

## Statistics New Zealand's Line-by-Line Review Summary Report

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### Purpose

1. This report sets out a summary of 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. Further details and evidence are included in the Annex to this report.

### Contribution to Government Goals

2. The Government aims to lift incomes and living standards in New Zealand by increasing productivity and economic growth.
3. 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, transport planning. Official statistics will be needed by businesses to make good investment decisions and improve their competitiveness in the world economy.
4. The current economic environment will place greater demands on the statistical system to produce information that will enable the impact of international events on New Zealand to be assessed and for use by the Government in its social and economic decision-making.
5. Statistics New Zealand contributes to the government's priorities by delivering and disseminating a majority of New Zealand's most important official statistics; working to increase the benefits to New Zealand from government investment in official statistics by increasing their availability and use; reducing costs to businesses and households through initiatives aimed at increasing integration and reducing duplication; and working 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.

### Potential Savings

6. 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 with 1 being the most important and 4 being the most discretionary. The department also uses this framework to guide its internal decision-making. Refer to Appendix 1 for further details.
7. [deleted – confidentiality of advice]
8. [deleted – confidentiality of advice]

9. [deleted – confidentiality of advice]

### **Programme Analysis**

10. An analysis by programme (output class) shows:

#### ***Activities strongly aligned 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 and government priorities. The department's portfolio of statistics is regularly reviewed with users and advisory groups. Its biggest challenge is meeting the demand for statistics.
- Key economic and business decisions rely on official statistics relating to business and the economy. 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.
- The confidence of market players and international agencies such as the OECD and the IMF is influenced by the country producing a coherent suite of internationally comparable official statistics. Statistics New Zealand has a reputation for having a credible and responsive system of national statistics with these agencies. New Zealand users of official statistics rate usefulness, reliability, relevance, and access to statistics highly in independent surveys commissioned by the department.
- 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.

#### ***Difficult choices to be made about the level of investment in official statistics***

- Alternatives to Statistics New Zealand's continued production of its existing suite of statistics and co-ordination of the statistical system are limited; however, 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.

#### ***Opportunities to transform the department's business***

- The department has made significant enhancements to the efficiency and effectiveness of its operations and business, with greater use of tax data and optical scanning. While there are opportunities to further 'transform' the department's business and be more efficient and effective this will take time and money.

#### ***The Census under pressure***

- 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. Options

to address this issue are discussed in more detail in the department's emergency pressures bid 'Ensuring a viable 2011 Census'.

- It is 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.

## **Efficiency and Effectiveness**

11. Consideration of the department's efficiency and effectiveness shows:

### ***Significant savings made in recent years***

- By a number of measures, Statistics New Zealand is an efficient department. 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, 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 \$3.1 million to \$0.7m. Forecast deficits in out-years remain high (\$7.2m in 2010/11 and \$5.3m in 2011/12).
- In line with statistical agencies world-wide, Statistics New Zealand has been putting considerable emphasis on efficiency and effectiveness initiatives and has in many cases been innovative in its approach. Statistics New Zealand is a leader in the use of tax data. Productivity growth has occurred as new outputs such as electronic card transactions statistics and the prototype Longitudinal Business Database have been established within the same baseline.
- Many of the department's statistical collections are subject to independent or external cost review (agricultural, energy and tourism statistics costs, for example, have been reviewed by key clients). A benchmarking study with Australia and Sweden showed lower average costs of collection and processing per household for a standard household survey.
- A recent commissioned review of large areas of the department's activities found a variety of changes and developments that would 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 further lift its efficiency and effectiveness.

