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- [1] 6(a) - to prevent prejudice to the security or defence of New Zealand or the international relations of the government
- [2] 6(c) - to prevent prejudice to the maintenance of the law, including the prevention, investigation, and detection of offences, and the right to a fair trial
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In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) of the Official Information Act.

Department of Internal Affairs

Covering:

Vote Internal Affairs

Four-year Budget Plan

Final

31 January 2012

Forwarded by:

Hon Amy Adams

Section 1: Overview

The Department of Internal Affairs overall purpose is to serve and connect people, communities and government in order to build a safe, prosperous and respected nation.

It will be responsible for administering one vote across the Community and Voluntary Sector, Ethnic Affairs, Civil Defence, Internal Affairs, Local Government, Ministerial Services, Archives New Zealand, National Library, and Racing portfolios. The outcomes it seeks to contribute towards are:

- New Zealand's diverse people and communities/hapū/iwi are resilient and prosperous;
- the people of New Zealand have a strong and valued national identity, culture and heritage; and
- New Zealand is recognised for creating, sharing and using knowledge for social, cultural and economic well-being.

The Department makes an increasingly important contribution to the effectiveness of the wider public sector. Its objectives are to enhance trust in the government and confidence in the performance of public sector organisations by:

- enhancing the productivity and accountability of public sector organisations;
- supporting specialist capability-building in other nations; and
- supporting the system of government to operate efficiently and effectively.

The core drivers for change over the next four years are the need to deliver departmental and ministerial priorities within reduced Crown funding, while managing cost pressures (including third-party cost pressures) over the longer-term. It is intended that these drivers will be managed without the need to radically change the mix of outputs and activities delivered to the New Zealand public.

The Department is responding to these drivers and expectations to deliver ministerial priorities by focusing on realising the opportunities for reducing duplication and realising synergies from an integrated organisation through:

- consolidating the structure and systems that support the integration;
- realising synergies and reducing duplication; and
- delivering efficiencies across the organisation.

Summary of Changes

1. Operating changes sought	Impact \$m increase/(decrease)				
	2011/12	2012/13	2013/14	2014/15	2015/16
Current Baseline	1,130.327¹	483.564	480.134	479.010	479.010
Cost pressures resulting from existing policies/settings	15.718	15.865	20.261	24.613	32.480
Cost of new/increased activities	-	-	-	-	-
Efficiency savings	-	(9.818)	(8.885)	(8.885)	(8.885)
Amount reprioritised	(15.718)	(15.865)	(20.261)	(24.613)	(32.480)
Net impact		(9.818)	(8.885)	(8.885)	(8.885)
New baseline	1,130.327	473.746	471.249	470.125	470.125

2. Capital investments being considered for new funding in Budget 2012	Impact \$m increase/(decrease)					
	2011/12	2012/13	2013/14	2014/15	2015/16	Outyears
<i>Nil</i>	-	-	-	-	-	-

3. Capital investments likely to require new funding in future Budgets	Total impact across years \$m increase/(decrease)		
	Budget 2013	Budget 2014	Budget 2015
<i>Nil</i>	-	-	-

4. Baseline capital expenditure	Impact \$m increase/(decrease)				
	2011/12	2012/13	2013/14	2014/15	2015/16
Departmental					
Baseline funding available for departmental capital expenditure	98.580	56.822	44.175	44.901	46.474
Investments funded from departmental capital expenditure	80.323	49.725	36.338	37.301	38.976
Non-departmental					
Total	5.562	0.342	0.337	0.430	0.430

¹ The 2011/12 baseline is significantly higher than the outyears reflecting the inclusion of \$625.208m for the Christchurch Earthquake indemnity non-departmental appropriation.

Section 2: Priorities

Department Priorities

The Department's medium term priorities focus on securing the organisation's ability to respond and adapt to evolving government and public expectations. Like all public sector agencies, the Department is working in an environment that requires a commitment to managing cost pressures and using resources cost-effectively. The integration of agencies into a single Department of Internal Affairs provides a platform for improving efficiency, effectiveness, and service delivery, while fostering innovative solutions to achieve outcomes.

