

3 February 2009

Statistics New Zealand's Line-by-Line Review Annex to Summary Report

Purpose

1. This document sets out Statistics New Zealand's line-by-line review of its expenditure. It considers the efficiency, effectiveness and alignment of the organisation's expenditure with government priorities.

Background

2. The government wants to improve value-for-money in the state sector. It wants to ensure that the public sector is doing the right things in the right way at the least cost, that it gets better value-for-money out of existing expenditure and that government assets are managed as effectively as possible.
3. As part of its strategy to achieve this, the government has initiated a line-by-line review of public sector expenditure to ensure that it is efficient and effective and is focused on achieving the government's priorities. These reviews will identify savings to apply to immediate pressures in Budget 2009. They will also identify in-depth spending reviews of particular areas or sectors of government administration to ensure the best value for taxpayers and users of public services.
4. This paper is Statistics New Zealand's response to this requirement. The key messages and findings from this paper have been captured in the report titled 'Statistics New Zealand's Line-by-Line Review – Summary Report'.

Section 1: Statistics New Zealand's Contribution to Government Priorities

Government Priorities

5. The Government aims to lift incomes and living standards in New Zealand by increasing productivity and economic growth. In the medium term it intends to take policy actions to strengthen the economy, limit expenditure growth, get better value-for-money out of existing expenditure, ensure that tax bases are maintained, make the business environment friendlier to productivity growth, and ensure that government assets are managed as effectively as possible. In the short-term the government's priorities are focused on initiatives aimed at lifting productivity and moving the economy out of recession.

The Contribution of Official Statistics to Government Priorities

6. Official statistics will be needed to advance these policy goals. They will be needed to enable the Government to understand the situation, to make good decisions, to monitor progress nationally and internationally, to assess the effectiveness of public expenditure, and to inform specific policy debates e.g. policies to improve productivity. Official statistics will be

3 February 2009

needed by businesses to make good decisions to improve their productivity and competitiveness in the world economy.

7. Independent, quality statistics are a vital part of the country's infrastructure, underpinning decisions by governments (central and local), businesses, international investors and potential migrants, community groups and citizens. For example:
 - key economic, infrastructural and environmental decisions rely on official statistics
 - robust monitoring of the economy is reliant on official statistics
 - official statistics are extremely important for government spending decisions and the provision of social services (welfare, education, health and justice)
 - good statistics on social outcomes (for example education, health, standards of living) and the productivity of the public sector are required when assessing the value for money achieved from government spending
 - official statistics provide information to support the country's democratic processes. Census information is used to adjust electoral boundaries and calculate the number of general and Maori electorate seats
 - official statistics help us to understand our identity, the social and economic development of Māori, Pacific, Asian and European New Zealanders, and the country's progress.
8. Official statistics serve the public good by informing the public about social and economic matters, and assisting in the development and evaluation of public policy.

Statistics New Zealand's Contribution and Alignment with Government Priorities

9. Statistics New Zealand contributes to the government's priorities in a number of ways. It:
 - ***delivers and disseminates a majority of New Zealand's most important official statistics***
Statistics New Zealand produces most of New Zealand's core official statistics, particularly economic and population statistics. Official statistics on education, health, crime, justice and welfare are produced by other government agencies in a system that is led by the department. All the statistics that Statistics New Zealand produces are currently classified as Tier 1 statistics. These are New Zealand's most important statistics. They are the key official statistics that are performance measures of New Zealand.
 - ***works to increase the benefits to New Zealand from government investment in official statistics by increasing their availability and use***
If official statistics are to be used to inform decisions, they must be accessible and users must have the skills and capability to use them. Over recent years Statistics New Zealand has had a particular focus on improving access to, and use of, official statistics. It works to promote the value of official statistics to a wide range of stakeholders.
 - ***reduces costs to businesses and households through initiatives aimed at increasing integration and reducing duplication***
Producers of statistics such as Statistics New Zealand rely on information provided by businesses, households and individuals (respondents). Ensuring that respondents supply

3 February 2009

the information we need is fundamental to producing high-quality and cost-effective official statistics. Statistics New Zealand actively works to minimise the burden placed on businesses, individuals and households and demonstrate the value of the information they provide.

- ***works to increase value for money by prioritising investment in statistics across government and by ensuring that official statistics are used in all aspects of government decision-making so that better decisions are made***

As the leader of the Official Statistics System, Statistics New Zealand plays a key role in assuring that official statistics across government are quality, relevant and represent value-for-money. To do this it has a strong focus on system planning and monitoring as well as ensuring that official statistical considerations are well integrated into government decision-making processes.

Section 2: Prioritisation Framework/Potential Savings

10. To assist the government make decisions about the level of investment it wishes to make in official statistics, Statistics New Zealand has developed a prioritisation framework that categorises its outputs into one of four categories. The department also uses this framework to guide its internal decision-making. The framework prioritises statistical releases, statistical services, and support services separately. Full details of the framework are given in Appendix 10.
11. The department's statistical outputs have been grouped into the four categories. Four parallel criteria for all statistical services and the department's support activities have also been developed (detailed in Appendix 10).

Application of the Framework

12. Statistics New Zealand has applied this framework to identify potential output cuts and consequent expenditure savings that could be applied to address forecast budget deficits in 2009/10 and beyond (see table below) if no additional money is available. The savings identified are not sufficient to cover the full forecast deficits and/or the needs of the Census.

	2009/10 (\$000)	2010/11 (\$000)	2011/12 (\$000)
Forecast deficit	716	7,164	5,257
Census emergency bid	700	6,700	3,013
Total requirement	1,416	13,864	8,270

13. Using the prioritisation framework, the department will identify ongoing efficiencies to address a projected internal deficit of \$0.7 million in 2009/10. Any consequences for external stakeholders that result from these efficiency initiatives will be worked through in consultation with them.
14. [deleted – confidentiality of advice]
15. [deleted – confidentiality of advice]
16. The department is making an 'emergency pressures' bid for a funding increase for the 2011 Census of Population and Dwellings. If this bid is unsuccessful, it would be an option to put the potential cuts identified towards ensuring a census of appropriate quality.

3 February 2009

17. All of the potential output cuts identified would have an impact on key stakeholders, who are likely to convey their concern to Ministers and publicly. If required to make any of these changes, the department would need to consult with key clients to fully determine the impacts, and report to the Minister as matters progress.

Expenditure savings of up to \$1.1 million

18. [deleted – confidentiality of advice]

3 February 2009

[deleted – confidentiality of advice]

3 February 2009

19. [deleted – confidentiality of advice]

3 February 2009

[deleted – confidentiality of advice]

Section 3: Programme Analysis

20. Statistics New Zealand's output classes reflect the programmes of work undertaken by the department. The tables in Appendix 1 provide a high-level analysis of the relevance, efficiency and effectiveness of each output class. This analysis shows:

Coherent programmes that meet user need and align with government priorities

- Statistics New Zealand is running coherent programmes of economic and social statistics that reflect the long-term information needs of the country including government priorities.
- In producing fit-for-purpose statistics, Statistics New Zealand aims to strike the right balance between relevance, cost, and quality of data in a transparent manner. It consults with users and develops domain plans to guide investment decisions and to form the basis of its approach to the development of statistics. The department's portfolio of statistics is regularly reviewed with users and its biggest challenge is meeting the demand for new statistics.
- The department uses standard classifications to ensure international comparability and cost effectiveness in the collection, analysis, production and dissemination of statistics. The department participates in a number of international working groups and forums to help shape international standards to ensure they are relevant for New Zealand, and to remain abreast of developments in official statistics.
- A major focus of the department is improving access to, and use of, all the statistics produced. Business seminars, making data free on the web and other promotion initiatives will maximise the value of the statistics collected.
- Coordination among statistical agencies within countries is essential to achieve consistency and efficiency in the statistical system. Statistics New Zealand has important statistical leadership responsibilities within the country's national statistical system. The need for this role has become stronger as users seek cohesiveness across all statistics irrespective of the source and as governments seek assurance that their investment in official statistics represents value-for-money and that the official statistics produced are both quality and relevant.

Alternatives to Statistics New Zealand's production of statistics

- As the purchaser of goods and services from the department, it is the government that makes decisions as to the level of investment it wishes to make in official statistics. To assist in this process the department has developed a framework that prioritises its suite of outputs so that choices about the level of investment in official statistics can be made. This work is set out in the 'Potential Savings' section below.
- Alternatives to Statistics New Zealand producing its current suite of official statistics are not producing any of these statistics; producing a reduced programme of statistics; or another agency producing them.
- There would be a high-cost to New Zealand of not having a coherent suite of economic, business and social statistics. Key decision-makers (e.g. government, market players) would not have the information they need to make good decisions and international

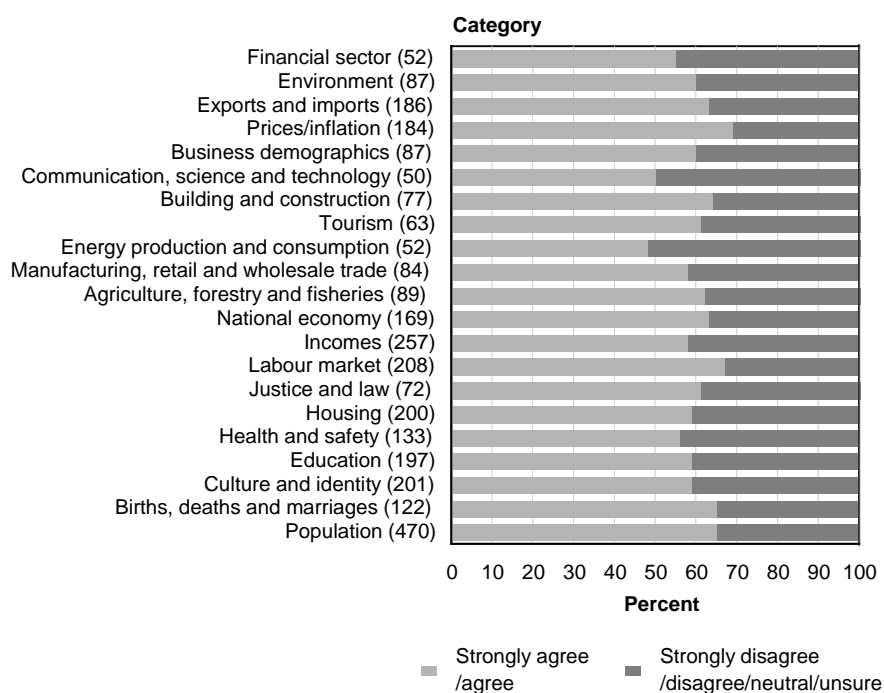
trade and financial stakeholders (e.g. rating agencies) would lose confidence in New Zealand. The government’s ability to make decisions about investment in welfare, employment and education would be compromised as would its ability to assess the impact of its policies on the standard of living and well-being of New Zealanders.

- The Advisory Committee on Official Statistics (ACOS) was established in September 2005 to give the Minister of Statistics independent advice on New Zealand’s system of official statistics. In its 2007 Annual Report to the Minister of Statistics, ACOS reported on the results of a users’ survey first conducted in 2006 and repeated in 2007. The surveys sought user agreement to statements about usefulness, reliability, relevance and accessibility. Most users perceived Tier 1 statistics to be useful, reliable and relevant. Only a small number disagreed or strongly disagreed with the survey’s statements relating to usefulness, reliability or relevance. Compared with other characteristics, accessibility scored lower than the others, as summarized in the following graph.

Users' Average Rating of Accessibility of Tier 1 Statistics

By category of statistic

2007



Note: (n) = count of respondents based on those who gave a rating between one and five.

- Bodies such as the OECD and IMF assess and comment on the range and quality of countries’ national accounting statistics, and New Zealand is placed among other nations according to the existence and credibility of its national accounting measures. A low rating for the quality of the country’s statistics, compared with what would be expected for a nation such as New Zealand, could impact in terms of higher risk premiums from any uncertainty about our actual situation. Our present high reputation for economic statistics appears largely unquestioned by all significant external parties, although the

3 February 2009

OECD has commented critically on gaps in our macroeconomic statistics (OECD Economic Survey of New Zealand 2007).

- If international awareness of an unreliability of official statistics becomes part of the recognition that there is a national financial crisis, such as happened with Mexico on one occasion, the consequence is much worse than if the dimensions of the financial problem are well understood because of the reliability of the base information. Reputations for having quality statistics, once lost, are expensive to fix in terms of addressing the underlying problems leading to the loss of reputation, and the uncertainty about the picture obtained from the suspect official statistics can have a lingering impact well past the point at which the statistics have been restored to a credible quality.
- Transferring the production of some statistics to another agency may be possible, however, in many cases there is a significant comparative advantage to Statistics New Zealand producing them and it would still cost the government if another government agency were to pick up production of statistics transferred from Statistics New Zealand.

