

Ministerial Services Briefing

Hon John Key
Minister Responsible for Ministerial Services

Title: Budget 2009 Line-by-Line Review – Vote Ministerial Services

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 Ministerial Services and present any Budget initiatives.

Action sought	Timeframe
Note the contents of this briefing.	
Sign and forward the attached submission for Vote Ministerial Services 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>		
Shirley Smith	Chief Financial Officer			

Return to: [deleted – privacy]
DMS file reference: DIA/Corporate 1552821DA
Ministerial database reference: BSB20090013

Purpose of briefing

1. In your role as Minister Responsible for Ministerial Services you are required to provide a submission to the Minister of Finance with the outcome of a Line-by-Line Review of Vote Ministerial Services 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 Ministerial Services is one of six votes administered by the Department of Internal Affairs, with a total Vote of \$57.231 million representing 15.6% of total Vote expenditure managed through the Department and 0.092% of all government expenditure.

	Budget 2008/09 \$ million	% of Total DIA Votes
<i>Crown funded</i>	30.532	79.3%
<i>Third party funded¹</i>	7.972	20.7%
Total Departmental output expenses	38.504	17.1%
Non-departmental expenses	18.727	13.1%
Total Vote	57.231	15.6%

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 be bids for initiatives which were not election campaign commitments. We are not aware of any election commitments for Vote Ministerial Services.

¹ Third party revenue is mainly for VIP Transport, which is predominantly sourced from Vote Ministerial Services non-departmental expense *Ministers' Internal and External Travel*.

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. There were no risks published in the PREFU for this Vote.

Summary of Vote Expenditure

9. There are three departmental output expenses within Vote Ministerial Services, namely:
 - Support Services to Members of the Executive
 - VIP Transport
 - Visits and Official Events Coordination.
10. There is one Non-Departmental Benefits and Other Unrequited Expenses, namely Annuities to Former Governors-General, Prime Ministers and Widows.
11. There are five Non-Departmental Other Expenses, namely:
 - Depreciation
 - Executive Council and Ministers' Salaries and Allowances
 - Governors'-General Pension Arrangements
 - Ministers' Internal and External Travel
 - Travel for Former Governors-General and Prime Ministers.
12. Each expense category is described in Appendix 2. A breakdown of Departmental expenditure by inputs is included in Appendix 3.

2008/09 Forecast Outturn

Departmental Expenditure

	Budget \$ million	Forecast Outturn \$ million	Variance \$ million	MBU ² Changes \$ million	Balance \$ million	Comments
Support Services to Members of the Executive	27.472	30.472	(3.000)	-	(3.000)	To be sought in Budget 2009
VIP Transport	7.519	7.869	(0.350)	0.350	0.000	Additional revenue and expenditure third party funded
Visit and Official Events Co-ordination	3.513	4.313	(0.800)	-	(0.800)	To be sought in Budget 2009
Total Departmental Expenditure	38.504	42.654	(4.150)	0.350	(3.800)	

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

² March Baseline Update

Non-Departmental Expenditure

	Budget \$ million	Forecast Outturn \$ million	Variance \$ million	MBU Changes \$ million	Balance \$ million	Comments
Annuities to Former Governors-General, Prime Ministers and Widows	0.400	0.400	-	-	-	
Executive Council and Ministers' Salaries and Allowances	7.210	7.665	(0.455)	0.455	-	Permanent Legislative Authority
Depreciation	0.137	0.137	-	-	-	
Governors'-Generals Pension Arrangements	0.020	0.020	-	-	-	
Ministers' Internal and External Travel	10.440	11.440	(1.000)	-	(1.000)	To be sought in Budget 2009
Travel for Former Governors-General and Prime Ministers	0.520	0.520	-	-	-	
Total Non-Departmental Expenditure	18.727	20.182	(1.455)	0.455	(1.000)	

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

Reviewing priorities

15. The Department has reported to you separately on the review of key initiatives in the 2008/09 Output Plan for Vote Ministerial Services 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 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. This document was also designed to enable you to select your top priorities to be able to inform the Prime Minister by 5 February of your choices.

