



UK Statistics  
Authority

# Assessment of Services Producer Price Indices

*produced by the Office for National  
Statistics*

**Assessment Report 25**

**December 2009**

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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 Services Producer Price Indices**

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## **ASSESSMENT AND DESIGNATION**

Under the provisions of the *Statistics and Registration Service Act 2007*, the UK Statistics Authority has a statutory function to assess sets of statistics against the Code of Practice for Official Statistics, with a view to determining whether it is appropriate for the statistics to be designated, or to retain their designation, as National Statistics.

Designation as National Statistics means that the statistics are deemed to be compliant with the Code of Practice. Whilst the Code is wide-ranging, designation may be broadly interpreted to mean that the statistics meet identified user needs; are produced, managed and disseminated to high standards; and are well explained.

Designation also signifies that, subject to any caveats in this report, the Statistics Authority judges that the statistics are readily accessible, produced according to sound methods and managed impartially and objectively in the public interest.

Assessment reports will not normally comment further, for example on the validity of the statistics as a social or economic measure; though reports may point to such questions if the Authority believes that further research would be desirable.

Designation as National Statistics will sometimes be granted in cases where some changes still need to be made to meet fully the requirements of the Code, on condition that steps are taken by the producer body, within a stated timeframe, to address the weaknesses. This is to avoid public confusion and does not reduce the obligation to comply with the Code.

Designation is granted on the basis of the information provided to the Statistics Authority, primarily by the organisation that produces the statistics. The information includes a range of factual evidence and also assurances by the producer organisation. The views of users are also sought. Should further information come to light subsequently which changes the Authority's analysis, the Assessment report may be withdrawn and revised as necessary.

Once designated as National Statistics, it is a statutory requirement on the producer organisation to ensure that the set of statistics continues to be produced, managed and disseminated in compliance with the Code of Practice.

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# 1 Summary of findings

## 1.1 Introduction

- 1.1.1 This is one of a series of reports prepared under the provisions of the *Statistics and Registration Service Act 2007*<sup>1</sup>. The report covers Services Producer Price Indices (SPPIs), produced by the Office for National Statistics (ONS). SPPIs<sup>2</sup> are currently published as experimental statistics<sup>3</sup> and are not currently designated as National Statistics. The data are released quarterly.
- 1.1.2 This report was prepared by the Authority's Assessment team, and approved by the Board of the Statistics Authority on the advice of the Head of Assessment.

## 1.2 Decision concerning designation as National Statistics

- 1.2.1 The Statistics Authority confirms that the Services Producer Price Indices can be designated as National Statistics, subject to the ONS implementing the enhancements listed in section 1.5 below and reporting them to the Authority by March 2010.

## 1.3 Summary of strengths and weaknesses

- 1.3.1 User consultation takes place as part of the triennial reviews<sup>4</sup> of the quality and production of SPPIs and the Producer Prices Indices (PPIs). ONS is actively involved in the development of SPPIs with the Organisation for Economic Co-operation and Development (OECD) and the European Union (EU). The burden on businesses of collecting SPPI data is a key concern and ONS makes efforts to use third-party data wherever possible.
- 1.3.2 Some methodological difficulties exist in producing SPPIs. These include the calculation of standard errors and weighting of the separate indices to produce the top-level figure. The SPPIs are not comprehensive in their coverage of the sector and, currently, do not provide all the indices required under the EU Short-term business statistics (STS) Regulation<sup>5</sup>. Developments are under way to provide the additional indices over the next few years. Key national users also expressed a desire for better coverage of SPPIs and more timely data. The metadata released alongside the SPPI data do not address these issues clearly and regular information on developments is not widely accessible.

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<sup>1</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>2</sup> <http://www.statistics.gov.uk/downloads/experimental/SPPI-Release-2009-Q.pdf>

<sup>3</sup> Experimental statistics are new official statistics undergoing evaluation. They are published in order to involve users and stakeholders in their development and as a means to build in quality at an early stage. See <http://www.statistics.gov.uk/cci/nugget.asp?id=173> for more information

<sup>4</sup> <http://www.statistics.gov.uk/articles/ppi/PPI-Triennial-Review-Report-2009.pdf>

<sup>5</sup> [http://epp.eurostat.ec.europa.eu/portal/page/portal/short\\_term\\_business\\_statistics/legislation](http://epp.eurostat.ec.europa.eu/portal/page/portal/short_term_business_statistics/legislation)

## 1.4 Detailed recommendations

- 1.4.1 The Assessment team identified some areas where it felt that the Office for National Statistics could strengthen its compliance with the Code. Those which the Assessment team considers essential to enable designation as National Statistics are listed in section 1.5 below. Other suggestions, which would improve the statistics and the service provided to users but which are not formally required for their designation, are listed at annex 1.

