

17 May 2007



Budget

2007

THE ESTIMATES
of APPROPRIATIONS
for the Government of New Zealand

FOR THE YEAR ENDING 30 JUNE 2008

Guide to the Budget Documents

A number of documents are released on Budget day. The intent of these documents is to provide information about the Government's spending intentions; its performance; and the wider fiscal and economic picture.

The Budget documents, ordered from widest to most specific coverage, are as follows:

Executive Summary

The *Executive Summary* is the overview of all the Budget information and contains the key points for the media and general public. It summarises the Government's spending decisions and generally focuses on issues raised in the *Budget Speech*, the *Budget Economic and Fiscal Update* and the *Fiscal Strategy Report*.

Budget Speech

The *Budget Speech* is the Minister of Finance's speech at the start of Parliament's Budget debate. The Speech generally focuses on the overall fiscal and economic position, and how the Government will fund its policy priorities.

The Fiscal Strategy Report

The *Fiscal Strategy Report* sets out the Government's fiscal strategy and measures how the Government is going against its overall goals in areas such as balancing operating revenues and expenses, and achieving debt objectives. It includes

- fiscal trends covering at least the next 10 years, and
- a comparison with the long term fiscal objectives set out in the *Budget Policy Statement*.

The Government must explain inconsistencies between the *Fiscal Strategy Report*, the *Budget Policy Statement* and the previous year's *Fiscal Strategy Report*.

Budget Economic and Fiscal Update

This document includes Treasury's overall economic forecasts and the forecast financial statements of the Government. The *Update* includes the implications of Government financial decisions and other information relevant to the fiscal and economic position.

The Estimates of Appropriations

The Estimates outline the costs the Government plans to incur on each specified area within each "vote" for the coming year.

The Supplementary Estimates of Appropriations

The *Supplementary Estimates* outline the additional money required to cover the current year's spending.

Departmental Statements of Intent

The *Statement of Intent* provides information about how each government department intends to manage for outcomes over the next 3-5 years. The *Statement of Intent* also contains annual financial and output class information required under the Public Finance Act 1989.

Internet

These documents will be made available on the New Zealand Treasury's Internet site.

The URL for this site is <http://www.treasury.govt.nz>

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Introduction

Terms and Definitions Used

The table below contains terms that are used in the Introduction and throughout the *Estimates*. In addition, most Votes have tables that contain terms and definitions specific to those Votes.

Appropriation	An appropriation is a parliamentary authorisation for the Crown or an Office of Parliament to incur expenses or capital expenditure.
Capital expenditure	The cost of assets acquired or developed including any ownership interest in entities, but excluding inventory.
Crown revenue	Revenue received by a department on behalf of the Crown. These flows are accounted for as revenue to the Crown rather than as departmental revenue. Crown revenue is not appropriated.
Expenditure	Cash spent by the Crown (including departments or Offices of Parliament) for either operating or capital transactions.
Expenses	Amounts consumed or losses of service potential or future economic benefits, other than those relating to capital withdrawals, in a financial year. An accrual concept measured in accordance with generally accepted accounting practice.
GST	Goods and services tax. Appropriations are stated GST exclusive.
MCOA	Multi-Class Output Expense Appropriation.
MYA	Multi-Year Appropriation.
N/A	Not applicable.
Outcomes	States or conditions of society, the economy or the environment, including changes in those states or conditions.
Outputs	Goods or services supplied by departments and other entities to external parties. Outputs are a variety of types, including policy advice, administration of contracts and grants, and the provision of specific services.
PFA	The Public Finance Act 1989.
PLA	Permanent Legislative Authority.
Portfolio Minister	The Minister responsible for specific appropriations being sought within a Vote. As several Ministers may now hold appropriations within a single Vote, each appropriation will have a tag (M1, M2 etc) identifying the Minister responsible for that line item.
Responsible Minister	The Minister responsible for the financial performance of a department or Crown entity. In relation to an Office of Parliament, the Speaker is the Responsible Minister.
Vote	A grouping of one or more appropriations that are the responsibility of one or more Ministers of the Crown and are administered by one department.
Vote Minister	The Minister responsible for the appropriations being sought for a Vote. Under the amendments to the PFA, Ministers are responsible for appropriations, rather than a Vote. As such the term Vote Minister will be phased out.

Purpose of the *Estimates of Appropriations*

The *Estimates of Appropriations* (the *Estimates*) contain requests from Portfolio Ministers for appropriations. An appropriation provides a Portfolio Minister with the statutory authority from Parliament to incur expenses or capital expenditure. It establishes the maximum expenses or capital expenditure that can be incurred.

The Public Finance Act 1989 requires that the *Estimates* be presented to the House of Representatives. They accompany the Appropriation (2007/08 Estimates) Bill, which is the first Appropriation Bill relating to the 2007/08 financial year. The examination and the debate of appropriations are important ways by which the House of Representatives scrutinises the Government's proposed operational and investing activities.

To facilitate examination of the appropriations sought, the *Estimates* provide Members of Parliament with details about the:

- objectives for each Vote
- trends in each Vote over the five years up to and including 2006/07, the proposed spending for 2007/08, and estimated expenditure in 2008/09 to 2010/11
- expenses and capital expenditure proposed by each Portfolio Minister
- specification of the outputs to be purchased by the Portfolio Minister
- net assets of departments, and the net worth of Crown Entities and State-Owned Enterprises
- revenue and capital receipts of the Crown associated with each Vote.

Types of Appropriation

There are six types of appropriation listed in the Public Finance Act 1989, grouped into operating flows, capital flows and a combined operating and capital flow - “Expenses or capital expenditure incurred by an intelligence and security department”. The amounts shown within the operating flows and capital flows are further split on a departmental and non-departmental basis. Departmental appropriations relate to purchases from core government departments (for example, the Ministry of Economic Development or Inland Revenue Department). Non-departmental appropriations relate to Crown purchases from, or investment in, Crown Entities, State-Owned Enterprises or third parties.

Operating Flows

Appropriation Type	Departmental Status	Description
Output Expenses	Departmental	Costs or expenses incurred by departments and Offices of Parliament in providing a group of similar outputs (goods and services).
	Non-Departmental	Costs or expenses incurred by the Crown in purchasing a group of similar outputs (goods and services) from Crown entities/other third parties.
Benefits and Other Unrequited Expenses	Non-Departmental	Payments by the Crown (generally made to individuals for their benefit) for which no direct exchange of value is expected in return. Examples include the Unemployment Benefit and student allowances.
Borrowing Expenses	Non-Departmental	Interest and other financing expenses for loans, guarantees or indemnities, for example debt servicing expenses that appear in Vote Finance.
Other Expenses	Departmental	Any expenses to be incurred by a department not related to producing outputs. This category consists mainly of ownership-related restructuring expenses.
	Non-Departmental	Any expenses to be incurred by the Crown (excluding departments) that are not output expenses, benefits or borrowing expenses eg, for disposal of an asset for less than market value or grants to community organisations.

Capital Flows

Appropriation Type	Departmental Status	Description
Capital expenditure	Non-Departmental	Capital expenditure to be incurred to acquire or develop Crown assets, including the purchase of equity, or making a loan to a person or organisation that is not a department.

Combined Flows

Appropriation Type	Departmental Status	Description
Expenses and capital expenditure incurred by an intelligence and security department	Departmental	Expenses or capital expenditure to be incurred by either the New Zealand Security Intelligence Service or the Government Communications Security Bureau.

Types of Crown Revenue and Receipts

A similar operating and capital split applies to Crown revenue and receipts. The following table outlines the three revenue/receipt types:

Tax Revenue	Non-Departmental	Tax Owed to the Crown such as Income Tax, GST and Fringe Benefit Tax
Non-Tax Revenue	Non-Departmental	Revenue earned by the Crown from its investing and other operating activities. Examples include interest income, capital charges and dividends from State-Owned Enterprises.
Capital Receipts	Non-Departmental	Capital received by the Crown: <ul style="list-style-type: none"> • when loans are raised (which appear in Vote Finance) or principal repayments are made on debts owed to the Crown (for example, in Vote Social Development), or • when capital assets are sold (for example, the sale of completed or refurbished defence equipment by the New Zealand Defence Force).

Guide to Reading the *Estimates*

Appropriations

Most appropriations listed in the *Estimates* are subject to an annual parliamentary vote on their amount and scope. There are, however, a number of appropriations included in the *Estimates* that are not subjected to this annual vote. There are two forms of appropriations not subject to annual approval by Parliament:

- **Permanent Legislative Authority (PLA)** - This appropriation is made for an indefinite period of time (until the authority is revoked by Parliament). PLAs are provided for in a statute other than an Appropriation Act. The usual legislative wording is that the expenditure can continue to be made, or expenses or liabilities incurred, “without further appropriation than this section”. PLAs are identified as “Other” appropriations within the *Estimates*. The authorising Act for each Other appropriation is given in a footnote
- **Multi-Year Appropriation (MYA)** - An MYA is an appropriation that allows the Crown to incur expenses or capital expenditure over more than one fiscal year (for a period of up to five years). Expenses or capital expenditure may be incurred at any time during the specified period.

There is one form of appropriation where the annual limit on the level of expense that can be incurred is not a fixed amount:

- **Expenses Restricted by Revenue** - Departments with this form of appropriation can incur expenses up to the amount of revenue expected to be earned by parties other than the Crown.

Most output expense appropriations consist of a single class of outputs. There is one form of output expense appropriation that may include more than one class of outputs. Each class is listed individually in the *Estimates*, but only the total is appropriated.

- **Multi-Class Output Expense Appropriation** - Departments with this form of appropriation may incur expenses up to the total appropriated, but may exceed the amount indicated on any class of outputs specified within the appropriation. An explanation as to why those classes of outputs have been grouped under a single appropriation must also be provided.

Summary Tables

The Summary Tables provide a high-level perspective and comparative “ready reference” by appropriation type for the total appropriations sought for, and Crown revenue and receipts associated with, each Vote for 2007/08.

Layout of Each Vote

The Overview at the start of each Vote provides a brief, plain-language explanation of what the appropriations in the Vote will be spent on. Each Vote contains up to seven parts, some of which may be omitted if further detail or explanation is not required.

Part A - Statement of Objectives and Trends

The Statement of Objectives and Trends comprises:

- *Objectives for the Vote* - A commentary on the Minister’s (or Ministers’) objectives for the Vote, which also explains the links between classes of outputs to be purchased by the Crown and the Government’s desired outcomes. These are expanded on in departmental Statements of Intent.
- *Trends in the Vote* - An analysis of the trends in the Vote over the last five years plus the forthcoming year (to which the *Main Estimates* pertain).
- *New Policy Initiatives by Appropriation* - A table showing how new initiatives (and the associated funding) have been allocated to appropriations in the Vote.

Part B - Statement of Appropriations

The Statement of Appropriations contains the detailed appropriation information, which is referred to by the Appropriation Act.

- *Summary of Financial Activity* - A table showing financial information (actual and forecast) from 2002/03 to 2010/11. Crown Revenue figures indicate the current best estimate of expected revenue. These amounts are not appropriated by Parliament and therefore an “N/A” has been inserted in the 2007/08 appropriations column.
- *Details of Appropriations* - Details of annual and other appropriations, including the amount and scope of each appropriation. The annually appropriated amounts, on which the House of Representatives votes, are shown in **bold** type.
- *Details of Multi-Year Appropriations* - The PFA allows for appropriations for periods of up to five years. This section includes details of individual MYAs, including amount, adjustments to amount, and scope.

Part C - Explanation of Appropriations for Output Expenses

Detailed specifications of the departmental and non-departmental outputs to be purchased by the Portfolio Minister.

- *Departmental Output Expenses* - Descriptions of the departmental outputs. A more complete specification of these, including quality, quantity and timeliness and cost measures is contained in the department's Statement of Intent.
- *Non-Departmental Output Expenses* - Full descriptions of non-departmental outputs, including performance specification and the major providers of the outputs.

Where the Vote includes a Multi-Class Output Expense Appropriation, an explanation as to why those classes of outputs have been grouped under a single appropriation is provided. Scopes are still provided at the individual output class level.

Information is not provided in this part where there are no relevant appropriations, or the detail is already fully explained in Part B.

Part D - Explanation of Appropriations for Other Operating Flows

Where relevant, this part provides further detail about appropriations for:

- Benefits and Other Unrequited Expenses
- Borrowing Expenses
- Other Expenses.

Information is not provided in this part where there are no relevant appropriations, or the detail is already fully explained in Part B.

Part E - Explanation of Capital Flows

This part provides details of balance sheets relevant to the Vote and further explanation of capital expenditure, where relevant.

- *Explanation of Movements in Departmental Net Asset Schedules* - A schedule showing the opening balance, projected movements and closing balance of the department's net assets. Specifically, it includes the details of any retained surplus or capital injections. The closing balance restricts the department's net assets for the year. The schedule will only appear in the department's lead Vote.
- *Statement of Estimated and Forecast Net Worth of Entities Owned* - A list of Crown entities associated with the Vote and their net worth for the current and forthcoming years. An explanation of any material changes in an entity's net worth is also included.
- *Explanation of Appropriations for Capital Expenditure* - Further detail, where appropriate, of capital expenditure appropriations contained in Part B. Information is not provided in this section where there are no relevant appropriations, or the detail is already fully explained in Part B.

Part F - Crown Revenue and Receipts

This part provides details of the current and forthcoming year's current Crown revenue and capital Crown receipts. Explanations of each item are included in the table. Information is not provided in this Part where there are no Crown revenue or receipts relating to the Vote.

Part G - Statement of Reconciliations

This part provides a reconciliation and explanation of any changes in the structure of appropriations or Crown revenue and receipts from the previous set of *Estimates*. This is intended to facilitate comparisons between years when changes are made.

Information is not provided in this part where there are no changes to the structure of the Vote, or the changes are minimal and fully explained in Part B.

Links to Other Useful Documents

The Treasury produces two documents that provide a guide to the legislative process and the public sector's financial management system. These documents are:

- *Putting it Together* - an explanatory guide to the New Zealand public sector financial management system
- A Guide to the Public Finance Act.

Both these documents can be accessed in the Publications section of the Treasury's internet site: www.treasury.govt.nz.

Summary Tables

Summary of Trends

	2002/03	2003/04	2004/05	2005/06	2006/07		2007/08 Appropriations to be Used					2008/09	2009/10	2010/11
						Estimated	By the Department Administering the Vote		For Non-Departmental Transactions					
	Actual \$000	Actual \$000	Actual \$000	Actual \$000	Budget \$000	Actual \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	Total \$000	Estimated \$000	Estimated \$000	Estimated \$000
Appropriations														
Output Expenses	17,234,683	18,647,009	20,210,144	22,362,681	24,604,586	24,561,687	10,615,323	59,968	14,590,530	1,314,504	26,580,325	26,603,750	26,571,573	26,559,265
Benefits and Other Unrequited Expenses	16,080,487	14,139,869	14,903,904	16,100,708	17,429,754	17,378,609	N/A	N/A	14,916,473	2,867,380	17,783,853	18,635,123	19,567,143	20,440,368
Borrowing Expenses	2,623,625	2,551,774	2,595,080	2,678,471	2,417,751	2,417,751	N/A	N/A	-	2,133,002	2,133,002	2,056,100	1,960,100	2,133,190
Other Expenses	6,565,448	6,829,197	8,007,642	9,269,518	8,784,854	8,668,529	70	-	8,711,026	1,030,965	9,742,061	9,769,505	10,311,853	10,439,040
Capital Expenditure	3,242,976	7,750,978	6,020,868	5,472,225	6,101,347	6,036,336	N/A	N/A	5,721,593	430,729	6,152,322	5,303,693	5,261,423	5,032,632
Intelligence and Security Department Expenses and Capital Expenditure	37,820	41,742	55,096	60,423	85,598	84,100	72,883	-	N/A	N/A	72,883	74,457	74,146	74,365
Total Appropriations	45,785,039	49,960,569	51,792,734	55,944,026	59,423,890	59,147,012	10,688,276	59,968	43,939,622	7,776,580	62,464,446	62,442,628	63,746,238	64,678,860
Crown Revenue and Receipts														
Tax Revenue	43,074,483	46,219,637	50,533,371	56,220,410	57,108,784	57,108,784	N/A	N/A	N/A	N/A	59,590,612	61,441,559	64,484,913	67,783,061
Non-Tax Revenue	4,043,668	4,578,490	5,003,647	6,028,297	6,113,489	6,112,898	N/A	N/A	N/A	N/A	5,325,859	5,447,335	5,356,200	5,328,346
Capital Receipts	2,926,212	1,906,503	1,941,173	1,902,724	1,909,485	1,909,475	N/A	N/A	N/A	N/A	1,929,402	1,749,106	1,854,142	1,969,073
Total Crown Revenue and Receipts	50,044,363	52,704,630	57,478,191	64,151,431	65,131,758	65,131,157	N/A	N/A	N/A	N/A	66,845,873	68,638,000	71,695,255	75,080,480

Appropriations for Output Expenses

	2006/07		2007/08 Appropriations to be used				2007/08
	Budgeted	Estimated Actual	By the Department Administering the Vote		For Non-Departmental Transactions		Total Budgeted
VOTE	\$000	\$000	Annual \$000	Other \$000	Annual \$000	Other \$000	\$000
ACC	673,697	673,697	2,481	-	707,807	-	710,288
Agriculture and Forestry	103,249	100,747	41,287	2,200	77,548	-	121,035
Arts, Culture and Heritage	239,371	235,451	14,932	-	226,718	-	241,650
Attorney-General	57,737	57,737	57,238	-	-	-	57,238
Audit	69,024	69,024	8,921	54,659	-	-	63,580
Biosecurity	186,127	183,592	139,051	-	29,528	-	168,579
Child, Youth and Family Services	477,372	477,372	406,067	-	62,317	-	468,384
Climate Change and Energy Efficiency	29,502	28,602	21,878	-	17,322	-	39,200
Commerce	75,975	75,975	53,460	-	23,159	-	76,619
Communications	21,460	21,460	14,126	-	9,057	-	23,183
Community and Voluntary Sector	23,265	23,126	19,408	-	4,969	-	24,377
Conservation	328,964	328,964	287,609	-	19,593	-	307,202
Consumer Affairs	6,152	6,152	5,815	-	81	-	5,896
Corrections	777,646	777,646	894,189	-	-	-	894,189
Courts	336,051	332,679	376,664	-	-	-	376,664
Crown Research Institutes	1,062	1,062	1,073	-	-	-	1,073
Customs	110,952	110,602	119,109	-	-	-	119,109
Defence	9,957	9,926	9,542	-	-	-	9,542
Defence Force	1,781,633	1,781,633	1,909,712	-	-	-	1,909,712
Economic, Industry and Regional Development	160,894	160,894	19,883	-	151,683	-	171,566
Education	2,266,942	2,266,942	1,578,347	-	768,487	-	2,346,834
Education Review Office	28,984	28,919	28,752	-	-	-	28,752
Emergency Management	11,217	11,162	11,103	-	-	-	11,103
Employment	14,931	14,931	14,896	-	-	-	14,896
Energy	150,310	150,310	23,530	1,027	135,493	-	160,050
Environment	54,310	53,560	44,375	-	20,284	-	64,659
Finance	59,615	59,615	56,534	-	2,688	-	59,222
Fisheries	94,099	91,183	93,737	-	-	-	93,737
Food Safety	85,952	84,202	89,302	-	-	-	89,302
Foreign Affairs and Trade	264,120	263,418	277,802	112	16,890	-	294,804
Health	9,970,733	9,964,121	204,033	-	10,860,491	-	11,064,524
Housing	97,223	97,223	67,582	-	28,494	-	96,076
Immigration	162,119	162,119	158,847	-	-	-	158,847

	2006/07		2007/08 Appropriations to be used				2007/08
	Budgeted	Estimated Actual	By the Department Administering the Vote		For Non-Departmental Transactions		Total Budgeted
VOTE	\$000	\$000	Annual \$000	Other \$000	Annual \$000	Other \$000	\$000
Internal Affairs	129,272	125,027	119,840	899	1,960	-	122,699
Justice	201,559	200,646	40,956	-	187,599	80	228,635
Labour	78,553	78,553	71,678	-	2,786	-	74,464
Lands	120,163	120,163	128,496	-	500	-	128,996
Local Government	13,964	12,538	11,515	-	-	-	11,515
Māori Affairs	144,424	140,424	58,836	-	97,274	-	156,110
Ministerial Services	36,968	36,872	37,356	-	-	-	37,356
National Archives	19,751	19,751	21,578	-	-	-	21,578
National Library	53,386	53,266	58,175	-	-	-	58,175
Office of the Clerk	15,313	15,313	17,140	-	-	-	17,140
Official Development Assistance	26,190	26,190	28,320	-	-	-	28,320
Ombudsmen	5,752	5,752	5,727	835	-	-	6,562
Pacific Island Affairs	7,071	7,071	5,980	-	1,156	-	7,136
Parliamentary Commissioner for the Environment	2,925	2,925	2,490	236	-	-	2,726
Parliamentary Counsel	17,745	17,745	16,933	-	-	-	16,933
Parliamentary Service	53,372	53,372	53,583	-	-	-	53,583
Police	1,135,388	1,135,388	1,235,051	-	-	-	1,235,051
Prime Minister and Cabinet	14,947	14,947	15,146	-	-	-	15,146
Racing	217	217	222	-	-	-	222
Research, Science and Technology	636,187	636,187	13,946	-	635,669	-	649,615
Revenue	538,118	533,118	597,170	-	-	-	597,170
Senior Citizens	1,142	1,142	1,035	-	-	-	1,035
Serious Fraud	5,519	5,519	6,694	-	-	-	6,694
Social Development	851,849	851,849	718,593	-	181,465	-	900,058
Sport and Recreation	61,805	61,805	98	-	65,090	-	65,188
State Services	58,939	58,939	57,627	-	116	-	57,743
State-Owned Enterprises	2,613	2,613	2,466	-	-	-	2,466
Statistics	95,235	94,735	91,039	-	-	-	91,039
Tourism	77,695	77,695	7,070	-	73,644	-	80,714
Transport	1,421,199	1,421,199	99,635	-	170,792	1,314,424	1,584,851
Treaty Negotiations	17,422	17,422	17,475	-	-	-	17,475
Veterans' Affairs	10,759	10,759	11,686	-	1,773	-	13,459
Women's Affairs	4,283	4,283	4,591	-	-	-	4,591
Youth Development	14,216	14,216	5,891	-	8,097	-	13,988
Total Output Expenses	24,604,586	24,561,687	10,615,323	59,968	14,590,530	1,314,504	26,580,325

Appropriations for Benefits and Other Unrequited Expenses

	2006/07		2007/08 Appropriations to be used				2007/08
	Budgeted	Estimated Actual	By the Department Administering the Vote		For Non-Departmental Transactions		Total Budgeted
VOTE	\$000	\$000	Annual \$000	Other \$000	Annual \$000	Other \$000	\$000
ACC	106,988	106,988	-	-	106,693	-	106,693
Education	84,387	84,387	-	-	86,337	-	86,337
Finance	929,397	929,397	-	-	-	-	-
Housing	440,903	441,091	-	-	475,120	-	475,120
Local Government	70,650	55,000	-	-	70,650	-	70,650
Māori Affairs	480	480	-	-	480	-	480
Ministerial Services	6,215	6,215	-	-	-	380	380
Pacific Island Affairs	108	108	-	-	108	-	108
Revenue	2,597,700	2,597,700	-	-	501,400	2,867,000	3,368,400
Social Development	12,901,052	12,866,484	-	-	13,364,943	-	13,364,943
Sport and Recreation	4,250	4,250	-	-	4,250	-	4,250
State Services	4,566	4,566	-	-	4,566	-	4,566
Veterans' Affairs	283,058	281,943	-	-	301,926	-	301,926
Total Benefits and Other Unrequited Expenses	17,429,754	17,378,609	-	-	14,916,473	2,867,380	17,783,853

Appropriations for Borrowing Expenses

	2006/07		2007/08 Appropriations to be used		2007/08
	Budgeted	Estimated Actual	For Non-Departmental Transactions		Total Budgeted
VOTE	\$000	\$000	Annual \$000	Other \$000	\$000
Finance	2,414,000	2,414,000	-	2,131,000	2,131,000
Revenue	3,751	3,751	-	2,002	2,002
Total Borrowing Expenses	2,417,751	2,417,751	-	2,133,002	2,133,002

Appropriations for Other Expenses

	2006/07		2007/08 Appropriations to be used				2007/08
	Budgeted	Estimated Actual	By the Department Administering the Vote		For Non-Departmental Transactions		Total Budgeted
VOTE	\$000	\$000	Annual \$000	Other \$000	Annual \$000	Other \$000	\$000
Agriculture and Forestry	21,616	14,641	60	-	20,283	-	20,343
Arts, Culture and Heritage	15,175	11,009	-	-	32,179	-	32,179
Biosecurity	130	116	-	-	130	-	130
Child, Youth and Family Services	365	365	-	-	365	-	365
Climate Change and Energy Efficiency	8,340	8,090	-	-	9,178	-	9,178
Commerce	12,465	12,465	-	-	13,329	-	13,329
Communications	930	930	-	-	930	-	930
Community and Voluntary Sector	15,015	15,015	-	-	15,213	-	15,213
Conservation	16,828	16,828	-	-	12,298	-	12,298
Courts	221,653	221,653	-	-	200,701	79,666	280,367
Crown Research Institutes	1,005	1,005	-	-	1,240	-	1,240
Customs	552	552	-	-	552	-	552
Defence Force	2,700	2,700	-	-	-	-	-
Economic, Industry and Regional Development	108,498	108,498	-	-	140,188	-	140,188
Education	6,605,773	6,562,518	-	-	6,985,154	-	6,985,154
Emergency Management	8,570	8,570	-	-	1,589	-	1,589
Energy	808	808	-	-	808	-	808
Environment	1,831	1,831	-	-	2,781	-	2,781
Finance	151,983	151,983	-	-	82,060	924,187	1,006,247
Fisheries	4,120	4,120	-	-	1,595	-	1,595
Food Safety	-	-	-	-	1,790	-	1,790
Foreign Affairs and Trade	39,748	39,748	-	-	40,546	999	41,545
Health	26,421	26,421	-	-	17,912	-	17,912
Housing	6,145	6,145	-	-	6,307	-	6,307
Immigration	644	644	-	-	2,577	-	2,577
Internal Affairs	157	157	-	-	49	-	49
Justice	568	218	-	-	750	-	750
Labour	5,005	5,005	-	-	2,373	3,080	5,453
Lands	22,695	22,695	-	-	95,414	-	95,414
Local Government	3,074	2,073	-	-	2,026	-	2,026
Māori Affairs	9,937	9,874	-	-	9,094	37	9,131
Ministerial Services	21,757	21,757	-	-	10,582	7,020	17,602
Official Development Assistance	88,244	88,244	-	-	102,244	-	102,244

	2006/07		2007/08 Appropriations to be used				2007/08
	Budgeted	Estimated Actual	By the Department Administering the Vote		For Non-Departmental Transactions		Total Budgeted
VOTE	\$000	\$000	Annual \$000	Other \$000	Annual \$000	Other \$000	\$000
Parliamentary Service	52,675	52,675	-	-	37,484	15,148	52,632
Police	110	110	10	-	100	-	110
Prime Minister and Cabinet	1,288	1,288	-	-	475	828	1,303
Racing	-	-	-	-	1,000	-	1,000
Research, Science and Technology	6,074	6,074	-	-	3,241	-	3,241
Revenue	417,646	417,646	-	-	29,011	-	29,011
Social Development	746,701	686,450	-	-	705,923	-	705,923
Sport and Recreation	44	44	-	-	44	-	44
State Services	111,652	111,652	-	-	114,650	-	114,650
Tourism	12,081	12,081	-	-	267	-	267
Transport	4,235	4,235	-	-	4,013	-	4,013
Treaty Negotiations	1,461	1,461	-	-	1,081	-	1,081
Veterans' Affairs	8,135	8,135	-	-	1,500	-	1,500
Total Other Expenses	8,784,854	8,668,529	70	-	8,711,026	1,030,965	9,742,061

Appropriations for Capital Expenditure

	2006/07		2007/08 Appropriations to be used		2007/08
	Budgeted	Estimated Actual	For Non-Departmental Transactions		Total Budgeted
VOTE	\$000	\$000	Annual \$000	Other \$000	\$000
Agriculture and Forestry	20	-	20	-	20
Arts, Culture and Heritage	16,350	16,350	16,355	-	16,355
Climate Change and Energy Efficiency	2,758	2,500	2,000	-	2,000
Communications	610	610	610	-	610
Community and Voluntary Sector	426	426	-	-	-
Conservation	170	170	-	-	-
Defence	614,523	614,523	252,195	-	252,195
Economic, Industry and Regional Development	61,337	61,337	29,420	-	29,420
Education	133,478	123,678	106,251	-	106,251
Energy	225	225	-	-	-
Finance	2,399,248	2,399,248	2,246,834	200,000	2,446,834
Foreign Affairs and Trade	1,500	1,500	2,400	-	2,400
Health	415,691	389,904	846,267	-	846,267
Housing	464,183	464,183	332,355	-	332,355
Justice	-	-	821	-	821
Lands	767	767	767	-	767
Local Government	179	179	34	-	34
Māori Affairs	1,922	1,324	3,522	-	3,522
Parliamentary Service	6,436	6,436	1,778	-	1,778
Prime Minister and Cabinet	150	150	2,150	-	2,150
Research, Science and Technology	2,311	2,311	5,280	-	5,280
Social Development	1,338,870	1,310,322	1,383,634	-	1,383,634
Transport	627,873	627,873	478,500	230,729	709,229
Treaty Negotiations	11,400	11,400	10,400	-	10,400
Veterans' Affairs	920	920	-	-	-
Total Capital Expenditure	6,101,347	6,036,336	5,721,593	430,729	6,152,322

Appropriations for Intelligence and Security Department Expenses and Capital Expenditure

	2006/07		2007/08 Appropriations to be used				2007/08
	Budgeted	Estimated Actual	By the Department Administering the Vote		For Non-Departmental Transactions		Total Budgeted
VOTE	\$000	\$000	Annual \$000	Other \$000	Annual \$000	Other \$000	\$000
Communications Security and Intelligence	42,099	42,099	39,288	-	-	-	39,288
Security Intelligence	43,499	42,001	33,595	-	-	-	33,595
Total Intelligence and Security Department Expenses and Capital Expenditure	85,598	84,100	72,883	-	-	-	72,883

Crown Revenue and Receipts

	Tax Revenue			No-Tax Revenue			Capital Receipts		
	2006/07		2007/08	2006/07		2007/08	2006/07		2007/08
	Budgeted	Estimated Actual	Budgeted	Budgeted	Estimated Actual	Budgeted	Budgeted	Estimated Actual	Budgeted
VOTE	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Agriculture and Forestry	-	-	-	86,524	86,438	109,672	1,710	1,710	2,125
Arts, Culture and Heritage	-	-	-	7,579	7,579	-	-	-	-
Biosecurity	-	-	-	1,300	1,300	1,300	-	-	-
Climate Change and Energy Efficiency	-	-	-	-	-	-	1,508	1,508	1,749
Commerce	-	-	-	4,515	4,515	6,280	-	-	-
Communications	-	-	-	5,309	5,309	7,729	-	-	-
Community and Voluntary Sector	-	-	-	69	10	10	-	-	-
Conservation	-	-	-	14,304	14,304	15,604	-	-	-
Consumer Affairs	-	-	-	20	20	20	-	-	-
Courts	-	-	-	240,833	240,833	236,026	-	-	-
Crown Research Institutes	-	-	-	732	732	967	-	-	-
Customs	8,861,000	8,861,000	8,876,000	80	80	80	-	-	-
Defence	-	-	-	870	870	870	509,267	509,267	391,183
Education	-	-	-	61,153	61,153	51,240	747	747	25,822
Energy	48,700	48,700	33,780	199,275	199,275	198,237	-	-	-
Environment	-	-	-	400	608	400	643	643	642
Finance	-	-	-	3,823,472	3,823,472	2,957,990	258,742	258,742	255,912
Fisheries	-	-	-	40,245	40,245	36,878	100	100	100

	Tax Revenue			No-Tax Revenue			Capital Receipts		
	2006/07		2007/08	2006/07		2007/08	2006/07		2007/08
	Budgeted	Estimated Actual	Budgeted	Budgeted	Estimated Actual	Budgeted	Budgeted	Estimated Actual	Budgeted
VOTE	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Foreign Affairs and Trade	-	-	-	411	411	100	-	-	-
Health	-	-	-	511,058	511,058	517,958	73,445	73,445	73,445
Housing	-	-	-	135,775	135,775	138,336	-	-	-
Immigration	-	-	-	11,528	11,528	11,528	-	-	-
Justice	-	-	-	476	476	476	200	200	200
Labour	-	-	-	40,028	40,028	39,331	-	-	-
Lands	-	-	-	23,464	23,464	14,380	6,500	6,500	11,000
Local Government	-	-	-	500	838	-	-	-	-
Māori Affairs	-	-	-	3,972	3,972	3,967	325	325	325
Ministerial Services	-	-	-	10	10	10	-	-	-
Parliamentary Service	-	-	-	1,044	1,044	-	-	-	-
Police	-	-	-	76,087	76,087	76,000	-	-	-
Revenue	47,230,000	47,230,000	49,624,000	733,561	733,561	782,660	549,829	549,829	639,691
Social Development	-	-	-	59,874	58,882	89,107	506,469	506,459	527,208
State Services	-	-	-	11,020	11,020	11,581	-	-	-
Tourism	-	-	-	898	898	812	-	-	-
Transport	969,084	969,084	1,056,832	10,510	10,510	10,510	-	-	-
Treaty Negotiations	-	-	-	6,593	6,593	5,800	-	-	-
Total Crown Revenue and Receipts	57,108,784	57,108,784	59,590,612	6,113,489	6,112,898	5,325,859	1,909,485	1,909,475	1,929,402

Net Asset Schedules of Departments

	2007/08					
	Projected Opening Balance	Projected Capital Injections	Projected Capital Withdrawals	Projected Surplus to be Retained (Deficit Incurred)	Projected Other Movements	Projected Closing Balance
DEPARTMENT	\$000	\$000	\$000	\$000	\$000	\$000
Archives New Zealand (see Vote: National Archives)	64,749	-	-	-	-	64,749
Crown Law Office (see Vote: Attorney-General)	1,297	-	-	-	-	1,297
Department of Building and Housing (see Vote: Housing)	9,244	6,001	-	(2,016)	9,407	22,636
Department of Conservation (see Vote: Conservation)	392,547	19,593	-	(700)	4,477	415,917
Department of Corrections (see Vote: Corrections)	1,665,820	58,600	-	-	-	1,724,420
Department of Internal Affairs (see Vote: Internal Affairs)	44,738	9,472	-	(289)	-	53,921
Department of Labour (see Vote: Labour)	57,018	6,281	-	(8,932)	11,061	65,428
Department of the Prime Minister and Cabinet (see Vote: Prime Minister and Cabinet)	823	-	-	-	-	823
Education Review Office (see Vote: Education Review Office)	3,545	-	-	-	101	3,646
Inland Revenue Department (see Vote: Revenue)	160,274	23,063	-	-	-	183,337
Land Information New Zealand (see Vote: Lands)	38,904	13,563	-	(13,563)	8,686	47,590
Ministry for Culture and Heritage (see Vote: Arts, Culture and Heritage)	1,537	250	-	-	-	1,787
Ministry for the Environment (see Vote: Environment)	2,668	2,219	-	-	-	4,887
Ministry of Agriculture and Forestry (see Vote: Agriculture and Forestry)	26,204	3,184	(595)	(60)	-	28,733
Ministry of Defence (see Vote: Defence)	3,416	-	-	-	-	3,416
Ministry of Economic Development (see Vote: Economic, Industry and Regional Development)	20,939	5,127	-	(5,127)	-	20,939
Ministry of Education (see Vote: Education)	10,199,681	213,144	-	-	-	10,412,825
Ministry of Fisheries (see Vote: Fisheries)	12,658	-	-	-	-	12,658
Ministry of Foreign Affairs and Trade (see Vote: Foreign Affairs and Trade)	338,262	19,469	(2,300)	3,272	12,582	371,285
Ministry of Health (see Vote: Health)	18,447	8,464	-	-	-	26,911
Ministry of Justice (see Vote: Justice)	513,384	97,798	-	-	-	611,182

	2007/08					
	Projected Opening Balance	Projected Capital Injections	Projected Capital Withdrawals	Projected Surplus to be Retained (Deficit Incurred)	Projected Other Movements	Projected Closing Balance
DEPARTMENT	\$000	\$000	\$000	\$000	\$000	\$000
Ministry of Justice - OTS (see Vote: Treaty Negotiations)	208	-	-	-	-	208
Ministry of Pacific Island Affairs (see Vote: Pacific Island Affairs)	965	-	-	-	-	965
Ministry of Research, Science and Technology (see Vote: Research, Science and Technology)	2,411	-	-	-	-	2,411
Ministry of Social Development (see Vote: Social Development)	313,347	1,500	-	-	-	314,847
Ministry of Transport (see Vote: Transport)	10,213	1,300	-	-	-	11,513
Ministry of Women's Affairs (see Vote: Women's Affairs)	336	-	-	-	-	336
National Library of New Zealand (see Vote: National Library)	99,660	5,572	-	178	-	105,410
New Zealand Customs Service (see Vote: Customs)	38,416	4,800	-	-	1,150	44,366
New Zealand Defence Force (see Vote: Defence Force)	4,974,132	127,585	-	-	2,700	5,104,417
New Zealand Police (see Vote: Police)	456,640	31,955	-	(10)	20	488,605
Office of the Clerk of the House of Representatives (see Vote: Office of the Clerk)	3,757	317	-	-	-	4,074
Office of the Controller and Auditor-General (see Vote: Audit)	3,565	-	-	-	-	3,565
Office of the Ombudsmen (see Vote: Ombudsmen)	57	73	-	-	-	130
Office of the Parliamentary Commissioner for the Environment (see Vote: Parliamentary Commissioner for the Environment)	172	-	-	-	-	172
Parliamentary Counsel Office (see Vote: Parliamentary Counsel)	12,349	200	-	-	-	12,549
Parliamentary Service (see Vote: Parliamentary Service)	17,212	1,992	-	-	-	19,204
Serious Fraud Office (see Vote: Serious Fraud)	387	290	-	-	-	677
State Services Commission (see Vote: State Services)	27,786	5,000	-	-	-	32,786
Statistics New Zealand (see Vote: Statistics)	39,978	7,775	-	-	-	47,753
Te Puni Kōkiri (see Vote: Māori Affairs)	4,772	-	-	-	-	4,772
The Treasury (see Vote: Finance)	7,787	-	(600)	-	-	7,187
Total	19,590,305	674,587	(3,495)	(27,247)	50,184	20,284,334

VOTE *ACC*



Overview

Departmental Appropriations

Departmental appropriations sought for Vote ACC in 2007/08 total \$2.481 million. This is intended to be spent as follows:

- \$2.382 million (96% of departmental appropriations in this Vote) on policy advice, analysis, evaluation, research, monitoring, purchase advice, legislation and regulatory support, and ministerial servicing on the ACC scheme and the performance of Accident Compensation Corporation (ACC).
- \$99,000 (4% of departmental appropriations in this Vote) on purchasing services to manage the residual long-term responsibility related to the Crown's ongoing risks resulting from the introduction of the competitive accident insurance market during 1999/2000.

Non-Departmental Appropriations

Non-departmental appropriations sought for Vote ACC in 2007/08 total \$814.500 million. The appropriations are intended to be spent as follows:

- \$57.278 million to cover the estimated cost of injury prevention, claim processing, assessment, payment and case management on the Non-Earners' Account.
- \$458.760 million to cover the estimated cost of purchasing medical services, social rehabilitation, and elective health care on the Non-Earners' Account and contracted services.
- \$191.769 million to fund Public Health Acute Services for claims on the Non-Earners' Account.
- \$106.693 million to cover the estimated costs of income maintenance, independence allowance, and other compensation payments for claims on the Non-Earners' Account, and contracted services, as well as transfers to the Medical Misadventure Account for payments made on non-earner related claims.

Details of how the appropriations are to be applied appear in Parts B1 and C of this Vote.

Terms and Definitions Used

ACC	Accident Compensation Corporation
IPRC Act	Injury Prevention, Rehabilitation, and Compensation Act 2001
PAYG	Pay-as-you-go
SSRSS	State Sector Retirement Saving Scheme

Minister Portfolio Table

1	Minister for ACC
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ADMINISTERING DEPARTMENT: Department of Labour
The Minister of Labour is the Responsible Minister for the Department of Labour

Part A - Statement of Objectives and Trends

Part A1 - Objectives for Vote

The non-departmental output expenses in Vote ACC fund services provided for the Non-Earners' Account.

The departmental output expenses in Vote ACC contribute to the achievement of the Government's priority of Economic Transformation through activities directed at achieving the Department of Labour outcome of:

Productive Work and High-Quality Working Lives

The table below summarises how the activities funded through this Vote contribute to achieving goals that are part of the Department of Labour's managing for outcomes framework.

Departmental Goal	How Vote ACC Contributes
Our Workplaces: New Zealand workplaces will lead the world in maximising the value of work while providing a high-quality working life	<ul style="list-style-type: none"> Supporting and promoting the transformation of New Zealand workplaces to become high-performing workplaces, and to achieve high-quality working lives by focusing on the drivers of workplace productivity, including skills, safe and healthy workplace cultures, decent work, and excellent employment relationships. Providing information and guidance that is tailored, targeted and useful to increase awareness and uptake of excellent workplace practices, in order to effectively reduce occupational injuries and disease. Responsive regulation of the ACC scheme supports economic and social development. Research, evaluation, analysis and performance data about what is working or not working in the labour market. Providing policy advice, purchase and monitoring advice that contributes to reducing injury in New Zealand workplaces, assisting those who are injured to return to work and ensuring levies are fair. This assists workplaces to effectively balance employers' and employees' needs and interests.
Our Workforce: The skills of our workers will ensure that New Zealand enterprises are leaders internationally	<ul style="list-style-type: none"> Providing policy advice and monitoring the implementation of policy for the ACC scheme including vocational rehabilitation to assist people who are unable to return to their pre-injury occupation.
Our People: All New Zealanders will be able to grow and develop through access to well-paid and meaningful employment	<ul style="list-style-type: none"> Providing policy advice, purchase and monitoring advice that contributes to reducing injury in New Zealand workplaces, assisting those who are injured to return to work and ensuring levies are fair. This assists workplaces to effectively balance employers' and employees' needs and interests. Increased labour market participation will result from enhancing parents' and other carers' choices about work and family arrangements and enhancing employment for groups under-represented in the labour force.

Output Appropriations

To achieve these goals, the appropriations are intended to fund a range of activities, including:

- Policy advice, analysis, evaluation, research, monitoring, purchase advice, legislation and regulatory support, and ministerial servicing on the ACC scheme and the performance of the Accident Compensation Corporation.
- Managing the residual long-term responsibility related to the Crown's ongoing risks resulting from the introduction of the competitive accident insurance market during 1999/2000. The Injury Prevention, Rehabilitation, and Compensation (IPRC) Act removed or transferred the bulk of the Regulator's activity but an anticipated low level of activity remains, consisting primarily of monitoring and responding to external requests. The ACC has assumed the Regulator's role in relation to the Non-Compliers Fund. Statistics New Zealand has assumed the injury information management role.
- Administration and operation of the Non-Earners' Account in the ACC scheme including funding case and claims management, medical care, rehabilitation services, elective health care, and in some instances income maintenance payments, provided to injured non-earners.

Part A2 - Trends in Vote

The time series of non-departmental flows detailed in the table Summary of Financial Activity shows overall increases in non-departmental outputs purchased by the Crown. It also reflects increases in non-departmental expenses.

Departmental Output Trends: 2002/03 to 2007/08

A new departmental output expense, ACC Transition, was established in 1999/2000 for the management of the transition of workplace accident insurance to a single public fund and monitoring of the implementation of these changes. Funds remaining in the ACC transition output expense at the end of 2001/02 were transferred into the policy and monitoring output expense to fund monitoring activities and spread evenly across 2002/03, 2003/04 and 2004/05.

The annual appropriation for departmental output expenses in 2004/05 was increased by \$24,000 for departmental transition, strategic and capability costs.

There has been an increase of \$31,000 in 2005/06 and outyears to reflect the final uptake of the new State Sector Retirement Saving Scheme (SSRSS) in the Department of Labour.

As a result of internal redistribution of resources, it has been necessary to reallocate corporate costs across the four Votes administered by the Department of Labour. This has resulted in minor changes to output expenses in each Vote. There has been a decrease of \$317,000 in departmental output expense Policy and Monitoring resulting from a change in focus for policy work from Vote ACC to Vote Labour and the allocation of shared corporate costs based on full-time equivalent staff numbers.

Non-Departmental Expense and Revenue Trends: 2002/03 to 2007/08

Non-departmental output expenses

In 2000/01, the Crown agreed to fully fund the Non-Earners' Account for new claims from 1 July 2001 and continue to fund existing claims as at that date on a pay-as-you-go (PAYG) basis.

As the Non-Earners' Account is now fully funded for new claims the level of the appropriation varies according to the forecast required to meet the cost of claims now and in the future. Changes in economic

assumptions, including inflation and interest rates have a major impact on the level of the appropriation required to fund this account. The Non-Earners' Account liabilities are re-valued each year taking into account claims experience and the latest economic assumptions and the funding level is adjusted in the October Baseline Update.

The main driver of changes in non-departmental expenditure is movement in the Output Expense Claim Entitlements and Services. The main component of this is expenditure on medical services, social rehabilitation and elective health care services. Increases in 2001/02 were primarily due to the change in the funding basis for the Non-Earners' Account and an increasing understanding about the payment profile for seriously injured claimants.

Case Management and Supporting Services funding increases in 2001/02 were also primarily due to the change in the funding basis for the Non-Earners' Account offset by some adjustments in the allocation of administration costs to this account. Further increases also occurred in 2004/05 due to changes in internal cost re-allocation.

In 2003/04, changes in the economic assumptions resulted in the funding received by ACC being above what was required to maintain the fully funded position for the Non-Earners' Account. The value calculated as over paid, \$90.248 million (GST exclusive), has been included as a Crown Receipt offsetting the gross value of the appropriation in 2004/05. The majority of this change resulted from a change in discount rate but it also included a significant decrease in the cost of fully funded Hospital and Other Rehabilitation Entitlements in 2004/05.

The 2006/07 increases are largely due to projected increases in social rehabilitation and medical costs and Government decisions. Medical costs are projected to increase by \$18 million and social rehabilitation costs by \$5 million in the Claim Entitlements and Services appropriation. Forecasting changes in respect of claimant numbers, and thus entitlements, also result in increases in funding when compared to previous years.

The New Policy Initiatives by Appropriation table provides details about initiatives that were approved in Budget 2007.

Benefits and unrequited expenses

Over time, there have been significant variations in the funding required for the Benefits and Other Unrequited Expenses - Other Compensation.

The increase in 2001/02 was primarily due to a change in the funding basis for the Non-Earners' Account and increased allocation to the Medical Misadventure Account (as a result of forecasting improvements regarding the cost of seriously injured claimants). The appropriation increased following the reintroduction of lump sums for the 2002/03 year.

The recent Court of Appeal decision regarding Schedule 2 claimants, including those suffering the effects of work-related exposure to asbestos, has meant that ACC is now liable to pay lump sums to these claimants. Included in the increases in appropriations in 2006/07, 2007/08 and 2008/09 consist of the additional cost impact of \$37.3 million for asbestos-related claims and gradual process hearing loss claims.

In 2003/04, funding was increased for lump sums based on revised projections based on the June 2002 valuation and an audit opinion about the application of GST to independence allowances and lump sums. In 2004/05, there was upward adjustment in funding to meet the costs of capitalised independence allowance payments offered to existing claimants which will be offset by lower expenditure on independence allowances in 2005/06. There was also an increase in funding following the medical misadventure review in 2004/05.

New Policy Initiatives by Appropriation

Initiative	Appropriation as shown in Part B	\$000 increase/(decrease)				
		2006/07	2007/08	2008/09	2009/10	2010/11
Information Communication Technology Infrastructure Investment	Departmental Output Expense - Policy and Monitoring	-	5	15	22	25
	Departmental Output Expense - Regulatory Services	-	-	1	1	1
Increase to Rates for Providers of Home-Based Rehabilitation (HBR) Services	Non-Departmental Output Expense - Claim Entitlements and Services	-	6,600	6,600	6,700	4,500
Total Initiatives		-	6,605	6,616	6,723	4,526

Part B - Statement of Appropriations

Summary of Financial Activity

	2002/03	2003/04	2004/05	2005/06	2006/07		2007/08 Appropriations to be Used					2008/09	2009/10	2010/11
						Estimated	By the Department Administering the Vote		For Non-Departmental Transactions					
	Actual \$000	Actual \$000	Actual \$000	Actual \$000	Budget \$000	Actual \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	Total \$000	Estimated \$000	Estimated \$000	Estimated \$000
Appropriations														
Output Expenses	562,468	555,821	570,117	599,847	673,697	673,697	2,481	-	707,807	-	710,288	747,965	793,713	825,859
Benefits and Other Unrequited Expenses	101,051	75,656	100,452	100,554	106,988	106,988	N/A	N/A	106,693	-	106,693	111,531	110,872	113,610
Borrowing Expenses	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Other Expenses	61,848	-	4	-	-	-	-	-	-	-	-	-	-	-
Capital Expenditure	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Intelligence and Security Department Expenses and Capital Expenditure	-	-	-	-	-	-	-	-	N/A	N/A	-	-	-	-
Total Appropriations	725,367	631,477	670,573	700,401	780,685	780,685	2,481	-	814,500	-	816,981	859,496	904,585	939,469
Crown Revenue and Receipts														
Tax Revenue	-	-	-	-	-	-	N/A	N/A	N/A	N/A	-	-	-	-
Non-Tax Revenue	-	-	90,248	-	-	-	N/A	N/A	N/A	N/A	-	-	-	-
Capital Receipts	-	-	-	-	-	-	N/A	N/A	N/A	N/A	-	-	-	-
Total Crown Revenue and Receipts	-	-	90,248	-	-	-	N/A	N/A	N/A	N/A	-	-	-	-

Part B1 - Details of Appropriations

	2006/07				2007/08		
	Budget		Estimated Actual		Vote		
Appropriations	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	Scope of 2007/08 Appropriations
Departmental Output Expenses (General)							
Policy and Monitoring (M1)	2,395	-	2,395	-	2,382	-	To provide policy advice, analysis, evaluation, research, monitoring, purchase advice, legislation and regulatory support, and ministerial servicing on the ACC scheme and the performance of the Accident Compensation Corporation (ACC).
Regulatory Services (M1)	99	-	99	-	99	-	To manage the residual long-term responsibility related to the Crown's ongoing risks resulting from the introduction of the competitive accident insurance market during 1999/2000.
Total Departmental Output Expenses (General)	2,494	-	2,494	-	2,481	-	
Non-Departmental Output Expenses							
Case Management and Supporting Services (M1)	55,739	-	55,739	-	57,278	-	To cover the cost of injury prevention, claim processing, assessment, payment services and case management on the Non-Earners' Account.
Claim Entitlements and Services (M1)	432,238	-	432,238	-	458,760	-	To cover the cost of purchasing medical services, social rehabilitation and elective health care services on the Non-Earners' Account and contracted services.
Public Health Acute Services (M1)	183,226	-	183,226	-	191,769	-	To fund public health acute services for claims on the Non-Earners' Account.
Total Non-Departmental Output Expenses	671,203	-	671,203	-	707,807	-	
Benefits and Other Unrequited Expenses							
Other Compensation (M1)	106,988	-	106,988	-	106,693	-	To cover the cost of income maintenance, independence allowance, and other compensation payments for claims on the Non-Earners' Account and contracted services, as well as transfers to the Medical Misadventure Account for payments made on non-earner related claims.
Total Benefits and Other Unrequited Expenses	106,988	-	106,988	-	106,693	-	
Total Appropriations	780,685	-	780,685	-	816,981	-	

Part C - Explanation of Appropriations for Output Expenses

Part C1 - Departmental Output Expenses

Policy and Monitoring

This output expense includes the provision of policy advice, analysis, evaluation, research, monitoring, purchase advice, legislation and regulatory support, and ministerial servicing on the ACC scheme, and the performance of the Accident Compensation Corporation (ACC).

This output expense contributes to the following long-term goals of the Department of Labour:

- Our Workplaces: New Zealand workplaces will lead the world in maximising the value of work while providing a high-quality working life.
- Our Workforce: The skills of our workers will ensure that New Zealand enterprises are leaders internationally.
- Our People: All New Zealanders will be able to grow and develop through access to well-paid and meaningful employment.

It does this by supporting and promoting the transformation of New Zealand workplaces to become high-performing, and to achieve high-quality working lives by focusing on the workplace productivity drivers, including skills, safe and healthy workplaces, decent work and excellent employment relationships. Responsive regulation of the ACC scheme supports economic and social development, which contributes to higher performing workplaces.

Providing labour market participants with information and guidance that is tailored, targeted and useful increases awareness and uptake of excellent workplace practices, resulting in reduced occupational injuries and disease.

The Department's policy advice, and purchase and monitoring advice contributes to reducing injury in New Zealand workplaces, assisting those who are injured to return to work and ensuring levies are fair. This assists workplaces to effectively balance employers' and employees' needs and interests.

Providing policy advice and monitoring the implementation of policy for the ACC scheme including vocational rehabilitation assists people who are unable to return to their pre-injury occupation. Increased labour market participation will also result from enhancing parents' and other carers' choices about work and family arrangements, and enhancing employment for groups under-represented in the labour force.

The activities included in this output expense are:

- providing policy advice on the ACC scheme's regulation, ACC policies and practices, and its interfaces with the health and welfare systems, and the workplace health and safety system
- evaluating the impact of the ACC scheme and the ACC's activities in meeting the Government's objectives for injury prevention, rehabilitation and compensation and wider social and economic goals
- providing purchase advice on, and monitoring of, the performance of the ACC to assist the Minister for ACC to achieve the Government's objectives
- managing the ACC Board appointment process on behalf of the Minister for ACC
- providing secretariat and advisory support for stakeholder interest groups.

Regulatory Services

Through this output expense, the Accident Insurance Regulator has the residual long-term responsibility to manage the Crown's ongoing risks resulting from the introduction of the competitive accident insurance market during 1999/2000, and retained by the provisions in Part 10 of the IPRC Act. This Act removed or transferred the bulk of the Regulator's activity on 1 April 2002, but an anticipated low level of activity remains, primarily consisting of monitoring and responding to external requests.

This output expense contributes to the following long-term goals of the Department of Labour:

- Our Workplaces: New Zealand workplaces will lead the world in maximising the value of work while providing a high-quality working life.
- Our People: All New Zealanders will be able to grow and develop through access to well-paid and meaningful employment.

Since 1 July 2002 the functions of the Regulator have been:

- Administration of the saved provisions from the Accident Insurance Act 1998 - key stakeholder liaison, receiving and responding to enquiries and complaints (non-ministerials).
- Compliance monitoring - identifying potential non-compliance with the Accident Insurance Act 1998, investigating non-compliance and taking enforcement action where appropriate.
- Information management - residual or transitional hand-over activity, as the prime function, was transferred to Statistics New Zealand and servicing information requests related to private insurers and the 1999/2000 period.
- Funds management - in the case of identification of insolvent insurers, setting various charges to be levied on registered insurers and collecting those levies.

A facility will be provided to appropriately respond to enquiries and complaints related to the competitive accident insurance market introduced in 1999/2000, in response to any demand for this service.

Monitoring, and action as required, will be taken to ensure that compliance obligations are met by participants in the competitive accident insurance market introduced in 1999/2000.

The cost of any administrative sanctions imposed on insurers failing compliance obligations will be recovered.

Administration of the Insolvent Insurers Fund will be undertaken, should this be invoked.

The ACC has assumed the Regulator's role in relation to the Non-Compliers Fund. Statistics New Zealand has assumed the previous injury-related information management role.

Part C2 - Non-Departmental Output Expenses

Performance Measures for ACC

The Minister for ACC purchases claim entitlement services, public health acute services, and case management on behalf of non-earners who have suffered personal injury (other than motor vehicle injury).

The purchasing activities are specified in the Service and Purchase Agreements between the Minister for ACC and ACC, and are monitored by the Department of Labour.

In assessing the performance of ACC in delivering entitlements and services to non-earners the Minister will expect outputs to be delivered according to the performance measures set out in the Service Agreement agreed between the Minister for ACC and ACC. The generic performance measures that will be used include:

Performance Measures Non-Earners' Account Output Expenses

Injury Prevention

- Targets are met for the frequency of, weekly compensation and other entitlement claims for the Non-Earners' Account.

Rehabilitation

- Targets are met for rehabilitation rates for the Non-Earners' Account for six and 12 months duration.
- Average Scheme cost of registrations, weekly compensation and non-weekly compensation claims.
- Volumes and costs for non-acute inpatient rehabilitation.

Claimant and other Stakeholder Satisfaction

All claimant satisfaction target rates will be met for the following groups:

- Claimants under 52 weeks.
- Māori claimants.
- Pacific people claimants.
- Long-term claimants.

Building Staff Capability

- Target rates are met for staff satisfaction rates for all staff, Māori and Pacific peoples.
- Target rate met for annualised staff turnover.

Fair and Stable Levies

- Targets are met for levy payer satisfaction.
 - ACC will achieve target investment returns above international benchmarks.
 - Levy increases do not exceed national annual indexation measures.
 - Management of medical and social rehabilitation costs.
 - Target met for administrative costs to claims ratio.
-

Other performance information on the Non-Earners' Account (including targets and frequency of reporting) is included in the Service Agreement between the Minister for ACC and the ACC Board.

Case Management and Supporting Services

This output expense covers the cost of injury prevention, claim processing, assessment, payment services and case management for non-earning injured people. Financial grants, primarily for research, are also included in this output expense.

Performance measures

Performance measures for this output expense are included in the above table.

Cost

	2006/07 \$000	2007/08 \$000
Total output class expenses	55,739	57,278
Total output class revenues	-	-

Claim Entitlements and Services

This output expense covers the cost of purchasing medical services, support for independence services and elective health care services for non-earners and other contracted services. Services funded within this output expense include:

- primary medical services, including the services of general practitioners, specialists, physiotherapists, radiologists and pharmaceuticals
- elective hospital treatment, required as a result of an accident (defined within the IRPC Act)
- dental treatment
- conveyance for medical treatment
- personal care (home help, attendant care and childcare)
- alteration of home
- ambulatory aids.

Performance measures

Performance measures for this output expense are included in the above table.

Cost

	2006/07 \$000	2007/08 \$000
Total output class expenses	432,238	458,760
Total output class revenues	-	-

Public Health Acute Services

Vote Health initially covers the cost of the provision of public health acute services to ACC claimants. A Service Agreement between the Ministers of Health and ACC is agreed annually that establishes how much Health will be refunded by ACC to cover the cost of these claimants. This output expense funds the Non-Earners' Account portion of the Service Agreement. The remainder is collected via levies.

Performance measures

The cost and volume of public health acute services will be estimated on the basis of best information available.

Cost

	2006/07 \$000	2007/08 \$000
Total output class expenses	183,226	191,769
Total output class revenues	-	-

Part D - Explanation of Appropriations for Other Operating Flows

Part D1 - Benefits and Other Unrequited Expenses

Other Compensation

This appropriation covers the cost of income maintenance, independence allowance, and other compensation payments for claims on the Non-Earners' Account and contracted services, as well as transfer to the Medical Misadventure Account to cover the costs of non-earners' claims.

Part E - Explanation of Capital Flows

Part E2 - Statement of Estimated and Forecast Net Worth of Entities Owned

	Balance Date	Estimated Net Worth 2007 \$000	Forecast Net Worth 2008 \$000
Crown Entities:			
ACC (under GAAP)	30 June	(3,267,000)	N/A
ACC (under NZIFRS)	30 June	(4,983,000)	(4,848,000)

The above forecasts are based on information supplied by ACC as at 28 March 2007.

VOTE *Agriculture and Forestry*

Agriculture and Forestry

Overview

Departmental Appropriations

Departmental appropriations sought for Vote Agriculture and Forestry in 2007/08 total \$43.547 million. This is intended to be spent as follows:

- \$2.679 million (6% of departmental appropriations in this Vote) for administering the legislative provisions relating to the management of indigenous forests and the utilisation of indigenous products.
- \$30.121 million (69% of departmental appropriations in this Vote) on purchasing policy advice with respect to the agricultural, forestry and horticultural sectors.
- \$2.572 million (6% of departmental appropriations in this Vote) for setting of animal welfare standards and investigations and prosecutions of breaches of the Animal Welfare Act 1999.
- \$2.517 million (6% of departmental appropriations in this Vote) to support the Government's commitment on climate change under the Kyoto Protocol.
- \$3.398 million (8% of departmental appropriations in this Vote) for management of Crown forestry assets, the East Coast Forestry Project and the Sustainable Farming Fund.
- \$2.2 million (5% of departmental appropriations in this Vote) for administrative services and property rental to maximise the utilisation of assets and personnel employed by MAF.
- \$60,000 (less than 1% of departmental appropriations in this Vote) for residual change management costs relating to the former Ministry of Agriculture and Fisheries.

