

Treasury Report: Budget 2008: Bilateral for Capital Initiatives in Votes
Transport, Justice and Police

Date:	29 February 2008	Report No:	T2008/304
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Action Sought

	Action Sought	Deadline
Minister of Finance (Hon Dr Michael Cullen)	Read before the bilateral with Hon Annette King	Before 8.00pm Tuesday 4 th March 2008
Associate Minister of Finance (Hon Trevor Mallard)	Read before the bilateral with Hon Annette King	Before 8.00pm Tuesday 4 th March 2008

Contact for Telephone Discussion (if required)

Name	Position	Telephone	1st Contact
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Rowena Phair	Manager, Justice and Asset Management	<i>[deleted – privacy]</i>	

Minister of Finance's Office Actions (if required)

None.

Enclosure: Yes

Treasury Report: Budget 2008: Bilateral for Capital Initiatives in Votes Transport, Justice and Police

Attached is a briefing for the bilateral between the Minister of Finance and Hon Annette King at 8 p.m. on 4 March 2008 to discuss the budget initiatives for Transport, Justice and Police.

The bilateral briefing is structured as follows:

Transport	
Recommendations	p. 3
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Justice	
Recommendations	p. 8
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Police	
Recommendations	p. 14
Analysis by Vote	p. 36
One-page initiative summaries	p. 51

We expect the key issues for discussion will be:

- **Transport:** the Canterbury Transport Project and Regional Development Transport Funding. Treasury's view is that Crown funding is not consistent with recent changes to transport funding, in particular the development of regional fuel taxes.
- **Justice:** funding for Court properties. *[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]*
- **Police:** capital to support the third tranche of additional staff funded as part of the Confidence and Supply Agreement with New Zealand First. Treasury supports funding in 2008/09 for vehicles and IT, *[deleted - confidentiality of advice]*

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 8 p.m. on 4 March 2008.

Rowena Phair
for Secretary to the Treasury

Hon Dr Michael Cullen
Minister of Finance

Recommendations

VOTE TRANSPORT

Initiatives agreed by officials:

a Rescue Funding

analysis p.25

- The Ministry seeks funding to restore the Rescue Coordination Centre of New Zealand's (RCCNZ) working capital. This follows the use of funds accumulated from depreciation to meet exceptionally high costs arising from a small number of incidents.
- Treasury supports this initiative which reimburses Maritime NZ for costs associated with undertaking a larger number of rescues than budgeted for.

	<i>\$million - increase/(decrease)</i>				
	<i>2007/08</i>	<i>2008/09</i>	<i>2009/10</i>	<i>2010/11</i>	<i>2011/12 & Outyears</i>
<i>Capital (GST excl)</i>					
Department	1.236	-	-	-	-
Treasury	1.236	-	-	-	-

b Aviation Passenger Safety and Security Infrastructure

analysis p.25

- The Ministry proposes to purchase number of assets to enable the Aviation Security Service to continue to provide passenger screening services.
- Treasury supports this initiative because a number of assets operated by the Aviation Security Service are near the end of their life and these are required to ensure service delivery.

	<i>\$million - increase/(decrease)</i>				
	<i>2007/08</i>	<i>2008/09</i>	<i>2009/10</i>	<i>2010/11</i>	<i>2011/12 & Outyears</i>
<i>Capital (GST excl)</i>					
Department	-	7.348	7.054	0.283	0.303
Treasury	-	7.348	7.054	0.283	0.303

c Infrastructure at Joint Venture Airports

analysis p.25

- The Ministry requires additional funding to extend the runway end safety area at Whangarei Airport and develop waste water and sewage management systems and extend the runway apron at Wanganui Airport.
- Treasury supports this initiative. As the joint owner of these airports, the Crown has an obligation to fund its share of the upgrades, which appear necessary for safety reasons.

	<i>\$million - increase/(decrease)</i>				
	<i>2007/08</i>	<i>2008/09</i>	<i>2009/10</i>	<i>2010/11</i>	<i>2011/12 & Outyears</i>
<i>Capital (GST excl)</i>					
Department	0.850	-	-	-	-
Treasury	0.850	-	-	-	-

Initiatives partially agreed by Treasury:

d Strategic Search and Rescue and Recreational Boating Safety Awareness Funding

analysis p.26

- The Ministry proposes to use additional funding to address systemic risks within the New Zealand's Search and Rescue (SAR) system and initiate a safety awareness campaign to reduce the number of SAR and marine related fatalities in New Zealand.
- Treasury supports this initiative at scaled level. To ensure continued availability of Coastguard and land search assets, funding should be held in a contingency until service level agreements have been developed.

	<i>\$million - increase/(decrease)</i>				
	<i>2007/08</i>	<i>2008/09</i>	<i>2009/10</i>	<i>2010/11</i>	<i>2011/12 & Outyears</i>
<i>Capital (GST excl)</i>					
Department	-	0.359	0.050	-	-
Treasury	-	0.259	-	-	-

e Sustainability and Effectiveness of Transport Accident Investigation Commission

analysis p.26

- The Ministry proposes to restore the Commission's financial and operational sustainability to enable it to deliver the outcomes intended by its statutory mandate.
- Treasury supports this initiative at scaled level to address key capability risks in the Commission and provide for a realistic phasing-in of improvements. The funding will allow the Commission to develop an IT system and improve administrative resources.

	<i>\$million - increase/(decrease)</i>				
	<i>2007/08</i>	<i>2008/09</i>	<i>2009/10</i>	<i>2010/11</i>	<i>2011/12 & Outyears</i>
<i>Capital (GST excl)</i>					
Department	0.250	0.350	0.657	-	-
Treasury	0.100	0.250	0.635	-	-

Initiatives not agreed by Treasury:

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i Canterbury Transport Project

analysis p.27

- | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none">• The Ministry proposes to provide financial support to increase the level of investment in Canterbury transport projects.• Treasury does not support this initiative as the projects are not high transport priorities and the region's funding request could be met from a regional fuel tax. |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

	<i>\$million - increase/(decrease)</i>				
	<i>2007/08</i>	<i>2008/09</i>	<i>2009/10</i>	<i>2010/11</i>	<i>2011/12 & Outyears</i>
<i>Capital (GST excl)</i>					
Department	-	25.000	25.000	25.000	25.000

Treasury	-	-	-	-	-
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j Regional Development Transport Funding

analysis p.27

- The Ministry proposes to continue transport funding for regional development initiatives approved by Cabinet in 2002.
- Treasury does not support this initiative. This initiative should be met from the National Land Transport Fund or from increases in Road User Charges.

	<i>\$million - increase/(decrease)</i>				
	<i>2007/08</i>	<i>2008/09</i>	<i>2009/10</i>	<i>2010/11</i>	<i>2011/12 & Outyears</i>
<i>Capital (GST excl)</i>					
Department	-	20.000	20.000	20.000	-
Treasury	-	-	-	-	-

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VOTE JUSTICE

Initiatives supported (at least partially) by Treasury

m Establishment of the Sentencing Council

analysis p.30

- The Ministry proposes establishing the Sentencing Council as part of the Effective Interventions package of measures to improve the criminal justice system (CAB Min (06) 27/3A refers).
- Treasury supports the capital and operating components of this initiative as a high priority for Budget 2008 because Cabinet has agreed to this and it will contribute to Effective Interventions.

