



Department of Conservation  
*Te Papa Atawhai*

**VOTE CONSERVATION**  
**VALUE FOR MONEY AND BUDGET 2009**

## **Executive Summary**

1. This report responds to the Cabinet Business Committee requirement to report on Improving Value for Money in the State Sector (CBC (08) 32/6) for Vote Conservation. It covers the review of expenditure within the Vote, key priorities and budget implications for Budget 2009.
2. The review has identified savings of 5% of operating costs, amounting to \$12.4m (excluding depreciation and capital charge) to contribute to Budget 09/10.
3. Further savings of \$1.1 million could come from a 5% reduction in 2009/10 Non-Department operating allocations.

## **Vote Conservation Appropriations (Main Estimates)**

4. In 2008/09 Vote Conservation has an appropriation of \$364m of which \$316m is for Department and \$47m is for Non Department. \$68m of the Department budget is the depreciation expense on the assets managed, and capital charge.

## **Line by Line Review: Possible Departmental Savings**

5. The Department has completed a “line by line” review by Key Output of Vote Conservation (Department and Non Department) and a “support and service” programme review to identify
  - a) Savings that can be freed up for Budget 2009
  - b) Programmes that may be inconsistent with government priorities and should be discontinued
  - c) Programmes that may be inconsistent with government priorities and should be looked into
  - d) Programmes and expenditure that are not efficient or effective
  - e) Areas where performance information is insufficient to make a judgement.
6. The review has identified savings of 5% of operating costs, amounting to \$12.4m (excluding depreciation and capital charge).
7. A 5% saving in Non Department funding for 2009/10 allocation would amount to \$1.1m. Further discussion is to occur this month with the Minister on how this saving could be provided, as the majority of the funds advance conservation on private land which is government policy.
8. The areas that would be targeted for reduction in Vote Conservation: Department are set out in the following table:

| Output  | Current Budget | Possible Savings | %  | Impact & Risk  |
|---|----------------|------------------|----|--|
| Tracks (including structures)                                       | \$40.5m        | \$1.62m          | 4  | This could be achieved by lowering track standards through reclassification, and reducing maintenance. The tourism industry would need to be involved in the changes to ensure that tourism development and growth is not at risk. |
| Pest and Weed Control (possums, deer, goats, other pests and weeds) | \$63.5m        | \$6.35m          | 10 | Work would be prioritised and the lowest priorities stopped or slowed down.  |
| Species   | \$36.7m        | \$3.67m          | 10 | Some species work would either cease or slow down.   |
| Statutory Bodies  | \$2.2m         | \$0.11m          | 5  | The Department currently has 14 Conservation Boards. Government could reduce the number of boards required and/or the number of board members (from 12 to 7 members each).   |
| Legal Protection of Areas and Sites                                 | \$16.1m        | \$0.322m         | 2  | Work would be prioritised and the lowest priorities stopped.   |
| RMA Advocacy and Coastal Planning                                   | \$5.3m         | \$0.265m         | 5  | This is dependent on the outcome from the government review. The streamlining of the RMA and change in emphasis in Coastal Planning could reduce Department workload.  |
|   | \$164.3m       | \$12.33m         |    |  |

9. Further work will be required by the Department to identify the actual projects or programmes that would need to either stop or be slowed down. The department has hundreds of programmes throughout the country in the areas of Natural Heritage and Management of Recreational Opportunities. It also delivers a significant amount of work through contractors, and efficiencies in this area would be looked for. This work will occur once the impact on Vote Conservation is confirmed.
10. *[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]*
11. The Department has undertaken various “Value for Money” reviews over the last four years. The most recent was implemented as of the start of this current financial year and led to 60 back office positions being disestablished. A summary of previous reviews is in Appendix B.
12. *[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]*

## Possible Non-Departmental Savings

13. Vote Conservation has a total Non-Departmental appropriation of \$21.4m excluding Non-Departmental capital appropriations, which are committed to projects.
14. A 5% saving from the 2009/10 Non-Department operating allocations would amount to \$1.1m. Non Departmental allocations contribute towards conservation on private land which is government policy.
15. The areas that would be targeted for reduction in Vote Conservation: Non-Departmental are:

| Output   | Current Budget | Possible Savings | %  | Impact & Risk  |
|--|----------------|------------------|----|--|
| Nature Heritage Fund (NHF)                         | \$3.1m         | \$200K           | 6  | The Nature Heritage Fund has been significantly reduced since the purchase of St James. A reduction of the remaining funds would not have a significant impact.<br><br>Relationship issues on future projects may be impacted. |
| Nga Whenua Rahui (NWR)                             | \$3.5m         | \$200K           | 6  | No significant issues have been identified with reducing funding.<br><br>The relationship with Nga Whenua Rahui may be impacted in light of previous Government policy to increase funding.                                    |
| Payment of Rates on Properties for Concessionaires | \$1.7m         | \$700K           | 41 | Reducing the rates appropriation will not have an impact on the Non-Departmental rates bill at current levels.   |
|  | \$8.3m         | \$1.1m           |    |  |

16. The majority of the non-departmental budget is for the Nature Heritage Fund, the Nga Whenua Rahui Fund, the South Island Landless Natives Act funds and Queen Elizabeth II Trust, all of which are for purchase or covenanting of land for conservation purposes. The non departmental budget has grown over the last 10 years from \$11m to \$47.69m in 2008/09 an increase of 334%. (While there is \$47.69m in the current financial year, only \$21.4m is baselined for 2009/10 and \$17.6m in the out years.)
17. A breakdown of non-departmental expenditure over the past 10 years is in Appendix C.
18. Discussion with the Minister on options for saving 5% in non departmental funding will focus on funding for the purchase of land through the Nature Heritage Fund and provision of funds to community groups for biodiversity advice and condition and biodiversity restoration projects.