Non-Departmental Appropriations

Non-departmental appropriations sought for Vote Agriculture and Forestry in 2007/08 total \$97.851 million. This is intended to be spent as follows:

- \$77.548 million on purchasing forest management and wood production services from sector contractors for Crown forests established on both Crown-Owned and leased Māori land.
- \$8.278 million on East Coast forestry grants.
- \$8.444 million on sustainable farming fund grants.
- \$3.561 million on other non-departmental expenses, including subscriptions to international organisations, possible adverse climatic events, community irrigation schemes and organic initiatives.
- \$20,000 for forestry encouragement loan advances.

Crown Revenue and Capital Receipts

The Ministry expects to collect \$111.797 million of Crown revenue and capital receipts in 2007/08, made up as follows:

- \$109.172 million from the sale of forest produce from Crown forests on Crown-Owned and leased Māori land.

- \$500,000 million from a levy charged under the Dairy Industry Restructuring Act.
- \$2.125 million from the repayment of forestry encouragement loans.

Further information and explanations of the appropriations appear in Part B1 and C of this Vote. Further information on Crown Revenue and Capital Receipts appear in Part F.

Terms and Definitions Used

FAO	Food and Agriculture Organisation of the United Nations
MAF	Ministry of Agriculture and Forestry
NAEAC	National Animal Ethics Advisory Committee
NAWAC	National Animal Welfare Advisory Committee
SILNA	South Island Landless Natives Act 1906

Footnotes

Note 1	Expenses to be incurred pursuant to section 21 of the Public Finance Act 1989.
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Minister Portfolio Table

2	Minister of Agriculture
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Agriculture and Forestry

ADMINISTERING DEPARTMENT: Ministry of Agriculture and Forestry

The Minister of Agriculture is the Responsible Minister for the Ministry of Agriculture and Forestry

Part A - Statement of Objectives and Trends

Part A1 - Objectives for Vote

Related Government Outcomes

The appropriations in Vote Agriculture and Forestry will make a significant contribution towards achieving the government's priority of economic transformation.

Economic transformation

Our agriculture, horticulture, and forestry sectors are key drivers of the performance of the New Zealand economy. There is enormous potential for them to innovate and grow on the back of great science, top management, efficient processing and superior marketing.

The private sector drives our primary sectors but cannot act alone on matters of market access and trade liberalisation or establishing and maintaining a macro-economic and regulatory environment that supports international competitiveness. MAF is intimately engaged in both of those roles and is therefore in a position to directly influence the growth and innovation performance of the sectors in economic transformation.

Prosperous agriculture and forestry supports strong rural communities, strong Māori economic development, skills development, enhanced research capability, improved consumer choice and better environmental outcomes.

MAF has a key role to play for Māori, both in facilitating development of farming and forestry operations, and through protection of indigenous and productive biodiversity through our biosecurity and resource management work.

Sustainability and environmental integrity

New Zealand's primary production sectors are all based on the use of physical resources: land, water, climate, plants and animals. Sustainable profitability requires the nurturing of the long-term productive capability of those resources and the physical environment as a whole. Ongoing viability of the sectors is dependent on protecting the physical resources upon which they are based from the ravages of pests, weeds and diseases - both in order to sustain volumes of production and access to markets.

Discerning consumers are increasingly concerned, when making their purchasing choices, about the environmental sustainability, animal husbandry and welfare implications of the products they buy. MAF recognises the need to strike a balance between meeting society's pursuit of prosperity and economic growth on the one hand, and satisfying environmental and social considerations on the other.

Output Appropriations

To achieve these objectives, the appropriations are intended to fund a range of activities, including:

- Providing a range of policy advice to enable the agriculture, forestry and horticulture sectors to maximise their contribution to New Zealand's sustainable development.
- MAF's contribution to addressing climate change, the sustainable water programme of action and sustainable land management.
- Setting of animal welfare standards and investigations and prosecutions of breaches of the Animal Welfare Act 1999.
- Administering the indigenous forestry provisions of the Forests Act 1949.
- Management of Crown forests on both Crown-Owned and leased Māori land.
- Management of the Sustainable Farming Fund, which supports community led projects aimed at improving financial and environmental performance of the land-based sectors.
- Management of the East Coast Forestry Project which provides funding assistance for erosion-prone land within the Gisborne District.

Part A2 - Trends in Vote

The departmental and Crown flows in Vote Agriculture and Forestry are detailed in the trends table.

Output expenses

Output expense increases between 2002/03 and 2006/07 are mainly due to increased harvesting operations in Crown forests and the transfer of animal welfare appropriations from Vote Biosecurity in 2005/06.

Other expenses

Other expenses increased between 2002/03 and 2003/04 due to expenditure on Sustainable Farming Fund grants. The large increase between 2003/04 and 2004/05 was due to government support to the agricultural sector following floods in the lower North Island and Bay of Plenty. Funding decreased in 2005/06 due to one-off flood relief expenditure in 2004/05. Funding decreased further in 2006/07 due to reduced funding for sustainable farming fund grants.

Crown revenue and capital receipts

The level of Crown revenue varies depending on one-off asset sales and forest harvesting activity. In 2003/04 \$17.5 million was received for the sale of part of Te Manawa-O-Tuhoe forest.

New Policy Initiatives by Appropriation

		\$000 increase/(decrease)				
Initiative	Appropriation as shown in Part B	2006/07	2007/08	2008/09	2009/10	2010/11
South Island Snow Event - Stock Feed Issues	Other Expenses to be Incurred by the Crown - South Island Snow Event	5,870	-	-	-	-
Permanent Forest Sink Initiative	Departmental Output Expense - Climate Change	200	153	72	-	-
Land Management and Climate Change	Departmental Output Expense - Climate Change	2,269	397	-	-	-
Sustainable Land Management Programme	Departmental Output Expense - Agriculture and Forestry Policy Advice	-	2,500	2,500	2,500	2,500
Staff Remuneration	Departmental Output Expense - Administration of Indigenous Forestry Provisions	-	51	86	120	153
	Departmental Output Expense - Agriculture and Forestry Policy Advice	-	734	1,216	1,722	2,172
	Departmental Output Expense - Contract, Grant and Asset Management	-	82	139	194	243
New Zealand Primary Industry Congress	Departmental Output Expense - Agriculture and Forestry Policy Advice	-	1,000	-	-	-
Building Rural Capacity to Respond to Adverse Events	Departmental Output Expense - Agriculture and Forestry Policy Advice	-	400	430	360	360
	Other Expenses to be Incurred by the Crown - Adverse Events	-	280	280	140	-
International Leadership on Climate Change Research in Agriculture and Forestry	Department Output Expense - Climate Change	-	1,000	1,000	1,000	1,000
Total Initiatives		8,339	6,597	5,723	6,036	6,428

Part B - Statement of Appropriations

Summary of Financial Activity

	2002/03	2003/04	2004/05	2005/06	2006/07		2007/08 Appropriations to be Used					2008/09	2009/10	2010/11
						Estimated	By the Department Administering the Vote		For Non-Departmental Transactions					
	Actual \$000	Actual \$000	Actual \$000	Actual \$000	Budget \$000	Actual \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	Total \$000	Estimated \$000	Estimated \$000	Estimated \$000
Appropriations														
Output Expenses	73,756	76,507	86,998	89,411	103,249	100,747	41,287	2,200	77,548	-	121,035	108,277	108,344	104,319
Benefits and Other Unrequited Expenses	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Borrowing Expenses	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Other Expenses	13,788	16,872	50,707	22,522	21,616	14,641	60	-	20,283	-	20,343	17,843	16,953	16,813
Capital Expenditure	-	62	-	-	20	-	N/A	N/A	20	-	20	20	20	20
Intelligence and Security Department Expenses and Capital Expenditure	-	-	-	-	-	-	-	-	N/A	N/A	-	-	-	-
Total Appropriations	87,544	93,441	137,705	111,933	124,885	115,388	41,347	2,200	97,851	-	141,398	126,140	125,317	121,152
Crown Revenue and Receipts														
Tax Revenue	-	-	-	-	-	-	N/A	N/A	N/A	N/A	-	-	-	-
Non-Tax Revenue	82,466	78,449	81,594	81,549	86,524	86,438	N/A	N/A	N/A	N/A	109,672	100,552	105,654	95,107
Capital Receipts	4,362	22,505	9,399	2,015	1,710	1,710	N/A	N/A	N/A	N/A	2,125	2,000	1,850	1,640
Total Crown Revenue and Receipts	86,828	100,954	90,993	83,564	88,234	88,148	N/A	N/A	N/A	N/A	111,797	102,552	107,504	96,747

Part B1 - Details of Appropriations

	2006/07				2007/08		
	Budget		Estimated Actual		Vote		
Appropriations	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	Scope of 2007/08 Appropriations
Departmental Output Expenses (General)							
Administration of Indigenous Forestry Provisions (M2)	2,057	-	1,870	-	2,679	-	- Administration of the indigenous forestry provisions of the Forests Act 1949, with the purpose of promoting the sustainable forest management of indigenous forest land. Reason for Change: Transfer of SILNA funding from 2006/07.
Agriculture and Forestry Policy Advice (M2)	24,131	-	23,496	-	30,121	-	- Policy advice in regard to the agricultural, forestry and horticultural sectors, and ministerial services. Reason for Change: Expense transfers from 2006/07 and new initiative funding for sustainable land management and remuneration pressures.
Animal Welfare (M2)	2,912	-	2,912	-	2,572	-	- Setting of animal welfare standards and investigations and prosecutions of breaches of the Animal Welfare Act 1999. Reason for Change: One-off funding in 2006/07 for increased activity following the South Island snow event.
Climate Change (M2)	3,131	-	2,111	-	2,517	-	- Policy advice and implementation, operational costs and fulfilling international obligations to support the Government's commitment on climate change under the Kyoto Protocol.
Contract, Grant and Asset Management (M2)	3,708	-	3,658	-	3,398	-	- Management of the Crown's ownership interest in forests established on Crown-Owned and leased Māori land. Management of the Sustainable Farming Fund, East Coast Forestry Project and flood relief programmes. Reason for Change: One-off funding in 2006/07 for administration of flood relief programmes and improved advocacy for the East Coast Forestry Project.
Total Departmental Output Expenses (General)	35,939	-	34,047	-	41,287	-	
Departmental Output Expenses (Restricted by Revenue)							
Contestable Services (M2)	-	2,200	-	2,200	-	2,200	Supply of administrative services and the leasing of surplus property (see Note 1).
Total Departmental Output Expenses (Restricted by Revenue)	-	2,200	-	2,200	-	2,200	

	2006/07				2007/08		
	Budget		Estimated Actual		Vote		
Appropriations	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	Scope of 2007/08 Appropriations
Non-Departmental Output Expenses							
Management of Crown Forestry Assets (M2)	65,110	-	64,500	-	77,548	-	- Payments for forest and asset management of Crown forests established on both Crown-Owned and leased Māori land and 13 leases of Crown-Owned land to other parties for forestry purposes. Revenue from the sale of forest produce is recorded in Part F under Crown Forestry Assets. Reason for Change: Increased forest harvesting activity.
Total Non-Departmental Output Expenses	65,110	-	64,500	-	77,548	-	
Other Expenses to be incurred by the Department							
Restructuring Expenses (M2)	60	-	60	-	60	-	- Provides for residual change management costs relating to the former Ministry of Agriculture and Fisheries.
Total Other Expenses to be incurred by the Department	60	-	60	-	60	-	
Other Expenses to be Incurred by the Crown							
Adverse Climatic Events (M2)	356	-	120	-	636	-	- Support to the agriculture and horticulture industries in the aftermath of adverse climatic events.
Community Irrigation Schemes (M2)	17	-	17	-	17	-	- Operating and maintaining Crown irrigation schemes.
East Coast Afforestation Grants (M2)	3,011	-	2,200	-	8,278	-	- Grants to approved private forest growers under the Forestry (East Coast) Grants Regulations 1992. Reason for Change: Expense transfer of unspent funds from 2006/07.
Organic Initiatives (M2)	500	-	500	-	750	-	- Delivery of an organic sector advisory programme.
South Island Snow Event (M2)	5,870	-	300	-	-	-	- Support measures for South Island farmers affected by the snow event
Subscriptions to International Organisations (M2)	2,158	-	1,800	-	2,158	-	- Membership of various international organisations in particular the Food and Agriculture Organisation of the United Nations (FAO).
Sustainable Farming Fund (M2)	9,644	-	9,644	-	8,444	-	- Contestable fund for community driven programmes aimed at improving economic and environmental performance of land-based productive sectors.
Total Other Expenses to be Incurred by the Crown	21,556	-	14,581	-	20,283	-	

	2006/07				2007/08		
	Budget		Estimated Actual		Vote		
Appropriations	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	Scope of 2007/08 Appropriations
Capital Expenditure							
Forestry Encouragement Loans (M2)	20	-	-	-	20	-	Advances to private landowners and local authorities that hold approved forestry encouragement loans under the Forestry Encouragement Loan Regulations 1967. Revenue from the repayment of loans is recorded in Part F.
Total Capital Expenditure	20	-	-	-	20	-	
Total Appropriations	122,685	2,200	113,188	2,200	139,198	2,200	

Part C - Explanation of Appropriations for Output Expenses

Part C1 - Departmental Output Expenses

Administration of Indigenous Forestry Provisions

This output expense involves the administration of Part IIIA of the Forests Act 1949 which relates to the management of privately owned indigenous forest. Principally this involves the administration of sustainable forest management plans and permits, controls on sawmills processing indigenous logs and the export of indigenous forest produce, and breaches of Part IIIA of the Forests Act.

Services provided under this output expense include:

- approval of draft sustainable forest management plan and permit applications; registration of sawmills to enable the milling of indigenous timber; and issue of milling statements for timber to be harvested and milled under other milling provisions within the Act
- audit for compliance: approved sustainable forest management plans and permits, sawmills registered to mill indigenous timber, and indigenous forest produce intended for export.

Agriculture and Forestry Policy Advice

This output expense encompasses analysis and decision support that underpins policy advice to Minister(s) and the government in relation to the agricultural, horticultural, food and forestry sectors. It includes analysis and advice on legislation, institutional arrangements, and on policy and operational initiatives in relation to the sectors, rural communities and other stakeholders. The focus is on sustaining and enhancing the economic contribution of these sectors to New Zealand, and on the economic, environmental and cultural sustainability of the sectors, of their land, water and genetic resources, and of the communities that depend on them.

Animal Welfare

This output expense covers the development, promulgation and maintenance of science-based standards for animal welfare including ethical conduct in animal-based research, ensuring the effective discharge of statutory responsibilities under the Animal Welfare Act 1999, and the provision of secretariat support to two independent ministerial advisory committees, National Animal Ethics Advisory Committee (NAEAC) and National Animal Welfare Advisory Committee (NAWAC).

Climate Change

This output expense covers analysis and advice on sustainable land management and climate change including advice on managing deforestation, encouraging afforestation and reducing agriculture greenhouse gas emissions. This work will also link with other sustainable land management initiatives and Government's wider climate change work.

This will include advice on possible legislation and operational initiatives and partnerships with the land based sectors.

Outputs include:

- working with industry to develop ways of reducing agriculture greenhouse gas emissions

- working with the forest industry to develop forest sinks and to manage emissions associated with deforestation
- to develop and implement regulations to provide opportunities for afforestation carbon credits from permanent forest sinks.

Contract, Grant and Asset Management

This output expense covers the management of certain Crown planted forestry assets, and the Crown's participation in contracts and agreements with others in forestry and agriculture, including arrangements encompassed by legislation and regulations for which the Crown retains an ownership interest or ongoing obligation.

Outputs include:

- management of Crown forestry assets
- management of forestry (East Coast) grant regulations
- management of irrigation and government approved grants for agricultural schemes.

Contestable Services

This output expense covers the subleasing of surplus accommodation owned or leased by the Ministry and the cost recovery of associated shared or in-house services.

Part C2 - Non-Departmental Output Expenses

Management of Crown Forestry Assets

This output expense covers payments and revenue for forest and asset management of 36,108 hectares of Crown forests established on both Crown-Owned and leased Māori land and 13 leases of Crown-Owned land to other parties for forestry purposes. Payments made include:

- pruning and thinning
- fertilising
- protection from fire and disease
- the harvesting of forest produce and replanting of harvested areas
- technical support
- land rates
- stumpage payments.

Revenue is earned from:

- sale of logs and standing forest
- rent
- dividends.

Quantity

- Management of 25 forests (36,108 net stocked hectares).
- Management of 13 forestry leases where the Crown owns the land.
- Management of contracts to complete 5,300 hectares of silvicultural tending.
- Management of contracts to produce 1,281,500 cubic metres of logs.
- Legal and technical support services relating to the Ministry's role as vendor agency for the Office of Treaty Settlements in respect of any Crown forests on Crown land managed by the Ministry that are used for Treaty of Waitangi claim settlement purposes.

Quality

- Management, silvicultural and timber production work programmes, as required by lease agreements and management plans, are completed under contracts which clearly prescribe work methods, acceptable standards and costs.
- All completed work is audited using accepted sampling procedures and a quality management system.
- Forests are independently audited on a three-yearly cycle to review management performance.
- All lease rents are paid on time and any reviews of rent or stumpage share are carried out promptly.

Cost

	\$
Fixed cost (per net stocked hectare)	40
Average stumpage price (per cubic metre) for logs	40
Management fee (per net hectare exclusive of harvesting and re-investment)	20

	2006/07 \$000	2007/08 \$000
Total output class expenses	65,110	77,548
Total output class revenues	86,205	109,172

Part E - Explanation of Capital Flows

Part E1 - Explanation of Movements in Departmental Net Asset Schedules

Details of Net Asset Schedule for Ministry of Agriculture and Forestry	Estimated Actual 2006/07 \$000	Projected 2007/08 \$000	Explanation of Projected Movements in 2007/08
Opening Balance	23,414	26,204	
Capital Injections	2,970	3,184	Development of electronic wine export certification capability and implementation of MAF's laboratory information management system.
Capital Withdrawals	(595)	(595)	Part repayment of capital injection received for MAF Head Office accommodation project.
Surplus to be Retained (Deficit Incurred)	(985)	(60)	
Other Movements	1,400	-	Revaluation of land and buildings.
Closing Balance	26,204	28,733	

Part E2 - Statement of Estimated and Forecast Net Worth of Entities Owned

	Balance Date	Estimated Net Worth 2007 \$000	Forecast Net Worth 2008 \$000
Crown Entities:			
Agriculture and Marketing Research Development Trust	30 June	63,000	63,500
Animal Control Products Ltd	30 June	4,360	4,360

Part F - Crown Revenue and Receipts

Part F1 - Current and Capital Revenue and Capital Receipts

	2006/07		2007/08	Description of 2007/08 Crown Revenue
	Budgeted \$000	Estimated Actual \$000	Budget \$000	
Non-Tax Revenue				
Crown Forestry Assets	86,205	85,800	109,172	Revenue from the sale of forest produce from Crown forests. Reason for Change: Increased forest harvesting activity in 2007/08.
Levy Charged Under the Dairy Industry Restructuring Act	319	638	500	Levy to fund the Commerce Commission's dispute resolution and regulatory enforcement functions under the Dairy Industry Restructuring Act 2001.
Total Non-Tax Revenue	86,524	86,438	109,672	
Capital Receipts				
Forestry Encouragement Loans	1,516	1,516	2,125	Repayment of forestry encouragement loans.
Irrigation Suspensory Loan Refunds	12	12	-	- Refunds from the sale of property within a 10-year period of drawing down an irrigation suspensory loan. Reason for Change: No refunds are forecast for 2007/08.
Sale of Irrigation Assets	182	182	-	- Sale of surplus Crown irrigation assets. Reason for Change: No sales are forecast for 2007/08.
Total Capital Receipts	1,710	1,710	2,125	
Total Crown Revenue and Receipts	88,234	88,148	111,797	

VOTE *Arts, Culture and Heritage*

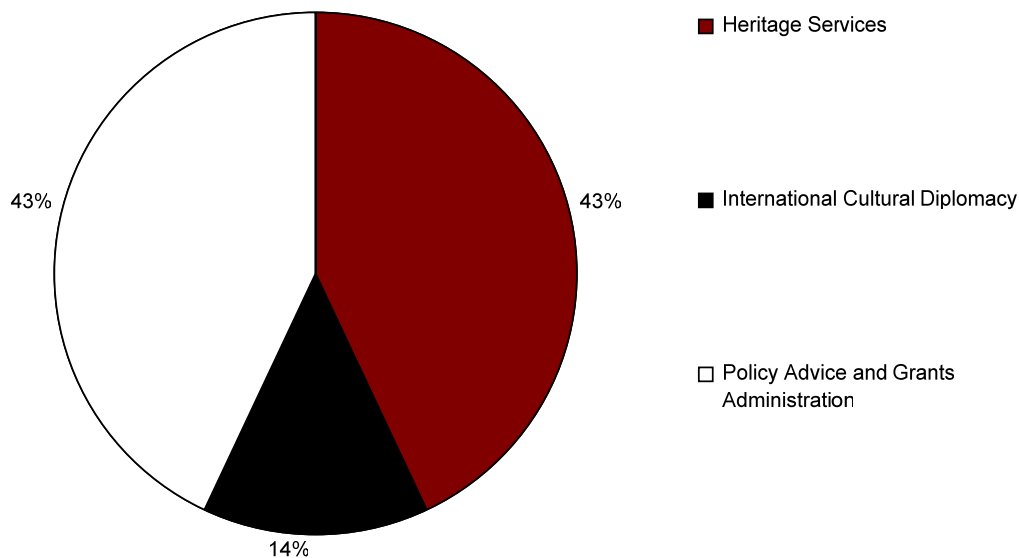
Arts, Culture and Heritage

Overview

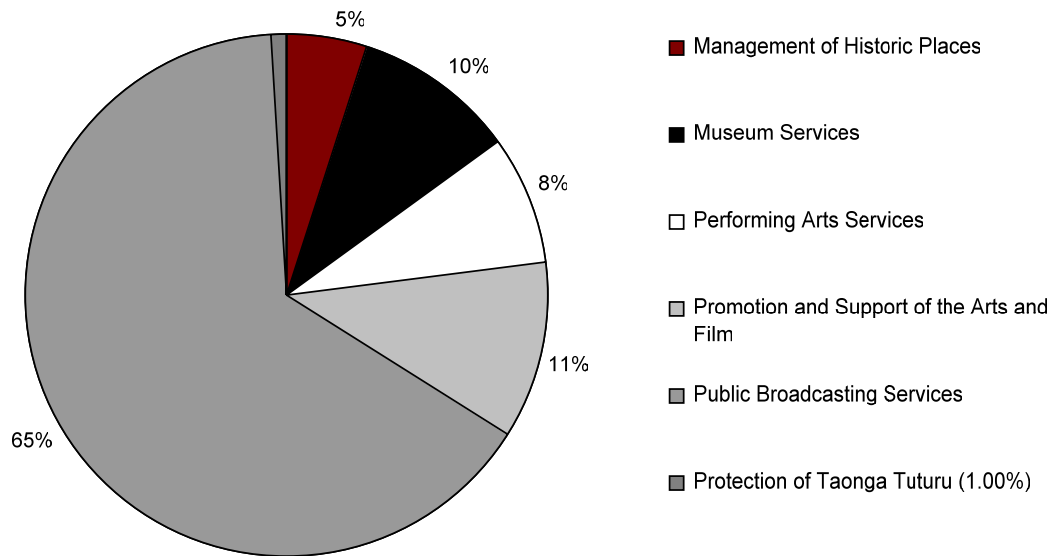
Appropriations sought for Vote Arts, Culture and Heritage in 2007/08 total \$290.184 million. The appropriations are intended to be spent as follows:

- \$14.932 million (5% of the Vote) on purchasing services (international cultural diplomacy, history and heritage, policy advice, grants administration and ministerial servicing) from the Ministry for Culture and Heritage.
- \$226.718 million (78% of the Vote) on purchasing (mainly from arts, heritage and broadcasting Crown entities) ballet, Māori performing arts, public broadcasting, archiving, museum, and orchestral services, protection for historic places, and promoting and supporting New Zealand films and the arts.

Figure 1 - Departmental Output Expenses



Source: Ministry for Culture and Heritage

Figure 2 - Non-Departmental Output Expenses

Source: Ministry for Culture and Heritage

- \$2.643 million (1% of the Vote) on a contribution to an international organisation (Commonwealth War Graves Commission).
- \$16.355 million (6% of the Vote) on capital investment in Te Papa, in a New Zealand Memorial Park, in the New Zealand Film Commission, in the New Zealand Historic Places Trust, and in Radio New Zealand.
- \$29.536 million (10% of the Vote) on other expenses including development and maintenance of war graves, historic graves and monuments (\$516,000), Treaty of Waitangi commemorations (\$288,000), Gallipoli memorial projects (\$352,000), and contributions to capital projects at Regional Museums (\$28.380 million).

Details of how the appropriations are to be applied appear in Parts B, C, D and E of this Vote.

Terms and Definitions Used

AHT	Antarctic Heritage Trust
BSA	Broadcasting Standards Authority
CNZ	Arts Council of New Zealand, Toi Aotearoa - Creative New Zealand
Freeview	Freeview Limited, a consortium of free-to-air-broadcasters
NPRT	National Pacific Radio Trust
NZ On Air	Broadcasting Commission
NZAA	New Zealand Archaeological Association
NZFC	New Zealand Film Commission
NZHPT	New Zealand Historic Places Trust
NZMIC	New Zealand Music Industry Commission
NZSO	New Zealand Symphony Orchestra
RNZ	Radio New Zealand Limited
RNZB	Royal New Zealand Ballet
RNZI	Radio New Zealand International, a division of Radio New Zealand
Te Matatini	Te Matatini Society Incorporated
Te Papa	Museum of New Zealand Te Papa Tongarewa
TVNZ	Television New Zealand Limited

Minister Portfolio Table

4	Minister for Arts, Culture and Heritage
8	Minister of Broadcasting

Arts, Culture and Heritage

ADMINISTRATING DEPARTMENT: Ministry for Culture and Heritage

The Minister for Arts, Culture and Heritage is the Responsible Minister for the Ministry for Culture and Heritage

Part A - Statement of Objectives and Trends

Part A1 - Objectives for Vote

Related Government Outcomes

The appropriations in Vote Arts, Culture and Heritage will make an important contribution to the Key Government Goals to Guide Public Sector Policy and Performance.

Vote Arts, Culture and Heritage contributes specifically to the Government's National Identity theme focus over the next decade on having "all New Zealanders to be able to take pride in who and what we are, through our arts, culture, film, sports and music, and our appreciation of our natural environment, our understanding of our history and our stance on international issues".

Contributions to Key Government Goals and Related Outcomes

The specific links between the key Government goal and related outcomes and the outputs purchased under Vote Arts, Culture and Heritage are:

Output Expense	Links to Government Outcomes
Departmental outputs:	Links to the Key Government Goal to strengthen national identity:
Heritage Services	<ul style="list-style-type: none"> through the management of national monuments and war and historic graves, the research, writing and publication of New Zealand history and reference works and the provision of advice and administration of grants in New Zealand history
International Cultural Diplomacy	<ul style="list-style-type: none"> through the management of the Cultural Diplomacy International Programme in order to boost New Zealand's profile and economic, trade, tourism, diplomatic and cultural interests in key overseas regions or countries
Policy Advice and Grants Administration	<ul style="list-style-type: none"> through advising the Government on arts, culture, heritage and broadcasting matters, and monitoring the performance of organisations in receipt of Vote funding
Management of Historic Places	<ul style="list-style-type: none"> through the conservation, protection, care and maintenance of historic places, and provision of access for the public
Museum Services	<ul style="list-style-type: none"> through collecting, preserving and presenting New Zealand's moving image heritage and the taonga of our peoples; interpreting the heritage of New Zealand for New Zealanders and international audiences; repatriating kōiwi tangata; and helping establish New Zealand's place in the world both by informing New Zealanders about our common heritage and the cultures of our people, and through contextualising our heritage within the heritage of other cultures
Performing Arts Services	<ul style="list-style-type: none"> through fostering a sense of national cultural identity by providing opportunities for New Zealand audiences to experience high-quality live symphonic music, ballet and kapa haka performances; supporting the growth of the contemporary music industry; and encouraging participation in and appreciation of these art forms in New Zealand
Promotion and Support of the Arts and Film	<ul style="list-style-type: none"> through contributing to the development of New Zealand's cultural identity and international profile, and encouraging and recognising innovation and excellence through the support of new work, and through presenting New Zealand stories to New Zealanders through the medium of film, and promoting New Zealand in an international environment

Output Expense	Links to Government Outcomes
Protection of Taonga Tūturu	<ul style="list-style-type: none"> through authentication and conservation of newly found taonga tūturu
Public Broadcasting Services	<ul style="list-style-type: none"> through providing funding for New Zealand television and radio programmes, New Zealand music on radio and television, transmission coverage, Māori broadcasting, archiving of television and radio programmes of historical interest in New Zealand; encouraging the establishment and maintenance of acceptable standards of television and radio broadcasting and the determination of complaints on broadcasting standards; and funding Pacific radio services.

Part A2 - Trends in Vote

Departmental and Non-Departmental Output Expenses

From 2002/03 to 2007/08 there has been a continuing increase in total appropriations for output expenses through Vote Arts, Culture and Heritage.

From 2000/01 total appropriations for output expenses increased over their previous level with the establishment of a new departmental output expense - Heritage Services - to fund the History and Heritage functions that transferred from Vote Internal Affairs, and with additional funding provided for the non-departmental outputs produced by Te Papa, the New Zealand Symphony Orchestra, NZ On Air (including funding to replace NZ On Air's income derived previously through the Public Broadcasting Fee), the New Zealand Historic Places Trust, and the New Zealand Music Industry Commission.

From 2002/03 to 2006/07 further increases to appropriations occurred with the provision of additional funding for a range of purposes, including:

- enabling additional departmental policy and monitoring activity by the Ministry for Culture and Heritage in support of the government's culture and heritage aspirations
- the development of Te Ara - the online Encyclopedia of New Zealand
- the establishment of a Cultural Diplomacy International Programme to boost New Zealand's profile and its economic, trade, tourism, diplomatic and cultural interests
- the development of a cultural portal - NZLive.com
- the advancement of a range of public broadcasting initiatives, which includes additional funding for the Ministry and for Radio New Zealand, NZ On Air and Television New Zealand
- maintaining capability in New Zealand's leading arts and heritage organisations, including the New Zealand Symphony Orchestra, Royal New Zealand Ballet, the New Zealand Historic Places Trust, Te Papa, Te Matatini and Creative New Zealand
- ensuring that the New Zealand Film Archive and the Antarctic Heritage Trust are able to carry out their respective preservation activities
- supporting an expanded programme of work, including an international focus, by the New Zealand Music Industry Commission, and
- the establishment of a national Pacific radio network and enhancing broadcasting services transmitted to the Pacific region.

In the 2007/08 Budget additional funding will be applied to the new policy initiatives set out in the table below.

Other Crown Expenses

Prior to 2001/02 appropriations for other expenses to be incurred by the Crown were provided to the Auckland War Memorial Museum, the Otago Museum and the Christchurch Art Gallery for capital development projects funded under the Regional Museums Policy for Capital Construction Projects. From 2001/02 an annual fund to meet the costs of such projects was established.

From 2000/01 the transfer of the History and Heritage functions of the Department of Internal Affairs resulted in appropriations for expenditure on war graves, historic graves and monuments being added to the Vote. In 2001/02 another transferring appropriation from Vote Internal Affairs (Treaty of Waitangi Commemorations) was added, along with provision to fund the operations of the Antarctic Heritage Trust.

In 2004/05 funding for a New Zealand Memorial in London and for projects to commemorate the 90th anniversary of ANZAC Day were added to the Vote. Also during 2004/05 the government agreed to fund the redevelopment of the Christchurch Theatre Royal.

In 2005/06 the Antarctic Heritage Trust appropriation was moved to the Non-Departmental Output Expense "Management of Historic Places", and funding was provided for the construction of a New Zealand Memorial in Korea.

In 2006/07 funding was provided for Government's contribution towards the cost of the Kerikeri Heritage Bypass to protect nationally significant heritage buildings (Kemp House and the Stone Store).

Further discussion regarding the 2007/08 appropriations is contained in Parts B1 and D3 of this Vote.

Capital Expenditure

Crown organisations

Government's capital contributions to Te Papa from 2001/02 have been used to fund ongoing capital expenditure for museum operations, exhibition research and development, and acquisition of collection items.

In 2004/05 funding was provided to Radio New Zealand to purchase transmitters in low density population areas to improve transmission arrangements, and its Auckland accommodation in Hobson Street. Further funding was provided to Radio New Zealand in 2005/06 to support a range of radio broadcasting initiatives. Further funding is provided again in 2007/08 to extend transmission coverage to low density population areas.

In 2005/06 funding was provided to Creative New Zealand to develop on-line services and upgrade its historic building premises.

In 2006/07 funding was provided to New Zealand Historic Places Trust for an upgrade of information technology systems and regional office vehicles, and urgent deferred maintenance at historic properties.

In 2007/08 funding is provided to the New Zealand Film Commission for relocation costs and fit-out of new premises.

Memorial projects in New Zealand

Since 2003/04 capital contributions have been provided to meet the costs of constructing a Tomb of the Unknown Warrior at the National War Memorial in Wellington and to purchase land on which to establish a New Zealand Memorial Park. Commencement of the park's development will occur during 2007/08.

Further discussion regarding the 2007/08 appropriation is contained in Parts B1 and E1 of this Vote.

New Policy Initiatives by Appropriation

Initiative	Appropriation as shown in Part B	\$000 increase/(decrease)				
		2006/07	2007/08	2008/09	2009/10	2010/11
Additional baseline capacity for the Ministry for Culture and Heritage	Departmental Output Expense - Heritage Services	-	754	715	715	715
	Departmental Output Expense - Policy Advice and Grants Administration	-	1,396	1,355	1,355	1,355
	Departmental Output Expense - Impact on Net Asset Schedule	-	250	-	-	-
Additional funding for the New Zealand Memorial in London	Departmental Output Expense - Heritage Services	856	-	-	-	-
Authentication of protected objects	Non-Departmental Output Expense - Protection of Taonga Tūturu	-	30	30	30	30
Conservation of Crown-owned artifacts	Non-Departmental Output Expense - Protection of Taonga Tūturu	-	30	30	30	30
Enhanced NZ On Air services	Non-Departmental Output Expense - Public Broadcasting Services	-	2,000	2,000	2,000	2,000
Freeview free-to-air digital television platform	Non-Departmental Output Expense - Public Broadcasting Services	5,000	5,000	5,000	5,000	5,000
Maintenance of NZFA capability	Non-Departmental Output Expense - Museum Services	-	500	500	500	500
Maintenance of RNZ's core services	Non-Departmental Output Expense - Public Broadcasting Services	-	1,142	1,142	1,142	1,142
	Capital Expenditure - Radio New Zealand	-	521	-	-	-
NZFC relocation	Capital Expenditure - New Zealand Film Commission	-	946	-	-	-
NZMIC capability	Non-Departmental Output Expense - Performing Arts Services	-	533	-	-	-
TVNZ digital services	Non-Departmental Output Expense - Public Broadcasting Services	13,000	13,000	18,000	18,000	16,000
Viet Nam veterans oral history project	Departmental Output Expense - Heritage Services	200	200	200	200	-
Total Initiatives		19,056	26,302	28,972	28,972	26,772

Part B - Statement of Appropriations

Summary of Financial Activity

	2002/03	2003/04	2004/05	2005/06	2006/07		2007/08 Appropriations to be Used					2008/09	2009/10	2010/11
							By the Department Administering the Vote		For Non-Departmental Transactions					
	Actual \$000	Actual \$000	Actual \$000	Actual \$000	Budget \$000	Estimated Actual \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	Total \$000	Estimated \$000	Estimated \$000	Estimated \$000
Appropriations														
Output Expenses	149,510	171,288	201,139	209,470	239,371	235,451	14,932	-	226,718	-	241,650	245,214	245,214	243,014
Benefits and Other Unrequited Expenses	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Borrowing Expenses	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Other Expenses	7,588	10,420	14,841	10,232	15,175	11,009	-	-	32,179	-	32,179	12,603	12,603	12,603
Capital Expenditure	10,616	9,511	16,536	21,234	16,350	16,350	N/A	N/A	16,355	-	16,355	10,000	9,000	9,000
Intelligence and Security Department Expenses and Capital Expenditure	-	-	-	-	-	-	-	-	N/A	N/A	-	-	-	-
Total Appropriations	167,714	191,219	232,516	240,936	270,896	262,810	14,932	-	275,252	-	290,184	267,817	266,817	264,617
Crown Revenue and Receipts														
Tax Revenue	-	-	-	-	-	-	N/A	N/A	N/A	N/A	-	-	-	-
Non-Tax Revenue	-	-	11	280	7,579	7,579	N/A	N/A	N/A	N/A	-	-	-	-
Capital Receipts	-	-	-	-	-	-	N/A	N/A	N/A	N/A	-	-	-	-
Total Crown Revenue and Receipts	-	-	11	280	7,579	7,579	N/A	N/A	N/A	N/A	-	-	-	-

Part B1 - Details of Appropriations

	2006/07				2007/08		
	Budget		Estimated Actual		Vote		
Appropriations	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	Scope of 2007/08 Appropriations
Departmental Output Expenses (General)							
Heritage Services (M4)	7,251	-	6,686	-	6,387	-	Management of new memorial projects, national monuments, war and historic graves; administration of legislation and grants; and research, writing and publication of New Zealand history and reference works including the on-line Encyclopedia of New Zealand. Reason for Change: An increase for additional baseline capacity; more than offset by a decrease in funding for projects that are either completed or deferred.
International Cultural Diplomacy (M4)	3,615	-	3,468	-	2,089	-	Management and delivery of an international cultural diplomacy programme through a series of projects and activities primarily focused on Asia, and in particular North Asia. Reason for Change: Increase in 2006/07 is a result of one-off funding transferred from 2005/06 to 2006/07.
Policy Advice and Grants Administration (M4)	5,565	-	5,357	-	6,456	-	Providing policy advice on arts, culture, heritage and broadcasting issues; monitoring the Crown's interests in sector agencies; and providing negotiated services to the Ministers for Arts, Culture and Heritage and the Minister of Broadcasting. Reason for Change: Increased by baseline capacity; decreased by various technical adjustments.
Total Departmental Output Expenses (General)	16,431	-	15,511	-	14,932	-	
Non-Departmental Output Expenses							
Management of Historic Places (M4)	10,409	-	10,409	-	10,859	-	Identification, registration, site recording and associated promotion of the conservation, protection and care of historic places, and purchasing of management services for properties, including maintenance work and provision of access for the public. Reason for Change: Increased by capability for NZHPT; decreased by cessation of funding for NZAA.
Museum Services (M4)	21,263	-	21,263	-	21,744	-	Collection development, collection management, public programmes and exhibitions, and repatriation of koiwi tangata. Reason for Change: Increased by maintenance of NZFA capability; decreased by new output expense for authentication of protected objects.

	2006/07				2007/08		
	Budget		Estimated Actual		Vote		
Appropriations	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	Scope of 2007/08 Appropriations
Performing Arts Services (M4)	18,284	-	18,284	-	18,283	-	- Providing opportunities for New Zealand audiences to experience high-quality live symphonic music, ballet and kapa haka performances; supporting the growth of the contemporary music industry; and encouraging participation in and appreciation of these art forms in New Zealand.
Promotion and Support of the Arts and Film (M4)	25,563	-	25,563	-	25,563	-	- Contributing to the development of New Zealand's cultural identity and international profile; supporting access and participation by New Zealanders in the arts; encouraging and recognising innovation and excellence through the support of new work and presentation of New Zealand arts and stories to New Zealanders.
Protection of Taonga Tūturu (M4)	-	-	-	-	79	-	- Provision of services by authorised museums under the Protected Objects Act 1975 and conservation of newly found taonga tūturu.
Public Broadcasting Services (M8)	147,421	-	144,421	-	150,190	-	- Providing funding for New Zealand television and radio programmes, music, archiving, broadcasting and transmission coverage; determination of complaints on broadcasting standards; and funding a national Pacific radio network and an international radio and television service to the Pacific. Reason for Change: Increased by enhanced NZ On Air services, maintenance of RNZ's core services, and TVNZ transmission to the Pacific; decreased by national Pacific radio network.
Total Non-Departmental Output Expenses	222,940	-	219,940	-	226,718	-	
Other Expenses to be Incurred by the Crown							
Commonwealth War Graves (M4)	2,330	-	2,330	-	2,643	-	- Commonwealth War Graves Commission: New Zealand annually contributes 2.14% of the costs of the Commonwealth War Graves Commission for its work in caring for the graves of the war dead. Reason for Change: Refer Part D3 for further information.
Development and Maintenance of War Graves, Historic Graves and Monuments (M4)	516	-	516	-	516	-	- Development and maintenance of war graves, historic graves and monuments in New Zealand and overseas.
Gallipoli Memorial Projects (M4)	48	-	48	-	352	-	- Projects to commemorate the 90th anniversary of ANZAC day.
Kerikeri Heritage Bypass (M4)	4,181	-	15	-	-	-	- Contribution to costs of design, land purchase and construction of the Kerikeri Heritage Bypass to protect nationally significant heritage buildings (Kemp House and the Stone Store). Reason for Change: Refer part D3 for further information.
New Zealand Memorial in London (M4)	1,323	-	1,323	-	-	-	- Construction of a New Zealand Memorial in London.

	2006/07				2007/08		
	Budget		Estimated Actual		Vote		
Appropriations	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	Scope of 2007/08 Appropriations
Other Expenses to be Incurred by the Crown - cont'd							
Regional Museums (M4)	6,489	-	6,489	-	28,380	-	Capital construction projects at Regional Museums. Reason for Change: Increased by a transfer of funding from 2006/07 to 2007/08.
Treaty of Waitangi Commemorations (M4)	288	-	288	-	288	-	Treaty commemorations held at Waitangi and within communities elsewhere in New Zealand.
Total Other Expenses to be Incurred by the Crown	15,175	-	11,009	-	32,179	-	
Capital Expenditure							
Museum of New Zealand Te Papa Tongarewa (M4)	15,500	-	15,500	-	10,000	-	Capital expenditure for museum operations, exhibition research and development, and acquisition of collection items. Reason for Change: Refer Part E3 for further information.
New Zealand Film Commission (M4)	-	-	-	-	946	-	Capital expenditure for relocation costs and fit-out of new premises.
New Zealand Historic Places Trust (M4)	850	-	850	-	2,000	-	Capital expenditure for an upgrade of information technology systems and regional office vehicles, and urgent deferred maintenance at historic properties.
New Zealand Memorial Park (M4)	-	-	-	-	2,888	-	Capital expenditure for the establishment of a New Zealand Memorial Park in Wellington. Reason for Change: A transfer of funding from 2006/07 to 2007/08.
Radio New Zealand (M8)	-	-	-	-	521	-	Funding in support of a range of radio broadcasting initiatives.
Total Capital Expenditure	16,350	-	16,350	-	16,355	-	
Total Appropriations	270,896	-	262,810	-	290,184	-	

Part C - Explanation of Appropriations for Output Expenses

Part C1 - Departmental Output Expenses

Heritage Services

The Minister will purchase outputs involving:

- the management of new memorial projects, national monuments, war and historic graves and the administration of the Protected Objects Act 1975
- the research, writing and publication of New Zealand history and works of reference including the on-line Encyclopedia of New Zealand
- the administration of grants and provision of advice in New Zealand history
- the administration of the government exhibition indemnification scheme, and
- the administration of legislation relating to commemorative days and to the symbols and emblems of New Zealand sovereignty.

International Cultural Diplomacy

The Minister will purchase outputs involving the management and delivery of an international cultural diplomacy programme through a series of projects and activities primarily focused on Asia, and in particular North Asia. It is intended that the major focus of the Cultural Diplomacy International Programme in 2007/08 shall be on a major New Zealand cultural festival in Japan, in spring 2008. Other projects likely to be supported will take place in ASEAN countries, and in China.

Policy Advice and Grants Administration

The Minister will purchase outputs involving:

- the provision of policy advice on arts, culture, heritage and broadcasting issues, including legislation, major policy proposals, and developments and initiatives of significance to the sector
- the management and disbursement of payments to a number of arts, heritage and broadcasting sector agencies and the monitoring of the Crown's interests in these organisations, and
- other negotiated services, including the preparation of speech notes and replies to ministerial correspondence, and general services that assist in discharging the portfolio obligations to Parliament.

Part C2 - Non-Departmental Output Expenses

Management of Historic Places

The Minister will purchase outputs from the Antarctic Heritage Trust and the New Zealand Historic Places Trust. These involve implementing conservation plans to preserve key historic sites in Antarctica; identifying, registering, and the associated promoting of the protection and care of historic places and purchasing management services for properties, including maintenance work and providing access for the public. This includes registration services, advocacy, education, provision of technical advice and management of Crown-owned, Trust-owned, and vested heritage properties.

Providers

Antarctic Heritage Trust (AHT).

New Zealand Historic Places Trust (NZHPT).

Quantity, quality, timeliness and cost

Where appropriate, comparative figures for the previous year are shown in parentheses.

From the AHT:

- To build international fund-raising capability to implement conservation plans that are aimed at the preservation of key historic sites in Antarctica.

Performance measures for the AHT will be included in its 2007/08 Memorandum of Understanding.

These outputs will be provided within the appropriated sum of \$356,000, which represents approximately 82% (82%) of the AHT's operational income.

		\$000
2007/08	Total output expenses	356
2006/07	Total output expenses	356

From the NZHPT:

Recognition services:

- registration of historic places, historic areas, wahi tapu and wahi tapu areas.

Preservation services:

- processing of archaeological authorities
- managing the conservation and maintenance of Crown heritage properties and non-Crown properties, and
- responding and making submissions in the Annual Plan process of all Local Authorities.

Promotion services:

- advocating for heritage outcomes in all interactions that the NZHPT has with external parties, including Local Authorities, developers, iwi/hapū and other members of the public
- management of Crown and Non-Crown properties enabling access by the public where possible, and
- the provision of public education and promotional services to the general public.

Performance measures for the NZHPT will be included in its 2007/08 Statement of Intent and Memorandum of Understanding.

These outputs will be provided within the appropriated sum of \$10.503 million, which represents approximately 80% (80%) of the NZHPT's income.

		\$000
2007/08	Total output expenses	10,503
2006/07	Total output expenses	9,903

The NZAA received \$470,000 between 2004/05 and 2006/07 to improve the reliability of information on the New Zealand archaeological site recording scheme and establish an electronic database for this information. Funding is not being provided for this project in 2007/08.

		\$000
2007/08	Total output expenses	-
2006/07	Total output expenses	150

Museum Services

The Minister will purchase outputs from Te Papa and the New Zealand Film Archive. This involves collecting, preserving, presenting and promoting New Zealand's heritage and repatriation of koiwi tangata.

Providers

Museum of New Zealand Te Papa Tongarewa (Te Papa).

New Zealand Film Archive (NZFA).

Quantity, quality, timeliness and cost

Where appropriate, comparative figures for the previous year are shown in parentheses.

From Te Papa:

- Te Papa provides a range of museum services, including national services for all museums. At a national level it presents, explores and preserves both the heritage of its cultures and knowledge of the natural environment in order to better understand and treasure the past, to enrich the present, and to meet the challenges of the future. \$444,444 per annum is provided to support repatriation of koiwi tangata.

Performance measures for Te Papa are included in its 2007/08 Statement of Intent and 2007/08 Memorandum of Understanding.

These outputs will be provided within the appropriated sum of \$20.574 million. This represents approximately 49% (55%) of Te Papa's total income.

		\$000
2007/08	Total output expenses	20,574
2006/07	Total output expenses	20,574

From the NZFA:

- The NZFA collects, protects and promotes New Zealand's moving image heritage materials. The NZFA's work benefits the makers of film and video by ensuring the survival of their work for future generations and benefits the public in general by providing national access to over 100 years of New Zealand's history captured on film.

The Government's funding contributes to:

- acquiring the necessary materials for a national moving image collection
- repairing and preserving the acquired moving image materials, and
- presenting the NZFA's collections and programmes to the widest possible audience.

Performance measures for the NZFA will be included in its 2007/08 Memorandum of Understanding.

The total cost of the Crown's contribution to these outputs is \$1.170 million which represents approximately 33% (22%) of the NZFA's total income. The NZFA utilises income from a variety of public and private sources (including the New Zealand Lottery Grants Board) to achieve its objectives.

		\$000
2007/08	Total output expenses	1,170
2006/07	Total output expenses	670

Performing Arts Services

The Minister will purchase outputs from the New Zealand Symphony Orchestra, the Royal New Zealand Ballet, Te Matatini Society Incorporated, and the New Zealand Music Industry Commission. It involves the provision of opportunities for New Zealand audiences to experience high-quality live symphonic music, ballet and kapa haka performances; encouraging participation in and appreciation of these art forms in New Zealand; and supporting New Zealand works in these art forms. It includes programmes to support the growth of New Zealand contemporary music.

Providers

New Zealand Symphony Orchestra (NZSO)

Royal New Zealand Ballet (RNZB)

Te Matatini Society Incorporated (Te Matatini)

New Zealand Music Industry Commission (NZMIC).

Quantity, quality, timeliness and cost

Where appropriate, comparative figures for the previous year are shown in parentheses.

From the NZSO:

- A range of outputs relating to provision of a full-time professional orchestra playing live orchestral concerts to an international standard to a range of communities throughout New Zealand; provision of education programmes and recordings; delivery of a wide range of repertoire, including support for

New Zealand musicians and composers; and contributing to, and reflecting, New Zealand's cultural environment.

Performance measures for the NZSO will be detailed in its 2007/08 Statement of Intent and 2007/08 Memorandum of Understanding.

These outputs will be provided within the appropriated sum of \$12.346 million, which represents approximately 68% (71%) of the Orchestra's total income.

		\$000
2007/08	Total output expenses	12,346
2006/07	Total output expenses	12,346

From the RNZB:

- A range of outputs relating to: the provision of opportunities for New Zealand audiences to experience live dance performances to the highest possible standards; encouraging appreciation of dance in New Zealand; supporting New Zealand dancers, choreographers and theatre practitioners; extending and developing the art form; and contributing to and reflecting New Zealand's cultural environment.

Performance measures for the RNZB will be included in its 2007/08 Memorandum of Understanding.

The total cost of the Crown's contribution to these outputs is \$3.534 million, which represents approximately 45% (47%) of the RNZB's total income.

		\$000
2007/08	Total output expenses	3,534
2006/07	Total output expenses	3,534

From Te Matatini:

- A range of outputs relating to the encouragement, development and protection and presentation of traditional Māori performing arts. This will include a programme of regional kapa haka activities which culminate every second year in a national kapa haka competition.

Performance measures for Te Matatini will be included in its 2007/08 Memorandum of Understanding.

These outputs will be provided within the appropriated sum of \$1.248 million, which represents 100% (66%) of Te Matatini's total income.

		\$000
2007/08	Total output expenses	1,248
2006/07	Total output expenses	1,248

From the NZMIC:

- A range of outputs relating to the promotion, development and support of contemporary New Zealand music, both in New Zealand and internationally.

Performance measures for the NZMIC will be included in its 2007/08 Memorandum of Understanding.

These outputs will be provided within the appropriated sum of \$1.156 million, which represents approximately 74% (74%) of the NZMIC's total income.

		\$000
2007/08	Total output expenses	1,156
2006/07	Total output expenses	1,156

Promotion and Support of the Arts and Film

The Minister will purchase outputs from Creative New Zealand and the New Zealand Film Commission. These contribute to the development of New Zealand's cultural identity and international profile; support access and participation by New Zealanders in the arts; encourage and recognise innovation and excellence through the support of new work and presentation of New Zealand arts and stories to New Zealanders.

Providers

Arts Council of New Zealand, Toi Aotearoa - Creative New Zealand (CNZ).

New Zealand Film Commission (NZFC).

Quantity, quality, timeliness and cost

Where appropriate, comparative figures for the previous year are shown in parentheses.

From CNZ:

- A range of outputs relating to the development, support and promotion of New Zealand arts, artists and arts organisations, the provision of opportunities for New Zealanders to participate in the arts, and for New Zealand's arts to gain international profile.

Performance measures for CNZ will be included in its 2007/08 Statement of Intent and 2007/08 Memorandum of Understanding.

These outputs will be provided within the appropriated sum of \$15.452 million, which represents an estimated 41% (42%) of CNZ's total income. The New Zealand Lottery Grants Board will provide approximately 57% (55%) of CNZ's income.

		\$000
2007/08	Total output expenses	15,452
2006/07	Total output expenses	15,452

From NZFC:

- A range of outputs relating to support, investment, promotion and distribution of New Zealand films in order to express a New Zealand cultural identity. This includes talent development and industry assistance, providing financing for feature-films and non-feature-length films and support for distribution and sales of New Zealand films to enhance the profile and appreciation of New Zealand films and filmmakers in New Zealand and overseas.

Performance measures for the NZFC will be included in its 2007/08 Statement of Intent and 2007/08 Memorandum of Understanding.

These outputs will be provided within the appropriated sum of \$10.111 million, which represents approximately 46% (46%) of the NZFC's total income. The New Zealand Lottery Grants Board will provide approximately 41% (40%) of the NZFC's income.

		\$000
2007/08	Total output expenses	10,111
2006/07	Total output expenses	10,111

Protection of Taonga Tūturu

The Minister will purchase outputs from authorised museums and conservation service providers. This involves examination and conservation of taonga tūturu under the Protected Objects Act 1975.

Providers

Authorised museums: Auckland War Memorial Museum, Canterbury Museum, Otago Museum.

Conservation service providers.

Quantity, quality, timeliness and cost

From authorised museums and conservation service providers:

- The number of examinations of taonga tūturu will be reported on and examinations will be completed within expected timeframes.
- Any newly found taonga tūturu referred to a provider for conservation will be treated to the accepted professional standards of the day to ensure the long-term preservation of the object.

These outputs will be provided within the appropriated sum of \$79,000.

		\$000
2007/08	Total output expenses	79
2006/07	Total output expenses	-

Public Broadcasting Services

The Minister of Broadcasting will purchase outputs to enable:

- production of New Zealand television programmes, including drama, comedy, documentary as well as programmes for a range of special interest groups
- public broadcasting through Radio New Zealand Ltd, and community access radio services
- promotion of New Zealand music on radio and television
- maintenance, and where feasible, extension of transmission coverage for television and radio in non-commercial areas

- archiving of television and radio programmes that are likely to be of historical interest to New Zealanders
- establishment and maintenance of acceptable standards of television and radio broadcasting and the determination of complaints on broadcasting standards
- an international radio and television service to the Pacific
- a national Pacific radio network, and
- a platform for the delivery of free-to-air digital broadcasting services.

Providers

Broadcasting Commission (NZ On Air)

Television New Zealand (TVNZ)

Broadcasting Standards Authority (BSA)

Radio New Zealand (RNZ)

Radio New Zealand International (RNZI)

National Pacific Radio Trust (NPRT)

Freeview Limited (Freeview), a consortium of free-to-air broadcasters.

Quantity, quality, timeliness and cost

Where appropriate, comparative figures for the previous year are shown in parentheses.

From the Broadcasting Commission (NZ On Air):

- New Zealand Television Programmes and Initiatives
 - NZ On Air will fund a diverse range of programmes that reflect and foster the different expressions of New Zealand's cultural identity and serve the needs of viewers as citizens, not simply as consumers.
- Radio
 - NZ On Air will fund Radio New Zealand Ltd to provide a diversity of programming reflecting New Zealand identity and culture. NZ On Air will ensure that special interest groups are being adequately catered for through radio, by providing funding to community access radio stations, Pacific Island radio and commercial radio programmes.
- New Zealand Music
 - NZ On Air will fund a range of promotional strategies aimed at maintaining and increasing the level of NZ music played on commercial radio, in accordance with voluntary industry targets, as well as promoting New Zealand music internationally.
- Transmission Coverage
 - NZ On Air will maintain and, where possible, extend radio transmission coverage in non-commercial areas.

- Archiving
 - NZ On Air will provide funding to enable a diverse range of television and radio programmes likely to be of historical interest to New Zealanders to be archived.
- Māori Broadcasting
 - NZ On Air will continue to ensure a strong presence of Māori perspectives in mainstream programming. Promotion of Māori language and culture through NZ On Air's NZ music, television and radio initiatives will also continue.

Performance measures will be included in NZ On Air's 2007/08 Statement of Intent and 2007/08 Memorandum of Understanding.

These outputs will be provided within the appropriated sum of \$109.813 million.

		\$000
2007/08	Total output expenses	109,813
2006/07	Total output expenses	106,671

From Television New Zealand (TVNZ):

- TVNZ will fund initiatives and programmes that support the implementation of the Charter (\$15.111 million) and which facilitate TVNZ's transition to digital broadcasting through the launch and operation of two new channels (\$13 million). TVNZ will also maintain television transmission coverage in non-commercial areas (\$1.150 million) and a television programme service to the Pacific, including news, current affairs and programmes of special interest (\$607,000).

Performance measures will be included in TVNZ's 2007/08 Statement of Intent and 2007/08 Memorandum of Understanding.

These outputs will be provided within the appropriated sum of \$29.868 million, which represents approximately 7% (4%) of TVNZ's total income.

		\$000
2007/08	Total output expenses	29,868
2006/07	Total output expenses	16,851

From the Broadcasting Standards Authority (BSA):

- The BSA will provide a quasi-judicial determination of complaints on broadcasting standards, and support for broadcasters in discharging their responsibilities in relation to programme standards. The BSA is also responsible for encouraging the establishment and maintenance of acceptable standards of broadcasting on television and radio within the context of current social values.

Performance measures will be included in the BSA's 2007/08 Statement of Intent and 2007/08 Memorandum of Understanding.

These outputs will be provided within the appropriated sum of \$609,000, which represents approximately 46% (48%) of the BSA's income. The second major source of income for the BSA is the levy imposed by legislation on broadcasters.

		\$000
2007/08	Total output expenses	609
2006/07	Total output expenses	609

From Radio New Zealand:

Radio New Zealand will provide an international radio service to the Pacific through Radio New Zealand International (RNZI). This service will:

- broadcast innovative, comprehensive and independent news and programming of interest to the Pacific region
- provide a reliable account of Pacific and New Zealand affairs for relay and use by broadcasters and listeners within the Pacific and beyond
- broadcast programming which encourages an awareness and understanding of New Zealand policies on regional issues of concern, foreign relations, development assistance, immigration, human rights, economic developments, the environment, and trade opportunities, and
- provide a reliable source of information in the event of natural disasters or a breakdown of local communication services (additional costs of this service are met by the Ministry of Foreign Affairs and Trade and are not included in the cost below).

These outputs will be delivered in accordance with the performance measures contained in Radio New Zealand's 2007/08 Statement of Intent and 2007/08 Memorandum of Understanding with respect to RNZI.

These outputs will be provided within the appropriated sum of \$1.9 million.

		\$000
2007/08	Total output expenses	1,900
2006/07	Total output expenses	1,900

From the National Pacific Radio Trust:

The National Pacific Radio Trust will provide a national Pacific radio network to:

- reflect and reinforce Pacific peoples' cultures and languages
- effectively communicate timely and accurate information on government policies, programmes and services and how to access these
- contribute to the social, spiritual and economic wellbeing of Pacific peoples and communities in New Zealand through communication links, programme content, building a pool of Pacific broadcasters, and exposure of Pacific music/artists
- provide a balance of programmes in terms of age groups, regional interests, larger and smaller Pacific language groups, and a range of Pacific community interests
- provide a range of quality information, education, special interest, entertainment programmes, and news services and current affairs, including international and regional items, relevant to Pacific peoples in New Zealand

- meet public broadcasting standards of independence and impartiality in its coverage and analysis of news and current affairs
- ensure that Pacific peoples participate in the planning of programmes and programming, and have significant voice, and
- maintain collegial and co-operative relationships with other public broadcasting entities.

These outputs will be delivered in accordance with performance measures contained in NPRT's 2007/08 Statement of Intent and 2007/08 Memorandum of Understanding.

These outputs will be provided within the appropriated sum of \$3 million.

		\$000
2007/08	Total output expenses	3,000
2006/07	Total output expenses	3,390

From Freeview:

A consortium of broadcasters (TVNZ, CanWest TVWorks Limited, Māori Television Service, RNZ) which will provide and promote a platform for a range of free-to-air digital broadcasting services, delivered by satellite and terrestrial transmission.

Performance requirements are included in Freeview's funding agreement with the Crown.

An annual appropriation of \$5 million is a contribution towards the total costs of the Freeview platform in the initial five years of its operation. It recognises the additional costs associated with the need to simulcast both analogue and digital services in the transition to analogue transmission switch-off.

		\$000
2007/08	Total output expenses	5,000
2006/07	Total output expenses	5,000

Part D - Explanation of Appropriations for Other Operating Flows

Part D3 - Other Expenses

Commonwealth War Graves

New Zealand was a founder signatory to the Royal Charter, which established the War Graves Commission in 1917. The commission is charged with the commemoration of the war dead and the care of their graves. New Zealand's annual levy is set at 2.14% of the commission's costs, which reflects the proportionate number of graves of New Zealand service-people.

In 2007/08 an amount of \$2.643 million is required to meet New Zealand's contribution.

Development and Maintenance of War Graves, Historic Graves and Monuments

The Government is responsible for the care of 4,188 war graves within New Zealand and overseas, 79 historic graves and 16 national monuments in New Zealand, and seven overseas war memorials in Turkey, France and Belgium, Korea and the United Kingdom.

