

Quarterly Sector Accounts

A review of the continuing compliance with aspects of the Code of Practice for Official Statistics of Quarterly Sector Accounts, produced by the Office for National Statistics

Office for Statistics Regulation

We provide independent regulation of all official statistics produced in the UK. Statistics are an essential public asset. We aim to enhance public confidence in the trustworthiness, quality and value of statistics produced by government. We do this by setting the standards they must meet in the Code of Practice for Official Statistics. We ensure that producers of government statistics uphold these standards by conducting assessments against the Code. Those which meet the standards are given National Statistics status, indicating that they meet the highest standards of trustworthiness, quality and value. We also report publicly on system wide issues and on the way statistics are being used, celebrating when the standards are upheld and challenging publicly when they are not.

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Summary Report

Subject of the assessment

- 1 The Office for National Statistics (ONS) publishes statistics and underlying data on the transactions of particular groups of institutions (sectors) within the UK economy in its publications *Quarterly National Accounts*¹ (QNA), *UK Economic Accounts*² (UKEA) and, since March 2016, in the stand-alone publication *Quarterly Sector Accounts*³ (QSA). ONS's decision to add QSA to this suite of economic publications was based on feedback from users that they would welcome more-detailed sector commentary. Since there is little room in QNA to add such commentary, and UKEA does not provide a platform for commentary, ONS moved all commentary on sector accounts to QSA in March 2016.
- 2 The UK Statistics Authority (the Authority) confirmed the National Statistics (NS) designation of the statistics on quarterly sector accounts, Real Household Disposable Income (RHDI) and the saving ratio presented in QNA and UKEA in October 2016⁴. Since ONS is re-presenting the same statistics in this new bulletin with the addition of commentary, this report addresses a query from ONS about whether the Authority might also designate the statistics in QSA as NS. This report is prepared under the provisions of the *Statistics and Registration Service Act 2007*⁵.
- 3 As estimates of aggregated transactions allocated to particular sectors, these statistics demonstrate how the economic units within institutions distribute and re-distribute the income from production. QSA also presents estimates of:
 - the saving ratio. This is the gross saving⁶ by households and non-profit institutions serving households (NPISH) expressed as a percentage of total disposable income. Households for example might use this proportion of their disposable income for investment in housing, keep as cash or purchase financial products.
 - RHDI. ONS statisticians measure households and NPISH income in real terms and in current prices (also called nominal prices). By adjusting households and NPISH Gross Disposable Income to remove the effects of inflation, ONS estimates another useful measure of disposable income called real household disposable income. RHDI is a measure of real purchasing power of households and NPISH incomes, in terms of the physical quantity of goods and services they would be

¹<https://www.ons.gov.uk/economy/grossdomesticproductgdp/bulletins/quarterlynationalaccounts/previousReleases>

²<https://www.ons.gov.uk/file?uri=/economy/grossdomesticproductgdp/datasets/unitedkingdomeconomicaccounts/current/ukea2016q3final.pdf>

³<https://www.ons.gov.uk/economy/nationalaccounts/uksectoraccounts/bulletins/quarterlysectoraccounts/jultosept2016>

⁴<https://www.statisticsauthority.gov.uk/publication/annual-and-quarterly-national-accounts-2/>

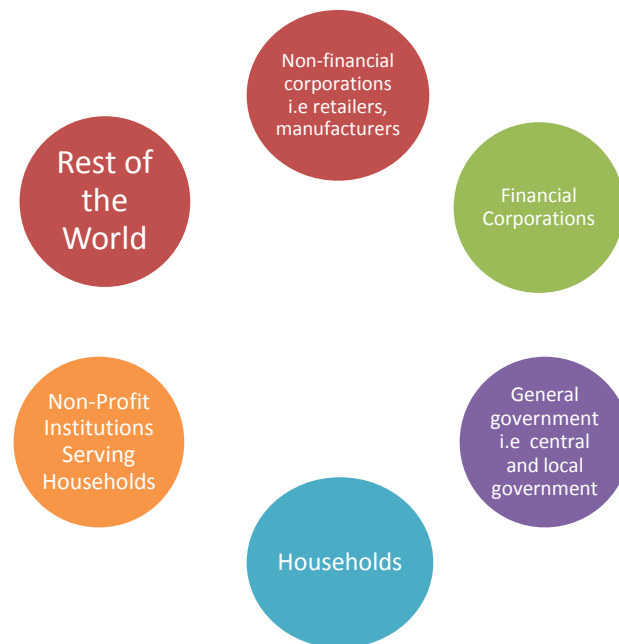
⁵www.opsi.gov.uk/Acts/acts2007/pdf/ukpga_20070018_en.pdf

⁶ Gross saving estimates the difference between households and NPISH total disposable income (mainly wages received, revenue of the self-employed, social benefits and net income such as interest on savings and dividends from shares, but excluding taxes on income and wealth) and their current consumption (expenditure on goods and services)

able to purchase. ONS uses the households and NPISH final consumption deflator to remove the effects of price inflation.

