

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

## Special assessment of a new UK House Price Index: Phase 1

*(produced by the Office for National Statistics, Land  
Registry, Registers of Scotland and Land & Property  
Services Northern Ireland)*

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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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## 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 allows an appropriate authority<sup>3</sup> to request an assessment of official statistics against the *Code of Practice for Official Statistics*<sup>4</sup> in order for them to gain National Statistics status. This report is in response to such a request. The report covers a new UK House Price Index<sup>5</sup> (UK HPI) being developed by the Office for National Statistics (ONS) in partnership with Land Registry, Registers of Scotland and Land & Property Services Northern Ireland (LPSNI), hereafter referred to as ONS and partners.
- 1.2 In July 2013<sup>6</sup> ONS announced that the four producers of official house price statistics (ONS and partners) were investigating options for the production of a new single UK HPI. This work was triggered in response to a recommendation from the 2010 *National Statistician's Review of House Price Indices*<sup>7</sup>. In February 2014<sup>8</sup>, the Statistics Authority announced that, in light of this proposed development, the Authority did not aim to offer a formal designation of the current ONS *House Price Index*<sup>9</sup> but would instead assess the potential new UK HPI and leave open the option to assess any associated official statistics developed consistent with this Index, should the producer bodies request this. The Authority expects that any such requests will be submitted shortly after the publication of this report.
- 1.3 The Statistics Authority is conducting this assessment in two phases:
- The first phase – which this report covers – assesses compliance with the *Code of Practice* in respect of those aspects essential to the planning and development of methods for the new index, including user engagement (listed at Annex 1)
  - The second phase will be carried out after the new index is published and will involve an assessment of the statistics in light of users' views. Phase 2 will consider how ONS and partners have responded to the findings from this report and will cover compliance with the remaining practices of the *Code*. The provisional timetable for Phase 2 is set out in Annex 1

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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> Subsection 12(7) of the Act defines 'appropriate authority' as Ministers of the Crown, Scottish Ministers, Welsh Ministers, Northern Ireland departments or the National Statistician

<sup>4</sup> <http://www.statisticsauthority.gov.uk/assessment/code-of-practice/index.html>

<sup>5</sup> <http://www.ons.gov.uk/ons/about-ons/get-involved/consultations-and-user-surveys/consultations/consultation-on-the-development-of-a-definitive-house-price-index/index.html>

<sup>6</sup> <http://www.ons.gov.uk/ons/rel/hpi/house-price-index/may-2013/index.html>

<sup>7</sup> <http://www.statisticsauthority.gov.uk/national-statistician/ns-reports--reviews-and-guidance/national-statistician-s-reports/national-statistician-s-review-of-house-price-statistics.pdf>

<sup>8</sup> <http://www.statisticsauthority.gov.uk/news/statement---assessment-of-the-house-price-index.pdf>

<sup>9</sup> <http://www.ons.gov.uk/ons/rel/hpi/house-price-index/index.html>

- 1.4 On 14 July 2015<sup>10</sup>, ONS announced that Land Registry will ultimately be responsible for publishing the new UK HPI in order to allow for a more coherent presentation of house price statistics via GOV.UK. As ONS will continue to lead on the development of the new indices, in partnership with Land Registry, Registers of Scotland and LPSNI this Phase 1 report will continue to refer to 'ONS and partners'. However, while we expect that the four producer bodies will continue to work closely together to produce and publish the statistics (see Section 2 for more details), any Requirements included in the Phase 2 report of this assessment will be addressed directly to Land Registry.
- 1.5 This report was prepared by the Authority's Assessment team, and approved by the Regulation Committee on behalf of the Board of the Statistics Authority, based on the advice of the Director General for Regulation.

### **Decision concerning designation as National Statistics**

- 1.6 The Statistics Authority judges that ONS and partners are taking appropriate steps towards producing a *Code*-compliant UK HPI that can be designated as new National Statistics at a future date, subject to ONS and partners implementing the Requirements listed in paragraph 1.12 and reporting them to the Authority, and Land Registry reporting on any further Requirements that might emerge from Phase 2 of this Assessment.
- 1.7 ONS and partners have informed the Assessment team that they have started to implement the Requirements listed in paragraph 1.12. The Statistics Authority welcomes this.

### **Summary of strengths and weaknesses**

- 1.8 Almost five years have passed since the then National Statistician first recommended the development of a single definitive house price index by the official statistics producer community. Early progress was hindered in part by the transfer of responsibility for the current UK House Price Index from the Department for Communities and Local Government (DCLG) to ONS in 2012 and resource constraints also led to delays.
- 1.9 However, this development project gained momentum during 2014 and ONS and partners have since worked well together within a strengthened governance framework to develop proposals for a new UK HPI, and comparable statistics for the four countries of the UK. In doing so, ONS and partners have engaged very effectively with users, through consultations, user events and social media.
- 1.10 ONS and partners have consulted widely on proposed methods and publication plans and have commissioned expert peer appraisal of emerging methods from the Government Statistical Service Methodology Advisory Committee (GSS MAC). As these methods have since been further developed in response to user and expert views, and as new data sources have been acquired, we consider that it will be important in assuring the methods for

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<sup>10</sup> <http://www.ons.gov.uk/ons/rel/hpi/house-price-index/may-2015/index.html>

ONS and partners to: carry out a second phase of peer appraisal; publish detailed methods documentation; and publish information to demonstrate quality assurance of the statistics, including details of assurance arrangements for the administrative data sources. The Authority would expect this information to be made available to users in good time for them to consider the impact on their use of the new statistics, ahead of the publication of the new UK HPI.

## Detailed recommendations

- 1.11 The Assessment team identified some areas where it felt that ONS and partners should strengthen compliance with the *Code* as they develop the new UK HPI. Those which are essential for ONS and partners to address in order to enable designation as National Statistics are listed – as Requirements – in paragraph 1.12, 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 1.13.

## Requirements for designation as National Statistics

- 1.12 This paragraph includes those improvements that ONS and partners are required to make in respect of the new UK HPI in order to fully comply with the *Code of Practice for Official Statistics*, and to enable designation as National Statistics.

