Ed Humpherson, Director General for Regulation

Mike Keoghan
Deputy National Statistician and Director General for the Economic, Social and
Environmental Statistics Group
Office for National Statistics
(by email)

23 July 2024

Dear Mike

Review on "Ensuring Confidence in the Economic Statistics Classification Process"

We have completed our quality-focused review of the economic statistics classifications process. This review is part of our Spotlight on Quality: Assuring Confidence in Economic Statistics programme, which aims to provide enhanced assurance of the UK's economic statistics.

Classification decisions are important because of their impact on deficit and debt figures, which in turn have implications for fiscal rules and government spending decisions and government departments or agencies with Managing Public Money responsibilities.

Our review found users had overall confidence in the classifications process and that there was appreciation of the diligence of the Economic Statistics Classification Team that manages classification cases; and respect for the "referee" role of the Economic Statistics Classifications Committee, which makes classification recommendations.

Through our work we have identified six requirements (see Annex) to ensure that the classifications process continues to make good-quality decisions. These comprise: maintaining capability; ensuring ONS has the relationships it needs for seeking advice and for discussing international standards; and taking steps to continually improve the communication and implementation of its classification decisions. Many of these requirements build on existing good work, especially when it comes to communication where users noted and appreciated recent improvements to key outputs like the Public Sector Classification Guide.

I expect ONS to publish a plan to address requirements by October 2024. Implementing these actions will ensure that this underpinning process continues to meet the standards of the Code of Practice for Statistics.

We thank you and your team for engaging with us during our review.

I am copying this letter to Grant Fitzner, Director of Macroeconomic and Environmental Statistics and Analysis; Jessica Barnaby, Deputy Director, Macroeconomic and Environmental Statistics and Analysis; Craig McLaren, Deputy Director, Economic

Statistics Production and Analysis; Tom Orford, Head of Profession for Statistics, HM Treasury; Sarah Geisman, Head of Classifications, HM Treasury.

Yours sincerely

Ed Humpherson
Director General for Regulation

Annex: List of requirements from the review on "Ensuring confidence in the economic statistics classifications process"

Requirement 1: In order to ensure that capability in classifications is sustainable, ONS should develop and implement a plan covering succession planning, talent pipeline and retention of staff members who have accumulated critical substantive expertise in classifications.

Requirement 2: To ensure that the Classifications Team has an in-depth understanding of new standards and access to the work of peers working on comparable classification cases, to better inform its work, ONS should effectively develop and enhance the use of its international relationships. These arrangements should be clearly communicated to stakeholders.

Requirement 3: To ensure that the quality of decision-making remains continuously high, ONS should strengthen its arrangements for accessing technical expertise to provide independent advice on complex, precedent-setting or highly specialised classification decisions. These arrangements should be clearly communicated to stakeholders.

Requirement 4: To continue improving the understanding and transparency of its classification decisions, ONS should enhance its communication approach. Efforts here should include:

- improvements to engagement, for example with the OBR and with affected non-ONS statistics producers
- better integration of the monthly release, the Public Sector Classification Guide (PSCG) and the Forward Work Plan (FWP), in the form of improved sign posting, harmonisation of consistent messaging and making the latest month's decisions easier to find in the PSCG
- expanding the regularity of technical articles and compendium articles
- investigating the use of more-innovative methods of disseminating information
- renaming the PSCG to better reflect its purpose and us**e**

Requirement 5: To ensure that users have a better knowledge of progress around implementation, ONS should communicate more openly about how the implementation of the suite of classification decisions is progressing, including, for example, in the monthly classification outputs.

Requirement 6: ONS should assess implementation at an earlier stage in the classifications process; this work should be done independently of the Classification Committee. Also, to ensure that the implementation of classification decisions better meets user needs, ONS should speed up implementation, within the constraints of wider prioritisation.