

Assessment of compliance with the Code of Practice for Official Statistics

UK Annual and Quarterly National Accounts

*(produced by the Office for National
Statistics)*

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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 AND DESIGNATION

The *Statistics and Registration Service Act 2007* gives the UK Statistics Authority a statutory power to assess sets of statistics against the *Code of Practice for Official Statistics*.

Assessment will determine whether it is appropriate for the statistics to be designated as National Statistics.

Designation as National Statistics means that the statistics comply with the *Code of Practice*. The *Code* is wide-ranging. Designation can be interpreted to mean that the statistics: meet identified user needs; are produced, managed and disseminated to high standards; and are explained well.

Designation as National Statistics should not be interpreted to mean that the statistics are always correct. For example, whilst the *Code* requires statistics to be produced to a level of accuracy that meets users' needs, it also recognises that errors can occur – in which case it requires them to be corrected and publicised.

Assessment Reports will not normally comment further on a set of statistics, for example on their validity as social or economic measures. However, Reports may point to such questions if the Authority believes that further research would be desirable.

Assessment Reports typically provide an overview of any noteworthy features of the methods used to produce the statistics, and will highlight substantial concerns about quality. Assessment Reports also describe aspects of the ways in which the producer addresses the 'sound methods and assured quality' principle of the *Code*, but do not themselves constitute a review of the methods used to produce the statistics. However the *Code* requires producers to "seek to achieve continuous improvement in statistical processes by, for example, undertaking regular reviews".

The Authority may grant designation on condition that the producer body takes steps, within a stated timeframe, to fully meet the *Code's* requirements. This is to avoid public confusion and does not reduce the obligation to comply with the *Code*.

The Authority grants designation on the basis of three main sources of information:

- i. factual evidence and assurances by senior statisticians in the producer body;
- ii. the views of users who we contact, or who contact us, and;
- iii. our own review activity.

Should further information come to light subsequently which changes the Authority's analysis, it may withdraw the Assessment Report and revise it as necessary.

It is a statutory requirement on the producer body to ensure that it continues to produce the set of statistics designated as National Statistics 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 reports¹ prepared under the provisions of the *Statistics and Registration Service Act 2007*². The Act requires all statistics currently designated as National Statistics to be assessed against the *Code of Practice for Official Statistics*³. The report covers the sets of statistics that are released by the Office for National Statistics (ONS) in the following UK Annual and Quarterly National Accounts publications:

- *Gross domestic product preliminary estimate*⁴;
- *UK output, income and expenditure*⁵;
- *Quarterly National Accounts*⁶;
- *United Kingdom Economic Accounts*⁷; and
- *United Kingdom National Accounts – The Blue Book*⁸.

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 judges that the statistics covered by this report are readily accessible, produced according to sound methods and managed impartially and objectively in the public interest, subject to any points for action in this report. The Statistics Authority confirms that the statistics detailed in 1.1.1 are designated as National Statistics, subject to the Office for National Statistics implementing the enhancements listed in section 1.5 and reporting them to the Authority by August 2011.

1.3 Summary of strengths and weaknesses

1.3.1 The National Accounts provide a systematic and detailed statistical description of the UK economy. ONS uses well-established, international standards to produce these statistics. The preliminary estimate of gross domestic product (GDP) is the fastest official estimate of its type produced by a major industrialised country. ONS has a good level of user engagement with the Bank of England, HM Treasury, Eurostat and the international community. It has limited engagement with wider users of the National Accounts. When contacted by users, the ONS team is helpful in responding to queries.

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

² http://www.opsi.gov.uk/Acts/acts2007/pdf/ukpga_20070018_en.pdf

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

⁴ <http://www.statistics.gov.uk/statbase/product.asp?vlnk=406>

⁵ <http://www.statistics.gov.uk/statbase/product.asp?vlnk=1129>

⁶ <http://www.statistics.gov.uk/statbase/product.asp?vlnk=818>

⁷ <http://www.statistics.gov.uk/statbase/product.asp?vlnk=1904>

⁸ <http://www.statistics.gov.uk/statbase/product.asp?vlnk=1143>

- 1.3.2 Modernisation of the National Accounts involves a high degree of challenge. There have been some setbacks to this programme of work and the planned set of improvements has been scaled back. ONS expects to complete the current ENABLE (Effective National Accounts and Blue book to measure the Economy) programme by March 2011. This programme is expected to facilitate more efficient production methods and should support further improvements later on. ONS plans to introduce new software and to move to a new Standard Industrial Classification (SIC 2007) for *Blue Book 2011*. These changes create risks that will need to be carefully managed, and ONS has assured us that suitable arrangements are in place to do this.
- 1.3.3 There is scope for ONS to provide users with more information about the quality of the National Accounts. The commentary provided in National Accounts releases could be improved to aid user interpretation. The documentation of the methods used to produce the National Accounts needs updating and ONS plans to do this through work associated with the ENABLE programme.

1.4 Detailed recommendations

- 1.4.1 The Assessment team identified some areas where it felt that ONS 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. 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

Requirement 1	Document the wider uses of the National Accounts, and take steps to engage further with a broader range of users (para 3.1).
Requirement 2	Publish information about users' experiences of the National Accounts, including details of whether the data quality and the format and timing of reports meet their needs (para 3.3).
Requirement 3	Announce planned changes to methods or classifications for National Accounts more prominently (para 3.4).
Requirement 4	Publish a plan to improve the accessibility and timeliness of the information that is provided to users about the methods used to produce the National Accounts (para 3.11).
Requirement 5	Publish plans to provide more detailed information and explanation about the quality, including strengths and limitations, of the National Accounts,

and invite feedback from users about whether this meets their needs (para 3.12).

