

## ADVISORY PANEL ON CONSUMER PRICES

**Household Cost Indices Pathway to Accreditation**

Expected publication: Alongside minutes.

**Purpose**

1. This paper sets out potential future development work for the Household Cost Indices (HCIs), in response to priorities identified by the Panel in July 2024. The paper outlines the strategic direction toward accreditation as an Accredited Official Statistic, highlights key challenges, and seeks the Panel's views on the scope, sequencing, and feasibility of the work. ONS Prices division is keen to continue making incremental changes to improve the HCIs as part of ongoing continuous improvement; however, ONS does not expect to be able to deliver all of the work set out in this paper under current resource constraints. The panel should note that HCI development was not highlighted as a priority under the recent [Economic Statistics Plan](#), reflecting the fact that other areas of economic statistics (including Prices) have needs which are more pressing.

**Actions**

2. We invite the Panel's feedback on:
  - a. The proposed accreditation roadmap and development pathway.
  - b. The prioritisation of survey data improvements and system enhancements.
  - c. Options for the Revision Policy and any additional considerations for backlog prioritisation.

**Background**

3. The HCIs aim to measure changes in prices and costs as experienced by different UK household types. They have been in live production for under two years and are currently published as Official Statistics in Development.
4. With the planned changes to the Retail Prices Index (RPI) in 2030, Stakeholder Panel have advised that accreditation should be targeted for 2028 allowing users time to transition to a fully accredited alternative. ONS advises that the accreditation process requires approximately two years, including assessment and implementation of any required changes. It is important to reiterate that the development pathway outlined in this paper assumes the availability of appropriate resource.
5. At the July 2024 meeting, the Panel identified key areas for development prior to seeking accreditation with the Office for Statistics Regulation (OSR). Accreditation would designate the HCIs as Accredited Official Statistics confirming they meet the highest standards of trustworthiness, quality, and value under the Code of Practice for Statistics.