Savings for 2008/09 and outyears

Title	Description	\$ million					
		2008/09	2009/10	2010/11	2011/12	2012/13	Outyears
Support Services to Ministers	Sale of Ministerial Property.	-	0.086	0.086	0.086	0.086	0.086
Visits and Ceremonials	More efficient travel and accomodation	-	0.050	0.050	0.050	0.050	0.050
		-	0.136	0.136	0.136	0.136	0.136

Emergency Pressures

16. There is one Budget initiative for this Vote

Title	Description	\$ millions					
		2008/09	2009/10	2010/11	2011/12	2012/13	Outyears
Uncontrollable cost pressures	The Department has identified uncontrollable cost pressures for the departmental output expenses Support Services to Members of the Executive and Visits and Official Events Coordination and the non-departmental other expense Ministers' Internal and External Travel.	5.441	3.455	3.325	6.625	3.325	3.325
		5.441	3.455	3.325	6.625	3.325	3.325

17. The Department has identified uncontrollable cost pressures for the departmental output expenses Support Services to members of the Executive and Visits and Official Events Coordination and the non-departmental other expense Ministers' Internal and External Travel.

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

18. The recommendations are that you:

- a) **Note** the contents of this briefing.
- b) **Sign and forward** the attached submission for Vote Ministerial **Yes/No** Services to the Minister of Finance by 1pm, 5 February 2009.

Brendan Boyle
Chief Executive

Hon John Key
Minister Responsible for Ministerial
Services

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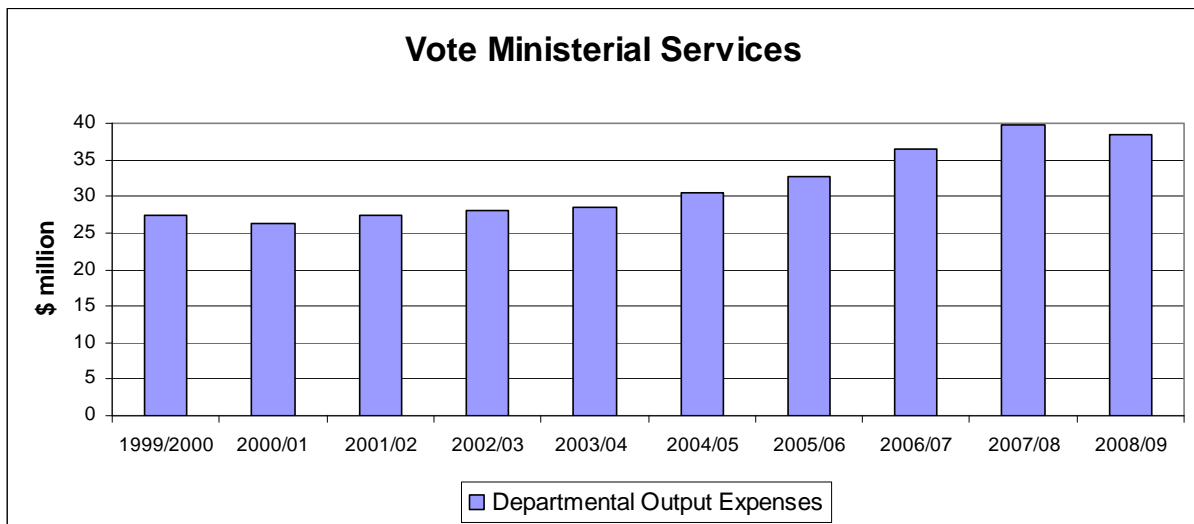
Appendix 1

Scope and Trends for the Vote

This Vote was established on 1 July 1999.

