Office for National Statistics

Article

Ensuring confidence in the economic statistics classification process, current and upcoming work: October 2024

Current economic statistics classification process, summary. Includes plans to ensure ongoing quality and user understanding.

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1 . Overview of UK economic statistics sector and transaction classifications

This article provides an update on the development plans for the process for the classification of UK institutional units and transactions. This follows a review by the Office for Statistics Regulation (OSR) as part of their wider review to assure confidence in Economic Statistics. The OSR has identified and published six requirements that the Office for National Statistics (ONS) must meet to maintain the quality of the classifications decision-making process.

The ONS economic statistics classification processes are used to ensure robust classifications of transactions (including taxes, fees and charges) and institutional units to produce good-quality national accounts that are internally consistent and comparable across the world. All institutional units operating within an economy are classified to an institutional sector (for example, as non-financial corporations, general government units or households). All transactions between the sectors of the economy are also categorised as part of the National Accounts framework.

These decisions are informed by the application of international statistical guidance contained within the United Nations System of National Accounts (SNA) 2008, along with the European System of Accounts (ESA) 2010 and the accompanying Manual on Government Deficit and Debt (MGDD) 2022, where useful and appropriate. Correctly classifying units and the transactions they engage in is therefore an integral and important part of the production of the National Accounts.

The classification of institutional units and transactions between them also inform other statistics produced by the ONS. These include labour market statistics, trade statistics, and the public sector finances and government deficit and debt statistics. Our UK economic statistics sector and transaction classifications: the classification process methodology describes the process that the ONS follows to reach classification decisions that relate to the public sector and that are published in our Public Sector Classifications Guide (PSCG). The process also applies to the classification of transactions and to government policy proposals.

Within this article, we will outline upcoming work that reflects requirements identified by OSR. This work aligns with existing ongoing workstreams to deliver our Forward Work Plan. Changes to the availability of resources, and the priorities of both the ONS and our users, may result in changes to this plan.

2 . Planned improvements to the economic statistics classification process

The Office for Statistics Regulation (OSR) outlined six requirements in its Spotlight on Quality assessment report. This section details these requirements and the actions the Office for National Statistics (ONS) intends to take to fulfil them.

Succession planning and staff retention

Requirement one

In order to ensure that capability in classifications is sustainable, ONS should develop and implement a plan covering succession planning, talent pipeline and retention of staff members who have accumulated critical substantive expertise in classifications.

Response to Requirement one

By September 2025, the Economic Statistics Classifications team will develop a plan to sustainably maintain a pipeline of upcoming talent, including consideration of how this will enable succession planning for roles on the team. The plan will ensure that the team continues to retain critical substantive expertise, addressing comments set out in the OSR review.

The plan will also include actions that the ONS will take to retain staff members with critical expertise in classifications. The process for developing this plan will involve discussions, with internal and external experts, to assess best practice in succession planning, establishing talent pipelines, and retaining staff.

While work to develop and implement this plan is underway, the ONS will continue to use internal development pathways to support the Economic Statistics Classifications team to identify capability gaps and address them via training and staff development. These 18-month pathways are structured in 6-month learning and development modules and are designed to help members of the team accumulate knowledge in a range of fields, including:

- classification topic areas

- Government Finance Statistics

- the National Accounts

- international guidance on economic statistics

The team will also continue to recruit, when appropriate, to the Economic Statistics Classifications Committee, and share these opportunities internally, to ensure there is a consistent intake of talent. Read more about the [Committee here](#)

Accessing independent technical advice and international relationships

Requirement two

To ensure that the Classifications Team has an in-depth understanding of new standards and access to the work of peers working on comparable classification cases, to better inform its work, ONS should effectively develop and enhance the use of its international relationships. These arrangements should be clearly communicated to stakeholders.

Requirement three

To ensure that the quality of decision-making remains continuously high, ONS should strengthen its arrangements for accessing technical expertise to provide independent advice on complex, precedent-setting or highly specialized classification decisions. These arrangements should be clearly communicated to stakeholders.

Response to Requirements two and three

Although some connections were already established, in August 2024, the Classifications team began additional work with the ONS International Relations team. This work identified National Statistics Institutes with which we could explore closer partnerships to support accessing independent advice and technical expertise. There are many factors to consider when establishing these partnerships, including where decisions on the classification of government and public units are made based on differing guidance, with some international institutions using different frameworks. With each partner, the Economic Statistics Classifications team will explore common classification challenges, comparable classification cases, and identify relevant projects through which we can inform our work and the work of our partners.