Medium term priorities for the Department can be grouped under three areas of strategic focus, outlined below. The overarching theme of proposed priorities and investments over the next four years is to realise the benefits of the integration and to continue to build capability to respond to future transfers of government functions. Specific proposals and examples of change initiatives to deliver on the Department's priorities are detailed in Section 4.

Consolidating the Structures and Systems that Support the Integration

The Department will complete in 2011/12 the structural changes resulting from the integration of agencies and functions into a single organisation. This includes finalising organisational structures that reflect the integrated Department's functions, preparing for integrating the functions of the Charities Commission within the Department, rationalising collective employment agreements and implementing a new remuneration structure.

A review of corporate functions and systems, including the development and implementation of a corporate infrastructure strategy and shared services model, will re-engineer the way corporate services are delivered to efficiently support the structural changes.

[6]

Realising Synergies and Reducing Duplication

Identifying opportunities to reduce duplication and capitalising on synergies created as a result of the Department's structure and functions are key priorities. The combination of complimentary groups and functions within the Department creates possibilities that have not previously existed to develop innovative and better services. The benefits of these synergies will enable improved citizen-focused services and reduce long-term costs.

Priorities include reducing duplication and realising synergies from the integration of the National Library and Archives New Zealand, and integrating and rationalising the Department's online presence. The Department will explore options to leverage its range of ministerial portfolios, stakeholder networks and physical presence across New Zealand to improve connections between public service agencies and communities; to influence better understanding of issues, more effective policy investment and more sustainable solutions.

Driving Efficiencies across the Organisation

The Department is prioritising improvements to business activities that will drive increased efficiencies and lower costs in day-to-day operations. This includes developing financial management and planning capability to ensure available resources are aligned with strategic priorities and outcomes. Priorities include reviewing and improving the way it provides products and services to third parties (such as identity documents), to improve efficiencies and reduce cost pressures in this area.

The Department is also implementing enhancements to its asset management framework to align with best practice standards and investigating options for accommodation rationalisation. Continued efficiency and cost savings over the medium term are expected through improvements to back office functions, identified through the Better Administrative and Support Services Programme and the Human Resources Quick Start Initiative.

Draft Ministerial Priorities

In addition to the strategic focus areas and priorities outlined above, the Department has the following portfolio priorities in Vote Internal Affairs over the medium-term, in no particular order. [7]

Internal Affairs Portfolio: Hon Amy Adams

- Maximising the use of information and communications technology (ICT) across all of Government to enable better, more responsive public services to be delivered that meet the needs of New Zealanders and provide better value for money.
- Providing leadership in identity information management and policy through high integrity information such as the igovt Logon and Identity Validation Services.
- Improving the efficiency and effectiveness of the regulatory framework for class 4 gambling, and fire and related emergency services.

Local Government Portfolio: Hon Nick Smith

- Improving the efficiency of the local government system to build a strong and stable economy. This will result in local government supporting economic growth and creating jobs; being more efficient, flexible and responsive to the needs of citizens; and improved central government direction around regulations and financial reporting.

Ethnic Affairs Portfolio: Hon Judith Collins

- Maximising New Zealand's potential for economic growth through the skills, experience and international connections of ethnic communities. This will result in an increase in ethnic people participating in their communities and across communities; and in the overall contribution towards the New Zealand economy.

- Increasing public sector organisations' capability to respond to the needs of multi-ethnic and multi-faith communities. This will result in an increase in the capability of public sector organisations to work with and respond to the needs of ethnic communities by building on existing relationships and expertise in managing ethnic diversity.
- Maintaining and improving New Zealand's reputation for social harmony and as a desirable destination for tourism, migration, education, trade and investment. This will result in an increase in New Zealand's international reputation as a credible advocate of social harmony and ethnic participation.

