

Local Government Briefing

Hon Rodney Hide
Minister of Local Government

Title: Budget 2009 Line-by-Line Review – Vote Local Government

Date: 4 February 2009

Key issues

As input for Budget 2009, by 1pm on Thursday 5 February 2009 you are required to provide a submission to the Minister of Finance with the outcome of a Line-by-Line Review of Vote Local Government and present any Budget initiatives.

Action sought	Timeframe
Note the contents of this briefing. If there are any issues, please advise.	1pm, 4 February 2009
Sign and forward the attached submission for Vote Local Government to the Minister of Finance	1pm, 5 February 2009

Contact for telephone discussion (if required)

Name	Position	Telephone		Suggested first contact
		direct line	after hours	
Brendan Boyle	Chief Executive	<i>[information deleted in order to protect the privacy of natural persons, including deceased people]</i>		
Anne Carter	Deputy Secretary, LG&C			

Return to: [deleted – privacy]
DMS file reference: DIA/Corporate 600847DB
Ministerial database reference: BSB200900010

Purpose of briefing

1. In your role as Minister of Local Government you are required to provide a submission to the Minister of Finance with the outcome of a Line-by-Line Review of Vote Local Government and present any Budget initiatives for consideration as part of Budget 2009.

Background

2. The Minister of Finance in a letter dated 17 December 2008 briefed you on the priorities and process for the 2009 Budget and the beginning of a value for money review process. In preparation for Budget 2009, Departmental Chief Executives were asked to complete line-by-line reviews of expenditure by 5 February 2009.
3. The Department has already completed a review of budget issues for 2009-12 and is actively working to control costs, make savings and demonstrate value for money in the services we provide. Our aim is to respond in a professional way to the recession, which impacts on all New Zealanders, and meet the expectations of the Prime Minister as outlined at his 3 December 2008 meeting with Departmental Chief Executives. Our focus is to control costs and make savings so that services to Ministers and the public are not compromised and the Department delivers improved value for money within existing baselines.
4. This briefing provides you with financial information for the Vote.
5. Vote Local Government is one of six votes administered by the Department of Internal Affairs, with a total Vote of \$94.101 million representing 25.6% of total Vote expenditure managed through the Department and 0.152% of all government expenditure.

	Budget 2008/09 \$ million	% of Total Votes
Departmental output expenses	13.482	6.0%
Non-departmental expenses	80.619	56.4%
Total Vote	94.101	25.6%

The scope and trends for the Vote are outlined in Appendix 1.

Election Commitments

6. The Minister of Finance has asked if there are any election commitments specific to this Vote, with the expectation that there will not be bids for the funding of initiatives which were not election campaign commitments. We are not aware of any election commitments for Vote Local Government.

Previous Governments Unfunded Commitments

7. The Minister of Finance has asked you to consider the steps necessary to reverse any specific pre-commitments of the previous government which were announced but were to be paid out of future Budgets. There are no tagged contingencies in Budget 2008 for this Vote.
8. The Pre-election Economic and Fiscal Update (PREFU) included a list of fiscal risks arising from policy choices which Ministers in the previous government were considering.

9. The unquantified risk published in the PREFU for this Vote was "Response to the Rating Inquiry". As discussed with you recently, the Department recommends that the rating inquiry is an input into work to enhance the transparency and accountability of local government. The Department is therefore recommending to you in its briefing on the three year work priorities that the response to the findings of the rating inquiry be removed from the 2008/09 Output Plan.

Summary of Vote Expenditure

10. There are two Departmental Output Expenses within Vote Local Government, namely:
- i. Information, Support and Regulatory Services – Local Government
 - ii. Policy Advice – Local Government.
11. There is one Non-departmental Benefits and Other Unrequited Expenses, namely the Rates Rebate Scheme.
12. There are three Non-departmental Other Expenses, namely:
- i. Chatham Islands Council
 - ii. Depreciation
 - iii. Tuwharetoa Maori Trust Board.
13. There is one Non-departmental Capital Expenditure:
- i. Capital Investments - Lake Taupo.
14. Each expense category is described in Appendix 2. A breakdown of Departmental expenditure by inputs is included in Appendix 3.

