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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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In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) of the Official Information Act.

Vote Internal Affairs

Four-year Budget Plan

Version 1.1

1 December 2010

Submitted by:

Department of Internal Affairs



Section 1: New Baseline and Summary of Changes

Direction of Change

The key priority over the medium term for Vote Internal Affairs relates to the Government's ownership interest in the Department. This priority contributes to improving the performance of the wider public sector, and includes the potential for further functional structural changes to improve the effectiveness of government.

The Department will therefore continue to focus on building its capability to allow it to be the preferred home for selected government functions that require high quality service delivery to people, communities and government

The emphasis for 2011 and the medium-term will be to realise the benefits of the integration of the Department of Internal Affairs, the National Library of New Zealand and Archives New Zealand, and the transfer of the role of the Government Chief Information Officer and the Office for the Community and Voluntary Sector to the Department. These changes all come into effect from 1 February 2011. In short, these benefits are:

- improving the quality and effectiveness of front-line services;
- reducing 'back office' costs;
- improving responsiveness to Ministers and stakeholders; and
- building functional and agency resilience in the context of a continuing tight fiscal environment.

Integration Costs and Savings

The forecast net cost of integrating the Department with the National Library and Archives New Zealand is \$1.667 million in 2010/11, of which the Department's share is \$1.250 million. Integration is expected to realise savings in the new Department's baselines totalling \$2.000 million per year from 2011/12 onwards. Additional one-off costs of integration and outyear baseline reductions for the ongoing savings that will be realised from integration were included in the October Baseline Update, with the spread being across all Votes in the affected agencies.

Overall Impact

Operating	Impact (\$000s)				
	2010/11	2011/12	2012/13	2013/14	2014/15
Current Baseline ¹	164,418	161,416	168,443	183,223	183,223
Cost of new/increased activities	2,000	12,442	14,558	13,956	12,789
Amount reprioritised	-	-	-	-	-
New baseline	166,418	173,858	183,001	197,179	196,012

The new and increased activities are:

	2010/11	2011/12	2012/13	2013/14	2014/15
i-Govt Initiative	-	12,342	14,358	13,581	12,414
Infrastructure as a Service Initiative	2,000	100	200	375	375

¹ As at October Baseline Update 2010 includes Benefits and Other Unrequited Expenses

New initiative templates for these initiatives have not been completed and attached to this document. This is because both of these initiatives are currently being finalised for Ministerial and Cabinet consideration. They are noted here for completeness and to show their financial impact on the Vote.

Capital	Impact (\$000s)				
	2010/11	2011/12	2012/13	2013/14	2014/15
Capital proposals seeking new funding in Budget 2011.	2,000	-	-	-	(2,000)
Capital proposals seeking decisions in Budget 2011 funded within baselines.	-	-	-	-	-
Total capital intentions	2,000	-	-	-	(2,000)

This capital injection is required to provide funding to support the Infrastructure as a Service operating initiative discussed above. The capital injection will be repaid in 2014/15, which means it will be fiscally neutral within the baseline period.

Section 2: Vote Priorities and Pressures

Vote Priorities – Internal Affairs

In addition to the key ownership priority outlined in section one, the following will continue to be priorities for Vote Internal Affairs over the medium term

Ensuring the integrity of identity information

The Department will continue with its mandate to provide leadership in identity information management across government, through the delivery of the all-of-government *Identity Common Capability Programme (ICCP)*. This includes the igovt Identity Verification Service (IVS), igovt Logon Service and the Data Validation Access Service (DVS) components of the ICCP.

Implementing directions and priorities for Government ICT

The Department will provide leadership in the Information and Communications Technology (ICT) area and develop common ICT capability for Government. For 2011, this will entail:

- completing the transition and integration of the Government Chief Information Officer (GCIO) function from the State Services Commission to the Department of Internal Affairs; and
- leading the implementation of the *Directions and Priorities for Government ICT* policy, including leading a programme to create a Common ICT Capability Roadmap as a basis for ICT planning and implementation.

This priority will deliver all-of-government benefits.