Community and Voluntary Sector Portfolio: Hon Jo Goodhew

- Disestablishment of the Charities Commission, transfer of functions to the Department and review of the Charities Act 2005. This will result in improved delivery of services to the public; reduced duplication of roles; improved regulation; and an increased ability to reprioritise spending to those areas where it will have the greatest impact.
- Efficient administration, effective regulation and stronger relationships by strengthening government-sector relationships – implementation of Kia Tūtahi Relationship Accord. This will result in more efficient and effective relationship between government and the community and voluntary sector.
- Empowering communities by working towards more strategic and long-term investment in local communities to help communities, hapū and iwi achieve their goals. This will result in an increase in the well-being of New Zealanders by providing community development grants funding, advice and services to communities.

Civil Defence Portfolio: Hon Chris Tremain

- Learning from reviews of the responses to the Canterbury earthquakes will inform subsequent development of the strategic framework for civil defence emergency management, and the national guidance provided by the Department. This will result in a resilient New Zealand in which communities understand and manage their hazards.
- Incorporating lessons from the Canterbury earthquakes through the review and update of the National Civil Defence and Emergency Management Plan. This will result in a resilient New Zealand in which communities understand and manage their hazards, and enhanced capability to manage and recover from civil defence emergencies.
- Strengthening recovery from major civil defence events through a fundamental review of the Civil Defence and Emergency Management framework. This will result in a resilient New Zealand in which communities understand and manage their hazards, and enhanced capability to manage and recover from civil defence emergencies.
- Implementing results of monitoring and evaluation capability assessments where common themes and areas of improvement have been identified. This will result in a resilient New Zealand in which communities understand and manage their hazards, and an enhanced capability to manage and recover from civil defence emergencies.

Ministerial Services Portfolio: Rt Hon John Key

- Transfer of responsibility for determining entitlements for Members of Parliament and the Executive to the Remuneration Authority. This will result in better alignment of entitlements between Members of Parliament and the Executive; greater transparency and easier understanding; and more efficient administration of entitlements.
- Managing cost pressures in the Visits and Ceremonial Office through a comprehensive review covering the structure and staffing levels as well as the policies and procedures used to manage visits by foreign dignitaries and official events. This will result in a reduction in the overall cost of visits and ceremonial events.
- Reviewing the pricing regime for VIP Transport to ensure the current pricing model reflects charges that are better aligned to cover availability and actual usage. This will result in improved access to management information that will form the basis for continued business improvement.
- Assessing the earthquake resilience of the Department's Ministerial properties and the cost of possible remediation works. This will result in enhanced safety of Ministers while in Wellington as well as enhancing the value of Crown owned properties.
- Improving integrated service delivery with other parliamentary agencies such as the Parliamentary Service and the Remuneration. This will result in improved effectiveness of services to members of the Executive and greater efficiencies.

Racing Portfolio: Hon Nathan Guy

- Supporting the New Zealand Racing Board and the racing code bodies in the development of a strategic vision for racing. This will result in better results and services for New Zealanders as key racing industry organisations will be aligned with and working towards the strategic vision.

Section 3: Cost Pressures

Departmental Cost Pressures

The Department acknowledges the expectation that operating within a tight economic and fiscally constrained environment requires departments to consider current baselines as the first source of funding for meeting cost pressures, funding any new priorities, or for increasing funding to existing programmes.

The primary implication for the Department is that forecast declining baselines will create significant risks and cost pressures over the medium-term.

Cabinet directed the delivery of baseline savings of \$2.000m in 2011/12 and each of the outyears from the integration of the National Library of New Zealand, Archives New Zealand and other functions with the Department. These savings are now reflected in the baseline of the enlarged Department. The Department's future operating environment will continue to be influenced by any further machinery of government changes, resulting from the Government's wider work to ensure the continuous improvement, resilience and effectiveness of public services, and to ensure agencies are able to perform efficiently when funding is tight.

In response to cost pressures and baseline reductions, the Department continues to seek ways to re-engineer its business processes, explore ongoing and sustainable savings, and work more productively. A structured performance and productivity improvement programme (including the Next Stage Change Programme) is in place, ranging across the Department's functions. In addition, the Department has a strong focus on baseline management, where tight baseline control is advocated, with permanent savings allocated to initiatives that are aligned with strategic priorities.