2008/09 Forecast Outturn

15. There is no forecast under expenditure for departmental or non-departmental expenditure in 2008/09 that could be offered as savings for re-prioritisation.

Departmental

	Budget \$ million	Forecast Outturn \$ million	Variance \$ million	MBU ¹ Changes \$ million	Balance \$ million	Comments
Information Support and Regulatory Services	5.907	5.907	-	-	-	
Policy Advice - Local Government	7.575	7.054	0.521	0.521	-	In-principle expense transfer to be sought as part of the MBU.
Total Departmental Expenditure	13.482	12.961	0.521	0.521	-	

16. The Royal Commission on Auckland Governance was established in 2007. The Commission was tasked with examining and reporting on the optimal local and regional governance arrangements required for the Auckland region over the foreseeable future. The Commission was originally due to report on the

¹ March Baseline Update

outcome of its inquiry on 1 December 2008, but that date was deferred to 31 March 2009.

17. An amount of \$0.521 million was appropriated in 2008/09 to undertake the response to the Royal Commission on Auckland Governance. In addition to the \$0.521 million appropriation, the Department contributed substantial policy resource from its baseline. This work is now delayed.
18. Your approval of an in-principle expense transfer will be sought as part of the 2009 March Baseline Update to enable some or all of the \$0.521 million appropriation to be transferred from 2008/09 to 2009/10.

Non-departmental

	Budget \$ million	Forecast Outturn \$ million	Variance \$ million	MBU Changes \$ million	Balance \$ million	Comments
Chatham Islands Council	2.231	2.231	-	-	-	
Depreciation	0.127	0.127	-	-	-	
Rates Rebate Scheme	76.565	60.715	15.850	15.850	-	Forecasting change
Tuwharetoa Maori Trust Board	1.500	1.500	-	-	-	
Total Non-Departmental Expenditure	80.423	64.573	15.850	15.850	-	

19. The initial appropriation for the Rates Rebate Scheme in 2006/07 was \$50.650 million. This was increased by \$20.000 million as part of the Budget 2007 due to a projected increased uptake in the rates rebate scheme and threshold policy change.
20. The Scheme is demand-driven, therefore an increase in uptake may occur as a result of factors such as greater publicity, an aging population and tougher economic times. To allow for such growth factors, a 20% contingency has been included in the 2008/09 projection.

Reviewing Priorities

21. The Department has reported to you separately to review the key initiatives in the 2008/09 Output Plan for Vote Local Government for the balance of the year and agreed any changes to better align the priorities with those of the Government. This briefing also sought your views on the draft three year work priorities looking out to 2012 that will be used by the Department to shape the Estimates of Appropriation and Statement of Intent for 2009-12.

Budget 2009 and Savings Identified

22. Potential savings identified are listed in the following table

Title	Description	\$ millions					
		2008/09	2009/10	2010/11	2011/12	2012/13	Outyears
National Dogs Database (NDD)	Reduction in developments to the NDD	-	0.198	0.198	0.198	0.198	0.198
Dog Safety Education	Stop campaign for Dog Safety awareness	-	0.250	0.250	0.250	0.250	0.250
Rates Rebate Scheme promotion	Reduce volume of Rates Rebate Scheme publications	-	0.100	0.100	0.100	0.100	0.100
Interface and Facility workshop	Reduce scale of workshop	-	0.040	0.040	0.040	0.040	0.040
		0.000	0.588	0.588	0.588	0.588	0.588

Emergency Pressures

23. There is one Budget initiative for this Vote as follows:

Title	Description	\$ millions					
		2008/09	2009/10	2010/11	2011/12	2012/13	Outyears
Auckland Governance	Transition and implementation requirements of Government decisions on the recommendations of the Royal Commission on Auckland Governance	-	6.275	5.880	2.909	-	-
		-	6.275	5.880	2.909	-	-

24. This initiative is a critical component of a reform programme that seeks to address fragmented regional governance and decision making in the Auckland region. This will contribute to improving Auckland's economic performance, including productivity. This initiative will focus on the transition and implementation requirements of Government decisions on the recommendations of the Royal Commission on Auckland Governance. This will run in parallel with an all-of-government approach to develop policy advice and draft legislation required to implement Government decisions.