	<i>\$million - increase/(decrease)</i>				
	<i>2007/08</i>	<i>2008/09</i>	<i>2009/10</i>	<i>2010/11</i>	<i>2011/12 & Outyears</i>
<i>Capital (GST excl)</i>					
Department	-	0.120	0.020	0.020	0.010
Treasury	-	0.120	0.020	0.020	0.010

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o Meeting the Future Requirements of the Independent Police Conduct Authority analysis p.31

- The Ministry proposes implementation of the recommendations from the Commission of Inquiry into Police Conduct 2007, and to ensure capability exists to meet the requirements of the Independent Police Conduct Authority Amendment Act 2007.
- Treasury supports the capital and operating components of this initiative as a high priority for Budget 2008 in order to meet the requirements of the Independent Police Conduct Authority Amendment Act 2007.

	<i>\$million - increase/(decrease)</i>				
	<i>2007/08</i>	<i>2008/09</i>	<i>2009/10</i>	<i>2010/11</i>	<i>2011/12 & Outyears</i>
<i>Capital (GST excl)</i>					
Department	-	0.257	-	-	-
Treasury	-	0.257	-	-	-

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Initiatives not supported by Treasury

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Initiatives not submitted to Treasury, but likely to be raised at the bilateral

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VOTE POLICE

Initiatives supported in full by Treasury

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z CYPF Act 1989, Amendment Bill (No. 6) Information Technology analysis p.37

- The department proposes \$0.750 million capital funding for the information technology changes proposed in the Children, Young Persons and Their Families (CYPF) Amendment Bill. The funding will be used to make changes to Police's National Intelligence Application (NIA) to enable it to record split sentences in the Youth Court, as proposed in the Amendment Bill.
- Treasury recommends that Ministers fund this initiative. If upgrades are not made Police will be unable to record split sentences as proposed in the Amendment Bill.
- Treasury recommends that progression of this initiative be subject to operating funding for depreciation being available through the Families – Young and Old Theme or identified from within Police baselines.

	<i>\$million - increase/(decrease)</i>				
	<i>2007/08</i>	<i>2008/09</i>	<i>2009/10</i>	<i>2010/11</i>	<i>2011/12</i>
<i>Capital (GST excl)</i>					
Department	-	0.750	-	-	-
Treasury – in contingency	-	0.750	-	-	-

aa Lower Blood Alcohol Limit

analysis p.37

- The department proposes \$1.500 million capital funding to upgrade and replace Police breath testing equipment in line with the Parliamentary Legislative Committee's endorsement on 19 September 2007 for a "zero" breath and blood alcohol level for drivers under the age of 20 years who do not hold a full drivers licence.
- Treasury supports funding for this initiative to enable Police to upgrade equipment in order to enforce a zero blood alcohol limit.

	<i>\$million - increase/(decrease)</i>				
	<i>2007/08</i>	<i>2008/09</i>	<i>2009/10</i>	<i>2010/11</i>	<i>2011/12</i>
<i>Capital (GST excl)</i>					
Department	-	1.500	-	-	-
Treasury	-	1.500	-	-	-

bb Road Policing: Capital

analysis p.38

- The department proposes \$4.914 million capital funding for road policing initiatives that have in the past received operating funding (including depreciation and capital charge) from the National Land Transport Fund (NLTF), but no associated capital funding.
- The specific capital items included in this proposal are:
 - a. hand-held evidential breath alcohol (EBA) testing devices for rural stations (\$0.240 million)
 - b. roadside oral drug testing devices - pilot (\$0.100 million)
 - c. Commercial Vehicle Investigation Unit (CVIU) portable scales (\$3.114 million)
 - d. Automatic Number Plate Recognition (ANPR) (\$0.660 million)
 - e. e-ticketing devices (\$0.800 million)
- Treasury supports funding for this initiative if competing pressures allow. Treasury does not consider that funding for additional road policing activities is a top priority for either the National Land Transport Fund or the Budget 2008 capital allocation, and Ministers may wish to consider declining this initiative due to competing priorities. However, it should be noted that some initiatives approved by LTNZ in 2007 cannot progress without capital funding.
- There are five separate components to this initiative, therefore scaled options are available. If Ministers wish to progress at a scaled level Treasury recommends funding replacement of Commercial Vehicle Investigation Unit portable scales in order to avoid equipment and service failure.

	<i>\$million - increase/(decrease)</i>				
	<i>2007/08</i>	<i>2008/09</i>	<i>2009/10</i>	<i>2010/11</i>	<i>2011/12</i>
<i>Capital (GST excl)</i>					
Department	-	3.045	0.623	0.623	0.623

Treasury	-	3.045	0.623	0.623	0.623
Scaled Option – CVIU Portable Scales	-	1.245	0.623	0.623	0.623

Initiatives supported at scaled costs by Treasury

cc Frontline Capacity: Third Tranche of 1,250

analysis p.39

- The department proposes funding to implement the third tranche of the government's Confidence and Supply Agreement to provide 1,250 additional Police staff by 2009. This bid includes capital costs required to support the final 422 staff (332 sworn and 90 non sworn) under that agreement.
- *[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]*
- Treasury supports funding in 2008/09 for vehicles and IT in order to sufficiently equip new staff from day one.
- *[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]*

	<i>\$million - increase/(decrease)</i>				
	<i>2007/08</i>	<i>2008/09</i>	<i>2009/10</i>	<i>2010/11</i>	<i>2011/12</i>
<i>Capital (GST excl)</i>					
Department	[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]				
Treasury	-	9.549	-	-	-

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dd Strengthening Maori Wardens: Enhancing Capacity – Realising Potential
analysis p.40

- The department proposes \$2.094 million capital funding to build capacity and capability within the New Zealand Maori Wardens [new policy initiative in 2007/08 (CAB Min(07) 12/1 (33) refers)]. This initiative seeks the Vote Police component, being the provision of vehicles and radios to support the initial implementation in six regions in 2007/08, plus a further eight regions covering all of New Zealand in 2008/09.
- Treasury supports funding at scaled levels in order to maintain current levels of support (initiated within baselines in 2007). Treasury does not support further funding for expansion into all regions. This approach is consistent with Treasury’s advice regarding this initiative in Vote Maori Affairs (where the majority of expenditure falls).