## Meeting Government Priorities

19. The Department has reviewed all of the policy documents relevant to Conservation and the confidence and supply agreements. The full list of government priorities applicable to the Department is attached as Appendix A.
20. There are three actions from this list which are outside of our “business as usual” activities. These are:
  - (i) *Establish a new national park in Northland’s Waipoua and surrounding Kauri forests*  
[Environment and conservation policy]  
The planning for the new National Park will commence in this financial year (2008/09) but is likely to take at least two years. The costs of the planning process can be absorbed within our existing budget, but any new or improved infrastructure for the new park would require additional investment or reprioritisation of existing work.
  - (ii) *Ensure Crown agencies meet their [pest control] obligations as responsible landowners*  
[Biosecurity policy]  
The Department considers that the current level of budget is appropriate to meet the Crown obligations.
  - (iii) *Achieve just and durable settlements of all historical Treaty claims by 2014*  
[Treaty negotiations policy]  
This will require additional resources to be committed to the Treaty Settlement negotiation process. The Department will reprioritise as is required in the sector approach and this will impact on other policy and foreshore and seabed work.
21. It is expected that any other government priorities will be planned for and implemented within existing Department’s core activities.
22. The Department has identified two priorities which have the potential to grow the New Zealand economy; establishing new forests and tourism asset development.

## Funding for Emergency Pressures

23. The Department has no emergency pressures that require funding for Budget 2009. The Strategy and Budget Alignment Review that was implemented at the start of the current financial year has enabled the Department to balance its budget for the coming financial year.

## Future Value for Money Initiatives

24. The Department will continue to carry out Value for Money reviews as part of our annual priority setting system. This will include investigation of new efficiencies backed by science and/or technology, sharing of support and service and sharing of common services across the sector and with other government entities.
25. The Department is currently investigating new commercial opportunities through the Commercial Framework project. This project is looking to foster commercial

opportunities associated with conservation and could result in new revenue streams for the Department.

## **Efficiency**

26. Over the last 10 years, the Department has invested in research, development and improvement work to deliver outputs more efficiently. The performance measures included in our Annual Reports show a consistent efficiency gain in our key deliverables with significant increases in output compared to the increased budget. Examples and an outline of key initiatives are in Appendix D.
27. Areas of uncertain efficiency in the department's operations are:
  - **Land disposals:** the Department manages, on the Crown's behalf, an amount of land designated for Conservation or Stewardship purposes that has low or no conservation values (but produces revenue from leases). Disposal of these parcels would however incur surveying and gazettal costs, in many cases in excess of the value of the land.
  - **Fire Fighting:** The Department is the Fire Authority for Conservation land administered by the Department and provides the fire fighting required to extinguish or control fires on the public conservation estate. The Department's costs are self-funded through its contributions to the NZ Rural Fire Authority. In a high cost fire year, the Department has to increase its contribution to the Fire fund with corresponding cuts to other budgets. The Department is discussing with Treasury the option of the fire fighting contribution coming from Non Department funds so that the impact on other conservation work is minimised.

## **Growth of the Department since 1999**

28. Since 1999 the Vote Conservation (Department) budget expenditure has grown from \$151.7m to \$321.2m in 2008/09, a 109% increase over the 10 years. If depreciation and capital charge expenses are removed, the increase over the 10 years is 74.5%. Increases in budget and outputs, changes in Vote: Conservation, and changes in departmental staffing and allocation are summarised in Appendix E.

## **Changes in Cost of Outputs since 2003**

29. The Department restructured its Output Classes in 2003 and hence the change in budgets for the Outputs can only be compared from that year. Further changes were made in 2005, reducing the number of Output Classes to the current seven.
30. The cost of outputs has increased as a result of salary movements over the last 10 years and by the impact of inflation on our services and supplies. Efficiency gains have helped to offset these increases. All of the Output Class appropriations have increased as injections have been received for our Capability bids. The salary costs are prorated across the Outputs, which means that Natural Heritage and Management of Recreational Opportunities receive the bulk of this increase.
31. The largest increase is in Natural Heritage where funding increased from 2000 with the New Zealand Biodiversity Strategy and new funding was provided as listed in the Growth section of this report. Work associated with the Conservation with

Communities programme was reassigned to Natural Heritage in 2004/05 as the bulk of this work is directly related to this output class.

32. Changes in output class expenditure since 2000 are shown in the table below:

| Output Class   | 30-Jun-00      | 30-Jun-01      | 30-Jun-02      | 30-Jun-03      | 30-Jun-04      | 30-Jun-05      | 30-Jun-06      | 30-Jun-07      | 30-Jun-08      | 30-Jun-09      |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
|  | \$000          | \$000          | \$000          | \$000          | \$000          | \$000          | \$000          | \$000          | \$000          | \$000          |
| Natural Heritage   |                |                |                | 97,859         | 106,525        | 112,144        | 121,459        | 135,634        | 143,695        | 161,043        |
| Biosecurity Policy Advice                                |                |                |                | 239            | 194            | 475            | -              | -              | -              | -              |
| Crown RPMS Contribution<br>(Pest/Weed Exacerbator Costs) |                |                |                | 1,885          | 1,993          | 2,038          | -              | 2,013          | 1,982          | 3,064          |
| Indigenous Forest Biosecurity<br>Protection              |                |                |                | 34             | 33             | 32             | -              | -              | -              | -              |
| Specific Pest and Disease                                |                |                |                | 201            | 197            | 102            | -              | -              | -              | -              |
| Management of Historic Heritage                          |                |                |                | 4,344          | 5,545          | 5,255          | 5,142          | 5,546          | 6,005          | 6,031          |
| Management of Recreational<br>Opportunities              |                |                |                | 93,504         | 94,148         | 103,163        | 109,087        | 111,014        | 119,200        | 128,975        |
| Recreational Opportunities Review                        |                |                |                | -              | 1,705          | 814            | 1,222          | 808            | 516            | 600            |
| Conservation with Communities                            |                |                |                | 24,976         | 27,085         | 13,192         | 12,891         | 13,487         | 13,748         | 14,575         |
| Policy Advice and Service                                |                |                |                | 6,060          | 5,591          | 4,169          | 6,700          | 4,676          | 6,011          | 6,937          |
| <b>Total Output Class Expenditure</b>                    | <b>151,757</b> | <b>166,070</b> | <b>174,414</b> | <b>229,102</b> | <b>243,016</b> | <b>241,384</b> | <b>256,501</b> | <b>273,178</b> | <b>291,157</b> | <b>321,225</b> |