## 1.5 Requirements for designation as National Statistics

<b>Requirement 1</b>	Document the uses of SPPI data clearly on the website (para 3.1)
<b>Requirement 2</b>	Publish more regular information on the development of SPPIs (para 3.2)
<b>Requirement 3</b>	Publish a detailed work plan for developing the remaining indices required under the EU STS Regulation and strengthen the dialogue with Eurostat on the progress being made (para 3.10)
<b>Requirement 4</b>	Change the title for the top-level SPPI figure to clarify the partial coverage of the services sector (para 3.10)
<b>Requirement 5</b>	Publish more specific quality information for each of the indices included in SPPIs, including how the data are collected and what the data cover (para 3.12)
<b>Requirement 6</b>	Make metadata more accessible on the SPPI product web pages (para 3.22)

## 2 Subject of the assessment

- 2.1 The Services Producer Price Indices (SPPIs), formerly the Corporate Services Price Index (CSPI), are a suite of individual price indices that provide information on price changes for a limited range of service industries. They are based on a statutory quarterly survey of businesses and are currently experimental.
- 2.2 The SPPIs are compiled by the Office for National Statistics (ONS). They cover price indices for a range of business activities across the service sector, such as freight transport, telecommunications, property rentals and hotels. Indices for areas such as architecture and engineering, legal services and accountancy are currently under development. The methods for developing price indices for services are outlined in a manual published by the OECD<sup>6</sup>.
- 2.3 Main users of the data include HM Treasury and the Bank of England, which use the information in their assessments of the economy. ONS uses the industry-wide SPPI figure to take account of inflation in the calculation of output from the service industries. Internationally, Eurostat requires the provision of the SPPI data under the STS Regulation. The data are also a useful information tool for businesses for calculating price variations in commercial contracts.
- 2.4 Each quarter ONS releases all available industry-level indices (currently 32 in total), in addition to the top-level SPPI figure, in an Experimental Statistical Bulletin. The results are also summarised in the National Statistics publication '*Economic & Labour Market Review*' (ELMR)<sup>7</sup>.
- 2.5 Each SPPI captures quarterly changes in the price received for services provided by UK businesses to other UK businesses and government. The individual price indices are also aggregated to create a partial services industry SPPI figure. Movements in prices are weighted to reflect the relative importance of transactions in a given year (the 'base year' is currently 2005) and are then aggregated for each of the individual industries within the services sector.
- 2.6 The Report on the 2009 Triennial Review notes that the estimated cost to government of producing SPPIs amounted to £958 thousand in 2008/9, an increase of 4.7 per cent since the last triennial review in 2006.

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<sup>6</sup> <http://www.oecd.org/dataoecd/44/40/36274111.pdf>

<sup>7</sup> <http://www.statistics.gov.uk/elmr/>



### 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.**

- 3.1 The triennial review for SPPIs provides a good basis for understanding user needs and how users would like to see the statistics developed. However these reviews only canvass key users. The Assessment team suggests that future triennial reviews be publicised more widely, for example in ELMR and on the ONS website, to capture additional user views. We also suggest that ONS considers allowing users to give feedback about SPPIs on its website. As part of the designation as National Statistics, ONS should document the uses of SPPIs more clearly on the website (Requirement 1)<sup>8</sup>.
- 3.2 ONS holds regular meetings with key users. The meetings allow these users to express their needs openly. However, information about ongoing developments is not disseminated more widely. Other users, specifically those outside government, do not have access to information about developments on a regular basis. As part of the designation as National Statistics, ONS should publish more regular information on the development of SPPIs, for example in ELMR and on its website (Requirement 2)<sup>9</sup>.
- 3.3 As experimental statistics, ONS has developed SPPIs in consultation with users in the EU, the OECD and the United Nations. The SPPI team is actively involved in international working groups and task forces.

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<sup>8</sup> In relation to Principle 1 Practice 2 of the Code of Practice

<sup>9</sup> In relation to Principle 1 Practices 3 and 5 of the Code of Practice

## **Principle 2: Impartiality and objectivity**

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

- 3.4 ONS publishes the SPPI figures quarterly. ONS publishes release dates for SPPIs for the coming 12 months on the Publication Hub.
- 3.5 The policy for SPPIs is to show significant revisions, but to suppress minor changes to avoid unnecessary inconvenience to users. Indices for the two most recent quarters are regarded as provisional and can be changed as later data become available. The SPPI team follows the relevant ONS revisions policy although this could be made clearer on the website. The Assessment team suggests that ONS link directly to the relevant revisions policy for SPPIs on the product web pages to make this more accessible.
- 3.6 ONS presents the statistics in an objective manner, without associated policy statements. The SPPI team follows the ONS charging policy for any extra analyses carried out.

