

Cost model for additional statistical services

1. General information

The statutory task of Statistics Netherlands (CBS) is to conduct statistical research on account of the government for practice, policy and science purposes and to publish statistics compiled on the basis of such research (Article 3 of the Statistics Netherlands Act). In short, its core task is the production of statistics for which there is a demonstrable need.

Additional statistical services (ASD) are an essential part of CBS' statutory task. The need for statistical information and services is greater than CBS' regular budget allows for. Many users seek information that goes beyond the regular programme. Usually, compilation of such figures is possible by reusing source data which have been collected for the regular programme. By providing additional statistical services, CBS aims to increase its added value to society by responding to the needs of users.

Any payment for the execution of a request for ASD must cover the cost so as to avoid cross-subsidisation. Consequently, the hourly rates applied by CBS must be based on the integral cost price (direct production costs as well as attributable non-production and indirect production costs). An exception is made for the Eurostat projects (grants)¹ and the Rutte II statistics² which were previously financed from the EZK budget. The rates for these projects only include a limited surcharge for overheads by the supporting directorates. Any other exceptions should be entered specifically in the directorate's budget for 2020.

This memorandum sets out the types of cost, cost structure, types of hours, the structure of the average revenues per ASD FTE and the hourly rates charged by CBS.

2. Types of costs within CBS

¹ The hourly rate set by Eurostat consists of the direct wage costs of the staff involved plus a small surcharge. The reason why CBS performs such requests from Eurostat lies in the fact that such activities are connected with developmental activities at CBS, e.g. setting up a new statistic, or using new sources or methods.

² In the discussions held with the various ministries about budget cuts arising from Rutte II, the decision was reached to only charge direct wage costs and a small surcharge for overheads (in 2019: € 106,000 per FTE).

Within the CBS organisation, a distinction is made between costs which are directly or indirectly related to CBS's additional statistical services (including publication), and costs which are not production-related (non-production costs).

Direct production costs

Direct production costs are production costs which can be attributed directly to additional statistical services. The costs of the statistical departments and data collection departments can be typified as direct production costs. The costs of public disclosure and information provision to the public also form part of the primary process. The Statistics Netherlands Act (Article 3) stipulates that CBS' statutory task is to conduct statistical research on account of the government for practice, policy and science purposes and to publish statistics compiled on the basis of such research. This task has been described in the Explanatory Memorandum as production of statistics for which there is a demonstrable need. That document further states that CBS is expressly entrusted with the task of publishing the results.

Non-production costs

These are the costs of ancillary activities in the field of operations, IT and other centralised services.

Indirect production costs

Indirect production costs are costs related to the production of statistics but not directly attributable to additional statistical services (ASD). The costs of IT and project management can be defined as indirect production costs, because they form an essential part of the statistical process.

3. Cost structure

The table below shows the totals of production and non-production costs in proportion to the total costs projected by CBS for 2019:

Production costs / Non-production costs, 2019 (x million)	Budgeted 2019 (x million)	% Budgeted	Cost forecast 2019 (x million)	%
Direct	130.5	68.4%	133.7	69.1%
Indirect	30.4	15.9%	29.1	15.0%
PRODUCTION COSTS Total	160.9	84.4%	162.8	84.1%
Non-production costs (operations, policy)	29.8	15.6%	30.7	15.9%
NON-PRODUCTION COSTS Total	29.8	15.6%	30.7	15.9%
TOTAL	190.7	100.0%	193.5	100.0%

The cost structure shows that 69% of the total cost is directly related to production, while 31% is not (i.e. either indirect or non-production costs). The non-production costs include costs of operations, IT and other centralised services. Indirect production costs include the costs of IT and project management.

It can be concluded from the above that 31% of the total revenues from ASD must be reserved for either indirect or non-production costs.

4. Types of hours at CBS

In terms of the hours attributed to ASD, a distinction is made within CBS between direct billable hours and indirect hours. Direct billable hours are those hours which are directly attributable to additional statistical services. In principle, these hours are charged directly to the user of that specific ASD project.

Indirect hours are not directly attributable to ASD and can be broken down by:

- 1) indirectly billable hours and
- 2) indirectly unbillable hours.

Indirectly billable hours are related to ASD, but not attributable to one specific project. These are hours spent on preparation, preliminary studies, exploration of new users, agreement negotiations, planning, account management and relations management. These hours must be charged on top of direct billable hours in the form of a surcharge.