	<i>\$million - increase/(decrease)</i>				
	<i>2007/08</i>	<i>2008/09</i>	<i>2009/10</i>	<i>2010/11</i>	<i>2011/12</i>
<i>Capital (GST excl)</i>					
Department	-	0.456	0.936	0.702	-
Treasury	-	0.456	-	-	-

Higher Priority Initiatives not supported by Treasury

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Lower Priority Initiatives not supported by Treasury

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Vote Transport – Analysis

Analysis of Initiatives

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

	<i>\$million - increase/(decrease)</i>				
<i>Funding sought for Vote Transport in Budget 2008</i>	<i>2007/08</i>	<i>2008/09</i>	<i>2009/10</i>	<i>2010/11</i>	<i>2011/12 & Outyears</i>
Operating in Theme Economic Transformation	-	29.080	30.258	30.265	28.779
TOTAL CAPITAL	2.186	75.357	73.761	70.283	50.303

2. There are five initiatives seeking operating funding through the theme Economic Transformation that are also seeking capital in this bilateral. Where an initiative is also seeking operating funding, this is indicated below.

INITIATIVES AGREED BY OFFICIALS

Rescue Funding (recommendation a)

3. The Ministry seeks funding to restore the working capital of New Zealand's Rescue Coordination Centre (RCCNZ). The working capital of RCCNZ was eroded following an unusually high number of rescues in recent years. This injection of capital will ensure that RCCNZ can continue to fund search and rescue operations in the future.
4. Treasury supports this initiative as it will reimburse Maritime NZ for costs associated with undertaking a larger number of rescues than was provided for in budgets.

Aviation Passenger Safety and Security Infrastructure (recommendation b)

5. The Ministry seeks funding to purchase assets and equipment necessary to ensure the continuing integrity of New Zealand's existing aviation security infrastructure (e.g. passenger and baggage security screening equipment). The Aviation Security Service (Avsec) requires these assets to ensure continued service delivery to meet international and domestic aviation security obligations.
6. Treasury supports this initiative as a number of assets operated by the Aviation Security Service are near the end of their life and are required to continue service delivery.

Infrastructure at Joint Venture Airports (recommendation c)

7. The Ministry seeks funding to address critical safety requirements at two joint venture airports. Funding will be used to extend the runway end safety area at Whangarei airport and develop waste water and sewage management systems and extend the runway apron at Wanganui Airport.
8. Treasury supports this initiative as the joint owner of these airports, the Crown has an obligation to fund its share of the upgrades, which appear necessary for safety reasons.

INITIATIVES PARTIALLY AGREED BY OFFICIALS

Strategic Search and Rescue and Recreational Boating Safety Awareness *(recommendation d)*

9. The Ministry seeks funding to address systemic risks within the New Zealand Search and Rescue (SAR) system, and initiate a safety awareness campaign to reduce the number of preventable SAR and marine related fatalities in New Zealand.
10. Treasury supports this initiative at a scaled level to address the highest risk areas. Funding will ensure continued availability of Coastguard and land search assets, but should be held in a contingency until service level agreements with rescue providers such as the coastguard have been developed. Treasury does not support aspects of this initiative which pertain to additional funding for recreational boating safety campaigns. Maritime New Zealand has made good progress with reducing the boating toll and is very close to achieving its 2010 targets. This bid is dependent on operating funding secured through theme Economic Transformation. Treasury supports operating expenditure at a scaled level and at present this funding is supported within the Budget Economic Transformation theme package.

Sustainability and Effectiveness of Transport Accident Investigation Commission *(recommendation e)*

11. The Ministry seeks funding to strengthen the core infrastructure (personnel and IT systems) and working capital of the New Zealand Transport Accident Investigation Commission (TAIC). These measures are considered necessary to ensure the organisational sustainability of TAIC to enable the commission to increase the scope and scale of Investigation activities and fulfil statutory functions and purpose.
12. Treasury supports this initiative at a scaled level to address key capability risks in the Commission, and provide for a realistic phasing-in of improvements. The funding will allow the Commission to develop an IT system and improve administrative resources. This bid is dependent on operating funding secured through theme Economic Transformation. Treasury supports operating expenditure at a scaled level and at present this funding is supported within the Budget Economic Transformation theme package.

INITIATIVES NOT AGREED BY OFFICIALS

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Canterbury Transport Project (recommendation i)

19. The Ministry proposes to provide financial support to increase the level of investment in Canterbury Projects to assist Canterbury Transport to implement their Canterbury Transport Regional Implementation Plan (TRIP).
20. *[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]*

Regional Development Transport Funding (recommendation j)

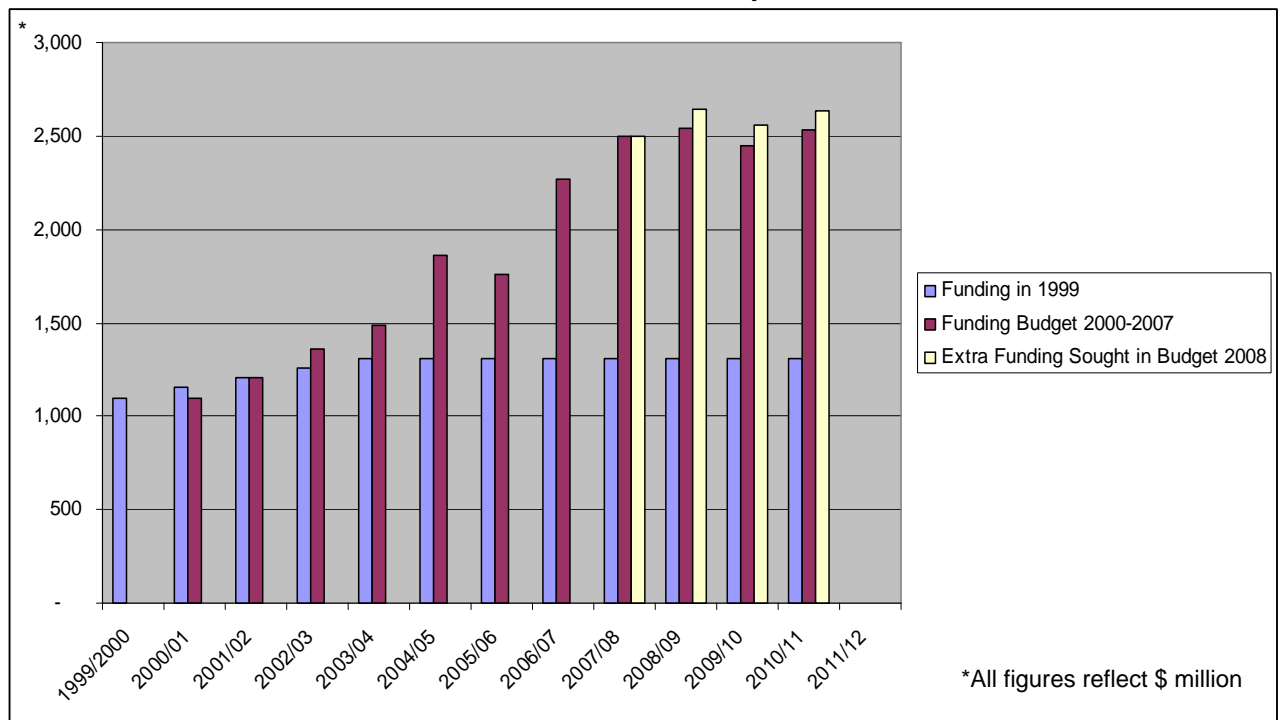
21. The Ministry proposes to continue transport funding for regional development initiatives (in Northland and Tairāwhiti) which were approved by cabinet and commenced in 2002.
22. Treasury does not support this initiative, considering that the costs of this roading development should be met from the National Land Transport Fund as currently occurs. It is Land Transport New Zealand's role to allocate National Land Transport Fund revenue to the highest priority areas. Providing additional government funding would not be consistent with changes recommended in the *Next Steps Review* which seek to establish a transport funding system where land transport costs are met by road users.

