

Monitoring Review

Monitoring Review 3/16
February 2016

Monitoring Review Final Update

Statistics Relating to Transfers from the Asset Purchase Facility Fund

Publication date – June 2013

The Authority published the Monitoring Review Report '*Statistics Relating to Transfers from the Asset Purchase Facility Fund*' in June 2013¹. Annex 1 provides a brief summary of the report and documents actions taken in response to the recommendations.

Statement from the UK Statistics Authority

The published Monitoring Review Report contained 4 recommendations for the Office for National Statistics (ONS) to progress.

As of January 2016, all of the recommendations have been satisfactorily completed.

In response, ONS established a Review of Public Sector Finances which took forward the implementation of the recommendations of the UK Statistics Authority. This focused on two key areas:

- Improving the presentation of the statistics to ensure that they are well presented and easily understood;
- Reviewing the methodology and guidance that underpin the measures of Public Sector Net Debt and Borrowing that exclude the temporary effects of financial interventions, known as 'ex measures', which were developed in response to the financial crisis to ensure they remain robust, statistically coherent, and future-proofed.

ONS published the document 'Consultation on proposals from the 2013 Review of Public Sector Finance Statistics'² to its website on 17 December 2013. ONS published the Consultation Response³ in February 2014. This provided a summary of the consultation responses received and explained both how ONS planned to take forward the comments received and how ONS proposed to implement the Report outcomes.

¹ <https://www.statisticsauthority.gov.uk/publication/statistics-relating-to-transfers-from-the-asset-purchase-facility-fund/>

² <http://www.ons.gov.uk/ons/about-ons/get-involved/consultations-and-user-surveys/consultations/consultation-on-proposals-from-the-review-of-public-sector-finance-statistics/index.html>

³ <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>

Following implementation of the findings of the Review of Public Sector Finances, ONS published an update⁴ to the consultation response summarising changes and improvements made to the public sector finances on 22 May 2015. ONS reported that it had implemented all the key recommendations of the Review of Public Sector Finance Statistics, which included:

- a new presentational framework
- the introduction of new table on Asset Purchase Facility
- a new 'ex-measure' excluding only public sector banking groups
- improved public sector finance documentation for users.

Impact on Official Statistics

This short review of the treatment of the effects of the financial interventions in the UK public sector finances statistics has led to increased transparency and accessibility of information to users.

Further to this review, official statistics relating to the UK Public Sector Finances⁵ have been re-assessed against the Code of Practice. The assessment noted the significant methodological changes made by ONS as a result of the introduction of the European System of Accounts 2010 and the implementation of new 'ex-measures' in Public Sector Finances.

⁴ <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>

⁵ <https://www.statisticsauthority.gov.uk/publication/statistics-on-the-public-sector-finances/>

Annex 1

The Monitoring Review was prompted by concerns expressed to the UK Statistics Authority about the way a change in cash management arrangements between the Bank of England and HM Treasury has been reflected in the fiscal measure ‘PSNBex’ – Public Sector Net Borrowing excluding the temporary effects of financial interventions. The change relates to the cash held in the Bank of England Asset Purchase Facility Fund (BEAPFF).

The review did not make any specific recommendations; rather it drew a number of conclusions and presented them as advice. For the purpose of this update, we have treated this advice as a set of recommendations. The conclusions and recommendations were presented under the four headings: guidance; communication; governance; and the decision.

The published Monitoring Review Report contained 4 recommendations for ONS to progress.

Recommendation 1	
Status – Completed	
Recommendation	Progress
<p>In March 2010, ONS published a paper with the title ‘Public sector finances excluding financial interventions’ which set out the criteria, definitions, and principles underpinning the ‘ex measures’ in the public sector finances statistics. The 2010 Guidance was considered to be out of date following decisions made by the Public Sector Finances Technical Advisory Group (PSFTAG) committee in 2012. The Statistics Authority recommends that ONS updates the guidance following any changes in definition, and clearly labels the updated version with the date of the latest revision.</p>	<p>Through the Review of the Public Sector Finances and the related consultation, ONS has resolved these issues on guidance as the new ‘ex measure’ does away with the concepts of underlying or temporary measures, and simply excludes the public sector banks and their transactions with the private sector.</p> <p>COMPLETED – JULY 2014</p>

