Office for National Statistics

Article

Economic statistics sector classification – classification update and forward work plan: December 2023

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

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1 . Overview of the economic statistics sector classification update

Our economic statistics are produced in accordance with international rules and guidance. Central to this are the rules set out in the United Nations System of National Accounts (SNA) 2008, the European System of Accounts (ESA) 2010 and the accompanying Manual on Government Deficit and Debt (MGDD) 2022. 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 classifications web page.

Our Forward work plan dataset (XLSX, 128KB) sets out the organisations and transactions that we expect to assess and classify in the next 12 to 18 months. Please note that classification priorities can change quickly, and the expected dates of completion are only indicative at the time of publication.

There is high demand for classification assessments, and we progress many active cases at the same time, with new cases often arising. These include confidential assessments of government and devolved administration policy proposals, as explained in our Classification process methodology.

We do not announce or discuss such policy proposal assessments to give policymakers the space to develop policy. As with other classification decisions, when a policy is implemented, it will be classified and included in the Public sector classification guide dataset (XLSX, 614KB). During 2023, we reviewed four individual policy proposals for the first time, and provided advice on their provisional classification. This was based on the information supplied by government departments.

We now use the more transparent and accessible format of our Public sector classification guide. If you have any comments on the new structure, please email us at econstats.classifications@ons.gov.uk.

The forward work plan does not cover all cases that will arise over the next 12 to 18 months. Cases that are likely to have a smaller statistical and policy impact will be assessed as resources allow. The cases scheduled in this article have been prioritised because of the impact they will have on important statistics, and their importance to public policy.

Adoption of Updated International Statistical Guidance

The National Statistician has approved the recommendation of the National Statistician's Committee for Advice on Standards for Economic Statistics (NSCASE) to adopt the 2022 edition of the MGDD. This is with the provision that any emerging evidence of a clear diversion from UK methodology and international best practice can be brought to NSCASE meetings as separate agenda items. Classification decisions have previously referred to the 2019 edition of the MGDD.

For reference, the UK Statistics Authority published the decision on 22 September 2023 (PDF, 103KB), which is located on their webpage recording committee minutes.

2 . Forward work plan

There is one deletion to the forward work plan this month (December 2023). This is the removal of the Warm Home Discount Scheme.

3 . Classification update

Warm Home Discount scheme (England and Wales)

Payment to core group 1 and core group 2 eligible domestic customers

The Energy Act 2010 (the Act) provided a framework to mandate eligible energy suppliers to provide support to core group 1, low-income pensioners, and core group 2, households on low incomes and with high energy costs.

The Act enabled the Warm Home Discount (WHD) scheme, which came into effect on 1 April 2011 through The Warm Home Discount Regulations (2011). These regulations enabled energy suppliers to recover these additional costs from all their domestic customers, through increased energy bills.

Following the Energy White Paper published in December 2020, the UK government proposed an expansion, extension and reform of the scheme in England and Wales. As such, the UK government has introduced new regulations for the scheme years from the financial year ending 2023 to the financial year ending 2026, in The Warm Home Discount (England and Wales) Regulations (2022), which included the introduction of core group 2 households.

The scheme was established within the remit of general social policy, and the background of the scheme is linked to specific low-income considerations. The scheme provides support to households who are in receipt of the guarantee credit element of Pension Credit, and also means-tested, low-income households (see European System of Accounts (ESA) 2010, 4.85).

For a transaction to be classified as part of a social policy, it is typically paid to households by government or non-profit institutions serving households. As the payment is made by obligated energy suppliers, for the purpose of statistical recording, there is a need for rearrangement to bring out the underlying economic reality. Therefore, the energy suppliers are fulfilling their obligations under the WHD scheme as stated in The Warm Home Discount Regulations (2011). In such a situation, the energy suppliers are acting as an agent of government (see Manual on Government Deficit and Debt (MGDD) 2022, 1.2.4.5.2).

The assessment concluded that there was not a strong link between these payments and the examples of goods and services provided under a social transfer in kind (D.632) in ESA 2010, 4.110.

Therefore, this payment under the WHD scheme (England and Wales) has been classified as a social assistance benefit in cash (D.623) from the central government subsector (S.1311) to the households sector (S.14). The payment is to meet a social policy need, as defined in ESA 2010, 4.84, and is provided through energy suppliers. This classification applies from 1 April 2011, the date The Warm Home Discount Regulations (2011) came into effect.