- 4 The System of National Accounts⁷ defines institutional sectors as sectors with autonomy in economic decision-making. Participants in the sector can enter into contracts, own assets and incur liabilities and are able to keep a meaningful set of accounts. Studying the transactions between the sectors makes the national accounts more meaningful, and permits certain key analyses. In the UK, there are currently six sectors:

Chart 1: The Six Institutional sectors



Source: Regulatory team

Public Value Statement

- 5 The Quarterly Sector Accounts have the potential to provide high levels of public value because the sectors are major economic actors. Analysts are particularly interested in households as Household Final Consumption accounts for 60 per cent or more of GDP. A change of one or two percentage points in this aggregate can indicate whether the economy is doing well or badly. Households play a number of significant roles in the economy, including as consumers of final goods and services, providers of labour services and recipients of labour income, proprietors of unincorporated businesses and a source of savings to fund investment in fixed assets. Household debt is important, as it shows how exposed households are to changing economic conditions. If households are holding high levels of debt

⁷ <http://unstats.un.org/unsd/nationalaccount/sna.asp>

relative to their income levels, they may be vulnerable if interest rates were to rise, especially if they suffer a reduction in income or economic conditions worsen.

- 6 Examining the movements in the transactions between sectors can help detect pressures arising in the economy, for example, 'a housing bubble', 'deleveraging' by households or the need to restrict or encourage credit. Macro-economists are interested in the saving ratio as it determines the relationship between income and consumption. Across countries, there is a link between the saving ratio and the size of rises in levels of GDP. Economic growth in the UK over the last 30 years has not been poor, even compared with other European countries with higher saving ratios. Analysing differences in the movements in the levels of household saving ratios between different countries can help decision-makers learn from the experience of other countries before making UK macroeconomic policy.

Decision on National Statistics Status

- 7 National Statistics status means that official statistics meet the highest standards of trustworthiness, quality and public value and comply with all aspects of the Code of Practice for Official Statistics. National Statistics status is awarded by the Statistics Authority (the Authority) on the advice of the Office for Statistics Regulation.
- 8 The Office for Statistics Regulation judges that the Statistics Authority should designate the statistics presented in QSA as NS once ONS has demonstrated to us that it has enhanced the value and quality of these statistics in the ways described in Tables 1 and 2 of this report. ONS is expected to report back to us by 15 December 2017, shortly after which the Authority will decide whether to confer NS designation based on our advice.

Strategic Perspective

- 9 In response to users' needs, ONS has recently published separately experimental statistics using alternative measures of real household disposable income (RHDI) and saving ratio⁸. There were concerns from the Bank of England (BoE) and Office for Budget Responsibility (OBR) that they could not determine how much households were saving and they considered that such measures would be useful for international comparisons. These statistics are intended to be more public-friendly because the method used to calculate them relates to concepts ("cash" basis measures) that are more tangible and easier to understand for the general public. This measure is really a reflection of households' *perception* of savings. The datasets are also more user-friendly for less-expert users.
- 10 The measure of RHDI published within *UKEA* adheres to national accounts principles, but households may not directly observe all of the component parts. For example, imputed rentals represent the value of housing services

⁸<https://www.ons.gov.uk/economy/nationalaccounts/uksectoraccounts/articles/nationalaccountsarticles/2015-11-02>

that owner-occupiers derive from their homes. This is the amount that they would have to pay in rent to achieve the same consumption of housing services. Whilst this concept is important when measuring economic output, it is perhaps less helpful to include in measures of disposable income, as imputed rental is not something that a homeowner observes directly. The cash-RHDI measure removes imputed rental and other non-cash components, resulting in a measure of RHDI that is a closer representation of disposable income as measured by social surveys and to what households actually experience.

- 11 The development of the experimental statistics is an innovative and welcome addition to the suite of sectorised debt statistics; the Regulatory team commends ONS for introducing them. ONS has published these statistics quarterly since August 2015 and told the Regulatory team that it is aiming to remove their experimental status by September 2017. ONS continues to develop the alternative measures bulletin and is looking at several aspects in more detail currently; for example, it is considering removing life and non-life insurance and mortgages from the cash-basis measures. Once ONS: a) judges that statistical methods have settled down, b) has gathered user feedback that indicates that these statistics are useful and credible, and c) judges that the statistics meet the rigorous quality standards of National Statistics, we would encourage it to consider publishing these statistics at the same time as QSA and requesting us to assess these statistics with a view to designation as National Statistics.

