

Article

Consumer Prices Index including owner occupiers' housing costs (CPIH): user engagement report, Mar 2016 to Jan 2017

This article summarises the user engagement activities undertaken to improve user confidence in CPIH, and outlines plans for future work.

Contact:
James Tucker
cpi@ons.gov.uk

Release date:
3 February 2017

Next release:
To be announced

Table of contents

1. [Introduction](#)
2. [Approach to user engagement](#)
3. [Audiences](#)
4. [Implementation](#)
5. [Next steps](#)
6. [Conclusions](#)

1 . Introduction

Following a public consultation, in March 2016 the National Statistician wrote to Sir Andrew Dilnot making clear that, in due course, the Consumer Prices Index including owner occupiers' housing costs (CPIH) should become the focus of our inflation commentary. In November 2016, the National Statistician published a [statement](#) confirming that the change will take place in March 2017.

The National Statistics status of CPIH was suspended in 2014. For CPIH to become a trusted measure of inflation, user engagement needs to be given priority. This report covers the approach that we have taken to build understanding and confidence in CPIH since the publication of the National Statistician's letter in March 2016. The end of the report also sets out the future plans we have for engaging users, as it is recognised that user engagement is a continual process.

As discussed further in [Users and uses of consumer price inflation statistics](#), consumer price indices are used by innumerable employers, pension funds, investors, regulators, analysts, policy makers, researchers, academics and private citizens. There has been considerable interest in CPIH and a desire to understand our plans to make it our headline inflation measure, and over the past year we have made considerable efforts to expand our user engagement.

2 . Approach to user engagement

Our overall objective, which underpins all our user engagement and communication, is "for CPIH to become a trusted National Statistic that is widely understood".

To achieve this, it is crucial for us to build user understanding and confidence in the Consumer Prices Index including owner occupiers' housing costs (CPIH). We need to take users on a journey to a position where CPIH is a trusted National Statistic, and then on towards a world where decision makers and commentators are familiar with and confident in CPIH. We need to use every possible opportunity to communicate the rationale for CPIH, understand and address user concerns, and create a sense of momentum.

When setting out our plans, we envisaged 3 main phases to this.

Phase 1 is about building user confidence in CPIH, including understanding stakeholder concerns, through proactively establishing new user relationships and communicating developments and publications that address known user concerns about CPIH. While these activities are intended to carry on after Phase 1, this phase is expressly concerned with building user confidence to a level that would support CPIH's redesignation as a National Statistic.

Phase 2 is about preparing to formally move to CPIH as the headline measure of inflation. It is focused on getting key stakeholders up to speed with our proposals and make them prepared for the change.

Phase 3 consists of an ongoing, open-ended programme of engagement to address remaining concerns about CPIH, continue to build user confidence and to embed it as a good inflation measure. This phase also focuses on raising awareness of CPIH among the general public.

The work is framed around the following engagement workstreams:

- strengthen the message of CPIH being the most comprehensive economic measure of inflation, highlighting examples of users taking steps to move to CPIH, and continuing to support it
- build on existing relationships and create new ones, focusing particularly on users or groups of users who are less aware of the different inflation measures and CPIH in particular
- raise public awareness and understanding through targeted products, and improved engagement with the press and other public-facing organisations
- publish a series of articles to develop understanding of CPIH, targeting the spectrum of users from the inquiring citizen to the expert
- establish effective engagement mechanisms with data suppliers with a focus on the Valuation Office Agency as suppliers of private rents data
- ensure user and supplier engagement activities feed into work planning

3 . Audiences

The uses of consumer price statistics are extensive and extremely varied. Similarly, the users of these statistics are diverse in terms of what they use the statistics for, and their levels of knowledge and understanding. When considering how to engage with this varied group, the most important factors to consider are levels of interest and expertise. For this reason, we have considered our engagement activities based on the following broad categories.

Expert users tend to use the statistics in their work, and have strong theoretical or applied subject matter knowledge.

Informed users include individuals and organisations that regularly use consumer price inflation statistics in their work, but may not have expert knowledge.

Citizen users form the majority of the population, with varying levels of understanding of what inflation is and what it means for the economy.

4 . Implementation

The following sections give an overview of the work undertaken for each of the workstreams identified above, along with selected examples.

