HOUSE OF COMMONS

Public Administration and Constitutional Affairs Committee

Oral evidence: Governance of statistics, HC 1820

Tuesday 19 March 2019

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Watch the meeting

Members present: Sir Bernard Jenkin (Chair); Ronnie Cowan; Mr Marcus Fysh; Dame Cheryl Gillan; Kelvin Hopkins; Dr Rupa Huq; Mr David Jones; David Morris; Tulip Siddiq; Eleanor Smith.

Questions 228 - 284

Witnesses

I: Chris Giles, Economics Editor, FT, and Dr Andrew Sentance, former member of Monetary Policy Committee, Bank of England

Written evidence from witnesses:

– Chris Giles

- Dr Andrew Sentance

Examination of witnesses

Chris Giles and Dr Andrew Sentance

Q228 **Chair:** Can I welcome our two witnesses to this PACAC inquiry into the governance of statistics? Could I ask each of you to identify yourselves for the record, please?

Chris Giles: I am Chris Giles. I am the Economics Editor of *The Financial Times.*

Dr Sentance: I am Andrew Sentance. I am an independent business economist now, a former member of the Bank of England Monetary Policy Committee as well.

Q229 **Chair:** You may have to raise your voice a little bit so you can be heard. I will jump straight in with the first question. What would each of you say that the UK Statistics Authority has achieved since it was created 10 years ago?

Chris Giles: It is quite important to go back 10 years and look at the good things that have happened in statistical probity. I think it is now a port of call as a statistical arbiter of good practice. It has been somewhat of a bulwark against malpractice, particularly outside. People do not like receiving letters from UKSA saying that they have used statistics in a poor way. There have been a few examples where it has prevented some clear attempts by the Government for politically-motivated statistical decisions. I can give you some examples of those.

One of the most important things it has done is end pre-release arrangements in economics statistics, which I think is for the good of the discussion of those statistics nationwide. I also think that the people in UKSA have had good intentions. Even though I am sure we will get to some of the places they could improve in future, I think their intentions have generally been good.

Dr Sentance: I would not disagree with that. I would say they have perhaps been more active in acting as a sort of scrutineer of Government pronouncements using statistics or other bodies using statistics than they have in overseeing the ONS. I made a comment in my memorandum, saying the ONS and UKSA seem very close and the way in which they exercise that oversight is not totally transparent, so when problems arise—as they have done, for example, in inflation statistics—they have not been as active as they could have been in addressing those issues.

Q230 **Chair:** The RSA says UKSA has been slow to tackle issues with official statistics, such as the classic occasion of student loans and the improvement of migration statistics. Mr Giles, you have been particularly critical about UKSA being slow. Would you like to expand on that?

Chris Giles: Yes. There are some quite important examples where UKSA has been slow. You mentioned two of them. One was in student loans. This was where the Government policy to essentially privatise the funding of student places, undergraduate places, occurred in 2012, a very big difference of increasing fees from £3,000 to £9,000. People at the time said there was a sort of rule of thumb for how much that saved the Government. It clearly was a saving if you make students pay rather than taxpayers and for every £1,000 it is about £1 billion a year. Given the way that the student loan scheme worked, there was quite a big subsidy involved because loans are written off after 30 years. That might be about half the money loaned and then it would be right to account for that upfront, so you are not suggesting that all of it is a savings.

But not only did the way it was accounted for not happen like that, it happened that you treated the interest paid as tax revenues, so at the moment we are now, seven years on, going to change the way we account for student loans. Let’s say it was £3 billion real savings, we are now going to have to change our public finances by about £10 billion to £13 billion, which is the OBR’s latest forecast, which just shows how far out this was. It also means that if statistics are that far out, it makes it very attractive for Government to load up on interest, to keep interest being RPI plus 3%, because that effectively means your tax revenues look stronger than they are. For universities, it means to load up on students paying very high fees and not necessarily offering very good courses. That has now prompted a Government review of the whole university sector.

I would say quite a lot of that comes down to the illusions that were in the student loan scheme. We knew this from the start and it has taken UKSA or the ONS seven years to come around to thinking about the classification. It is clearly a difficult case, because it has not been done in other countries, but if we are the first country to have a student loan scheme like that, we do need to think about how it is treated in accounts and straight away, rather than seven years later. I presume we will come back to the RPI later.

Chair: Yes, we will. Dr Sentance, do you have anything to add?

Dr Sentance: Not really, no. I am not a great expert on this student loan thing, but I agree with what Chris says.

Q231 **Mr David Jones:** Mr Giles, you described the House of Lords report as, "a devastating rejection of official policy regarding Britain's most important official statistics".

Chris Giles: This is on RPI.

Mr David Jones: Yes. Where would you say specifically have UKSA and the ONS failed?

Chris Giles: The failure is really to follow the law, the 2007 Statistics and Registration Service Act, which is clear under Section 7 that they should promote and safeguard the quality of official statistics. RPI is an official statistic and the board of the ONS or the UKSA board, under Section 21 of the Act, has a duty to publish the RPI. The talk about just deleting the RPI, it cannot be done without a change in legislation. The RPI needs to exist and UKSA has a duty to promote the quality of official statistics, so it is very strange when the guardian of our official statistics says, and I will quote, that the RPI is "a poor measure of inflation". They absolutely accept it is a bad measure and then they say they are going to do nothing about it.

That, as the Lord said, was an untenable position for them, particularly when we have Government gilts that are dated up to 2068, another 49 years, on maturities of some of our gilts linked to this statistic, which has to be published and is very poor. People can have legitimate differences of opinion about what needs to be done to RPI to improve it, but I think there is pretty much unanimous agreement that it is not a good statistic. It is the responsibility of our statistical agencies to produce good statistics. That is, in a nutshell, what is wrong with the position at the moment.

Dr Sentance: Just to add to that, I would agree with those points. I think they have allowed a degree of confusion to build up about the measurement of inflation and probably compounded that confusion by putting emphasis on the CPIH measure. That appears on the front page of the ONS press releases, and presumably the UKSA is happy with that, but it is not a measure that anybody, as far as I am aware, really uses. The two measures that people are using are CPI and RPI. As Chris says, the RPI has some issues that have not been addressed, but introducing this CPIH measure I think has caused confusion about whether people should be focusing on CPI or CPIH. At the moment they are not that different, but somehow they have taken the view—the UKSA and the ONS—that this is the measure of inflation that we should be moving towards, but they have not done anything to promote it or to encourage its use.