- Requirement 6** Publish information about outstanding reservations that have been placed on the UK's GNI data, and agree to publish information about the outcome of future GNI audit reports alongside ONS's planned response to these audits (para 3.15).
- Requirement 7** Produce a plan for regular communication and consultation with suppliers of data for the National Accounts, which addresses the burden placed on suppliers and the availability of alternative data sources (para 3.19).
- Requirement 8** Review the options for improving the way in which the National Accounts are disseminated on ONS's website to provide easier access for users (para 3.26).
- Requirement 9** Improve the commentary and analysis in the statistical releases for the National Accounts to aid user interpretation and understanding (para 3.27).
- Requirement 10** Review the content of the statistical bulletins for *Gross domestic product preliminary estimate; UK output, income and expenditure; and Quarterly National Accounts* to enhance their clarity and consistency (para 3.28).
- Requirement 11** Publish the actions that will be taken to prevent the recurrence of the problems that affected the release of the National Accounts for the first quarter of 2010 (para 3.32).

2 Subject of the assessment

Introduction

- 2.1 The UK Annual and Quarterly National Accounts are produced using an accounting framework that provides a systematic and detailed statistical description of the UK economy. They contain all the elements required to compile aggregate measures such as gross domestic product (GDP) and gross national income (GNI), as well as coherent information on, for example, production, saving and disposable income.
- 2.2 The National Accounts describe the complex transactions in the economy among four main participants. The participants are individual households, government, legal entities (such as companies) and institutions outside the UK border (known as the rest of the world). These units are grouped into sectors, for example the government sector and the household sector. The economic transactions between these sectors are also defined and grouped within the accounts. Examples of transactions include government expenditure, interest payments, capital expenditure and a company issuing shares. The National Accounts framework brings these sectors and transactions together to provide a coherent and consistent description of production, income, consumption and wealth. Accounts are constructed for the UK economy as a whole, as well as in individual sector accounts.
- 2.3 The main outputs include:
- Annual and quarterly GDP estimates;
 - Annual and quarterly sector and financial accounts; and
 - Financial and non-financial balance sheets.
- 2.4 Trade statistics, the balance of payments, public sector employment statistics and short-term indicators of economic activity are all integrated within the system of National Accounts. Many of these sets of statistics are the subject of other assessment reports (see footnote 1), these include the balance of payments⁹, retail sales¹⁰ and short term economic output indicators¹¹.

A brief history of the National Accounts

- 2.5 The first UK official accounts were developed during the Second World War. Quarterly accounts were introduced in the 1950s. During the late 1980s the compilation of the National Accounts was centralised in the Central Statistical Office (now the ONS). In 1998 ONS modified its accounts to adopt the conventions of the *European System of National and Regional Accounts (ESA 95)*¹², leading to changes in compilation methods, and changes in the presentation and description of economic series. In September 2003 ONS adopted the annual chain-linking method¹³ for estimating economic growth, in

⁹ <http://www.statisticsauthority.gov.uk/assessment/assessment/assessment-reports/assessment-report-45---balance-of-payments-statistics.pdf>

¹⁰ <http://www.statisticsauthority.gov.uk/assessment/assessment/assessment-reports/assessment-report-80---statistics-on-retail-sales.pdf>

¹¹ <http://www.statisticsauthority.gov.uk/assessment/assessment/assessment-reports/assessment-report-81---short-term-economic-output-indicators.pdf>

¹² <http://circa.europa.eu/irc/dsis/nfaccount/info/data/esa95/en/titelen.htm>

¹³ <http://www.statistics.gov.uk/cci/nugget.asp?id=255>

line with international guidelines. As part of the process for producing *Blue Book 2011*, ONS plans to move from the UK Standard Industrial Classification of Economic Activities 2003 (SIC 2003) to that for 2007 (SIC 2007).

Uses and users of National Accounts statistics

- 2.6 The National Accounts provide the basis for analysing the economic performance of the country and are used throughout business, research and education communities, and by the media and general public. The statistics make it possible to monitor the movement of major economic flows such as production, consumption and saving by individual sectors of the economy or the economy as a whole. The National Accounts are used to investigate the causal mechanisms at work within the economy through macroeconomic models. These models are used to produce economic forecasts.
- 2.7 Economic policy in the UK is formulated on the basis of an assessment of the recent behaviour and current state of the economy, and by forecasts of likely future trends. The Bank of England uses National Accounts in setting monetary policy and HM Treasury uses them in setting wider economic policy. The Office for Budget Responsibility (OBR) uses National Accounts to make an independent assessment of the public finances and the economy for each Budget and Pre-Budget Report.
- 2.8 The statistics are used by economists, journalists and a wide range of organisations and individuals to assess the performance of the UK economy. The statistics influence popular and political judgements about the success of economic policy. Private businesses use National Accounts to inform investment decisions, and banks use the statistics to inform lending and borrowing decisions.
- 2.9 Large parts of the accounts have a legal basis in the European Union. GNI is used as the tax base for the UK's contribution to the EU budget. The statistical office of the European Union (Eurostat) and the European Central Bank (ECB) use UK National Accounts as inputs to the aggregate EU accounts that they compile. The International Monetary Fund (IMF) uses National Accounts for the UK as part of its responsibility for monitoring the stability and sustainability of international markets.

International standards for National Accounts

- 2.10 The international standard for National Accounts is the *System of National Accounts 1993*¹⁴ (*1993 SNA*), jointly published by the United Nations, the Commission of the European Union (EU), the IMF, the Organisation for Economic Co-operation and Development (OECD) and the World Bank. These standards have been adopted by national statistical offices throughout the world. *ESA 95* is fully consistent with the *1993 SNA* but includes some differences making it more suitable for implementation with the European Union. It is a legal requirement for European Union countries to compile statistical returns on the basis of *ESA 95*.
- 2.11 The *1993 SNA* has been updated in a revised *System of National Accounts 2008* (*2008 SNA*). A new European derivation of this is currently being finalised, with a working title of *European System of Accounts 2010* (*ESA 10*).