Finding	Requirement	
<p>ONS and partners have consulted users about proposed methods, and commissioned some early peer appraisal, but continuing analysis means that some questions remain unanswered. ONS and partners should:</p>	<p><b>1</b></p>	<p>Publish a methods document that:</p> <ul style="list-style-type: none"> <li>a) Details the methods that will be used to produce the new UK HPI and related indices for the four countries of the UK</li> <li>b) Explains the rationale for the choices of methods within the context of how the statistics will be used and the decisions that they will inform</li> <li>c) Explains how the methods comply with international standards</li> <li>d) Addresses the key methods questions raised by users and expert peer appraisal (para 3.8).</li> </ul> <p>As part of meeting this requirement, ONS and partners should commission a second phase</p>



		of expert peer appraisal.
ONS and partners are employing a range of new methods and administrative data sources. It is important that they make informed judgements about the strengths and limitations of the statistics, including the assurance of the quality of the data sources, and communicate these judgements to users. ONS and partners should:	<b>2</b>	<p>a) Publish information about the quality of the new UK HPI that explains the strengths and limitations of the statistics in relation to uses and describes potential sources of error and bias and how it will mitigate for them, including explaining the different sources of volatility in the estimates</p> <p>b) Ensure that all service level and data sharing agreements between ONS and data suppliers clearly set out arrangements for the assurance of the data sources used to produce the new UK HPI</p> <p>c) Publish information about the quality assurance arrangements for the administrative data sources that will be used to produce the new UK HPI and related indices, taking into consideration the Authority's <i>Administrative Data Quality Assurance Toolkit</i></p> <p>(para 3.9).</p>
Registers of Scotland will continue to publish <i>Quarterly House Price Statistics</i> in addition to the new HPI. It is important that ONS and partners explain the coherence of these accompanying statistics. ONS and partners should:	<b>3</b>	Publish prominently alongside the statistics information about the coherence of the new UK HPI, and associated indices, with other published official house price statistics (para 3.10).
The development of a coherent set of official house price statistics is positive. However, it will remain important to describe for users the relationship with non-official indices. ONS and partners should:	<b>4</b>	Publish information about how they have sense-checked the new official house price statistics against other non-official sources, and about how they will continue to inform users about the relationships between these different measures, and clarify the distinctive purpose that these statistics serve (para 3.11).

## Suggestions for extracting maximum value from the statistics

1.13 This paragraph includes some suggestions for improvements for ONS and partners to consider as they continue to develop the new UK HPI, 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 and partners:

<b>1</b>	Continue to frequently update users about their communication plans, particularly in relation to relaying in advance the potential impact for users of the changes to the statistics (para 3.4).
<b>2</b>	Consider how they could work with producers of well known non-official house price indices to publish comparisons of the different statistics in order to aid user interpretation (para 3.11).
<b>3</b>	As they continue to monitor project risks, such as those linked to timetables and resources, they ensure that the standards of the <i>Code of Practice</i> are met, and that users are alerted to any known issues that will impact their use of the statistics in a timely manner (para 3.15).

## 2 Subject of the assessment

### Introduction

- 2.1 House price statistics are crucially important in helping to understand the UK economy, local housing market and society. Users range from private individuals choosing whether to buy or sell a house, surveyors valuing a property for a mortgage company, government policy makers evaluating the success of housing policies, and analysts interested in the wider economy.
- 2.2 The Bank of England's Monetary Policy Committee (MPC) considers house price indices, alongside other economic statistics, in its quarterly inflation reports<sup>11</sup>. These inflation reports assess the prospects for UK inflation and describe interest rate decisions made by the MPC.
- 2.3 At the European level, the deflated (or real) house price index<sup>12</sup>, is part of the Scoreboard of indicators used in the Macroeconomic Imbalances Procedure (MIP) of the European Commission. MIP is a surveillance mechanism that aims to identify potential risks early on, prevent the emergence of harmful macroeconomic imbalances and correct the imbalances that are already in place<sup>13</sup>.
- 2.4 House price statistics are also used as inputs to interactive tools to help users find out more about local house prices. For example the BBC publishes a 'Where can I afford to live?' interactive tool<sup>14</sup>.

### Range of house price statistics available

- 2.5 ONS and partners currently publish a number of official statistics covering house prices. These are summarised in Table 1.
- 2.6 There are also a variety of measures produced by non-official sources. Some examples of these are provided below:
  - Halifax<sup>15</sup> and Nationwide<sup>16</sup> produce UK house price indices based on their own mortgage approvals data
  - the Rightmove House Price Index<sup>17</sup> is based on the asking prices of property included on Rightmove.co.uk and covers England and Wales
  - The Ulster University produces a House Price Index in partnership with the Northern Ireland Housing Executive covering Northern Ireland<sup>18</sup>

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<sup>11</sup> <http://www.bankofengland.co.uk/publications/Pages/inflationreport/default.aspx>

<sup>12</sup> [http://ec.europa.eu/eurostat/statistics-explained/index.php/Housing\\_price\\_statistics\\_-\\_house\\_price\\_index](http://ec.europa.eu/eurostat/statistics-explained/index.php/Housing_price_statistics_-_house_price_index)

<sup>13</sup> [http://ec.europa.eu/economy\\_finance/economic\\_governance/macroeconomic\\_imbalance\\_procedure/index\\_en.htm](http://ec.europa.eu/economy_finance/economic_governance/macroeconomic_imbalance_procedure/index_en.htm)

<sup>14</sup> <http://www.bbc.co.uk/news/business-23234033>

<sup>15</sup> <http://www.lloydsbankinggroup.com/Media/economic-insight/halifax-house-price-index/>