Key findings

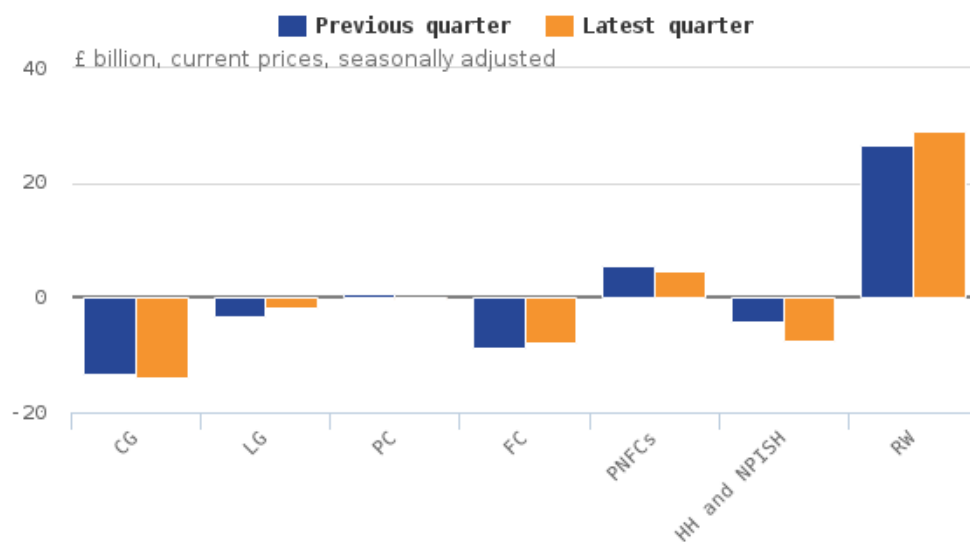
PUBLIC VALUE

- 12 QSA statistics provide high levels of value as macroeconomic information that aids assessments of the whole economy. The BoE's Monetary Policy Committee (MPC) uses these statistics alongside other statistics when setting monetary policy. The Office for Budget Responsibility (OBR) uses the statistics for its forecasts and evaluations of economic growth and public sector finances. The statistics are also used by businesses and knowledge and research institutions such as think-tanks, lobby groups and universities, and by researchers, analysts, academics, students and trade organisations. These expert users, who are likely to use the statistics as published in the Quarterly National Accounts and UK Economic Accounts, may find limited additional value in the QSA stand-alone publication. As ONS has explicitly intended QSA to be the prime output for information on sectorised debt, it is important that ONS consider the different questions that users beyond experts might want answers to in relation to sectorised debt, to enhance the public value of the statistics. Examples of such questions might be:
- What are the levels of debt and liability across different groups in the population, and to what extent can they service their debt?
 - Households' greater indebtedness has important macroeconomic policy implications. To what extent is the reduction in the saving ratio due to higher household indebtedness?

- To what extent is household private saving related to them sustaining an adequate standard of living during periods of low income by running down past savings, or incurring debt?
- What do economists regard as ‘excess saving’ and ‘insufficient saving’ and when in our recent economic history has the UK experienced too much or too little saving?

- 13 It is likely that new users of these statistics, who are not experts interested in macroeconomic questions, are more likely to want information to answer questions in the vein of ‘what-does-all-of-this-mean-to-us’? Thus, the interests of new, less-expert users are more likely to require micro-economic analyses. To avoid not satisfying such interests, ONS might examine how it can bridge the gap between the macro-economic data needs of the expert users from QSA data and the more micro-economic information needs of other user types.
- 14 ONS’s presentation of quarterly data in QSA without the context of a longer time series can mask structural changes in the economy and the relationships between the trends in borrowing and lending in the sectors. For example, the QSA contains the chart below (Figure 8 in the September 2016 edition) titled ‘UK net lending (+) / net borrowing (-) by sector, Quarter 1 (Jan to Mar) 2016 to Quarter 2 (Apr to June) 2016’ that shows only quarterly changes in the sectors.

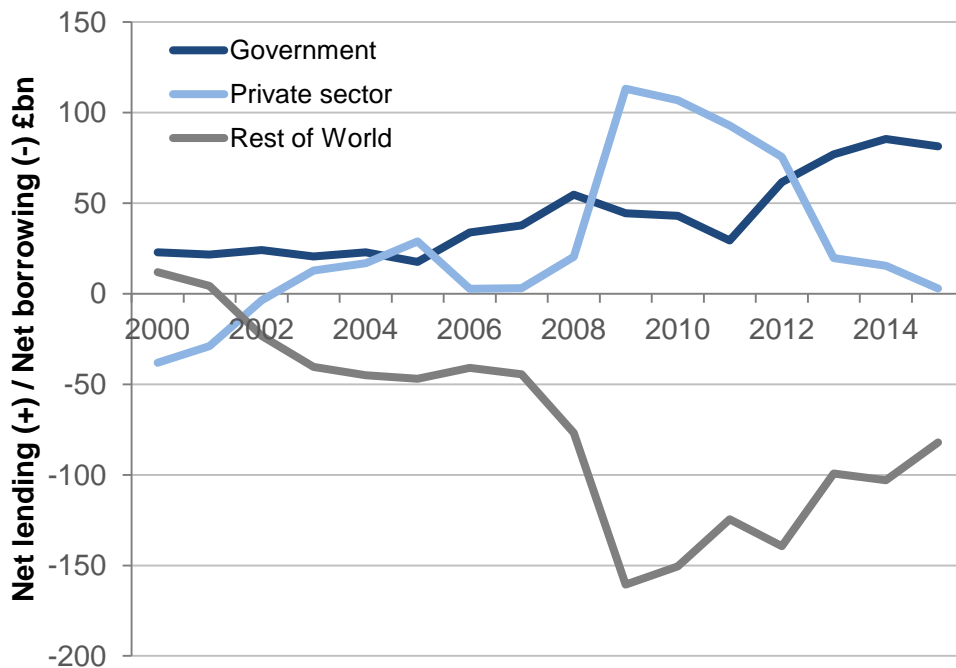
Chart 2: Figure 8 in the September 2016 edition of QSA, titled ‘UK net lending (+) / net borrowing (-) by sector’