Q232 **Mr David Jones:** You have both been members of advisory panels on inflation. How effective would you say those panels are or do you think they should be given more powers?

Chris Giles: I can give you the experience of being the Consumer Prices Advisory Committee. I think I was on it between 2009 and 2013, when it was effectively disbanded. It made some routine decisions on the measurement of inflation on CPI. One big decision was about how to treat unoccupied housing, where it came up with the recommendations that ultimately have come into the CPIH and Andrew has just been talking about those.

It also tried to persuade ONS to first of all investigate and then do something about the widening gap between CPI and RPI that was emerging after the change in the way clothing prices were collected in 2010. We noticed this gap opening up sometime in late 2010, early 2011. The Committee said to ONS, "We need to find out what is going on" and this is all in the minutes, "and we need to find out what is happening here. We are uncomfortable about this". It took a while, and I do not think it was entirely legitimate, for ONS to find out exactly what was happening and then that is what led to the consultation on changing the RPI.

When we heard, I think it was two or three days before the ONS decision not to do anything, CPAC had a meeting. You will not find the minutes of that meeting, they barely exist, but there was an almost unanimous view—there was no votes taken, but there was an almost unanimous view—at that CPAC meeting that ONS had taken the wrong decision. The minutes or the record of that meeting were essentially buried in the communication of the decision afterwards, so it felt to me that it was fine and the ONS found it helpful that there was an advisory Committee when it was doing things that ONS thought were a good idea. When it was disagreeing with ONS's view, it found it to be deeply unhelpful and therefore buried it.

Mr David Jones: The question was how effective you felt the

Committees were.

Chris Giles: Ultimately, it was effective in investigating the RPI issue and we uncovered the answer, but it was ineffective in managing to persuade ONS to resolve it.

Q233 **Mr David Jones:** I also asked whether you felt that such a Committee should have more powers. How do you feel about that?

Chris Giles: My feeling would be that I would be slightly uncomfortable about it having formal powers when the people were appointed to it without a lot of process, so you would have to then make it a much more formal body than it was. If it has powers, it would be powers of recommendation to a body like yours, a proper parliamentary body of scrutiny. I think that is maybe as far as it can go, but as an advisory Committee, it is there to advise and to give expert advice. You would hope that the officials would take it seriously. Sometimes they did and sometimes they did not.

Q234 **Mr David Jones:** Would you consider that ONS should be under a positive duty to respond to the recommendations of such Committees? Because in your particular case clearly you were ignored, ultimately.

Chris Giles: We were ignored, that is absolutely true. In some ways it was worse than that, because there was an attempt to write minutes for the January 2013 meeting that suggested that we had agreed with the ONS. We had to privately send e-mails around saying, "These minutes, this statement of what CPAC thought, cannot stand, otherwise we will have to contradict it in public" and so it was changed to something anodyne. If you go back to it, you will find one sentence, which is rather anodyne, which sort of suggests that CPAC was not in agreement. But I agree with you, it would have been better if there was a formal duty to respond and for the minutes to be clearly minuted that the consensus in the Committee had been that ONS was taking a bad decision.

Q235 **Mr David Jones:** Who is responsible for preparing the minutes?

Chris Giles: The ONS.

Dr Sentance: My experience recently has been as a member of the CPI Stakeholder Advisory Committee. There are two advisory Committees. One is technical and the stakeholder one is meant to bring in a broader range of opinion and it also includes organisations like the Treasury, the Bank of England and general business representatives like myself. I think the ONS treat these advisory Committees as like a sounding board, but I do not think they expect or really want them to change the direction that they are going on. That would be my observation. I think there is a lot of behind the scenes discussion with the Treasury and with the Bank of England and the OBR.

The general business view that I have been representing I do not feel gets a lot of airtime or a lot of reflection in the advisory Committee that I am on. There is perhaps a view that these are sounding boards, not necessarily to give advice that is going to be directive or to steer in a particular direction.

Q236 **Mr David Jones:** Why would you say, Mr Giles, that it has taken external scrutiny from a House of Lords Committee to bring about the possibility of sorting out the difficulties over RPI?

Chris Giles: It is a problem that has been festering and will fester for a long time, given that the RPI is going to exist, legislation insists it exists. Our nation's debt, a lot of it, £400 billion of it, is linked to the RPI. For very significant groups, students, for example, all have elements of their finances linked to the RPI. It surprised me that it took so long, but once there was a consultation the ONS took a view, then had the Johnson review in 2015, which upheld that view that they wanted people to move away from the RPI, but were not going to do anything about it and were going to treat it as a legacy measure. That sort of set policy on one track and ONS has been very keen to keep it on that track. When you are trying to say, "I do not think this is effective" it is quite hard to push back against. There is a slow burn, that you can have a bit of a campaign to say, "This is not necessarily very good public policy".

The decision to do nothing is just as much a decision as the decision to change it. The decision not to change it is a decision made by unelected officials to redistribute money from taxpayers to the owners of index-linked Government bonds. That is, I have always thought, a job that Parliament should be taking, not that officials should be taking. It does, in the end, risk our system when you delegate certain functions to unelected officials if they then do not take decisions in accordance with the law. If the Bank of England, let's say, went rogue or the OBR exceeded its mandate, then you have quite a problem. I think that is what has exactly happened: by not taking a decision, we now have quite big redistribution decisions, about £1 billion a year.

We got a 0.4% uplift from the clothing price change on RPI, which at £233 billion of outstanding index-linked gilts in 2010 when it was taken, that is about £1 billion a year of money that is now an unexpected windfall to the holders of index-linked bonds. That is big money and it is the sort of thing that there should be a lot more scrutiny of. I think it required, in the end, Parliament to come back in some form—it was the Lords, but it could have been this Committee, it could have been the Treasury Committee—to really scrutinise it very carefully, whether unelected officials are meeting the mandate that Parliament has given them through the Act of Parliament in 2007.

Q237 **Mr David Jones:** As you know, it is not as if concern had not been expressed.