<sup>16</sup> <http://www.nationwide.co.uk/about/house-price-index/headlines>

<sup>17</sup> <http://www.rightmove.co.uk/news/house-price-index>

<sup>18</sup> <http://www.rpp.ulster.ac.uk/housing-index.php>

**Table 1: Summary of current official statistics covering house prices**

Producer	Statistic(s)	Frequency	Geography	Methodology	Source
ONS	House price index and average prices <sup>19</sup>	Monthly	UK, its component countries and regions	Index methodology - Hedonic regression <sup>20</sup> .  An arithmetic mean average house price is produced.	Mortgage financed transactions collected via the Regulated Mortgage Survey by the Council of Mortgage Lenders.  Note: The data supplied to the ONS covers the majority of, but not all, lenders and does not include any transactions for residential property purchased using cash.
Land Registry	House price index and average prices <sup>21</sup>	Monthly	England and Wales.  Data is published at a national, regional, county and London borough level.	Index methodology - Repeat sales regression <sup>22</sup> .  A geometric mean standardised house price is produced.	Land Registry price paid dataset of completed sales.  Note: The index is based on single residential housing transactions sold for full market value (cash and mortgage).
Registers of Scotland	Summary of housing statistics <sup>23</sup>	Quarterly	Scotland	These statistics include house types and an arithmetic mean and median price but does not include a price index for residential properties.	Sales of residential properties registered with Registers of Scotland (RoS)  Note: The statistics are based on all market value sales of residential properties registered in the quarter (selling price between £20k and £1m).
LPSNI	Residential property price index and average prices <sup>24</sup>	Quarterly	Northern Ireland	Index methodology – Detailed hedonic regression (including for example floor space).  The average price published is derived using a geometric mean formula.	Residential sales recorded by Her Majesty' Revenue and Customs (HMRC) for stamp duty purposes and property characteristics from NI Valuation List

Sources: ONS [Consultation on the development of a definitive house price index](#) & [Official House Price Statistics Explained](#)

<sup>19</sup> <http://www.ons.gov.uk/ons/rel/hpi/house-price-index/index.html>

<sup>20</sup> Hedonic regression is a technique to adjust for the mix of attributes that a property has. It is assumed that a house can be broken down into characteristics such as number of bedrooms or type of property. A hedonic regression equation treats these attributes (or bundles of attributes) separately, and estimates prices for each of them.

<sup>21</sup> <https://www.gov.uk/government/collections/house-price-index>

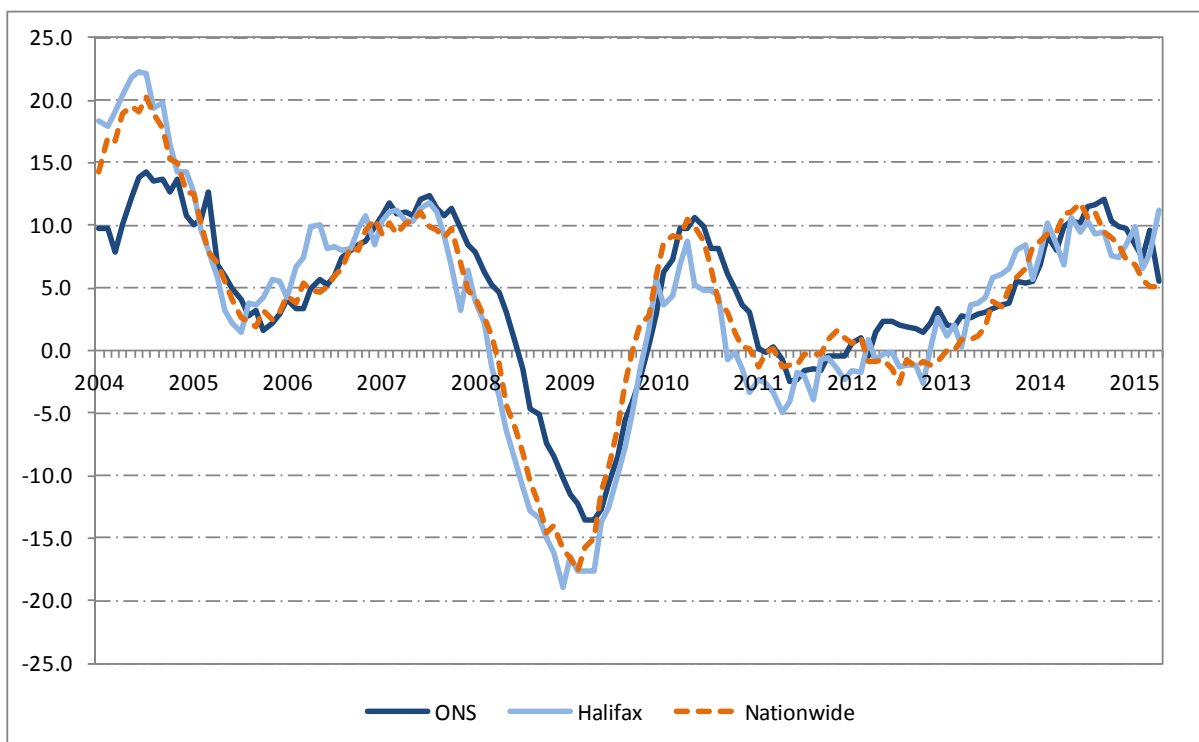
<sup>22</sup> Repeat sales regression calculates the change in property prices using the price for which the same properties sell for between two periods. The attributes of the house are assumed to be held in the price of the property itself.

<sup>23</sup> <https://www.ros.gov.uk/property-data/property-statistics/quarterly-house-price-statistics>

<sup>24</sup> <http://www.dfni.gov.uk/lps/index/about-lps/publications/statistics-and-research-publications.htm>

2.7 Due to differences in source data and the methodology used, the statistics can differ from each other. Chart 1 shows the growth rates in house price indices between January 2004 and April 2015 for the three indices available at the UK level. The Chart shows that the different sources follow broadly similar trends but the month by month movements differ. For example, the month in which the largest 12 month percentage fall in prices occurred over the period shown differs between the indices.

