

Treasury Report: Budget 2007 Bilateral Briefing: Votes Transport, Police and State Services

Date:	20 February 2007	Treasury Priority:	High
Security Level:		Report No:	T2007/161

Action Sought

	Action Sought	Deadline
Minister of Finance (Hon Dr Michael Cullen)	Read the attached briefing and use it as the basis for making decisions in your bilateral with Hon Annette King.	21 February 2007
Associate Minister of Finance (Hon Trevor Mallard)	Read the attached briefing and use it as the basis for making decisions in your bilateral with Hon Annette King.	21 February 2007

Contact for Telephone Discussion (if required)

Name	Position	Telephone	1st Contact
Chris Nees	Analyst - Markets Infrastructure and Government	<i>[information deleted in order to protect the privacy of natural persons, including deceased people]</i>	✓
Mark Jacobs	Manager – Justice and Welfare		

Enclosure: Yes

Treasury Report: Bilateral Briefing for Votes Transport, Police and State Services

Attached is a briefing for the bilateral between the Minister of Finance and the Hon Annette King at 5.30 p.m. on 21 February 2007 to discuss the budget initiatives for Votes Transport, Police and State Services.

The bilateral briefing is structured as follows:

Recommendations	p. 3
Analysis by Vote	p. 13
One-page initiative summaries	p. 28

We expect the key issues for discussion will be:

- the State Highway cost guarantee *[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]*
- Capital sought to support the increase in Police frontline capacity *[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]*

Recommended Action

We recommend that you **read** the attached briefing and use it as the basis for making decisions in your bilateral with Hon Annette King at 5.30 p.m. on 21 February 2007.

Mark Jacobs

Manager – Justice and Welfare Section
for Secretary to the Treasury

Hon Dr Michael Cullen

Minister of Finance

Recommendations

VOTE TRANSPORT

- (a) **note** that the operating component of the four Motor Vehicle Register initiatives will have no impact in the current Budget as the cost will be met by the National Land Transport Fund;
- (b) **note** however, that funding the operating component of these bids from the National Land Transport Fund is likely to result in a call on the revenue guarantee provided for the National Land Transport Programme (refer to analysis p13);
- (c) **note** that Treasury considers the operating funding for these initiatives can be met within the existing appropriation which has been consistently underspent over the past three years;
- (d) **note** that the Ministry of Transport advises that the level of the underspend in the Motor Vehicle Register appropriation is expected to be much lower between 2006/07 and 2008/09 as a result of contributing \$3.3 million to the SSC government log-on service;
- (e) **agree** that the operating funding for Motor Vehicle Register initiatives will be met within the existing appropriation if capital funding is approved, to avoid creating a call on the revenue guarantee for the National Land Transport Programme;

Agree/Disagree

INITIATIVES PARTLY AGREED BY OFFICIALS

a Protecting personal information on the motor vehicle register analysis p.13

<ul style="list-style-type: none"> • <u>Ministry proposal</u>: Funding to implement a Cabinet decision to extend the protection of the Official Information Act and Privacy Act to personal information on the Motor Vehicle Register. • <u>Treasury's view</u>: Treasury supports the capital component of this initiative. Funding is required to implement changes agreed by Cabinet which will be confirmed in legislation.

	\$million - increase/(decrease)				
	2006/07	2007/08	2008/09	2009/10	2010/11 & Outyears
<i>Operating (GST excl)</i>					
Department	-	0.265	0.531	0.531	0.314
Treasury	-	0	0	0	0
<i>Capital (GST excl)</i>					
Department	-	1.300	0	0	0
Treasury	-	1.300	0	0	0

b State Highways – Cost guarantee

analysis p. 14

- Ministry proposal: Funding for the cost escalation in the five-year guaranteed State Highway construction programme as part of the government’s commitment to increase certainty and investment in State Highway construction.
- Treasury’s view: Treasury supports funding for this initiative but considers decisions on 2008/09 should be deferred until Budget 2008 to reduce pressure on the capital allocation.

	<i>\$million - increase/(decrease)</i>				
	<i>2006/07</i>	<i>2007/08</i>	<i>2008/09</i>	<i>2009/10</i>	<i>2010/11 & Outyears</i>
<i>Operating (GST excl)</i>					
Department	-	-	-	-	-
Treasury	-	-	-	-	-
<i>Capital (GST excl)</i>					
Department	40.000	105.000	190.000	-	-
Treasury	60.000	85.000	0	-	-

- (f) **note** that the costings for this initiative are indicative only and the final cost per year will not be known until the end of that year;
- (g) **note** that as the funding sought is an estimate, there is a risk that insufficient funding has been sought to cover the possible cost risk in 2006/07;
- (h) **agree** to adjust the funding to \$60m in 2006/07 and \$85m in 2007/08 with any funding not required in 2006/07 to be transferred to 2007/08;
- (i) **agree** that the cost escalation guarantee be implemented as outlined in Appendix A;
- Agree/disagree*
- (j) **note** that the cost of this initiative counts against the \$1 billion package of infrastructure bonds announced in Budget 2006 (\$575 million currently uncommitted).

