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Budget 2012: Four-year Budget Plan

Ministry for Culture and Heritage

Covering:

Vote Arts, Culture and Heritage

Vote Sport and Recreation

Four-year Budget Plan

31 January 2012

Forwarded by:

Minister for Arts, Culture and Heritage

Minister of Broadcasting

Minister for Sport and Recreation

Section 1: Overview

The Cultural Sector – Arts, Culture, Heritage and Sport

New Zealand's cultural sector is diverse, and a core part of what makes New Zealand a great place to live and an exciting place for visitors to experience. It contributes to positive outcomes for individuals and communities in a range of areas such as education, health and the economy. It can involve people in their own communities coming together to explore family history or participating in a local cultural festival or sporting event, as well as public and private institutions that showcase our heritage, our performing arts, our visual arts, and sporting activities to New Zealanders and the world. It is important, not only because of the intrinsic value, but because they are a force for innovation, economic growth and a strong society.

These benefits in turn motivate New Zealanders' continued participation in these activities, and reinforce the development of a thriving cultural sector. Government's modest financial investment in the cultural sector is a catalyst for ensuring these beneficial activities continue. The investment in cultural sector provides the opportunity for building and sustaining our distinctive culture. The biggest areas of spend across the Votes (\$270m combined) are:

- Broadcasting – NZ On Air only funds programmes which actually go to air and work hard to ensure these reach the highest possible number of viewers. The funding has resulted in reaching national (up to 750,000 viewers) and international audiences for a variety of programming.
- Te Papa - Provides access to New Zealand and international culture and heritage for New Zealanders and visitors. There are over 1.6 million visitors annually to Te Papa exhibitions and government funding per visitor has fallen to around \$10.50.
- Sport – Over 400,000 kids have participated in physical activity through the Kiwisport programme. The market value of sport and recreation to New Zealand is around 2.8% of GDP (2008/09).

Drivers of Change

The Ministry and our leading cultural sector agencies need to be responsive to changing environments in order for the wider cultural sector to continue to flourish. The two big drivers of change are:

- New Zealand's changing demographic profile, especially in Auckland presenting an opportunity to develop Auckland as a pre-eminent Pacific city with cultural products and services that reflect the increasing diversity of New Zealand's communities.
- Rapidly shifting technology requiring the ability to retain existing and engage new audiences using cost-effective digital technologies.

Direction of Change

One approach is to make existing resources go further. Government expenditure on arts, culture and heritage accounts for a very small percentage of total government expenditure (0.5 percent, or \$380m per annum), but across a large number of entities, necessitating a portfolio approach to the sector's business. As well as continually looking for savings within

baselines, the Ministry and its agencies have been examining opportunities to improve value for money through a cluster approach.

A goal has been set to co-locate the Ministry and as many agencies as practicable in shared premises by September 2014, working towards a shared services model for suitable areas. Estimated annual savings of up to \$2m have been identified, to enable the cluster to manage within existing baselines and channel more funding to frontline services. In the meantime, using tools such as BASS, the Ministry is working with its agencies to ascertain whether those agencies that exhibit best practice in particular functions can share expertise to make efficiencies across the sector.

An increasing emphasis will be on seeking new sources of funding for the sector outside government to improve the volume and quality of cultural services. A key strategy for doing this is to make philanthropic giving to the cultural sector easier and more attractive. Agencies are also looking for opportunities for greater sponsorship and ways to connect in different ways with audiences and participants.

