

February 2009

Hon Bill English
Minister of Finance
Parliament Buildings
WELLINGTON

Dear Minister

VOTE FISHERIES – BUDGET 2009

Introduction

1 The Budget process for 2009 requires Ministers to provide the Minister of Finance with information on their respective Votes by 1pm on Thursday 5 February 2009. The specific information sought relates to:

- a) Funding for emergency pressures where there is no other funding or delivery option available and where the decision to cease delivery would result in an unacceptable service failure to the public. There are no services in Vote Fisheries that fall into this category.
- b) Initiatives that are designed to meet the policy priorities the Government wishes to advance in Budget 2009. My initiatives for consideration in Budget 2009 are commented on in the section on new initiatives. Further detail on each of the bids is provided in Attachment 1.
- c) The results of a line by line review of Vote expenditure. This is commented on in the line by line section of this report.

2 In addition to the above information, the Prime Minister has also asked Ministers to inform him of their work programme for the coming year. Initiatives submitted for consideration in Budget 2009 are expected to be in line with that work programme.

New initiatives

3 In assessing possible work priorities for the Ministry of Fisheries in 2009/10, I have drawn on the Government's Policy Statements, the actions arising from the Fisheries 2030 strategic work and the economic development work with the commercial fishing sector. The

new areas of work are set out below (those marked with an asterisk are areas of explicit government policy):

- a) Collaborative work areas as agreed with industry * :
 - i. review of QMS compliance regime to minimise industry costs
 - ii. review of managing discards of non target species
 - iii. review of additional 9 fish stocks catch levels in the 2009 sustainability round
 - iv. reviews of effectiveness and efficiency of services (research and observers) and implementation of solutions
- b) Improving the management of recreational fishing *:
 - i. establish recreational only fishing areas
 - ii. implement amateur charter vessel catch reporting
 - iii. research to improve amateur catch estimation
- c) Improve customary catch reporting *
- d) Review extent of stakeholder role in fisheries plans
- e) Aquaculture law reform and enhanced implementation resourcing *
- f) Policy review and legislative reform - this would address selected priority areas drawn from:
 - i. Government policy priorities *
 - ii. actions arising from joint industry/Ministry working groups *
 - iii. allocation (Shared Fisheries)
 - iv. legislative and regulatory compliance framework *
 - v. management targets and sustainability
 - vi. cost recovery review
- g) Other Ministry specific actions, including
 - i. research in support of stock assessment*
 - ii. further development of research standards
[Information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]
 - iv. implement organisational design to deliver on Government priorities*.

4

[Information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]

5 Clearly there is a need to limit the number of issues to be encompassed in 2009/10. To progress the three platforms of Government policy, Fisheries 2030 and Industry development I am proposing the following initiatives for Budget 2009:

- Aquaculture resourcing and law reform

- Increases in Honorary Fishery Officer and Fishery Officer numbers
- Improving the catch estimates from research into recreational fishing
- *[Deleted – confidentiality of advice]*
- *[Deleted – confidentiality of advice]*
- Amateur charter vessel catch reporting
- *[Deleted – confidentiality of advice]*

A table detailing the costs of these initiatives is provided in the following table. More detail of each initiative is provided in Attachment 1.

Table 1 Proposed new initiatives for 2009/10 (all costs \$000's and GST exclusive)

Rank	Initiative	2009/10		2010/11		2011/12		2012/13		Total	
		FTE	\$	FTE	\$	FTE	\$	FTE	\$	Ave FTE	\$
1	Enhanced Aquaculture resourcing and law reform	3	513	6	691	3	330	3	357	4	1,891
2	Increase fishery officer presence	5	726	7	956	9	1,281	9	1,271	7.5	4,234
<i>[Deleted – confidentiality of advice]</i>											
4	Science research in support of fisheries management – recreational fisheries	-	500	-	833	-	1,000	-	1,000	-	3,333
5	Amateur charter vessel catch reporting	-	365	-	265	-	365	-	415	-	1,410
<i>[Deleted – confidentiality of advice]</i>											
<i>[Deleted – confidentiality of advice]</i>											
Sub total operating costs for new bids		19	4,356	21	3,849	19	3,803	18	3,730	19.5	15,738
Less cost recovery			30		90		90		90		300
Net cost after cost recovered items		19	4,326	21	3,759	19	3,713	18	3,640	19.5	15,438
Less identified savings (Crown funded)		23.2	4,330	23.2	4,330	23.2	4,330	23.2	4,330	23.2	17,320
Net funding implications		(4.2)	(4)	(2.2)	(571)	(4.2)	(617)	(5.2)	(690)	(3.7)	(1,882)

Line by line reviews

6 In terms of the Government expectations, I asked the Chief Executive of the Ministry to review the fisheries services based on the requirements of:

- a) efficiency and effectiveness of expenditure
- b) alignment with Government priorities
- c) savings identified and freed up
- d) programmes inconsistent with Government Priorities that should be stopped
- e) programmes that may be inconsistent and should be further reviewed
- f) programmes that are not effective or efficient
- g) programmes that are probably not effective or efficient and should be reviewed.

