
Cost-benefit analysis of monetary and financial statistics

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Data collected by the Bank of England from UK banks are used in compiling a range of economic statistics published by the Bank, the Office for National Statistics and other organisations. These data help the Bank maintain monetary and financial stability, and contribute to many other economic analyses. But data collection inevitably imposes some costs on those supplying the information. This article describes a cost-benefit analysis (CBA) framework that has been developed to help balance the demands on data suppliers with the needs of users. It sets out some of the practical solutions employed in applying CBA to monetary and financial statistics and early results of the project.

Introduction

The Bank of England's Monetary and Financial Statistics Division (MFSD) collects monetary and financial data from all banks operating in the United Kingdom. These data are used by the Bank of England in compiling the monetary aggregates and other banking data;⁽¹⁾ by the Office for National Statistics (ONS) for estimating the contribution of the banking sector to the National Accounts and the balance of payments; and by a range of national and international organisations.

The data contribute to the Bank's analyses of economic and financial conditions used in ensuring monetary stability and in contributing to the maintenance of financial stability. For instance, information on bank deposits and lending can help in assessing the strength of demand in the economy or the vulnerability of UK banks to shocks affecting particular sectors or countries. More generally, MFSD data provide policymakers and economists with information about the behaviour of the banking sector and, through their contribution to key ONS economic indicators, the economy as a whole.

The banking sector accounts for 3% to 4% of UK GDP, and provides key services to other sectors of the economy. There are around 350 banks operating in the United Kingdom, although the market is highly concentrated: the top ten banks, for example, account for 55% of total banking sector assets. Banks provide

statistical data to the Bank of England;⁽²⁾ some of these are passed on to the ONS or to the banks' supervisory body, the Financial Services Authority. The ONS does not collect monetary or financial data directly from banks.

Many of the statistics produced by MFSD are based on information covering a very high proportion of the banking sector: a quarterly balance sheet summary return is required from all banks; and monthly returns are made by 216 banks covering 99.3% of total assets. So the data are likely to be high quality and less prone both to error and to revision than statistics based on a sampling framework.⁽³⁾ A system of reporting thresholds means that the largest banks complete all of the main forms, while the smallest banks complete rather fewer. Almost all forms require information that is taken from banks' accounting systems. Most forms are returned electronically to the Bank of England, which reduces the scope for processing or scanning errors.

Data collection inevitably imposes some costs upon reporting institutions. For the banks, this means IT set-up costs for systems to produce the required information; and ongoing costs to compile and check returns, and to deal with any follow-up questions. The scale of these costs will reflect factors such as the difficulty of extracting information and how closely the

(1) Banking data are published in a number of Bank of England statistical releases and in the monthly compilation, *Monetary and Financial Statistics*; these are available at www.bankofengland.co.uk/statistics/statistics.htm.

(2) The 1998 Bank of England Act includes a statutory obligation for banks to provide statistical data to the Bank of England.

(3) Franklin (2005) examines the reliability of first estimates of key series published by the Bank of England.

data required by the Bank match concepts that the banks need for their own management purposes or to meet statutory financial reporting requirements.

In common with most statistical organisations, the Bank of England does not wish to impose undue burden on reporters. MFSD's Statistical Code of Practice, which is similar to the standards required by *National Statistics*,⁽¹⁾ includes a requirement that the burden placed on reporting banks is kept to 'an acceptable level consistent with legislative requirements and balancing the needs of users against the demands on suppliers.'⁽²⁾

Overview of MFSD's work on CBA

As part of MFSD's aim to balance the burden on reporting banks with the needs of users, the cost-benefit analysis (CBA) project⁽³⁾ seeks to develop a framework for assessing whether the benefits that users obtain from the statistics justify the costs of producing them. There have been three main areas of work, focusing on:

- the extent to which other statistical institutions use or are developing CBA;
- how to analyse and estimate banks' statistical reporting costs; and
- how to assess the benefits that users obtain from MFSD statistics.