Source: ONS, Quarterly Sector Accounts: Apr to June 2016

- 15 However, showing the net lending and borrowing by sector since say 2000, as in Chart 3 below, demonstrates better the likely relationships between trends in the different sectors. (Government includes the central government and local government sectors; private sector includes the financial, private non-financial and household and NPISH sectors.)

Chart 3: Net Lending (+) / Net Borrowing (-) by sector since 2000

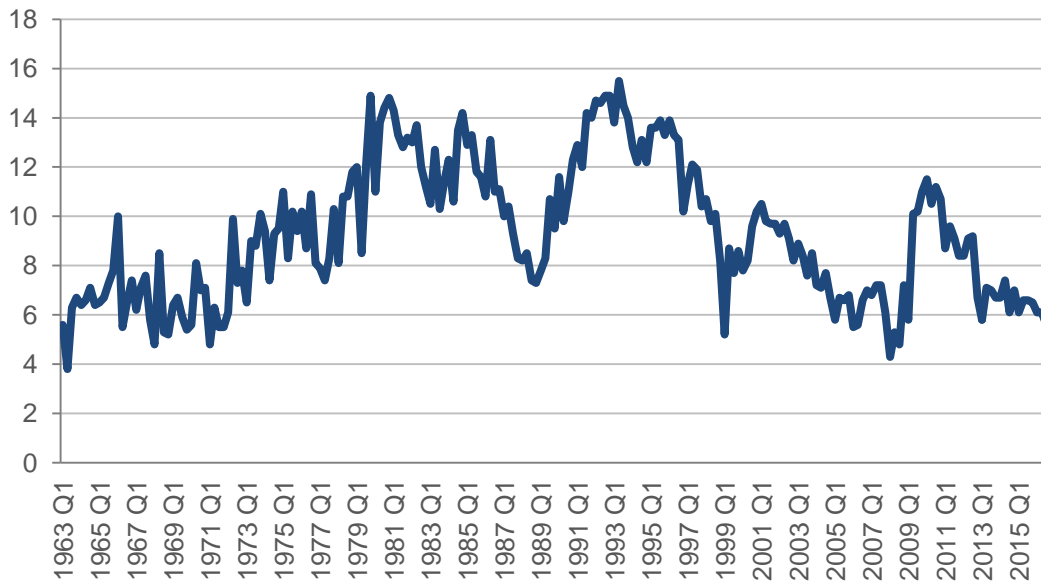


Source: ONS, Public Sector Finances (data series NMFJ, NMOE), UK Economic Accounts (data series NHCQ, NSSZ), and Quarterly National Accounts (data series DTAL, NHRB).

- 16 The longer-term time series better demonstrates an expected inverse relationship between government borrowing and private sector borrowing. As the private sector borrows less and becomes a net lender, the government becomes a net borrower. ONS presents a time series for UK households and non-profit institutions serving households quarterly saving ratio (Figure 5 in QSA December 2016 edition) back to Q1 1997 which helps to put saving ratios in the contemporary period into some context. ONS might consider from time to time presenting even longer time series (which is quite possible given the long-term historical time series) to improve users' appreciation of the path of ratios in the contemporary period. For example, Chart 4 below clearly shows that between 1964 and the early 1980s there is a long-term rise in the UK saving ratio, and between 2004 and Q1 2008 there is a steady decline during a period of relative economic stability reaching a low of just above 4 per cent – the period of the so-called 'great moderation'⁹. The saving ratio has been trending for the last couple of years around 5 to 6 per cent.

