Quality and Methodology Information

General details

Title of output: Public Sector Finances and Government Deficit and Debt under the Maastricht Treaty
Abbreviated title: PSF and EDP
Designation: National Statistics
Geographic coverage: UK
Date of last SQR or QMI*: August 2012
Contact details: psa@ons.gsi.gov.uk

Executive summary

This report provides information on the quality of data provided in the publications related to the Public Sector Finances (PSF) bulletin and the Government Deficit and Debt under the Maastricht Treaty bulletin.

Under EU law, both data sets are compiled in accordance with the standards set out in the European System of Accounts (ESA). From September 2014, the PSF and EDP publications will be based on ESA2010 (rather than ESA95). The impact of this move is explained later in the Concepts and definitions section.

The PSF statistical bulletin reports on financial statistics based on expenditure and receipts by the public sector for UK purposes. The headline measures are the Public Sector Current Budget Deficit, Public Sector Net Borrowing, Public Sector Net Cash Requirement and Public Sector Net Debt. These statistics are presented in pounds sterling and as a percentage of Gross Domestic Product (GDP).

The statistical bulletin is a monthly publication produced jointly by ONS and HM Treasury (HMT) and based on the National Accounts framework. It is compiled using administrative data from central and local government departments and annual reports of public corporations.

From September 2014, ONS public sector finances statistics are provided under two definitions:

- the first basis includes the impact of public sector banking groups. The new definition relates to the changes in the treatment of assets and transactions unrelated to public sector banks for measures of debt and borrowing. To understand the terms in more detail see Developments to Public Sector Finances Statistics – June 2014 update; and
- the second excludes the effects of the public sector banking groups.

The Government Deficit and Debt Maastricht statistical bulletin provides quarterly, financial year and calendar year data for the purpose of international comparability. The main statistics are:

- UK general government debt;
- UK general government deficit (or net borrowing);
- the non-financial accounts of the general government sector; and
- the financial accounts and financial balance sheet of the general government sector.

* Quality and Methodology Information’ (QMI) replaced ‘Summary Quality Reports’ (SQR) from 04/11
The key methodological and quality documents are:

- **PSF Sources and quality assurance procedures**;
- **Public Sector Finances excluding financial interventions**; and
- **The Eurostat Manual of Government Deficit and Debt**.

This document contains the following sections:

- Output quality;
- About the output;
- How the output is created;
- Validation and quality assurance;
- Concepts and definitions;
- Other information, relating to quality trade-offs and user needs; and
- Sources for further information or advice.

**Output quality**

This document provides a range of information that describes the quality of the data and details any points that should be noted when using the output.

ONS has developed **Guidelines for Measuring Statistical Quality**; these are based upon the five European Statistical System (ESS) Quality Dimensions. This document addresses these quality dimensions and other important quality characteristics, which are:

- Relevance;
- Timeliness and punctuality;
- Coherence and comparability;
- Accuracy;
- Output quality trade-offs;
- Assessment of user needs and perceptions; and
- Accessibility and clarity.

More information is provided about these quality dimensions in the sections below.

**About the output**

**Relevance**

(The degree to which statistical outputs meet users’ needs.)

Public Sector Finance statistics for the UK have been developed to meet user needs. Firstly, by adopting the ESA framework and secondly, as a response to the financial crisis that began in 2007. Between 2007 and August 2014, statistics were presented on an ‘including’ and ‘excluding’ financial intervention basis. In response to a review of these measures (completed in February 2014), public sector finance statistics will be presented on a simplified basis. From September 2014, ONS will produce statistics based on the inclusion and exclusion of public sector banks.

OBR, HMT, City analysts, research institutes and the media use the data as a measure of key public sector financial statistics such as Public Sector current budget deficit, net borrowing, net cash requirement, net debt and net debt as a percentage of GDP.

The data included in the PSF and Government Deficit and Debt Maastricht statistical bulletins are used to analyse the current economic and fiscal climate.

HMT and OBR use the data as a means of assessing performance against the Government’s fiscal targets. The estimates influence decisions on economic and fiscal policy. Other users such as the Bank of England, analysts, investors and researchers use the data to assess government control and handling of the economy and to anticipate movements in the financial and non-financial markets.

PSF data are also supplied to and analysed by, influential international organisations and agencies such as the Organisation of Economic Countries Development (OECD), International Monetary Fund (IMF) and the European Central Bank (ECB).
The European Commission uses public sector financial statistics aligned with the quarterly National Accounts data to monitor performance against the Maastricht Treaty and the Stability and Growth Pact through the Excessive Deficit Procedure (EDP).

For further information on data users see Users of Government Finance Statistics.

Wider user needs are covered later in the Assessment of user needs section.

The administrative data used to compile these publications come from numerous sources including:

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<th>Source</th>
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<tr>
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<td>• Government Cash Requirement</td>
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<td>• Local Government net cash requirement</td>
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Timeliness and punctuality
(Timeliness refers to the lapse of time between publication and the period to which the data refer. Punctuality refers to the gap between planned and actual publication dates.)