## Management of Capital

33. The annual capital replacement programme for the Department is approximately \$51m per annum. Of this, \$28m is targeted at replacement of visitor assets (consistent with the 2002 Visitor Opportunities Review), and the balance is for other assets (primarily buildings, boats, motor vehicles, information technology, and fences).
34. The 2002 Visitor Opportunities Review confirmed the suite of recreation assets needed to provide an agreed range of visitor opportunities. Work has been initiated to determine that this approach remains appropriate. It is not anticipated that funding will be freed up by this exercise, rather it may result in a change to the suite of assets that need to be provided.
35. For the Department's material assets, improvements in asset management will be developed consistent with its inclusion as a Tier 1 Agency in the Capital Asset Management Programme. This will ensure that asset decisions are driven by and are consistent with the Department's strategy. These improvements are unlikely to result in any freeing up of cashflows.

## Tagged Contingencies

36. There are no tagged contingencies for Vote Conservation.

## **Specific Fiscal Risk**

37. There are no risks published in the Pre Election Economic and Fiscal Update for Vote Conservation.

## **Legislation**

38. There is no new legislation that will be required for any of the government policies or conservation priorities. There will however be some amendments to existing legislation which may arise depending on the final policy that is agreed for specific actions.
39. *[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]*
40. *[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]*

## **Consultation**

41. The Department has consulted and had discussion with The Treasury, State Services Commission, Department of Prime Minister and Cabinet and Ministry for the Environment in preparing this report.

## **Attachments**

- Appendix A: Summary of National policies and Coalition arrangements.
- Appendix B: Recent departmental value-for-money reviews
- Appendix C: Non-Departmental spending since 1999
- Appendix D: Departmental efficiency gains
- Appendix E: Growth of the Department since 1999



## Appendix A: National Party election policies and support party commitments relevant to conservation

All policy statements are direct quotes.

### Environment Policy [includes Conservation]

<http://national.org.nz/files/2008/environment%20policy.pdf>

| <i>Policy</i>   | <i>Financial implications</i>     |
|---|-----------------------------------|
| Invite stakeholders to work with us to reach agreement on up to 20 national environment goals to be achieved by specific dates, at the latest by 2030.  | Business As Usual (BAU)           |
| Introduce a new Environmental Reporting Act requiring independent five-yearly State of the Environment Reports as a new function of the Parliamentary Commissioner for the Environment.<br><i>[and]</i>   | BAU                               |
| Improve the accountability of the Department of Conservation by requiring specific nature conservation performance measures in the State of the Environment Reporting to be undertaken by the Parliamentary Commissioner for the Environment.   | BAU                               |
| Expand the existing Environmental Risk Management Authority (ERMA) into an Environmental Protection Authority (EPA) with increased responsibilities, including: <ul style="list-style-type: none"> <li>• Development of National Policy Statements and National Environmental Standards.</li> </ul> <i>[Note: Minister of Conservation currently has responsibility under the RMA for preparing the NZ Coastal Policy Statement, a national policy statement]</i> | BAU                               |
| Reduce barriers to the participation of community organisations in species recovery programmes and make funding of community eco-restoration projects a priority.   | BAU                               |
| Develop a National Policy Statement under the Resource Management Act on biodiversity.  | BAU                               |
| Require the Department of Conservation to take a more consultative and engaging approach to landowners, and make greater use of QEII covenants, Nga Whenua Rahui and Landcare groups in advancing conservation on private land.   | BAU                               |
| Review the application of tax laws to clarify that nature conservation work by landowners such as fencing, native plantings, and pest control can be a deductible expense.  | BAU                               |
| Put greater effort into the control of pests and weeds, and increase the investment into new technologies to develop more efficient and safer pest control methods.   | \$+ or BAU through reprioritising |

|  |                            |
|--|----------------------------|
| Establish a new national park in Northland's Waipoua and surrounding Kauri forests.  | \$+ through reprioritising |
| Initiate a formal investigation under the National Parks Act of a new national park on the public lands of the Waitakere Ranges. | \$+ Regional Council role  |

**Tourism policy** [http://national.org.nz/files/2008/tourism\\_policy.pdf](http://national.org.nz/files/2008/tourism_policy.pdf)

|  |     |
|--|-----|
| Commit to a programme, in partnership with the industry, to upgrade current practices and infrastructure that do not yet meet the quality promised by the New Zealand brand. This will include a review of the interface between the Department of Conservation and the tourism industry, and a review of the current approach to DOC concessions in order to promote improved investment, higher-quality visitor experiences, and successful commercial partnerships. | BAU |
|--|-----|