This has been demonstrated in the early work to develop a formal Christchurch Heritage Recovery Plan and an Arts, Culture and Heritage Recovery Programme. Partnerships with other agencies are also critical to our Māori cultural aspirations and key projects such as New Zealand's First World War Commemorations, and participation as "Guest of Honour" in the 2012 Frankfurt Book Fair. Other areas where working together across the cultural sector will provide opportunities to make the best use of existing resources will be:

- Promoting the cultural richness of New Zealand and our cities to potential visitors and migrants who have the skills, talent and resources to help New Zealand prosper.
- Engaging more effectively with Māori to accelerate progress on an agenda for improved Crown-Māori treaty relationships in regard to taonga and mātauranga Māori suggested in the Ko Aotearoa Tēnei: Wai 262 report.
- Reviewing New Zealand's cultural diplomacy efforts to develop a better co-ordinated way of presenting New Zealand to the world.
- Sharing or combining research efforts across cultural agencies, in order to improve the evaluation of sector activity, deepening understanding of the changing needs, the make-up of audiences and participants, and of how business models need to respond.
- Completing the transformation of New Zealand's high performance sport system through investment in world-class infrastructure and establishment of a streamlined body for delivery of high performance sport services.

Delivery of priorities

To deliver effectively and efficiently on the priorities for 2011/12 and the next four financial years a "whole of portfolio" approach will be necessary. Each cultural agency is planning to manage general pressures by reprioritising activities within existing government funding. In out years, anticipated major pressures, as outlined below, will need to be addressed through reallocation of funding across entities and activities.

- responding to the Canterbury earthquakes recovery effort;

- incentivising structural upgrading of heritage buildings throughout New Zealand; and
- delivering New Zealand's First World War commemorations programme to a high standard.

The Ministry will implement the required efficiency savings across its five departmental appropriations. It will also, as outlined under section 3 below, re-prioritise as necessary to ensure Ministerial and departmental key project priorities are achieved.

Summary of Changes (applies to all agencies and votes)

1. Operating changes sought	Impact \$m increase/(decrease)				
	2011/12	2012/13	2013/14	2014/15	2015/16
Current Operating Baseline	381.042	359.580	350.083	340.205	341.668
Cost pressures resulting from existing policies/settings [section 3]	0.040	1.274	0	0	0
Cost of new/increased activities [section 4]	0	0	0	0	0
Efficiency savings [section 4]	0	-0.615	-0.539	-0.412	-0.412
Amount reprioritised [section 4]	-0.657	-0.657	0	0	0
Net impact	-0.617	0.002	-0.539	-0.412	-0.412
New baseline	380.425	359.582	349.544	339.793	341.256

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	Out-years
<i>nil</i>	0	0	0	0	0	0

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>	0	0	0

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 [section 5, table 5, row e]	2.013	2.013	2.013	2.013	2.013
Investments funded from departmental capital expenditure [section 5, table 5, row f]	0.490	0.590	0.640	0.390	0.390
Non-departmental					
Total [section 5, table 6]	3.200	3.000	3.000	3.000	3.000

Section 2: Priorities

Government's goal for the cultural sector is "New Zealand's distinct culture enriches our lives". The Ministry is working across government to demonstrate the value that culture and sport bring to other domains, such as education, the economy, Māori development and social change. The existing modest investment means we can pursue cultural and other objectives together.

Vote Arts, Culture and Heritage

Outcome 1: Cultural activity flourishes in New Zealand (Create)

A flourishing creative sector provides new experiences and stories, presents high-quality productions and produces work that is distinctively "New Zealand" and relevant to us. A financially viable creative sector is essential, as it assists our emerging talent to build and maintain careers.

The priorities for the cultural sector under this outcome are to ensure that:

- Arts, culture and heritage are an integral part of Christchurch's recovery.
- New and high-quality cultural content with distinctive New Zealand character is created.
- Māori language content and other Māori cultural content is created.
- New Zealand's cultural infrastructure supports innovative and successful creative industries.

The Ministry's key priorities in support of this will be to:

- Ensure the cultural sector is supported to contribute to Canterbury's recovery following the earthquakes.
- Work with other government agencies and Auckland City to strengthen Auckland's cultural activity and infrastructure.
- Assist the cultural sector to increase levels of private and philanthropic giving.
- Provide advice on policy, legislation and funding to enhance the development of: cultural sector infrastructure; visual, performing and literary arts; historic heritage, museums collections and Taonga, cultural tourism, Māori culture and heritage, broadcasting and broadcasting standards.
- Monitoring the performance of funded agencies.

