



Office for
Statistics Regulation



UK Statistics
Authority

Spotlight on Quality

Ensuring Confidence in the Economic Statistics Classification Process

July 2024

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 Statistics](#). We ensure that producers of government statistics uphold these standards by conducting assessments against the Code. Those found to comply with the standards of trustworthiness, quality and value in the Code are given accredited official statistics status (called National Statistics in the Statistics and Registration Service Act 2007). 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.

Executive Summary

What we found

- ES.1 The classification of economic units or transactions arising from policy initiatives is important because of the impacts these decisions can have on deficit and debt figures. These in turn have implications for fiscal rules that can affect government spending decisions and the day-to-day management of public money. The direct users of these decisions are not only those who monitor fiscal rules and government spending but also, because of the integrated nature of classification decisions, compilers of the UK National Accounts, public sector finance statistics and public sector employment statistics that are also affected by a decision. Classification decisions also have non-statistical practical implications, such as compliance with public sector pay controls or [Managing Public Money requirements](#). Thus, bodies subject to classification, and their sponsor departments, can be significantly impacted by classification decisions.
- ES.2 Overall, we found a classification process that operates well to make complex and technical decisions in a way that is robust and independent from any outside influence. The process has seen external change over the last few years with the UK's departure from the EU, and economic events prompting novel policy responses for the committee to consider. The committee's processes have been robust to these changes. Through our review, we have identified six requirements for ONS to undertake to enhance assurance.
- ES.3 So that good-quality decisions continue to be made consistently, ONS should ensure that there is sufficient capability in the ONS Economic Statistics Classification Committee (which makes the recommendations on classification cases) and the ONS Economic Statistics Classifications Team (which engages with users and acts as the Secretariat for the Classification Committee). Capability considerations should include an enhanced focus on succession planning, talent pipelines and staff retention. ONS should also review the arrangements it has internationally, so that the UK can be involved in conversations about international standards. Finally, ONS should review its arrangements for receiving advice on complex cases.
- ES.4 It is especially important that the Classifications Team effectively communicate its decisions to key stakeholders and to the wider public. The team has made good progress in this area in recent years, especially in communicating with key stakeholders. However, ONS should ensure that improvements continue alongside its user engagement and the published outputs of its work so that decisions are more accessible to all users. Finally, although classification decisions are usually implemented into the relevant statistics in a timely manner, there are sometimes lags. These lags are even longer for cases that are especially complex to implement. Although the classification decision should not consider implementation, ONS should give more consideration to implementation in the Classifications Team's communication with users to keep them informed of how implementation is progressing.

List of Requirements

ES.5 We have identified six requirements that ONS must meet to maintain the quality of the classifications decision-making process. These focus on the Quality pillar but also touch on the Trustworthiness and Value pillars of the Code of Practice for Statistics.

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 use**

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.

ES.6 Following the publication of this review into the classifications process, OSR will ask ONS to publish a plan for how it will implement the requirements set out in this report by October 2024.

Introduction

Spotlight on Quality Programme

- 1.1 Following the end of the UK's membership of the European Statistical System, the Office for Statistics Regulation (OSR) has been developing its approach to providing continued assurance that the UK statistical system produces high-quality, internationally comparable economic statistics. OSR's primary focus has been [a programme of assessments of economic statistics, with a particular emphasis on quality](#). There are several strands to this work:
- the quality-focused assessments programme, which has so far seen us publish assessments focusing on the quality strand of the Code of Practice for Statistics, including for [Producer Price Indices](#) and for [Profitability & Gross Operating Surplus](#)
 - the [Spotlight on Quality Framework](#) underpinning those assessments
 - a systemic review of economic statistics
 - ensuring confidence in economic statistics classifications, a workstream which aims to provide assurance around the process for classifying units, assets or transactions and constitutes the focus of this review.

