

# The Treasury

## Budget 2012 Information Release

### Release Document

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# Budget 2012: Four-year Budget Plan

**[Statistics NZ]**

Covering:

**Vote Statistics**

## Four-year Budget Plan

[Draft]

[1 December]

Forwarded by:

**[Minister of Statistics]**

## Section 1: Overview

1. In Budget 2011 the Government supported investment in Statistics NZ to get the business on a sustainable footing to deliver increased value and the continued supply of reliable and critical statistics. The Statistics 2020 – Te Kapehu Whetu (Stats 2020) programme is an ambitious programme of change and is one of the major transformation programmes in the public sector. It will ensure statistics that are relevant today and tomorrow both in New Zealand and internationally. It is aimed at better meeting customer needs and reducing costs to government, data users, and data providers by prioritising activities and modernising how the department operates. Initiatives of the programme are focused on four major priority areas:
  - leading the Official Statistics System (OSS) efficiently to produce the information New Zealand needs for relevant, trustworthy, and accessible information
  - obtaining more value from official statistics
  - transforming the way Statistics New Zealand delivers its statistics
  - creating a more responsive, customer-focused, influential, and sustainable organisation.
2. The key initiatives to be achieved over the next four years to meet these priorities are listed as milestones in the major project monitoring agreement that the department has with monitoring agencies( the Treasury and the State Services Commission (SSC)) attached as **Appendix 1** and are focused on:
  - growing capability
  - updating IT technology
  - maintaining and improving the quality of key statistics
  - agreeing the most important ( Tier 1) statistics across government
  - ensuring the future of population and social statistics
  - progressing work on transforming the delivery of future censuses
  - continuing to improve access to government held data.
3. The most immediate initiatives will:
  - Deliver a census of population and dwellings in 2013 to replace the 2011 Census
  - Progress the Tomorrow's Population and Social Statistics Programme (TOPSS) separately to Cabinet in March 2012, by providing:
    - Options for a future programme of population and social statistics, to replace the existing Programme for Population and Social Statistics (POSS) as part of the 2012 Budget process.
    - A Future Censuses Issues paper and Census Transformation Strategy which will inform Ministers of potential future frequency and pathways for the census of population and dwellings.
  - Progress the Tier 1 statistics list and cross system prioritisation and process to Cabinet in the fourth quarter 2011/12.
4. All initiatives will be progressed while Statistics New Zealand maintains the annual production of approximately 240 statistical outputs, products and services and manages on-going operational pressures.
5. The Christchurch earthquakes continue to impact the organisation with pressures on statistical delivery, capability and productivity. 250 staff have only recently been able to return to office-based work across 3 locations and will not re-occupy our permanent premises until April 2012. Statistical outputs have continued to be produced with minimal delays, but project progress, statistical maintenance activity and staff development have been impeded and the department will continue to bear additional costs as a result.
6. Statistics New Zealand is confident it can effectively manage the new and unanticipated cost increases facing the department, including those incurred by the Christchurch earthquakes, and build on the department's good history of finding efficiency savings. These past savings have

included output reductions when necessary. The outputs reduced were identified using the department's output prioritisation framework. This framework was developed to prioritise the department's total suite of statistical outputs, products and services and does so by categorising them into four groups, from mandatory (Priority 1) to discretionary (Priority 4). The prioritisation framework is attached as **Appendix 2** to this plan.

7. In addition to the organisation's output prioritisation framework for finding savings and optimising resources, the Stats 2020 10 year programme of change (which is already underway) has efficiency gains estimated at \$96.3 million for the 10 year period with savings continuing beyond year 10. This estimate is based on targets relating to savings and FTEs that will realise both 1.5 percent efficiency gains per annum and productivity savings linked to specific initiatives.
8. The targets, comprising both components per annum are outlined in the table below:

#### Milestone Targets

	Cumulative Savings (\$m)	Staff*
<b>Tranche 1</b>		
2011/12	1.4	1123
2012/13	2.5	1060
2013/14	5.3	1028
2014/15	6.9	979
2015/16	9.0	994

\* Note staff numbers as per Statistics 2020 Business Case, and as such were prior to deferral of Census 2011.

9. The specific initiatives with the most significant productivity savings are those relating to:
  - collection through using a new collection platform, utilising different modes of collection, and progressively reducing the current reliance on surveys and increasing the use of admin data
  - dissemination as a result of establishing a single dissemination platform and streamlining processes around dissemination
  - costs that would otherwise be incurred in maintaining a large number of bespoke systems to support the production of statistics.
10. The proposed change to population and social statistics offered by the preferred option, *Option B- Rationalised outputs, good flexibility* in the attached TOPSS business case (**Appendix 3**), provides some immediate efficiencies available to be returned to the Crown (or potentially re-prioritised within the OSS as per the Tier 1 statistics and cross system prioritisation process being put to Ministers in 2012). These efficiencies are outlined in the summary of changes table below.
11. Future efficiencies may also be realised from the work the department is involved in relating to:
  - Transformation of the census of population and dwellings
  - Re-prioritisation of statistical investment across the OSS.
12. However, efficiencies from these options are unlikely in the short to medium term leaving only the reduction of lower priority outputs (recently rejected by Ministers) and to a lesser extent increasing the partial user-pays system already in place, as the only short term funding options available for consideration.

<b>Summary of Changes</b>						
1. Operating changes sought	Impact \$m increase/(decrease)					
	2011/12	2012/13	2013/14	2014/15	2015/16	
<b>Current Baseline</b>	<b>114.148</b>	<b>165.570</b>	<b>113.843</b>	<b>100.375</b>	<b>94.860</b>	
Cost pressures resulting from existing policies/settings [section 3]	1.138	1.050	1.050	0.920	0.920	
Net Cost of new/increased activities [section 4]	-	-1.997	-1.177	2.292	9.152	
Efficiency savings [section 4]	- 1.138	-2.550	-2.550	-2.420	-2.420	
Amount reprioritised [section 4]	- 4.000	-	4.000	-	-	
<b>Net impact</b>	<b>- 4.000</b>	<b>-3.497</b>	<b>1.323</b>	<b>0.792</b>	<b>7.652</b>	
<b>New baseline</b>	<b>110.148</b>	<b>162.073</b>	<b>115.166</b>	<b>101.167</b>	<b>102.512</b>	
The baseline figures above are comprised of the following:						
Baseline Appropriations	\$m					
	2011/12	2012/13	2013/14	2014/15	2015/16	
Official Statistics MCOA	102.87	108.37	104.02	101.17	102.51	
2011 Census of Population and Dwellings	0.198	-	-	-	-	
2013 Census of Population and Dwellings	7.085	53.700	11.151	-	-	
<b>Total new baseline</b>	<b>110.148</b>	<b>162.073</b>	<b>115.166</b>	<b>101.167</b>	<b>102.512</b>	
<p>The Current Baseline Figures are those agreed during the October Baseline Update. The new/increased activities relate to the preferred option of the Tomorrow's Official Population and Social Statistics (TOPSS) business case. If the preferred option is approved, it will reduce baselines in 2012/13 and 2013/14, due to the rescheduling of activities between the existing Programme of Official Social Statistics (POSS) and TOPPS. The amount reprioritised relates to the change in timing of POSS expenditure due to the postponement post census surveys due to the deferral of the 2011 Census. The figures do not include any additional expense or operating to capital transfers; these are anticipated in relation to the retention of insurance revenue arising from the Christchurch earthquakes, and will be requested as part of the March Baseline Update process.</p>						