Alternatives to Statistics New Zealand's co-ordination of the statistical system

- The alternatives to Statistics New Zealand providing system leadership are that someone else leads the system or that there is no formal system leadership. The risk of the latter is that duplication, gaps and quality issues may occur. The statistical coherence which is demanded by users and is necessary to getting the best use from the statistics produced would be compromised since no one would have this outcome in mind. Given that a bulk of the country's statistical expertise exists in Statistics New Zealand, finding an alternative leader would be difficult. The most recent substantive review of the official statistics system (the Top Down Review in 2003 by SSC, Treasury and Statistics New Zealand) endorsed strengthening Statistics New Zealand's leadership and co-ordinator role.

Opportunities to transform the department's business will take time and money

- Over the past 20 years, Statistics New Zealand has been transformed from a clerical and manual data processing organisation into an efficient modern statistical organisation. Extensive upgrade of processing systems in the 1990s, optical scanning and increased use of administrative data since then have seen major gains in efficiency and operations.
- While there are further opportunities to 'transform' the department's business and be more efficient and effective this will take time and money. For example, the department has developed a new vision for its business statistics that would mean moving from a model in which data is primarily collected through surveys supplemented by administrative data to one in which the primary means of collection is from administrative sources supplemented by surveys. This would be more efficient from a system perspective but would have a long payback period and high upfront costs. The benefits of this change would be reduced respondent load, increased analysis that can be undertaken, cross-government efficiency, data quality, lower operating costs in the longer-term, and improved ability to meet existing and emerging user needs.

3 February 2009

The Census of Population and Dwellings under pressure [table 3 appendix 1]

- Statistics New Zealand has been working to deliver a census in 2011 within the \$80 million appropriated. Despite undertaking a range of initiatives, the department has serious concerns that on current funding it cannot conduct a census in 2011 based on the current business model, without seriously compromising data quality. Due to the scale of the census exercise it is not possible to radically change the business model for the 2011 Census at this stage. Statistics New Zealand has been working through the implications of the reduction in quality and limited or delayed outputs from the 2011 Census, with central and other government agencies. A number of options have been developed. These options are discussed in more detail in the department's emergency pressures bid 'Ensuring a viable 2011 Census' and supporting business case.
- [deleted – confidentiality of advice]

Section 4: Efficiency, Effectiveness and Innovation

Efficiency and Effectiveness

21. By a number of measures, Statistics New Zealand is an efficient, effective and innovative department and while the following paragraphs of this section provide more detail to support this statement some key factors to consider are:
- The department has continued to produce the same level of outputs while delivering savings equivalent to 13% of its total baseline funding in the last two years.
 - In some cases it has been able to deliver more for less, for example the last CPI was produced with an extension of information, but with one FTE less.
 - The department has developed, with no new funding and within baseline, world renowned statistical innovations such as the Longitudinal Business Database IBULDD and electronic card transactions (ECTS)
 - The two independent advisory committees on official statistics (ACOS) and economic statistics (ACES) continue to call for more statistics not less, and are particularly concerned with the need to fill important statistical gaps in the economic, health, and environmental spheres.
 - A benchmarking study taken in 2000 showed Statistics New Zealand's average costs of collection and processing per household were significantly lower than in the corresponding surveys in Australia and Sweden. Timeliness of reporting was better and other quality indicators were similar to Australia's.
22. In the past few years, Statistics New Zealand has addressed projected budget deficits by implementing across the board baseline reductions, re-prioritising project funding, identifying savings from within baseline, increasing third party revenue and reducing outputs.
23. In 2008/09 the department delivered savings equivalent to 6% of its total baseline funding. This built on operational savings of 6.5% in 2007/08. It also reduced outputs ranging from reducing the scale and frequency of statistics and surveys such as environmental accounts, the Farm Expense Price Index and the Information Communication Technology survey, to discontinuing local government and regional analyses and the Quarterly Regional Report, saving \$0.7m. This activity has enabled the department to achieve a balanced budget in 2008/09 and has reduced the financial deficit forecast for 2009/10 from approximately \$3.1m to \$0.7m. Forecast deficits in out-years remain high (\$7.2m in 2010/11 and \$5.3m in 2011/12).
24. Efficiency and effectiveness are key priorities for Statistics New Zealand. (Paragraph 23 above, and paragraphs 71, 92 and Appendix 5 detail achievements in recent years.) In 2007, the department's mission statement was refreshed to emphasise both effectiveness and efficiency. The department's mission became "Turning data into relevant knowledge efficiently". At the same time some key changes were made to increase organisational efficiency. These included streamlining and centralising various governance arrangements;

3 February 2009

reducing the number of the senior management team from 13 to 8 members; and reorganising some positions and functions to strengthen linkages.

25. Prior to 2007, Statistics New Zealand had made some significant efficiency savings, e.g. electronic imaging of the department's questionnaire data reduced the need for data inputting, resulting in savings of approximately \$1 million. Similarly the Integrated Production Environment initiative produced savings of \$0.8 million and significant improvements in the department's editing of the overseas trade data resulted in savings of \$0.5 million.
26. In line with statistical agencies world-wide, Statistics New Zealand has been putting considerable emphasis on efficiency and effectiveness. Key initiatives have been:
 - organising the data in such a way that it can be easily combined and reused, for example, via data warehousing
 - improving co-ordination and the capability of all those agencies producing statistics within a country
 - standardising classifications, methodologies and systems
 - increasing the usage of administrative data
 - integrating data from a range of sources
 - looking at processes from an end-to-end perspective, strengthening the linkages and where appropriate, re-engineering or streamlining them.
27. A recent commissioned review of large areas of the department's activities found that a variety of changes and developments could further increase efficiency and improve overall effectiveness but that given the nature of the areas identified it will be challenging to achieve significant cost savings immediately. In response to this review, the department has initiated a wide-ranging programme of work to continually improve its efficiency and effectiveness including:
 - reviewing and determining ownership, governance and accountabilities for the end-to-end statistical production process
 - improving the department's organisational intelligence including the development of management information systems that provide cost effectiveness metrics for the end-to-end process, aligned with management accountabilities that support effective operation
 - an internal output efficiency review, by and across natural production clusters, coupled with benchmarking of each output against the generic business model
 - developing incentive structures that drive continuous improvement
 - reviewing existing statistical programmes and systems to identify opportunities to invest to achieve enhanced operating efficiency. This includes review and prioritisation of proposals across economic and social statistics, informed by an assessment of IT system risks and redevelopment priorities
 - standardisation - progress and use standard design elements, methods, processes and systems within natural production clusters.

3 February 2009

28. Many of the department's statistical collections are subject to independent or external cost review as a part of the development of costing and processes. For example:
- the costs associated with the Accommodation Survey and Agriculture Production Survey are reviewed each year by sponsoring agencies (Ministry of Tourism and Ministry of Agriculture & Forestry, respectively) and each consider the respective collections value for money. This process involves Statistics New Zealand justifying price changes, costs associated with collection, processing and analysis etc. More recently, the costs of the Energy End Use Survey, which is currently seeking Ministerial Approval, were scrutinised by the Energy Efficiency Conservation Authority (EECA) and the Ministry of Economic Development (MED) and found to be justified. All three surveys are fully funded through fiscally neutral transfers.
 - the Census of Population and Dwellings programme has recently been independently reviewed on programme quality assurance and for a quantitative risk assessment ('QRA') of the programme budget. The quality assurance review found that the programme is meeting key programme management standards to an acceptable level. The QRA report concluded that, based on the level of risk identified, the 2011 Census Programme is under-funded. There is less than a 10% chance that a census of reduced scope can be delivered for \$80m. A QRA of a census with a budget of \$90.4 million is in progress.
29. One benchmarking study provides evidence of Statistics New Zealand's relative efficiency. The study of a standard household survey (the Household Expenditure Survey) showed Statistics New Zealand's average costs of collection and processing per household were significantly lower than in the corresponding surveys in Australia and Sweden. Timeliness of reporting was better and other quality indicators were similar to Australia's.
30. Statistics New Zealand has not pursued the option of increasing third party revenue as a mechanism for addressing the current financial pressures. Statistics New Zealand's strategic priority is developing an informed society through official statistics, and a key objective is improved access to these statistics by increasing the range of statistical information that is freely available. From the late 1980s to 1997, the department was set significant third party revenue targets amounting to 25 percent of the initial period base funding. These 'user pays' targets were found to be not achievable. Following a major Output Price Review in 1996-7, which addressed consequent distortions and risks to critical statistics, it was agreed that the funding of what would be Tier 1 statistics in current terminology should be obtained directly from government.
31. A third party revenue approach remains for some statistical production and customised services so that users can obtain statistics and customised services of crucial importance to themselves when these services would not otherwise be provided.
32. Under the Making More Information Freely Available (MIFA) initiative, some of the data and products Statistics New Zealand used to charge for are now free. This initiative is being rolled out progressively through 2007/8 and 2008/9. Whilst it is acknowledged that this initiative was established by the previous government, the total cost of the initiative is not substantial (\$2.7m capital in total, and \$1.5m per annum operating ongoing, which is largely compensation for revenue foregone), and increasing the fiscal burden on businesses in the current climate would not be desirable.

3 February 2009

33. The aim of having official statistics enable better decision making across all sectors of society (government, large and small businesses, local government, communities and individuals) would be hindered for the small and less well funded individuals and businesses if access barriers are increased by increased charges for some very relevant statistics for those users. (Many of the MIFA statistics are otherwise expensive, finer level breakdowns of published national level or aggregated statistics, and thus can be particularly relevant for regional bodies or businesses operating in a narrow market place, when they lack the resources to commission their own statistical work.) Advice to the department and performance measures have shown that improving access to statistics is a key priority (as per the ACOS Annual Report 2007, and Dennis Trewin (Statistical Consultant) report dated February 2008: 'Future Role of a National Statistical Office').

Innovation

34. Statistics New Zealand is an innovative statistical agency in the international context. Innovation has enabled the department to produce a wealth of new statistics and to respond to the changing needs of its clients.
35. The department's small size as a statistical agency has given it advantages of speed and adaptability relative to many other statistical offices. In some conceptual thinking areas Statistics New Zealand has been a world leader. Examples of this include:
- the Longitudinal Business Database which is the result of the two-year IBULDD (Improved Business Understanding via Longitudinal Database Development) feasibility project. This database contains business-related data from multiple sources for each year from 2000 and it provides rich information on the dynamics of business births, deaths, expansions and contractions over time. As it integrates existing administrative and survey data, there is no need to ask survey respondents more questions i.e. it efficiently helps fill gaps in New Zealand's business data without increasing respondent load.
 - the organisation's use of administrative data for statistical purposes. New Zealand was one of the early countries to use taxation data for statistical purposes. More recently, it has been combining administrative data to create rich data sets to support analysis. Compared with most other countries, Statistics New Zealand is advanced in its application of administrative data.
 - the department's generic Business Process Model (gBPM) is now widely acknowledged as an example of best practice in this area, and has been drawn on heavily by other OECD countries.
36. New Zealand's small size has a downside in a lack of economy of scale for statistics collected via sample surveys. The size of sample required to produce a set level of accuracy for national statistics is more or less independent of the population size, so that Statistics New Zealand finds that many of its sample surveys need to be the same size as those of much larger countries, which creates a higher burden on Statistics New Zealand in relation to data collection costs.

Section 5: Cost Analysis

Size and Growth of the Department and Vote Statistics

Movements in FTE numbers: 2000/1 to 2008/9

37. The table below shows the number of FTEs employed by Statistics New Zealand from 2000/01 to 2008/09. In this table, FTEs are defined as permanent and fixed term staff as well as those with regular, definable hours of work. The numbers in the table exclude field workers, contractors, casual workers, and census workers. As at 30/6/08, there were 152 field workers (headcount). It has not been possible to obtain details of field worker numbers historically in the time available.

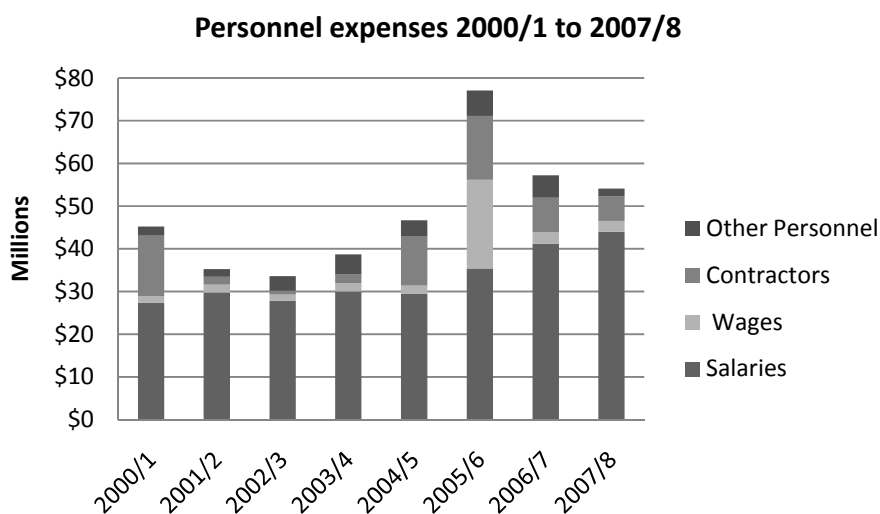
	2000/1	2001/2	2002/3	2003/4	2004/5	2005/6	2006/7	2007/8	2008/9
FTEs	641	654	604	690	709	800	786	787	804*
% change		1.9%	(7.6%)	14.2%	2.6%	13%	(1.8%)	0.1%	2.2%

*2008/9 figures have been adjusted from those reported to SSC. The reported figure of 864 FTEs included the reclassification of 60 staff from casual/temporary to FTEs.

