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Budget 2012: Four-year Budget Plan Template

Ministry for the Environment

Covering:

Vote Environment

Vote Climate Change

Four-year Budget Plan

Final

24 January 2012

Forwarded by:

**Minister for the Environment
Minister for Climate Change Issues**

Section 1: Overview

Our Outcomes

The Ministry for the Environment's outcomes are that:

- New Zealand becomes a successful low-carbon society that is resilient to climate change impacts on its climate, economy and lifestyle
- New Zealand's fresh water is well governed and sustainably managed to realise the maximum benefit possible for present and future environmental, cultural, social and economic values.
- New Zealand's environmental management systems are strengthened and supported so that they can achieve the greatest overall environmental, economic, social and cultural benefits.

Our priorities

The strategy for Vote Environment and Vote Climate Change over the next four years will continue to be focused on robust policy, good science, and effective action. This involves addressing three priority areas:

- **Climate change mitigation:** The previous Government's approach to climate change was to ensure that New Zealand is recognised as doing its fair share, while still being able to grow the economy. Climate change mitigation measures are required to reduce the severity of global climate change and its effects on New Zealand. New Zealand must play its part in both international negotiations and domestic action. The latter is primarily through the Emissions Trading Scheme (ETS), which the Ministry must ensure continues to be fit for purpose into the future. The outcomes of the ETS review may have an impact on the Budget plan; however, until decisions are made by Ministers the impact is not quantifiable.
- **Effective management of water resources:** Water is New Zealand's most precious environmental and economic resource; it is increasingly coming under pressure. Innovative solutions need to be found to address major issues such as water quality and allocation. Better regulation, stronger institutions and improved knowledge and skills are required. Land use is inextricably linked; it affects the quality and quantity of our water resources. Solutions must take account of this and also the cultural significance our waterways have for all New Zealanders, in particular Māori.
- **Improving institutions and frameworks:** New Zealand's long term prosperity requires a dynamic and responsive resource management system. Addressing New Zealand's priority environmental issues requires constant review of the tools, frameworks and institutions used to manage resources to ensure they are successfully adapting to changing situations. Better integration and alignment in the resource management system is needed. This is key to ensuring New Zealand achieves and maintains the balance between growing the economy and protecting the environment.

Efficiencies and proposed changes to programmes and service delivery

The Ministry has been focusing on improving effectiveness over a prolonged period of time with a new Strategic Direction introduced last year. In order to deliver the most effective high quality advice and support, the Ministry has undertaken numerous reviews and met the Government's emerging priorities within existing baselines. A summary of the reviews is provided below:

Value for Money Review 2008

This review identified a range of measures to address the projected budget shortfall and re-prioritise resources, including:

- discontinuing the Govt³ Programme: saving \$1.1 million in 2009/10.
- disestablishing the Bioethics Council: saving \$1.3 million in 2009/10 and out years.
- scaling back the Recycling in Public Places initiative: saving \$1.6 million across 2008/09 and 2009/10.
- discontinuing the Carbon Neutral Public Service Programme: saving \$6.9 million across 2008/09 and 2009/10.
- scaling back and integrating the Sustainable Business and Sustainable Households Programmes: saving \$2.5 million across 2008/09 and 2009/10.

Senior Management Review 2009

A significant restructuring of the Ministry was carried out in 2008/09 and took effect on 1 July 2009. The Ministry is now organised into three main divisions: Policy Division, Programmes Division, and Strategy and Corporate Division.

The aim was to organise the Ministry in a way that would best enable it to meet the challenges of its work programmes and to have a management structure that would be more readily understood internally and externally. The new structure is well aligned to that of the wider government sector and is expected to be durable for the long term.

Review of Finance and Communications Functions 2009

A wide-ranging review of the Ministry's communications function was undertaken, resulting in some significant changes including six communications roles being disestablished, mainly because they were too specialised to provide effective cross-Ministry cohesive, integrated and responsive communication. They were replaced with by four roles with more specific job descriptions to provide the necessary structure, skills and experience. In addition, further work was done on the Ministry's publishing function, encouraging a greater focus on publishing documents online, thus reducing the need for costs of printed publications.