CBA techniques have not been used frequently in the context of statistical provision. The box on page 163 discusses the use of CBA by some other institutions; none of these has applied CBA to the full range of their existing statistics.

The MFSD project has been designed to apply CBA both to existing statistics and to any requests for potential new statistics. Set-up costs should be considered when assessing new data requests but not for existing data collections, because such fixed costs should then be treated as sunk costs. But the costs of changing systems do need to be taken into account when considering

changes to existing forms. CBA is being applied to MFSD's existing data collections primarily through an ongoing review of the main statistical forms.

The CBA project aims to consider not only the total costs and benefits of a particular statistic, but also some of its key characteristics. In general, greater benefits would be expected from statistics that are frequent, timely, accurate (eg based on a large sample), detailed (eg totals broken down into their main components) and that shed light on economic or financial issues of importance to users. But most of these features would also be likely to increase the costs of providing those data. One of the challenges for CBA is to be able to shed light on such trade-offs.

Measuring costs

There are inevitably costs associated with collecting data from UK banks. Their information systems contain a vast amount of information, but this might not always correspond well with the specific concepts required for statistical returns. At the start of the CBA project, MFSD staff visited a number of banks to gain a better understanding of the main influences on reporting costs; some other banks offered information by email.⁽⁴⁾ While there was considerable common ground, there were also some significant differences between banks, reflecting factors such as size and type of business, internal organisation, and the structure of banks' information systems.

The recording and provision of information, including meeting statutory financial reporting requirements, are part of banks' normal business practice and it is not always easy to identify the additional cost of providing statistical information to the Bank of England. For those banks that did offer estimates of their statistical reporting costs, these were a very small fraction of total operating costs.

In general, banks found balance sheet items less costly to report than information on flows: information from the balance sheet requires only a single reading at the end of the period, while information on flows requires

(1) Data deemed to be *National Statistics* are produced in accordance with the Framework for National Statistics and comply with professional principles and standards set out in the National Statistics Code of Practice. Further details are set out in Office for National Statistics (2002).

(2) Respondent burden is covered in Section 6 of the Statistical Code, Bank of England (2004). Wright (2004) provides a summary of the Code, the reasons for its introduction and the process planned for implementation.

(3) The project was formally launched in late 2004, and announced in Statistical Notice to reporting banks 2004/07, available at www.bankofengland.co.uk/statistics/reporters/snotice/sn200407/sn200407.doc.

(4) MFSD would like to record its thanks to those banks and their staff who helped through visits or responding to the questionnaire.

Cost-benefit analysis in other institutions

CBA is an established tool for assessing public investment projects and similar policy proposals. HM Treasury's approach to CBA in central government is set out in the 'Green Book',⁽¹⁾ which recommends that 'all new policies, programmes and projects ... should be subject to comprehensive but proportionate assessment, wherever it is practicable, so as best to promote the public interest'. In this context, CBA should aim to quantify all relevant costs and benefits, where necessary making estimates when prices cannot be observed.

The Financial Services Authority (FSA) is obliged to publish a CBA for all significant changes in policy, providing an estimate of the costs and a qualitative analysis of the benefits.⁽²⁾ The rationale for this approach is that a full quantitative evaluation of costs and benefits is difficult to achieve and often unnecessary; and that undertaking CBA is itself costly and should be done in the most practicable and cost-effective manner.

Information on the extent to which CBA has been applied to statistical provision was gained from a

questionnaire sent to other central banks and statistical agencies, and also from an international workshop on CBA of statistics hosted by MFSD in July 2005.⁽³⁾ These showed that so far there has been limited use of CBA by institutions responsible for collecting statistics. One reason suggested by some for not pursuing CBA was the difficulty of assigning monetary values to benefits.

The ONS has applied a CBA-based approach to specific issues, such as the 2011 Census, attempting to estimate benefits from particular collections. More generally, the ONS has a ceiling for the total compliance cost of its business surveys,⁽⁴⁾ although these estimates mainly reflect the time taken to fill in forms rather than the full cost of obtaining information.