In addition, the UK Statistics Authority has negotiated a draft Memorandum of Understanding (MoU) with Eurostat under the Trade and Cooperation Agreement (TCA) between the UK and EU. This was signed in October 2024 (see our [co-operation with Eurostat blog](#) for further details) and makes provisions under Article 714 (UK participation in EU programmes) and Article 730 (general statistical cooperation with Eurostat). The MoU will facilitate engagement with Eurostat and the development of bilateral links with peers in EU countries; the Economic Statistics Classifications team will explore how this MoU can enable further international engagement on cross-cutting classifications decisions.

To support continued high-quality decision making, the ONS will also strengthen its arrangements for accessing independent technical expertise for complex, precedent-setting or highly specialised classifications decisions. The team is currently exploring options to facilitate access to technical advice, such as setting up a new Technical Advisory Panel, along similar lines to the successful [Technical Advisory Panel on Consumer Prices](#). Where there are substantial changes to the Classification process, materials detailing these changes, such as the [UK economic statistics sector and transaction classifications: the classification process methodology](#), will be updated to ensure that these arrangements are clearly communicated to stakeholders.

Understanding and transparency of classifications decisions

Requirement four:

To continue improving the understanding and transparency of its classification decisions, ONS should enhance its communication approach. Efforts here should include:

- improvements to engagement, for example with the OBR and with affected non-ONS statistics producers

- better integration of the monthly release, the Public Sector Classification Guide (PSCG) and the Forward Work Plan (FWP), in the form of improved sign posting, harmonisation of consistent messaging and making the latest month's decisions easier to find in the PSCG

- expanding the regularity of technical articles and compendium articles

- investigating the use of more-innovative methods of disseminating information

- renaming the PSCG to better reflect its purpose and use

Response to Requirement four

At the time of the OSR's review, the ONS published the following classifications outputs monthly:

- our [Public sector classification guide (PSCG)](#)

- our Forward Work Plan (FWP)

- Economic Statistics sector classification

- Recent and upcoming changes to public sector finance statistics

From July 2024, we have discontinued the separate publication of the [Recent and upcoming changes to public sector finance statistics article](#), and the [Economic statistics sector classification - classification update and forward work plan article](#), instead publishing the Economic statistics classifications and developments in our [Economic statistics classifications and developments in public sector finances: September 2024 article](#). This streamlined bulletin provides a summary of the most recent economic statistics classification decisions, as well as transparency around our current methodology work to develop public sector finance (PSF) statistics, including the implementation of classification decisions into PSF. The consolidation of these publications into a single release enables more consistent messaging across recent classifications decisions and their impact on fiscal aggregates.

When undertaking a classification decision (explained in our [UK economic statistics sector and transaction classifications: the classification process methodology](#)), the Economic Statistics Classifications team engages with organisations undergoing assessment to:

- obtain feedback on their understanding of the classifications process

- ensure they contact HM Treasury or the relevant devolved government, to discuss the implications of a classification decision

The queries received during this process are monitored and any trends in frequently asked questions are used to inform the technical articles and compendium articles that are of benefit to users and stakeholders. For example, in August 2024, the team published our [Statistical classification to the public sector article](#), which explains why entities are classified to the public sector, and the concept of public sector control and how this differs from the notion of independence. This was accompanied by our [Public sector or private sector blog post](#), which is accessible to a wide range of readers. It describes how the ONS makes decisions regarding whether organisations are considered part of the public or private sector for economic statistical purposes, and the impact of these decisions.

We will continue to expand on the information provided to users to support their understanding of the process and implications of classification decisions. We will use their queries to identify gaps and adapt materials, such as our regular publication, to better signpost or explain elements of the decision-making process. Where users of our publications have feedback, we welcome queries to our team inbox (econstats.classifications@ons.gov.uk). This feedback will be used to make continuous improvements to our communications.

We will engage regularly with government policy areas affected by classifications decisions to increase transparency around classifications decisions. We will extend this to the Office for Budget Responsibility (OBR) and non-ONS statistics providers, where appropriate.