Review of Policy Function 2010

In 2010 the Ministry decided that a review of the whole policy function was needed. The range and complexity of environmental policy issues that the Ministry was being asked to lead was continuing to grow. The Ministry recognised that it would need to lead strategic

conversations on issues spanning the environment and the economy, and develop effective policy to achieve long-term behaviour change.

The review of the Ministry's policy function identified a number of significant barriers to the Ministry becoming a more effective policy agency. In particular, there was a capability mismatch between the mix of skills, experience and expertise of current staff and what was required. This meant that the policy development process was weak, quality of policy advice was variable, and the work programme was too reactive.

The outcome of the review was to:

- Reduce overall size of policy function from 110 to about 95 and change team composition, with emphasis on senior operating at much high level, leading and coaching number of juniors
- Apprenticeship model – policy as a craft best learnt by working alongside senior staff
- New positions with changed accountabilities, especially for Senior Analysts
- Separate international team focused on strategy, policy and cooperation

Review of Administrative Support 2011

The ratio of Ministry administrative support to total staff was found to be higher than in other government agencies. At that stage the Ministry had one administrative support person to around 10 staff members. In other government agencies the ratio of administrative support staff to total staff was between 1:20 and 1:40.

The overall size of the Ministry's administration and support function was reduced from 28 established positions to 15.5 established positions on an ongoing basis. This resulted in an ongoing reduction of costs from 2012/13 of approximately \$600,000 per annum, which will contribute to the efficiency dividend and allow more investment for delivering Government priorities.

The one-off costs of the review were approximately \$700,000 in 2011/12, covering redundancies, back filling key staff during the review and reviewing key processes to ensure they are efficient and streamlined.

Meeting the Government's Emerging Priorities

In last year's Four year Budget Plan the Ministry outlined reprioritisation of existing baseline funding to fund Government priorities including the establishment and on – going funding of the Environmental Protection Authority, the clean up of Tui Mine and more recently the expansion of the Waikato River Clean up Fund to include the Waipa river.

This reprioritisation of funding towards these initiatives has meant the Ministry has effectively reduced the current year baseline (2011/12) to levels similar to when the efficiency dividend begins and a reduction of approximately \$2 million from 2010/11. This has been achieved through the realised savings from the policy review and active prioritisation of existing work to ensure the available funding is directed to those areas which align with the Government's priorities.

In the short term, the realised savings of the administration review and continued prioritisation of funding will enable the Ministry to meet operational pressures for the next financial year. Notwithstanding this point, it will not be possible for the Ministry to deliver the priorities any earlier, or more rapidly, or to take on any additional priorities.

The Ministry is currently undertaking a business planning improvement project which builds on the work done over the past two years in improving the linkages between output classes and the outcomes the Ministry is trying to achieve. This will provide better information for trade-offs to be discussed with Ministers and further improve the prioritisation decisions made by the Ministry.

The Ministry is also monitoring developments in the shared services arena, with particular interest around the Department of Internal Affairs Infrastructure as a Shared Service (IaaS) initiative which could impact on the services the Ministry provides internally. There is unlikely to be significant cost savings (if any) due to the relative size of the Ministry in these whole of Government initiatives but as this area develops an opportunity will exist for the Ministry to continue to focus on efficiency and continue the focus on areas where the Ministry adds value by providing high quality and effective advice and support.

A key area of change is in improving information about New Zealand's environmental performance. A credible and accessible information system is required for sound decision making and helps build a reliable picture of how the country is managing its natural capital. This in turn will assist New Zealand as a nation to maintain its worldwide reputation for quality products from a quality environment. To decide how best to manage and allocate key environmental resources, such as water, there is a need for accurate and comprehensive information on the existing state of the environment. Early detection of problems means that solutions can then be put in place early enough to be effective and durable. There is a problem with inconsistent datasets around the country which needs to be addressed. The Ministry has been investing in an information strategy as part of the new strategic direction which will begin to develop the necessary information.