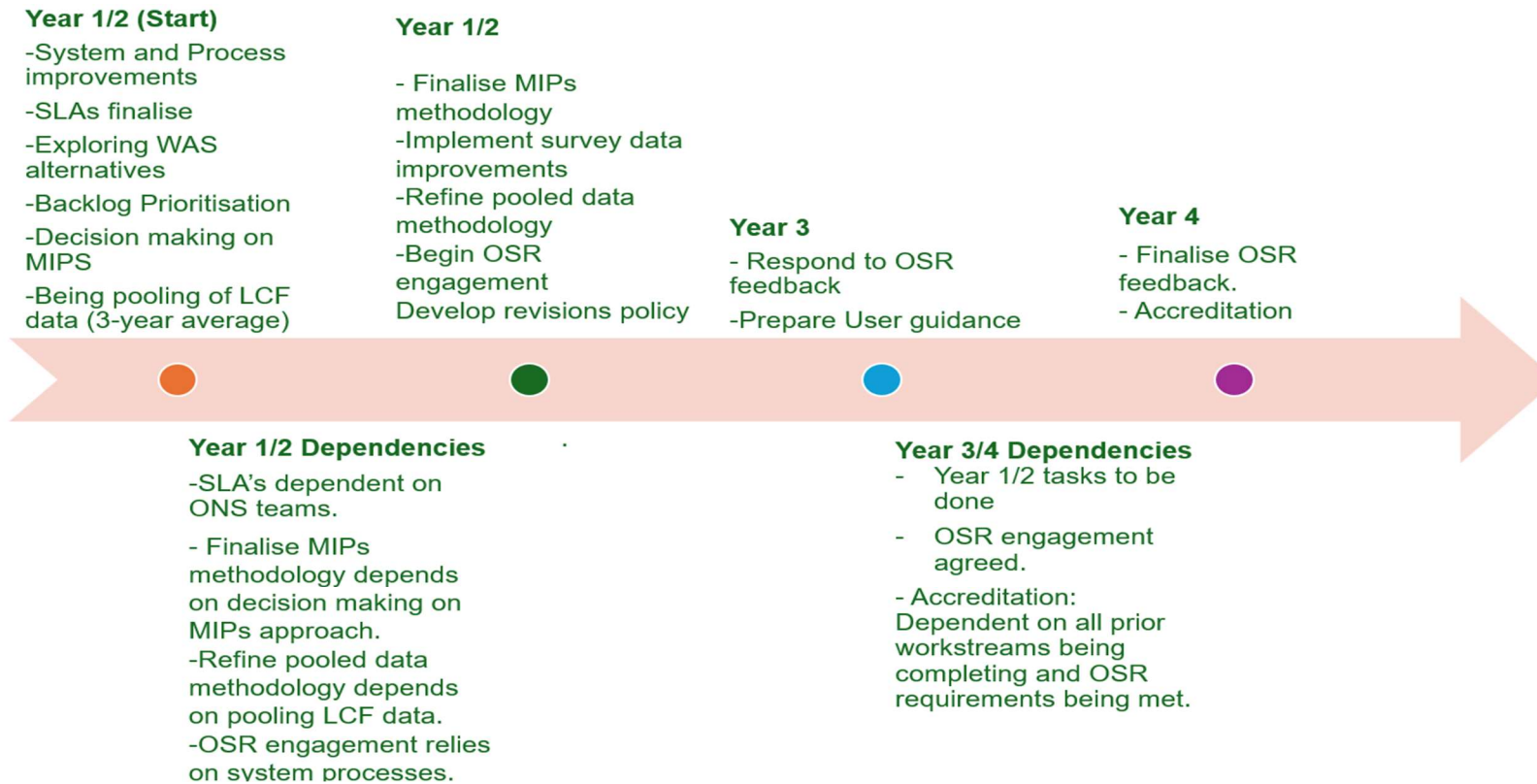
**Progress since July 2024**

6. The May 2025 HCI publication was successfully delivered under the new team structure. This was the first time the team underwent an annual weights update, given previous survey delays, marking a key milestone in stabilising the production process. This is important, as it is the first time they have been tested in practice. Practical challenges around data sources and annual weights were resolved, strengthening the operational foundation. A structured development plan has been drafted, informed by Panel feedback and internal review.
7. Some further improvements have been made to the production process, including the automation of previously manual tasks such as Stamp Duty calculations. These changes have enhanced efficiency and reduced resource demands for future production rounds. While these updates support ongoing delivery, it is important to note that no broader development work is currently underway due to resourcing constraints.
8. User interest in the data has grown. For example, the Department for Work and Pensions (DWP) has used HCI subgroup data to inform analysis on child poverty impacts, specifically comparing inflation with families with and without children by income decile. We have also added in a user survey to our August 2025 quarter 2 publication, coordinating with internal ONS communications, to identify further HCI usage.

**Accreditation Pathway: Key Development Areas**

9. Reflecting on the Panel's feedback and the key challenges identified during the latest production round, this section outlines priority areas for improvement that we recommend exploring as part of the pathway to accreditation. These areas have been selected based on their potential to strengthen the robustness and reliability of the Household Cost Indices and are considered deliverable within a two-year window, subject to the availability of development resource. While some incremental improvements have been made, broader system and data enhancements remain contingent on securing appropriate resourcing.





10. **System and Process Improvements (Medium-Term):** Further enhancements to the HCI system are required to meet the standards expected of an Accredited Official Statistic. These include strengthening quality assurance processes, improving system functionality, and aligning internal checks with best practice. In addition, maintaining and updating methodologies is essential to ensure continued relevance and accuracy. For example, current student loan repayment estimates are based solely on Plan 1 loans (student loans for courses started before 2012), reflecting the landscape at the time of initial development. However, the prevalence of other loan types has since increased, and this position now requires review. Similarly, the treatment of high-cost credit products such as payday loans, as referenced by the Stakeholder Panel, should be considered to ensure the indices reflect the full range of household financial experiences.
11. **Survey Data Improvement (Short to Medium-Term):** Improving the use of survey data is essential. This includes:
- a. **Working with delivery partners agree robust production cycles:** Timely and robust survey data is essential for maintaining accurate expenditure weights within the HCI basket. Recent production rounds have highlighted challenges in processing and quality assurance of the Living Costs and Food Survey (LCF), which have led to delays in updating weights in line with standard methodology. These issues have required contingency planning and transparent communication with users, including the use of previous-year weights where necessary.
  - b. To support future delivery, we recommend working closely with internal ONS delivery partners to agree a robust production cycle that proactively manages these risks. Planned improvements under the Economic Statistics (ES) recovery plan, including enhancements to the LCF and Wealth and Assets Survey (WAS), increased interviewer capacity, and streamlined data collection, are expected to improve data quality and timeliness. These developments will be critical to ensuring the reliability of inputs used in the HCIs and supporting progress toward accreditation.