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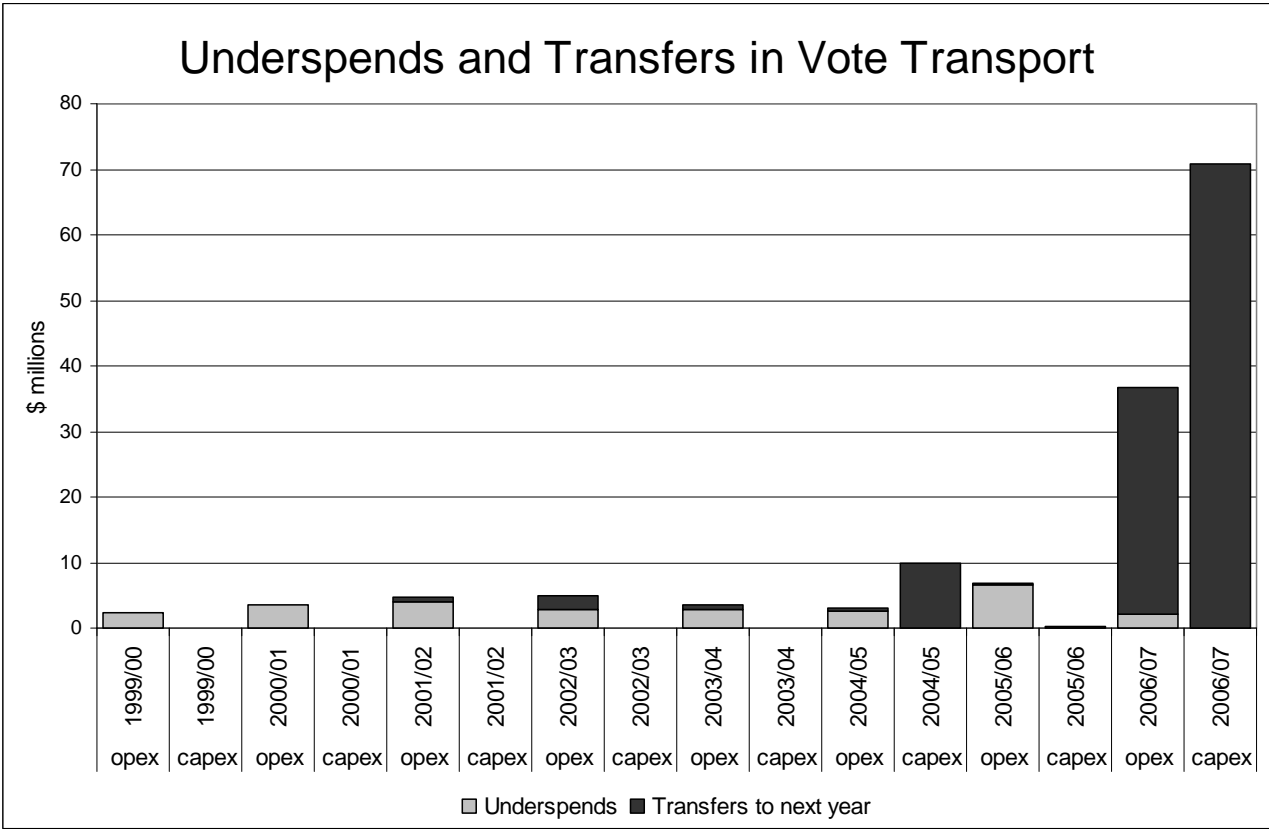
Analysis of Vote

27. Vote Transport baselines are shown in the graph below. The vote has received significant increases in funding in the past 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.

Baselines for Vote Transport



28. Changes to the system of funding for Vote Transport are expected due to proposed changes to the Land Transport Management Amendment Bill. The Bill is expected to pass in June and come into effect on 1 July, 2008. From 1 July 2008 all fuel excise duty will be hypothecated to the National Land Transport Fund. This will further increase funding for vote transport particularly in the outyears where approximately \$600m of additional funding will be available.



- 30. There have been large expense transfers in Vote Transport in 2006/07. These transfers mainly relate to funding for the ALPURTB2 toll road, the cost guarantee for State Highways, and regional transport funding packages (JOGs). When funding for these projects was initially appropriated, it was unclear how the funding would need to be phased. However as the projects progressed it became clear that funds needed to be transferred to outyears so that the funding profile could more accurately match the requirements of the projects.
- 31. Without such expense transfers Land Transport NZ would be unable to deliver the projects as originally planned. Treasury would also encourage expense transfers to avoid Land Transport NZ holding large cash balances. As at 30 June 07, Land Transport NZ held a cash balance of around \$330 million. A large amount of this balance was accrued because Land Transport drew down on appropriations for specific regions such as Auckland and Wellington, without carrying out the work that was intended to be delivered. While the projects will still be delivered in future years, Treasury does not consider it is appropriate or necessary for Land Transport to hold such large cash balances and we would encourage expense transfers as an alternative.
- 32. The Ministry of Transport and Treasury are working to improve forecasting accuracy so that the appropriations better reflect the actual funding requirements of projects.
- 33. The graphs exclude any underspends arising from the appropriations established by permanent legislative authority. These appropriations are dependent on revenue collected from Fuel Excise Duty and Road User Charges and spending therefore reflects actual revenue rather than forecasts used in the Estimates.

Analysis of Initiatives

29. Funding is being sought for Vote Justice through this bilateral and also through the Families – Young and Old theme. This is summarised in the table below:

	<i>\$million - increase/(decrease)</i>				
<i>Funding sought for Vote Justice in Budget 2008</i>	<i>2007/08</i>	<i>2008/09</i>	<i>2009/10</i>	<i>2010/11</i>	<i>2011/12 & Outyears</i>
<i>Operating (GST excl)</i>					
At this bilateral	-	-	-	-	-
Through Theme Families – Young and Old	0.441	51.429	60.168	72.460	90.024
Through Theme Y	-	-	-	-	-
TOTAL OPERATING	0.441	51.429	60.168	72.460	90.024
TOTAL CAPITAL	1.461	12.104	17.222	2.536	0.058

Of the operating funding sought through the Families – Young and Old theme, \$75.319 million relates to capital initiatives being discussed in this bilateral. The Ministry has indicated that, in most cases, it will only be able to utilise capital funding if the associated operating funding is provided through the Families – Young and Old theme.

