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Dear Sir/Madam,

**Independence for statistics: A consultation document**

Your letters of 22 March to several Bank of England officials invited comments on the proposals contained in the above document. What follows is a collective reply on behalf of the Bank to the *Options for Reform* outlined in Section 4 of the document. I remind you that the Bank is, of course, a supplier of monetary and financial statistics to the ONS and the public, as well as a key user in pursuit of its core purposes of maintaining monetary and financial stability. The comments below accordingly reflect this dual role.

***Detailed Options for Reform***

**Non-ministerial department (4.11–4.12).** We strongly support this, which we believe will enhance the credibility of UK statistics.

**Scope of system (4.14–4.15).** We understand that the Bank – which presently provides monetary and financial statistics to the ONS under a ‘firm agreement’ – lies outside the proposed arrangements for assessment by the new Board of other departmental ‘National Statistics’. Nevertheless, we accept that Bank statistics used by ONS should be subject to review by the Board and believe that, under the present ‘firm agreement’, these would more than meet the required standards. Of course, the new Board and the Bank could review and renegotiate the ‘firm agreement’ should that be deemed necessary.

Para. 4.15 appears to imply that Ministers will have a veto over which statistics should be treated as National Statistics. What is the justification for this, which appears to run against the broad thrust of the proposals, which it to make the provision of statistics more independent of Government?

***The Board***

**Statutory high-level responsibilities (4.17–4.18).** We would wish to clarify that the scope of the proposed high level responsibilities relating to integrity and quality of statistics, and to efficiency

and business burden, extend only to statistics produced within government and do not encompass the Bank's statistics, lest that conflict with the Bank's existing powers and responsibilities over its statistics (some of which are enshrined in the *Bank of England Act*; see also below).

**Assessing quality and integrity (4.20-4.21).** We would welcome the application of a proportionate and risk-based approach to the assessment of statistics if this process is to be applied to Bank inputs into ONS statistical outputs.

**Data access to improve statistics (4.26).** The Bank would in general support the case for extended intra-government access to administrative data in order to improve the quality and efficiency of production of statistics, subject to suitable safeguards. In the event that greater access was adopted, the Bank has particular interest in access to the Inter-Departmental Business Register in order to improve the accuracy of classification of sectoral banking data. However, we would note that granting access to Bank data to other government agencies, should that be deemed desirable, might first require amendment of the *Bank of England Act*.

**Pre-release arrangements (Box 4 at 4.29).** At present, the Governor has early access to certain ONS data for the purposes of monetary policy, which he shares with the Monetary Policy Committee (MPC) when they are germane to the interest rate decision. On occasions, selected Bank staff are also provided with early access to official data to facilitate preparation for an imminent MPC meeting. This access is valuable to MPC and ideally we would like it to continue. However, we do recognise that narrowing, or even eliminating, existing arrangements for Ministerial pre-release access might have significant benefits on the public's perception of the integrity of the statistical process, which might outweigh the gains in policy formulation. One possibility, which would continue to permit advance access for decision-making purposes but would limit the potential abuse of this privilege in the form of pre-release 'spinning', might be to apply a variant of the Bank's 'Purdah' arrangements (which forbids public pronouncements by MPC members around the time of interest rate decisions) to Ministerial pronouncements on statistics.

**Roles of Chair, Chief Statistician and Board (4.31-4.32).** The precise set-up remains somewhat unclear to us – in particular is it closer to the Bank model or the FSA model? Paras. 4.17-4.19 imply that key decisions are for the Board, while paras. 4.31-4.32 describe the Chair as a non-professional non-executive and the Chief Statistician as Chief Executive Officer. Notwithstanding para. 4.19, this does not sound 'akin to the role of the National Statistician that exists under the current framework'. Who would be the public face of the ONS? If this is (plausibly) to be the Chief Statistician, how is this consistent with the considerable powers entrusted to the ONS Board on matters requiring professional competence? The set-up sounds more like the FSA (where the key public figure is the Chairman, not the Chief Executive Officer) than the Bank (where it is the other way round).

**Parliament (4.38–4.39).** While this is a matter for Parliament, our view is that the Treasury Select Committee (TSC) has provided an effective forum for discharging accountability for monetary policy. However, statistics is an even more technical field than economics and the TSC may wish to consider supporting the main committee's work with more specialist arrangements, such as a special sub-committee on certain aspects of statistics.

### ***Funding***

**Funding (4.42–4.45).** Special funding arrangements outside the normal spending review process, which would provide the ONS with a stable financial environment in which to plan and implement modernisation over a realistic timetable and to order priorities, are highly desirable. The five-year funding arrangement under the CRD scheme has been crucial in allowing the Bank to build its

technical capacity, and we would expect the ONS similarly to benefit from such longer-term stability.

### ***Additional Consequences***

**Legal ramifications (4.51).** The Bank's data gathering powers are established in the *Bank of England Act*. The Bank's powers to obtain information are limited to purposes necessary for the conduct of monetary policy, covering a defined set of institutions and relating to a defined set of data. The *Act* restricts the disclosure of information obtained by the Bank, except for a number of prescribed purposes when disclosure to other public bodies is permitted. There are several of these, including disclosures to ONS for the ONS's functions under the *Statistics of Trade Act*, as well as disclosures to FSA and to other regulatory bodies for their corresponding regulatory functions. A number of our comments above relate to whether the scope of the new Board's powers will extend to the Bank of England. Our expectation is that the Bank's data gathering powers and the restrictions on disclosure under the *Bank of England Act* will remain unaffected by the proposed new ONS legislation. To the extent that this not the case, amendment of the *Act* might be necessary.

I trust these collective comments will be of help in taking this valuable initiative forward.

Yours Sincerely,