**Resource Management Act policy** <http://national.org.nz/files/2008/RMA.pdf>

|  |     |
|--|-----|
| Introduce an RMA Reform Bill in the first 100 days in office to reduce the costs, delays, and uncertainties in the Act, and pass this into law within six months. Amendments will include provision for simplifying the Act, Priority Consenting (consents must be completed within nine months), improving consent processing, <u>removing the ministerial veto on coastal consents</u> , preventing vexatious objections, and simplifying resource management plans.<br><i>[Note: emphasis added – this refers to removing provision for the Minister to be the final decisionmaker on consents for Restricted Coastal Activities]</i> | BAU |
|--|-----|

**Outdoor recreation policy** <http://www.national.org.nz/files/. 0 0 outdoor.pdf>

|  |     |
|--|-----|
| Change the focus of Conservation Boards and rename them Conservation & Recreation Boards (or similar). Membership of these boards will reflect the diversity of recreation pursuits. | BAU |
| Create new affordable campsites for New Zealand families where there is demand.  | BAU |

|   |     |
|---|-----|
| Recognise the status of hunters as important stakeholders in the outdoor environment.   | BAU |
| Establish recreation areas managed by hunters on conservation land using a framework that protects conservation values.   | BAU |
| Include hunters in the decision-making process for the management of game animals<br><i>[and, from support agreement with United Future:]</i><br>Proceed with establishment of a Big Game Hunting Council as part of a national wild game management strategy with a view to it becoming a statutory authority. | BAU |
| Give Fish & Game the option to charge a differential licence fee for foreign anglers.   | BAU |
| Develop management plans with stakeholders in fragile and iconic trout fisheries.   | BAU |

**Aquaculture and fisheries policy:** [http://www.national.org.nz/files/2008/aquaculture\\_fisheries\\_policy.pdf](http://www.national.org.nz/files/2008/aquaculture_fisheries_policy.pdf)

|   |     |
|---|-----|
| Amend the Marine Reserves Act to prevent DOC being both the applicant and decisionmaker over marine reserves. | BAU |
| Give fishers a direct say in the decisions and location of marine reserves.                                   | BAU |

**Biosecurity policy** [http://national.org.nz/files/2008/biosecurity\\_policy.pdf](http://national.org.nz/files/2008/biosecurity_policy.pdf)

|  |  |
|--|--|
| Establish an Emergency Animal, Plant, Marine Disease Response Agreement to ensure rapid response to and the control and eradication or containment of certain animal diseases and marine incursions.   | BAU  |
| Increase priority for surveillance, including more emphasis on marine biosecurity.   | BAU  |
| Introduce a biosecurity emergency response capability to enable swift responses to major biosecurity threats without bureaucratic hold-ups.  | BAU  |
| Build up biosecurity partnerships with integrated planning which promotes inter-agency coordination.   | BAU  |
| Ensure Crown agencies meet their obligations as responsible landowners.<br><i>[Commentary in policy: “National will also ensure the Crown meets its obligations as a landowner. Crown-owned land approaches half of the New Zealand land mass. For much of this land, especially the conservation estate, there are different pest-management issues, priorities, and management requirements. Pest threats and weeds do not recognise land ownership or boundaries. We need to have a unified approach to pest management for all land, be it private or Crown owned.”]</i> | \$? – same as for pest & weed control under Environment policy |

|  |     |
|--|-----|
| Review the 1993 Biosecurity Act so that legislation reflects modern practice and enables funding and response times to be minimal. | BAU |
|--|-----|

**State services policy**      [http://national.org.nz/files/2008/state\\_services\\_policy.pdf](http://national.org.nz/files/2008/state_services_policy.pdf)

|  |  |
|--|--|
| Cap the size of the core bureaucracy in the first term of government, and ensure that priority is given to delivering frontline services that directly benefit New Zealanders.   | Very limited scope for baseline increases and new initiative funding |
| Limit new spending in [the] first Budget to the priorities we have identified in the election campaign and nondiscretionary pressures that cannot be deferred or absorbed.   |  |
| Require Departmental chief executives to undertake a line-by-line review of their expenditure with the goal of identifying areas where savings in government administration can be made.                                       |  |
| Establish a Cabinet Expenditure Control Committee to oversee this process and to consider chief executives' reports on potential savings.  |  |
| Based on the information it receives, this committee will be able to initiate in-depth spending reviews of particular areas of government administration, to ensure the best value for taxpayers and users of public services. |  |
| Reduce the number of communications and public relations advisers across the public service.   |  |

**Treaty Negotiations**      <http://national.org.nz/PolicyAreas.aspx?S=23>

|  |                     |
|--|---------------------|
| Achieve just and durable settlements of all historical Treaty claims by 2014 | Sector bid required |
|--|---------------------|

**Matters arising from agreements with support parties**

|   |     |
|---|-----|
| Review Foreshore and Seabed Act             | BAU |
| Review Emissions Trading Scheme legislation | BAU |

## **Appendix B: Recent departmental value-for-money reviews**

1. The main value-for-money reviews of the department in recent years, and the outcomes from each are:

### **Value for Money Plan** (November 2004)

- Majority of findings related to structural change and process improvement.
- Successful capability bid mitigated the need for widespread Conservancy structural change at the time.
- Head Office and Regions underwent structural change.
- Need for Cost of Outputs Programme identified.

### **Cost of Outputs Programme** (October 2006)

- Objectives:
  - Identify systems and demonstrate effective and efficient output delivery as in Statement of Intent (SOI).
  - Identify ongoing output cost delivery to Ministers.
- Results:
  - Output Pricing and Benchmarking Report - identifying cost efficiency for key outputs across the Department.
  - Further Regional-level analysis to identify opportunities to be acted on (eight key output activities being analysed in 2008).
  - Maintain Department's level of Output delivery.
  - Provision of base data for future efficiency reviews.