Initiatives supported (at least partially) by Treasury

Establishment of the Sentencing Council (recommendation m)

30. The Ministry seeks to establish the Sentencing Council as part of the Effective Interventions package of measures to improve the criminal justice system (CAB Min (06) 27/3A refers).
31. The Sentencing Council will:
 - produce sentencing and parole guidelines
 - provide advice on the guidelines' likely effect on the prison population
 - give advice on, and consider issues about, sentencing and parole
 - provide information to the judiciary, the Parole Board and the public about sentencing and parole
32. Treasury agrees that the proposed Sentencing Council is a core part of the Effective Interventions package, and that it will contribute to improved understanding of likely sentencing practices in the criminal justice system. However, we also note that the impact of the Sentencing Council should be closely monitored and evaluated (particularly in relation to impact on the future prison muster).
33. This initiative includes components from both Vote Justice and Vote Courts. The Ministry is requesting total capital funding of \$0.440 million (\$0.170 million from Vote

Justice and \$0.270 million from Vote Courts). The Ministry is also requesting a \$5.853 million operating funding through the Families — Young and Old Theme.

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Meeting the Future Requirements of the Independent Police Conduct Authority
(recommendation o)

38. The Ministry seeks to implement the recommendations from the Commission of Inquiry into Police Conduct 2007, and to ensure capability exists to meet the requirements of the Independent Police Conduct Authority Amendment Act 2007.
39. The bid aims to:
 - introduce a governance structure within the IPCA
 - clear a backlog of complaints
 - build capacity to provide for independent investigation capability, improved communications with complainants and improved capability to capture and use information to improve the delivery of services
 - business continuity - a capital injection to provide for the replacement of outdated equipment necessary to ensure the ongoing capability of the IPCA and to provide for efficiency gains.
40. Treasury acknowledges the strong basis in legislation (and through the Gallen Review, Commission of Inquiry into Police Conduct and the Martin Jenkins review of the Police Complaints Authority) for the Independent Police Conduct Authority. In addition the initiative has provided a detailed breakdown of the costings and expected benefits from this initiative.
41. The Ministry is also requesting \$4.679 million operating funding through the Families — Young and Old Theme. This initiative is supported by Treasury as a high priority.

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Initiatives not supported by Treasury

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(recommendation s)

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

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(recommendation s)

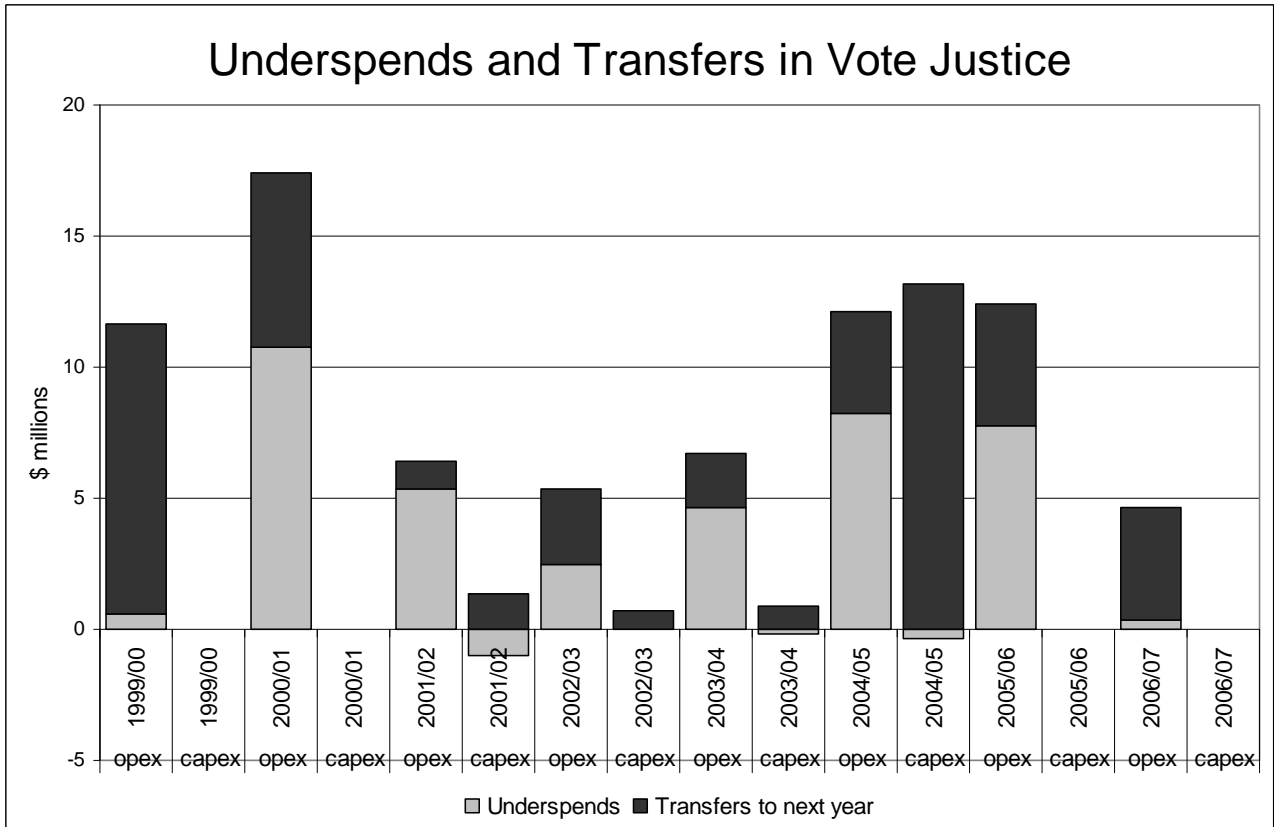
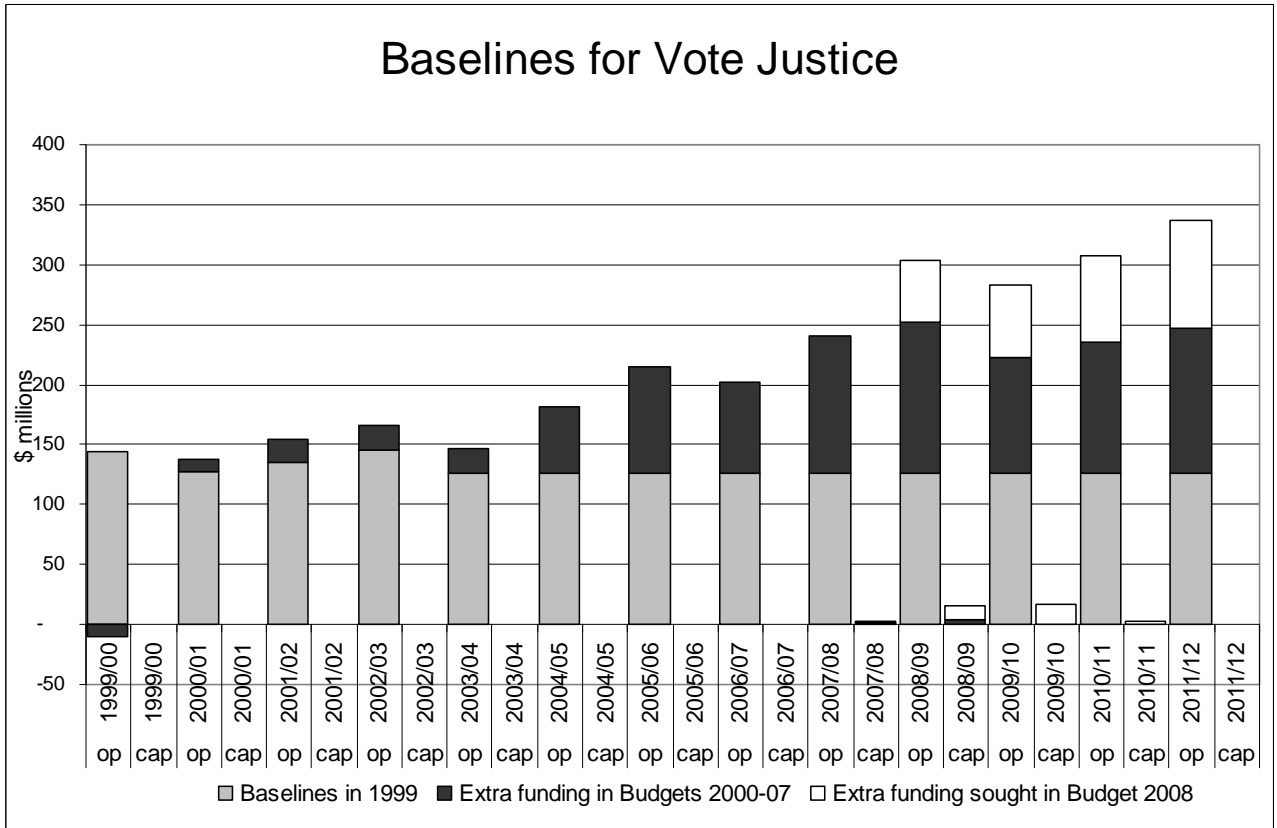
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Analysis of Vote