¹⁴ <http://unstats.un.org/unsd/sna1993/introduction.asp>

ONS plans to implement changes to the National Accounts to meet these revised standards in 2014, in line with other EU countries.

- 2.12 The cost to ONS of the direct staffing costs for the central co-ordination and compilation of the National Accounts, including and an element of economic interpretation, is approximately £4.4 million, based on 2010/11 staffing figures.

Classification of organisations

- 2.13 The classification of organisations to institutional sectors is an integral part of the National Accounts and ensures both internal consistency and international comparability. The sector to which an organisation is classified can be a matter of political sensitivity or public interest, particularly in cases where an organisation is moved between the private and public sectors. Sector and financial accounts are compiled for five institutional sectors:

- non-financial corporations (including public corporations);
- financial corporations;
- general government;
- households and non-profit institutions serving households (NPISH); and
- the rest of the world.

- 2.14 Most classification decisions are routine, although some have wider significance and are of public interest, primarily when they have implications for the fiscal aggregates. The classification of organisations to the general government sector can affect measures that are used to assess the government's fiscal performance, for example, the UK's current budget and its debt to GDP ratio. ONS has published a summary of the National Accounts classification process¹⁵ on its website.

Components of the National Accounts

- 2.15 An account records and displays all of the flows and stocks for a given aspect of economic life. The integrated economic accounts of the UK provide an overall view of the UK economy. The National Accounts are grouped into the following main categories:
- The goods and services account – which balances total resources in the form of goods and services against the various uses of those resources;
 - The current accounts – which record the production of goods and services;
 - The accumulation accounts – which record the acquisition and disposal of financial and non-financial assets and liabilities; and
 - The balance sheets – which show the values of the stocks and assets and liabilities held by institutional units or sectors at the beginning and end of an accounting period.
- 2.16 In addition to the flow accounts and balance sheets, the National Accounts also contain detailed supply and use tables. These are matrices that record how supplies of different kinds of goods and services originate from domestic

¹⁵ http://www.statistics.gov.uk/about/Methodology_by_theme/national_accounts_classifications.asp

industries and imports and how those supplies are allocated between various intermediate or final uses, including exports.

Sources and methods of National Accounts statistics

- 2.17 In 1998 ONS published a set of six documents to accompany the move to the new system of national accounts based on the standards in *ESA 95*. These documents included *Introducing the European System of Accounts 1995 in the United Kingdom*¹⁶ which describes the changes to the UK accounting system and the reasoning behind them. The set also included *United Kingdom National Accounts concepts, sources and methods*¹⁷ which provides a detailed guide to the structure and contents of the UK system of National Accounts and the methods used to derive the figures. In addition it provides information about the main statistical inquiries and administrative systems that are used as data sources for the National Accounts.
- 2.18 Many of the data sources for the National Accounts are produced by ONS, including the following:
- The Inter-Departmental Business Register (IDBR) holds information on nearly two million enterprises, and is used as a sampling frame and source of general information for ONS surveys.
 - The Monthly Business Survey is the primary data source for the output measure of GDP.
 - The two primary sources of data for Household Final Consumption Expenditure are the Retail Sales Inquiry and the Living Costs and Food Survey.

The main sources of prices data include the Retail Prices Index, the Consumer Prices Index, the Producer Price Indices and the Services Producer Price Indices.

- 2.19 Other important sources of data for the National Accounts include the Annual Survey of Hours and Earnings, the Annual Business Survey and the International Passenger Survey. Data are also provided by external suppliers including HM Revenue and Customs which provides ONS with data on wages and salaries and the Bank of England which provides ONS with a range of financial statistics.

Annual and quarterly Gross Domestic Product estimates

- 2.20 ONS gives priority to the production of a single estimate of GDP in the National Accounts. GDP provides a measure of the total economic activity in a region. GDP is often referred to as one of the main summary indicators of economic activity and provides a basis for measuring economic growth. ONS produces estimates of GDP based on three different approaches using information on production, income and expenditure. These different approaches are used to produce a single official estimate of GDP.
- 2.21 Two key principles drive GDP estimation in the UK:
- Principle 1: the level of GDP is best estimated using a supply and use framework.

¹⁶ Only published in hard copy and not available on the internet

¹⁷ http://www.statistics.gov.uk/downloads/theme_economy/concepts_sources_&_methods.pdf