The PSF Statistical bulletins are compiled between the 1st working day of the month and the 13th working day, generally published 15 working days after the end of the reference month and consistently meet the 09:30 release time. When the 15th working day is a Monday, publication is delayed until the Tuesday to enable those with pre-release access to receive early sight of the bulletin on a working day.

The Government Deficit and Debt under the Maastricht Treaty Statistical bulletin is published twice yearly on the last working day in March and September.

For more details on related releases, the Gov.Uk is available online and provides 12 months’ advance notice of release dates. In the unlikely event of a change to the pre-announced release schedule, public attention will be drawn to the change and the reasons for the change will be explained fully at the same time, as set out in the Code of Practice for Official Statistics.

How the output is created

A large amount of administrative data are provided on spreadsheets by our suppliers while a small amount of data (predominantly gilts, PC and Bank of England borrowing data) taken from published sources.

Data suppliers are responsible for ensuring that the data are of appropriate quality for their own purposes and ONS has assured itself that these data meet the necessary legal requirements for robust data on public sector finances. In addition, there is a close and constant working relationship between ONS and HMT as the PSF bulletin is a joint publication. A quality assurance meeting between ONS and HMT is held on or around the 13th working day of the month.

The source data are used to compile aggregate data series for which checks on consistency and accuracy are performed. These mainly focus on identifying and explaining any:

- missing data;
- significant revisions; and
unusual growth rates.

Any anomalies are referred to and discussed with suppliers. Due to the nature of these data (for example, departmental spend and tax data) our suppliers either collect data from the total unit population or, in the case of taxes, what come in. Consequently, imputation and estimation are not appropriate. If there are any missing financial data then forecast data are used.

Compilation of the data included in Government Deficit and Debt under the Maastricht Treaty takes place in the weeks leading up to publication and largely uses the same data sources as used for the PSF. The methods applied follow guidance provided in the Manual on Government Deficit and Debt 2010, which supplements and augments ESA10 in relation to EDP requirements. Eurostat provides templates for key data to be supplied, which incorporate validation tools and other consistency checks.

Due to the level of aggregation and the fact that the data are published separately by the suppliers, disclosure is generally not an issue for PSF and EDP. If a disclosure issue does arise it is resolved and explained in a published article.

Further information on methodological issues concerning statistics on PSF is available through the methodological guide. All methods used to compile data in the bulletins are referenced under ESA10 and SNA08.

Validation and quality assurance

Accuracy
(The degree of closeness between an estimate and the true value.)

The PSF/EDP data is assessed by the magnitude of revisions to data made after their initial release. The results of revisions analysis are regularly presented in the background notes of the PSF statistical bulletin and revisions spreadsheets, containing the data underlying these analyses, are made available on the ONS website. The PSF has an open revision policy which facilitates the provision of up-to-date estimates for all periods. All estimates are provisional when first published. As time passes the data are revised and become more accurate and reliable.

The following methodology is applied to PSF statistics compiled on an ESA95 basis. Three months beyond the relevant period, the overall errors and omissions in estimates for the entire public sector of the National Accounts, as well as each sub-sector, will usually be less than 0.1% of annual GDP (that is, less than £1 billion) for each quarter, calendar year and financial year. Revisions analysis, based on rolling 60-month series of published data, indicates that the average revision between first estimate and one year later (without regard to a positive or negative sign) for the inclusive measures of Public Sector Net Debt and Public Sector Net Borrowing have not been statistically significantly different from zero over a prolonged period.

With the move to ESA10 there will not be a rolling 60-month series of published data from which to analyse revisions. ONS are currently investigating future short-term and long-term revisions methodology based on a similar statistical principle.

Classification decisions applied retrospectively or large events affecting the public sector finances are described and the impact included in the PSF publication. This allows users to assess the impact of changes in the data sets beyond data revisions.

ONS is continually examining methodological changes with a view to improving the accuracy of information provided in the statistical bulletins. However, most sources for public expenditure and income are administrative and are not, therefore, subject to sampling error.

Coherence and comparability
(Coherence is the degree to which data that are derived from different sources or methods, but refer to the same topic, are similar. Comparability is the degree to which data can be compared over time and domain for example, geographic level.)

Local government banking data are received from both the Bank of England (BoE) and the Department for Communities and Local Government. The Local Authorities provide estimates and the BoE confirm actual receipts. In the event of discrepancies, the Bank of England data are regarded as the definitive source until the data can be reconciled.
When methodological changes are introduced, every effort is made to ensure that all previous data are amended to make a directly comparable time series. Structural changes in the economy, such as privatisation and nationalisation, which lead to reclassifications inevitably lead to occasional step changes. The effects of incorporating data for Royal Bank of Scotland and Lloyds Banking group, following their classification to the public sector, are a case in point.

The PSF open revisions policy ensures consistent time series are produced.

The PSF statistical bulletin differs from other National Accounts publications as it reflects a more flexible approach to revising data. The aim is to incorporate the most up-to-date information for all time periods and revisions can be included for any time periods. As a consequence, data presented in the PSF bulletin may sometimes be inconsistent with published GDP data. Typically this results from the inclusion of revised data in the PSF statistical bulletin that are not incorporated into GDP estimates until a later date, in accordance with National Accounts' more restrictive revisions policy. When Blue Book revisions policy allows for significant historical periods to be revised, an alignment process is undertaken to ensure that quarterly data presented in the PSF statistical bulletin, and quarterly National Accounts estimates published for institutional sectors/sub-sectors (such as central government and local government) are consistent and coherent.