2. Capital investments being considered for new funding in Budget 2012 [section 4]	<b>Impact \$m increase/(decrease)</b>					
	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>Out-years</b>
TOPSS Business Case				0.1	0.1	
3. Capital investments likely to require new funding in future Budgets [section 4]	<b>Total impact across years \$m increase/(decrease)</b>					
	<b>Budget 2013</b>	<b>Budget 2014</b>	<b>Budget 2015</b>			
Please list	-	-	-			
4. Baseline capital expenditure	<b>Impact \$m increase/(decrease)</b>					
	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	
<b>Departmental</b>						
Baseline funding available for departmental capital expenditure [section 5, table 5, row e]	29.066	17.437	18.477	15.795	13.492	
Investments funded from departmental capital expenditure [section 5, table 5, row f]	22.624	15.907	17.948	15.144	13.492	
<b>Non-departmental</b>						
Total [section 5, table 6]	-	-	-	-	-	
5. Departmental capital expenditure	<b>\$m increase/(decrease)</b>					
	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	
<a href="#">a. Opening baseline funding available[1]</a>	19.201	6.442	1.530	0.529	0.651	
b. Depreciation funding (1:51:1, 199)	9.865	8.495	7.410	8.116	9.470	

c. Sale of assets (1:52:0, 1999)	-	-	-	-	-	
d. Other (see note below)	-	2.500	9.537	7.150	3.371	
<b>e. Total baseline funding available (a+b+c+d)</b>	29.066	17.437	18.477	15.795	13.492	
<b>f. Capital investments funded from baselines</b>	22.624	15.907	17.948	15.144	13.492	
g. Closing baseline funding available	6.442	1.530	0.529	0.651	-	
(e-f)						
<p>The indicative funding of \$2.5 million transferring from operating to capital in 2012/13 relates to insurance revenue, with the amount being the estimate of what will be received for assets damaged in the Christchurch earthquakes. When a more certain estimate of the insurance revenue is available, the Department will request a transfer from operating to capital for the amount. Capital contributions for 2012/13 to 2015/16 are comprised of the re-phased existing capital contributions for the years up to and including 2018/19, and the transfer of funding from operating to capital.</p> <p>The transformation programme that underpins Stats 2020 involves the significant replacement of systems, tools and processes. The selection of specific systems, tools and processes will involve decisions around the timing of making, leasing or buying of assets. The outcomes of these decisions may result in the need to transfer funding between operating and capital, and vice versa, or the timing of when capital contributions will be drawn down depending upon the options selected. The Department monitors its long term capital, operating, and cash flow positions, and will request transfers to allow the optimal achievement of its strategic priorities.</p>						
<b>5. Non-departmental capital expenditure</b>	<b>\$m increase/(decrease)</b>					
	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	
Capital investment in organisations other than departments	-	-	-	-	-	
(0:6:X & 0:7:X, 599)						
Baseline funding available for the purchase or development of Crown capital assets (0:6:X & 0:7:X, 699)	-	-	-	-	-	
<b>Total</b>	-	-	-	-	-	

## Section 2: Priorities

### Outcome and priorities

13. Statistics New Zealand's primary goal over the next four years is to continue to successfully produce its current suite of outputs while implementing the first stages of Stats 2020 to ensure business sustainability and increased value from New Zealand's investment in official statistics.
14. Since 2008, the department has had an output prioritisation framework in place. All outputs, products and services produced by Statistics New Zealand have been prioritised against this framework (and socialised with key stakeholders) to ensure resources are allocated optimally toward higher priority outputs and away from those assessed as lower priority. Some lower priority outputs have been reduced in the past but outputs considered more recently by Cabinet were rejected in preference to the realisation of efficiencies through the successful implementation of the Stats 2020 programme.
15. Stats 2020 is designed to lift the impact of Statistics New Zealand's activities to ensure that New Zealand increasingly gets the statistical information it needs to grow and prosper by progressing four strategic priorities to: lead the Official Statistics System so that it efficiently produces the information New Zealand needs for relevant, trustworthy, and accessible information; obtain more value from official statistics; transform the way Statistics New Zealand delivers its statistics and create a more responsive, customer-focused, influential, and sustainable organisation.

### Key achievements to meet these priorities over the next four years

16. Stats 2020 initiatives sit across all four strategic priorities. These initiatives have also been prioritised and the key initiatives or achievements required over the next four years incorporate the priority milestones already agreed with Treasury and the State Services Commission (the agencies tasked by government to monitor major projects such as Stats 2020) and are discussed below.

### Leading the Official Statistics System so that it efficiently produces the information New Zealand needs

17. To achieve this priority Statistics New Zealand will work with its partners across the system to get; collective ownership, performance improvements, the right statistical information required for decision making and the most efficient and effective statistical production. Initiatives that will be undertaken include planning and implementing a review of Official Statistics System (OSS) governance to increase the effectiveness of governance bodies and developing and implementing a framework and process to monitor the health of the system. The department is also participating actively in cross-government initiatives, such as the Open Government Data Re-use project.

**Key achievements** to support leading the OSS, is the work to:

- complete and have accepted by Cabinet a plan to deliver and cost the proposed list of the most important (Tier 1) statistics across the OSS that includes purchase and developmental advice on these statistics and gathers information across the OSS on the totality of the statistical investment. This initiative is discussed further in section 6, paragraphs 42 to 46.
- investigate the potential for shared infrastructure, such as using common dissemination tools across the Official Statistics System, which includes reviewing and determining the future of the Statisphere portal.

### Obtaining more value from official statistics

18. To obtain more value from official statistics, the department is focusing on initiatives that will increase the accessibility, use and reuse of data, as well as improving the dissemination of data. Work being undertaken includes raising awareness of the benefits of using statistics by presenting statistical information in easy-to-understand forms and up-skilling priority users.

**Key achievements** to obtain more value:

- expanding microdata access to meet our users' needs and expectations. Internal work will continue to streamline the application process and support the amendment to the Statistics Act



1975 (currently in the Regulatory Reform Bill ) which extends the Government Statistician's discretion to approve researchers' access to microdata.

- completing the development of the standard data dissemination management suite of tools. Statistics NZ's online services will be enhanced to enable it to disseminate data releases using mobile technology platforms. This initiative will improve users' access to information by delivering reports to handheld devices such as mobile phones and other handheld systems.
- developing and implementing our common data management strategy, including metadata for reuse and easier access.