- Principle 2: short-term growth is best estimated using the production measure of GDP.
- 2.22 ONS produces a preliminary estimate of quarterly GDP growth on the basis of incomplete information. The estimate is developed and refined over successive months and years as additional information becomes available. ONS produces the following three quarterly estimates of GDP:
- Month 1 (M1) preliminary estimate of GDP.
This estimate is based on output data only, of which 42 per cent are actual data, the rest being derived from projections using a variety of modelling techniques. It is published in *Gross domestic product preliminary estimate* around 25 days after the end of the quarter. This is the fastest official estimate of its type produced by a major industrialised country.
 - Month 2 (M2) estimate of GDP.
This estimate improves on the M1 estimate, using around 80 per cent actual output data. It is published in *UK output, income and expenditure* around 55 days after the end of the quarter alongside early information on GDP measured by expenditure and by income data. Although the output measure of GDP is thought to be the best measure in the short-term, any conflicting information from expenditure or income data is used to inform the M2 estimate of GDP growth.
 - Month 3 (M3) estimate of GDP.
This estimate is based on fuller survey data for each of the expenditure, output and income measures. The output measure of GDP growth is based upon 92 per cent actual data. The M3 estimate is published in the *Quarterly National Accounts* around 85 days after the end of the quarter.
- 2.23 ONS publishes *United Kingdom Economic Accounts* on the same day as *Quarterly National Accounts*, which provides detailed quarterly estimates of national product, income and expenditure for the UK. It contains tables showing the main aggregates of GDP and balance of payments, plus income and capital accounts, financial accounts and financial balance sheets by sector.
- 2.24 M3 estimates of GDP growth are updated again to produce a first annual estimate of GDP for the *Blue Book*, known as BB1. This is published in the *Blue Book*, normally around six months after the end of the calendar year. The BB1 estimate takes account of new and more comprehensive annual data sources. The *Blue Book* provides detailed annual estimates of national product, income and expenditure for the UK for the most recent nine years. It provides full accounts by sector, including financial and non-financial corporations, central and local government and households.
- 2.25 A complete set of production, income and expenditure data is not available until after ONS has published the BB1 estimate. Once it has received all the data, ONS carries out a balancing process to produce an improved estimate of GDP. As part of this balancing process, ONS uses the supply and use framework to investigate the differences between the estimates of supply and use of different products. The balancing process results in a single, reconciled estimate of GDP which is informed by production, income and expenditure data. The first estimate of annual GDP produced through the balancing process is known as

the BB2 estimate, and is published in *Blue Book* around 18 months after the end of the calendar year. This estimate is updated in subsequent years on the basis of further balancing exercises and using further benchmarking data.

Modernising the National Accounts

- 2.26 In 2004 ONS published¹⁸ plans for a major re-engineering project for the National Accounts to reduce processing risks and to improve the quality of the statistics. The project was based on the findings and recommendations from a review of the methods of the National Accounts. The review assessed the strengths and weaknesses of ONS's existing methods of compiling the National Accounts and provided a detailed set of recommendations for improvements. By 2007 this project had become part of a wider ONS Modernisation Programme¹⁹ and by 2009²⁰ it had become the ENABLE programme (Effective National Accounts and Blue book to measure the Economy). At each stage in the evolution of these proposals, the scope of the planned improvements has narrowed and the target date for delivery has been moved back.
- 2.27 The ENABLE programme entails the integration of currently disparate systems into a single system using a new Central ONS Repository for Data (CORD). CORD is expected to facilitate more efficient production of better quality National Accounts. It should generate a number of other benefits too, including greater transparency in the compilation of estimates. The programme is scheduled for completion by March 2011 and ONS told us that it is currently on track to meet that deadline.

Relocation

- 2.28 The production of the National Accounts was relocated from London to Newport in 2009. A period of parallel running was established to ensure the transfer of knowledge between the old and new teams. The new team expected to take full responsibility for production after the publication of *Blue Book 2010*. However, differences between the timetables of the two teams meant that the new team had to take over responsibility sooner than originally planned which added to the challenges associated with producing *Blue Book 2010*.

¹⁸ *Reviewing the methods and approaches of the UK National Accounts*, <http://www.statistics.gov.uk/cci/article.asp?ID=690>

¹⁹ *Modernising the UK's National Accounts*, <http://www.statistics.gov.uk/cci/article.asp?ID=1737>

²⁰ *Update on ONS plans for improving the UK National Accounts*, <http://www.statistics.gov.uk/cci/article.asp?ID=2275>

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 ONS engages effectively with HM Treasury, the Bank of England, the Department for Business, Innovation and Skills (BIS) and the Office for Budget Responsibility (OBR) through regular group and bilateral meetings. ONS engages with wider government users of these statistics through the Economic Statistics Theme Group, which meets on a quarterly basis, and with wider users including city analysts through meetings of the Financial and Economic Statistics Users Group (FESUG). ONS releases the statistics through media lock-ins which allows engagement with media representatives. ONS has recently improved its user engagement, by re-establishing the Economic Statistics Theme Group and by forming links with the newly formed OBR. Some users told us that they would welcome further engagement with ONS. ONS has not thoroughly documented the users and uses of the National Accounts. Minutes of the meetings held with key users are not made publicly available. As part of the designation as National Statistics, ONS should document the wider uses of the National Accounts, and take steps to engage further with a broader range of users²¹ (Requirement 1). We suggest that ONS refer to the generic classes of use put forward in the Monitoring Brief: The Use Made of Official Statistics²² in meeting this Requirement.
- 3.2 ONS publishes the National Accounts to a timetable that fully meets the needs of Eurostat. Steps are taken to ensure the timetable also meets the needs of other main users. Delivery of the preliminary estimate of GDP to Eurostat is required 30 days after the period to which it relates. ONS releases its estimate around 25 days after the reference period to meet users' needs.
- 3.3 The Bank of England and ONS have a formal Firm Agreement²³ for ONS to supply data for macroeconomic statistical purposes. In line with this agreement, each year the Bank informs ONS of the Monetary Policy Committee's (MPC) views about ONS's performance over the past year and its priorities with respect to ONS work over the next few years. ONS publishes these views in the *UK Statistics Authority Annual Report*²⁴. ONS does not publish information about the experiences of other users of the National Accounts. As part of the designation as National Statistics, ONS should publish information about users' experiences of the National Accounts, including details of whether the data quality and the format and timing of reports meet their needs²⁵ (Requirement 2).