⁹ The great moderation refers to a period of economic stability characterised by low inflation, positive economic growth, and the belief that the boom and bust cycle had been overcome

Chart 4: UK households and NPISH saving ratio (%), 1963 Q1 to 2016 Q3



Source: ONS, UK Economic Accounts (data series NRJS)

Table 1: Value detailed findings and requirements

Finding	Examples	Requirement
<p>The insight offered in QSA currently misses an explanation of what the statistics mean to particular groups in society, placing the latest estimates in their long-term context.</p>	<ul style="list-style-type: none"> • Commentary could provide better contextual information. It tends to be of the order of “<i>..the highest since..</i>” and the main points presented are summaries of which sectors were net borrowers and net lenders over the year and the latest quarter • The commentary could do more to provide descriptions of how the statistics relate to the economy and possible reasons, appropriately justified, to explain what the statistics show. For example, how strong the correlation might be between the decline in the saving ratio and the increase in net worth of the household sector. 	<p>1 To broaden the appeal of the statistics beyond expert users, ONS should:</p> <ul style="list-style-type: none"> a) Through researching the needs of potential new users consider the enduring questions where new users might wish to gain insight b) Reflect on how the statistical bulletin can address topical questions using long term trends in these and related statistics c) Publish the statistics alongside analysis that appeals to a broader range of user types

	<ul style="list-style-type: none"> • Longer-term changes in sectorised debt could be better explained. For example, the household sector was historically a supplier of funding to other sectors but underwent a striking change in roles and became a net borrower of funds in the 8 years preceding the 2008 global financial crisis, while the non-financial corporate sector, which normally uses funds from other sectors for its investment needs, acted as a net lender in the early 2000s. 		
<p>ONS could better explain the relationship between the net borrowing and lending positions of the sectors as well as contemporary household and NPISH saving behaviour through the presentation of longer time series</p>	<ul style="list-style-type: none"> • ONS's graphical presentation of net sector lending and borrowing positions only illustrates the recent data and does not draw out structural relationships between the sectors • Presenting saving ratio time series back to 1997 is welcome. The occasional presentation of even longer series may improve users' appreciation of current trends 	<p>2</p>	<p>To improve the setting of context and non-expert users' understanding of economic history in the UK, ONS should present longer-term time series graphical presentations with appropriate commentary.</p>

QUALITY

- 18 Statistical methods are consistent with internationally recognised best practice with one exception: ONS, like many other international National Statistical Institutes, has not yet met a requirement of the ESA 2010 international standards to separate households from non-profit institutes serving households (NPISH). From September 2017, Households and NPISH will be split and NPISH and households will become separate sectors published alongside the aggregate. The NPISH sector represents approximately 3 per cent of GDP and there will be an impact on the saving ratio once the

statisticians separate out the NPISH sector. Separating out the NPISH sector offers several benefits to researchers, economists, policy makers and national accountants. An understanding of the economic contribution of NPISH to the production of goods and services in the UK points to the importance of NPISH within the economy. As well, the contribution of NPISH to GDP illuminates its significance in providing social services to UK households. Finally, the impact of statisticians removing NPISH saving from the household sector will result in a clearer picture of household economic activities. It is methodologically sounder that these are reported as separate sectors and the change will represent a significant methodological change.

- 19 ONS monitors and quality assures these estimates, taking account of internationally agreed practices. Statisticians have made improvements to methods and data used in estimating key macroeconomic aggregates published in the sector and financial accounts. Methods changes have realised positive impacts to the National Accounts and Sector and Financial Accounts over many years¹⁰.
- 20 The BoE's One Bank Research Agenda¹¹ suggests there are benefits from understanding the financial system of the 1950s and 1960s as it may shed light on how macro-prudential tools could operate. Historical data on financial accounts and balance sheets is a key part of developing that understanding. The time series for the quarterly sector accounts goes back to 1987 (i.e. every Blue Book). The RHDl measure goes back to 1963. Net lending and borrowing of the public sectors (government and public corporations) goes back further still to 1940s. The cash-basis RHDl and saving ratio measures go back to 1997. The long time series strengthens these statistics.
- 21 ONS publishes the chart below in QSA (Figure 4 in the December 2016 edition), titled 'UK households and non-profit institutions serving households quarterly saving ratio, latest data and previously published data'.

¹⁰ <https://www.ons.gov.uk/economy/nationalaccounts/uksectoraccounts/articles/nationalaccountsarticles/detailedassessmentofchangestosectorandfinancialaccounts1997to2014>

¹¹ <http://www.bankofengland.co.uk/research/Documents/onebank/discussion.pdf>

Chart 5: Figure 4 in the December 2016 edition of QSA, titled ‘UK households and NPISH quarterly saving ratio, latest data and previously published data’