Future Focus Opportunities

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

Consequential Impacts and Long-term Risks

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

Recommendations

30. The recommendations are that you:

- a) **Note** the contents of this briefing.
If there are any issues, please advise by 1pm, 4 February 2009. **Yes/No**
- b) **Sign and forward** the attached submission for Vote Local Government to the Minister of Finance by 1pm, 5 February 2009. **Yes/No**

Brendan Boyle
Chief Executive

Hon Rodney Hide
Minister

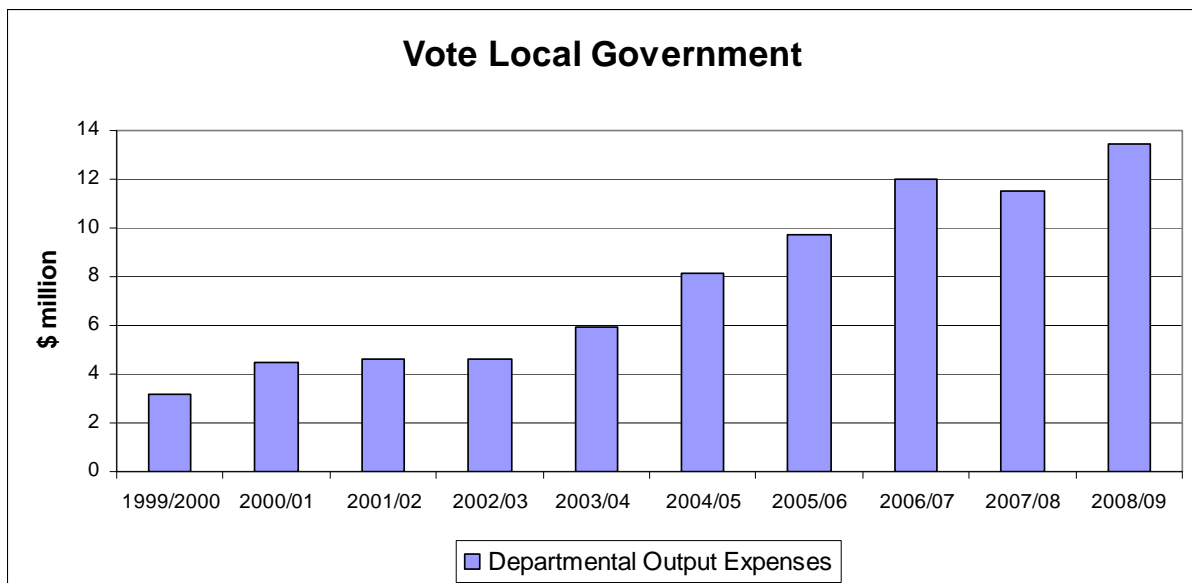
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Appendix 1