Ensuring confidence in public sector classifications

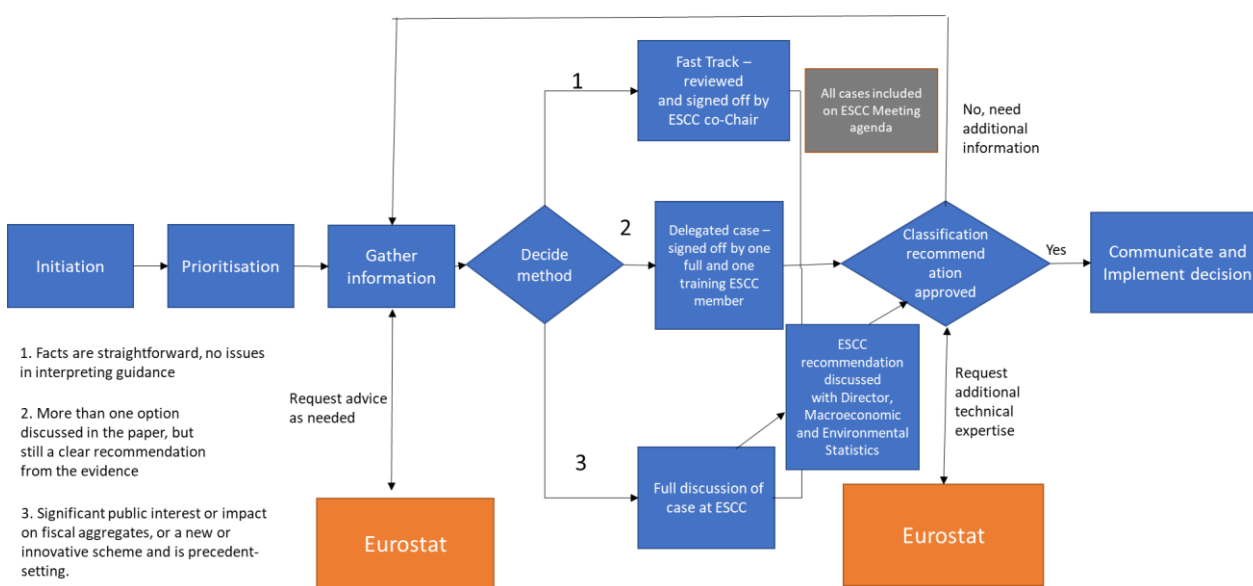
- 1.2 Our review into classifications was conducted in recognition of the changing context around the classifications process since the UK exited the European Union. This period also coincided with the coronavirus (COVID-19) pandemic and the economic and energy price shock that followed Russia's invasion of Ukraine.
- 1.3 OSR spoke to colleagues involved in making classification decisions and a range of users. We would like to thank them all for giving up their time to provide their thoughts and insights during the review.
- 1.4 The integrated nature of the UK's classifications decisions, which have statistical, financial and practical impacts, means that the direct users of classifications fall into three categories:
- official statistics producers affected by classifications decisions. These are typically the producers of the UK National Accounts and the producers of statistics on public sector finances and public sector employment. The producers of the UK National Accounts need to understand which part of the accounts is affected by each decision, and how and when such a measure should be implemented in the national accounts in practice. Sometimes the cases considered can also have implications for a broader range of economic statistics, including prices.
 - departments affected by classifications decisions because of an explicit public finance remit, including HM Treasury and the Office for Budget Responsibility (OBR). Classifications decisions such as the reclassification of Network Rail from private to public sector, for example, impact debt and deficit statistics. Given that the government fiscal rules are linked to these data, classification decisions in turn will have implications for medium-term decision-making on tax and spend (for example, decisions made during the UK Budget), as well as the day-to-day management of public money.

- other government departments or agencies, which are affected by a request for the classification of a specific unit or policy initiative in their work area. This could be, for example, an agency that is controlled to some degree by a government department being reclassified. These bodies are affected by classification decisions because of their practical implications. For example, bodies that ONS classifies as part of central government are subject to a range of controls, like pay controls and Managing Public Money requirements.

1.5 This report summarises the findings of our review and presents six requirements that ONS must meet to maintain and, in places, enhance the quality and communication of classifications decision-making.

The economic statistics classification process

Figure 1: Process map for classification decision-making, including processes involving Eurostat from when the UK was a European Union member



Economic statistics classifications are decided by ONS. Figure 1 shows the decision-making process, including when the UK was part of the European Statistical System and so under EU regulations. The first box shows “Initiation”, then a rightward arrow to “Prioritisation” and then a rightwards arrow to “Gather information”. From “Gather information”, there is a downwards arrow to Eurostat to “request advice as needed”. There is also a rightwards arrow to “Decide method”. From “decide method” there are three arrows: Arrow 1 (labelled as such) denotes “Fast Track”; Arrow 2 denotes “Delegated Case”; and Arrow 3 denotes “Full discussion”. These are the different “methods” for making recommendations on classification cases, and there is then a box that states “All cases included on the Economic Statistics Classification Committee (ESCC) meeting agenda.” From the “Full discussion” box, there is a diagonal arrow saying “recommendations discussed with Director” and then another diagonal arrow to “Classification recommendation approved”. From that box, there are three arrows: one that goes all the way back to “Gather information” in the event of “No approval, need more information”. There is also a downward arrow to “Eurostat”, when there is a need to “request additional technical expertise (rather than approval)”. Finally, there is a rightwards arrow to “Communicate and implement decision” if the recommendation has been approved (i.e. a decision had been made). Following the UK’s departure from the EU, only the process flows to Eurostat no longer happen.