In 2007/08 \$516,000 is required for this work.

Gallipoli Memorial Projects

To mark the 90th anniversary of ANZAC day the government provided \$113,000 funding in 2004/05 for a permanent exhibition at the Gallipoli visitor centre and \$300,000 in 2005/06 to establish an ANZAC scholarship or residency programme. The projects will be completed in 2007/08.

Kerikeri Heritage Bypass

In September 2004, Cabinet approved funding of \$2.415 million, which equates to 25% of the cost of design, land purchase and construction of the Kerikeri Heritage Bypass, to protect nationally significant heritage buildings (Kemp House and the Stone Store). A further \$2.457 million was allocated in 2006/07 to provide for cost escalations due to delays experienced in making the land purchases necessary for the bypass to proceed. Construction commenced in November 2006 following the agreement being reached on land acquisition and the acceptance of a tender. The completion date is currently planned to be around June 2008.

New Zealand Memorial in London

In March 2004, Cabinet approved funding of \$3 million to meet the costs of constructing a New Zealand Memorial in London. The project was completed in November 2006.

Regional Museums

Government has provided funding for capital projects at regional museums with nationally significant collections since 1994. Annual funding for such projects was established from 2001/02 onwards through the Regional Museums Policy for Capital Construction Projects. Since then a number of individually approved capital development projects have received funding under this policy.

In 2007/08, \$28.380 million is available through the Policy. This total includes funding returned from a project that was unable to be completed and funding unallocated in 2006/07. Funding for the Policy in future years will be \$9.156 million per annum.

Treaty of Waitangi Commemorations

In 2001 government agreed to transfer responsibility for the Waitangi Day Act 1976 from the Department of Internal Affairs to the Ministry for Culture and Heritage. The Act provides for the observance of the 6th of February each year as Waitangi Day. Included in the transfer was the administration of the Commemorating Waitangi Day Fund.

In 2007/08 \$288,000 is being provided to meet the costs associated with the Crown's involvement in Waitangi commemorations, including the main commemorations programme at Waitangi, the Government House reception and grants to local communities for Waitangi Day commemorations throughout New Zealand.

Part E - Explanation of Capital Flows

Part E1 - Explanation of Movements in Departmental Net Asset Schedules

Details of Net Asset Schedule for Ministry for Culture and Heritage	Estimated Actual 2006/07 \$000	Projected 2007/08 \$000	Explanation of Projected Movements in 2007/08
Opening Balance	1,280	1,537	
Capital Injections	257	250	Injection in 2006/07 is for a transfer of funding from 2005/06 to 2006/07 for the development of a cultural portal - NZLive.com. Injection in 2007/08 is for additional baseline capacity.
Capital Withdrawals	-	-	
Surplus to be Retained (Deficit Incurred)	-	-	
Other Movements	-	-	
Closing Balance	1,537	1,787	

Part E2 - Statement of Estimated and Forecast Net Worth of Entities Owned

	Balance Date	Estimated Net Worth 2007 \$000	Forecast Net Worth 2008 \$000
Crown Entities:			
Arts Council of New Zealand Toi Aotearoa	30 June	7,300	8,280
Broadcasting Commission	30 June	3,763	129
Broadcasting Standards Authority	30 June	388	120
Museum of New Zealand Te Papa Tongarewa	30 June	993,534	984,321
New Zealand Film Commission	30 June	1,000	1,000
New Zealand Historic Places Trust	30 June	2,960	3,240
New Zealand Symphony Orchestra	30 June	2,006	1,743

Part E3 - Explanation of Appropriations for Capital Expenditure

Museum of New Zealand Te Papa Tongarewa

\$9 million per annum is allocated to Te Papa each year for ongoing capital expenditure for museum core operations, exhibition research and development, and acquisition of collection items.

Additional allocations were provided in 2005/06 (\$3.5 million), 2006/07 (\$3 million), and 2007/08 (\$1 million) for the development of international touring exhibitions and refurbishment of Te Papa's long-term exhibitions in Wellington.

New Zealand Memorial Park

\$6 million was provided in 2004/05 for the purchase of land for the establishment of a New Zealand Memorial Park. \$2.701 million was allocated in 2005/06 for the establishment of the park. The park is expected to be completed in 2008.

New Zealand Film Commission

\$946,000 is being allocated in 2007/08 to cover the costs of the NZFC relocating premises in Wellington.

New Zealand Historic Places Trust

\$850,000 was allocated to NZHPT in 2006/07 for an upgrade of information technology systems and regional office vehicles, and urgent deferred maintenance at historic properties. \$2 million is being provided in 2007/08 for maintenance of historic properties.

Radio New Zealand

\$521,000 is being allocated to Radio New Zealand in 2007/08 to enable it to extend transmission coverage to low density population areas.

Part F - Crown Revenue and Receipts

Part F1 - Current and Capital Revenue and Capital Receipts

	2006/07		2007/08	Description of 2007/08 Crown Revenue
	Budgeted \$000	Estimated Actual \$000	Budget \$000	
Non-Tax Revenue				
Broadcasting Standards Authority - Costs Awarded to Crown	7	7	-	Costs awarded to Crown by the Broadcasting Standards Authority pursuant to section 16(4) of the Broadcasting Act 1989.
Canterbury Museum Redevelopment Project - Return of Funding	7,353	7,353	-	To facilitate receipt of repaid grant funding and associated interest from Canterbury Museum for a project that did not proceed under the Regional Museums Policy for Capital Construction Projects.
Commercial Tenancies Income	219	219	-	Rental income and local authority rates collected from commercial tenancies on Buckle Street, Wellington. Upon expiry of the tenancies the property will be converted into a National Memorial Park.
Total Non-Tax Revenue	7,579	7,579	-	
Total Crown Revenue and Receipts	7,579	7,579	-	

VOTE *Attorney- General*

Attorney-General

Overview

Departmental appropriations sought for Vote Attorney-General in 2007/08 total \$57.238 million. This is intended to be spent as follows:

- \$2.995 million (5% of the Vote) on the conduct of appeals arising from criminal trials on indictment and from Crown appeals against sentence.
- \$21.100 million (37% of the Vote) on providing legal advice and representation services to central government departments and agencies.
- \$31.865 million (56% of the Vote) on providing a national Crown prosecution service that undertakes criminal trials on indictment and related appeals.
- \$1.278 million (2% of the Vote) on providing legal and administrative services to the Attorney-General and Solicitor-General to assist them in the exercise of their statutory functions and responsibilities.

Crown Law expects to receive \$21.100 million (37% of the Vote) from central government departments and agencies for providing legal advice and representation services. The provision of that legal advice and representation is the way in which Crown Law contributes to the key Government goals guiding public sector policy and performance.

Details of how the appropriations are to be applied appear in Parts B1 and C of this Vote.

Minister Portfolio Table

5 Attorney-General

Attorney-General

ADMINISTERING DEPARTMENT: Crown Law Office

The Attorney-General is the Responsible Minister for the Crown Law Office

Part A - Statement of Objectives and Trends

Part A1 - Objectives for Vote

Government Priorities

The Government has set three high level, long-term priorities for the next decade on which the success of the social, economic, political and cultural activities of the nation will be built:

- Economic Transformation
- Families - Young and Old, and
- National Identity.

Related Government Outcomes

Vote Attorney-General will contribute to Government's goals, through the specific outcomes developed by the organisations belonging to the Justice Sector, of which Crown Law is a part.

Over the past year, the Justice sector has redeveloped its outcomes framework as part of the sector planning approach that is linked to the achievement of these priorities.

The sector's overall outcome is a "Safe and Just Society" for New Zealand. For this outcome to be achieved, communities need to be safe and individuals need to feel secure and that they live in a society where civil and democratic rights and obligations can be enjoyed.

The sector supports *Economic Transformation* by providing effective administration and infrastructure for civil courts and tribunals so that national and international business transactions can be conducted with security and confidence.

The sector supports *Families - Young and Old* by protecting the safety and security of individuals and communities, and ensuring that people can enjoy their civil and political rights. Reducing crime is a key contributor to safe communities - and it is also important to hold offenders to account, and mitigate the impact of crime.

The sector contributes to core elements of New Zealand's *National Identity* by providing services that support the maintenance of effective constitutional arrangements. The sector's contribution to public confidence in the justice system enhances New Zealand's reputation as a good place to live and raise children. The Justice sector has also had an increased role in ensuring that New Zealand is connected internationally.

Outcomes for Vote Attorney-General

The table following illustrates the Justice sector outcomes towards which Crown Law's outcomes, activities and outputs contribute.

Justice Sector Outcome	Contributing Crown Law Outcomes	Crown Law Activities	Crown Law Outputs
Offenders Held to Account	Effective Crown Prosecution Service	<ul style="list-style-type: none"> Provision of Solicitor-General's Prosecution Guidelines 	Supervision and conduct of Crown Prosecutions
Crime Reduced		<ul style="list-style-type: none"> Managing Crown Solicitor warrants Prosecution of criminal trials on indictment Conduct of appeals arising out of summary prosecutions Conduct of appeals arising out of criminal trials on indictment and from Crown appeals 	Conduct of criminal appeals
Trusted Justice System	<p>Crown is a model litigant</p> <p>Coherent and consistent legal services across government</p> <p>Law Officers are supported</p> <p>Effective Crown Prosecution Service</p> <p>High-quality legal advice and representation services are provided</p>	<ul style="list-style-type: none"> Adherence to court rules and ethical obligations Provision of legal advice Conducting litigation including criminal prosecution Leadership of government legal services through Chief Legal Advisers' Forum 	<p>Legal advice and representation</p> <p>Conduct of criminal appeals</p> <p>Supervision and conduct of Crown prosecutions</p> <p>Principal Law Officer functions</p>
International Connectedness	The Crown and its agencies are supported in meeting their legal responsibilities	<ul style="list-style-type: none"> Participation in Pacific and other international legal fora Provision of advice on international legal issues affecting New Zealand 	<p>Principal Law Officer functions</p> <p>Legal advice and representation</p>
Durable Treaty Settlements	<p>Democratic government under law and in the public interest</p> <p>The Crown and its agencies are supported in meeting their legal responsibilities</p>	<ul style="list-style-type: none"> Legal advice on settlements, including during negotiations Representation in the Waitangi Tribunal and courts Advice on policy proposals with implications for Treaty settlements 	Legal advice and representation
Effective Constitutional Arrangements	<p>Democratic government under law and in the public interest</p> <p>Executive Government is conducted lawfully</p> <p>The Crown and its agencies are supported in meeting their legal responsibilities</p> <p>Law Officers are supported</p>	<ul style="list-style-type: none"> Advice to the Attorney-General and Solicitor-General on constitutional issues and Law Officer functions Advice to government agencies on operational legal issues Advice to government agencies on the legal and constitutional implications of policy proposals Representation of government agencies in litigation Conduct of criminal prosecutions 	<p>Principal Law Officer functions</p> <p>Legal advice and representation</p> <p>Conduct of criminal appeals</p> <p>Supervision and conduct of Crown prosecutions</p>

Output Expense Appropriations

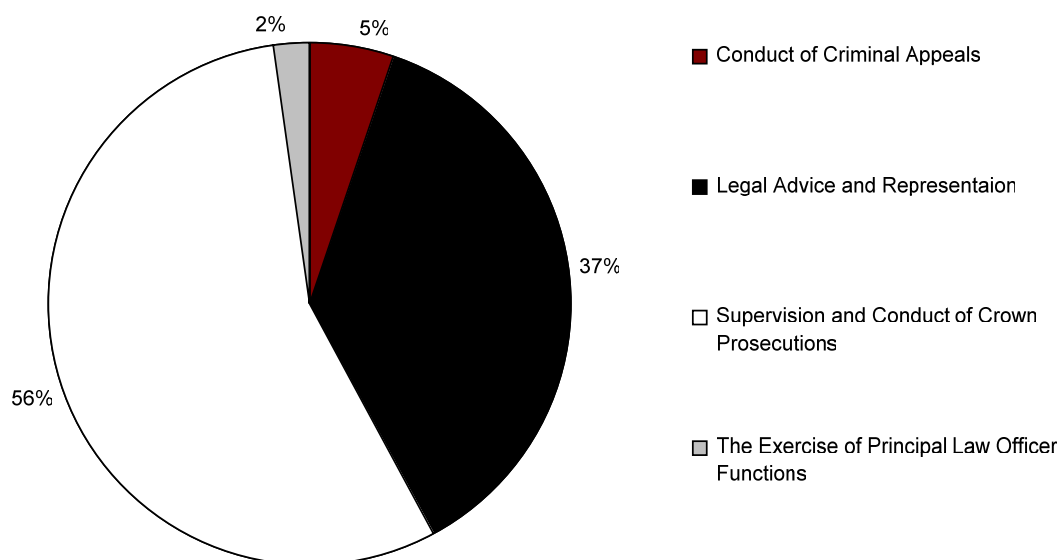
To achieve these objectives, the appropriations in Vote Attorney-General provide for the purchase of the following activities:

- conduct of appeals arising from criminal trials on indictment and from Crown appeals against sentence
- legal advice and representation services to central government departments

- a national Crown prosecution service that undertakes criminal trials on indictment and related appeals
- legal and administrative services for the Attorney-General and Solicitor-General to assist them in the exercise of their statutory functions and responsibilities.

The 2007/08 Vote structure for Crown Law's output expenses is represented in the graph below.

Figure 1 - Departmental output expense, Vote Attorney-General

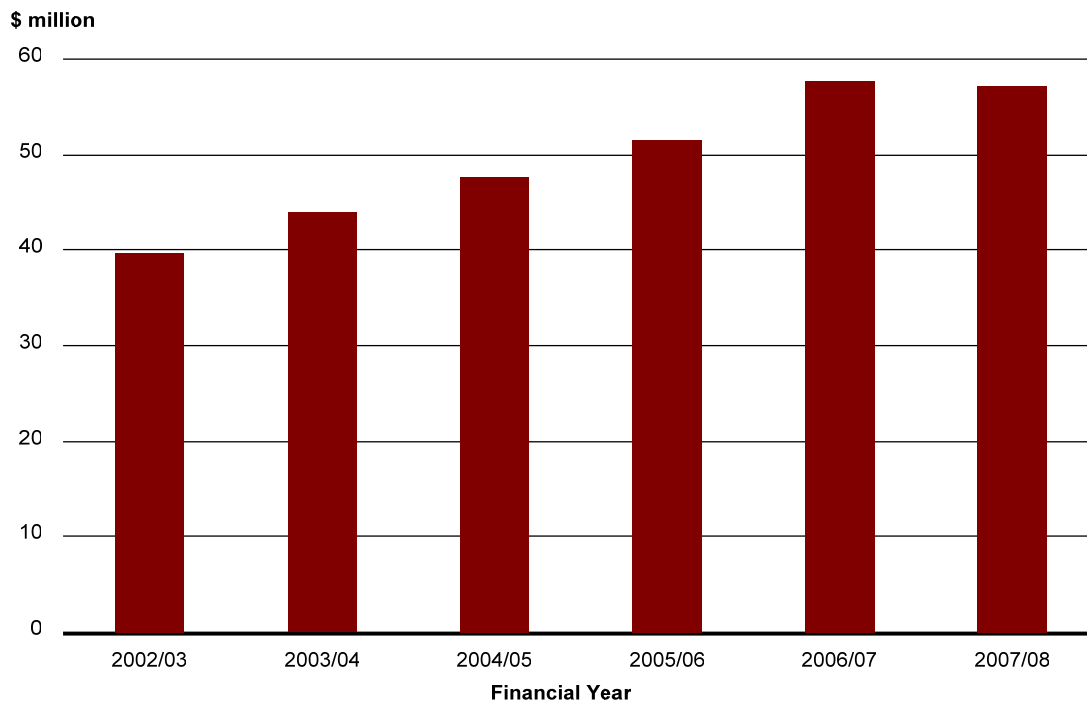


Source: Crown Law Office

Part A2 - Trends in Vote

Departmental Output Trends: 2002/03 - 2007/08

Crown Law's departmental output expenses appropriation for Vote Attorney-General has decreased \$0.5 million in 2007/08 to a total of \$57.238 million, as compared to the 2006/07 appropriation of \$57.737 million. During 2006/07, the appropriation was increased in relating to unavoidable demand pressures. The chart following shows the trend in total departmental appropriation over time.

Figure 2 - Trends in appropriations

Source: Crown Law Office

Key areas with additional funding for 2007/08 are:

- The Supreme Court has added a significant new workload. The number of applications for leave to appeal to the Supreme Court is significantly higher than the number previously going to the Privy Council. This trend is particularly evident in criminal matters.
- The Crown prosecution service comprises a network of Crown Solicitors whose responsibilities include the conduct of all trials of indictable crime, and appeals arising out of summary prosecutions. There has been an increase in the volume and a change in the mix of trials and appeals over the trend analysis period. Costs have also increased, although sometimes at a slightly higher rate, reflecting the particular nature and complexity of some trials and appeals.
- The increasing trends in volumes and expenditure on trial and appeal activity are influenced by the charges brought by New Zealand Police and other prosecution agencies, the nature, severity and complexity of the cases brought, and the capacity of the courts to conduct trials and appeals in each year.
- The demand for Crown prosecution and criminal appeal services are expected to increase following the implementation of the Government's decision to recruit 1,000 additional police.
- The demand for legal advice and representation services provided by Crown Law has continued to grow during the period of the trend analysis. This trend is measured, in part, by the number of new instructions received. The instructions, however, vary considerably in nature, size and complexity, and do not necessarily reflect the amount of legal resource, in the form of counsel and legal support staff, that is required to manage a variety of large and small litigation matters, as well as address requests for complex and often urgent advice.

New Policy Initiatives by Appropriation

		\$000 increase/(decrease)				
Initiative	Appropriation as shown in Part B	2006/07	2007/08	2008/09	2009/10	2010/11
Crown Law - Demand Pressures	Conduct of Criminal Appeals	1400	1000	1000	1000	1000
Increased Demand for Legal Advice and Representation	Legal Advice and Representation	1890	2280	2280	2280	2280
1,000 extra Police - Flow on impacts	Supervision and Conduct of Crown Prosecutions	100	430	430	430	430
Crown Law - Demand Pressures	The Exercise of Principal Law Officer Functions	886	-	-	-	-
Total Initiatives		4276	3710	3710	3710	3710

Part B - Statement of Appropriations

Summary of Financial Activity

	2002/03	2003/04	2004/05	2005/06	2006/07		2007/08 Appropriations to be Used					2008/09	2009/10	2010/11
					Budget	Estimated	By the Department Administering the Vote		For Non-Departmental Transactions					
	Actual \$000	Actual \$000	Actual \$000	Actual \$000	\$000	Actual \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	Total \$000	Estimated \$000	Estimated \$000	Estimated \$000
Appropriations														
Output Expenses	39,541	42,200	47,589	50,459	57,737	57,737	57,238	-	-	-	57,238	57,309	57,309	57,309
Benefits and Other Unrequited Expenses	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Borrowing Expenses	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Other Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital Expenditure	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Intelligence and Security Department Expenses and Capital Expenditure	-	-	-	-	-	-	-	-	N/A	N/A	-	-	-	-
Total Appropriations	39,541	42,200	47,589	50,459	57,737	57,737	57,238	-	-	-	57,238	57,309	57,309	57,309
Crown Revenue and Receipts														
Tax Revenue	-	-	-	-	-	-	N/A	N/A	N/A	N/A	-	-	-	-
Non-Tax Revenue	-	-	-	-	-	-	N/A	N/A	N/A	N/A	-	-	-	-
Capital Receipts	-	-	-	-	-	-	N/A	N/A	N/A	N/A	-	-	-	-
Total Crown Revenue and Receipts	-	-	-	-	-	-	N/A	N/A	N/A	N/A	-	-	-	-

Part B1 - Details of Appropriations

	2006/07				2007/08		
	Budget		Estimated Actual		Vote		
Appropriations	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	Scope of 2007/08 Appropriations
Departmental Output Expenses (General)							
Conduct of Criminal Appeals (M5)	3,363	-	3,363	-	2,995	-	- Conducting appeals arising from criminal trials on indictment and from Crown appeals against sentence.
Legal Advice and Representation (M5)	20,700	-	20,700	-	21,100	-	- Providing legal advice and representation services to central government departments and Crown agencies.
Supervision and Conduct of Crown Prosecutions (M5)	31,510	-	31,510	-	31,865	-	- Provision of a national Crown prosecution service that undertakes criminal trials on indictment, and appeals arising out of summary prosecutions. The costs of supervising the Crown Solicitor network and providing criminal law advice and services.
The Exercise of Principal Law Officer Functions (M5)	2,164	-	2,164	-	1,278	-	- Providing legal and administrative services to the Attorney-General and Solicitor-General to assist them in the exercise of their Principal Law Officer functions.
Total Departmental Output Expenses (General)	57,737	-	57,737	-	57,238	-	
Total Appropriations	57,737	-	57,737	-	57,238	-	

Part C - Explanation of Appropriations for Output Expenses

Part C1 - Departmental Output Expenses

Conduct of Criminal Appeals

This output class involves the conduct of all appeals that arise out of criminal trials on indictment and from Crown appeals.

The majority of appeals, including pre-trial applications and appeals against sentence and conviction, are brought by offenders. These appeals are filed in the Court of Appeal, Privy Council or Supreme Court.

The decision on whether to take a Crown appeal is a statutory function of the Solicitor-General.

Legal Advice and Representation

This output class comprises the provision of legal advice and representation services to central government departments and agencies with special emphasis on matters of public and administrative law, including Treaty of Waitangi and revenue issues.

The legal advice and representation services provided will take into account the responsibility of the Government to conduct its affairs in accordance with the law and the underlying obligation (to discharge their responsibilities) of the Attorney-General and Solicitor-General by acting in the public interest.

Supervision and Conduct of Crown Prosecutions

This output class involves the provision of a national Crown prosecution service which undertakes criminal trials on indictment and related appeals, the supervision of the network of Crown Solicitors who deliver the prosecution service in centres where District Court and High Court jury trials are conducted throughout New Zealand, and the provision of advice on criminal law matters to other government agencies and Crown Solicitors.

The advice on criminal law matters includes undertaking work in the following areas: proceeds of crime, mutual assistance, blood sampling for DNA, requests for Crown appeals arising out of summary prosecutions, consents to prosecute, applications for stays and immunity from prosecution.

The Exercise of Principal Law Officer Functions

This output class covers the provision of legal and administrative services to the Attorney-General and Solicitor-General to assist them in the exercise of their Principal Law Officer functions, the provision of legal advice to Government and Ministers of the Crown including advice on constitutional and governance related issues, and advice to the judiciary regarding legal processes.

The particular services provided include monitoring the enforcement and application of the law, supervision of charities, representation of the public interest, relator proceedings, vexatious litigant proceedings, and the exercise of a variety of powers, duties and authorities arising from statutory requirements and constitutional conventions. This output class also involves the review of legislation for compliance with the New Zealand Bill of Rights Act 1990 and advice on the appointment processes for judges and Queen's Counsel and participation in PILOM.

Part E - Explanation of Capital Flows

Part E1 - Explanation of Movements in Departmental Net Asset Schedules

Details of Net Asset Schedule for Crown Law Office	Estimated Actual 2006/07 \$000	Projected 2007/08 \$000	Explanation of Projected Movements in 2007/08
Opening Balance	1,297	1,297	
Capital Injections	-	-	
Capital Withdrawals	-	-	
Surplus to be Retained (Deficit Incurred)	-	-	
Other Movements	-	-	
Closing Balance	1,297	1,297	

VOTE *Audit*

Audit

Overview

Appropriations sought for Vote Audit in 2007/08 total \$63.580 million. This will be applied as follows:

- \$9.448 million (14.9% of the Vote) on the Controller and Auditor-General assisting Parliament in its role of ensuring accountability for public resources, including advice to Select Committees and other bodies, undertaking the Controller function, plus undertaking and reporting on performance audits and inquiries relating to central and local government entities.
- \$54.132 million (85.1% of the Vote) on providing audit services to public entities by Audit New Zealand and private sector audit providers, and other audit-related assurance services provided by Audit New Zealand at the request of audited entities.

Details of how the appropriations are to be applied appear in Parts B1 and C of this Vote.

Terms and Definitions Used

OAG Office of the Controller and Auditor-General

Footnotes

Note 1 The Office of the Controller and Auditor-General is an Office of Parliament under the Public Finance Act 1989.

Note 2 The “Other” appropriation is for the remuneration expenses for both the Controller and Auditor-General and the Deputy incurred pursuant to clause 5 of the third schedule of the Public Audit Act 2001.

Minister Portfolio Table

78 Speaker of the House

Audit

ADMINISTERING DEPARTMENT: Office of the Controller and Auditor-General (Note 1)
The Speaker of the House is the Responsible Minister for the Controller and Auditor-General

Part A - Statement of Objectives and Trends

Part A1 - Objectives for Vote

Outcomes

The Office of the Controller and Auditor-General is a statutory office created by Parliament in the Public Audit Act 2001. The Office exists as a constitutional safeguard to maintain the financial integrity of New Zealand's parliamentary system of government. The Controller and Auditor-General (the Auditor-General) is an officer of Parliament, and in that capacity is independent of the executive government and Parliament in discharging the functions of the office, but answerable to Parliament for his stewardship of the public resources entrusted to him.

In New Zealand's system of government, Parliament is supreme - all authority for governmental activity ultimately stems from Parliament. Public sector organisations are therefore accountable to Parliament for their use of the public resources and powers that it has conferred on them.

Parliament also seeks independent assurance that public sector organisations are operating, and accounting for their performance in accordance with Parliament's intentions. There is also a need for independent assurance in local government - local authorities are accountable to the public for using the resources they fund through locally raised revenue. As an Officer of Parliament, the Auditor-General provides this independent assurance to both Parliament and the public.

Through his work the Auditor-General seeks to "maintain and enhance trust in an effective and efficient public sector".

"Trust" is where Parliament and the public know whether public entities (including central and local government entities) are:

- carrying out their activities effectively, efficiently, and appropriately
- using public funds wisely, and
- reporting their performance accurately -

and know that if this is not the case the Auditor-General will tell them.

"An effective and efficient public sector" is one in which public entities operate effectively and efficiently, and with a focus on continual improvement and innovation.

In order to achieve the desired situation the Auditor-General delivers the following activities:

- annual audits
- the controller function and the appropriation audit
- advice to Parliament

- inquiries
- advice and liaison
- working with the profession
- wider assurance work
- performance audits and other studies
- international liaison and involvement
- research and development.

Output Expenses

The appropriations in Vote Audit are the means for the Auditor-General to provide these activities.

These activities are reflected in the three output classes forming Vote Audit (refer to Part C).

Part A2 - Trends in Vote

Appropriation levels for outputs supplied by the Auditor-General have increased from \$36.808 million in 2001/02 to \$63.580 million in 2007/08.

Since 1992/93 the Office has been organisationally divided into two parts to more clearly differentiate its role as:

- auditing contractor, standard setter and advisor to Parliament (OAG)
- audit service provider (Audit New Zealand).

Over the period 1995 to 1997 the Auditor-General adopted the strategy of maintaining staff numbers and generating additional work in the off-peak period. This strategy resulted in increases in output appropriations funded from third-party revenue. In 1998/99, to provide flexibility to minimise the fiscal and policy risks associated with this strategy, the contested audit services appropriation was moved to a Mode B net appropriation basis, whereby the Office can incur expenses up to the level of revenue generated through the provision of audit services.

To further assist Audit New Zealand to remain a competitive participant in the contested public audit market and enhance its competence in the audit of public organisations, the Office received a \$1.2 million capital contribution in 2000/01 for the selection, purchase and implementation of computer-based audit support tools.

From 1997, demands upon the resources of the OAG have increased as a result of:

- developments in the extent and importance of select committee scrutiny under MMP
- greater public demand for more complex and extensive Audit Office inquiries
- increasing calls on the Office to advise other public entities, and government and professional bodies, on current issues.

In order for the Office to cope with an increased workload arising from the extended mandate associated with the passing of the Public Audit Act 2001, and to meet these ongoing increases in demand, Parliament increased the appropriation levels from 2001/02 onwards.

During 2001/02 the Auditor-General received a capital contribution of \$3.586 million to accommodate the transfer of assets and liabilities from the Audit department to the new Officer of Parliament established under the Public Audit Act 2001.

In addition, in 2001/02 the Minister of Finance granted approval for the Auditor-General to operate an overdraft facility to assist Audit New Zealand to better manage its seasonal cash flows. A new appropriation of \$500,000 for the repayment of the principal was introduced.

From 2004/05 the Auditor-General received additional appropriation, as a result of an extensive strategic business planning exercise, to implement an enhanced annual audit function, an increased inquiries capability, more performance audits, and the development of a research and development capability.

In 2005/06 additional appropriations were approved for additional expenditure arising from increased audit fees agreed with entities in contract negotiations and new entities, the introduction of audits of Long-Term Council Community Plans, International Financial Reporting Standards audit requirements, and changes in activity levels within Audit New Zealand.

From 2006/07 a new output class structure was introduced including a multi-class output appropriation for Crown funded activities in order to make the Office's activities more transparent while also encouraging an outcome focus.

In 2006/07 additional appropriations were approved to cover additional audit activity and fee increases.

From 2007/08, appropriations relating to the provision of audit and assurance services that are funded by audit fees collected from third parties will be transferred to a Revenue Dependent (Other) appropriation.

Part B - Statement of Appropriations

Summary of Financial Activity

	2002/03	2003/04	2004/05	2005/06	2006/07		2007/08 Appropriations to be Used					2008/09	2009/10	2010/11
						Estimated	By the Department Administering the Vote		For Non-Departmental Transactions					
	Actual \$000	Actual \$000	Actual \$000	Actual \$000	Budget \$000	Actual \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	Total \$000	Estimated \$000	Estimated \$000	Estimated \$000
Appropriations														
Output Expenses	39,548	40,654	42,709	51,700	69,024	69,024	8,921	54,659	-	-	63,580	70,689	68,839	68,839
Benefits and Other Unrequited Expenses	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Borrowing Expenses	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Other Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital Expenditure	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Intelligence and Security Department Expenses and Capital Expenditure	-	-	-	-	-	-	-	-	N/A	N/A	-	-	-	-
Total Appropriations	39,548	40,654	42,709	51,700	69,024	69,024	8,921	54,659	-	-	63,580	70,689	68,839	68,839
Crown Revenue and Receipts														
Tax Revenue	-	-	-	-	-	-	N/A	N/A	N/A	N/A	-	-	-	-
Non-Tax Revenue	-	-	-	-	-	-	N/A	N/A	N/A	N/A	-	-	-	-
Capital Receipts	-	-	-	-	-	-	N/A	N/A	N/A	N/A	-	-	-	-
Total Crown Revenue and Receipts	-	-	-	-	-	-	N/A	N/A	N/A	N/A	-	-	-	-

Part B1 - Details of Appropriations

	2006/07				2007/08		
	Budget		Estimated Actual		Vote		
Appropriations	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	Scope of 2007/08 Appropriations
Departmental Output Expenses (General)							
Legislative Auditor MCOA							Basis: These output expenses use the same resources and contribute to the same outcome.
Parliamentary Services	2,212	677	2,212	677	2,364	677	Assisting Parliament in its role of ensuring accountability for public resources, including advice to Select Committees and other bodies, and undertaking the Controller Function.
Performance Audits and Inquiries	6,295	-	6,295	-	6,407	-	Undertaking and reporting on performance audits and inquiries relating to central and local government entities.
Legislative Auditor (M78)	8,507	677	8,507	677	8,771	677	
Total Departmental Output Expenses (General)	8,507	677	8,507	677	8,771	677	
Departmental Output Expenses (Restricted by Revenue)							
Provision of Audit and Assurance Services (M78)	59,840	-	59,840	-	150	53,982	The provision of audit services to public entities by Audit New Zealand and private sector audit providers, and audit-related assurance services undertaken by Audit New Zealand at the request of audited entities.
Total Departmental Output Expenses (Restricted by Revenue)	59,840	-	59,840	-	150	53,982	
Total Appropriations	68,347	677	68,347	677	8,921	54,659	

Part C - Explanation of Appropriations for Output Expenses

Part C1 - Departmental Output Expenses

The Auditor-General is independent of the Government and is accountable to Parliament. While the Speaker is the Vote Minister for the purposes of appropriations, the Speaker's role in relation to Offices of Parliament is not the same as that of Ministers of the Crown in relation to their departments.

The Speaker cannot contract with or direct the Auditor-General as to how it should discharge its statutory duties. Thus, the explanation of the appropriations for Vote Audit reflects the Auditor-General's perspective of the outputs that will be delivered to Parliament from Vote Audit. The appropriations in this Vote were commended to the Governor-General by the House of Representatives in an address on the recommendation of the Officers of Parliament Committee.

Legislative Auditor MCOA

This multi-class output appropriation relates to the Auditor-General undertaking his constitutional function in assisting Parliament in its role of ensuring accountability for public resources. The basis for the multi-class output appropriation is the two output classes use the same resources and contribute to the same outcome.

Parliamentary Services

This output involves assisting Parliament in its role of ensuring accountability for public resources. The significant outputs in this output class are:

- reports to Parliament and other constituencies on matters arising from annual audits
- reports to and advising select committees to assist in their reviews of performance, Estimates examinations, or other inquiries for which the Auditor-General's assistance is sought
- reports the results of annual financial report audits to portfolio Ministers
- advice to government bodies and other agencies on auditing, accountability and financial management in the public sector
- the Controller function and appropriation audit
- developing a history of the Office.

Cost

Year	Cost \$000	Total Revenue \$000	Revenue Crown \$000	Revenue Other \$000
2007/08	3,042	3,042	3,042	-
2006/07	2,889	2,889	2,889	-

Performance Audits and Inquiries

This class of output relates to the Auditor-General undertaking and reporting on performance audits and inquiries relating to central and local government entities.

Cost

Year	Cost \$000	Total Revenue \$000	Revenue Crown \$000	Revenue Other \$000
2007/08	6,407	6,407	6,407	-
2006/07	6,295	6,295	6,295	-

Provision of Audit and Assurance Services

This class of output relates to providing public entities with audit services by private sector audit providers or Audit New Zealand as allocated by the Auditor-General under the “Audit Resourcing Model”. The Office of the Auditor-General has established standards by which audits will be carried out. The three significant outputs in this output class are audit reports on financial statements (including financial and non-financial information); reports to the management and governing bodies of the entity on issues arising from the audit (management reports); and other assurance work undertaken by Audit New Zealand at the request of audited entities.

Cost

Year	Cost GST excl \$000	Total Revenue GST excl \$000	Revenue Crown GST excl \$000	Revenue Other GST excl \$000
2007/08	54,132	54,132	150	53,982
2006/07	59,840	59,840	150	59,690

Part E - Explanation of Capital Flows

Part E1 - Explanation of Movements in Departmental Net Asset Schedules

Details of Net Asset Schedule for Office of the Controller and Auditor- General	Estimated Actual 2006/07 \$000	Projected 2007/08 \$000	Explanation of Projected Movements in 2007/08
Opening Balance	3,565	3,565	
Capital Injections	-	-	
Capital Withdrawals	-	-	
Surplus to be Retained (Deficit Incurred)	-	-	
Other Movements	-	-	
Closing Balance	3,565	3,565	

VOTE *Biosecurity*

Biosecurity

Overview

Departmental Appropriations

Departmental appropriations sought for Vote Biosecurity in 2007/08 total \$139.051 million. This is intended to be spent as follows:

- \$2.158 million (2% of the departmental appropriations) on biosecurity approvals and assurance.
- \$4.508 million (3% of the departmental appropriations) on enforcement of biosecurity legislation.
- \$11.713 million (8% of the departmental appropriations) on biosecurity policy.
- \$26.865 million (19% of the departmental appropriations) on biosecurity standards.
- \$34.206 million (25% of the departmental appropriations) on biosecurity surveillance and incursion response.
- \$59.601 million (43% of the departmental appropriations) on quarantine services.

Non-Departmental Appropriations

Non-departmental appropriations sought for Vote Biosecurity in 2007/08 total \$29.658 million. This is intended to be spent as follows:

- \$29.528 million on the control of bovine tuberculosis vectors.
- \$130,000 on subscriptions to international organisations.

Crown Revenue and Receipts

\$1.3 million of Crown revenue is forecast to be collected from infringement notices imposed on persons entering New Zealand at ports of entry with undeclared goods.

Further information and explanations of the appropriations appear in Parts B1 and C of this Vote. Further information on Crown revenue and receipts appear in Part F.

Terms and Definitions Used

AHB	Animal Health Board
MAF	Ministry of Agriculture and Forestry
OIE	Office Internationale des Epizooties (World Organisation for Animal Health)
Tb	Bovine Tuberculosis

Biosecurity

ADMINISTERING DEPARTMENT: Ministry of Agriculture and Forestry
Minister of Agriculture is the Responsible Minister for the Ministry of Agriculture and Forestry

Part A - Statement of Objectives and Trends

Part A1 - Objectives for Vote

Related Government Outcomes

The appropriations in Vote Biosecurity will make a significant contribution to the Government's priorities. They will fund advice and services aimed at progressing New Zealand's economic transformation and supporting our national identity.

The primary sectors (including aquaculture and marine) are vital to the New Zealand economy. New Zealand's dependence on the primary sectors and on the natural environment and resources that underpin them, makes us particularly vulnerable to the threat of new pests and diseases. Managing risks to those resources and systems is important to achieving economic growth, continued market access for our products and protection of the natural environment.

Pursuing prosperity and growth is a long term priority. To be successful over the longer term, the changing expectations of consumers and communities will need to be addressed. This means meeting increasing public concerns about environmental integrity, animal welfare, human health and wellness issues associated with biosecurity pests and pest management activities. New Zealand also has diverse indigenous flora and fauna, which require protection. Economic growth must be matched with high quality environmental and sustainability outcomes.

Biosecurity New Zealand is the lead agency in New Zealand's biosecurity system and has been tasked with overall accountability and leadership for the biosecurity system from pre-border through to pest management and responsibility to protect the broader range of economic, environmental and social outcomes. It also has international trade and animal welfare responsibilities.

The appropriations in Vote Biosecurity will be largely devoted to purchasing outputs, which contribute primarily to the following key outcomes:

- Increased trade and market access for our products.
- Economic opportunities, growth and prosperity are maintained and enhanced.
- Our natural heritage, the integrity of our ecosystems, and the character of New Zealand landscapes are protected and enhanced.
- Human health and well-being is optimised.
- Healthy and rewarding lifestyles, freedom and respect for cultural expression, and enjoyment of the recreational value of the natural environment.
- The relationship of Māori and their culture and traditions with their ancestral lands, waters, sites, waahi tapu, and taonga is maintained.

Output Areas

Outputs purchased will contribute to government outcomes in varying degrees. The appropriations are intended to fund activities, which deliver on the following biosecurity system outcomes:

- Harmful and potentially harmful organisms do not cross New Zealand's borders and cause damage.
- The damage caused by harmful organisms that have established in New Zealand is reduced.
- The public are active, informed and supportive participants in the biosecurity system.

Strategic Issues

There are four primary activities within the biosecurity system:

- reducing the likelihood of risk organisms crossing the border while enabling access to imports
- ensuring and improving market access for New Zealand exports through safer and freer trade and provision of official assurances
- early detection and effective management of the risks associated with pests and diseases present in New Zealand, and
- encouraging stakeholders to become involved and take ownership for biosecurity risks.

The key strategic issue for Vote: Biosecurity in 2007/08 will be the integration of Biosecurity New Zealand and the MAF Quarantine Service. The objective of the integration is to improve the connection between the two biosecurity groups, resulting in:

- increased responsiveness
- increased effectiveness, and
- rapid adoption of new business models.

A better connection between biosecurity policy development, risk analysis, standard setting, and implementation functions will:

- encourage information sharing
- improve prioritisation
- ensure that decisions consider impacts across the whole system, and
- enable continuous feedback and improvement.

The new organisation will be able to work to a common strategy with clearer accountabilities, roles and responsibilities and with stronger business support capability.

It is intended that the new structure will take effect on 1 July 2007.

Part A2 - Trends in Vote

The appropriation trends for Vote Biosecurity are detailed in the attached table and are largely influenced by the levels of funding appropriated for responses to disease and pest incursions.

Responses funded between 2002/03 and 2007/08 include southern saltmarsh mosquito, painted apple moth, *varroa* bee mite, red fire ant, asian gypsy moth, fall webworm, *mycoplasma mycoides* subspecies *mycoides*, *didymosphenia* and *styela clava*.

Appropriations also increased from 2001/02 due to the Crown's decision to contribute \$350 million over a 12-year period to the National Pest Management Strategy for bovine tuberculosis. This was an increase in funding per annum of between \$9 million and \$13 million over previous years.

New Policy Initiatives by Appropriation

		\$000 increase/(decrease)				
Initiative	Appropriation as shown in Part B	2006/07	2007/08	2008/09	2009/10	2010/11
Painted Apple Moth Eradication programme	Departmental Output Expense - Biosecurity Surveillance and Incursion Response	1,947	-	-	-	-
Southern Saltmarsh Mosquito Eradication Programme	Departmental Output Expense - Biosecurity Surveillance and Incursion Response	11,132	-	-	-	-
Government Response to the Incursion of <i>Styela Clava</i> (Sea Squirt)	Departmental Output Expense - Biosecurity Surveillance and Incursion Response	1,330	850	-	-	-
Development of a Long-Term Management Programme for <i>Didymo</i>	Departmental Output Expense - Biosecurity Surveillance and Incursion Response	6,556	-	-	-	-
Nelson Varroa Incursion Eradication Programme	Departmental Output Expense - Biosecurity Surveillance and Incursion Response	1,250	-	-	-	-
Nelson Varroa Incursion Control Programme	Departmental Output Expense - Biosecurity Surveillance and Incursion Response	2,150	930	565	515	-
Red Imported Fire Ant Infestation Surveillance and Treatment Programme	Departmental Output Expense - Biosecurity Surveillance and Incursion Response	6,269	2,395	2,296	-	-
Effective Border Management	Departmental Output Expense - Biosecurity Enforcement	-	155	345	347	347
	Departmental Output Expense - Biosecurity Policy	-	1,744	2,198	2,202	2,202
	Departmental Output Expense - Biosecurity Standards	-	1,879	2,394	2,408	2,408
	Departmental Output Expense - Biosecurity Surveillance and Incursion Response	-	376	681	681	681
	Departmental Output Expense - Quarantine Services	1,775	3,422	4,307	4,311	4,311
Staff Remuneration	Departmental Output Expense - Biosecurity Approvals and Assurance	-	38	64	90	114
	Departmental Output Expense - Biosecurity Enforcement	-	139	230	327	415
	Departmental Output Expense - Biosecurity Policy	-	418	694	981	1,239
	Departmental Output Expense - Biosecurity Standards	-	607	1,010	1,429	1,800
	Departmental Output Expense - Biosecurity Surveillance and Incursion Response	-	449	747	1,055	1,331
	Departmental Output Expense - Quarantine Services	-	1,664	2,771	3,914	4,937
Total Initiatives		32,409	15,066	18,302	18,260	19,785

Part B - Statement of Appropriations

Summary of Financial Activity

	2002/03	2003/04	2004/05	2005/06	2006/07		2007/08 Appropriations to be Used					2008/09	2009/10	2010/11
						Estimated	By the Department Administering the Vote		For Non-Departmental Transactions					
	Actual \$000	Actual \$000	Actual \$000	Actual \$000	Budget \$000	Actual \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	Total \$000	Estimated \$000	Estimated \$000	Estimated \$000
Appropriations														
Output Expenses	157,378	158,424	151,103	174,364	186,127	183,592	139,051	-	29,528	-	168,579	172,604	170,768	171,400
Benefits and Other Unrequited Expenses	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Borrowing Expenses	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Other Expenses	316	178	91	80	130	116	-	-	130	-	130	130	130	130
Capital Expenditure	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Intelligence and Security Department Expenses and Capital Expenditure	-	-	-	-	-	-	-	-	N/A	N/A	-	-	-	-
Total Appropriations	157,694	158,602	151,194	174,444	186,257	183,708	139,051	-	29,658	-	168,709	172,734	170,898	171,530
Crown Revenue and Receipts														
Tax Revenue	-	-	-	-	-	-	N/A	N/A	N/A	N/A	-	-	-	-
Non-Tax Revenue	1,611	1,528	1,574	1,236	1,300	1,300	N/A	N/A	N/A	N/A	1,300	1,300	1,300	1,300
Capital Receipts	-	-	-	-	-	-	N/A	N/A	N/A	N/A	-	-	-	-
Total Crown Revenue and Receipts	1,611	1,528	1,574	1,236	1,300	1,300	N/A	N/A	N/A	N/A	1,300	1,300	1,300	1,300

Part B1 - Details of Appropriations

	2006/07				2007/08		
	Budget		Estimated Actual		Vote		
Appropriations	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	Scope of 2007/08 Appropriations
Departmental Output Expenses (General)							
Biosecurity Approvals and Assurance (M7)	2,121	-	2,046	-	2,158	-	- Administration of biosecurity standards and export certification. Involves auditing against biosecurity regulatory standards and providing assurance to trading partners that New Zealand exporters are complying with the relevant regulations.
Biosecurity Enforcement (M7)	4,217	-	4,217	-	4,508	-	- Investigation and (where appropriate) prosecution of individuals and organisations who breach biosecurity legislation.
Biosecurity Policy (M7)	9,557	-	9,507	-	11,713	-	- Policy advice in regard to biosecurity issues and ministerial servicing.
Biosecurity Standards (M7)	24,390	-	24,340	-	26,865	-	- Setting biosecurity standards, undertaking risk analysis to support standard development and monitoring border pathways.
Biosecurity Surveillance and Incursion Response (M7)	57,207	-	57,182	-	34,206	-	- Surveillance for new organisms in the terrestrial and aquatic environments, maintenance of the capability to investigate and respond to new organisms and if necessary the delivery of services for their eradication or management. Reason for Change: The decrease is due to one-off funding in 2006/07 for disease responses.
Quarantine Services (M7)	58,179	-	55,844	-	59,601	-	- Management of biosecurity risks at the border. Includes the inspection and clearance of aircraft, vessels, cargo, containers, mail and passengers in accordance with biosecurity legislation and standards.
Total Departmental Output Expenses (General)	155,671	-	153,136	-	139,051	-	
Non-Departmental Output Expenses							
Control of TB Vectors (M7)	30,456	-	30,456	-	29,528	-	- Crown contribution to the implementation of the Bovine Tuberculosis National Pest Management Strategy.
Total Non-Departmental Output Expenses	30,456	-	30,456	-	29,528	-	
Other Expenses to be Incurred by the Crown							
Subscriptions to International Organisations (M7)	130	-	116	-	130	-	- Subscriptions to international organisations such as the OIE.
Total Other Expenses to be Incurred by the Crown	130	-	116	-	130	-	
Total Appropriations	186,257	-	183,708	-	168,709	-	

Part C - Explanation of Appropriations for Output Expenses

Part C1 - Departmental Output Expenses

Biosecurity Approvals and Assurance

This output expense covers the administration of biosecurity standards and export certification. It involves auditing against biosecurity regulatory standards and providing assurance to trading partners that New Zealand exporters are complying with the relevant regulations.

Biosecurity Enforcement

This output expense covers investigation and (where appropriate) prosecution of individuals and organisations who breach biosecurity legislation.

Biosecurity Policy

This output expense includes providing analysis and advice on, and development of policies, legislation and organisational arrangements to be applied to: implementing the Biosecurity Strategy, developing the biosecurity system and managing responses, the provision of biosecurity advice to Ministers and participation in biosecurity and consultative fora; Māori responsiveness; and ongoing business support.

Biosecurity Standards

This output expense involves setting standards for imports, exports, border (including transitional facilities), post-border (including incursion response and surveillance), international agreements; undertaking risk analysis to support standard development, and monitoring border pathways. Standards need to comply with the Biosecurity Act.

Biosecurity Surveillance and Incursion Response

This output expense covers the delivery of services for surveillance for new organisms in the terrestrial and aquatic environments including: invasive species; pests and diseases of animal and plant populations (including forests); maintenance of the capability to investigate and respond to new organisms and if necessary, the delivery of services for their eradication or management.

Quarantine Services

This output expense involves the identification and management of biosecurity risk goods, and goods that may be contaminated with biosecurity risk organisms, entering New Zealand. This involves clearing in accordance with biosecurity legislation and MAF biosecurity standards:

- all direct overseas aircraft and vessels (approximately 23,000 aircraft and 3500 vessels per annum)
- an estimated 550,000 sea containers
- 35,000 personal effects consignments
- 180,000 used vehicles
- 45 million mail items
- 4.1 million passengers.

Part C2 - Non-Departmental Output Expenses

Control of Tb Vectors

This output covers the Crown's contribution to implementation of the Bovine Tuberculosis National Pest Management Strategy. The objective of the Strategy is to reduce the number of bovine tuberculosis (Tb)-infected cattle and deer herds to 0.2% annual period prevalence by 2013. The Strategy is funded both by the Crown and industry (under voluntary agreements and by way of regulatory levies).

The Animal Health Board (AHB) is appointed under the Biosecurity (Bovine Tuberculosis National Pest Management Strategy) Order 1998 as the pest management agency for the Strategy. The two main components of the Strategy are disease control, which is fully industry-funded, and vector control which is funded by the Crown (as an exacerbator), local government, some rural land occupiers and industry.

Key Strategy progress objectives are to:

- Prevent, from 1 July 2004 the establishment of infected vector populations within tuberculosis vector free areas.
- Increase the area of New Zealand in which the annual period prevalence rate of infected herds is 0.2% or less (226,000 km²) by 30 June 2006.
- Reduce by 30 June 2009, the mean annual number of infected vector-related breakdowns in tuberculosis vector risk areas to a rate of 1.2% or less.

Specifically under this output the Crown contributes to the purchase of services for the control of wild animal populations infected with Tb (called Tb vectors). Vector control measures and monitoring are undertaken on the Crown estate, adjoining land and private land for this purpose. The Crown funding is managed through a Vector Control Funding Agreement with the AHB. The AHB contracts vector management services from regional councils and the private sector.

Quantity and quality

Relevant performance measures for this output are in accordance with the Strategy and the Vector Control Funding Agreement and include:

- A copy of all vector management contracts entered into by the AHB are provided to the Crown within one month of signing.
- An independent review of the performance of contractors, and the achievement of the national objectives and regional targets relating to the Strategy, is completed by 30 September 2007.
- The AHB will provide the Crown with the programme of vector control operations by region that it intends to carry out during the 2007/08 financial year, its draft budget in respect of that year, and a projected programme for the 2008/09 financial year by 15 May 2008.
- The AHB will provide the Crown with its budget for vector control operations in 2007/08 by 31 July 2007.
- The vector control operations specified in the AHB-approved Vector Control Programme for 2007/08 are completed except where prevented by circumstances outside the control of the AHB, or where the Crown has been notified of any such variation.
- The AHB will conduct a review of the vector management standard at least annually and submit to the Crown.

- The AHB will provide a report on its annual programme by 31 August 2007, in respect of the 2006/07 year and in relation to each local government region of New Zealand.
- The AHB shall deliver to the Crown, within 20 working days of the end of each quarter, a report detailing its vector control operations during that quarter.
- The AHB will provide ad hoc reports where reasonably required by the Crown in accordance with the Vector Funding Agreement.
- The AHB will facilitate the carrying out of audits of the Board by the Crown for the purpose of verifying the accuracy and completeness of any information provided to the Crown under the Vector Control Funding Agreement, or ascertaining compliance with the Vector Control Funding Agreement, or the vector management standard.

Cost

This output expense will be provided within the appropriated sum of \$29.528 million.

Part F - Crown Revenue and Receipts

Part F1 - Current and Capital Revenue and Capital Receipts

	2006/07		2007/08	Description of 2007/08 Crown Revenue
	Budgeted \$000	Estimated Actual \$000	Budget \$000	
Non-Tax Revenue				
Biosecurity Act 1993 Fines	1,300	1,300	1,300	Infringement fines imposed on persons entering New Zealand at ports of entry with undeclared goods.
Total Non-Tax Revenue	1,300	1,300	1,300	
Total Crown Revenue and Receipts	1,300	1,300	1,300	

VOTE *Child, Youth and Family Services*

Child, Youth and Family Services

Overview

The appropriations sought for Vote Child, Youth and Family Services in 2007/08 total \$468.749 million. This is intended to be spent as follows:

Departmental Appropriations

Total departmental appropriation is \$406.067 million (86.6% of the Vote). This is made up as follows:

- \$8.426 million (1.8% of the Vote) on Adoption Services.
- \$284.761 million (60.7% of the Vote) on Care and Protection Services.
- \$8.345 million (1.8% of the Vote) on Development and Funding of Community Services.
- \$2.923 million (0.6% of the Vote) on Policy Advice and Ministerial Servicing.
- \$4.974 million (1.1% of the Vote) on Prevention Services.
- \$96.638 million (20.6% of the Vote) on Youth Justice Services.

Non-Departmental Appropriations

- \$62.317 million (13.3% of the Vote) for services provided by other organisations in the areas of:
 - Counselling and Rehabilitation services (\$10.963 million)
 - Education and Prevention Services (\$5.771 million)
 - Family Wellbeing Services (\$40.697 million)
 - Strengthening Providers and Communities (\$4.886 million).
- \$365,000 (0.1% of the Vote) for other expenses relating to the Contingency and Innovations Fund.

Details of appropriations are contained in Parts B1 and C of this Vote.

Terms and Definitions Used

CYF	Child, Youth and Family, a service within the Ministry of Social Development
MSD	Ministry of Social Development - administering department for Vote Child, Youth and Family Services

Minister Portfolio Table

10	Associate Minister for Social Development and Employment (CYF)
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Child, Youth and Family Services

ADMINISTERING DEPARTMENT: Ministry of Social Development. The Minister for Social Development and Employment is the Responsible Minister for the Ministry of Social Development.

Part A - Statement of Objectives and Trends

Part A1 - Objectives for Vote

The Ministry of Social Development administers Vote Child, Youth and Family Services through its Child, Youth and Family service. Vote Child, Youth and Family Services will contribute to the Government's theme of families - young and old. While the Ministry supports families and family members both young and old, Vote Child, Youth and Family Services contributes to the Ministry's strategic aims relating to children, young people and their families and whānau:

- all children thrive in childhood, are respected and valued, have the opportunity to reach their full potential and participate positively in society now and in the future
- families and whānau are strong and richly interconnected with their communities. They are able to support their members' wellbeing, identity, participation in society and interdependence.

Through Vote Child, Youth and Family Services, the Ministry seeks to improve the lives of vulnerable children and young people via its Care and Protection and Youth Justice services. These services contribute to the Ministry outcomes:

- children and young people are free from abuse, neglect and offending
- children and young people have permanent and stable care.

The Ministry also brings family and whānau together through its Adoptions services. These services include:

- managing the adoption process for New Zealand children and young people in New Zealand, and adoptions involving international parties
- providing services to help adopted people and birth parents involved in past 'closed' adoptions to exchange identifying information.

Key Priorities for Vote Child, Youth and Family Services

The Ministry will address the following priorities for Vote Child, Youth and Family Services in 2007/08:

Quality Social Work Practice

This includes embedding the Social Work Practice Framework as the anchor for better outcomes and involves:

- establishing a case practice forum that supports Practice Leaders to champion the Practice Framework
- ensuring social workers operate to the highest standards through training and development of systems that record supervision at all levels.

Addressing Youth Offending

This includes taking advantage of the Family Group Conference - a world-leading family decision-making process, and moving it further to the front of social workers' investigative practice.

Achieving Permanency for Children

This priority includes:

- continuing to implement the Permanency policy to improve permanency and stability of care for children and young people
- intensifying engagement with iwi and hapū groups to increase the network of caregivers who can offer permanency to members of their family and whānau.

Responding to Community Needs and Expectations

This priority includes:

- introducing a relationship management approach with stakeholders that ensures their expectations, views and experiences are reflected in the Ministry's engagement with them
- maximising the potential of our Community Liaison Social Workers to improve public awareness about child welfare issues.

Outcomes focused Residential Facilities

This involves focusing on improving wellbeing outcomes for vulnerable children and young people in the Ministry's residential placements.

Part A2 - Trends in Vote

Departmental Output Trends: 2002/03 - 2007/08

The Ministry of Social Development administers Vote Child, Youth and Family Services.

Departmental output expenses

Departmental output expense appropriations for 2007/08 total \$406.067 million, and represents a \$10.598 million decrease from the 2006/07 appropriations of \$416.665 million.

This reduction is principally due to expiry of the limited funding and incremental funding provided for one year only in 2006/07 to manage Care and Protection service demand, off-set in part by funding for new initiatives. A full list of new initiatives is contained in the table 'New Policy Initiatives by Appropriation'.

Non-Departmental Expense Trends: 2002/03 - 2007/08

Non-departmental output expenses

Non-departmental output expense appropriations for 2007/08 total \$62.317 million and represents a \$1.610 million increase over the 2006/07 appropriations of \$60.707 million. This increase mainly relates to a new policy initiative in respect of Multi-Agency Support Services in Secondary Schools (MASSiS).

Other Crown expenses

Non-Departmental Other Expense Appropriations total \$365,000. This relates to the Contingency and Innovation Fund.

New Policy Initiatives by Appropriation

		\$000 increase/(decrease)				
Initiative	Appropriation as shown in Part B	2006/07	2007/08	2008/09	2009/10	2010/11
Programmes for Youth Offenders	Departmental Output Expenses - Youth Justice Services	-	1,400	-	-	-
Supported Bail Programme	Departmental Output Expenses - Youth Justice Services	-	1,320	-	-	-
Implementation of the Residential Services Strategy - Youth Justice Lower North	Departmental Output Expense - Youth Justice Services	-	-	487	974	974
	Capital Contribution to the Service - Capital Investment	-	1,500	11,487	-	-
Multi-Agency Support Services in Secondary Schools (MASSiS)	Departmental Output Expenses - Development and Funding of Community Services	-	712	-	-	-
	Non-Departmental Output Expenses - Family Wellbeing Services	-	1,868	-	-	-

Part B - Statement of Appropriations

Summary of Financial Activity

	2002/03	2003/04	2004/05	2005/06	2006/07		2007/08 Appropriations to be Used					2008/09	2009/10	2010/11
						Estimated	By the Department Administering the Vote		For Non-Departmental Transactions					
	Actual \$000	Actual \$000	Actual \$000	Actual \$000	Budget \$000	Actual \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	Total \$000	Estimated \$000	Estimated \$000	Estimated \$000
Appropriations														
Output Expenses	341,569	374,251	422,591	455,627	477,372	477,372	406,067	-	62,317	-	468,384	464,981	465,865	465,865
Benefits and Other Unrequited Expenses	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Borrowing Expenses	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Other Expenses	2,028	2,028	2,281	324	365	365	-	-	365	-	365	365	365	365
Capital Expenditure	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Intelligence and Security Department Expenses and Capital Expenditure	-	-	-	-	-	-	-	-	N/A	N/A	-	-	-	-
Total Appropriations	343,597	376,279	424,872	455,951	477,737	477,737	406,067	-	62,682	-	468,749	465,346	466,230	466,230
Crown Revenue and Receipts														
Tax Revenue	-	-	-	-	-	-	N/A	N/A	N/A	N/A	-	-	-	-
Non-Tax Revenue	217	-	-	-	-	-	N/A	N/A	N/A	N/A	-	-	-	-
Capital Receipts	-	-	-	-	-	-	N/A	N/A	N/A	N/A	-	-	-	-
Total Crown Revenue and Receipts	217	-	-	-	-	-	N/A	N/A	N/A	N/A	-	-	-	-

Part B1 - Details of Appropriations

	2006/07				2007/08		
	Budget		Estimated Actual		Vote		
Appropriations	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	Scope of 2007/08 Appropriations
Departmental Output Expenses (General)							
Adoption Services (M10)	8,422	-	8,422	-	8,426	-	- The management of services, incorporating education, assessment, reporting, counselling, and mediation, to all people who are party to adoption-related matters, past or present.
Care and Protection Services (M10)	293,974	-	293,974	-	284,761	-	- Social work services, both statutory and informal, that protect and assist children and young people who are in need of care and protection. Reason for Change: This reflects a reduction in time limited funding off-set by an increase for 2007/2008 and out-years relating to increased financial support for caregivers.
Development and Funding of Community Services (M10)	7,769	-	7,769	-	8,345	-	- Management of Government funding of community-based social and welfare services.
Policy Advice and Ministerial Servicing (M10)	5,265	-	5,265	-	2,923	-	- Advice, research, evaluation, and development of policies relating to the provision, or contracting of social and welfare services for children, young people and families in communities. Reason for Change: This relates to changes in departmental structure in response to the merger of MSD and CYF.
Prevention Services (M10)	6,231	-	6,231	-	4,974	-	- Education and advice services for the prevention of child abuse and neglect, and the promotion of the wellbeing of children, young people and their families. Reason for Change: This relates to the transfer of responsibility for Te Atawhaingia Te Pa Harakeke to Vote Education.
Youth Justice Services (M10)	95,004	-	95,004	-	96,638	-	- Social work and other services to manage and resolve offending behaviour by children and young people, by providing assessment, support, programmes, containment and care of young offenders. Reason for Change: These relate to changes in departmental structure in response to the merger of MSD and CYF.
Total Departmental Output Expenses (General)	416,665	-	416,665	-	406,067	-	

	2006/07				2007/08		
	Budget		Estimated Actual		Vote		
Appropriations	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	Scope of 2007/08 Appropriations
Non-Departmental Output Expenses							
Counselling and Rehabilitation Services (M10)	10,963	-	10,963	-	10,963	-	- Purchase of services, including family counselling and other post-crisis interventions, that restore the wellbeing of children, young people and families who have suffered harm and abuse or other forms of family breakdown or youth justice issues.
Education and Prevention Services (M10)	5,771	-	5,771	-	5,771	-	- Purchase of education and prevention programmes and initiatives that aim to provide skills to children, young people and families who are at risk of harm or abuse, which will help them reduce the risk of that abuse or harm.
Family Wellbeing Services (M10)	38,962	-	38,962	-	40,697	-	- Purchase of services that aim to improve the life outcomes for children, young people and families through support and development programmes, and programmes that will prevent any future harm or abuse.
Strengthening Providers and Communities (M10)	5,011	-	5,011	-	4,886	-	- Purchase of services that contribute to strengthening the capacity and capability of providers to deliver strong and effective social services.
Total Non-Departmental Output Expenses	60,707	-	60,707	-	62,317	-	
Other Expenses to be Incurred by the Crown							
Contingency and Innovations Fund (M10)	365	-	365	-	365	-	- Contributing to the funding of social or welfare providers experiencing unforeseen financial difficulty or the purchase of innovative proposals to meet outcomes sought by the Associate Minister for Social Development and Employment (CYF).
Total Other Expenses to be Incurred by the Crown	365	-	365	-	365	-	
Total Appropriations	477,737	-	477,737	-	468,749	-	

Part C - Explanation of Appropriations for Output Expenses

Part C1 - Departmental Output Expenses

Adoption Services

This output includes the provision of services, incorporating education, assessment, reporting, counselling and mediation, to all people who are party to adoption-related matters, past or present. It includes services to:

- manage the adoption process for the placement of New Zealand children in New Zealand
- manage the adoption process where international parties are involved, and exercise the Chief Executive's responsibilities as central authority under the Adoption (Inter-country) Act 1997
- respond to requests for information to the parties of previous adoptions.

