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**Chair of the UK Statistics Authority, Sir Michael Scholar KCB**

Rt. Hon. George Osborne MP  
Chancellor of the Exchequer  
HM Treasury  
1 Horse Guards Road  
LONDON  
SW1A 2HQ

26 May 2011

Dear Chancellor

**BREACH OF PRE-RELEASE ACCESS: CONSUMER PRICE INDICES**

I am writing to you about a serious lapse in the Treasury's handling of official statistics, in the hope that I may persuade you to return to the position you and your colleagues took on pre-release access to official statistics when in Opposition.

Last week, through what I believe to have been a clerical error, the Treasury released, 17 hours prematurely, market-sensitive CPI statistics to around 400 Ministers, officials and advisers. The enquiry into this incident says that this was an error by a junior official, and that, so far as can be ascertained, no-one made personal or political profit from it. The Treasury has since apologised, and has put in place new measures designed to make it less likely that this mistake will happen again.

The error was to send the information to the 400 who would normally see this information the next day, immediately *after* its public release by the ONS, rather than send it to the 17 or so in the Treasury, who together with others in the Bank of England, BIS, No 10, and the Deputy Prime Minister's Office, make a total of around 50 who are authorised, under present arrangements, to see the release 24 hours *before* the ONS publishes it.

This was the second time in two months that there has been a problem with the pre-release of the CPI. Following public suggestions that there was a leak of the April 2011 CPI during the pre-release period, ONS undertook an enquiry into the matter. This enquiry found no evidence of a leak, but there can never be positive proof that the suspicions were unfounded, so the damage to public confidence in these most important economic statistics remained.

There was, moreover, yet another, earlier, breach of the Code of Practice by the Treasury, in February 2011, in respect of Producer Price Indices. By the Treasury's own admission the new procedures that were then put in place – as set out at the time in the published breach report – have proved insufficient to prevent a further breach of the Code.

Why do 50 or more people need to have the CPI a day ahead of the Opposition, Parliament, the public, and the media? There is, I believe, no good operational reason, but successive governments want the political advantage that such prior knowledge confers on them: that is, time to work out their line; and therefore time to spin.

The risks of the present pre-release arrangements are considerable. There is always the risk of the kind of error which happened last Monday - there have been many such cases in

different Departments. There is a risk of market manipulation if key economic data fall in to the wrong hands before publication. And there is an inevitable perception among some people outside government that, with such widespread privileged access, there is opportunity for political manipulation of the statistical outputs. So trust in official statistics diminishes.

None of these suspicions, leaks or suspected leaks could have occurred if the Government had stuck to the position it took in Opposition, as the Statistics Authority recommended in my letter to the Prime Minister of 12 May 2010: namely that you should reduce pre-release access to the minimum, so that only those who really need to know are shown these statistics in advance of general publication.

I very much hope that you will agree with this logic, and will be able to persuade your colleagues to think again about pre-release access. A return to your earlier position would do much to restore trust in official statistics, and would, I believe, be helpful to trust in government as a whole.

I would be grateful for your reflections on this matter.

I am copying this letter to the Prime Minister, the Deputy Prime Minister, the Minister for the Cabinet Office, the Secretary of State for Business, Sir Gus O'Donnell, the Governor of the Bank of England and to the Chair of the Public Administration Select Committee, which took evidence from me on this and other matters several weeks ago.

A copy of this letter will be placed on the Authority's website alongside an accompanying Statement and the Treasury's report to the Authority regarding the circumstances of this breach of the Code of Practice for Official Statistics (attached).

Yours sincerely

A handwritten signature in cursive script that reads "Michael Scholar".

**Sir Michael Scholar KCB**

# Statement

26 May 2011

## ***Breach of the Code of Practice for Official Statistics: Consumer Price Indices***

HM Treasury has reported to the National Statistician a breach of the Code of Practice for Official Statistics and the *Pre-Release Access to Official Statistics Order 2008*.

