

The Treasury

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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
- [4] 9(2)(b)(ii) - to protect the commercial position of the person who supplied the information or who is the subject of the information
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- [6] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice
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- [8] 9(2)(h) - to maintain legal professional privilege
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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 Prime Minister and Cabinet

Four-year Budget Plan

Version [1]

15 December 2010

Submitted by:

Department of the Prime Minister and Cabinet

Section 1: New Baseline and Summary of Changes

Direction of Change

DPMC's priorities over the next four years will, by necessity, be determined by the policy priorities of the Prime Minister and the government of the day. Of all agencies, DPMC must be prepared to alter its work programme to reflect the particular needs of the leader of the Government, whoever that person may be.

That means that it is difficult to forecast with precision, over a four-year period, the nature of any likely changes to mix of services provided, or programme changes. The broad expectation is however that DPMC will continue to focus on provision of services to executive government, that is the Governor-General, the Prime Minister, and Cabinet, and their supporting executive processes and facilities. That will mean, at core, an ongoing role in provision of policy advice; effectiveness of the public and state sectors (with Treasury and State Services Commission); support services for Cabinet decisionmaking; the Royal Honours system; oversight and strategic leadership of the intelligence community; and advice and support services to the Governor-General. But there may be changes to this mix, or the relative weighting given to some of these roles, for example a greater role in whole-of-government direction setting.

The Government is currently seeking improvements in the performance of the public sector. That work may result in some structural or functional changes over the forecast period, but it is too early to say yet if those will impact on the Prime Minister's expectations of DPMC.

Over the past year, DPMC has been tasked with additional responsibilities for oversight and leadership of the New Zealand intelligence community. We are also proposing to restore foreign assessment capabilities to previous levels in the National Assessments Bureau. Some very modest additional resources have already been transferred, in a fiscally neutral manner, from other agencies. This approach may be repeated in future years, depending on the other priorities of the Prime Minister and Cabinet.

We have also been tasked with providing support to the Prime Minister's Science Adviser. This is not an onerous role, but it reflects the type of changes we have been, and may again be, required to respond to and manage. Funding to support this position is by way of transfer from the Ministry of Science and Innovation. The Prime Minister has signalled his desire to see this role expanded from 2011. Similar examples of particular work requested of DPMC over the last year include coordinating

a cross-agency project on “P”, and leading the Canterbury Earthquake Recovery Policy team, as well as a small project looking at the state sector of the future.

Our expectation is that DPMC is likely to be asked again to undertake such tasks in the future, indeed we would assess the likelihood as certain. There is also the possibility that some additional function(s) may be brought into the department, as has happened in the past. Or there may be steps to build shared services facilities with other agencies, including for example the central agencies. At this stage, it is not possible to say whether that is actually likely to happen, or not.

In the past, when DPMC has been tasked to take on additional short-term responsibilities, special funding has been provided, or resources have been transferred from other agencies, to achieve the outcomes sought by the Government.

The budget figures provided in this document have been prepared on the assumption that the current mix and scale of functions will remain largely unaltered (except for any unforeseeable changes, as described above), but that there will be ongoing drivers for efficiency in areas such as the Cabinet Office (through the introduction of new technology), and the intelligence and security teams (where some sharing of back office functions should be achievable in the new accommodation).

Overall Impact

Operating	Impact (\$000s)				
	2010/11	2011/12	2012/13	2013/14	2014/15 and beyond
Current Baseline	38,901	19,024	19,028	19,046	19,046
Transfer from outside Vote		742	742	742	742
- Establishment of the Intelligence Coordination Group (Initiative 1)					
- To restore foreign-assessment capability (Initiative 2)		106	106	106	106
-To continue with support the Science Advisory Committee		335	335	335	335
Amount reprioritised					
- Establishment of the Intelligence Coordination Group (Initiative 3)	-	23	23	23	23
- To restore foreign-assessment capability (Initiative 4)		54	54	54	54
Centralised Saving					
- Efficiency savings (Initiative 5)		(77)	(77)	(77)	(77))
New Baseline	38,901	20,207	20,211	20, 229	20,229

*NB This table does not include any new priorities or pressures outlined in Section 2 below.
This table does not include any additional capital bids.*

Section 2: Vote Priorities and Pressures

The Department of the Prime Minister and Cabinet (DPMC) exists to support the effective conduct of executive government by the Prime Minister, Ministers and His Excellency the Governor-General. The department's principal role is provision of advice, on a daily basis, to the Prime Minister and Cabinet Ministers on the wide range of issues that the Government deals with as it implements its policy priorities. The Prime Minister expects well-founded advice and judgement to support the often complex or pressing issues the government of the day has to manage. DPMC also

provides impartial advice, through the Clerk of the Executive Council and Government House, to the Governor-General. It plays a role in coordinating and leading the work of government departments and agencies, and other entities to ensure that executive decision making takes account of all relevant viewpoints and that advice is as coherent and complete as possible.