70. Vote Justice baselines are shown in the graph below. The vote has received significant increases in funding in response to increased demand for legal aid services. In addition, funding increases occur in election years. Remaining increases are for particular interventions (a number of which are time-limited).



71. The largest component of the underspends and transfers in recent years is related to legal services. This activity is demand driven and some variability relative to forecasts is to be expected. The capital transfers in 2004/05 related to delays with a number of large capital projects.

Analysis of Initiatives

72. Funding is being sought for Vote Police through this bilateral and also through theme(s) Families – Young and Old, National Identity and Other. This is summarised in the table below:

	<i>\$million - increase/(decrease)</i>				
<i>Funding sought for Vote Police in Budget 2008</i>	<i>2007/08</i>	<i>2008/09</i>	<i>2009/10</i>	<i>2010/11</i>	<i>2011/12 & Outyears</i>
<i>Operating (GST excl)</i>					
At this bilateral	-	-	-	-	-
Through Theme Families - Young and Old	-	138.470	143.005	149.019	153.120
Through Theme National Identity	-	2.175	15.543	22.013	20.671
Through Theme Other	-	3.000	4.000	1.757	-
TOTAL OPERATING	-	143.645	162.548	172.789	173.791
TOTAL CAPITAL	-	76.283	14.398	29.964	29.123

73. Of the operating funding sought through theme Families Young and Old, \$311.045 million relates to capital initiatives being discussed in this bilateral.
74. Of the operating funding sought through theme National Identity, \$60.402 million relates to capital initiatives being discussed in this bilateral.
75. None of the operating funding sought through theme Other relates to capital initiatives being discussed in this bilateral.

Initiatives supported in full by Treasury

Information Technology: Enhanced Security Infrastructure (recommendation y)

76. The department seeks \$4.000 million of capital funding to maintain and enhance the confidentiality, integrity and availability of Police data. *[information deleted in order to avoid prejudicing the maintenance of law]*
77. Security threats are continuously advancing as new technology is used around the world. Police must enhance and maintain its capability to meet these evolving threats. People, process and technology changes are required to meet these modern day security threats.

[information deleted in order to avoid prejudicing the maintenance of law]

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

CYPF Act 1989, Amendment Bill (No. 6) Information Technology (recommendation z)

82. *[information deleted in order to avoid prejudicing the maintenance of law]*

83. Funding sought assumes the Amendment Bill will be passed and become legislation in 2008.
84. Split sentencing is not accommodated by CMS, NIA or other Justice Sector users because the system is designed to accommodate sentences imposed on the same date as the charges are resolved, and the systems design assumes that sentencing is part of charge resolution and has rules that require the presence of a Final Charge Outcome before a sentence can be recorded.
85. Once Police undertakes the technical tasks, NIA will be able to record split sentences, receive details of Orders at the time that they are made, and enforce them where necessary. At a high level, the technical tasks include: preparing requirements, scoping project, analysis and design, development, unit testing, Police systems, acceptance and partnership testing and user training
86. Treasury recommends that Ministers fund this initiative. Police do not plan to make the necessary upgrades to IT without additional funding. If upgrades are not made Police will be unable to record split sentences as proposed in the Amendment Bill.

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

88. Treasury is reluctant to see capital funding progress without commensurate depreciation being funded through the relevant Theme process. Therefore Treasury recommends that progression of this initiative be subject to operating funding being available through the Families – Young and Old Theme or identified from within Police baselines.

Lower Blood Alcohol Limit (recommendation aa)

89. The department seeks \$1.500 million capital funding to upgrade and replace Police breath testing equipment in line with the Parliamentary Legislative Committee's endorsement on 19 September 2007 for a "zero" breath and blood alcohol level for drivers under the age of 20 years who do not hold a full drivers licence. This level will be applicable to restricted and learner licence holders, or those who do not hold a licence or are suspended or disqualified.
90. Some of the existing breath testing equipment that would have remained in service for a further four years will now need to be replaced. Other evidential devices purchased in the last two years are capable of reading lower levels, but will require reprogramming from the present breath alcohol level of 150 micrograms of alcohol per litre of breath, which is equivalent to 30mg of alcohol per 100ml of blood
91. It is envisaged that the capital requirements for the evidential breath testing will be required at the commencement of the 2008/09 year to enable Police to comply with the new legislation
92. There are no alternatives to upgrading the Police alcohol testing equipment to cater for the new levels, as this will be a legislative matter requiring strict compliance.
93. Treasury supports funding for this initiative to enable Police to upgrade equipment in order to enforce a zero blood alcohol limit.
94. Treasury recommends that if Ministers do not allocate capital funding to this initiative in Budget 2008 Police should endeavour to upgrade or replace equipment from within baselines as soon as is practical.
95. Operating funding for this initiative will be provided through the National Land Transport Fund.