INITIATIVES NOT SUPPORTED BY TREASURY

c *[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]*

d *[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]*

e *[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]*

f *[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]*

- g *[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]*

VOTE POLICE

h Increase in Frontline Capacity analysis p. 18

- The department seeks funding to implement the second tranche of the Government's Confidence and Supply commitment to increase Police staff numbers by 1,250 over three years. This bid includes funding for 332 sworn and 130 non-sworn staff together with supporting operating costs. The bid also includes capital of \$56 million, *[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]*, \$7 million vehicles, and \$4 million IT. Police have yet to finally allocate the 462 staff which will further inform timing and levels of capital expenditure required.
- Treasury supports capital associated with an additional 332 sworn and 90 non-sworn Police staff i.e. a reduced number of non-sworn staff.
- *[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]*

	\$million - increase/(decrease)				
	2006/07	2007/08	2008/09	2009/10	2010/11
<i>Capital (GST excl)</i>					
Department	-	14.883	8.910	28.320	3.600
Treasury – to be appropriated now (Vehicles and IT)	-	10.105	-	-	-
<i>[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]</i>					

[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]

i *[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]*

j *[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]*

k *[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]*

VOTE STATE SERVICES

I Identity Verification Service (IVS) analysis p.

- Ministry proposal: This service will allow agencies to verify people's identity to a passport standard, online and in real-time.

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Vote Transport – Analysis

Analysis of Initiatives

1. Funding is being sought for Vote Transport through this bilateral and also through the Economic Transformation theme. This is summarised in the table below:

	<i>\$million - increase/(decrease)</i>				
<i>Funding sought for Vote Transport in Budget 2007</i>	<i>2006/07</i>	<i>2007/08</i>	<i>2008/09</i>	<i>2009/10</i>	<i>2010/11 & Outyears</i>
<i>Operating (GST excl)</i>					
At this bilateral	-	-	-	-	-
Through Theme Economic Transformation	0.750	140.723	150.424	164.739	181.189
TOTAL OPERATING	0.750	140.723	150.424	164.739	181.189
<i>Capital (GST excl)</i>					
At this bilateral	40.000	113.800	194.200	1.300	1.250
Through Theme Economic Transformation	-	3.706	0.521	0.021	0.021
TOTAL CAPITAL	40.000	117.506	194.721	1.321	1.271

2. Of the operating funding sought through theme Economic Transformation, none relates to capital initiatives being discussed in this bilateral. However the operating components of the four Motor Vehicle Register bids will reduce the revenue available for the National Land Transport Fund and may result in a call on the revenue guarantee that was not forecast.
3. Treasury considers the operating components of the Motor Vehicle Register (MVR) bids should be funded from within the existing appropriation. The operating component will have no impact in terms of spending in the current Budget as this expenditure is a charge against the National Land Transport Fund. However the Government has provided a revenue guarantee for the Fund, once the cost of the MVR output class has been subtracted. Hence if the MVR appropriation increases there will be less funding available for the rest of the NLTF. This appropriation increase will in turn reduce revenue available for the rest of the National Land Transport Programme and is likely to result in a call on the revenue guarantee provided for the Programme to make up the difference. Treasury considers that the operating component can be funded from within the existing Motor Vehicle Register appropriation, which has been underspent by at least \$1.8 million per annum over the past three years.

INITIATIVES PARTLY AGREED BY OFFICIALS

Protecting personal information on the motor vehicle register (recommendation a)

4. The Minister of Transport seeks funding to implement a Cabinet decision to extend the protection of the Official Information Act and Privacy Act to personal information on the Motor Vehicle Register.

5. Treasury supports the capital component of this initiative. Funding is required to start implementing changes agreed by Cabinet which are to be confirmed in legislation. There is a long lead time associated with the required system change hence the need for work to start in 2007/08.

State Highways – Cost guarantee (recommendation b)

6. The Minister of Transport is seeking funding for the cost escalation guarantee for the five-year State Highway Construction as part of the Government's commitments in the 2006 Budget to increase certainty and investment in State Highway construction.
7. Treasury supports funding for this initiative but considers decisions on 2008/09 should be deferred until next Budget to reduce pressure on the capital allocation.
8. Treasury, the Ministry of Transport, Land Transport NZ and Transit NZ have been working on the mechanisms for implementing this purchasing power guarantee. A proposal is outlined in Appendix A. Given that the estimates will continue to be refined until the final number is known at the end of the financial year, we suggest that Ministers agree to the funding as sought over the two years but note there is a possible upside risk. We also suggest that, given there is a risk that there will be insufficient funding allocated to cover the funding risk in 2006/07 and the difficulty with changing this after March, Ministers agree to adjust the funding between the two years with any funding not required in 2006/07 to be transferred to 2007/08.

