

# The Treasury

## Budget 2011 Information Release

### Release Document

June 2011

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- [1] 9(2)(a) - to protect the privacy of natural persons, including deceased people
- [2] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials
- [3] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions
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- [8] 9(2)(h) - to maintain legal professional privilege
- [9] 6(c) - to prevent prejudice to the maintenance of the law, including the prevention, investigation, and detection of offences, and the right to a fair trial
- [10] 9(2)(d) - to avoid prejudice to the substantial economic interests of New Zealand
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In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) of the Official Information Act.

**Vote Police**

# Four-year Budget Plan

Version [1]

1 December 2010

Submitted by:

**New Zealand Police**

## Section 1: New Baseline and Summary of Changes

This section is to be no more than 2 pages.

### Direction of Change

Please describe your priorities and strategy for the Vote(s) over the next four years, including any changes to existing service delivery or the mix of services provided. This section should provide a succinct description of the major priorities, the major programme changes and how these will contribute to achieving Government priorities.

### *Justice Sector Context*

1. Over the next four years, the priorities for justice sector Ministers are to focus on maintaining public confidence in the justice system, continuing to implement performance improvement actions across the sector, and to progress new initiatives which will reduce volumes and cost across the justice sector.
2. In Budget 2011, there are a number of justice sector cost pressures which require immediate funding to ensure that existing services are maintained – including legal aid, Crown Solicitor services, Community Law Centres, Serious Fraud Office, coronial services, the constitutional review, and a number of justice sector performance improvement actions. Options are also being developed to reduce the size of these pressures and reduce the very significant sector-wide pressures across the forecast period.
3. Justice sector Ministers have agreed that allocation of the new \$160 million operating allowance will be prioritised to maintain existing services and high priority government policy. The preliminary allocation of the new allowance (outlined in justice sector agency's four year plans) may change following Cabinet decisions on the range of options to manage legal aid cost pressures in December 2010. Justice sector Ministers will consider the implications of these decisions before finalising the proposed sector allocation in early 2011.

### *New Zealand Police*

4. The interests of victims, the security of law-abiding citizens and a commitment to a safer New Zealand will remain at the heart of New Zealand Police (Police) priorities.
5. The objective is for Police to remain firmly focused on improving the quality of life for New Zealanders so that they can concentrate on their chosen productive endeavours and more actively contribute to New Zealand's economic growth.
6. Activities will remain focused in four priority areas: Prevention and demand reduction; Reducing the harm that gangs, organised crime, drugs and alcohol place on individuals, communities and the wider economy; Delivering community reassurance with particular emphasis on the most vulnerable - children and the elderly; and Continuous improvement in Police's operational and financial performance.
7. [2]
- 8.

[2]

9. Delivering on these priorities will require the reprioritisation of some resources. The financial resources available to Police for the next four years, and expected changes to those resources, are set out in the following tables and discussed in more detail later in this paper:

**Table 1: Police Baselines - operating**

Operating	Impact (\$m)				
	2010/11	2011/12	2012/13	2013/14	2014/15
Current Baseline	1,473.6	1,474.8	1,472.3	1,467.8	1,469.2
Cost of new/increased activities (refer table 3)	-	23.0	33.0	47.0	54.7
Amount reprioritised (refer table 4)	-	-23.0	-33.0	-47.0	-54.7
New baseline	1,473.6	1,474.8	1,472.3	1,467.8	1,469.2

**Table 2: Police Baselines – capital**

Capital	Impact (\$m)				
	2010/11	2011/12	2012/13	2013/14	2014/15
Capital proposals seeking new funding in Budget 2011.	-	-	-	-	-
[2]				-	-
Total capital intentions	129.8	127.9	107.8	108.7	89.7

*Note:*

- The tables are intended to provide a high-level summary of financial movements and should provide aggregate numbers only for each line (e.g. the amount reprioritised should sum all the detailed reprioritisation movements in section 4).*
- In the first table, the 'New baseline' line should only be greater than the 'Current baseline' line where Votes have been allocated funding from the Budget 2011 operating allowance*

- *The line “capital proposals seeking decisions in Budget 2011 funded within in baselines” should cover all stage 1 or 2 business cases that require a decision in Budget 2011, but that are funded from within baselines*

10. The capital intentions noted above represent forecast expenditure on property, vehicles and information technology assets, funded within Police baselines.

[2]

## Section 2: Vote Priorities and Pressures

Use this section to set out the priorities and pressures in your Vote(s) from 2011/12 to 2014/15.

Please keep the discussion at a high level (1-2 pages) so your colleagues can test your assumptions and why specific priorities and trade-offs have been chosen.