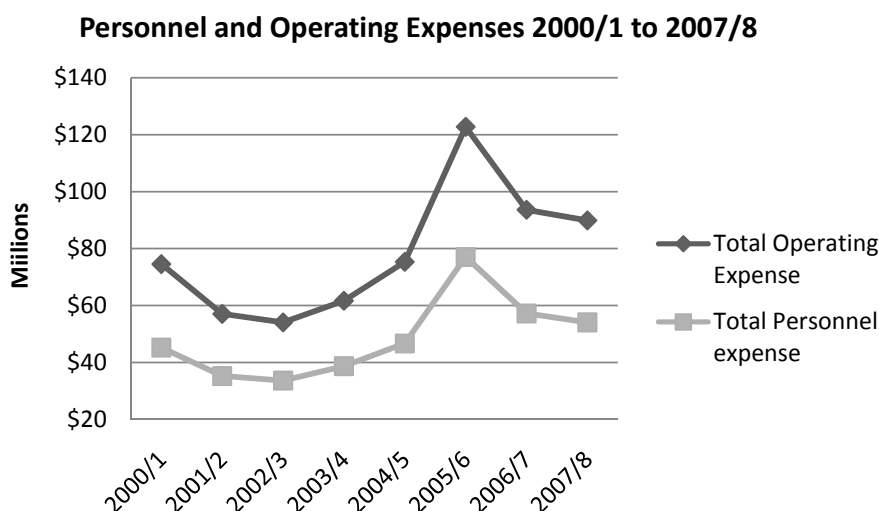
38. From 2000/1 to 2008/9 FTEs have increased by 163 or 25.4%. However, as shown in the table above, there are fluctuations in staff numbers from one year to the next. These broadly reflect the movements in expenditure by type (refer to the graph above paragraph 46: 'Expenditure by type 2000/1 to 2008/9'). The main drivers behind these fluctuations are as follows:

- Census – The Census operates on a five year cycle. The delivery of the Census requires a core team whose numbers increase in the years leading up to Census year (most recently 2005/6) and then reduce again as the cycle moves back into the planning phase for the next Census.
- Staff required to implement new budget and internal initiatives - This had the most impact between 2002/3 and 2003/4, as well as 2004/5 and 2005/6.
 - 2002/3 to 2003/4: Increased funding was received to embed business initiatives such as the Imaging Centre and data archive, as well as the Agriculture Survey, and a user needs survey for the Housing Surveys. This drove FTE increases in Statistical Resource (57), IT (17), and corporate (13)
 - 2004/5 to 2005/6: FTE numbers increased due to work on the Programme of Official Social Statistics, implementation of the Official Statistical System model, work on the Linked Employee and Employer Data (LEED), and Growth and Innovation Framework statistics.
 - 2007/8 to 2008/9: New initiatives (General Social Survey and work associated with the Australia New Zealand Standard Industrial Classification) added 21 FTEs

Movements in personnel expenses



39. As the main drivers for movements in staff numbers are the Census and new initiatives, there should be a correlation between movements in personnel expenses and total operating expenses. This is shown to be the case in the graph below.



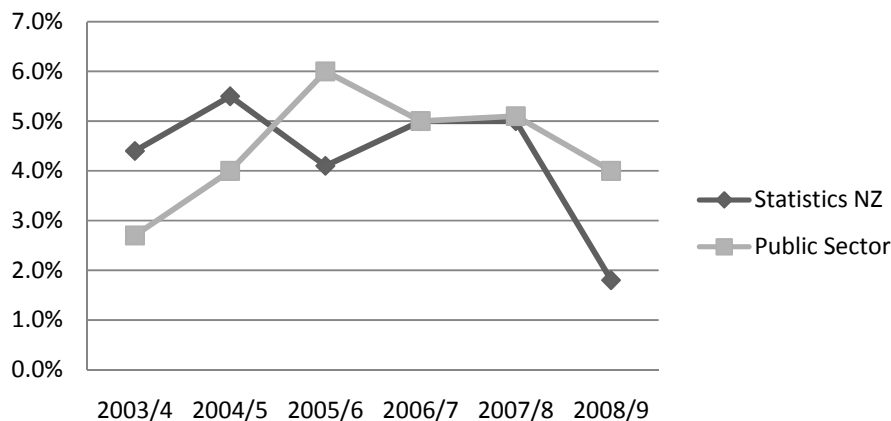
40. Movements in FTE numbers and movements in personnel expenditure do not follow the same pattern because FTE numbers exclude field workers, contractors, casual workers, and census workers, but the costs of these staff are included in personnel expenses.

Annual Salary Increases 2004-2009

41. The graph below shows the level of salary increases within Statistics New Zealand between July 2004 and February 2009. These include promotions and compositional shifts. It should be noted that these increases are based on approved amounts. There may be a small difference to the actual amounts paid due to changes in staff composition between approval and payment dates. The text below the graph discusses the drivers behind these increases.

3 February 2009

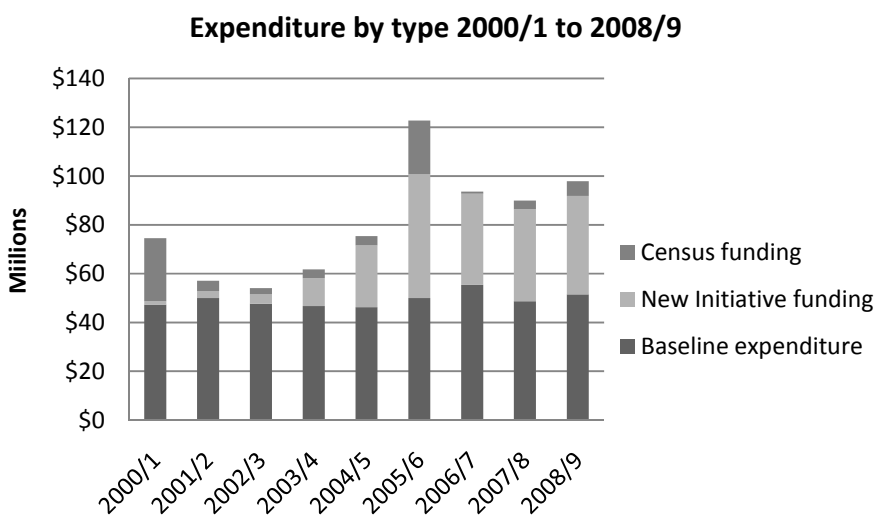
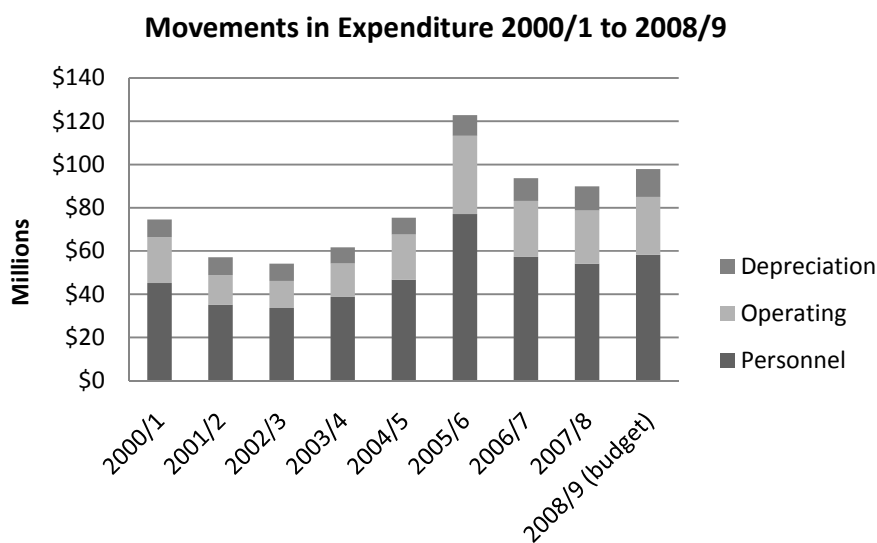
Statistics New Zealand and Public Sector Average Base Salary Increases



* Base salary excludes bonuses, 'at risk' payments and retention allowances.

42. In 2004 work occurred on changes to the remuneration structure with a resulting staged market catch up process over a number of years. This accounts for some of the salary cost increases over the past few years. By June 2008, Statistics New Zealand had broadly aligned its salaries with the public sector (all organisations, all staff) median rates.
43. In its statistical leadership role Statistics New Zealand has had to lift its knowledge and skills level in order to respond to an increasingly complex and demanding business and social environment. The process of reshaping the workforce was started in 2004/5, from mainly processing skills to mainly analytical skills, and in 2005/06 from analytical to subject matter-specific analytical skills. The shift towards high end analytical work has meant strengthening the department's capability by having a higher stock of experienced statistical analysts (SA2) and Senior Statistical Staff positions, as opposed to entry level Statistical Analysts (SA1).
44. The result is an estimated increase in total remuneration of \$2.1 million between 2005/6 and 2006/7 even though FTE numbers have remained relatively unchanged (refer Appendix 2). Statistics New Zealand funded this necessary shift from its baseline funding.
45. Statistics New Zealand has generated savings within baseline to retain and pay staff increases where appropriate and possible. As a result of its financial position, the department paid very modest increases well below the public sector average in 2009. Salary increases are forecast to continue to be at a similar level to those paid in February 2009 in future years.

Growth in expenditure



46. Total expenditure has increased by 31% between 2000/1 and 2008/9, largely due to new initiatives. However, Statistics New Zealand’s funding profile changes each year – there has not been a steady increase in funding over this period.
47. Fluctuations in funding are mainly due to the cyclical nature of the funding for some surveys, which fluctuates in line with the level of activity associated with the particular stage in that cycle. This happens for a number of reasons: some surveys include regular revisions to the methodology or structure, or they may have a lead-in time where activity builds up over a number of years until the actual field-survey work is done.
48. The Census is the most significant example of this and has a five year cycle. In the year when the Census is conducted (2005/6 most recently), costs increase significantly due to expenditure on wages for enumerators and other temporary processing staff.

Vote growth

49. Of the total funding of \$97.9m received in 2008/9, \$40.3m (41%) comes from additional funding received from new budget rounds since 2001. This funding and the related initiatives can be summarised as follows (refer Appendix 3 for a detailed listing of initiatives and the associated funding):

Output Class	Related initiative
Output Class 1	Implementation of the Official Statistical System (OSS) model
Output Classes 2 & 3	<p>Development and implementation of new Statistics – key components:</p> <ul style="list-style-type: none"> • Programme of Official Social Statistics (POSS) • Enhanced Productivity Measures • Growth and Innovation framework statistics <p>Maintaining the quality of existing statistics:</p> <ul style="list-style-type: none"> • Improvement and enhancement of existing macroeconomic statistics • Australian and New Zealand Standard Industrial Classification (ANZSIC) implementation
Census	Multi year appropriation to conduct the Census of Population and Dwelling
Across all output classes	<p>Capability needs:</p> <ul style="list-style-type: none"> • 2003 budget round: <ul style="list-style-type: none"> – Targeted pay increases for key professional staff – Establishment of annual graduate recruitment programme – One-off funding to manage short-term funding issue due to significant drop in third party revenue • 2005 budget round: <ul style="list-style-type: none"> – Settlement of the 2005 Collective Employment Agreement (CEA) – Overseas recruitment programme – Development of the IT capability • 2008 budget round: <ul style="list-style-type: none"> – Settlement of the Field Collections CEA – Salary and performance enhancement expenditure for Field Collections staff <p>Infrastructure:</p> <ul style="list-style-type: none"> • Accommodation – new Wellington office following expiry and non-renewal of existing lease in 2004 • Implementation of a common IT platform using the Business model Transformation Strategy

50. In 2008/9, the majority of the new initiative funding (\$23.1m or 57%) relates to the development and delivery of new statistics. The proportional split between the types of funding varies each year; again, this is mainly due to the impact of Census funding.