²¹ In relation to Principle 1 Practices 1 and 2 of the Code of Practice

²² <http://www.statisticsauthority.gov.uk/assessment/monitoring/monitoring-briefs/monitoring-brief-6-2010---the-use-made-of-official-statistics.pdf>

²³ www.bankofengland.co.uk/statistics/about/firmagreement.pdf

²⁴ <http://www.statisticsauthority.gov.uk/about-the-authority/what-we-do/corporate-information/annual-report/annual-report-09-10.pdf>

²⁵ In relation to Principle 1 Practice 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 announces changes to methods or classifications through the publication of articles in *Economic and Labour Market Review*²⁶ (ELMR) including an annual article to inform users of any changes that are expected in the coming year. While these articles are informative, it can be difficult to find this information on ONS's website. As part of the designation as National Statistics, ONS should announce planned changes to methods or classifications for National Accounts more prominently²⁷ (Requirement 3).
- 3.5 National Accounts has a revisions policy²⁸ which ONS has published on its website. ONS provides a link from most of the National Accounts releases to a webpage containing information about the revisions to economic statistics. This page appears to be out of date and the National Accounts revisions policy could be clearer and easier to find. We suggest that ONS provide a clear link from National Accounts releases to its revisions policy.
- 3.6 Errors have been discovered in the *Blue Book* publication. ONS told us that these are largely the result of the publication process rather than the compilation process. When errors are detected, ONS updates its website with a revised version of the publication and issues a statement that explains the reason for the amendment. ONS told us that it anticipates that improvements to the way the publication is checked will reduce the frequency of such errors in the future.

²⁶ <http://www.statistics.gov.uk/elmr/>

²⁷ In relation to Principle 2 Practice 4 of the Code of Practice

²⁸ http://www.statistics.gov.uk/about/Methodology_by_theme/revisions_policies/downloads/NA_Revisions_Policy.pdf

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 Decisions on National Accounts classifications are made by the National Accounts Classification Committee (NACC). ONS's website provides a summary of the classification process²⁹ for the National Accounts and provides information about individual decisions. Politically sensitive cases or those likely to be of public interest are authorised by the National Statistician, and ONS issues a news release and article to explain these decisions. Recent main classification decisions relate to a range of Government and Bank of England interventions in response to the financial crisis in the UK in 2007 and 2008³⁰.
- 3.8 In 2002 ONS decided to classify Network Rail as a private non-financial corporation, and hence not part of the public sector. Widespread concern was expressed in the media that ONS's decision had been influenced by pressure from the Government. ONS's decision was subsequently endorsed by Eurostat and the Statistics Commission. In July 2002 the then National Statistician issued a statement³¹ which made clear that the decision had been his responsibility alone and that his decision had followed international standards.
- 3.9 An earlier version of ONS's summary of the National Accounts classification process was the subject of a public consultation in 2007³². The Royal Statistical Society and the Society of Business Economists both expressed concerns relating to the potential susceptibility of the classification process to political influence. In its response to these comments, ONS explained that it was very conscious of these concerns and explained how it had sought to address the specific points raised in its summary of the classification process. To help maintain public confidence in the classification process, we suggest that ONS identify a suitable date to review the process, to take account of experience since it was last amended in 2007
- 3.10 Other than the concerns referred to above, no incidents of political pressure, abuses of trust or complaints relating to the professional integrity, quality or standards were reported to or identified by the Assessment team.

²⁹ http://www.statistics.gov.uk/about/Methodology_by_theme/national_accounts_classifications.asp

³⁰ http://www.statistics.gov.uk/articles/nojournal/nrandboe_article.pdf

³¹ <http://www.statistics.gov.uk/pdfdir/euro0702.pdf>

³² <http://www.ons.gov.uk/about/consultations/closed-consultations/expanded-national-statistics-protocol-on-statistical-integration/index.html>

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.

- 3.11 *United Kingdom National Accounts concepts, sources and methods* is the primary source of information about the methods that ONS uses to produce the National Accounts. It was published in 1998 but has not been updated since. ONS has also published *UK Gross National Income (ESA95) Inventory*³³ which describes the methods used to produce gross national income (GNI). (It is an EU requirement to produce the *GNI Inventory*). ONS updates individual chapters of the *GNI inventory* on an ad hoc basis but it is not clear when each chapter was last updated. ONS's website states that the most recent year to which the *GNI Inventory* relates is 2000. ONS's website has information about the methods used to produce economic statistics³⁴ but this contains very little up-to-date information relevant to the National Accounts. As part of the designation as National Statistics, ONS should publish a plan to improve the accessibility and timeliness of the information that is provided to users about the methods used to produce the National Accounts³⁵ (Requirement 4). We suggest that ONS produce a more concise and less technical guide to the National Accounts to complement *United Kingdom National Accounts concepts, sources and methods*.
- 3.12 ONS carries out periodic reviews of the quality of these statistics and publishes its findings in a *Summary Quality Report for Gross Domestic Product (GDP) Data Releases*³⁶. This report presents information about the different dimensions of quality³⁷ promulgated by Eurostat. In 2007 the Treasury Committee produced a report about ONS's efficiency programme which expressed concern about the lack of agreed measurements of the quality of ONS's outputs. The Treasury Committee report recommended that ONS consult users about the formulation of agreed measurements of the quality of outputs. In March 2008 ONS published an article³⁸ that responded to the Treasury Committee report, proposing an extended framework for monitoring the quality of the National Accounts. There is scope for ONS to do more to inform users about the quality of these statistics, using this extended framework. The *Quarterly National Accounts* statistical bulletins indicate that they include an assessment of the coherence of the three measures of GDP, but this does not always appear to be the case. As part of the designation as National Statistics, ONS should publish plans to provide more detailed information and explanation about the quality, including strengths and

³³ <http://www.statistics.gov.uk/statbase/product.asp?vlnk=6392>

³⁴ http://www.statistics.gov.uk/about/methodology_by_theme/economy.asp

³⁵ In relation to Principle 4 Practice 1 of the Code of Practice

³⁶ <http://www.ons.gov.uk/about-statistics/methodology-and-quality/quality/qual-info-economic-social-and-bus-stats/quality-reports-for-economic-statistics/gross-domestic-product--gdp-.pdf>

³⁷ <http://www.statistics.gov.uk/STATBASE/Product.asp?vlnk=13578>

³⁸ <http://www.statistics.gov.uk/cci/article.asp?id=1948>

limitations, of the National Accounts, and should invite feedback from users about whether this meets their needs³⁹ (Requirement 5).