Chris Giles: Absolutely. No, concern has been expressed all the way through, but these things often take a long time. We had first of all a consultation in 2012, then the Johnson review in 2015 and then there was concern particularly over student loans and this link to RPI, so it has been bubbling away. Then the advisory panels also took further evidence, which showed exactly what the clothing effect was having on the RPI. Things were happening all the time, but it has been really quite a slow process and will continue to occur unless something is done about it.

Dr Sentance: From my perspective, on the Stakeholder Advisory Committee there have been people registering concerns about the RPI. I would not say that they have been in the majority, but certainly a number of individuals have registered those concerns. It feels as though the big hitters that might influence that ONS, like the Treasury or the Bank of England, have not really been putting any pressure on. It has come across, I think, to the ONS as a bit of, "Well, this is a concern of some individuals who are particularly attached to the RPI" and as Chris Giles said, "We are treating it as a legacy measure so we do not feel any need to do anything". The debate, as I said, just stops there, no substantive action has been taken.

Q238 **Mr David Jones:** Is UKSA's handling of the RPI issue an isolated concern? If not, do you have any other concerns?

Dr Sentance: I am thinking about the broad picture of national statistics, and the ones that I would focus on as an economist are obviously the economic statistics. There is almost like a Holy Trinity of the important statistics, all the statistics around GDP and growth, inflation and then unemployment in the labour market. From time to time the spotlight changes and problems arise in one area. I do not think there has been a lot of criticism of the labour market statistics. On GDP, I think there has been a longstanding issue of trying to keep up with a changing economy, with changes in different ways. The Bean review is partly about that and the measurement of service sector activity, which is genuinely very difficult, we are not counting widgets anymore. Predominantly we are trying to measure the output of the service sector, which is quite difficult. I would say that perhaps UKSA and the ONS have not been as proactive as they could have been in trying to move things forward in that area, but it is in the inflation area that the problems have been most noticeable. I would not say that the types of issues that we have on inflation are replicated in all sorts of other statistics.

Probably the other thing I would highlight is perhaps not being quite quick enough in terms of trying to move ahead with new ways of tracking the economy. I was quite surprised when I got into the Monetary Policy Committee and we had a dialogue with the ONS to find out that they were still, at that time—that was 2006—using paper-based forms to collect data and those types of things. The need to move with the times and adapt to changing technology has been a bit slow.

Chris Giles: I think there is nothing quite similar in terms of UKSA and the RPI and there is no other issue where the law suggests or says that UKSA needs to promote the quality of an official statistic and the UKSA and ONS says, "That is not something we want to do. We want to treat it as a legacy measure and we are not going to update it”. That is quite unique, but there are other instances, important instances, where UKSA and the ONS have been rather slow at improving our official statistics, like the national accounts, which were required ultimately to be reviewed, to get that into a process where they are going to be updated more regularly and stay up-to-date with the changing economy.

Migration statistics are clearly not working at the moment. I am not a particular expert on it, but you do know that the International Passenger Survey is not fit for purpose in terms of counting migrants. I think there is a vexed area of classifications. When I say “classifications” I mean classifications of what is public sector and what is private sector is always difficult, so whether it is Network Rail in the mid-2000s, housing associations more recently or student loans.

There was one instance—and this is an example I want to give you where UKSA did a very good job—in 2013, when the then Chancellor, George Osborne, wanted to move the interest from the quantitative easing scheme from the Bank of England to the Treasury. That makes no difference to anything. It is still two bits of the public sector just moving where the interest sits from one bank account to another. It should not affect public finances at all, but it was clear that Treasury officials persuaded the ONS to treat the classification of this as akin to tax revenues.

When the Chancellor decided to the move the money that would come as a tax revenue, I complained to UKSA. I thought this was an inappropriate treatment and would mess up the whole time series of borrowing at a time when that was perhaps one of our most important statistics then. Very quickly UKSA set up a review under Partha Dasgupta from Cambridge University, which then concluded that the ONS decision had been flawed. That review also revealed that it had been a split decision in the Committee between the Treasury and ONS officials, so that is why I have been saying that it sounds like there had been some pressure from Treasury over the ONS. UKSA very properly then came up with a perfectly reasonable solution to the way you treat interest flows between different parts of the public sector and backdated the whole series, so it was all fine.

You could have different views, but that was a very quick and important decision they took in 2013. It is the way I would hope UKSA would be working, because that was very much one where there was a Treasury view, “Wouldn’t it be nice if, whenever the public finances are not looking quite good, we will take some of this accrued interest out of the Bank of England and then just have a bit more tax revenue?” but that would not have been in the public interest to present statistics in that way and UKSA stopped it.

Q239 **Mr David Jones:** What lessons can we learn from the RPI issue about the governance of UKSA?

Chris Giles: I think the lesson we should learn is that the officials in UKSA—I always put this quite starkly—need to follow the law and that they need to promote and safeguard the quality of our statistics. We know that RPI is a difficult issue. It is about redistributing money. It is not about Britain getting richer or poorer, this is taking money from one group and giving it to another group and it is determined by a particular statistic. It is a very difficult decision. It is a decision that politicians should take. That is what the law says. The statisticians should take the statistical decision, the Bank of England should then determine whether there is a material detriment to bondholders or not. If there is one, then it is the Chancellor's decision whether it goes ahead or not, so the Chancellor is there, the politician is at the backstop, to use an unfortunate word.

Q240 **Mr David Jones:** But of course this is a non-ministerial Department, isn't it?

Chris Giles: It is a non-ministerial Department.

Q241 **Mr David Jones:** It is answerable only to Parliament.

Chris Giles: It is answerable to Parliament. This is why I think it is very important that we have inquiries like this, because ultimately what is the sanction or how do you stop officials if they are deciding not to—as I would say—follow the law and improve the statistics? It is something ultimately that this is exactly about the governance, because it is not clear that the board of UKSA, the non-executives on the board, are doing much about this or putting a lot of pressure on the officials either. It is very hard to see pressure or even discussions in some of the board minutes when you look at them.

Q242 **Mr David Jones:** Would you say there is a problem of governance and that is a problem that requires restructuring the governance arrangements?

