

# Plan of proposed actions to increase the quality and public value of regional gross value added statistics

A response to the requirements of Phase 1 of the assessment of compliance with the Code of Practice for Official Statistics (Assessment Report 335, August 2017).

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# 1 . Introduction

A response on behalf of Jonathan Athow, Deputy National Statistician and Director General of Economic Statistics, Office for National Statistics, to the requirements of Phase 1 of the assessment of compliance with the Code of Practice for Official Statistics ([Assessment Report 335](#), August 2017).

## 2 . Quality

### Requirement 1

ONS should plan to put in place enhanced quality assurance of the regionalisation of HMRC source data in estimates of regional Mixed Income, by 31 October 2017.

#### Action plan

We will provide documentation of the quality assurance procedures that are carried out both at source (HM Revenue and Customs) and within ONS, in accordance with the quality assurance of administrative data (QAAD) guidelines for data sources rated as medium risk. We will publish this on our [Regional Accounts Guidance and Methodology](#) webpage by 31 October 2017.

### Requirement 2

a) ONS should review whether new data sources or methods will more accurately regionalise Financial Services and Insurance industry GVA, by 31 March 2018.

b) ONS should, if new data sources or new methods allow, plan to improve the regionalisation of Financial and Insurance Services industry GVA, by 31 March 2018.

#### Action plan

Our Regional Accounts team has a continuous improvement programme that aims to identify quality issues, review data and methods and improve them where possible, through a series of industry reviews. A review of the Finance and Insurance industries has been scheduled to begin in October 2017.

Any improvements identified that can be implemented quickly will be put in place for the regional gross value added (R-GVA) publication in December 2017. Any improvements identified that have a longer implementation time will, where possible, be put in place for the December 2018 publication. We will publish the findings of the review, excluding any confidential information, by the end of March 2018.

### Requirement 3

a) ONS should review whether the current method for deflating regional estimates of regional imputed rent is robust, by 31 October 2017.

b) ONS should document the impact on R-GVA statistics once this has been established, by 31 March 2018.

c) If the review determines that the method is not robust, ONS should plan to introduce a better method which is published and the implementation has begun, by 31 March 2018.

## Action plan

We have considered the question of the deflation of imputed rental of owner-occupied dwellings and have concluded that there is clear evidence of differences in rents across regions of the UK. There is also a new experimental set of price indices called the [Index of private housing rental prices](#) (IPHRP), which is currently available for the countries and regions of Great Britain.

Rather than spend time and resources on a review, the outcome of which is already obvious, we have instead decided to move directly into planning for the implementation of a change in our method for deflating imputed rental, in both the annual measure of regional GVA(P) and our new quarterly output indicators for the English regions.

There were some obstacles that we needed to overcome. The IPHRP does not yet include Northern Ireland, although work is underway to expand its coverage. The published price indices do not go back as far as the time series we wish to deflate (2005 as opposed to 1998), so some additional work was needed to provide a longer time series of prices. These issues have been addressed by using private rental data collected for the Consumer Price Index (CPI) and Retail Price Index (RPI) in the past. Although the quality of these early data is less good than those for more recent years, this has allowed us to complete our coverage of all regions in all years.

We now have what we judge to be sufficiently good quality regional deflators for imputed rental that can be implemented in our publication of GVA statistics in December 2017, and we will include an explanation of the change in the recent methodological changes section of the bulletin.

## Requirement 4

a) ONS should publish revisions triangles for R-GVA(P), by 31 October 2017.

b) ONS should better convey whether revisions have provided more news than noise and which estimates display significant volatility, by 31 October 2017.

## Action plan

We have published [revisions triangles for R-GVA\(P\)](#) alongside the reference tables published in December 2016 on our website. GVA(P) has only been published four times, each December since 2013, so the triangles are very much smaller than those published alongside the GVA(I) statistics.

We will publish a note on our [Regional Accounts Guidance and Methodology](#) webpage providing more information about the nature and extent of revisions to R-GVA statistics, by 31 October 2017.

## 3 . Public value

### Requirement 5

ONS should examine whether opportunities exist for even greater use of the ONS regional statisticians initiative with newly established sub-regions (particularly new city regions), by 31 October 2017.