### ***Long-term financial situation not sustainable***

- Statistics New Zealand 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. Increasing the use of administrative data reduces respondent load, but requires additional Statistics New Zealand resources (for processing and analysis).
- Statistics New Zealand charges full-cost recovery for customized requests or special services, while making public good information freely available. Increasing third party revenue is not a desired option as this is contrary to the work being done to improve access and use of statistics for decision making by businesses, community groups, local and central government. Accessibility has been the biggest concern of users (as reported by the Minister's Advisory Committee on Official Statistics (ACOS) in 2007). Previous efforts to

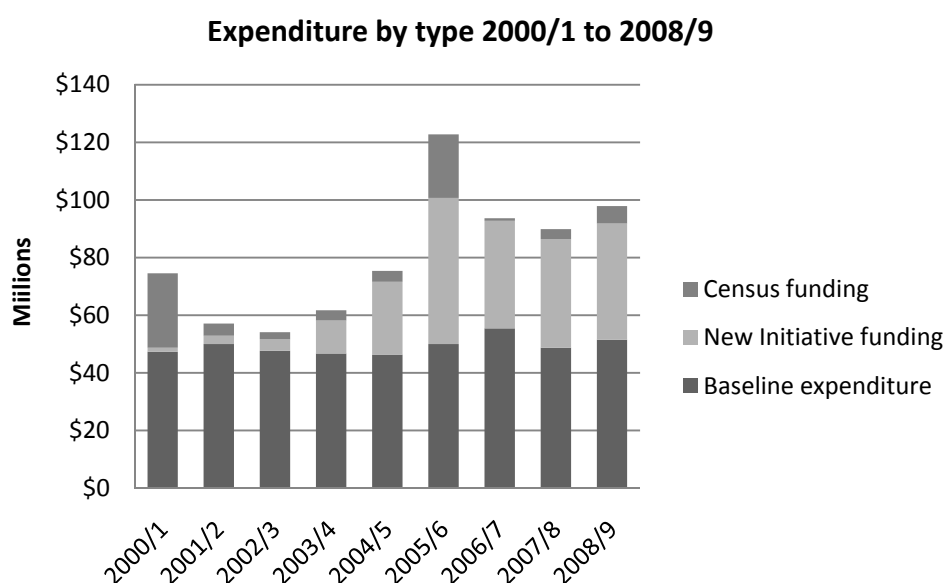
adopt a 'user-pays' approach over a ten year period were found to be unsuccessful in setting the optimum level of statistical activity for medium priority statistics, and also resulted in spill-over risks impacting on the more critical national statistics funded directly by government.

- Statistics New Zealand is working to develop options for Ministers to consider within the context of the very challenging fiscal position they are working within. [deleted – confidentiality of advice]

### Cost Analysis

12. An analysis of the department's costs shows:

#### *The size and growth of the department and votes*



- Vote growth and the movements in personnel numbers and costs over the period of analysis (2000/1 to 2008/9) are primarily driven by the Census cycle and the new initiative funding received. Substantial growth in activity has occurred with the delivery of new economic and social statistics. There has been some additional funding provided to allow Statistics New Zealand to meet its capability needs, but most personnel cost increases have had to be funded by internal savings. The department is forecasting continued pressure on staff costs in the future, which will put the delivery of core outputs and new initiative projects at risk.

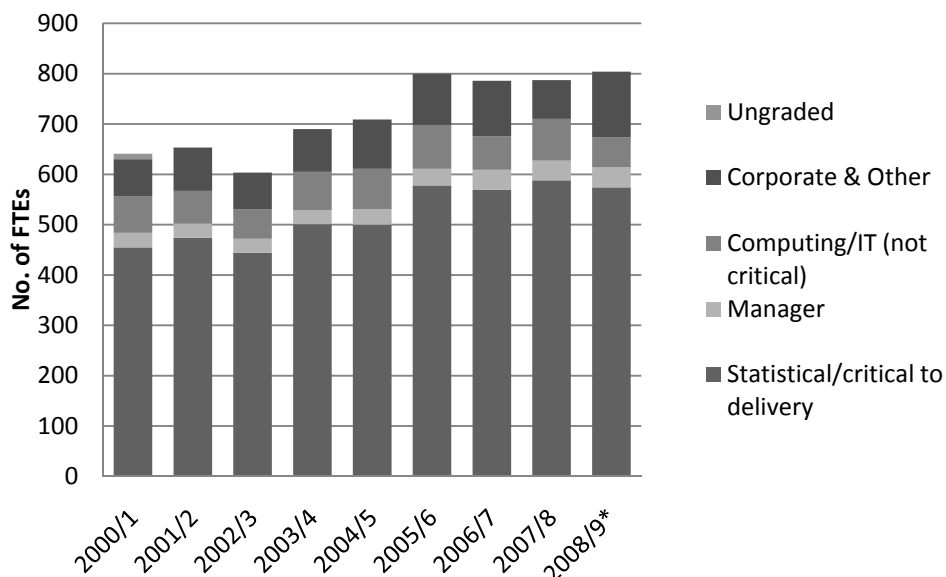
#### ***The price of major outputs and progress towards the value-for-money goal***

