



Briefing for the Incoming Minister of Statistics

Hon Maurice Williamson

In confidence

2008

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Welcome to Statistics New Zealand and the Official Statistics System

Congratulations on your appointment as Minister of Statistics.

In this role, you have a crucial responsibility (shared with me as Government Statistician) in ensuring that:

- official statistics meet New Zealand's needs for relevant, timely information that supports decision-making and monitoring of progress
- collection costs are minimised and justified by the statistics' uses
- we maintain trust and confidence in the integrity of official statistics and their producers.

Official statistics have advanced in recent years, through:

- new statistics, for example on productivity, employment dynamics, business performance, migration and the non-profit sector
- improved access to statistics (most statistics are now freely available on the web)
- cost reductions to businesses through greater use of tax data.

More can be done, and needs to be. Official 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.

Statistics should illuminate and flow through the country's decision-making channels in the same way that the transport system supports the flow of goods and people. Unfortunately however, official statistics are poorly funded and a somewhat neglected infrastructure component. This situation is affecting:

- decisions on inflation management, budget-setting and economic policy, which are hampered through gaps in economic statistics
- our ability to assess the value for money derived from government spending because of a lack of good statistics on social outcomes and productivity of the public sector
- our understanding of the wealth of New Zealand and New Zealanders, because of limited statistics in this area
- environmental policy, which is impaired through a lack of information on water and energy use
- decisions on transport planning, local government decision-making
[Deleted under 9(2)(f)(iv) of the Official Information Act to *maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials*].

There are exciting opportunities to improve outcomes for New Zealanders through providing better statistics, reducing costs to businesses and enhancing value for money. We can maximise these opportunities by:

- making judicious, prioritised investments in statistics that will lift their impacts on economic growth and social and environmental objectives
- adopting new, streamlined collection methods ('standard business reporting')
- extending access to official statistics, which will lead to better decisions by businesses and government and help users to turn data into knowledge
- investing in the technology that will allow us to maximise the benefit that New Zealand gets from its investment in official statistics
- developing a more coordinated and stronger Official Statistics System that rationalises collections and reduces duplication across agencies, prioritises spending on information, and lifts reporting standards by all agencies.

The Official Statistics System is facing some significant challenges, in particular in its funding and capabilities, as well as risks to perceptions of trust and confidence. These are described more fully later in this document.

The statistics portfolio is sometimes perceived as a minor and relatively passive role, and in the current economic climate it would be easy to downplay official statistics. In fact, they are never more important than at times like these, as they help us to understand economic circumstances and policy options, and assess these alongside other key outcome and development objectives.

In my view, you have a particularly critical role in the next few years to protect, strengthen and promote official statistics for the benefit of New Zealand and the Government's decision-making.

I look forward to working with you in seizing these opportunities to make a significant difference for New Zealand and to address the challenges before us. Our delivery record is extremely good and we have strong relationships with government agencies, the business sector, community groups, and internationally. I can assure you of our commitment to the highest professional and ethical standards and our extraordinary dedication to serving the country and achieving an informed society through the use of official statistics.

Geoff Bascand
Government Statistician

Official Statistics – a snapshot of your role, opportunities and challenges

The overall outcome sought from the Official Statistics System is an informed society using official statistics. This happens when users and potential users have trust and confidence in official statistics and are able to access and use them.

Your ROLE as Minister is to:	The OPPORTUNITIES available to you are to:	To realise these opportunities, some CHALLENGES need to be addressed:
<ul style="list-style-type: none"> • ensure that statistical information is used to lift the growth and progress of New Zealand • ensure that better decisions are made across government by using official statistics to inform policy and fiscal decisions • assure the quality, relevance and value for money of the statistics produced across the Official Statistics System. • protect the integrity and operation of New Zealand’s statistical system. 	<ul style="list-style-type: none"> • lift New Zealand’s growth and progress by filling critical gaps in the country’s official statistics so that decisions can be made and progress monitored • increase the benefits to New Zealand from government investment in official statistics by increasing their availability and use • ensure that official statistics are used in all aspects of government decision-making so that better decisions are made • reduce costs to businesses and households • increase value for money by prioritising investment in statistics across government. 	<ul style="list-style-type: none"> • safeguarding the continued production of existing important statistics • some lack of trust in the objectivity of statistical reporting • limited ownership among government agencies of the Official Statistics System.

Part 1 – The importance of official statistics

New Zealand's Official Statistics System

1. New Zealand's national statistics system is called the Official Statistics System. It is made up of the policies, practices, processes, underlying data sources and people involved in producing and disseminating official statistics. All government departments are members of the System and all the statistics they produce are official statistics.
2. The Minister of Statistics and the central statistics agency, Statistics New Zealand, are the critical elements in the System. They provide coherency and are responsible for achieving the outcomes required from the System.

Outcomes required from the Official Statistics System

3. The overall outcome sought from the Official Statistics System is an **informed society using official statistics**. In an informed society, governments, businesses, communities and citizens use official statistics to make better decisions that contribute to New Zealand's economic and social development. Official statistics are used to inform debate and research, and to understand New Zealand's environment, economy and society.
4. An informed society using official statistics happens when users and potential users have **trust and confidence** in the statistics produced, and are able to **access and use** them. This 'outcomes framework' is shown in the diagram below.