The Department acknowledges that, over the four-year planning horizon 2012/13 to 2015/16, the overall transformation strategy and associated priorities (including ministerial portfolio priorities) will create significant fiscal challenges. The impact of these fiscal challenges have been identified, and the required equivalent savings are now reflected within the Department's existing baselines, across both Crown and third-party funded activities, by way of the reprioritisation set out within this Four-year Budget Plan (the Plan).

A number of cost drivers underpin the Department's fiscal challenges. These are detailed in are summarised as follows:

a) Flow-on Impact of the Cabinet Decision on the Efficiency Saving

The Cabinet decision to approve a reduction in the efficiency saving target for the Department from six to five percent is conditional on the Department meeting any current and emerging departmental cost pressures from within existing departmental baselines. Apart from the general requirement to absorb current and emerging cost pressures, the primary risks for the Department as a result of this decision relate to the cost pressures on Crown funding associated with the provision of administrative support

for both the current Royal Commissions of Inquiry (Pike River and the Canterbury earthquakes) and the Christchurch Earthquake Appeal Trust.

These cost pressures have required the reprioritisation of \$3.074m in the 2011/12 financial year, while an additional requirement of \$3.266m for these activities is now factored into the reprioritisation of the 2012/13 baseline. In this regard, the additional costs in both 2011/12 and 2012/13 exceed the one percent reduction in the efficiency saving target, while there is no specific Crown funding for the Earthquake Appeal Trust beyond 2012/13.

b) Machinery of Government Changes

The Department's integration with the National Library of New Zealand and Archives New Zealand highlighted the significant initial investment required in order to establish the necessary platform to realise expected synergies and efficiencies. Further operating and capital investment will continue in the medium term to finalise the 2011 integration, undertake the scheduled integration of the Charities Commission on 1 July 2012, and potentially undertake any further machinery of government changes.

Apart from the more general pressures created by agency amalgamations, the Department has two further specific integration-related issues to address:

- the fiscal sustainability of Archives New Zealand, an agency with a large capital base, with approximately 40 percent of its operating expenditure represented by fixed cost depreciation and capital charge components; and
- the potentially adverse fiscal impact of the allocation of the costs of shared functions, although the Department will look to smooth any adverse impacts by way of medium-term transition arrangements.

c) Budget 2011 Efficiency Saving

Any savings made from third-party funded operations (apart from those necessary to absorb the costs of KiwiSaver-SSRSS) will not count towards the efficiency savings target. This distinction is particularly significant for the Department, due to the high proportion of departmental outputs that are funded by third-party revenue (46 percent in 2012/13 and 50 percent in 2013/14 and the outyears).

In effect, the core efficiency saving of \$6.552m can only be applied to 54 percent of total output expense funding in 2012/13 and to 50 percent in 2013/14 and outyears.

In addition, the Department is unable to count the full quantum of any efficiencies realised from within its shared functions towards the efficiency saving target, as such savings need to be reflected across both Crown-funded and third-party funded activities.

d) **Constraints on Fee Increases for Products Managed through Memorandum Accounts**

Current outyear forecasts indicate a potential requirement for fee increases from 2013/14 onwards in some areas. However, in acknowledgement of the Government's focus on cost constraint and the delivery of more for less, increases in fees are not factored into the baseline reprioritisation within this Plan, pending monitoring and reviews of outyear aggregated cost pressures on these products.

e) **Earthquake Recovery and Business Continuity**

No specific provisions have been made within this Plan for any earthquake recovery or business continuity-related operating expenditure requirements that may arise in 2012/13 or the outyears. In the event these risks emerge as realisable cost pressures, the Department will look to further reprioritise its baseline funding to meet reasonable commitments in these areas.

f) **Remuneration and Consumer Price Index-related Impacts on Operating Expenditure**

The Department anticipates increases in baseline operating expenditure resulting from annual remuneration reviews (including the costs of rationalising collective employment agreements and implementing a new remuneration structure, together with investment in an enhanced focus on performance management) and the annual impact of consumer price index increases. The additional costs will impact across both Crown and third-party funded activities and are factored into the baseline reprioritisation within this Plan.