1.2 Overall impact

<i>Total Baseline</i>	Impact \$m increase/(decrease)				
	2011/12	2012/13	2013/14	2014/15	2015/16
Current Baseline	1,752.734	681.139	677.947	1,040.638	1,526.611
Cost pressures resulting from existing policies/settings [section 3]	0.700	0.480	0.970	1.468	1.978
Cost of new/increased activities [section 4]	6.036 ¹	6.036	5.673	5.702	5.721
Efficiency savings [section 4]	-	(1.750)	(1.582)	(1.575)	(1.575)
Amount reprioritised [section 4]		(0.830)	(1.320)	(1.468)	(1.978)
Net impact	6.736	3.936	3.741	4.127	4.146
New baseline	1,759.470	685.075	681.688	1,044.765	1,530.757

The baselines of Vote Environment and Climate Change have significant Non Departmental Other Expenses including the issue of New Zealand Units through the Emissions Trading Scheme which impacts on the profile reflected above.

The net impact on Vote Environment of this Four-year Budget Plan is a increase equivalent to the transfer of ETS functions from Vote Energy and the recognition of the decision to extend the Waikato River Clean Up Fund to incorporate the Waipa River offset by the efficiency dividend.

The Fresh Start for Fresh Water Fund is currently funded for 2011/12 and 2012/13. Further funding will be considered as part of the Natural Resource Sector analysis of non-departmental spending alongside other priorities within the sector. This analysis will form part of the wider Budget 2012 process within the sector.

¹ Cabinet agreed to broaden the scope of Waikato River Clean Up Fund which is fiscally neutral over the 30 years but recognises the Net Present Value of the additional funding in the current financial year (Cab Min (11) 37/25 refers) and the transfer of ETS functions from Vote Energy into the Vote from December 2011.

In order to understand the impact of the efficiency dividend and future cost pressures for the Ministry it is necessary to examine the Departmental baseline (removing the LUCAS multi-year appropriations which fluctuates between financial years).

Total Departmental Operating	Impact \$m increase/(decrease)				
	2011/12	2012/13	2013/14	2014/15	2015/16
Current Baseline	49.665	46.132	46.132	48.498²	49.532
Cost pressures	0.700	0.480	0.970	1.468	1.978
Efficiency savings [section 4]	-	(1.750)	(1.582)	(1.575)	(1.575)
Amount reprioritised [section 4]	-	(0.830)	(1.320)	(1.468)	(1.978)
Decisions not included in the October Baseline Update ³	(3.344)	(0.487)	(0.587)	(0.587)	(0.587)
One off's	(2.930) ⁴	-	-	-	-
Comparable ongoing baseline	44.091	43.545	43.613	46.336	47.370

On a comparable basis the 2011/12 year represents approximately a \$2 million decrease from the 2010/11 year reflecting active prioritisation decisions during the past couple of years to fund primarily the establishment of the Environmental Protection Authority from within the Departmental baseline. This reprioritisation has meant the Ministry has reduced the current year (2011/12) baseline to be equivalent to the ongoing baseline which incorporates the efficiency dividend for future years.

² From 2014/15, the appropriation for LUCAS activities returns to the baseline as business as usual which is the reason for the baseline increasing from 2013/14.

³ Reprioritisation to fund the establishment of EPA capital injection (refer Cab Min (11) 13/3) of \$3.1 million and Joint Ministers decision of 13 November to transfer ETS functions from the Ministry to the EPA. Outyears reflect the reprioritisation of some of the departmental baseline for the extension of the Waikato River Clean Up Fund (Cab Min (11) 37/25 refers)

⁴ Contingency for establishing the EPA (\$1.5 million – EGI Min (11)13/3 refers), third party recoveries for secondments (\$730k) and the \$0.7 million for the core administrative review one off costs reprioritised above.