- 3.13 There is considerable interest in the reliability of the early estimates of GDP. ONS publishes information about revisions to GDP statistics in the statistical bulletins, in on-line spreadsheets and in an annual article⁴⁰ in *ELMR*. In November 2009, ONS published *Understanding the quality of early estimates of Gross Domestic Product*⁴¹ which describes the context in which the estimates are produced, examines the reasons for revisions to preliminary estimates, and presents some analysis of estimates back to 1961.
- 3.14 ONS's current plans to modernise the National Accounts can be traced back to a review of methods and approaches published in 2004⁴². The scope of the planned improvements has narrowed since that review. For example, ONS's current plans no longer aim to produce balanced quarterly estimates of the chained volume measures of GDP. We suggest that ONS produce a report that describes progress against each of the recommendations of the 2004 review of methods and approaches, and the implications this has for the processing risks and the quality of the National Accounts.
- 3.15 The production of the GNI data that are used to calculate the UK's contribution to the EU budget is governed by Council Regulation No 1287/2003⁴³ (GNI Regulation). Eurostat verifies the sources and methods used by ONS to calculate GNI. It is assisted in this task by the GNI Committee⁴⁴ which comprises representatives of the Member States and is chaired by Eurostat. Eurostat provides an assessment on whether the UK's GNI has been produced in accordance with *ESA 95* and notifies the UK Government of any required corrections and improvements in the form of reservations on the UK's GNI data. The EU has the power to impose fines on the UK Government if it considers that insufficient steps have been taken to have the reservations removed. ONS told us that some reservations relating to the finer details of *ESA 95* have been placed on the UK's GNI data, although it does not publish any information about these. As part of the designation as National Statistics, ONS should publish information about outstanding reservations that have been placed on the UK's GNI data, and agree to publish information about the outcome of future GNI audit reports alongside its planned response to these audits⁴⁵ (Requirement 6).
- 3.16 ONS is currently preparing a resourced plan for implementing the changes that it needs to make to the National Accounts to comply with the revised international standards due to be set out in *ESA 10*. We suggest that ONS publish a resourced plan for implementing *ESA 10*, including a risk management strategy and a communication strategy for consulting users and suppliers on relevant issues.

³⁹ In relation to Principle 4 Practice 2 and Principle 8 Practice 1 of the Code of Practice

⁴⁰ <http://www.statistics.gov.uk/cci/article.asp?id=2154>

⁴¹ <http://www.statistics.gov.uk/cci/article.asp?ID=2315>

⁴² *Reviewing the methods and approaches of the UK National Accounts*,

<http://www.statistics.gov.uk/cci/article.asp?ID=690>

⁴³ http://eur-lex.europa.eu/smartapi/cgi/sga_doc?smartapi!celexplus!prod!CELEXnumdoc&lg=EN&numdoc=32003R1287

⁴⁴ http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Monitoring_GNI_for_own_resource_purposes

⁴⁵ In relation to Principle 4 Practice 6 of the Code of Practice

3.17 Some users told the Assessment team that they would like longer historical time series. Currently, GDP and its main components are available back to 1948 for annual data and 1955 for quarterly data. For other series, data are available back to 1987. ONS has previously indicated that converting pre-1987 data to be consistent with *ESA 95* was not practical within existing resources. The Statistics Commission published a note⁴⁶ in 2007 which accepted that the introduction of modernised systems then planned for *Blue Book 2008* should take priority over the production of historical back series on an *ESA 95* basis. We suggest that ONS consult users about the relative priority of producing consistent historical datasets.

⁴⁶ <http://www.statscom.org.uk/uploads/files/correspondence/Letter0387.pdf>

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.

- 3.18 None of the data used to compile the National Accounts are collected directly by the producer team; they are provided by other areas of ONS or by external suppliers, including other government departments, trade associations and private companies. The producer team told us that data are provided at an aggregated level to protect confidentiality and it is the responsibility of the supplier to inform the producer team if any of the data become disclosive.

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.

3.19 The National Accounts are compiled using data from many suppliers, both within and outside ONS but the flow of data into the National Accounts is not documented. Several suppliers told us that they are unaware of how their data are used, that they have little engagement with or guidance from the producer team, and that deadlines for the provision of data are tight. Several suppliers told the Assessment team that the only use of the data they produce is for the National Accounts, although this burden does not appear to be recorded anywhere. As part of the designation as National Statistics, ONS should produce a plan for regular communication and consultation with suppliers of data for the National Accounts, which addresses the burden placed on suppliers and the availability of alternative data sources⁴⁷ (Requirement 7).

⁴⁷ In relation to Principle 6 Practice 1 and Principle 7 Practice 5 of the Code of Practice

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.