Scope and Trends for the Vote

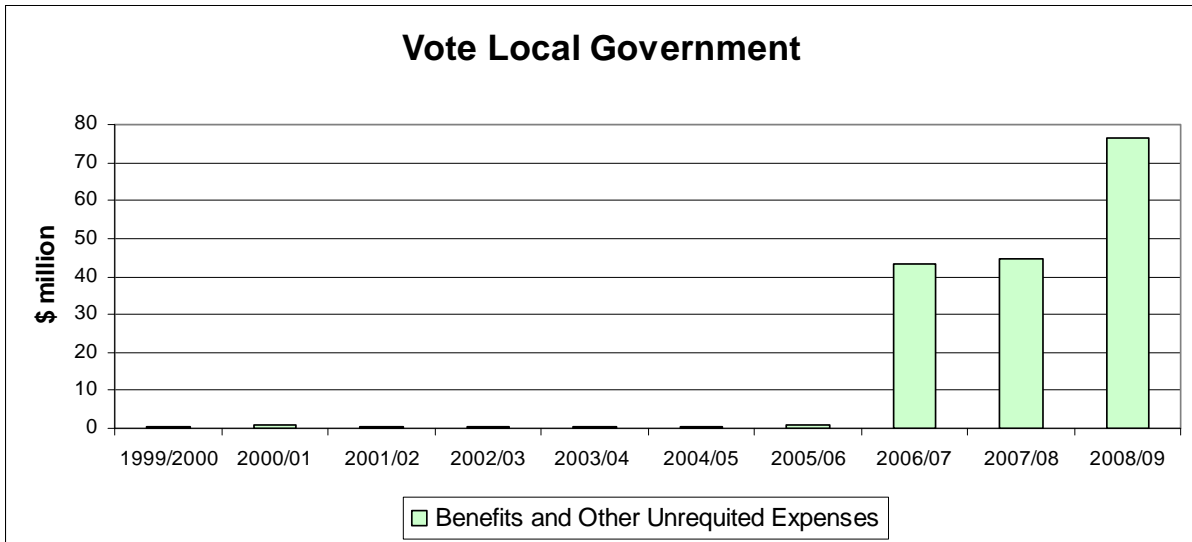
Departmental

Expenditure in 2000/01 and 2001/02 increased over the level for 1999/2000 for one off costs for the Review of the Local Government Act 1974. In 2002/03 expenditure increased for the implementation of the new Local Government Act. In 2003/04 expenditure increased through initiatives to improve the policy capability and capacity of the Department, an STV public education programme, implementation of the STV electoral system, review of the Auckland Infrastructure, and a public education campaign on dog control. Expenditure increased in 2004/05 through ongoing implementation of the initiative to improve the policy capability and capacity of the Department, and initiatives to enable the Local Government Commission's review of the operation of the Local Government and Local Electoral Acts. 2005/06 saw increased expenditure for the department's Upgrade of Information and Technology Capability, and implementation of the National Dog Database. Expenditure increased in 2006/07 with the department facilitating the hosting of the 2007 Commonwealth Local Government Forum and an initiative to support the Waitomo District Council. In 2008/09 the baseline incorporated initiatives for the professional development of elected members of councils and Auckland governance.