To meet the OSR's requirement to rename the Public Sector Classification Guide (PSCG) to better reflect its purpose and use, we will consult with important stakeholders on the naming by the end of February 2025, actioning changes as soon as is feasible.

Implementation of classification decisions

Requirement five:

To ensure that users have a better knowledge of progress around implementation, ONS should communicate more openly about how the implementation of the suite of classification decisions is progressing, including, for example, in the monthly classification outputs.

Requirement six:

ONS should assess implementation at an earlier stage in the classifications process; this work should be done independently of the Classification Committee. Also, to ensure that the implementation of classification decisions better meets user needs, ONS should speed up implementation, within the constraints of wider prioritisation.

Response to Requirements five and six

The implementation of classifications decisions involves many teams from across the organisation. To clarify this process, the Economic Statistics Classifications team will assess the benefit to stakeholders of extending our UK economic statistics sector and transaction classifications: the classification process methodology to document and explain the process of implementing classifications decisions in more detail. The ONS will also develop accompanying materials, including digital options, such as webinars where feasible, to support stakeholders' understanding of this process.

Many economic statistic classification decisions are implemented by the relevant government departments into data received by the ONS, with data flowing automatically through to the Public Sector Finances and the National Accounts. The impact of these classifications decisions is not always separately identifiable. For classification decisions that require additional work to implement into economic statistics, we will explore options to publish updates on implementation progress within each financial year, to improve transparency surrounding classifications decisions to better meet user needs. From this year, we will include a section in our UK National Accounts: The Blue Book release, which summarises the classification decisions that have been implemented into the National Accounts. We will also publish information that outlines the main differences between Public Sector Finances and National Accounts data with regards to the implementation of classification decisions.

Furthermore, the team is collaborating across the Economic, Social and Environmental Statistics Group to review the internal processes for implementing classification decisions into both the National Accounts and Public Sector Finances. Using this information, and experience of previously implemented changes and their impact on fiscal aggregates, the Economic Statistics Classifications team is creating overarching guidance, which can be used to understand the likely impact of implementing classifications decisions at an earlier stage in the process. This will also support the team in assessing the scale of work associated with implementation, which can be reflected in estimated timescales. This will facilitate better planning, documentation, and coordination of the process to implement classifications decisions.

3 . Provide feedback

We will review our workplans regularly and are keen to hear from users of our classifications process information, and published data on classification decisions to understand your requirements and help us develop our statistics further.

Please email econstats.classifications@ons.gov.uk with any feedback or suggestions on our work on economic statistics classifications, or on this article.

4 . Related links

[Economic statistics classifications](#)
Methodology | Published 16 July 2024
Describes the process the Office for National Statistics (ONS) follows to reach classification decisions that relate to the public sector and are published in the Public Sector Classifications Guide (PSCG).

[Public sector classification guide and forward work plan](#)
Methodology | Published 22 October 2024
Sets out the organisations and transactions that we expect to assess and classify in the next 12 to 18 months.

[Ed Humpherson to Mike Keoghan: Review on "Ensuring confidence in the economic statistics classifications process"](#)
Web page | Published 23 July 2024
Letter on the Review on "Ensuring Confidence in the Economic Statistics Classification Process" from Director General for Regulation, Office for Statistics Regulation to the Deputy National Statistician and Director General for the Economic, Social and Environmental Statistics Group, ONS.

[Spotlight on Quality: Assuring Confidence in Economic Statistics](#)
Web page | Last updated 07 August 2024
Explains recent work to ensure the quality of economic statistics published by the ONS. Describes ongoing work to assess statistics against the Code of Practice for Statistics and to review the process for economic statistics classification.

[Arrangement marks a new era of statistical cooperation with Eurostat](#)
Blog post | Published 09 October 2024
National Statistician, Sir Ian Diamond, explains how a new arrangement on statistical co-operation marks a reset in our working relationship with Eurostat, following the end of the Office for National Statistics's membership of the European Statistic System in 2020.

[Spotlight on Quality: Ensuring Confidence in the Economic Statistics Classification Process](#)
Web page | Released 23 July 2024
Explains how the Office for Statistics Regulation (OSR) quality assures the UK statistical system, with a specific focus on economic statistics, public sector classifications and the management of stakeholder relationships.)

5 . Cite this article

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