### **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.**

- 3.7 No incidents of political pressure, abuses of trust or complaints relating to professional integrity, quality or standards were reported to or identified by the Assessment team.
- 3.8 Established procedures are in place within the ONS' Prices Division to ensure that the data are released correctly and safeguarded against any inappropriate comments or release of statistics. Clear desk instructions are available which include notes about integrity and confidentiality procedures.

## 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.**

- 3.9 The SPPI team has been actively involved in international work to develop price indices for services, and has assisted in the development of the OECD manual<sup>10</sup>. Producing price indices for the services sector is recognised as a complicated activity. This is partly due to difficulties in defining the prices to be measured and the lack of a frequent turnover survey to provide the weights for aggregating the individual indices into an industry-wide SPPI figure.
- 3.10 The current SPPI data do not meet all users' needs in respect of coverage, timeliness or frequency. ONS does not currently supply price information for about ten of the required industries for the EU STS Regulation. Work is underway to expand the coverage of SPPIs through the development of new industry indices. As part of the designation as National Statistics, ONS should
- publish a detailed workplan for developing the remaining indices required under the EU STS Regulation and strengthen the dialogue with Eurostat on progress being made (Requirement 3)<sup>11</sup> and
  - change the title for the "top-level" SPPI figure to clarify the current partial coverage of the services sector (Requirement 4)<sup>12</sup>. This is to ensure that all users are aware of the partial level of coverage.
- 3.11 SPPIs meet the needs of the EU in terms of timeliness and frequency although other users expressed a need for more timely and more frequent SPPI data. Data are currently published eight weeks after the end of the quarter they refer to and are quarterly rather than monthly. ONS has told us that the extra resource and cost required to produce monthly SPPIs would be disproportionate to any benefit at this stage. Nevertheless, the Assessment team suggests that ONS continue to investigate improvements in timeliness, frequency and the development of an annual turnover survey and publish regular information on the current status of these investigations.
- 3.12 ONS publishes some quality information in the Statistical Bulletin, in a summary quality report and in ELMR articles. However users are still dissatisfied with the specific quality indicators available for the different indices such as weights and standard errors. As part of the designation as National Statistics, ONS should publish more specific quality information for each of the separate SPPIs. This should include the way that the data are collected and what the data cover (Requirement 5)<sup>13</sup>.
- 3.13 Sound quality assurance procedures are in place for SPPIs, covered in detailed desk instructions for staff.

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<sup>10</sup> see footnote 6

<sup>11</sup> In relation to Principle 4 Practices 2 and 6 of the Code of Practice

<sup>12</sup> In relation to Principle 4 Practice 2 of the Code of Practice

<sup>13</sup> In relation to Principle 4 Practice 2 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.**

- 3.14 The Assessment team notes that there are sound processes in place for SPPIs to protect the confidentiality of data. These cover third-party data, disclosure checks, aggregation of data before publication and limited access to servers.
- 3.15 The front page of the survey questionnaire clearly states the confidentiality arrangements for the data provided. Exchanges of data with third-parties are covered by Data Access Agreements, which clearly outline the steps to be taken to protect the confidentiality of the data.

## 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.**

- 3.16 The costs of supplying data for SPPIs are documented in the reports of the triennial reviews.
- 3.17 The Assessment team notes that ONS has made efforts to reduce the burden on suppliers by introducing touchtone telephone data entry for some indices. Roughly half of data provision is currently via telephone. This reduces the costs of supplying data and enables direct credibility checking of data thus reducing the need for manual intervention or follow up. The SPPI team uses third-party data, or “proxy” data, instead of surveys wherever possible. These data sources are listed in the Statistical Bulletin.
- 3.18 Estimates of the total respondent burden for SPPIs are reported annually in the *ONS Simplification Plan*<sup>14</sup>.

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<sup>14</sup> <http://www.statistics.gov.uk/statbase/Product.asp?vlnk=14683>

## 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.**

- 3.19 There is a comprehensive business plan for SPPIs. This is followed up regularly and monitored against expenditure and user needs in order to prioritise development work.
- 3.20 ONS has developed good desk instructions for SPPI staff. We feel that the staff induction programme and training provided are very thorough and offer a good foundation for working with price indices.
- 3.21 A past lack of resources restricted developments in several areas. However the SPPI team obtained new resources in early 2009 to speed up the expansion of SPPIs to meet the EU STS Regulation requirements and other users' needs for greater coverage.

## **Principle 8: Frankness and accessibility**

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

- 3.22 ONS publishes SPPIs in an Experimental Statistics Bulletin via the National Statistics Publication Hub and in other fora such as ELMR. Background notes support these bulletins and some metadata is available on the SPPI product web pages. As part of the designation as National Statistics, ONS should make the metadata on the website more accessible to help users understand and find the information they need. This might include the consolidation of older publications, reorganisation of documents and better labelling and dating of documents (Requirement 6)<sup>15</sup>.
- 3.23 ONS makes data freely available for downloading by users via the Internet.