Indirect non-billable hours are all hours made by ancillary departments (Operations, IT, other centralised services), as well as the indirect billable hours of work within the statistical departments (e.g. for work discussions, personnel matters, work councils, ISO, training etc.). This also includes hours made by management, staff and secretaries. Indirect unbillable hours are *not* charged to the user, as these indirect hours are incorporated into the hourly fee of CBS.

5. Average number of (directly and indirectly) billable hours per FTE in ASD

Calculation of the average number of projected billable hours is based on a five-day working week. The number of working days is reduced by the number of public holidays, (regular and compensatory) leave days and sick days. The resulting number of hours worked is subsequently reduced by the number of sickness absence days (5%), seniors' leave (PAS) and parental leave (4.5%) as well as the number of indirect unbillable hours (7.5%). Indirect unbillable hours may include work discussions, personnel matters, work councils, ISO, training etc.

Average number of (directly and indirectly) billable hours	Hours per year	%
Total hours	2,080	100%
Public holidays/holiday leave	-410	-20%
Total hours present	1,670	80%
Sickness	-104	5%
Seniors'/parental leave	-90	4.5%
Indirect unbillable	-156	7.5%
Total billable (directly and indirectly)	1,320	63.5%
Total (rounded)	1,300	62.5%

A prudential standard applies to the (directly and indirectly) billable hours of 1,300 rounded hours.

6. Structure of average revenues per FTE in ASD and hourly rate

A gross margin (revenue minus directly billed project hours and costs) of 40% is achieved based on the average wage costs of € 84,000 per FTE in 2019, an average hourly fee of € 108 in 2019 and an average of 3,100 hours per FTE in direct and indirect billable hours per ASD-FTE. This is clarified in the table below:

Margin	Wage costs ASD-FTE	Hourly fee	1,300 hrs x fee	Margin in €	Margin in %
Scale 10	€ 74,000	€ 100	€ 130,000	€ 56,000	43%
Scale 11	€ 83,500	€ 105	€ 136,500	€ 53,000	39%
Scale 12	€ 95,000	€ 119	€ 154,700	€ 59,700	39%
Average	€ 84,000	€ 108	€ 140,000	€ 56,000	40%
	60%		100%	40%	40%

The average revenue per FTE in ASD of € 140,000 is composed of the following items:

Structure of average revenue per ASD-FTE				
Direct production costs statistical department				
Wage costs of one ASD-FTE	€ 84,000	60%		
Other direct costs (travel expenses and training)	€ 4,000	3%		
Overhead statistics department	€ 8,500	6%		
Share of direct production costs at statistical departments			€ 96,500	69%
Indirect production costs and non-production costs				
Share of Operations and IT (BIM)	€ 35,000	25.0%		
Share of Central policy and management support (CBO)	€ 2,000	1.5%		
Share of strategic projects/facilities	€ 6,500	4.5%		
Total non-production costs			€ 43,500	31%
			€ 140,000	100%
Total revenue				
Average number of direct and indirect billable hours			1,300	
Average fee			€ 108	

The total revenue to be realised per ASD-FTE amounts to € 140,000 based on 1,300 (directly and indirectly) billable hours, which *includes* the surcharge that is levied for indirect billable hours. These hours need to be charged on top of the direct hours.

The hourly fees used by CBS for additional statistical services are based on the integral cost price/attributable overhead. The hourly fees are determined for each of the individual scale levels. The fees include total direct wage costs of one staff member at the statistical department. The following components are included in the direct wage costs (60% of the fee):

- gross salary, holiday allowance, year-end bonus and pay-roll taxes;
- a surcharge of € 4,000 per FTE (3% of the fee) for training and travel expenses;

- a surcharge for overheads (management, secretariat and staff) within the statistical departments (6%) ;
- a surcharge for overheads for basic services provided by ancillary departments of 26.5%;
- a surcharge for strategic projects of 4.5%.

The fee of € 108,- per FTE in 2019 for an average scale is more than € 30 higher than the fee per scale as specified in the manual on government fees. The discrepancy lies in the costs of IT which can be defined as indirect production costs. The staff in the above departments do not write hours on projects for additional statistical services directly, but their costs are incorporated into the fees charged to users. In addition and contrary to previous years, the government fees no longer incorporate the costs of the supporting departments of the organisation. These are however incorporated into the fees at CBS. For 2020, the fees have been indexed to rise by 3% on 2019.

7. Costs charged separately

Any additional costs (e.g. statistical source material, extra service in communications, additional content in production, support by methodologists and/or business analysts and specific IT licences) which are specifically being made for an ASD project in the form of additional services must be charged separately. This does not apply to the basic provision of public information.