g) **igovt**

Funding was made available in Budget 2011 for the continuation of the igovt programme in 2011/12 and 2012/13. It is likely that Budget Ministers will need to consider the options for the future of the igovt Logon Service and igovt Identity Verification Service programmes, including the continuation of funding for the programmes beyond 2012/13, within the context of their decision-making for Budget 2013.

h) **All-of-government ICT**

Sourcing Crown funding for all-of-government ICT initiatives for the next four years will be led by the Treasury. This will specifically cover developing investment proposals relating to cross-government common ICT capability initiatives and detailed business cases for selected initiatives to inform investment decisions by Ministers.

Crown Entities Cost Pressures

The Department is working actively with the Office of Film and Literature Classification and the Fire Service Commission, which it monitors as part of its Crown Entity accountability obligations, to manage various medium-term costs pressures in these agencies (e.g. addressing deficiencies in current funding systems by reviewing the current fire service levy and exploring ways to achieve efficiencies over the medium-term).

Section 4: Proposed Changes for 2012/13 to 2015/16

The core drivers for change over the next four years are the need to deliver departmental and ministerial priorities, realise the Budget 2011 efficiency savings while managing cost pressures (including third-party) over the longer-term.

Efficiency Saving

In preparing this Plan it became apparent that the original KiwiSaver-SSRSS offset components of the Department's annual efficiency savings targets were understated, and, by implication, the reductions in the Department's Crown-funded baselines (as agreed by Cabinet as part of the departmental efficiency savings exercise [ECC Min (11) 12/2 refers]), were overstated.

The Treasury has now agreed a revision to the mix of the Department's efficiency savings targets. The Kiwisaver-SSRSS offsets have been increased by \$0.694m in 2012/13 and by \$0.901m in each of the outyears, with equivalent decreases in the reductions in Crown-funded baselines. Table 1 below highlight the original assessment of the Department's efficiency saving target, while Table 2 sets out the agreed revised target.

Table 1 original targets

Area of Impact	2012/13 \$m	2013/14 and outyears \$m
Kiwisaver and SSRSS costs offset	2.572	2.767
Reduction in Crown-funded baselines	7.246	6.118
Total efficiency saving	9.818	8.885

Table 2 revised targets

Area of Impact	2012/13 \$m	2013/14 and outyears \$m
Kiwisaver and SSRSS costs offset	3.266	3.668
Reduction in Crown-funded baselines	6.552	5.217
Total efficiency saving	9.818	8.885

The savings from the structural changes already in train (see below) together with the efficiency and productivity gains of opportunities that were identified give confidence to the Department and Ministers that the above required efficiency savings in 2012/13 and in each of the outyears will be fully realised.

Cost Pressures and Reprioritisation

The impact of cost pressures identified to date over and above the efficiency savings have a cumulative impact over the four-year planning horizon of \$15.865m in 2012/13 increasing to \$32.480m in 2015/16. The Department intends to manage these pressures without the need to radically change the mix of outputs and activities delivered to the New Zealand public, and to mitigate these pressures through a number of programmes and initiatives as set out in the following three areas of strategic focus.

Consolidating the Structures and Systems that Support the Integration

The Department will complete structural changes, corporate infrastructure improvements and collective agreements and remuneration structures to build a robust and sustainable organisation and realise the benefits resulting from integration of the Department of Internal Affairs, Archives New Zealand and National Library, and transfer of other new functions over the medium to longer-term.

Some specific examples in this area are set out below:

Structural Changes

The Department is investing in an organisational approach to complete structural changes and realise efficiencies gains following the integration of the Department of Internal Affairs, Archives New Zealand and National Library, transfer of other new functions and associated whole of organisation redesign and restructures. As well as delivering efficiencies, this will build a strong organisation that is robust and sustainable over the longer-term.

The major vehicle for these structural changes is the Next Stage Change Programme which has required significant initial investment. The programme was established to maintain collective oversight over multiple cross organisation reviews, design and change processes - some of which resulted in redundancies (e.g. reviews of finance and communications corporate functions resulted in approximately 16 redundancies).