Links between growth and improved outcomes

51. The end outcome and impacts sought from the Official Statistics system are outlined in the diagram below:

3 February 2009



52. Each of the new initiatives for which funding has been provided for the period 2000/1 to 2008/9 is aligned to an activity which contributes to one of Statistics New Zealand's two impacts: Trust and confidence in the Official Statistics System or Access to official statistics (refer to Appendix 4 for details).
53. As noted in the vote growth section, much of the new initiative funding provided has been for the production and development of new statistics. This is a direct response to the continuing high level of demand for new statistics by users (both government and non-government).
54. Statistics New Zealand recognises that there is room for improvement in the measurement of progress against outcomes, and is working on the development of performance measures in 2008/9.
55. The new initiatives are contributing to improved outcomes in the following ways:

Output Class 1

56. Official Statistical System: Implementation of the model is allowing better overall coordination of the system, improved access, use and retention of official statistical resources, and improved management of respondent burden (refer to Table 1 in Appendix 1).

Output Classes 2 and 3

57. Programme of Official Social Statistics: Significant effort to date has been put into developmental activities. Deliveries to date include three supplements to the Household Labour Force Survey (on the dynamics and motivation of migration, the survey of working life, and household use of information communication technology), the post-censal 2006 disability survey, and interviewing for the General Social Survey began in 2007/8. POSS will provide a robust foundation for social policy planning and investment decisions, as well as the associated research and evaluation activity.
58. Enhanced Productivity measures: This work will continue until 2009/10 but delivery to date has contributed to a better understanding of the factors that influence New Zealand's living standards, economic performance and international competitiveness.
59. Growth and Innovation Framework: Delivery of a suite of statistics that allow better understanding of the contributions certain industries make to the New Zealand economy, as well as identification of the potential for, and impediments to, their continuing growth. Statistics include the Business Operations Survey, Business Finance Survey, Screen survey,

3 February 2009

Biotech survey, Information and Communication Technology survey, and Linked Employer-Employee Data (LEED).

60. Australian and New Zealand Standard Industrial Classification: Implementation is needed to reflect the structure of Australian and New Zealand industries and will improve comparability with other countries' statistics.
61. The Making More Information Freely Available (MIFA) initiative increased access to statistics by eliminating charges from nearly all statistics and provided them on the website.

Census

62. Additional funding was provided for the 2006 Census to increase enumerator pay rates in order to ensure the census continued to deliver high quality data, and to implement an internet response option.

Across all output classes

63. Capability: This funding has contributed towards meeting increased salary demands, recruitment of graduates and specialists from overseas, and capability building.
64. Infrastructure: The new Wellington office provides a more effective and flexible working environment. Work to standardise the department's systems and processes has identified opportunities for statistical system standardisation and a generic business process model is being implemented into the department's systems and processes. The current Information Management Infrastructure strategy is to keep our many out-of-date IT systems going for as long as possible while preparing a business case for government investment for submission in Budget 2010.

Increased costs of core outputs

65. The department has received funding for new statistical outputs in the past five years but existing core outputs have received little additional financial support (refer to the graph above paragraph 46: 'Expenditure by type 2000/1 to 2008/9'). Cost increases have been absorbed, particularly in the collection, processing and dissemination processes. New International Financial Reporting Standards applied in 2008/09 resulted in \$2 million of formerly capital spending being treated as operating expenditure, which has worsened the financial position.
66. These costs have been met by delivering significant savings from the existing baseline and reprioritising expenditure. A recent review has confirmed that large gains can no longer be made internally without significant reduction in business activities and/or outputs (refer to paragraph 27).

Historic and current financial pressures and responses: 2000/1 to 2008/9

67. In November 2002 the Ministers of Finance, State Services and Statistics agreed to a top-down review of Statistics New Zealand by the Treasury and the States Services Commission in conjunction with Statistics New Zealand.

3 February 2009

68. This top-down review was carried out in two stages. Stage 1 identified the immediate resource needs of the Statistics New Zealand and Stage 2 dealt with the future role of Statistics New Zealand and its contribution to official statistics.
69. The Stage 1 review acknowledged that the department had made significant reductions in the costs of its operations and overheads in response to declining third-party revenue and to other budget pressures. Despite these initiatives, Statistics New Zealand lacked the financial capacity to address the core output risks effectively. The Stage 1 top-down review provided the department with one-off funding in 2003 Budget of \$1.4 million in 2003/04. The department was required to manage the residual ongoing deficit of \$1.5 million per annum from 2004/05.
70. The people capability pressures facing the department were acknowledged in 2005/06 when it was given one-off capability funding of \$4.2m largely to settle its Collective Employment Agreement and to help with the recruitment of key personnel. Since then Statistics New Zealand has continued to generate savings within its baseline to retain and pay its staff.
71. Statistics New Zealand has successfully managed these pressures and deficits through internal efficiencies, prioritising, deferring, re-scoping its current outputs, and most recently through outputs cuts. These initiatives have saved \$2.7 million pre-2006/07, \$5.9 million in 2007/08 and \$6.1 million in 2008/09. Details of how these savings were achieved are provided in Appendix 5. The recent review of work areas (paragraph 27) indicates that it will be difficult to obtain significant cost savings immediately from further improving efficiency and overall effectiveness.
72. In summary, Statistics New Zealand has managed its finances prudently. It has actively delivered significant savings to meet increased inputs costs including salary adjustments from existing baseline.

Future financial pressures

73. Significant deficits in the Statistics New Zealand's budget situation are forecast for 2010/11 and beyond (refer to Appendix 6). These are the result of a combination of external and internal factors. The primary external factor has been the fact that departmental funding since the 2005 Budget has not provided for volume increases (e.g. growth in population and respondent data, growth in customer needs and customer base); the impact of increased complexity (e.g. the way business is conducted and diversity of communities); and continuous rising input costs (e.g. labour costs from a tight labour market for specialist staff).
74. The main internal factors have been people (challenges in recruiting and retaining suitably qualified and experienced staff); and IT systems and processes (out of date systems requiring significant effort to support them). Increased investment yields higher depreciation, a significant factor in projected deficits.
75. Statistics New Zealand has had considerable success in managing the financial pressures it has faced over the last few years. The strategies employed have made substantial gains but they are not sufficient in the longer term. There is an underlying depletion of the

3 February 2009

department's capability, creating a systemic problem which is becoming acute with increasing errors in outputs.

The Price of Major Outputs and Progress Towards the Value-for-Money Goal

Definition of major outputs

76. Statistics New Zealand's major outputs are defined at the output class level:

Output Class	Title	Major Outputs
1	Coordination of Government Statistical Activities	Implementation of the Official Statistics System model and access initiatives
2	Population, Social and Labour Force Statistics	Over 100 social statistics releases in 2007/8
3	Economic and Business Statistics	Over 140 economic statistics releases in 2007/8
Multi Year Appropriation	Census of Population and Dwellings	Major output is the delivery of the Census every five years

Major Cost Drivers and changes in costs over time

77. Historically Statistics New Zealand's costs peak every 5 years due to Census programme. The increase in the costs of the last Census (2005/6) was largely due to increase in wages and associated field collection costs. There was also an internet solution with an additional cost of approximately \$11 million.
78. Most other increases in cost since 2001 have been due to new and enhanced statistical outputs as discussed in the Vote growth section, paragraphs 49-50. Refer to Appendix 7 for a summary of operating costs and new initiative funding by output class.
79. The key input costs are salaries and wages, accommodation, IT and depreciation expenditure. Statistics New Zealand managed the increase in costs through efficiencies and reducing the discretionary costs such as internal travel (paragraphs 92-94)
80. It is acknowledged that there was insufficient information available for detailed analysis of the cost of outputs to be performed. The department has initiated work to help it better understand and assess the costs of its outputs. Some initial analysis will be complete by the end of 2008/9.

Volume and real price data

81. The experience in New Zealand, and other countries with a similar census model, is that the cost of running the census increases approximately 15% between each census. The costs of running the Census increased significantly between the 2001 cycle and the 2006 cycle. These were met without a significant increase in the overall cost of the Census. This will not be possible for the 2011 Census. The following increases are estimated between Census 2006 and Census 2011:

3 February 2009

- 5% growth in the population
- 7% growth in dwellings
- 15% wage inflation – affecting the temporary workforce of 7,500 enumerators
- 14% general price increases for items such as paper, petrol and rental space.

82. The graph above paragraph 46 ('Expenditure by type 2000/1 to 2008/9') sets out the movements in total expenditure (excluding Census and new initiative funding) for the department from the 2000/1 to 2008/9 financial year. The percentage movement over that period is 8.9%. This compares with the movement in the Producers Price Index (Central Government Administration, Defence, Public Order and Safety Services Industry) of 21.3 % over the slightly shorter period 2000/1 to 2007/8 (latest statistics available). This evidences a minimum 12% cost effectiveness improvement in the period.

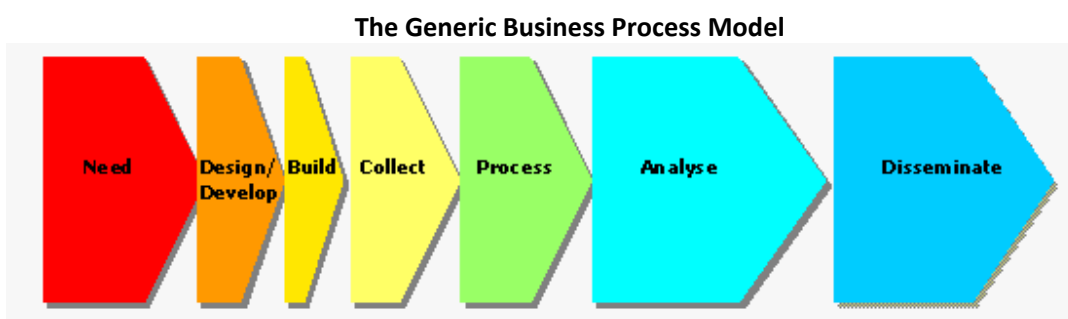
Relationship between the major outputs and the 'issues on the ground'

83. Statistics New Zealand's outputs are produced in response to user demand, therefore the department is continually responding to 'issues on the ground'. The department has stopped producing outputs if they are no longer needed or they are no longer a priority, and looks to rationalise collections where this makes sense. Statistics are updated to maintain their relevance, for example the basket of goods on which the CPI is based is regularly updated, changes are made in definitions such as 'family' as there is change within New Zealand society.

Transferring Resources to the Frontline

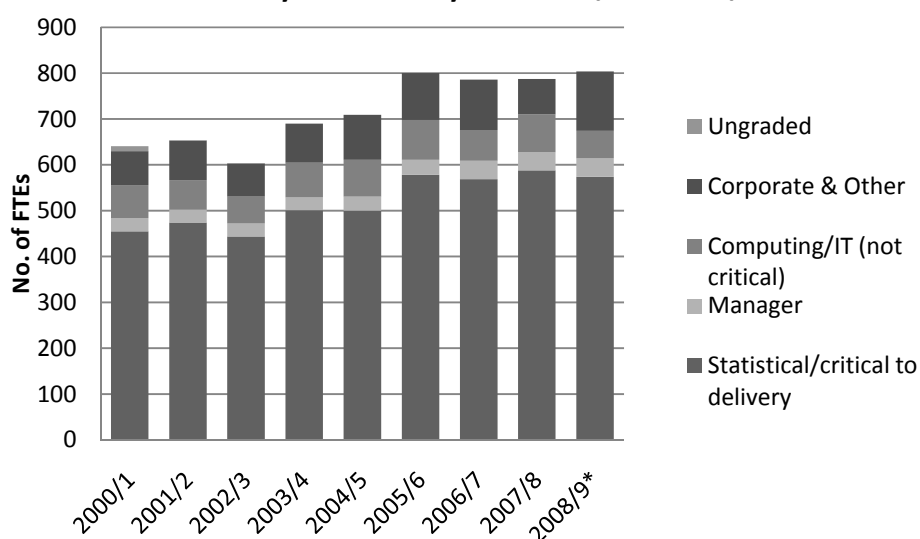
Definition of 'front line' at Statistics New Zealand

84. Statistics New Zealand uses its generic Business Process Model as a basis for defining front line and back room jobs. The model has front line staff defined as all those in roles having a direct and/or critical contribution to the processes Statistics New Zealand uses to produce core goods and services to clients or markets. 'Direct Delivery' is defined as staff directly related to the delivery of goods and/or services to a client or market. Critical to Ensuring Delivery is defined as staff who provide essential support to Direct Delivery staff, without whom, the goods and/or services would not be produced.



85. Based on that description front line includes all statistical and methodological staff (including development roles), most IT staff, field collections, call centre staff, client services and marketing staff, Integrated Data Collection (IDC) operations staff, and publishing staff; as well as those staff involved directly in the Official Statistics System (OSS).
86. Back room staff include corporate services staff (i.e. finance, Human Resources, corporate support, Programme Management Office, IT support), in-house communications, governance support, Maori advisory, Pacific advisory, internal audit, provider relations, information management, statistical education unit, and a few others.