The Prime Minister has not prepared a priorities letter in relation to his own department. Our departmental policy priorities are the government's policy priorities. Our work must adapt as appropriate, within the very small resource base we have at our disposal. The organisational priorities for the department relate principally to sustaining operational resilience, generating efficiencies to deliver within financial constraints, ensuring high-quality staff are available, and maintaining high standards of performance and security.

It is expected that the major pressure facing the department over the forecast period will be providing competitive remuneration, so that we can continue to attract and retain suitable quality staff. Currently DPMC does not, on average, pay market rates for most staff. But we do have a requirement for top talent in most roles. In our recruitment and remuneration policies, we are able to capitalise to some extent on the department's reputation, and the benefits that accrue to personal careers from working at the very centre of our democracy. But we do not expect to be able to hold pay rates at no or very modest increases for ever, and still provide the service the Prime Minister requires and deserves. The implications of ongoing flat budgets for pay levels will need to be managed, probably through retention of a small number of vacancies; through securing staff and/or funding from other agencies; through driving out costs wherever possible and back-office efficiencies, or perhaps as a last resort, through reductions in service levels or coverage.

Another cost pressure arises from possible moves to a shared services model with other agencies, including perhaps our central agency partners. Indications of prices for some shared services options would certainly lift DPMC costs and capital requirements, even if they reduce expenses for the larger group as a whole in the longer term.

The department will be leading, through the Cabinet Office, a project to identify opportunities better to support Cabinet decision making through electronic technologies, and for enabling the systematic, managed release of most Cabinet material electronically, if Ministers agree. The investment case needs further investigation. This project is at an early stage and no budget provision has been made

for it. Any future funding requirements should probably reflect that there will be savings across public service departments from efficiency gains.

The department is also planning for the 2011 General Election particularly in relation to the formation of the government and the appointment and preparation for a new Governor-General taking office in August/September 2011. This will be managed within existing resources.

Government House Wellington will be re-opened in early 2010. Ongoing support needs for operating in the newly renovated building and with a new Vice-Regal representative are under consideration for 2011/12. Provision for an adequate and ongoing contribution and maintenance budget for both Government Houses (Auckland and Wellington) from 2011/12 will be sought to avoid the risk of the buildings not being maintained to an adequate standard or to historic heritage policy expectations.

There will be higher costs than over the recent years for support for the Governor-General as current vacancies are filled for the return to a full complement of staff in the newly restored Wellington residence.

The Department's role has been expanded in accordance with Cabinet's decisions on the Intelligence Agencies Review. The Department discharges these responsibilities through the office of the chief executive, the Intelligence Coordination Group, the National Assessments Bureau, and the Security and Risk Group.

A Four-Year Budget Plan for the Intelligence Agencies is to be submitted separately, but the budgetary effects are included in the table on "overall impact" in Section 1 of the present document. Budgetary proposals are included for the establishment of the Intelligence Coordination Group, in accordance with Cabinet's decisions, and for the establishment of two additional analytic positions in NAB to back-fill for resources re-oriented towards new responsibilities. These positions would restore NAB's foreign-assessment capability to previous levels.

Section 3: Proposed Changes for Budget 2011 (Reprioritisation)

DPMC is expected to achieve its priorities in relation to providing policy advice, support and coordination within its existing operating budget. It is also expected that its priorities are the government's priorities.

The most significant new element to the Vote is the re-organisation of the intelligence community. This will mean that DPMC's intelligence functions will relocate to a purpose built secure building in early 2011 and will be in a stronger position to provide more coordinated advice on the intelligence community and to ensure that assessment practices and standards across the sector are aligned.

Changes will be achieved within existing baselines but it will involve obtaining the support of a range of other agencies that form the intelligence community to assist DPMC to improve the efficiency and effectiveness of the intelligence system.

The department has undertaken to provide more responsive services to the Prime Minister including surge capacity to pursue the government's priorities. This will mean some reallocation of resources inside the department and current appropriations as well as assistance with resourcing from other agencies.

The Government House Conservation Project (\$44.3 million capital expenditure) is scheduled for completion in December 2010. The project is ahead of schedule and on budget.

Other changes to the DPMC's responsibilities will be subject to further discussion with the Prime Minister in relation to budget and resources. Currently, with support from the other central agencies as appropriate the DPMC can continue to operate to the required standard within a constrained budget and achieve better government services and coordination.

Section 4: Summary of Financial Movements