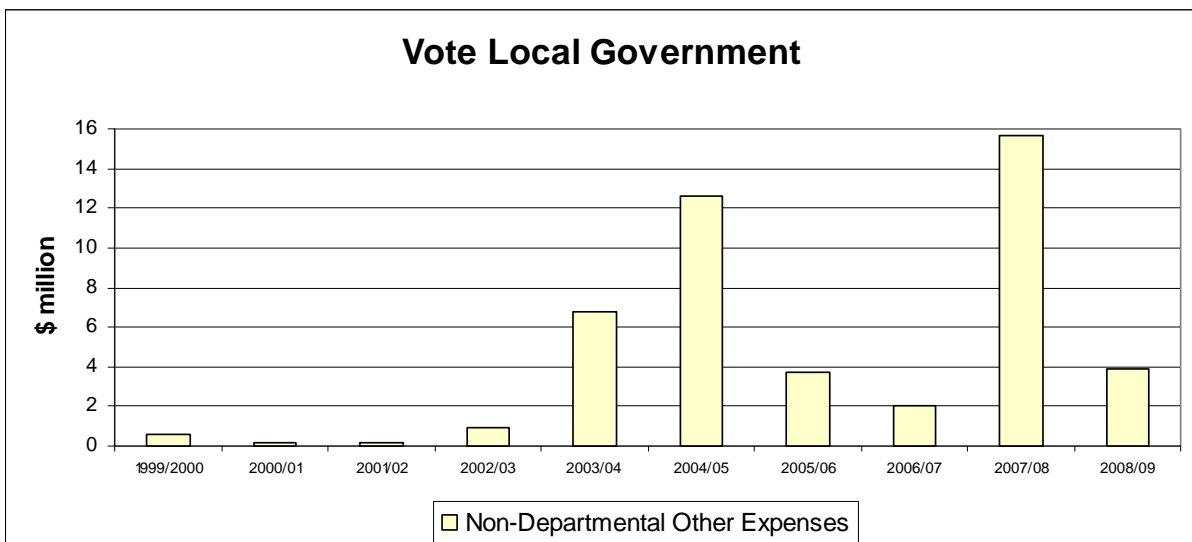
Benefits and Other Unrequited Expenses

The baseline increased from 2006/07 onwards to allow for revised income thresholds for entitlements under the Rates Rebate Scheme. Additional funding was provided in 2008/09 for consumer price index adjustments to rates rebates claims.



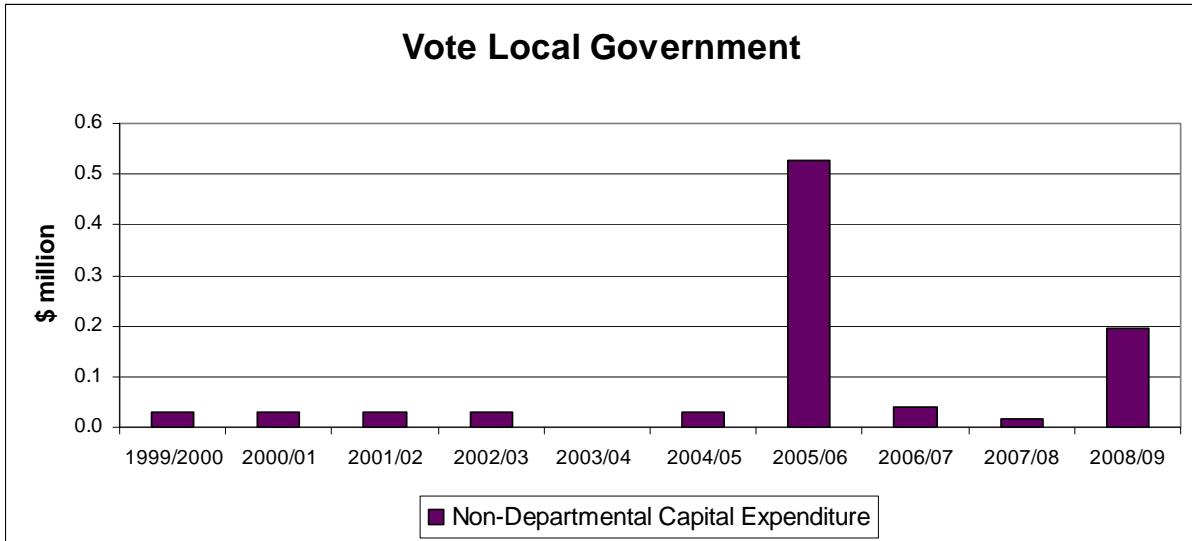
Non-Departmental Other Expenses

Funding was provided in 2003/04 to the Grey District Council for Sewerage Upgrade assistance and compensation, as a result of the February 2004 central New Zealand floods, for remitted rates. In 2004/05 funding was provided for contributions to local authorities for costs arising from the Bay of Plenty flooding, and to the Chatham Islands Council to enable it to meet its statutory responsibilities and to upgrade its water supply and sewerage systems. In 2005/06 expenditure was incurred for the purchase of land from Chelsea Estate Limited and part of Waitangarua Farm. In 2006/07 assistance was provided to the Chatham Islands Council to enable it to upgrade its waste water systems and meet its statutory responsibilities. In 2007/08 there were settlement costs relating to Lake Taupo property rights. In 2008/09 additional funding was provided to the Chatham Islands Council to enable it to continue to meet its statutory responsibilities.