**Chart 1: Annual growth rates in UK house price indices, January 2004 to April 2015, 12 month percentage change**



Sources: Produced by the Assessment team from: ONS House Price Index, April 2015; Halifax House Price Index, May 2015; Nationwide House Price Index, May 2015

## National Statistician's Reviews of House Price Statistics

2.8 The *National Statistician's Review of House Price Statistics*<sup>25</sup>, published in December 2010, investigated whether the array of existing official house price statistics met user needs as well as they could, and whether the relevant information was available for users to inform their use. The Review concluded that more should be done in both these areas and recommended that:

- a single definitive house price index and accompanying statistics should be produced by the official statistics producer community
- a regular official statistics report should be developed presenting and analysing official house price measures and their relationship to other non-official sources and wider housing market indicators

<sup>25</sup> <http://www.statisticsauthority.gov.uk/national-statistician/ns-reports--reviews-and-guidance/national-statistician-s-reports/national-statistician-s-review-of-house-price-statistics.pdf>

- 2.9 In December 2011 it was announced that the House Price Index produced by DCLG would transfer to the ONS<sup>26</sup>. The transfer was completed by April 2012.
- 2.10 The *National Statistician's Review of Official Housing Market Statistics*<sup>27</sup>, published in September 2012, built on the first stage review of house price statistics by focussing on the wider official indicators of the housing market. The report also noted progress against the recommendations from the first stage of the review. This included ONS's commitment to leading on work to develop, in partnership with Land Registry, Registers of Scotland and LPSNI, a single House Price Index. In April 2013, ONS and partners published *Official House Price Statistics Explained*<sup>28</sup> that reviewed the need for accurate house price statistics, described the different methods used to calculate a house price index, and compared the indices and official statistics available in the UK.
- 2.11 In July 2013<sup>29</sup>, following initial analysis, ONS and partners announced that they were investigating options for the production of a single UK HPI. It was decided that this would better meet the recommendations laid out in the review, namely the development of a joint, single definitive UK house price index, and would reduce the confusion for users caused by having multiple indices produced by official sources.

### **Brief summary of ONS and partners' proposals for a new UK House Price Index**

- 2.12 ONS and partners' published proposals<sup>30</sup> for the future of official UK House Price statistics can be summarised – subject to the testing and assurance activities that are continuing, and final approval of business cases – very broadly as follows:
- The new UK HPI and associated indices will replace the house price indices currently published by ONS and Land Registry
  - Land Registry will publish the monthly UK HPI in partnership with ONS, Registers of Scotland and LPSNI, via GOV.UK around six weeks after the end of the reference month. Related indices for England, Wales, Scotland and Northern Ireland (every three months only for Northern Ireland) will be published as part of the same UK HPI release. Also forming part of this release will be the detailed house price data for England and Wales at the county, local/unitary authority, London borough and metropolitan borough levels and for Scotland at a sub-national level
  - Land Registry and Registers of Scotland will publish consistent national and sub-regional house price indices for Scotland each month as part of the new UK HPI via Land Registry's GOV.UK pages and on the Registers of Scotland website. Registers of Scotland will also continue to make its summary of

<sup>26</sup> <http://www.statisticsauthority.gov.uk/national-statistician/ns-reports--reviews-and-guidance/national-statistician-s-reports/news-release-on-the-house-price-index-transfer-to-ons.pdf>

<sup>27</sup> <http://www.statisticsauthority.gov.uk/national-statistician/ns-reports--reviews-and-guidance/national-statistician-s-reviews/national-statistician-s-review-of-official-housing-market-statistics.pdf>

<sup>28</sup> <http://www.ons.gov.uk/ons/guide-method/user-guidance/prices/hpi/official-house-price-statistics-explained.pdf>

<sup>29</sup> <http://www.ons.gov.uk/ons/rel/hpi/house-price-index/may-2013/index.html>

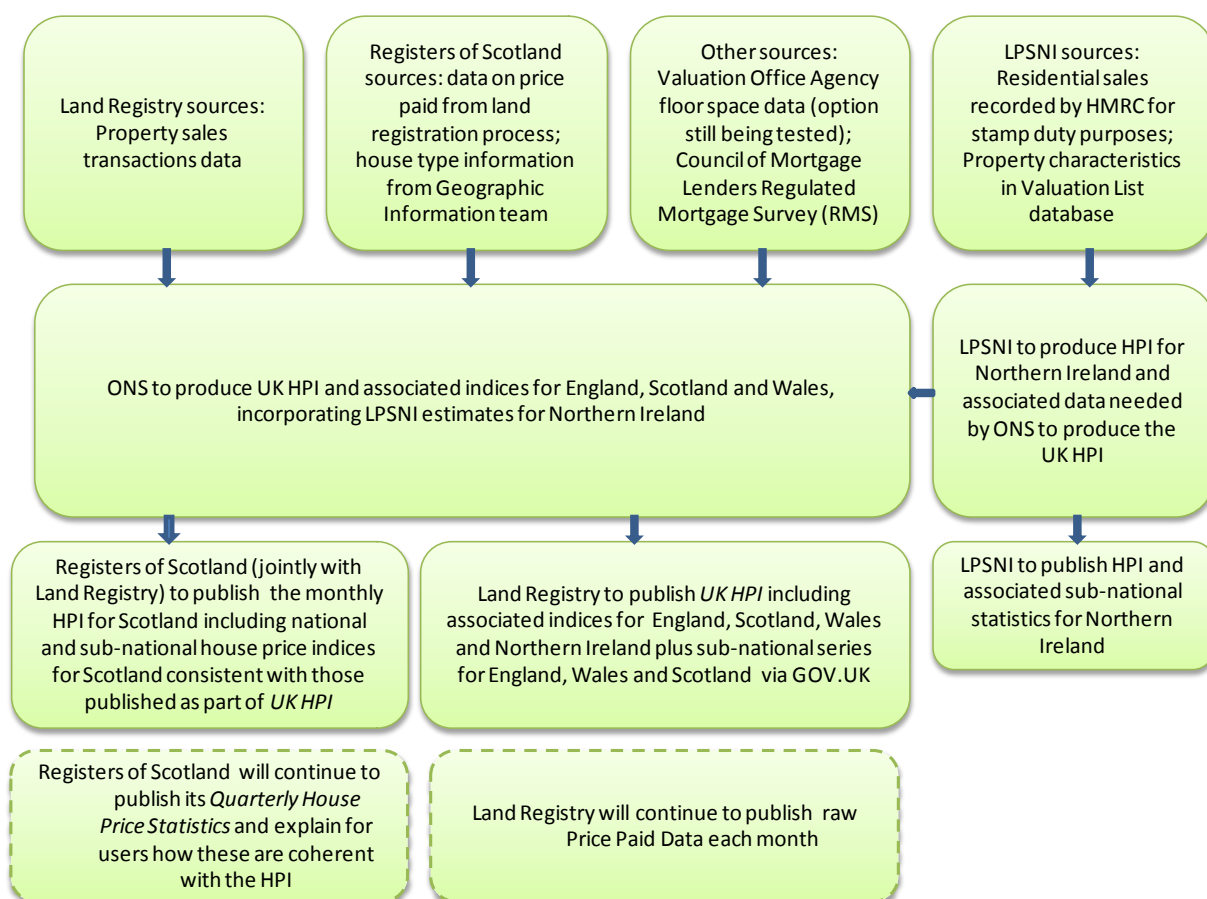
<sup>30</sup> As at 20 July 2015, based on the response to the consultation published by ONS on 7 March 2015, and any subsequent announcements