Non Departmental Expenses (excluding NZU)

Total Non Departmental Operating (ex NZU's)	Impact \$m increase/(decrease)				
	2011/12 ⁵	2012/13	2013/14	2014/15	2015/16
Current Baseline	124.930	76.408	64.281	61.059	73.507
<i>Efficiency savings [section 4]</i>	-	-	-	-	-
<i>Amount reprioritised [section 4]</i>	-	-	-	-	-
Decisions not included in the October Baseline Update ⁶	9.380	6.523	6.260	6.289	6.308
One off's		-	-	-	-
Comparable ongoing baseline	134.310	82.931	70.541	67.348	79.815

During the past financial year a portion of funding was reprioritised from the Contaminated Sites Remediation fund and the Community Environment Fund to extend the Waikato River Clean Up Fund. Any further decreases in the Contaminated Sites Remediation Fund would hinder the progress towards remedying the priority sites [7]

and the further reductions to the Community Environment Fund would run the risk that administration costs begin to outweigh the outcomes of the fund by extracting further funding from the base.

The Natural Resource Sector is undertaking an analysis of non-departmental spending over the coming months as part of the Budget 2012 process which will examine non departmental spending and the linkage to Sector Outcomes. This analysis will provide a clearer picture as to the impact the Sector is looking to achieve through the distribution of non departmental funds and examine options for funding high priority funds such as the Fresh Start for Freshwater Fund.

⁵ The 2011/12 financial year includes one off expenditure in relation to cleaning up Tui Mine and accumulated funds from the Waste Minimisation Fund.

⁶ Joint Ministers decision of 13 November to transfer ETS functions from the Ministry of Economic Development to the EPA.

Summary of Other Changes

<i>Capital investments being considered for new funding in Budget 2012 [section 4]</i>	Impact \$m increase/(decrease)					
	2011/12	2012/13	2013/14	2014/15	2015/16	Out-years
None	-	-	-	-	-	-

<i>Capital investments likely to require new funding in future Budgets [section 4]</i>	Total impact across years \$m increase/(decrease)		
	Budget 2013	Budget 2014	Budget 2015
None	-	-	-

<i>Baseline capital expenditure</i>	Impact \$m increase/(decrease)				
	2011/12	2012/13	2013/14	2014/15	2015/16
<i>Departmental</i>					
Baseline funding available for departmental capital expenditure [section 5, table 5, row e]	5.090	4.716	4.393	4.220	4.030
Investments funded from departmental capital expenditure [section 5, table 5, row f]	(0.950)	(0.675)	(0.575)	(0.575)	(0.575)
<i>Non-departmental</i>					
Total [section 5, table 6]	10.825	1.252	-	-	-

Section 2: Priorities

Main outcomes and priorities

The priorities for Vote Environment are (in descending order):

- Improving New Zealand's freshwater management: Freshwater management (both allocation and management of quality) is vital to large sections of New Zealand's economy, including agriculture, tourism and electricity generation. It is also fundamental to the quality of life that New Zealanders enjoy. Successful implementation and monitoring of the National Policy Statement for Freshwater Management will ensure that regional councils collectively continue to improve water management. However, there is consensus that further reform of the system is required.

The freshwater reforms must improve how we set limits for both water quality and quantity, and how we allocate efficiently within those limits. (This includes reallocation over time to ensure the highest value use is achieved).

The reforms are also looking at how we manage impacts from land use and how we best provide for Māori/iwi interests. The Land and Water Forum, commissioned in 2009 to recommend improvements to freshwater management, has delivered its initial advice to government. During 2012 the forum will deliberate and deliver further advice. This process is operating as part of the broader Fresh Start for Fresh Water work programme, which also includes discussions between senior Ministers and the Freshwater Iwi Leaders Group and work undertaken by officials.