Outcome 2: Our culture and heritage can be enjoyed by future generations (Preserve)

Our places, taonga and cultural content need to be collected, recorded and preserved, and New Zealanders need to have access to them. This means the cultural sector must maintain – and preferably increase – its capacity to collect, protect and display. As well as adding to our heritage collections, we also want our tikanga and traditions to be developed and transmitted through active use.

The priorities for the cultural sector under this outcome are to ensure that:

- New Zealand's taonga are protected and preserved.
- Traditions and tikanga are preserved, developed and transmitted through active use.
- Capacity and capability in cultural conservation are maintained and enhanced.

The Ministry's key priorities in support of this will be to:

- Produce and promote cultural and historical resources and events, including leading New Zealand's First World War commemorations, and supporting establishment of a Watts Peninsula heritage reserve.
- Collect and preserve oral history and digital stories.
- Produce the Ministry's core heritage products (digital and print) on a sustainable basis.
- Establish a Heritage Forum to identify and support priority work across the heritage sector.
- Develop policy to incentivise structural upgrading of heritage buildings as part of the review of the earthquake-prone building provisions of the Building Act 2004 (led by the Department of Building and Housing).
- Maintain war graves and access to memorials and other places of national significance.

Outcome 3: Engagement in cultural activities is increasing (Engage)

Increasing participation and engagement means wider enjoyment of our culture not just by New Zealanders but also by international audiences. This in turn benefits the cultural sector, our wider community, and the New Zealand economy.

The priorities for the cultural sector under this outcome are to ensure that:

- New Zealanders see their culture as relevant and distinctive, and make it part of their daily lives.
- New Zealanders engage with Māori language content and Māori cultural content.
- There is private investment in cultural partnerships.
- Culture contributes to innovative solutions in the areas of health, social development, the environment, education and the economy.

The Ministry's key priorities in support of this will be to:

- Administer the Cultural Diplomacy International Programme, including managing New Zealand's "Guest of Honour" role at the 2012 Frankfurt Book Fair.
- Advance the Sistema Aotearoa Programme.
- Manage the Delivery of the Digital Switchover Programme (Going Digital).

Vote Sport and Recreation

Over the next four years, the priorities in Vote Sport and Recreation are as follows:

Outcome 1: More New Zealand winners on the world stage

- Implement improvements to New Zealand's high performance system as agreed by Cabinet in May 2010; these improvements include developing more world-class infrastructure and delivering significant changes to the structure of our high performance system, including strengthening the role of High Performance Sport New Zealand.

Outcome 2: More young people and adults in sport and recreation

- Getting more Kiwi kids involved in organised sport through the KiwiSport fund and by strengthening the focus of regional sport trusts, schools and clubs on delivery of sport to young people.

Section 3: Cost Pressures

The overall cost pressures for **Vote Arts, Culture and Heritage** and **Vote Sport and Recreation** can be summarised as follows:

- Managing a \$39.374 million (10%) decrease in operating baseline over the next 4 years, whilst also continuing to reprioritise to fund ongoing and new key strategic projects. It is accepted that the identified cost pressures will be managed within existing baselines.
- Ensuring the continued and growing success of arts, culture, sport and heritage organisations operating with static Vote revenue.

Responding to the Canterbury earthquakes - Christchurch has lost much of the built heritage that had been one of its defining characteristics, and a significant contributor to the Canterbury economy. The Ministry is leading work to develop a Heritage Recovery Plan for greater Christchurch under the Canterbury Earthquake Recovery Act 2011. Work on the Plan requires specialist expertise in resource management planning, structural engineering and architecture. The Ministry will use existing funding to complete this critical work.

The earthquake has also impacted on the availability of facilities for events in the arts and sport sectors to take place, resulting in lost revenue and participation opportunities. These will need to be encouraged in the coming years, and will become a priority for existing funding.

Structural upgrading of heritage buildings throughout New Zealand - The Canterbury earthquakes highlight the need to ensure earthquake-prone heritage buildings throughout New Zealand are made safe. The New Zealand Historic Places Trust estimates that around 4,000 of New Zealand's heritage buildings are earthquake-prone, and the total cost of strengthening them may be approximately \$4-8 billion across all sources of funding.