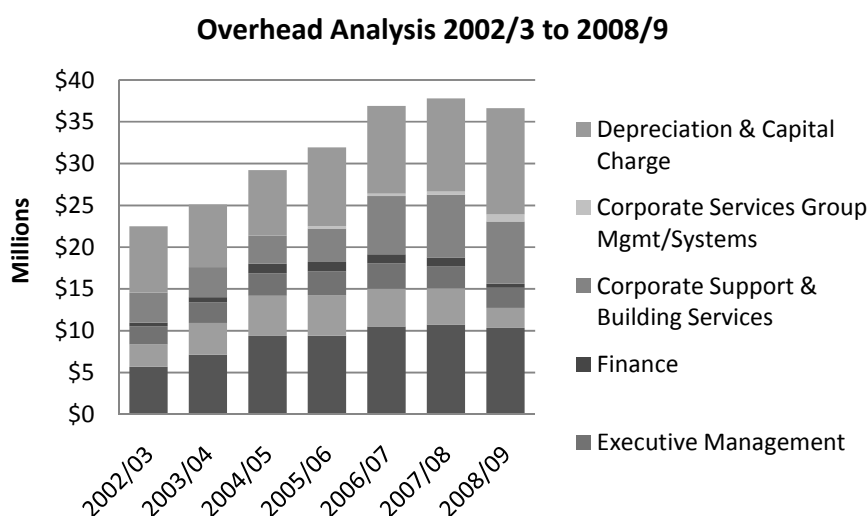
Analysis of FTEs by Role 2000/1 to 2008/9



*2008/9 figures have been adjusted from those reported to SSC. The reported figure of 864 FTEs included the reclassification of 60 staff from casual/temporary to FTEs.

87. Staff numbers have grown over the period of analysis. (Paragraph 37 has further detail). However, the proportion of staff in each of the categories of roles has remained consistent with statistical, or front line staff, ranging between 70%-75% of our total FTEs.

Overhead analysis: 2002/3 to 2008/9



88. The graph above provides a breakdown of internal overhead budget for 2008/09 and actual for the last six years. It should be noted that the overhead classifications in some years have been slightly different and therefore it is hard to make exact comparisons from one year to the next.
89. Overall the percentage of overhead to total expenditure has remained fairly similar throughout the period analysed at around 40% of total expenditure, except in 2005/06 which was a Census year. The Census year distorts the comparison due to the significant expenditure for Census collections (7,500 enumerators are employed to deliver and collect census forms).
90. When depreciation and capital charges are excluded, overheads as a percentage of total operating have been approximately 20-25% over the period of analysis. This is broadly consistent with the split between front and back office staff; with back office staff accounting for approximately 25% of total staff.
91. The main overhead costs for Statistics New Zealand are building services, IT related costs, depreciation and capital charge (together these account for approximately 83% of total overhead in 2008/09). Most of these costs are relatively fixed in nature e.g. rents and software license costs. Depreciation has risen by \$4.8m over the period of review. Statistics New Zealand has been meeting the increase in fixed costs over the years through efficiency savings.

Opportunities to reduce head office functions or overheads

92. Managing overheads down has been an area of focus for several years, in particular in 2007/8 and 2008/9, given the financial pressures that Statistics New Zealand faces. Initiatives in 2007/8 have led to overhead reductions of \$3.8m, with a further \$3.4m forecast for 2008/9 (refer to Appendix 5 for details).

3 February 2009

93. Head office functions are a relatively small proportion of our total FTEs (26.6% in 2008/9). There is some opportunity for reduction in our IT staff as the legacy system issues are addressed but this is likely to take seven to nine years.
94. Aside from the opportunities in the IT team, Statistics New Zealand believes that any further reduction in our head office FTEs, would have a detrimental effect on the ability of these staff to adequately support the business.

Managing Future Capital Expenditure

Capital expenditure: 2000/1 to 2008/9

95. Statistics New Zealand develops and maintains a number of statistical assets to ensure quality delivery of statistical outputs. For a number of years Statistics New Zealand has been struggling to redevelop all its statistical assets and replace its infrastructure on a timely basis due to a shortfall in depreciation funding.
96. This delay has caused a legacy situation with most of the existing statistical systems and poses significant risk for ongoing delivery of core statistics. Statistics New Zealand's attempt to secure additional funding for implementation of a long term asset plan has been unsuccessful.
97. Statistics New Zealand developed an Information Management Infrastructure strategy in order to standardise and redevelop systems on a common platform. The funding to manage legacy systems and to implement migration plan for existing systems on to the new platform has been limited. This meant scaling back and reprioritising capital expenditure within existing balance sheet funding.
98. Essentially Statistics New Zealand is currently doing a 'balancing act' i.e. keeping its aging IT legacy systems going as long as possible whilst preparing a business case for Government investment in the department's IT infrastructure for submission in Budget 2010.

New capital initiatives: 2000/1 to 2008/9

99. Statistics New Zealand has received a total of \$34.8m in capital funding in the period 2000/1 to 2008/9. Almost 50% of this amount was accounted for by two significant initiatives - the development of statistical infrastructure resulting from the changes to the Australia New Zealand Industry Classification (ANZIC) and the new office accommodation in Wellington. A full list of initiatives can be found in Appendix 8.

Unsuccessful capital budget bids

100. The problems faced by Statistics New Zealand have been accumulating over a number of years and the organisation has been signaling its concerns around the sustainability of its existing capital structure via the budget bid process. Bids submitted in 2007 and 2008 were both unsuccessful.

3 February 2009

Capital Expenditure Programme 2008/9 to 2011/12 and ability to defer or reduce capex

101. For 2008/09 the reprioritised capital expenditure programme is summarized in Appendix 9. Statistics New Zealand has already deferred a number of capital expenditure programmes in order to accommodate the existing CAPEX programme (approximately \$2.5m relating to statistical development projects and \$6m of hardware/software upgrades).
102. The capital projects in 2008/09 are all in work-in-progress and planned for completion in the next 5-6 months. Deferring capital expenditure will further prolong the legacy issues with most of the existing systems which are posing major business continuity risk.
103. Statistics New Zealand's draft Long Term Asset Management Plan requires approximately \$20 million per annum for the next 3 years to enable the department to manage the legacy issues, develop its statistical assets on a standard platform and replace its ageing infrastructure. The department's current capital expenditure is only 50% of the ideal plan and any deferment will constrain its ability to implement the long term asset management plan.

Review of procurement to reduce back office functions

104. Shared services opportunities – there has not been any formal review performed to identify opportunities in this area. This could be an area for further investigation with other agencies.
105. Statistics New Zealand has strong links with international statistical agencies, in particular the Australian Bureau of Statistics (ABS), where there is a long established collaborative relationship. Information and resources are shared and reused wherever possible in order to minimise costs, for example:
- use of international standard tools and software where possible, for example PC Axis (used to present statistical information) and editing software
 - bilateral meetings between the senior executives of Statistics New Zealand and the ABS which identify joint projects, and information to be shared
 - staff secondments
 - access to ABS database templates that are enhanced to meet Statistics New Zealand's business process needs. The helpdesk database and project management data depository both came from the ABS
 - Statistics New Zealand provided the ABS with its 'Sprocket' system some years ago (a small survey system that was developed in Lotus Notes)
 - common databases are frequently replicated between Statistics New Zealand and the ABS to allow knowledge sharing.

Section 6: Longer-Term Focus

106. Statistics New Zealand is facing serious financial and capability risks. It is projecting growing financial deficits in 2010/11 and beyond. Its IT and statistical systems are ageing and many are fully depreciated. The difficulties of recruiting suitably qualified and experienced staff when combined with a short length of service for core staff limits productivity and impacts on the institutional knowledge that is key in producing official statistics and leading an Official Statistics System.
107. In order to reduce respondent load, Statistics New Zealand wants to increase the use of administrative data in the production of official statistics. However, this is effectively transference of cost from businesses to the department, as the use of administrative data requires additional resources (in terms of data processing and analysis).
108. The department understands the seriousness of its financial situation and is working to develop options for Ministers to consider within the context of the very challenging fiscal position they are working within.
109. The department is working to prioritise its entire suite of outputs so that Ministers can understand the options available to reduce outputs to meet the forecast deficits. It is also seeking to make its business processes more efficient. It has committed to integrating continuous improvement into standard statistical processes to drive internal efficiencies. It is assessing the opportunities for statistical system standardisation and transformation. This work will inform Ministers about the potential longer-term solutions.
110. [deleted – confidentiality of advice]

Appendix 1: Analysis of the relevance, efficiency and effectiveness of each output class

Note – print these tables on A3 paper or use the paper scaling option to print on A4

TABLE 1 Output Class 1: Co-ordination of Government Statistical Activities (\$15.304m pa)	
Leadership of the OSS, including liaison with OSS partners, provision of ministerial services, statistical advice, and operation of access channels	
Is the output in the national interest?	<p>Leadership</p> <ul style="list-style-type: none"> • ‘Coordination among statistical agencies within countries is essential to achieve consistency and efficiency in the statistical system’¹ <ul style="list-style-type: none"> – <i>Consistency</i> - there is growing pressure from users to improve statistical coordination. Improvement of statistical coordination will increase the knowledge base of a country for the benefit of its government and citizens. Policy development and evaluation is only possible if accurate information is available. For example, users want a common industry classification to be used across government so that a richer set of industry statistics can be produced. As a result of work led by Statistics New Zealand, IRD and ACC now use a common industrial standard in their day-to-day business. – <i>Efficiency</i> – statistical co-ordination can have significant efficiency impacts. Well-chosen statistical methods can lead to improved efficiency (e.g. smaller sample sizes and therefore reduced reporting burden). Sharing infrastructure such as classification systems and coding tools can also lead to efficiencies. A co-ordinated and strong OSS that rationalises collections and reduces duplication across agencies, prioritises spending on information, and lifts reporting standards by all agencies is more efficient than the alternative. • As New Zealand’s national statistics office, Statistics New Zealand has important statistical leadership responsibilities within the OSS. The need for this role has become stronger as users seek cohesiveness across all statistics irrespective of the source and governments seek assurance that their investment in official statistics represents value-for-money and that the official statistics produced are both quality and relevant. <p>Access</p> <ul style="list-style-type: none"> • The government makes a significant investment in official statistics across government. Statistics New Zealand works to maximise the benefits to New Zealand from this investment by increasing their availability and use.
Is the programme clearly superior to alternatives in delivering value for money?	<p>Leadership</p> <ul style="list-style-type: none"> • The need for greater co-ordination of the statistical system was recognised in a review by Treasury, the SSC and Statistics New Zealand in 2004 and a new model for strengthening the arrangements has since been implemented. This model provides: <ul style="list-style-type: none"> – stronger governance and leadership to get the most value from the Government’s investment in statistical activity. This has been achieved through an enhanced role for Statistics New Zealand and the introduction of a Ministerial advisory committee (ACOS). Domain plans for topic areas in official statistics, such as energy and the environment, which provide a path forward and a basis for prioritising proposed investments in official statistics and related information systems have or are being developed. – a greater focus on the most important statistics and the standards expected of these. Statistics New Zealand led the development of a list of the most important (Tier 1) statistics and a set of standards, protocols, and policies to be applied to Tier 1 statistics and therefore maximise the ability to integrate, compare and use such statistics across the state sector. Statistics New Zealand assesses the adherence of Tier 1 producers to the protocols. – improved access to a wider range of data by a wider range of users. The weak coordination of the OSS had resulted in inconsistent access to statistical data which had resulted in significant under utilisation of existing data and statistics to inform policy decisions and evaluative activities. Since then a number of initiatives including Statisphere (a portal to access official statistics across government) and datalabs to facilitate access to microdata have been established. – improved management of the burden on respondents by ensuring that the potential to better use the existing stock of information within government without undertaking new surveys is exploited and that respondent burden issues are actively considered. The department has implemented a Respondent Load Strategy and implemented other co-ordinating mechanisms such as a survey notification system and a Ministerial approval system to ensure that the load on households and businesses is not higher than it needs to be. – long-term protection of key datasets by setting up a data archive as a single reference point for ensuring the unit record datasets for all important official statistics are retained as an enduring resource, and thus can be accessed. – increased research to support statistical development through the official statistics research programme. • The alternatives to Statistics New Zealand providing system leadership are: <ul style="list-style-type: none"> – <i>Someone else leads the system</i> – the bulk of statistical expertise exists in the national statistics office so finding an alternative leader would be difficult. – <i>no formal system leadership</i> – the risk of this option is that duplication, gaps and quality issues may occur. The statistical coherence which is demanded by users and is necessary to getting the best use from the statistics produced would probably be compromised since no one would have this outcome in mind. <p>Access</p> <ul style="list-style-type: none"> • The department provides an information centre, websites, datalabs, and data in a range of formats from high-level tables to individual level data for researchers. Further improvements were made as a result of the 2004 review. • Statistics New Zealand operates a single portal (www.statisphere.govt.nz) by which users can gain access to official statistics produced by all government agencies. As well as providing better access to users, this facility obviates the need for individual agencies to develop and promote their own equivalent mechanisms. The marginal costs of any agency participating in this system are small compared to the costs of developing and promoting an equivalent facility for their own official statistics. The department, as with other national statistics offices, has been working to reduce access costs to users of official statistics, and make official statistics accessible at little or no cost as much as possible, providing multiple access channel, all to reduce the barriers to access across society and enable an informed society using official statistics. • Providing researchers with access to suitably protected micro-data (that is, individual-level data) for statistical analysis helps maximize the value society obtains from the assets of information built up in the production of official statistics. Such research increases understanding of the state of society and the economy, and enables the construction and testing of hypotheses about the drivers of improvement and progress, and the impact and success of various interventions and programmes of change. It can enable modeling studies that can be used to predict the impact of alternative intervention strategies. • The department is taking the lead to ensure that statistical databases are documented and archived so that this national asset will be available and usable by researchers and other users in the future.
Are the expected or desired results identified clearly in advance, and evaluated and reported once implemented?	<p>Leadership</p> <ul style="list-style-type: none"> • Since its inception in 2003, monitoring of the OSS has been developing. Statistics New Zealand is currently developing a monitoring framework that will enable more robust monitoring of the system and its effectiveness. The department is also working on an assessment of the current model as part of work to refresh the OSS strategy. Initial work shows that New Zealand has a comprehensive and robust official statistical system. Limited duplication has been identified and key statistics are being produced in line with the principles and protocols set for the system. Some gaps exist in relation for example to economic and environmental statistics that could further enhance the country’s information base. The implementation for the Programme of Official Social Statistics may start to raise questions as to whether there are inefficiencies across the system e.g. are all the longitudinal surveys that currently exist needed. <p>Access</p> <ul style="list-style-type: none"> • The usefulness of the Statisphere web site as a portal to official statistics is monitored and confirmed by commissioned reports on traffic to the site.
Are there more efficient ways of delivering the desired results?	<p>Leadership</p> <ul style="list-style-type: none"> • Statistics New Zealand is currently reviewing the effectiveness of the current model and the model’s various components. This work may identify initiatives that are no longer needed or new initiatives that may be more effective. Initial work indicates that there is more opportunity to ensure that we are getting the best value-for-money from our investment. A stronger focus on system planning and monitoring as well as ensuring that official statistical considerations are well integrated into government decision-making processes is required. <p>Access</p> <ul style="list-style-type: none"> • While considerable progress has been made in increasing access to statistics, there are opportunities to make further improvements – such as through: continuing to make information freely available to users; providing a wide range of channels for users to access official statistics; and improving access to micro-data (that is, individual-level data).