INITIATIVES NOT SUPPORTED BY TREASURY

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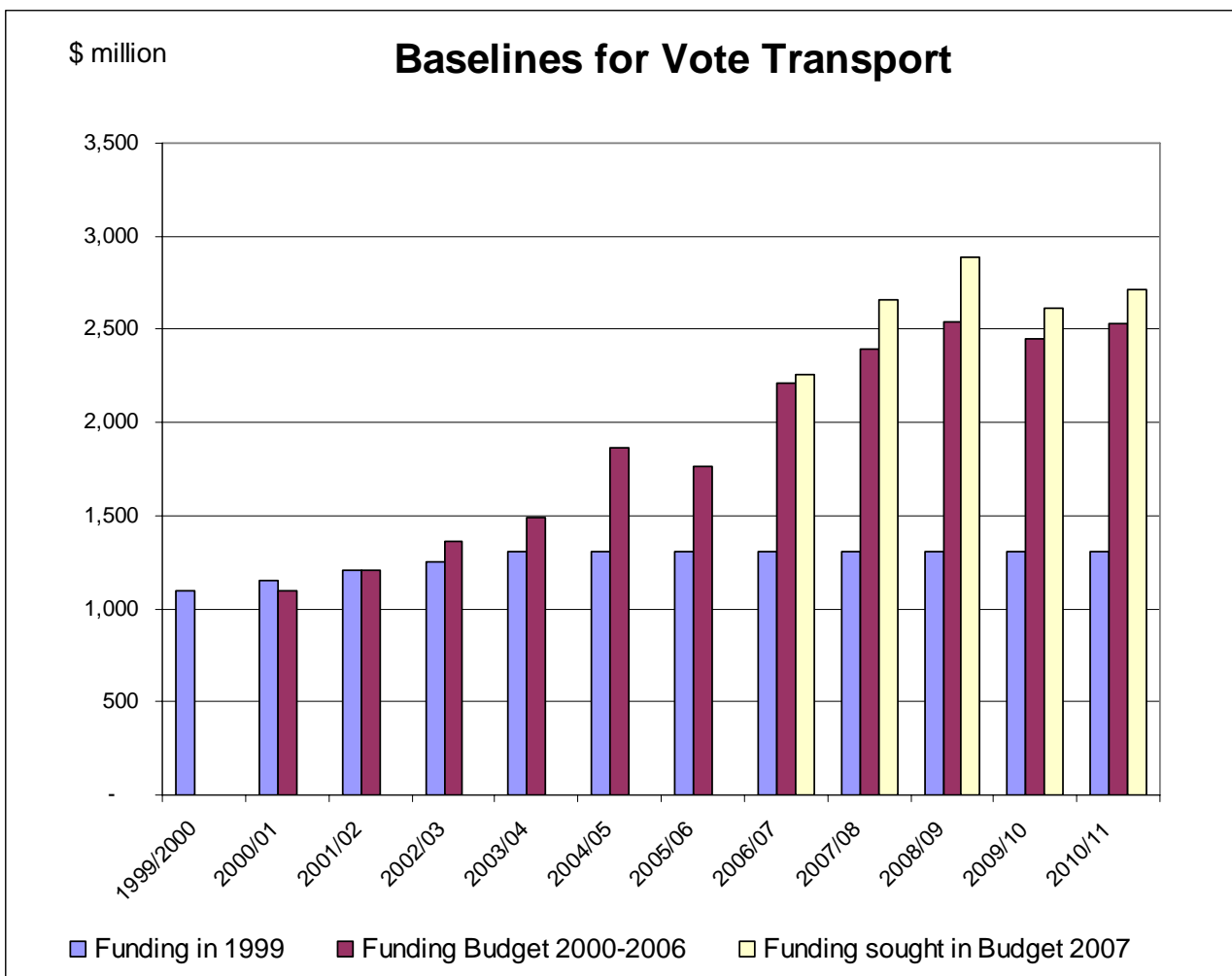
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Analysis of Vote Transport

9. Vote Transport baselines:

- Annual expenditure in Vote Transport will total \$2.26 billion in 2006/07.
- Departmental expenditure makes up 1.4% percent of the total Vote.
- 97% of Vote expenditure is allocated to land transport via the National Land Transport Fund (NLTF).
- The main revenue sources in this Vote are user charges; Fuel Excise Duty, Road User Charges, and Motor Vehicle Registration. This revenue is appropriated to Vote Transport through a permanent legislative authority.