Chris Giles: I think there is a problem of governance, yes. The board of UKSA has clearly not—or has not so far sufficiently—seen the importance of the RPI issue. In fact, given that there has been a Lords inquiry, there is now a PACAC inquiry, you might think that this would be the first thing and the most important thing that the board talks about at each of its meetings, but I would challenge you to go and look through the minutes of the latest meetings. Often they are not published until four or five months afterwards, but if you look at let's say the December meetings and you search for "RPI" in the minutes, there is no mention of RPI, even though it was within two weeks of the Lords Committee report being published. It is potentially one of the most existential threats to UKSA if they get this wrong, because it is one of the most important statistics, and yet as far as the minutes are concerned—I have no idea what has happened in the board meeting itself—it is as if the board is not taking this very seriously at all.

Dr Sentance: It does feel to me that ONS and UKSA are very close and views permeate out from ONS and sort of get rubberstamped, to some extent, by UKSA. I looked at the composition of the UKSA board and I am not quite clear why there are so many senior ONS people on it if it is meant to be regulating the ONS.

A second point is that you could argue that there are some sort of technical aspects of the RPI that have not been addressed, but also there is this general issue of we have allowed a rather confused situation to develop about what is the measure of inflation in the UK and different parties seem to have different views on that. I am not sure the UKSA board and the UKSA structure is good at identifying these strategic issues and then setting out a programme of action and challenging the ONS to make changes or whatever is necessary.

I guess the third thing, coming back to where we were a few minutes ago, is it does feel that the stakeholders of ONS do not come through clearly enough in the structure that we have, so some way of strengthening that would be useful.

Q243 **Chair:** Can I come in here on the question of governance? Because the way you are discussing governance is a certain amount about compliance, a certain amount about stakeholders, representing stakeholders. You are suggesting some stakeholders are better represented than others in terms of the users, but would I be correct in saying you feel that the board is not creating coherence in its oversight? Is that what you are saying, that there is or there isn't?

Dr Sentance: It appears to be rather passive.

Chair: Or there is a blindness to what it is not—

Dr Sentance: It is not active; it is not proactive. It tends to be passive, but also a board of a major company, for example, would have concern about the strategy of that company and the issues that are coming up in the company. When you have a big issue like the measurement of inflation, it does not seem that they have addressed that as an issue. They have tended to take piecemeal decisions.

Q244 **Chair:** How coherent is their oversight?

Dr Sentance: You could argue in that case not very coherent.

Q245 **Chair:** How well do you think they have managed the reputation of UKSA as the body that it is? What would you say about that?

Dr Sentance: We now have a feeling that there is a bit more independence about national statistics. I think they have been more effective in picking the Government or other individuals up on where statistics might have been misused rather than this broader oversight of the ONS in particular.

Q246 **Chair:** Can I ask, do you ever talk to the non-executive directors and what impression do you get from them and how they see their role?

Dr Sentance: I do not, no.

Chris Giles: I have talked occasionally to one of the non-executive directors, who gives quite a different impression of the discussion in the board than you read from the minutes. It feels more lively and maybe that they are looking more at the bigger strategic issues than the minutes would suggest. This is why I am not entirely sure whether the minutes are an accurate record.

Q247 **Chair:** It is more a problem of publishing the minutes, isn't it?

Chris Giles: It can be a problem of publishing the minutes, that they might not be an accurate reflection of whether the board is concerned about the strategic direction. But it has to be said that there has been a failure in the board, that if the board's job of oversight is to ensure, for the reputational effects of UKSA, that you do not have things like a Lords Committee saying its position is untenable—which is a very strong criticism of an official body—then something has gone wrong in the oversight of the UKSA from the board. It might be that the executive members, including the ONS, overruled the non-executives, so they tried. I have no idea whether that is the case or not, but the board as a body has clearly not protected the institution from that sort of criticism.

Q248 **Eleanor Smith:** You kind of touched on it a little bit, but I will come to both of you. UKSA and ONS—I am going to use the words—are too close. Is it too close for UKSA to exercise good regulatory oversight? Is it possible for UKSA to be effective as both the producer and the regulator for official statistics?

Dr Sentance: That is a key question. It does not feel that UKSA is exercising a lot of independent oversight, as I say, that a lot of the issues that come up through the ONS, I guess they are facing an ONS view and then the question is do they challenge that? Chris may have more evidence and experience than I have, but I do not feel there are a lot of those challenges coming in terms of the way in which they oversee the ONS.

Chris Giles: I think there is an inherent tension between being a regulator and a champion or a producer of the goods or services that, as a body, you do. This was exactly the case with the BBC a few years ago. As a model, it is difficult. I think very few people understand the difference in position between the national statistician versus the chairman or chairwoman of the UK Statistical Authority or the Office of Statistical Regulation. In fact, I have difficulty in *The Financial Times* explaining, both to readers and to our editors, the difference between national statistics and official statistics or just a statistic produced by an official body. Again, these things are not obvious to people from the words. These things are difficult and removing/stripping something of national statistic status is quite big in the ONS, if this happens, but to the rest of the world, I think they do not understand. If you say, "It is still an official statistic" then the difference between these things is very unclear.

The question then is what do you do about it? It does not work very well as a structure at the moment. This all comes back to the parliamentary question of whether you want to have new legislation or not and assuming that this is difficult, because new legislation is difficult, what could you do short of new legislation? The first thing is being very clear and as much separation as possible between the producer side of things and the regulation side of things. UKSA should go out of its way to tell people and be very clear, have a website that looks very different from the ONS website, and to say, "We are the arbiter of statistical regulation in the country and we will hold our official statisticians to account if that is necessary".

Then it is the very important things, test cases like the RPI. What surprised me in 2013, when the ONS said it took a decision to not do anything about RPI, I thought that UKSA would then maybe review that decision and say, "Not sure about that" but it was very clear from the conversations I had at the time that the decision was taken jointly rather than a decision taken by one and then sent to the other for oversight. Ultimately legislation would be the better way to separate these functions, but short of that, the scrutiny by Committees like yours to try to put pressure on the organisations to show that they are more independent and the functions are independent would be very helpful.

Q249 **Eleanor Smith:** In regards to independence, I think you said that some people that were on the board of the ONS are also on UKSA. Do I have that right?

Dr Sentance: As far as I could work out, there are four senior officials, including the national statistician.

Q250 **Eleanor Smith:** Would that not be classed as a conflict of interest?