housing statistics available as part of *Quarterly House Price Statistics* each quarter (February, May, August and November). *Quarterly House Price Statistics* will be published in advance of the UK HPI

- Land Registry will also continue to publish its Price Paid Data<sup>31</sup> and to offer its Standard Reports service<sup>32</sup>. These outputs are produced solely from Land Registry data and do not allow replication of the UK HPI by another party. The Price Paid Data will be published before the UK HPI
- LPSNI will continue to publish *Residential property price index and average prices* on the same day as the UK HPI in February, May, August and November with detailed house price data at a national and sub-national level on a consistent basis with the UK release

2.13 Figure 1 sets out the anticipated responsibilities for producing and publishing the new UK HPI and related indices, including details of the key data suppliers

**Figure 1: Arrangements for producing the new UK HPI and related indices**



Sources: Produced by the Assessment team using information from ONS [Consultation on the development of a definitive house price index](#) and subsequent ONS announcements

2.14 The new index would allow for the production and publication of consistent house price data at a national, regional and sub-regional level across the UK. The national and regional data will be broken down by type of dwelling (detached, semi-detached, terraced, flat), type of buyer (first-time buyer or

<sup>31</sup> <https://www.gov.uk/government/collections/price-paid-data>

<sup>32</sup> <http://landregistry.data.gov.uk/app/hpi>

existing owner), age of property (new dwelling or old dwelling), and type of sale (cash or mortgage).

- 2.15 The methods to be used to produce the UK HPI and associated indices are described in a consultation document<sup>33</sup> published by ONS and partners. The methods are expected to be based closely on the current LPSNI methodology and will use the transaction price for residential properties sold at full market value. It will include all purchases for owner-occupation, buy-to-let properties and repossessions but exclude remortgages and purchases by sitting tenants. ONS and partners will use a hedonic regression model<sup>34</sup> to produce the monthly UK house price estimates. The house price will be mix-adjusted to compensate for the variation in the characteristics of houses sold in different periods. Modelled prices for a fixed basket of property transactions will be geometrically averaged<sup>35</sup> for each local authority area, region, country and explanatory variable (for example – property type) and the HPI for each variable calculated as the ratio of the mean prices for the current and base periods, chain-linked<sup>36</sup> to produce a continuous time series.

### **Purpose of this assessment**

- 2.16 The subject of this report is the Phase 1 assessment of the new UK HPI. In February 2014<sup>37</sup>, the Statistics Authority confirmed that it would assess the proposed new UK HPI in two phases (para 1.3). Following the two phases, the Authority will determine whether or not to designate the new UK HPI as a National Statistic. The Authority has also left open the option to assess any associated official statistics developed consistent with this Index, should the producer bodies request this.

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<sup>33</sup> <http://www.ons.gov.uk/ons/about-ons/get-involved/consultations-and-user-surveys/consultations/consultation-on-the-development-of-a-definitive-house-price-index/consultation-on-the-development-of-a-definitive-hpi.pdf> pages 10 to 12

<sup>34</sup> Hedonic regression is a technique to adjust for the mix of attributes that a property has. It is assumed that a house can be decomposed into characteristics such as number of bedrooms or type of property. A hedonic regression equation treats these attributes (or bundles of attributes) separately, and estimates prices for each of them

<sup>35</sup> The geometric mean or average indicates the central tendency or typical value of a set of numbers by using the product of their values (as opposed to the arithmetic mean which uses their sum). The geometric mean is defined as the nth root of the product of n numbers

<sup>36</sup> Mix-adjusted average prices are used to calculate a series of in-year price indices, which always compare prices to January of the current year. These in-year price indices are then linked together to produce a long-term price index – this is known as chain-linking

<sup>37</sup> <http://www.statisticsauthority.gov.uk/news/statement---assessment-of-the-house-price-index.pdf>



### 3 Assessment findings

#### User engagement and meeting user needs

- 3.1 Users of house price statistics have expressed disappointment about the time that it has taken ONS and partners to address the recommendations of the National Statistician's Reviews in 2010 and 2012. Almost five years have passed since the then National Statistician first recommended the development of a single definitive house price index by the official statistics producer community. Early progress was hindered in part by the transfer of responsibility for the current UK House Price Index from the Department for Communities and Local Government (DCLG) to ONS in 2012 and ONS and partners told us that resource constraints also led to delays. In July 2013<sup>38</sup>, ONS announced its plans to work with Land Registry, Registers of Scotland and LPSNI to initiate: 'a joint project...to consider the development of a single definitive UK house price index from which official providers can report on their own areas of responsibility in a way that can be directly compared. This collaborative approach would allow the publishing of consistent HPI data at a national, regional and sub-regional level across the UK.'
- 3.2 ONS published a brief progress update<sup>39</sup> in November 2013, which it repeated in subsequent monthly HPI statistical reports. During 2014, the project gathered momentum, and in August 2014 ONS and partners announced plans<sup>40</sup> for a formal consultation inviting users to comment 'on the intention to develop a new HPI and the proposed methodology to be used'. ONS and partners developed a detailed communications plan for the formal consultation<sup>41</sup>, which launched on 7 October 2014. The consultation was announced on all of the partners' websites and promoted by e-mail and through social media including Twitter. The consultation ran until 12 December 2014 and ONS and partners ran a series of user events in England, Wales, Scotland and Northern Ireland with close to 100 attendees including from: central government; local government; banks and building societies; letting agencies; charities; academia; and the media. ONS and partners told us that they considered all of the feedback from these events as well as the 42 written responses in publishing their joint response to the consultation<sup>42</sup> on 6 March 2015. ONS said that it had also revisited the detailed user views expressed as part of the National Statistician's reviews.
- 3.3 The Assessment team spoke with a few users who had responded to the consultation and received positive feedback about the way that ONS and partners had engaged with them. One user told us that they hoped that this level of engagement would continue and suggested that further user events prior to the publication of the new statistics, to discuss the potential impact of the changes to methods, would be welcome. We consider that articles and