10. The Vote has received significant increases in funding in the past five years mainly as a result of additional government contributions to land transport funding, such as regional packages to Auckland and Wellington, and a number of one-off appropriations for State Highway construction.



11. The Baseline Analysis that was undertaken as part of TOBA exercise recommended that the Ministry of Transport demonstrate its prioritisation process across its departmental expenditure prior to submitting budget initiatives. This process was designed to give Ministers the opportunity to make explicit choices regarding their priorities in the transport sector.

12. The Ministry of Transport ranked initiatives and projects for 2007/08 using a two-step prioritisation process. In the first phase Business Groups prioritised work nominally into three categories. This categorisation ensured that the Minister's and Government's priorities were appropriately reflected in the Ministry's proposals along with statutory requirements. The prioritised work programme was then used by the Leadership Team also to identify work that could, if necessary and agreed by the Minister, be reprogrammed to enable the Ministry to deliver the priorities for 2007/08, whilst remaining within the current FTE and financial baselines. The initiatives that could potentially have extended timelines were presented to the Minister of Transport along with those that must be brought forward.

Vote Police – Analysis

Analysis of Initiatives

13. Funding is being sought for Vote Police through this bilateral and also through themes Families – Young and Old and National Identity. This is summarised in the table below:

	<i>\$million - increase/(decrease)</i>				
<i>Funding sought for Vote Police in Budget 2007</i>	<i>2006/07</i>	<i>2007/08</i>	<i>2008/09</i>	<i>2009/10</i>	<i>2010/11 & Outyears</i>
<i>Operating (GST excl)</i>					
At this bilateral	-	-	-	-	-
Through Theme: Families – Young and Old	2.700	62.841	65.037	67.165	70.632
Through Theme: National Identity	0.500	27.368	34.518	34.143	34.143
TOTAL OPERATING	3.200	90.209	99.555	101.308	104.775
<i>Capital (GST excl)</i>					
At this bilateral	-	39.609	19.678	47.088	14.368
Through Theme: Families – Young and Old	-	2.805	0.060	0.060	0.060
Through Theme: National Identity	-	0.908	0.205	-	-
TOTAL CAPITAL	-	43.322	19.943	47.148	14.428

14. Of the operating funding sought through the Families – Young and Old Theme, \$234.725 million over the forecast period relates to capital initiatives being discussed in this bilateral.

Increase in Frontline Capacity (recommendation h)

15. The department seeks funding to implement the second tranche of the Government's Confidence and Supply commitment to increase Police staff numbers by 1,250 over three years. This bid includes funding for 332 sworn and 130 non-sworn staff together with supporting operating costs. The bid also includes capital of \$56 million, consisting of *[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]*, \$7 million vehicles, and \$4 million IT. Police have yet to finally allocate the 462 staff which will further inform timing and levels of capital expenditure required.
16. Treasury acknowledges that a considerable capital injection is required to support the second tranche of the 1,000 additional frontline Police agreed as part of the Confidence and Supply Agreement with New Zealand First, and 250 non-sworn Police staff agreed subsequently.
17. In consultation with Treasury, Police have scaled the original capital sought for this initiative by \$49 million over the forecast period. Treasury believes that the scaled amount being sought is a reasonable estimate of the capital pressures resulting from a significant net

increase in staff. *[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]*

18. Capital for vehicles and information technology requirements in 2007/08 should not be held in contingency.

	<i>\$million - increase/(decrease)</i>				
	<i>2006/07</i>	<i>2007/08</i>	<i>2008/09</i>	<i>2009/10</i>	<i>2010/11</i>
Vehicles and IT		10.105			
<i>[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]</i>					

19. Police are seeking \$202 million operating funding through the Families – Young and Old Theme and \$14 million through the NLTF for this initiative. Families – Young and Old Ministers indicated their support for operating funding for this initiative at their meeting on 13 February, as it is a Confidence and Supply Agreement item.
20. If operating funding is significantly scaled or deferred it will affect the phasing of capital pressures, but not the long-term requirements.

Police Deployment Strategy

21. Treasury supports a steady roll-out of the 1,250 additional Police staff and therefore recommends funding for 90 non-sworn staff in Budget 2007. This is 40 less than proposed by Police, and would result in equal numbers of both sworn and non-sworn staff in the second and third tranches. Funding for the third tranche will be sought in Budget 2008.
22. Deployment strategies for the second and third tranches of additional Police are yet to be fully developed. These strategies have considerable flow-on impacts for other agencies, and the Government’s overall Justice Sector objectives. This is particularly pertinent given that the second and third tranches of additional Police will have an increasing focus on crime reduction, and will be expected to demonstrate a positive impact on Justice Sector outcomes.
23. As Police deployment is of sector wide interest, and there is the potential for deployments to support Government initiatives, such as Effective Interventions, Police and the Ministry of Justice will work together on an over-arching deployment strategy.