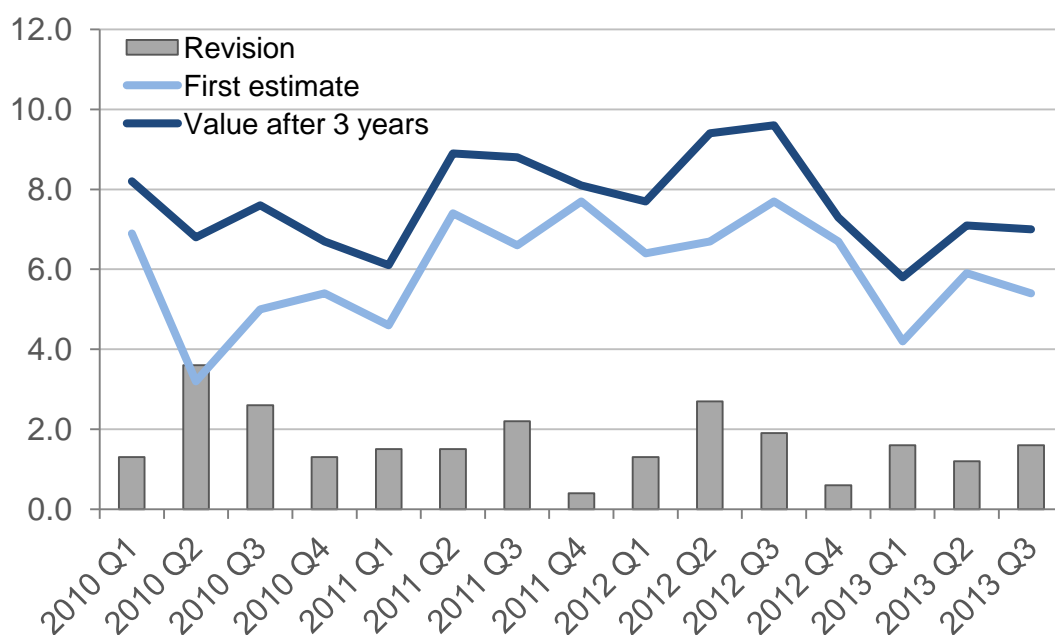


Source: ONS, Quarterly Sector Accounts: July to Sept 2016

- 22 As Chart 5 above shows, the latest data and previously published saving ratio follow different paths, with the previously published data showing a steady decline in the saving ratio and the newer data showing a less pronounced decline and perhaps more stable trend. Generally, ONS explains the rationale for revisions as changes in the components of the aggregate estimate such as ‘an upward revision to wages and salaries’. ONS does not tend to provide plausible reasons for changes in the components, for example why new data on wages and salaries shows them to be higher than before.
- 23 As statisticians calculate the saving ratio by dividing gross saving by household and NPISH total resources, this can lead to large revisions in the saving ratio, even if the revision to gross saving is relatively small. For example, changes to estimates of imputed rental will affect the estimates of household resources (income) and consumption, which may be partially offset in the numerator, but will have a greater impact through the denominator. Users have expressed concerns about revisions and biases in vintages of data (see Annex A for users’ perspectives of these statistics). ONS provided the Regulatory team with revisions triangle data for the saving ratio¹². The revisions chart from ONS (which we reproduce as Chart 6 below) is given below:

¹²<https://www.ons.gov.uk/economy/grossdomesticproductgdp/datasets/revisionstrianglesforukhouseholdssavingratio>

Chart 6: Comparison of first estimate of households and NPISH saving ratio (%) and estimate three years later



Source: ONS, UK Economic Accounts (data series NRJS)

- 24 Chart 6 above demonstrates the bias of the first estimate and the upwards revisions of the subsequent estimates. ONS confirmed that the mean revision is 1.43 percentage points and that this is statistically significant. There is no explanation of the bias in first estimates of saving ratio in metadata linked to the statistical bulletin.
- 25 ONS told the Regulatory team that there is no dedicated Quality and Methods Information (QMI) document related to statistics on sectorised debt. This means that less-expert users may be unfamiliar with many of the limitations of these statistics and with no guidance on how to best interpret the data presented, including how to use the early estimates that statisticians are likely to revise subsequently.

Table 2: Quality detailed findings and requirements

Finding	Examples	Requirement
ONS could enhance the use of these statistics by publishing its advice on the use and limitations of the estimates	<ul style="list-style-type: none"> There is no explanation that simple comparison of the saving ratios between countries may be misleading because there are differences in how the ratios are defined and compiled in practice. ONS focuses its 	<p>3 To better help users to properly understand the limitations of the estimates in these statistics ONS should:</p> <p>a) Record the quality and methods information in a format consistent with other National Account statistics. This could</p>

	<p>commentary on the seasonally adjusted (SA) series but does not comment when the non-seasonally adjusted (NSA) series shows a different path in a particular quarter (for example when the SA series shows a decline and the NSA series shows an increase in saving rate).</p> <ul style="list-style-type: none"> • Different data sources are used to calculate lending and borrowing of different sectors, and, combined with the fact that figures are rounded up or down, means that net borrowing and net lending don't even out. This is captured in a footnote for table 1.6B9 in <i>UKEA</i>. There is no clear explanation of what the statistical discrepancy is in <i>QSA</i>. • ONS does not link to international comparators and to Scottish Government statistics on the saving ratio in Scotland published in its <i>Scottish Quarterly National Accounts</i>¹³ 	<p>include information about revisions, the statistical discrepancy, the availability of the non-seasonally adjusted series in <i>UKEA</i>, warnings about international comparisons, reasons for choices made to present gross rather than net saving, and a glossary of terms for non-expert users</p> <ul style="list-style-type: none"> b) Consider publishing a visual or info graphic of flows between sectors. The Regulatory team believes that this type of high-level diagram is extremely helpful for understanding sector accounts, particularly for the non-expert user c) Consider commenting in the statistical bulletin on discrepancies between movements in the seasonally adjusted and non-seasonally adjusted series where these diverge materially d) Provide links in the statistical bulletin to the comparative Scottish saving ratio
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TRUSTWORTHINESS