4.1 Strengthen the message of CPIH being the most comprehensive economic measure of inflation

In order to present a clear and consistent message to users, we have framed our communications around the following key points:

- Consumer Prices Index including owner occupiers' housing costs (CPIH) is the best economic measure of inflation because it is in line with statistical best practice (unlike the Retail Price Index (RPI)) and is more comprehensive as it includes the costs faced by owner occupiers (unlike CPI)
- a headline measure of inflation will create a common understanding of inflation and address concerns about "index shopping"
- we strongly discourage the use of RPI, which is methodologically unsound and want people to be aware of CPIH as a good alternative
- although still hotly debated, rental equivalence is the strongest approach for including owner occupiers' housing costs from a conceptual and data availability perspective
- the RPI is not a good measure of inflation, nor does it have the potential to be one. We will, however, continue to publish the minimum of RPI data required to meet user needs
- the Household Costs Indices (HCIs) will be a valuable tool for understanding how households experience price changes; its future use will, however, depend on final design choices and its properties once developed

4.2 Build on existing relationships and create new ones

While we have strong relationships and regular engagement with key economic policy stakeholders such as the Bank of England and HM Treasury, more needed to be done to reach users with whom we have a less structured relationship. In particular, although many users have a good understanding of the existing measures of inflation, awareness and understanding of CPIH needs to be improved.

We developed our understanding of users through an initial period of research, which has been consolidated as we have made contact with new organisations. Throughout, we have maintained a comprehensive log of engagement activities which, as well as serving as a record of user concerns, enables us to adapt our communications approach in an informed way. This information has also been used to update our '[Uses and users of consumer price statistics](#)' article, which will be revisited regularly.

This section largely focuses on "informed" and "expert" users, highlighting particular examples and explaining the approaches and impact in more detail.

Example 1: Advisory Panels for Consumer Prices (APCPs)

In June 2015, the UK Statistics Authority announced the formation of 2 independent advisory panels on consumer price statistics: a technical panel to advise the National Statistician on technical aspects of the statistics; and a stakeholder panel to provide advice on the uses and applications of price indices.

The APCP (Technical and Stakeholder) have met separately 4 times in the year to February 2017, to provide advice on a number of issues pertinent to the ongoing progress of consumer price statistics in the UK. The panels focused on the reassessment of CPIH as a National Statistic, the development of HCIs, the forward work programme for consumer price statistics, and other methodological changes to consumer price statistics in the UK. The [2016 annual report](#) includes a summary of the discussions held by the panels throughout 2016, and the resulting advice.

Example 2: User events

Events provide an opportunity to engage directly with a large audience, and can be either ONS or user-led. Some examples of events to date include:

- a special ONS Economic Forum event was held In February 2016 focusing specifically on owner occupier's housing measurement, as it is one of the most controversial aspects of inflation measurement; this event covered the methodology and the data source underpinning the owner occupiers' housing costs (OOH) element, including by demonstrating how our results on OOH costs tallied with private sector analysis of the rental market
- the above was followed up with a presentation at a general ONS Economic Forum in April 2016 to reach a wider audience, and again in January 2017
- we worked with the RPI/CPI User Group to develop an event, held on 12 September 2016; by user demand, the focus was on the HCIs (then Index of Household Payments)
- many government departments use these statistics, and Heads of Profession are an important point of influence; a member of Prices Division presented to the Heads of Profession group on 27 September 2016
- on 23 January 2017 we presented at a meeting of the Bristol Actuarial Society
- the National Statistician and the Chief Economist will be attending an RPI/CPI User Group event in February 2017; this will provide a further opportunity to engage with users
- when meeting with representative groups and umbrella organisations we have offered to present more widely to their members; we expect this to be taken up over the coming months, for example, in May we will present at a conference of regulated industries
- on 21 November 2016 we hosted a joint user event with the UK Regulators Network (UKRN), attended by roughly 35 representatives from various economic regulators

Example 3: Umbrella organisations and networks

Engagement with umbrella organisations is an effective and resource efficient way to reach a wider community. Engaging with these organisations serves to strengthen the messages, and draws on their expertise in communicating with their audience.

We presented to staff from the Confederation of British Industry (CBI) and in November 2016 we held a joint event with the UK Regulators Network (UKRN) to discuss CPIH and the use of inflation measures in economic regulation.

We have also reached out to other groups such as the Trade Unions Congress (TUC), who we met in October 2016, and the Pensions and Lifetimes Saving Association (PLSA) with a view to exploring how we might engage their members.

Example 4: Other targeted engagement

Through developing and maintaining our knowledge of the user community, we have been able to target our engagement activities to where they will have the greatest impact. Through building relationships with these organisations, we have been able to identify and address their main concerns.

Ofwat are in the process of moving away from RPI, and will consult on which measure to move to in 2017. We have met twice with their staff, focusing on timescales. This has enabled them to structure their own engagement activities to enable a smooth transition to a new measure.