¹ Principle 8, UN Fundamental Principles of Official Statistics

	<ul style="list-style-type: none"> The alternative to Statistics New Zealand not providing a portal such as Statisphere would be for each department to produce and promote its own equivalent, if the desired result of informed users is to be achieved. Providing a number of individual agency statistical portals duplicates costs, and provides a less useful service for users of statistics, who might then be unaware of the full range of statistics across government on the issues of concern to them. Having access to, and making use of, official statistics in the ways outlined above enables all elements in government, society and business to be better informed as they make decisions on major issues affecting many people, or the individual decisions that collectively lead to better outcomes for the person or firm, and for society or the economy overall.
<p>Are <u>all</u> parts of the programme still relevant, given changing needs, priorities and governments?</p>	<p>Leadership</p> <ul style="list-style-type: none"> Covered above. <p>Access</p> <ul style="list-style-type: none"> Creating opportunities for people to use official statistics is about providing potential users with the tools and skills by which official statistics can be understood and used. The department provides products and services to facilitate access to a range of audiences. Its audience model guides the way it reaches different user groups and tailors its products and services. The department provides an information centre, websites, datalabs, and data in a range of formats from high-level tables to individual level data for researchers. It works with the general public and interest group users to promote awareness of the range of information available. This includes hosting seminars for local businesses on how they can access and use official statistics in their decision making as well as working with Māori and Pacific communities and organisations to raise awareness about the value of statistics, the importance of participation, and information on how to access and use statistics. Through all these channels the department seeks and acts on feedbacks from clients to ensure that its products and services remain relevant and meet user needs.

<p>TABLE 2 Output Class 2: Population, Social and Labour Force Statistics (\$40.760m pa) Delivery of statistical information services relating to the population, environment, household economics, social conditions and the labour force</p> <p>Output Class 3: Economic and Business Statistics (\$33.917m pa) Delivery of statistical information services relating to business and the economy</p>

<p>Is the output in the national interest?</p>	<p>Economic and Business Statistics</p> <p>Key economic and business decisions rely on official statistics relating to business and the economy:</p> <ul style="list-style-type: none"> economic and fiscal forecasts, budget-setting and inflation management, including the Reserve Bank's setting of the official cash (interest) rate, rely on a timely and accurate understanding of the economy and the forces driving it international investors' and rating agencies' appraisals of New Zealand rely on high-quality and internationally comparable economic statistics. These statistics are also essential to the OECD's rating of New Zealand's economic performance the outcomes of government spending on industry development, research and development (R&D), trade support programmes, and the assessment and negotiation of free trade agreements rely on statistics on business growth, international trade and tourism businesses rely on census, household spending, business demography and other industry data to understand their target populations and competition <p>Population, Social and Labour Force Statistics</p> <ul style="list-style-type: none"> Official statistics are extremely important for government spending decisions and the provision of social services (welfare, education, health and justice). Welfare, employment and training programmes are evaluated and the shape of employment and skills policies determined using official statistics on employment, unemployment, household incomes and educational achievement. Good statistics on social outcomes (e.g. education, health, standards of living) and the productivity of the public sector are required when assessing the value for money achieved from government spending Key infrastructural and environmental decisions rely on official statistics: <ul style="list-style-type: none"> transport planning decisions are significantly affected by data on local populations, migration, where people live and work (for example, travel to work statistics), injuries, industries and labour markets decisions on energy investments (generation, transmission and location) are affected by statistics on energy use and efficiency, population, industry and economic activity water allocation, management and irrigation systems are significantly influenced by statistics on agriculture and industrial production, population and water use (where data exist) Official statistics help us to understand our identity, the social and economic development of Māori, Pacific, Asian and European New Zealanders, and the country's progress. Labour statistics provide a key interface between the economic and social domains.
<p>Is the programme clearly superior to alternatives in delivering value for money?</p>	<p>The alternatives to Statistics New Zealand producing its current suite of official statistics are:</p> <ul style="list-style-type: none"> <i>Not producing any of these statistics</i> – there would be a high-cost to New Zealand of not having a coherent suite of economic, business and social statistics. Key decision-makers (e.g. government, market players) would not have the information they need to make good decisions. The lack of a coherent suite of economic and business these statistics would also lead to a loss of confidence among international trade and financial stakeholders (e.g. rating agencies). The lack of population and social statistics would mean that processes driven by population distribution and composition, such as electoral boundary setting and determining the numbers of seats in Parliament, or allocation of funding between health districts would be informed by increasingly outdated information, with resultant inequalities and disadvantage to many differing communities. <i>Producing a reduced programme of statistics</i> - as the purchaser of goods and services from the department, it is the government that makes decisions as to the level of investment it wishes to make in official statistics. To assist in this process the department has developed a framework that prioritises its suite of outputs so that choices about the level of investment in official statistics can be made. This work is set out in the 'Prioritisation Framework' section below. <i>Someone else producing them</i> – this may be an option, particularly for those outputs prioritised as discretionary. However: <ul style="list-style-type: none"> there are a number of statistics where there is a significant comparative advantage to Statistics New Zealand producing them as this offers value for money through economies of scales, a concentration of specialised and scarce skills or the ability to leverage existing infrastructure including established systems, methods and unit record data. Advantages derived from statistics legislation (Statistics Act 1975) are also relevant. consistency and coherence of economic and social statistics is maximised through having one agency producing them. There would still be a cost to government if another government agency were to pick up production of statistics transferred from Statistics New Zealand. There might be potential for some economies of scale from an increased centralisation of statistical production within Statistics New Zealand. Whether or not this is the case would require investigation and review. The Programme of Social Statistics (POSS) was developed in response to a major cross-government review of social statistics. It represents a centralisation and rationalisation of what was previously an ad-hoc set of social surveys conducted independently across government agencies. This programme has led to the development of a set of Domain Plans that provide roadmaps forward for each major area of social statistics. This provides a basis for future priority setting and avoids possible duplication for all types of survey topic that fall within the POSS programme. It also provides for a number of surveys designed to fill key gaps in social statistics.
<p>Are the expected or desired results identified clearly in advance, and evaluated and reported once implemented?</p>	<ul style="list-style-type: none"> Statistics New Zealand consults closely with the users of statistics and user communities as it designs its statistics and to monitor their changing requirements. More detail about this is included in the keeping relevant section at the end of this table. Statistics New Zealand releases its statistical publications calendar six months in advance of release. Design and operational metadata are published with each release to ensure transparency regarding statistical quality. The department sets quantity, quality, timeliness standards which it monitors.
<p>Are there more</p>	<p>Statistics New Zealand continuously looks for new and more efficient ways of doing its business. These include:</p>

<p>efficient ways of delivering the desired results?</p>	<ul style="list-style-type: none"> • investigating opportunities to rationalise collections. For example: <ul style="list-style-type: none"> – work to investigate opportunities to rationalise and integrate collections on income and wealth where collections have emerged and evolved over time to meet specific user needs and where, as a result, the statistics are not well integrated and there are areas of overlap. This work arose out of the programme-wide perspective enabled by POSS. – overtime, areas of duplication in respect of economic and business statistics have been reduced. For example, the department recently worked with the Ministry of Economic Development to rationalise the production of energy production statistics, and with the State Services Commission to rationalise the collection of statistics on ICT use by local and central government. • reducing the need for statistical surveys by exploiting as much as possible the administrative databases built up by government agencies during activities such as border control and tax, justice and health administration. This approach has enabled significant reductions in respondent load in recent years. • developing a new vision for its business statistics that would mean moving from a model in which data is primarily collected through surveys supplemented (albeit increasingly over time) by administrative data to one in which the primary means of collection is from administrative sources supplemented by surveys. This would be more efficient from a system perspective but would have a long payback period and high upfront costs. The benefits of this change would be reduced respondent load, increased analysis that can be undertaken, cross-government efficiency, data quality, lower operating costs in the longer-term and improved ability to meet existing and emerging user needs. • actively working to minimise the burden placed on businesses, individuals and households through the increased use of administrative data, making the process of submitting information easier, and demonstrating the value of official statistics produced with this information. • building a culture of efficiency and continuous improvement in the way the department does its business. For example, the development of a core set of questions for all the department's social surveys has reduced duplication and need to keep redesigning the same concepts. It has also improved consistency across surveys which is advantageous for users. • The current approach to improving access to statistics across government is to have a single portal that sets out all official statistics produced by government, and then directs users to the appropriate places and mechanism by which they can access the statistics. Over time, there could be economies and other benefits where the actual access to statistics is also centralised in one place (for example, the initiative by which Statistics New Zealand works with Police to disseminate Police statistics through its website www.stats.govt.nz). Doing this in one hit would be costly, and might have other disadvantages.
<p>Are <u>all</u> parts of the programme still relevant, given changing needs, priorities and governments?</p>	<ul style="list-style-type: none"> • In producing fit-for-purpose statistics, Statistics New Zealand aims to strike the right balance between relevance, cost, and quality of data in a transparent manner. It consults with users and develops domain plans to guide investment decisions and to form the basis of its approach to the development of statistics. It uses standard classifications to ensure international comparability and cost effectiveness in the collection, analysis, production and dissemination of statistics. The department participates in a number of international working groups and forums to help shape international standards to ensure they are relevant for New Zealand, and to remain abreast of developments in official statistics. • The department consults closely with many statistics' users and user communities to monitor their changing requirements. It works closely with businesses to provide services that will help their productivity, liaises with users to obtain their input and monitor their reaction to the level of surveying, and consults regularly with statistics' users about the ways Statistics New Zealand provides information in order to ensure the website, publications and other statistical products are meeting their needs. • Statistics New Zealand maintains contact through a variety of mechanisms, including informal networks, advisory committees, partnerships, seminar and conference participation and client forums. • The department's activities are focused on producing statistics that cover enduring topics of interest rather than short-term policy issues. Its programme of work reflects these long-term needs of users, and results in an evolving national asset of statistical databases that support the production of a wide range of official statistics. The approach used by the department through its domain plans is to anticipate and work towards producing tomorrow's statistical databases to support the production of tomorrow's statistics, bearing in mind the lead times required to set up and populate statistical databases. • There are some significant gaps in New Zealand's official statistics that have been identified by users here and also by international agencies such as the OECD. <ul style="list-style-type: none"> – A recent Finance and Expenditure Select Committee report on monetary policy settings sought improvements in income measures of GDP, savings statistics and productivity data. – In its Environment Performance Review, the OECD observed that "consistent environmental indicators and trend data that can be aggregated at the national level are scarce". It recommended that New Zealand "expand the availability of quantitative indicators and time series data".

