**Introduction to Occupational Schemes**

**Fact Finding**

**Answers**

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| **National Statistic** |  No |
| **Frequency** | Monthly |
| **How compiled** | Representative sample based on 700 goods and services (reviewed annually) |
| **Geographic coverage** | Sample - UK |
| **Sample size** | Approximately 180,000 price quotations per month |
| **Last revised** | 20 December 2017 |

2.

Information on the users and uses of consumer price inflation statistics has been gathered from a variety of sources, including feedback obtained in response to the 2015 consultation on consumer prices. The consultation followed a comprehensive independent review of inflation measurement in the UK, led by Mr Paul Johnson (commonly referred to as the Johnson Review), which made a series of recommendations for future development.

Because there are so many contracts that are indexed to inflation, a change in the rate, or to the way that inflation is measured, can have a huge financial impact.

The known users and uses of consumer price inflation statistics are presented in Table 1. In the last 15 to 20 years there has been a shift towards using the Consumer Prices Index (CPI) in preference to the RPI, but the RPI remains widely used despite it no longer being a National Statistic. While CPIH is our most comprehensive measure and is designated as a National Statistic, it is a relatively new index and its use is not yet widespread. It is being closely monitored by the Bank of England and HM Treasury.

**Table 1: Users and uses of consumer price inflation statistics**

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| **Use** | **Use detail** | **User** | **Index used** | **Additional detail** |
| Monetary policy | Inflation targeting | Bank of England | Consumer Prices Index (CPI) | Since 1992, the UK government has based its economic policies around targeting a specific range of inflation. Since December 2003, the target has been the CPI at 2%. Prior to this it was the RPIX (RPI excluding mortgage interest payments) at 2.5%. |
| Macroeconomic measure of inflation | Monitoring inflationary pressures in the economy | Economists and analysts in government, business and academia | Consumer Prices Index including owner occupiers’ housing costs (CPIH), CPI and Retail Prices Index (RPI ) | Consumer price inflation statistics are used by economists and analysts as macroeconomic indicators. The statistics can be used to inform decisions on economic and government policy. Government departments use consumer price inflation statistics to monitor how prices for specific goods or services compare with general levels of inflation; for example, in 2017, Defra moved to CPIH for monitoring food price inflation. |
| Deflation | To remove price effects from statistics, such as in the UK National Accounts | ONS, government departments and other users who want to remove the effects of price change from their statistics | CPIH, CPI and RPI | For many purposes, comparisons over time are more useful when the effect of price change is eliminated. For example, the ONS’s Average Weekly Earnings (AWE) figures are deflated by CPIH. |
| Research and analysis | Additional analysis of inflation data, often in conjunction with other economic and social statistics | Academia, think tanks, voluntary sector | CPIH, CPI and RPI | CPI continues to be widely used, reflecting its broad range of applications. In March 2017, the Resolution Foundation moved to using CPIH in analyses of inflation impact on households. |
| Inflation reporting | Publication of articles and reports on inflation | The media | CPIH, CPI and RPI | Consumer price inflation statistics receive much interest from the media. Reports tend to focus on CPI, particularly due to its use in inflation targeting. |

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| Informing the public | Understanding the impact of inflation on personal and household budgets | General public | CPIH, CPI and RPI | Consumer price inflation statistics are used by members of the public to understand the impact of inflation on their personal and household budgets, and to understand how incomings and outgoings linked to inflation (such as taxes, benefits, pensions, wages, rail fares and other costs) are likely to change. |
| Index-linked bonds and National Savings Certificates | Index-linking government bonds (gilts) | Debt Management Office | RPI | Coupon payments and principal payments associated with these bonds are adjusted in line with the RPI. The [total value of these bonds](https://www.dmo.gov.uk/data/pdfdatareport?reportCode=D1D) is estimated at £420 billion (as at July 2018). |
| Other bonds | Various | CPI and RPI | The majority of bonds continue to be linked to RPI, although Cambridge University sold £300 million of CPI-linked bonds in June 2018. |
| National Savings and Investments Index-linked Savings Certificates | National Savings and Investments | RPI | The value of these certificates is guaranteed to grow at least in line with the RPI. |
| Business tax | Corporation Tax on chargeable gains | HM Revenue and Customs | RPI | The RPI is used to calculate the indexation allowance for the effects of inflation when calculating the chargeable gains of companies or organisations. From January 2018 the indexation allowance has been frozen. |
| Business rates | UK government for England, Scottish Parliament for Scotland, and the National Assembly for Wales | CPI | Business rates changed from being increased by RPI to CPI, taking effect in April 2018. |