- 1.6 [The ONS Economic Statistics Classification Committee \(ESCC\)](#), a panel of ONS staff members who are experts in national accounting, is responsible for establishing the correct statistical treatment of all the units and key transactions covered by the UK National Accounts. The balance of classification cases can shift depending on policy context; for example, during the COVID-19 pandemic, there was an increased emphasis on classifying the transactions resulting from the rapid introduction of government policies to support businesses and households.
- 1.7 Requests for classifying are made to the ONS Economic Statistics Classifications Team. The Classifications Team currently comprises eight members of staff, an increase from six in 2020. While occasionally an individual department or agency will contact the Classifications Team directly about a request, in practice a request for classification is typically made by HM Treasury, the Scottish Government, the Welsh Government, the Northern Ireland Executive and other teams within ONS on behalf of other departments or bodies within its public finance remit. They will be involved in the request from the beginning and then act as an intermediary between the department or agency making the request and the ONS Economic Statistics Classifications Team.
- 1.8 The Classifications Team gathers relevant information to fully understand the request. This is a thorough process and sees the team engage with relevant parties (the department or agency affected, or the department who initiated the request) to compile the full range of necessary background information. It also comments on the application of international standards that are relevant to the decision. Before exiting the European Union (EU), the team would also seek relevant guidance from Eurostat, the EU's statistics agency, whose responsibilities included ensuring that the UK was complying with EU law on deficit and debt. Once this process is complete, the case is taken forwards by the Classifications Team to decide which approval route (see paragraph 1.13) should be used.
- 1.9 The Classification Committee comprises experts with different specialisms and skills from across the spectrum of ONS's economic statistics. This range of backgrounds helps ensure that there is an appropriately rounded mix of expertise to fully examine any case being assessed. The committee can also ask specific experts from outside of this group to provide advice on relevant cases should the need arise; this option is rarely used. Currently, there are 19 committee members, including 2 co-chairs. Nine members have served on the committee for more than five years. There is no expected or maximum time that the committee members serve for.
- 1.10 New members are recruited to the Classification Committee as needed, based on their role and expertise and in accordance with the Committee's Terms of Reference. Only the names of the two committee co-chairs are publicly available, while the other members remain anonymous.
- 1.11 Members of the Classification Committee devote several hours every month to the task. This classifications work is an agreed part of a member's responsibilities and objectives, but members are appointed for their expertise, not because of their present role. The Classifications Team estimates that members typically spend three weeks a year on their committee member duties. The team also estimates that members need about 18 months of classifications work to develop the range of expertise needed to be fully effective in their role.

- 1.12 Cases are triaged by the Classifications Team with three outcomes:
- “fast track” – where the facts of the case are straightforward and there are no issues in interpreting guidance. Each case is reviewed, and the Classifications Team’s recommendation is signed off by one of the Classification Committee co-chairs. This process happens via email, being linked to a database system. There are typically three or four “fast track” cases every month.
 - “delegated case” – cases where more than one option is presented by the Classifications Team, but the recommendation for which of these options to choose is still relatively clear. On such occasions, papers are reviewed by one full member and one trainee member of the committee, who will then endorse the recommendation. On average, there is around one “delegated case” every month.
 - “full discussion” – for cases that need full discussion at committee meetings, which are held monthly. Full discussion is appropriate for cases of significant public interest, or where there is anticipated to be a medium or high impact on government debt and deficit figures, or for cases that involve a new or innovative scheme that is precedent-setting. These are the most important cases in terms of impact and reputational risk if an incorrect decision is taken; therefore, they are the most intensely examined. There are typically around two “full discussion” cases per month.
- 1.13 At Classification Committee meetings, the co-chairs aim to bring all angles of any given full discussion case out into the open; there is an active aim to avoid reaching a consensus too hastily. Everyone is encouraged to contribute their ideas and thoughts, whatever their level of experience.
- 1.14 The Classification Committee uses the European System of Accounts (ESA) 2010 and the Manual on Government Deficits and Debt (MGDD) 2022, both EU frameworks, as the main references to make classification decisions. These are supplemented with the United Nations’ System of National Accounts 2008. These international frameworks are comprehensive, helping the committee to form a robust rationale behind its recommendations.
- 1.15 The Director of Macroeconomic and Environmental Statistics and Analysis, signs off on “full decision” cases, a responsibility that is delegated to them by the National Statistician. The co-chairs of the Classification Committee, and the Head of the Classifications Team will provide a written briefing to the director, which will include how clearly the recommendation was reached and the specific aspects that were debated. The director is also briefed orally. Where decisions are finely balanced, the director may ask for more information about individual aspects of the case. Asking the committee to reconsider and re-debate the issue is also an option, though at the time of writing it has not been invoked for several years. The discussions taking place during the sign off are intended to encourage further challenge, rather than being a “rubber stamping” process.
- 1.16 If a decision cannot be reached, the case will go back to the Classifications Team, with a request for more information. When the UK was an EU member, ONS could also contact Eurostat at this stage for advice and information that could help enable a decision to be reached. In fact, as the UK was bound by EU legislation, it was ultimately Eurostat’s decisions on classifications that were followed in the UK public finance and national accounts statistics in the rare cases where these did not align with the ONS decision.