The information in this section will be used to assess the merit of the proposals for reprioritisation in section 3.

Please discuss:

1. What you intend to achieve over the next four years (as outlined in the priorities letter agreed with the Prime Minister and as presented to ECC).
2. How these achievements link to the Government's priorities.
3. Relative to Government priorities, identify the lowest value programmes within the Vote(s).
4. The major pressures facing the Vote(s) over the forecast period. Where possible these should be quantified.
5. The drivers of costs in the Vote(s) (e.g. inflation/price pressure, demographic changes, one-off pressures).
6. The measures being put in place to manage these pressures within the Vote(s).
7. What risks do these pressures create?

**Please discuss:**

- 1. What you intend to achieve over the next four years**
- 2. How these achievements link to the Government's priorities**

13. The interests of victims, the security of law-abiding citizens and a commitment to a safer New Zealand will remain at the heart of the Government's Law and Order priorities. New Zealand Police (Police) will contribute to meeting these priorities through activities focussed in four priority areas: Prevention and demand reduction; Reducing the harm that gangs, organised crime, drugs and alcohol place on individuals, communities and the wider economy; Delivering community reassurance with particular emphasis on the most vulnerable - children and the elderly; and continuous improvement in Police's operational and financial performance.

### **Prevention and Demand Reduction:**

14. While the annual increase in prisoner numbers is slowing, New Zealand still has a relatively high rate of imprisonment compared with other western countries. Police will contribute to abating the rate of growth in demand on the criminal justice system and

reducing the costs to victims and society through adopting a more preventative policing model and a programme of continuous improvement in Police's decision making.

[2]

17. Other key activities contributing to this priority area include:

- Policing of the Government's *Safer Journeys* programme: Police in consultation with the Ministry of Transport and the NZ Transport Agency is realigning the Road Policing Programme to the strategic goals of Safer Journeys. Transition to the new programme will begin in 2011/12 and take effect through 2012-2015.
  - Expanding the Police Youth Development programmes as part of the Government's Fresh Start Package: This will increase the number of youth development placements by 650 per annum.
  - Expanding the "Cops in Schools" programme will reinforce the *Neighbourhood Policing Teams* objectives.
  - Contributing to the delivery of outcomes from inter-agency initiatives including:
    - Addressing *Drivers of Crime*
    - Family Violence Taskforce
    - MSD led programme - *Protecting Our Children*
    - The management of High-Risk, High-Profile Offenders
    - [2]
    - MSD's Community Response Model
    - Review of Immigration policies and procedures relating to foreign students
    - [2]
    - Strengthening NZ's Cyber security capability
  - Police-led legislative initiatives that will be taken over the period include: [2]
- 
- Responding to other Legislative Initiatives: Police will maintain an important role in the development and implementation of the Government's continuing law and order

legislative programme. Legislation passed or intended to be passed with impacts and implementation implications for Police include:

- Implementation of the Alcohol Law Reform Bill
- Search and Surveillance Bill;
- Crime (Offences Against the Person) Amendment Bill;
- Courts and Criminal Matters Bill;
- Criminal Procedure Modernisation and Reform Bill;
- Summary Proceedings (Warrant for Detention Conditions) Amendment Bill
- Sentencing and Parole Reform Act 2010;
- Review of Phase 1 of the Criminal Investigations (Bodily Samples) Amendment Act 2009;
- Bail Act 2000 Review;
- Crimes Act (Penalties relating to Assaults against Police) Review; and
- Domestic Violence Amendment Act 2008.

### **Reducing harm from gangs, organised crime, drugs and alcohol**

18. Police will continue to support Government's determination to stop the destructive influence organised crime has on our community through the sale of methamphetamine, extortion, money laundering and violence. Through Police's National Tasking and Co-ordination processes, focus will remain on deterring participation in criminal gangs, following money trails and seizing the proceeds of criminal activities. This will lead to less actual crime and anti-social behaviour, will contribute to New Zealand being seen as a safe and secure place to live, visit, and conduct business, and to the Government's goal of lifting the long-term performance of the economy.

19. Other key activities for Police include:

- On-going implementation of the Anti-money laundering and Countering the Financing of Terrorism Act 2009;
- Implementation of the Criminal Proceeds (Recovery) Act 2009;
- Implementing the Prime Minister's Methamphetamine Action Plan; and

[2]

### **Delivering community reassurance**

20. Confidence in Police plays an important role in contributing to feelings of well-being and safety so that people can enjoy full and productive lives, unburdened by crime and fear of crime. [2]

21. Other key initiatives supporting this priority include:

- Victims Rights Act 2002 Review

- Implementation of the Child Protection Protocol following on from the Police's and the IPCA's review of Police's handling of Child Abuse Cases
- Formalisation of Police's role with agencies maintaining a shared objective of keeping safe vulnerable people including the elderly, mentally unwell and the mentally and physically disabled.