### **Transforming the way Statistics New Zealand delivers its statistics**

19. To achieve this priority, initiatives focus on ensuring the right statistics are produced at the right quality, and in the most cost effective and efficient way including through modernising collection, standardising production and increasing the use of administrative data to maintain users confidence in our statistics. Initiatives include the establishment of a programme for regularly reviewing outputs, a statistical maintenance schedule, and a long-term schedule for reviewing classifications across all statistical outputs as well as developing and implementing common platforms, methods, processes and tools for delivery.

**Key achievements** to transform the way Statistics New Zealand delivers its statistics:

- maintain users confidence with a successful 2013 Census of Population and Dwellings (which replaces the 2011 Census cancelled due to the Canterbury earthquake).
- complete the implementation of the Australian and New Zealand Standard Industrial Classification 2006( ANZSIC'06) for Quarterly National Accounts.
- implement the collection strategy using a new collection platform, different modes of collection, and reducing the current reliance on surveys and increasing the use of admin data
- finalise the statistical architectures for clusters of similar statistics and completing the development of, and migrating outputs to, new standardised platforms for:
  - microeconomic statistics ( including Overseas Trade statistics migrated to BEST , and migration of the Annual Enterprise Survey, Retail Trade Survey, and Quarterly Employment Survey)
  - national accounts (including quarterly GDP production and migration of Balance of payments (BOP) processing system from Centura to Dot.Net)
  - social statistics, specifically extending the Household Survey Platform to accommodate the Household Labour Force Survey redevelopment .
- researching and developing a new infrastructure for integrated data (iLEED – integrated Linked Employer-Employee Data).
- redeveloping and expanding geospatial infrastructure including Geoframes, and geovisualisation tools and data stores.

### **Creating a responsive, customer-focused, influential, sustainable organisation**

20. Our approach to this priority is to progress initiatives that provide stability, certainty and sustainability including progressing work on the frequency and mode of future censuses and securing on-going funding for a future programme of population and social statistics. Other initiatives to support this priority include updating out-dated It technology by continuing the legacy programme, implementing plans and strategies to grow capability and ensure the internal and external leadership, governance and reporting for the successful implementation of Stats 2020. To this end the recent Performance Improvement Framework (PIF) review, of the organisation's performance, provides valuable guidance and was supportive of the overall approach.

**Key achievements** to create a sustainable organisation are to:

- submit in 2011/12 a People Strategy report, acceptable to Cabinet, on the transition, planning and implementation of changes in capacity, capability and culture to support Stats 2020 that have been put in place (EGI Min (11) 4/10 refers). This initiative is key to the success of Stats 2020 and as such is the subject of the most extensive on-going (internal and external) monitoring and independent review.
- include costings in this Four-year Budget Plan for a continued programme of population and social statistics and have accepted recommendations in the supportive TOPSS business case to Cabinet

in March 2012. The business case is attached and the preferred option is discussed in section 4 paragraph 30 of this plan.

- submit to Cabinet in March 2012 a Future Censuses Issues paper and Census Transformation Strategy that will consider frequency and mode of the census and have recommendations in these papers accepted. Further detail on this is provided in section 6, paragraph 41 of this plan.
- embed the Stats 2020 Transformation Office and reporting regime.
- complete the Internal Quality Assurance process for the Stats 2020 programme.
- develop an annual asset management process based on the current long-term asset management plan. This process will review portfolios of assets to ensure that we keep pace and capture efficiencies on an on-going basis and integrating the process into our internal business planning approach.
- continue the It legacy programme to systematically replace and update out-dated technology.

## Section 3: Cost Pressures

21. The cost pressures facing Statistics NZ that need to be managed over the next four years consist of pressures which are; environmental/ historical, those associated with the Stats 2020, new one-off and annual and emerging pressures.

### Environmental/historical Pressures

22. Statistics New Zealand operates in an environment with high user expectations for a wider range of statistics and rapidly changing technology, increasing expectations amongst respondents and users of reduced compliance costs and improved access. Statistical and IT staff are hard to recruit and retain with high demand for their skills. IT systems and statistical methodologies used to produce products and services need to be maintained and updated to enable the efficient production of quality statistics. Specifically the organisation faces:

- **Aging IT systems and statistical methodologies**-where the majority of its IT systems are fully depreciated and many of the economic statistics systems dating from the mid 1990s, with the Household Labour Force survey methods dating back to 1985.
- **Siloed systems, datasets and methods**-where there is over 250 separate statistical production systems which are complex to change and maintain and because many were also built on versions of software that are dated, there are only very few people, internally or externally, who have the skills needed to support them.
- **Recruiting and retention of skilled staff** -this is a continuing challenge for the organisation as pay rates for statistical roles have been in the order of 13-18% lower than the same size jobs across the public sector and due to past pressure on the baseline financial recognition for good performance has been very limited resulting in rising turnover.
- **Stakeholder expectations** –which relate to: enhanced quality and relevance; improved timeliness, the need for more new statistics to fill key gaps; easier access to, and manipulation of, data available; and reducing the cost on respondents.
- **A largely decentralised Official Statistical System** which requires strong leadership to ensure the collective buy-in necessary to get a better return on statistical investment.

### Stats 2020 pressures, cost drivers and risks

23. The Stats 2020 programme was designed to meet the above environmental and historical pressures. The programme business case agreed by Ministers outlined the pressures and how they would be met, including workforce/wage assumptions and planning<sup>1</sup>. Many of the key initiatives underlying Stats 2020 (outlined in section 2 above) are already underway. However, the programme itself is not without its own cost drivers and risks and why Stats 2020 has significant internal and external monitoring processes built in. The first four years of the programme requires a significant investment in resources to address past under-investment. Cost drivers and risks that arise relate to:

- **The number of FTEs required to transform delivery.** Estimates of the FTEs required to update ageing IT systems is based on work that has been done over the past 3-5 years. If resources do not remain within estimated levels, (or estimated levels are wrong) particularly given the environment which is complex due to the inter-relationships and dependencies between systems and associated outputs costs will spiral.
- **The salaries required to secure the skills for the transformation.** Statistics NZ has estimated the levels of salary required to secure the people resources required to deliver the transformation. The risk associated

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<sup>1</sup>Statistics NZ has already progressed a number of People Strategy initiatives since June 2011 which have substantially addressed a number of the independent review observations in May 2011: A streamlined recruitment and selection process to improve efficiency, and enhance Statistics NZ overall profile and ability to target key skills; A Remuneration Strategy, including the commencement of work on reviewing remuneration systems and frameworks particularly those related to remuneration for statistical roles; A Bargaining Strategy, which has been agreed with the State Services Commission, and sets the context and parameters for the forthcoming Collective Employment Agreement negotiations; The principles and approach for the 2011/12 Annual Salary Review was presented to and acknowledged by the Ministerial Committee on State Sector Employment Relations on 5 October 2011; Detailed profiling of projected staffing levels by function including scheduling for recruitment and termination (as well as redundancy) of roles and activities; An Internal Communications Plan in support of the People Strategy including continuing to engage with employees regarding the strategy and making it real for them. A series of further staff engagement workshops are scheduled for December 2011; Building a performance orientated culture; an initiative is underway to define the performance culture for Statistics NZ; and Building capacity for change management including resources and events to support managers in growing their skills in the leadership of change.

with this assumption is that for some key roles, which are in high demand (statistical analysts and IT), Statistics NZ is currently behind the market (as discussed above). This increases the challenge of retaining key staff and attracting new staff during the transformation. There will also continue to be a residual risk that other organisations (inside and outside NZ) drive up the market price for scarce resources beyond the levels that Statistics NZ can afford.