- Cost increases have been experienced in the collection, processing and dissemination of statistics. The majority of additional funding received since 2000/1 is for new statistics, relating to output classes 2 and 3. There has been very little price movement in existing outputs.
- The percentage movement in total expenditure (excluding Census and new initiative funding) for the department from the 2000/1 to 2008/9 financial year 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).

- 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. These are detailed in Appendix 3.

**Transferring resources to the front line**

**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.

- Statistics New Zealand’s focus is on providing statistical products and services to the public, co-ordination of the country’s statistical system and ensuring that it has good support systems and functions to achieve this. The ratio of FTE between back office and delivery is reasonable (approximately 25:75), as is the ratio of overheads to delivery. The department has been proactive in reducing overhead expenditure over the last few years and has identified further reductions in the current year.

**Managing future capital expenditure**

- Statistics New Zealand has an aging infrastructure in need of reinvestment. A major challenge for the department is how to address this within the financial constraints it faces. Rising depreciation costs are the principal factor in projected deficits. The department is developing a long term asset management plan and an investment case to address this.

### 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

Priority	Criteria
1. Most important statistics that require the highest levels of credibility and integrity	<ul style="list-style-type: none"> <li>• they are market sensitive</li> <li>• there is a legal requirement for Statistics New Zealand to collect and produce them</li> <li>• they fulfill other statutory or electoral obligations</li> <li>• they are crucial to the essential management functions of government</li> </ul>
2. Statistics directly used in the production of priority 1 statistics	<ul style="list-style-type: none"> <li>• directly used in the production of the "most important" (priority 1) statistics</li> </ul>
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"> <li>• 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)</li> <li>• have advantages derived from statistics legislation (Statistics Act 1975), such as access to unit record data, or mandatory participation</li> <li>• being able to provide independent evidence to assess New Zealand's position internationally</li> <li>• where the independence of the Government Statistician is of advantage</li> </ul> <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"> <li>• Not in priorities 1-3. No compelling case for Statistics New Zealand to produce, however, there may be user demand for them.</li> </ul>

**Statistical services and support services**

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

**Expenditure savings of up to \$1.1 million**

13. [deleted – confidentiality of advice]



**3 February 2009**

[deleted – confidentiality of advice]

3 February 2009

**Expenditure savings of a further \$2.8 million**

14. [deleted – confidentiality of advice]

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**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.

<b>Initiatives</b>	<b>(\$000)</b>
<b>2008/09:</b>	
<b>Output Reductions:</b>	
: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>
	<b>720</b>
<b>Efficiencies</b>	
: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>
	<b>3,439</b>
<b>Project Scope Changes &amp; Deferrals:</b>	
: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>
	<b>1,954</b>
<b>Total 2008/9</b>	<b>6,113</b>
<b>2007/08:</b>	
<b>Efficiencies:</b>	
-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>
	<b>3,750</b>
<b>Project Scope Changes &amp; Deferrals:</b>	
-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>
	<b>2,190</b>
<b>Total 2007/8</b>	<b>5,940</b>
<b>Pre 2006/07:</b>	
-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>
<b>Total pre 2006/07</b>	<b>2,678</b>