- Resource management reforms: Changes made during the last term of government have led to the simplification and streamlining of some processes under the Resource Management Act. These changes continue to require effort to ensure they are implemented appropriately and monitored to ensure they are having the intended effect. In addition there are further potential minor changes that could be made to the RMA to further streamline and speed up processes, such as the *Building Competitive Cities* consultation process in relation to infrastructure. Any further reforms could be considered as part of a wider look at the resource management and planning system as a whole to better leverage multiple outcomes from existing frameworks and tools. This could dovetail with changes to water management policy.
- Improving management of the Exclusive Economic Zone: It is necessary to manage New Zealand's marine resources more deliberately than the current situation, to ensure that both their environmental and economic potential is maximised. Action to improve environmental management in New Zealand's Exclusive Economic Zone is the priority in the marine area. The Exclusive Economic Zone and Continental Shelf (Environmental Effects) Bill was introduced to Parliament on 24 August 2011. It is important for this Bill and associated regulations to be progressed in order to realise the economic potential within the EEZ while protecting the environment.
- Improving information about New Zealand's environmental performance: There is very limited mandatory and consistent collection of environmental statistics in New Zealand. Access to robust data and information is an important issue for both water reform and resource management more generally. While some progress has been made, improvements are still required in knowledge transfer and uptake and in the standards and consistency of data. A statutory basis to

improve the assessment of New Zealand's environmental performance is being considered. The Ministry is undertaking the policy work to enable legislation to be introduced that provides for impartial and regular environmental performance reporting. Over time, this will ensure that there is a more robust picture of New Zealand's current and projected environmental performance, including social and economic perspectives.

The priorities for Vote Climate Change are (in descending order):

- Operation of the Emissions Trading Scheme and ensuring it continues to be fit for purpose: The ETS is New Zealand's primary policy instrument for addressing climate change and providing an incentive to reduce greenhouse gas emissions. A statutory review of the Scheme that was required by the Climate Change Response Act took place during 2011. In the wake of the review report, officials will provide advice on potential changes to the ETS to Cabinet in February/March with any potential changes currently being costed. In this term, the Government faces a number of key choices on ETS design.
- Ensuring that New Zealand constructively assists in achieving a successor agreement to the Kyoto Protocol on climate change: New Zealand's obligations under the Kyoto Protocol's first commitment period end in 2012. There is likely to be a delay before any new agreement that imposes legally or politically binding obligations. New Zealand's objective for negotiations is a comprehensive global agreement that limits warming to 2°C and involves all major emitters. For New Zealand to join a new agreement it will need to be fair (involving comparable national efforts), affordable and provide certainty. Even in the absence of a new agreement, there remains a strong international political commitment to action. New Zealand's ability to demonstrate credible domestic action will be important for its ability to influence any future agreement and for its wider international reputation.

Section 3: Cost Pressures

There are a number of pressures facing Vote Environment and Vote Climate Change over the forecast periods which are detailed below.

Requiring Additional Funding outside of the existing Ministry baseline

1. The Fresh Start for Fresh Water Fund is currently funded for 2011/12 and 2012/13. Further funding for this fund will be considered as part of the Natural Resource Sector analysis of non-departmental spending alongside other priorities within the sector. This analysis will form part of the wider Budget 2012 process within the sector.
2. Rena stranding and the Ministry's response – The Ministry for the Environment has a key role in dealing with the environmental effects and clean up following the stranding of the cargo ship Rena on the Astrolabe reef off Tauranga in October 2011. The Ministry's current activities are being managed by slowing progress on other less high priority work. The Ministry's future work programme is dependent on the details of the yet-to-be established Rena Recovery Plan. At that point, the Ministry will be in a better position to define longer term resource requirements and impacts, which may have budgetary implications. A paper for consideration by Cabinet is currently been drafted for discussion in February.

Managed within the existing baseline

3. Statutory commitments – Another pressure for the Ministry in managing its baseline is its increasing number of statutory commitments that originate or are led from other areas of government. Two significant examples are Treaty of Waitangi settlements and free trade agreements. Treaty of Waitangi settlements are led by the Office of Treaty Settlements in the Ministry of Justice. The Ministry for the Environment has a contributing role during the negotiation period, to ensure the settlements are consistent with broader environmental policy, and then often has a major role in implementing the agreements related to natural resources and managing relationships, for example the Waikato River clean up and co-management/co-governance agreements. In a similar way, the Ministry contributes to the development and implementation of the environment cooperation agreements associated with free trade agreements, led by the Ministry of Foreign Affairs and Trade. These commitments require a varying amount of effort and resource over time and impact on the Ministry's ability to reprioritise its activities and resources.
4. Operational Cost increases –as is to be expected, cost increases across the various inputs (staff⁷, leasing, insurance etc) will impact on the Ministry in the future. These cost increases will be managed as they occur within the internal budgeting process undertaken during the year. It is not expected that these increases will be significant for the Ministry and for those under the control of the Ministry (e.g. remuneration increases) affordability will be a major consideration before committing to changes.