Road Policing: Capital (recommendation bb)

96. The department seeks \$4.914 million capital funding for road policing initiatives that have in the past received operational funding from the National Land Transport Fund (NLTF) but no associated capital funding.
97. The specific capital items included in this proposal are:
 - a. hand-held evidential breath alcohol (EBA) testing devices for rural stations (\$0.240 million)
 - b. roadside oral drug testing devices - pilot (\$0.100 million)
 - c. Commercial Vehicle Investigation Unit (CVIU) portable scales (\$3.114 million)
 - d. Automatic Number Plate Recognition (ANPR) (\$0.660 million)
 - e. e-ticketing devices (\$0.800 million)
98. Treasury supports funding for this initiative if competing pressures allow. Treasury does not consider that funding for additional road policing activities is a top priority for either the National Land Transport Fund or the Budget 2008 capital allocation, and Ministers may wish to consider declining this initiative due to competing priorities.
99. LTNZ agreed to provide operating funding for the initiatives contained in this bid for the 2007/08 financial year; however, these initiatives have been unable to progress due to a lack of capital funding. Treasury does not consider that it should be seen as a given that capital funding will follow decisions to provide operating funding from the National Land Transport Fund. However, it should be noted that some initiatives approved by

LTNZ again cannot progress without capital funding, and operating funding will continue to sit unutilised.

100. Capital funding sought for this initiative is marginally lower than was originally sought (and withdrawn at the commencement of the bilateral) in Budget 2007, and is broadly consistent with Police advice to Treasury following the commencement of that budget process as to the level of capital that Police could not absorb.
101. Police offer credible assertions regarding the value and effectiveness of each element of this bid; however, contributions to outcomes and flow-on impacts in areas such as prosecutions are not quantified.
102. Given that there are multiple components to this bid, scaled options are available. Treasury does not have a sense of Police and Transport agencies priorities within this bid; however, if Ministers wish to progress this initiative at a scaled level Treasury recommends funding the Commercial Vehicle Investigation Unit portable scales at a cost of \$3.114 million in order to avoid equipment – and thus service – failure. Many of these scales were gifted by the Ministry of Transport prior to 1992 and have therefore not been appropriately depreciated. Obsolete equipment inhibits the ability of Police to accurately enforce the law relating to commercial vehicle weight restrictions.
103. Should Ministers decide not to fund capital for this initiative Treasury recommends that Police and Transport agencies consider options for the use of operating funding allocated to this initiative. This may include:
 - Road policing initiatives that do not require additional capital; or
 - Non-road policing initiatives within the ambit of the National Land Transport Fund.

Initiatives supported at scaled costs by Treasury

Frontline Capacity: Third Tranche of 1,250 (recommendation cc)

104. The department seeks funding to implement the third tranche of the government's Confidence and Supply Agreement to provide 1,250 additional Police staff by 2009. This bid includes all operating and capital costs required to support the final 422 staff (332 sworn and 90 non sworn) under that agreement.

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

106. The bid includes capital of *[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]* \$6.300 million motor vehicles and \$3.249 million for computing equipment.
107. Treasury supports funding in 2008/09 for vehicles and IT in order to ensure that additional staff are sufficiently equipped from day one. *[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]*
108. Treasury acknowledges that a capital injection is required to support the third 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. *[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]*

Strengthening Maori Wardens: Enhancing Capacity – Realising Potential
(recommendation dd)

114. The department seeks \$2.094 million capital funding for Building capacity and capability within the New Zealand Maori Wardens [new policy initiative in 2007/08 (CAB Min(07) 12/1 (33) refers)]. This initiative seeks the Vote Police component, being the provision of vehicles and radios to support the initial implementation in six regions in 2007/08, plus a further eight regions covering all of New Zealand in 2008/09.
115. This initiative will allow Police to contribute vehicles and radio equipment to support the Te Puni Kokiri (TPK) bid to increase the coverage of Maori Wardens nationally.
116. Treasury supports funding at scaled levels in order to maintain current levels of support (initiated within baselines in 2007). Treasury does not support further funding for expansion into all regions. This approach is consistent with Treasury's advice regarding this initiative in Vote Maori Affairs (where the majority of expenditure falls).
117. Treasury has some outstanding reservations regarding the impact that a closer association with Police could have on the effectiveness of Maori Wardens and the comparative advantage that Wardens currently have in providing some services.
118. The value-for-money, contribution to Justice Sector and wider outcomes, and potential for unintended consequences associated with investing in what is primarily a voluntary organisation are yet to be fully investigated. However, Treasury also notes the

widespread support and assertions from a variety of stakeholders as to the value of the work undertaken by Maori Wardens.

119. Treasury notes that an agreement to address “funding the Maori Wardens on a similar basis to the Maori Women’s Welfare League” is included in the appendix to the Confidence and Supply Agreement with New Zealand First, and that this initiative is strongly supported by that party.

Higher Priority Initiatives not supported by Treasury

Police has identified the following initiatives as key business and service delivery risks.

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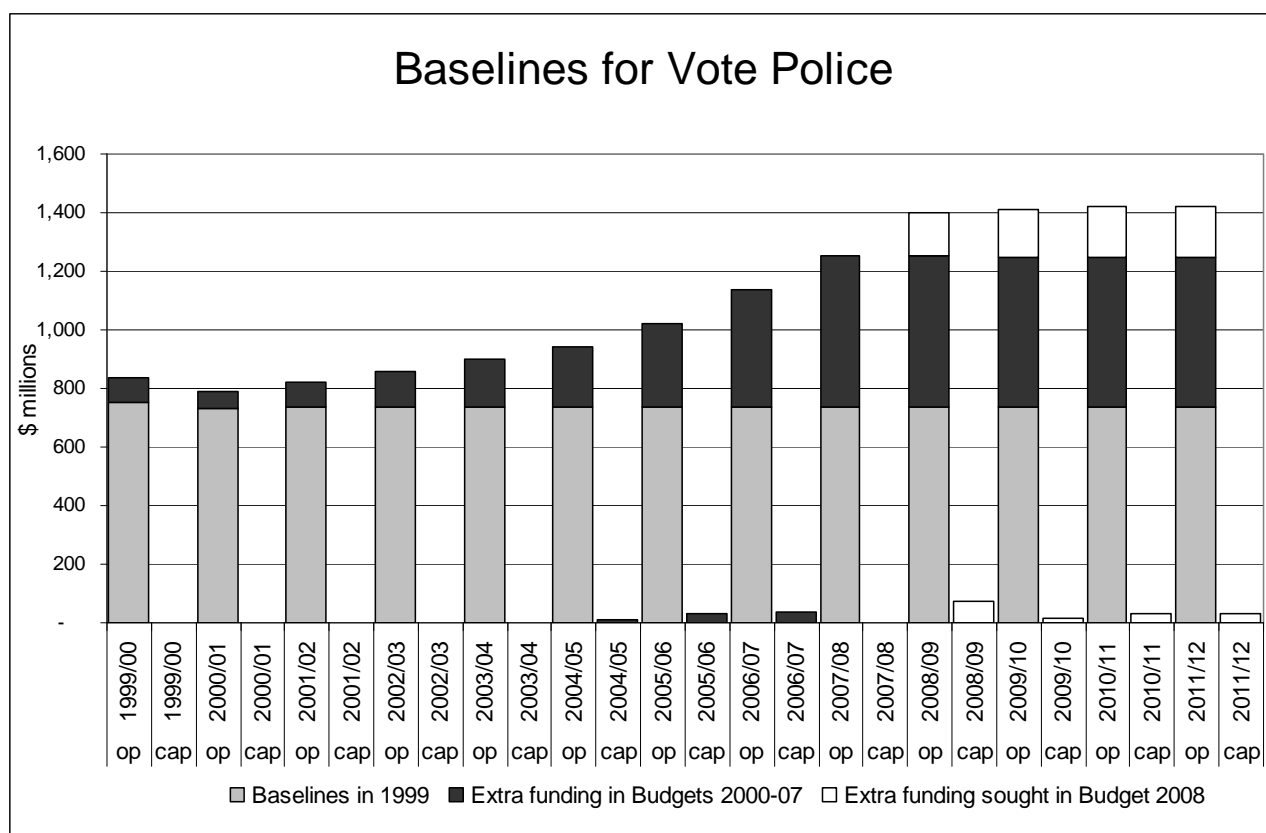
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Lower Priority Initiatives not supported by Treasury