### **Overarching Strategy Cost Analysis Review (October 2006)**

- Objectives:
  - Realign outputs to new Strategic Direction.
  - Develop capability bid to reflect ongoing cost of outputs.
- Results:
  - Partial capability bid.
  - Output alignment to Strategic Direction confirmed.

### **Strategy and Budget Alignment Review (May 2008)**

- Objectives:
  - Scope the amount of support and service needed and confine savings to these "back office" functions.
  - Alignment to Strategic Direction.
  - Savings to balance the budget.
- Results:
  - Realignment of business units including Marine Conservation, Social Science, Biosecurity, Publishing.
  - Disestablishment of 60 positions; redundancy costs of \$1.8m (per 2007/08 Annual Report); 13 new positions.
- Balanced Budget
  - Budget balanced 2008/09, 2009/10, small projected deficit 2010/11.

2. The Strategy and Budget Alignment Review carried out in 2008 delivered a balanced budget for the current 2008/09 and the 2009/10 years with a small deficit forecast for 2010/11. Since that date further pressure has been placed on the Department by the economic downturn impacting on tourist numbers with a resulting reduction of revenue. The Department will balance its budget for the next two years, including Collective Agreement negotiations (May 2009 and salary movement) through continued efficiency improvements and reprioritisation.
3. The Strategy and Budget Alignment Review was a comprehensive review of the support and services functions of the Department and included a line by line review of these functions. The review noted that any further significant budget savings would require reduction in Department outputs.

## Appendix C: Non-Departmental spending since 1999

| Statement of Non-Departmental Expenditure     | Actual<br>30-Jun-99<br>\$000 | Actual<br>30-Jun-00<br>\$000 | Actual<br>30-Jun-01<br>\$000 | Actual<br>30-Jun-02<br>\$000 | Actual<br>30-Jun-03<br>\$000 | Actual<br>30-Jun-04<br>\$000 | Actual<br>30-Jun-05<br>\$000 | Actual<br>30-Jun-06<br>\$000 | Actual<br>30-Jun-07<br>\$000 | Actual<br>30-Jun-08<br>\$000 | Main Est.<br>30-Jun-09<br>\$000 |
|---|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|---------------------------------|
| <b>Expenses</b>                               |                              |                              |                              |                              |                              |                              |                              |                              |                              |                              |                                 |
| Natural and Historic Resources                | 8,331                        | 14,648                       | 4,109                        | 4,889                        | 17,181                       | 26,258                       | 14,372                       | 13,152                       | 11,568                       | 20,651                       | 27,029                          |
| Natural and Historic Places                   | 894                          | 948                          | 791                          | 444                          | 1,261                        | 1,561                        | 2,256                        | 1,368                        | 2,138                        | 1,405                        | 1,506                           |
| Moutoa Gardens                                | 0                            | 0                            | 0                            | 0                            | 25                           | 25                           | 25                           | 22                           | 22                           | 22                           | 23                              |
| NZ Biodiversity fund                          | 0                            | 0                            | 0                            | 0                            | 421                          | 2,057                        | 2,812                        | 2,958                        | 2,588                        | 2,970                        | 11,863                          |
| Steward Island Infrastructure                 | 0                            | 0                            | 0                            | 0                            | 0                            | 0                            | 0                            | 924                          | 722                          | 0                            | 853                             |
| Other Expenses                                | 1,780                        | 2,545                        | 1,412                        | 1,746                        | 3,078                        | 2,590                        | 2,732                        | 13,182                       | 8,994                        | 9,403                        | 6,418                           |
| Other Expenses (Not Requiring Appropriations) | 0                            | 0                            | 0                            | 0                            | 801                          | 25,491                       | (10,486)                     | (341)                        | (2,990)                      | 3,333                        | 0                               |
| Multi-Year Appropriations                     | 0                            | 0                            | 0                            | 0                            | 0                            | 0                            | 0                            | 0                            | 2,247                        | 1,031                        | 0                               |
| <b>Total Non Departmental Expenses</b>        | <b>11,005</b>                | <b>18,141</b>                | <b>6,312</b>                 | <b>7,079</b>                 | <b>22,767</b>                | <b>57,982</b>                | <b>11,711</b>                | <b>31,265</b>                | <b>25,289</b>                | <b>38,815</b>                | <b>47,692</b>                   |

## Appendix D: Departmental efficiency gains

1. Examples of efficiency gains in the department's key deliverables are:
  - The area of sustained management for possum control increased by 59%: from 669,000 to 1,067,000 hectares per annum from 2000 to 2008 while the budget increased by just 10%.
  - The area of sustained management for weed control increased by 357%: from 306,000 to 1,398,000 hectares per annum from 2000 to 2008 while the budget increased just 113%.
  - The number of iwi partnerships increased by 272%: from 39 in 2004 to 145 in 2008.
  - The number of education initiatives increased by 262%: from 63 in 2003 to 228 in 2008 while the budget increased just 91%.
2. The review of Recreation Opportunities, which began in 2003, has led to an optimised visitor facility network including the closure and removal of facilities that had little or no use and very low recreation value (including, 50+ huts and 800km of track and associated bridges). This has enabled the Department to focus its limited resources in the more accessible front country, and the provision of new visitor opportunities while still maintaining an extensive backcountry network for New Zealanders and international visitors.
3. The Department has focused on improving its ability to work in partnership with the construction industry on small to medium scale works such as hut replacements, road and car park upgrades, track construction and maintenance. This has enabled the Department to work with small construction businesses in rural communities, accessing the expertise when required (i.e. not having to maintain these skills in-house), delivering a wide range of technically demanding projects simultaneously. The Department sees this as the most efficient and effective way to sustain its capital replacement programme in remote locations with a short construction season.
4. Since 2004 the Department has implemented new concession application and assessment processes which have substantially reduced the time and costs (for applicants and the Department) to obtain the most commonly applied for concessions. These processes are more efficient whilst ensuring that conservation values remain protected.
5. For the 12,000 historic sites on conservation land it has not been sensible to preserve all. A rigorous prioritisation process identifying those with high heritage significance that are a priority for the community has identified 677 key sites to be actively managed and 20 icon sites for significant development/restoration to provide outstanding visitor experiences and to promote historic heritage to New Zealanders.
6. Evidence-based science has materially improved the efficiency and effectiveness of Department operations and policy and has provided decision makers with increased confidence by decreasing uncertainty. Some specific examples are:
  - Investment in research over the last 20 years has seen a dramatic reduction in sowing rates of possum baits in aerial 1080 operations (from 20-30kg/ha to 1-3kg/ha) with an accompanying significant cost saving (conservatively