The European Central Bank (ECB) has developed a 'Merits and Costs' approach that aims to ensure that any new data collections are cost-effective and are justified by the benefits of the new information.⁽⁵⁾ One key difference from the approach adopted within MFSD is that the ECB procedure currently only applies to new data requests.

(1) See HM Treasury (2003).

(2) See Alfon and Andrews (1999).

(3) See Holder (2005) for a report of the international workshop, including the ONS's use of CBA and the ECB's 'Merits and Costs' approach.

(4) See Office for National Statistics (2005).

(5) The Council Regulation (EC) no. 2533/98 concerning the collection of statistical information by the ECB requires the ECB to keep the burden placed on reporting agents to a minimum.

keeping track of a potentially large number of transactions over a reporting period. And balance sheet information tended to be more closely related to what was available on banks' own systems. In addition, supplying totals was less costly than disaggregating information, for example by the residency or industry of the counterparty.

While the overall reporting burden is uncertain, the information provided by banks has been used by MFSD to develop a model of the *relative* costs to UK banks of different reporting forms. This indicates which forms impose high reporting costs relative to other forms. It can be used to estimate each form's share of the overall burden imposed by MFSD, as well as the effect of proposed changes to forms.

The current version of the costs model takes as its starting point the number of boxes⁽¹⁾ on each form. Many forms ask for totals to be split into a number of components — this information is generally treated as additional to the totals: for example, where an item is disaggregated by currency, each currency is counted as a different box. A slightly different treatment is needed for country analysis, where the model is based on the average number of countries for which non-zero data are reported, rather than the total number of countries on the form. This approach prevents the cost estimates being dominated by those forms that include information on around 230 countries.

The number of boxes, adjusted in this way, offers a basic metric for the amount of information contained in a

(1) Boxes are broadly equivalent to items of information that can be identified separately.

form, which can be multiplied by the number of reporting banks and the frequency of reporting to get a crude estimate of the annual amount of information requested from the banking sector in that form. These estimates can be calculated for whole forms or for sections of forms.

Such an approach, however, does not recognise that some pieces of information are more costly to supply than others. MFSD's visits to and responses from banks gave some indication of relative costs, which have been refined through a further survey and internal discussions. The current model therefore increases the estimated cost for some types of more complex information:

- information on transactions (ie flows);
- National Accounts sectoral or industrial classification;
- UK/non-UK resident split;
- items other than own account (eg third-party holdings);
- consolidated reporting for bank groups;
- more detailed information on financial instruments; and
- flows in gross rather than net terms.

These factors can be combined — for instance if there were a UK/non-UK resident split of transactions, then the estimated cost would take account of both factors. The model will be refined over the next few months, with the aim of a finalised version to assess the effect of reviews on banks' costs later this year.

No model can accurately capture all of the factors that affect banks' statistical reporting costs. The costs model is designed to be a useful analytical tool, but it rests on a number of assumptions and simplifications. Some influences on costs are not amenable to inclusion in this sort of framework. For example, timing can be important if banks are required to report very recent information, or indeed if many different returns are due in at the same time. And banks incur costs in dealing with follow-up questions, which may be asked when there are large changes or more details of particular

movements are required. A separate exercise is under way within MFSD, aiming to reduce the number of such questions asked.

Set-up costs associated with new forms or changes to forms can be significant too; these need to be taken into account when evaluating new data requests or prospective changes to forms. There might be limited costs associated with small changes, such as moving information from one form to another. But introducing large new forms, or asking for information that banks did not previously collect, would usually prove more costly. These costs can be mitigated, however, by introducing changes gradually and by giving sufficient advance notice to reporting banks.