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Vote State Services – Analysis

Analysis of Initiatives

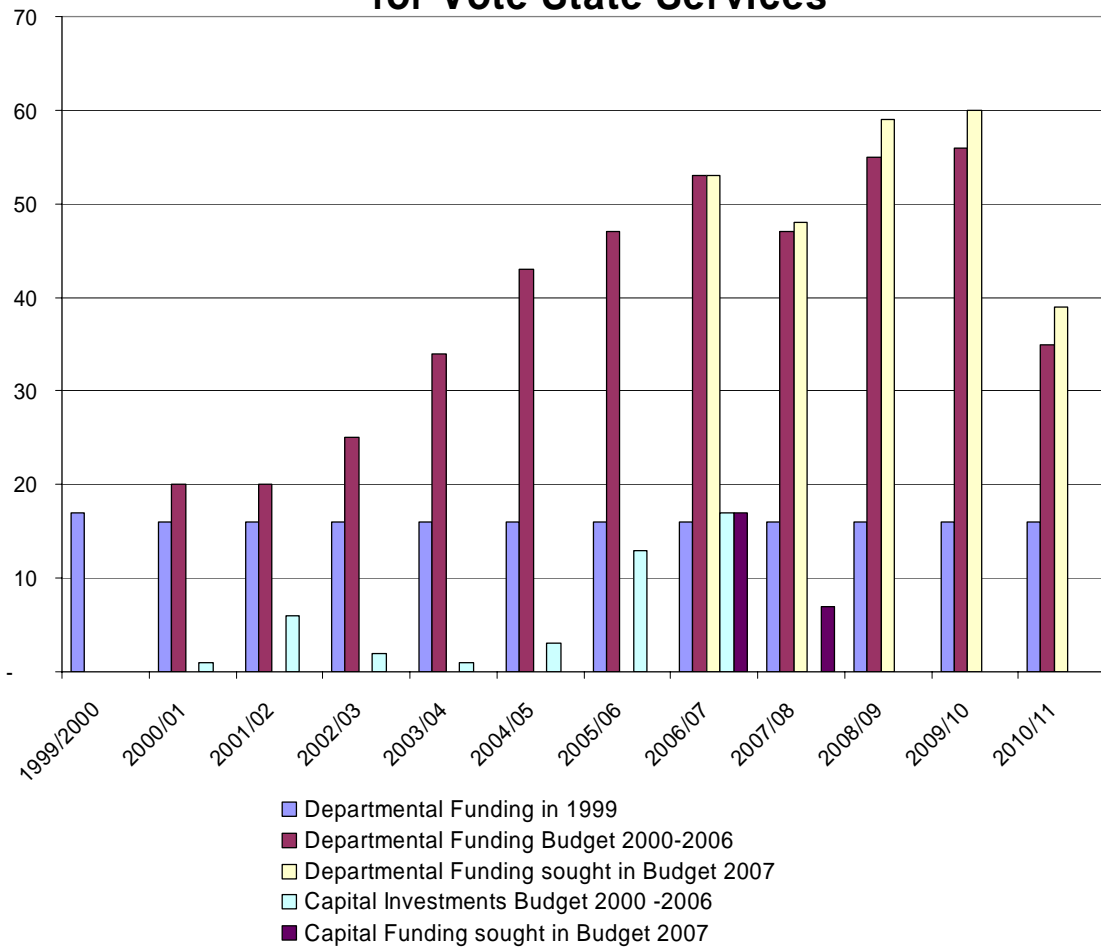
Identity Verification Service (recommendation i)

24. The departments are seeking funding to verify people's identity to a passport standard, online and in real-time. They state that the initiative will leverage existing Authentication investment and DIA expertise to reduce duplicate expenditure across government, reduce fraud and enable transformation of services.
25. *[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]*
26. *[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]*
27. *[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]*