- 3.20 Since April 2008, compilation of the National Accounts has been carried out within four separate divisions of the Economic Labour and Social Analysis Directorate within ONS.
- 3.21 In September 2009 ONS published an update⁴⁸ on its plans to modernise the National Accounts under the ENABLE programme. The programme entails the integration of currently disparate systems into a single system using a new Central ONS Repository for Data (CORD). The ENABLE programme is expected to facilitate more efficient production of better quality National Accounts. It should generate a number of benefits, including greater transparency in the compilation of estimates. The programme is scheduled for completion by March 2011 and ONS told us that it is currently on track to meet that deadline.
- 3.22 The Assessment team considers that the adoption of new software and the move to SIC 2007 creates significant risks to the timely publication of *Blue Book 2011*. We suggest that ONS review the level of resources required to ensure that *Blue Book 2011* will be produced to the standards of the *Code*.
- 3.23 The Blue Book was produced in Newport for the first time in 2010, following relocation of the production of the National Accounts from London. ONS has taken a number of steps to ensure that the new team has the expertise needed to produce these statistics to the standards of the *Code*, including the provision of specialised courses relating to various areas of National Accounts. We suggest that ONS publish plans for further developing the National Accounts team as the centre of excellence in National Accounts.
- 3.24 Over the last eighteen months ONS has put in place full desk instructions for compiling the National Accounts using current systems. This has addressed substantial gaps in the documentation that had previously built up. As part of the move to producing *Blue Book 2011*, ONS is preparing similar documentation for the new systems that are to be introduced using CORD. CORD has the advantage of making documentation easier to assemble and maintain. ONS expects this documentation to be complete by the end of 2011.
- 3.25 ONS has a centralised recruitment process that ensures suitably skilled people are employed to produce the National Accounts. Appropriate competence frameworks are in place and ONS supports staff in developing their skills.

⁴⁸ <http://www.statistics.gov.uk/cci/article.asp?id=2275>

Principle 8: Frankness and accessibility

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

- 3.26 Accessibility, of the data and associated metadata, was one of the main concerns raised by users as part of this assessment. Although a large volume of National Accounts information is available through ONS's website, we agree that it is difficult to find. ONS plans to introduce a new website in April 2011, but it is not yet known to what extent this development will improve accessibility. As part of the designation as National Statistics, ONS should review the options for improving the way in which the National Accounts are disseminated on its website to provide easier access for users⁴⁹ (Requirement 8).
- 3.27 The National Accounts statistical releases are factual, but do not provide much analysis of the figures to aid interpretation; nor do they include any narrative that places the statistics in a wider context. ONS provides economic commentary about the National Accounts each month in an article called *Economic Review*⁵⁰ published in *ELMR*. This is released separately from the statistical releases and no reference is made to the article in the statistical releases. We consider the provision of this commentary to be an example of good practice. As it is not published alongside the releases, it does not address the need for timely commentary and analysis in the statistical releases themselves. As part of the designation as National Statistics, ONS should improve the commentary and analysis in the statistical releases for National Accounts to aid user interpretation and understanding⁵¹ (Requirement 9). As part of implementing this Requirement, we suggest that ONS make the *ELMR* article which follows *Quarterly National Accounts* more prominent by advertising it via the *Statistical Bulletin*.
- 3.28 Although each of the three statistical bulletins: *Gross domestic product preliminary estimate; UK output, income and expenditure; and Quarterly National Accounts* contains estimates of GDP, there is little consistency between the three releases. Neither the technical terms used nor the alignment adjustments used to reconcile the three measures of GDP on a quarterly basis are explained. As part of the designation as National Statistics ONS should review the content of the statistical bulletins for *Gross domestic product preliminary estimate; UK output, income and expenditure; and Quarterly National Accounts* to enhance their clarity and consistency⁵² (Requirement 10).
- 3.29 ONS makes detailed National Accounts time series data available to users via its Time Series Data Service⁵³. Data are available to download in formats including CSV or using Navidata[®]⁵⁴ software which allows users to view time series data in tables or graphs. Several users told the Assessment team that they find it difficult to access data using this service, and that minimal instructions are provided. We suggest that ONS review the formats in which

⁴⁹ In relation to Principle 8 Practices 4 and 5 of the Code of Practice

⁵⁰ <http://www.statistics.gov.uk/statbase/Product.asp?vlnk=14772>

⁵¹ In relation to Principle 8 Practice 2 of the Code of Practice

⁵² In relation to Principle 8 Practice 2 of the Code of Practice

⁵³ <http://www.statistics.gov.uk/statbase/ts-data.asp>

⁵⁴ <http://www.statistics.gov.uk/statbase/tsdnadata.asp>

data are released to ensure that they are convenient to users and encourage analysis and re-use of the data.

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.

3.30 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.

- 3.31 Pre-release access is provided to *Gross domestic product preliminary estimate, UK output, income and expenditure* and *Quarterly National Accounts* with the lists published on ONS's website containing 27, 30 and 29 individuals, respectively. No pre-release access is given to the *United Kingdom Economic Accounts* or the *Blue Book*.
- 3.32 On 29 June 2010 ONS published a news release⁵⁵ announcing the postponement of *Quarterly National Accounts* for the first quarter of 2010 from 30 June 2010 to 12 July 2010. The news release also announced the postponement of other releases that were affected by the postponement of *Quarterly National Accounts*. As part of the designation as National Statistics, ONS should publish the actions that will be taken to prevent the recurrence of the problems that affected the release of the National Accounts for the first quarter of 2010⁵⁶ (Requirement 11).
- 3.33 All of the National Accounts outputs are published according to a timetable that is published 12 months in advance, and they are all available via ONS's website and through the National Statistics Publication Hub. Full contact details of the responsible statistician are available on each release.
- 3.34 The *Code* requires National Statistics releases to be issued at 9.30 am on the day of publication. ONS's website systems do not enable releases to be published simultaneously, which means there is sometimes a delay beyond 9.30 am. ONS informed us that this matter is being reviewed as part of its web development programme, which ONS expects to be implemented on 30 April 2011. The Head of Assessment has agreed an exemption from Protocol 2 practice 4 for ONS until the new website functionality is available. The exemption request, and the Head of Assessment's response are available on the Statistics Authority's website⁵⁷.