Official Statistics underpin important policy and financial decisions

5. Independent, quality statistics are a cornerstone of a modern, healthy democratic state. They 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 decisions rely on official statistics:

- 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 **Organisation for Economic Co-operation and Development's (OECD)** 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
- key infrastructural and environmental decisions rely on official statistics:
 - 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)
 - evaluations of the emissions trading system rely on high-quality official statistics on agricultural and industrial production, emissions' measurement and input-output statistics
- official statistics are extremely important for government spending decisions and the provision of social services (welfare, education, health and justice):
 - 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. The same is true for prison and other justice system expenditure and outcomes
 - 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 (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 Maori, Pacific, Asian and European New Zealanders, and the country's progress.
6. It is essential that we protect and continue developing this critical national resource – by ensuring adequate investment in the system and protecting the integrity of official statistics and their producers.

Your contribution to the Official Statistics System

7. Statistics New Zealand and the Minister of Statistics both work to make the Official Statistics System work for the benefit of New Zealand. Without this leadership, official statistics lack the driving force that brings the benefits of organisation and coherency. These benefits include better prioritisation and delivery of value for money with the statistics produced, and a better-quality statistical picture for the informed society.
8. Your role in the Official Statistics System, supported by mine and the ministerial Advisory Committee on Official Statistics (ACOS)¹, is to:
- ensure that statistical information is used to **lift New Zealand's growth and progress** through ensuring that official statistics meet the country's needs for relevant, timely information that supports decision-making and progress monitoring
 - ensure that **better decisions** are made across government by using official statistics to inform policy and fiscal decisions
 - assure the **quality, relevance and value for money** of the statistics produced across the Official Statistics System, by looking for opportunities to fill gaps, reprioritise investment, remove duplication and inefficiency, improve standards, and increase the use of statistics
 - protect the **integrity and operation** of New Zealand's statistical system.

¹ Your ministerial Advisory Committee on Official Statistics (ACOS) is an important recent addition to the governance arrangements for official statistics. It provides a source of wide-ranging and independent advice on official statistics on which you can draw.

9. The last requirement is occasionally very demanding, as it involves managing important and sometimes conflicting objectives. For example, we need to balance:
 - individual rights to privacy and the costs to businesses and households of completing questionnaires with the need to know about social and economic outcomes
 - confidentiality of information with the need for it to be accessed and used
 - the desire for Ministers and officials to have access to statistics at the earliest opportunity with providing trust and confidence that the statistics are impartial and objective.
10. There are a number of opportunities to lift the statistical system's contribution to New Zealand's growth and progress. To realise these opportunities, we need to address a number of challenges.

Structure of this briefing

11. Our opportunities and challenges are discussed in Part 2 of this briefing.
12. Part 3 provides more detail on Statistics New Zealand's role and how we can help you to create a better and more focused statistical system across government.
13. Part 4 outlines the decisions and actions you'll need to take in 2008/09.
14. A separate accompanying paper provides you with descriptive information on the Official Statistics System and the various roles and responsibilities within it. Additional information is provided in a series of appendices.

Part 2 – Opportunities and challenges for the Minister

Current strengths

15. New Zealand has an excellent reputation for the overall quality and integrity of our official statistics and our statisticians. Our system produces a wide range of statistics and works to provide a comprehensive picture of New Zealand's progress and international comparability. There are, however, some important gaps which are discussed in more detail later in the briefing. We are considered one of the leading statistical offices in linking data from government agencies to provide richer datasets that can be used to inform policy decisions and evaluate the effectiveness of government spending.
16. We have achieved significant gains in official statistics in recent years, with:
 - new statistics on issues such as productivity, employment dynamics, business performance, migration, mortality and the non-profit sector
 - improved access to statistics. Most statistics are now freely available on the web
 - reduced costs to businesses through greater use of tax data.
17. The institutions and governance arrangements for the Official Statistics System are very good when compared with the picture of a world-class statistical system, with a solid foundation in good-quality statistical legislation (the Statistics Act 1975) and an independent Government Statistician for statistical production and release. The Act provides for a Minister of Statistics, who can:
 - provide strong links to and from the political sphere
 - work to support an efficient and effective Official Statistics System
 - promote and defend the System's value to the public, Parliament, and executive Government.
18. There are high levels of public trust in Statistics New Zealand; knowledgeable stakeholders and media attest to its integrity when this is publicly challenged. We have enjoyed high levels of public cooperation in our surveys. A challenge is to maintain this in times of changing attitudes to privacy issues and government generally. We have strong contacts with users via advisory groups that include senior government officials and outside experts. Our partnership with Maori was significantly enhanced in the early 1990s with the establishment of the then Maori Statistics Forum¹ – an initiative that is critical to our success.
19. We have good structures to support a coordinated wider official statistical system across government. These have been strengthened

¹ This forum has recently been replaced by the Maori Statistics Advisory Committee.

since the 2003 Top Down Review of the Official Statistics System, which focused on 11 initiatives that were designed to create a system with:

- stronger governance and leadership
- a greater focus on the most important statistics and the standards expected of these
- improved access to a wider range of data by a wider range of users
- improved management of the burden on respondents
- long-term protection (archiving) of key datasets and increased research to support statistical development.

20. We have made considerable progress in implementing this model and, through this, achieving better outcomes from the Official Statistics System.