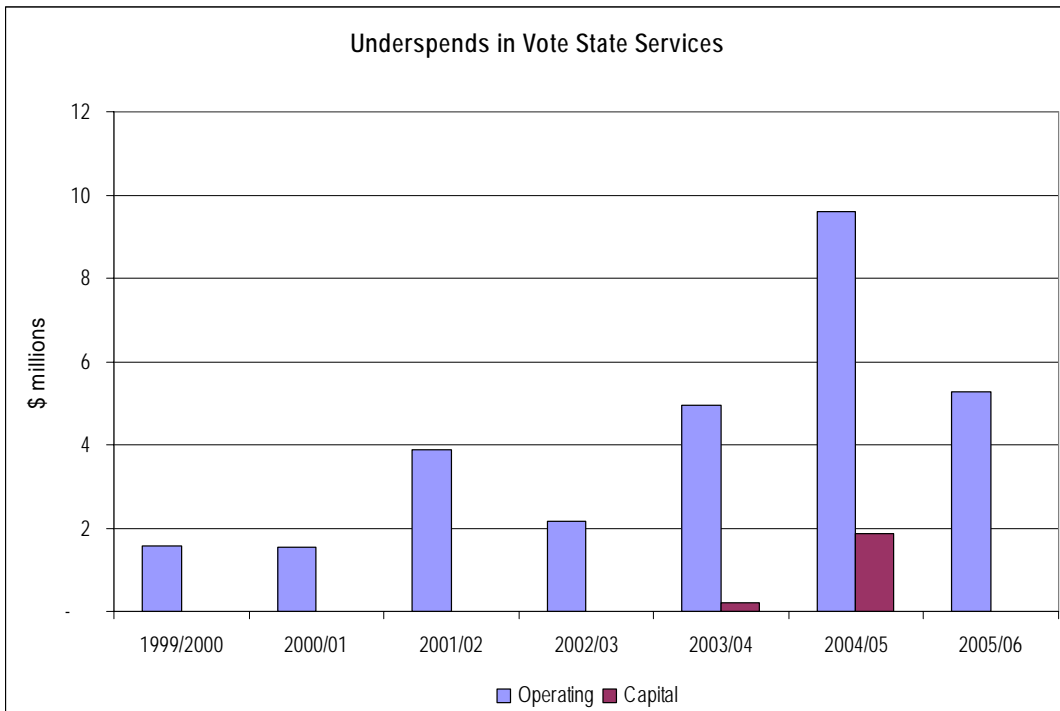
Analysis of Vote

28. Vote State Services baselines are currently \$53.386 million in departmental output classes and \$159.142 million in total operating expenditure (\$100.324 million of this relates to the State Sector Retirement Savings Scheme). \$17.213 million of capital investment is forecast to be appropriated during the 2006/07 year.
29. The vote has received significant increases in the past six years due to the development of the e-government programme. The graph below details the growth in the departmental baseline and also shows the capital injections received by the department. Non departmental/other crown expenses expenditure is excluded due to the distortion in trends caused by the introduction of the State Sector Retirement Scheme.

\$ million **Departmental Baseline for and Capital Investment for Vote State Services**



30. The following graph details the history of underspends in the vote.



31. The underspend in 2005/06 was due to delays in implementing the authentication and government shared network e-government projects and due to the persistence of staffing vacancies in the development branch.

Appendix A – Workings of the State Highway Cost Guarantee

Appendix: State Highways – Cost Guarantee

Background

In the 2006 Budget the Government committed to a five-year package of State Highway construction (referred to as the State Highway Plan or the Plan). It was agreed that the Government would review funding for the Plan to ensure that it can be delivered despite possible future revenue reductions or cost escalation. A revenue guarantee was also provided for the rest of the National Land Transport Programme (NLTP).

The details of the revenue guarantee have been agreed (which also protects the Plan from revenue reductions) and officials have been working on the details of a cost guarantee for the Plan. In December 2006 the Ministers of Finance and Transport agreed that the basis of the cost guarantee would be to retain the purchasing power of the Plan.

Proposal

It is proposed that the funding for the Plan be adjusted by an index representing, as close as possible, road construction input price movement.

The adjustment would occur on a quarterly basis. At this time the Ministers of Finance and Transport would agree to an increased level of funding and in March the appropriations would be revised to ensure that there should be sufficient funding to cover price movements (over and above those forecast) to the end of the year.

Rationale

The index should be based on input price movements that are largely not within the control of the construction industry or Transit. This will hopefully avoid any incentives for contractors to increase their prices knowing that the government will pay for this increase.

However, an input index may not capture increases in tender prices faced by Transit, so there is a risk that funding will not match programme cost. Should any mismatch be material then Transit would be unable to deliver its construction programme and an adjustment would be required to either the programme or the funding.

The adjustment should occur on a quarterly basis in reflection of how Transit's contracts are currently adjusted to reflect input price movements. The majority of Transit's contracts have a cost escalation factor mechanism built in. This mechanism results in the contract price being adjusted based on changes in the construction input price index for the quarter the work is undertaken.

How the guarantee would work

The State Highway Plan was costed according to the prices as at December 2005. A forecast cost escalation of 3% per annum was then applied to the Plan to provide an estimated cost for each year.

It is proposed that at the beginning of each year the funding available for the State Highway Plan be revised according to the actual price movement between December 2005 and the beginning of that financial year. Transit, through Land Transport New Zealand, would seek funding from the Crown for any difference between the estimated cost and the revised cost based on actual input price movements.