Care and Protection Services

This output includes the provision of services that protect and assist children and young people who are in need of care and protection.

It includes:

- notification, investigation, and assessment of reports about children and young people at risk of physical, sexual, or emotional abuse, neglect, self-harm, or behavioural difficulties
- management of casework where Child, Youth and Family intervenes to achieve care and protection outcomes
- co-ordination of Care and Protection Family Group Conferences
- support for families to improve their capacity to meet their care, control and support responsibilities
- provision of care in the nature of foster care and residential services
- provision of resolution services to assist achieving care and protection needs
- improvement of life outcomes of the children, young people and families involved.

This output also includes provision of services to support other statutory responsibilities of the Chief Executive such as reports provided to the Family Courts under the Care of Children Act 2004.

Development and Funding of Community Services

This output includes services for the management of Government funding of community-based social and welfare services. It includes: community services planning; working with the community sector and other government agencies to develop service frameworks for community-based social services; provider development; quality assurance processes to ensure service providers meet quality standards; and the management of service provider funding agreements.

Policy Advice and Ministerial Servicing

This output includes provision of advice, research, evaluation, and development of policies relating to provision, or contracting of social and welfare services for children, young people and their families.

In particular, advice will be provided on:

- Adoption Services
- Care and Protection Services
- Development and Funding of Community Services
- Prevention Services
- Youth Justice Services.

This output also includes the provision of Ministerial Servicing and support to assist the Associate Minister for Social Development and Employment (Child, Youth and Family) and other Ministers to discharge their obligations to Parliament.

Prevention Services

This output covers provision of education and advice services for prevention of child abuse and neglect, and promotion of the wellbeing of children, young people and their families. It includes activities to promote and support stronger communities. These involve public education programmes that aim to promote the importance of child and family wellbeing.

Youth Justice Services

This output provides services to those children and young people who come under Part IV of the Children, Young Persons and Their Families Act 1989. It includes social work and other services to manage and resolve offending behaviour by children and young people, by providing assessment, support, programmes, containment and care of young offenders.

This output includes provision of social work and other services to manage offending behaviour by children and young people. It includes co-ordination of Youth Justice Family Group Conferences (FGCs), and recording, reporting and reviewing recommendations of Youth Justice FGCs.

Part C2 - Non-Departmental Output Expenses

As the Ministry of Social Development cannot act alone to achieve better outcomes for children and young people, it has an important role in developing and funding community services for children and young people and their families. The following schedule of the Non-Departmental Output Expenses (NDOE) and section on Other Expenses show the quality and quantity of services delivered by community providers that Vote Child, Youth and Family Services develops and funds on behalf of the Crown.

Counselling and Rehabilitation Services

This output provides funding for services, including individual and family counselling and other post-crisis interventions, that restore the wellbeing of children, young people and families who have suffered harm and abuse, other forms of family breakdown, and for the perpetrators of harm and abuse.

Quantity, quality and cost

The Minister will expect the following quantity, quality and cost performance indicators to be met:

Performance Measure	Performance Standard	
	2007/08	2006/07
Quantity		
Number of new clients receiving intervention	23,000 - 27,000	22,000 - 27,000
Quality		
Percentage of clients completing intervention	80% - 90%	80% - 90%
Costs		
Costs (\$000, GST excl)	10,963	10,963

Education and Prevention Services

This output provides funding for education and prevention programmes and for children and young people, and their families that aim to provide skills to reduce the risk of harm or abuse, or for youth justice issues.

Quantity, quality and cost

The Minister will expect the following quantity, quality and cost performance indicators to be met:

Performance Measure	Performance Standard	
	2007/08	2006/07
Quantity		
Number of new clients receiving intervention	26,000 - 32,000	30,000 - 35,000
Quality		
Percentage of clients completing intervention	75% - 85%	75%-85%
Costs		
Costs (\$000, GST excl)	5,771	5,771

Family Wellbeing Services

This output provides funding for services, support and development programmes which aim to improve the life outcomes for children, young people and families to prevent any future harm or abuse. This includes 'refuge' and emergency housing funding.

Quantity, quality and cost

The Minister will expect the following quantity, quality and cost performance indicators to be met:

Performance Measure	Performance Standard	
	2007/08	2006/07
Quantity		
Number of new clients or families receiving intervention	62,000 - 68,000	56,500 - 61,500
Number of schools receiving services from Social Workers in Schools programme	330 - 350	320 - 340
Number of fulltime equivalent social workers employed in the Social Workers in Schools programme	125	119
Quality		
Percentage of clients/families completing a planned intervention	85% - 90%	85% - 90%
Costs		
Costs (\$000)	40,697	38,962

Strengthening Providers and Communities

This output provides funding for services that contribute to strengthening the capacity and capability of providers to deliver strong and effective social services.

Quantity, quality and cost

The Minister will expect the following quantity, quality and cost performance indicators to be met:

Performance Measure	Performance Standard	
	2007/08	2006/07
Quantity		
Number of groups/organisations whose infrastructure was supported by a national body	180 - 210	100 - 200
Number of groups/organisations receiving organisational development funding eg, training, business mentoring or other forms of development	260 - 320	100 - 170
Quality		
Satisfaction survey results indicate satisfaction with service received from national body	80% - 90%	80% - 90%
Objectives set out in service provider's plans (Development and/or Training) have been met	80% - 90%	80% - 90%
Costs		
Costs (\$000)	4,886	5,011

Part D - Explanation of Appropriations for Other Operating Flows

Part D3 - Other Expenses

Contingency and Innovation Fund

This Fund contributes to a social or welfare service experiencing unforeseen financial difficulty or to the purchase of innovative proposals for the delivery of social and welfare services to meet outcomes sought by the Associate Minister for Social Development and Employment (Child, Youth and Family).

VOTE *Climate Change and Energy Efficiency*

Climate Change and Energy Efficiency

Overview

Appropriations agreed for Vote Climate Change and Energy Efficiency in 2007/08 total \$50.378 million. This will be allocated as follows:

- \$1.166 million (2.3% of the Vote) for purchasing policy advice (and monitoring services) from the Ministry for the Environment. This includes an additional \$950,000 of new funding from the EnergyWise package.
- \$9.348 million (18.6% of the Vote) for purchasing climate change policy advice from the Ministry for the Environment.
- \$11.364 million (22.6% of the Vote) for the carbon monitoring programme to meet obligations under the Kyoto Protocol.
- \$17.322 million (34.3% of the Vote) for purchasing non-departmental outputs from the Energy Efficiency and Conservation Authority (EECA).
- \$8.776 million (17.4% of the Vote) for energy efficiency and renewable energy grants and assistance.
- \$2.000 million (4.0% of the Vote) for capital expenditure to the Crown Energy Efficiency loan scheme.
- \$102,000 (0.2% of the Vote) for New Zealand's contribution to the United Nations Framework Convention on Climate Change.
- \$300,000 (0.6% of the Vote) for New Zealand's contribution to the Climate Change Development Fund to support international projects addressing climate change impacts.

The Ministry for the Environment expects to collect \$1.749 million of other revenue in 2007/08.

Details of appropriations appear in Parts B1 and C of this Vote. Details of Crown revenue appear in Part F.

Terms and Definitions Used

EECA	Energy Efficiency and Conservation Authority
IPCC	Intergovernmental Panel on Climate Change
NZCAS	New Zealand Carbon Accounting System
NZEECS	New Zealand Energy Efficiency and Conservation Strategy
NZES	New Zealand Energy Strategy
UNFCCC	United Nations Framework Convention on Climate Change

Minister Portfolio Table

28	Minister of Energy
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Climate Change and Energy Efficiency

ADMINISTERING DEPARTMENT: Ministry for the Environment

The Minister for the Environment is the Responsible Minister for the Ministry for the Environment

Part A - Statement of Objectives and Trends

Part A1 - Objectives for Vote

Related Government Goals

The output expenses in Vote Climate Change and Energy Efficiency contribute to the Government's overall energy policy objective of a sustainable and efficient energy future, as set out in the Energy Policy Framework (October 2002).

Output Appropriations

In 2007/08, the Minister of Energy will purchase the following output appropriations in Vote Climate Change and Energy Efficiency:

- Policy Advice - Energy Efficiency and Conservation
- Policy Advice - Climate Change
- Carbon Monitoring Programme.

Links Between the Output Appropriations and the Government's Goals

The output expenses in Vote Climate Change and Energy Efficiency will contribute to the Government's overarching goal of economic transformation with a strong focus on environmental sustainability. This vote supports Government's engagement with businesses and community groups and aims to reduce New Zealand's Greenhouse Gas emissions and meet international obligations under the UNFCCC and the Kyoto Protocol.

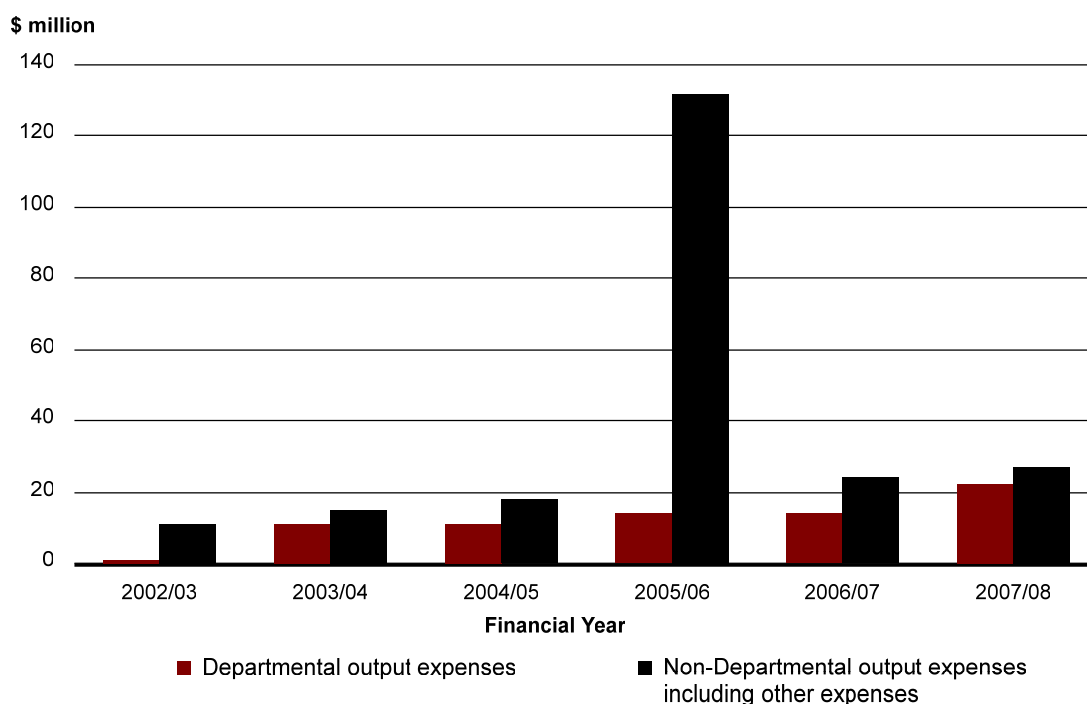
In particular, the appropriations will purchase the following areas of work:

- providing advice on matters relating to energy efficiency and conservation and the use of renewable sources of energy
- promoting practices and technologies to further energy efficiency and conservation and the use of renewable sources of energy
- monitoring and reviewing the state of energy efficiency and conservation and the use of renewable sources of energy
- implementing a greenhouse gas inventory system that meets New Zealand international obligations under the Kyoto Protocol
- providing and co-ordinating measures to reduce New Zealand's emissions of greenhouse gases and adapt to climate change
- engaging New Zealand in the ongoing negotiations for future agreements on countries' commitments under the Kyoto Protocol following 2012

- identifying business opportunities arising from climate change
- improving the understanding of climate change risks to the primary and local government sectors and infrastructure to allow better private and public sector management decisions
- analysing and collecting of relevant data for the development and implementation of a carbon accounting system, and
- promoting public awareness of the importance of energy efficiency and conservation and the use of renewable sources of energy.

Part A2 - Trends in Vote

Figure 1 - Trends in departmental and non-departmental output expenses 2002/03 to 2007/08



Source: Ministry for the Environment

Analysis by Appropriation Type

Up to and including 1999/2000, the Energy Efficiency and Conservation Authority (EECA) was a semi-autonomous body within the Ministry of Economic Development. Its outputs formed part of Vote Energy (*Output Expense - Energy Efficiency and Conservation*). As of 1 July 2000, the Authority became a Crown Entity monitored by the Ministry for the Environment.

Departmental output expenses

In September 1993, New Zealand ratified the United Nations Framework Convention on Climate Change (UNFCCC) and in December 2002 the Government ratified the Kyoto Protocol. This means as from January 2008, New Zealand is committed to reducing emissions of greenhouse gases to 1990 levels or face the cost of emissions above those levels.

In 2003/04, the Vote baseline increased by \$10.525 million due to the former New Zealand Climate Change Office becoming part of the Ministry for the Environment. This prompted a name change from *Vote Energy - Energy Efficiency and Conservation*, to the current *Vote Climate Change and Energy Efficiency*.

In 2005/06, the Vote baseline increased by \$2.523 million from that provided in 2004/05 due to additional appropriation to complete the development of the New Zealand Carbon Accounting System (NZCAS), and to ensure its implementation to meet the Kyoto Protocol. An additional \$2.998 million was allocated in the 2006/07 budget round for the development of the NZCAS which increased the total appropriation for the Vote baseline to \$20.833 million.

In the 2007/08 budget round, additional funding of \$950,000 was allocated for the EnergyWise package: Vote Climate Change and Energy Efficiency Components and \$1.200 million was allocated for an initiative to move the public sector towards carbon neutrality.

Non-departmental output expenses

In 2006/07, EECA received \$15.282 million to provide operational and policy outputs in accordance with EECA's statutory functions under the Energy Efficiency and Conservation Act (2000) and applicable Government policies. This is an increase of \$1.611 million from 2005/06, which is due to a new initiative funding for the Home Energy Rating Scheme. The increase in baseline from 2006/07 to 2007/08 is due to approved funding of \$3.168 million for the implementation of a five year solar water heating programme.

Other expenses

In 2003/04, 'Other expenses' increased significantly due to the introduction of the EnergyWise Grant Scheme (\$1.066 million). In 2004/05 \$2.044 million was provided for the Crown's contribution to fund improvements to the energy efficiency of New Zealand's businesses and homes and to develop the solar hot water industry. This was subject to a further increase of \$800,000 in 2005/06.

During 2005/06, the provision for New Zealand's forecast liability under the Kyoto Protocol was increased by \$111.150 million. This was to reflect Cabinet's decision not to proceed with the carbon tax. During 2006/07 \$1.778 million was provided as a contribution from the Ministry of Health to the EnergyWise Home Grants Scheme. In the 2007/08 budget round, an additional \$1.400 million was allocated for the EnergyWise Package to maintain EnergyWise Home Grants and \$2.398 million was allocated for the implementation of a five year solar water heating programme.

Capital expenditure

A capital appropriation of \$2.000 million is provided for the Crown Energy Efficiency loan scheme.

New Policy Initiatives by Appropriation

Initiative	Appropriation as shown in Part B	\$'000 increase/(decrease)				
		2006/07	2007/08	2008/09	2009/10	2010/11
EnergyWise Package: Vote Climate Change and Energy Efficiency components	Departmental Output Expense - Policy Advice - Energy Efficiency and Conservation	-	950	1,950	1,950	1,950
Moving the Public Sector towards carbon neutrality	Departmental Output Expense - Policy Advice - Climate Change	-	1,200	7,100	2,100	-
EnergyWise Package: Home Energy Rating Scheme policy development	Non Departmental Output Expense - Energy Efficiency and Conservation	-	250	-	-	-
EnergyWise Package: Maintain EnergyWise Home Grants	Other Expenses to be incurred by the Crown - Energy Efficiency and Renewable Energy Grants and Assistance	-	1,400	1,600	1,900	3,900
Total Initiatives		-	3,800	10,650	5,950	5,850

Part B - Statement of Appropriations

Summary of Financial Activity

	2002/03	2003/04	2004/05	2005/06	2006/07		2007/08 Appropriations to be Used					2008/09	2009/10	2010/11
					Budget	Estimated	By the Department Administering the Vote		For Non-Departmental Transactions					
	Actual \$000	Actual \$000	Actual \$000	Actual \$000	\$000	Actual \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	Total \$000	Estimated \$000	Estimated \$000	Estimated \$000
Appropriations														
Output Expenses	8,640	21,322	23,702	24,458	29,502	28,602	21,878	-	17,322	-	39,200	39,355	33,488	30,723
Benefits and Other Unrequited Expenses	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Borrowing Expenses	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Other Expenses	1,529	2,293	313,733	117,640	8,340	8,090	-	-	9,178	-	9,178	9,757	9,840	9,280
Capital Expenditure	1,000	1,652	2,000	1,242	2,758	2,500	N/A	N/A	2,000	-	2,000	2,000	2,000	2,000
Intelligence and Security Department Expenses and Capital Expenditure	-	-	-	-	-	-	-	-	N/A	N/A	-	-	-	-
Total Appropriations	11,169	25,267	339,435	143,340	40,600	39,192	21,878	-	28,500	-	50,378	51,112	45,328	42,003
Crown Revenue and Receipts														
Tax Revenue	-	-	-	-	-	-	N/A	N/A	N/A	N/A	-	-	-	-
Non-Tax Revenue	-	-	-	-	-	-	N/A	N/A	N/A	N/A	-	-	-	-
Capital Receipts	758	824	1,088	1,226	1,508	1,508	N/A	N/A	N/A	N/A	1,749	1,749	1,749	1,749
Total Crown Revenue and Receipts	758	824	1,088	1,226	1,508	1,508	N/A	N/A	N/A	N/A	1,749	1,749	1,749	1,749

Part B1 - Details of Appropriations

	2006/07				2007/08		
	Budget		Estimated Actual		Vote		
Appropriations	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	Scope of 2007/08 Appropriations
Departmental Output Expenses (General)							
Carbon Monitoring Programme (M28)	5,445	-	4,545	-	11,364	-	- Development of a national carbon accounting system that will contribute to the meeting of New Zealand's greenhouse gas reporting obligations under the Kyoto Protocol and the UNFCCC.
Policy Advice - Climate Change (M28)	8,326	-	8,326	-	9,348	-	- Policy advice and implementation, operational costs and fulfilling international obligations to support the Government's commitment on Climate Change under the Kyoto Protocol.
Policy Advice - Energy Efficiency and Conservation (M28)	216	-	216	-	1,166	-	- Policy advice from the Ministry for the Environment on energy efficiency and conservation issues. Monitoring of EECA services provided by the Ministry for the Environment.
Total Departmental Output Expenses (General)	13,987	-	13,087	-	21,878	-	
Non-Departmental Output Expenses							
Energy Efficiency and Conservation (M28)	15,515	-	15,515	-	17,322	-	- Operational and policy outputs in accordance with the EECA's statutory functions under the Energy Efficiency and Conservation Act (2000) and applicable Government policies.
Total Non-Departmental Output Expenses	15,515	-	15,515	-	17,322	-	
Other Expenses to be Incurred by the Crown							
Contribution to Climate Change Development Fund (M28)	300	-	300	-	300	-	- New Zealand's contribution to the Climate Change Development Fund to support international projects addressing climate change impacts.
Energy Efficiency and Renewable Energy Grants and Assistance (M28)	7,938	-	7,688	-	8,776	-	- Crown's contribution to fund improvements to the energy efficiency of New Zealand businesses and homes (with a particular focus on the homes of low income earners); and to develop the solar hot water industry.
Framework Convention on Climate Change (M28)	102	-	102	-	102	-	- New Zealand's contribution to the United Nations Framework Convention on Climate Change.
Total Other Expenses to be Incurred by the Crown	8,340	-	8,090	-	9,178	-	
Capital Expenditure							
Crown Energy Efficiency (M28)	2,758	-	2,500	-	2,000	-	- Capital expenditure for the Crown loan scheme.
Total Capital Expenditure	2,758	-	2,500	-	2,000	-	
Total Appropriations	40,600	-	39,192	-	50,378	-	

Part C - Explanation of Appropriations for Output Expenses

Part C1 - Departmental Output Expenses

Policy Advice - Energy Efficiency and Conservation

This output expense covers the purchase of advice by the Minister of Energy and includes:

- monitoring of EECA by the Ministry for the Environment
- providing policy advice on energy efficiency and conservation issues from the Ministry for the Environment
- managing the transfer of funds for the Crown loan scheme
- advising the Minister on matters relating to energy efficiency and conservation, and the use of renewable sources of energy in New Zealand
- administration of the Energy Efficiency and Conservation Act 2000, and
- administering energy efficiency regulations.

Policy Advice - Climate Change

This output expense covers the purchase of advice by the Minister of Energy and includes:

- providing climate change policy advice from the Ministry for the Environment
- ongoing management of previous Negotiated Greenhouse Agreements
- managing existing Projects to reduce emissions agreements
- operating of programmes for local government, agriculture and forestry, small and medium-sized enterprises energy intensive businesses, business opportunities, transport, climate change adaptation, science and emissions inventory
- operating climate change information programmes, and
- fulfilling New Zealand's international climate change obligations and building international relationships.

Carbon Monitoring Programme

This output expense covers the purchase by the Minister of Energy of the following activities to implement the carbon monitoring programme:

- data collection in indigenous forests, regenerating scrub forests and the soils beneath
- data collection on soils undergoing land use change (eg, from pasture to forestry and vice versa)
- analysis, allometric model development and provision of other science related to data collected
- data collection on soils other than those covered above
- data collection on planted production forestry growth
- land use, land use change and forestry underpinning science and science capability

- provision and analysis of data for tracking the land use change from 1990, and
- development, management and coordination of the carbon accounting and monitoring system.

Part C2 - Non-Departmental Output Expenses

Energy Efficiency and Conservation

The Minister of Energy will purchase operational and policy outputs from EECA in accordance with EECA's statutory functions under the Energy Efficiency and Conservation Act 2000 and applicable Government policies.

Outputs in this class focus on providing energy efficiency leadership and information in government, business and household sectors. Those outputs are central to the implementation of the New Zealand Energy Efficiency and Conservation Strategy (NZECS).

Under section 21(1) of the Energy Efficiency and Conservation Act 2000, EECA is required to encourage, promote and support energy efficiency, energy conservation and the use of renewable energy resources in New Zealand. In particular EECA's work includes:

- leading development of the replacement NZECS, in tandem with MED's development of the New Zealand Energy Strategy (NZES)
- assisting the Minister to administer the replacement NZECS
- promoting public awareness of the importance of energy efficiency and conservation and the use of renewable sources of energy
- promoting practices and technologies to encourage energy efficiency and conservation and the use of renewable sources of energy
- arranging for the conduct of research, assessments, demonstrations and studies, and
- collecting data on, and monitoring trends in, the state of energy efficiency, energy conservation and the use of renewable sources of energy.

Key strategic outputs for 2007/08 include:

- finalising the replacement NZECS
- supporting work to finalise the NZES
- finalising a pilot for a voluntary Home Energy Rating Scheme
- implementing a mandatory fuel economy labelling scheme for new and used vehicles at point of sale, wherever information is available
- increasing the uptake of insulation and other energy efficient technologies in homes (with a focus on pre-1977 homes), and
- implementing the Cabinet-agreed programme to increase the uptake of solar water heating in New Zealand.

Quantity, quality and timeliness

Activities will be carried out in accordance with the provisions of the Energy Efficiency and Conservation Act 2000, and the provisions of the Statement of Intent between the Minister of Energy and

EECA. Information about the nature and level of intended purchases is specified in the Statement of Intent tabled in Parliament and made available to all interested parties.

Activities will meet the standards defined in the Statement of Intent and the 2007/08 Output Plan between the Minister of Energy and EECA.

Quarterly reports will be provided to the Minister of Energy on EECA's performance against the outputs defined in the 2007/08 Output Plan.

All work programmes will be completed within timeframes and priorities set and monitored by EECA's Board.

Cost

	2006/07 \$000	2007/08 \$000
Total output class expenses	15,515	17,322
Total output class revenues	15,515	17,322

Provider

The Energy Efficiency and Conservation Authority.

Part F - Crown Revenue and Receipts

Part F1 - Current and Capital Revenue and Capital Receipts

	2006/07		2007/08	Description of 2007/08 Crown Revenue
	Budgeted \$000	Estimated Actual \$000	Budget \$000	
Capital Receipts				
Crown Energy Efficiency Loans	1,508	1,508	1,749	Repayment of Crown Energy Efficiency Loans.
Total Capital Receipts	1,508	1,508	1,749	
Total Crown Revenue and Receipts	1,508	1,508	1,749	

VOTE *Commerce*

Commerce

Overview

Appropriations sought for Vote Commerce in 2007/08 total \$89.948 million. This amount is to be applied as follows:

Departmental Appropriations

Appropriations for departmental output expenses total \$53.460 million (59.4% of the Vote). This is sought to purchase services from the Ministry of Economic Development including:

- \$10.941 million (12.2% of the Vote) for policy and purchase advice on business law and competition policy.
- \$1.100 million (1.2% of the Vote) for administration of trade remedies.
- \$352,000 (0.4% of the Vote) for administering import legislation.
- \$10.430 million (11.6% of the Vote) for registration and granting of intellectual property rights by the Intellectual Property Office and granting of plant variety rights by the Plant Variety Rights Office.
- \$12.333 million (13.7% of the Vote) for administration of insolvencies and management of proceeds of crime orders.
- \$18.304 million (20.3% of the Vote) for registration and provision of statutory information.

Non-Departmental Appropriations

Appropriations sought for non-departmental output expenses total \$23.159 million (25.7% of the Vote). These relate to the role of the Commerce Commission, the Securities Commission, the Takeovers Panel, and the Accounting Standards Review Board. Details are provided under Part C.

Appropriations sought for non-departmental other expenses total \$13.329 million (14.9% of the Vote). These relate to the Crown's membership in various organisations associated with the activities within Vote Commerce and possible litigation activities for the Commerce Commission, the Securities Commission and the Takeovers Panel.

Crown Revenue and Receipts

The Crown is forecast to collect \$6.280 million in 2007/08.

Details of how the appropriations are to be applied appear in Parts B1, C and E of this Vote. Details of Crown revenue appear in Part F.

Terms and Definitions Used

AASB	Australian Accounting Standards Board
APEC	Asia Pacific Economic Cooperation
ASRB	Accounting Standards Review Board
BCCU	Business Compliance Costs Unit
BIA	Building Industry Authority
CCCFA	Credit Contracts and Consumer Finance Act 2003
CEP	Closer Economic Partnership
DIRA	Dairy Industry Restructuring Act
EIRA	Electricity Industry Reform Act 1998
FRC	Financial Reporting Council
FSAP	Financial Sector Assessment Program
FTA	Free Trade Agreement
GAAP	Generally Accepted Accounting Practice
HSNO	Hazardous Substances and New Organisms Act 1996
IASB	International Accounting Standards Board
IFAC PSC	International Federation of Accountants Public Sector Committee
IFRS	International Financial Reporting Standards
IOSCO	International Organization of Securities Commissions
MED	Ministry of Economic Development
NZX	New Zealand Exchange
RIAU	Regulatory Impact Analysis Unit
RMA	Resource Management Act
SME	Small and Medium-sized Enterprises
SPs	Strategic Priorities
TTASAG	Trans Tasman Accounting Standards Advisory Group
WTO	World Trade Organization

Minister Portfolio Table

13	Minister of Commerce
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Commerce

ADMINISTERING DEPARTMENT: Ministry of Economic Development

The Minister for Economic Development is the Responsible Minister for the Ministry of Economic Development

Part A - Statement of Objectives and Trends

Part A1 - Objectives for Vote

Related Government Outcomes

A priority for the Government is working to progress New Zealand's economic transformation to a high income, knowledge based market economy, which is both innovative and creative, and provides a unique quality of life to all New Zealanders.

Within the economic transformation agenda there are the following sub-themes:

- Growing globally competitive firms.
- World class infrastructure.
- Innovative and productive workplaces, underpinned by high standards in education, skills and research.
- An internationally competitive city - Auckland.
- Environmental sustainability.

The appropriations in Vote Commerce will enable the Ministry of Economic Development (MED) and other delivery agencies to provide advice, and deliver activities and outputs that contribute to ensuring that the legal and regulatory environment supports business growth and innovation.

Strategic Issues

The Ministry has identified five strategic priorities (SPs) which we consider are the most important areas for the Ministry to focus on over the next three to five years, and to create the framework around which we organise our contributions toward economic transformation:

- International Linkages: improving the international linkages that allow firms to benefit from trade knowledge transfer and investment
- Sustainable Business: helping New Zealand firms to use environmental integrity for economic advantage
- Investment: improving the investment opportunity for New Zealand firms
- Auckland: working to make Auckland world-class, and
- Infrastructure: improving the quality and reliability of key infrastructure services.

Of the above strategic priorities, policy advice activities undertaken in Vote Commerce will, in particular, contribute to the International Linkages SP, Sustainable Business SP, and Investment SP.

Being well-connected with the rest of the world is key to New Zealand's growth prospects. The internationalisation of New Zealand firms leads to productivity improvements as businesses discover and embrace new technologies, new markets, and new models of production distribution. Strong linkages are particularly important for New Zealand because the domestic market is small and a long way from major global markets.

The Ministry will also focus on policies to ensure that New Zealand is an attractive environment for firms to invest in and to base their high-value operations. We will work with other departments to understand and address the critical issues related to investment such as savings, capital markets, management capability, and intermediation.

Businesses and consumers are becoming more aware about how their actions affect the environment. Social responsibility and environmental sustainability issues influence the decisions and choices that consumers make; while environmental integrity has become increasingly recognised by businesses as a source of competitive advantage. The Ministry will work with others to identify where and in what ways government can assist New Zealand firms to respond effectively to changing market and regulatory approaches to environmental issues.

Appropriations Linkages to the Government's Outcomes

Departmental output expenses

The Ministry's strategic priorities describe the things it will put particular emphasis on in order to best promote growth. However the Ministry's work goes beyond the priorities to include a large number of activities that may make a less significant contribution to growth but are nevertheless important in maintaining an effective environment for business. The entirety of the Ministry's work, including work on the strategic priorities, is captured by the Ministry's Business outcomes. The table below summarises the contribution that different outputs make to the Ministry's Business outcomes.

Outcome	Contribution of Appropriations to Outcomes
Building International Links New Zealand's international connections support transformation of the New Zealand economy and sustainable economic growth through increased trade, and through improved flows of investment, skills and technology.	Policy advice on intellectual property, competition policy and law, investment, government procurement, standards and conformance, trade facilitation, and technical barriers to trade. Policy advice in relation to border and international issues and trade agreements, including policy advice on tariffs, rules of origin, and trade remedies. Policy advice on the implementation of international agreements on ozone-depleting substances and hazardous wastes.
Protecting Dynamic Competition Competition regulation promotes dynamic markets and innovation.	Policy advice on the creation and maintenance of a regulatory environment, including primary advice on approximately 50 statutes, including competition policy and law.

Outcome	Contribution of Appropriations to Outcomes
Promoting Responsible Business Governance The rules governing corporate behaviour in New Zealand effectively balance accountability with the need to support innovation.	Policy advice on the creation and maintenance of a regulatory environment, including corporate and competition policy and primary advice on approximately 50 statutes, that provides greater certainty for, and positively encourages, business innovation and growth. Work of the Ministry's Regulatory Impact Analysis Unit (RIAU) in assessing proposals for regulations that will have a significant impact on economic growth and in providing advice on the quality of regulatory impact analysis regime across government. Policy advice in relation to Crown entities that maintain part of the regulatory framework for business. Prosecution and enforcement functions under the Companies Act 1993, Securities Act 1978 and Corporations (Investigation and Management Act) 1989. Policy advice on legislation that creates obligations on market participants to disclose information (eg, regulating securities and financial reporting law). Registration functions providing for the protection of intellectual property rights. Registration and provision of a range of documents and information required to be filed on public record, for example by corporate entities, and the provision of information related to these. Policy advice on corporate and commercial law, including capital markets, and insolvency law.
Promoting Dynamic and Trusted Capital Markets The business community has confidence in the integrity and effectiveness of New Zealand capital and financial markets.	Policy advice on capital market regulation.
Making the Most of Intellectual Property Intellectual property rights in New Zealand support investment in innovation and the sharing of ideas.	Policy advice on intellectual property law and policy. Services relating to the administration of legislation providing for the protection of intellectual property rights.

Non-departmental output expenses

Crown Entities assist economic growth by ensuring that businesses and consumers have confidence in the integrity and effectiveness of New Zealand markets and can make well informed decisions. Appropriations are sought in this Vote to purchase outputs from a number of Crown Entities. The table below summarises the contribution that the entities make to the Government's key goal to create a growing, inclusive and innovative economy for the benefit of all.

Crown Entity	Contribution to Economic Growth
Accounting Standards Review Board (ASRB) The ASRB approves New Zealand's financial reporting standards under the Financial Reporting Act 1993. They also have a new role in the adoption of international accounting standards and, with Australia, influencing the development of those standards. The ASRB has also recently been charged with the power to exempt classes of entities from compliance with accounting standards when compliance would result in financial statements that are misleading in a material way or are likely to be misleading in a material way.	The ASRB contributes to the improvement and the quality of external financial reporting in the public and private sectors giving investors, creditors, analysts and regulatory authorities' confidence in the information provided in financial reports, thereby enhancing the integrity of the market.

Crown Entity	Contribution to Economic Growth
<p>Commerce Commission</p> <p>The Commerce Commission is a competition and regulatory agency funded through Vote Commerce. The Commission carries out functions under the:</p> <ul style="list-style-type: none"> • Commerce Act 1986, excluding Part 4A, • Fair Trading Act 1986, • Electricity Industry Reform Act 1988, • Dairy Industry Restructuring Act 2001, and • Credit Contracts and Consumer Finance Act 2003. <p>Vote Commerce NDOC: General Market only partially funds litigation undertaken by the Commission. A separate NDOE litigation fund covers the cost of major litigation activity arising from the Commission's general market or sector specific enforcement activities outside the normal routine or scope of its general litigation activity. Criteria for the use of this litigation funding are set out in the annual Output Agreement.</p> <p>In addition, through funding from other Votes, the Commission carries out functions under the:</p> <ul style="list-style-type: none"> • Commerce Act, Part 4A (electricity sector regulation) and regulatory control funded through Vote Energy (Electricity Lines Businesses), and • Commerce Act, Part 5, gas pipeline distribution services authorisations funded through Vote Energy (Gas), and • Telecommunications Act 2001 funded through Vote Communications. 	<p>The legislative framework the Commission operates under protects the competitive process in New Zealand markets, prohibits misleading or deceptive conduct in trade and requires disclosure of information about aspects of consumer and product safety. Through implementation of the legislation the Commission:</p> <ul style="list-style-type: none"> • encourages markets to be dynamic and provide goods and services at competitive prices • gives consumers confidence in the accuracy of information they receive when making choices, and • ensures that regulated industries are constrained from earning excess profits and encourages them to invest appropriately and share efficiency gains with consumers, and. • promotes a better understanding by New Zealanders of the benefits of competition and regulation in a market economy.
<p>Securities Commission</p> <p>The Securities Commission is New Zealand's securities regulator. It enforces the Securities Act 1978 and Securities Markets Act 1988.</p>	<p>The Securities Commission strengthens confidence in New Zealand's capital markets, both in New Zealand and overseas, by promoting the efficiency, integrity and cost effective regulation of these markets, thereby fostering capital investment in New Zealand.</p>
<p>Takeovers Panel</p> <p>The Takeovers Panel is established under the Takeovers Act 1993 and enforces the Takeovers Code.</p>	<p>Enforcement of the Code ensures equal treatment of shareholders and a transparent takeover process, resulting in confidence of domestic and international investors in the integrity of our market.</p>

As part of New Zealand's standards and conformance infrastructure two other Crown Entities under the purview of this Vote but whose activities are third party funded, Standards Council and the Testing Laboratory Registration Council, also play an important role in meeting the government's goals. Technical requirements are now an increasingly important issue for many businesses, particularly those in the export sector. Meeting standards or other specific technical requirements and businesses obtaining independent confirmation that they meet these requirements have become essential for business success.

Part A2 - Trends in Vote

Departmental Output Trends 2002/03 - 2007/08

Expenditure for classes of outputs increased between 2002/03 and 2007/08, reflecting a number of activities including:

- increased resources for the BCCU which administers the Government's Regulatory Impact Statement/Business Compliance Cost Statement regime across the public sector
- additional funding for an interdepartmental package of resource support for WTO negotiations and bilateral CEP/FTAs
- the provision of building regulatory policy within the MED, which was transferred from the Department of Internal Affairs starting from 1 January 2003 (subsequently transferred to the Department of Building and Housing from 2004/05)
- increased funding to implement a strategy for the adoption of International Financial Reporting Standards and to advance New Zealand's interests in international standard setting
- additional costs associated with upgrading the Companies Office Electronic Register (BIZNET), costs associated with the implementation of the Motor Vehicle Traders Register
- demand driven activity related to Trademarks and Patents
- costs associated with the establishment of the Charities Commission Crown entity and its related registration functions, and ongoing monitoring of the Commission (subsequently transferred to the Department of Internal Affairs from 2005/06)
- funding to the Commerce Commission, and Takeovers Panel to strengthen their capability to meet increased responsibilities
- funding for the Securities Commission to enable it to pilot a scheme to review financial reporting practices of public issuers; establish a public education programme (both paid for from surpluses in the memorandum account operated in Vote Commerce departmental output expense Registration and Provision of Statutory Information); and to effectively regulate futures markets
- funding for the APEC Seminar of the Fire Safe use of Timber in Construction
- an increase to address MED capability requirements associated with its responsibilities for international connections, single economic market and business law activities
- funding for posting a senior MED advisor to Canberra to strengthen resource investment in economic integration with Australia
- increased costs associated with the administration and management of new proceeds of crime orders by the Official Assignee and the need to respond appropriately to the increasing complexity and risks associated with these orders
- new responsibilities assigned to the Government Actuary to ensure that providers of KiwiSaver products comply with statutory minimum standards and that investors in KiwiSaver products are adequately protected
- funding for the syndicated procurement unit for 2006/07 only, and
- legal costs associated with the Treaty of Waitangi Claim WAI 262.

These are offset by the transfer of Information Technology policy from Vote Commerce to Vote Communications. This was a technical change to better align appropriations with portfolio accountability.

Appropriation Changes from 2007/08

Further increases between 2006/07 and 2007/08 mainly reflect increased costs associated with the implementation of the KiwiSaver Joint Evaluation Strategy, additional funding for the Commerce Commission to meet legal costs associated with unanticipated major litigation actions, the need to address the impact of the insolvency law reform and costs associated with the revision of the Companies Office long-term fees strategy.

For further details of new initiatives agreed, refer to the “New Policy Initiatives by Appropriation” below.

Other expenses

The major reasons for increases in these types of expenses are related to the establishment of litigation funds to meet the cost of major litigation activity undertaken by Crown entities administered under the Vote.

The increases in 2006/07 and 2007/08 reflects additional funding which has been provided for both the Commerce Commission and the Securities Commission to provide these regulatory agencies with adequate funding to meet forecast litigation activity.

Crown revenue and capital receipts

Variations reflect the nature of receipts classified under the respective line items. Penalties imposed under the Commerce Act 1986 and receipts collected under the Proceeds of Crime Act 1991 vary between years.

Capital contributions

The capital contributions reflect further investment in Crown entities administered under this Vote.

One off funding in 2003/04 reflected an additional investment in the Securities Commission to meet accommodation needs, and BIA working capital requirements until access to previous levy reserves was possible.

The one off withdrawal in 2004/05 reflects the transfer of Building policy work from the Ministry of Economic Development to the Department of Building and Housing.

New Policy Initiatives by Appropriation

		\$000 increase/(decrease)				
Initiative	Appropriation as shown in Part B	2006/07	2007/08	2008/09	2009/10	2010/11
Government Procurement Development	Multi-class Output Appropriation - Policy Advice and Investigative Services - Regulatory Environment	500	500	500	500	500
Quality Regulation Review	Multi-class Appropriation - Policy Advice and Investigative Services - Regulatory Environment	275	280	260	235	165
KiwiSaver Regulations	Departmental Output Expense - Registration and Provision of Statutory Information	53	48	59	70	70
	Multi-class Output Appropriation - Policy Advice and Investigative Services - Regulatory Environment	-	145	149	154	267
	Departmental Output Expense - Registration and Provision of Statutory Information	113	87	-	-	-
To address the impact of the Insolvency law reform and new functions	Departmental Output Expense - Administration of Insolvencies	509	2,183	-	-	-
Total Initiatives		1,450	3,243	968	959	1,002

Part B - Statement of Appropriations

Summary of Financial Activity

	2002/03	2003/04	2004/05	2005/06	2006/07		2007/08 Appropriations to be Used					2008/09	2009/10	2010/11
						Estimated	By the Department Administering the Vote		For Non-Departmental Transactions					
	Actual \$000	Actual \$000	Actual \$000	Actual \$000	Budget \$000	Actual \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	Total \$000	Estimated \$000	Estimated \$000	Estimated \$000
Appropriations														
Output Expenses	55,987	61,416	64,912	69,771	75,975	75,975	53,460	-	23,159	-	76,619	74,551	74,402	74,105
Benefits and Other Unrequited Expenses	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Borrowing Expenses	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Other Expenses	1,193	4,369	4,942	4,889	12,465	12,465	-	-	13,329	-	13,329	3,839	3,839	3,839
Capital Expenditure	-	5,006	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Intelligence and Security Department Expenses and Capital Expenditure	-	-	-	-	-	-	-	-	N/A	N/A	-	-	-	-
Total Appropriations	57,180	70,791	69,854	74,660	88,440	88,440	53,460	-	36,488	-	89,948	78,390	78,241	77,944
Crown Revenue and Receipts														
Tax Revenue	-	-	-	-	-	-	N/A	N/A	N/A	N/A	-	-	-	-
Non-Tax Revenue	3,667	2,754	1,984	5,508	4,515	4,515	N/A	N/A	N/A	N/A	6,280	8,580	10,080	10,080
Capital Receipts	-	440	3,660	183	-	-	N/A	N/A	N/A	N/A	-	-	-	-
Total Crown Revenue and Receipts	3,667	3,194	5,644	5,691	4,515	4,515	N/A	N/A	N/A	N/A	6,280	8,580	10,080	10,080

Part B1 - Details of Appropriations

	2006/07				2007/08		
	Budget		Estimated Actual		Vote		
Appropriations	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	Scope of 2007/08 Appropriations
Departmental Output Expenses (General)							
Administration of Insolvencies (M13)	10,655	-	10,655	-	12,333	-	Administration of insolvencies and proceeds of crime orders.
Administration of Part II Tariff Concessions (M13)	352	-	352	-	352	-	Assessing applications by importers to be exempted from import duties under the tariff concessions policy.
Policy Advice and Investigative Services - Regulatory Environment MCOA							Basis: Both output classes are directed at the intermediate outcome of NZ's international connections facilitating sustainable economic growth through increased international trade, foreign investment and knowledge transfer.
Administration of Trade Remedies	1,170	-	1,170	-	1,100	-	Investigative services to establish whether New Zealand industries require remedies to prevent injury caused by dumped or subsidised imports or sudden import surges.
Policy and Purchase Advice - Business Law and Competition Policy	12,235	-	12,235	-	10,941	-	Policy advice on the business legal framework; competition law policy; intellectual property rights; the impact of environmental issues on economic development; standards and conformance issues and technical barriers to trade, tariff and border protection policies; trade remedies; and operation monitoring of Crown entities and Statutory Boards.
Policy Advice and Investigative Services - Regulatory Environment (M13)	13,405	-	13,405	-	12,041	-	
Registration and Granting of Intellectual Property Rights (M13)	11,027	-	11,027	-	10,430	-	Administering legislation providing for the protection of intellectual property rights by the granting of patents and plant variety rights, the registration of trademarks and designs.
Registration and Provision of Statutory Information (M13)	17,613	-	17,613	-	18,304	-	Registering and provision of documents and information services in respect of all corporate entities, securities over insurance and superannuation schemes and securities over personal property (excluding land).
Total Departmental Output Expenses (General)	53,052	-	53,052	-	53,460	-	
Non-Departmental Output Expenses							
Administration of the Takeovers Code (M13)	1,344	-	1,344	-	1,344	-	The performance of statutory functions by the Takeovers Panel as specified in the Takeovers Act 1993.
Approval and Review of Financial Reporting Standards (M13)	830	-	830	-	830	-	Reviewing and approving financial reporting standards, and work relating to the international harmonisation of financial reporting standards.

	2006/07				2007/08		
	Budget		Estimated Actual		Vote		
Appropriations	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	Scope of 2007/08 Appropriations
Enforcement of Dairy Sector Regulation (M13)	905	-	905	-	905	-	- Commerce Commission funding for dispute resolution relating to and enforcement of the Dairy Industry Restructuring Act 2001 and related regulations.
Enforcement of General Market Regulation (M13)	13,343	-	13,343	-	13,579	-	- The promotion of competition and fair trading through the administration, enforcement and adjudication activities undertaken by the Commerce Commission.
Performance of Securities Market Functions (M13)	6,501	-	6,501	-	6,501	-	- The performance of statutory functions by the Securities Commission in relation to the Securities Act 1978 and the Securities Markets Act 1988.
Total Non-Departmental Output Expenses	22,923	-	22,923	-	23,159	-	
Other Expenses to be Incurred by the Crown							
Commerce Commission Litigation Fund (M13)	8,474	-	8,474	-	9,440	-	- To meet the cost of major litigation activity undertaken by the Commerce Commission arising from its general market or sector specific enforcement activities outside the normal routine or scope of its general litigation activity. Criteria for the use of the fund are set out in the annual Output Agreement.
Contributions to International Organisations (M13)	520	-	520	-	520	-	- Annual fee for New Zealand's membership of the International Copyright and Patent Union; International Patent Documentation Centre; International Standards Association; International Union for the Protection of New Plant Varieties; and a share of New Zealand's annual subscription and obligations arising from the Basel Convention.
Risk Capital Fund - Directors' Fees (M13)	5	-	5	-	5	-	- Payment of directors' fees for attendance at meetings.
Securities Commission Litigation Fund (M13)	3,022	-	3,022	-	2,920	-	- To meet the cost of major litigation activity undertaken by the Securities Commission arising from it carrying out functions under the Securities Markets Act 1988. Criteria for the use of the fund will be set out in the annual Output Agreement.
Takeovers Panel Litigation Fund (M13)	444	-	444	-	444	-	- To meet the cost of major litigation activity undertaken by the Takeovers Panel arising from it carrying out functions under the Takeovers Act 1993 and the Takeovers Code. Criteria for the use of the fund will be set out in the annual Output Agreement.
Total Other Expenses to be Incurred by the Crown	12,465	-	12,465	-	13,329	-	
Total Appropriations	88,440	-	88,440	-	89,948	-	

Part C - Explanation of Appropriations for Output Expenses

Part C1 - Departmental Output Expenses

Policy and Purchase Advice - Business Law and Competition Policy

This appropriation provides strategic and technical policy advice on the regulatory and competition frameworks for business, with a view to achieving business efficiency, and enhancing innovation and sustainable economic growth. Outputs within this appropriation include policy advice on:

- the multilateral, regional, and bilateral trade agenda including the Doha Round, and New Zealand's economic relationship with Australia
- corporate and commercial law, including capital markets, insurance, insolvency, and intellectual property law, including the administration of about 50 statutes
- competition policy and law, including advice on the competition policy implications of sector specific regulation and facilitation initiatives
- contributing to the policy and legislative framework for, and implementation and evaluation of KiwiSaver
- contributing to improving the quality of the information provided to government when making decisions, including providing advice on the Regulatory Impact Analysis regime, and undertaking assessments of the impact of regulatory proposals that will have a significant impact on economic growth
- reviewing and advising on options to improve regulatory practice, with a view to promoting the business environment to provide for innovation and growth
- trade rules, especially trade remedies, tariff policy, and rules of origin
- technical barriers to trade, international regulatory coordination, mutual recognition arrangements, and trade facilitation
- the standards accreditation and certification infrastructure, both domestic and international
- competitive government procurement policy framework that delivers long-term value for money for the procuring agency and enhances the role of competitive markets to foster innovation, SME development and sustainability
- the impact of environmental measures on economic development with a particular focus on the Resource Management Act 1991 and the Hazardous Substances and New Organisms Act 1996
- multilateral environmental agreements that impact directly on New Zealand businesses, and the administration of domestic requirements pursuant to the Montreal and Basle Conventions with respect to the import and use of ozone-depleting substances and the import and export of hazardous wastes respectively
- appointments, roles and functions, financial and non-financial performance, and overall contributions of Crown entities and statutory boards to the government's policy objectives, and
- correspondence, parliamentary questions, Official Information Act requests, and other services that support Ministers as required within agreed and statutory timeframes.

Administration of Part II Tariff Concessions

This appropriation provides the assessment of applications for exemption from import duties as defined by the tariff concessions policy. This service is conducted under the Tariff Act 1988.

Administration of Trade Remedies

This appropriation provides investigative services to establish whether New Zealand industries require remedies to prevent injury caused by dumped or subsidised imports or sudden import surges. This service is conducted under the Temporary Safeguard Authorities Act 1987 in relation to import surges, and the Dumping and Countervailing Duties Act 1988 in relation to dumped and subsidised goods.

Outputs in this class are:

- assessments of applications for dumping and subsidy investigations
- investigations of dumping, subsidisation and resulting injury to New Zealand industries, and
- investigations of the need for safeguard action against import surges.

Registration and Granting of Intellectual Property Rights

The Minister of Commerce will purchase services relating to the administration of legislation that provides for the protection of intellectual property rights by:

- granting patents under the Patent Act 1953
- registering trade marks and designs under the Trade Marks Act 1953 and 2002, and the Designs Act 1953, and
- granting plant variety rights under the Plant Variety Rights Act 1987.

Administration of Insolvencies

This appropriation provides the administration of bankruptcies and liquidations by the Official Assignee pursuant to the Insolvency Act 1967 and the Companies Act 1993, and the management or disposal of property restrained or forfeited under the Proceeds of Crime Act 1991.

Outputs in this class are:

- administration of bankruptcies and liquidations, and
- administration of proceeds of crime orders.

Registration and Provision of Statutory Information

This appropriation provides services relating to the registration and provision of a range of documents and information required to be filed on a public record by corporate and non-corporate entities, insurance and superannuation funds, issuers of securities and holders of securities over personal property interests (excluding land), motor vehicle traders and the provision of information services relating to these. This purchase of service includes an enforcement component.

Outputs in this class are:

- Companies Office services

- Insurance and Superannuation Unit services, including extending responsibilities for ensuring KiwiSaver Superannuation Schemes meet all the requirements specified in legislation and regulations, and
- Personal Property Securities and Motor Vehicle Traders Register services.

Part C2 - Non-Departmental Output Expenses

Administration of the Takeovers Code

This appropriation covers the cost of purchasing the performance of the following functions by the Takeovers Panel in accordance with the Takeovers Act 1993:

- Review the Takeovers Code as the Panel sees fit and recommend amendments to the Minister of Commerce, and consult with MED as required.
- Code Approvals - for independent advisors and experts under the rules of the Takeovers Code.
- Code Exemptions - class and individual exemptions from the rules of the Takeovers Code.
- Enforcement - maintaining oversight of takeover activity and intervening where necessary in accordance with its statutory powers.
- Review of market practice relating to takeovers - surveillance of takeover activity.
- Public understanding - promoting public understanding of the Code.
- International liaison - maintaining relationships with similar overseas bodies, including Australia.

Performance measures

Where appropriate, comparative targets for the previous year are shown in parentheses.

Performance Measures	2007/08 Performance Standards
Takeovers Law Quantity and quality Keep the Takeovers Code and the Takeovers Act 1993 under review and recommend amendments to the Code as necessary. Participate as required on projects and reviews. Keep under review practices relating to takeover activities. Inquiries into market practice with a view to recommending amendments to the Takeovers Code and to the Panel's policies and publishing proposed changes to the Code and Panel policies for public comment.	The Panel will comply with its obligations under the Takeovers Act 1993 and with other relevant legislation. It will aim to ensure that the provisions of the Code are effective and relevant to market practice. It will base its work on accurate research into, and analysis of, the existing law and practice. It aims to achieve 95% acceptance of its proposals by the Minister. Continuous 2 (3 per year)
Timeliness Recommendations for amendments to the Code will be made promptly. Complete inquiry work promptly.	1 per year (1 per year) Review work to be based on accurate research into, and review of, existing practices, including feedback from market participants.

Performance Measures	2007/08 Performance Standards
Code Approvals	
Quantity	
Applications for approval of independent advisors and independent experts.	40 (40)
Applications for consent to withdrawal of offers, and in relation to defensive tactics.	2 (2)
Quality	
Applications processed in accordance with the law, Panel's published policies, the rules of natural justice and having regard to feedback from market participants.	100% (100%) Reduce Panel comments to two per report and achieve favourable balance of public comments about reports.
Timeliness	
Within 3 working days of receipt of complete application.	To be achieved in 80% of cases.
Code Exemptions	
Quantity	
Applications for individual exemptions from the Takeovers Code.	30 (30)
Class exemptions from the Takeovers Code.	4 (4)
Quality	
Applications processed in accordance with the law, the rules of natural justice and having regard to feedback from market participants.	100 (100%)
Timeliness	
Within timeframe agreed with applicants.	100% (100%) acceptance or endorsement by market participants and the media.
Enforcement	
Quantity	
Review of offer documents.	24 (20)
Review of meeting documents.	16 (12)
Section 32 meetings.	6 (8)
Section 35 actions.	1 (1)
Investigation of possible Code breaches.	30 (35)
Involvement in Court proceedings in relation to schemes of arrangement affecting code companies.	2 (-)
Quality	
Documents reviewed for compliance with the law. Remedial action initiated to correct deficiencies.	90% (90%) of all potential documents
Action taken in accordance with the law.	100% (100%) with no Court challenges or Court endorsement where challenged.
Meetings conducted in accordance with the law and the rules of natural justice.	100% (100%)

Performance Measures	2007/08 Performance Standards
Timeliness	
Complete enforcement work within timeframes specified in the Takeovers Act 1993.	100% (100%)
Comply with Court-ordered timetables for legal proceedings under the Companies Act involving code companies.	100% (-)
Public Understanding	
Quantity, quality and timeliness	
Publish a publication designed to provide information about the Takeovers Code and relevant law.	3 times a year (3) with publication within one month of significant changes to the law affecting takeovers.
Issue policy statements, guidance notes and commentaries on current issues.	3 times a year (3)
Interface with the market through public and private meetings.	16 meetings a year (16)
Provide news media with relevant information about the Panel and the Takeovers Code.	Continuous.
Maintain a web-site with relevant information about the Takeovers Code and Takeovers Act 1993 and activities of the Panel.	All relevant material posted promptly to the website, within 5 working days of the event or decision.
Receive miscellaneous enquiries from members of the public and professional firms.	Receive 200 enquiries (200). Respond to inquiries within 3 working days (3 working days).
International Liaison	
Quantity and quality	
Liaise with comparable overseas bodies, particularly in Australia, to improve the administration and enforcement of takeovers law, and to promote international understanding of New Zealand's laws.	Respond to enquiries from overseas bodies within five working days.
Maintain reciprocal membership between Australian and New Zealand Takeovers Panels.	Maintain one Australian Panel member on New Zealand Panel and one New Zealand Panel member on Australian Panel.
Timeliness	
Panel representatives to meet regularly with overseas bodies.	1 time per year (1 time per year).

Cost

	2006/07 \$000	2007/08 \$000
Total output class expenses	1,344	1,344

Provider

Takeovers Panel.

Approval and Review of Financial Reporting Standards

This appropriation covers the cost of purchasing of services from the ASRB to consider and approve as appropriate, financial reporting standards and amendments to financial reporting standards that are submitted to it.

The ASRB will also contribute to the international work associated with developing financial reporting standards internationally and adopting International Financial Reporting Standards (IFRSs) as New Zealand's generally accepted accounting practice (GAAP).

Performance Measures

Where appropriate, comparative targets for the previous year are shown in parentheses.

Performance Measures	2007/2008 Performance Standards
Approval of Financial Reporting Standards	
Quantity	
Number of applications for standards.	10 (10)
Number of applications for determinations of authoritative support.	1 (1)
Number of applications for exposure drafts.	6 (5)
Quality	
Applications considered in accordance with procedural requirements (including the rules of natural justice and fairness and with all other requirements of law) so that no decisions of the Board are challenged on the basis of failure of the Board to comply with procedural requirements.	100% (100%)
Timeliness	
All applications received will be considered at a meeting of the Board within 2 months.	100% (100%)
All applications will be either approved or declined within 4 months of receipt.	100% (100%)
Consideration of Exemptions from Financial Reporting Standards	
Quantity	
Number of applications for exemptions	2
Quality	
Applications considered in accordance with procedural requirements developed by the Board and as outlined in release 9 (including the rules of natural justice and fairness and with all other requirements of law) so that no decisions of the Board are challenged on the basis of the failure of the Board to comply with procedural requirements.	100%
Timeliness	
All applications received will be considered at a meeting of the Board within 3 months.	100%
All applications will be either approved or declined within 4 months of receipt.	100%

Performance Measures	2007/2008 Performance Standards
International Harmonisation Quality and quantity Contribute to the international harmonisation of financial reporting standards, through participating in meetings of relevant international bodies.	The Board or contracted nominees will attend relevant meetings, including those of: <ul style="list-style-type: none"> • The Australian Financial Reporting Council • The Australian Accounting Standards Board • International Accounting Standards Board (IASB) • IASB/International Federation of Accountants Public Sector Committee • The IASB project group dealing with financial reporting by small and medium sized entities • The Financial Reporting Council • The Trans-Tasman Accounting and Auditing Standards Advisory Group (TTAASAG) Attendance will be followed by a report to the ASRB to enable it to assess progress on deliverables and to decide on further action. The ASRB will report half yearly to the MED on its performance.
Timeliness Attendance at meetings and responses to relevant bodies provided within agreed timeframes.	100%
Adoption of International Financial Reporting Standards Quantity and quality Make further recommendations for financial reporting law reform to facilitate the adoption of international financial reporting standards (IFRS) in New Zealand from 1 January 2007 (with early adoption from 1 January 2005). Participate as required on projects and reviews with MED, other government departments and interested parties.	The ASRB will base its work on accurate research into, and analysis of, the existing law and practice, and will take into account feedback from consultation with market participants. The ASRB or contracted nominees will attend and participate in meetings with the TTASAG.
Timeliness Provide information and responses to the Ministry of Economic Development and others within agreed timeframes.	100% (100%)

Cost

	2006/07 \$000	2007/08 \$000
Total output class expenses	830	830

Provider

Accounting Standards Review Board.

Enforcement of Dairy Sector Regulation

The Minister of Commerce will purchase services for:

- Enforcement activity in relation to apparent breaches of the Dairy Industry Restructuring Act (DIR Act) or of regulations made pursuant to the DIR Act.
- Adjudication services in relation to parties in dispute with Fonterra concerning Fonterra's obligations under the DIR Act or any associated regulations (including, if required, setting a discount rate for calculating the annualised share value).
- The provision of information to inform government policy and law reform processes.
- The provision of information to businesses, shareholders and consumers to promote greater understanding of the parties' statutory rights and obligations under the DIR Act.