- 27 ONS releases these statistics into the public domain in an orderly manner that promotes public confidence and gives access to all. It manages these statistics and information about the statistical process impartially and objectively. Since these are not new statistics, there is no additional cost burden to data suppliers arising from the publication of these statistics in *QSA*.

¹³ <http://www.gov.scot/Resource/0050/00509847.pdf>

- 28 ONS runs economic fora for city analysts, business economists, media and academic users to discuss issues relating to measuring the economy – these have been well attended and received. ONS engages closely with its key National Accounts stakeholders via the Quarterly Review of [National] Accounts Stakeholder Group – ONS publishes the minutes of the meeting of the group¹⁴. ONS has engaged with users of Flow of Funds Accounts via a Financial Statistics Expert Group¹⁵.

¹⁴ <http://webarchive.nationalarchives.gov.uk/20160105160709/http://www.ons.gov.uk/ons/guide-method/method-quality/specific/economy/national-accounts/presentations-and-meeting-papers/review-of-quarterly-national-accounts/national-accounts-stakeholder-s-minutes.pdf>

¹⁵ <http://webarchive.nationalarchives.gov.uk/20160105160709/http://www.ons.gov.uk/ons/guide-method/method-quality/specific/economy/national-accounts/changes-to-national-accounts/flow-of-funds--fof-/index.html>

Annex 1: The Assessment Process and Users' Perspectives

- A1.1 This assessment was conducted from October to December 2016.
- A1.2 This report was prepared by the Office for Statistics Regulation and approved by the Regulation Committee on behalf of the Board of the UK Statistics Authority, based on the advice of the Director General for Regulation.
- A1.3 The Regulatory team – Iain Russell and Job de Roij – reviewed documentation in the public domain and met the statistics team at ONS during December 2016 to review compliance with the *Code of Practice*. Our assessment has taken account of the all evidence provided by ONS at our meeting and subsequently, as well as that researched beforehand.
- A1.4 This is one of a series of reports¹⁶ prepared under the provisions of the *Statistics and Registration Service Act 2007*¹⁷. The Act gives the Authority power to re-assess whether producers continue to comply with the *Code of Practice for Official Statistics*¹⁸ in relation to official statistics already designated as National Statistics.
- A1.5 Part of this Assessment process involved researching previously polled views of users. Since ONS publish these statistics in other National Statistics publications, the Regulatory team reviewed the views of users gained through previous assessments and reviews. This enabled us to gain some insights about the extent to which the statistics meet users' needs and 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 our reports
- A1.6 Previous user feedback from 2014 on the National Accounts suggested that users believed that the statistics are generally of high quality and the documentation is clear for their uses. However, they have seen instances where published data exhibit implausible trends or other features which are subsequently revised out; expressed frustration at larger historical time series revisions made where they inevitably affect shorter term trends and require major revisions to forecasts, e.g. household sector data within the Quarterly National Accounts; and with industry sector activity data.
- A1.7 A monitoring review conducted by the Statistics Authority in 2014 on *The Use of Official Statistics by Financial Services Industry*¹⁹ concluded that official statistics met many of the industry's statistical needs at the time. However, the Review concluded also that it was not clear that producers of official statistics had sufficient understanding of the nature of the global financial sector, and how the sector's need for statistics and data, were changing. The main elements of user feedback that pertains to these statistics were:

¹⁶ <https://www.statisticsauthority.gov.uk/publications-list/?keyword=&type=assessment-report>

¹⁷ http://www.opsi.gov.uk/Acts/acts2007/pdf/ukpga_20070018_en.pdf

¹⁸ https://www.statisticsauthority.gov.uk/wp-content/uploads/2015/12/images-codeofpracticeforofficialstatisticsjanuary2009_tcm97-25306.pdf

¹⁹ <https://www.statisticsauthority.gov.uk/publication/the-use-of-official-statistics-by-the-financial-services-industry/>

- they needed more-detailed statistics about the financial services industry itself, especially for a more-detailed industrial breakdown of the sector
- they identified that more consideration should be given to what indicators could be drawn out from the statistics to provide insight into changing dynamics in, and stresses on, the economy
- it would be very helpful to have easy access to the most detailed breakdown in all cases, even if it is not in the headline publication (subject to legal and confidentiality constraints)
- they place a premium on UK Sector Accounts, but also raised concerns about the quality of the statistics for insurance, pension funds and households
- the importance of having comparable statistics for the four UK nations
- official statistics should be used to emphasise the importance of the financial services industry including statistics on the growth in the financial services labour market, household consumption statistics, households savings ratio, investment by financial services companies (and others)
- For the household sector, users said that they would prefer the presentation of ONS UK Household Balance Sheet to correspond with the balance sheets for households in the Federal Reserves' Flow of Funds Accounts of the USA