- 1.17 When a decision has been approved, the Classifications Team communicates it via [Economic statistics sector classification – classification update and forward work plan](#), a monthly release on the ONS website that sets out the latest month's decisions. This is being merged with a separate but related release, [Recent and upcoming changes to public sector finance statistics](#), from July 2024. Public sector-related decisions are also recorded in the [Public Sector Classification Guide](#) (PSCG). Additionally, there is a letter exchange between ONS and HM Treasury or the relevant devolved administration, explaining the decision in the detail that is necessary for the purposes of government accounting.
- 1.18 HM Treasury or the relevant devolved administration will use the information ONS provides to notify other government departments and agencies about how the classification decision might affect them. Possible implications might arise, for example, from a budgetary recording perspective, or for their responsibilities in following Managing Public Money requirements. Additionally, the OBR will explain the impact and consequences of major classification decisions for its forecasts or judgements on fiscal sustainability in its public finance publications.
- 1.19 When it comes to less-regular communications approaches, the highest-profile decisions are often accompanied by a media statement (for example, [this one on the reclassification of English Housing Associations as private, non-financial corporations in November 2017](#)), which explains these decisions and the considerations behind them in a less technical manner. Occasionally, the Classifications Team will also issue other articles, for example a compendium of decisions taken during a particular period (such as the financial crisis of 2008 to 2009) or an article translating the guidance on how to distinguish between taxes and fees for sales of service – a common classifications challenge – into more-accessible language and case studies.
- 1.20 ONS has published a range of published guidance about classifications (such as [the PSCG](#), [the Public Sector Finance technical group](#), [the role HM Treasury and Devolved Administrations play](#) and [the description of the classifications process](#)). Some of these appear to be outdated in places and would benefit from being updated regularly.

Policy proposals

- 1.21 HM Treasury and the devolved administrations may also submit policy proposals for classification advice from the ONS Economic Statistics Classification Committee, either on its own behalf if it is the policy lead or on behalf of another department. Policy proposals are forward-looking rather than concerned with existing organisational arrangements or transactions that have already taken place. Such proposals might involve creating a new organisation, restructuring an existing organisation or creating a new type of transaction or financing vehicle or scheme.
- 1.22 In such cases, ONS is asked to provide classification advice on policy proposals so that the UK Government, or the relevant devolved administration, can understand how these proposals would be treated in the national accounts and therefore take account of the potential consequences for public spending, public revenues and debt measures. To do this in a way commensurate with the remit of the Classification Committee's role, and ONS's independence, the committee focuses on the economic statistics classification of the proposed entity or transaction. It does not comment on policy framework or development and remains at arm's

length from policy officials. Likewise, if it proves necessary for ONS to request direct briefing from the proposing department, such briefings will be confined to the factual information required to inform the classification decision.