Quantity, quality, timeliness and cost

Significant changes were made to the Commerce Commission's output framework for the 2007/08 financial year. The changes mean that a direct comparison of performance standards against all outputs is not possible for this year, however, where meaningful comparative standards exist for the previous year, these are shown in parentheses.

Performance Measures	2007/2008 Performance Standards
Quantity	
Dairy Cases Closed	0-1 (1)
Determinations	0-1 (0 - 1)
Framework Development including contributing to policy advice	0 (N/A)
Public Information/Education, including publications and media releases	0-4
Quality	
Successful legal challenges of the Commission's processes during course of investigations/determinations	Nil (Nil)
Judgments with adverse comments about the Commission	Nil (N/A)
Media releases are consistent with Media Release Protocol	100% (N/A)
Publications conform to brand guidelines/standards	100% (N/A)
Timeliness	
Average elapsed time for closing investigations, administrative resolutions, determinations, filing of proceedings, trial or pre-trial resolutions are consistent with the standards set out in the Output Agreement	Meet or exceed agreed standards (100%)

Cost

	2006/07 \$000	2007/08 \$000
Total output class expenses	905	905

Provider

Commerce Commission.

Enforcement of General Market Regulation

The Minister of Commerce will purchase services for the promotion of competition and fair trading under the Commerce Act 1986 (excluding Part 4A), the Fair Trading Act 1986, the Electricity Industry Reform Act 1998 (EIRA) and the Credit Contracts and Consumer Finance Act 2003 (CCCFA). These services are for the:

- enforcement of provisions relating to anti-competitive market behaviour, anti-competitive mergers and acquisitions, misleading and deceptive conduct, false representation and unfair practices, breaches of consumer safety and information standards and breaches of the consumer credit contract requirements
- adjudications in response to applications to the Commerce Commission for authorisation of co-ordinated market behaviour, authorisation of proposed mergers and acquisitions that may substantially lessen competition in a market or clearance of proposed mergers and applications for exemptions under the EIRA
- inquiries and provision of reports to the Minister on matters relating to regulatory control of specified goods or services
- provision of information to businesses and consumers promoting greater understanding of the parties' statutory rights and obligations under the legislation enforced by the Commerce Commission, and cooperation with international authorities to prevent cross-border breaches of NZ competition and consumer law and to support enforcement activity in other jurisdictions, and
- review of industry codes and the provision of information to inform government policy and law reform processes domestically and internationally.

Quantity, quality, timeliness and cost

Significant changes were made to the Commerce Commission's output framework for the 2007/08 financial year. The changes mean that a direct comparison of performance standards against all outputs is not possible for the year, however, where meaningful comparative standards exist for the previous year, these are shown in parentheses.

Performance Measures	2007/2008 Performance Standards
Quantity	
Competition:	
Market Structure cases closed	6 - 10 (25 - 30)
Coordinated Behaviour cases closed	7 - 16
Unilateral Conduct Behaviour cases closed	7 - 14 (35 - 45)
Determinations Made, including authorisations and merger clearances	23 - 31 (25 - 35)
Framework Development, including contributing to policy advice and liaison with international agencies	8 - 14 (N/A)
Public Information/Education, including publications and media releases	67 - 82 (N/A)

Performance Measures	2007/2008 Performance Standards	
Consumer:		
Fair Trading Act Cases Resolved	280 - 300	(300 - 320)
Product Safety & Information Standards Cases Resolved	60 - 70	(60 - 70)
Framework Development, including contributing to policy advice and liaison with international agencies	10 - 20	(N/A)
Public Information/Education, including publications and media releases	30 - 40	(N/A)
Credit Contracts:		
CCCFA Act Cases Resolved	35 - 40	(20 - 30)
Framework Development including contributing to policy advice and liaison with international agencies	1 - 5	(N/A)
Public Information/Education, including publications and media releases	10 - 20	(N/A)
Reports to the Minister:		
Reports completed	(0)	(0)
Quality		
<ul style="list-style-type: none"> Successful legal challenges of the Commission's processes during the course of investigations or clearance determinations 	Nil	(Nil)
<ul style="list-style-type: none"> Judgements on cases with adverse comments about the Commission 	Nil	(Nil)
<ul style="list-style-type: none"> Media releases are consistent with Media Release Protocol 	100%	(N/A)
<ul style="list-style-type: none"> Publications conform to brand guidelines/standards 	100%	(N/A)
Timeliness		
<ul style="list-style-type: none"> Average time elapsed for investigations, determinations, administrative resolutions, filing of statement of claims, trial or pre-trial resolutions, and publication of written reasons for clearance decisions are consistent with the standards set out in the Output Agreement. 	Meet or exceed agreed standards	

Cost

	2006/07 \$000	2007/08 \$000
Total output class expenses	13,343	13,579

Provider

Commerce Commission.

Performance of Securities Market Functions

This appropriation covers the cost of purchasing of the following functions by the Securities Commission:

- Enforcement - inquiring into suspected breaches of securities law and intervening in the interests of investors in accordance with its statutory powers.

- Monitoring and market oversight - maintaining oversight of securities market activity and taking actions in accordance with its statutory powers.
- Enforcement-based law and practice reform - reviewing securities law and practice and making recommendations for reform.
- Exemptions and authorisations - considering and deciding on applications for exemptions from the provisions of the Securities Act 1978, Securities Markets Act 1988 and the Securities Regulations 1983; considering and deciding on applications for authorisation of market participants, for example futures exchanges and dealers, trustees and statutory supervisors; reviewing existing authorisations.
- International recognition - promoting New Zealand as a well-regulated country, keeping abreast of developments in global standard-setting and contributing the Commission's views to this process.
- Public Understanding and Market Presence - promoting public understanding of the law and practice of securities.

Performance measures

Where appropriate, comparative standards for the previous year are shown in parentheses.

Performance Measures	2007/2008 Performance Standards
Enforcement	
Quantity	
Complete enforcement inquiries, with a focus on insider trading, illegal/unacceptable practices, offer documents, and financial intermediaries.	5 (5)
Quality	
Enforcement action taken in accordance with the law, including the requirements of natural justice.	100% compliance (100%)
Timeliness	
Complete litigation, from investigation to the filing of proceedings.	On average, within 24 months of commencement.
Complete other enforcement inquiries.	On average, within 6 months of commencement.
Monitoring and Market Oversight	
Quantity	
Complete monitoring and market oversight inquiries, with a focus on insider trading, substantial security holder disclosure, illegal/unacceptable practices, offer documents, futures dealers, financial intermediaries, and financial reporting by issuers.	210 (200)
Complete NZX review.	1 time in the year (1)
Complete financial reporting surveillance programme.	1 time in the year (1)
Consider and comment on continuous disclosure applications under the Memorandum of Understanding with the NZX.	10 times (12)
Advise the Minister on proposed changes to Conduct Rules of the NZX.	3 times in the year (3)
Quality	
Monitoring and market oversight activities undertaken in accordance with the law, including the requirements of natural justice.	100% compliance (100%)

Performance Measures	2007/2008 Performance Standards
Timeliness Complete monitoring and market oversight inquiries. Complete NZX review. Complete financial reporting surveillance programme. Advice is provided to the Minister on Rule approvals or proposed changes to Conduct Rules of NZX within timeframes agreed with the Exchange and allowing the Minister to exercise powers within the timeframes specified in the Securities Markets Act 1988.	Within 3 months of commencement Within 6 months of commencement Within 9 months of commencement 100% (100%)
Enforcement Based Law and Practice Reform Quantity Make recommendations for securities law reform and market practice in accordance with obligations under the Securities Act 1978 and other relevant legislation. Review exposure drafts of financial reporting and auditing standards, and Financial Reporting Act. Participate on projects and reviews with the Ministry of Economic Development, other government departments and interested parties.	The Commission will make recommendations to comply with its obligations under the Securities Act 1978 and with other relevant legislation. The Commission's contributions to reform will arise in particular from its experience gained in the course of its enforcement work. Review as required. Participation as required.
Quality Reform recommendations are appropriate, given the prevailing securities law and practice.	The Commission will base its work on thorough and accurate research into, and analysis of, the existing law and practice.
Timeliness Provide information and responses to the Ministry of Economic Development and others within agreed timeframes.	100% (100%)
Exemptions and Authorisations Quantity Consider applications for exemptions and authorisations of market participants. Review existing exemption notices and authorisations.	Exemptions: 75 (75) Authorisations: 15 (15) As required
Quality Proportion of notices issued in accordance with the law including and, where appropriate, the rules of natural justice.	100% (100%)
Timeliness Percentage of exemption applications and authorisations completed within 6 weeks, or within otherwise agreed target period.	100%, as agreed with applicants.

Performance Measures	2007/2008 Performance Standards
International Recognition Quantity Take part in the work of IOSCO's Executive Committee, Asia Pacific Regional Committee and Committee on the Implementation of Objectives and Principles of Securities Regulations. Meet regularly with overseas regulators and institutional investors. Contribute towards trans-Tasman initiatives. Contribute towards implementation of the FSAP recommendations for New Zealand.	Participated, as required. Met and conferred, as required. Contributed Contributed
Quality The Commission will aim to present itself as a constructive and co-operative member of the international community of regulators. Views expressed to IOSCO will take into account the relevant New Zealand values and principles.	The Commission will base its presentations and views to the international community of regulators on sound research, consultation and analysis.
Timeliness Attendance at meetings and responses to committees provided, within agreed timeframes. Contribute towards trans-Tasman initiatives, within agreed timeframes. Contribute towards implementation of the FSAP recommendations for New Zealand, within agreed timeframes.	100% (100%) 100% (100%) 100% (100%)
Public Understanding and Market Presence Quantity Publish "The Bulletin". Deal with inquiries from the public. Manage the Commission's website. Maintain relationships with the news media. Continue the Commission's public education programme.	4 times a year (4 times a year). 1,450 a year (1,450 a year). Website is available. Liaison as required. Develop and implement approved sub-projects.
Quality "The Bulletin" is interesting and relevant. Education programme meets target objectives. Inquiries are dealt with effectively. Information on the website is relevant and accurate. Relationships with the news media are constructive.	80% of reader response to survey. Objectives of sub-projects met. Absence of material number of complaint. Accuracy and relevance of content. Commission and media enjoy mutual respect.
Timeliness "The Bulletin" is produced on time. Education programme development is achieved to agreed timetable. Inquiries are handled within 5 working days of receipt. Information on the website is up to date. Meetings with and responses to media meet agreed timetable.	January/April/July/October. Achieve sub-projects milestones. 100% (100%) At all times. At all times.

Cost

	2006/07 \$000	2007/08 \$000
Total output class expenses	6,501	6,501

Provider

Securities Commission.

Part E - Explanation of Capital Flows

Part E2 - Statement of Estimated and Forecast Net Worth of Entities Owned

	Balance Date	Estimated Net Worth 2007 \$000	Forecast Net Worth 2008 \$000
Crown Entities:			
Accounting Standards Review Board	30 June	50	50
Commerce Commission	30 June	5,000	5,000
Securities Commission	30 June	3,283	3,395
Standards Council	30 June	3,100	3,100
Takeovers Panel	30 June	1,050	860
Testing Laboratory Registration Council (TELARC)	30 June	3,487	3,915

Part F - Crown Revenue and Receipts

Part F1 - Current and Capital Revenue and Capital Receipts

	2006/07		2007/08	Description of 2007/08 Crown Revenue
	Budgeted \$000	Estimated Actual \$000	Budget \$000	
Non-Tax Revenue				
Accounting Standards Review Board	830	830	830	Recovery of costs from fees payable under section 5 of the Financial Reporting Order 1994.
Proceeds of Crime	3,685	3,685	5,450	Revenue collected under the Proceeds of Crime Act 1991.
Total Non-Tax Revenue	4,515	4,515	6,280	
Total Crown Revenue and Receipts	4,515	4,515	6,280	

VOTE

Communications

Communications

Overview

Appropriations sought for Vote Communications in 2007/08 total \$24.723 million. This amount is to be applied as follows:

Departmental Appropriations

Appropriations of \$14.126 million (57.1% of the Vote) are sought for purchasing services from the Ministry of Economic Development including:

- \$4.276 million (17.3% of the Vote) on policy advice on the communications sector, including management of the radio spectrum.
- \$9.850 million (39.8% of the Vote) on operational management of the radio spectrum.

Non-Departmental Appropriations

Appropriations for non-departmental outputs total \$9.057 million (36.6% of the Vote) and relate to the enforcement of telecommunications sector regulation, and to fund a textphone pool to ensure textphones are affordable following the establishment of a Telecommunications Relay Service for deaf people, hearing impaired people and speech impaired people.

Appropriations for non-departmental other expenses total \$930,000 (3.8% of the Vote) for the Crown's membership of international telecommunications organisations.

\$610,000 (2.5% of the Vote) capital funding has been provided for the acquisition of textphone equipment for the deaf, hearing impaired and speech impaired people. The equipment forms part of a Crown-owned pool made available for lease at a subsidised rate.

In addition, a multi-year appropriation totalling \$19.567 million applies over a four year term between 2005/06 to 2008/09 for digital strategy initiatives.

Crown Revenue and Receipts

The Crown is forecast to collect \$7.729 million in 2007/08 from telecommunications businesses to fund telecommunications regulation activity.

Details of how the appropriations are to be applied appear in Parts B1, B2, and C of this Vote. Details of Crown revenue appear in Part F.

Terms and Definitions Used

ICT	Information and Communications Technology
MYA	Multi-year Appropriation
TSO	Telecommunications Service Obligation

Minister Portfolio Table

14	Minister of Communications
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Communications

ADMINISTERING DEPARTMENT: Ministry of Economic Development

The Minister for Economic Development is the Responsible Minister for the Ministry of Economic Development

Part A - Statement of Objectives and Trends

Part A1 - Objectives for Vote

Related Government Outcomes

A priority for the Government is working to progress New Zealand's economic transformation to a high income, knowledge based market economy, which is both innovative and creative, and provides a unique quality of life to all New Zealanders.

Within the economic transformation agenda there are the following sub-themes:

- Growing globally competitive firms.
- World class infrastructure.
- Innovative and productive workplaces, underpinned by high standards in education, skills and research.
- An internationally competitive city - Auckland.
- Environmental sustainability.

Both the Communications and Information Technology portfolios contribute to the objective of increasing New Zealand's rate of growth in per capita income. World class infrastructure, which includes reliable, accessible, up-to-date, cost-effective telecommunications services and information technology applications are essential underpinnings for economic growth. They are widely recognised as key enablers of sustainable economic development and a knowledge economy because of their contribution to higher levels of innovation and productivity. Broadband services being available to, and usable by, all New Zealanders are particularly important.

The government has a number of roles in relation to the information and communications technology sector. These include:

- promoting competition in communications markets (telecommunications, broadcasting and postal) for the best long-term interests of end users
- ensuring certain social objectives are met that are related to the availability and affordability of services
- ensuring the radio spectrum resource is allocated and used efficiently, and
- facilitating the provision of broadband and the uptake of information technology across the economy.

The services to be purchased under Vote Communications will allow the Ministry of Economic Development and other agencies to deliver outputs that contribute to this goal.

Strategic Issues

Information and communications technology (ICT) is an essential component of New Zealand's infrastructure. It underpins economic activity and provides linkages both at the domestic and international level. The Government's main goals for ICT are:

- seamless and easy access to information to support commercial, research and other productive activity (content)
- enhancing the skills needed to utilise the resources available (confidence and capability), and
- availability of networks and terminal devices to support New Zealand's communication needs (connection).

Opportunities and risks arising from rapid technological changes in the ICT sector need to be assessed, with policies and programmes developed that offer best prospects for enhancing productivity and social and cultural outcomes.

Critical issues to progress the development of the ICT sector in New Zealand to support economic growth and assist sustainable development include:

- limited competition and investment in telecommunications infrastructure (power of incumbents and small market size are constraints)
- low levels of ICT capability - this is particularly related to using ICT to improve firm level innovation and productivity, and
- lack of affordable high speed ICT infrastructure, which is constraining the development and introduction of advanced technology and business applications.

The challenge remains to maintain strong incentives for investment while also providing access to bottleneck services.

During 2007/08 the Ministry will place emphasis on implementing changes to the telecommunications regulatory framework (including finalising binding undertakings for the operational separation of Telecom New Zealand); progressing the Broadband challenge; ensuring ongoing implementation of wider Digital Strategy initiatives; developing rural broadband strategy and reviewing the Telecommunications Service Obligation (TSO); and identifying and implementing additional spectrum allocations for broadband wireless access and mobile spectrum. The Ministry will also continue to report to the Government on the outcome of investigations into telecommunications regulatory issues undertaken by the Commerce Commission.

These initiatives will ensure that Information and Communication Technologies make a full contribution to economic development by providing business and consumers with the services they need at reasonable cost.

Appropriations Linkages to the Government's Outcomes

Departmental output expenses

The Ministry of Economic Development contributes to the Government's economic transformation agenda.

Given the wide range of the Ministry of Economic Development's activities, one of the main challenges has been to identify areas of work that the Ministry can do within this Vote to make the biggest contribution to improving growth in New Zealand. The Ministry has identified five strategic priorities (SPs) that are considered to be the most important areas for the Ministry to focus on over the next three to five

years. Of these, activities undertaken in Vote Communications will, in particular, contribute to the Auckland SP: Working to make Auckland world-class; the International Linkages SP: Improving the international linkages that allow firms to benefit from trade, knowledge transfer and investment; and the Infrastructure SP: Improving the quality and reliability of key infrastructure services.

In contributing to these areas under Vote Communications, the Ministry of Economic Development will provide strategic and technical policy advice on information technology, the Government's broadband strategy, telecommunications, postal services, and the management of radio spectrum. The Ministry will also provide administration services related to the management of the radio spectrum.

The Ministry also provides advice to the Government on regulatory and related measures needed to ensure that reliable, innovative and efficient communications services are available. A particular focus is to ensure that any regulation is well designed and can be complied with at reasonable cost.

The Ministry's strategic priorities describe the things it will put particular emphasis on in order to best promote growth. However the Ministry's work goes beyond the priorities to include a large number of activities that may make a less significant contribution to growth but are nevertheless important in maintaining an effective environment for business. The entirety of the Ministry's work, including work on the strategic priorities, is captured by the Ministry's Business outcomes. The table below summarises the contribution that different outputs make to the Ministry's Business outcomes.

Output	Contribution of Appropriations to Outcomes
Harnessing ICTs Information and communications services and technologies make a significant contribution to productivity improvement and quality of life in New Zealand.	Policy advice in respect to information and communications technology, including the government's broadband and ICT Sector development strategies, telecommunications, and postal markets, and the management of the radio spectrum.
Protecting Dynamic Competition Competition regulation promotes dynamic markets and innovation.	Policy advice in respect of telecommunications, and postal markets, and the management of the radio spectrum, including advice on New Zealand's performance compared with other countries in terms of prices and the uptake of new services. Resolution of disputes by the Commerce Commission in respect of regulated services and advice on possible future regulated services.
Managing Our Natural Resources Government enables business to generate economic benefits sustainably from New Zealand's natural resources.	Policy advice in respect of the management of the radio spectrum in New Zealand, including the creation and allocation of rights in relation to spectrum, and the representation of New Zealand's radio spectrum interests in inter-governmental forums. Administration of New Zealand's radio spectrum regime.

Non-departmental output expenses

Appropriations are sought in this Vote include purchasing outputs from the Commerce Commission for advice on regulating telecommunication services and the operation of Telecommunications Service Obligations such as the Kiwi Share. These outputs contribute to the government's goals by encouraging the telecommunications market to be dynamic, competitive, and encourage investment.

Appropriations are also sought to cover the cost of purchasing services for the maintenance and administration of a pool of telephone equipment and relay services. The pool facilitates the availability of affordable telephones for meeting the telephone communications needs of the deaf, hearing impaired people and speech impaired people to enable them to contribute to the economy and generally be included in all aspects of society.

Part A2 - Trends in Vote

Classes of Outputs to be Supplied

Output trends from 2002/03 to 2006/07

Changes to departmental appropriations have had an impact on the appropriation trends for Vote Communications over recent years. These mainly reflect the following:

- a review on the management of the Ministry's radio spectrum functions to improve operational effectiveness resulting in a one off increase in appropriation in 2002/03 to meet restructuring costs and a longer term reduction in funding from 2003/04, and
- additional funding from 2003/04 which is subject to approval of the Minister of Communications, to carry out radio spectrum sales (\$320,000).

Furthermore, from 2003/04 additional funding was provided for a textphone pool to ensure textphones are affordable following the establishment of a Telecommunications Relay Service for deaf people, hearing impaired people and speech impaired people (\$345,000 in 2004/05, \$1.334 million in 2005/06 and \$1.075 million in 2006/07). Associated with this initiative capital funding has also been provided to purchase textphones after the establishment of a textphone pool for deaf, hearing impaired and speech impaired people (\$886,000 in 2004/05, \$954,000 in 2005/06 and \$610,000 in 2006/07).

Expenditure for classes of outputs increased in 2004/05 due to the transfer of Information Technology policy from Vote Commerce to Vote Communications (\$853,000 per annum). This was a technical change to better align appropriations with portfolio accountability. This increase was offset by a reallocation of funding from Vote Communications to Vote Consumer Affairs to meet funding pressures associated with that Vote (\$178,000 per annum).

An increase in appropriations in 2005/06 reflected expenditure in appropriation activity relating to the administration and implementation of the Digital Strategy. In addition a new multi-year appropriation totalling \$19.567 million to apply over a four year term from 2005/06 to 2008/09 was established for digital strategy initiatives. Additionally one off funding was reprioritised within Ministry baselines mainly to meet costs as a result of increasing urgency to address broadband uptake and other issues relating to the telecommunications sector.

Appropriation Changes from 2007/08

The increase in appropriations in 2007/08 mainly reflects expenditure in activity relating to the implementation of initiatives arising from the stocktake review of the telecommunications sector in 2005/06 and the Telecommunications Amendment Bill implications on enforcement of telecommunications sector regulation.

For further details of new initiatives agreed, refer to the "New Policy Initiatives by Appropriation" table below.

Crown revenue and receipts

Fluctuations in Crown revenue during the period have been caused mainly by radio spectrum auctions. Changes in demand for replacement licences have also been a factor. In addition, increased costs relating to the enforcement of telecommunications sector regulation have been met by way of a levy on the industry.

New Policy Initiatives by Appropriation

		\$000 increase/(decrease)				
Initiative	Appropriation as shown in Part B	2006/07	2007/08	2008/09	2009/10	2010/11
Implementation of the Government's Telecommunications policy framework	Departmental Output Expense - Policy Advice - Communications	1,050	700	700	500	500
	Non-Departmental Output Expense - Enforcement of Telecommunications Sector Regulation	1,508	3,982	3,990	3,990	3,990
Digital strategy - urban and rural broadband	Other Expense to be Incurred by the Crown - Digital Strategy - High Speed Connectivity for Growth	-	300	-	-	-
Total Initiatives		2,558	4,982	4,690	4,490	4,490

Part B - Statement of Appropriations

Summary of Financial Activity

	2002/03	2003/04	2004/05	2005/06	2006/07		2007/08 Appropriations to be Used					2008/09	2009/10	2010/11
						Estimated	By the Department Administering the Vote		For Non-Departmental Transactions					
	Actual \$000	Actual \$000	Actual \$000	Actual \$000	Budget \$000	Actual \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	Total \$000	Estimated \$000	Estimated \$000	Estimated \$000
Appropriations														
Output Expenses	16,074	13,849	15,071	16,177	21,460	21,460	14,126	-	9,057	-	23,183	22,496	22,321	22,321
Benefits and Other Unrequited Expenses	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Borrowing Expenses	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Other Expenses	907	837	1,050	752	930	930	-	-	930	-	930	930	930	930
Capital Expenditure	-	-	788	-	610	610	N/A	N/A	610	-	610	610	610	610
Intelligence and Security Department Expenses and Capital Expenditure	-	-	-	-	-	-	-	-	N/A	N/A	-	-	-	-
Total Appropriations	16,981	14,686	16,909	16,929	23,000	23,000	14,126	-	10,597	-	24,723	24,036	23,861	23,861
Crown Revenue and Receipts														
Tax Revenue	-	-	-	-	-	-	N/A	N/A	N/A	N/A	-	-	-	-
Non-Tax Revenue	2,986	3,021	2,989	3,844	5,309	5,309	N/A	N/A	N/A	N/A	7,729	7,791	7,791	7,791
Capital Receipts	9,119	17,790	90	82	-	-	N/A	N/A	N/A	N/A	-	-	-	-
Total Crown Revenue and Receipts	12,105	20,811	3,079	3,926	5,309	5,309	N/A	N/A	N/A	N/A	7,729	7,791	7,791	7,791

Part B1 - Details of Appropriations

	2006/07				2007/08		
	Budget		Estimated Actual		Vote		
Appropriations	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	Scope of 2007/08 Appropriations
Departmental Output Expenses (General)							
Management and Enforcement of the Radiocommunications Act 1989 (M14)	9,849	-	9,849	-	9,850	-	Management of the radio spectrum, including technical arrangements for the allocation of spectrum, management of spectrum sales and representation of New Zealand's international radio spectrum interests.
Policy Advice - Communications (M14)	5,028	-	5,028	-	4,276	-	Policy advice on information technology, the Government's Digital Strategy, telecommunications (including broadband), postal services, and the allocation and management of the radio spectrum.
Total Departmental Output Expenses (General)	14,877	-	14,877	-	14,126	-	
Non-Departmental Output Expenses							
Enforcement of Telecommunications Sector Regulation (M14)	5,508	-	5,508	-	7,928	-	Purchase of services for dispute resolution over regulated telecommunication services and advice on possible future regulated services and Kiwi Share related issues.
Provision of Textphone Access (M14)	1,075	-	1,075	-	1,129	-	To provide funding for a textphone pool to ensure textphones are affordable following the establishment of a Telecommunications Relay Service for deaf people, hearing impaired people and speech impaired people. In addition, professional development of New Zealand sign language video relay interpreters.
Total Non-Departmental Output Expenses	6,583	-	6,583	-	9,057	-	
Other Expenses to be Incurred by the Crown							
Contributions to International Telecommunications Organisations (M14)	930	-	930	-	930	-	The Crown's annual membership of the Asia Pacific Telecommunity and subscription to the International Telecommunications Union.
Total Other Expenses to be Incurred by the Crown	930	-	930	-	930	-	
Capital Expenditure							
Acquisition of Textphone Equipment (M14)	610	-	610	-	610	-	To purchase textphones after the establishment of a textphone pool for deaf, hearing impaired and speech impaired people.
Total Capital Expenditure	610	-	610	-	610	-	
Total Appropriations	23,000	-	23,000	-	24,723	-	

Part B2 - Details of Multi-Year Appropriations

Appropriations	Current Appropriation \$000	Scope of Appropriations
Other Expenses to be Incurred by the Crown		
Digital Strategy - High Speed Connectivity for Growth (M14)		A contestable fund for partnerships that have projects that extend high-speed broadband to regional centres and businesses and make broadband available to smaller communities.
Original Appropriation	20,267	
Commences	1 July 2005	
Expires	30 June 2009	
Adjustments 2006/07	300	
Appropriation	19,567	
Estimated Actual to 2006/07 Year End	7,106	
Estimated Actual to 2007/08 Year End	13,486	

Part C - Explanation of Appropriations for Output Expenses

Part C1 - Departmental Output Expenses

Policy Advice - Communications

This appropriation provides strategic and technical policy advice on information technology, the Government's Digital Strategy, telecommunications (including broadband), postal services, and allocation and management of the radio spectrum.

Outputs in this appropriation include policy advice on:

- information technology, including implementation of the Digital Strategy
- services and activities regulated under the Telecommunications Act 2001, including subsequent amendments, and development of regulations where required
- the policy and legislative regime for the management and allocation of radio spectrum, and
- representing New Zealand's interests at international forums relating to information technology, telecommunications and postal services.

Management and Enforcement of the Radiocommunications Act 1989

This appropriation provides services relating to radio frequency spectrum management services in relation to the management of the Radiocommunications Act 1989, including:

- establishing technical arrangements for the allocation of radio spectrum, including international coordination and representation
- creating and issuing licences
- providing licence registration services and access to the information held on the register of radio frequencies
- assisting with the resolution of radio spectrum interference complaints
- ensuring compliance with, and enforcement of, the statutory responsibilities of all radio spectrum users, and
- managing radio spectrum sales.

Part C2 - Non-Departmental Output Expenses

Enforcement of Telecommunications Sector Regulation

The Minister of Communications will purchase services for:

- the determination of terms and conditions for the supply of regulated services (access determinations)
- the determination of charges applicable for Telecommunications Service Obligations (TSO) instruments which calculate TSO charges and allocate each TSO charge among individual telecommunications service providers (TSO determinations)

- the conduct of inquiries and provision of reports to the Minister on:
 - whether alterations should be made to the designated and specified services in Schedule 1 of the Telecommunications Act 2001, either in response to a request by the Minister or where initiated by the Commerce Commission
 - any non-compliance by TSO Providers with their obligations as set out in the respective TSO instruments
- sector monitoring and reporting, including compliance with accounting separation regulations, access principles and information disclosure
- assessment, approval and development of industry codes, and
- the provision of information to businesses and consumers promoting greater understanding of statutory rights and obligations under the Telecommunications Act 2001.

Quantity, quality, timeliness and cost

Significant changes were made to the Commerce Commission's output framework for the 2007/08 financial year. The changes mean that a direct comparison of performance standards against all outputs is not possible for this year, however, where meaningful comparative standards exist for the previous year, these are shown in parentheses.

Performance Measures	2007/08 Performance Standards
Quantity	
Access Determinations	2-5 (N/A)
Telecommunications Service Obligations determinations & compliance reports	6-7 (4)
Monitoring Reports	8-10 (N/A)
Enforcement cases closed	0-103 (N/A)
Code Approval /Development	2-43 (1-2)
Reports to Ministers on regulated services	1-3 (N/A)
Framework Development including contributing to policy advice and liaison with international agencies	5-8 (N/A)
Public Information / Education, including publications and media releases	29-46 (N/A)
Quality	
Successful legal challenges of the Commission's processes during the course of determinations	Nil (N/A)
Applications received for statutory clarifications of access determinations	Nil (N/A)
Successful appeals against Commission TSO determinations	Nil (N/A)
Judgments with adverse comments about the Commission	Nil (N/A)
Media releases are consistent with Media Release Protocol	100% (N/A)
Publications conform to brand guidelines/standards	100% (N/A)
Timeliness	
Average time elapsed for determinations, completion of compliance reports, filing of proceedings, trial or pre-trial resolution and completion or publication of reports are consistent with the standards set out in the Output Agreement	Meet or exceed agreed standards

Cost

	2006/07 \$000	2007/08 \$000
Total output class expenses	5,508	7,928

Provider

Commerce Commission.

Provision of Textphone Access

This appropriation covers the cost of purchasing services for administration of contracts that ensure textphones and relay services are available to deaf people, hearing impaired people and speech impaired people. It also covers depreciation on the equipment pool.

Quantity, quality, timeliness and cost

Performance will be measured against standards set out in the agreements with the Textphone Provider.

Cost

	2006/07 \$000	2007/08 \$000
Total output class expenses	1,075	1,129

Provider

Sprint International New Zealand.

Part F - Crown Revenue and Receipts

Part F1 - Current and Capital Revenue and Capital Receipts

	2006/07		2007/08	Description of 2007/08 Crown Revenue
	Budgeted \$000	Estimated Actual \$000	Budget \$000	
Non-Tax Revenue				
Telecommunications Levy	5,309	5,309	7,729	Revenue obtained from telecommunications businesses, to fund telecommunications regulation activity.
Total Non-Tax Revenue	5,309	5,309	7,729	
Total Crown Revenue and Receipts	5,309	5,309	7,729	

VOTE

*Communications
Security and
Intelligence*

Minister Portfolio Table

60 Minister Responsible for the GCSB

Communications Security and Intelligence

ADMINISTERING DEPARTMENT: Government Communications Security Bureau

The Prime Minister is the Responsible Minister for the Government Communications Security Bureau

Part B - Statement of Appropriations

Summary of Financial Activity

	2002/03	2003/04	2004/05	2005/06	2006/07		2007/08 Appropriations to be Used					2008/09	2009/10	2010/11
						Estimated	By the Department Administering the Vote		For Non-Departmental Transactions					
	Actual \$000	Actual \$000	Actual \$000	Actual \$000	Budget \$000	Actual \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	Total \$000	Estimated \$000	Estimated \$000	Estimated \$000
Appropriations														
Output Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Benefits and Other Unrequited Expenses	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Borrowing Expenses	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Other Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital Expenditure	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Intelligence and Security Department Expenses and Capital Expenditure	24,126	26,448	35,152	37,977	42,099	42,099	39,288	-	N/A	N/A	39,288	40,345	40,034	40,253
Total Appropriations	24,126	26,448	35,152	37,977	42,099	42,099	39,288	-	-	-	39,288	40,345	40,034	40,253
Crown Revenue and Receipts														
Tax Revenue	-	-	-	-	-	-	N/A	N/A	N/A	N/A	-	-	-	-
Non-Tax Revenue	-	-	-	-	-	-	N/A	N/A	N/A	N/A	-	-	-	-
Capital Receipts	-	-	-	-	-	-	N/A	N/A	N/A	N/A	-	-	-	-
Total Crown Revenue and Receipts	-	-	-	-	-	-	N/A	N/A	N/A	N/A	-	-	-	-

Part B1 - Details of Appropriations

	2006/07				2007/08		
	Budget		Estimated Actual		Vote		
Appropriations	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	Scope of 2007/08 Appropriations
Intelligence and Security Department Expenses and Capital Expenditure							
Communications Security and Intelligence (M60)	42,099	-	42,099	-	39,288	-	Advising and assisting government departments and agencies on matters related to the security and integrity of classified or sensitive information processed, communicated or stored by electronic means, and information to meet the national intelligence requirements of the New Zealand Government.
Total Intelligence and Security Department Expenses and Capital Expenditure	42,099	-	42,099	-	39,288	-	
Total Appropriations	42,099	-	42,099	-	39,288	-	

VOTE *Community and Voluntary Sector*

Community and Voluntary Sector

Overview

Departmental Appropriations

Appropriations sought for Vote Community and Voluntary Sector in 2007/08 total \$19.408 million. This will be spent as follows:

- \$12.311 million (63% of departmental appropriations in this Vote) on grant services to the Lottery Grants Board, other community-oriented grants schemes and several Crown Trusts and Fellowships.
- \$5.398 million (28% of departmental appropriations in this Vote) on a community-based advisory service providing information to enable community groups to more effectively meet the needs of individuals, groups and agencies.
- \$1.699 million (9% of departmental appropriations in this Vote) on the provision of policy advice with a community/whānau/hapū/iwi development perspective, and other support to the Minister, including matters relating to the performance of and appointments to the Charities Commission.

Details of how the appropriations are to be applied appear in Parts B1 and C of this Vote.

Non-Departmental Appropriations

Non-departmental appropriations sought for Vote Community and Voluntary Sector in 2007/08 total \$20.182 million and also contain a multi-year appropriation for the four-year period 2005/06 to 2008/09 of \$17.403 million. This is intended to be spent as follows:

- \$5.167 million providing operational funding for the Charities Commission to register charities and promote public confidence and trust in the charitable sector, and funding for the community-based youth suicide prevention projects.
- \$15.015 million for grants to community and voluntary sector organisations, including Disarmament Education Grants and Charities administration.
- \$17.403 million to be spent over a four-year period on the "Community Partnership Fund" for initiatives that will improve capability and skills to use information and communication technology.

Further information and explanations of the appropriations appear in Parts B1, B2, C2 and D3 of this Vote.

Terms and Definitions Used

COGS	Community Organisation Grants Scheme
MYA	Multi-Year Appropriation

Minister Portfolio Table

15	Minister for the Community and Voluntary Sector
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Community and Voluntary Sector

ADMINISTERING DEPARTMENT: Department of Internal Affairs

The Minister of Internal Affairs is the Responsible Minister for the Department of Internal Affairs

Part A - Statement of Objectives and Trends

Part A1 - Objectives for Vote

Related Government Outcomes

The Department of Internal Affairs contributes to the outcome 'Strong, sustainable communities/hapū/iwi'.

The Department makes a positive contribution across all of the Government's Themes in areas such as:

- **economic transformation** - giving community access to digital networks
- **families - young and old** - helping communities identify and provide for enhanced social outcomes across the entire range of social, health and safety sub-themes
- **national identity** - helping local communities to define and promote and work towards their own visions, to assist in building a cohesive society, promoting voluntary activity and promoting participation in civil society and local decision-making.

Output Expense Appropriations

The Department of Internal Affairs administers Vote Community and Voluntary Sector. The appropriations in this Vote fund a wide range of activities, including policy advice and/or services, relating to:

- administration of grants
- community advisory services
- policy advice on matters relating to the Community and Voluntary Sector.

The outputs provided by the Department are set out in section C1.

Linkages between Departmental Output Expenses and Outcomes

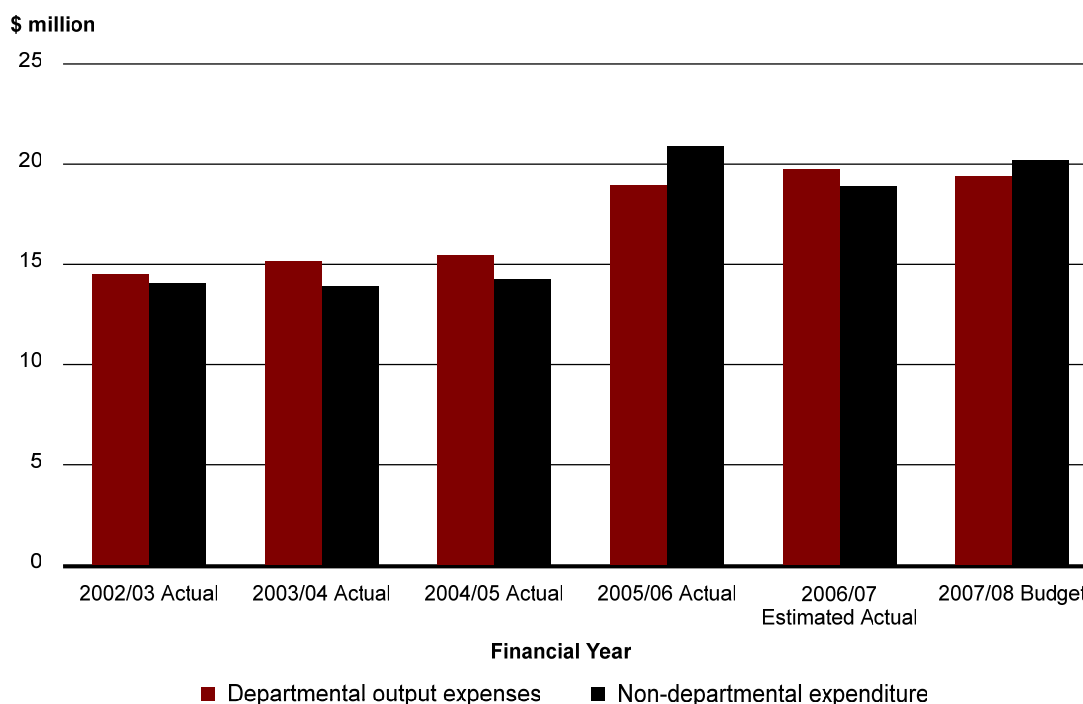
The links between the output expenses to be purchased and the particular outcomes for the Department of Internal Affairs are set out below.

Departmental Output Expenses	Outcomes
Administration of Grants	<ul style="list-style-type: none"> • Strong sustainable communities/hapū/iwi
Community Advisory Services	<ul style="list-style-type: none"> • Strong, sustainable communities/hapū/iwi
Policy Advice - Community	<ul style="list-style-type: none"> • Strong, sustainable communities/hapū/iwi

Part A2 - Trends in Vote

The chart below compares the actuals from 2002/03 to 2005/06 and estimated actuals for 2006/07 with the budget for 2007/08, for both departmental output expenses and non-departmental expenditure.

Figure 1 - Trends in Appropriations



Source: Department of Internal Affairs

Departmental Output Trends: 2002/03 to 2007/08

Departmental output expense appropriations in 2007/08 decrease by \$1.306 million compared to the 2006/07 Estimated Actuals. This is due to the:

- Decrease in funding for the Charities Register, Pacific Provider Development Fund and administration of the Community Partnership Fund.

Movements in output expenditure between 2002/03 and 2006/07 are mainly due to:

- In 2003/04, the increase in funding assisted community advisory services to provide a more proactive and strategic approach to community development.
- In 2004/05, the increase in funding was to improve the policy capability and capacity of the department, for supporting Project Workers Schemes, and to undertake a Sustainable Communities project as part of the sustainable cities initiative.
- In 2005/06, the increase in funding was for policy advice and for monitoring the performance of and appointments to the Charities Commission, to enhance audit capacity relating to Crown grants and administration of trusts, to upgrade information and technology capabilities and maintain and enhance departmental personnel capability.
- In 2006/07, the increase in funding was for updating and providing ongoing support for the website CommunityNet Aotearoa.

Non-Departmental Expenditure

- The increase in appropriation in 2003/04 and 2004/05 was mainly to fund Community Development programmes for Development Schemes.
- The increase in appropriation in 2005/06 and outyears was to establish the Charities Commission and support the inaugural registration of charities, to cover litigation costs incurred by the Charities Commission, to provide grants to fund activities to support New Zealand organisations in non-government work in the disarmament education field, and to increase the capital base of the New Zealand 1990 Scholarship Trust.

Part B - Statement of Appropriations

Summary of Financial Activity

	2002/03	2003/04	2004/05	2005/06	2006/07		2007/08 Appropriations to be Used					2008/09	2009/10	2010/11
					Budget	Estimated	By the Department Administering the Vote		For Non-Departmental Transactions					
	Actual \$000	Actual \$000	Actual \$000	Actual \$000	\$000	Actual \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	Total \$000	Estimated \$000	Estimated \$000	Estimated \$000
Appropriations														
Output Expenses	14,906	15,576	15,791	23,496	23,265	23,126	19,408	-	4,969	-	24,377	22,719	21,790	21,790
Benefits and Other Unrequited Expenses	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Borrowing Expenses	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Other Expenses	13,645	13,475	13,850	14,922	15,015	15,015	-	-	15,213	-	15,213	15,213	15,213	15,213
Capital Expenditure	-	-	-	1,367	426	426	N/A	N/A	-	-	-	-	-	-
Intelligence and Security Department Expenses and Capital Expenditure	-	-	-	-	-	-	-	-	N/A	N/A	-	-	-	-
Total Appropriations	28,551	29,051	29,641	39,785	38,706	38,567	19,408	-	20,182	-	39,590	37,932	37,003	37,003
Crown Revenue and Receipts														
Tax Revenue	-	-	-	-	-	-	N/A	N/A	N/A	N/A	-	-	-	-
Non-Tax Revenue	-	-	-	-	69	10	N/A	N/A	N/A	N/A	10	10	10	10
Capital Receipts	-	-	-	-	-	-	N/A	N/A	N/A	N/A	-	-	-	-
Total Crown Revenue and Receipts	-	-	-	-	69	10	N/A	N/A	N/A	N/A	10	10	10	10

Part B1 - Details of Appropriations

	2006/07				2007/08		
	Budget		Estimated Actual		Vote		
Appropriations	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	Scope of 2007/08 Appropriations
Departmental Output Expenses (General)							
Administration of Grants (M15)	12,382	-	12,330	-	-	-	- Processing, assessment and monitoring of grant applications; provision of administration, training and support services to boards and grant distribution committees; and advising Ministers on appointments to boards, committees and trusts. Reason for Change: This output expense now forms part of the multi-class output appropriation Community and Voluntary Sector Services.
Community Advisory Services (M15)	5,650	-	5,571	-	-	-	- A community development service providing advice, information, resources and facilitation services to enable communities/whānau/hapū/iwi, Māori organisations and community groups to develop innovative responses to meet their needs. Reason for Change: This output expense now forms part of the multi-class output appropriation Community and Voluntary Sector Services.
Community and Voluntary Sector Services MCOA							Basis: All three outputs contribute to the effective delivery of policy and advisory services for the community and voluntary sector to assist in the building of strong, sustainable communities.
Administration of Grants	-	-	-	-	12,311		- Processing, assessment and monitoring of grant applications, provision of administration, training and support services to boards on grant distribution committees, advising Ministers on appointments to boards, committees and trusts.
Community Advisory Services	-	-	-	-	5,398		- A community development service providing information, resources and facilitation services to enable communities/whānau/hapū/iwi, Māori organisations and community groups to develop innovative responses to meet their needs.
Policy Advice - Community	-	-	-	-	1,699		- Provision of policy advice with a community/whānau/hapū/iwi development perspective, and on matters related to the performance of and appointment to the Charities Commission. Drafting ministerial correspondence and questions.
Community and Voluntary Sector Services (M15)	-	-	-	-	19,408	-	
Policy Advice - Community (M15)	1,821	-	1,813	-	-	-	- Provision of policy advice with a community/whānau/hapū/iwi development perspective, and on matters related to the performance of and appointments to the Charities Commission. Drafting ministerial correspondence and questions. Reason for Change: This output expense now forms part of the multi-class output appropriation Community and Voluntary Sector Services.
Total Departmental Output Expenses (General)	19,853	-	19,714	-	19,408	-	

	2006/07				2007/08		
	Budget		Estimated Actual		Vote		
Appropriations	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	Scope of 2007/08 Appropriations
Non-Departmental Output Expenses							
Charities - Administration (M15)	2,992	-	2,992	-	4,969	-	- Funding for the Charities Commission to fulfil its functions outlined in the Charities Act 2005. Reason for Change: Funding to enable the inaugural registration of charities under the Charities Act 2005 and consolidation of the Charities Commission Litigation Fund.
Community-Based Youth Development Fund (M15)	420	-	420	-	-	-	- Funding for community-based youth development projects aimed at youth suicide prevention. Reason for Change: This item has been reclassified as a non-departmental other expense.
Total Non-Departmental Output Expenses	3,412	-	3,412	-	4,969	-	
Other Expenses to be Incurred by the Crown							
Charities Commission Litigation Fund (M15)	222	-	222	-	-	-	- To meet the cost of litigation undertaken by the Charities Commission arising from it carrying out its function under the Charities Act 2005. Reason for Change: This item has been consolidated with the non-department output expense Charities Administration.
Community Development Scheme (M15)	2,095	-	2,095	-	2,273	-	- Three-year grants for salary and programme costs to community organisations for community development workers. Approximately 17 projects are funded at any one time. Reason for Change: Consolidation with Māori Community Development Workers.
Community Internship Programme (M15)	268	-	268	-	268	-	- Grants for up to 13 community internship programmes to place experienced people from the public, private and community sectors in short-term internships with community and voluntary sector organisations.
Community Organisation Grants Scheme (M15)	11,500	-	11,500	-	11,500	-	- Locally distributed grants to community organisations for direct social service provision to disadvantaged community sectors.
Community-Based Youth Development Fund (M15)	-	-	-	-	420	-	- Funding for community-based youth development projects aimed at youth suicide prevention.
Disarmament Education Grants (M15)	150	-	150	-	150	-	- Grants to fund activities to support New Zealand organisations in non-government work in the disarmament education field.
Māori Community Development Workers (M15)	178	-	178	-	-	-	- Grants to enable whānau, hapū and Māori organisations to achieve improved economic, social and cultural well being for their members in areas such as jobs, health, education and crime prevention. Reason for Change: This item has been consolidated with the non-department output expense Community Development Scheme.

	2006/07				2007/08		
	Budget		Estimated Actual		Vote		
Appropriations	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	Scope of 2007/08 Appropriations
Other Expenses to be Incurred by the Crown - cont'd							
Support for Volunteering (M15)	402	-	402	-	402	-	Funding to promote the effective use, training and support of volunteers by funding Volunteering New Zealand, regional volunteer centres and various targeted projects within the community.
Youth Workers Training Scheme (M15)	200	-	200	-	200	-	Grants for informal training for both paid and voluntary youth workers to increase and maintain the quality of youth worker practice.
Total Other Expenses to be Incurred by the Crown	15,015	-	15,015	-	15,213	-	
Capital Expenditure							
Charities Commission - Capital Contribution (M15)	426	-	426	-	-	-	To provide a capital injection to the Charities Commission.
Total Capital Expenditure	426	-	426	-	-	-	
Total Appropriations	38,706	-	38,567	-	39,590	-	

Part B2 - Details of Multi-Year Appropriations

Appropriations	Current Appropriation \$000	Scope of Appropriations
Other Expenses to be Incurred by the Crown		
Community Partnership Fund (M15)		A contestable fund for the development of initiatives by partnerships that will improve capability and skills to use information and communication technology, and develop community driven requirements for digital content.
Original Appropriation	17,403	
Commences	1 July 2005	
Expires	30 June 2009	
Adjustments 2006/07	-	
Appropriation	17,403	
Estimated Actual to 2006/07 Year End	7,365	
Estimated Actual to 2007/08 Year End	12,384	

Part C - Explanation of Appropriations for Output Expenses

Part C1 - Departmental Output Expenses

Administration of Grants

This output covers:

- providing information and assistance to prospective grant applicants
- processing, assessing and monitoring grant applications
- providing recommendations to Ministers on appointments to boards, committees and trusts
- providing administration, training and support services to boards and grant distribution committees.

Grant services cover the following schemes:

- Lottery grants
- Community Organisation Grants Scheme
- Crown trusts and fellowships.

This work contributes to the development of *Strong, sustainable communities/hapū/iwi*.

Community Advisory Services

This output covers a community development service delivered from a national office and 16 regional offices around New Zealand. It includes providing advice, information, resources and facilitation services to empower communities/whānau/hapū/iwi, Māori organisations and community groups to develop innovative responses to meet their needs.

This work contributes to the development of *Strong, sustainable communities/hapū/iwi*.

Policy Advice - Community

This output covers:

- policy advice with a community/whānau/hapū/iwi development perspective. Policy advice also involves preparing ministerial briefings and speech notes, and providing support for the Minister for the Community and Voluntary Sector, as required, in Cabinet committees, select committees and Parliament
- policy advice and information on matters relating to the performance of and appointments to the Charities Commission
- draft replies to ministerial correspondence, Official Information Act 1982 requests, Ombudsman's inquiries and parliamentary questions addressed to the Minister for the Community and Voluntary Sector or referred from other Ministers.

This work contributes to the development of *Strong, sustainable communities/hapū/iwi*.

Part C2 - Non-Departmental Output Expenses

Charities Administration

This output provides for the delivery of services that contribute to promoting public trust and confidence in charities. The services being delivered under this appropriation include:

- registration of charities under the Charities Act 2005
- provision of advice, education and information
- monitoring the activities of registered charities.

The focus of activity for 2007/08 will be for services to ensure the accurate and timely registration of charities consistent with the Charities Act 2005.

Performance Measures

The Minister of Community and Voluntary Sector expects the following:

Performance Measure	Standard/Target 2007/08	Standard/Target 2006/07
Quantity		
Number of registrations	up to 18,000	13,000 - 17,000
Process annual returns	7,000 - 10,000	2,000 - 4,000
Education programmes for the Charities sector	Education and information work programme specified in the Output Agreement completed as established	Education and information work programme specified in the Output Agreement completed as established
Quality		
Completed applications for registration decided within 30 working days of receipt	85% of fully completed applications are decided within 30 working days of receipt	85% of completed applications are decided within 30 working days of receipt
Annual returns processed within 25 working days of receipt	90% of annual returns are processed within 25 working days of receipt	90% of annual returns are processed within 25 working days of receipt
Education programme and information provision subject to satisfactory feedback from the sector	Feedback of education programmes and information provision indicates that they have met the needs of the sector	Feedback of education programmes and information provision indicates that they have met the needs of the sector
Register - online availability	Register will be online and fully operable to the public and charities with 97% availability per month	Register will be online and fully operable to the public and charities with no less than 97% availability per month

Cost

This output expense will be provided within the appropriated sum of \$4.969 million.

	2006/07 \$000	2007/08 \$000
Total output class expenses	2,661	4,969

Part D - Explanation of Appropriations for Other Operating Flows

Part D3 - Other Expenses

Community Organisation Grants Scheme

Community Organisation Grants Scheme (COGS) is a community-driven funding scheme that provides essential support to grass roots non-profit organisations. Priority sectors of the community for COGS funding are Māori communities, women, Pacific Island communities, rurally isolated communities, other ethnic and migrant communities, older people/seniors, youth and children, family/whānau, people with disabilities and unemployed people.

The appropriation for this scheme is \$11.500 million.

Community Development Scheme

This appropriation now includes both the previous Community Development Scheme and Community Youth Development Fund.

This scheme provides project funds to support community organisations to employ key workers to work for community development outcomes, provides support to reduce youth offending by strengthening community support and services for people aged 14-20 years, and the provision of assistance for six youth development projects.

The total appropriation for this scheme is \$2.273 million.

Community-Based Youth Development Fund

The provision of assistance for six youth development projects aimed at reducing the incidence of youth suicide and self-harm in high-risk communities by strengthening the skills within those communities to provide adequate social support for youth. Particular attention will be given to development opportunities for Māori and Pacific youth.

Performance Measures

The Department will measure and report on:

- The programme logic behind each of the six community-based projects, identifying short and long-term outcomes and links to the New Zealand Youth Suicide Prevention Strategy and Kia Piki Te Ora O Te Taitamariki where appropriate.
- The implementation of the six projects from information provided in six-monthly and annual monitoring reports and interviews.
- Intermediate outcomes achieved by the six projects.
- Ways the projects have contributed to the goals of the New Zealand Youth Suicide Prevention Strategy and Kia Piki Te Ora O Te Taitamariki where appropriate.

Cost

This output expense will be provided within the appropriated sum of \$420,000.

Part F - Crown Revenue and Receipts

Part F1 - Current and Capital Revenue and Capital Receipts

	2006/07		2007/08	Description of 2007/08 Crown Revenue
	Budgeted \$000	Estimated Actual \$000	Budget \$000	
Non-Tax Revenue				
Refund of Non-Departmental grants	69	10	10	Repayment of non-departmental grants.
Total Non-Tax Revenue	69	10	10	
Total Crown Revenue and Receipts	69	10	10	

VOTE *Conservation*

Conservation

Overview

Departmental Appropriations

Departmental appropriations sought for Vote Conservation in 2007/08 total \$287.609 million. This is intended to be spent on purchasing the following services from the Department of Conservation:

- \$135.108 million (47% of the Vote) related to managing natural heritage.
- \$5.548 million (2% of the Vote) related to managing historic heritage.
- \$124.258 million (43% of the Vote) related to the provision of recreational opportunities.
- \$13.541 million (5% of the Vote) related to engaging the community on conservation issues.
- \$6.395 million (2% of the Vote) for the provision of policy advice.
- \$700,000 (0.2% of the Vote) for the provision of funding for the review of departmental assets in relation to recreation opportunities.
- \$2.059 million (0.8% of the Vote) for the delivery of services to control weed and animal pests on land administered by the Department to meet negotiated outcomes of regional pest management strategies.

Non-Departmental Appropriations

Non-departmental appropriations sought for Vote Conservation in 2007/08 total \$31.891 million. Of these, \$19.593 million is intended to be spent as follows on non-departmental output appropriations:

- \$13.602 million for the purchase of services for identification and implementation of protection for natural and historic places.
- \$1.506 million for the purchase of management services for natural and historic places.
- \$23,000 for the purchase of services for the management of Moutoa Gardens/Pakaitore.
- \$3.609 million for the purchase of services to fund projects for the New Zealand Biodiversity Advice Fund and the New Zealand Biodiversity Condition Fund.
- \$853,000 for funding assistance to the Southland District Council to meet the costs of additional community infrastructure arising from increased visitor numbers.

Of these non-departmental appropriations, \$12.298 million is intended to be spent as follows on other expenses:

- \$30,000 on obligatory compensatory payments under section 289 of the Local Government Act 1974 when esplanade reserves were created.
- \$764,000 payment to the Ngāti Tuwharetoa Trust Board for public access to Lake Taupo for the purpose of fishing.
- \$554,000 for support initiatives to protect traditional Māori knowledge (mātauranga Māori) relating to New Zealand's indigenous biodiversity.

- \$3.452 million for purchasing, taking on leases, managing, administering, maintaining, protecting, improving and developing, the reserves from the Reserves Trust Bank Account and Reserves Act Crown Bank Account. This has no net Crown impact as it is funded by proceeds of the disposal of reserve lands.
- \$124,000 being payment made under the Lake Waikaremoana Act 1971 for the lease of the lakebed and foreshore for conservation purposes.
- \$305,000 for annual subscriptions of New Zealand memberships of: The Convention on International Trade in Endangered Species of Wild Flora and Fauna (CITES), Convention on Biodiversity, International Union for the Conservation of Nature and Natural Resources (IUCN), Convention on Wetlands of International Importance Especially as Waterfowl Habitats (RAMSAR), and World Heritage Fund.
- \$1.689 million for the payment of rates on Crown land. In most circumstances these are recoverable from the lessee.
- \$30,000 for compensation payable upon vesting of coastal marine areas in the Crown.
- \$4.550 million for depreciation of fencing assets on the Conservation Estate.
- \$700,000 for depreciation on Crown Buildings: Old Government Building, Turnbull House and Dominion Observatory.
- \$100,000 for write-off of debts relating to Concession Revenue.

Crown Revenue and Receipts

The Department expects to collect \$15.604 million of Crown revenue, mainly from concession fees, rents/leases and licences from commercial users of Crown-owned land and buildings.

Details of how the appropriations are to be applied appear in Parts B1, C and E. Details of Crown revenue appear in Part F.

Terms and Definitions Used

BCL	Broadcast Communications Ltd
CITES	Convention on International Trade in Endangered Species of Wild Flora and Fauna
CLE	Compliance and Law Enforcement
CMP	Conservation Management Plan
CMS	Conservation Management Strategy
Conservation Estate	Lands administered by the Department of Conservation for conservation purposes
HPT	Historic Places Trust
IUCN	International Union for the Conservation of Nature and Natural Resources
MoRST	Ministry of Research, Science and Technology
NHF	Nature Heritage Fund
NWR	Nga Whenua Rahui
NZAID	New Zealand International Aid and Development Agency
NZBS	New Zealand Biodiversity Strategy
NZCA	New Zealand Conservation Authority
NZCPS	New Zealand Coastal Policy Statement
PNA	Protected Natural Area
RAMSAR	Convention on Wetlands of International Importance Especially as Waterfowl Habitats
RAP	Recommended Area for Protection
ROR	Recreational Opportunity Review
RPMS	Regional Pest Management Strategy
SILNA	South Island Landless Natives Act 1906
TIES	Trade in Endangered Species Act 1989
VAMS	Visitor Assets Management System

Minister Portfolio Table

16	Minister of Conservation
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Conservation

ADMINISTERING DEPARTMENT: Department of Conservation

The Minister of Conservation is the Responsible Minister for the Department of Conservation

Part A - Statement of Objectives and Trends

Part A1 - Objectives for Vote

Related Government Outcomes

The department directly and indirectly contributes toward achieving the Government's priorities for the next decade:

- Economic transformation.
- Families - young and old.
- National identity.

Together with its legislation, these themes provide the department with a vision for the overall outcome it is working towards:

"New Zealand's natural and historic heritage is protected; people enjoy it and are involved with the department in its conservation."

"Kei te mahi ngatahi te Papa Atawhai me nga iwi whanui ki te whakaute, te manaaki me te tiaki i nga taonga koiora me nga taonga tuku iho o Aotearoa hei painga mo te katoa."

To help achieve this vision and fulfil its legislated conservation responsibilities, the department has identified two outcomes:

- Protection: New Zealand's natural and historic heritage is protected and restored.
- Appreciation: People enjoy and benefit from our natural and historic heritage and are connected with conservation.

Intermediate outcomes

There are two major classes of intermediate outcomes that the Department has identified that will assist in achieving the overall outcomes.

The first class relates to the outcome of New Zealand's natural and historic heritage being protected and restored. To achieve this outcome the Department's work is focused on five intermediate outcomes:

- The damage from harmful organisms established in New Zealand is reduced.
- The natural character of managed places is maintained or improved.
- Managed threatened species have lower risk of extinction.
- A representative range of New Zealand's environment is protected.
- A representative range of historic and cultural heritage is protected, restored and interpreted.

The second class of outcomes relates to the achievement of people having opportunities to appreciate and benefit from natural and historic heritage, as well as being involved and connected with conservation. The Department's work is focused on three intermediate outcomes:

- Appropriate business opportunities are allowed.
- A range of quality recreation opportunities is available.
- People are aware of, understand and make valued contributions to conservation.

Output Expense Appropriations

To achieve these objectives, the appropriations are intended to fund a wide range of activities, including policy advice and/or other services relating to:

- Management of natural heritage.
- Management of historic heritage.
- Management of recreational opportunities, including the recreation opportunities review.
- Conservation with the community.

Vote Conservation output classes contribute directly to these key goals by providing:

- Protection of historic and cultural heritage and indigenous biodiversity through identification of conservation values and implementation of protection through a range of statutory and other processes, including input into environmental planning.
- Operational programmes for managing threats to and the restoration, maintenance and enhancement of indigenous ecosystems, threatened species and historic heritage.
- Facilities and services to facilitate the sensitive and sustainable use of the conservation estate by the public.
- Appropriate, timely and high quality policy advice, including public input into policy formulation and conservation planning.
- Advisory and information services to allow landowners, visitors and the public to celebrate, foster and protect our cultural, historic and environmental heritage.