\$11m/year) and further reduced environmental risks. Current effort is focused on localised elimination of multiple species of pests which modelling shows to be 25-50% cheaper still, capable of arresting Tb (as opposed to the normal five year lag) and less socially disruptive.

- More effective baits, lures and traps have been developed which has increased the efficiency of stoat control.
- By pulsing the application of mammal pest control toxins, the duration and efficacy of protection for kokako has led to an increase in chick survival of up to 50% in North Island forests.
- By a combination of technologically advanced electronic surveillance and Crater Lake monitoring the breaching of the Mt Ruapehu lava dam was successfully predicted. The ensuing lahar led to no loss of life and only minimal damage to public infrastructure.
- The Department is a formal partner in 8 Outcome-Based Investments (OBIs) funded by the Foundation for Research Science and Technology. The OBIs reinvest \$35m annually into research of direct value to the Department, which gains more scientific return than it could fund itself and is leading to better in-field practice, e.g., protection of rare Olearia on the Chatham Islands.
- Fisheries by-catch reductions in sea lions based on more accurate population modelling.

## Appendix E: Growth of the Department since 1999

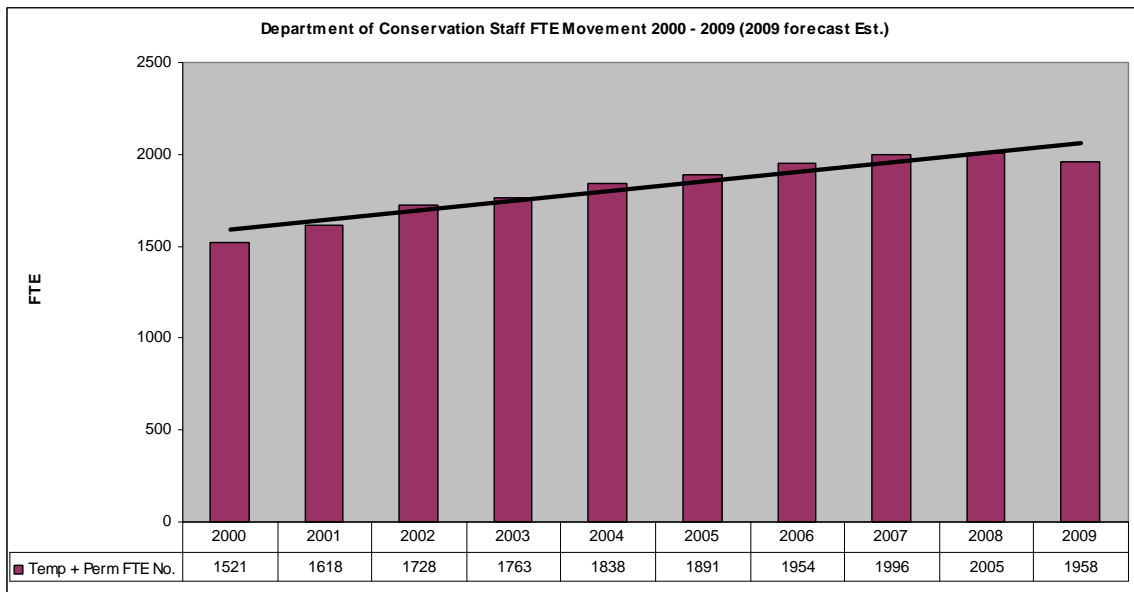
1. Significant increases in the department's budget and in outputs since 1999 included the following.
  - The NZ Biodiversity Strategy provided new funding for additional biodiversity work. The budget increased by \$9.1m in 2000 and, in 2008/09, has increased by \$42.5m.
  - The Visitor Opportunities review in 2002 came about as a result of the implementation of Financial Reporting Standard 3, which required all assets, including our Visitor Assets (huts, tracks, walkways, roads), managed by the Department to be valued at optimised depreciated replacement value. This increased our ability to maintain and replace our assets with a budget increase, which by 2008/09 provides an additional \$50.9m. This is made up of \$10.6m pa for maintenance, \$18.8m pa for depreciation and \$21.4m pa for capital charge.
  - From 2005/06 the Department received three capability injections to assist with the Collective Agreement process and salary banding alignment with the market. This has enabled us to retain and recruit staff. By 2007/08, the increase was \$7.2m with a further \$4.1m in the current year.
  - In 2004/05 the Department received an additional \$4.9m pa to engage with LINZ in the tenure review programme, for the maintenance of additional conservation land, and development of a South Island high country parks network.
  - From 2005/06 the Department received \$2.2m pa for work associated with the Foreshore and Seabed activities.
  - For Treaty Settlements, additional funding of \$183,000 pa was provided in 2005/06 to assist with implementation and in 2007/08 a further \$1m pa was provided to assist with the accelerated 2020 Treaty negotiation process.
  - Other budget increases during the last five years have included additional funding for fire control, icon visitor centres, Fiordland marine management, preserving icon historic sites, restoration projects in the Hauraki Gulf, pest eradication at Secretary and Resolution Islands, Te Araroa track development, Thames Coast flood risk mitigation and wilding pine control. All of which were additional to our core business.
  