In 2011/12, the Ministry will develop policy to incentivise the structural upgrading of these buildings as part of a review of the Building Act 2004 (led by the Department of Building and Housing). Our work will involve exploring financial incentives that recognise the significant economic and cultural benefits of retaining important heritage buildings and precincts. The provision of financial incentives may have significant fiscal implications outside of Vote Arts, Culture and Heritage.

Delivering New Zealand's First World War commemorations programme - There are high expectations nationally and internationally around New Zealand's participation in this global event, and it is possible there will be pressure to increase the scale of New Zealand's commemorations. Funding for these projects has already been secured through re-prioritisation within existing budgets. New Zealand may be overshadowed by the amount of funding Australia is investing in these events.

Arts and Heritage agency pressures and opportunities - A key pressure on national agencies such as Te Papa and the Royal NZ Ballet is the drive to increase their presence and offering in Auckland. Similarly, Te Matatini's success during the RWC REAL NZ Festival in developing its domestic and international touring potential through adapted kapa haka stage performance, presents an opportunity to take that organisation to a new professional level but this will require additional initial investment. Both Te Papa and the NZ Historic Places Trust are considering best use of their capital resources and in particular management of the properties for which they are responsible. These are expected to be managed within existing funding, or non-Government investment.

The New Zealand Symphony Orchestra have indicated that an additional \$550,000 operating funding per annum is required to maintain the current level of service. Any funding decision will be considered after the results of the review of orchestral services are available.

Agency capital infrastructure – A difficult economic climate and increased pressure on sponsorship, philanthropic and gaming machine funds means that sector organisations are under greater pressure than ever.

Direct approaches to Vote Arts, Culture and Heritage for capital funding towards new or repurposed facilities are increasing. The most pressing case is the Auckland Theatre Company (ATC), as there is almost no fit-for-purpose venue available in Auckland for the company to create and present work. ATC has approached the Ministry asking for \$10 million toward a total project cost of \$35 million. There is also a need for a second digital transmitter (understood to require a one-off capital cost of \$7.5 million) for Radio New Zealand International. Given the current fiscal constraints, these are unlikely to be met from Vote funding.

Delivery of Digital Switchover Targeted Assistance Package – The initiative to ensure disadvantaged or vulnerable households will be in a position to access digital television at the time that the analogue signal is switched off has been approved by Cabinet. \$20.670 million has already been set aside from a tagged contingency for a targeted assistance programme (refer CAB Min (11) 27/7A). However, depending on the level of demand for this assistance, a shortfall of up to \$10 million is possible. It is proposed that this would be funded from Vote Arts, Culture and Heritage (from the Public Broadcasting Services appropriation). The current forecasts do not suggest any need for further funding above the \$20.670 million.

Auckland Volcanic Field – Cabinet decisions (CAB Min (11) 39/6) approved a new appropriation to establish a co-governance entity to manage the Auckland Volcanic Field to be transferred in Treaty of Waitangi settlement negotiations with Ngā Mana Whenua o Tāmaki Makarau (the Tamaki Collective). While the Auckland Volcanic Field is a strong candidate for World Heritage status, it is likely that remedial work and enhancements to ensure ongoing protection of the various features of the Field, including the part included in the Settlement, will need to be undertaken in order to ensure the Field meets World Heritage requirements. This work would also support a Treaty settlement with the Tamaki Collective, which is likely to raise public and iwi expectations that the cultural heritage of the cones will be protected and enhanced. Until the co-governance entity is established and the World Heritage project is more advanced, it will not be possible to estimate the quantum required for these purposes. It is unlikely, however, that these costs can be absorbed within the Vote without significant re-prioritisation in future years.

The pressures outlined above create the following risks:

- Increased risk of failure of one or more cultural organisations.
- Impact of policies and programmes, and the effectiveness of service delivery, is constrained.
- Ministry and Government-funded agencies are constrained in their ability to provide new products and services.