Then following each quarter the work undertaken in that quarter would be adjusted for the price movements between the beginning of the financial year and that quarter. Transit would seek funding from the Crown for any unforecast price movements each quarter. This would occur once the Statistics New Zealand indices are published, which is usually six weeks after the end of the quarter.

Input price movements will be calculated using Land Transport New Zealand's cost adjustment factor for construction. This is based on a number of Statistics New Zealand input price indices.

Costing

The Budget bid was officials' best estimation in December of what a purchasing power approach would likely cost in 2006/07 and 2007/08. However, the final cost will not be known until the end of the financial year. We are also still waiting for confirmation from Transit on the how forecast cost escalation has been factored into the guaranteed Plan. This might impact on the estimates.

Given that the estimates will continue to be refined until the final number is known at the end of the financial year, we suggest that Ministers agree to the funding as sought over the two years but note there is a possible upside risk. We also suggest that, given there is a risk that there will be insufficient funding allocated to cover the funding risk in 2006/07 and the difficulty with changing this after March, Ministers agree to adjust the funding between the two years with any funding not required in 2006/07 to be transferred to 2007/08.

Recommendations

We recommend that Ministers:

- a) agree that funding provided for State Highway Construction activities be adjusted for road construction input price movements;
agree/disagree
- b) agree that at the beginning of each new financial year the funding for that year be adjusted for the actual price movement between December 2005 and the beginning of the year;
agree/disagree
- c) agree that during the year further adjustments to funding be made on a quarterly basis in reflection of price movements from the beginning of the year to that quarter;
agree/disagree
- d) note that adjustments will be made retrospectively once the quarterly indices become available;
- e) agree that the Crown will compensate Land Transport New Zealand for any actual input price movements over and above those in the 2006/07 NLTP allocations for the proportion of the State Highway Construction programme that is undertaken;
agree/disagree
- f) note that the funding sought is an estimate only and there is a risk that insufficient funding has been sought to cover the possible cost risk in 2006/07;
- g) agree to adjust the funding to \$60m in 2006/07 and \$85m in 2007/08 with any funding not required in 2006/07 to be transferred to 2007/08.
agree/disagree

One-page Initiative Summaries

One-page summaries of the initiatives for discussion at this bilateral are attached on subsequent pages.

Vote: Transport

Title: Protecting Personal Information on the Motor Vehicle Register

Description: A Cabinet paper has been prepared that proposes that the protection of the Official Information Act and Privacy Act be extended to personal information on the Motor Vehicle Register (MVR). It is anticipated that the recommendations in the Cabinet paper will be confirmed.

Purpose: New Policy

Theme: Economic Transformation

Portfolio Minister: Hon Annette King

Ranking: 17

Theme Objective: Improving security of energy supply and efficiency

Funding Sought:

	2006/07	2007/08	2008/09	2009/10	2010/11	
	\$000	\$000	\$000	\$000	\$000	
Operating	Gross	0	265	531	531	314
	Saving	0	265	531	531	314
	Net	0	0	0	0	0
Capital	Gross	0	1300	0	0	0
	Saving	0	0	0	0	0
	Net	0	1300	0	0	0

Performance Information:

Either Option 1 - where performance/outputs can be expressed in a table

OR Option 2 - where performance/outputs are best expressed as text

A more restrictive disclosure regime is proposed for MVR data. In recognition of the reasonable informal uses of that information that have evolved it is also proposed that a flexible disclosure regime, that empowers the Minister of Transport to authorise the Registrar, subject to safeguards, to disclose information where disclosure would otherwise be prevented or hampered by privacy considerations.

Problem Definition (provide evidence)

The MVR contains the name and address of every person who is, or has been, registered as the owner of a motor vehicle. Any person may, on paying a fee and specifying a vehicle, obtain the name and address of the persons currently, and previously, registered as the owner of that vehicle. MVR information has been used to track people, target vehicles and compile mailing lists for intrusive marketing campaigns.

How do we know this initiative will deliver the outcomes (intervention logic)?

The changes proposed will restrict information disclosure and ensure that appropriate cognisance is taken of the Official Information Act and Privacy Act. As the Cabinet paper has yet to be considered this initiative has been prepared in advance of any detailed system change specification and is a preliminary estimate.

Evaluation of Initiative's contribution to Outcome

The initiative will ensure that effect can be given to the Cabinet proposal to apply a more restrictive information disclosure regime.

How could the initiative be scaled?

This initiative cannot be properly scoped until the system implications of the Cabinet decision, when made, can be assessed. It is, however, believed that out year costs will be incurred as the Cabinet decision(s) are implemented.

Vote: Transport **Portfolio Minister:** Hon Annette King

Title: State Highways - Cost Guarantee

Description: Placeholder bid for funding for the cost escalation guarantee for the five-year State Highway Construction Plan (subject to decisions by the Ministers of Finance and Transport) as part of the government's commitments in the 2006 to increase certainty and investment in State highway construction.