We have worked extensively with the Debt Management Office to help communicate clear messages and provide reassurance to the financial markets. They have also assisted us by gathering feedback from the markets, which has in turn informed our strategy for future communications, particularly around clarity over which RPI indices will be discontinued.

Actively monitoring the media and online channels has enabled us to target engagement where we know that there is a concern or misconception.

In addition we have willingly engaged with users who have contacted us seeking an update.

Example 5: Consumer prices newsletter

August 2016 saw the launch of the Consumer Price Statistics newsletter. The mailing list is taken from the Prices Stakeholder Database, and is supplemented with additional known contacts. In total the newsletter is sent to around 600 people.

As well as serving to publicise the latest results, articles and events, the newsletter provides an opportunity to present our messages about CPIH and for users to provide feedback.

Further editions were published in November 2016 and January 2017, in particular drawing attention to the publication of the CPIH compendium and other articles referred to later in this document.

Example 6: Engagement with the RPI/CPI User Group

The RPI/CPI User Group operates through a combination of events and meetings, and an active online community on StatsUserNet. The User Group has previously expressed its sense that its concerns have not been given due attention. Regular meetings with the Chair were therefore established to discuss specific concerns, and agree further engagement. Between March 2016 and January 2017, our representatives have also attended the group's committee meetings, and presented at an event on the HCIs. John Pullinger will present at a user group event on 24 February, covering the future of consumer price inflation statistics.

We have strengthened our engagement on StatsUserNet, with several of our staff regularly posting, and producing additional analyses in response to feedback.

4.3 Raise public awareness and understanding

Given the widespread interest in inflation, it is also important that we target efforts at the "inquiring citizen". This can be achieved both through producing tailored products, and through effective engagement with the media and other organisations which have strong links to the citizen user. A key issue is ensuring that the media report our plans accurately.

Example 1: Engaging with the media

Immediately following publication of the National Statistician's letter to Sir Andrew in March 2016, the Director General for Economic Statistics briefed key journalists. The letter received an accurate portrayal in the media with a clear emphasis on the proposal for CPIH to eventually become the headline measure of inflation.

A similar ring-around was conducted in November 2016 upon publication of a further letter from the National Statistician. A member of Prices Division appeared on Share Radio to discuss CPIH, and the Director General for Economic Statistics took part in a discussion on BBC Radio 4, helping us reach a large audience. Again, most of the coverage was accurate.

Both announcements gained much attention on social media. For both announcements there were some critical voices, but there was also much neutral and informative coverage, particularly after the second announcement. A summary of the media and social media reactions to these announcements was logged and analysed to inform future engagement.

A summary of the media and social media reactions to these announcements was logged and analysed to inform future engagement.

Example 2: Engaging with other public-facing organisations

Some organisations have a strong, direct link to the citizen user, and provide an opportunity to engage this group. Future engagement will coincide with the move to CPIH as our headline measure.

Example 3: Developing targeted products

Our website affords us with the ability to publish material that is more appealing to non-expert users, for example on our corporate blog and the [Visual.ONS site](#). We recently published [a blog](#) on the choice of method for measuring owner occupiers' housing costs, and we will explore further options.

4.4 Publish a series of articles to raise awareness and understanding of CPIH

A range of products has been produced for different audiences that aim to raise awareness of CPIH, explain the rationale for methodological decisions, and to provide comparisons with other measures and approaches. These include:

- a CPIH [compendium](#) was published on 28 October 2016. In recognition of the fact that material relating to decisions taken on CPIH was spread across various articles; this was shared on StatsUserNet, and included in the November edition of the consumer prices stakeholder newsletter, and circulated to key stakeholders groups
- [Consumer price indices: a brief guide](#) gives basic information on consumer price indices including CPIH
- [Uses and users of consumer prices inflation statistics](#) details the known uses of the indices
- [The Consumer Price Inflation Quality and Methodology Information page](#) provides a first port of call for methodological information, and gives a non-technical overview of the indices and their applications
- [Quality assurance of administrative data used in CPIH](#) informs users of the quality of administrative data used in producing the index
- [Comparing measures of private rental growth in the UK](#) compares the Index of Private Housing Rental Prices to other measures of private rental growth
- [Understanding the different approaches of measuring owner occupiers' housing costs](#) is a quarterly article that compares the main approaches to measuring OOH, which is still a heavily debated area

4.5 Establish effective engagement mechanisms with data suppliers

An [assessment of the data sources used in the production of CPIH](#), using the Quality Assurance of Administrative Data (QAAD) toolkit, has been produced. This includes a comprehensive assessment of the communication procedures with all data suppliers, and will allow the producers, supplier and users of the statistic to understand the data processing and associated risks. It also details quality assurance and communication procedures for non-administrative data.