A1.8 We also met recently with two leading commentators on economic statistics to gain an impression of their perceived value of the quarterly sector account statistics. One commentator does not use the statistics widely but agrees that separating out households and NPISH is methodologically sound. The other commentator is a regular user of the statistics and is familiar with both the quarterly sector accounts bulletin and the alternative measures articles. Although they are mainly a user of the raw data (presented in the tables in the Quarterly National Accounts and UK Economic Accounts), they find the commentary in the bulletin useful, particularly those sections that add extra detail and context by explaining the drivers of changes to certain sectors. They noted that the majority of the commentary is aimed at expert users and that many terms wouldn't necessarily be clear for non-expert users, such as 'sector net lending'. This re-iterates the user comments we received during the 'Use of Official Statistics by the Financial Services Industry' systemic review. They agree with the motivation behind the alternative measures of RHDI and saving ratio, and consider these estimates to be reliable and methodologically robust. They also mentioned that separating out households and NPISH will have an impact on their work and they are keen to engage early with ONS on this issue.

Contact us

For any queries about this assessment, or the work of the Office for Statistics Regulation in general, please email assessment@statistics.gov.uk.

Annex 2: Responding to the Assessment report: what the Office for Statistics Regulation and the producer should expect from each other

A2.1 The publication of the Assessment report represents a key milestone in the regulation cycle, but should not be viewed as the end-point. The next phase, to meet the Requirements set out in this report, is critical to delivering the value, quality and trustworthiness to achieve and maintain National Statistics status. The next steps are as follows:

- immediately following the publication of the report, the Office for Statistics Regulation will arrange a meeting with the statistics team to talk through the detail of the Requirements and to ensure a common understanding
- the HoP can follow up with the Assessment Programme Manager about the Director General for Regulation's letter that accompanies this Assessment Report. The letter: draws out the key findings; provides advice about where the statistics team is likely to need senior management support and direction and conveys any findings that have wider implications for the producer body and statistical system
- the HoP is encouraged to:
 - i) develop an action plan to meet the Requirements to the timetable set out in Tables 1 and 2 of this report
 - ii) agree the action plan with their senior management, including the HoP or lead official, and confirm that it is appropriately resourced
 - iii) share the action plan with the us, publish it alongside the statistics, and explain to users and suppliers how it will engage with them in delivering the plan
 - iv) seek out peers and support services that can help in delivering the plan – for example, the National Statistician's Good Practice Team²⁰
 - v) agree with the Regulatory team, how often, and in what form, the statistics team would like to engage about progress against the action plan – for example, some teams choose to meet with the regulatory team once a month
- the statistics team should provide full formal written evidence to us by the deadline of 15 December 2017 as set out in paragraph 8 of this report. There is no set format for reporting, except that ONS should demonstrate that it has addressed the findings given in Tables 1 and 2 and provide links to any published or internal documents as support
- the Regulatory team will review the evidence within 10 working days and arrange to provide feedback to the statistics team. As part of this process, the team will talk again to users to establish how their

²⁰ <https://gss.civilservice.gov.uk/national-statistician-2/gss-professional-support-team/good-practice-team/>

experience of the statistics has changed. When the team is satisfied that the producer has fully met the Requirements, their conclusions will be quality assured by our senior management and then presented to the Authority's Regulation Committee to confirm designation. The Director General will then write publicly to the HoP or lead official to confirm the decision

- in the event that Requirements are not fully met within the agreed timetable, the Authority will implement escalation procedures.²¹

A2.2 Based on experience, we strongly encourage statistics teams to:

- engage with the detailed thinking of the Assessment report, and revisit it regularly. The Regulatory team will be seeking evidence that the statisticians are demonstrating curiosity and are challenging their own thinking around delivering value, quality and trustworthiness. The Requirements in this report should not be viewed as a simple checklist
- view the responsibility for meeting the Requirements as falling to the organisation as a whole, not just the team that produces the statistics.
- engage users early, not just to keep them updated, users can often offer valuable insight and expertise
- contact the Regulatory team at any time if there are any questions or concerns

A2.3 Responsibility for complying with the Code of Practice does not end with the award of the National Statistics designation. It is the statistics producers' responsibility to maintain compliance and also to improve the statistics on a continuous basis. We encourage statistics producers to discuss promptly with the regulatory team any concerns about whether its statistics are meeting the appropriate standards. National Statistics status can be removed at any point when the highest standards are not maintained, and reinstated only when standards are restored.

²¹ https://www.statisticsauthority.gov.uk/wp-content/uploads/2010/12/images-ladderofescalationrevisedoctober201_tcm97-43536.pdf