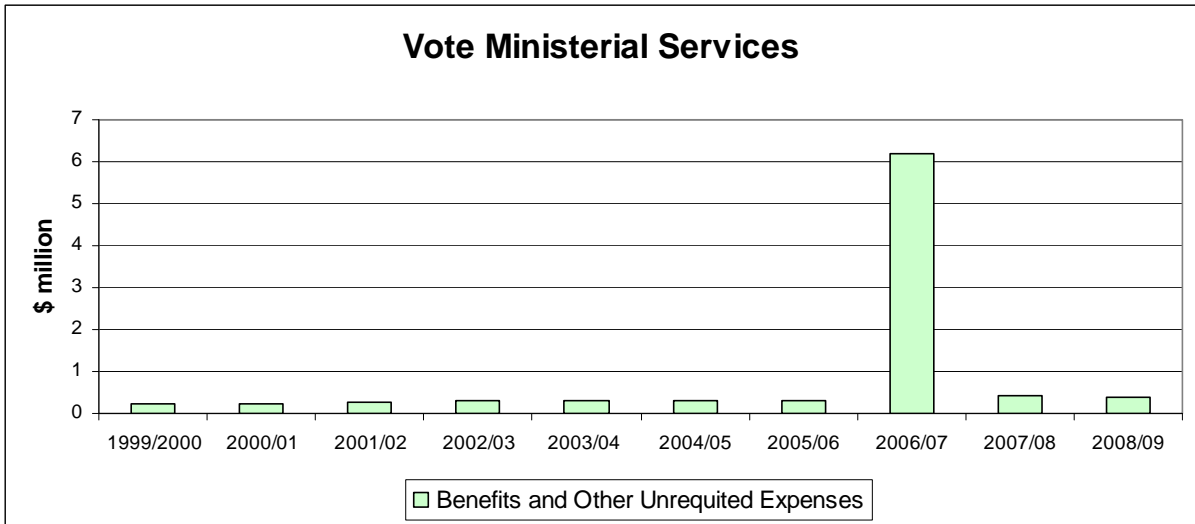
Departmental

Expenditure was broadly stable from 1999/2000 to 2003/04. Expenditure increased in 2004/05 due to increased demand for VIP Transport services and servicing of Guests of Government. Increase expenditure in 2005/06 was due to the department's Upgrade of Information and Technology Infrastructure and to enhanced personnel capacity. In 2006/07 expenditure increased for additional Ministerial Services staff to support the Executive and increased ministerial travel. Expenditure increased in 2007/08 for servicing of Guests of Government and Sir Edmund Hillary's funeral and memorial service costs.



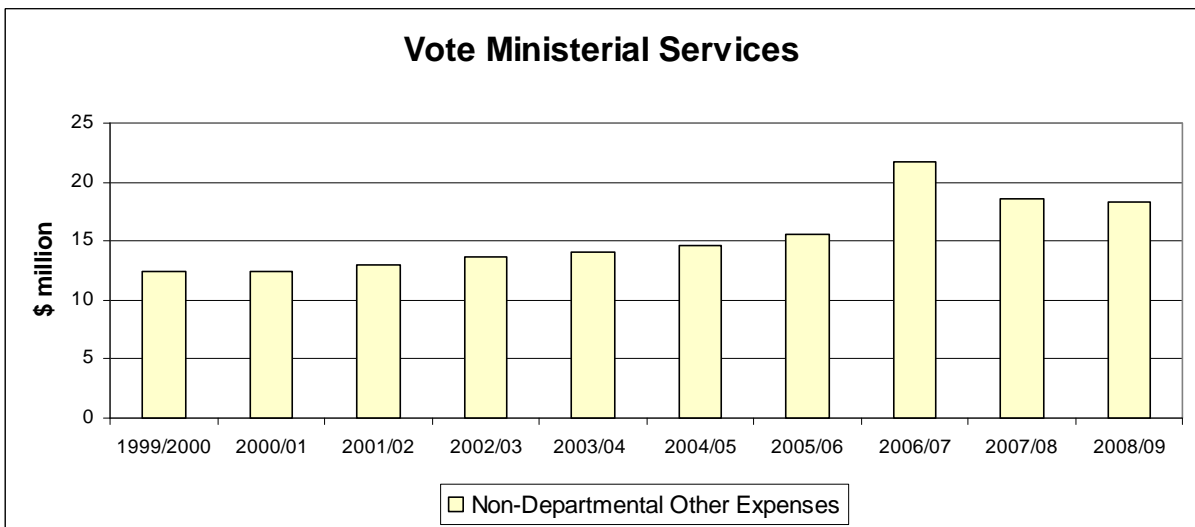
Benefits and Other Unrequited Expenses

Expenditure was broadly stable until 2006/07. In 2006/07, as part of the transition to new accounting standards, an additional expense of \$5.850 million was incurred as a one-off technical adjustment to recognise the actuarial valuation for Annuities to Former Governors-General, Prime Ministers and their Widows.