- c. **Pooling LCF Data Over Three Years:** To improve sample robustness, we are exploring the use of a moving average to pool LCF data across a three-year period. Currently, subgroup and demographic weights are calculated by scaling LCF data to CPIH/HCI expenditure totals at the COICOP4 level. However, some spending categories and household breakdowns suffer from small sample sizes. Pooling data would help address this issue, improving the reliability of weights and enabling more stable estimates across household types. This has been explored as part of a separate workstream, looking into developing a regional Northern Ireland CPI, where similar pooling of LCF data has been implemented.
  - d. **Exploring Alternatives to the Wealth and Assets Survey (WAS):** The WAS is used extensively for interest expenditure variables but is only updated every other year, although have had similar data delays. While these limitations are not immediately visible, a QAAD-type assessment (as expected during OSR review) could highlight the risks associated with infrequent updates. However, recent quality concerns have led to the suspension of its official statistics status by the Office for Statistics Regulation (OSR), following a request from ONS. The decision was based on declining response rates and a lack of investment, which have significantly impacted the reliability and value of the data. The suspension applies to the most recent round and will remain in place until substantial improvements are demonstrated.
  - e. Given these limitations, we recommend exploring alternative data sources that are more timely and easier to work with, such as interest rate data from the Bank of England, to support the continued development of robust expenditure estimates. This approach would help mitigate risks associated with infrequent updates and ensure the indices remain fit for purpose.
12. These steps will help ensure timely and reliable expenditure weights and reduce reliance on delayed or infrequent data sources.
13. **Mortgage Interest Payments (MIPs) (Medium-Term):** A decision is required on the conceptual approach to measuring Mortgage Interest Payments (MIPs), which is a key component for HCI accreditation. Work to review the current methodology, which mirrors the RPI approach, although partly developed, it will take some time to get up to speed with the current progress.

14. Four approaches have been explored:
  - a. Option 1: No change
  - b. Option 2: RPI methodology with revised assumptions (e.g. incorporating the Annual Equivalent Rate [AER], which replaced the Standard Variable Rate [SVR] in 2010, back through the series)
  - c. Option 3: Simple revaluation (interest rate  $\times$  house price index)
  - d. Option 4: Lender's methodology
  
15. Initial feedback from the Stakeholder Panel suggests a preference for Option 4, largely due to its ability to generate a capital mortgage repayments index as a by-product. However, from a production and conceptual standpoint, the RPI-based approach (Option 1 or 2) remains defensible and well understood. It also aligns more closely with historical mortgage interest rate profiles, as noted by Simon Kirby at the Bank of England.
  
16. The Lender's methodology has prompted questions from the Technical Panel regarding whether it represents an expenditure index or a price index, a distinction that is important for conceptual clarity. While the capital repayments index is seen as a benefit by some stakeholders, it is not necessarily a decisive factor from the ONS perspective, as similar outputs could be derived from the RPI method if needed. Stakeholder input is crucial to selecting the most appropriate approach.
  
17. **Backlog Prioritisation (Medium-Long term):** There are several areas where input data sources and methodologies could be improved to support accreditation. In particular:
  - a. **Interest Expenditure Variables:** The Wealth and Assets Survey (WAS) is used extensively but it is often delayed and only published every two years. It's worth considering whether increasing the frequency of WAS updates is necessary, though this may be costly and increase the burden on respondents.
  - b. **Methodological Enhancements:** Some existing methodologies could be refined. For example, expanding the student loan repayments methodology to include a wider range of payment plans. More broadly, there is scope to better align payment methodologies across HCI-specific items to ensure consistency and robustness.