TABLE 3 Multi-Year Appropriation: 2011 Census of Population and Dwellings (\$78.193m over 5 years)	
Planning and delivery of the Census of Population and Dwellings, as required under the Statistics Act 1975	
Is the output in the national interest?	<ul style="list-style-type: none"> The Census of Population and Dwellings is a cornerstone of New Zealand's Official Statistics System. As the only collection of statistics in New Zealand on the whole population, it provides a unique source of information at national and regional levels, and underpins critical statistical measures such as population estimates and projections. Official statistics from the Census are extremely important for government spending decisions and the provision of social services (welfare, education, health and justice) and land transport infrastructure: <ul style="list-style-type: none"> Social welfare programmes are designed using population projections calibrated against the census, and regional social welfare services are targeted using local population data funding allocations to district health boards are determined by population and social and economic deprivation factors directly stemming from census data investments in school-building and teaching rely directly on census and population statistics, with detailed geographic, ethnic and age breakdowns. Central and local government investment in land transport infrastructure and services is allocated using models and forecasts that use information from the census on location population and travel to work data Census information is used to adjust electoral boundaries and calculate the number of general and Māori electorate seats
Is the programme clearly superior to alternatives in delivering value for money?	<ul style="list-style-type: none"> Based on initial work on alternatives, Statistics New Zealand believes that the current five-yearly census "traditional" model is the best for New Zealand but that the approach could be improved. The five-yearly interval is the most appropriate because compared to other developed countries New Zealand has relatively high rates of population growth (7.8% between 2001 and 2006) and internal population mobility. High internal mobility of the population is demonstrated by the fact that 54.8% of the usually resident population aged five years and over had moved residence at least once since the previous census in 2001. These rates support continuing with a five-yearly census and have particular relevance for planning, infrastructure and services. However, the increased costs between five-yearly censuses require a better approach to meet these costs. [deleted – confidentiality of advice] [deleted – confidentiality of advice] [deleted – confidentiality of advice]
Are the expected or desired results identified clearly in advance, and evaluated and reported once implemented?	<ul style="list-style-type: none"> For the census to be of value, it needs to achieve a very high national coverage rate of 98% or better. The coverage rate is the proportion of New Zealand residents in the country on census night actually counted by the census. Immediately after each census, the completeness of census coverage is evaluated and reported through an independent Post-enumeration Survey.
Are there more efficient ways of delivering the desired results?	<p>2011</p> <ul style="list-style-type: none"> Statistics New Zealand has been working to deliver a census within the \$80 million appropriated. The department has strengthened the management of the census programme and undertaken detailed planning and budgeting. The programme is subject to independent quality review as well as oversight by central agencies. A wide range of savings options have been analysed and considered (including insourcing/outsourcing options, removal of the internet response option), and a range of efficiency measures is being implemented. Despite these initiatives, the department has serious concerns that on current funding it cannot take a census in 2011 based on the current business model, without seriously compromising data quality. Due to the scale of the census exercise it is not possible to radically change the business model for the 2011 Census at this stage. International experience indicates that major changes to the traditional census business model used in New Zealand are very expensive to implement, and require a long lead-in time and thorough testing. Other models were considered by the department and the Minister of Statistics in 2006 and it was agreed that the traditional census model used in the 2006 Census and previous censuses was the most feasible. Statistics New Zealand has been working through the implications of the reduction in quality and limited or delayed outputs from the 2011 Census, with central and other government agencies. A number of options have been developed, the most viable of which have been grouped as three types of options below. <ul style="list-style-type: none"> <i>Option One: Status Quo</i> – involves doing the best we can on current funding of \$80 million but the projections are that a census undertaken on this level of funding would result in only one product i.e. basic counts of population and dwellings by meshblock. These counts would be of poor quality due to the poor coverage rate. <i>Option Two: Additional Funding</i> – additional funding totaling \$10.4m. Additional funding of \$5.5 million will enable the field operation to be fully funded so that data of sufficient quality can be collected. An additional investment of \$2.6 million will ensure that all data can be processed. Further investment in the output phase of \$2.3 million will enable the production and dissemination of a wider range of products up to the level achieved in the 2006 Census, (or \$5.6 million will produce products equivalent to the 2001 Census). <i>Option Three: Cancellation of the Census</i> – involves either the cancellation of the 2011 Census, or the one due in 2016; and/or a change in the frequency of the census from 5 to 10 years. This option envisages the redistribution of some unallocated funding to support exploration and development of another approach to the current census model. These options are discussed in more detail in the department's emergency pressures bid 'Ensuring a viable 2011 Census' and supporting business case. <p>Longer-term</p> <ul style="list-style-type: none"> See section on alternative approaches above. In addition to addressing the issues surrounding the 2011 Census it will be important to ensure that there is an acceptable plan and funding path in place for the 2016 Census. This requires investigation into what other options might exist as well as the efficiency of the current model. Further investigation into this may be a good candidate for an in-depth review particularly in view of the use made of Census data by a large number of government and non-government users.
Are all parts of the programme still relevant, given changing needs, priorities and governments?	<ul style="list-style-type: none"> Due to financial constraints on the 2011 Census the department decided to make minimal changes to the census forms (i.e. census content) for 2011. This means that the Census is becoming increasingly less relevant e.g. changes in family structures are not reflected on the form nor are societal changes relating to usual residence. The forms will need to be changed for the 2016 Census for it to remain relevant.

Statistical staff composition over 2006 and 2007

	30 June 2006 FTEs	30 June 2007 FTEs
SA1 (entry level Statistical Analyst)	190	141
SA2 (experienced Statistical Analyst)	126	174
Senior Statistical Staff	46	70
Total	362	385

Notes

- This table only includes statisticians and does not include other critical roles necessary for the direct delivery of the department's core goods and services to clients or markets.
- There has been a managed increase in SA2's and Senior Statistical Staff, and a reduction in SA1's over 2006/07.
- The financial impact of reshaping and shifting the workforce to have a higher stock of experienced statistical analysts and Senior Statistical Staff, is an estimated increase in base remuneration over 06/07 of \$2.1m.

Detailed listing of new initiative funding – 2000/1 to 2008/9

	2000/01 \$000	2001/02 \$000	2002/03 \$000	2003/04 \$000	2004/05 \$000	2005/06 \$000	2006/07 \$000	2007/08 \$000	2008/09 \$000
Output Class 1									
Official Statistical System Model (OSS)					3,936	3,752	3,050	3,074	3,074
Output Classes 2 & 3									
New Statistics	1,403	2,904	4,015	4,450	8,330	13,428	19,861	23,813	23,128
Making More Information Freely Available								1,500	1,500
Enhanced Productivity Measures for New Zealand							1,349	1,712	2,007
Improving Government Services to Business						570	505	290	290
Meeting International Obligations						870	2,902	2,564	2,218
Integrated Dataset on Student Loan Scheme Borrowers						587	587	587	587
Linked Employer-Employee Data (LEED)					1,813	1,813	1,813	1,813	1,813
Programme of Official Social Statistics					0	3,938	7,106	9,772	9,138
Satellite Accounts for Non-Profit Institutions and Households					271	328	277	253	253
Household Labour Force Survey Additions				204	80	80	80	80	80
Social Statistics				259	0	0	0	0	0
GIF (Growth & Innovation Framework) Statistics				595	2,834	1,769	1,769	1,769	1,769
Community Access to Data Lab			404	154	94	74	74	74	74
Injury Information Manager			588	689	689	850	850	850	850
Student Loans		85	160	97	97	97	97	97	97
Community Capacity Building		289	289	289	289	289	289	289	289
Housing Survey		460	460	460	460	460	460	460	460
Longitudinal Survey of Income Dynamics	887	923	2,114	1,703	1,703	1,703	1,703	1,703	1,703
Post Census Disability Survey	516	1,147							

3 February 2009

	2000/01 \$000	2001/02 \$000	2002/03 \$000	2003/04 \$000	2004/05 \$000	2005/06 \$000	2006/07 \$000	2007/08 \$000	2008/09 \$000
Maintaining Quality of Existing Statistics				1,110	1,695	1,154	1,107	1,107	1,107
Improved Macroeconomic Statistics				1,110	1,695	1,154	1,107	1,107	1,107
Census				1,698	7,489	23,027	4,102	141	1,841
Internet Census					6,267	4,715	100		
Implementing the archiving of the 2006 Census						916	1,879	141	143
Census of Population and Dwellings						6,996			
Census of Population and Dwellings				1,698	1,222	10,400	2,123	0	1,698
Across all Output Classes									
Statistics New Zealand Capability Needs				4,187	2,078	6,891	6,091	5,891	7,324
Statistics New Zealand Capability Needs -Field Collections									1,434
Statistics New Zealand Capability Needs -2005						5,601	4,801	4,601	4,600
Statistics New Zealand Capability Needs -2003				4,187	2,078	1,290	1,290	1,290	1,290
Infrastructure				0	1,772	2,484	3,161	3,699	3,823
New Accommodation for Wellington Staff				0	1,772	1,933	1,933	1,933	1,933
New Accommodation for Wellington Staff					0	405	405	405	405
Information Management Infrastructure						146	823	1,361	1,485
Total	1,403	2,904	4,015	11,445	25,300	50,736	37,372	37,725	40,297

New initiatives linked to activities designed to achieve Statistics New Zealand outcomes

Impact	Trust & confidence			Access	
	Leading a coherent OSS	Delivering fit-for-purpose statistical outputs	Maintaining a willing supply of information from respondents	Facilitating access to official statistics	Maintaining an enduring national statistical resource
Activities					
Output Class 1					
Official Statistical System Model (OSS)	✓	✓	✓	✓	✓
Output Classes 2 & 3					
New initiatives:					
Making More Information Freely Available				✓	
Enhanced Productivity Measures for New Zealand		✓			
Improving Government Services to Business			✓	✓	
Meeting International Obligations		✓			
Integrated Dataset on Student Loan Scheme Borrowers		✓			
Linked Employer-Employee Data (LEED)		✓			
Programme of Official Social Statistics		✓			
Satellite Accounts for Non-Profit Institutions and Households		✓			
Household Labour Force Survey Additions		✓			
GIF (Growth & Innovation Framework) Statistics		✓			
Social Statistics		✓			
Community Access to Data Lab				✓	
Injury Information Manager		✓			
Student Loans		✓			
Community Capacity Building		✓			
Housing Survey		✓			
Longitudinal Survey of Income Dynamics		✓			
Post Census Disability Survey		✓			
Maintaining Quality of Existing Statistics:					
Improved Macroeconomic Statistics		✓			
Census		✓			
	Organisational health and capability				
Across all output classes:	People		Systems & processes		
Statistics NZ Capability Needs	✓				
Infrastructure	✓		✓		

Cost Savings and Budget Reduction Initiatives

The table below summarizes savings and budget reduction initiatives undertaken by Statistics New Zealand to manage expenditure within baseline funding.

Initiatives	(\$000)
2008/09:	
Output Reductions:	
:Reducing scale & frequency of environmental accounts	170
:Discontinuing Quarterly Regional Report	100
:Discontinuing Regional analysis & Local Govt.	150
:Reducing Frequency of ICT	140
:Reducing some demographic statistics & sub-national population	120
:Reducing Frequency of Farm Expense Price Index Surveys	<u>40</u>
	720
Efficiencies	
:Reduced Overhead Support Costs	500
:Reduction in General Business Operating Expenses e.g. internal travel	500
:Reduced Overseas Travel	120
:Improved Field Collections Practices	93
:Business As Usual (BAU) Cost Reductions	716
: Project Contact	150
:Recruitment & Training	300
:General Efficiencies across business units	<u>1,060</u>
	3,439
Project Scope Changes & Deferrals:	
:Family Survey	726
:Environmental & Sustainable Development	172
:Improve Coverage of SNA: Institutional Accounts	297
:Quality Framework	172
:Programme of Social Statistics (POSS)	257
:Collections & Disseminations	<u>330</u>
	1,954
Total 2008/9	6,113
2007/08:	
Efficiencies:	
-Reduced IT Operations	600
-Reduced General Business Operating Expenses e.g. Internal Travel through use of Office Technology, Video conferencing	500
-Reduced Recruitment Costs	600
:BAU Cost Reductions i.e. 5% reduction to total BAU	1,900
:Mission Possible	<u>150</u>
	3,750
Project Scope Changes & Deferrals:	
-Reduced Information Management Infrastructure Strategy scope	600
-System of National Accounts Re-engineering build work deferred	890
-Defer full Implementation of new ANZSIC	<u>700</u>
	2,190
Total 2007/8	5,940
Pre 2006/07:	
-Imaging Project: Automated data capture	1,000
-Productivity Savings: Establishment of the Integrated Publishing Environment	800
-Reduced Printing Costs	228
-Process improvements in trade editing	500
-Use of admin data for the Annual and Monthly frame update surveys	<u>150</u>
Total pre 2006/07	2,678

