

The Treasury

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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.

Hon Bill English
Minister of Finance
Parliament Buildings
WELLINGTON

2012 MARCH BASELINE UPDATE SUBMISSION FOR VOTE EMERGENCY MANAGEMENT

Introduction

This report covers those items affecting the baseline for Vote Emergency Management for the March Baseline Update.

I confirm that none of the changes contained in this update require Cabinet decisions at this time.

The proposed changes to baselines are as follows:

VOTE EMERGENCY MANAGEMENT

Cabinet Decisions

There are no Cabinet decisions for inclusion in this baseline update exercise.

Technical Adjustments

No technical adjustments are being sought at this time for Vote Emergency Management.

Fiscally Neutral Adjustments

i. Positioning for efficiency savings

A series of fiscally neutral adjustments across Votes is required to realign resources to enable the Department to position for efficiency savings from 1 July 2012. The summary impact of these adjustments is shown in Table 1:

Table 1

Vote	2011/12 Total
\$m	
Vote Internal Affairs	0.608
Vote Community and Voluntary Sector	(0.208)
Vote Emergency Management	0.033
Vote Local Government	(1.009)
Vote Ministerial Services	(0.307)
Vote National Archives	0.658
Vote National Library	0.224
Vote Racing	0.001
Total	-

The Department is responding to the requirement to generate efficiency savings and 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.

During the 2011/12 financial year funding was set aside for an ongoing programme of initiatives to enable the Department to position for efficiency savings from 1 July 2012. These initiatives have focused on building capability and business transformation and are likely to continue into the 2012/13 financial year, hence the requirement for in-principle expense transfers.

The individual initiatives approved for funding have resulted in a different allocation of costs across all the Votes administered by the Department when compared to original budgets.

ii. Impact on Vote Emergency Management

As noted in Table 1 above, the reprioritisation of resources to meet cost pressures and position the Department for future operating efficiencies has resulted in an identified increase in expenditure and revenue Crown of \$0.033 million in Vote Emergency Management.

The above amount is allocated to the Crown-funded portion of the Vote's departmental output expenses as set out in Table 2:

Table 2

Departmental Output Expenses	2011/12 \$m
Vote Emergency Management	
Emergency Services MCOA	
<i>Management of National Emergency Readiness, Response and Recovery</i>	0.456
<i>Policy Advice - Emergency Management</i>	(0.034)
<i>Support Services, Information and Education</i>	(0.389)
Total Vote Emergency Management	0.033

Forecasting Changes

An increase of \$50 million is sought in Non-Departmental Other Expense: Canterbury Earthquake – payments in respect of Indemnity for response and recovery Costs (PLA). This increase is sought for additional costs advised by Christchurch City Council in respect of the Crown's share of response costs for the February and June 2010 earthquakes.

Expense and Capital Transfers

Agreement is sought for the in-principle transfer of up to \$0.241 million of the funding pool in Vote Emergency Management to meet any costs relating to the continuation of efficiency savings initiatives in 2012/13, as set out in the following table:

Departmental Output Expenses	In-principle amount \$m
Vote Emergency Management	
Emergency Services MCOA	
<i>Management of National Emergency Readiness, Response and Recovery</i>	0.039
<i>Policy Advice - Emergency Management</i>	0.021
<i>Support Services, Information and Education</i>	0.181
Total Vote Emergency Management	0.241

Retention of Underspend

No retention of underspend is proposed for Vote Emergency Management.

Front-loading of expenditure

No front-loading of expenditure is sought at this time for Vote Emergency Management.

Baseline Changes from the Four Year Budget Plan

The Department has prepared and submitted a Four Year Budget Plan (FYBP) to Ministers for consideration and approval. The baseline changes for Departmental Output Expenses proposed in the FYBP give effect to the Government's decisions [Budget 2011] to:

- remove the subsidy for employer contributions to Kiwisaver and the State Sector Retirement Savings Scheme (SSRSS) from 1 July 2012 – this impacts on revenue Department; and
- generate efficiency savings from departmental baselines from 1 July 2012 – for the Department of Internal Affairs the target level is five percent of Crown-funded expenditure – this impacts on expenses and revenue Crown.

The impact of these changes against existing baselines for each Output Expense is included in the attached 'CFIS Table 2'.

Other matters for Cabinet consideration

Restructuring of Votes into a single Vote Internal Affairs

Following the Review of Expenditure on Policy Advice and Cabinet's decision on 31 October 2011 to establish a single Vote Internal Affairs, approval of a proposed new Vote structure will be required. The proposed structure includes the reorganisation of policy-related appropriations administered by the Department.

Appropriations have been designed to align output expenditure within appropriations according to the fundamental functions of the Department - policy advice and support to Ministers; administration of regulations; administration of grants; and service delivery.

It is intended that approval for the proposed appropriation structure will be sought through the Budget 2012 process.

Summary of Proposed Baseline Impacts

A summary of the proposed baseline impacts is included in the attached 'CFIS Table 2' for Vote Emergency Management.

The proposed baseline impacts do not include the in-principle expense and capital transfers, as the value of these transfers cannot be determined until the completion of the audit of the Department's 2011/12 audit in the first quarter of the 2012/13 financial year.

Recommendations

It is recommended that you:

1. **agree** the changes to the 2011/12, 2012/13, 2013/14, 2014/15 and 2015/16 baselines for Vote Emergency Management as set out in the attached CFIS Table 2 – Summary of baseline changes;
2. **agree** that changes to the 2011/12 baselines for Vote Emergency Management be incorporated into the 2011/12 Supplementary Estimates;
3. **agree** that until the 2011/12 Supplementary Estimates are enacted, any changes to the 2011/12 appropriations for Vote Emergency Management required under paragraph (a) above be made under Imprest Supply;
4. **agree** in principle a maximum transfer of \$0.241 million from 2011/12 to 2012/13 in Departmental Output Expenses for the continuation of efficiency initiatives, as set out below:

Departmental Output Expenses	In-principle amount \$m
Vote Emergency Management	
Emergency Services MCOA	
<i>Management of National Emergency Readiness, Response and Recovery</i>	0.039
<i>Policy Advice - Emergency Management</i>	0.021
<i>Support Services, Information and Education</i>	0.181
Total Vote Emergency Management	0.241

5. **agree** that the Minister of Finance, the Minister of Internal Affairs and the Minister of Civil Defence be delegated authority to determine the final amount to be transferred following the presentation of the 2011/12 audited financial statements and the appropriations to which these expenses should be transferred.

Agree/disagree

Hon Chris Tremain
Minister of Civil Defence

Hon Bill English
Minister of Finance