The outputs provided by the Department are set out in Section C1.

Links between Departmental Output Expenses and Outcomes

The links between the output expenses to be purchased and the particular outcomes for the Department of Conservation are set out below:

Departmental Output Expenses	Output Groups (Key Outputs)	Intermediate Outcomes	Outcomes
Management of Natural Heritage	Biosecurity	The damage from harmful organisms established in New Zealand is reduced	New Zealand's natural and historic heritage is protected and restored
	Pest, weed and fire control		
	Restoration	Managed threatened species have lower risk of extinction	
	Species management		
	Legal protection	A representative range of New Zealand's environments is protected	
	RMA advocacy		
Management of Historic Heritage	Historic site management	A representative range of historic and cultural heritage is protected, restored and interpreted	
Management of Recreational Opportunities	Recreation and business management	Appropriate business opportunities are allowed	People enjoy and benefit from New Zealand's natural and historic heritage and are connected with conservation
Recreational Opportunities Review			
Conservation with Community	Education and communication	A range of quality recreation opportunities is available	
	Participation	People are aware of, understand and make valued contributions to conservation	
Regional Pest Management Strategy	Biosecurity	The damage from harmful organisms established in New Zealand is reduced	New Zealand's natural and historic heritage is protected and restored
	Pest, weed and fire control		

Part A2 - Trends in Vote

Departmental Output Trends: 2002/03 - 2007/08

Appropriation expenditure

There has been a general increase in gross output appropriations over the period 2002/03 to 2007/08, reflecting changes to both departmental and non-departmental outputs from Crown and other revenue.

With respect to departmental output expenses, significant changes over this period have included:

- The New Zealand Biodiversity Strategy (NZBS) was adopted by the Government in February 2000 (with a funding package approved in that year's budget to assist implementation). It has the goal of halting the decline in New Zealand's indigenous Biodiversity by 2020. This package, which covers a number of Votes including Biosecurity, Conservation, Environment and Fisheries, increased each year over the first five years.
- In 2005/06 the transfer of funding within Vote Biosecurity - Conservation to Vote Conservation and Vote Biosecurity - Agriculture and Forestry.
- In 2005/06 new funding for the specific areas of natural and historic heritage, including Fiordland Marine (\$253,000), Auckland Islands (\$161,000), Hauraki Gulf (\$445,000), Thames Coast (\$1.214 million), Resource Management Act and Coastal Marine Area (\$2.711 million), Historic Sites (\$180,000), High Country Objectives (\$167,000), Treaty Settlements (\$264,000) and funding to sustain the Department's operating capability (\$3.782 million).

- In 2006/07 new funding for the specific areas include the following: Department new accommodation arrangement (\$1.132 million), new research funding from the Ministry of Research, Science & Technology (MoRST) (\$750,000), Pacific Whale research funded by New Zealand International Aid and Development Agency (NZAID) (\$148,000), Over-achievement in Crown concession revenue (\$700,000).
- In 2007/08 new funding for specific areas include the following: Meeting treaty settlement objectives (\$1 million), maintaining the Department's capability (\$297,000), Integrated biodiversity management at new sites on conservation land (\$2 million).

Capital expenditure

The 2002/03 capital expenditure of \$7.304 million was divided between work to replace and maintain visitor assets (\$6.530 million) and further work on the terrestrial and freshwater biodiversity information system.

In 2004/05 there was a non-cash capital injection related to the value of improvements on Land Tenure properties transferred from Land Information New Zealand.

The 2005/06 significant changes were for a non-cash injection of \$8 million for the Land Tenure Review and \$1.100 million for Preserving our Icon Historic Sites.

In 2006/07 the changes to capital injection include the following: Land Tenure Review of \$2 million (2005/06 \$8 million), New Zealand Icon Centres \$3.500 million.

Funding for the ongoing costs associated with the recognition of recreational and other assets that were previously undervalued or unrecognised in the Departmental balance sheet. These assets were brought onto the balance sheet by way of capital injection. The capital injections are scheduled from 2007/08 as a proxy for the amount of depreciation that the Department would have accumulated had it inherited the assets as at the start of their lifespan.

The 2007/08 changes to capital injection include the following: Te Araroa Track Development \$461,000 and Integrated biodiversity management at new sites on conservation land \$200,000.

Non-Departmental Expenditure and Revenue Trends: 2002/03 - 2007/08

There has been a general increase in non-departmental expenditure and revenue over the period 2002/03 to 2007/08.

Significant changes over this period have included:

- Concessions revenue has been increasing over the period.
- The New Zealand Biodiversity Strategy (NZBS). This was adopted by the Government in February 2000. It has the goal of halting the decline in New Zealand's indigenous biodiversity by 2020. This package covers a number of votes including Biosecurity, Conservation, Environment and Fisheries, with increases each year over the first five years.
- Recent changes in the Local Government (Rating) Act 2002 have moved the liability for rates on land administered by the Department, fully to the Department.

Other Crown expenses

There are Other Expenses that are not specifically related to the production of outputs. These include compensation payments made under section 289 of the Local Government Act 1974 when esplanade reserves are created, membership fees resulting from government commitments and access fees. These are set out in Part B1 of the Estimates.

Changes to Other Expenses for 2003/04 related primarily to the purchase of reserves. Purchases are limited to revenue earned principally from disposals, for which there were significant one-off disposals in 2000/01 and the revenue carried forward to 2001/02 and shown in that year's appropriations.

In 2005/06, new appropriations for depreciation for Crown buildings and fences were introduced.

Capital expenditures

Changes in funding from 2002/03 to 2007/08 represent purchases or development of Crown lands, including kiwi sanctuaries and vested coastal marine areas.

The amounts spent or required to be spent in this area vary each year depending on requirements.

For 2004/05 this reflected the capital expenditure to the Nature Heritage Fund of \$9 million for the purchase of Birchwood Station.

Crown revenue and receipts

The increase in Concessions revenue has been primarily driven by increases in revenue from tourism concessions, reflecting the national increases in international visitor arrivals through the period.

Details of how the appropriations are to be applied appear in Parts B1, C and E. Details of Crown revenue appear in Part F.

New Policy Initiatives by Appropriation

Initiative	Appropriation as shown in Part B	\$000 increase/(decrease)				
		2006/07	2007/08	2008/09	2009/10	2010/11
Intensive, Integrated Biodiversity Management at New Sites on Conservation Land	Management of Natural Heritage	-	2,000	2,000	2,000	2,000
Te Araroa Track Development	Management of Recreational Opportunities	-	-	146	510	875
A Nationwide Pest Reduction Strategy for Deer, Chamois, Thar and Pigs	Management of Natural Heritage	200	-	-	-	-
Maintaining Department of Conservation Capability	Management of Natural Heritage	-	146	1,522	2,122	2,739
	Management of Historic Heritage	-	6	63	88	113
	Management of Recreational Opportunities	-	122	1,276	1,778	2,295
	Conservation with the Community	-	15	16	224	289
	Policy Advice, Servicing the Minister and Statutory Bodies, and Statutory Planning	-	6	62	87	112
	Crown Contribution to Regional Pest Management Strategies	-	2	23	32	41
Meeting Treaty Settlement Objectives while Managing Risks to Conservation Values	Management of Natural Heritage	-	500	500	500	500
	Policy Advice, Servicing the Minister and Statutory Bodies, and Statutory Planning	-	500	500	500	500
Total Initiatives		200	3,297	6,252	7,841	9,464

Part B - Statement of Appropriations

Summary of Financial Activity

	2002/03	2003/04	2004/05	2005/06	2006/07		2007/08 Appropriations to be Used					2008/09	2009/10	2010/11
						Estimated	By the Department Administering the Vote		For Non-Departmental Transactions					
	Actual \$000	Actual \$000	Actual \$000	Actual \$000	Budget \$000	Actual \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	Total \$000	Estimated \$000	Estimated \$000	Estimated \$000
Appropriations														
Output Expenses	244,127	268,087	256,244	274,925	328,964	328,964	287,609	-	19,593	-	307,202	309,649	314,299	322,628
Benefits and Other Unrequited Expenses	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Borrowing Expenses	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Other Expenses	2,952	2,375	6,198	8,852	16,828	16,828	-	-	12,298	-	12,298	10,646	10,646	10,646
Capital Expenditure	1,763	9,000	-	4,330	170	170	N/A	N/A	-	-	-	-	-	-
Intelligence and Security Department Expenses and Capital Expenditure	-	-	-	-	-	-	-	-	N/A	N/A	-	-	-	-
Total Appropriations	248,842	279,462	262,442	288,107	345,962	345,962	287,609	-	31,891	-	319,500	320,295	324,945	333,274
Crown Revenue and Receipts														
Tax Revenue	-	-	-	-	-	-	N/A	N/A	N/A	N/A	-	-	-	-
Non-Tax Revenue	11,018	12,196	13,584	16,578	14,304	14,304	N/A	N/A	N/A	N/A	15,604	15,604	15,604	15,604
Capital Receipts	60	-	-	-	-	-	N/A	N/A	N/A	N/A	-	-	-	-
Total Crown Revenue and Receipts	11,078	12,196	13,584	16,578	14,304	14,304	N/A	N/A	N/A	N/A	15,604	15,604	15,604	15,604

Part B1 - Details of Appropriations

	2006/07				2007/08		
	Budget		Estimated Actual		Vote		
Appropriations	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	Scope of 2007/08 Appropriations
Departmental Output Expenses (General)							
Conservation with the Community (M16)	14,495	-	14,495	-	13,541	-	This class of outputs covers building partnerships with tangata whenua, provision of public information, community participation and public awareness.
Crown Contribution to Regional Pest Management Strategies (M16)	2,079	-	2,079	-	2,059	-	Delivery of services to control weed and animal pests on lands administered by the Department of Conservation to meet negotiated outcomes of regional pest management strategies.
Management of Historic Heritage (M16)	5,680	-	5,680	-	5,548	-	This class of outputs covers the provision of protection and conservation management of historic heritage, including heritage orders and designations under the Resource Management Act 1991.
Management of Natural Heritage (M16)	137,726	-	137,726	-	135,108	-	This class of outputs covers the preservation of natural heritage, including the maintenance, restoration and protection of ecosystems, habitats and species.
Management of Recreational Opportunities (M16)	115,262	-	115,262	-	124,258	-	This class of outputs covers the provision of recreational opportunities on land administered by the Department. This includes the safety services that support these opportunities and management of the recreational asset base.
Policy Advice, Servicing the Minister and Statutory Bodies, and Statutory Planning (M16)	5,626	-	5,626	-	6,395	-	This class of outputs covers the provision of policy advice and ministerial servicing to the Minister of Conservation. It also includes servicing statutory bodies and statutory planning under the Conservation Act 1987 and the National Parks Act 1980.
Recreational Opportunities Review (M16)	3,778	-	3,778	-	700	-	The depreciation and write-off of Visitor Assets to be decommissioned following the review of recreational opportunities. Note this output expense is non-cash.
Total Departmental Output Expenses (General)	284,646	-	284,646	-	287,609	-	
Non-Departmental Output Expenses							
Identification and Implementation of Protection for Natural and Historic Places (M16)	33,018	-	33,018	-	13,602	-	Purchasing identification, registration and associated promotion of the conservation, protection and care of historic places, implementation of legal protection of natural and historic resources on private or leasehold land; and the protection of indigenous ecosystems on private land or in Māori ownership through the use of contestable funds.

	2006/07				2007/08		
	Budget		Estimated Actual		Vote		
Appropriations	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	Scope of 2007/08 Appropriations
Management Services - Natural and Historic Places (M16)	2,346	-	2,346	-	1,506	-	- Purchasing management services for properties with historical or natural significance, including maintenance work, access for the public and management advice on covenanted properties.
Moutoa Gardens/Pakaitore (M16)	23	-	23	-	23	-	- To fund the ongoing management and maintenance of the Moutoa Gardens Reserve.
NZ Biodiversity Advisory Fund (M16)	8,208	-	8,208	-	3,609	-	- NZ Biodiversity Advisory Fund will focus on provision of information and advice to private land managers, whereas the NZ Biodiversity Condition Fund will provide assistance with costs of pest and weed control, fencing and other management actions aimed at improving the condition of biodiversity outside of public conservation lands.
Stewart Island Infrastructure (M16)	723	-	723	-	853	-	- Funding assistance to the Southland District Council to meet the costs of additional community infrastructure arising from increased visitor numbers.
Total Non-Departmental Output Expenses	44,318	-	44,318	-	19,593	-	
Other Expenses to be Incurred by the Crown							
Depreciation - Crown Buildings (M16)	700	-	700	-	700	-	- Depreciation on Crown Buildings: Old Government Building, Turnbull House and Dominion Observatory.
Depreciation on Fencing Assets (M16)	4,550	-	4,550	-	4,550	-	- Depreciation of fencing assets on the Conservation Estate.
Esplanade Reserve Compensation (M16)	200	-	200	-	30	-	- Obligatory compensatory payments made under section 289 of the Local Government Act 1974 when esplanade reserves are created.
Lake Taupo Access Fee (M16)	764	-	764	-	764	-	- Payment made to the Ngāti Tuwharetoa Trust Board for public access to Lake Taupo for the purpose of fishing.
Mātauranga Māori Fund (M16)	1,235	-	1,235	-	554	-	- Support initiatives to protect traditional Māori knowledge (mātauranga Māori) relating to New Zealand's indigenous biodiversity.
Payment of Rates on Properties for Concessionaires (M16)	1,559	-	1,559	-	1,689	-	- Under the Local Government (Rating) Act 2002 the owner, not the lessee is liable for rates on Crown land. In most circumstances these are recovered from the lessee.
Provision for Bad and Doubtful Debts (M16)	100	-	100	-	100	-	- Write-off of debts relating to Concession Revenue.
Purchase and Development of Reserves (M16)	5,761	-	5,761	-	3,452	-	- Provision for purchasing, taking on leases, managing, administering, maintaining, protecting, improving, and developing the reserves from the Reserves Trust Bank Account and Reserves Act Crown Bank Account. No net Crown impact as it is funded by proceeds of the disposal of reserve lands.
Redress payments under Foreshore and Seabed Act 2004 (M16)	1,500	-	1,500	-	-	-	- Redress payments to local authorities under Section 25 of the Foreshore and Seabed Act 2004.

	2006/07				2007/08		
	Budget		Estimated Actual		Vote		
Appropriations	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	Scope of 2007/08 Appropriations
Other Expenses to be Incurred by the Crown - cont'd							
Subscriptions to International Organisations (M16)	305	-	305	-	305	-	- Annual Subscriptions for New Zealand membership of: CITES, Convention on Biodiversity, IUCN, RAMSAR, and World Heritage Fund.
Vested Coastal Marine Areas Compensation (M16)	30	-	30	-	30	-	- Obligatory compensation payable upon vesting of coastal marine areas in the Crown.
Waikaremoana Lakebed Lease (M16)	124	-	124	-	124	-	- Payment made under the Lake Waikaremoana Act 1971 for the lease of the lakebed and foreshore for conservation purposes.
Total Other Expenses to be Incurred by the Crown	16,828	-	16,828	-	12,298	-	
Capital Expenditure							
Crown Land Acquisitions (M16)	170	-	170	-	-	-	- To purchase land for reserve purposes.
Total Capital Expenditure	170	-	170	-	-	-	
Total Appropriations	345,962	-	345,962	-	319,500	-	

Part B2 - Details of Multi-Year Appropriations

Appropriations	Current Appropriation \$000	Scope of Appropriations
Other Expenses to be Incurred by the Crown		
World Heritage Committee - NZ Hosting Meeting and Assuming Chairmanship (M16)		Purchase of service required for New Zealand to host the June 2007 meeting of the World Heritage Committee and take on the Chairmanship for one year from July 2006.
Original Appropriation	4,048	
Commences	1 December 2006	
Expires	30 June 2008	
Adjustments 2006/07	-	
Appropriation	4,048	
Estimated Actual to 2006/07 Year End	4,048	
Estimated Actual to 2007/08 Year End	4,048	

Part C - Explanation of Appropriations for Output Expenses

Part C1 - Departmental Output Expenses

Management of Natural Heritage

This class of outputs covers the preservation of natural heritage including the maintenance, restoration and protection of ecosystems, habitats and species.

This includes:

- Halting any further decline of parks and other protected areas, especially from the adverse effects of human activity such as fire, land clearance and harvest.
- Improving the security of threatened species, particularly from pests that compete with or kill them.
- Ensuring the protected area network includes a representative range of natural, historic and cultural heritage - especially those currently under-represented.
- Establishing a minimum level of protection through legal status, to prevent certain types of damage occurring.
- Protecting and enhancing populations and ranges of native species most threatened with extinction, including international obligations.
- Protection and enhancement of populations and ranges of native species most threatened with extinction, including international obligations (Species Conservation Programmes).

Also included in this output class is:

- All work associated with undertaking and enforcing obligations under the Convention on the International Trade in Endangered Species (CITES) and the Trade in Endangered Species (TIES) Act 1989.

Management of Historic Heritage

This class of outputs covers the provision of protection and conservation management of historic heritage, including heritage orders and designations under the Resource Management Act 1991. This includes historic place investigations and related iwi consultation, management appraisals, assessments of significance, archaeological investigations, conservation plans, remedial and maintenance work, and interpretation advice.

Management of Recreational Opportunities

This class of outputs covers the provision of recreational opportunities on land administered by the Department, the safety services that support these opportunities and management of the recreational asset base.

This includes:

- Providing a range of facilities and services, information, and monitor satisfaction with the range of recreational opportunities provided (Visitor Facilities and Services).
- Monitoring the effects of people and concessions at selected visitor sites.

This output class also includes the maintenance and management by the Department of visitor and information centres.

It also covers the provision of safety services and hazard management programmes, visitor monitoring and recreation planning and the management, maintenance and enhancement of sports fishing within the Taupo Fishing District.

Recreational Opportunities Review

This class of outputs records the cost of depreciation of surplus visitor assets and the write-offs that result from the Recreational Opportunity Review (ROR) project. This class is unfunded.

The Department is implementing the outcome of the review of the recreational opportunities available to the public. This review identified the range of facilities that will be provided to deliver recreational opportunities to New Zealanders. Those facilities deemed to be surplus will be removed, closed or managed under a minimal maintenance programme until the end of their functional life as part of the Management of Recreational Opportunities output class.

Conservation with the Community

This class of outputs includes:

- Providing community participation and partnership services including volunteer programmes, partnerships and support for others' conservation initiatives (Community Relations).
- Providing education and communication services including information, communication and education services, events, awareness programmes and creative projects, and the Department's international advocacy involving participation, education and communication in internal fora (Community Relations).
- Supporting new opportunities to work together with tangata whenua for conservation outcomes and enhancing mātauranga Māori (Working with Tangata Whenua).

Overall it focuses on working with communities and local government to protect natural and historic resources outside of lands managed by the Department.

Policy Advice, Servicing the Minister and Statutory Bodies, and Statutory Planning

This class of outputs covers the provision of policy advice and ministerial servicing to the Minister of Conservation on specific reviews of legislation or specific Government policies affecting conservation. This includes legislative reviews or policy initiatives involving other government departments or agencies and/or managed by Ministers other than the Minister of Conservation.

This output class also covers the provision of policy advice relating to implementation of section 4 of the Conservation Act 1987.

It also includes servicing statutory bodies and statutory planning under the Conservation Act 1987 and the National Parks Act 1980.

Crown Contribution to Regional Pest Management Strategies

Delivery of services to control weed and animal pests on lands administered by the Department of Conservation to meet negotiated outcomes of regional pest management strategies. Ensuring the Crown meets its agreed exacerbator costs under the Biosecurity Act for lands administered by the Department of Conservation.

Part C2 - Non-Departmental Output Expenses

Identification and Implementation of Protection for Natural and Historic Places

This output class covers:

- The implementation of legal protection of natural and historic resources on private or leasehold land through the Queen Elizabeth the Second National Trust.
- The protection of indigenous ecosystems on private land or in Māori ownership through the use of contestable funds.

Performance measures

Legal Protection

The Queen Elizabeth the Second National Trust expects the following areas will be approved for protection and formally protected by registered open space covenants (based on previous performance):

		Covenant Approvals	Covenant Registrations
Priority One			
Recommended Areas for Protection or similar quality	Number	240	200
	Hectares	6,000	5,000

The quality of proposals for protection is assessed against the Board's set of criteria. These criteria assess the ecological, landscape and other values inherent in each application.

Provider

Queen Elizabeth the Second National Trust

Protection of indigenous ecosystems on private land

- It is expected that 25 negotiations will be undertaken, resulting in 8 purchases and 3 covenants protecting 3000 hectares.
- The quality of proposals for protection is assessed against the Nature Heritage Fund's (NHF) set of criteria. These criteria assess the ecological, landscape and other values inherent in each application.
- The NHF committee will make recommendations on proposals for the Minister of Conservation to approve.

Provider

Nature Heritage Fund (NHF)

Protection of indigenous ecosystems in Māori ownership on South Island Landless Natives Act (SILNA) land

It is expected that approval will be given to 5 trusts to protect indigenous ecosystems on 55 blocks of SILNA lands.

- The quality of proposals for protection is assessed against the NHF's set of criteria and the approval criteria set by Cabinet. These criteria assess the ecological, landscape and other values inherent in each application.
- The NHF committee will make recommendations on proposals for the Minister of Conservation to approve.

Provider

Nature Heritage Fund (NHF)

Protection of indigenous ecosystems in Māori ownership

Protection of indigenous ecosystems in Māori ownership is achieved through the Nga Whenua Rahui (NWR) Fund which was established in 1991 following the Government's announcement of its Indigenous Forest Policy. This policy arose from the widespread concern at the continued loss of indigenous forest throughout the country.

Since inception the NWR Fund has protected 230,000 hectares made up of indigenous forests, wetlands, dune-lands, and tussock lands. The NWR Fund has performed pest operations on 66,000 hectares.

The initiatives by the Fund complement the Department of Conservation's own public awareness work and its statutory advocacy for biodiversity protection.

- It is expected that the appropriation will be fully committed to formally protect conservation on Māori owned land.
- It is expected that 18 of the 41 Kawenata/management agreements representing 28,000 hectares will be formally signed off by the Minister of Conservation.
- The quality of proposals for protection is assessed against the NWR set of criteria. These criteria assess the ecological, cultural, spiritual and other values inherent in each application.
- The NWR committee will make recommendations on proposals, with final approval being given by the Minister of Conservation. Information on Nga Whenua Rahui and the Fund is accessible at <http://www.biodiversity.govt.nz/land/nzbs/pvtland/nwr.html>.
- It is expected that the appropriation for Mātauranga Kura Taiao will be committed. The quality of proposals will be assessed against the Mātauranga Kura Taiao set of criteria.

Provider

Nga Whenua Rahui (NWR)

Cost

	2006/07 \$000	2007/08 \$000
Total output class expenses	33,018	13,602
Total output class revenues	33,018	13,602

Funding is allocated to providers for 2006/07 as follows:

	2006/07 \$000	2007/08 \$000
Queen Elizabeth II National Trust	2,012	2,012
Nature Heritage Fund	13,392	8,050
SILNA forests (through NHF)	10,440	74
Nga Whenua Rahui	7,174	3,466
Total	33,018	13,602

Management Services: Natural and Historic Places

This output class covers management services for properties with historical or natural significance, including maintenance work, access for the public and management advice on covenanted properties.

Performance measures

	Number of Properties	Area (hectares)	Other Performance Information
Queen Elizabeth the Second National Trust Properties	28	1,547	Managed in accordance with approved operative management plans
Perpetual trustee role for registered open space covenant	1,280	32,000	Registered covenants monitored not less than once every 24 months

Cost

	2006/07 \$000	2007/08 \$000
Total output class expenses	2,346	1,506
Total output class revenues	2,346	1,506

Funding is allocated to providers as follows:

	2006/07 \$000	2007/08 \$000
Queen Elizabeth II National Trust	862	862
Old Government Building and Turnbull House operating expenses	1,484	644
Total	2,346	1,506

Moutoa Gardens/Pakaitore

This output class covers the administration of the Moutoa Gardens Historic Reserve by the Reserve Board, the maintenance of the grounds and historic resources and the capital items needed to improve or maintain the key assets of the reserve.

Cost

	2006/07 \$000	2007/08 \$000
Total output class expenses	23	23
Total output class revenues	23	23

NZ Biodiversity Advisory Fund

This output class covers the NZ Biodiversity Advice Fund and NZ Biodiversity Condition Fund. The Advice Fund focuses on the provision of information and advice to private land managers in order to encourage and facilitate greater protection of biodiversity outside of public conservation lands. The Condition Fund provides assistance with the costs of pest and weed control, fencing and other management actions aimed at improving the condition of biodiversity outside of public conservation lands. These two funds were classified as part of the output class Identification and Implementation of Protection for Natural and Historic Places in previous years.

Performance measures

- It is expected that the NZ Biodiversity Advice Fund will fund 40 advice projects.
- It is expected that the NZ Biodiversity Condition Fund will fund 120 condition projects.
- The quality of applications to both the Advice Fund and the Condition Fund is assessed against set guidelines. These guidelines can be found at this website: www.biodiversity.govt.nz/land/nzbs/pvtland/condition.html

Cost

	2006/07 \$000	2007/08 \$000
Total output class expenses	8,208	3,609
Total output class revenues	8,208	3,609

Part E - Explanation of Capital Flows

Part E1 - Explanation of Movements in Departmental Net Asset Schedules

Details of Net Asset Schedule for Department of Conservation	Estimated Actual 2006/07 \$000	Projected 2007/08 \$000	Explanation of Projected Movements in 2007/08
Opening Balance	387,049	392,547	
Capital Injections	9,274	19,593	The change is due to an increase in scheduled visitor assets purchases.
Capital Withdrawals	-	-	
Surplus to be Retained (Deficit Incurred)	(3,778)	(700)	The deficit incurred is due to the unfunded write-offs of recreational assets identified by the Recreational Opportunities Review. The write-off programme was updated following the completion of the review and the movement reflects the changes in the timing of the planned write-offs.
Other Movements	2	4,477	This is a non cash movement to cover the forecast output deficit for the 2006/07 year (\$3.778 million) and the forecast output deficit for the 2007/08 year (\$0.700 million).
Closing Balance	392,547	415,917	

Part F - Crown Revenue and Receipts

Part F1 - Current and Capital Revenue and Capital Receipts

	2006/07		2007/08	Description of 2007/08 Crown Revenue
	Budgeted \$000	Estimated Actual \$000	Budget \$000	
Non-Tax Revenue				
Concessions, Leases and Licences	9,600	9,600	10,900	Revenue received from commercial use of Crown owned Land.
Disposal of Reserves	1,800	1,800	1,800	Proceeds of disposal from the sale of reserves to be transferred to the Reserves Trust Account.
Old Government Building Rental	1,760	1,760	1,760	Rental received from lessee.
Rates Recovery from Concessionaires	964	964	964	Rates recovered from Concessionaires on Crown land. Under the Local Government (Rating) Act 2002 the Owner, not the Lessee is liable for rates on Crown land. In most circumstances these are recovered from the lessee.
Turnbull House Revenue	180	180	180	Receipt from room hire and from Parliamentary Services for the use of subsoil below Turnbull House for an access tunnel.
Total Non-Tax Revenue	14,304	14,304	15,604	
Total Crown Revenue and Receipts	14,304	14,304	15,604	

VOTE *Consumer Affairs*

Consumer Affairs

Overview

Appropriations sought for Vote Consumer Affairs in 2007/08 total \$5.896 million. This amount is to be applied as follows:

Departmental Appropriations

- \$3.605 million (61.1% of the Vote) on purchasing policy advice and information on issues, policies and programmes affecting or potentially affecting the ability of consumers to transact with confidence.
- \$2.210 million (37.5% of the Vote) on purchasing the promotion and enforcement of a supportive measurement and product safety infrastructure for businesses and consumers.

Non-Departmental Appropriations

Appropriations sought for non-departmental output expenses total \$81,000 (1.4% of the Vote) and relate to a pilot programme for obtaining data from the New Zealand Association of Citizens Advice Bureaux to improve access to key information on consumers.

Crown Revenue and Receipts

The Crown forecasts to collect \$20,000 of Crown Revenue in 2007/08 as fees paid by traders issued with infringement offence notices for breaching weights and measures legislation.

Details of how the appropriations are to be applied appear in Parts B1 and C of the Vote. Details of Crown Revenue appear in Part F.

Terms and Definitions Used

APLMF	Asia-Pacific Legal Metrology Forum
CCCFA	Credit Contracts and Consumer Finance Act 2003
IT	Information Technology
MCA	Ministry of Consumer Affairs
MCOA	Multi-class Output Appropriation
MED	Ministry of Economic Development
OIML	Organisation Internationale de Metrologie Legale
SPs	Strategic Priorities

Minister Portfolio Table

17	Minister of Consumer Affairs
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Consumer Affairs

ADMINISTERING DEPARTMENT: Ministry of Economic Development

The Minister for Economic Development is the Responsible Minister for the Ministry of Economic Development

Part A - Statement of Objectives and Trends

Part A1 - Objectives for Vote

Related Government Outcomes

A priority for the Government is working to progress New Zealand's economic transformation to a high income, knowledge based market economy, which is both innovative and creative, and provides a unique quality of life to all New Zealanders.

Within the economic transformation agenda there are the following sub-themes:

- Growing globally competitive firms.
- World class infrastructure.
- Innovative and productive workplaces, underpinned by high standards in education, skills and research.
- An internationally competitive city - Auckland.
- Environmental sustainability.

Services purchased through Vote Consumer Affairs contribute to this goal through helping to create an environment in which all consumers can transact with confidence (including more vulnerable consumers) and in which honest businesses are protected from rogue business practices. Consumers are not simply the beneficiaries of a fair, thriving economy, they can also play an active part in its development and growth through stimulating greater economic efficiency and demand for innovative and environmentally sustainable goods and services.

Transacting with confidence is not just important for the individual, it is also essential to a thriving, innovative and sustainable economy. Effective markets need demanding consumers who take action if business does not meet their needs and demand better service, new products and better value for money.

Best practice consumer policy can also give greater confidence to overseas consumers transacting with New Zealand firms. It can also give New Zealand exporters a platform on which to build consumer confidence in their export markets or establish compliance with consumer policy in those markets.

Strategic Issues

Technology, globalisation, and changing consumer characteristics are altering the nature and mix of the consumer issues to which Vote Consumer Affairs needs to respond. Globally there is increasing recognition that consumers not only benefit from competition, they play an important role in its activation. More attention is being paid to the role of consumer law in ensuring that consumers can exercise effective choice. This in turn has led to a realisation of the paucity of work linked to understanding how consumers behave and make decisions. New literature in behavioural economics is beginning to redress this issue. Work designed to improve understanding of how consumers help create

competitive markets and environmentally and socially sustainable markets is the subject of a number of significant projects across the OECD including a major project on demand-side economics for consumer policy.

Developing a deeper understanding of consumer and business behaviour and its implications for the effectiveness of government policy as a whole, and consumer and competition policies in particular remains a key strategic issue for the future.

The major thrust of the work programme within Vote Consumer Affairs for 2007/08 will be in the following areas.

Enhancements to consumer related law

In 2007/08 the focus will be on improving the effectiveness of consumer-related policy through:

- Progressing changes to the Fair Trading Act 1986 to improve the provisions relating to misleading and deceptive behaviour, unfair practices and redress and enforcement.
- Putting in place new Consumer Information Standards (Water Efficiency Labelling) Regulations.
- Progressing changes to the Motor Vehicle Sales Act 2003 to improve the registration, information disclosure and disputes resolution provisions.
- Advancing the programme of work on effective industry led regulatory schemes.
- Progressing work on financial sector consumer dispute resolution.
- Continuing to work with Australian agencies to advance harmonisation and co-ordination of trans-Tasman consumer law, product safety and trade measurement approaches.
- Providing advice on the role of consumer law in promoting a competitive and well-functioning marketplace, sustainable development and innovative firms.
- Reviewing consumer law to ensure that it keeps pace with changes in the way in which consumers transact, particularly with respect to on-line auctions.

Understanding of the impact of consumer policy

Monitoring and evaluation frameworks have been put in place to facilitate the evaluation of recent changes to consumer law, including the Credit Contracts and Consumer Finance Act 2003 (CCCFA) which was fully implemented on 1 April 2005.

Monitoring of the CCCFA will continue with a view to reviewing its operation and implementation as at 1 April 2007, two years after commencement. Research undertaken in 2006/07 on Pacific consumers' behaviour and experience in credit markets with particular reference to the 'fringe lending' market, will contribute additional insights that will inform both the CCCFA Review and the Ministry's operational responses in 2007/08 to issues for Pacific consumers.

A review of Powerswitch, an online source of comparative information for consumers on domestic electricity tariffs and plans, will commence in 2007/08 with a report expected in October 2008. Work for this project will contribute to planned research on consumer switching behaviour.

The Ministry will continue to undertake data collection and analysis and provide monthly reports to inform the Minister and to support policy development, information provision and/or enforcement action.

The Ministry will also further develop its community based networks and work with existing networks to deliver consumer information, particularly to vulnerable consumer groups. This activity will encourage the flow back to the Ministry of information about market practices that are proving detrimental to positive consumer outcomes.

Consumer representation and consumer and trader information

The Ministry will continue to develop consultation and consumer representation practices that will improve the way in which consumers' interests are included in decision-making processes that impact on them.

In 2007/08 there will be an emphasis on deepening the range and experience of consumer representatives available for nomination and on further development of the Consumer Representatives Network, from where nominations are accessed for consumer representative positions. In particular, the Ministry will review and, if appropriate, redevelop the structure for the Consumer Representatives Network in order to provide for its ongoing sustainability and to support opportunities for consumer representatives to develop and build their effectiveness through sharing skills, networks, resources and experience.

Emphasis will continue to be placed on providing information about laws and self-regulatory mechanisms that enable business/consumer transactions to occur in a fair and ethical way; and the provision of information that enables consumers to make informed purchasing choices.

Appropriations Linkages to the Government's Outcomes

The Ministry of Economic Development has identified five strategic priorities (SPs) that are considered to be the most important areas for the Ministry to focus on over the next three to five years. Of these, activities undertaken in Vote Consumer Affairs will, in particular, contribute to the Investment SP: Improving the investment environment for New Zealand firms and the International linkages SP.

The Ministry's strategic priorities describe the things it will put particular emphasis on in order to best promote growth. However the Ministry's work goes beyond the priorities to include a large number of activities that may make a less significant contribution to growth but are nevertheless important in maintaining an effective environment for business. The entirety of the Ministry's work, including work on the strategic priorities, is captured by the Ministry's Business Outcomes.

The appropriations in Vote Consumer Affairs primarily contribute to MED's "Empowering Consumers" Business Outcome, which is related to the Government's key economic transformation goals stated above. The Ministry provides advice on a wide range of consumer issues. The following table summarises the contributions the different outputs make to that Business Outcome:

Outcome	Contribution of Appropriations to Outcomes
<p>Empowering Consumers</p> <p>Consumers can transact with confidence.</p>	<p>Policy advice aimed at creating an environment where consumers have choice, appropriate information and safe products, within a legal framework that provides redress and enforcement mechanisms that meet the needs of both consumers and business, for example reviewing the way consumer protection law is enforced.</p> <p>Administering and enforcing legislation aimed at ensuring that goods supplied in trade are accurately measured, providing certainty in trade, for the benefit of both consumers and business.</p> <p>Provision to consumers and business of appropriate, accurate, and accessible information, education, and advice on their rights and responsibilities under consumer law in particular providing key information about recent law changes.</p> <p>Ensuring that consumers have accurate information about products and services, including how to use them safely, for example funding the Powerswitch comparative information facility and educating and informing consumers and businesses about consumer safety.</p> <p>Best practice consumer law can provide overseas consumers with increased confidence in transacting with NZ firms. Best practice consumer law can also give NZ exporters a platform on which to build consumer confidence in export markets or establish compliance with consumer policy in those markets. For example, the application of international measurement standards assists NZ exporters to establish overseas measurement requirements thus reducing transaction costs. As part of a project on consumer protection law and its enforcement, attention will be given to cross-border enforcement issues.</p>

Part A2 - Trends in Vote

Increases in appropriations since 2002/03 reflect a number of areas where additional resources have been provided. These include additional funding:

- to implement the CCCFA information programmes, with a high impact campaign in 2004/05 followed by maintenance programmes in out-years
- to enhance measurement and product safety
- to enhance the policy advice and research and monitoring capability of the Ministry
- for the phased implementation of a pilot programme for obtaining data from the New Zealand Association of Citizens Advice Bureaux, and
- for the State Sector Retirement Saving Scheme contributions.

Part B - Statement of Appropriations

Summary of Financial Activity

	2002/03	2003/04	2004/05	2005/06	2006/07		2007/08 Appropriations to be Used					2008/09	2009/10	2010/11
					Budget	Estimated	By the Department Administering the Vote		For Non-Departmental Transactions					
	Actual \$000	Actual \$000	Actual \$000	Actual \$000	\$000	Actual \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	Total \$000	Estimated \$000	Estimated \$000	Estimated \$000
Appropriations														
Output Expenses	4,839	5,280	5,946	5,853	6,152	6,152	5,815	-	81	-	5,896	5,898	5,898	5,898
Benefits and Other Unrequited Expenses	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Borrowing Expenses	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Other Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital Expenditure	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Intelligence and Security Department Expenses and Capital Expenditure	-	-	-	-	-	-	-	-	N/A	N/A	-	-	-	-
Total Appropriations	4,839	5,280	5,946	5,853	6,152	6,152	5,815	-	81	-	5,896	5,898	5,898	5,898
Crown Revenue and Receipts														
Tax Revenue	-	-	-	-	-	-	N/A	N/A	N/A	N/A	-	-	-	-
Non-Tax Revenue	3	3	4	5	20	20	N/A	N/A	N/A	N/A	20	20	20	20
Capital Receipts	-	-	-	-	-	-	N/A	N/A	N/A	N/A	-	-	-	-
Total Crown Revenue and Receipts	3	3	4	5	20	20	N/A	N/A	N/A	N/A	20	20	20	20

Part B1 - Details of Appropriations

	2006/07				2007/08		
	Budget		Estimated Actual		Vote		
Appropriations	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	Scope of 2007/08 Appropriations
Departmental Output Expenses (General)							
Policy Advice, Promotion and Conformance - Consumer Issues MCOA							Basis: Both output classes contribute to the outcome of creating an environment in which consumers can transact with confidence.
Policy Advice and Support on Consumer Issues	3,604	-	3,604	-	3,605	-	- Provision of policy advice and information on issues, policies and programmes affecting or potentially affecting the ability of consumers to transact with confidence.
Promotion and Enforcement of Measurement and Product Safety Infrastructure	2,209	-	2,209	-	2,210	-	- Promotion and enforcement of a supportive measurement and product safety infrastructure for business and consumers.
Policy Advice, Promotion and Conformance - Consumer Issues (M17)	5,813	-	5,813	-	5,815	-	
Total Departmental Output Expenses (General)	5,813	-	5,813	-	5,815	-	
Non-Departmental Output Expenses							
Consumer Data Capture Pilot (M17)	339	-	339	-	81	-	- The purchase of data from the NZ Association of Citizens Advice Bureaux to enhance the Ministry of Consumer Affairs' policy advice and research and monitoring capability and to improve access to key information on consumers.
Total Non-Departmental Output Expenses	339	-	339	-	81	-	
Total Appropriations	6,152	-	6,152	-	5,896	-	

Part C - Explanation of Appropriations for Output Expenses

Part C1 - Departmental Output Expenses

Policy Advice and Support on Consumer Issues

This appropriation provides policy advice and information on issues, policies and programmes affecting, or potentially affecting, the ability of consumers to transact with confidence.

Outputs for this appropriation include:

- Monitoring and advising Government on emerging consumer issues and the effectiveness of New Zealand's consumer policy framework including enforcement, conformance and redress mechanisms.
- Providing information and education to consumers, the community organisations that work with them, and businesses on their legal rights and obligations and access to remedies and redress.
- Developing and strengthening the capability of consumer representatives to represent consumer interests on decision-making bodies and extending and developing the pool of potential consumer representatives.
- Participating in a trans-Tasman project aimed at helping consumers protect themselves from mass-marketed scams, including an assessment of the need for further research into consumers and scams.
- Funding and promoting the Powerswitch comparative information facility for domestic electricity consumers.
- Participating in international fora including those that address issues of international deceptive practices targeting New Zealand consumers.

Promotion and Enforcement of Measurement and Product Safety Infrastructure

This appropriation provides services for the promotion and enforcement of a supportive trade measurement and product safety infrastructure for business and consumers, particularly through the administration of the Weights and Measures Act 1987 and the product safety provisions of the Fair Trading Act 1986.

Outputs for this appropriation include:

- Implementing the recommendations made from the review of the Trade Measurement Accreditation Scheme.
- Managing New Zealand's trade measurement environment to meet international standards in relation to goods sold by weight, measure or number.
- Participating in the activities of inter-governmental organisations dealing with legal metrology, including the OIML and the Asia-Pacific Legal Metrology Forum (APLMF) to enhance the credibility of the New Zealand measurement system.
- Developing and reviewing relevant voluntary and mandatory consumer safety standards, and contributing to the development of consumer safety policies.
- Educating and informing consumers and businesses about consumer safety.

- Investigating and resolving consumer safety complaints.
- Administering the mandatory powers provisions of the Fair Trading Act 1986.
- Building and maintaining national and international consumer safety networks.
- Contributing to the interdepartmental injury prevention activities through the New Zealand Injury Prevention Strategy Steering Group.

Part C2 - Non-Departmental Output Expenses

Capture and Provision of Data on Consumer Issues

This appropriation covers the cost of purchasing data from the New Zealand Association of Citizens Advice Bureaux to enhance policy advice and research and monitoring capability and to improve access to key information on consumers.

This will include working with the Citizens Advice Bureaux to develop their IT and personnel capability to extract and provide timely, consistent and relevant data.

Quantity, quality, timeliness and cost

Performance Measures	2007/08 Performance Standards
Quantity	
Required data is received in all selected categories	90%
Quality	
Data provided meets negotiated Ministry quality standards	90%
Timeliness	
Receipt of data reports as per negotiated standards	90%

Cost

	2006/07 \$000	2007/08 \$000
Total output class expenses	339	81

Provider

New Zealand Citizens Advice Bureaux.

Part F - Crown Revenue and Receipts

Part F1 - Current and Capital Revenue and Capital Receipts

	2006/07		2007/08	Description of 2007/08 Crown Revenue
	Budgeted \$000	Estimated Actual \$000	Budget \$000	
Non-Tax Revenue				
Trade Measurement Unit Infringement Fees	20	20	20	Fees paid by traders who have been issued with infringement offence notices for breaching weights and measures legislation.
Total Non-Tax Revenue	20	20	20	
Total Crown Revenue and Receipts	20	20	20	

VOTE *Corrections*

Corrections

Overview

Departmental appropriations sought for Vote Corrections in 2007/08 total \$894.189 million. This is intended to be spent as follows:

- \$111.533 million (12.5% of the Vote) on management and delivery of community-based sentences and orders through offender management and sentence management services.
- \$506.001 million (56.6% of the Vote) on providing custodial services and administering sentences of imprisonment.
- \$123.895 million (13.9% of the Vote) on custodial remand services to hold people charged with offences, and offenders convicted but not yet sentenced.
- \$10.967 million (1.2% of the Vote) on the transportation of prisoners to and from court and their supervision while at court.
- \$40.240 million (4.5% of the Vote) on providing information requested by the courts and the New Zealand Parole Board to inform their decision-making processes.
- \$4.881 million (0.5% of the Vote) on the provision of advice and development of policies to improve the delivery and effectiveness of corrections services, development of service standards, analysis of trends in the offender population, evaluation of the impact of programmes to reduce reoffending, ministerial servicing including responses to ministerial correspondence, parliamentary questions, official information requests and requests from the Office of the Ombudsmen.
- \$38.395 million (4.3% of the Vote) on prisoner employment, including providing opportunities for prisoners to gain recognised qualifications and work experience through a diverse range of employment-related activities and training.
- \$50.835 million (5.7% of the Vote) on prison and community-based responsivity and rehabilitative programmes to address the underlying causes of criminal offending, reintegrative services to prepare offenders for release into the community, and psychological services.
- \$1.734 million (0.2% of the Vote) on the provision of inspectorate services, development, management and monitoring of services from external providers, community funding contracts with external providers, contracts with Community Residential Centres, agreements with other Government agencies, development and maintenance of service specifications and national systems, victim notification services and offender records services.
- \$5.708 million (0.6% of the Vote) on funding for, and administrative services to, the New Zealand Parole Board.

The Department of Corrections does not expect to collect any Crown revenue in 2007/08.

Details of how the appropriations are to be applied appear in Parts B1, C and E of this Vote

Minister Portfolio Table

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Minister of Corrections

Corrections

ADMINISTERING DEPARTMENT: Department of Corrections

The Minister of Corrections is the Responsible Minister for the Department of Corrections

Part A - Statement of Objectives and Trends

Part A1 - Objectives for Vote

Related Government Outcomes

Key Government Goals

Vote Corrections directly supports the following themes that constitute government priorities for the next decade:

- Economic transformation
- Families - young and old
- National identity.

Justice sector outcomes

Vote Corrections contributes to the Government's priorities through its contribution to the justice sector overall outcome of a 'Safe and Just Society' for New Zealand.

Over the past year, the justice sector has redeveloped its outcomes framework as part of the sector planning approach that is linked to the achievement of the Government priorities. The outcomes framework reflects how justice sector agencies contribute to a safe and just society through eight outcome areas. Work will continue over the next few years to fully develop the framework and clearly define the contributions of each agency. This includes the development of appropriate performance indicators that will help track performance and demonstrate the progress that the sector is making towards the outcomes and government priorities.

Departmental outcomes

Vote Corrections contributes to five of the eight justice sector outcome areas:

- Sentences and orders are complied with.
- Offenders are managed safely and humanely.
- Re-offending is reduced.
- Sentence options are used effectively.
- Victims of crime are supported.

Outcome: Sentences and orders are complied with

Ensuring that an offender properly complies with the sentence or order imposed by a judge or the New Zealand Parole Board is fundamental to an effective justice system and offenders being held to account for their crimes.

Sentences and orders are complied with when an imposed sentence or order is served by the offender in the manner and extent intended by the legislation and the judiciary. Sentenced offenders are not entitled to enjoy the freedom to determine whether, or to what extent, they will submit to the constraints and requirements of a sentence or order. Attempts to breach the requirements of the sentence or order must be dealt with effectively, appropriately and in a timely manner.

A core purpose of the Department of Corrections is to implement and administer the sentences imposed by courts to ensure that 'sentence imposed is sentence served'. Sentences of imprisonment are the most severe sanction of the courts. The Department of Corrections must ensure that prisoners are confined and serve the specific term of imprisonment set by the sentencing judge. It is also very important that all offenders (both imprisoned offenders and offenders serving community-based sentences) do not serve longer than they are legally required to.

Outcome: Offenders are managed safely and humanely

When offenders are committed to the care and control of the Department of Corrections, it has a responsibility to ensure that those individuals are protected from avoidable harm, are afforded protection of their lawful rights, and (especially when unable to act independently because of imprisonment) their basic human needs are addressed.

When people are held in custody (either as sentenced prisoners or remand prisoners prior to their trial), they are severely restricted in their ability to meet their own needs. The Department of Corrections has an obligation to ensure that prisoners' legitimate needs are met. Provisions include the basic necessities of life (food, shelter, clothing, etc), adequate health care, opportunities to maintain relationships with family and friends, access to spiritual support and activities, and access to a reasonable level of recreation and leisure.

The Department of Corrections has an obligation to ensure that prisoners are kept safe by preventing self-harm, and harm that might be inflicted by other prisoners. The Department of Corrections must also ensure that offenders can raise legitimate grievances when they arise.

Outcome: Re-offending is reduced

A large proportion of sentenced offenders are reconvicted within five years of being released from prison or completing a community-based sentence. The Department of Corrections is focused on reducing re-offending through rehabilitative services which target the characteristics of offending behaviour, and providing activities and programmes to help offenders reintegrate into society after completing their sentences.

The Department of Corrections delivers a range of rehabilitative programmes and activities which target specific characteristics of offenders that are known causes of offending (criminogenic needs). Specific characteristics targeted include violence, alcohol and drug use, criminal association, and others referred to as criminogenic needs. By reducing the strength of these characteristics, actual re-offending is reduced.

Offenders who are usefully employed are less likely to commit crime. However, many offenders lack the educational qualifications and/or the occupational skills required to become employed. By assisting offenders to gain work skills and qualifications, the Department of Corrections helps increase the employability of offenders.

Lack of accommodation, unemployment, financial problems, and lack of social support are examples of common problems faced by offenders in the community. Enabling offenders to resolve these problems

(reintegration assistance) - especially amongst released prisoners - is important to reducing their risk of re-offending.

Outcome: Sentence options are used effectively

Effective sentencing occurs when the sentence imposed (or the parole decision) adequately denounces the crime, provides protection for the public, deters future crime, and permits rehabilitation of the offender, but does so by way of the most appropriate sentence option available.

By providing high-quality and timely advice to the judiciary and the New Zealand Parole Board, the Department of Corrections assists these bodies to impose a sentence or order that is commensurate to the crime, details risks posed by the offender to public safety, as well as their suitability for rehabilitation.

Outcome: Victims of crime are supported

Victims of crime are supported through being informed, to the extent that the Victims Rights Act 2002 allows, of changes in the status of the specified offender. Being informed provides, amongst other things, a degree of reassurance as to the possibility of future unexpected encounters with that offender.

- The Department of Corrections has a responsibility to notify victims about specific events relating to the offender detailed in the Victims Rights Act 2002.

Output Appropriations

The output appropriations fund a range of activities designed to deliver these outcomes, including:

- providing information requested by the courts and the New Zealand Parole Board to inform their decision-making
- applying the processes of induction, assessment and management of offenders, and reintegrating them effectively back into the community. This includes the development of individual sentence management plans for offenders and focuses on targeting resources on the basis of responsivity, criminogenic need and risk of re-offending
- delivering rehabilitative programmes targeted to offenders at risk of re-offending to address the underlying causes of their criminal offending and their motivation to change their behaviour
- providing specific treatment interventions such as:
 - providing psychological services and specialist units, including Māori Focus Units, a Pacific Focus Unit, a Faith-based Unit, Alcohol and Drug Treatment Units, a Violence Prevention Unit, Reintegration Units and Special Treatment Units for men who have sexually offended against children or young persons
 - delivering a range of reintegrative services aimed at providing offenders with the appropriate skills to participate effectively in society
 - reducing re-offending by Māori through programmes such as Tikanga Māori programmes in prison and community settings and providing Māori therapeutic programmes in Māori Focus Units
- improving the management of young offenders by the operation of Young Offenders Units
- responding to forecast increased demand for corrections facilities and services by ensuring they are progressively put in place as required
- enhancing organisational capability by maintaining existing physical infrastructure and strengthening the skills of staff.

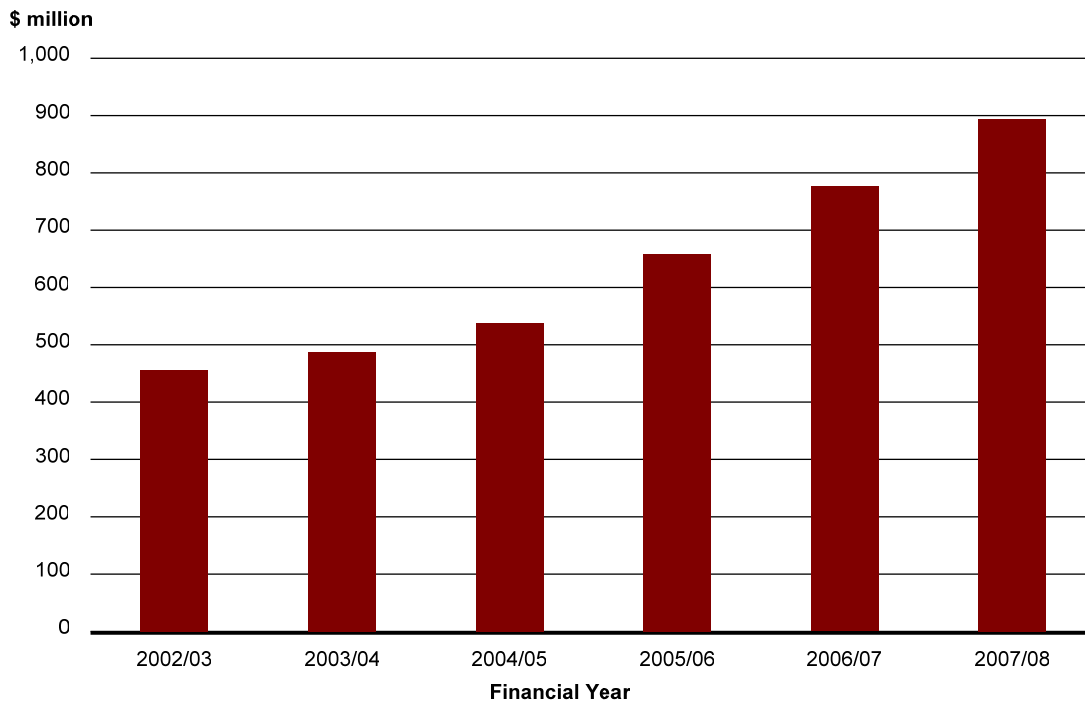
Part A2 - Trends in Vote

Departmental Output Trends

As outlined in the graph below, the annual departmental output expenses have increased by \$436.995 million (51.1%) from \$457.194 million in 2002/03 to \$894.189 million in 2007/08.

The chart below shows the trend in total departmental output expenses over time.

Figure 1 - Trends in departmental output expenses



Source: Department of Corrections

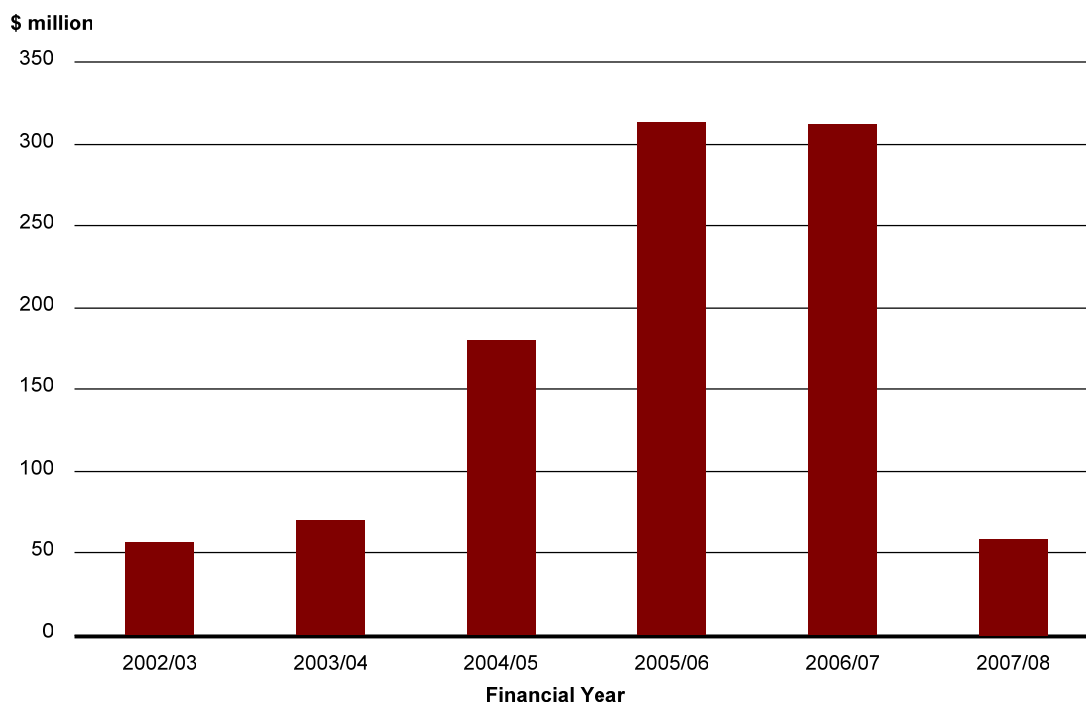
Significant movements over this period are as follows:

- There was no significant movement in 2002/03 from 2001/02 funding levels.
- The increase in 2003/04 mainly relates to funding received for the Department's Output Pricing Review (OPR) (\$26.0 million).
- The increase in 2004/05 mainly relates to operating costs for the Northland Region Corrections Facility (\$12.9 million) and the Auckland Central Remand Prison (\$3.2 million), additional OPR funding (\$14.0 million), bargaining round funding (\$6.0 million) and funding to meet prisoner demand (\$22.7 million).
- The increase in 2005/06 mainly relates to funding for the OPR (\$7.4 million), bargaining round funding (\$4.1 million) and additional funds to meet higher than predicted prisoner demand (\$17.3 million). Additional funding was also received for on-going operating costs for the Northland Region Corrections Facility (\$11.5 million) and the Auckland Region Women's Corrections Facility (\$10.8 million).
- The increase in 2006/07 mainly relates to funding for the Auckland Region Women's Corrections Facility (\$11.9 million), Spring Hill Corrections Facility (\$14.9 million), Otago Corrections Facility (\$15.5 million) and additional capital charge funding (\$22.4 million).
- The increase in 2007/08 mainly relates to funding for Effective Intervention programmes (\$61.3 million) and bargaining round funding (\$49.9 million).

Departmental Capital Expenditure

The chart below shows the trend in capital expenditure over time.

Figure 2 - Trends in capital expenditure



Source: Department of Corrections

Significant movements over this period are as follows:

- The increase in 2002/03 relates to funding for the construction of new facilities and Rimutaka Prison high security cells. Increases also occurred due to prison security upgrades and deferred maintenance costs.
- The increase in 2003/04 relates to funding for the construction of new facilities and prison security upgrades. This was offset by decreases in deferred maintenance costs and the completion of the Rimutaka Prison high security cells.
- The increase in 2004/05 relates to funding for the construction of new facilities. Funding was also received for the construction of 493 beds on existing sites to cover increased prisoner demand, funding for deferred maintenance costs and design costs for Mt Eden prison. This was offset by decreased funding due to the completion of the prison security upgrades.
- The increase in 2005/06 relates to funding for the construction of new facilities. Funding was also received for the construction of beds on existing sites to cover increased prisoner demand and deferred maintenance costs. This was offset by a decrease in funding due to the completion of the Northland Region Corrections Facility.
- The decrease in 2006/07 mainly relates to the completion of the Auckland Region Women's Corrections Facility and the completion of the additional 493 beds on existing sites.
- The decrease in 2007/08 mainly relates to the completion of Spring Hill Corrections Facility and Otago Correction Facility.