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<sup>38</sup> <http://www.ons.gov.uk/ons/rel/hpi/house-price-index/may-2013/index.html>

<sup>39</sup> <http://www.ons.gov.uk/ons/rel/hpi/house-price-index/september-2013/index.html>

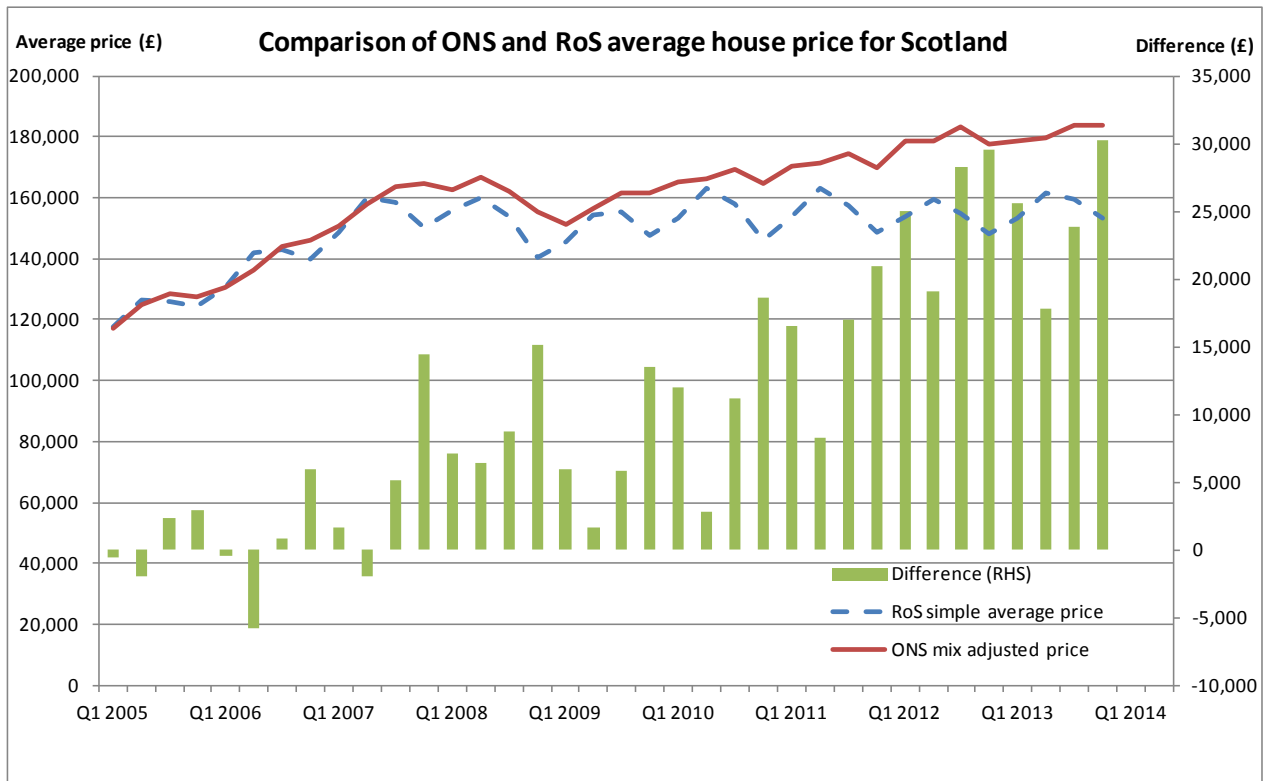
<sup>40</sup> <http://www.ons.gov.uk/ons/rel/hpi/house-price-index/june-2014/index.html>

<sup>41</sup> <http://www.ons.gov.uk/ons/about-ons/get-involved/consultations-and-user-surveys/consultations/consultation-on-the-development-of-a-definitive-house-price-index/index.html>

<sup>42</sup> <http://www.ons.gov.uk/ons/about-ons/get-involved/consultations-and-user-surveys/consultations/consultation-on-the-development-of-a-definitive-house-price-index/hpi-consultation-response.pdf>

events to help users to understand the impact of the new methods will be absolutely critical to introducing a UK HPI that will have the confidence and trust of users. ONS and partners started to communicate the impact of the new methods for users as part of the user events in 2014 (see Chart 2) and told us that it is already considering further events for autumn 2015.

**Chart 2: ONS chart to illustrate the difference in average house price statistics for Scotland when using simple average prices (currently used by Registers of Scotland) and mix-adjusted prices<sup>43</sup> (currently used by ONS and proposed for the new indices being developed)**



Source: ONS User Event presentation

3.4 ONS and partners also told us that they expect to publish a series of articles in the coming months about: the methods that will be used to produce the new statistics, within the context of the key uses of the statistics and the decisions they inform; and the arrangements for transitioning from publishing the current set of official house price statistics to the new indices. ONS and partners said that they will also seek, and publish a response to, user feedback about the content and presentation of the new statistical report when it is first published. The Authority welcomes this approach to continuous user engagement and suggests that ONS and partners continue to frequently update users about their communication plans, particularly in relation to describing in advance the potential impact for users of the changes to the statistics.