- **The time to build the developed systems and their average life once built.** The transformation includes consolidating multiple systems (in multiple languages) into standardised platforms. This is inherently risky. How long it takes to develop and build the new systems and their economic life once they are built will impact on the sensitivity of the operating funding required. There is also the risk that there will be a major step change in technology that will need to be responded to incurring additional costs.
- **Translating plans into action.** Stats 2020 incorporates targets linked to specific initiatives as well as organisation wide continuous improvement initiatives to achieve efficiency gains. If Statistics NZ fails to achieve the very tight targets set out for the next six months in terms of governance, resourcing, and implementing the programme there is a risk the programme will at best be behind on its first year's targets and at worst not achieve them at all.

### **New One off and annual impacts**

24. Statistics New Zealand is facing annual cost increases of \$2.5m from new one off and annual impacts. A new one off cost of \$0.6m arises in 2011/12 due to the inability of the Population and Social Statistics programme (POSS) to fully utilise expense transfers in 2010/11 and the delay to the 2011 Census causing rework for the Maori and Disability survey.

25. New annual costs arise from the following sources:

- **Post Christchurch earthquake impacts** including anticipated higher rental costs (due to the increase in demand for office space rental), depreciation costs from replacement of items that were not scheduled and increasing insurance costs gives rise to a cost increase of \$0.8m per annum. Insurance is becoming increasingly difficult to attain at acceptable levels of coverage and premium. For material damage and business interruption cover the number of insurers prepared to offer cover is very small and if this does not improve Statistics NZ risks either having to accept being under insured or premiums increasing exponentially in the future.
- **Unfunded activity** for the Survey of Family, Income and Employment (SoFIE) is continuing over the next three years incurring an annual cost of \$130K per annum. Funding for this longitudinal survey ceased in 2009/10 but activity has continued to enable completion of expected outputs from this complex survey.
- **Removal of central funding** for Kiwisaver and the State Sector Retirement Savings Scheme (SSRSS) becomes effective from 2012/13 at an initial cost of \$1.5m per annum.
- **Contract renewal increases** due to low scale inflationary cost increases will incur an annual cost of \$120K per annum.

26. On top of these new costs the department must grapple with the normal business cost drivers relating to:

- **maintenance of outputs** such as changes in local factors (demographics, economic changes) respondent load, population increases and the pressure of incorporating international standards and processes whilst maintaining fit for purpose statistics.
- **people costs** rising cost of skilled personnel in the knowledge sector and any increases from the Collective Employment Agreement.
- **IT** rising software licence costs and weak negotiating position on key software applications.

### **Emerging pressures and potential risks**

27. The department also faces some emerging pressures and potential risks:

- **Time-limited Funding.** There is an emerging pressure facing the department from time-limited funding. The vast majority of social statistics are subject to funding which is coming to an end in 2014/15. This funding currently accounts for 14 percent of total funding (\$9 million per annum). Management of this pressure is discussed in section 4, paragraphs 29 and 30 (and outlined in the attached TOPSS business case being considered as part of Budget 2012).
- **Organisation Disruption.** A potential risk arises if Statistics NZ continues to be disrupted by earthquakes in Christchurch because capability is reduced, resourcing and infrastructure is limited and resilience of staff is considerably reduced.
- **Inability to obtain skilled staff.** If Statistics NZ is unable to obtain the staff with the appropriate skill set required to deliver the programme, delivery of the programme is at risk.

## Section 4: Proposed Changes and Efficiency Savings for 2012/13 to 2015/16

### Proposed Changes

28. To achieve the priorities and manage the pressures outlined in sections 2 and 3 above, the Department, in addition to implementing the agreed Stats 2020 programme of change, is proposing change to secure funding for a new population and social statistics programme and mitigate unanticipated cost pressures.

#### Secure funding for a new population and social statistics programme

29. Funding for the existing population and social statistics POSS programme is due to cease in 2014/15. This matter was considered previously by Cabinet where it was agreed that Statistics New Zealand develop a Tomorrow's Population and Social Statistics (TOPSS) stage 2 business case on future pathways for population and social statistics, including the census. Recently, Ministers of Finance and Statistics agreed that the population and social statistics programme and the census work should be progressed separately by:

- including the cost of the proposed population and social statistics programme to replace POSS, in the Four-year Budget Plan.
- submitting the TOPSS stage 2 business case to Cabinet in support of the replacement programme in March 2012.
- submitting the transformation of the census work separately to Cabinet in March 2012 (discussed further in section 6, paragraph 41 below).

30. The TOPSS business case is attached and outlines three funding options to replace the existing POSS programme, ranging from enhanced outputs at more cost to fewer outputs for less cost. Mitigation of this risk from time-limited funding is being undertaken in Budget 2012 because certainty is required for planning purposes, both operationally and for the many users of this data. The preferred funding option is *Option B-Rationalised outputs, good flexibility*. This option meets the core (but not optimal/enhanced) needs of users, at similar funding levels as the existing programme (but with efficiencies) and has the potential for increasing value at marginal cost from survey integration and use of modular supplements. The funding for this option has been included in the Summary of Changes in section 1 above and is compared below to existing funding:

Year	Existing POSS funding allocation	Indicative required funding to support preferred new programme option
2012/13	\$10.44 million	Return \$ 2 million to Crown or available for reprioritisation within the OSS
2013/14	\$8.08 million	Return \$1.2 million to Crown or available for reprioritisation within the OSS
2014/15	\$ 7.27 million	Require additional funding of \$ 2.3 million
2015/16	nil	Require additional funding of \$9.2 million

#### Changes to mitigate new and unanticipated cost pressures

31. Historically the department has occupied two premises in Christchurch but in re-establishing operations post the earthquake, the department is focusing on utilising the existing floor space in the main premises to reduce the need for more properties and help mitigate the cost increases resulting from earthquake disruption. As of October, all Christchurch staff are accommodated in our short term premises and have been equipped with EePC's (re-used from the census offices) at home as a back-up in the event of a further crisis.