The programme is expected to achieve closer alignment with the Department's State Services Cap of 2,168 full time equivalent employees through an expected reduction of approximately 72 individual employees. The number of fulltime equivalent positions across the Department will total 2,152 by June 2012. Further opportunities to reduce duplication and realise synergies across the new organisation are expected to continue in outyears.

The new organisational structure allows the Department to integrate the functions of the Charities Commission, as agreed by Cabinet on 1 August 2011 as part of further machinery of government changes, with minimal disruption to other parts of the organisation. The integration is expected to achieve savings of up to \$1.500m over the next four years (excluding unquantified integration costs) through synergies and effective management of common capabilities.

Corporate Infrastructure, Support Systems and Policies

The new organisation brought together a number of different people, processes, information sets and supporting systems. The Department is progressively streamlining and enhancing the quality and robustness of corporate services and support systems to improve core service delivery over the medium to longer-term. This includes ensuring the Department has appropriate infrastructure, policies, capability and information systems such as records management, financial and asset management, and human resources management.

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Collective Agreements and Remuneration

The new organisation provides the opportunity for development of a single collective agreement and remuneration system based on one set of aligned conditions to replace the current arrangements for the Department of Internal Affairs, National Library and Archives New Zealand staff. The new systems will provide consistency and equity for staff and better support career development and succession opportunities across the Department.

Increases in baseline operating expenditure resulting from annual remuneration reviews are expected because of the importance of having the right capability and ability to attract and retain high performers by rewarding them appropriately. The Department is focused on long-term workforce planning to ensure early and effective responses to any workforce pressures. An integrated business and workforce planning process will actively shape the Department's workforce to meet its business requirements now and for the future.

The Department will produce a Workforce Strategy by July 2012 to provide a medium-term view of its future workforce needs.

Realising Synergies and Reducing Duplication

The Department is identifying opportunities to reduce duplication and capitalise on synergies created as a result of the Department's new organisational structure and collective strength. The combination of complimentary functions within the Department creates possibilities that have not previously existed to develop innovative and better services.

Some specific examples in this area are set out below:

Integrated Service Delivery for Archives New Zealand and National Library

The integration of Archives New Zealand and the National Library provides the opportunity to reduce duplications and realise synergies in areas of common capability, particularly through integrating service delivery to enhance citizen-centric services.

This has included looking at new ways to create an integrated experience for customers by optimising the use of accommodation and services of all three previous organisations. There is a significant opportunity to build on Government investment in the upgrade of the National Library to enable a single public destination for research and a physical concentration of expertise for management of New Zealand's documentary heritage.

There is also opportunity for rationalising and optimising collection storage and management across the Department. This could include using the private sector more for storage and retrieval of collections and records. This approach is dependent on increasing use of technology for digitisation and search, and also changes in the service delivery model.

The unique roles of both Archives New Zealand and the National Library will be preserved while increasing opportunities for operational integration and reduction of overall operating costs. The Department will continue to explore options to reduce duplication and realise further synergies to enhance delivery of services, maintain the nation's record and documentary heritage, and ensure this information is available for New Zealanders.

Online Services Integration and Rationalisation

Aligned with the rationalisation of physical locations for service delivery is the rationalisation of the Department's online presence. Work has been initiated on web rationalisation that focuses on reducing the diversity of technology and operating platforms across the organisation as a whole. This would combine online presence and operations allowing an integrated service delivery experience at a lower cost to the public.

Community Engagement Synergies

The Department's new organisational structure will allow it to leverage off its range of portfolios, stakeholder networks and physical presence across New Zealand to better engage with communities across sectors and portfolios, and provide for greater efficiencies. In 2011 the Office for the Voluntary and Community Sector transferred to the Department. The Department is also planning for the transfer of the Charities Commission's.

These changes will also provide the broader community and voluntary sector with better and simplified access to the broader services the Department provides, such as Local Government, Archives New Zealand, the National Library, and the Office of Ethnic Affairs, as it links into the Department's community operations services and regional presence.