### **Continuous improvement in Police's operational and financial performance**

22. Several of the Policing Excellence workstreams are focused on delivering improved operational and financial performance - better services for less. In particular:

[2]

23. In addition to these specific initiatives, there will continue to be a relentless focus on line-by-line savings – an approach that has already seen savings of around \$32 million achieved over the last two years.

24. Programmes commenced in response to the Commission of Inquiry into Police Conduct, which are focused on improving performance management, quality leadership and achieving a service culture, will continue and be strengthened. These programmes are fully consistent with the Government's goal to deliver *Better Smarter Public Services*.

**3. Relative to Government priorities, identify the lowest value programmes within the Vote(s)**

25. Policing is in itself a government priority. Police has very little “programme expenditure”, instead delivering a range of activities and outputs which can be increased or decreased depending on the outcomes sought and funding available.

[2]

**4. The major pressures facing the Vote(s) over the forecast period. Where possible these should be quantified.**

**Demand for services**

27. Demand for services has grown significantly over the last decade, and growth is likely to continue. Over the last ten years:

- Emergency calls for service have doubled to 700,000 per annum, and non-emergency calls for service have increased by almost one-third to just over 1 million per annum;
- Non criminal incidents for police attendance have increased by more than 50% to 500,000 per annum;
- Recorded traffic offences and infringements have increased by 43%;
- The number of prisoners held in police custody has increased by more than 50%;
- Vetting services provided to approved community organisations have increased by 55%;
- While overall recorded crime has remained relatively flat, the mix has changed with increases in the resource intensive serious crime categories of violence (up 61%) and sexual offences (up 23%).

28. The impact of this is that while Police has been successful in reducing recorded crime and road trauma, demand for services has steadily increased, placing pressure on resources and service standards.

## Complexity

29. The policing environment has become administratively more complex. Key legislative changes that have added requirements for Police include the Criminal Disclosure Act 2008, Criminal Investigations (Bodily Samples) Amendment Act 2009, and the Evidence Act 2006. In each case, while legislation has delivered benefits there have been training and procedural implications.

30. Looking forward, a number of proposed cross portfolio legislative initiatives will place significant demand on Police resources in the medium term, Some rationalisation may be required to recognise financial constraints, however Police considers that any rationalisation can be managed to prevent impact on the delivery of frontline services. Additional demands relate to:

[2]

- Alcohol Law Reform Bill, where implementation will cost Police an estimated \$2.8 million in the 2011-12 financial year;
- Search and Surveillance Bill, where implementation will require significant training of all frontline staff before the Bill commences. Costs will include upfront IT costs to meet the mandatory notification provisions. Firm figures are not expected to be finalised before February 2011;

[2]

31. In addition, there are a number of inter-agency social sector initiatives that may result in substantial operational changes. These include actions that may come from:

- the Select Committee Inquiry into child offenders;
- the treatment of child witnesses in Criminal Courts;
- Family Violence Task Force's examination of the inquisitorial model and its treatment of the victims of family violence.

<b>5. The drivers of costs in the Vote(s) (e.g. inflation/price pressure, demographic changes, one-off pressures).</b>
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32. Of Police's \$1.473 billion appropriation for 2010/11, an estimated 71% (\$1.050 billion) will be spent on personnel costs, 18% (\$258 million, including depreciation and capital charge) on asset related costs and 11% (\$165 million) on other operating expenditure.

33. The predominance of personnel and asset related costs, and the essential nature of these inputs to the delivery of policing services and achievement of outcomes, limits the ability for significant fiscal changes within the Vote.

### Personnel costs

34. Personnel costs are driven by the number of staff, and the average rates at which they are paid. The government made an election commitment in 2008 to increase constabulary staff numbers by 600 by December 2011, relative to November 2008

numbers, and to achieve a constabulary staff / population ratio of 1:500 by that date. Police is on track to deliver on that commitment.

35. Average rates of pay are driven by pay scales, mix of staff, and length of service.

[6]

#### **Asset costs**

40. Police provides services to every community in the country. The asset base required to support this includes: a national network of stations to provide visibility and accessibility for the public and a work base for police staff; availability of adequate transport to deliver services; and an ICT infrastructure that facilitates communication, and provides effective and efficient operational and administrative systems.

41. Police continually reviews its asset base with a view to optimising value-for-money, however the key driver of cost remains the breadth of assets required: Police has around 600 properties, 3150 vehicles, a national radio network, 24/7 communications centres and supporting national ICT systems.

