

## ADVISORY PANEL ON CONSUMER PRICE STATISTICS – STAKEHOLDER

**Operation of the Advisory Panels****Purpose**

1. This paper outlines basic working principles for the two new advisory panels on consumer price statistics and considers which issues they should cover in their first year.

**Recommendations**

2. Members of the Panels are invited to:
  - a) express their views on how the panels should operate with respect to each other, the National Statistician, ONS and users of consumer price statistics. A number of specific points of consideration have been noted in the 'Operation of the Panels' section of this paper
  - b) note any issues they feel the panels should cover in their first year
  - c) note the inclusion of draft terms of reference for each panel and the request to provide comments in writing prior to the first individual meetings of the panels in the New Year

**Background**

3. In his review of the governance of price statistics<sup>1</sup>, Professor Sir Adrian Smith noted the importance of the Board of the UK Statistics Authority retaining ultimate responsibility for inflation measures. Sir Adrian recommended that, to avoid any ambiguity about their role, the National Statistician removed themselves from the advisory process. The creation of two panels was recommended; the first to advise the National Statistician on the technical aspects of consumer price indices, the second on the uses and applications of these indices. The Board of the UK Statistics Authority endorsed these recommendations and asked Authority staff to establish the panels.

**Operation of the Panels**

4. **Working in conjunction.** While the review granted each panel discrete areas of responsibility, it acknowledged the benefit of the two working (and even meeting) together when considering certain topics. Taking a current example, developing post CPI consultation proposals for change will require technical and stakeholder input. Both panels will have the ability to commission the other panel to consider issues and produce papers. The chairs of the panels have acknowledged that, in the majority of cases, it is likely that technical consideration will need to be given to a topic prior to consideration on the stakeholder perspective. To facilitate cooperative working and a smooth flow of information between the panels, it has been agreed that the technical panel will meet approximately two weeks prior to the stakeholder panel<sup>2</sup>. A summary note of the technical panel meeting will be circulated with the papers of the stakeholder panel. The chairs of the panels will meet a week before the stakeholder panel to coordinate activity. Panel members are asked to raise any further thoughts they have on how the panels can work cooperatively.

<sup>1</sup> <http://www.statisticsauthority.gov.uk/reports---correspondence/current-reviews/governance-of-prices-statistics.html>

<sup>2</sup> Although please note that in early 2016 both panels will meet on the same day, albeit separately.

5. **Working with the National Statistician.** The review recommended that the new panels advised the National Statistician, who would in turn advise the UK Statistics Authority Board. The review further recommended that the National Statistician did not participate directly in the advisory panels. The aim of this was to make it clear that the panels were purely advisory in nature and did not hold any decision making powers regarding consumer price statistics. In order to ensure that the National Statistician benefits from the knowledge and advice of the panels, clear channels for imparting their advice will be needed. Panel members are invited to consider the best way of achieving this.
6. **Working with users of consumer price statistics.** The stakeholder panel is tasked with reflecting the views of a wide range of users of consumer price statistics. For members to do this effectively they will wish to engage with other users. While there isn't an explicit comparable requirement on technical panel members, it is likely that they may wish to engage with others in order to formulate their advice. While the methods of engagement are best left to individual members, some commonality – notably the sharing of papers and discussion of topics pre meeting – will need to be agreed upon. Panel members are encouraged to think of the best ways of achieving this, noting that an open and transparent approach should be encouraged, while acknowledging that certain market sensitive topics may need to be handled in a different way. Panel members are also encouraged to think how the panels should aim to work with other bodies such as the RPI CPI User Group and encourage a transparent and open culture in their workings.

#### Topics to be considered by the panels

7. In their first year of operation, it is expected that the panels will advise the National Statistician in developing and implementing proposals for change to consumer price statistics following the public consultation on the issue. ONS will also seek the panels' (notably the technical panel) guidance on a number of existing development projects (eg the development of new methods for measuring package holiday prices). Panel members are invited to note any other topics or issues they feel the panels should consider over the next year.

#### Terms of Reference

8. Draft terms of reference for the stakeholder and technical panels are included in annexes A and B respectively. There is an expectation that each panel will sign off its terms of reference at their first individual meetings which will take place in the New Year. Members are requested to send comments to [cpi@ons.gsi.gov.uk](mailto:cpi@ons.gsi.gov.uk) in advance of these meetings.

**Richard Campbell**  
**Prices Division, Office for National Statistics**  
**November, 2015**

#### List of Annexes

<b>Annex A</b>	<b>Terms of Reference for the Advisory Panel on Consumer Prices - Stakeholder</b>
<b>Annex B</b>	<b>Terms of Reference for the Advisory Panel on Consumer Prices - Technical</b>

## **Annex A – Terms of Reference for the Advisory Panel on Consumer Prices - Stakeholder**

### **Overview**

The Advisory Panel on Consumer Prices (Stakeholder) (APCP Stakeholder) provides independent advice to the National Statistician on the uses and applications of consumer price indices.

### **Introduction**

The establishment of the APCP Stakeholder was recommended by an independent review of the governance of prices statistics, which considered matters relating to the governance arrangements and structures underpinning the production of consumer price indices by the Office for National Statistics.

The report also recommended the creation of an Advisory Panel on Consumer Prices (Technical), to provide advice to the National Statistician on technical aspects of the statistics.

These recommendations were accepted by the Board of the UK Statistics Authority in February 2014.

