Office for National Statistics

Article

Economic statistics sector classification - classification update and forward work plan: April 2018

Classification of units, transactions and assets for the purposes of economic statistics.

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1 . Introduction

Our economic statistics are produced in accordance with international rules and guidance. Central to this are the legally binding rules set forth in the European System of Accounts 2010: ESA 2010 and accompanying Manual on Government Deficit and Debt (MGDD). These include rules on classifying statistical units (organisations or bodies) and the transactions they engage in. A summary of these, and our approach to their application, can be found on our economic statistics classification page.

The forward work plan sets out the units and transactions that we expect to assess and classify in the coming 12 months. There is high demand for classification assessments and at any one time we progress a number of active cases, with new cases often arising. These include confidential assessments of government and devolved administration policy proposals (as explained in our classification process); we do not announce or discuss such policy proposal assessments as a matter of course in order to afford policymakers the space to develop policy. At such a time that a policy is implemented we will publish a classification decision.

As such, the forward work plan does not cover all cases that will arise over the coming year; furthermore, minor cases (with smaller statistical and policy impacts) will be assessed as resources allow. The cases scheduled in this article have been prioritised due to:

- the significant impact they will have on important statistics (an impact of at least £1 billion on the government deficit or £10 billion on government debt)
- their importance to public policy
- their priority for Eurostat

Following the announcement made in last month's forward work plan, we have reviewed all cases previously listed against current priorities. As a result of this exercise, we have removed cases that are either no longer deemed a priority or which are unlikely to be included within the next 12 months. However, it should be noted that this is not a comprehensive list and following further review additional cases are likely to be added over the coming months.

2 . Impacts on fiscal aggregates

Approximate potential impacts on fiscal and/or national accounts are given. The fiscal aggregates are:

- public sector net borrowing and public sector net debt for the UK
- general government consolidated gross debt and general government net borrowing for European measures

The impact described would occur only if an organisation's classification status changes from public to private sector (or the other way around), or if a new organisation is classified to the public sector. Transactional classifications can also impact the fiscal aggregates.

For indicative impacts on fiscal aggregates the following definitions are used:

- small: less than £100 million change
- medium: between £100 million and £1 billion change
- large: more than £1 billion change

The main national accounts aggregates include gross domestic product (GDP), gross national income and the households' savings ratio.

Impact on national accounts aggregates (for example, GDP), roughly classified as:

- small – an insignificant or minor impact on aggregates
- large – a significant or noticeable impact on aggregates

This work plan includes an "update" section within each classification or case. An update is only included if the case has been listed in a previous forward work plan but the expected completion date has changed. Given all of the above, this work plan provides an up-to-date list of the cases we expect to classify over the coming year.

3 . Cases scheduled for assessment

3.1 Lifetime ISA

Current classification: not classified

Reason for assessment: introduction of new government bonds

Potential impact on fiscal aggregates: large

Potential impact on national accounts: small

Expected completion: within six months

The government, through the 2016 Budget has announced the introduction of new bank accounts that can be opened by 18- to 40-year-olds and will allow savers to contribute up to £4,000 a year. The government will pay a 25% bonus on each pound paid into the accounts up to an annual cap of £1,000 until the saver's 50th birthday. We will establish how these payments should be recorded in economic statistics.

Update: this assessment was included in the March 2016 forward work plan with completion expected in April 2016. However, it was found that there was insufficient detail available about the practical working of the scheme at that time and so the assessment will recommence once such detail becomes available; this is expected in 2018.

3.2 Local Enterprise Partnerships (LEPs)

Current classification: not classified

Reason for assessment: policy

Potential impact on fiscal aggregates: small

Potential impact on national accounts: small

Expected completion: within 12 months

Local Enterprise Partnerships (LEPs) are non-statutory partnerships between the public sector (mainly local authorities) and the private sector. In England there are 38 LEPs actively championed by the Ministry for Housing, Communities and Local Government and the Department for Business, Energy and Industrial Strategy (BEIS). Each LEP is designed to represent a functional economic area.

LEPs are responsible for developing and maintaining their Strategic Economic Plan and determining the key funding priorities to which the Local Growth Fund and other resources should be directed. They identify barriers and solutions to growth and work with local partners to improve the local business environment.

This assessment will result in the classification of LEPs in the context of the rules laid out in the ESA 2010 and accompanying MGDD.

3.3 UK visa fees

Current classification: fees (payments for non-market output)

Reason for assessment: policy

Potential impact on fiscal aggregates: medium

Potential impact on national accounts: small

Expected completion: within six months

Visa fees are charged for placing an endorsement within a passport that grants the holder official permission to enter, leave or stay in UK for a specified time period. UK visa fees vary depending on the type of visa application.

This assessment will result in the classification of the various UK visa fees in the context of the rules laid out in the ESA 2010.

3.4 Welsh Revenue Authority

Current classification: not classified

Reason for assessment: new body

Potential impact on fiscal aggregates: small

Potential impact on national accounts: small

Expected completion: within six months

The Welsh Revenue Authority (WRA) will be responsible for the collection and management of some Welsh devolved taxes from April 2018. WRA will support the development of Welsh Government tax policy and provide information, advice and assistance about devolved taxes to Welsh Ministers and taxpayers.

This assessment will result in the classification of WRA in the context of the rules laid out in the ESA 2010 and accompanying MGDD.

3.5 Scottish Fiscal Commission

Current classification: not classified

Reason for assessment: new body

Potential impact on fiscal aggregates: small

Potential impact on national accounts: small

Expected completion: within six months

The Scottish Fiscal Commission (SFC) informs the Scottish Government's budget by preparing independent forecasts and assessments. It is responsible for preparing reports containing five-year forecasts of receipts from devolved taxes including Non-domestic Rates Income, Land Buildings and Transactions Tax, Scottish Landfill Tax, Air Passenger Duty and Income Tax.

This assessment will confirm the classification of SFC in the context of the rules laid out in the ESA 2010 and accompanying MGDD.

3.6 Remploy Limited

Current classification: Public non-financial corporation (S.11001)

Reason for assessment: new body

Potential impact on fiscal aggregates: small

Potential impact on national accounts: small

Expected completion: within six months

The mission of Remploy is to transform the lives of disabled people by increasing access to employment opportunities and supporting individuals to find, remain and progress in work. On 7 April 2015, Remploy's classification status was being reviewed as it was sold to MAXIMUS Companies Limited, a wholly-owned subsidiary of MAXIMUS Incorporated, which is a company incorporated in the US and listed on the New York Stock Exchange.

3.7 Soft Drinks Industry Levy

Current classification: not classified

Reason for assessment: transaction

Potential impact on fiscal aggregates: medium

Potential impact on national accounts: small

Expected completion: within six months

The new Soft Drinks Industry Levy was introduced in April 2018 and applies to the producers and importers of soft drinks that contain added sugar. It has a lower rate, which applies to added sugar drinks with a total sugar content of 5 grams or more per 100 millilitres, and a higher rate for drinks with 8 grams or more per 100 millilitres.

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