Opportunities

21. Your role as Minister is pivotal to building on these strengths to lift the impacts of the statistical system. You have the opportunity to:
- lift New Zealand's **growth and progress** by filling critical gaps in the country's official statistics so that decisions can be made and progress monitored
 - **increase the benefits** to New Zealand from government investment in official statistics by **increasing their availability and use**
 - ensure that **official statistics are used** in all aspects of government decision-making so that **better decisions** are made
 - **reduce costs** to businesses and households through initiatives aimed at increasing integration and reducing duplication
 - increase **value for money** by **prioritising investment** in statistics across government.

Opportunity 1 – Lift New Zealand's growth and progress by filling critical gaps in the country's official statistics so that decisions can be made and progress monitored
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22. In an ever-changing world, it is important to keep the portfolio of official statistics relevant. We need to develop new statistics where they are needed and discontinue others when they no longer apply.
23. Unfortunately, official statistics are poorly funded and a somewhat neglected infrastructure component. There are key gaps in the country's economic and environmental statistics. The continued production of the current suite of official statistics is at risk owing to the financial pressures on Statistics New Zealand. This issue is discussed in 'Challenges' on page 15.

Economic statistics and the productivity measurement

24. New Zealand's economic statistics are of good quality and broadly meet the most important needs, although delivered within tight budgets. However, they could be improved to keep up with international standards and expectations, to meet local pressures for the purposes of better economic management and to drive growth.
25. Limited monthly series and a lack of information about firm profitability hinder timely economic and fiscal forecasts, budget-setting and interest rates. Shortcomings in our measurement of savings and gross domestic product (GDP) make us vulnerable to uninformed and negative perceptions of the country's economic health. The world-leading prototype Longitudinal Business Dataset (which enables analyses of firm productivity, and government spending on industry development, R&D, trade support programmes, and the negotiation and assessment of free trade agreements) has no ongoing funding. Limited information about public sector productivity restricts our ability to assess the effectiveness of this expenditure.
26. A recent Finance and Expenditure Select Committee report on monetary policy settings acknowledged that the "quality of economic information is vital to the implementation of monetary policy; as such decisions depend heavily on statistical information about the performance of the economy". The Select Committee sought improvements in income measures of GDP, savings statistics and productivity data. When the quality of economic statistics results in uncertainty among international agencies, it can negatively affect premiums in interest rates.

Environment statistics

27. The environment is becoming an increasingly important policy issue. Key environmental decisions rely on official statistics, with a lack of information on water and energy use hindering good policy decisions.
28. 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".
29. We're developing comprehensive reporting on New Zealand's progress under the banner of sustainable development. The term has been defined and economic, social and environmental sustainability measurement is underway for publication in 2009. Ongoing reporting is not funded.

The census

30. 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.

31. Legislation requires the census to be carried out every five years. Its prominence in the Act supports the conclusion that it is the most fundamental statistical work undertaken by Statistics New Zealand, as well as being the major item in the Statistics New Zealand budget.
32. The total cost of conducting a census increases with each one as the number of people and households grows. The 2006 Census cost \$79.7 million to run. [Deleted under 9(2)(f)(iv) of the Official Information Act to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials.]
33. Deleted under 9(2)(f)(iv) of the Official Information Act to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials.
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Opportunity 2 – Increase the benefits to New Zealand from government investment in official statistics by increasing their availability and use

35. 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. 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
 - improving access to micro-data (that is, individual-level data).
36. You have a significant public role in improving access to and the use of statistical data through:
 - promotional activities designed to increase awareness and appreciation of the wealth and relevance of official statistics
 - providing investment where necessary
 - ensuring that the legal framework reflects modern society.

Promoting Official Statistics

37. Opportunities for this promotion work include:

- meeting significant stakeholders, such as local business groups (for example the Go Stats! programme), iwi and local government to facilitate better relationships and communications
- presenting the Government's intentions and decisions on investment and expectations of the statistics system and Statistics New Zealand
- announcing future statistical initiatives, such as a new topic area (for example the launch of the Maori Social Survey initiative as part of the Programme of Social Statistics), improved statistical access systems, or approaches that will reduce 'respondent load' (the effort required to complete survey forms)
- launching significant publications such as the New Zealand Official Yearbook or events such as the five-yearly users' conference at the Museum of New Zealand Te Papa in September 2009
- promoting New Zealand's achievements and statistical reporting on the international stage (for example at the OECD "Measuring Progress" conference in Korea).

Providing investment

38. The many exciting ways to make statistics more interesting and accessible include presenting data to users via 'visual tools'. These tools enable us to share stories and information with users who may be better able to interpret visually presented material than information presented in tables. Investment is required to develop such tools as well as supporting information systems such as a national address register (see paragraph 45).

Appropriate legislative framework

39. Micro-data provides a rich basis for research to underpin government decision-making. We provide access to this micro-data to researchers in government agencies, but although we are more generous in this than most other OECD statistical agencies, the Act (rather than Statistics New Zealand policy) imposes significant restrictions on access by non-government agency researchers. This situation is not ideal given the desire to gain as much knowledge as possible for New Zealand from the data we collect.

40. A non-partisan review of the Act is needed to bring New Zealand's practice into line with international best practice. As Minister, you would lead the development of any statistical legislation changes through the Parliamentary process.