Purpose: New Policy

Ranking: 23

Theme: Economic Transformation

Theme Objective: Improving security of energy supply and efficiency

Funding Sought:

		2006/07	2007/08	2008/09	2009/10	2010/11
		\$000	\$000	\$000	\$000	\$000
Operating	Gross	0	0	0	0	0
	Saving	0	0	0	0	0
	Net	0	0	0	0	0
Capital	Gross	40000	105000	190000	0	0
	Saving	0	0	0	0	0
	Net	40000	105000	190000	0	0

Performance Information:

Either Option 1 - where performance/outputs can be expressed in a table

OR Option 2 - where performance/outputs are best expressed as text

The funding will be used to fund cost escalation in the five-year State Highway Construction Plan in order to ensure the delivery of that Plan. The amount of cost escalation provided each year will be determined by Ministers based on a set of parameters which will be designed to achieve both delivery of the Plan and value for money. This bid will need to be refined subsequent to any decisions the Ministers of Finance and Transport make on how a cost guarantee could work.

Problem Definition (provide evidence)

The government made a commitment in the 2006 Budget to increase certainty and investment in State highway construction by providing revenue and cost escalation guarantees. State highway construction costs have increased at a greater rate than the 3% built into the current construction estimates. Transit has advised that it will not be able to achieve the State Highway Construction Plan with the current level of funding.

How do we know this initiative will deliver the outcomes (intervention logic)?

Funding the higher than expected cost escalation in State highway construction will assist Transit to deliver the five-year State Highway Construction Plan agreed by Cabinet in April 2006.

Evaluation of Initiative's contribution to Outcome

The delivery of the State Highway Construction Plan is being monitored through regular and specific Crown entity reporting.

How could the initiative be scaled?

As part of the implementation of the cost guarantee Ministers will have final say on how much cost escalation funding is provided. There will be some trade-offs between how much funding to provide, what can be delivered for that funding and the incentives on Transit to deliver value for money.

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Vote: Police **Portfolio Minister:** Hon Annette King

Title: Increase in Frontline Capacity

Description: This proposal relates to operational and capital funding required to support the second tranche of additional staff from the Government's commitment of an extra 1,000 sworn and 250 non sworn staff over budget years 2006 - 2008. An additional 462 staff on top of the 406 provided by Budget 2006.

Purpose: Current Policy - Increase in Quantity **Ranking:** 1

Theme: Families - Young and Old **Theme Objective:** Non-specific

Funding Sought:

		2006/07	2007/08	2008/09	2009/10	2010/11
		\$000	\$000	\$000	\$000	\$000
Operating	Gross	0	53900	55385	57935	60280
	Saving	0	4721	5231	7468	7857
	Net	0	49179	50154	50467	52423
Capital	Gross	0	14883	8910	28320	3600
	Saving	0	0	0	0	0
	Net	0	14883	8910	28320	3600

Performance Information:

Either Option 1 - where performance/outputs can be expressed in a table

	Unit of Measurement	Performance Specification				
		2006/07	2007/08	2008/09	2009/10	2010/11
Quantity						
non sworn staff	people	0	130	130	130	130
sworn staff	people	0	332	332	332	332
Quality						
sworn Productive hours	hours	0	533000	670000	670000	670000

OR Option 2 - where performance/outputs are best expressed as text

Justice sector ranking. The additional sworn and non sworn staff will be deployed across the full range of frontline activities thereby increasing both the number of services able to be delivered and improved public satisfaction in respect of the quality of services provided. The primary outputs that will gain the largest increase will be: general and specific crime prevention services; responding to calls for service and conducting investigations

Problem Definition (provide evidence)

Police face a growing increase in pressure across a number of key service delivery fronts. The growth in service demand in some districts, has meant a decrease in service response times and a growing backlog of matters requiring investigation. Increasing Police capacity and investment in staff development is critical to addressing these issues. This proposal enables Police to commence developing the infrastructure required to accommodate the additional staff over the next three budget years

How do we know this initiative will deliver the outcomes (intervention logic)?

Once these staff are in place it will produce an increase in capacity of over half a million hours of productive activity. This capacity will be used to attend to calls for service that is currently not being met. In addition staff will have more time to conduct thorough investigations on the tasks to which they are directed. The capital funding will ensure there are adequate vehicle, I&T and property resources available to support an enlarged organisation.

Evaluation of Initiative's contribution to Outcome

An increase in quality as well as the quantity of apprehensions and charges laid is likely . Given that approximately half of resolved offences result in charges being laid, it can be expected that an investment in additional staff could result in an increase in cases being put before the court.

How could the initiative be scaled?

The proposal is able to be scaled by reducing the numbers of staff funded, however this would undermine the commitment made.

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Reference No. 3907

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