A review of administrative data procedures within Prices Division as a whole is being conducted following the above review. This lists several recommendations for improving the acquisition, application and handling of administrative data, including improving the engagement mechanisms with suppliers and the SLAs/contracts.

We have placed particular emphasis on strengthening our relationship with the Valuation Office Agency, as providers of data for owner occupiers' housing costs. A Service Level Agreement has been put in place, supported by a regular schedule of meetings covering performance and future plans.

4.6 Ensure user and supplier engagement activities feed back into work planning

Along with expert knowledge, the engagement activities detailed above have been used to inform the development of a [Consumer Prices Work Programme](#). This has been presented to both the stakeholder and technical advisory panels, which were both supportive of the overall coverage, and provided feedback on the relative priorities. This consultative approach will be used going forward, to ensure that the workplan evolves with emerging user needs. When presenting the plan to the panels, we have the opportunity to highlight wider user demand to inform the panels' views on priorities.

Throughout the work on improving CPIH, our engagement with users has helped us gauge the level of understanding and identify particular concerns in the user community, which in turn has helped inform the content and emphasis of the articles and products we have produced.

Specific recent examples of where user feedback has influenced our planning include:

- changes to the methodology used to collect clothing prices made in 2010 had a significant impact on the “formula effect” gap between CPI and RPI. Further investigation of this was given a low priority, but following significant user demand through the advisory panels and the RPI/CPI User Group, it has been moved to a higher priority
- although not specific to CPIH, the proposal to develop HCIs was in response to user demand. We have since worked closely with experts in the user community who proposed the index to develop the concept further
- the “spotlight” section of [Understanding the different approaches of measuring owner occupiers' housing costs](#) allows us to respond to user requests for additional analysis

As detailed in the previous section, the supplier engagement activities centre on assessing performance and developing plans. The review process for SLAs also provides a focal point for engagement to feed into planning.

5 . Next steps

We recognise that user engagement is an ongoing process, not a series of activities with an end point. Therefore as well as planned immediate next steps in user engagement, the consumer prices engagement and communication strategy envisages a continuous programme of engagement to carry on building user confidence in measures such as CPIH and ensuring user needs are understood and met.

In terms of immediate next steps, planned activities for the near future include:

- further meetings in early 2017 with the RPI/CPI User Group, including an open event in February 2017 with a presentation from John Pullinger
- further newsletters to around 600 users on our mailing list to keep them informed
- Explore options for articles aimed at non-expert users
- contacting public facing organisations to explore whether they can help raise reader/member awareness of CPIH
- presentation at a conference of regulated industries
- meetings of the Advisory Panels for Consumer Prices

Longer term, we are committed to an ongoing programme of communication and engagement, including but not limited to:

- publication of further consumer prices stakeholder newsletters
- updates at events such as the ONS Economic Forum, and presentations at events organised by user
- publication of analytical articles
- continued engagement on StatsUserNet
- regular engagement with the RPI/CPI User Group
- targeted engagement following the move to CPIH as the headline measure
- additional blog posts and Visual.ONS pieces to raise understanding

6 . Conclusions

In the period from the publication of the UK Statistics Authority assessment report on Consumer Prices Index including owner occupiers' housing costs (CPIH) on 3 March 2016, we have undertaken a significant amount of user engagement. Whether through direct engagement or by working through umbrella groups, we have focused on building user awareness of and confidence in CPIH as a measure of consumer price inflation. We have taken proactive steps to reach a broader audience, including through launching a newsletter that is circulated to around 600 users and developing content for digital channels.

It is clear that not all users agree with the methodology behind CPIH, and some concerns have been raised. However, through a mixture of publications and discussion with users, we have clearly set out our rationale for how the measure is constructed and how we quality assure data. We will continue to engage users going forward on these and any other concerns that they may arise.

There is still some way to go until CPIH is a widely understood measure. We believe however that with continued user engagement and active communication this will come in time. There are already encouraging signs of progress, and these represent an important step towards the measure's wider adoption. Regaining National Statistics status is a priority, and a number of users have suggested is a prerequisite for considering its adoption. We recognise that it might take some time for that awareness to be gained. The next step is making CPIH the headline measure of inflation and the focus of our statistical bulletins in March 2017. We expect this to increase its profile, and we will continue to work with users to address concerns and support its use.