Opportunity 3 – Ensure that official statistics are used in all aspects of government decision-making so that better decisions are made

41. In many cases, the full value obtainable from the Official Statistics System is missed. As the Minister of Statistics you can contribute to increasing this value by:
- raising awareness of your Parliamentary colleagues of the range and relevance of official statistics to issues under consideration. There are opportunities to facilitate cross-government accord and Parliamentary recognition of official statistics through legislative and select committee processes. The full range of available statistics can be overlooked by users who are unaware of their breadth, and who go elsewhere for lesser-quality or less relevant data.
 - working with your Ministerial colleagues to ensure that decisions are founded on relevant and reliable statistical facts and analysis. This may involve them challenging their agencies to use statistics when developing policy and operational decisions, or developing a formal consultation and sign-off for Cabinet papers where there is a significant reliance on the analysis and use of official statistics and related research findings. There might also be other opportunities to work with your Ministerial colleagues, such as your membership of the Ministerial Consultative Committee on Injury Statistics (if this committee continues).
 - promoting awareness of official statistics outside government. As well as offering benefits to all planners and decision-makers, this will increase the quality and impact of submissions to government. This helps government agencies to improve the quality of papers and arguments supporting the options they put to Cabinet.

Opportunity 4 – Reduce costs to businesses and households through initiatives aimed at increasing integration and reducing duplication

42. Producers of statistics such as Statistics New Zealand rely on information provided by businesses, households and individuals (respondents). Ensuring that respondents willingly supply the information we need is fundamental to producing high-quality and cost-effective official statistics. We actively work to minimise the burden placed on businesses, individuals and households and demonstrate the value of the information they provide.
43. You have a crucial role in ensuring that collection costs are minimised and justified by the uses of statistics.
44. Our Respondent Load Strategy, which has been discussed with other statistics-producing agencies in the Official Statistics System, includes a range of initiatives that can be picked up across the System. You will be monitoring progress on the Strategy and providing guidance on targets and objectives when it is reviewed. You could also have a significant

role in advocating for the Strategy's wider adoption across government agencies that produce official statistics.

45. The need for statistical surveys can be reduced 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, and there is scope for more through two cross-government initiatives that will need your engagement and support:
 - Standard Business Reporting (SBR), which aims to transform the way that businesses report financial information to government. SBR will reduce the cost, frequency and time businesses take to do this by enabling them to submit information to multiple government agencies in one transaction directly from their own systems. Closely aligned to a programme being implemented in Australia, this is a multi-agency programme led by the Ministry of Economic Development, along with Statistics New Zealand, Inland Revenue, the Accident Compensation Corporation and the Companies Office. Australia has calculated the benefits to business of implementing SBR at up to \$800 million per year from 2012/13. In New Zealand, a business case is due for submission to Cabinet in early 2009
 - the National Address Register (NAR), this cross-government initiative offered a significant opportunity to improve our geospatial information and cut census costs. However, establishing an address register with the high quality needed to support a census and other government uses is expensive – and this was the primary reason for the project being discontinued in its current form in May 2008. The New Zealand Geospatial Office (Land Information New Zealand) has been tasked with finding the most cost-effective way of providing address and location information.

Opportunity 5 – Increase value for money by prioritising investment in statistics across government
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46. When the Official Statistics System mechanisms and relationships are well integrated into government processes, the Minister of Statistics can take a leadership role with colleagues in working to achieve the System's outcomes.
47. One of the Government Statistician's roles is to gather information on other agencies' statistical activities, bring this information together and assess it against the Government's objectives, then report to you on the findings. You can use this to help the Government to assign priorities to proposals and make effective decisions. ACOS also has a role in advising you on setting priorities for statistical work across government.
48. In the past, this capability to help government has not always worked to its potential because of a lack of mechanisms or incentives to involve

the Government Statistician in preparing Cabinet papers, or the Minister of Statistics in attending relevant Cabinet committee meetings.

49. The problem could be a lack of awareness among the agencies involved of the Act's requirements to consult the Government Statistician on matters that affect the production and delivery of actual or potential official statistics.
50. It should be possible to, for example, create a requirement for the Government Statistician to be consulted in the preparation of Cabinet papers on proposals of a particular type. This step would generate information that would enable you to take part in the relevant decision-making processes.
51. This is an area where you can challenge proposals to set up or expand statistical, information or research databases to ensure that full consultation with Statistics New Zealand has taken place. You could also add value by advocating that government information projects with a significant statistical relevance include a statistical representative in the governance arrangements.

Challenges

52. The Official Statistics System faces a number of challenges that need to be addressed if these opportunities are to be realised. These are:
 - safeguarding the **continued production** of existing important statistics
 - some **lack of trust** in the objectivity of statistical reporting
 - limited **ownership** among government agencies of the Official Statistics System.

Challenge 1 – Safeguarding the continued production of existing important statistics

53. While there are opportunities to expand the suite of official statistics, safeguarding the continued production of those already produced (where they are still relevant) is a challenge that needs to be managed. Financial and capability challenges facing Statistics New Zealand put this at risk.