## Action plan

The regional statisticians initiative ended in 2011 following the abolition of the Regional Development Agencies and the ONS has no plans to directly replicate it. Instead, we are building a new structure to enable liaison and close working with the new City Regions that seeks to maintain the benefits from the old system but in a more efficient manner. To this end, a new Cities group is being set up. This will run regular meetings to bring together ONS staff working on regional data with the analysts working for City Regions. This will be a regular opportunity for current ONS developments to be discussed, feedback provided and the user needs of cities to be expressed.

Alongside this, a Cities Analysis team is in place within Public Policy Directorate with their role being to maintain close working relationships between ONS and the City Regions and to provide a further means for a sharing of information and understanding of user needs as well as investigating the possibility of joint projects that benefit city statistics.

Additionally, ONS continues to host Economic Forums around the country at which latest ONS data and developments are presented to a public audience, while recent consultations on subnational statistics have been accompanied by visits to a number of cities to advertise these more fully and encourage participation.

Finally, as part of the ONS devolution project, a stakeholder engagement plan is operational and this will continue to be monitored, and if necessary improved, to ensure we are providing a regular and informative service to city and other subnational users.

## Requirement 6

ONS should clearly explain to users the impacts of modelling and imputation on estimates of R-GVA, by 31 March 2018.

## Action plan

We will carry out an analysis of the Annual Business Survey (ABS) data, which are produced in part using an apportionment model, to assess the extent and types of modelling that exist within that data source. The ABS provides data for both income and production measures of regional GVA and is the most widely used source in terms of its contribution to total GVA.

We will then carry out a further assessment of the extent of modelling in the other components of R-GVA, and produce a report that explains the relative shares of measured data, estimated data and modelled data in the final estimates, which we will publish on our [Regional Accounts Guidance and Methodology](#) webpage by 31 March 2018.

## Requirement 7

a) ONS should demonstrate by 31 March 2018 that the work to produce regional quarterly estimates of GDP remains on track for introduction in late 2018 or early 2019.

b) ONS should communicate more widely its plans to make available regional quarterly estimates, by 31 October 2017.

## Action plan

Our plans to develop quarterly output indicators for the English regions have already been announced in both editions of our published [Economic Statistics and Analysis Strategy](#), and in an article we published in May 2016 titled [Supporting Devolution: developments in regional and local statistics](#). In addition we have told people about this work at two events in London, organised jointly by ONS and the Centre for Cities, and at a series of regional economic forums held in Cardiff, Manchester, Edinburgh, Belfast, Birmingham and York.

We can still do more to get the word out to people. We have included mention of the quarterly indicators in the consultation document describing the development of balanced regional GVA, and we included a representative of the quarterly team in the visits to key users in Belfast, Birmingham, Cardiff, Edinburgh and London carried out as part of the consultation over regional economic statistics developments during September 2017. A further round of regional economic forums is also being planned for later in 2017 and early 2018, and we will again include an update on all of our regional development projects at these events. As part of the wider engagement we will work to ensure users also better understand the concept that will be developed and published.

The timetable for the project includes a peer review phase of quality assurance in the spring of 2018, followed by a public consultation. We expect to be in a better position to demonstrate that the work remains on track at the Regional Accounts Government User Group meeting that is provisionally scheduled for February 2018, although we cannot give a guarantee before we have completed the consultation and assessed the feedback received.

## Requirement 8

ONS should explore with government users what contextual information they want to publish alongside these statistics, by 31 October 2017.

## Action plan

We met with our main government users at the Regional Accounts Government User Group on 21 September 2017, at which we asked them what contextual information they want to see published. The Office for Statistics Regulation (OSR) assessment team also attended the meeting to introduce the topic and observe the response of users.

In addition, we have included this question in our [public consultation on balanced regional GVA](#), in order that we might collect views from a wider range of users across government and the wider community. The consultation closed at the end of September 2017 and we have published a [response](#) which includes a summary of the suggestions made by respondents to this question.

We will now consider the feedback collected from both sources with a view to what additional material we can realistically provide alongside our bulletin in December 2017. We will also consider the scope to provide additional supporting articles during 2018, following publication of both GVA and productivity estimates.

## Requirement 9

ONS should review with government users its current development plan for the R-GVA statistics and how to address better their different needs, by 31 October 2017.

## **Action plan**

We also addressed this requirement at the User Group meeting on 21 September 2017. Again, the OSR assessment team were in attendance in order that they might explore the question and observe the response of our government users.

We will now consider how best to address the issues they identified. It is not possible to say more at this time, but any changes made as a result will be communicated appropriately to users.