Non-Departmental Other Expenses

Expenditure increased from 1999/2000 to 2005/06 to reflect the impact on Executive Council and Ministers Salaries' and Allowances from the Parliamentary Salaries and Allowances Determinations. In 2006/07, as part of the transition to new accounting standards, an additional expense of \$4.155 million was incurred as a one-off technical adjustment to recognise the actuarial valuation of Travel for Former Governors-General and Prime Ministers. There have been further annual Parliamentary Salaries and Allowances Determinations.



Appendix 2

Expense Categories

Departmental Output Expenditure

1. Support Services to Members of the Executive has the following outputs:

- Provision of operational resources.

This output involves provision of operational resources for the purpose of undertaking ministerial business. It covers the full range of support to Ministerial offices, the main elements of which are:

- Ministerial staffing, including recruitment, training and mentoring and other HR services;
- Information and communications technology, including mobile phones;
- Media and other advisory services;
- Account support;
- Draft replies to ministerial correspondence, Official Information Act 1982 requests, Ombudsman's inquiries and parliamentary questions;
- General facilities management.

- Residential accommodation

This output involves the provision of the use of an official residence for those Ministers whose primary place of residence is outside the Wellington commuting area.

2. VIP Transport:

- Chauffeur Drive Services

This output involves the provision of chauffeur drive services to members of the Executive and their spouse or partner; the Leader of the Opposition and Deputy Leader of the Opposition; the Speaker and Deputy Speaker and their spouse or partner; for Prime Ministers and their spouses; former Governors-General and their spouses; members of the judiciary and visiting dignitaries.

- Self Drive Vehicles

This output involves the provision of Ministers with one self drive cars based at the member's primary place of residence for use at the members' discretion. We also provide self drive vehicles to a range of other dignitaries.

3. Visits and Official Events Coordination:

- Management of programmes for visiting guest of government

This output involves the development of a programme for each Guest of Government visit and then managing the visit to meet the objectives determined by the Government.

- Facilitation services

This output involves facilitation services at international airports for the Governor-General, members of the Executive, and guests of Government.

- Official events coordination

This output involves managing State and ministerial functions, commemorative events and national anniversaries.

Non-Departmental Expenditure

Non-Departmental Benefits and Other Unrequited Expenses

- Annuities to Former Governors-General, Prime Ministers and Widows - Permanent Legislative Authority

This output involves providing annuities to former Governors-General, Prime Ministers, and Widows.

Non-Departmental Other Expenses

- Depreciation

This output is for depreciation on ministerial residences.

- Executive Council and Ministers' Salaries and Allowances

This output is for payments to the Executive Council and Ministers for civil purposes.

- Governors'-General Pension Arrangements

This output is for payments of Governors'-General pensions for civil purposes.

- Ministers' Internal and External Travel

This output is for payments of Ministers' internal and external travel, pursuant to section 20A of the Civil List Act 1979.

- Travel for Former Governors'-General and Prime Ministers

This output is for payments for civil purposes, travel for former Governors'-General and Prime Ministers pursuant to section 25 of the Civil List Act 1979.

Appendix 3

Breakdown of Department Expenditure for the Vote by Area of Input

1. Departmental expenditure in each of the output areas of Vote Ministerial Services fall 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 55% 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 22% of expenditure and include human resources development, travel, office expenses and computer costs. There is a direct link in most instances to personnel levels.
4. Occupancy costs are 4% of total expenditure across several centres within New Zealand.
5. Asset costs are 7% of total expenditure and includes depreciation and capital charges.
6. Shared Services charges are 12% of total expenditure and are incurred for support such as Human Resources, Information Technology, Finance, Planning and Performance, Property and Procurement Services.