Capital

Expenditure has been relatively stable for the period except for 2005/06 when additional funding was obtained for the reparation of Crown-owned breastworks at Lake Taupo.



Appendix 2

Expense Categories

Departmental Output Expenditure

There are two output expenses within Vote Local Government, namely:

- A. Information, Support and Regulatory Services – Local Government
- B. Policy Advice – Local Government

A. Information, Support and Regulatory Services has the following outputs:

- Local Government Commission Advice and Support

This output involves the provision of advisory and support services to the Local Government Commission, including:

- advice on proposals received
- advice on appeals against representation reviews
- advice on reports to the Minister of Local Government and local authorities
- advice on policy and legislative issues affecting the Commission's preparation of representation review guidelines
- accountability documentation, and administrative services.

- Local Government Services

This output involves:

- the administration of the Local Government Act 2002, including advice to the Minister of Local Government on local government boundaries and reorganisation schemes, on approval of sales of endowment land and other statutory approvals
- the administration of the Local Electoral Act 2001, including approval of voting document formats, the collection and publication of local election statistics, and administering the Single Transferable Vote Calculator
- administration of the Rates Rebates Scheme
- provision of local government functions for various offshore islands
- governance and management of the National Dog Database
- public information relating to local government
- servicing of ministerial review authorities when required.

- Regulatory and Boating Services for Lake Taupo

This output involves the provision of regulatory and boating services for Lake Taupo, the provision of a harbourmaster and the administration of the Lake Taupo Landing Reserve.

B. Policy Advice – Local Government has the following outputs:

- Local Government Policy Advice

This output involves the provision of advice and information on local government issues. It also involves monitoring the local government system,

preparation of briefings and speech notes and the provision of support for the Minister of Local Government as required in Cabinet committees, select committees, and in Parliament.

- **Ministerial Correspondence and Questions**

This output covers draft replies to ministerial correspondence, Official Information Act 1982 requests, Ombudsman's inquiries and parliamentary questions.

Non-Departmental Benefits and Other Unrequited Expenses

- **Rates Rebate Scheme**

This output involves providing assistance with rates for low-income residential ratepayers.

Non-Departmental Other Expenses

- **Chatham Islands Council**

This output involves contributions to the cost of the Chatham Island Council meeting its statutory responsibilities.

- **Depreciation**

This output is for depreciation on Lake Taupo's Crown owned assets.

- **Tuwharetoa Maori Trust Board**

This output involves payments to ensure public access to Lake Taupo, based upon a 2007 agreement between the Crown and the Tuwharetoa Maori Trust Board.

Non-Departmental Capital Expenditure

- **Capital Investments - Lake Taupo**

This output involves upgrading of boating facilities at Lake Taupo. Provision of safety lighting and adequate warning of navigational hazards.

Appendix 3

Breakdown of Departmental Expenditure for the Vote by Area of Input.

1. Departmental expenditure in each of the output areas of Vote Local Government falls across a range of inputs. The type of expenditure reductions undertaken will be guided in part by the ability to vary expenditure across the different inputs. The chart below provides a breakdown of the input costs for the Vote.
2. Personnel costs account for \$5.499 million of expenditure and represent an area where reductions are difficult to implement in the short-term without a restructuring of the organisation.
3. Operating costs represent \$3.250 million of expenditure. Significant areas of expenditure include publicity campaigns and database development.
4. Occupancy costs are \$0.409 million of total expenditure and represent a cost that is usually variable only in the long-term.
5. Asset costs are \$0.449 million of total expenditure and represent a cost that is usually variable only in the long term.
6. Shared Services expenditure within this Vote is \$3.875 million of total expenditure includes support for Human Resources, Information Technology, Finance, Planning and Performance, Property and Procurement Services, Legal Internal Audit etc.