

**UK STATISTICS AUTHORITY
ADVISORY PANEL ON CONSUMER PRICES – STAKEHOLDER**

Minutes

**Friday 21 October 2022
Hybrid Meeting**

Members in attendance

Dame Kate Barker (Chair), for items 1 to 3.
Jonathan Camfield (Lane Clark & Peacock)
Matthew Corder (ONS)
Richard Gibson (Barnett Waddingham)
Michael Hardie (ONS), Chair for items 4 and 5.
Simon Hayes (Bank of England)
Jenny King (Which?)
Ashwin Kumar (Manchester Metropolitan University)
Jill Leyland (Royal Statistical Society)
Jens Mehrhoff* (Technical Panel)
Guy Nason (Technical Panel)
Sofia Poni (ONS)
Ian Rowson (Independent Policy Analyst)
Daniela Silcott (Pensions Policy Institute)
James Smith* (Resolution Foundation)
Paul Smith* (Technical Panel)
Geoff Tily* (TUC)
Rupert de Vincent Humphries (Technical Panel), for items 1 to 3.
Martin Weale (Technical Panel)
Thomas Yeomans* (HMT)

Secretariat

Andy King (ONS)

Presenters

Abi Casey* (ONS), from item 2.
Emily Hopson* (ONS)
Helen Sands (ONS)

Observers

Joe Barker* (ONS)
Tanya Flower* (ONS)
Nicola Fulton* (ONS), from item 2.
Liam Greenhough* (ONS)
Emma Halshaw* (ONS)
Chris Payne* (ONS)
Huw Pierce (ONS)

To note: Throughout this meeting technical difficulties meant that it was difficult for those Panel members (and ONS attendees), who joined the meeting remotely (denoted with an * above) to hear and contribute to some of the discussions.

Outstanding Actions

3.	ONS to publish a paper summarising the discussions of the Johnson Review recommendations	Ongoing – complete as part of Panel Annual Report
6.	ONS to produce analysis (of the HCIs) for the three methods of implementing mortgage payments (the current Retail Prices Index (RPI) method, the simple revaluation method and the lender's formula method) with a 20% fall in house prices and a 1% increase in interest rates	Ongoing
12.	The Panel to provide additional feedback on the draft multilateral index methods explainer paper.	Complete
13.	The Panel to provide additional feedback on the proposed aggregation structure for second-hand cars and rail fares analysis.	Complete
14.	The Panel to provide additional feedback and suggestions to Abi Casey (abi.casey@ons.gov.uk) in advance of the Autumn update to the analysis of least cost grocery items.	Complete

Actions from today's meeting

15.	The ONS to produce an 'annual' report spanning the period from January 2021 to October 2022.	-
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1. Introductions, apologies, and actions

- 1.1. The Chair welcomed everyone to this special, joint Stakeholder and Technical Panel meeting. Apologies were received from Grant Fitzner and Mike Keoghan.
- 1.2. The minutes from the previous Stakeholder Panel meeting (22 July 2022) were approved. The Stakeholder Panel agreed that, given the publication of comprehensive minutes following each meeting, the ONS would produce a more streamlined, combined 2021 and 2022 report.

Action: The ONS to produce an ‘annual’ report spanning the period from January 2021 to October 2022.

2. Update on the Alternative Data Sources (ADS) Project and implementation of second-hand cars and rail fares data for 2023

- 2.1. Parts of the following discussion have been redacted due to the market sensitive nature of the subject.
- 2.2. Helen Sands gave a presentation on the ONS’s progress to implement ADS data within the measures of consumer price inflation. Helen gave the Panels a recap of the proposed methods; the further improvements made since July’s Panel meetings, which included restructuring the index hierarchies; and indicative impact analysis of introducing second-hand cars and rail fares into the measures of consumer price inflation.
- 2.3. The Panels commented that the ADS second-hand cars data represented advertised prices rather than the purchase prices – in reality, cars are not necessarily sold at the advertised prices. The ONS reflected that the current methods for both new and second-hand cars do not necessarily reflect the purchase price. For the former, the on-the-road price is collected from manufacturers’ websites, and the current second-hand cars price is a modelled price, extracted from an industry source. The new data was therefore an improvement on existing methods (albeit imperfect).
- 2.4. Helen explained some of the subtleties in the ADS data including instances of unfinished rail journeys, refunds, railcards, and the treatment of penalty fares.