The breach relates to the unauthorised distribution, to around 400 people, of Consumer and Retail Price Indices produced by the Office for National Statistics (ONS) in advance of their publication on 17 May 2011. The breach occurred on 16 May 2011, when an individual from HM Treasury entered an incorrect time into an automated dissemination system. This resulted in briefing material being circulated to individuals in HM Treasury and other Government Departments who were not named on the HM Treasury pre-release access list, ahead of its normal circulation once the CPI and RPI had been published.

The UK Statistics Authority notes that HM Treasury took immediate corrective action and notified the producing department (ONS) and the National Statistician as soon as the CPI breach was discovered. The Authority also notes that this is the second serious breach by HM Treasury in recent months. Following the breach relating to Producer Price Indices in February 2011, the procedures put in place by HM Treasury were insufficient to prevent a further breach. Consequently, HM Treasury has now put in place more stringent processes and procedures to ensure compliance with the Code.

The position of the Authority regarding pre-release access is clear. In its independent review of the statutory arrangements for pre-release access, published in March 2010, the Authority recommended that the formal arrangements for pre-release should follow the proposals in the Authority's report, bringing the 24-hour time limit down to no more than 3 hours, introducing a 1-hour voluntary restraint on political announcements relating to statistical releases and giving the Authority in future the task of determining pre-release access arrangements. The present case, in which the report states that the breach was an accident, swiftly contained, and leading to no market abuse or political spinning, nevertheless shows why pre-release is damaging to trust in official statistics.

Under the *Statistics and Registration Service Act 2007*, the arrangements for pre-release access to official statistics remain in the gift of Ministers. The Authority continues to hold the view that the pre-release access rules should be reformed to show the public that the opportunities for leaks and spin are minimised.

## BREACH OF THE CODE OF PRACTICE FOR OFFICIAL STATISTICS

A breach of the Code of Practice for Official Statistics occurs where one or more provisions of the Code were not followed in situations where an exemption or exception had not been approved by the UK Statistics Authority's Head of Assessment, as required in paragraph (xii) of the Code's preamble. Rules on pre-release access to statistics are covered in the relevant Pre-Release Access to Official Statistics Orders; the Code applies as if it includes these orders.

### 1 Background Information

Name of Statistical Output (including web link if relevant)

Consumer Prices Indices

Name of Producer Organisation

Office for National Statistics

Name and contact details of person submitting this report, and date of report

Dave Ramsden – Chief Economic Adviser to the Treasury,  
HM Treasury,  
1 Horse Guards Road  
SW1A 2HQ  
18 May 2011

### 2 Circumstances of Breach

Relevant Principle/Protocol and Practice

Protocol 2, Release practices,  
Practice 7 - Subject to compliance with the rules and principles on pre-release access set out in legislation, limit access before public release to those people essential for production and publication, and for quality assurance and operational purposes. Publish records of those who have access prior to release.  
Practice 8 - Ensure that no indication of the substance of a statistical report is made public, or given to the media or any other party not recorded as eligible for access before publication. Report to the National Statistician immediately any accidental or wrongful release, and investigate the circumstances.

Date of occurrence

16 May 2011

## Nature of breach (including links with previous breaches, if any)

At 16:14, 16 May, the Treasury experienced a technical breach of the April Consumer Prices Indices at Treasury official level, where an internal Treasury brief containing the headline numbers was inadvertently sent to a distribution list of government officials outside the agreed pre-release list.

The Treasury provides two distinctly separate functions. The first, consistent with the Pre-Release Order, internal briefing is produced for 17 agreed pre-release recipients (15 Treasury Officials and 2 No. 10 Officials) to aid a Minister to comment on the data as soon as it has been published. As part of our role as briefing and economic monitoring we also subsequently send this same briefing to a wider copy list of 398 officials automatically after the point of release, at 09:30 the following morning for ONS data. The majority of these officials are Treasury officials, but also includes officials at the Cabinet Office, the Office for Budget Responsibility, Foreign and Commonwealth Office and 10 Downing Street. In this instance these two distinct functions became intertwined and incorrectly setting the automated timing for release by a briefing official resulted in the brief being disseminated to the wider list of officials at the same time as it was sent to the intended agreed pre-release distribution list.