Dr Sentance: You have other boards in a company, for example, where you have the executive members and non-executive members. I was a bit surprised that there were so many of them, so it is not clear what their specific roles are on that board, as opposed to their ONS roles. Do they take their ONS hats off when they walk into the UKSA boardroom or are they almost pursuing an ONS agenda on the UKSA board? It is not clear.

Q251 **Eleanor Smith:** It would be interesting to see how you can work independently if you are on two of those organisations, and if you are supposed to be a regulator and also looking, how does that work?

Dr Sentance: It is a bit like having representatives at water companies on Ofwat or something like that, which you would not expect—

Q252 **Chair:** You could call that regulatory capture.

Dr Sentance: Yes.

Q253 **Chair:** Is that what we have?

Chris Giles: It is clearly a structure that was designed for a situation where the ONS would never need to be regulated itself by an external body, because the ONS would be the independent producer of quality statistics and would not need to have some body overseeing it. That is the thought behind it. I think we have learnt in practice that there does need to be some form of regulation of statistics and because it was set up in law the way it was, where that was not foreseen, that has created this tension that we are now living with.

Q254 **Eleanor Smith:** What other clarification of functions of UKSA and other bodies of the statistical system is necessary?

Chris Giles: I do not have any strong views of other aspects, no.

Q255 **Chair:** We remember the UK Statistics commission, which was a precursor to this statutory body. How do you feel its independence compares with the independence of the regulation we now have?

Dr Sentance: I do not recall ever encountering that commission in my professional career.

Chair: We heard in previous evidence about it.

Dr Sentance: In my career I started dealing with the CSO, when it existed, and then it was rolled into the ONS.

Chris Giles: I did not have any particular dealings with the statistical commission. It was not a big part of something that you worried about with stats.

Q256 **Ronnie Cowan:** It is UKSA's statutory duty to promote and safeguard the official statistics to serve the public good, so why was it necessary for the Chancellor of the Exchequer to commission the Bean review of economic statistics?

Chris Giles: That is a very good question. It is a question that does not have a good answer, which is that in some sense UKSA or the ONS failed to keep the national accounts up-to-date. There is also an alternative view and I do not have a strong view which. There are two views out there: one is that the ONS failed and it required the Chancellor to force UKSA and the ONS to look carefully at the national accounts and the deficiencies within them and make recommendations.

An alternate view, which is a slightly cynical view, is that everyone knew that the national accounts required improvement and also required quite a lot more money spent on it at a time of austerity. The neat way of choreographing giving the ONS more money was to have an external review, which called for more money, which it did and then the Chancellor agreeing to that when he could not agree in the normal budgetary process to do so. There are these two views out there. I do not really know, because it all depends on the machinery of government, essentially, about what the case was. But I would certainly say it does not look good for UKSA that you had to have someone externally doing the job that was essentially their job.

Dr Sentance: I would see that as an example of perhaps weaknesses in UKSA taking a strategic oversight, as I have observed on the inflation issue, but also being able to stand back and look at the broader issues and trying to develop some sort of plan for addressing the broader issues, in this case keeping track of a rapidly-changing economy. They seem to be dealing with day-to-day type issues and things that come across their radar, but perhaps not exercising enough strategic oversight, I would say.

Q257 **Ronnie Cowan:** On the back of the Bean review then, the ONS statistics analysis strategy, has this been effective?

Chris Giles: I think it is becoming more effective, certainly. I will give you some examples where the statistics are clearly improving. The use of VAT data and a lot of the use of administrative data in national accounts is beginning to seep into the national accounts. That is going to, I am sure, improve the quality, so VAT data is now used on the output side of the accounts, looking at the output of manufacturing services and the construction sector. That is now pretty much embedded into the figures that are published on a monthly basis. We are soon going to get the real-time income tax data being used in the income side of the accounts. All of these things are definitively going to improve both probably the timeliness and the accuracy of the stats. There we are seeing it. We are also seeing definitively a lot more thought being put into the way the economy is changing and what information you can get, so we are getting a lot more information now on the services sector. We used to have every single little widget maker essentially would have a statistic of how many of those tiny bits of industry were produced. That is about 10% of the economy and we would have 80% of the economy, which is the private sector services, which had very little information produced on them at all.

We are now beginning to get more and more information and better quality information on various parts of the services sector and on a regional basis because that is clearly important and there is a huge demand for better regional understanding of the economy. There are improvements happening all the time. Sometimes it is hard to keep up with them. It is generally going in quite a good direction.

Dr Sentance: I do not want to go into that.

Q258 **Ronnie Cowan:** What you have just said there with the real-time tax, better regional data, these are good examples of how it is improved now, but have they changed the process internally or in five, 10 years' time will they have another Bean review?

Chris Giles: I do not know the answer to that question.

Ronnie Cowan: We do not know if UKSA is now—

Chris Giles: Whether it is proactive enough. There are certain things in place that should make that better. They have the data science campus at Newport now, which is looking at trying to find new ways to keep up with the latest big data that there are around. Just yesterday it announced that they are now going to publish on a monthly basis a heat map of very real time of changes in the economy. We will see how accurate they are, but that is a good experiment.

We also have the Economic Statistics Centre of Excellence at the National Institute of Economic and Social Research, which if that works well—it is still quite early days—should be keeping abreast of both the academic thinking of how to measure the economy, but also what is going on and just making sure that they are up-to-date. There are some structural elements in place, but we will have to wait and see whether we will be back in this situation again.

Q259 **Ronnie Cowan:** With regard to economic statistics, what still has to improve?

Chris Giles: Apart from what we have talked about on prices, migration, classifications, it means that all the time you just need to be keeping up-to-date with the way the economy is changing. The economy can be changing quite quickly; the labour market can be changing quickly. We have things we do not understand, like a productivity puzzle. We have had this now for a decade and it has taken a long time to be able to say, "We spent a good five years of this wondering whether the statistics were just wrong". When we have things changing in the economy it would be a lot better if we did not wait five years to worry about whether the stats were wrong and think about the real issues underlying that rather than having long debates about are we measuring output correctly or not.

Q260 **Ronnie Cowan:** Five years wondering if the stats are wrong is, in theory, a fixed-term Parliament.

Chris Giles: It is.

Q261 **Ronnie Cowan:** It could be quite debilitating to Government not to have those statistics available to them to make the sort of decisions they should be making.

Chris Giles: Absolutely.