7 I will comment on this review and the results later, but first I note that, each year, as part of the development of its output plan the Ministry undertakes a review of its services and updates the costs of delivering those services. The purpose is:

- a) to provide value for money by ensuring the services are relevant to government priorities and are being delivered in an efficient and effective manner; and
- b) to determine where savings might be made to contribute towards the costs of any new initiatives that could be considered in the Budget Round.

The completed services' costing is then compared with the approved baseline and appropriate adjustments made to ensure that the Ministry remains within that baseline. This may mean a reduction in costs or require cutting or amending of some services.

[Information deleted in order to maintain the effective conduct of public affairs through the free and frank expression of opinions]

11 In respect of the line by line analysis, all Ministry services have been reviewed and senior managers believe that most services currently provided are of a very high priority and should continue to be provided.

12 However, managers have provided some potential options where these services could be scaled back to free up funding for other fisheries priority spending or returning to the government for priorities in other Votes. These options identified, in some cases, have consequences on the operations of the Ministry and the outputs it currently produces and it is important that they are understood before reallocating this funding. *[Deleted – confidentiality of advice]*.

13 Ministry services are funded from \$2m of external departmental revenue and the residual is funded from the Crown. However, the Ministry collects approximately \$35m of cost recovery revenue on behalf of the Crown based upon the cost of certain services the Ministry undertakes. Therefore, any reduction to the current services provided, will not automatically result in surplus Crown funding being available to fund other Crown funded activities. However, a reduction in those services, whose costs are recovered from industry, will reduce the amount paid by them.

[Information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]

14 The total identified for potential savings amounts to approximately \$6m per year, (representing \$1.7m to the industry and \$4.3m to the Crown), affecting 23 current funded positions and having a one off restructuring costs of \$0.5m, if all the savings are taken. This one off cost could be funded from within the current financial year's baseline, as long as some current programmes are cut back.

15 There are certain Ministry services and programmes could be considered in the 'probably not effective or efficient' category and these are to be the subject of follow up reviews over the coming months. These reviews will be undertaken in conjunction with Industry around research and observers for identifying the optimum level of efficiency and effectiveness. The Organisation Design project underway to ensure the Ministry is positioned to deliver on government priorities and the Fisheries 2030 action plan is expected to also identify areas of under performance and efficiency improvement options. This work will be undertaken over the next 12 to 18 months.

Summary

16 I have reviewed the cost savings options presented to me by the Ministry and believe the amount of savings being offered represents the lowest priority spend of the Ministry. These savings are proposed to be achieved largely through a scaling back of Ministry existing activities rather than stopping services. They will however represent a reduction in the Ministry's Vote of 6% against the 2009/10 approved baseline.

17 The Ministry's ability to deliver on existing services will be reduced as a result of these savings. However, these areas of savings are considered lower priority than those new initiatives being proposed and are more than enough to offset the cost of all new initiatives, and these savings can be made without significantly impacting on the Ministry's ability to deliver on its outputs. Any further savings sought would start to have a significant impact.

18 The savings identified will provide the Government the option of internally funding the Ministry's new initiatives. These new initiatives would deliver on the commitments and priorities of the Government.

19 I will continue to work with the Ministry to monitor progress of its review of the efficiency and effectiveness of its expenditure and ensure that all services are aligned with Government priorities and continue to be delivered on a value for money basis.

Recommendation

20 It is recommended that you:

- 1 **note** the contents of this report, the new initiatives being proposed, and the results of the line by line review undertaken by the Ministry
- 2 **note** the new initiatives being proposed for inclusion in Budget 2009 and that these can be funded from the savings identified by the Ministry
- 3 **note** that the Ministry will continue its work on the reviews of efficiency and effectiveness of Ministry expenditure to ensure that all services are aligned with Government priorities and continue to be delivered on a value for money basis.

Hon Phil Heatley
Minister of Fisheries

Proposed new initiatives for Vote Fisheries”

- 1 Enhanced Aquaculture resourcing and law reform
- 2 Increase fishery officer presence
- 3 *[Deleted – confidentiality of advice]*
- 4 Science research in support of fisheries management – recreational fisheries
- 5 Amateur charter vessel catch reporting
- 6 *[Deleted – confidentiality of advice]*
- 7 *[Deleted – confidentiality of advice]*
- 8 Savings from line by line review

Attachment 2

[Information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]

[Information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]

[Information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]

[Information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]