3. Readiness assessment of ADS second-hand cars and rail fares data for 2023

- 3.1. Helen Sands outlined the monumental progress the development teams have made towards transforming the ONS's consumer price statistics. The ONS presented the remaining steps to be made before a decision can be made on whether the ADS data for second-hand cars and rail fares can go into live production.
- 3.2. Helen explained that the ONS had met with the Office for Statistics Regulation (OSR) to seek their feedback on the decision to go live, and discussions are continuing with further evidence being submitted for OSR's review. The ONS are planning to formalise their decision ahead of publishing the impact analysis and accompanying research papers on 28 November 2022, although this date may change depending on the decision process.
- 3.3. At this point in time, the decision to proceed with the introduction of ADS data by January 2023 (at the latest) is based on five categories: data, methods, systems, processes, and user readiness. If stakeholders thought there to be an unacceptable level of risk this would affect the ONS decision to go live, similarly if Technical Panel members felt the methods used were not satisfactory this would also affect the ONS decision to go live.
- 3.4. Michael Hardie added that the ONS are confident in the data and the processes, and the impact on the headline inflation figures from including these two items is small. Without a full 12-month parallel run, there is some risk, but the ONS will continue with the traditional collection for the next year, as a contingency, and will further expand on existing contingency plans.
- 3.5. A representative from the Bank asked about the risk to delays or revisions to the publication of the consumer price inflation measures. Michael commented that there would always be a risk from moving away from traditional data sources and production methods. He reassured the Panels that the ONS will do everything they can to minimise this risk. The ONS are planning for a range of scenarios and developing a range of contingences to reassure stakeholders.
- 3.6. The Panels were presented with three options to advise on:
 - **ONS to make a go-live decision "at risk"**
 - **ONS to make an internal "conditional" go-live decision**, given a stable 3-month parallel run (November 2022 to February 2023).
 - **ONS to make an immediate decision to delay implementation to 2024**
- 3.7. The Chair sought the views of each panel member regarding these options. In providing their views, a Panel members observed that, in addition to the risk of introducing the ADS data into the measures of consumer price inflation, there is a reputation risk to the ONS by delaying the transformation.
- 3.8. Those attending in person that felt able to provide feedback on these options favoured proceeding "at risk" with a final decision being made in January 2023, if necessary. Two Panel members chose to abstain.
- 3.9. The Bank were supportive of the development work and impact analysis presented to the Panels. However, to proceed with implementation, the Bank would require further reassurances and to better understand the potential risks, which meant that they would not support a go-live decision at this point.

3.10. The Chair summarised that, unless the ONS find further issues during the systems testing, the balanced advice of the joint Panels is for ONS to proceed with introducing ADS data for second-hand cars and rail fares into the measures of consumer price inflation in 2023. This was advocated since the risk is small, and the ONS would learn from implementing this change in 2023, ahead of the larger changes planned for 2024 and beyond. However, some Panel members were less comfortable and felt this was more of an operational decision for ONS.

3.11. Michael Hardie took over the role of Chair for the remainder of the meeting.

3.12. A Panel member provided some feedback on the ONS's contingency planning. They urged the ONS to consider a wide range of what if scenarios, including issues with data quality, the impact on the market from the introduction of diverse ways of trading, etc. They added that the ONS should consider bringing the business continuity plan to this Panel each year.

3.13. Michael responded that the ONS have an existing Business Continuity Plan for our consumer price statistics and this ADS contingency planning would feed into it. Michael welcomed the suggested scenarios which will be utilised as part of the business planning.

4. Update on Prices work to support understanding of the impact of inflation on UK households

4.1. Due to time constraints and issues with the telecommunications, this presentation was postponed until a future meeting.

5. AOB / Summary

5.1. Matthew Corder flagged the ONS's plans to publish a consultation paper on the Household Financial Statistics Transformation later this year.

5.2. A Panel member raised the issue of the ONS's treatment of the Government's [Energy Bills Support Scheme](#). The Panel member commented that they considered excluding the payment incorrect for the Household Cost Indices, and had discussed the matter with John Astin, who had been instrumental in developing the CPI.

5.3. Matthew Corder explained the ONS's rationale that the scheme resulted in no change to the standing or unit charges for the provision of electricity. The scheme has, therefore, been classified as a current transfer paid by central government to the households sector, which does not impact on the CPIH\CPI. Matthew added that an announcement on the classification assessment of the Energy Price Guarantee will be made on 31 October 2022.

5.4. A Panel member asked for clarity on the decision process. Matthew reported that the decisions are made, internally, by the ONS. Initially, a decision is made by the National Accounts classification committee, which advises Grant Fitzner ahead of his final decision for the impact to National Accounts. The process is then repeated with a panel of non-production CPI experts, who, in turn, make a recommendation to Grant ahead of his final decision.

5.5. The Chair thanked the Panels members for their contributions to today's meeting and the ONS for their presentation.

The next Panel meeting will take place at 10:30 on 27 January 2023.