Dr Sentance: We have to recognise this is an ongoing thing. The economy has always been changing. If we went back to the mid-1960s, we had about 35% of employment in manufacturing and now it is 8%. Part of the challenge that statisticians have is trying to keep up with those changes. We can see a lot of changes have happened around the internet and the way in which that has affected economic activity. I would highlight that as an area where statisticians will continually need to be putting a lot of emphasis to try to understand those changes. Whether they are quite on the ball is not clear.

A colleague of mine at PwC, when I was there, did an estimate that output of the economy could be a lot larger if you properly accounted for the changes of the internet and made in the way in which we were able to access goods and services. It is going to be an ongoing challenge for the next decade, essentially.

Q262 **Ronnie Cowan:** My underlying question is when looking at automation, looking at the gig economy, things are going change and are now in a system where they change quicker than they have ever changed before, is UKSA now in a position where they can take on this other region and their working practices? Or do we still need to have an outside body to scrutinise UKSA to encourage them to change?

Dr Sentance: It should be business as normal for them. People say the economy is changing faster now. It is changing in some ways faster now possibly, but if you go back to 1950s, 1960s, 1970s, there was still a lot of structural change in the UK economy. It has to be seen as business as normal to be trying to track these structural changes and not just wait for a review to come along or wait for somebody to find a problem that then needs to be resolved.

Chair: We have had very long answers and very helpful answers, but we are going to have to speed up a little bit, so if you can keep your answers a little bit crisper that would be very helpful.

Q263 **Dr Rupa Huq:** The UKSA code of practice for statistics states that users of statistics and data should be at the centre of statistical production, but evidence we have had from people like Will Moy of Full Fact and the Statistics User Forum say that there is no clear agreement on who the users are or any mechanisms to see how well they are being served. Would you, as the *FT,* and the community of economists, say that as users you are at the centre of statistics?

Dr Sentance: There are ways in which the ONS in particular try to engage with users. It is a little bit spasmodic and it is not particularly well-structured. It tends to be around specific issues rather than an ongoing process.

The user community is very diverse. We have to recognise that. It includes Government, other official bodies, businesses in various forms, the financial sector, the public. It is clearly not an easy challenge of engaging with users. I make two general observations. One is there does not seem to be a clear ongoing structure for engaging users. It is a bit spasmodic.

Secondly, in forums where I have been involved or where I know people have been involved, there is often a feeling of going through the motions in terms of when user views are received and how much they make an impact on what the ONS does, for example, or what UKSA does, is always a little bit unclear.

Chris Giles: I do not disagree with anything Andrew said, just to be quick about it. There is one user experience that we, the news organisation, complain quite regularly about to the ONS and we feel that no one is taking any notice at all. It is the tendency recently to try to cluster lots of information on certain days, which means you get swamped at 9.30 on certain days with a huge amount of information often in many different releases. On the quarterly national accounts day I think there are eight releases that come out on that day. The ONS have taken a decision to go down that route. We said very early on, "This is not helpful to us being able to report the facts on the economy clearly. Can you think again?" The answer has been no.

Q264 **Dr Rupa Huq:** You mentioned, Andrew Sentance, forums. What are those like, focus groups or questionnaires? What are these?

Dr Sentance: If there is an issue that the ONS is working on they will occasionally convene meetings where a wider community of people is invited along and the ONS will present what they are doing and they will then provide an opportunity to users and stakeholders to give their views.

I am not very active in attending those forums, but I know people who have been. They have often come away with the opinion that they were not listened to and it is a formalistic type of exercise of just reporting what the ONS was doing rather than genuinely listening to feedback that they might receive.

Dr Rupa Huq: So it is a box-ticking thing.

Dr Sentance: I use that phrase in my memorandum so I will not resile from it. It does appear that way.

Dr Rupa Huq: Would you say the same? How well are these things—

Chris Giles: Quite often they have an ONS forum of what economic statistics they are coming out with in the next few months and talking about them. Some have been very useful; some have been not very useful at all. There was an occasion where they spoke about why the household savings ratio was going to change very radically. They had taken a new view on it and found some errors. That was very useful and we made a front page story out of that because it was an important change to the way they were thinking about the economy. Other times it has been more just a description of things that have already been published and there is not a lot of point in being there because it takes a whole morning.

Q265 **Dr Rupa Huq:** How do they select the user community?

Chris Giles: It is a general invite. There is quite a large potential audience of well over 100 of many different types of people. I would not want to say they are not useful just because I do not find them necessarily that useful.

Q266 **Mr David Jones:** We have discussed the issue of repetitive changes in societal patterns of work and the consequent changes in the reliability of data. What more would you say is required to ensure that decision-makers are better informed about what is happening in the economy and in a wider society these days?

Chris Giles: The speed of data coming out is very important for decision-makers being able to be right at the forefront. ONS understand that pretty well. One of the things that is still definitively problematic is the way the data are presented, particularly on the website. It is very important for all users to be able to find information simply and quickly. This will age me, but to go back to days when the ONS used to produce social trends every year, which had pretty much every important statistic well-curated in a simple red book, as it was then.

I would struggle if I wanted to find out good crime statistics. I would not know exactly where to get them because it is not my job. But 20 years ago you would go to social trends because you would know that the ONS would have picked up the correct ones into one document. It is things like that that do not exist anymore and it is to the detriment of understanding.

Q267 **Mr David Jones:** Just to interrupt you, would you say we are now less well-informed?

Chris Giles: I do not think as a nation we are necessarily less well-informed, but we are probably quite well-siloed. I know exactly how to find the economic statistics, but I do not know how to find statistics on health, education and so on. That ability to be cross-cutting, it is much harder now.

Q268 **Mr David Jones:** The information is there but less easy to access?

Chris Giles: Yes.

Dr Sentance: If you want to access stuff from the ONS website you need to know what you are looking for and you may have to go a circuitous route in order to find the exact data. If you type in "GDP" or "gross domestic product" you would think that the regular quarterly release, the latest one, would automatically pop up, but it does not. Even with important statistics you have to tailor your searches and you have to know very specifically what you are looking for in order to find it.

Q269 **Mr David Jones:** Is this something that has been drawn to the attention of people who are producing these statistics?