Measuring benefits

Any assessment of benefits needs to take account of the wide variety of uses of MFSD data, across a range of users. Benefits are more disparate than costs, and are more difficult to identify and to estimate. Within the Bank, MFSD data contribute to meeting the inflation target and maintaining financial stability. For example, the behaviour of monetary aggregates and lending can help in assessing the pressure of nominal demand in the economy; and information on bank lending can indicate whether the UK banking system is becoming heavily exposed to particular sectors or countries. MFSD data are used by the ONS as part of the National Accounts and the balance of payments, and more generally by economic policymakers, researchers, analysts and commentators. And they are also used by international organisations, such as the European Central Bank, the Bank for International Settlements, the International Monetary Fund and the Organisation for Economic Co-operation and Development.

The absence of a market price for MFSD data presents a challenge for valuing the benefits that users derive from these data. A frequent recourse for CBA in such cases is to survey how much people would be willing to pay (in this case for the data), or alternatively what amount of money would compensate them for any loss (here, if data were discontinued). But this approach may not offer a reliable guide, given the subjective nature of such estimates and the limited community of primary users.

In principle, the benefit from the main uses could be estimated directly by assessing first the contribution of MFSD statistics to a policy decision or piece of analysis;

and second the consequence of wrong decisions (or incomplete analysis). In the case of the Monetary Policy Committee's interest rate decisions, such an exercise would thus combine estimates of the welfare cost of cyclical fluctuations,⁽¹⁾ the effect of 'wrong' interest rates, and finally the contribution of MFSD data to the particular policy decision. Overall, these sorts of estimates are conceptually possible but would be subject to such wide confidence intervals that they would offer little help in the CBA project.

Given the inherent difficulties in putting a monetary value to the benefits, attention has focused on assessing the *relative* benefits from different data. As a first step, a survey of users within the Bank of England sought views on the relative importance of various uses of MFSD data — in terms of both the importance of an activity and the contribution made by MFSD data. The most important uses were believed to be monetary and financial stability and the direct contribution to the National Accounts.

The information from the survey does not, however, give a complete picture of the overall benefits from these statistics. A simple benefit assessment form has been developed to enable a fuller assessment of the relative benefits of MFSD data.⁽²⁾ It calculates an overall summary score based on the following criteria:⁽³⁾

- *Policy use.* This is based on the internal survey, with the highest marks given to data that contribute to the assessment and maintenance of monetary and financial stability, or that are used directly in the National Accounts.
- *Policy relevance.* A judgement of how important these data are to the principal policy use(s) and decisions identified under the previous criterion.
- *Value added.* A high mark is given where no alternative data source is available, a low mark where there is only a marginal improvement over the alternative.
- *Quality.* This is concerned with statistical quality — a high mark is given here for data with high

sampling accuracy and a low number/magnitude of revisions.

- *Meeting international standards and additional uses.* These are given additional marks to capture the incremental benefit.⁽⁴⁾

Table A shows the full list of criteria and their weights in the overall score.

Table A
Components of the benefit assessment

Form	Percentage weight
Policy use	up to 25
Policy relevance	up to 25
Value added	up to 15
Statistical quality	up to 10
Additional benefits: ^(a)	up to 25
Meets legal obligation	
Meets international standard	
Helps international comparisons	
Helps outside research	
Helps inform general public/media	
Helps other economic policies	
Published, eg as Statistical Release	
Helps consistency check or selection of reporting panel	

(a) In broadly descending order of marks awarded.

The benefits assessment form can be used to arrive at an initial view of the relative benefits of particular data. It can help focus discussions, but it is not a substitute for dialogue with users. The latter is essential for developing an accurate understanding of how data are used and their benefits relative to other sources.

Bringing costs and benefits together

The assessment of costs and benefits described above delivers a view of the relative costs and relative benefits of data. Chart 1 summarises some of the key questions to be asked, depending on the balance of costs and benefits.