- 1.23 Most policy proposals presented to ONS will have a large degree of certainty over the form of the policy and will include all the relevant details to enable the committee to make a “provisional” decision, dependent on the proposal being implemented as described. ONS will not respond to the submission of iterative policy proposals that contain minor amendments, which may be designed to achieve a certain classification outcome. If the circumstances change, it is the responsibility of the proposing department to inform ONS via the intermediary managing the request (HM Treasury typically, or one of the devolved administrations). Whether a change is made or not, once the policy has been implemented, it will still be subject to the full classifications process in its final form, and a final classifications decision for the policy will then be taken and published.
- 1.24 On rare occasions, government departments might seek a view on a proposal at an early stage of development. In such cases, ONS will provide indicative, provisional advice on the expected classification of the proposal, based on information available at the time. However, a final decision will not be reached until the policy is implemented. In the interim, ONS will only consider alternative versions of the same proposal exceptionally and if substantial and significant changes have been made. Any explanatory article published on the final implemented policy will note how many versions of the proposal ONS considered. Final classification decisions will be published when the policy has been announced or implemented by the government.
- 1.25 In terms of communicating policy proposal advice, ONS does not publish or otherwise make publicly available details of classifications advice in respect of policy proposals, except where they may be discussed in a supplementary article published once a final classification decision has been announced.

Implementation of a classification decision

- 1.26 Once a classification decision has been reached and communicated, the responsibility for implementing it moves beyond the ONS Economic Statistics Classifications Team, although the team does retain some role in communicating the implementation to affected users.
- 1.27 Coordinating the implementation of classification decisions in the UK National Accounts falls to the ONS Implementation Committee. The Implementation Committee must consider how the decision would flow through the various statistics related to the UK National Accounts and must strike a careful balance between implementing decisions as quickly as possible and doing this in a way that is consistent and groups similar changes.
- 1.28 Some classification decisions are complex to implement. Such decisions will also often require the involvement of the ONS Economic Statistics Methodology Advisory Committee (MAC). The MAC will consider these complex cases and come to a decision on how best to apply a decision.
- 1.29 Finally, a Public Sector Finance Revisions group meets monthly to consider revisions to the Public Sector Finance statistics, including those resulting from the implementation of classification decisions. This is a separate process to the one used for UK National Accounts revisions, though there is some overlap.

The National Statistician’s Committee for Advice on Standards for Economic Statistics (NSCASE)

- 1.30 In 2022, the National Statistician’s Committee for Advice on Standards for Economic Statistics, or NSCASE, was set up. According to its [Terms of Reference](#), published in November 2022, its role is to “support the National Statistician in ensuring its processes for influencing, adopting, and monitoring progress against international statistical standards are of a high standard.”
- 1.31 So far, the Classifications Team has taken papers to NSCASE on the adoption of a Eurostat Clarification Note on Public-Private Partnerships and on the adoption of the Manual on Government Deficit and Debt – Implementation of ESA 2010: 2022 Edition. The latter is an important manual to follow for classifications decisions. The adoption of both the Clarification Note and the MGDD 2022 was supported by NSCASE, and the National Statistician’s approval of these decisions was [published on the UK Statistics Authority \(UKSA\) website in September 2023](#).

Management of stakeholder relationships

- 1.32 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 the day-to-day management of public money. These are matters that will have repercussions for everyone to some extent, but in particular directly affected stakeholders.
- 1.33 These key stakeholders include HM Treasury, the Scottish Government, the Welsh Government, the Northern Ireland Executive, OBR and the Bank of England.
- 1.34 The Classifications Team meets with HM Treasury weekly; meetings with each of the devolved administrations are held monthly; and there is also a quarterly Classifications Forum for all five parties. Separate quarterly meetings are held with the Bank of England, wherein the latest classification decisions are presented and any questions answered. OBR attends a monthly meeting about revisions to the public sector finance statistics more broadly but does not have a standing meeting specifically with the Classifications Team.
- 1.35 The Classifications Team may also meet with other government departments and public bodies, especially when a specific department or public body has made, or is planning to make, a classification request. The request will be made via HM Treasury, or one of the devolved administrations, and they will play an important role in the process, making sure key information is transferred between the department and the Classifications Team. However, for the most complex cases, the Classifications Team will meet with the department or public body directly during key stages of the process to fully understand the request being made and for relationship management more broadly.
- 1.36 The team also maintains strong relationships with the producers of the UK National Accounts and producers of statistics on public sector finances and public sector employment. These relationships are mostly coordinated via the ONS Implementation Committee, a forum for selected official statistics producers from ONS who discuss how to implement the classifications decisions across the suite of economic statistics. The team engages separately with statistical producers outside

of ONS affected by classification decisions, for example HM Treasury, as joint-producers on public sector finances.

- 1.37 The Classifications Team also engages with the Economic Statistics Methodology Advisory Committee, which discusses best-practice methodology in economics statistics. Although these two committees are separate entities, they worked together closely during the COVID-19 pandemic and have collaborated occasionally thereafter.