Chris Giles: I have certainly drawn this to the ONS's attention. There is a particular problem on the website, which is that the first releases—if you pick it up—there are a lot of words and the headline statistics. If you then want the detailed numbers you need to download the PDF of it and then go into there. If you want to download the stats you have to go from the PDF, which will have the four-digit code, like D7G6 or something like that, and that is what you need to type into the website.

It is quite an arcane process. It is fine if you know what you are doing. It does not take me that long to do that process, go to the release, download the PDF, find the statistics. They are very well-laid out at the PDF: find the statistic you want, type that number back into the website and then you can download the data, but there surely has to be a better way.

Mr David Jones: You have to be a specialist?

Chris Giles: You have to be a specialist to know that. You need to know exactly what you are looking for. In my memorandum, I have said the eight or nine steps that you would have to take if you wanted to get the household savings ratio, which is quite a normal statistic, do not start typing "household savings ratio" into the search box because you will find nothing.

Dr Sentance: I think many users are a little bit tired of raising these issues with the ONS. There was a big spate of complaints when they introduced the new upgrade to their website. I was one of the complainants. Some improvements were definitely made, but people have limited time to keep banging on about these issues and, as Chris has said, people find a way of working around it and just get on with it.

Q270 **Chair:** There was something a little Victorian about social trends. It was a nice volume to browse when it came out. You would keep it in a convenient place when you had some time and look through it and it would be interesting, but how do you create that kind of casual user interface for such a collection of interesting data?

Chris Giles: I personally do not see a problem, if people are a bit imaginative about it and doing that online, of having UK social trends, which presumably you would have a kitemark from UKSA that, "If you want to know anything about education, health, transport, crime, economy, here is the basic information, it is all in one document and you do not need to go anywhere else". Then if you want extra stuff you need to be a bit more expert and you can go to the website. That feels to me like we had it and it was in book form. I do not know what this print run was, but people knew it was there and knew it was a place to go. It seems to be a loss to British understanding of what is going on that we do not have that anymore.

Q271 **David Morris:** How much analytical capacity have you needed to make up for the inadequacies in the data and the analysis from the Office of National Statistics?

Chair: Particularly when you are the Monetary Policy Committee.

Dr Sentance: You say how much extra analytical work do we need to do to overcome the deficiencies? On the Monetary Policy Committee it was not too much of a problem because you have all the bank staff—I think they have about 100 people in monetary analysis—who are all serving the Monetary Policy Committee directly or indirectly. It is harder when you are working say as an independent economist or as part of a small team of economists in a business or somewhere. I cannot generalise in terms of how much extra analysis you need to do. There is a question of trying to identify the right data that you need, as we have already talked about.

Often data are available in lots of different forms on the website, so a rate of change over 12 months or one month, you can find them also on the website as well as the data series. I find it difficult to generalise on that, but certainly when I was on the Monetary Policy Committee, we had the benefit of having a lot of the Bank of England staff who were very experienced at accessing data and using it.

Q272 **David Morris:** Do you find that the data that you have from the ONS and the actual reality of the data that you are dealing with correlate or do they not?

Dr Sentance: People tend to treat an official statistic as the measure of the thing that it is meant to be measuring and they do not argue that, for example, the figures are distorted. ONS are trying to do their best to try to track the things that they say they are tracking.

There are some areas where they could do quite a bit more, for example, in terms of international comparisons, which are often very informative and very useful. In some areas they do some international comparisons, but in some areas they do not. By bringing together data that are available from the OECD and the IMF with UK data, that would be an asset.

Q273 **Eleanor Smith:** We have received evidence to this inquiry stating that the inflation tripartite group is secretive and arguably biased towards excessive Treasury and bank influence. Do you agree?

Dr Sentance: I do not observe this group because I have not been part of it, but my understanding is that it is the Treasury, Bank of England, OBR and ONS coming together. That makes a lot of sense because Treasury, Bank of England and OBR are very important stakeholders of statistics and therefore they should be getting together and discussing issues.

In the general consultative groups that I have been involved with, you do get the feeling that a lot of things are discussed between those stakeholders and therefore do not necessarily always come out in the broader consultative discussion. In that sense, it is a little bit lacking in transparency and secretive. But I cannot comment because I have not been in that fourfold discussion.

Chris Giles: I cannot comment either. I am not aware of what they discuss.

Q274 **Eleanor Smith:** How should UKSA improve the transparency of its decision-making and its planning?

Dr Sentance: Minutes could come out more quickly. Chris also made the suggestion that they could have a more distinctive website and use that as a means of communication; a more structured process of consultation with users and stakeholders on an ongoing basis. There are a few suggestions.

Chris Giles: I would agree with those. I would not have any more to add. UKSA should try to make itself more visible. It should be part of essentially one of its objectives, which should be monitored by the board and by Committees, how visible it is. You are never going to get huge public understanding and visibility. It is not going to be a very public figure, but more public than it currently is will be better.

Q275 **Dr Rupa Huq:** How should UKSA balance the needs of powerful users, like the Treasury and Bank of England, with other relatively impotent users, people outside Government? Your forum sounded like the great and the good, but there might be people in universities, isolated people. How can we balance these needs?

Dr Sentance: I do not think there is a magic formula for this. The Treasury will always be a very important stakeholder for economic statistics and quite rightly so, same with the OBR and the Bank of England. The ONS and UKSA should pay due attention to what they are thinking.

As I indicated earlier, there is quite a diversity of user interest so you are going to need different types of channels for different types of groups. One of the groups that is quite difficult for the statistical authorities to access is general business users of statistics, which is going to be a very diverse community. They probably rely on enthusiastic people like myself in the business community who take an interest in things. But a lot of your general business people who may make occasional use of statistics will not be easy to engage. We just have to be realistic about this.

Chris Giles: In some ways I disagree with the premise of the question. Generally we are all on the same side: the Treasury, Bank of England and other users generally want timely, accurate statistics, so I do not think there is necessarily a conflict there most of the time. The one or two times where there are would be on things like classification of decisions, whether things are in the public or private sector, because that can matter a lot to Treasury, but other users might want it to be more realistic and on maybe things like the RPI. But we do not know what the Treasury thinks because it has been very careful to say it does not have a view on it until UKSA takes a view. This is part of the vicious circle we have been in.

Generally, on most economic statistics, I do not think officials, whether in the OBR, Bank of England or Treasury are seeking anything different from other users. Most of the time we are all on the same side and just trying to get the best and most timely and accurate statistics we can have.