New Policy Initiatives by Appropriation

Initiative	Appropriation as shown in Part B	\$'000 increase/(decrease)				
		2006/07	2007/08	2008/09	2009/10	2010/11
Effective Interventions - Home Detention	Departmental Output Expense - Information Services	1,513	3,103	2,732	2,723	2,718
	Departmental Output Expense - Community-based Sentences and Orders	3,913	11,791	10,535	10,517	10,506
	Departmental Output Expense - Custody of Remand Prisoners	272	494	441	219	81
	Departmental Output Expense - Escort and Custodial Supervision	19	34	30	15	6
	Departmental Output Expense - Custodial Services	990	1,794	1,602	798	293
	Departmental Output Expense - Prisoner Employment	7	12	11	5	2
	Departmental Output Expense - Rehabilitative Programmes and Reintegrative Services	25	46	41	20	8
	Impact on Net Asset Schedule	25,200	4,000	(11,000)	(18,200)	-
Effective Interventions - Preventing Re-Offending	Departmental Output Expense - Information Services	2	7	11	6	-
	Departmental Output Expense - Community-based Sentences and Orders	5	15	24	14	-
	Departmental Output Expense - Custody of Remand Prisoners	56	179	291	168	-
	Departmental Output Expense - Escort and Custodial Supervision	4	12	20	11	-
	Departmental Output Expense - Custodial Services	1,309	2,931	3,912	3,185	2,575
	Departmental Output Expense - Prisoner Employment	(506)	2,176	3,084	3,925	3,921
	Departmental Output Expense - Rehabilitative Programmes and Reintegrative Services	240	1,938	4,098	4,937	4,921
	Impact on Net Asset Schedule	7,400	8,800	5,900	(22,100)	-
Effective Interventions - Corrections' Capacity	Departmental Output Expense - Information Services	675	1,384	1,377	1,368	1,347
	Departmental Output Expense - Community-based Sentences and Orders	2,965	6,005	5,988	5,969	5,926
	Departmental Output Expense - Custody of Remand Prisoners	1,155	3,224	3,026	2,791	2,268
	Departmental Output Expense - Escort and Custodial Supervision	79	220	206	190	155
	Departmental Output Expense - Custodial Services	4,200	11,724	11,001	10,147	8,249

		\$000 increase/(decrease)				
Initiative	Appropriation as shown in Part B	2006/07	2007/08	2008/09	2009/10	2010/11
	Departmental Output Expense - Prisoner Employment	29	80	75	69	56
	Departmental Output Expense - Rehabilitative Programmes and Reintegrative Services	108	301	283	261	212
	Impact on Net Asset Schedule	8,000	-	-	(8,000)	-
Effective Interventions: Reform of Community-based Sentences and Related Matters	Departmental Output Expense - Information Services	-	600	600	600	600
	Departmental Output Expense - Community-based Sentences and Orders	200	13,200	13,000	11,400	10,700
	Impact on Net Asset Schedule	2,700	15,300	-	(18,000)	-
2006 Bargaining Round	Departmental Output Expense - Information Services	1,216	1,823	2,186	2,186	2,186
	Departmental Output Expense - Community-based Sentences and Orders	3,145	4,729	5,674	5,674	5,674
	Departmental Output Expense - Custody of Remand Prisoners	6,237	8,260	8,438	8,438	8,438
	Departmental Output Expense - Escort and Custodial Supervision	425	563	576	576	576
	Departmental Output Expense - Custodial Services	22,679	30,036	30,680	30,680	30,680
	Departmental Output Expense - Prisoner Employment	1,958	2,620	3,262	3,262	3,262
	Departmental Output Expense - Rehabilitative Programmes and Reintegrative Services	1,297	1,870	2,201	2,201	2,201
New Custodial Facility for Rotorua Police Station	Departmental Output Expense - Custody of Remand Prisoners	(568)	(568)	(568)	(568)	(568)
	Impact on Net Asset Schedule	(4,900)	-	-	-	-
Mt Eden redevelopment documentation and tendering	Departmental Output Expense - Community-based Sentences and Orders	0	0	1	1	1
	Departmental Output Expense - Custody of Remand Prisoners	0	4	8	8	8
	Departmental Output Expense - Custodial Services	0	15	28	28	28
	Departmental Output Expense - Rehabilitative Programmes and Reintegrative Services	0	0	1	1	1
	Impact on Net Asset Schedule	0	500	0	0	0
Total Initiatives		53,649	110,622	114,875	111,825	107,031

Part B - Statement of Appropriations

Summary of Financial Activity

	2002/03	2003/04	2004/05	2005/06	2006/07		2007/08 Appropriations to be Used					2008/09	2009/10	2010/11
						Estimated	By the Department Administering the Vote		For Non-Departmental Transactions					
	Actual \$000	Actual \$000	Actual \$000	Actual \$000	Budget \$000	Actual \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	Total \$000	Estimated \$000	Estimated \$000	Estimated \$000
Appropriations														
Output Expenses	457,194	487,919	537,694	653,874	777,646	777,646	894,189	-	-	-	894,189	897,896	899,623	894,829
Benefits and Other Unrequited Expenses	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Borrowing Expenses	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Other Expenses	-	7,697	-	-	-	-	-	-	-	-	-	-	-	-
Capital Expenditure	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Intelligence and Security Department Expenses and Capital Expenditure	-	-	-	-	-	-	-	-	N/A	N/A	-	-	-	-
Total Appropriations	457,194	495,616	537,694	653,874	777,646	777,646	894,189	-	-	-	894,189	897,896	899,623	894,829
Crown Revenue and Receipts														
Tax Revenue	-	-	-	-	-	-	N/A	N/A	N/A	N/A	-	-	-	-
Non-Tax Revenue	-	-	-	-	-	-	N/A	N/A	N/A	N/A	-	-	-	-
Capital Receipts	-	-	-	-	-	-	N/A	N/A	N/A	N/A	-	-	-	-
Total Crown Revenue and Receipts	-	-	-	-	-	-	N/A	N/A	N/A	N/A	-	-	-	-

Part B1 - Details of Appropriations

	2006/07				2007/08		
	Budget		Estimated Actual		Vote		
Appropriations	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	Scope of 2007/08 Appropriations
Departmental Output Expenses (General)							
Community-Based Sentences and Orders (M18)	86,872	-	86,872	-	111,533	-	Provides for the management and delivery of community-based sentences and orders through sentence management and sentence compliance services.
Custodial Services (M18)	436,586	-	436,586	-	506,001	-	Provision of custodial services, the provision of facilities, and administering sentences of imprisonment.
Custody of Remand Prisoners (M18)	107,578	-	107,578	-	123,895	-	Provides for custodial remand services and provision of facilities to hold people charged with offences, and offenders convicted but not yet sentenced.
Escort and Custodial Supervision (M18)	9,972	-	9,972	-	10,967	-	Provides for transportation of prisoners to and from court and their custody while at court.
Information Services (M18)	36,944	-	36,944	-	40,240	-	Provision of psychological reports, remand pre-sentence reports, reparation reports, same day reports, home detention reports and assessments, oral information reports, home leave reports and pre-release reports for prisoners, information for extended supervision orders, and reports to the New Zealand Parole Board.
Policy Advice and Development (M18)	4,981	-	4,981	-	4,881	-	Provision of advice, development of policies, and Ministerial servicing relating to the reduction of re-offending, the effective management of corrections services, and the review, evaluation and development of service standards.
Prisoner Employment (M18)	39,786	-	39,786	-	38,395	-	Provision of prisoner employment, including the provision and administration of work experience and training opportunities designed to help address the underlying causes of criminal re-offending.
Rehabilitative Programmes and Reintegrative Services (M18)	47,489	-	47,489	-	50,835	-	Provision of prison and community-based responsivity and rehabilitative programmes, reintegrative services and psychological services designed to address the underlying causes of criminal re-offending.
Service Purchase and Monitoring (M18)	1,734	-	1,734	-	1,734	-	Provision of contract management, inspectorate, custodial assurance and national systems services.
Services to New Zealand Parole Board (M18)	5,704	-	5,704	-	5,708	-	Provides for services to the New Zealand Parole Board relating to the provision of administrative, financial and secretariat services.
Total Departmental Output Expenses (General)	777,646	-	777,646	-	894,189	-	
Total Appropriations	777,646	-	777,646	-	894,189	-	

Part C - Explanation of Appropriations for Output Expenses

Part C1 - Departmental Output Expenses

Community-based Sentences and Orders

This output class provides for the management and delivery of community-based sentences and orders through offender management and sentence management services. These activities and services contribute to the outcome of 'sentences and orders complied with'.

Community-based sentences currently include sentences of Supervision and Community Work. Community-based orders currently include Home Detention, Parole, Post-release Conditions and Extended Supervision for serious child-sex offenders. Offenders may be subject to more than one sentence or order if a concurrent sentence has been imposed.

Under proposed legislative changes currently before Parliament, a number of new community-based sentences and orders may become effective as of 1 October 2007. Home Detention, currently a means of serving a sentence of imprisonment, may become a stand-alone sentence imposed by the court, and, at the end of a sentence of imprisonment, new Residential Restrictions may become a special condition for offenders released on parole.

Other potential changes include Community Detention, a new electronically-monitored sentence that would restrict an offender to an address under curfew, and Intensive Supervision, a new sentence which would be imposed for any period from six months to two years. In contrast to Supervision, if introduced, Intensive Supervision would provide a higher level of restriction and supervision of an offender, and have a larger, more complex set of special conditions than those currently available under Supervision.

Custodial Services

Under this output class, the Department of Corrections provides custodial services and administers custodial sentences in a safe, secure and humane environment for all offenders sentenced to imprisonment.

The cost of this output class includes the cost of accommodation, supervision, security, sentence management, food and medical care.

Services provided under this output class contribute to the outcomes of 'sentences and orders complied with' and 'offenders managed safely and humanely'.

Custody of Remand Prisoners

Under this output class, the Department of Corrections provides custodial services in a safe, secure and humane environment for remand prisoners. Remand prisoners are people charged with offences and people convicted but not yet sentenced.

The cost of this output class includes the cost of accommodation, supervision, security, food and medical care.

Services provided under this output class contribute to the outcomes of 'sentences and orders complied with' and 'offenders managed safely and humanely'.

Escorts and Custodial Supervision

Under this output class, the Department of Corrections provides services to transport prisoners in a safe, secure and humane environment to and from court, and supervision while at court. Services provided within this output class contribute to the outcomes of 'sentences and orders complied with' and 'offenders managed safely and humanely'.

The costs under this output class include the time Corrections Officers spend attending court hearings.

Information Services

This output class covers the provision of information requested by the courts and the New Zealand Parole Board to inform their respective decision-making processes. Information provided includes psychological reports, pre-sentence assessment reports, reparation reports, home detention reports and assessments, oral information reports, home leave reports, parole assessment reports, and information for extended supervision orders.

Provision of this information contributes to the outcome of 'effective use of sentence options'.

Under the proposed legislative changes currently before Parliament, from 1 October 2007 the combination and nature of reports may change if new requirements are implemented. Judicial monitoring reports would be provided to the courts, and progress reports would be provided to the New Zealand Parole Board.

The costs under this output class also include the time Probation Officers spend preparing reports and attending court hearings.

Policy Advice and Development

This output class involves the provision of advice and the development of policies that contribute to improving service delivery, including policies that improve outcomes for Māori and Pacific peoples, and the development of effective criminal justice sector legislation. Services also include the development of service standards, the analysis of trends in the offender population, and the evaluation of the impact of programmes to reduce re-offending.

Also included in this output class are functions such as responding to ministerial correspondence and parliamentary questions, official information requests, and requests from the Office of the Ombudsmen.

Activities under this output class contribute to the full range of outcomes.

Prisoner Employment

Under this output class, the Department of Corrections provides prisoners with the opportunity to gain recognised qualifications and work experience through a range of employment-related activities and training.

A diverse range of structured activities is available, including catering, forestry, grounds maintenance, farming and manufacturing. Release-to-work opportunities are also provided to eligible prisoners.

These activities improve prisoners' chances of obtaining sustainable employment following release, thereby contributing to the outcome of 'reducing re-offending'.

Rehabilitative Programmes and Reintegrative Services

This output class provides rehabilitation and reintegration services to offenders serving both custodial and community-based sentences and orders. These services include:

- responsivity programmes to improve offenders' motivation to address the causes of their criminal offending
- rehabilitative programmes to address the causes of criminal offending. Assessment tools determine programme eligibility according to an offender's criminogenic needs, responsivity and risk of re-offending
- reintegrative services to prepare for an offender's release into the community, including support for families/whānau. Emphasis is placed on services that reinforce and sustain behavioural changes by building up basic skills that support reintegration into the community
- specialist psychological services, including psychological treatment of offenders.

Activities under this output class mainly contribute to the outcome of 'reducing re-offending'. The provision of psychological services also contributes to the outcome of 'offenders managed safely and humanely'.

Service Purchase and Monitoring

This output class includes:

- the provision of inspectorate services
- the development, management and monitoring of services from external providers
- agreements with other Government agencies
- community funding contracts with external providers
- contracts with Community Residential Centres.

It also includes the development and maintenance of service specifications and national systems, victim notification services and offender records services.

Activities under this output class contribute to achievement of the full range of outcomes, but particularly to 'offenders managed safely and humanely' and 'victims of crime supported'.

Services to the New Zealand Parole Board

This output class involves the provision of funding for, and administrative services to, the New Zealand Parole Board. This assists the New Zealand Parole Board to meet its independent statutory responsibilities.

Services provided under this output class contribute to the outcomes of 'reducing re-offending', 'sentences and orders complied with' and the 'effective use of sentence options'.

Part E - Explanation of Capital Flows

Part E1 - Explanation of Movements in Departmental Net Asset Schedules

Details of Net Asset Schedule for Department of Corrections	Estimated Actual 2006/07 \$000	Projected 2007/08 \$000	Explanation of Projected Movements in 2007/08
Opening Balance	1,274,138	1,665,820	
Capital Injections	311,682	58,600	Transfer of funds to 2007/08 and funding for Effective Intervention programmes incorporating community-based sentences, home detention, and prisoner employment.
Capital Withdrawals	-	-	
Surplus to be Retained (Deficit Incurred)	-	-	
Other Movements	80,000	-	
Closing Balance	1,665,820	1,724,420	

VOTE *Courts*

Courts

Overview

Appropriations sought for Vote Courts in 2007/08 total \$655.970 million. This is intended to be spent as follows:

- \$375.603 million (58% of the Vote) on purchasing services (mostly support for managing cases, claims and applications through the courts and tribunals, and the collection and enforcement of fines and civil debts) from the Ministry of Justice.
- \$200.701 million (30% of the Vote) on purchasing services from non-departmental providers. The major part of the appropriation covers costs incurred under various Acts.
- \$79.666 million (12% of the Vote) on non-departmental expenditure to cover judges' salaries and allowances.

The Ministry expects to collect \$236.026 million of Crown revenue in 2007/08, largely from fines and other penalties imposed through the Courts.

Details of how the appropriations are to be applied appear in Parts B1 and C. Details of Crown revenue appear in Part F.

Minister Portfolio Table

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Minister for Courts

Courts

ADMINISTERING DEPARTMENT: Ministry of Justice

The Minister of Justice is the Responsible Minister for the Ministry of Justice

Part A - Statement of Objectives and Trends

Part A1 - Objectives for Vote

Justice Sector Contribution to Government Priorities

The Government has set three high level, long-term priorities for the next decade on which the success of the social, economic, political and cultural activities of the nation will be built.

- Economic Transformation - working to progress our economic transformation to a high income, knowledge based market economy, which is both innovative and creative and provides a unique quality of life for all New Zealanders.
- Families - Young and Old - all families, young and old have the support and choices they need to be secure and able to reach their full potential within our knowledge based economy.
- National Identity - all New Zealanders to be able to take pride in who and what we are, through our arts, culture, film, sports and music, our appreciation of our natural environment, our understanding of our history and our stance on international issues.

The justice sector supports Economic Transformation by providing effective civil courts and tribunals that enable national and international business transactions to be conducted with security and confidence. By protecting the safety and security of individuals and communities, and ensuring that people can enjoy their civil and political rights, the justice sector supports Families – Young and Old. The sector also contributes to core elements of New Zealand's National Identity by providing services that support the maintenance of effective constitutional arrangements.

The sector's overall outcome is a 'Safe and Just Society' for New Zealand. For this outcome to be achieved, communities need to be safe and individuals need to feel secure and that they live in a society where civil and democratic rights and obligations can be enjoyed. Each justice sector agency has a role to play in delivering on this outcome, and in many instances agencies need to work together if we are to deliver core services effectively and maximise our contribution to outcomes.

Role and Contribution of the Ministry

The Ministry provides a range of services on behalf of the Government and supports the following Ministers:

- The Minister of Justice.
- The Minister Responsible for the Law Commission.
- The Minister in Charge of Treaty of Waitangi Negotiations.
- The Minister for Courts.
- The Attorney-General.

- The Associate Minister of Justice.
- The Associate Minister in Charge of Treaty of Waitangi Negotiations.

The Ministry is responsible for three core functions: the delivery of operational services including court and tribunal-related services, collections, electoral services and negotiations for settling historical Treaty of Waitangi claims; the provision of policy advice; and leadership of the justice sector. The Ministry administers these functions in three Votes: Justice; Treaty Negotiations; and Courts.

Output Appropriations

The Ministry of Justice administers Vote Courts and the output appropriations in this vote fund a range of activities that contribute to the sector outcomes:

- Higher Court services.
- District Court services.
- Specialist Courts, tribunals and other authorities' services.
- Waitangi Tribunal services.
- Collection and enforcement of fines and civil debts services.

The outputs provided by the Ministry are set out in section C1.

Links between Departmental Output Expenses and Justice Sector Outcomes

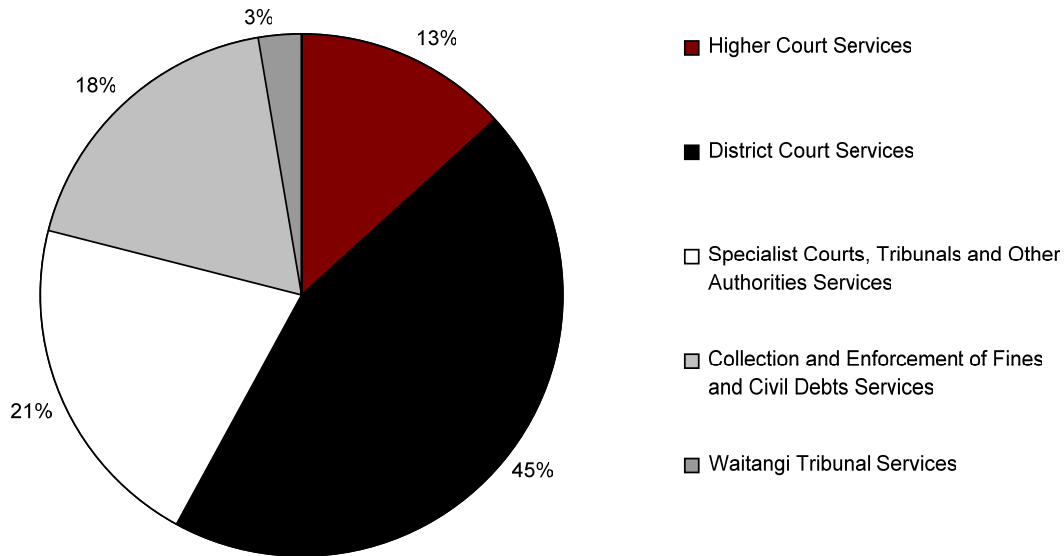
The links between the output expenses to be purchased and the particular outcomes for the Ministry of Justice are set out below:

Departmental Output Expenses	Outcomes
Higher Court services	<ul style="list-style-type: none"> • Safer communities. • Ensuring civil and democratic rights and obligations are enjoyed.
District Court services	
Collection and enforcement of fines and civil debts services	
Specialist courts, tribunals and other authorities' services	<ul style="list-style-type: none"> • Ensuring civil and democratic rights and obligations are enjoyed.
Waitangi Tribunal services	

Vote Structure

The chart below displays the composition of Vote Courts in terms of the proportion of each output expense to the total departmental appropriation of \$376.664 million for departmental output expenses.

Figure 1 - Vote Structure Departmental Output Expenses



Source: Ministry of Justice

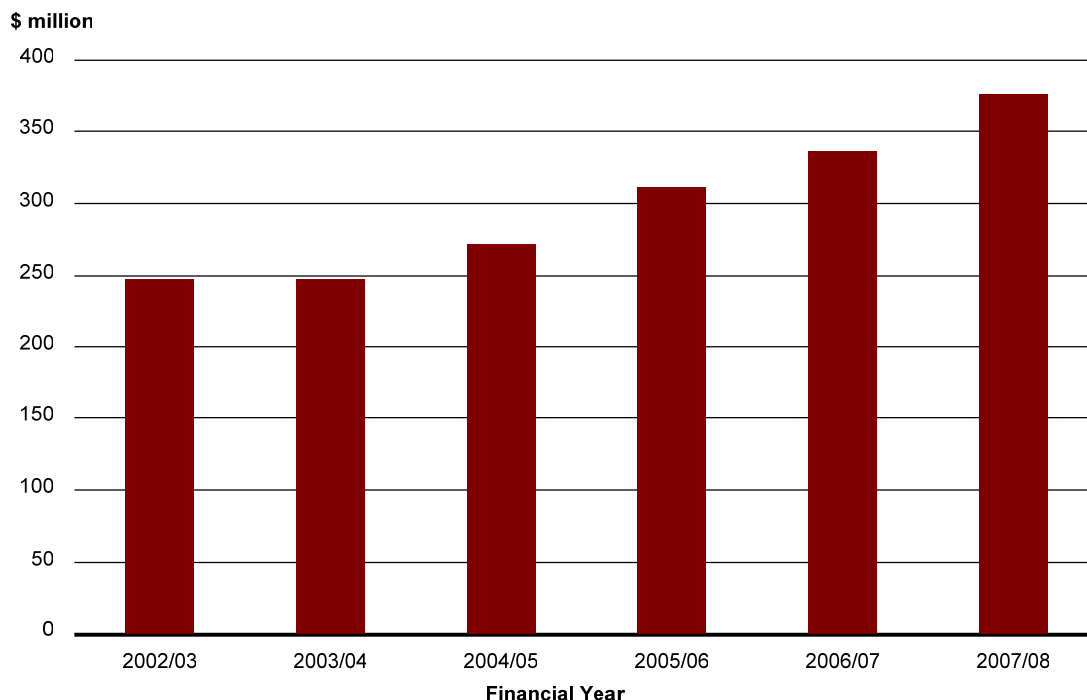
A more detailed breakdown is provided in Part B, Statement of Appropriations.

Part A2 - Trends in Vote

Departmental Output Trends

The chart below shows the trend in total departmental appropriations over time:

Figure 2 - Trends in Appropriations - Departmental Outputs



Source: Ministry of Justice

The Ministry's 2007/08 appropriation is \$376.664 million compared with the 2006/07 appropriation of \$336.051 million. The appropriation for Vote Courts has increased by \$40.413 million for 2007/08.

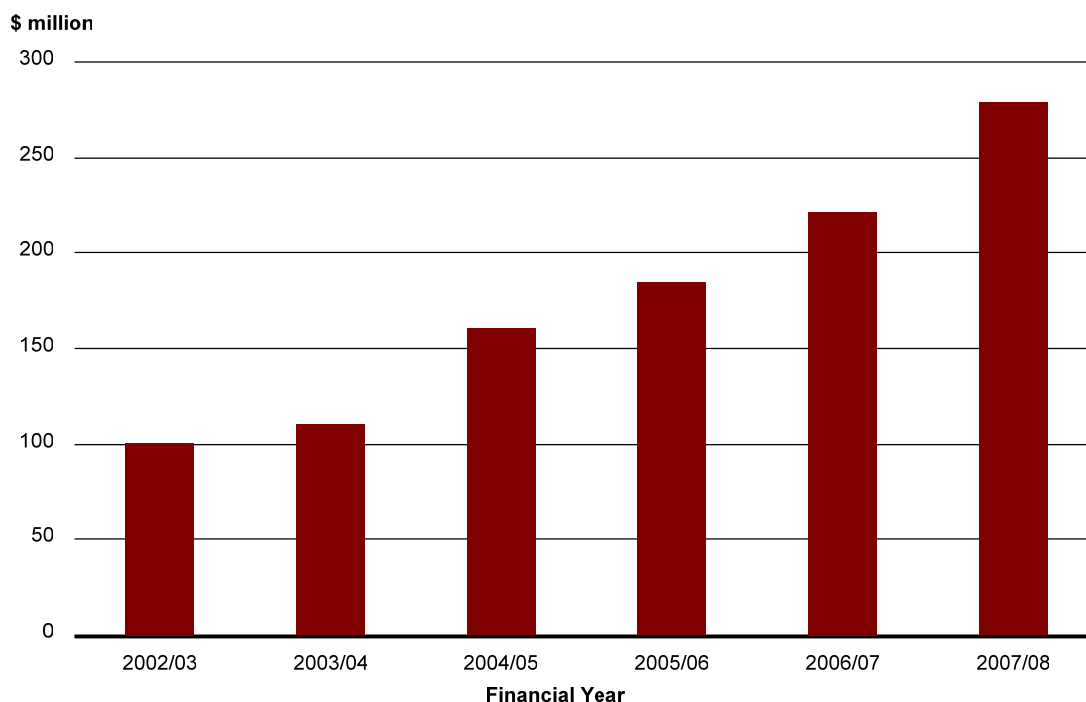
Key areas of additional funding for 2007/08 are:

- \$4.960 million for the transfer of Weathertight Homes Resolution Service.
- \$0.803 million to fund the processing of the increased caseload expected when 1,000 Police are appointed.
- \$3.347 million for establishing the Office of the Chief Coroner, 9 coronial offices around the country with 14 full-time coroners and a new Coronial Services Unit in the Ministry.
- \$0.399 million to fund remuneration rate increases for Certifying Consultants for providing services under the Contraception, Sterilisation and Abortion Act 1977 s.33.
- \$17.801 million to fund a new performance and remuneration system for approximately 2,280 field staff. This will remedy issues identified in the Baseline Review, such as addressing critical remuneration, recruitment and retention issues.
- One million dollars to fund the planning and development of detailed plans for the redevelopment of the Christchurch courts complex.
- \$7.539 million of actual expense transfers from 2006/07 to 2007/08.
- \$1.785 million to ensure the Waitangi Tribunal can deliver Government's stated policy of settling historical claims by 2020.

Non-Departmental Other Expenses

The chart below shows the trend in total non-departmental appropriations over time:

Figure 3 - Trends in Appropriations - Non-Departmental Outputs



Source: Ministry of Justice

These expenses predominately fall into two categories: judicially ordered costs and judges' salaries and allowances. The judges' salaries and allowances operate under permanent legislative authority.

The rise in judicially ordered costs is due to a combination of increased volumes and costs. Judges' salaries and allowances cost increases are due to a combination of increases in the statutory number of judges and annual determinations made by the Remuneration Authority.

The increase of \$49.016 million in the output expense Impairment of Fines, is due to the Ministry adopting International Financial Reporting Standards (IFRS) in accordance with Crown accounting policy.

New Policy Initiatives by Appropriation

Initiative	Appropriation as shown in Part B	\$000 increase/(decrease)				
		2006/07	2007/08	2008/09	2009/10	2010/11
Weathertight Homes	Departmental Output Expense - Specialist Courts, Tribunals and Other Authorities Services	1,086	433	433	666	735
	Other Expenses to be Incurred by the Crown - Tribunal Members Fees and Expenses	110	-	-	-	-
Transfer of Weathertight Homes Resolution Service	Departmental Output Expense - Specialist Courts, Tribunals and Other Authorities Services	1,172	6,132	6,171	4,560	3,625
	Transfer to Non-Departmental Expenses		(1,665)	(1,665)	(1,665)	(1,665)
	Other Expenses to be Incurred by the Crown - Tribunal Members Fees and Expenses	-	1,665	1,665	1,665	1,665
Effective Interventions - Home Detention	Departmental Output Expense - District Court Services	212	118	118	118	118
	Departmental Output Expense - Higher Court Services	22	11	11	11	11
Effective Interventions - 1,000 Additional Police	Departmental Output Expense - District Court Services	1,042	1,045	295	295	295
	Other Expenses to be Incurred by the Crown - Judges' Salaries and Allowances	350	290	290	290	290
Effective Interventions - Community-based sentences and Related Matters	Departmental Output Expense - District Court Services	400	500	400	400	400
Support Costs for Recent Additional Judicial Appointments	Departmental Output Expense - Higher Court Services	1,179	1,119	1,119	1,119	1,119
	Other Expenses to be Incurred by the Crown - Judges' Salaries and Allowances	1,410	1,200	1,200	1,200	1,200
1,000 Additional Police: Flow on Impacts	Departmental Output Expense - District Court Services	-	410	412	412	412
	Department Output Expense - Higher Court Services	-	393	376	376	376
	Other Expenses to be Incurred by the Crown - Judges' Salaries and Allowances	-	883	743	743	743
Implementing the Coroners Act 2006	Departmental Output Expense - Specialist Courts, Tribunals and Other Authorities Services	-	3,347	3,621	3,620	3,620
	Other Expenses to be Incurred by the Crown - Coroner Related Fees and Expenses	-	2,593	1,294	614	614

		\$000 increase/(decrease)				
Initiative	Appropriation as shown in Part B	2006/07	2007/08	2008/09	2009/10	2010/11
Judicial Officers Remuneration	Departmental Output Expense - Specialist Courts, Tribunals and Other Authorities Services	-	399	399	399	399
	Other Expenses to be Incurred by the Crown - Abortion Supervisory Committee - Certifying Consultants Fees	694	694	694	694	694
Justice Field Staff Remuneration	Departmental Output Expense - Collection and Enforcement of Fines and Civil Debts Services	-	4,515	4,696	4,884	4,884
	Departmental Output Expense - District Court Services	-	10,319	10,731	11,161	11,161
	Departmental Output Expense - Higher Court Services	-	983	1,022	1,063	1,063
	Departmental Output Expense - Specialist Court, Tribunals and Other Authorities Services	-	1,767	1,838	1,911	1,911
	Departmental Output Expense - Waitangi Tribunal Services	-	217	226	235	235
Christchurch Area Court Accommodation	Departmental Output Expense - Collection and Enforcement of Fines and Civil Debts Services	-	50	-	-	-
	Departmental Output Expense - District Court Services	-	850	-	-	-
	Departmental Output Expense - Higher Court Services	-	50	-	-	-
	Departmental Output Expense - Specialist Court, Tribunals and Other Authorities Services	-	50	-	-	-
Supreme Court Accommodation	Departmental Output Expense - Higher Court Services	-	1,061	4,546	7,513	7,513
Waitangi Tribunal - Meeting the 2020 Settlement Deadline	Departmental Output Expense - Waitangi Tribunal Services	-	1,785	2,025	2,025	2,025

Part B - Statement of Appropriations

Summary of Financial Activity

	2002/03	2003/04	2004/05	2005/06	2006/07		2007/08 Appropriations to be Used					2008/09	2009/10	2010/11
						Estimated	By the Department Administering the Vote		For Non-Departmental Transactions					
	Actual \$000	Actual \$000	Actual \$000	Actual \$000	Budget \$000	Actual \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	Total \$000	Estimated \$000	Estimated \$000	Estimated \$000
Appropriations														
Output Expenses	242,921	245,931	267,090	303,790	336,051	332,679	376,664	-	-	-	376,664	377,723	375,855	374,948
Benefits and Other Unrequited Expenses	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Borrowing Expenses	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Other Expenses	96,848	107,629	165,219	182,110	221,653	221,653	-	-	200,701	79,666	280,367	279,303	278,623	278,623
Capital Expenditure	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Intelligence and Security Department Expenses and Capital Expenditure	-	-	-	-	-	-	-	-	N/A	N/A	-	-	-	-
Total Appropriations	339,769	353,560	432,309	485,900	557,704	554,332	376,664	-	200,701	79,666	657,031	657,026	654,478	653,571
Crown Revenue and Receipts														
Tax Revenue	-	-	-	-	-	-	N/A	N/A	N/A	N/A	-	-	-	-
Non-Tax Revenue	145,808	223,221	238,513	240,507	240,833	240,833	N/A	N/A	N/A	N/A	236,026	236,026	236,026	236,026
Capital Receipts	-	3	3	-	-	-	N/A	N/A	N/A	N/A	-	-	-	-
Total Crown Revenue and Receipts	145,808	223,224	238,516	240,507	240,833	240,833	N/A	N/A	N/A	N/A	236,026	236,026	236,026	236,026

Part B1 - Details of Appropriations

	2006/07				2007/08		
	Budget		Estimated Actual		Vote		
Appropriations	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	Scope of 2007/08 Appropriations
Departmental Output Expenses (General)							
Collection and Enforcement of Fines and Civil Debts Services (M19)	63,281	-	63,241	-	69,086	-	- Purchase of collection and enforcement of fines and civil debts services.
District Court Services (M19)	153,784	-	152,487	-	168,344	-	- Provision of services in regard to the work of the District Courts, including the Youth Court and Family Court.
Higher Court Services (M19)	47,484	-	47,436	-	50,069	-	- Provision of services in regard to the work of the Supreme Court, Court of Appeal and High Court.
Specialist Courts, Tribunals and Other Authorities Services (M19)	63,532	-	61,550	-	79,223	-	- Provision of services in regard to the work of the Environment Court, Employment Court, Māori Land Court, Māori Appellate Court, Disputes Tribunals, Tenancy Tribunal, Liquor Licensing Authority, Coroners and a range of tribunals and other authorities. This output class also includes services to Māori landowners and contracting mortuary services as part of supporting the work of Coroners.
Waitangi Tribunal Services (M19)	7,970	-	7,965	-	9,942	-	- Purchase of research and administrative services related to the management of claims through the Waitangi Tribunal.
Total Departmental Output Expenses (General)	336,051	-	332,679	-	376,664	-	
Other Expenses to be Incurred by the Crown							
Abortion Supervisory Committee - Certifying Consultants Fees (M19)	5,028	-	5,028	-	5,040	-	- Payments to certifying consultants for providing opinions under Section 33 of the Contraception, Sterilisation and Abortion Act 1977.
Assistance to Victims of Crime (M19)	40	-	40	-	40	-	- Funding for the Criminal Justice Assistance Reimbursement Scheme.
Children Young Persons and Their Families Professional Services (M19)	8,800	-	8,800	-	8,800	-	- Counsel and specialists providing services and reports as directed by the court in relation to care and protection orders under the Children, Young Persons and Their Families Act 1989.
Coroner Related Fees and Expenses (M19)	2,537	-	2,537	-	5,130	-	- Payments to Coroners for the performance of their judicial responsibilities.
Coroner-Directed Post-Mortems (M19)	6,971	-	6,971	-	6,971	-	- Cost of pathology services and mortuary facilities for coroner-directed post-mortems.
Costs in Criminal Cases (M19)	300	-	300	-	300	-	- Costs awarded to defendants by a court under the Costs in Criminal Cases Act 1967.
Domestic Violence Professional Services (M19)	5,867	-	5,867	-	7,867	-	- Court appointed counsel and programme providers in relation to the Domestic Violence Act 1995. Reason for Change: To reflect the latest forecast of expenditure.

	2006/07				2007/08		
	Budget		Estimated Actual		Vote		
Appropriations	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	Scope of 2007/08 Appropriations
Family Court Professional Services (M19)	26,800	-	26,800	-	26,800	-	- Services provided by Court appointed counsel and specialists in relation to custody and access matters and matrimonial disputes, including those made under provisions of the Care of Children Act 2004.
Impairment of Fines Receivable (M19)	21,879	-	21,879	-	70,895	-	- Allowance for the impairment of fines and enforcement fees including the assessment of future fines remittals; the discounting to present value; expected collection costs and other elements in determining fair value. Reason for Change: Change in the basis of measurement under International Financial Reporting Standards (IFRS).
Judges' Salaries and Allowances (M19)	-	78,774	-	78,774	-	79,666	Costs related to the terms and conditions of remuneration for Judges and acting warranted Judges in the Supreme Court, Court of Appeal, High Court, District Court, Employment Court and Māori Land Court incurred pursuant to s.9A Judicature Act 1908, s.6 District Courts Act 1948 and s.13 Te Ture Whenua Māori Land Act 1993.
Judicial Review Costs (M19)	650	-	650	-	650	-	- Cost of legal services (including settlement of claims) in cases involving the exercise of judicial functions or the execution of judicial process or costs of counsel to assist the court, including payments ordered to be made from the Māori Land Court Special Aid Fund.
Justices of the Peace Association (M19)	147	-	147	-	147	-	- Cost of administrative services from the Royal Federation of Justices to roster Justices of the Peace for court hearings.
Medical and Other Professional Services (M19)	2,466	-	2,466	-	2,466	-	- Funding for medical and other professional services as required by legislation.
MVDT Adjudicator Remuneration and Assessors Costs (M19)	272	-	272	-	292	-	- Remuneration paid to adjudicators and fees and allowances paid to assessors of the Motor Vehicle Disputes Tribunal (MVDT).
Personal Property Protection Rights Costs (M19)	1,400	-	1,400	-	1,400	-	- Payments to service providers appointed by the court under the Protection of Personal and Property Rights Act 1988.
Remittals of Fines (M19)	49,302	-	49,302	-	52,328	-	- Fines remitted by Judges and others exercising the appropriate authority under statute. Reason for Change: Ministry's estimate of the value of fines that will be remitted by judges.
Representations for Blood Sampling (M19)	10	-	10	-	10	-	- Cost of representation for parties (aged under 17) appearing before the court with regard to providing blood samples in criminal investigations.
Tribunal Members Fees and Expenses (M19)	510	-	510	-	1,665	-	- Fees for the Chairs and Members of Specialist Tribunals, and expenses incurred by those Chairs and members in relation to Tribunal work.
Visiting Justices to Prisons (M19)	300	-	300	-	300	-	- To meet fees and expenses for Senior Counsel and Justices of the Peace appointed as Visiting Justices to prisons.

	2006/07				2007/08		
	Budget		Estimated Actual		Vote		
Appropriations	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	Scope of 2007/08 Appropriations
Other Expenses to be Incurred by the Crown - cont'd							
Witness Fees and Expenses (M19)	2,800	-	2,800	-	2,800	-	- Payments to ordinary and expert witnesses appearing in criminal jury trials.
Youth Court Professional Fees (M19)	6,800	-	6,800	-	6,800	-	- Payments to court appointed counsel and specialists providing reports as directed in the Youth Court.
Total Other Expenses to be Incurred by the Crown	142,879	78,774	142,879	78,774	200,701	79,666	
Total Appropriations	478,930	78,774	475,558	78,774	577,365	79,666	

Part C - Explanation of Appropriations for Output Expenses

Part C1 - Departmental Output Expenses

Higher Court Services

This output includes services that relate to the work of the Supreme Court, Court of Appeal and High Court, and to people and agencies engaged in criminal and civil cases; and to support the work of the judiciary in determining and managing cases.

District Court Services

This output includes services that relate to the work of the District Courts, and to people and agencies engaged in criminal and civil cases; and to support the work of the judiciary in determining and managing cases.

Specialist Courts, Tribunals and Other Authorities' Services

This output includes the provision of services to:

The Environment Court, Employment Court, Māori Land Court, Māori Appellate Court, Disputes Tribunals, Tenancy Tribunal, Weathertight Homes Tribunal, Liquor Licensing Authority, Coronial Services, Secondhand Dealers and Pawnbrokers Licensing Authority, and a range of tribunals and other authorities.

- Māori landowners and people and agencies engaged in cases.
- Support the work of the judiciary and other statutory officers (including judicial officers) in determining and managing cases.
- Support the work of Coroners, including contracting mortuary services.

Waitangi Tribunal Services

This output includes providing registration, research, and administrative services relating to claim management for the Waitangi Tribunal. It also includes supporting the work of the Waitangi Tribunal with inquiries into and reports on claims in respect of breaches of the Treaty of Waitangi.

Collection and Enforcement of Fines and Civil Debts Services

This output includes:

- Collecting and enforcing court-imposed monetary penalties and infringement fines. These include fines, reparation, restitution, court costs and other orders. The Ministry becomes involved in collection after the imposing authority has been unsuccessful in its attempts to recover the debt.
- Assisting the enforcement of civil court orders and collection of civil debts. This covers the services provided on behalf of judgment creditors. Civil court orders include those made in the civil jurisdiction of the Supreme Court, Court of Appeal, High Court, District Court, Environment Court, Employment Court, Disputes Tribunals and Tenancy Tribunal.

Part F - Crown Revenue and Receipts

Part F1 - Current and Capital Revenue and Capital Receipts

	2006/07		2007/08	Description of 2007/08 Crown Revenue
	Budgeted \$000	Estimated Actual \$000	Budget \$000	
Non-Tax Revenue				
Court Fines	240,784	240,784	235,977	Estimated revenue expected to be collected on behalf of the Crown from the enforcement of monetary penalties imposed through the Courts.
Money Forfeited to the Crown	49	49	49	Judicial orders made to pay money to the Crown.
Total Non-Tax Revenue	240,833	240,833	236,026	
Total Crown Revenue and Receipts	240,833	240,833	236,026	

VOTE *Crown*

Research Institutes

Crown Research Institutes

Overview

Departmental appropriations sought for Vote Crown Research Institutes (CRIs) in 2007/08 total \$1.073 million. This appropriation is intended to be spent as follows:

- Ownership monitoring advice to, and management of issues on behalf of, the Minister for CRIs, the Minister of Research, Science & Technology, and the Minister for Economic Development.

Non-departmental appropriations sought for Vote Crown Research Institutes in 2007/08 total \$1.240 million. This is intended to be spent on:

- Settling indemnities provided to CRIs when they were established, relating to legal claims against the former science departments, cleaning up contaminated sites and meeting various statutory requirements.
- Providing assistance to individual CRIs, where certain conditions have been met, for costs arising from non-excluded potential or actual liabilities.

Terms and Definitions Used

CCMAU	Crown Company Monitoring Advisory Unit
CRI	Crown Research Institute
NZVIF	New Zealand Venture Investment Fund Ltd
REANNZ	Research and Education Advanced Network New Zealand Ltd

Minister Portfolio Table

20	Minister for Crown Research Institutes
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Crown Research Institutes

ADMINISTERING DEPARTMENT: The Treasury
The Minister of Finance is the Responsible Minister for the Treasury

Part A - Statement of Objectives and Trends

Part A1 - Objectives for Vote

Related Government Outcomes

The appropriations in Vote CRIs will make an important contribution in assisting New Zealand's transformation to a high income, knowledge based economy for the benefit of all New Zealanders. They fund the provision of advice to enable shareholding Ministers to hold the boards of the CRIs, NZVIF and REANNZ accountable for their performance in maintaining and enhancing shareholder value. Monitoring the Crown's ownership interest in these companies contributes to the efficient management of the Crown's assets and liabilities. The CRIs, NZVIF and REANNZ have an important role to play in the New Zealand innovation system, thereby contributing to improving New Zealand's overall economic performance.

Output Expenses

The appropriation is intended to fund the provision of policy and ownership monitoring advice on nine CRIs, NZVIF and REANNZ, and the provision of advice on the performance of the CRI Capability Fund, and includes:

- advising the Minister for CRIs, the Minister for Economic Development and the Minister of Research, Science & Technology on the strategic direction of CRIs, NZVIF and REANNZ respectively and the commercial and fiscal risks associated with Crown ownership
- providing advice which assists the Minister for CRIs, Minister for Economic Development and the Minister of Research, Science & Technology to set ownership objectives and targets for CRIs, NZVIF and REANNZ
- monitoring and advising the Minister for CRIs, Minister for Economic Development and the Minister of Research, Science & Technology of CRIs', NZVIF's and REANNZ's performance against these objectives and targets
- providing policy advice on, and managing issues arising out of, the ownership of CRIs, NZVIF and REANNZ, including residual implementation issues
- managing, on behalf of the responsible Ministers, the appointment of CRI, NZVIF and REANNZ directors and monitoring the performance of those directors and boards
- assisting the responsible Minister in the formulation of shareholders' expectations in relation to the governance practices and structures companies adopt.

Maintaining and enhancing the Crown's ownership interest in these companies contributes to the efficient management of the Crown's assets and liabilities. The CRIs, NZVIF and REANNZ have an important role to play in the New Zealand innovation system, thereby contributing to improving New Zealand's overall economic performance.

Part A2 - Trends in Vote

The time series of departmental and Crown flows detailed in the table below for Vote CRIs reflects the variation in outputs purchased by the Crown. It also reflects fluctuations in non-departmental expenses.

Output Trends: 2002/03 to 2007/08

Variations in output expenditure over this period reflect changes in the nature and quantity of outputs. The variation in the costs of monitoring advice in this output expense appropriation up until 2003/04 reflects the changing demands of the responsible Minister for project-based work requiring resources outside the Unit. The level of advice has been consolidated with the emphasis shifting towards enhancing the quality of outputs.

In 2002/03 the appropriation was fully spent. Compared to the previous year, when savings were achieved, this result was primarily due to the cost of an unexpected independent enquiry into one part of a CRI's activities.

In 2003/04 CCMAU continued its core monitoring activities. In addition, it was heavily involved in providing advice about the commercialisation of publicly funded research. This included active participation in a Commercialisation Steering Group with officials from the Treasury, the Ministry of Research, Science & Technology, and the Tertiary Advisory Monitoring Unit.

Expenditure in 2004/05 reflected continuing work on identifying a suite of indicators to better reassure the value created by the commercialisation of intellectual property from CRIs.

Also, CCMAU continued its role in policy development being actively involved in a review of research vessels' options, the Oceans 20/20 project, a review of the National Isotope Centre and background work towards the establishment of a National Centre for Emerging Diseases and Biosecurity.

In 2005/06 CCMAU remained involved in policy development activity as well maintaining its core monitoring role. Specific highlights included:

- providing advice on a review of the organisational and purchasing arrangements supporting New Zealand's weather forecasting and climate services
- implementation of the Seed Co-Investment Fund
- the establishment and incorporation of REANNZ, and
- policy options relating to CRI technology transfer and commercialisation activities.

During 2006/07 CCMAU maintained its focus on its core monitoring role. An important achievement was the introduction of a suite of research application indicators and highlighted the valuable contribution that CRIs make to New Zealand's economy, society and environment. This, complete with the further refinement of the Operating Framework for CRIs, provides clarity around how CRIs' performance will be monitored.

The appropriation for 2007/08 will essentially serve to fund the continuation of activities that were carried out during the previous year.

Non-Departmental Expenditure Trends: 2001/02 to 2006/07

Variations in expenditure reflect one-off items rather than ongoing transactions. Appropriations enable the Crown to settle claims under indemnities and provisions provided to CRIs when they were established. These indemnities and provisions primarily relate to:

- claims against the Crown arising from the activities of the former science departments prior to the formation of CRIs
- reimbursement to CRIs of costs associated with the cleaning up of contaminated site
- reimbursement to CRIs of costs associated with statutory requirements (eg, the Building Act 1991).

In 2004/05 additional funds were appropriated to settle further previously unforeseen liabilities arising from the establishment of CRIs, and assist one CRI to meet the costs of cleaning up a contaminated site.

The timing of the settlement of these previously unforeseen liabilities continues to be delayed by resource consent processes taking longer than anticipated. Settlement is now most likely in 2007/08.

However, the clean up of the one CRI's contaminated site was completed in 2005/06.

From 1998/99, Crown revenue from the net surpluses of CRIs was transferred to Vote CRIs from Vote Finance. From 2002/03, following full line-by-line consolidation, CRI net surpluses are reported directly into the Crown accounts by the individual companies, with only the dividends being reported through the Vote.

Part B - Statement of Appropriations

Summary of Financial Activity

	2002/03	2003/04	2004/05	2005/06	2006/07		2007/08 Appropriations to be Used					2008/09	2009/10	2010/11
							By the Department Administering the Vote		For Non-Departmental Transactions					
	Actual \$000	Actual \$000	Actual \$000	Actual \$000	Budget \$000	Estimated Actual \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	Total \$000	Estimated \$000	Estimated \$000	Estimated \$000
Appropriations														
Output Expenses	819	892	957	970	1,062	1,062	1,073	-	-	-	1,073	1,074	1,074	1,074
Benefits and Other Unrequited Expenses	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Borrowing Expenses	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Other Expenses	47	35	847	-	1,005	1,005	-	-	1,240	-	1,240	-	-	-
Capital Expenditure	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Intelligence and Security Department Expenses and Capital Expenditure	-	-	-	-	-	-	-	-	N/A	N/A	-	-	-	-
Total Appropriations	866	927	1,804	970	2,067	2,067	1,073	-	1,240	-	2,313	1,074	1,074	1,074
Crown Revenue and Receipts														
Tax Revenue	-	-	-	-	-	-	N/A	N/A	N/A	N/A	-	-	-	-
Non-Tax Revenue	3,450	350	15,000	18,000	732	732	N/A	N/A	N/A	N/A	967	850	2,000	970
Capital Receipts	-	-	-	-	-	-	N/A	N/A	N/A	N/A	-	-	-	-
Total Crown Revenue and Receipts	3,450	350	15,000	18,000	732	732	N/A	N/A	N/A	N/A	967	850	2,000	970

Part B1 - Details of Appropriations

	2006/07				2007/08		
	Budget		Estimated Actual		Vote		
Appropriations	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	Scope of 2007/08 Appropriations
Departmental Output Expenses (General)							
Crown Company Monitoring Advice to the Minister for Crown Research Institutes, Minister for Economic Development and the Minister of Research, Science and Technology (M20)	1,062	-	1,062	-	1,073	-	Provision by the CCMAU of ownership monitoring advice to, and management of issues on behalf of, the Minister for CRIs, Minister for Economic Development and Minister of Research, Science & Technology in respect of the Ministers' shareholder responsibilities.
Total Departmental Output Expenses (General)	1,062	-	1,062	-	1,073	-	
Other Expenses to be Incurred by the Crown							
Crown Residual Liabilities (M20)	1,005	-	1,005	-	1,240	-	Payments made in relation to indemnities provided by the Crown to CRIs when they were established, relating to settling legal claims against the former science departments, cleaning up contaminated sites, meeting various statutory requirements, and reimbursing CRIs for redundancy payments in relation to staff not retained.
Total Other Expenses to be Incurred by the Crown	1,005	-	1,005	-	1,240	-	
Total Appropriations	2,067	-	2,067	-	2,313	-	

Part C - Explanation of Appropriations for Output Expenses

Part C1 - Departmental Output Expenses

Crown Company Monitoring Advice to the Minister for Crown Research Institutes, Minister for Economic Development and the Minister of Research, Science & Technology

This output involves the provision of policy and ownership monitoring advice on nine CRIs, NZVIF and REANNZ, and the provision of advice on the performance of the CRI Capability Fund, and includes:

- advising the Minister for CRIs, the Minister for Economic Development and the Minister of Research, Science & Technology on the strategic direction of CRIs, NZVIF and REANNZ respectively and the commercial and fiscal risks associated with Crown ownership
- providing advice which assists the Minister for CRIs, the Minister of Economic Development and the Minister of Research, Science & Technology to set ownership objectives and targets for CRIs, NZVIF and REANNZ
- monitoring and advising the Minister for CRIs, Minister of Economic Development and the Minister of Research, Science & Technology of CRIs', NZVIF's and REANNZ's performance against these objectives and targets
- providing policy advice on, and managing issues arising out of, the ownership of CRIs, NZVIF and REANNZ, including residual implementation issues
- managing, on behalf of the responsible Ministers, the appointment of CRI, NZVIF and REANNZ directors and monitoring the performance of those directors and boards
- assisting the responsible Minister in the formulation of shareholders' expectations in relation to the governance practices and structures companies adopt.

Maintaining and enhancing the Crown's ownership interest in these companies contributes to the efficient management of the Crown's assets and liabilities. The CRIs, NZVIF and REANNZ have an important role to play in the New Zealand innovation system, thereby contributing to improving New Zealand's overall economic performance.

Part E - Explanation of Capital Flows

Part E2 - Statement of Estimated and Forecast Net Worth of Entities Owned

The Minister for CRIs is responsible for the Government's ownership interest in CRIs. The Minister of Finance is the sole other and equal shareholding Minister. The estimated net worth (total assets less total liabilities) of these bodies is listed in the table below.

Changes in net worth result from the net effects of profit (after tax), dividends paid and capital injections or withdrawals. Data for these organisations are based on forecasts provided for inclusion in the 2007 Budget.

	Balance Date	Estimated Net Worth 2007 \$000	Forecast Net Worth 2008 \$000
Crown Entities:			
All CRIs	30 June	338,200	355,500

Part F - Crown Revenue and Receipts

Part F1 - Current and Capital Revenue and Capital Receipts

	2006/07		2007/08	Description of 2007/08 Crown Revenue
	Budgeted \$000	Estimated Actual \$000	Budget \$000	
Non-Tax Revenue				
Dividends from Crown Research Institutes	732	732	967	Dividends paid to the Crown by CRIs. Dividend policy for CRIs is set out in shareholding Ministers' operating framework for the companies and states that, where a CRI has opportunities to invest appropriately (and providing its capital structure is acceptable) it should do so in lieu of paying a dividend.
Total Non-Tax Revenue	732	732	967	
Total Crown Revenue and Receipts	732	732	967	

VOTE *Customs*

Customs

Overview

Departmental Appropriations

Departmental appropriations sought for Vote Customs in 2007/08 total \$119.109 million. This is intended to be spent as follows:

- \$7.229 million (6% of departmental appropriations in this Vote) on policy advice.
- \$4.769 million (4% of departmental appropriations in this Vote) on intelligence and risk assessment services.
- \$38.711 million (32% of departmental appropriations in this Vote) on clearance of international passengers, crew and craft.
- \$46.221 million (39% of departmental appropriations in this Vote) on clearance of import, export, and excise transactions.
- \$3.012 million (2% of departmental appropriations in this Vote) on revenue collection, accounting, and debt management.
- \$6.386 million (5% of departmental appropriations in this Vote) on surveillance, search, and containment.
- \$9.425 million (8% of departmental appropriations in this Vote) on investigation of offences.
- \$891,000 (1% of departmental appropriations in this Vote) on prosecution and civil proceedings.
- \$2.035 million (2% of departmental appropriations in this Vote) on technical advisory services.
- \$430,000 (1% of departmental appropriations in this Vote) on National Maritime Co-ordination Centre.

Non-Departmental Appropriations

Non-departmental appropriations sought for Vote Customs in 2007/08 total \$552,000. Part D refers.

Crown Revenue and Receipts

The New Zealand Customs Service expects to collect \$8,876 million of Crown revenue in 2007/08.

Details of how the appropriations are to be applied appear in Parts B1, C, D and E of this Vote. Details of Crown revenue appear in Part F.

Terms and Definitions Used

GIF	Growth and Innovation Framework
OCO	Oceania Customs Organisation
WCO	World Customs Organisation

Minister Portfolio Table

21	Minister of Customs
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Customs

ADMINISTERING DEPARTMENT: New Zealand Customs Service

The Minister of Customs is the Responsible Minister for the New Zealand Customs Service

Part A - Statement of Objectives and Trends

Part A1 - Objectives for Vote

The New Zealand Customs Service (Customs) serves to protect New Zealand's borders and revenue in order that New Zealanders may live in safety while actively participating in the global community. It does this by facilitating legitimate trade and travel and enforcing laws aimed at keeping illicit goods and people from entering or leaving the country.

Link to Government Priorities

Customs' outcomes contribute to the government priorities as set out in the table below:

Government Priorities	Themes	Customs' Outcomes
Economic transformation	Growing globally competitive firms	Trade and Tourism Support
	World class infrastructure	Customs Revenue
	An internationally competitive city - Auckland	Border Management Assurance
	Environment Sustainability	Community Protection
Families – young and old	Healthy confident kids	Border Security
	Safe communities	Community Protection
	Better health for all	Customs Revenue
		Border Management Assurance
National identity	What we do	Border Security
	Where we live	Community Protection
	How we are seen by the world	Border Management Assurance

Outcomes

Customs' four outcomes for the community reflect the key areas in which Customs is seeking to have positive impacts for Government and citizens, through effective border management. These outcomes have been reworded and refocused to represent more clearly their scope and links with the related higher-level outcomes that are the primary focus of other agencies.

- **Border Security:** New Zealand is protected from threats to national security by Customs' situational awareness and readiness to respond.
- **Community Protection:** New Zealand's community, economy and environment are protected from harm by effective and efficient border management.
- **Customs Revenue:** New Zealand's economic, social and environmental goals are supported by the effective and efficient collection of Customs revenue.
- **Trade and Tourism Support:** Sustainable economic growth is supported through effective and efficient border management.

Border Management Assurance is an intermediate outcome focusing on the effectiveness of Customs' integrated border management system, which provides the foundation for the achievement of the above four community-focused outcomes. New Zealand's sovereign interests are protected through Customs' management of New Zealand's border.

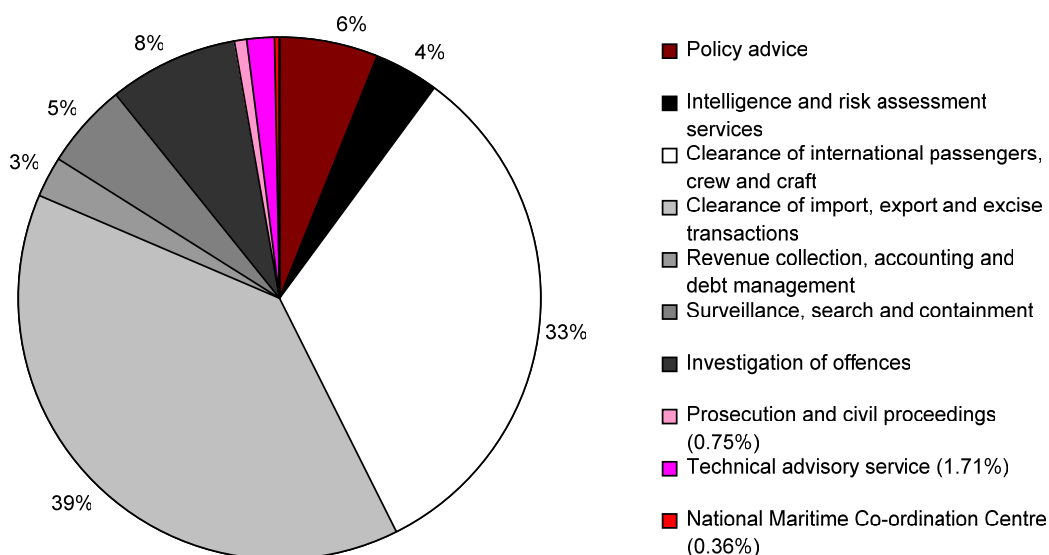
Output Expenses

Customs aims to achieve the outcomes identified by providing the following classes of outputs:

- Policy Advice
- Intelligence and Risk Assessment Services
- Clearance of International Passengers, Crew and Craft
- Clearance of Import, Export, and Excise Transactions
- Revenue Collection, Accounting, and Debt Management
- Surveillance, Search and Containment
- Investigation of Offences
- Prosecution and Civil Proceedings
- Technical Advisory Services
- National Maritime Co-ordination Centre.

Linkages between key outputs, key initiatives and departmental outcomes are detailed in Customs' *Statement of Intent 2007-08*.

Figure 1 - Distribution of Vote Customs by output expense



Source: New Zealand Customs Service

Part A2 - Trends in Vote

The departmental and Crown flows in Vote Customs are detailed in the 'Summary of Financial Activity' table in Part B - Statement of Appropriations.

In recent years, additional funding has been provided to help Customs:

- respond to increased volumes of passengers and cargo, and to achieve agreed processing and clearance times
- increase its presence and intervention activity in the maritime environment, for example 100% boarding of marine vessels, and to maintain higher levels of interdiction at airports
- implement its Trade Security Strategy including an enhanced non-invasive inspection capability, the Secure Exports Scheme, and the Supply Chain Security Arrangement with the United States
- respond to increased community risk, especially the steady growth in the involvement of trans-national organised criminal syndicates in a range of criminal activities such as the smuggling of illicit drugs, goods infringing intellectual property rights and stolen property
- increase its international presence with new posts in Washington and Beijing to assist with law enforcement and trade facilitation
- fund organisational development and manage remuneration pressures
- increase its audit capability to protect and enhance the Government interest in Crown revenue from goods and people crossing the border
- implement a Data Match for Student Loans
- upgrade border management systems.

Crown revenue is forecast to steadily increase from 2007/08 onwards, in line with forecast growth in import and export activity.

Departmental Output Trends: 2002/03 to 2007/08

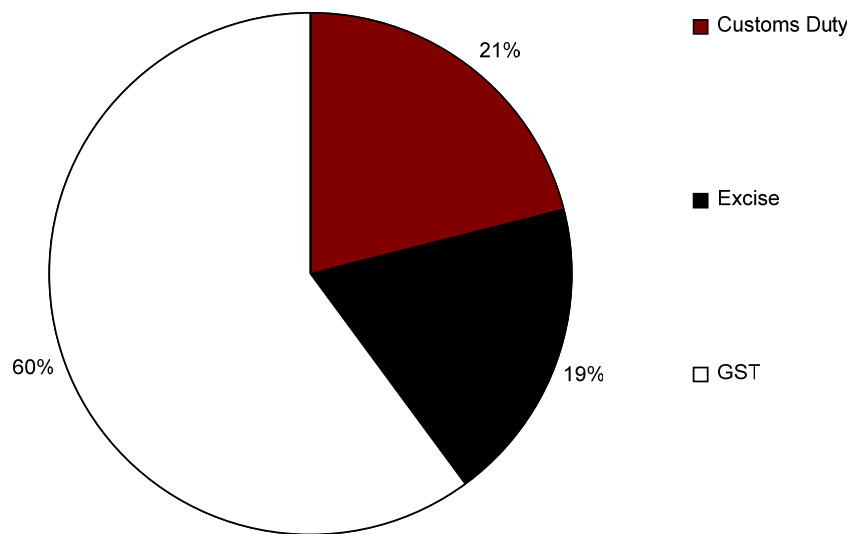
Revenue Crown/revenue other

In recent years there has been an increase in funding to accommodate volume growth, enhance organisational capability and to enable new services to be delivered. This funding has been provided to enhance border security, whilst also enabling government requirements in respect of community protection, trade facilitation, and revenue collection to be met.

Non-Departmental Expenditure and Revenue Trends: 2002/03 to 2007/08

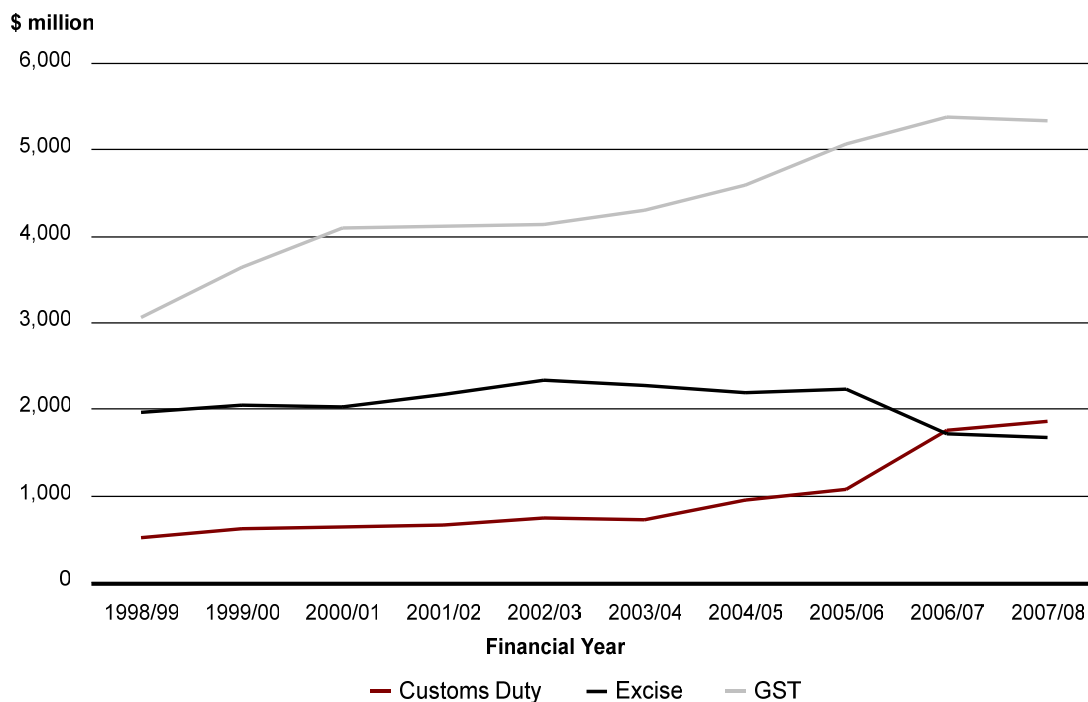
Crown revenue

Crown revenue is collected through customs duties and GST on imports and excise on alcoholic beverages, tobacco, and petroleum products. Figure 2 notes the proportion of collections by category of Crown revenue forecast to be collected in 2007/08.