Recommendation 2	
Status – Completed	
Recommendation	Progress
<p>The review team had some concerns about whether various matters (the statistical arguments underlying the decision itself; the fact that alternative arguments were considered and the reasons for rejecting them; and the changes to governance and guidance) were adequately communicated externally. The UK Statistics Authority pointed out the importance of explaining fully to users the processes and principles underpinning important decisions.</p>	<p>ONS has produced a range of methodological articles since June 2013 that set out in detail forthcoming developments in Public Sector Finance Statistics⁶. These articles cover ‘Clarifying how Public Sector Finances classification decisions are made’ alongside the impact of the conversion to ESA 2010 and the consultation response.</p> <p>In June 2013, ONS published an article that described to users the work it was doing to align Public Sector Finance data with National Accounts data⁷. This is one of a suite of articles ONS has published notifying users of developments in the public sector finances.</p> <p>The Authority is satisfied that the range of documentation and advice available on the ONS methodology web pages, together with the consultation process mentioned above, addresses the needs of users, and provides users with important information in advance of forthcoming changes and the processes and principles underpinning important decisions.</p> <p>COMPLETED – JULY 2014</p>

⁶ <http://www.ons.gov.uk/ons/guide-method/method-quality/specific/economy/public-sector-statistics/index.html>

⁷ <http://www.ons.gov.uk/ons/guide-method/method-quality/specific/economy/public-sector-finances/improving-government-statistics---aligning-psf---na.pdf>

Recommendation 3	
Status – Completed	
Recommendation	Progress
<p>The UK Statistics Authority saw no strong case to support the current composition and voting arrangements of PSFTAG. The UK Statistics Authority recommended that ONS ought to take undivided responsibility for definitional and methodological decisions, seeking advice from experts through whatever ad-hoc or permanent committees are seen by ONS to be appropriate to the decision.</p>	<p>In August 2013, ONS published a paper ‘Clarifying how Public Sector Finances classification decisions are made’⁸ setting out revised arrangements for decision making by PSFTAG. This note makes it clear that all classification decisions that 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 decision-making role by the advice of two groups: The National Accounts Classification Committee (NACC); and, PSFTAG.</p> <p>PSFTAG was restructured to reflect the new governance arrangements. Prior to this re-structuring, PSFTAG reached decisions by majority vote with membership made up of two voting representatives from ONS, two from HM Treasury and one from the Department for Communities and Local Government (DCLG). A Bank of England representative could also attend the group but they did not have a vote.</p> <p>The new PSFTAG has a core membership of seven, two members from HM Treasury and five from ONS, including the Chair who is a senior member of staff in the ONS Directorate responsible for the Public Sector Finances. The Chair can appoint ONS and HM Treasury members with the necessary expertise, but a majority of ONS members should be maintained. The Chair can also appoint external experts to join PSFTAG for a particular case where their expertise will be helpful in interpreting statistical guidance and accountancy concepts.</p> <p>The Chair of PSFTAG will consider the discussions of PSFTAG and the consensus reached in arriving at a final decision which will be published on the ONS website. If PSFTAG do not reach a consensus and/or the decision is likely to be one attracting considerable user interest, then the Chair will brief the ONS Executive Director responsible for National Accounts on the PSFTAG discussions and the Executive Director will make a final classification decision.</p> <p>COMPLETED – JULY 2014</p>

⁸ <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>

Recommendation 4	
Status – Completed	
Recommendation	Progress
<p>The review team concluded that the decision to treat the flows of money from the Bank of England's Asset Purchase Facility Fund (BEAPFF) to the Treasury as permanent was made after diligent and professional consideration by the PSFTAG committee and senior managers. However, the review team concluded that the transfers should be treated as temporary based on the published guidance, and felt that this conclusion is one which many users are likely to have drawn.</p> <p>Given the very real difficulties in establishing a robust and clear definition of the 'ex' measures, the review team concluded that any change to the PSF statistics should be preceded by a wider review of the statistical definition of PSNB ex and PSND ex to ensure that the treatment of the various financial interventions is as coherent and reasonable as possible in the short term, and that the longer term viability and relevance of the 'ex' measures is taken into account.</p>	<p>ONS completed a user Consultation in 2014 on proposals from the 2013 Review of Public Sector Finance Statistics. New 'ex-measures' that only exclude the debt and borrowing of the public sector banks were introduced in September 2014 (alongside the ESA10 changes) with statistics available on both the new and old basis during the period June 2014 to April 2015. This allowed users to compare statistical outturn data with fiscal forecast data for the period when the forecast was still based on ESA95 and the old measure.</p> <p>In July 2014, ONS introduced a new table in the monthly public sector finances that showed the stocks and flows associated with the Asset Purchase Facility Fund. In August 2014, ONS introduced a further new table in the monthly public sector finances showing the impacts of large events on the fiscal measures, including those of the Asset Purchase Facility Fund.</p> <p>COMPLETED – JULY 2014</p>