The approach of other National Statistical Institutes

- 1.38 Classifications decisions involving public sector finances are often the responsibility of the national statistical institutes, either exclusively or in collaboration with other government departments. In some countries, however, the finance ministry has responsibility for the role. Most countries outside the EU follow the guidance from [the UN System of National Accounts](#) or the [IMF Government Finance Statistics Manual](#); some may supplement these with national guidance. For example, in South Africa, decisions on the classification of government and public units are made by a committee comprising three agencies: [Statistics SA](#), the [South African Reserve Bank](#) and the [Treasury](#). However, unlike the UK, which has a harmonised Government Finance Statistics system where compilers of the national accounts and practical day-to-day managers of public money use the same underlying public finance data, in most non-EU countries, each institution uses a different framework. In Canada, [Statistics Canada](#) decides on the classification by institutional sector of each government and public unit. The information is shared with federal and provincial governments for feedback to confirm that significant factors have been considered. In Australia, the [Australian Bureau of Statistics](#) is responsible for the classification of units in official statistics, using guidance from national and international statistical manuals. [Statistics NZ](#) has adopted an approach of targeting intervention, providing active input where it has the expertise and resources to provide the most impact.

Findings

ONS should take steps to ensure the continued sustainability of its capability to make good-quality classification decisions

Collaboration and Retention

- 1.39 The classifications process is a very important one for users and requires a lot of close working with stakeholders, information gathering and technical understanding. Thus, there is a need for expertise that can be maintained and is resistant to the staff turnover that is common in ONS and the wider Civil Service.
- 1.40 Capability within the Classification Committee is important because it cuts across the full sequence of UK National Accounts; mastery of the subject matter requires a good understanding of transactions, from the goods and services account of the Supply Use and Input-Output tables all the way through to the financial and non-financial balance sheet. It also requires expert knowledge of public finance statistics. The committee currently has 19 members, including 2 co-chairs. Expertise is maintained in different ways. Since 2020, the committee has grown slightly to ensure a sufficient breadth of expertise is maintained following staff turnover. Additionally, members who have moved roles within ONS are encouraged to stay on the committee based on the expertise they already have.
- 1.41 In order to ensure sufficient assurance and expertise in classification decisions during the COVID-19 pandemic, the Economic Statistics Classification Committee (ESCC) and ONS's Methodology Advisory Committee (MAC) set up an informal arrangement to work closely together. The joint working between ESCC and MAC was successful overall: it showed two groups working collaboratively and pooling expertise to solve problems, mitigate risks and consequently ensure the good quality of decision-making. Additionally, when the joint-working group was working through the classifications of the novel coronavirus support schemes, the informal advice it received through its international network was important in ensuring that decisions were taken in line with emerging international best practice.
- 1.42 Capability is also important for the Classifications Team because it needs to understand the technical information it receives for classification cases to decide how to take forwards the requests for the committee. It also needs to accurately communicate the requests to users and key stakeholders. The team currently comprises eight people, which, despite representing a small increase from six people before the pandemic, remains small.
- 1.43 When someone leaves the Classifications Team, it is arguably harder to manage the resulting gap in expertise than when someone leaves the Classification Committee. The mechanisms in place for mitigating the loss of expertise on the committee are not possible for the Classifications Team in the same way. Additionally, most of the roles in the team are more-junior roles, meaning that individuals are more likely to leave the team to pursue career progression and development opportunities. Finally, there is a question of whether, and how, ONS accesses specialist advice outside of the national accounts, for example accounting or legal expertise. Therefore, a need to actively plan succession, ensure a pipeline

of new talent and encourage retention of experienced and expert individuals within the team will be crucial for maintaining capability.

Training

- 1.44 Given the level of expertise and the time required for newcomers to accumulate the full range of experience required by their role, ONS needs to be constantly alive to managing the development of staff in the classifications work area.
- 1.45 New Classification Committee members are supported by a mix of formal training, informal training, independent reading of relevant guidance to build knowledge and learning by doing by applying this knowledge to cases. New members must build the research skills necessary to identify the relevant information needed for completing cases against the relevant guidance. They are supported with additional meetings ahead of complex cases, where they can ask questions and check their understanding. They are also provided specific training ahead of a case which they may not have encountered before and which has very specific and different international guidance (for example, the case of Public-Private Partnerships has specific statistical guidance set out in [this manual](#)).
- 1.46 There is a learning pathway in place to help new Classifications Team members accumulate knowledge, including a programme that breaks up an 18-month period into 6-month chunks of learning and development. The Classifications Team also offers training on classifications across ONS. However, the time taken to accumulate expertise emphasises the importance of retaining expertise once acquired.

