

Template for response

The Authority encourages respondents, where possible, to provide their submissions [online](#).

Where you would prefer to respond via email or on paper, please use this template and return the submission via email to cpi@ons.gsi.gov.uk, or via post to:

*Consumer Prices Consultation team
Government Buildings
Cardiff Road
Newport
South Wales
NP10 8XG.*

Section One: Measuring prices across the economy

1. Should ONS identify a main measure of price change across the economy?

a. Yes

1a. Why? Please provide any comments below:

It is useful to have one main measure for general guidance, information and publicity purposes. However other indices have a supporting role and will also be needed.

If yes:

2. What should this measure be?

- a. **the CPIH, as recommended in the Johnson review. The CPIH includes owner-occupiers' housing costs. It does not currently hold the *National Statistics* designation (although its re-assessment is due to commence shortly). The index is a UK measure, designed by ONS to meet UK needs.**
- b. the CPI, ONS's current headline measure. The CPI is an EU measure, designed by Eurostat to ensure comparable consumer prices statistics across the EU.
- c. other (please provide details).

2a. Why? Please provide any comments below:

The best main measure would be the **CPIH**, to include owner occupiers housing costs (OOH) and with improved treatment to remove the shortcomings with private rents data. However it is not clear if that will meet Eurostat requirements which would be regrettable.

3. Should its production be governed by legislation?

a. Yes

3a. Why? Please provide any comments below:

Producing indices is a technical process but this needs to be regulated and controlled.

The decision to have two advisory panels (page 5), one for stakeholders and the other for technical advice is a good one. Their work and papers should be open and transparent.

Legislation should improve clarity and reduce the risk of the government, businesses or organisations influencing the technical decisions for short term presentational ends. Legislation can be inflexible and challengeable though.

Section Two: Measuring consumer price inflation for different household types

4. Should ONS seek to measure changes in prices, as experienced by different households?

i. Yes

4a. Why? How often? Please provide any comments below:

It is clear that inflation (or deflation) is experienced in different ways by different groups. Notably, pensioners seem likely to have different spending patterns and costs than the working population – which would suggest that two supporting indices would be of value – one for pensioners, the other for people of working age.

It may also be worth considering the effects of inflation on other groups, for example people on benefits generally and within the working population people on low pay and people who are particularly well off.

Quarterly figures would suffice for this suite of indices.

Probably this suite of indices would best be centred round the CPI, rather than the RPI. So the RPI pensioner indices could be discontinued.

If yes:

5. How should ONS seek to do so?

- i. Using a payments-based approach.
- ii. On the same basis as existing measures such as CPI.
- iii. Via another means (please provide details)

5a. Why? Please provide any comments below:

No comment. A clearer explanation of the options and their consequences would have helped us decide.

Section Three: The RPI

6. Do you use the following indices?

i. RPIJ ¹	Yes/No
ii. Tax and price Index	Yes/No
iii. RPIY ²	Yes/No
iv. RPI pensioner indices	Yes/No
v. Component indices of the RPI	Yes/No
vi. Any other RPI analytical- or sub- index	Yes

6a. If yes, for what purposes? Please provide any comments below:

RPIX

We use RPIX (RPI excluding mortgage interest payments) in our contracts in our Environment and Economy directorate and as these contracts run forward for many years, ending publication of this would cause us considerable difficulties.

RPI generally

Another very major concern, which will affect all local authorities in England, is that the September RPI is used to increase the business rate multiplier each year. I understand that this is the original version of RPI and not its derivatives (RPIY, RPIJ). I understand that this requirement is written into the legislation.

For the last two years the government has complicated this process by holding back the multiplier to increases below the RPI, but instead compensating all local authorities with Section 31 grant funding so they are not worse off. This allows the government to say they have reduced tax bills, whereas overall there is, of course, no effect on the taxpayer.

For the future, we would be very concerned if a proper allowance for inflation is not included when updating the business rate multiplier calculations each year. It would be all too easy for the government to pick an index that underestimates price increases generally and which further undermines local government funding each year into the future.

¹ RPI calculated using formulae that meet international standards

² RPI excluding Mortgage Interest Payments and indirect taxes

7. Do you agree that the below indices should be discontinued?

i.RPIJ	No
ii.Tax and price Index	Yes/No
iii.RPIY	Yes
iv.RPI pensioner indices	Yes
v.Component indices of the RPI	Yes/No
vi.Any other RPI analytical- or sub-index	Yes/No

7a. If yes, why? Please provide any comments below:

You suggest that RPIJ should be ended, but it has a better formula and might be kept as an improved replacement for the main RPI index. On the other hand, if you are stuck with keeping RPI, then it could go...

RPIY was introduced, one recalls, as a way of reducing the apparent inflation figures in a time when mortgage interest payments were rising rapidly. There seems no specific justification for this to continue.

The Pensioner index could be superceded by the suite of CPI based indices mentioned in response to question 4a above.

We have not commented on the other RPI based indices, though we do use RPIX as mentioned in response to question 6a

8. Do you have any views on what 'freezing' changes to the RPI should mean in practice? Please provide comments.

No.

You have not fully explained this or its consequences, other than to say the Mr Johnson recommended it.

Section Four: Evolving Consumer Price Statistics

9. Are the priorities identified by ONS in its forward work plan appropriate?

a. Yes

9a. Why? Please provide your comments below:

No comment

10. Should ONS include council tax in the CPIH?

a. Yes

10a. Why? Please provide your comments below:

This seems a reasonable suggestion as it is a considerable cost. It can absorb a large share of pensioners budgets for example.

The government has encouraged Councils to freeze council tax for some years, but not all authorities have done this. The government has provided some funding to encourage the authorities that do this. The effect is that any frozen council tax rate underestimates the true total cost to the taxpayer. Be aware of this if you use these figures!