Driving Efficiencies across the Organisation

The Department is prioritising improvements to business activities that will drive increased efficiencies and lower costs in day-to-day operations over the longer term. Continued cost savings over the medium term are expected through improvements to back office functions, identified through the Better Administrative and Support Services Programme.

Some specific examples are set out below:

Centre of Excellence in Policy Advice

The integration brought together all the Department's policy units into one unified group. The Department has now completed a management and support restructure in the Policy Group to put in place a consistent management structure across the policy functions, so that there is capacity to focus on improving the quality and strategic focus of policy work and to meet the needs of Ministers for well thought out advice.

Policy teams have been more logically grouped on a thematic basis encouraging new ways of working together and thinking about the range of policy responsibilities across the team. The restructure has resulted in increased efficiency in the delivery of policy advice and savings of approximately \$0.400m per annum in costs over time.

Third-party Cost Pressures

Although fees have remained static in a number of areas for a long time, the Department is working towards limiting the need to increase third-party fees where possible. In particular, this includes ensuring identity products and services are valued, effective, efficient, easy to use and available to customers across a range of channels. The Department is progressively developing supporting structures, systems and processes that deliver efficiencies and reviewing what products are offered and how they are packaged – with a view to streamlining these services and reducing the Department's overall footprint.

The Department is also actively driving savings in the cost of gambling compliance. A review of service delivery will include examining what is the most appropriate organisational structure for delivery of compliance activity and whether the current resources match the existing and projected workloads. In parallel with the review the Department is implementing a new computer system to support licensing and compliance activity. The new system is expected to reduce the cost of compliance for those owning and operating gambling machines, as well as realise internal operating efficiencies.

Asset Management

The Department is progressively enhancing its capital planning and investment framework, to ensure appropriate compliance and alignment with the Treasury-led Capital Asset Management framework. In order to realise the greatest benefits from its capital investments, these improvements will seek to ensure the alignment and integration of strategic, business and operational planning across the Department.

This will ensure that capital asset planning, investment, delivery and management, are supported by processes and procedures that provide assurance that required standards are being met and credible accurate information readily available. Accordingly, the Department is also developing an asset rationalisation strategy with a view to streamlining its asset base, and reducing capital investment and associated operating expenditure.

Accommodation Rationalisation

The Department is taking a long-term sequential approach to developing more cost effective accommodation options to reduce average costs of accommodation, achieve improved office space utilisation and reduce the Department's overall footprint. It will look at opportunities for centralising and rationalising leased and owned accommodation options, more effective asset utilisation, including opportunities for joined up common government services.

This includes options to rationalise National Library and Archives New Zealand owned accommodation across Wellington, Christchurch, Dunedin, Palmerston North, Mangare and Wanganui. This provides for utilising specialised accommodation for high value collections with the remaining collection requirements being managed through private sector arrangements with limited need for service delivery presence in main centres.

Better Administrative Support Services

The Department has identified further indicative efficiency savings through the Better Administrative and Support Services Programme – a benchmarking exercise developed by Treasury to allow for comparative analysis of administrative and support services of public service agencies. The Department has targeted moving into the 75th percentile on current levels as benchmarked against other public service agencies in the 2011 report, progressively by 2016.

These improvements are expected to reduce costs and strengthen the effectiveness and efficiency of administration and support services across the organisation. Key opportunities include leveraging knowledge and scale across agencies; simplification and streamlining, automating, and standardising processes, and having more common systems in primarily in areas such as human resources, finance and communications functions.

The Department is participating in developing potential cross-organisational savings through human resources performance improvements initiatives as part of the Human Resources Quick Start Initiative. [6]

Design and implementation costs are expected to be fiscally neutral over a four-year period.