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.

ONS should ensure that it has the relationships it needs to access technical advice, and engage with and influence international guidance and best practice

- 1.47 While maintaining capability within ONS is very important, enhancing trust and ensuring quality in the classifications decision-making process also involves ensuring that there are clear links with international guidance and clear routes to seek independent, expert advice on especially complex classifications cases.
- 1.48 When the UK was an EU member, it had a close relationship with Eurostat, the EU's statistics agency. This relationship had its roots in the UK's legal obligation, as an EU member, to meet its rules on deficit and debt. This obligation was monitored by Eurostat, which was the designated independent body that oversaw the UK's (and other member states') approach to its national accounts, including classifications.
- 1.49 Eurostat's oversight in classifications meant that the UK could seek its advice and guidance in the following ways:
 - speaking to a Eurostat contact – called a desk officer – who would have been allocated to the UK and would be familiar with the UK context and the broader EU

picture on classifications. This officer would act as a sounding board to inform recommendations for individual classification cases.

- engaging with Eurostat as part of its periodic “Dialogue missions” to ONS. These missions would have covered ONS’s criteria and processes for making decisions on classifications and could have discussed a range of issues of particular interest to ONS. The discussions that could have taken place during the mission covered broader issues than the dialogues with the desk officer, which often focused on a specific transaction or change of circumstances.
- attendance at key international meetings relating to classifications, such as the Excessive Deficit Procedure Statistics Working Group, which focused on discussing methodological and challenging classification issues.

1.50 The arrangement between the UK and Eurostat had been beneficial during EU membership in the following main ways:

- Having access to an extra pool of experts with awareness of the EU-wide context helped maintain both the quality of classification decisions (from an international comparability perspective) and the assurance to users, especially in complex cases. The Classification Committee cited a recent classification review of a complex policy proposal for which it would have used Eurostat in the past.
- The engagement between the UK, Eurostat and other member states allowed the UK to shape international engagement in a way that ensured it was part of the conversation on the methods and standards that they collectively used.
- The independence of the classification decisions from the UK Government or devolved administrations was reinforced.

1.51 The [Lievesley Independent review of the UK Statistics Authority](#) recommended that the Authority develop an international strategy and discuss the arrangements between itself and Eurostat, in line with the UK-EU Trade and Co-operation Agreement of 2020.

1.52 Our review found broad support for ONS developing and enhancing the use of its international relationships, especially regarding the development and implementation of new standards. Another benefit is the ability to learn and better inform its work through organically discussing common classification themes with peers in other countries.

1.53 In addition to strengthening international connections, there is also broad support for the Classification Committee to have access to technical expertise that can help to inform individual classifications decisions and ensure that quality of decision-making is maintained for the most complex, precedent-setting cases.

Requirement 2: To ensure that the Classifications Team has an in-depth understanding of new international 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.

ONS should review its communication of classification decisions to maintain trust and better meet user needs. It is important that the Economic Statistics Classifications Team communicate its work openly and effectively, both to key stakeholders and to the wider public.

- 1.54 Key stakeholders are, overall, very happy with their direct interactions with the Classifications Team. Regular stakeholders like HM Treasury and the devolved administrations have reported improvements over the past five or six years in the regularity and depth of engagement. Other government departments or public bodies making requests via HMT have also reported positive feedback with the Classifications Team's engagement during the process for classifying a case. That said, there remain individual cases where engagement can still be improved, for example with the OBR or with statistical producers outside ONS whose publications rely on classification decisions.
- 1.55 ONS publishes the following classification outputs monthly for the wider public:
- [The Public Sector Classification Guide \(PSCG\)](#), which is a spreadsheet log of classification decisions taken, going back over a decade. The PSCG is updated monthly and was improved in 2023 after user and stakeholder feedback and a period of parallel running; it now produces more-comprehensive information about the decisions taken than it did before and separates out transaction classifications from the classifications of units more fully. Users overall welcomed the engagement during the PSCG development and the changes that were made. However, despite these changes, the PSCG can still be hard to navigate and unclear in places, and the name is ambiguous in the sense that it might be interpreted as a guide on how to classify, rather than a guide to classifications made.
 - [The Forward Work Plan \(FWP\)](#), which is a forward-looking log, focused on cases expected to come before the Classifications Committee in upcoming quarters of the year. The log gives an indication of the impact on government spend but does not say how complex the decision is (it does not say whether it would go through the fast track, delegated case or full discussion route).
 - [Economic Statistics sector classification – classification update and forward work plan](#), which is a monthly release of key classification decisions taken in that month. This is being merged with a separate but related release, [Recent and upcoming changes to public sector finance statistics](#), from July 2024.
- 1.56 Users were pleased with the improvements made to the PSCG. However, we noted that some classification decisions taken during the COVID-19 pandemic weren't included in this guide. While we recognise the exceptional circumstances that the ONS Classifications Team encountered, with limited time to manage the classification of a significant number of new government policies, we see transparent explanation of the decisions as vital for both public-facing communication and team knowledge management. Therefore, ONS should