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<sup>15</sup> In relation to Principle 8 Practice 1 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.**

3.24 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.**

- 3.25 Release practices for SPPIs are generally in line with Code of Practice. No pre-release access is currently granted. The Assessment team suggests that ONS publish a statement to this effect on the SPPI product page on the website.

### **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.**

- 3.26 ONS collects data for SPPIs mainly using a quarterly survey to businesses. However it uses some third-party or proxy data in calculating prices for some industries.
- 3.27 All administrative sources should be included in the ONS' Statement of Administrative Sources the publication of which was a requirement in Assessment Report 8<sup>16</sup>.

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<sup>16</sup> Requirement 5 in Assessment Report 8: Migration Statistics  
(<http://www.statisticsauthority.gov.uk/assessment/assessment-reports/assessment-report-8---migration-statistics--27-july-2009.pdf>)

## Annex 1: Suggestions for improvement

A1.1 This annex includes some suggestions for improvement to SPPIs, in the interest of the public good. These are not formally required for re-designation, but the Assessment team considers that their implementation will improve public confidence in the production, management and dissemination of official statistics.

- |                     |   |
|---------------------|---|
| <b>Suggestion 1</b> | Investigate how the next triennial review can be publicised more widely to capture the views of more users, for example via the Economic and Labour Market Review (ELMR) and the ONS website (para 3.1) |
| <b>Suggestion 2</b> | Provide the opportunity for users to give feedback on SPPIs via the ONS website (para 3.1)  |
| <b>Suggestion 3</b> | Link directly to the relevant revisions policy for SPPIs on the product web pages to make this more accessible (para 3.5)   |
| <b>Suggestion 4</b> | Investigate improvements in timeliness, frequency and the development of an annual turnover survey and publish information on the current status of these investigations (para 3.11)                    |
| <b>Suggestion 5</b> | Publish a statement that no pre-release access is granted on the SPPI product pages on the website (para 3.25)  |

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

A2.1 This assessment was conducted from July to October 2009.

A2.2 The Assessment team agreed the scope of and timetable for this assessment with representatives of the Office for National Statistics in July 2009. The Written Evidence for Assessment was provided on 21 September 2009. The Assessment team subsequently met with ONS during September 2009 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 The user/supplier consultation was carried out in conjunction with the consultation for the Producer Price Indices (PPI). The Assessment team received 11 responses. The respondents were grouped as follows:

Internal ONS	5
Other government department	4
International	1
Private sector	1

A2.4 The main uses for the statistics are for monitoring and measuring inflation, monitoring economic trends, research, business and financial planning, contract pricing and making investment decisions. In general, users of the data were satisfied with the accessibility and ease of use of the data, particularly regular users. There was some dissatisfaction with the metadata published alongside the data, coverage and the comparability of the data.

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

Written Evidence for Assessment document

<http://www.statistics.gov.uk/downloads/experimental/SPPI-Release-2009-Q.pdf>  
<http://www.statistics.gov.uk/statbase/product.asp?vlnk=7351>

## List of assessment reports published to date<sup>17</sup>

1. Statistics from the National Drug Treatment Monitoring System  
*National Treatment Agency for Substance Misuse*
2. Recorded Crime in Scotland  
*Scottish Government*
3. Statistics on Enrolments at Schools and in Funded Pre-School Education in Northern Ireland  
*Department of Education, Northern Ireland*
4. Road Casualty Statistics  
*Department for Transport*
5. UK Energy Sector Indicators  
*Department of Energy and Climate Change*
6. Statistics on Road Freight  
*Department for Transport*
7. Prison Population Projections  
*Ministry of Justice*
8. Migration Statistics  
*Office for National Statistics*
9. Statistics on International Development and the ODA:GNI Ratio  
*Department for International Development*
10. The Scottish Health Survey  
*Scottish Government*
11. Scottish House Condition Survey  
*Scottish Government*
12. Scottish Crime and Justice Survey  
*Scottish Government*
13. Statistics on Children Looked After by Local Authorities in England  
*Department for Children, Schools and Families*
14. Statistics on Children Looked After by Local Authorities in Scotland  
*Scottish Government*
15. Statistics on Children Looked After by Local Authorities in Wales  
*Welsh Assembly Government*
16. Statistics on Children Looked After by Health and Social Care Trusts in Northern Ireland  
*Department of Health, Social Services and Public Safety, Northern Ireland*
17. Wealth in Great Britain  
*Office for National Statistics*
18. Statistics on the National Child Measurement Programme  
*NHS Information Centre*
19. Average Weekly Earnings  
*Office for National Statistics*
20. Energy Statistics  
*Department of Energy and Climate Change*

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<sup>17</sup> Published reports are available at: <http://www.statisticsauthority.gov.uk/assessment/assessment-reports/index.html>