### Sound methods and assured quality

3.5 *European Regulation (EC) 93/2013*<sup>44</sup> requires the collection of house price statistics by EU Member States. ONS and partners told us that they have been

<sup>43</sup> Mix-adjusted means adjust for the change in the mix of the housing market over time

<sup>44</sup> <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2013:033:0014:0016:EN:PDF>

developing the methods for the new UK HPI to meet UK user needs, as outlined in the National Statistician's reviews, and also to conform to international best practice, as set out in Eurostat's *Handbook on Residential Property Price Indices*<sup>45</sup>.

- 3.6 ONS and partners sought expert peer appraisal of its proposed methods from the Government Statistical Service Methodology Advisory Committee (GSS MAC) on 26 November 2014<sup>46</sup>. GSS MAC membership includes: the National Statistician; GSS representatives; and advisors from academia, the Royal Statistical Society, and Statistics Sweden. The published minutes of the GSS MAC meeting indicated support for the development of a single index and the approach taken by ONS and partners but made some suggestions for areas to explore further, including possibly rebasing the series in December rather than January, and some further analysis of the volatility of the weights applied and their impact on the robustness of the series. GSS MAC repeatedly took discussions back to ensuring that the new indices are designed within the context of their use.
- 3.7 When ONS and partners published the consultation document in October 2014, they posed a range of specific questions for users around the proposed methods for the new indices, together with questions around timeliness and presentation – for example, the length of consistent time series that users would require. The published response to the consultation demonstrated that ONS and partners have listened to user feedback, and they have since commissioned further testing and analysis to explore the issues raised by users and by peer appraisal. As a result, ONS and partners told us that they are not yet in a position to publish detailed documentation about the methods – they told us that they expect to publish a methods document in summer 2015. We consider that this will be an important document for users and given that expert peer appraisal was undertaken early in the process, we think that a second phase would be appropriate, whether with GSS MAC or with other recognised experts.
- 3.8 As part of the designation as National Statistics, ONS and partners should publish a methods document that:
- a) Details the methods that will be used to produce the new UK HPI and related indices for the four countries of the UK
  - b) Explains the rationale for the choices of methods within the context of how the statistics will be used and the decisions that they will inform
  - c) Explains how the methods comply with international standards
  - d) Addresses the key methods questions raised by users and expert peer appraisal<sup>47</sup>
- (Requirement 1).
- As part of meeting this requirement, ONS and partners should commission a second phase of expert peer appraisal.

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<sup>45</sup> <http://ec.europa.eu/eurostat/web/hicp/methodology/housing-price-statistics/residential-property-handbook>

<sup>46</sup> <http://www.ons.gov.uk/ons/guide-method/method-quality/advisory-committee/28th-meeting/index.html>

<sup>47</sup> In relation to Principle 4 Practice 1 of the *Code of Practice*

3.9 As already discussed in paragraph 3.4, ONS and partners have plans to publish articles about the impact for users of moving to using the new UK HPI and related indices. We consider that any communications with users should include information about ONS and partners' judgement of the quality of the new statistics, and their strengths and limitations in relation to use. ONS and partners are employing a range of administrative data sources, some of them well established and others less well tested in the context of producing house price statistics – for example, ONS has secured legal access<sup>48</sup> to floor area data from the Council Tax Valuation List maintained by Valuation Office Agency (VOA). ONS told us that it is in the process of establishing Service Level Agreements and data sharing arrangements for all of the administrative sources that it requires, and that testing of this data is ongoing. We consider that it will be important that the assurance arrangements for these administrative sources are well established and communicated for users. As part of the designation as National Statistics, ONS and partners should:

- a) Publish information about the quality of the new UK HPI that explains the strengths and limitations of the statistics in relation to uses and describes potential sources of error and bias and how it will mitigate for them, including explaining the different sources of volatility in the estimates
- b) Ensure that all service level and data sharing agreements between ONS and data suppliers clearly set out arrangements for the assurance of the data sources used to produce the new UK HPI
- c) Publish information about the quality assurance arrangements for the administrative data sources that will be used to produce the new UK HPI and related indices, taking into consideration the Authority's *Administrative Data Quality Assurance Toolkit*<sup>49 50</sup>

(Requirement 2).

3.10 Registers of Scotland told us that, to meet the needs expressed by users in Scotland for mean and median house prices, it will continue to publish *Quarterly House Price Statistics* in addition to the new monthly HPI for Scotland, the latter of which it will publish jointly with Land Registry each month. While the Authority welcomes this commitment to meeting user needs, we consider that in the spirit of the National Statistician's *Review of House Price Statistics*, and of the *Code*, it will be important that ONS and partners seek to optimise, and clearly explain for users, within the context of those needs, the coherence of all published official statistics about house prices. As part of the designation as National Statistics, ONS and partners should publish prominently alongside the statistics information about the coherence of the new UK HPI, and associated indices, with other published official house price statistics<sup>51</sup> (Requirement 3).

3.11 The National Statistician's *Review of House Price Statistics* recommended that 'a regular official statistics report should be developed presenting and analysing

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<sup>48</sup> <http://www.ons.gov.uk/ons/about-ons/business-transparency/statistical-legislation/draft-regulations-to-authorise-the-disclosure-of-information-on-residential-properties-in-england-and-wales/index.html>

<sup>49</sup> <http://www.statisticsauthority.gov.uk/assessment/monitoring/administrative-data-and-official-statistics/index.html>

<sup>50</sup> In relation to Principle 4 Practices 2 and 3 of the *Code of Practice*

<sup>51</sup> In relation to Principle 4 Practice 6 of the *Code of Practice*

official house price measures and their relationship to other non-official sources and wider housing market indicators'. The development by ONS and partners of a coherent set of official house price statistics for the UK, countries of the UK and regions is an important step forwards. However, we consider that it will be important that as this project continues, ONS and partners consider how they will continue to help users to understand the relationship of the official statistics to other non-official sources. We also consider that comparisons with these other measures should form an important part of sense-checking the new official indices. ONS and partners told us that they plan for analysis of the UK HPI with other well known measures, such as those produced by Halifax and Nationwide, to be a regular feature of the new statistical report. As part of the designation as National Statistics, ONS and partners should publish information about how they have sense-checked the new official house price statistics against other non-official sources, and about how they will continue to inform users about the relationships between these different measures and clarify the distinctive purpose that these statistics serve<sup>52</sup> (Requirement 4). We suggest that in meeting this Requirement ONS and partners consider how they could work with producers of well known non-official house price indices to publish comparisons of the different statistics in order to aid user interpretation.