Where the assessment of costs and benefits shows that data have relatively low benefits but high costs, there is a need to investigate whether continued data collection is justified. That would have to be established in conjunction with users, not least to ensure that the benefit assessment is fair and that ceasing any collections would not cause undue difficulty. Where data are still needed, it may be possible to obtain

(1) See, for example, Lucas (2003) and Canzoneri *et al* (2004).

(2) The European Central Bank's 'Merits and Costs' procedure for new data also uses a form to assess overall benefits, though with some differences in the factors included and the relative weights.

(3) The categories on the form relate to some of the wider definitions of data 'quality' that can be found in the literature. Brackstone (1999), for example, lists six dimensions of data quality: relevance, accuracy, timeliness, accessibility, interpretability and coherence.

(4) The benefit of data to researchers may be longer lasting than for other uses, given the value of long time series of data for econometric estimation of key economic relationships.

Chart 1
Balancing relative costs and benefits

<p>Costs</p> <p>High cost, low benefit</p> <p>Are data still required? Is there an alternative? Can collection cease?</p>	<p>High cost, high benefit</p> <p>Can reporting panel be reduced? Are all sections needed?</p>
<p>Low cost, low benefit</p> <p>Are data still needed? Can costs be reduced? (lower priority)</p>	<p>Low cost, high benefit</p> <p>Can costs be reduced without diluting benefits? (lowest priority)</p>
	Benefits

satisfactory estimates at lower costs from alternative sources.

For most collections, there is likely to be a more even balance of costs and benefits. Even so, there may be smaller changes to the form or to reporting practices that could reduce banks' reporting costs, without significantly diluting the benefits and ensuring that data remain 'fit for purpose'. Close consultation with users and providers is necessary to ensure that theoretical gains are translated into practical ones. The next section discusses how CBA is applied in practice through a review of MFSD's statistical forms.

CBA can also be applied to any requests for new data that fall outside of the review timetable. In these cases, the benefits assessment form is used to judge the merits of the new collection relative to other MFSD data, in the light of discussions with potential users. The overall judgement on whether to proceed will need to take account of the potential set-up costs to banks if the data are to be collected, as well as recurrent reporting costs.

The application of CBA has also focused attention on other aspects of banks' reporting costs and, in particular, the rationale for follow-up questions asked of banks. For instance, if the aim of questions were to improve the accuracy of the estimated totals across all UK banks, then responses should not be queried if any resulting change would not be expected to have a significant effect on the total.⁽¹⁾ But there are other reasons for asking questions — these include seeking explanation for particularly large changes, which can

help the economic interpretation of observed movements. A better understanding of the expected benefits from asking such questions will help MFSD's work to reduce the overall number of questions asked of banks, as part of its concern to keep banks' statistical reporting costs to an acceptable level.

Putting CBA into practice

The main vehicle for putting CBA into practice is a review of the 20 or so main forms that MFSD uses to collect information from banks, to ensure that the data collected are still required and could not be provided more cost effectively from a different source.⁽²⁾ To spread the workload, the programme of reviews is taking place over a period of five years. The overarching aim of the review is to ensure that MFSD statistics remain fit for purpose without placing an unnecessary burden on reporting institutions. CBA plays a key role in delivering that. In some cases, the content of a form is sufficiently homogeneous to allow CBA to be undertaken for that form as a whole. More complex or diverse forms are likely to require separate analyses for different sections.

One of the first steps in reviewing a form is to identify users, both internal and external. Discussions are then held to establish both how the information is used and users' requirements from the data. These allow the reviewer to complete the benefits assessment form, and compare the results with information on the relative costs of data collection. Where the costs of data appear high relative to benefits, users are consulted on options including alternative data sources, estimation and simply ceasing to collect the data. Where information is valued by users, the aim is to continue to provide data that are fit for purpose, though reducing the burden on reporting banks where possible. Proposals for amending data collections are discussed with the British Bankers' Association before implementation and are also made available on the Bank of England website.⁽³⁾ If the outcome of the review is a recommendation for significant changes to data collection (including discontinuations or introductions), the approval of the Governor or appropriate Deputy Governor must be sought. Public consultation will be undertaken where significant changes are proposed.