⁵⁵ <http://www.statistics.gov.uk/pdfdir/qnanr0610.pdf>

⁵⁶ In relation to Protocol 2 Practice 5 and Principle 4 Practice 5 of the Code of Practice

⁵⁷ <http://www.statisticsauthority.gov.uk/assessment/code-of-practice/exemption-requests/index.html>

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.

3.35 The administrative sources used in the compilation of the National Accounts are detailed in the Statement of Administrative Sources⁵⁸ published on ONS's website.

⁵⁸ <http://www.ons.gov.uk/about-statistics/ns-standard/cop/statement-of-administrative-sources/index.html>

Annex 1: Suggestions for improvement

A1.1 This annex includes some suggestions for improvement to the Annual and Quarterly National Accounts, 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.

- | | |
|---------------------|---|
| Suggestion 1 | Refer to the generic classes of use put forward in the Monitoring Brief: The Use Made of Official Statistics, as part of implementing Requirement 1 ⁵⁹ (para 3.1) |
| Suggestion 2 | Provide a clear link from National Accounts releases to ONS's revisions policy (para 3.5). |
| Suggestion 3 | Identify a suitable date to review the National Accounts classification process, to take account of experience since it was last amended in 2007 (para 3.9). |
| Suggestion 4 | Produce a more concise and less technical guide to the National Accounts to complement <i>United Kingdom National Accounts concepts, sources and methods</i> (para 3.11). |
| Suggestion 5 | Produce a report that describes progress against each of the recommendations of the 2004 review of methods and approaches, and the implications this has for the processing risks and the quality of the National Accounts (para 3.14). |
| Suggestion 6 | Publish a resourced plan for implementing <i>ESA 10</i> , including a risk management strategy and a communication strategy for consulting users and suppliers on relevant issues (para 3.16). |
| Suggestion 7 | Consult users about the relative priority of producing consistent historical datasets (para 3.17). |
| Suggestion 8 | Review the level of resources required to ensure that <i>Blue Book 2011</i> will be produced to the standards of the <i>Code</i> (para 3.22). |
| Suggestion 9 | Publish plans for further developing the National Accounts team as the centre of excellence in National Accounts (para 3.23). |

⁵⁹ <http://www.statisticsauthority.gov.uk/assessment/monitoring/monitoring-briefs/monitoring-brief-6-2010---the-use-made-of-official-statistics.pdf>

Suggestion 10

Make the ELMR article which follows *Quarterly National Accounts* more prominent by advertising it via the Statistical Bulletin, as part of implementing Requirement 9 (para 3.27).

Suggestion 11

Review the formats in which data are released to ensure that they are convenient to users and encourage analysis and re-use of the data (para 3.29).

Annex 2: Summary of assessment process and users' views

- A2.1 This assessment was conducted from September 2010 to February 2011.
- A2.2 The Assessment team – Neil Jackson and Kat Pegler – agreed the scope of and timetable for this assessment with representatives of the Office for National Statistics in September. The Written Evidence for Assessment was provided on 13 October. The Assessment team subsequently met the Office for National Statistics during December to review compliance with the *Code of Practice*, taking account of the written evidence provided and other relevant sources of evidence.

Summary of users contacted, and issues raised

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

A2.4 The Assessment team received 42 responses from the user consultation. The respondents were grouped as follows:

Government departments	4
Academia	7
International organisations	3
Arm's length bodies	3
Media	4
Private sector	2
Trade association	1
Suppliers	18

A2.5 Generally, users were happy with the level of engagement with ONS and the manner in which ONS responds to user queries. One of the main issues raised by users was the difficulty experienced in accessing the data on ONS's website. Users also commented on the need for improvements to the way in which the statistics are presented in the statistical releases, and requested increased explanation to aid interpretation of the three different measures of GDP.

A2.6 Several users expressed a lack of understanding of the methods and sources used in the National Accounts and would like clearer documentation of this on ONS's website. Users commented that they would find it helpful if the reasons for revisions and contributors to change in time series data could be explained in more detail. There was also a demand for longer and more consistent historic series.

- A2.7 Some users said that they would like statistics to be published in more detail, particularly for the service sector and that they would welcome additional quality indicators. Several users commented that they would like more timely data, particularly with regard to the detailed gross value added (GVA) time series, and would also like to see improvements in the time taken to reconcile the three measures of GDP. Other users said that they were happy with the current timeliness of the statistics. A number of users expressed frustration that the most up-to-date analytical Input-Output tables refer to the year 1995. ONS plans to produce and publish new tables for 2005 in 2011.
- A2.8 Some specific comments were received, expressing concerns surrounding the measure of financial intermediation, the quality of the intermediate consumption measure and the lack of consistency in the Standard Industrial Classification (SIC) used in National Accounts releases and related releases such as Retail Sales⁶⁰. We were also told that some users are concerned about the long-term impact that relocation may have on National Accounts expertise in the UK.
- A2.9 Many suppliers said that the data they provide are collected only to meet the needs of the National Accounts, and that it is often time consuming for them to provide the data in the format required. Some suppliers mentioned that they have no instructions or guidelines to assist them, and many have little communication with the team in ONS. Several suppliers said that they would like more information about how their data are used and some voiced concerns over the relocation of the National Accounts from London to Newport and the effect that this had on their level of engagement. Some suppliers had concerns surrounding the timetable for the provision of data, commenting on tight deadlines and difficulties providing data due to other work commitments.

Key documents/links provided

Written Evidence for Assessment document

⁶⁰ <http://www.statistics.gov.uk/pdfdir/rs1210.pdf>