The individual producing the brief was made aware of the error straight away by another official on the pre-release list, after having received the email. After which, immediate corrective action was taken. The email was recalled within 3 minutes and a subsequent email was sent to all 398 recipients at 16.28 stressing the sensitivity of the CPI data. This subsequent email also confirmed that the message should be deleted immediately and under no circumstances be forwarded; to do so could risk criminal prosecution. All officials, Special Advisers and Ministers receiving such Treasury briefing are within Government and as such are aware of their contractual responsibilities for handling sensitive data and that information classified as 'Restricted' cannot be shared.

The document was clearly marked as restricted until 09:30 on 17 May.

The UK Statistics Authority was informed of the breach, as were the ONS. This took place at 17:05 after a quick initial investigation had taken place and the Chief Economic Adviser to the Treasury had been notified.

This breach did not occur for the same reasons as that of the PPI on 10 February, where briefing was sent to an incorrect email account. Both however did involve human error and the corrective procedures set out in the case of the PPI and those put in place following this latest incident (detailed further in Section 4) mitigate the risks associated with human error and the interactions with our new IT systems, and significantly strengthening our accountability.

## Reasons for breach

Incorrectly setting the automated timing for release in our briefing dissemination procedures by a briefing official resulted in an internal brief containing the CPI/RPI data being disseminated to the wider list of 398 officials at the same time as it was

sent to the intended pre-release distribution list.

### **3 Reactions and Impact**

None – immediate corrective procedures minimised the potential for those outside the pre-release list viewing the information. No information was sent outside of Government network. The action taken also stressed the responsibility of the recipients to delete the information immediately.

### **4 Corrective Actions Taken (include short-term actions, and long-term changes made to procedures)**

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The Treasury has altered its processes with immediate effect. The following corrective actions have been implemented:

- Cease using automatic dissemination (i.e. where the time of public release is set in advance); instead authors will now manually send out briefing on the official data after the point of release at 09:35 (for a 09:30 release). This mitigates the risk of sending to a wider copy list in advance and circumvents any technical errors arising in the dissemination process;
- ensuring the two defined briefing officials receiving pre-release are present to oversee a brief being emailed during the pre-release period, significantly limiting the chance of any future human error.

The Treasury takes pre-release access very seriously and makes every endeavour to ensure that the processes we have in place are robust. In addition to the above actions, which are now in place, the Treasury will tighten up its processes further by:

- Strengthening our accountability procedures so where those officials producing briefing under pre-release are found not following established processes that this is recorded in their annual appraisal report. This sanction will also apply to the relevant Deputy Director (Senior Civil Service Band 1) of the team concerned and will be enforced by the Chief Economic Adviser. If procedures are found not to be followed on more than one occasion, the individual in question will lose their pre-release privileges for the remainder of their time in post.
- Separating the dissemination process of material under pre-release completely from the system currently used to circulate briefing at the point of release under the briefing function, mitigating the risk through human or IT error that the circulation lists become mixed.
- Providing more systematic guidance on the Treasury's briefing process and the importance of adhering to the pre-release protocol. Those signing a pre-release declaration will be given an induction on the briefing process before they are able to gain any involvement in Treasury briefing. This will come

alongside the intranet guidance already provided on handling of information under pre-release.

- Specifically in the case of the CPI, and given the more complex arrangements for this release, providing detailed training with the individuals concerned and removing the two officials leading on any Open Letter arrangements, will further limit points at which a breach can arise.

**5 Any other relevant supporting material (including link to published statements about this breach)**

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