## Resources

- 3.12 ONS and partners established a joint working group to take forward the recommendations of the National Statistician's reviews in March 2012. Membership is drawn from the four producer bodies, including the methodologist commissioned to develop the new methods, together with a statistician from the Department for Business, Innovation and Skills (BIS) who acts in an advisory capacity. This operational working group continues to work together to deliver the new UK HPI and associated indices. During 2014, ONS and partners strengthened the governance arrangements for the project and appointed ONS's Deputy Director for Prices as the Senior Responsible Owner (SRO) to better facilitate decision making at a senior level.
- 3.13 ONS and partners have been very careful, when consulting users about proposals for a new UK HPI, to be clear that implementation of the proposals remains subject to funding being approved. Each of the partner producer bodies gained approval in principle for the development of the new indices from their respective Executive Boards but for those producer bodies where the required changes would not be cost neutral, business cases had to be made for additional funds. ONS and partners told the Assessment team that this process is now almost complete, with Land Registry being in the final stages of formal sign off.
- 3.14 The Assessment team had some early concerns that resources assigned to this development project by ONS were insufficient. ONS has since assured us that it has recruited a Research Officer and is in the process of recruiting an additional Executive Officer to support regular production of the statistics. ONS has also confirmed funding for reprogramming the production of the new UK HPI on to a more robust IT platform and this work is underway.

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<sup>52</sup> In relation to Principle 4 Practice 6 of the *Code of Practice*

3.15 A potential risk identified for this project is Land Registry's dependence on a contract with a third party to produce its current house price index for England and Wales. Land Registry are currently considering contingency plans to allow the transition timetable to be extended, should the need arise. Land Registry told us that these plans are being developed to ensure that the UK HPI and comparable indices for the four countries of the UK will be published only when ONS and partners are confident that there has been sufficient testing, quality assurance and parallel running of the old and new indices. The statistics currently published by ONS, Registers of Scotland and LPSNI are not affected. We suggest that as ONS and partners continue to monitor project risks, such as those linked to timetables and resources, they ensure that the standards of the *Code of Practice* are met, and that users are alerted to any known issues that will impact their use of the statistics in a timely manner.

## Annex 1: Code of Practice - coverage of practices in this report and timetable for Phase 2 of the Assessment

A1.1 The following table shows which practices in the Statistics Authority's *Code of Practice for Official Statistics* were assessed in this report. These are the areas essential to the planning phase of the development of a new definitive UK Price Index. The remaining practices will be assessed in the second phase of the assessment. Some practices which were assessed in Phase 1 will be further assessed in the later phase.

Principle	Practices considered in Phase 1	Practices not considered in Phase 1
1: Meeting user needs	1,2,3	4,5
2: Impartiality and objectivity	4	1,2,3,5,6,7,8,9
3: Integrity	2,3,4	1,5,6,7
4: Sound methods and assured quality	1,2,6	3,4,5,7
5: Confidentiality	4	1,2,3,5,6
6: Proportionate burden	3,4,5	1,2
7: Resources	1,2,3,5,7	4,6
8: Frankness and accessibility		1,2,3,4,5,6,7
Protocol	Practices considered in Phase 1	Practices not considered in Phase 1
1: User engagement	1,7	2,3,4,5,6
2: Release practices	-	1,2,3,4,5,6,7,8,9
3: The use of administrative sources for statistical purposes	1,2,3	4,5

A1.2 The timetable for Phase 2 of this assessment will be determined by the development schedule implemented by ONS and partners. As at June 2015, ONS told us that it anticipates a first publication of the new UK HPI in spring 2016. ONS and partners are considering if these statistics will be published as 'experimental statistics' in the first instance. They also told us that they plan to seek early user feedback about the content and presentation of the new statistical outputs. The Authority will expect to see evidence that ONS and partners are confident that their published criteria for removing the experimental label have been met, and that ONS and partners are responding to the user feedback, before concluding Phase 2 of the assessment – we estimate that this not likely to be before autumn/winter 2016.

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

A2.1 This assessment was conducted from February 2014 to July 2015.

A2.2 The Assessment team – Donna Livesey and Siobhan Tuohy-Smith – agreed the scope of and timetable for this assessment with representatives of ONS and partners in October 2013, though timings were kept under constant review to accommodate any changes to ONS and partners' development programme schedule. ONS maintained a live log of written evidence for assessment throughout the life of the assessment and met monthly with the Assessment team to provide an update on progress. The Assessment team subsequently met ONS during March 2015 to review compliance with the *Code of Practice*, taking account of the written evidence provided and other relevant sources of evidence. Finally, the Assessment team presented the draft key findings of the Assessment report to a joint working group meeting of the four producer bodies on 17 June 2015.

### **Summary of users contacted, and issues raised**

A2.3 Part of the assessment process involves our consideration of the views of users. As ONS and partners were consulting users in the four countries of the UK, the Assessment team considered that it would have been confusing to engage users at the same time. Instead, we reviewed the individual responses to ONS and partners' public consultation and attended all of the user events that ONS and partners ran in support of that consultation. We also followed media coverage and discussions on social media. Following the publication of ONS and partners' formal response to the consultation, the Assessment team contacted a small number of users to seek their views on how well ONS and partners had engaged with them. Their feedback is considered in Section 3 of this report.

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

ONS Log of Written Evidence for Assessment

ONS and partners' published response to its consultation on the Development of a Definitive House Price Index

Individual responses to ONS and partners' consultation (shared with the Authority on an Official-Sensitive basis)