Payment from all domestic customers to fund the payment to eligible domestic customers

The payment made by all households registered with a licensed energy supplier to fund the payments to eligible households, is compulsory and unrequited and therefore a tax. This payment is redistributed to eligible low-income and vulnerable households through energy suppliers. Taxes can only be levied by government. Therefore, in the context of transactions carried out by non-government units, this is an example, for the purpose of statistical recording, where a rearrangement is appropriate. This is because the transaction has the characteristics of redistributing wealth (see MGDD 2022 1.2.4.5.4, 118).

As such, the payment from all households to fund the payment to eligible households under the WHD scheme (England and Wales) is classified as other current taxes (D.59, see ESA 2010, 4.79). It is paid by the households sector (S.14) to the central government subsector (S.1311), and rearranged through the energy suppliers. This classification is applicable from 1 April 2011, the date The Warm Home Discount Regulations (2011) came into effect.

Health Data Research UK

The Office for National Statistics (ONS) assessed the classification of Health Data Research UK (HDR UK), which is the national institute for health data science.

The assessment concluded that, in accordance with United Nations System of National Accounts (SNA) 2008, 4.2 and ESA 2010, 2.12, HDR UK has the requisite autonomy of decision to be an institutional unit.

In accordance with SNA 2008, 4.92 and ESA 2010, 20.15, the assessment also concluded that HDR UK is under public sector control. This is primarily because of the ability of UK Research and Innovation (UKRI), a central government body, to veto decisions relating to the reserved matters outlined in the entity's Articles of Association. The reserved matters include important aspects of HDR UK's general policy, such as changing or amending the Articles of Association, and extending or materially amending HDR UK's activities beyond the scope of its objects. Trustees cannot take decisions relating to the reserved matters without prior unanimous approval of its two members, one of which is UKRI.

The assessment further concluded that HDR UK is a non-market producer, as it does not cover 50% of its costs from sales.

As such, HDR UK has been classified to the central government subsector (S.1311). This decision is effective from 27 July 2017, the date on which HDR UK was incorporated.

Professional Standards Authority for Health and Social Care

The Professional Standards Authority for Health and Social Care (PSA), established by the Health and Social Care Act 2012, is a body that aims to protect the public by raising standards of the regulation and registration of people working in health and care within the UK. It replaces the Council for the Regulation of Healthcare Professionals.

The assessment concluded that, in accordance with SNA 2008, 4.2 and ESA 2010, 2.12, the PSA has the requisite autonomy of decision to be an institutional unit. The PSA is subject to public sector control in accordance with SNA 2008, 4.77 and ESA 2010, 20.309. This is because the chair of the PSA is appointed by the Privy Council (the Council members are mostly composed of senior politicians). Three non-executive members are also appointed by the Privy Council, and the Scottish Ministers, Welsh Ministers, and the Northern Ireland Department of Health appoint one non-executive member each.

The assessment also concluded that the PSA is a non-market producer. This is because the PSA obtains most of its income from non-market fees paid by regulators, who set standards for the training and conduct of health and social care professionals. Therefore, it does not meet the criteria for being a market producer (ESA 2010, 20.29 (c)).

As such, the PSA has been classified to the central government subsector (S.1311). This is effective from 1 December 2012, the date on which the PSA was established as part of the Health and Social Care Act 2012.

Professional Standards Authority for Health and Social Care Regulator Charge

We also assessed the classification of the regulator charge associated with the PSA. The Health and Social Care Act 2012 made provision for a statutory charge to be paid by the regulators to the PSA.

The assessment concluded that the PSA regulator charge is compulsory and requited, and in proportion to the service being provided by the PSA to the bodies (regulators) it regulates. The charge was established in the previously mentioned legislation and the PSA provides a regulatory function.

Therefore, the PSA regulator charge has been classified as a payment for non-market output (P.131). This is effective from 1 December 2012, the date on which the Health and Social Care Act 2012 established the PSA.

4 . Related links

Economic statistics classifications - Office for National Statistics
Web page | Updated periodically
Classification decisions taken in recent years, documentation on the classification process and a list of entities and their classification in the UK National Accounts.

Forward work plan
Dataset | Updated monthly
A plan which sets out the organisations and transactions that the Office for National Statistics (ONS) expects to assess and classify in the next 12 to 18 months.

Public Sector Classification Guide
Dataset | Updated monthly
An updated guide providing a list of bodies that have been classified by the Office for National Statistics (ONS) as public sector bodies within the National Accounts.

5 . Cite this article

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