2. The chart below shows the change in Vote Conservation – Department over the period. Both personnel and operational costs have increased over the period as a result of the new budget initiatives and there is a significant increase in the depreciation and capital charge budgets from 2002/03.

### Vote Conservation – Department

| Statement of Financial Performance | Actual<br>30-Jun-00<br>\$000 | Actual<br>30-Jun-01<br>\$000 | Actual<br>30-Jun-02<br>\$000 | Actual<br>30-Jun-03<br>\$000 | Actual<br>30-Jun-04<br>\$000 | Actual<br>30-Jun-05<br>\$000 | Actual<br>30-Jun-06<br>\$000 | Actual<br>30-Jun-07<br>\$000 | Actual<br>30-Jun-08<br>\$000 | OBU<br>30-Jun-09<br>\$000 |
|------------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|---------------------------|
| <b>Revenue</b>                     |                              |                              |                              |                              |                              |                              |                              |                              |                              |                           |
| Crown Revenue                      | 134,777                      | 150,814                      | 156,106                      | 206,354                      | 222,846                      | 223,083                      | 237,180                      | 251,174                      | 263,950                      | 285,316                   |
| Other Revenue                      | 18,313                       | 18,678                       | 18,211                       | 19,026                       | 18,281                       | 23,225                       | 31,649                       | 28,973                       | 30,979                       | 35,309                    |
| <b>Total Revenue</b>               | <b>153,090</b>               | <b>169,492</b>               | <b>174,317</b>               | <b>225,380</b>               | <b>241,127</b>               | <b>246,308</b>               | <b>268,829</b>               | <b>280,147</b>               | <b>294,929</b>               | <b>320,625</b>            |
| <b>Expenses</b>                    |                              |                              |                              |                              |                              |                              |                              |                              |                              |                           |
| Personnel                          | 76,591                       | 79,846                       | 83,330                       | 90,604                       | 99,450                       | 101,112                      | 108,056                      | 121,679                      | 133,103                      | 130,474                   |
| Operating                          | 64,289                       | 74,546                       | 78,985                       | 86,274                       | 85,779                       | 83,787                       | 93,808                       | 101,021                      | 103,363                      | 122,338                   |
| Depreciation                       | 4,987                        | 5,903                        | 6,236                        | 26,272                       | 25,792                       | 24,560                       | 23,347                       | 18,759                       | 20,639                       | 29,950                    |
| Capital Charge                     | 5,857                        | 5,591                        | 5,722                        | 25,844                       | 30,600                       | 29,334                       | 29,274                       | 29,460                       | 31,704                       | 38,463                    |
| Loss on Sale of fixed assets       | 33                           | 184                          | 141                          | 110                          | 1,395                        | 2,591                        | 2,016                        | 2,259                        | 2,348                        | 0                         |
| <b>Expenses</b>                    | <b>151,757</b>               | <b>166,070</b>               | <b>174,414</b>               | <b>229,104</b>               | <b>243,016</b>               | <b>241,384</b>               | <b>256,501</b>               | <b>273,178</b>               | <b>291,157</b>               | <b>321,225</b>            |
| <b>Surplus (Deficit)</b>           | <b>1,333</b>                 | <b>3,422</b>                 | <b>(97)</b>                  | <b>(3,724)</b>               | <b>(1,889)</b>               | <b>4,924</b>                 | <b>12,328</b>                | <b>6,969</b>                 | <b>3,772</b>                 | <b>(600)</b>              |

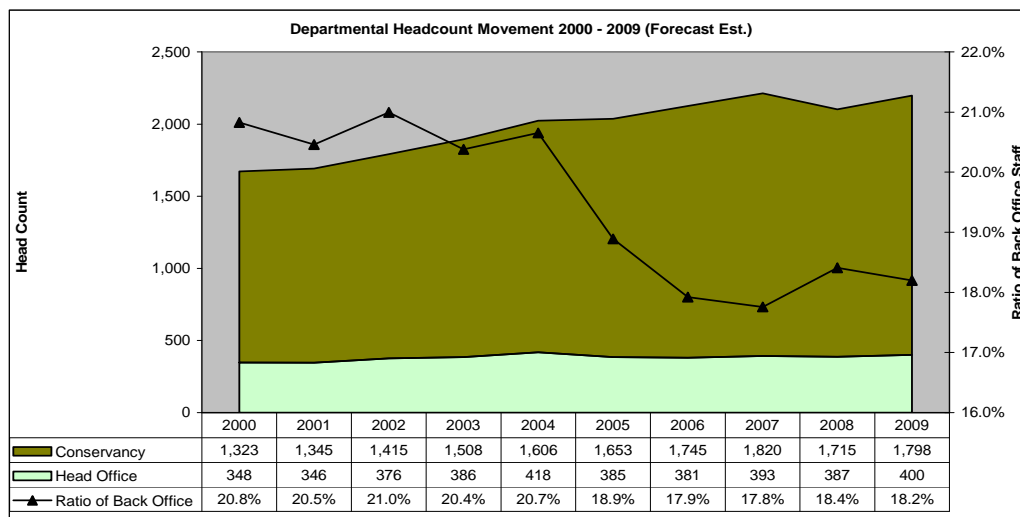
3. Other revenue generated has increased by 69% from 2000 to 2008. An ongoing programme of reviewing our commercial opportunities is in place and a major review of new commercial opportunities is due to report before June this year.
  