Dr Sentance: If I can just mention one thing—it just came into my mind—in relation to the RPI. There used to be an RPI advisory Committee that was convened to deal with issues from the RPI. It had a very formal structure: the CBI and the TEC were represented, Treasury was represented, various independent academics were represented. I served on this Committee in the early 1990s when it looked at issues to do with owner/occupier housing. I do not think it has met since the early 1990s. Although we have other consumer price advisory Committees, I am a bit surprised in the context of these issues, of the RPI, that that vehicle has not been used in order to look at some of these issues.

Q276 **David Morris:** What would you like to see as UKSA's priorities in the next five-year strategy?

Chris Giles: The first thing I would like is it to finally find a route out of the mess in price statistics that we are in at the moment. That is very important for trust in overall statistics. The second strategic aim we need is to make sure we keep up-to-date with the changing economy so that we do not get into a situation where we need another Bean-style review. Communication is very important. The third strategic, that we need to find a better way to make statistics—we have talked about this in this hearing—but we need to make sure that communication is first rate. Finally, it needs to be more visible as a champion of good statistical practice in the country as a whole and be as visible as possible in doing so.

Q277 **David Morris:** Do you think getting the right capability and leadership in place across the GSS and the whole statistical system would be needed?

Chris Giles: Clearly. The better people we have within the whole of Government who are producing and ensuring the quality of our statistics, that is very important. There is no shortage of people who are good out there who want to do a good job.

Q278 **David Morris:** You have mentioned that you would like to see better communication. How would that look? Would that be better communication between anticipating the future needs of users and what formats they would take or would that be better communication in identifying the big issues with further statistics and publishing plans in that respect to address them?

Chris Giles: The two most important things in communications is, first, making sure that the website is fit for purpose. It is a lot better than it was. I have been a bit rude about it today. It is a lot better than it was, but it still could do with quite a lot of further improvements. Secondly, the most important thing for communication with the public as a whole is finding a way of just providing a site where trusted statistics can be published in a simple manner across the whole of the public sector, and society as a whole, so that people would begin to know that if they wanted to find something out, which is relatively simple, there will be one place to go and that one stop shop would have pretty much everything there.

Q279 **Chair:** Under this heading of "UKSA's five-year priorities" the Royal Statistical Society has asked our inquiry to think broadly about what constitutes good governance. They mention specifically leadership, decision-making and culture. What do you think is wrong with the culture of UKSA?

Chris Giles: The culture has been too defensive and, in that sense, reactive. In all the examples we have talked about today, it has all come from prodding UKSA to do something and people being a nuisance to them, being seen as a nuisance and keeping on prodding until they have decided to take another look at something.

Q280 **Chair:** You have identified one attitude. Are there other attitudes or behaviours?

Chris Giles: I have no worries whatsoever that the people in UKSA want to do a good job and are qualified to do a good job. I just think there is a general slight culture: it is a defensiveness and a reactiveness issue rather than that they are not capable of producing better statistics.

Dr Sentance: I would see it as rather reactive not proactive. The notion that I mentioned earlier that they should have a strategic oversight of some of the big issues and continually worrying about keeping on top of those big issues, that seems to be a bit lacking in the current structure. I have more detailed interaction with ONS than with UKSA.

Q281 **Chair:** If I was watching this session from UKSA I would be thinking, "This is not fair because we are doing our best and we have just so few resources. We have far fewer resources than we used to have, which is why things have been cut, like social trends. We are a tiny institution up against the might of Government. How do you expect us to do this on a shoestring?" How good is that defence? How fair is it to judge this organisation by these very high benchmarks you are setting when they have limited resources?

Chris Giles: I think finances and what you can produce is a perfectly valid defence, but I do not think that is a defence against cultural attitudes of seeking to be slightly unwilling to accept criticism. We go back to the RPI: not doing anything about the RPI is not a finance issue. It is an attitude issue and that is a fact. It is costing the public finances a lot of money. You could have four ONSs for the cost of resolving the RPI.

Chair: You have made that point very powerfully. Anything to add?

Dr Sentance: I do not want to add anything, no.

Q282 **Chair:** Will Moy from Full Fact argued that the UK needs to, "Think from scratch about how as a country we make use of data and information in the modern age and create the bodies, governance and legislation needed to deliver them". How do you respond to that?

Chris Giles: I read that in the evidence. I did not quite know what it meant, if I was being honest about it, in practical terms. I do not think we need to think absolutely everything from scratch. We should not lose sight of the fact that we have pretty good statistics generally. There are some specific problems with some of them. We have pretty good people in these organisations, but we can make them better. It is an evolution we should be seeking rather than a revolution.

Q283 **Chair:** But I think he would be saying that it is the lack of vision and foresight about the potential for sources of data and statistics that historically or traditionally are not the traditional way we think about statistics, big data, administrative data and things like that.

Chris Giles: Absolutely, but it is in precisely those areas where there is progress at the moment. It is where the data science campus is making some progress. Not using administrative statistics correctly in our official statistics has been a very longstanding problem, but it is now being resolved following the memorandum of understanding, which was a few years back. That is definitively happening.

We saw it only in the spring statement last week, what would have in previous times been a surprise in the level of income tax revenues. They would have been surprisingly strong when other taxes were not doing that well. The OBR was able to say that from its use and sight of HMRC's real-time income information that this is coming from a big increase in pay from the top 0.1%. That is information we would not have had two years ago or even one year ago. That shows that these sorts of things are now coming online. We should not be completely down about what is going on. There are some good things happening.

Q284 **Chair:** But how much of what you want to change can be done without having to change the legislation?

Chris Giles: A lot of it. If you think about presentation, culture and resolving some of these legacy problems that we have been irritated about, none of those need legislation changes. The one thing that requires thought about legislation is whether you want to separate the function of UKSA as a producer and as a regulator. That is the one difficult area. All the other ones, it is about whether UKSA is performing its regulatory functions properly or not when we are talking about the RPI. That is not a problem of legislation. That is a problem of doing what the legislation requires.

Chair: Anything to add, Dr Sentance?

Dr Sentance: Nothing to add, no.

Chair: Thank you very much indeed, if there are no other questions from my colleagues. I found it a helpful and interesting, challenging session. Thank you very much. I am sorry for the delay at the start.