Pressures are being managed within the Votes through the following mechanisms:

- Projects reaching a natural end during the next two years including Going Digital and Te Ara.
- Increasing the focus on joined-up development and delivery of policies and initiatives across the Government and cultural sector.

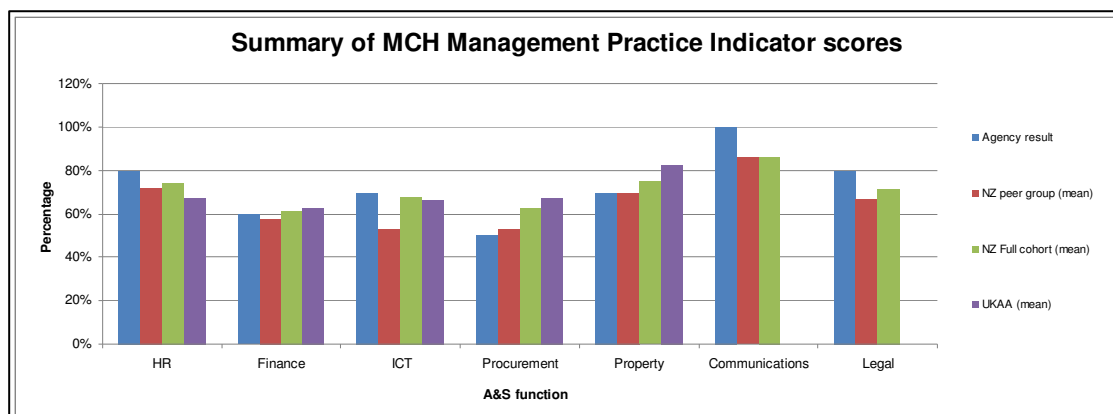
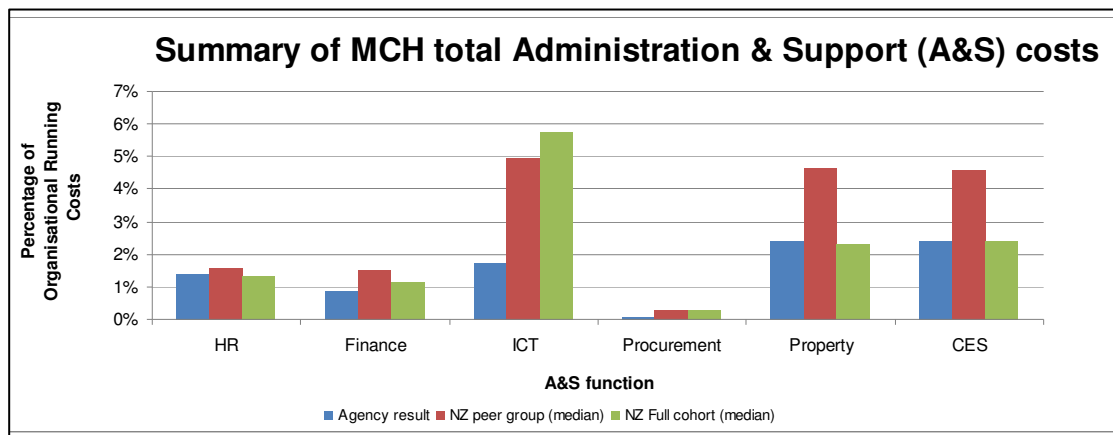
- Encouraging a portfolio-based approach across the cultural sector agencies, consistent with the government's expectation that sectors will operate as clusters.
- Leveraging benefits from establishing stronger relationships, including partnerships, with other government agencies which have connections with the cultural sector, and with local government.
- The Collective Employment Agreement for the Ministry does not include remuneration commitments. Personnel cost pressures will be managed through the use of fixed term contracts and shared service arrangements across the cluster.