⁷ At 2% this equates to around \$480,000 per annum from year 1.

5. Policy/implementation cycle – In managing its baseline going forward a key pressure for the Ministry is new or amended legislation that then requires implementation. This can require a high level of resource from the Ministry, that is as significant as the investment in policy development and legislation, until the new policy and legislation is embedded. The level of effort decreases as the Ministry's ongoing role becomes 'business as usual', for example implementation of the Waste Minimisation Act. Over the next four years it is expected that new policy and legislation will require a variable level of resourcing, for example current policy work on freshwater management, resource management reforms and the EEZ will be implemented over the medium term.
6. Capability and capacity constraints – Core to our strategic direction is building the capability of staff, through both developing staff and bringing in high-calibre recruits when we have vacancies. In recent years, capability building has concentrated mainly on management and policy skills.

In 2009 we introduced a Building Capable Managers programme intended to upskill all current managers and to provide development for new managers appointed after that. This programme is now part of a collaborative effort across the Natural Resources Sector.

A review of the policy function in 2010 indicated that a significant shift was needed for the Ministry to meet rising expectations about our role in leading policy thinking and debate on complex issues. Action to establish a high performing policy function has included ensuring that we have the right people in the right roles, introducing frameworks and tools to support our approach to policy advice, and developing clearer and more transparent ways of measuring quality that support continuing improvement. Our efforts to improve the quality of policy advice are continuing.

More broadly, we are maintaining our emphasis on improving the ways we operate so that we can quickly adapt to changing demands while providing high quality and effective advice.

7. Contaminated sites remediation – The Ministry is responsible for providing support for the remediation of priority contaminated sites across the country on behalf of the Crown through government grants. The Ministry is currently working on a long-term risk-based strategy for investigating, prioritising and remediating orphan contaminated sites in New Zealand [7]
8. Operation of the Environmental Protection Authority – The Ministry has a \$1.5 million contingency agreed to by Cabinet in the current year to cover any initial implications of establishing the EPA, which, if not needed will be returned to the Crown. The introduction of the ETS functions from the Ministry of Economic Development in December provides the greatest uncertainty at this point in time.

Future consideration (outside the Votes)

9. [7]

[7] This matter will require addressing in due course but is considered to be outside the usual budget process and not a factor for consideration with the funding for Vote Environment and Vote Climate Change at this time.

Impact of the pressures

The pressures outlined above place a severe constraint on the Ministry in terms of its capacity to take on new areas of activity in the forecast period. The Ministry will continue to manage the pressures on its existing baseline by ensuring that it focuses its activities on Ministerial priorities. Notwithstanding this focus, it will not be possible for the Ministry to deliver the priorities any earlier, or more rapidly, or to take on any additional priorities. The pressures that are predicted to arise outside the existing baseline will require consideration by Cabinet at the appropriate time in the future.

At this stage it is difficult to quantify the pressures as a lot of the work is externally driven and dependant on final policy design. However, the Ministry is currently undertaking a business planning improvement project which builds on the work done over the past two years in improving the linkages between output classes and the outcomes the Ministry is trying to achieve. This will provide better information for trade-offs to be discussed with Ministers.

The Ministry is also monitoring developments in the shared services arena, with particular interest around the Department of Internal Affairs Infrastructure as a Shared Service (IaaS) initiative which could impact on the services the Ministry provides internally. There is unlikely to be significant cost savings (if any) due to the relative size of the Ministry in these whole of Government initiatives but as this area develops an opportunity will exist for the Ministry to continue to focus on efficiency and continue the focus on areas where the Ministry adds value by providing high quality and effective advice and support.