32. The department is reviewing ways to mitigate the long term impact of the removal of central funding for Kiwisaver and the State Sector Retirement Savings Scheme (SSRSS). The mitigation of this will come from a range of sources as any changes to the remuneration approach can take time (years) to implement and will require some additional short term savings in the meantime.

33. The department has achieved annual savings of over \$0.5m from procurement initiatives such as utilising AOG procurement arrangements and are targeting further annual savings (of over \$0.5m) in the next two years from similar initiatives.

## Efficiency Savings

34. Statistics NZ has a good history of finding efficiency savings. Over the last five years, the organisation has achieved efficiency savings of around \$7 million including output reductions based on its output prioritisation framework. Efficiency measures have included reducing the frequency and scale of environmental accounts production and development, discontinuing the quarterly regional review and other regional analyses and reducing the frequency of the Farm Expenses Price Index, as well as an overall reduction in discretionary expenditure including travel, training and amenities. A more recent example, has been the making of yearbook information (a product assessed as lower priority in the attached prioritisation framework) available online annually, instead of pursuing hardcopy publication bi-annually.

35. The Stats 2020 10 year programme of change incorporates significant efficiency savings linked to organisation wide continuous improvement initiatives. The programme has efficiency gains estimated at \$96.3 million for the 10 year period with savings continuing beyond year 10. This estimate is based on targets relating to savings and FTEs that will realise 1.5 percent efficiency gains per annum as well as productivity savings linked to specific initiatives. The targets to be achieved over the next four years (comprising both components) are outlined in the monitoring agreement the department has with Treasury and SSC as per the table below.

	Cumulative Savings (\$m)	Staff*
<b>Tranche 1</b>		
2011/12	1.4	1123
2012/13	2.5	1060
2013/14	5.3	1028
2014/15	6.9	979
2015/16	9.0	994

\* Note staff numbers as per Statistics 2020 Business Case, and as such were prior to deferral of Census 2011.

36. The specific initiatives with the most significant productivity savings are those relating to:

- collection through using a new collection platform, utilising different modes of collection, and progressively reducing the current reliance on surveys and increasing the use of admin data
- dissemination as a result of establishing a single dissemination platform and streamlining processes around dissemination
- the costs that would otherwise be incurred in maintaining a large number of bespoke systems to support the production of statistics.

## Section 5: Baseline capital expenditure

37. Statistics New Zealand is giving effect to Government's Investment Intentions (based on the Capital Asset Management (CAM) principles expected of the public sector) through the capital reprioritisation being undertaken within Stats 2020. The programme requires substantial capital investment over the first four years. Almost all of this investment is aimed at delivering initiatives that will transform the delivery of statistics and stems from the investment in common statistical infrastructure and the investment in common platforms, methods, processes, and tools (as discussed above in section 2 paragraph 19). Investment in these areas progressively increases operating costs as a result of higher depreciation charges. The investment also enables savings to be generated. The most significant areas where savings arise are in relation to, collection, dissemination and maintaining bespoke systems.
38. Once the first four years of Stats 2020 investment in assets is complete, the pattern of expenditure reverts more to one of on-going reinvestment. Significantly less resource is required accordingly.

5. Departmental capital expenditure	\$m increase/(decrease)				
	2011/12	2012/13	2013/14	2014/15	2015/16
a. Opening baseline funding available <sup>2</sup>	19.201	6.442	1.530	0.529	0.651
b. Depreciation funding (1:51:1, 199)	9.865	8.495	7.410	8.116	9.470
c. Sale of assets (1:52:0, 1999)	-	-	-	-	-
d. Other (see note below)	-	2.500	9.537	7.150	3.371
<b>e. Total baseline funding available (a+b+c+d)</b>	29.066	17.437	18.477	15.795	13.492
<b>f. Capital investments funded from baselines</b>	22.624	15.907	17.948	15.144	13.492
g. Closing baseline funding available (e-f)	6.442	1.530	0.529	0.651	-

The indicative funding of \$2.5 million transferring from operating to capital in 2012/13 relates to insurance revenue, with the amount being the estimate of what will be received for assets damaged in the Christchurch earthquakes. When a more certain estimate of the insurance revenue is available, the Department will request a transfer from operating to capital for the amount.

Capital contributions for 2012/13 to 2015/16 are comprised of the re-phased existing capital contributions for the years up to and including 2018/19, and the transfer of funding from operating to capital.

The transformation programme that underpins Stats 2020 involves the significant replacement of systems, tools and processes. The selection of specific systems, tools and processes will involve decisions around the timing of making, leasing or buying of assets. The outcomes of these decisions may result in the need to transfer funding between operating and capital, and vice versa, or the timing of when capital contributions will be drawn down, depending upon the options selected. The Department monitors its long term capital, operating, and cash flow positions, and will request transfers to allow the optimal achievement of its strategic priorities.

Non-departmental capital expenditure	\$m increase/(decrease)				
	2011/12	2012/13	2013/14	2014/15	2015/16
Capital investment in organisations other than departments (0:6:X & 0:7:X, 599)	-	-	-	-	-
Baseline funding available for the purchase or development of Crown capital assets (0:6:X & 0:7:X, 699)	-	-	-	-	-
<b>Total</b>	-	-	-	-	-

<sup>2</sup> For the 2011/12 year, this figure should represent assets held on the balance sheet (e.g. cash and debtor Crown) that are available to fund future purchases of property, plant and equipment. The figure in row (g) for 'closing baseline funding available' becomes the figure in row (a) for 'opening baseline funding available' in the following year.

## Section 6: Further options

39. The following options to further reduce costs in Vote Statistics have been investigated by the department:

- transformation of the Census;
- re-prioritisation of the statistical investment across the OSS, including Tier 1 statistics
- Stats 2020 self-funding
- user pays.

40. This investigation was undertaken in accordance with a Cabinet directive (EGI Min (11) 4/10 refers). Of these options census transformation and reprioritisation of the statistical investment across the OSS (including Tier 1) have been assessed as having the most potential for future efficiencies and are summarised briefly below. These options are due to be reported back to Cabinet separately and in detail in 2012.

### Transforming the Census.

41. The proposed census strategy is in the short-term, to reduce census collection costs and to ensure that population estimates can be extended accurately over a 10-yearly period and in the longer-term, to move to an administrative data-based census model. The vision of an administrative data-based model envisages producing census information largely from administrative sources rather than the current "full enumeration" survey model. A Future Censuses Issues paper including the implications (constitutional, electoral and operational) of lengthening the census cycle and Census Transformation Strategy will be presented to Ministers in March 2012. The paper will outline that during 2011/12 the department will progress efforts to enhance sub-national population estimates; define the testing programme for comparing the 2013 Census with administrative sources and improve the use of address information to lower collection costs. In addition, the department will develop a census transformation plan that will:

- In the short-term reduce data collection costs
- In the medium term reduce the frequency of censuses
- In the longer term replace the current survey-based census with an administrative-based census which would be significantly cheaper to operate.

