



BANK OF ENGLAND

Sir David Norgrove
Chair, UK Statistics Authority
1 Drummond Gate
London
SW1V 2QQ

Ben Broadbent
Deputy Governor, Monetary Policy

13 November 2020

Dear Sir David

Thank you for your letter dated 5 November, in which you sought clarification on the procedure for making changes to the RPI from 2030. This pertains to the Bank's role under section 21 of the Statistics and Registration Service Act 2007 (SRSA) in assessing whether any proposed change to the RPI would be a fundamental change to its coverage or basic calculation and materially detrimental to the interests of holders of relevant index-linked gilts (ILGs).

A senior committee under my chairmanship has considered your request for clarification. In doing so, we have assumed that no changes are made to the relevant legislation and that the definition of "relevant" ILGs remains unchanged. Under those assumptions, we confirm that our understanding is that the last "relevant" ILG is the 4.125% 2030 gilt, which is due to be redeemed in July 2030. The last reference date for the RPI data used to calculate its redemption value is November 2029, which we expect to be published in December 2029.

Consequently, any changes to the coverage or basic calculation of the RPI from 2030 onwards – even those judged to be fundamental – should not have a materially detrimental impact on the interests of relevant ILG holders, either because the redemption values of the relevant ILGs will not be affected by the changes or because, after July 2030, there will be no relevant ILGs outstanding.

However, the UKSA's responsibility under section 21(2) of the SRSA to consult the Bank before making any change to the coverage or basic calculation of the RPI will not be extinguished with the redemption of the final relevant ILG. The SRSA does not make the need to consult the Bank conditional on there being any outstanding ILGs in issue. Primary legislation would be required to remove that obligation.

Therefore, after the production of the RPI referencing November 2029, we would expect – based on the existing legal framework – that while the ONS will continue to consult the Bank before making any change to the coverage or basic calculation of the RPI, the Bank's assessment will become more straightforward, given that there can be no materially detrimental impact to the interests of relevant ILG holders.

I hope that this letter is helpful in clarifying the situation for you.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Ben Broadbent'.

Ben Broadbent
Deputy Governor, Monetary Policy