[2]

#### **Increase in input prices**

43. As with any organisation, Police is exposed to general price inflation on operating costs – both the operating cost portion of asset related costs noted above, and residual operating costs. Treasury are forecasting the Consumer Price Index to increase by 2.4% per annum over the next five years. [2]

[2]

**6. The measures being put in place to manage these pressures within the Vote(s).**

44. Police has made line-by-line savings of around \$32 million over the 2009/10 and 2010/11 years with key savings achieved in the leave management, internal travel, temps and casuals, vehicle operating and depreciation costs, Crown solicitor costs, ESR expenses, and telecommunications costs.
45. Smaller but collectively significant savings have been achieved across a range of other operating cost items including training, transfer costs, overtime, recruit advertising, messing, and photographic expenses.
46. In total, after adjusting for the effect of staff and new initiatives such as the introduction of taser and new DNA powers, indirect personnel and operating costs have reduced from \$29,700 per FTE in 2008/09 to \$27,000 in 2010/11. Even after including the impact a 2% growth in staff numbers and the new initiatives noted above, indirect personnel and operating costs reduced from \$346 million in 2008/09 to \$329 million in 2009/10.
47. These efficiencies allowed Police to offer savings back to the Crown of \$34 million in 2009/10 (consisting of Budget 10 Line by Line savings of \$14 million reducing to \$5.5 million in outyears, and a further one-off saving of \$20 million in the 2010 Supplementary Estimates), [2]

**7. What risks do these pressures create?**

49. The effect of these pressures is to force the reprioritisation of resources within baselines. To date, necessary savings for reprioritisation have been found through line-by-line savings noted above, without impacting service delivery. Police has become more efficient.

[2]

### Section 3: Proposed Changes for Budget 2011 (Reprioritisation)

Use this section to set out in detail what reprioritisation is needed in the Vote(s) to achieve your priorities, and meet the pressures outlined in section 2, within the total operating and capital funding available to the Vote(s) over the next four years. This section should also include any capital proposals seeking new funding in Budget 2011.

The discussion on each of the proposed reprioritisation below should be commensurate with the significance of the activity. Where there are a number of minor changes, the detailed provided should be at a reasonable level of aggregation.

#### *What will be new or increased?*

Please include a description for each new or increased activity that you propose within the Vote.

For each new or increased activity, please discuss:

1. What is new or different compared to what is currently being delivered?
2. The contribution of the activity to your priorities (i.e. as set out in section 1).
3. Summary of information supporting the proposed changes (see next paragraph).

For the information referred to in point 3 (above), the analysis that supports a proposed change in activity should be appropriate to the significance of the proposal. Analysis supporting a proposed change should cover the basic questions of intervention logic; options analysis; and how the new activity will be implemented and evaluated. In some cases, a full business case will be appropriate. This analysis does *not* need to be included in full in this template, but should be provided to The Treasury.

#### *What will change?*

Please include a description for each activity that you propose to change, whether it be to make more efficient or effective, stop, or decrease.

For each activity, please discuss (as applicable):

1. The reason why the activity is not effective, of lower value or not aligned with priorities (ie, why it does not align with the priorities in section 2);
2. How efficiencies can be made (eg, how the activity can operate with reduced funding);
3. How the activity could be reduced or stopped while still being effective; and
4. What are the effects of changing, decreasing or stopping the activity? Are there risks and if so, do they need to be mitigated?

***What will be new or increased?***

51. New or increased activities are set out in the following table:

**Table 3: New or increased activities**

New or increased activities	Impact (\$m)				
	2010/11	2011/12	2012/13	2013/14	2014/15
Police Model including Neighbourhood Policing Teams	-	[2]			
Impact of 2010 Wage settlement	-				
Total new or increased activities (to table 1)	-				

**Police Model including Neighbourhood Policing Teams**

[2]

53. Eight Neighbourhood Policing Teams have been established in Counties Manukau as part of a proof of concept trial. [2]

**Impact of 2010 wage settlement**

[2]

[6]

[6]

***What will change?***

58. Police forecasts Vote changes as set out in the table below. Figures relating to Policing Excellence initiatives are based on internal stage one (indicative) business cases, as presented to the Expenditure Control Committee in July 2010. Police continues to develop stage two (detailed) business cases, and will update forecasts following completion.

**Table 4: Activities that will change**

Activities that will change	Impact (\$m)				
	2010/11	2011/12	2012/13	2013/14	2014/15

[2]





## **Section 4: Summary of Financial Movements**

This section details the changes to appropriations (including new appropriations) which are required to implement all of the proposed changes in section 3.

**Departments should generate this report from CFISnet.**