(1) This practice is often known as selective editing. Engström and Granquist (2005) give a good overall summary of the approach.

(2) MFSD's Statistical Code requires that existing forms be reviewed every five years, see Section 6.1.2 of Bank of England (2004). The review started in 2004, and was announced in Statistical Notice to reporting banks 2005/01, available at www.bankofengland.co.uk/statistics/reporters/snotice/sn200501/sn200501.doc.

(3) Available at www.bankofengland.co.uk/statistics/about/BBAlist.pdf.

Case study: review of information collected on the industrial composition of banks' business with UK residents (forms AD and AL)

Quarterly information on the industrial composition of banks' business with UK residents is collected in forms AD (deposits) and AL (lending) and published in a quarterly Bank of England Statistical Release, *Analysis of bank deposits from and lending to UK residents*.⁽¹⁾ The two forms were introduced following the 1997 *Review of Banking Statistics* and they have recently been reviewed as part of MFSD's ongoing programme of form reviews. The Bank of England is consulting over proposed changes to the forms and to published data.⁽²⁾

The review included consultation with users in the Bank, the ONS and the Financial Services Authority to establish the main uses of the data. Within the Bank, the data are used by economists in Monetary Analysis and Financial Stability to analyse trends in the UK economy and the financial sector, for example to show which sectors of the economy have been relying heavily on bank lending and which have been building up (or running down) bank deposits. The ONS uses some of the data in calculating private non-financial companies' profits and their industrial allocation.

The review and consultations identified some areas of the industrial dataset where data offer relatively low benefits compared with costs, and one area where a

modest expansion seems justified. The proposals include:

- ceasing to collect and publish a quarterly industrial breakdown of bank holdings of commercial paper and of acceptances granted, which are both very small in relation to outstanding loans and deposits;
- amending the industrial categories collected: a less detailed breakdown is required in a number of cases, though the 'transport, storage and communication' category would be split into 'transport and storage' and 'communication' as these behave quite differently; and
- removing data on deposits from and lending to individuals from the industrial data set, as these are available more extensively and with wider coverage elsewhere in the Bank's monetary statistics publications.

These changes would cut the number of boxes on the two forms by over 40%, which should reduce banks' recurrent reporting costs. Comments on these proposals are invited by the end of June and the results will be summarised in the July edition of *Monetary and Financial Statistics*.

(1) Westley (1999) discusses the data collected on these two forms.

(2) Weldon (2006) invites comments from users of the data and sets out the proposed changes more fully.

A number of forms have already been discontinued as a result of the review. These were cases where the relative benefits did not appear to justify the costs, including some where data of satisfactory quality could be estimated using other sources. For other forms, there may be scope to reduce the number of boxes on forms, so that less information is required from reporting banks. The box above presents a case study of a review currently under way: that of the information provided on the industrial composition of banks' business with UK residents.

There may also be scope to reduce banks' reporting costs further by revisiting the number of banks that are required to return a particular form, or the frequency of

returns, while aiming to maintain data quality — in terms of Chart 1 above, this would represent a downward shift. The concentration of the banking sector means that many of the smaller banks have little effect on the overall aggregates, so there may be scope to obtain good quality estimates with smaller reporting panels.⁽¹⁾ Although there will be no direct cost saving to banks that remain in the reporting panel, the savings for those banks removed from the panel can be significant.

Table B presents results from those form reviews where proposals for change have been finalised. Taking preliminary results from the model of banks' costs that is being developed, these forms together are estimated to

(1) Boyle (1997) discusses the criteria for selecting reporting panels, given the structure of the UK banking sector, and illustrates these with recommendations for panels of planned balance sheet forms.

have accounted for over 10% of banks' recurrent statistical reporting costs in 2004. In three cases, the review found that the data collected on these forms were no longer required or could be provided from other sources (though some of the forms were actively selected for early review because it was already believed that there was little continuing need for them). For example, form P1 collected banks' own account transactions in securities issued by non-residents and overseas residents' transactions in UK equities; these data were used in balance of payments estimates. However, banks found such transactions data costly to provide and the form involved a significant workload for them. Research within MFSD showed that these flows could be estimated using stock data from another form, and the ONS has agreed that switching to these alternative estimates would be acceptable.