Impact on Current Services

As noted above it is intended that priorities will be delivered within reduced Crown funding, while managing cost pressures (including third-party cost pressures) without the need to radically change the mix of outputs and activities delivered to the New Zealand public. Although only minimal, there are two instances where proposed changes may have some impact on service delivery, including:

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Other Risks and Challenges

Local Government Policy

The Department is responsible for providing Local Government policy advice and operational services. The Department is confident that resources will be available for the delivery of current services and the achievement of existing ministerial priorities. [6]

Change of Executive

The Department provides support services to Members of the Executive; this includes supporting the three-year cycle for Change of the Executive. While the Department is confident it can continue to manage annual costs the costs associated with changes in the Executive following a general election can be significant. It is proposed that Cabinet be asked to consider explicitly funding these triennial costs as they occur.

Royal Commissions

The Department also provides information, advisory and support services to commissions of inquiry and similar bodies as required, including the Royal Commissions of Inquiry on the Pike River Coal Mine Tragedy and Building Failure Caused by Canterbury Earthquakes. Both Royal Commissions have recently experienced delays and are seeking extensions to their respective dates. The delays are now expected to result in additional costs to the Department of \$4.979m.

While the Department's efficiency dividend was reduced from six to five percent in part recognising the additional costs of the Royal Commissions, the actual cost increases represent almost two and a half percent of the Department's baseline. Provision has been made within this Plan for additional costs of \$2.494m in 2012/13, while the Department has also now made provisions to absorb additional costs of \$2.485m from within its 2011/12 baseline.

Section 5: Baseline Capital Expenditure

The Department is aiming to maintain a capital base that will meet the Government's aim of using improvements in national infrastructure to drive productivity growth within the public sector and the wider economy, and improve state sector performance.

In light of the fiscal constraint on capital injections from the Crown, a key challenge for the Department is ensuring the sustainability of the Department's funding flows from depreciation as a means of fully funding future capital investment, i.e. self-funding capital investments through balance sheet management.

Accordingly, the forecast capital expenditure over the planning horizon reflects previously approved capital injections from the Crown for identified initiatives, with the Department self-funding all other priority future capital investments. In addition, the Department's capital planning acknowledges the importance of retaining an adequate level of unallocated residual funding that can be made available for emerging priorities, emergencies, or other capital contingencies.

During 2011/12 the Department will substantially complete a number of major infrastructural asset projects, including the National Library New Generation Implementation Programme, the Passports System Redevelopment Programme, together with the introduction of a replacement grants management system and a replacement point of sale system.

The capital programme in 2012/13 and the outyears includes continuing significant investment in both core and shared corporate (FMIS, HRMIS) and service delivery (igovt, births, deaths and marriages) infrastructure, new investment in transformational programmes (National Library-Archives integrated service delivery), together with ongoing investment in replenishing and refreshing the existing asset base, including Crown and Ministerial vehicles, National Library school and general collections.

The following table summarises the departmental and non-departmental capital expenditure within Vote Internal Affairs, over the planning horizon.

5. Departmental capital expenditure	\$m increase/(decrease)				
	2011/12	2012/13	2013/14	2014/15	2015/16
a. Opening baseline funding available	19.903	18.257	7.097	7.837	7.600
b. Depreciation funding (1:51:1, 199)	31.850	38.324	36.695	36.664	36.664
c. Sale of assets (1:52:0, 1999)	2.615	-	-	0.400	2.210
d. Other (capital injections)	44.212	0.241	0.383	-	-
e. Total baseline funding available	98.580	56.822	44.175	44.901	46.474
f. Capital investments funded from baselines	80.323	49.725	36.338	37.301	38.976
g. Closing baseline funding available	18.257	7.097	7.837	7.600	7.498

6. Non-departmental capital expenditure	\$m increase/(decrease)				
	2011/12	2012/13	2013/14	2014/15	2015/16
Capital investment in organisations other than departments	-	-	-	-	-
Baseline funding available for the purchase or development of Crown capital assets	5.562	0.342	0.337	0.430	0.430
Total	5.562	0.342	0.337	0.430	0.430

Section 6: Further options

The Department intends to deliver departmental and ministerial priorities within reduced Crown funding, while managing cost pressures (including third-party cost pressures) over the longer-term. The following proposals have been identified for possible discussion with Ministers on further opportunities to for reducing costs.

[6]