Financial pressures

54. We face serious funding issues for this year's work programme, and projected future deficits.

2008/09

55. We have addressed an initial projected internal budget deficit of \$6.5 million in the current financial year, but we expect increased deficits in future, despite achieving significant internal savings and productivity

gains in 2008/09. To deliver a balanced budget for this financial year, we commenced by:

- implementing a suite of internal cost-saving initiatives, such as reducing overhead support costs, general business operating expenses and wage increases (the amount for agreed wage movements for the coming year is 1.5 percent of salary allocation). This resulted in internal savings of \$2.6 million
 - making a 3 percent across the board efficiency cut of \$1.8 million
 - increasing third party revenue by \$1.1 million.
56. This resulted in a residual projected deficit of \$1.1 million. We were unable to reduce this further without reducing the set of outputs that we would otherwise have produced in the 2008/09 financial year. We therefore consulted with selected agencies and obtained Government agreement to reduce our statistical outputs by \$0.720 million for 2008/09.
57. These initiatives have delivered savings equivalent to 6 percent of our total baseline funding, and will produce a balanced budget for this financial year. They built on operational savings of 6.5 percent in 2007/08. Together these initiatives don't quite save the \$6.5m deficit referred to in paragraph 55. We had agreed with our previous Minister that we would monitor the situation carefully and review the situation about now to see if further reductions are likely to be necessary. At this stage I don't believe that they are.
58. These initiatives are not sustainable in the longer term. As the disparity between funding and increased costs grows, we increasingly risk our ability to deliver core outputs and deliver new initiatives.
59. Deleted under 9(2)(f)(iv) of the Official Information Act to *maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials.*
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2009/10 and beyond

61. We're forecasting a budget deficit of between \$3 million and \$4 million in 2009/10, growing to between \$8 million and \$10 million in 2010/11. The key drivers of the deficit are increased cost pressure for staffing, core outputs and capital asset depreciation.

Increased costs of staff

62. We face a number of challenges in recruiting, retaining and developing the people we need to achieve our vision of an "informed society using official statistics" (for more, see paragraphs 72 to 77).

63. We received \$4.2 million in one-off capability funding in 2005/06 to retain and attract skilled analytical staff. However, the fixed nature of this funding has not kept pace with increasing staff costs. In response, we have continued to generate savings within our baseline to retain and pay staff moderate increases where appropriate and possible.

Increased costs of core outputs

64. While we have been funded for new statistical outputs in the past five years, existing core outputs have received little financial support – to a point where these are now under-funded. We have had to absorb cost increases, 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 our financial position.
65. We have met these costs by delivering significant savings from our existing baseline and reprioritising expenditure. A recent review has confirmed that we can no longer make large gains internally.

Increased depreciation costs

66. Our information technology (IT) and statistical systems are ageing and the required replacement investment is putting pressure on our depreciation costs. The current depreciation level equates to more than 13 percent of our total baseline funding, and this is projected to increase substantially in 2010/11. This means that for every \$7 of baseline funding, \$1 is for depreciation costs alone.

How are we addressing these issues?

67. We understand the seriousness of our financial situation and are working to develop options for you to consider. We also appreciate that minimal government funding is available.
68. We're working to prioritise the entire suite of outputs so that you can understand the options available to reduce outputs to meet the forecast deficits. However, we view this as a drastic option that will negate our ability to achieve our vision.
69. We are also seeking to make our business processes more efficient. We have committed to integrating continuous improvement into standard statistical processes to drive internal fiscal efficiencies. We are assessing the opportunities for statistical system standardisation and transformation, which will both require further Government investment. This work will inform you about the potential longer-term solutions.
70. Working with the central agencies, we're preparing a Budget bid to sustain our business in 2009/10, as well as a business case for substantial reinvestment in the business for submission in the 2010/11 Budget bid round.
71. We will be looking for your support in addressing the fiscal situation.

Capability pressures

People

72. A number of challenges are affecting our ability to recruit, retain and develop the people capability we need to achieve our vision.
73. We know that the role of the national statistical office is changing – we are now more focused on providing statistical leadership and adding value to our data through analysis than in the past. Our people need enhanced statistical, IT and subject-specific knowledge and skills to undertake the more sophisticated analysis and conceptual development work required.
74. The tight labour market has put continuous pressure on pay rates and has increased staff mobility. Around 15 percent of our office staff are in IT roles and a further 40 percent of our staff are statistical analysts, who have skills that are sought after in policy analyst positions. One of our key challenges is to retain staff given that the skills we need are in high demand and short supply in New Zealand. Our current staff turnover is approximately 15 percent (24 percent among those with between one and three years' service).
75. The difficulties of recruiting suitably qualified and experienced staff, combined with a short length of service for core staff (half of our people have a tenure of three years' or less), limit productivity and affect the institutional knowledge that is key in producing official statistics and leading a national statistical system.
76. We currently have more than 50 unfilled vacancies. If this situation continues, we may be hampered in our ability to deliver our work programme, particularly development projects.
77. We have developed a 'People Strategy' to address our people capability issues and build our capacity and capability to deliver our strategic direction. We are actioning this strategy as best we can within our resource constraints.

IT systems and processes

78. As an information business we are very reliant on technology. It plays a key role in enabling us to operate efficiently and, more importantly, analyse and present data in ways that are meaningful to a broad range of New Zealanders.
79. Many of our high-profile statistical outputs (for example the CPI) rely on our now out-of-date IT systems. Our current strategy is to keep the systems going for as long as possible while preparing a business case for government investment in our IT infrastructure. Where there are IT applications for key statistical outputs that have a high risk and probability of 'falling over' in the short term, we will take immediate action to maintain business continuity. This will reduce the risk of output delivery failure and an associated adverse impact on our reputation. We

also aim to identify areas where we already have a basis for making rapid progress without significant additional investment and time.