Improving compliance with gambling laws and the integrity of funding practices

The goals in the gambling portfolio are an increase in the percentage return to the community, and that grant funding is operated with greater integrity. To achieve this, it is important that gambling operators manage their cost structures and grant funding practices more efficiently and effectively. The Department will continue to undertake concerted and targeted compliance and investigative action in the non-casino gambling sector. In addition, the implementation of the *Integrated Gambling Platform*, an integrated electronic solution to improve the regulation of gambling in New Zealand, is an important enabler to achieve these goals

Improving the efficiency and effectiveness of the fire sector

The priority here is to deliver a more efficient fire service and more effective emergency fire responses and planning, through addressing a number of fundamental problems faced by New Zealand's fire services. These include issues relating to the fragmentation of rural fire services and fire service levy inequities.

The Department will continue to support the National Rural Fire Authority to encourage the voluntary amalgamation of rural fire authorities into regional groups, allowing for improvements in resource allocation and capability. It will also provide options to address other issues, in particular Fire Service levy inequities to ensure the sustainability of the Fire Service, with a view to possibly introducing legislation early in the Government's second term of office

Vote Priorities – Ethnic Affairs

The priorities for the Ethnic Affairs portfolio in 2011 remain unchanged from 2010. These are:

- Maximising ethnic people's transnational and cultural skills for domestic economic gains.
- Empowering ethnic communities through increased government responsiveness;
- Maintaining New Zealand's reputation as a successful model of social harmony through celebrating our multi-ethnic and multi-faith society; and

Vote Pressures

The Department faces ongoing pressure to contain costs and maintain fees charged to third party users of services

The majority of services provided through this Vote are funded by fees charged to third parties². Third party revenue currently provides approximately 74% of output class funding for the Vote, and this is forecast to increase slightly over the baseline forecast period. This increase relates primarily to increased volumes in the Identity Services area, particularly passports. Forecast volume-related cost increases are not fully matched by a corresponding increase in third party revenue, which will result in increased deficits in the memorandum accounts for third party-funded services.

Fee reviews are undertaken on a regular basis and it may become necessary for the Department to increase fees to reflect increased delivery costs and ensure full cost recovery of third-party services through the respective memorandum accounts over the long-term. The Department is currently able to hold the level of fees charged for these services by actively managing its costs, and is doing so without compromising the quality of services it provides to the public.

The majority of Crown funding for outputs in Vote Internal Affairs is for the statutory provision of services for which no fees are payable by third parties, such as birth and death registrations, for provision of 'public good' services, such as services for Ethnic Affairs, and for service provision through the Government Technology Services' whole-of-government information and communications technology role.

What this means in practice is that the Department will continue to deliver agreed services within existing baselines. To this end, the Department has actively participated in the *Better Administrative and Support Services Programme* exercises that have been led by central agencies, and that these reviews have noted the Department's prudent use of available resources.

The Department will face significant cost pressures over the baseline period. The most immediate pressure is from the cost of integration with Archives New Zealand and National Library of New Zealand, and additional one-off funding has been provided to meet these pressures

The Minister of Internal Affairs has agreed post-integration savings targets with the Chief Executive of the Department, and these targets will see a net reduction in the Department's baseline of \$2.000 million per annum (across all Votes administered by

the Department) from 2011/12 onwards. The Vote Internal Affairs portion of these savings is \$0.860 million per year.

The baseline changes relating to both the one-off costs of integration and the long-term savings were incorporated as part of the October Baseline Update.

In addition to the cost and pricing pressures identified above, a number of unfunded risk areas in the all-of-government ICT functions of the Department have been identified. The most immediate of these are the ongoing maintenance and further development of the i-Govt programme and the development and rollout of the Infrastructure as a Service initiative

These pressures have been quantified as follows:

Initiative	Operating/ Capital	2010/11	2011/12	2012/13	2013/14	2014/15
i-Govt	Operating	-	12,342	14,358	13,581	12,414
	Capital	-	-	-	-	-
Infrastructure as a Service	Operating	2,000	100	200	375	375
	Capital	2,000	-	-	-	-
Total	Operating	2,000	12,442	14,558	13,956	12,789
	Capital	2,000	-	-	-	-

These costs are not able to be met from within existing resources, and have been included in the financial summary tables in Section One as new initiatives that are not matched by reprioritisation.