dedicate sufficient resources in due course to bring the PSCG up to date with all classification decisions.

- 1.57 Additionally, the latest month's decisions should be made more prominent in the monthly release, and the linking from the PSCG and FWP to the monthly release should be enhanced to aid user navigation. ONS should consider whether the Public Sector Classification Guide could be more clearly named to reflect that it includes decisions rather than guidance.
- 1.58 Similarly, users welcomed the openness and transparency of the Forward Work Plan. In the monthly release, it is stated that "The forward work plan does not cover all cases that will arise over the next 12 to 18 months. Cases that are likely to have a smaller statistical and policy impact will be assessed as resources allow. The cases scheduled in this article have been prioritised because of the impact they will have on important statistics, and their importance to public policy." We suggest that this clarification is also added to the FWP itself.
- 1.59 ONS also publishes supporting information, including a media statement communicating the highest-profile decisions to the wider public, more targeted technical articles on specific topics (such as taxes and fees for sales of services) and compendia on wider themes (such as the financial crisis). Users found this supporting information useful, and some would support more targeted technical articles and compendia where these are appropriate and add user value.
- 1.60 Finally, ONS should consider international good practice in communicating classification decisions. As a particularly good example, Canada has [an online tool that the public can use to see the classification of any public unit](#).

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 use**

ONS should improve the communication and transparency of classification decision implementation

- 1.61 In addition to the classification decision-making itself, the implementation of the decision is important. While the majority of classification decisions will be implemented in a timely manner, implementation might be delayed in several cases by a range of factors, including required data and methods work, revisions policies,

prioritisation of scope in the UK National Accounts and the grouping of related revisions for a policy or change which may have offsetting impacts.

- 1.62 Users told us they would benefit from more-transparent reporting of which classification decisions have and haven't been implemented across different statistics, particularly in complex cases where implementation may be comparatively slower. There is some existing communication, including in the [Recent and upcoming changes to public sector finance statistics](#) release. However, users who observed that a decision had been taken but wanted to know when it would be implemented in order to make forecasts on government spending reported that they didn't have sufficient information for their needs. Therefore, communication needs to be improved. One simpler solution discussed was to have an identifier of implementation status, such as an implementation "flag", in the PSCG, showing whether a decision had been implemented yet or not. This identifier should also include information on when decisions may be implemented if they have not been already.

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.

- 1.63 Some of the work associated with data and methods could be considered early on, for example during the "information gathering" stage. The implementation of some of the most complex, precedent-setting cases is also likely to be difficult; anticipating this complexity as soon as possible could yield benefits. In other cases, the classification decision itself may be contingent on estimates of repayment of a transaction, for example, and therefore progressing it early could be beneficial.
- 1.64 Users respected the role of the Classification Committee in making classification recommendations purely on statistical grounds using the guidance available to them. Therefore, the implementation work described in paragraph 1.63 should take place outside of the remit of the Classification Committee itself, so as to preserve the Committee's focus on statistical (not practical) factors.
- 1.65 Finally, once a classification decision has been made, various groups with ONS have a role in fully considering how the decision will be implemented through the suite of affected statistics. These include the ONS Implementation Committee, the ONS Economic Statistics Methodology Advisory Committee and the Public Sector Finance Revisions Group. Some users have asked if decisions could be implemented more quickly. This is a complex question, as sometimes it is better to introduce changes in a coordinated or synchronised manner to group revisions that may be offsetting. These changes also have to be prioritised above other planned changes as part of the publication cycle; this is particularly relevant for the UK National Accounts. The implementation of classification decisions is often part of a package of updates to key statistics, but this necessarily involves balancing speed with such coordination of implementation.

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.