PSF statistics are compiled in accordance with ESA10, as required by EU regulations. Public sector entities' accounts are usually subject to audit by the National Audit Office or other auditors. At any time, there are no conflicting duplicate series published within PSF, so for any time period, only one set of figures is available.

Concepts and definitions
(Concepts and definitions describe the legislation governing the output and a description of the classifications used in the output.)

Under EU regulation, the data sets are compiled in accordance with the standards set out ESA. In addition, PSF are based on the National Accounts framework and the National Accounts that are also compiled in accordance with the ESA standards. From September 2014, the PSF and EDP publications will move from ESA95 to ESA10.

Information on the impact of this change can be found at:

- Transition to ESA10: Impact on Public Sector Finances; and
- Transition to ESA10: Update to Impact on Public Sector Finances.

Further European guidance on the application of the ESA10 framework to government finance statistics are detailed in the Manual on Government Deficit and Debt 2010. These two documents provide the methodological and conceptual framework on which the PSF and Government Deficit and Debt Maastricht statistical bulletins are based. Where necessary, guidance can also be found in the international SNA08 on which the ESA10 framework is based.

Although PSF are compiled on the bases of the National Accounts framework, some of the measures used in the bulletin are UK specific measures which have been defined by the UK Government for the purposes of fiscal policy.

The methods, classification and terminology used in PSF are detailed in the following publications:

- Background notes to the PSF Statistical bulletin and Government Deficit and Debt under the Maastricht Treaty Statistical bulletin; and

Other information
Output quality trade-offs
(Trade-offs are the extent to which different dimensions of quality are balanced against each other.)

Timeliness is a critical requirement of the main PSF/ Government Deficit and Debt Maastricht users. Not all of the administrative data are available to meet the tight monthly deadlines. For example, central government data are more timely than local government and public corporations data because the supplier has earlier access to their source data. In order to meet the user requirement for timely data, forecast data are used short-term where actual data are not yet
available. This trade-off is considered reasonable because estimates of net borrowing and net debt are mainly driven by central government.

Each quarter the PSF component data are aligned with the published GDP data to provide more robust breakdowns.

Assessment of user needs and perceptions
(The processes for finding out about uses and users, and their views on the statistical products.)

As previously stated, some of the key users of PSF and Government Deficit and Debt Maastricht data are UK government organisations, such as OBR and the Bank of England and international bodies, such as Eurostat and the IMF. ONS and HMT are in regular dialogue with these users via a range of different UK and international working groups.

Recently, the Public Sector Finance Team has sought to broaden its engagement by reaching new users through social media. Social media provides a tool for communicating with interested users on a monthly basis when users are most interested in the statistics.

Users were asked for their views during the 2013/14 PSF Review which focused on the presentation and methodology used to compile the public sector finances data sets. A user event is planned for September 2014 to further understand user needs. This will also help to develop the existing Public Sector Finance User Engagement Strategy.

Sources for further information or advice
Accessibility and clarity
(Accessibility is the ease with which users are able to access the data, also reflecting the format in which the data are available and the availability of supporting information. Clarity refers to the quality and sufficiency of the release details, illustrations and accompanying advice.)

The PSF and Government Deficit and Debt Maastricht statistical bulletins are available to download, without charge, from the National Statistics publication hub from 9:30 on the date of publication.

The opening pages of the PSF bulletin provide a summary of the headline measures followed by a section titled ‘Understanding this release’ that is designed to help users make the links between the various headline statistics contained within the bulletin. Tables show figures for the latest month and year to date, together with data for the corresponding month and year to date for the previous year. Graphs put the latest data in context by showing the progression of the actual data against forecasts produced by OBR.

The Government Deficit and Debt Maastricht bulletin provides data on the deficit and debt for the most recent years on both a financial year and calendar year basis. Charts on the front page show how the UK data compare to the reference levels for deficit and debt detailed in a protocol to the Maastricht Treaty.

Advance notice of any major forthcoming changes in methodology, or any special factors which should be taken into accounts when interpreting the data, are announced within the statistical bulletins.

ONS’s recommended format for accessible content is a combination of HTML web pages for narrative, charts and graphs, with data being provided in usable formats such as CSV and Excel. The ONS website also offers users the option to download the narrative in PDF format. In some instances other software may be used, or may be available on request. Available formats for content published on the ONS website but not produced by the ONS, or referenced on the ONS website but stored elsewhere, may vary. For further information please refer to the contact details at the beginning of this document.

For information regarding conditions of access to data, please refer to the links below:

- Terms and conditions (for data on the website)
- Copyright and reuse of published data
- Pre-release access (including conditions of access)
- Accessibility
In addition to this Quality and Methodology Information, Basic Quality Information relevant to each release is available in the background notes of the relevant Statistical Bulletin

References

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