80. In the longer term and in the 2010/11 investment case, we will identify where new systems will enable more efficient business processes and what technologies should be upgraded to support the most important outputs, and will implement a phased approach to resolve the problem with our legacy systems.

Challenge 2 – Some lack of trust in the objectivity of statistical reporting

81. Although there is a high level of public trust in Statistics New Zealand, there are some small indications of a lack of trust in some other producers of official statistics. In particular, there are some concerns about the integrity of release practices in some departments and the downstream impact of this on public trust in official statistics and in government generally.
82. From the perspective of official statistics, statistical reports should be considered a public entitlement – objectively presented factual analyses, without subjective comments that promote or defend the interests of the relevant agency, or the Government.
83. This is not always the case in what the public can see, as the distinction is not always maintained between the objective presentation of statistical fact and the interpretation of it in the context of government objectives and management.
84. Trust and confidence in all departments' statistical reporting would be enhanced with a stronger adherence to the principles and protocols for producers of official statistics. This could require changes in the expectations and practices of Ministers and chief executives in preparing and releasing statistical reports.
85. While this action can be promoted by the Government Statistician to all departments, your ability to support this with colleagues may be the most effective way to achieve changes in practice that will lead to greater public trust.
86. Where there are public reservations about the independence and objectivity of government reporting, it may be worthwhile applying the Statistics Act more strictly. The Act already provides for a coordinated reporting framework for official statistics by all agencies to appropriate standards. While it may seem attractive to deal with and fix with a tailored solution each instance of a presumed problem (such as with environmental reporting), it is better for cohesion and an improved integrity of process across government that this be done through the provisions of the Act, and through an appropriate oversight that ensures adherence to the standards relating to independence and objectivity.

87. Deleted under 9(2)(f)(iv) of the Official Information Act to *maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials.*

Challenge 3 – Limited ownership among government agencies of the Official Statistics System

88. To achieve the outcomes sought from the Official Statistics System, it is important that all the players play their part. For this to happen they must understand and accept their role and have the capability to do what is needed. There are some challenges in this.
89. Before the Cabinet-approved Official Statistics System refreshed the statistics system policies and practices, government agencies made their own arrangements and set their own approach for the official statistics they produced. With their stakeholders, they invested time and resources in developing systems to meet their specific needs and priorities.
90. While agencies saw the benefits of, and willingly participated in, the Official Statistics System projects (such as the development of agreed standards and protocols), the step of making changes to adopt these standards has been a challenge. It represents for most agencies a need for their Official Statistics System officials to make an agreed change across the entire agency, even making additional investments and system changes. These are not always easy to achieve.
91. As the Minister of Statistics, you have a key role in providing leadership on this issue. You will need to find ways to engage with your colleagues, which may involve establishing appropriate structures and processes (for example a ministerial committee on statistics or negotiating your involvement in statistical investment decisions elsewhere in government). ACOS will have an important role.
92. You will also need to consider our position. As we have a leading role in official statistics across government, we believe that Statistics New Zealand should be seen as one of the central agencies (alongside the Treasury, the Department of Prime Minister and Cabinet and the State Services Commission). Such a role would need supporting processes that mirror those you set up at ministerial level.

Part 3 – How Statistics New Zealand can help you achieve these outcomes

Statistics New Zealand’s role

93. Our role is to help you to realise the opportunities and address the challenges discussed in Part 2 by:
- providing **assurance** on the quality, relevance and value for money of official statistics.
 - **promoting** the value and use of official statistics
 - efficiently **delivering and disseminating** the most important statistics that require the highest levels of credibility and integrity.
94. The dimensions of these roles are set out below.

We will provide assurance on the quality, relevance and value for money of official statistics by:	We will promote the value and use of official statistics by:	We will efficiently deliver and disseminate the most important statistics that require the highest levels of credibility and integrity by:
<ul style="list-style-type: none"> • leading system planning • setting standards for official statistics and managing compliance with these • monitoring the application of the framework and the health of the System • providing policy and purchase advice to Ministers • providing expert advice to members of the Official Statistics System • providing coordination activities • focusing on respondent burden across the System • promoting awareness of the System to other producers. 	<ul style="list-style-type: none"> • promoting the importance, relevance and integrity of official statistics to all • developing capability across the Official Statistics System • promoting shared tools and infrastructure; and creating and sharing knowledge • educating and encouraging information sharing • facilitating access and dissemination • marketing relevant and appropriate products and services • monitoring usage/feedback. 	<ul style="list-style-type: none"> • producing the most important statistics that require the highest levels of credibility and integrity • facilitating access to, and the dissemination of, produced statistics • demonstrating best practice in achieving the outcomes of trust, access and use • promoting the value of our own products and services • sharing infrastructure as appropriate • adding value to the statistics delivered by turning data into relevant knowledge.

95. We’re keen to work with you in promoting the value and usefulness of official statistics to your government and Parliamentary colleagues in particular, and thus help to encourage New Zealanders to strive to be part of an informed society, with the relevant knowledge and context to make and implement good decisions. Your role and links provide you

with the platform to make a significant difference to New Zealand becoming a 'knowledge society'.

Statistics New Zealand's strategic priorities

96. Our *Statement of Intent 2008* (SOI) outlines six strategic priorities that guide our activities and our contribution to the outcomes sought from the Official Statistics System.