### **Functions**

The APCP Stakeholder provides independent advice to the National Statistician on the uses and applications of consumer price indices, to ensure that these statistics meet the needs of users and ‘serve the public good.’

Specifically, the panel will:

- Consider and take forward the outcomes of the Johnson review of the range of prices statistics;
- Monitor and provide advice on the ONS consumer prices work programme;
- Raise other relevant issues or topics on the use and application of prices statistics, including on behalf of the user community;
- Provide a report to the Authority Board each year, describing its activities and future plans; and
- Formally review the operation of the panel after two years of its operation.

### **Reporting and Governance**

The APCP (Stakeholder) advises the National Statistician, who is also the Authority Chief Executive and a member of the Authority Board.

The Chair of the APCP (Stakeholder) will prepare a report annually on the activities of the panel, for the Authority Board.

Under the *Statistics and Registration Service Act 2007*, the UK Statistics Authority Board is responsible for the compilation, maintenance and publication of the Retail Prices Index (RPI).

### **Relationship with the APCP (Technical)**

The Stakeholder Panel Secretariat works with the Stakeholder Panel chair and respective members, the secretariat of the Technical Panel, the UK Statistics Authority and ONS to ensure that the activities of the stakeholder and technical panels are coordinated.

**Chairing**

The Chair of the APCP (Stakeholder) is appointed via open competition and will be reviewed periodically by the National Statistician.

The Chair sets the panel's agendas, guided by the strategic direction of the Authority Board and the Chief Executive and by the needs of ONS.

The Chair also represents the panel publicly, as necessary.

**Membership**

Membership of the panel provides for a mixture of interests and expertise. Members are appointed for fixed terms of three or four years, by the Chair and the National Statistician. Reappointments will be permitted. The composition of the panel will be reviewed periodically by the Chair and the National Statistician.

The role of each member of the APCP Stakeholder is to participate in consideration of the full-range of issues within the remit of the panel.

Substitutes will not be permitted to attend panel meetings unless with express invitation from the Chair.

Members are not remunerated. All reasonable travel and subsistence costs will be reimbursed.

**Transparency / Confidentiality**

The panel will operate transparently. Meeting agendas, papers and summaries will be made publically available following meetings, unless it is deemed that they are market-sensitive.

**Secretariat**

Secretariat will be provided by UK Statistics Authority staff.

**Meetings**

It is anticipated that the Panel will meet at least three times each year.

## **Annex B – Terms of Reference for the Advisory Panel on Consumer Prices - Technical**

### **Overview**

The Advisory Panel on Consumer Prices (Technical) (APCP Technical) provides independent advice to the National Statistician on technical aspects of consumer price indices.

### **Introduction**

The establishment of the APCP Technical was recommended by an independent review of the governance of prices statistics, which considered matters relating to the governance arrangements and structures underpinning the production of consumer price indices by the Office for National Statistics.

The report also recommended the creation of an Advisory Panel on Consumer Prices (Stakeholder), to provide advice to the National Statistician on the uses and application of the statistics. These recommendations were accepted by the Board of the UK Statistics Authority in February 2014.

### **Functions**

The APCP Technical provides independent advice to the National Statistician on technical aspects of consumer price indices, as requested by ONS and/or the Stakeholder Panel.

Specifically, the panel will:

- Provide technical advice on the relevant outcomes of the Johnson review of the range of prices statistics;
- Provide technical expertise on relevant aspects of the ONS consumer prices work programme;
- Provide a report to the Authority Board each year, describing its activities and future plans; and
- Formally review the operation of the panel after two years of its operation.

### **Reporting and Governance**

The APCP (Technical) advises the National Statistician, who is also the Authority Chief Executive and a member of the Authority Board.

The Chair of the APCP (Technical) will prepare a report annually on the activities of the panel, for the Authority Board.

Under the Statistics and Registration Service Act 2007, the UK Statistics Authority Board is responsible for the compilation, maintenance and publication of the Retail Prices Index (RPI).

### **Relationship with the APCP (Stakeholder)**

The Technical Panel secretariat works with the Technical Panel chair and respective members, the secretariat of the Stakeholder Panel, the UK Statistics Authority and ONS to ensure that the activities of the stakeholder and technical panels are coordinated.

**Chairing**

The Chair of the APCP (Technical) is the ONS Director of National Accounts and Economic Statistics.

The Chair sets the panel's agendas, guided by the strategic direction of the Authority Board and the Chief Executive, and by the needs of the Stakeholder Panel and ONS.

**Membership**

Membership of the panel provides for a mixture of expertise in price index methodology, including international experts. Members are appointed for fixed terms of three or four years, by the Chair and the National Statistician. Reappointments will be permitted. The composition of the panel will be reviewed periodically by the Chair and the National Statistician.

The role of each member of the APCP (technical) is to participate in consideration of the full-range of technical issues within the remit of the panel.

Substitutes will not be permitted to attend panel meetings unless with express invitation from the Chair.

Members are not remunerated. All reasonable travel and subsistence costs will be reimbursed.

**Transparency / Confidentiality**

The panel will operate transparently. Meeting agendas, papers and summaries will be made publically available following meetings, unless it is deemed that they are market-sensitive.

**Secretariat**

Secretariat will be provided by ONS Prices Division.

**Meetings**

It is anticipated that the Panel will meet at least three times each year.