### Re-prioritisation of the statistical investment across the OSS (including Tier 1).

42. The work under this option is being progressed in two stages. The first stage is aimed at identifying the priorities for statistical investment across government, by focusing on the most important (Tier 1) statistics, with the second stage assessing the totality of the official statistics system (i.e. the production of both Tier 1 and non-Tier 1 statistics by government agencies) to identify savings and future efficiencies longer term.

43. In terms of stage one, a revised Tier 1 list has been developed. The number of existing Tier 1 statistics on this list has been rationalised from 109 to 81, and a further 97 Tier 1 development candidates have been identified to fill statistical gaps, giving a total of 178 proposed Tier 1 statistics. The purpose of the Tier 1 list is to ensure that New Zealand has an enduring, prioritised and coherent set of statistics which are credible for major policy and investment decisions, enable New Zealand's progress to be monitored, are of high quality and are independently produced. As part of the Tier 1 work, the department is gathering information on the costs involved in developing the new candidates for Tier 1, including compliance costs and options for managing the investment required to fully develop the list. A Cabinet paper outlining the next steps is planned for the fourth quarter of 2011/12.

44. In terms of stage two, the Government Statistician and the OSS Chief Executives steering group will provide purchase advice to budget Ministers, which provides a whole-of-government view of statistical investment with a view to ensuring that priority is given, in budget decisions, to government's highest priority statistics (Tier 1) and that low value spending is identified that may be made more efficient, rationalised and/or redirected. The intention is to use this approach for the first time in Budget 2012, with a current focus on the



Tier 1 development plans mentioned above, with the expectation that the depth of advice will broaden and improve incrementally as more information is accumulated.

45. The aim over time is to gather information across the OSS on the totality of the statistical investment to feed into the purchase advice and to better inform the potential efficiencies that can be made across the system from the re-prioritisation of statistical investment longer term. This requires information from OSS agencies in relation to both their Tier 1 and non-Tier 1 statistical spend to ensure informed assessments. For example, Statistics New Zealand has prioritised its own statistical production and identified its lower priority statistics and the cost of producing them. Similar information has been sought from OSS agencies on their statistical production (both Tier 1 and non-Tier 1). As information accumulates over time a true comparison and prioritisation of statistical investment can be made and efficiencies found.
46. In terms of the remaining options: self-funding and user pays, while these options offer some opportunities for cost reduction in Vote Statistics they have been given comprehensive consideration in the past (by Ministers and/or central agencies) and been rejected as unsuitable and/or only partially pursued. These options are reported back below.

### Self-funding

47. Statistics New Zealand is able to fund some of the additional operating costs of the programme (over the 10-year period) by re-prioritising the use of existing resources. The self-funding portions of the programme costs are made up of \$35.2 million in operating efficiencies, with \$45.6 million of capital expenditure being able to be met from existing cash reserves and depreciation. This amount is the maximum by which Statistics New Zealand can self-fund the Stats 2020 programme without reducing outputs.
48. The lower priority outputs set out in the table below were put to Ministers for reduction in Budget 2011, as part of the Stats 2020 business case, but Ministers decided against this option in favour of investment in the Stats 2020 programme. These output reductions would have realised \$3m rising to \$8.9m per annum.
49. It should be noted that the majority of these outputs are on the Tier 1 list and may not be considered lower priority when compared to other official statistics being produced across the OSS. Fully informed advice on this cannot be given until completion of the re-prioritisation of statistical investment (including Tier 1) work across the OSS mentioned above.

### Lower priority statistics

	Economic Statistics	Social Statistics
Priority 3	<ul style="list-style-type: none"> <li>• Student loans (education)</li> <li>• Biotechnology Survey</li> <li>• Internet service provider supply</li> <li>• Business demography</li> <li>• Purchasing power parities</li> <li>• Measuring NZ's progress</li> <li>• Linked Employer-Employee Database (LEED, in part)</li> <li>• Productivity</li> <li>• Business Operations Survey (except business ICT)</li> <li>• Natural Resource and Environmental Accounts</li> </ul>	<ul style="list-style-type: none"> <li>• Household Savings Survey</li> <li>• Household Income Survey (reducing frequency of output)</li> <li>• Family statistics (development and publishing)</li> <li>• Household survey supplements</li> <li>• Justice statistics (development and publishing)</li> <li>• Vital statistics (marriages, civil unions, and divorces)</li> <li>• Demographic projections (labour force, families etc)</li> <li>• Life tables</li> <li>• Population counts (supplementary variables)</li> </ul>
Priority 3 User Funded <sup>3</sup>	<ul style="list-style-type: none"> <li>• Accommodation Survey</li> <li>• Tourism Satellite Account</li> <li>• Research &amp; Development Survey</li> <li>• Longitudinal business database (LBD)</li> <li>• Energy Use</li> </ul>	
Priority 4	<ul style="list-style-type: none"> <li>• Screen industry</li> <li>• Alcohol and tobacco</li> <li>• Crown Research Institutes</li> <li>• Cargo and Farm Expenses Price Index</li> </ul>	<ul style="list-style-type: none"> <li>• Housing and health statistics advice</li> <li>• Induced abortions</li> </ul>

<sup>3</sup> Cuts to these outputs do not generate savings for Statistics NZ.

## **User pays**

50. Statistics New Zealand recognises that user-pays arrangements can exercise a healthy discipline against the 'over-production' risks of free public goods. However previous Statistics New Zealand experience with cost-recovery has led to the conclusion that the downsides of such an approach for official statistics significantly outweigh any possible gains. The approach favoured by Statistics New Zealand is building on the partial user-pays or selling services regime that is currently implemented. The costs and benefits of each option are discussed below.