Table B
Changes from forms already reviewed

Form	Percentage of estimated costs in 2004 ^(a)		Percentage changes in		Estimated change as per cent of 2004 costs
	Main changes	Number of boxes	Reporting panel		
A2/CH: custody holdings on behalf of non-residents	2½	Forms dropped	-100 ^(b)	-100	-2½
AD/AL: industrial analysis ^(c)	4	Simpler decomposition and some cuts	-43	-	-1½
B1: country exposure for UK branches of foreign banks	4	Form dropped	-100	-100	-4
BG: country analysis of payments	1½	Moved to quarterly to meet EU regulation ^(d)	-	+87	+1½
P1: securities transactions	1	Form dropped	-100	-100	-1

(a) Estimated share of banks' recurrent reporting costs from preliminary version of MFSD's costs model, rounded to nearest ½%.

(b) Removing these forms required a few boxes to be added to form CL.

(c) These proposals are subject to public consultation, as described in the box on page 167.

(d) A European Council and European Parliament regulation passed in early 2005 requires a limited geographic breakdown of the quarterly balance of payments. The increase in reporting panel is because of larger banks moving to quarterly reporting. The cost of this may be an overestimate, as consultations during the review indicated that banks may not incur much cost in moving from annual to quarterly reporting for this information.

Of the other reviews, the proposals for information collected on the industrial composition of banks' business with UK residents (forms AD and AL) would reduce the number of boxes by over 40%. Further cost savings to the banking sector may result from the forthcoming panel review for those forms. The review of information on the country composition of banks' payments to and from non-UK residents (form BG), however, resulted in a greater number of forms needing to be completed each year, because European regulation requires information from that form on a quarterly rather than annual basis.

Overall, MFSD's data collection is equivalent to around 7½ million data cells a year.⁽¹⁾ Including provisional proposals from form reviews that are under way but not yet completed, over half of the annual data collection has been reviewed. The proposed reduction in data collection corresponds to around 1¾ million data cells (approximately one quarter of the annual data collection).

Conclusion

MFSD data contribute to meeting the inflation target, maintaining financial stability and understanding the behaviour of the UK economy. The CBA project has developed ways of assessing the costs and benefits of MFSD data. Monetary valuation of both costs and benefits has proved elusive, but estimation of *relative* costs and benefits has been more tractable. A methodology has been established for assessing benefits and work on costs is advancing well.

A key aim of the project has been to develop a framework and tools that can be used as part of the ongoing review of forms. The benefits assessment tool has been used in reviews since the second half of 2005 and it is hoped that a finalised relative costs model will be ready for use in reviews later this year. Over and above these formal methods, however, the review of forms has already embraced the principles underlying CBA; namely seeking a better balance between benefits and costs, rather than the highest possible quality of data, regardless of cost.

So far, application of CBA through the form reviews has resulted in the withdrawal of four forms and proposals for significant simplification of two more. These changes should reduce statistical reporting costs for all banks that return these forms. The reviews also aim to ensure that any data from discontinued forms that are valued by users can be estimated or replaced from alternative sources. Over the course of this year, reviews currently close to completion are expected to propose changes to other forms that should result in further reductions in banks' reporting burden.

MFSD will continue to develop tools to bring CBA to bear on its statistical data collection. Over time, the CBA framework should help the Bank to focus its efforts on those data that are most important to users, while bearing down on the burdens imposed on data providers.

(1) This estimate is based on 2004 figures and the same assumptions as the costs model for country analysis.

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