97. Three of the six priorities focus on building **trust and confidence** in the System. These are:

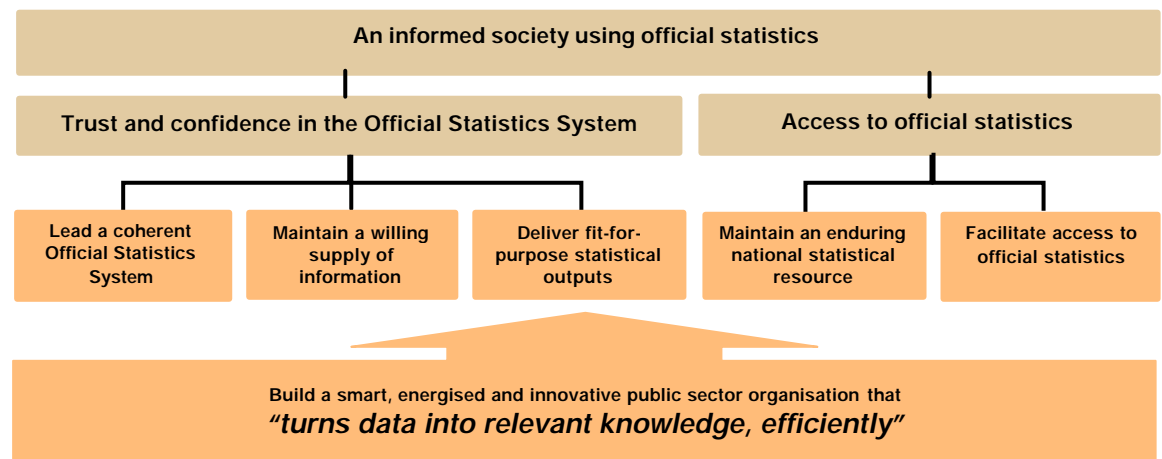
- lead a coherent Official Statistics System
- maintain a willing supply of information from respondents
- deliver fit-for-purpose statistical outputs.

Two focus on improving the **use and accessibility** of official statistics. These are:

- maintain an enduring national statistical resource
- facilitate access to official statistics.

The sixth priority focuses on building the organisation we need to be to achieve our strategic direction. We need to be a smart, energised, innovative public sector organisation that is focused on our mission of **"turning data into relevant knowledge, efficiently"**.

This framework is illustrated in the diagram below.



Lead a coherent Official Statistics System

98. Our work in this area focuses on activities aimed at providing assurance that official statistics are relevant, of an appropriate quality and represent value for money. Key initiatives underway include:

- reviewing the list of the most important statistics 'Tier 1' statistics)
- developing a monitoring framework for the Official Statistics System

- developing a Maori Statistics Strategy
- updating the Official Statistics System strategy.

Maintain a willing supply of information

99. The key themes of our Respondent Load Strategy are to:

- demonstrate the value of official statistics to respondents through communicating how government uses data and promoting the use of data by respondents themselves
- minimise the load on businesses through an ongoing commitment to using administrative sources (for example tax data), investigating new selection methodologies (for example sample rotation) and ensuring that respondent load is considered earlier and in more detail when preparing for the Ministerial Approval for Surveys process
- make it easier for people to respond to surveys through providing more collection modes (for example telephone, Internet), investigating ways of using standard business reporting tools in place of surveys, and managing respondents' details more consistently and coherently
- identify and manage areas of unreasonable respondent load by consistently measuring the load and setting time/survey limits based on business size.

100. Key initiatives in this area include:

- the SBR business case (see paragraph 45)
- integrating welfare data from the Ministry of Social Development into the Linked Employer Employee Database (LEED)
- a feasibility study for measuring tertiary education employment outcomes using the same approach of linking administrative databases. We are a trusted agency for such work given our confidentiality protections and our non-involvement with the detailed administration tasks.

These initiatives provide a rich source of information in areas crucial to the future growth of New Zealand, yet do not require any increase in statistical survey activity.

Deliver fit-for-purpose statistical outputs

101. Creating statistics that are fit for purpose is about balancing relevance, cost and quality of data in a transparent way. We release statistics almost every working day of the year. During 2008/09 we'll release more than 140 economic statistics outputs and more than 100 social statistics outputs.

102. Understanding and responding to user needs is key to delivering fit-for-purpose statistics. We must balance our response to emerging user

needs with the need to maintain statistics' consistency over time and manage production costs. We strive to keep statistics relevant by engaging with reference groups on user needs. For example, the Advisory Committee on Economic Statistics draws on leaders in economic fields to identify gaps and priorities and help to achieve progress towards the right investment decisions. The Programme of Social Statistics Advisory Group has a similar role in relation to social statistics.

103. In New Zealand, it is important to have a framework for Maori statistics that addresses gaps in our current knowledge and keeps pace with changing requirements. A national Maori Statistics Advisory Committee, covering a broad range of Maori user interests, has been set up and is currently advising on the development of the Maori Statistics Strategy.
104. In addition to our regular delivery of statistics on New Zealand's society, economy and environment, key initiatives under this priority include:
- developing and implementing plans to guide statistical development work for particular areas of society, the economy and the environment (known as 'domain plans')
 - implementing an updated version of the Australian and New Zealand Standard Industrial Classification 2006
 - the Programme of Social Statistics, including the General Social Survey, the Time Use Survey, a longitudinal study of immigrants into New Zealand and a survey of family income and expenditure
 - preparing for the 2011 Census. Key decisions on its content and operation will be made in the next few months
 - developing a framework and report on measuring New Zealand's progress, i.e. sustainable development
 - expanding energy use statistics.

