Sector Finance Statistics: Consultation Response*<sup>99</sup> published in February 2014
- *Update Report on Implementation of the Review of Public Sector Finance Statistics*<sup>100</sup> published on 22 May 2015
- *Monthly statistics on the Public Sector Finances: A methodological guide*<sup>101</sup>, published in August 2012
- *Developments to Public Sector Finance Statistics – June 2014 update*<sup>102</sup>, published in June 2014
- *The use of GDP in fiscal ratio statistics*<sup>103</sup> (publication date unclear)
- *Recent Classification Decisions and Economic Events Affecting Public Sector Finances Statistics*<sup>104</sup>
- *UK Government interventions in the financial sector 2007 to 2015*<sup>105</sup>, published on 22 May 2015.
- *Public Sector Finances – Sources summary and their timing*<sup>106</sup>
- *Public Sector Finances, 2012: Users of Government Finance Statistics*<sup>107</sup>, published in September 2012
- *Public Sector Finances, 2012: Sources and quality assurance procedures*<sup>108</sup>, published in October 2012

A1.12 *PSF Summary* usefully links to the OBR forecast statistics, but not to Deficit and Debt targets.

A1.13 *Government Deficit and Debt* includes links to Eurostat’s website, to allow users to view the data, methodology and legislation. Links to the data tables, as well as to the relevant GDP estimate and to *PSF*, are included in the report.

<sup>99</sup> <http://www.ons.gov.uk/ons/guide-method/method-quality/specific/economy/public-sector-finances/2013-review-of-public-sector-finance-statistics---consultation-response.pdf>

<sup>100</sup> <http://www.ons.gov.uk/ons/guide-method/method-quality/specific/economy/public-sector-finances/update-report-on-implementation-of-the-review-of-public-sector-finance-statistics.pdf>

<sup>101</sup> <http://www.ons.gov.uk/ons/guide-method/method-quality/specific/economy/public-sector-finances/monthly-statistics-on-public-sector-finances--a-methodological-guide.pdf>

<sup>102</sup> [http://www.ons.gov.uk/ons/dcp171778\\_407371.pdf](http://www.ons.gov.uk/ons/dcp171778_407371.pdf)

<sup>103</sup> <http://www.ons.gov.uk/ons/guide-method/method-quality/specific/economy/public-sector-statistics/the-use-of-gross-domestic-product--gdp--in-fiscal-ratio-statistics.pdf>

<sup>104</sup> <http://www.ons.gov.uk/ons/guide-method/method-quality/specific/economy/public-sector-finances/recent-classification-decisions-and-economic-events-affecting-psf-statistics.pdf>

<sup>105</sup> <http://www.ons.gov.uk/ons/guide-method/method-quality/specific/economy/public-sector-finances/uk-public-sector-interventions-in-the-financial-sector---22-may-15.pdf>

<sup>106</sup> <http://www.ons.gov.uk/ons/guide-method/method-quality/specific/economy/public-sector-finances/sources-summary-and-their-timing.pdf>

<sup>107</sup> <http://www.ons.gov.uk/ons/guide-method/method-quality/specific/economy/public-sector-finances/users-of-government-finance-statistics.pdf>

<sup>108</sup> <http://www.ons.gov.uk/ons/guide-method/method-quality/specific/economy/public-sector-finances/sources-and-quality-assurance-procedures.pdf>

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

A2.1 This assessment was conducted from September 2014 to September 2015.

A2.2 The Assessment team – Sara James and Caroline Jones – agreed the scope of and timetable for this assessment with representatives of ONS in September. The Written Evidence for Assessment was provided on 13 November 2014. The Assessment team subsequently met ONS during May 2015 to review compliance with the *Code of Practice*, taking account of the written evidence provided and other relevant sources of evidence.

### Summary of users contacted, and issues raised

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

A2.4 The Assessment team received ten substantive responses from the user consultation. The respondents were grouped as follows:

Central government	2
Research	2
Commercial	2
Public corporation	1
International	2
Local government	1

A2.5 The uses made of the public sector finances are listed below:

- forecasting tax receipts for the IFS Green Budget public finance
- compiling monthly press releases to keep the public up to date with the evolution of receipts and spending
- providing comparisons of tax receipts and spending with OBR forecasts
- understanding how to compile public sector accounts
- understanding how much the UK government is borrowing and why
- monitoring developments in tax receipts and performance against the UK government's fiscal targets
- understanding ONS's statistical classifications and other decisions that relate to policy measures undertaken
- internationally, to assess the fiscal position of the UK
- forecasting numbers for clients in the financial markets



- enabling the financial markets to assess the progress that the UK government is making in its austerity programme and as a key part of the overall economic picture
- compiling an accurate picture of the current fiscal position to inform policy and to brief ministers and policy colleagues
- informing the financial markets about forthcoming issues

A2.6 All the respondents noted that they had good working relationships with the statistics team at ONS, with comments such as ‘helpful and conscientious’ and ‘professional and expert.’ ONS’s website still brought negative responses, mostly in regard to searching and locating historic data and metadata. All users were anticipating improvements from the new website, with one user commenting that the engagement process to develop the website had been exemplary.

A2.7 The users suggested a host of improvements to the information to support the reports:

- facilitate in-year comparisons between OBR forecasts
- provide more information on how the profile of spending compares with OBR forecasts between years
- provide more information about the periods in-year when certain elements are heavily revised
- provide more-granular spending data to correspond with RDEL in HM Treasury documents
- make the datasets more accessible and perhaps dispense with the bulletin
- consider streamlining *PSF*
- provide one place for accessing all issues that impact on public sector finances
- provide clearer reconciliation between *PSF* and sector accounts
- provide a historic changes summary of the one-off factors and classifications for ease of analysis
- keep the bulletin as concise as possible – it is too difficult to spot the key assumptions or drivers on the month's outturn in each release
- communicate correction notices to the main Reuters and Bloomberg news wires and maintain an email list to notify main users about revisions
- provide a regional breakdown of current receipts and spending
- provide more granular revenue information about taxes on production, income and wealth
- give general government figures more prominence in the bulletin as well as the public sector as a whole, to enhance coherence with the quarterly sector accounts
- improve the explanation of revisions and ensure that the revisions table appears at sector level

- provide a table of classification decisions and implementation dates
- provide cross-referencing to ONS's other publications about gilt ownership
- provide more information about classification decisions – what was decided, when it was decided, the expected date of implementation including the backlog of historic decisions not yet implemented

A2.8 The Assessment team also reviewed the responses made to the Public Administration Select Committee (PASC) inquiry into statistics for the economy and public finances<sup>109</sup>. The TUC noted that 'Less attention seems to have been paid to the processes for making classification decisions, which we understand have, only relatively recently, begun to involve Treasury officials, but rarely draw on wider outside expertise.' The National Association for Social Sciences also commented on the issue of classification and noted that 'ONS needs to be more transparent and offer its assumptions up for public discussion.' The Royal Statistical Society response included concerns about classification decisions: 'The committee notes rightly that public finance is a confusing, as well as controversial, area for users of statistics. Efforts to bring clarity into publications are badly needed. A system of more open governance, with ONS in the lead and publishing minutes of meetings, would be a great step forward to address potentially controversial decisions such as the classification of entities to public or private sectors, or treatment of unusual items.'

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

Written Evidence for Assessment document

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<sup>109</sup> <http://www.parliament.uk/documents/commons-committees/public-administration/Letter-to-National-Statistician-18-March-2015.pdf>