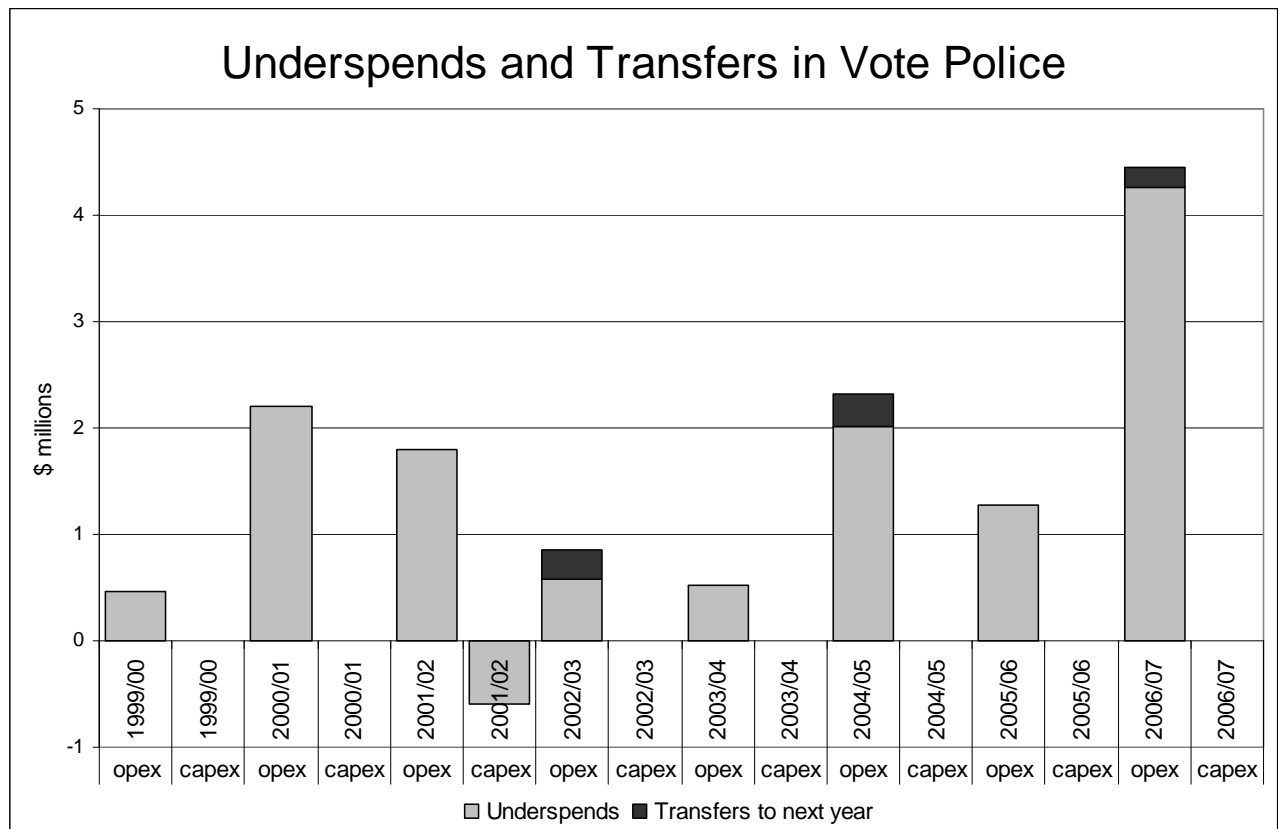
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Analysis of Vote

193. Vote Police baselines are shown in the graph below. The vote has received significant increases in funding in the past two years due to the first two tranches of additional staff agreed as part of the Confidence and Supply Agreement with New Zealand First, and a two-year wage settlement reached in 2006.



194. Underspends in Vote Police have been small relative to the size of the baseline, and there is no history of significant transfers between years. Underspends and transfers over the past eight years are shown in the graph below.



195. The nature of Police's business is such that there is relatively low likelihood of significant underspends, unless Police are affected by difficulties with recruitment or retention. Police attrition is currently very low compared to any other organisations in the public sector, with turnover of approximately four percent per annum. Police are meeting recruitment targets, despite the challenges of pursuing a large net increase in staff numbers in a tight labour market.

Scope for Reprioritisation

Treasury and Police have previously been unable to identify any ready source of funding for reprioritisation from within Vote Police baselines in order to fund new initiatives. As over seventy percent of the Police baseline relates to personnel costs and related expenditure, Police would struggle to absorb new initiatives of significant magnitude, without a reduction in staff numbers. However, Police officers are essentially inputs, and there is a reasonably high degree of flexibility as to how those inputs are utilised.

The additional 1,250 staff funded in Budgets 2006-2008 (funding for the third tranche still under consideration in Budget 2008) provide Police and Ministers with increased flexibility to shift Police staff and resources to strategic priorities, with minimal disruption to existing arrangements. Treasury considers that there is a strong argument for not providing any additional staff beyond the 1,250 at this point in time, and believes that it is a fair expectation for Police to staff new initiatives from within existing resources in the near future.

Going forward there is value in Police, Treasury, and Ministers continuing to focus on performance measurement and consider the value-for-money and contribution to outcomes of various streams of Police activity.

One-page Initiative Summaries

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