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

Efficiency Savings

The Ministry has been focusing on improving effectiveness over a prolonged period of time with a new Strategic Direction introduced last year. In order to deliver the most effective high quality advice and support, the Ministry has undertaken reviews of senior management, communications, policy functions and now the administrative support while also utilising previous under spends to establish the Environmental Protection Authority and the clean-up of Tui Mine as part of the 2011 Budget.

This reprioritisation of funding towards these initiatives has meant the Ministry has already reduced the current year baseline to levels similar to when the efficiency dividend begins and the Ministry will continue to prioritise funding available to meet on-going operational pressures (such as wage growth and general price increases for services) without seeking additional funding.

This does however mean that any significant policy development which has on-going operational costs will require the scaling back or ceasing of activities which are not legislatively restrained.

The Ministry is currently undertaking a project examining the planning, budgeting and reporting information required to make effective prioritisation decisions that link into the work already completed around the Ministry's outcomes framework and restructured output classes done in 2010/11. The goal of this project is to enable discussions (both internally and with Ministers) to focus on the impact the funding is having in the medium term and to provide a transparent prioritisation framework. The first phase of this project is to produce a draft four year Ministry work programme by June 2012 for internal discussion and to feed into the Budget 2013 strategic phase.

In the current financial year the Ministry has undertaken a review of core administrative functions within the Ministry to streamline the processes while delivering a more effective service to the Ministry. The outcome of the review is an ongoing reduction of costs from 2012/13 of approximately \$600,000 per annum which will contribute to the efficiency dividend and allow more investment for delivering Government priorities.

The Ministry is seeking a transfer of funding from future years to cover the one-off costs of this review, which are approximately \$700,000. This covers redundancies, back filling key staff during the review and reviewing key processes to ensure they are effective, efficient and streamlined.

Section 5: Baseline capital expenditure

5. Departmental capital expenditure	\$m increase/(decrease)				
	2011/12	2012/13	2013/14	2014/15	2015/16
a. Opening baseline funding available	4.528	4.140	4.041	3.818	3.645
b. Depreciation funding (1:51:1, 199)	0.557	0.571	0.347	0.397	0.380
c. Sale of assets (1:52:0, 1999)	0.005	0.005	0.005	0.005	0.005
d. Other (please specify)	-	-	-	-	-
e. Total baseline funding available (a+b+c+d)	5.090	4.716	4.393	4.220	4.030
f. Capital investments funded from baselines	(0.950)	(0.675)	(0.575)	(0.575)	(0.575)
g. Closing baseline funding available (e-f)	4.140	4.041	3.818	3.645	3.455

Approximately half of the baseline funding available represents the cost of leasehold improvements which are accumulating as debtor Crown (\$1.8 million) and the remainder represents capital contributed to establish LUCAS which hasn't been fully utilised. The Ministry is in the process of developing an Information Systems Strategic Plan which will provide a road map looking forward for investment in key systems to deliver high quality advice and support. This road map will explicitly be analysing whole of Government solutions (such as Infrastructure as a Shared Service) and ventures across the Natural Resource Sector (e.g. geospatial capability) to ensure the capital investment is contributing to wider sector outcomes.

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 (0:6:X & 0:7:X, 599)	10.825	1.252	-	-	-
Baseline funding available for the purchase or development of Crown capital assets (0:6:X & 0:7:X, 699)	-	-	-	-	-
Total	10.825	1.252	-	-	-

Section 6: Further options

As outlined above, the pressures place a severe constraint on the Ministry in terms of its capacity to take on new areas of activity in the forecast period. The Ministry will continue to manage the pressures on its existing baseline by ensuring that it focuses its activities on Ministerial priorities

The mix of policy advice delivered over the medium term will vary to match the Ministerial priorities but there is limited ability to reduce this output without impacting on the quality and quantity of the advice received by Ministers.

[6]

[6]

If any decisions are taken to reprioritise the non departmental spending there may be associated departmental savings (e.g. in the administration of grants departmental output class).

Initial discussions have occurred with the Minister in the previous term about combining Vote Climate Change and Environment as part of Budget 2012. We will continue these discussions as part of the 2012 Budget.