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| Indirect tax | Vehicle Excise Duty | HM Revenue and Customs | RPI | Vehicle Excise Duty rates increase in line with the RPI. |
| Fuel Duty | HM Revenue and Customs | RPI | Fuel Duty is often increased in line with the RPI. However, Fuel Duty has been frozen in recent years. |
| Alcohol Duty rates | HM Revenue and Customs | RPI | Alcohol Duty rates often increase by reference to the RPI. |
| Tobacco Duty rates | HM Revenue and Customs | RPI | Tobacco Duty rates increase by reference to the RPI. |
| Gaming Duty | HM Revenue and Customs | RPI | Gross gaming yield bands increase in line with the RPI. |
| Air Passenger Duty | HM Revenue and Customs | RPI | Air Passenger Duty rates increase in line with the RPI. |
| Personal tax | Income tax allowances and thresholds | HM Revenue and Customs | CPI | Historically the RPI had been used to uprate this threshold, with the Finance Act 2014 changing the basis of indexation to CPI. |
| Car and van fuel benefit charge | HM Revenue and Customs | RPI | The rate of fuel benefit charge for company cars, fuel benefit charge for company vans, and the benefit charge for company vans all increase in line with the RPI. |
| Regulated charges | Charge controls imposed across a range of industries such as water and telecoms. | Member organisations of the UK Regulators Network (UKRN) | CPIH, CPI or RPI | The UKRN published a position paper in June 2018, which highlights the shortcomings of the RPI and presents the issues that regulators should consider when changing the basis of indexation. The annex to the paper details Economic Regulators that have moved, or have plans to move, away from RPI to CPI or CPIH. Ofwat recently announced a move to CPIH for indexation of customer bills and company assets. |

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| Indexation of pensions and benefits | State Pensions | Department for Work and Pensions | CPI | The basic State Pension increases every year by whichever is the highest of earnings growth, CPI, or 2.5% (known as the “triple lock” ). |
| Civil Service Pensions | UK government | CPI | Since 2011 payments have increased in line with the CPI. Previously the RPI was used. |
| Private sector pensions | Private sector companies | CPI and RPI | For private sector pension funds under the rules of the Pensions Trust, the annual rate of increase in the private sector occupational pensions in-payment must be greater than a statutory amount which is set by the government. Since 6 April 2011, this statutory amount has been related to the CPI. Prior to this date the statutory amount was related to the RPI. If the rules of a pension scheme specifically refer to the RPI, however, then this applies unless the scheme changes its rules. |
| Benefits | Department for Work and Pensions | CPI | A freeze in the uprating of most working age benefits is in place from 2016/17 to 2019/20. Before this, most benefits were increased in line with the CPI. Other benefits such as maternity pay and Personal Independence Payments have not been frozen and are uprated using CPI. |
| Pay setting and wage negotiations | Wage bargaining and pay setting deals | Public and private sector employers, employees and Trade Unions | CPIH, CPI and RPI | Consumer price inflation is an important factor in wage bargaining and pay setting deals. Some pay agreements refer to specific indices. |
| Student loans | Interest payments on student loans | Student Loans Company | RPI | For students in England and Wales who enrolled on courses starting on or after 1 September 2012, the interest rate paid on their student loans ranges between the RPI and the RPI plus 3%, depending on circumstances. |
| Business contracts | Private sector business contracts | Private sector companies | CPIH, CPI and RPI | Consumer price indices are used in some private sector business contracts to inflate and/or deflate monetary values and to set payment amounts. |
| Rents | Uprating of private property rents | Landlords | CPIH, CPI and RPI | Landlords use inflation indices to uprate rents. |
| Uprating of social housing rents | Housing associations | CPI | Following four years of 1% reductions, the government announced a return to uprating social housing rents by CPI plus 1% for five years, starting in 2020. |