18. **Exploring quick wins from University of Strathclyde research (Medium term):** The Strathclyde University research provided valuable insights into how different household groups experience inflation, particularly in relation to product choices. While full implementation of their proposed methods would be complex and long-term, the Panel identified several potential "quick wins" that could be explored in the short term. These include trying to provide more exploratory analysis through the HCI bulletin.
19. **Revisions and correction of errors policy (Short term):** One of the key actions for OSR accreditation of the Household Costs Indices (HCIs) is to discuss and agree a clear and transparent revisions and correction of errors policy. This should align with existing practices for CPIH, CPI, and RPI.
20. Revisions:
- a. ONS have a [central revisions and correction of errors policy](#) which could be used as a basis for HCI's revisions policy.
  - b. [Consumer price inflation statistics has a revisions policy](#) which is being clarified and will be discussed in at the September Joint panel. A similar approach should be considered for HCIs to ensure consistency, transparency, and user trust.
  - c. CPIH and CPI: The current policy prioritises including all available data in the first release to avoid revisions, recognising the wide-ranging impact of inflation statistics. While CPIH and CPI are technically revisable, revisions are only made in exceptional circumstances, as our standard practice is not to revise these figures when methodological improvements are introduced, due to the uses to which consumer price inflation statistics are put (notably indexation).
  - d. RPI: RPI is never revised.
21. Correction of Errors: CPIH, CPI and RPI do not currently have a publicly available correction of errors policy. However, established practices include not correcting errors once published and only correcting going forwards. CPIH, CPI and RPI's correction of errors policy will be clarified in a paper shared at September's Joint Panel.
22. Current HCI Revisions: Although there is no formalised revisions policy for the HCIs at present, our current practice is to treat revisions on a case-by-case basis. In general, we aim to avoid revisions wherever possible, particularly where changes could affect user trust. When methodological improvements are introduced, we assess the feasibility and impact of applying them retrospectively, but do not routinely revise previously published figures.

23. In the pre-accreditation phase, there is a related discussion point around how revisions should be handled, particularly in light of the significant impact of recent methodological changes (e.g. PIPR). Panel members are invited to consider the following options:

**Option 1: Revise for all methodological improvements, regardless of origin.**

**Pros:**

- a. Maximises accuracy and methodological consistency.
- b. Aligns with best statistical practices.
- c. Closely aligns with ONS' central revisions and correction of errors policy.

**Cons:**

- a. This may be challenging for certain data sources (e.g. grocery scanner data).
- b. Could lead to frequent revisions, reducing user confidence and complicating use of HCIs. This could include revisions without public interest and taking a lot of resource for minimal improvements.
- c. Does not closely align with CPIH and CPI approach to revisions.

**Option 2: Revise only for methodological improvements unique to HCIs.**

**Pros**

- a. Maintains consistency with CPI and CPIH Practices.

**Cons:**

- a. May risk being divergence between HCIs and other indices in terms of policy.
- b. Does not closely align with ONS central revisions and correction of errors policy.

**Option 3: Revise on a case-by-case basis, balancing transparency, feasibility, and user impact.**

**Pros**

- a. Offers flexibility to response to user needs.
- b. Allows for pragmatic decision-making in complex cases.
- c. Recognises potential quality concerns to be expected of experimental statistics and allows for them to be addressed proportionately by taking into account the time scale of the error, the scale of the error and whether it is in the public interest.

**Cons:**

- a. May lacks clarity or predictability for users through expectations not being managed.

- b. Could be perceived as inconsistent without a formalised framework which could impact perceived transparency.
  - c. Does not clearly closely align with CPIH/ CPI or ONS central revisions and correction of errors policy.
24. Given the complexity of HCI data sources and the importance of maintaining user trust, we propose continuing with a case-by-case approach (option 3) in the short term (prior to accreditation), while working toward a more formalised policy aligned with CPI/CPIH principles (option 2).
25. **Correction of errors:** While HCIs currently lack a formal correction of errors policy, we propose aligning with an existing framework to ensure consistency, transparency, and ease of transition. Two potential approaches are:
- a. Align with the ONS [central revisions and correction of errors policy](#), which provides a comprehensive framework for managing both revisions and corrections. This policy corrects errors as soon as possible after identification with a few limited exceptions.
  - b. Align with the consumer price inflation (CPI/CPIH/RPI) policy, which reflects current practice and avoids retrospective corrections, focusing instead on correcting errors going forward.
26. We recommend aligning with the CPI/CPIH approach to correction of errors. This reflects current practice within HCIs, supports consistency across inflation statistics, and will facilitate a smoother transition toward formalisation and potential accreditation.
26. Feedback is sought on which approach would best support user trust and readiness for accreditation, while recognising the practical constraints of current production.

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