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

Efficiency Savings

The efficiency savings targets (including the loss of funding for Kiwisaver and SSRSS contributions) apply only to the Ministry's departmental appropriations. They will be applied across all five departmental output classes and managed by reprioritising activities within the Ministry. The 2011 BASS results (tables shown below) confirm that the Ministry's support functions are already efficient and also effective for an organisation of this size. Therefore, little in the way of savings can be found from within existing back office services, although we will continue to implement efficiencies where possible.

The most feasible source of savings in corporate support costs would be from implementing a different support services model - essentially shared services in some form. This could be a model involving the cultural agencies, partnering with one or more core government departments, drawing from a central government shared services hub, or a combination. Over time this is expected to extend to operational delivery systems and processes such as grant management systems.



The Ministry is already working with agencies to identify opportunities for future efficiency savings using tools such as BASS and a goal has been set to co-locate the Ministry and as many of its agencies as practicable in shared premises by September 2014. The Ministry will relocate to premises (at no extra cost) for a short lease to 2014 to fit in with these plans. Following this, it is planned to implement a form of shared services which is much more practicable in the same premises. Savings of at least \$2 million annually have been forecast across the Vote.

Current departmental staffing levels are predicted to fall from current numbers of around 130 FTEs to 105 FTEs by 30 June 2014. This is due to the natural closure of significant projects in the Ministry and represents a fall of around 20%. To be managed within existing baselines, salary increases of 1.5% average have been assumed. This is consistent with increases in recent years.

Proposed Changes

To deliver effectively and efficiently on the priorities for 2011/12 and the next four financial years a whole of portfolio approach will be necessary. Any new major pressures will be addressed through reallocation of funding across entities and activities. At this stage, the only specific fiscally neutral change to appropriations proposed involves a portion of the Commonwealth War Graves Commission 2011/12 and 2012/13 appropriations.

Reprioritisation of existing appropriations

The Ministry undertakes internal budgeting over a rolling three year period, and through this process departmental budget pressure in the 2012/13 financial year has been identified. However, some key projects (Christchurch Heritage Recovery Programme; Frankfurt Book Fair; developing Watts Peninsula; and the commencement of the First World War Centenary Commemorations) must proceed in 2012/13. Existing programmes (such as Te Ara and Going Digital) are expected to continue at their current level during 2012/13, but ongoing support costs in out years will be minimised.

In 2011, the Commonwealth War Graves Commission appropriation was not fully required due to a favourable exchange rate. The Ministry has proactively sought to secure a favourable forward exchange contract for the 2012 Commonwealth War Graves Commission appropriation and proposes using these surplus funds in order to manage the significant departmental pressure, occurring in 2012/13.

Further options

There are no further reprioritisations currently needed as all existing programmes (excepting those which reach the end of the project life and already removed from future baselines) are expected to continue with existing funding.

Should further efficiency savings be needed there are four less attractive approaches:

- [6]

- [6]

- [6]

- [6]

In order to take a more portfolio approach to outcomes, we have encouraged a more collaborative approach to prioritisation and resourcing. For any further resources to be found, it is important to ensure this is continued.

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	2.013	2.013	2.013	2.013	2.013
b. Depreciation funding (1:51:1, 199)	0.490	0.490	0.490	0.390	0.390
c. Sale of assets (1:52:0, 1999)	0	0.100	0.150	0	0
d. Other (please specify)	0	0	0	0	0
e. Total baseline funding available (a+b+c+d)	2.503	2.603	2.653	2.403	2.403
f. Capital investments funded from baselines	0.490	0.590	0.640	0.390	0.390
g. Closing baseline funding available (e-f)	2.013	2.013	2.013	2.013	2.013

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)	3.200	3.000	3.000	3.000	3.000
Baseline funding available for the purchase or development of Crown capital assets (0:6:X & 0:7:X, 699)	0	0	0	0	0
Total	3.200	3.000	3.000	3.000	3.000

Table: Major departmental investments to be funded from baselines from 2012/13 to 2015/16

Nil

Table: Major non-departmental investments to be funded from baselines from 2012/13 to 2015/16

Nil

Section 6: Further options

Option	Amount of savings	Time to realise savings
[6]	[6]	[6]