### **Full-user pays**

51. Official statistics have strong public good characteristics, and as such are not well suited to a full user-pays model from either a theoretical as well as a practical perspective.
52. To get value for money from New Zealand's statistical investment, official statistics need to be well used (by both the private and public sector) and be "fit for purpose", as official statistics underlie important policy decision making and resource allocation (often involving billions of dollars).
53. For some outputs Statistics NZ has a monopoly situation where because of its unique mandate and history of supply no ready alternative exists. However, the imposition of any charge inevitably results in some users not using or purchasing the best statistics and instead using sub optimal (cheaper) alternatives. This behaviour results in low quality information being used for significant decisions.
54. Further, while statistics have multiple users and uses, the biggest users and most tangible users of information are primarily the public sector (government departments and related crown entities). Therefore, the most likely result of a full user-pays model applied to statistics would be to transfer costs between government agencies.
55. In short, a move to full user-pays is assessed as:
- shifting fiscal cost between government agencies rather than making savings
  - leading to increased costs in some areas, as some users move to provide their own statistics
  - increasing the cost to users of statistics, yet many users also provide data used in statistics and, therefore, may be less willing to contribute to that data
  - marking a retrenchment from recent efforts to increase data use and re-use
  - reducing opportunities for rationalisation and increase potential duplication
  - resulting in lower quality information being used for decision making
  - undermining the very successful making More Information Freely Available (MIFA) initiative (introduced in 2007) which has worked to increase the use of publically held data. ( For example, as part of the MIFA initiative, the INFOS time series system for paying subscribers was transformed into Infoshare, a free online service. INFOS had less than 90 paying subscriber organisations. Infoshare, in the year ended October 2011, was accessed over 106,000 times).
56. Finally, the department's prior experience of using a user-pays model proved to be unsustainable, with any benefits outweighed by the costs. Revenue targets were not achieved as users decided to forgo the information rather than pay the charge and there were significant costs to the organisation.
57. An Output Price Review, conducted by The Treasury, State Services Commission, and Statistics NZ in the mid-1990s, sought to overcome these deficiencies and led to the setting up of the current funding model. At the same time this review did identify some statistics that should most appropriately be funded by users, and provided criteria to determine if the work was within scope for Statistics NZ or should be performed elsewhere. Statistics New Zealand is currently implementing this partial user-pay regime.

### **Partial user-pays or selling services**

58. Statistics that are most appropriately funded by users and identified in scope for Statistics NZ to undertake, generate approximately less than \$7 million per annum. Of this \$7 million, approximately 60% relates to

contract surveys. These surveys are undertaken by Statistics NZ but funded by other public sector entities, the remainder is split evenly between revenue from other departments (for example, processing migration cards ), and the sale of publications/customised output and use of the datalab.

59. This means where the department is currently charging users for information the vast majority of cost is borne by other government departments. For the remaining amounts charged to other users the vast majority of these users are crown entities, for example, universities.
60. Nevertheless opportunities are being actively investigated and pursued. To build on partial user pays activity the most suitable candidates for user charging would be those where Statistics NZ has a comparatively weak competitive advantage or where the user need is not as strong as other information produced, such as those based on topical and/or one off needs. The lower priority 4 outputs in the table above are such examples and would, if Statistics NZ were to charge users for this information, increase Vote Statistics NZ revenue by \$0.360 million.
61. There are also opportunities for selective selling of services to meet specific, niche needs. For instance Statistics New Zealand has in the past charged for customised analysis in relation to census data, generating around \$1million following the last census. It should be noted that output from these charged-for analyses are not made available more widely.
62. An issue with this kind of activity is that it has the potential to divert resources off core activity and may in fact cost more at the margin than the revenue it generates. Over the next ten years the expectation is that this kind of charged-for customised analysis will continue at much the same level as previously.
63. As mentioned above, another form of 'purchased' provision is negotiated specific surveys or questions attached to surveys on behalf of particular public agencies. These are sometimes funded through the transfer of funding from other departmental Votes to Vote Statistics to cover the agreed development and production work. For instance Te Puni Kokiri transferred funding for the 2011 Māori Social Survey – a part contribution. Our previous experience with these types of collections is that often the reasons that make it appropriate for Statistics New Zealand to consider conducting the survey is the same reason that makes it more difficult to get one agency to pay for the collection. The value in the activity is often that it highlights cross-sector linkages that more than one agency needs to know about.
64. There are a number of considerations with negotiated surveys/survey questions and associated fund transfers:
  - an ad-hoc approach may distort investment priorities (such as those represented by the development candidates of Tier One statistics)
  - having a budget holder gives strong ownership and interest in what is delivered;
  - often, however, purchasing agencies are not be able to fully fund, especially the developmental and testing work sitting behind survey questions. This can result in expectations gaps about what can be provided;
  - purchase transactions and/or funding transfers between government agencies potentially add high transaction costs without either adding value or reducing the overall fiscal cost;
  - where surveys would be ongoing (e.g. the New Zealand Crime and Safety Survey) it may not make sense to do regular transfers
  - Statistics New Zealand has authority to make responses mandatory – some 'contracted' work may not be appropriate for mandatory responses e.g. crime victim questions.
65. In general our view is that where as part of the planning process Statistics New Zealand can identify forward needs of sufficient importance, such as the Māori Social Survey, then the funding for these should be built in to Statistics New Zealand's baseline. This would not rule out potential consideration of later specific proposals( consistent with the Tier 1) should new needs arise, and which might subsequently involve ministerial agreements for Vote transfers.

## APPENDIX 1: STATISTICS NEW ZEALAND S2020 MONITORING MILESTONES

	Cumulative Savings (\$m)	Staff*	Project Milestones
<b>Tranche 1</b>			
2011/12	1.4	1123	<ul style="list-style-type: none"> <li>• Completion of plan to deliver statistics on the proposed Tier 1 list</li> <li>• Enhanced delivery of Statistics New Zealand website via mobile technology</li> <li>• Standardised national accounts platform in place for quarterly GDP production</li> <li>• Quarterly National Accounts translated into ANZSIC '06 (Statistical Maintenance)</li> <li>• Overseas Trade statistics migrated into the new micro-economic platform (BEST)</li> <li>• Household survey platform extended so that it can accommodate HLFS</li> <li>• Cabinet approval of the recommendations in the Cabinet report back(s) on internal funding options, TOPSS and the People Strategy.</li> <li>• Complete migration of Balance of Payments (BOP) processing system from Centura to Dot.Net</li> <li>• IQA of S2020 Programme completed</li> <li>• Transformation office has been established and reporting regime is in place</li> </ul>
2012/13	2.5	1060	<ul style="list-style-type: none"> <li>• A proposal for shared services enhancing Official Statistics System producer capability has been developed</li> <li>• New geospatial infrastructure in place</li> <li>• Trial of remote access to microdata will have been completed</li> <li>• Annual Enterprise Survey, Retail Trade Survey, Quarterly Employment Survey migration to the micro- economic platform completed</li> <li>• Data visualisation techniques have been implemented to output- three datasets on the website</li> </ul>
2013/14	5.3	1028	<ul style="list-style-type: none"> <li>• OSS plan to encourage access to more data and information has been developed</li> <li>• Infoshare migrated to DataHub and Metadata integration for products disseminated via DataHub</li> <li>• iLEED V1.0 on common platform (iLEED/IBULDD)</li> <li>• Standardised collection infrastructure in place</li> <li>• The processing of HLFS will be running in tandem on the standardised household platform</li> <li>• Implementation of system changes for SNA 2008 standards</li> <li>• Changes for the measurement of financial services (FISIM) on standard national account platform completed</li> </ul>
<b>Tranche 2</b>			
2014/15	6.9	979	
2015/16	9.0	994	
2016/17	12.0	872	
<b>Tranche 3</b>			
2017/18	13.4	807	
2018/19	14.0	789	
2019/22	15.4	813	

\* Note staff numbers as per Statistics 2020 Business Case, and as such were prior to deferral of Census 2011.