4. During this same period Full Time Equivalent (FTE's) staff numbers grew from 1,521 in June 2000 to 2,005 in June 2008 and a forecast reduction as a result of the Strategy and Budget Alignment Review to 1958 by end of 2009. This is an increase of 28% over the 10 years while the personnel costs increased from \$76.5m to \$130.4m in the same period, an increase of 70%. The significant increase in personnel costs was driven primarily by the collective agreement processes and the need to realign staff salaries more closely to the market for staff resources.

### Staff Movement – Fulltime Equivalents



### Conservancy v Head Office – Head Count

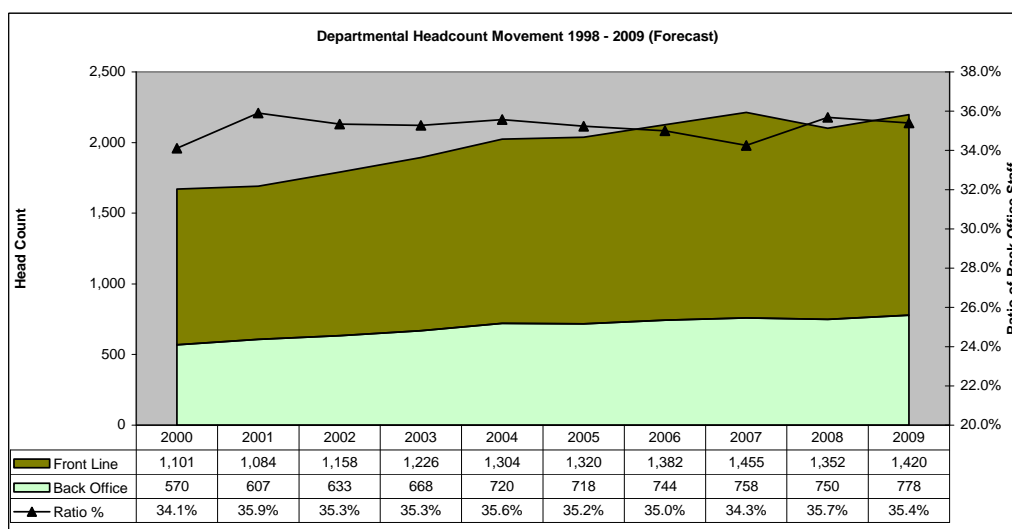
| Branch name            | 2000         | 2001         | 2002         | 2003         | 2004         | 2005         | 2006         | 2007         | 2008         | 2009         |
|------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Conservancy            | 1,323        | 1,345        | 1,415        | 1,508        | 1,606        | 1,653        | 1,745        | 1,820        | 1,715        | 1,798        |
| Head Office            | 348          | 346          | 376          | 386          | 418          | 385          | 381          | 393          | 387          | 400          |
| Ratio %                | 20.8%        | 20.5%        | 21.0%        | 20.4%        | 20.7%        | 18.9%        | 17.9%        | 17.8%        | 18.4%        | 18.2%        |
| <b>Total Headcount</b> | <b>1,671</b> | <b>1,691</b> | <b>1,791</b> | <b>1,894</b> | <b>2,024</b> | <b>2,038</b> | <b>2,126</b> | <b>2,213</b> | <b>2,102</b> | <b>2,198</b> |



5. This chart shows the split between Head Office v Conservancies (including Areas) by head count. It shows that since 2000, the number of conservancy and area staff working for the Department is forecast to have increased by 465 as of June 2009 while the number of Head Office support and service staff has increased by 52. Overall, the ratio of support and service staff to conservancy staff has reduced by 2.6%. It also shows that since the first of the Value for Money reviews in 2004 the ratio of Head Office to Conservancies has improved.

### Front Line v Back Office – Head Count (SSC)

| Branch name            | 2000         | 2001         | 2002         | 2003         | 2004         | 2005         | 2006         | 2007         | 2008         | 2009         |
|------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Front Line             | 1,101        | 1,084        | 1,158        | 1,226        | 1,304        | 1,320        | 1,382        | 1,455        | 1,352        | 1,420        |
| Back Office            | 570          | 607          | 633          | 668          | 720          | 718          | 744          | 758          | 750          | 778          |
| Ratio %                | 34.1%        | 35.9%        | 35.3%        | 35.3%        | 35.6%        | 35.2%        | 35.0%        | 34.3%        | 35.7%        | 35.4%        |
| <b>Total Headcount</b> | <b>1,671</b> | <b>1,691</b> | <b>1,791</b> | <b>1,894</b> | <b>2,024</b> | <b>2,038</b> | <b>2,126</b> | <b>2,213</b> | <b>2,102</b> | <b>2,198</b> |



6. The chart above shows the comparison between “*front line*” and “*back office*” for the period from 2000. “*Front line*” (includes temps, Programme Managers, Area Office Managers, Field Centre staff, rangers and community relations staff) and “*back office*” (includes Head Office and Technical Services, Admin and Business Services staff from Conservancies).
7. Since 2000, the number of frontline staff carrying out delivery work for the Department is forecast to have increased by 319 as of June 2009 while the number of back office or support and service staff has increased by 208. Overall, the ratio of support and service staff to delivery has remained fairly constant. The majority of the growth in back office support and service, during the period where the department budget has doubled, has been in conservancy offices, providing support to the delivery staff.
8. Since 2004 there has been a number of structural reviews, some as a result of the Value for Money reviews, others as part of the ongoing efficiency measures taken by the Department. These structural reviews have included reviews of each of the Groups/Divisions of the Department, Conservancy Office reviews leading to amalgamation of Community Relations and Technical Support teams, sharing of support and service resources between conservancies, and Area Office reviews leading to amalgamations.
9. The Department is also actively assessing vacancies as they arise to ensure that the positions are required, that they are focussed in priority areas, and to ensure that they are tailored to meet current and future organisational needs.