The i-Govt initiative operating funding is time-limited through to the end of 2010/11 only, with no further funding provided for outyears. Additional operating funding is required to maintain current capability and ensure the ongoing delivery of this service across all of government.

The level of operating funding required would require reprioritisation of funds to a degree that is beyond the capacity of the existing baseline, and would require cessation of existing programmes of work (for which the Department is the statutorily-mandated provider of a large number) on a large scale.

Additional operating funding to support the i-Govt programme, and both operating and capital funding to support the Infrastructure as a Service programme, is therefore being sought through proposals being submitted alongside the Four Year Budget Plan process. Both of these initiatives are all-of-government rather than specific to the Department's outputs and services.

With the notable exception of the initiatives noted above, the Department is expected to manage cost pressures and live within baselines. It will continue to actively seek ways to improve its efficiency and effectiveness, in front-line service delivery areas as well as support functions.

Section 3: Proposed Changes for Budget 2011 (Reprioritisation)

No reprioritisation will be required to meet the gambling and fire priorities, nor to achieve the activities that will support building capability in operational regulatory and compliance functions within organisations. In the case of the Anti-Money Laundering and Countering Financing of Terrorism, and the Private Security Personnel and Private Investigators functions, commensurate funding already has or will be transferred to the Vote

Capital and operating requirements for the i-Govt and IVS programmes are discussed above in Section Two.

Given the relatively small proportion of Vote revenue that derives directly from the Crown, the scope for reprioritising is constrained to a large extent. The expected savings from the integration with the National Library of New Zealand and Archives New Zealand will be met from efficiency and effectiveness initiatives, rather than from any reprioritisation of current outputs or services. The Department does not expect the nature and quality of services currently provided to the public to be compromised in any way to achieve this priority, and in fact it is an explicit requirement of the integration that services will be the same after the integration as they were prior to it.

Pike River Mine Tragedy

Cabinet has agreed to establish a Royal Commission into the Pike River Mine Tragedy. The Department of Internal Affairs provides administrative assistance to Royal Commissions and Commissions of Inquiry. The costs of supporting the Royal Commission into the Pike River Mine Tragedy are therefore an unfunded risk within Vote Internal Affairs at this time.

Section 4: Summary of Financial Movements

Four-Year Budget Plan - Financial Summary Report (Operating - Including Operating Associated with Capital Initiatives 2011)

Vote:	Internal Affairs	2010/11	2011/12	2012/13	2013/14	2014/15
		(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Share Allocation		0	0	0	0	0
Operating						
Baseline (2010/11 OBU)		164,418	161,416	168,443	183,223	183,223
Changes:						
Centralised Saving						
Infrastructure as a Service		2,000	100	200	375	375
I-Govt		0	12,342	14,358	13,581	12,414
Total Centralised Saving		2,000	12,442	14,558	13,956	12,789
Reprioritisation						
Total Reprioritisation		0	0	0	0	0
Transfers Outside Vote						
Total Transfers Outside Vote		0	0	0	0	0
Total Changes		2,000	12,442	14,558	13,956	12,789
Total Proposed Operating Baseline		166,418	173,858	183,001	197,179	196,012

Four-Year Budget Plan - Financial Summary Report (Capital 2011)

Vote:	Internal Affairs	2010/11	2011/12	2012/13	2013/14	2014/15
		(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Capital						
Baseline (2010/11 OBU)		30,357	19,516	16,605	14,800	18,500
Proposals for new Capital Funding						
Refurbish/Replace						
Total Refurbish/Replace		0	0	0	0	0
Improve Functionality						
Total Improve Functionality		0	0	0	0	0
Meet Demand						
Total Meet Demand		0	0	0	0	0
Capital Associated with Operating Initiatives						
Infrastructure as a Service		2,000	0	0	0	0
Total Capital Associated with Operating Initiatives		2,000	0	0	0	0
Total Capital Proposals		2,000	0	0	0	0
Total Proposed Capital Baseline		32,357	19,516	16,605	14,800	18,500

