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Dear John,

When we last met in June, I mentioned some of the concerns RSS Fellows have about the advisory panels and the way these panels are operating, and I promised to provide a note on the matter. I believe these concerns merit an independent review of the panels' operations, which should, in any event, be normal practice after new arrangements have been in place for three years or so.

The concerns fall in to two categories:

- functioning of the panels;
- membership of the panels.

The Smith report expected the Stakeholder Panel to be an independent body, supported by an UKSA Secretariat, which would oversee the ONS work programme but should also 'have the scope to identify and pursue issues in its own right'. The reality has been a body supported by an ONS Secretariat, which has largely been pursuing the findings of the Johnson report. As a result there has been inadequate debate of the different measures of housing costs and a peremptory decision to adopt imputed rents. The presumption that the Carli formula was the cause of all the problems with the RPI has meant that the panel has only succeeded in getting a partial review of the formula effect.

One of the key roles of any advisory panel must to be scrutinise and, when appropriate, challenge official policy. So perhaps the biggest failure of the panel is the fact that it did not point out sufficiently strongly that the official position on the RPI was untenable. It should not have been left to a Lords Committee Inquiry three years down the line to really address this problem.

A related point is the role of economic theory in the debate around price indices. There is a strong sense of this debate deferring to the pronouncements of economists, when the



application of economics is not always clear cut and other factors need to be considered. It has, for example, been a significant battle to get acceptance of the HCI as a price index by the Stakeholder Panel.

The provision by the ONS of the Secretariat for the Technical Panel has unfortunately also led to it largely following the ONS/Johnson agenda and not giving proper recognition to alternative views, for example the mis-reporting in its minutes of the paper presented to the Panel on CPI formula effects by Mark Courtney.

On membership of the panels, we feel strongly that, proportionately, there are too many official representatives sitting on the Stakeholder Panel and, equally, too few external non-experts, particularly given the frequent non-attendance by some external members. It is reasonable to expect ONS, HMT and the Bank to be represented on the panel but Smith anticipated that it would 'reflect a wide range of user interests'. A quick examination of Stakeholder Panel minutes would reveal that non-officials are usually in the minority. It is also felt that some of the external members have failed to make any effective contribution, which may raise questions over the selection criteria.

I know that ONS is currently seeking nominations for the two panels and we will gladly provide some names of non-experts who can bring user experience to bear. We believe experience of the impact that the membership of the two panels have had on their deliberations and conclusions should be part of the review we advocate, rather than ONS just undertaking a topping up exercise.

On a separate but related matter, ONS has steadfastly declined User Group and FOI requests to release the minutes of the Tripartite (and latterly Tetrapartite) Group. The Terms of Reference of the Group state that it is concerned with operational issues. The lack of transparency of this Group's business generates considerable suspicions in the user community, which could quickly be dispelled by release of the minutes.

I am copying this letter to Sir David Norgrove and Dame Kate Barker.



Stephen Penneck
Chair, National Statistics Advisory Group