## APPENDIX 2 – OUTPUT PRIORITISATION FRAMEWORK

The framework sets criteria for ranking the statistical outputs and services provided by Statistics NZ. It was used to inform the organisation’s line-by-line review and the recent Baseline Alignment proposal.

Application of the framework categorises statistical outputs into four priority groups:

Priority 1 - Most important official statistics that require the highest levels of credibility and integrity, such as GDP, CPI and population counts.

Priority 2 - Outputs directly used to produce Priority 1 statistics, such as the Annual Enterprise Survey and the Household Expenditure Survey.

Priority 3 - Outputs produced because Statistics NZ has a strong comparative advantage, and/or there is a widespread and enduring user demand, such as business demography data or the disability survey.

Priority 4 - Discretionary, due to “weak” comparative advantage and “low” or “narrow” user need, such as survey of English-language providers.

The framework is consistent with the Tier One review which is determining the “ideal” list of the most important statistics for NZ Inc, and aims to prioritise Statistics NZ outputs within this context.

### Criteria

#### Priority One

##### **The most important official statistics that require the highest levels of credibility and integrity.**

Statistics placed in this category meet the following criteria:

- a They are market sensitive.
- b There is a legal requirement for the national statistics office to collect and produce them.
- c They fulfil other statutory or electoral obligations.
- d They are crucial to the essential management functions of government.

As a national statistics office, Statistics NZ has some particular attributes that mean 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 and protection of confidentiality), but also that Statistics NZ 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.

#### Priority Two

Statistics placed in this category meet the criterion that they are directly used in the production of the “most important” or Priority One statistics.

A wide range of statistics is directly used in the production of New Zealand's "most important" statistics. It is essential that Statistics NZ has control over their scope, quality and timeliness to ensure the credibility and integrity of the "most important" suite. These use existing statistical infrastructure and many are also published outputs that are of interest to a variety of users.

### Priority Three

Priority 3 statistics are categorized with consideration of both user need (high or widespread, low or narrow) and the comparative advantage (strong, weak) of Statistics NZ producing them.

Statistics NZ also can deliver statistics when there is a significant comparative advantage for it to do so. This may come about when producing statistics is not the core business of others, through Statistics NZ.

- e 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;
- f Having advantages derived from statistics legislation (the Statistics Act 1975) , such as access to unit record data, or mandatory participation;
- g Being able to provide independent evidence to assess New Zealand's position internationally;
- h Or where the independence of the Government Statistician is of particular advantage. For example, the cabinet placed responsibility with Statistics NZ for data integration for official statistical purposes or the production of statistics that relate to controversial areas of emerging interest internationally and domestically.

Comparative advantage is not sufficient to prioritise statistics in this category, as it does not address differing levels of "need". For example, the highest priority statistics in this category also would have widespread and enduring demand. Hence a prioritisation matrix is used that incorporates both user need (high, low) and comparative advantage (strong, weak).

### Priority Four

Priority 4 statistics are classified as discretionary. They tend to have narrow user bases.

Although there may be some advantage in Statistics NZ producing these, there is no compelling case to do so. Other organisations could reasonably be expected to maintain or develop the capability and infrastructure to produce these statistics; the input data sources are publically available; or changing user needs mean they are now less relevant relative to other statistics. These have both weak comparative advantage and low user need.

### Products and services

The table below summarises the statistical outputs and services that are produced and groups them by each of the four priorities describes above.

Priority	Statistical Releases	Statistical Services
1	Most important statistics that require the highest levels of credibility and integrity	Mandatory <ul style="list-style-type: none"> <li>Absolutely must do, essential to the 'most important' statistics</li> <li>Legal requirement</li> </ul>
	For example: <ul style="list-style-type: none"> <li>Quarterly Gross Domestic Product</li> <li>Consumers Price Index</li> <li>Population estimates (national, sub-national &amp; area unit)</li> <li>Electoral populations</li> <li>General Social Survey</li> </ul>	For example: <ul style="list-style-type: none"> <li>Geoframes</li> <li>Household Labour Force Survey system redevelopment</li> </ul>

2	Statistics directly used in the production of Priority 1 statistics	Core <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>
	For example: <ul style="list-style-type: none"> <li>Annual Enterprise Survey</li> <li>Quarterly Employment Survey</li> <li>Household Expenditure Survey (income and expenditure)</li> <li>Post Enumeration Survey</li> <li>International Travel and Migration statistics</li> </ul>	For example: <ul style="list-style-type: none"> <li>Statistical enquiry service</li> <li>Official Statistics Tier 1 review (and ongoing maintenance)</li> <li>Supporting Advisory Committee on Official Statistics and OSS Officials Committee</li> <li>Incorporation of new international standards (such as ANZSIC06)</li> </ul>

Priority	Statistical Releases	Statistical Services
3	Produced because <ul style="list-style-type: none"> <li>Statistics NZ has a strong comparative advantage,</li> <li>and/or there is a widespread and enduring user demand</li> </ul>	Strategic <ul style="list-style-type: none"> <li>Prioritised by the Statistics NZ Board</li> <li>Fits with strategic objectives, supports Statistics NZ's positioning as a national statistics office, sets up for better future delivery but is not essential activity</li> </ul>

	<p>For example:</p> <ul style="list-style-type: none"> <li>• Productivity</li> <li>• Natural Resource Accounts</li> <li>• Business Operations Survey (except business ICT)</li> <li>• Linked Employee-Employer Database</li> <li>• Accommodation Survey (<i>self-funded</i>)</li> <li>• Population Projections</li> <li>• Biotechnology survey</li> <li>• Non-profit institutions and household sector satellite accounts</li> <li>• Longitudinal Immigration Survey of New Zealand (wave 1-3)</li> </ul>	<p>For example:</p> <ul style="list-style-type: none"> <li>• Respondent Load Initiatives</li> <li>• Meeting international reporting obligations</li> <li>• Domain plans</li> <li>• Statistical education external capability: training</li> </ul>
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Priority	Statistical Releases	Statistical Services
4	<p>Discretionary</p> <ul style="list-style-type: none"> <li>• “Weak” comparative advantage and “low” user need</li> </ul>	<p>Discretionary</p> <ul style="list-style-type: none"> <li>• Elective activities</li> </ul>
	<p>For example:</p> <ul style="list-style-type: none"> <li>• Energy Account</li> <li>• Survey of English Language Providers</li> <li>• Alcohol &amp; Tobacco</li> <li>• Abortion Statistics</li> </ul>	<p>For example:</p> <ul style="list-style-type: none"> <li>• Key Statistics publication</li> <li>• New Zealand Yearbook</li> </ul>

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## **APPENDIX 3**

### **STAGE 2 BUSINESS CASE FOR TOMORROW'S POPULATION AND SOCIAL STATISTICS (TOPSS)-EXCLUDING CENSUS**