Maintain an enduring national statistical resource

105. This priority involves ensuring that official statistics and the databases behind them are preserved as an enduring resource, available for study and use by succeeding generations. Maintaining an enduring national statistical resource acknowledges that information collected today is important not only to people now, but also to the researchers and policy-makers of the future.
106. Current initiatives include:
- implementing a standard 'metadata' framework (metadata is information that describes data collection, content, quality, processing, storage and dissemination). A robust metadata environment will enable us to improve operational efficiency and the quality, transparency and breadth of the statistics we produce

- continued archiving of Tier 1 statistics. We're working with other producers of Tier 1 statistics to establish deposit agreements (which allow their survey data to be stored in the data archive), while ensuring we meet the strict confidentiality rules of the data archive, as well as those of the agency that collected the data.

Facilitate access to official statistics

107. We're developing and will implement new systems to ensure official statistics are disseminated effectively. These will address user needs, with a focus on providing the tools and technology that best enable users to access and use official statistics.
108. Users already have a wide range of ways to access official statistics. The three websites (Statistics New Zealand at www.stats.govt.nz, Satisphere – the website of the Official Statistics System – at www.statisphere.govt.nz, and Population and Sustainable Development at www.population.govt.nz) are increasingly used as sources of information and as portals to our services. For those requiring more help, we offer personal services at our offices and by phone.
109. There are also specialist services and support for highly skilled users, such as the datalab facilities in our premises, which enable research and statistical use of our unit record information while preserving the security of information supplied as required under the Statistics Act.
110. We also work with groups, such as business groups, to promote awareness on how they can access and use official statistics. Our kaitakawaenga (Maori liaison officers) and Pacific liaison officers work with local communities and organisations to inform them about, and support them in the use of, official statistics, and to bring their views to us.

Build a smart, energised and innovative public sector organisation that turns data into relevant knowledge efficiently

111. A major focus for our organisation is on ensuring our long-term sustainability. This requires us to look at our people, infrastructure and funding. These issues have been discussed in paragraphs 53 to 80.
112. Our mission of 'turning data into relevant knowledge efficiently' guides our work. We need to understand what information our customers need and want so that we can ensure what we produce is relevant. We are fascinated by the world and aim to use clear, simple messages to describe, summarise and understand the world around us. We tell stories about New Zealand that make statistics real and meaningful for New Zealanders. We present our information in ways that are relevant and engage people and communities. At the same time we focus on efficiency in everything we do.

Part 4 – Decisions and actions for the remainder of 2008/09

Before 31 December 2008

113. In this period, we expect to provide you with any further or specific briefings you require as a result of your meetings with the Government Statistician and the initial briefing material we supply to you.
114. We've been working towards preparing and submitting bids for Vote Statistics for the coming Budget round. We'll be working with the central agencies and you during the funding processes between now and March 2009.
115. Deleted under 9(2)(f)(iv) of the Official Information Act to *maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials.*
116. There is no lapsed business for the Statistics portfolio from the 48th Parliament that needs to be carried over to the next session.

First quarter 2009

117. We propose that you offer a briefing from us to your Ministerial colleagues on New Zealand's demographic trends that will inform their policy and operational agendas.
118. This period will focus on continuing the Budget process and the associated preparation and finalisation of the SOI.
119. We may also need to participate in Budget evaluations and prioritisations relating to Budget bids for new or altered statistics in the public service. There may also be an opportunity to contribute to other policy developments and work where statistical reporting would be beneficial.
120. We anticipate a formal Government response to the Financial and Expenditure Select Committee's inquiry into the future monetary policy framework. We will contribute a response to any recommendations affecting official statistics.
121. In regard to the 2011 Census, the Statistics Act has some provisions on form delivery that present problems for increasing collection via the Internet. It is not certain whether we will seek to address these next year.
122. You may wish to begin stakeholder engagement work either in this or the next quarter. We could arrange this during our regular meetings once they have been set up.
123. We anticipate submitting two requests for ministerial approval of surveys under Section 6 of the Statistics Act: the Maori Social Survey; and the Energy End Use Survey.

Second quarter 2009

124. This period covers communication work related to any Budget decisions affecting us or the wider Official Statistics System.
125. The Agreement to Outputs for 2009/10 will be finalised.
126. The Statistics Act requires the Governor-General to issue an Order in Council proclaiming the date of the 2011 Census. This should be done by mid-2009.
127. In this quarter, the machinery to provide ministerial support will be in place and working effectively to support you on ongoing stakeholder engagement and in dealing with any other portfolio activities.

Enclosures

128. Additional material included in the initial briefing pack:

- *Overview of the Official Statistics System*
- The Statistics Act 1975
- *Principles and Protocols for Producers of Tier 1 Statistics*
- *Statement of Intent 2008*
- Estimates of Appropriations for the year ended 30 June 2009 (section on Vote Statistics)
- *Annual Report of Statistics New Zealand for the year ended 30 June 2008*
- *Advisory Committee on Official Statistics – ACOS Annual Report 2007*
- *About Statistics New Zealand* [video available on datastick].