Forward Financial Projection: 2008/9 to 2011/12

	2008/09 Original Budget (\$000)	2008/09 Revised Budget (\$000)	2009/10 Estimates (\$000)	2010/11 Estimates (\$000)	2011/12 Estimates (\$000)
REVENUE					
Crown	88,471	88,471	95,908	128,147	88,050
Product Sales & Recoveries	2,263	2,263	2,379	2,479	2,679
Externally Contracted Surveys	7,180	4,510	3,282	3,068	2,835
Total Revenue	97,914	95,244	101,569	133,694	93,564
Expenditure					
Personnel	58,231	58,332	61,616	83,634	57,741
Personnel Expenditure Ongoing Outputs	34,668	34,668	33,193	33,309	33,388
Personnel Expenditure Cyclical/Demand Driven Activities	19,183	19,284	22,778	43,413	16,174
Indirect Personnel (Super, ACC LSL, Retirement)	3,024	3,024	3,084	3,146	3,209
Provision for Salary Adjustments -Current Year Impact	1,356	1,356	1,356	1,356	1,356
Salary Adjustments -Past Years Full Impact			1,205	2,410	3,614
Operating	39,684	36,912	40,669	57,224	41,080
Operating Expenditure Ongoing Outputs	16,635	16,635	16,886	17,165	17,119
Operating Expenditure Cyclical/Demand Driven Activities	10,142	7,461	9,885	23,815	6,341
Depreciation & Capital Charge	12,907	12,817	13,898	16,245	17,620
Total Expenditure	97,914	95,244	102,285	140,858	98,821
Surplus/(Deficit)	(0)	(0)	(716)	(7,164)	(5,257)

Operating expenditure by Output Class: 2000/1 to 2007/8

Output Class	2000/01 \$000	2001/02 \$000	2002/03 \$000	2003/04 \$000	2004/05 \$000	2005/06 \$000	2006/07 \$000	2007/08 \$000	2008/9 \$000
1. Coordination of Government Statistical Activities	1,023	5,366	7,601	7,422	10,731	14,585	12,698	14,407	15,304
2. Economic And Business Statistics	25,425	23,861	21,998	23,213	24,609	26,991	29,776	30,951	33,917
3. Population, Social & Labour Force Statistics	22,281	23,655	22,071	25,855	28,798	36,132	46,188	40,940	40,760
Census Population & Dwellings	25,846	4,211	2,426	5,224	11,231	45,069	4,950	3,617	7,933
Total Including Census	74,575	57,093	54,096	61,714	75,369	122,777	93,612	89,915	97,914
Total Excluding Census	48,729	52,882	51,670	56,490	64,138	77,708	88,662	86,298	89,981

Changes in Expenditure Year-On –Year:									
Total Including Census		-17,482	-2,997	7,618	13,655	47,408	-29,165	-3,697	7,999
Total Excluding Census		4,153	-1,212	4,820	7,648	13,570	10,954	-2,364	3,683

% Growth Incl. Census		-23%	-5%	14%	22%	63%	-24%	-4%	9%
% Growth Excl. Census		9%	-2%	9%	14%	21%	14%	-3%	4%

3 February 2009

Summary of new initiative funding: 2000/1 to 2008/9

Output Class	2000/01 \$000	2001/02 \$000	2002/03 \$000	2003/04 \$000	2004/05 \$000	2005/06 \$000	2006/07 \$000	2007/08 \$000	2008/09 \$000
Output Class 1: Official Statistical System Model (OSS)					3,936	3,752	3,050	3,074	3,074
Output Classes 2 & 3: New Statistics	1,403	2,904	4,015	4,450	8,330	13,428	19,861	23,813	23,128
Improved Macroeconomic Statistics				1,110	1,695	1,154	1,107	1,107	1,107
Census				1,698	7,489	23,027	4,102	141	1,841
Across all Output Classes: Statistics NZ Capability Needs				4,187	2,078	6,891	6,091	5,891	7,324
Infrastructure					1,772	2,484	3,161	3,699	3,823
Total	1,403	2,904	4,015	11,445	25,300	50,736	37,372	37,725	40,297
Change in new initiative funding year on year		1,501	1,111	7,430	13,855	25,436	-13,364	353	2,572

New capital initiatives: 2000/1 to 2008/9

	2000/01 \$(000)	2001/02 \$(000)	2002/03 \$(000)	2003/04 \$(000)	2004/05 \$(000)	2005/06 \$(000)	2006/07 \$(000)	2007/08 \$(000)	2008/09 \$(000)	Total \$(000)
Output Classes 2 & 3:										
Field Collections Infrastructure									560	560
Infrastructure for MIFA								2,727		2,727
Enhanced Productivity Measures							78	504	198	780
Improving Government Services to Business							985			985
Infrastructure for Implementing ANZIC						2,452	3,866	2,842	1,501	10,661
Linked Employer-Employee Data (LEED)					2,169	807	639			3,615
Programme of Official Social Statistics					0	250	750	1,250	250	2,500
Housing Survey	380									380
Computer Assisted Interviewing System		1,300								1,300
Student Loan		100								100
Injury information Manager			810	230	150					1,190
2006 Census Archiving							165			165
Across all Output Classes:										
Information Management Infrastructure strategy						1,829	1,829	452		4,110
New Accommodation for Wellington Staff					4,200	1,500				5,700
Total Budget Initiatives	380	1,400	810	230	6,519	6,838	8,312	7,775	2,509	34,773

Capital Projects 2008/09	Budget \$ 000
New initiative funding:	
61002 ANZSIC06 - Capital	1,268
61004 ANZSCO	59
62000 POSS Capital	684
62503 Productivity Measures	522
62600 Making Info Freely available - Capt	2,001
62607 Field Collection Management System - Capt	497
<i>Sub-total</i>	<i>5,031</i>
Internally funded:	
12620 Census Capital Expenditure	2,300
13005 BEST (Business/Economic Statistics)	839
60388 BPI Quality Improvement Programme	343
60902 Office Furniture Replacement	100
60904 IT Solutions Capital Replacement Programme	3,675
61010 Corporate Systems Development	100
62502 Project Contact	453
62504 Documents & Record Management	385
62601 Satellite accounts for non profit - Capt	172
62602 Sustainable Development - Capt	79
62603 Institutional sector accounts - ISA Capt	150
62604 Energy Use Survey: Capt	49
70041 IDC Operations	20
90020 IT Solutions Capital Programme	1,720
90200 SoNAR Programme	334
<i>Sub-total</i>	<i>10,719</i>
Total Capital Expenditure	15,750

Statistics New Zealand's Prioritisation Framework

1. To assist the government make decisions about the level of investment it wishes to make in official statistics, Statistics New Zealand has developed a prioritisation framework that categorises its outputs into one of four categories. The department also uses this framework to guide its internal decision-making. The framework prioritises statistical releases, statistical services, and support services separately.

Statistical releases

2. New Zealand requires its main official statistics of national interest (Tier 1) to meet public expectations of impartiality and statistical quality, have long term continuity of the data and provide international comparability. These Tier 1 statistics may be key inputs to fiscal, monetary and social policy settings and resulting operational decisions, key indicators of cross-domain social outcomes, used in business decision making or to evaluate New Zealand's economic and social performance. The OSS principles and protocols are designed to help producers of Tier 1 statistics produce quality, relevant statistics by using consistent and collectively agreed standards, protocols and policies for official statistics. As such, the OSS is producer blind, and produces official statistics that will meet the required standards irrespective of who produces them.
3. There is a subset of Tier 1 Statistics where there is a greater requirement for the maintenance of highest levels of quality and for impartiality and neutrality in the production of the statistics (hence ensuring the highest levels of credibility and integrity). This subset of Tier 1 statistics would meet one or more of the following criteria:
 - they are market sensitive
 - there is a legal requirement for Statistics New Zealand to collect and produce them
 - they fulfil other statutory or electoral obligations
 - they are crucial to the essential management functions of government.
4. As a National Statistical Office, Statistics New Zealand has some particular attributes that means it is best placed to efficiently deliver these most important official statistics that require the highest levels of credibility and integrity. These attributes are gained through legislation (for example compulsory supply of information leading to higher levels of quality, protection of confidentiality) but also in that Statistics New Zealand has no operational function other its leadership of the Official Statistics System and the production of statistics. There is no vested operational or compliance interest in the outcome, the institution is independent of use and users and it is trusted as a "broker" between users with differing agendas and by suppliers of source data. These statistics are categorised as "**priority one**".
5. In addition a wide range of statistics is directly used in the production of the "most important" statistics. It is essential that Statistics New Zealand has control over their scope, quality and timeliness in order to ensure the credibility and integrity of the "most important" suite. These use existing statistical infrastructure and many are also published outputs in their own right, of interest to a variety of users. They are categorised as "**priority two**" statistics.

6. An integral component of these priority one and two statistics is the essential statistical infrastructure that supports them. This includes classifications, population frames, systems and methods, historical databases and the like. It is this infrastructure that gives much of the comparative advantage that justifies the production of the suite of “*priority three*” statistics (see next paragraph).
7. Statistics New Zealand could also deliver statistics when there is a significant comparative advantage in doing so. This may come about when producing statistics is not the core business of others, by Statistics New Zealand:
 - offering value for money through economies of scale or scope, the ability to deal with complex topics or processes, a concentration of specialised and scarce skills or the ability to leverage existing infrastructure including established systems, methods and unit record data (that other organisations are unlikely to maintain or develop)
 - having advantages derived from statistics legislation (Statistics Act 1975) such as access to unit record data, or mandatory participation
 - being able to provide independent evidence to assess New Zealand's position internationally
 - or where the independence of the Government Statistician is of particular advantage. For example, Cabinet placed responsibility with Statistics New Zealand for data integration for official statistical purposes or the production of statistics that relate to controversial areas of emerging interest (internationally and domestically).
8. Comparative advantage is not sufficient to prioritise statistics in this category, as it does not address differing levels need. For example, the highest priority statistics in this category would also have widespread and enduring user demand. Hence a prioritisation matrix is used that incorporates dimensions of user need (high, low) and comparative advantage (strong, weak).
9. These categories are summarised in the table below.

Priority	Criteria
1. Most important statistics that require the highest levels of credibility and integrity	<ul style="list-style-type: none"> • they are market sensitive • there is a legal requirement for Statistics New Zealand to collect and produce them • they fulfill other statutory or electoral obligations • they are crucial to the essential management functions of government
2. Statistics directly used in the production of priority 1 statistics	<ul style="list-style-type: none"> • directly used in the production of the "most important" (priority 1) statistics
3. Statistics produced because Statistics New Zealand has a strong comparative advantage, and/or where there is a widespread and enduring user demand	<ul style="list-style-type: none"> • offer value for money through economies of scale or scope, the ability to deal with complex topics or processes, a concentration of specialised and scarce skills or the ability to leverage existing infrastructure including established systems, methods and unit record data (that other organisations are unlikely to maintain or develop) • have advantages derived from statistics legislation (Statistics Act 1975) , such as access to unit record data, or mandatory participation • being able to provide independent evidence to assess New Zealand's position internationally • where the independence of the Government Statistician is of advantage <p>As well as the above considerations, it is also necessary to factor in the nature of the user need for the statistics. If need is low, this diminishes the additional value gained from having Statistics New Zealand produce the statistics.</p>
4. Discretionary statistics	<ul style="list-style-type: none"> • Not in priorities 1-3. No compelling case for Statistics New Zealand to produce, however, there may be user demand for them

Statistical services and support services

10. Four parallel criteria are applied to the prioritization of all statistical services and the department's support activities. These are outlined in the table following.

Priority	Statistical Services	Support Services
1	Mandatory <ul style="list-style-type: none"> • Absolutely must do, essential to the 'most important' statistics • Legal requirement 	Mandatory <ul style="list-style-type: none"> • Legal requirement • Cabinet public service requirement
2	Core <ul style="list-style-type: none"> • Necessary work to maintain fit-for-purpose quality, ensure reasonable use of statistics • Essential functions for OSS leadership 	Core <ul style="list-style-type: none"> • Important to running the business
3	Strategic <ul style="list-style-type: none"> • Prioritised by the Board • Fits with strategic objectives, supports our positioning as an NSO, ensures better future delivery, but is not essential activity 	Strategic <ul style="list-style-type: none"> • Prioritised by the Board • Fits with strategic objectives, supports our positioning as an NSO, ensures better future delivery, but is not essential activity
4	Discretionary <ul style="list-style-type: none"> • Elective activities 	Discretionary <ul style="list-style-type: none"> • Elective activities

3 February 2009

Appendix 11

Prioritisation Selection: Products and Services – All Business Groups
Draft as at January 2009

[deleted – confidentiality of advice]

3 February 2009

[deleted – confidentiality of advice]

3 February 2009

[deleted – confidentiality of advice]

3 February 2009

[deleted – confidentiality of advice]