Figure 2 - 2007/08 Crown revenue by category

Source: New Zealand Customs Service

Figure 3 illustrates growth in Crown revenue collected by category.

Figure 3 - Crown revenue collections by category 1998/99 - 2007/08

Source: New Zealand Customs Service

Analysis by Appropriation: 2006/07 and 2007/08 Compared

Departmental output expenses

Annual appropriations for the purchase of departmental outputs are expected to increase by \$8.157 million for 2007/08 compared with 2006/07. The changes in total appropriations are mainly as a result of additional funding for remuneration and accommodation approved as part of previous budgets (\$3.591 million) and the new initiatives approved in the 2007 budget round (\$5.553 million - see next page for details). This is offset by reduction in baseline of \$0.987 million for one off activities that occurred in 2006/07.

New Policy Initiatives by Appropriation

		\$000 increase/(decrease)				
Initiative	Appropriation as shown in Part B	2006/07	2007/08	2008/09	2009/10	2010/11
Passenger Processing Facilities at Auckland International Airport	Clearance of International Passengers, Crew and Craft	0	0	210	210	210
	Sub Total	0	0	210	210	210
Customs' People Capability	Clearance of Import, Export and Excise Transactions	0	950	950	950	950
	Clearance of International Passengers, Crew and Craft	0	1,120	1,120	1,120	1,120
	Intelligence and Risk Assessment Services	0	124	124	124	124
	Investigation of Offences	0	203	203	203	203
	National Maritime Co-ordination Centre	0	6	6	6	6
	Policy Advice	0	104	104	104	104
	Prosecutions and Civil Proceedings	0	17	17	17	17
	Revenue Collection, Accounting and Debt Management	0	86	86	86	86
	Surveillance, Search and Containment	0	157	157	157	157
	Technical Advisory Services	0	45	45	45	45
	Sub Total	0	2,812	2,812	2,812	2,812
Border Management Systems Upgrade Stage 1	Clearance of Import, Export and Excise Transactions	0	1,132	770	770	770
	Clearance of International Passengers, Crew and Craft	0	609	415	415	415
	Policy Advice	0	1,000	0	0	0
	Sub Total	0	2,741	1,185	1,185	1,185
Total Initiatives		0	5,553	4,207	4,207	4,207

Part B - Statement of Appropriations

Summary of Financial Activity

	2002/03	2003/04	2004/05	2005/06	2006/07		2007/08 Appropriations to be Used					2008/09	2009/10	2010/11
						Estimated	By the Department Administering the Vote		For Non-Departmental Transactions					
	Actual \$000	Actual \$000	Actual \$000	Actual \$000	Budget \$000	Actual \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	Total \$000	Estimated \$000	Estimated \$000	Estimated \$000
Appropriations														
Output Expenses	65,453	79,138	95,668	105,623	110,952	110,602	119,109	-	-	-	119,109	118,108	118,108	118,108
Benefits and Other Unrequited Expenses	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Borrowing Expenses	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Other Expenses	42	37	38	-	552	552	-	-	552	-	552	552	552	552
Capital Expenditure	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Intelligence and Security Department Expenses and Capital Expenditure	-	-	-	-	-	-	-	-	N/A	N/A	-	-	-	-
Total Appropriations	65,495	79,175	95,706	105,623	111,504	111,154	119,109	-	552	-	119,661	118,660	118,660	118,660
Crown Revenue and Receipts														
Tax Revenue	7,219,924	7,298,434	7,565,000	8,395,111	8,861,000	8,861,000	N/A	N/A	N/A	N/A	8,876,000	9,300,000	9,964,000	10,533,000
Non-Tax Revenue	972	535	120	104	80	80	N/A	N/A	N/A	N/A	80	80	80	80
Capital Receipts	-	-	-	-	-	-	N/A	N/A	N/A	N/A	-	-	-	-
Total Crown Revenue and Receipts	7,220,896	7,298,969	7,565,120	8,395,215	8,861,080	8,861,080	N/A	N/A	N/A	N/A	8,876,080	9,300,080	9,964,080	10,533,080

Part B1 - Details of Appropriations

	2006/07				2007/08		
	Budget		Estimated Actual		Vote		
Appropriations	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	Scope of 2007/08 Appropriations
Departmental Output Expenses (General)							
Clearance of Import, Export and Excise Transactions (M21)	41,813	-	41,613	-	46,221	-	- The provision of services relating to validation, checking, inspection, clearance and audit of import and export consignments and excise returns.
Clearance of International Passengers, Crew and Craft (M21)	35,847	-	35,697	-	38,711	-	- The clearance of international passengers, crew and craft arriving in and departing from New Zealand.
Intelligence and Risk Assessment Services (M21)	4,372	-	4,372	-	4,769	-	- The provision of intelligence and risk assessments that inform intervention strategies, including alerts for goods, people and craft.
Investigation of Offences (M21)	9,253	-	9,253	-	9,425	-	- The proactive and reactive investigation of serious transnational crime, transnational crime and other border and revenue offences.
National Maritime Co-ordination Centre (M21)	424	-	424	-	430	-	- Co-ordination services for civilian purposes that support the effective and efficient use of New Zealand's 'whole-of-government' maritime patrol and surveillance assets.
Policy Advice (M21)	7,376	-	7,376	-	7,229	-	- The provision of policy advice and related services relating to border security, border management and Customs revenue.
Prosecutions and Civil Proceedings (M21)	841	-	841	-	891	-	- The prosecution of offences and civil proceedings relating to the hearing of applications for the release of seized goods.
Revenue Collection, Accounting and Debt Management (M21)	2,903	-	2,903	-	3,012	-	- The provision of services relating to receipt and processing of revenues owing from import tariffs, goods and services tax and excise-equivalent duties on imported goods and excise duty on domestically manufactured fuel, tobacco and alcohol products.
Surveillance, Search and Containment (M21)	6,042	-	6,042	-	6,386	-	- The targeted surveillance, search and containment of risk craft, persons or goods.
Technical Advisory Services (M21)	2,081	-	2,081	-	2,035	-	- The provision of Customs rulings on tariff and excise classifications, concession interpretations, origin qualification and general advice to business.
Total Departmental Output Expenses (General)	110,952	-	110,602	-	119,109	-	

	2006/07				2007/08		
	Budget		Estimated Actual		Vote		
Appropriations	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	Scope of 2007/08 Appropriations
Other Expenses to be Incurred by the Crown							
Change in Doubtful Debt Provision (M21)	500	-	500	-	500	-	Provisioning of Doubtful Debts on Customs Crown Revenue.
World Customs Organisation (M21)	52	-	52	-	52	-	New Zealand's contribution to the operating budget of the WCO.
Total Other Expenses to be Incurred by the Crown	552	-	552	-	552	-	
Total Appropriations	111,504	-	111,154	-	119,661	-	

Part C - Explanation of Appropriations for Output Expenses

Part C1 - Departmental Output Expenses

Policy Advice

Under this Output Class the New Zealand Customs Service provides policy advice and related services in relation to border security, border management and Customs revenue.

This includes analysis and advice to the Minister, Cabinet and Cabinet Committees, Parliamentary Select Committees, inter-departmental committees and other government agencies, as well as advice and assistance to overseas customs agencies and relevant international forums.

Intelligence and Risk Assessment Services

Under this Output Class the New Zealand Customs Service provides intelligence and risk assessments that inform intervention strategies, including alerts for goods, people and craft crossing the border.

Clearance of International Passengers, Crew and Craft

Under this Output Class the New Zealand Customs Service produces services relating to the clearance of international passengers, crew and craft arriving in and departing from New Zealand. This includes the profiling of potential risks and applying any alert instructions that might exist in respect of passengers and crew.

Services provided include ensuring that arriving and departing craft comply with the law, that passengers and crew comply with Customs, Immigration, Police and national security requirements, and that the import and export of goods complies with the law. Particular attention is paid to preventing the entry of controlled drugs and the illegal import or export of other controlled items.

Clearance of Import, Export and Excise Transactions

Under this Output Class the New Zealand Customs Service provides services relating to the validation, checking, inspection, clearance and audit of import and export consignments, and excise returns. Services provided include the screening of import and export mail items.

This includes services relating to various levels of intervention to detect error or fraud, to ensure import and export control systems are complied with, and to ensure that the correct classification, origin and value are declared and appropriate duties and taxes are being paid, and refunds, drawbacks and revenue foregone are correctly assessed.

Revenue Collection, Accounting and Debt Management

Under this Output Class the New Zealand Customs Service provides services relating to the receipt and processing of revenues owing from import tariffs, goods and services tax and excise-equivalent duties on imported goods and excise duty on domestically manufactured fuel, tobacco and alcohol products. This includes the cost of paying approved refunds and drawbacks of tariffs, excise and excise-equivalent duties.

Customs also provides services relating to credit control and the management of debt and the receipt and processing of fees and levies on behalf of other agencies.

Surveillance, Search and Containment

Under this Output Class the New Zealand Customs Service provides services to control the risk of craft being used for the illegal entry or removal of people and goods from New Zealand.

Investigation of Offences

Under this Output Class the New Zealand Customs Service provides proactive and reactive investigative responses to serious transnational crime, transnational crime and other border offending and revenue offences.

This includes the investigation of specific offences, and/or information/intelligence held or received involving any known or suspected border offending.

Prosecution and Civil Proceedings

Under this Output Class the New Zealand Customs Service provides services relating to the prosecution of offences under the Customs and Excise Act 1996 and civil proceedings provided for under that Act relating to the hearing of applications for the release of seized goods.

Technical Advisory Services

Under this Output Class the New Zealand Customs Service provides services relating to the supply of binding rulings to external clients on tariff and excise classification, the application of tariff concessions, eligibility under the rules of origin and the interpretation of rules of origin. Customs also provides to external clients export classifications and general Customs information.

National Maritime Co-ordination Centre

Under this Output Class, the New Zealand Customs Service provides whole-of-government coordination services to maximise the efficient and effective use of Government's maritime patrol and surveillance assets, and related information, for civilian purposes. These services relate to New Zealand's sovereignty, safety, economic, environment and foreign policy interests in the maritime environment.

Part D - Explanation of Appropriations for Other Operating Flows

Part D3 - Other Expenses

The World Customs Organisation (WCO)

The World Customs Organisation (WCO) is an intergovernmental body with over 160 Member administrations worldwide. It was formed as the Customs Cooperation Council in 1950, but adopted the working name of the World Customs Organization in 1994 to better reflect its transition to a global institution.

The mission of the WCO is to enhance the effectiveness and efficiency of Customs administrations. It does this through the establishment and promotion of international instruments that promote simplified customs procedures; encouraging cooperation between Members; and by fostering integrity, human resource and management development.

Through these actions, the WCO seeks to enhance the economic wealth and social protection of its Members through the creation of an honest, transparent and largely predictable customs environment. This environment facilitates the movement of international trade, travel, and transport while ensuring that effective action is taken against illegal activity threatening customs borders.

The WCO maintains and develops a network of international partnerships including trade and commerce bodies such as the World Trade Organisation, law enforcement agencies including Interpol and the transport bodies such as International Air Transport Association. It provides a coordinated customs voice into these and many other international organisations.

Change in Doubtful Debt Provision

Provisioning of Doubtful Debts on Customs Crown Revenue estimated to be around \$9 billion in 2007/08.

Part E - Explanation of Capital Flows

Part E1 - Explanation of Movements in Departmental Net Asset Schedules

Details of Net Asset Schedule for New Zealand Customs Service	Estimated Actual 2006/07 \$000	Projected 2007/08 \$000	Explanation of Projected Movements in 2007/08
Opening Balance	39,030	38,416	
Capital Injections	536	4,800	Capital contributions towards new passenger processing facilities and office accommodation.
Capital Withdrawals	-	-	
Surplus to be Retained (Deficit Incurred)	(1,150)	-	
Other Movements	-	1,150	This is a non-cash movement to cover the forecast output deficit.
Closing Balance	38,416	44,366	

Part F - Crown Revenue and Receipts

Part F1 - Current and Capital Revenue and Capital Receipts

	2006/07		2007/08	Description of 2007/08 Crown Revenue
	Budgeted \$000	Estimated Actual \$000	Budget \$000	
Tax Revenue				
Customs Duty	1,760,000	1,760,000	1,865,000	Customs duty is duty to which imported goods are subject under the Tariff Act 1988.
Excise Duty	1,719,000	1,719,000	1,676,000	Excise duty is imposed under the Customs and Excise Act 1996 on alcohol products, tobacco and tobacco products and petroleum products.
Goods and Services Tax	5,382,000	5,382,000	5,335,000	GST is imposed on imported goods under sections 12 and 13 of the Goods and Services Tax Act 1985.
Total Tax Revenue	8,861,000	8,861,000	8,876,000	
Non-Tax Revenue				
Sale of Seized Goods	80	80	80	Proceeds from the disposal of goods forfeited to the Crown, to recover non-payment or short payment of duties or for other illegalities.
Total Non-Tax Revenue	80	80	80	
Total Crown Revenue and Receipts	8,861,080	8,861,080	8,876,080	

VOTE *Defence*

Defence

Overview

Departmental Appropriations

Departmental appropriations sought for Vote Defence in 2007/08 total \$9.542 million. This is intended to be spent as follows:

- \$1.890 million (19.8% of departmental appropriations in this Vote) on audits and assessments of the New Zealand Defence Force and the Ministry's non-departmental activities.
- \$3.713 million (38.9% of departmental appropriations in this Vote) on management of procurement and liaison with defence industry.
- \$3.939 million (41.3% of departmental appropriations in this Vote) on policy advice and management of international defence relations.

Non-Departmental Appropriations

Non-departmental appropriations sought for Vote Defence in 2007/08 of \$252.195 million. This is intended to be spent as capital expenditure in the procurement of defence equipment.

Crown Revenue and Capital Receipts

- \$870,000 of current revenue from interest.
- \$391.183 million of capital revenue from sale of defence equipment to the New Zealand Defence Force.

Further information and explanations of the appropriations appear in Parts B1 and E3 of this Vote. Details of Crown revenue and capital receipts appear in Part F1.

Minister Portfolio Table

22

Minister of Defence

Defence

ADMINISTERING DEPARTMENT: Ministry of Defence

The Minister of Defence is the Responsible Minister for the Ministry of Defence

Part A - Statement of Objectives and Trends

Part A1 - Objectives for Vote

Related Government Outcomes

The appropriations in Vote Defence contribute to a secure New Zealand that contributes to international security.

Output Expenses

To achieve this objective, the appropriations are intended to fund a range of activities, including:

- policy advice on New Zealand's strategic environment and security interests
- analytical studies of military capability requirements, force structure, investment and resource
- management and enhancement of bilateral and multilateral defence relations
- audits and assessments of any function, duty, or project of the New Zealand Defence Force
- audits and assessments of the Ministry's procurement activities
- audits of the controls on hazardous substances under the control of the Minister of Defence as required by the Hazardous Substances and New Organisms Act 1996
- management of procurement or refurbishment, on behalf of the Crown, of various items of equipment identified as contributing to a change in the capability of New Zealand Defence Force
- maintenance of information on industrial capability and the provision of advice to industry on Defence requirements.

Part A2 - Trends in Vote

Departmental Output Trends: 2002/03 to 2006/07

Vote Defence baselines since 2002/03 have been influenced by pre-acquisition costs as new capital projects are developed.

Pre-acquisition costs to the time of final Government approval to purchase are funded by New Zealand Defence Force, but managed by the Ministry of Defence. Pre-acquisition costs are recovered from New Zealand Defence Force and are fiscally neutral in Vote Defence.

Actual pre-acquisition costs have been:

2002/03	\$4.523 million
2003/04	\$1.731 million
2004/05	\$454,000
2005/06	\$323,000
2006/07	\$280,000 (estimated)

Non-Departmental Expenditure and Revenue Trends: 2002/03 to 2007/08

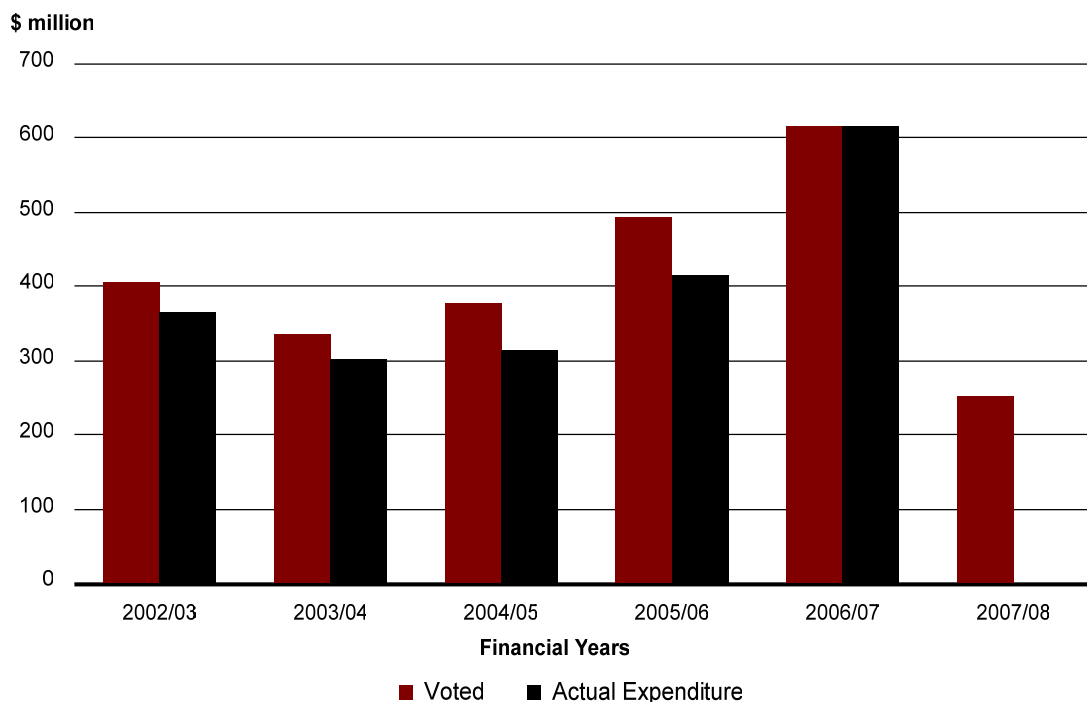
Capital Expenditure

The Ministry has responsibility for the efficient management of procurement of defence equipment and its delivery on time and within budget. The Crown funds this work from an appropriation for Capital Expenditure.

The trend in non-departmental expenditure reflects the timing of contract payments as projects are progressed.

The following chart provides a history of amounts voted in Estimates and actual expenditure.

Figure 1 - Trend in purchase of capital assets



Source: Ministry of Defence

The following table identifies projects contributing significant expenditure since 2002/03. The appropriation for 2006/07 covers currently approved projects.

Further projects are anticipated to commence during 2007/08 and funding will be included in appropriation after approval.

Figure 2 - Projects contributing significant expenditure since 2002/03

Projects	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
ANZAC ships	X	X	X			
Maritime helicopter	X	X	X			
Light armoured vehicles	X	X	X			
Tactical mobile comms system	X	X	X			
B-757 aircraft modification		X	X	X	X	X
P-3 Orion re-wing	X	X	X			
C-130 Hercules self-protection	X					
Light operational vehicles			X	X	X	X
Medium range anti-armour weapon			X	X	X	X
Very low level air defence			X	X	X	X
P-3 Orion systems upgrade				X	X	X
C-130 Hercules life extension				X	X	X
Project Protector vessels				X	X	X
NH-90 Medium Utility Helicopters						X

Crown Revenue and Capital Receipts

The level of current revenue varies with movements in interest rates and the level of foreign currency balances held.

Capital revenue is from the sale of items of equipment to New Zealand Defence Force. New Zealand Defence Force make progress payments in line with the expenditure payments being made by the Ministry. The revenue trends reflect the timing of contract payments as projects are progressed.

Part B - Statement of Appropriations

Summary of Financial Activity

	2002/03	2003/04	2004/05	2005/06	2006/07		2007/08 Appropriations to be Used					2008/09	2009/10	2010/11
					Budget	Estimated	By the Department Administering the Vote		For Non-Departmental Transactions					
	Actual \$000	Actual \$000	Actual \$000	Actual \$000	\$000	Actual \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	Total \$000	Estimated \$000	Estimated \$000	Estimated \$000
Appropriations														
Output Expenses	11,611	9,480	8,529	8,450	9,957	9,926	9,542	-	-	-	9,542	9,542	9,542	9,542
Benefits and Other Unrequited Expenses	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Borrowing Expenses	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Other Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital Expenditure	363,978	301,466	313,075	414,639	614,523	614,523	N/A	N/A	252,195	-	252,195	92,456	227,149	69,559
Intelligence and Security Department Expenses and Capital Expenditure	-	-	-	-	-	-	-	-	N/A	N/A	-	-	-	-
Total Appropriations	375,589	310,946	321,604	423,089	624,480	624,449	9,542	-	252,195	-	261,737	101,998	236,691	79,101
Crown Revenue and Receipts														
Tax Revenue	-	-	-	-	-	-	N/A	N/A	N/A	N/A	-	-	-	-
Non-Tax Revenue	392	290	237	570	870	870	N/A	N/A	N/A	N/A	870	870	870	870
Capital Receipts	124,875	462,298	282,357	395,882	509,267	509,267	N/A	N/A	N/A	N/A	391,183	161,722	211,343	230,991
Total Crown Revenue and Receipts	125,267	462,588	282,594	396,452	510,137	510,137	N/A	N/A	N/A	N/A	392,053	162,592	212,213	231,861

Part B1 - Details of Appropriations

	2006/07				2007/08		
	Budget		Estimated Actual		Vote		
Appropriations	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	Scope of 2007/08 Appropriations
Departmental Output Expenses (General)							
Audit and Assessment of Performance (M22)	1,914	-	1,904	-	1,890	-	Audits and assessments of the New Zealand Defence Force and of Ministry acquisition activity.
Management of Equipment Procurement (M22)	4,063	-	4,053	-	3,713	-	Managing procurement or refurbishment, on behalf of the Crown, of various items of equipment contributing to a capability of the New Zealand Defence Force.
Policy Advice (M22)	3,980	-	3,969	-	3,939	-	Policy advice, management of international defence relations and services to the Minister.
Total Departmental Output Expenses (General)	9,957	-	9,926	-	9,542	-	
Capital Expenditure							
Defence Equipment (M22)	614,523	-	614,523	-	252,195	-	Purchase of defence equipment for the New Zealand Defence Force.
Total Capital Expenditure	614,523	-	614,523	-	252,195	-	
Total Appropriations	624,480	-	624,449	-	261,737	-	

Part C - Explanation of Appropriations for Output Expenses

Part C1 - Departmental Output Expenses

Policy Advice

This output expense involves defence policy advice on:

- strategies for achieving goals and outcomes
- changes in the strategic environment with implications for defence policy
- defence and security policies of other countries
- deployment of New Zealand Defence Force assets and personnel
- military capabilities required to meet defence policy goals; broad resources implications and the relative merits and risks associated with proposed capability options
- management and enhancement of bilateral and multilateral defence relations
- responses to Ministerial and Parliamentary Questions, Official Information Act enquiries and Ombudsman correspondence.

Audit and Assessment of Performance

This output expense involves:

- audits and assessments of any function, duty, or project of the New Zealand Defence Force
- audits and assessments of the Ministry's procurement, replacement or repair of major military equipment
- audits of the controls on hazardous substances under the control of the Minister of Defence as required by the Hazardous Substances and New Organisms Act 1996.

Management of Equipment Procurement

This output expense involves:

- management of procurement functions on behalf of the Crown from the initial identification of a requirement through ministerial "approval in principle" to the acquisition process involving project investigation, risk assessment, quality assurance, equipment selection, negotiation and execution of contract arrangements, up to the point when the equipment is delivered to New Zealand Defence Force
- management of any warranty provisions beyond date of delivery
- investigation of any associated financing arrangements
- arrangement of on-sale to New Zealand Defence Force
- maintenance of an information base on industrial capability, and the provision of advice to industry on defence requirements.

Part E - Explanation of Capital Flows

Part E1 - Explanation of Movements in Departmental Net Asset Schedules

Details of Net Asset Schedule for Ministry of Defence	Estimated Actual 2006/07 \$000	Projected 2007/08 \$000	Explanation of Projected Movements in 2007/08
Opening Balance	1,555	3,416	
Capital Injections	1,861	-	Capital contribution to meet the Ministry's share of new defence building costs.
Capital Withdrawals	-	-	
Surplus to be Retained (Deficit Incurred)	-	-	
Other Movements	-	-	
Closing Balance	3,416	3,416	

Part E3 - Explanation of Appropriations for Capital Expenditure

The 2007/08 appropriation is for the following significant projects:

	\$000
B-757 aircraft modification	29,243
Light operational vehicles	628
P-3 Orion systems upgrade	47,134
C-130 Hercules life extension	29,873
Project Protector vessels	36,285
NH-90 Medium Utility Helicopters	109,032
Total	252,195

Part F - Crown Revenue and Receipts

Part F1 - Current and Capital Revenue and Capital Receipts

	2006/07		2007/08	Description of 2007/08 Crown Revenue
	Budgeted \$000	Estimated Actual \$000	Budget \$000	
Non-Tax Revenue				
Crown Interest	870	870	870	Interest earned on balances in foreign currency accounts.
Total Non-Tax Revenue	870	870	870	
Capital Receipts				
Defence Equipment	509,267	509,267	391,183	Defence equipment sold to New Zealand Defence Force.
Total Capital Receipts	509,267	509,267	391,183	
Total Crown Revenue and Receipts	510,137	510,137	392,053	

VOTE *Defence* *Force*

Defence Force

Overview

The annual appropriation sought for Vote Defence Force in 2007/08 totals \$1,909.712 million. It is intended that this be spent as follows:

- \$1,869.497 million (97.9% of the Vote) on the Navy, Army, and Air Force to provide the Government with a range of military forces to protect and advance the security and interests of New Zealand. These forces are held at appropriate levels of capability and preparedness to protect New Zealand's territorial sovereignty and to contribute to regional and global security efforts. Most of these forces will also contribute a range of services to other government departments and the community when not committed to operations. The breakdown by Service is as follows:
 - Navy - \$612.864 million (32.1% of the Vote).
 - Army - \$706.955 million (37.0% of the Vote).
 - Air Force - \$549.678 million (28.8% of the Vote).
- \$11.390 million (0.6% of the Vote) on military policy development, coordination and advice to the Government.
- \$13.689 million (0.7% of the Vote) on Miscellaneous Support Activities that include the Mutual Assistance Programme, support to the New Zealand Cadet Forces, the training of Limited Service Volunteers and the provision of Service Museums.
- \$15.136 million (0.8% of the Vote) for military hydrography, and the provision of hydrographic services to Land Information New Zealand (LINZ).

In addition to the above, Vote Defence Force contains a Multi-Year Appropriation (MYA) of \$138.178 million for the three-year period 2005/06 - 2007/08 to fund the expense of *Operationally Deployed Forces*. Funding for the expense of *Operationally Deployed Forces* in subsequent years will be on a year-by-year basis.

The NZDF expects to recognise about \$17 million in third party revenue (Revenue Department and Revenue Other) in 2007/08.

Details of how the appropriations are to be applied appear in Parts B, C and E of this Vote.

Terms and Definitions Used

AE	Aeromedical Evacuation
CBRE	Chemical, Biological, Radiological, Explosive
DCARR	Defence Capability and Resourcing Review
DSI	Defence Sustainability Initiative
EEZ	Exclusive Economic Zone
EOD	Explosive Ordnance Disposal
HMNZS	Her Majesty's New Zealand Ship
HQ JFNZ	Headquarters Joint Forces New Zealand
HQ NZDF	Headquarters New Zealand Defence Force
IEDD	Improvised Explosive Device Disposal
IPCs	Inshore Patrol Craft
IPVs	Inshore Patrol Vessels
LAV	Light Armoured Vehicle (the LAV III)
LINZ	Land Information New Zealand
LOV	Light Operational Vehicle
LTDP	Long-Term Development Plan
MAO&T	Multi-Agency Operations and Tasks
MCM	Mine Counter Measures
MRV	Multi-Role Vessel
MYA	Multi-Year Appropriation
NZDF	New Zealand Defence Force
OLOC	Operational Level of Capability
OPVs	Offshore Patrol Vessels
RNZAF	Royal New Zealand Air Force
RNZN	Royal New Zealand Navy
UN	United Nations

Footnotes

Note 1	The Budget 2006 decisions to meet the cost of Capital Charge attributable to earlier Capital Injections, and other minor miscellaneous changes.
Note 2	The Budget 2005 decision to provide for Project Protector (new vessels for the Navy).
Note 3	2006/07 reduction (resulting in a comparable increase in 2007/08) achieved through depreciation savings.
Note 4	Changes arising from output cost model amendments.
Note 5	Defence Sustainability Initiative (DSI) increment (2007/08) as agreed in Budget 2005.

Minister Portfolio Table

22	Minister of Defence
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Defence Force

ADMINISTERING DEPARTMENT: New Zealand Defence Force

The Minister of Defence is the Responsible Minister for the New Zealand Defence Force

Part A - Statement of Objectives and Trends

Part A1 - Objectives for Vote

The primary objective for *Vote Defence Force* is to prepare an effective Defence Force capable of meeting the Government's defence policy goals. These goals and the NZDF force structure to support their achievement are established in a number of policy documents as outlined below.

Defence Act 1990

Under the *Defence Act 1990*, New Zealand's Armed Forces are raised and maintained for:

- the defence of New Zealand and the protection of its interests, whether in New Zealand or elsewhere
- the contribution of forces under collective security treaties, agreements or arrangements
- the contribution of forces to the UN or other organisations or States for operations in accordance with the principles of the charter of the UN.

The Act also allows the Armed Forces to be made available for the performance of public services and assistance to the civil power in time of emergency, either in New Zealand or elsewhere.

New Zealand's Defence Policy

The *Defence Policy Framework*, issued by the Government in June 2000, provides a framework for future decisions about military capabilities, resources and funding. It articulates the Government's goals and priorities for defence, and was substantially guided by, and builds on, the *Defence Beyond 2000 Report*. Subsequent Government statements, such as those of 8 May 2001 (*A modern sustainable Defence Force matched to New Zealand's needs*), the *Defence Long-Term Development Plan* (LTDP) of 11 June 2002 (and subsequent annual updates to that plan) and the *Defence Sustainability Initiative* (DSI) of 2 May 2005, added detail to the earlier strategic document.

The *Defence Policy Framework* sets out five key defence policy objectives, and appropriations are sought to support them. The defence policy objectives are to:

- defend New Zealand and to protect its people, land, territorial waters, EEZ, natural resources and critical infrastructure
- meet our alliance commitments to Australia by maintaining a close defence partnership in pursuit of common security interests
- assist in the maintenance of security in the South Pacific and to provide assistance to our Pacific neighbours
- play an appropriate role in the maintenance of security in the Asia-Pacific region, including meeting our obligations as a member of the Five Power Defence Arrangements
- contribute to global security and peacekeeping through participation in the full range of UN and other appropriate multilateral peace support and humanitarian operations.

Defence Outcomes

The following main and intermediate *Defence Outcomes*, to which the NZDF has major contributions, continue to be as follows:

- Main Defence Outcome: New Zealand secure and protected from external threats now and in the future.
- Intermediate Defence Outcomes:
 - Intermediate Outcome 1: Secure New Zealand, including its people, land, territorial waters, exclusive economic zone, natural resources and critical infrastructure.
 - Intermediate Outcome 2: Reduced risks to New Zealand from regional and global insecurity.
 - Intermediate Outcome 3: New Zealand values and interests advanced through participation in regional and international security systems.
 - Intermediate Outcome 4: New Zealand is able to meet future national security challenges.

The New Zealand Defence Force Vision Statement

The NZDF Vision Statement has been refreshed and now reflects our developing aspiration for the future

"Three Services as One Force, being the best in everything we do".

Primary Mission of the New Zealand Defence Force

The primary mission of the NZDF remains:

“To secure New Zealand against external threat, to protect our sovereign interests, including in the Exclusive Economic Zone, and to be able to take action to meet likely contingencies in our strategic area of interest”.

Link to Government's Priorities

The NZDF mission is primarily linked to *Government Priority Number 3* - the theme of *National Identity* and the connotation that, as New Zealanders, we celebrate our identity in a world as people who support and defend freedom and fairness. This theme links with the Government policy to not only provide Defence Force contributions to the resolution of conflict and maintenance of stability, particularly the international roles of peacekeeping and humanitarian relief operations, but also to the wide range of assistance that is provided by the NZDF to other government departments and the wider New Zealand community. *National Identity* also carries the belief that New Zealanders understand our history as a nation and our stance on international issues. The NZDF also has less obvious links with the Government Priority themes of *Economic Transformation* and *Families - young and old*, as noted in more detail in the *NZDF 2007/08 Statement of Intent*.

Defence Capability and Resourcing Review and Defence Sustainability Initiative

In response to the results of the Government-commissioned Defence Capability and Resourcing Review (DCARR) conducted in 2004/early 2005, the NZDF has been set on a Government-approved course of recovery and growth. The plans for this come under the Defence Sustainability Initiative (DSI) launched in May 2005. This initiative provides the NZDF with a \$4.6 billion package over ten years, commencing from 2005/06, to develop NZDF military and organisational capability to a level that will ensure the Government's defence policy objectives are met on a sustainable basis.

The DSI funding package will continue to increase the NZDF's nominal baseline each year for the next eight years and will provide the NZDF with a high degree of assurance for funding into the future. The NZDF is required to fund output delivery, capability development, some minor capital acquisition, and standard operational deployments from this package. Additional funding would need to be considered and appropriated for any major event or operational deployment of a scale greater than the normal operational tempo and funding.

In summary, the DSI funding package will provide the financial resources to:

- restore personnel numbers in the three services, HQ NZDF and HQ JFNZ to the levels required, over a period of time
- address the number and trained state in some trades deemed as critically deficient
- restore aspects of corporate management capability that were considered to be severely depleted
- replace and upgrade some major weapons platforms in accordance with the Government's intentions, through the LTDP
- raise the standard of some military equipment (other than major weapons platforms) that is currently beneath the required standard
- return contingency reserve stocks to acceptable levels
- reduce the substantial backlog of maintenance and capital expenditure in the Defence Estate, over the longer term.

Steps to responsibly manage the DSI funding package allocation process and to ensure that the allocation remains sustainable over 10 years have been developed and implemented, and will continue to be closely monitored. The DSI is required to be reported on annually (by 30 June each year), and is subject to annual review and a formal mid-term review (30 June 2010). Further details are included in the *NZDF 2007/10 Statement of Intent*.

Shaping and Rebuilding the NZDF

The *Government's Defence Policy Framework June 2000* sets the *Priorities for Rebuilding the NZDF*. It notes that sensible prioritisation of projects against available resources is essential and that priority will be given to the acquisition and maintenance of essential equipment. The core requirement is for well-equipped, combat-trained land forces which are also able to act as effective peacekeepers, supported by the Navy and Air Force. The greatest needs, as listed in the *Policy Framework*, are to:

- upgrade the Army's mobility, communications, surveillance, and fire support capabilities
- provide effective air and naval transport capabilities
- maintain effective maritime surveillance capabilities of the Air Force and Navy, within the New Zealand EEZ and the EEZs of Pacific Island States.

In follow up to its *Defence Policy Framework June 2000*, the Government announced major decisions in shaping and rebuilding the NZDF for the future (*A Modern, Sustainable Defence Force Matched to New Zealand's Needs: Government Defence Statement 8 May 2001*). These decisions will result in a high quality Defence Force which is able to keep abreast of technological developments, is affordable and can be sustained over the longer term. The decisions will ensure that resources are available to:

- continue with the modernisation of the Army
- meet both our civilian and military needs for long range maritime patrol

- renew the air transport fleet and utility helicopters
- develop a practical maritime surface fleet matched to our wide security needs.

The key decisions made in the Statement of 8 May 2001, including subsequent decisions and actions, are contained in the *NZDF 2007/10 Statement of Intent*.

On 11 June 2002, the Government released details of the first Defence LTDP. The LTDP is a planning tool to enable decisions on defence acquisitions to be taken in the context of the Government's defence policy, the priority of projects and affordability. The LTDP has a rolling forward focus of 10 years and links the Government's defence policy objectives with the capability requirements announced in May 2001. It contains a comprehensive list of major capability/major capital projects, with preliminary costings, timings and priorities. The LTDP, last updated in October 2006, continues to be a key planning document to support the decision-making processes required for shaping the future capabilities of the NZDF.

NZDF Strategic Plan

The NZDF launched its first enterprise-level Strategic Plan in March 2007. That plan provides guidance for all subordinate strategic planning and for annual planning and budgeting. It sits within the wider architecture of the *Defence Planning Framework* (DPF), and provides the measurement framework, via the *NZDF Balanced Score Card* (BSC), for corporate level reporting of progress against strategic objectives. The strategic objectives are supported by annually updated strategic initiatives.

The NZDF strategy to achieve its mission and to continually grow towards its vision will be effected through the three Strategic Themes of **Resource Efficiency**, **The Agile Force - Operationally Effective**, and **Valued Partner - Organisational Capacity**. All NZDF activities and projects will be aligned with these three broad strategic themes and are aimed at, ultimately, "mission success". Resource Efficiency is about being the best at what the NZDF does by being selective and optimising how it uses its resources. The Agile Force is about being Operationally Effective. Operational Effectiveness links the objectives that will allow the NZDF to deliver the agility and organisational resilience for operational success. The NZDF must also remain agile in everything it does. The Valued Partner theme reflects the need for the NZDF to retain the trust and confidence of its partners and stakeholders. Through integration and synergy across the organisation the NZDF will release additional capacity for mission success.

The Government's ownership interests in the NZDF are addressed within the *NZDF Strategic Objectives*. For 2007/08 and out to five years, these objectives, within the four *NZDF BSC Strategic Perspectives*, relate to the following:

- *Strategic Perspective - NZDF Stakeholders:*
 - Current Operations. The NZDF needs to sustain current operational commitments while introducing new capabilities (0 to 5 year timeframe)
 - Future Operations. The NZDF must be ready to meet the Government's next request (5 to 10 year timeframe)
 - Finance and Resources. The NZDF must make best use of allocated finance and resources
 - Reputation. The NZDF needs to enhance its reputation as an effective Defence Force and valued interagency and coalition partner.

- **Strategic Perspective - Enabling Processes.** The NZDF:
 - must deliver effective and efficient business processes
 - must deliver agile and effective logistic support by exploiting the potential of effects-based logistics through a Network Enabled and Knowledge Edge force
 - must deliver flexible and relevant future capabilities (beyond 20 year timeframe)
 - will develop and sustain an effective military policy capability
 - will increase its contribution to wider Government initiatives and activities - both in the security sector and in Whole of Government
 - will develop key relationships with national and international partners.
- **Strategic Perspective - Learning and Growth.** The NZDF:
 - will be an Organisation of Choice
 - must ensure it has the people it needs
 - must be good at personnel management and prepare and support the joint team
 - will grow Information Management capabilities to support the Knowledge Edge Force
 - will improve the ability of technology to support effective management of the NZDF.
- **Strategic Perspective - Resources.** The NZDF:
 - must equip its forces to meet current operational commitments and be ready for the next request
 - must optimise Defence Infrastructure to meet future needs.

The above *NZDF Strategic Objectives*, together with the annual *NZDF Strategic Initiatives* that support them, are specified in more detail in the *NZDF 2007/10 Statement of Intent* and the *NZDF 2007/08 Output Plan*.

Part A2 - Trends in Vote

Output Trends 2002/03 - 2007/08

The table at the end of Part A2 provides a summary of financial activity trends in Vote Defence Force from 2002/03 to 2007/08.

Departmental outputs

- The \$103 million overall increase in departmental output appropriations between 2002/03 and 2003/04 is explained primarily by: an increase in funding for the introduction into service of the NZ LAV; a targeted pay increase for Service personnel; new funding to provide for ongoing and new NZDF operational commitments, especially in the Arabian Sea region, Afghanistan, Iraq and the Solomon Islands; and funding for the impact of Capital Charge following the June 2003 revaluation.
- While there were funding increases in 2004/05, primarily to address Service personnel pay, the maintenance of effective Air Force personnel levels, continuation of New Zealand's commitment to the Provincial Reconstruction Team in Afghanistan and other overseas operational commitments, and operating implications and pre-acquisition funding for the Long-Term Development Plan (LTDP), this was offset by reductions in funding required for operational commitments (withdrawal of the battalion group from Timor Leste and reduced commitments to Afghanistan and the Solomon Islands), a

planned reduction in Navy personnel and operating expenses, and a reduction in the rate of Capital Charge from 8.5% to 8%. Subsequently, a decision was made to transfer \$19 million from 2004/05 to 2005/06 to provide early traction for the Defence Sustainability Initiative, resulting in an overall net decrease of \$7 million between 2003/04 and 2004/05.

- The total increase of \$113 million between 2004/05 and 2005/06 is primarily made up from: increases from the first year (2005/06) DSI funding package allocation and Project Protector operating costs of some \$64 million; the transfer from 2004/05 to 2005/06 of \$19 million; and asset revaluation of \$37 million; and a decrease from the transfer of \$7 million to the MYA Operationally Deployed Forces.
- The total increase in annually appropriated expenses of \$146 million between 2005/06 and 2006/07 is shown in the following table:

DSI Funding Package (2006/07)	\$73 million
Project Protector funding	\$26 million
New Defence House funding	\$5 million
Expense Transfer from 2004/05 to 2005/06	(\$19 million)
Operation Enduring Freedom funding transfer to MYA	(\$11 million)
Capital Charge adjustments for 2006/07, including rate reduction to 7.5%	(\$3 million)
2006/07 Capital Charge savings (rate-related)	\$2 million
Depreciation Impact of 30 June 2006 Asset Revaluation	\$42 million
Gross Capital Charge Impact of 20 June 2006 Asset Revaluation	\$33 million
Absorb 0.001% Capital Charge savings ex Rate Change 2006 March Baseline Update	(\$4 million)
Reinstate prior transfers from MYA	\$10 million
Transfer Depreciation savings to 2007/08 Capital Injection	(\$10 million)
Tax on Allowances	\$2 million
Total	\$146 million

Other expenses

- The expense appropriation of \$23.414 million in 2002/03 was provided to write-off the debit balance in Revaluation Reserve arising from the revaluation of Specialist Military Equipment.

Comparison of Departmental Output Expenses: 2006/07 and 2007/08

Departmental outputs

As advised in this Vote since 2005/06, the funding for Output Expense *Operationally Deployed Forces* has been placed under a three-year, Multi-Year Appropriation (MYA) for the period 2005/06 - 2007/08. This approach provides flexibility of funding for an output expense for which demand varies from year-to-year. If Government requires the NZDF to undertake a major operational deployment and the cost of this deployment cannot be managed within the MYA, the NZDF may request an additional appropriation from Cabinet for the incremental costs of this deployment. Any such appropriation would be additional to the funding package provided under the DSI.

Appropriations for the purchase of NZDF outputs for the year ending 30 June 2008 include the following Cabinet-agreed departmental output funding changes that were considered as *New Initiatives* during the 2007 Budget process:

Annual appropriations:

- An increase of \$58.030 million in 2007/08, and outyears, being the third year funding package under the DSI. This increase in funding will go towards, primarily, sustainment of personnel growth, future personnel growth, operating costs, depreciation impacts associated with new equipment, and continuation of the maintenance upgrade of NZDF infrastructure.
- An increase of \$1.120 million in 2007/08 in response to the Joint Working Group Report on Concerns of Viet Nam Veterans. This funding, as part of the Cabinet-agreed funding package dealing with the concerns of Viet Nam Veterans, will contribute to the initiatives agreed in the MOU signed by the Crown with Ex-Vietnam Services Association and the Royal New Zealand Returned and Services Association can be delivered.
- An increase of \$1.900 million in 2006/07 only to reimburse personnel in receipt of overseas allowance income newly recognised as assessable for income tax purposes.
- An adjustment to provide for transfers between appropriated NZDF Output Expense values to reflect changes to the Defence Costing System model, without overall funding impact.

Multi-year appropriations

- An increase of \$741,000 in 2006/07 to recognise that, from 18 March 2007, the Income Tax Act 2004 provides for residual Vote Social Development appropriations associated with New Zealand Defence Force operational allowances to be transferred to Vote Defence Force.

The annual departmental appropriations sought by Vote Defence Force for 2007/08 exceed those for 2006/07 by some \$128 million (\$163 million if the MYA for Output Expense *Operationally Deployed Forces* is taken into account). The differences in funding for NZDF departmental appropriations between 2006/07 (Supplementary Estimates) and 2007/08 (Main Estimates) are explained under *Reasons for Change* against each Output Expense in the tables at Part B1. A breakdown of the items and values that contribute to the changes, for each Output Expense, is shown in the following table:

Annual appropriations 2006/07 - 2007/08 comparison table

Output Expense (\$ Million)	Supp Estimates 2006/07	Capital Charge (1)	Project Protector (2)	Operating/ Capital Swap (3)	Budget/Model Changes (4)	DSI Increment (5)	Main Estimates 2007/08
Fixed Wing Transport Forces	175	- 3	-	-	15	9	196
Land Combat Forces	300	5	-	2	37	2	346
Land Combat Service Support Forces	121	2	-	1	2	-	126
Land Combat Support Forces	198	-1	-	1	-18	3	183
Maritime Patrol Forces	161	4	-	-	-19	8	154
Military Hydrography	12	-	-	-	3	-	15
Military Policy Development	12	- 1	-	-	- 1	1	11
MCM & MCM Diving Forces	35	3	-	-	-	-	38
Miscellaneous Support Activities	13	-	-	-	1	-	14

Output Expense (\$ Million)	Supp Estimates 2006/07	Capital Charge (1)	Project Protector (2)	Operating/ Capital Swap (3)	Budget/Model Changes (4)	DSI Increment (5)	Main Estimates 2007/08
Naval Combat Forces	413	11	-	3	- 49	16	394
Naval Helicopter Forces	86	- 1	-	1	- 2	1	85
Naval Patrol Forces	28	1	19	-	35	2	85
Naval Support Forces	72	4	10	1	6	3	96
Rotary Wing Transport Forces	108	4	-	1	- 11	12	114
Special Operations Forces	48	2	-	-	1	1	52
Totals:	1,782	30	29	10	0	58	1,910

Operating/capital swap

Appropriations for the year ending 30 June 2007 include approval for an operating to capital swap of \$10.190 million to 2007/08 - funded from depreciation savings from 2006/07.

Other expenses

Another expense in 2006/07 by way of a write-off, not expected to exceed \$2.700 million, has been agreed. This is a technical adjustment to provide for asset-related costs held on the NZDF balance sheet to be written off by 30 June 2007, in accordance with Audit New Zealand advice.

Capital injection

Funding for the year ending 30 June 2008 includes a cabinet-agreed capital injection of \$44 million that was considered as a new initiative during the 2007 Budget process. This capital funding will be applied to expenditure associated with the Defence Long-term Development Plan and NZDF infrastructure planning. Together with the 2006/07 depreciation savings of \$10.190 and a capital transfer from 2006/07 of \$73.395 million, this will provide for a total injection of \$127.585 million - (see Part E1).

New initiatives by appropriation

The following table shows the *New Initiatives* by Appropriation.

New Policy Initiatives by Appropriation

		\$000 increase/(decrease)				
Initiative	Appropriation as shown in Part B	2006/07	2007/08	2008/09	2009/10	2010/11
Defence Funding Package - Year 3. (Implementation of the third year of operating funding provided under the Defence Sustainability Initiative Funding Package).	Departmental Output Expense - Fixed Wing Transport Forces	-	9,000	9,000	9,000	9,000
	Departmental Output Expense - Land Combat Forces	-	2,000	2,000	2,000	2,000
	Departmental Output Expense - Land Combat Support Forces	-	3,000	3,000	3,000	3,000
	Departmental Output Expense - Maritime Patrol Forces	-	8,000	8,000	8,000	8,000
	Departmental Output Expense - Military Policy Development, Coordination and Advice	-	1,000	1,000	1,000	1,000
	Departmental Output Expense - Naval Combat Forces	-	16,030	16,030	16,030	16,030
	Departmental Output Expense - Naval Helicopter Forces	-	1,000	1,000	1,000	1,000
	Departmental Output Expense - Naval Patrol Forces	-	2,000	2,000	2,000	2,000
	Departmental Output Expense - Naval Support Forces	-	3,000	3,000	3,000	3,000
	Departmental Output Expense - Rotary Wing Transport Forces	-	12,000	12,000	12,000	12,000
	Departmental Output Expense - Special Operations Forces	-	1,000	1,000	1,000	1,000
Sub Total		-	58,030	58,030	58,030	58,030
Defence Long-Term Development Plan and NZDF Infrastructure Planning	Capital Injection with impact on Net Asset Schedule (see Part E1)	-	44,000	-	-	-
Sub Total		-	44,000	-	-	-
Response to Joint Working Group Report on <i>Concerns of Viet Nam Veterans</i>	Departmental Output Expense - Fixed Wing Transport Forces	-	190	-	-	-
	Departmental Output Expense - Land Combat Forces	-	224	-	-	-
	Departmental Output Expense - Land Combat Support Forces	-	112	-	-	-
	Departmental Output Expense - Maritime Patrol Forces	-	146	-	-	-
	Departmental Output Expense - Naval Combat Forces	-	448	-	-	-
Sub Total		-	1,120	-	-	-

		\$000 increase/(decrease)				
Initiative	Appropriation as shown in Part B	2006/07	2007/08	2008/09	2009/10	2010/11
Operating to Capital Swap	Departmental Output Expense - Fixed Wing Transport Forces	725	-	-	-	-
	Departmental Output Expense - Land Combat Forces	(2,153)	-	-	-	-
	Departmental Output Expense - Land Combat Service Support Forces	(843)	-	-	-	-
	Departmental Output Expense - Land Combat Support Forces	(1,308)	-	-	-	-
	Departmental Output Expense - Maritime Patrol Forces	(487)	-	-	-	-
	Departmental Output Expense - Military Hydrography, and Hydrographic Data Collection and Processing for LINZ	(21)	-	-	-	-
	Departmental Output Expense - Military Policy Development, Coordination and Advice	256	-	-	-	-
	Departmental Output Expense - Mine Countermeasures (MCM) and MCM Diving Forces	(269)	-	-	-	-
	Departmental Output Expense - Miscellaneous Support Activities	(375)	-	-	-	-
	Departmental Output Expense - Naval Combat Forces	(2,783)	-	-	-	-
	Departmental Output Expense - Naval Helicopter Forces	(665)	-	-	-	-
	Departmental Output Expense - Naval Patrol Forces	(300)	-	-	-	-
	Departmental Output Expense - Naval Support Forces	(636)	-	-	-	-
	Departmental Output Expense - Rotary Wing Transport Forces	(962)	-	-	-	-
	Departmental Output Expense - Special Operations Forces	(369)	-	-	-	-
Sub Total		(10,190)	-	-	-	-
Defence Costing System Change	Departmental Output Expense - Fixed Wing Transport Forces	14,584	14,584	14,584	14,584	14,584
	Departmental Output Expense - Land Combat Forces	37,009	37,009	37,009	37,009	37,009
	Departmental Output Expense - Land Combat Service Support Forces	2,099	2,099	2,099	2,099	2,099
	Departmental Output Expense - Land Combat Support Forces	(18,205)	(18,205)	(18,205)	(18,205)	(18,205)
	Departmental Output Expense - Maritime Patrol Forces	(18,693)	(18,693)	(18,693)	(18,693)	(18,693)

		\$000 increase/(decrease)				
Initiative	Appropriation as shown in Part B	2006/07	2007/08	2008/09	2009/10	2010/11
Defence Costing System Change - cont'd	Departmental Output Expense - Fixed Wing Transport Forces	14,584	14,584	14,584	14,584	14,584
	Departmental Output Expense - Military Hydrography, and Hydrographic Data Collection and Processing for LINZ	2,626	2,626	2,626	2,626	2,626
	Departmental Output Expense - Military Policy Development, Coordination and Advice	(523)	(523)	(523)	(523)	(523)
	Departmental Output Expense - Mine Countermeasures (MCM) and MCM Diving Forces	354	354	354	354	354
	Departmental Output Expense - Miscellaneous Support Activities	377	377	377	377	377
	Departmental Output Expense - Naval Combat Forces	(49,028)	(49,028)	(49,028)	(49,028)	(49,028)
	Departmental Output Expense - Naval Helicopter Forces	(2,489)	(2,489)	(2,489)	(2,489)	(2,489)
	Departmental Output Expense - Naval Patrol Forces	34,659	34,659	34,659	34,659	34,659
	Departmental Output Expense - Naval Support Forces	6,626	6,626	6,626	6,626	6,626
	Departmental Output Expense - Rotary Wing Transport Forces	(10,561)	(10,561)	(10,561)	(10,561)	(10,561)
	Departmental Output Expense - Special Operations Forces	1,165	1,165	1,165	1,165	1,165
Sub Total		0	0	0	0	0
Implications of Revised Taxation Treatment for Overseas Allowances	Departmental Output Expense - Fixed Wing Transport Forces	106	-	-	-	-
	Departmental Output Expense - Land Combat Forces	332	-	-	-	-
	Departmental Output Expense - Land Combat Service Support Forces	129	-	-	-	-
	Departmental Output Expense - Land Combat Support Forces	209	-	-	-	-
	Departmental Output Expense - Maritime Patrol Forces	119	-	-	-	-
	Departmental Output Expense - Military Hydrography, and Hydrographic Data Collection and Processing for LINZ	15	-	-	-	-
	Departmental Output Expense - Military Policy Development, Coordination and Advice	190	-	-	-	-
	Departmental Output Expense - Mine Countermeasures (MCM) and MCM Diving Forces	34	-	-	-	-
	Departmental Output Expense - Naval Combat Forces	391	-	-	-	-

		\$000 increase/(decrease)				
Initiative	Appropriation as shown in Part B	2006/07	2007/08	2008/09	2009/10	2010/11
	Departmental Output Expense - Naval Helicopter Forces	91	-	-	-	-
	Departmental Output Expense - Naval Patrol Forces	58	-	-	-	-
	Departmental Output Expense - Naval Support Forces	117	-	-	-	-
	Departmental Output Expense - Rotary Wing Transport Forces	49	-	-	-	-
	Departmental Output Expense - Special Operations Forces	60	-	-	-	-
Sub Total		1,900	-	-	-	-
Defence Force Allowance Transfer	A Technical Adjustment to the MYA to recognise that from 18 March 2007 the Income Tax Act 2004 provides for residual Vote Social Development appropriations associated with New Zealand Defence Force operational allowances to be transferred to Vote Defence Force following a revokement of the Defence Force Allowance Programme (DFAP).	741	-	-	-	-
Sub Total		741	-	-	-	-
Disposal Costs	A Technical Adjustment, Other Expense, that provides, should it be necessary, for the expensing, by 30 June 2007, in accordance with Audit New Zealand advice, of items included in the New Zealand Defence Force Statement of Financial Position.	2,700	-	-	-	-
Sub Total		2,700	-	-	-	-
Total Initiatives		(4,849)	103,150	58,030	58,030	58,030

Part B - Statement of Appropriations

Summary of Financial Activity

	2002/03	2003/04	2004/05	2005/06	2006/07		2007/08 Appropriations to be Used					2008/09	2009/10	2010/11
							By the Department Administering the Vote		For Non-Departmental Transactions					
	Actual \$000	Actual \$000	Actual \$000	Actual \$000	Budget \$000	Estimated Actual \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	Total \$000	Estimated \$000	Estimated \$000	Estimated \$000
Appropriations														
Output Expenses	1,426,895	1,529,740	1,522,510	1,635,293	1,781,633	1,781,633	1,909,712	-	-	-	1,909,712	1,968,761	1,969,435	1,970,573
Benefits and Other Unrequited Expenses	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Borrowing Expenses	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Other Expenses	23,414	-	-	-	2,700	2,700	-	-	-	-	-	-	-	-
Capital Expenditure	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Intelligence and Security Department Expenses and Capital Expenditure	-	-	-	-	-	-	-	-	N/A	N/A	-	-	-	-
Total Appropriations	1,450,309	1,529,740	1,522,510	1,635,293	1,784,333	1,784,333	1,909,712	-	-	-	1,909,712	1,968,761	1,969,435	1,970,573
Crown Revenue and Receipts														
Tax Revenue	-	-	-	-	-	-	N/A	N/A	N/A	N/A	-	-	-	-
Non-Tax Revenue	-	-	-	-	-	-	N/A	N/A	N/A	N/A	-	-	-	-
Capital Receipts	-	-	-	-	-	-	N/A	N/A	N/A	N/A	-	-	-	-
Total Crown Revenue and Receipts	-	-	-	-	-	-	N/A	N/A	N/A	N/A	-	-	-	-

Part B1 - Details of Appropriations

	2006/07				2007/08		
	Budget		Estimated Actual		Vote		
Appropriations	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	Scope of 2007/08 Appropriations
Departmental Output Expenses (General)							
Fixed Wing Transport Forces (M22)	174,367	-	174,367	-	196,380	-	<p>- Provision of the capabilities of No 40 Squadron RNZAF (Boeing 757-200 and C-130 Hercules aircraft) prepared to conduct strategic and tactical air transport operations, including aeromedical evacuation, in accordance with NZDF Output Plan specifications, and to contribute support services to the community.</p> <p>Reason for Change: The increase (\$22 million) reflects changes to the output attribution model for increased personnel and operating costs for the C-130 Hercules and Boeing 757 aircraft.</p>
Land Combat Forces (M22)	299,699	-	299,699	-	345,512	-	<p>- Provision of the capabilities of the Land Combat Forces (command, control, intelligence and manoeuvre force elements) prepared to conduct land operations and to contribute support services to the community, in accordance with NZDF Output Plan specifications.</p> <p>Reason for Change: The increase (\$46 million) mainly reflects the shift of personnel, operating, depreciation and capital charge for Queen Alexandra's Mounted Rifles (QAMR) - previously attributed to Output Expense Land Combat Support Forces - and the full operational costs of the Light Armoured Vehicles (LAVs), together with their share of overhead costs.</p>
Land Combat Service Support Forces (M22)	121,052	-	121,052	-	126,257	-	<p>- Provision of the capabilities of the Land Combat Service Support Forces (transport, medical, supply, repair and movements force elements) prepared to support land operations and to contribute support services to the community, in accordance with NZDF Output Plan specifications.</p> <p>Reason for Change: The increase (\$5 million) mainly reflects the higher depreciation costs arising from equipment attributed to this Output Expense.</p>
Land Combat Support Forces (M22)	198,231	-	198,231	-	183,200	-	<p>- Provision of the capabilities of the Land Combat Support Forces (artillery, engineers, communications and military police force elements) prepared to conduct land operations and to contribute support services to the community, in accordance with NZDF Output Plan specifications.</p> <p>Reason for Change: The decrease (\$15 million) mainly reflects the shift of personnel, operating, depreciation and capital charge for QAMR to Output Expense Land Combat Forces.</p>

	2006/07				2007/08		
	Budget		Estimated Actual		Vote		
Appropriations	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	Scope of 2007/08 Appropriations
Departmental Output Expenses (General) - cont'd							
Maritime Patrol Forces (M22)	160,375	-	160,375	-	154,156	-	<p>- Provision of the capabilities of No 5 Squadron RNZAF (P-3K Orion aircraft) prepared to conduct maritime surveillance of New Zealand's EEZ, the Pacific region and the Southern Ocean, to conduct search and rescue missions, and to conduct maritime air operations, in accordance with NZDF Output Plan specifications. This output expense also includes some support services to the community.</p> <p>Reason for Change: The decrease (\$7 million) mainly reflects changes to the output attribution model with all costs related to RNZAF Ohakea now directed to the Rotary Wing Transport Forces.</p>
Military Hydrography, and Hydrographic Data Collection and Processing for LINZ (M22)	12,382	-	12,382	-	15,136	-	<p>- Provision of the capabilities of the hydrographic and oceanographic survey vessel, HMNZS RESOLUTION, specialist personnel and support infrastructure to conduct military hydrography in accordance with NZDF Output Plan specifications, and hydrographic data collection and processing that meets contractual commitments to Land Information New Zealand (LINZ). This output expense is supported by the Hydrographic Business Unit.</p>
Military Policy Development, Coordination and Advice (M22)	12,304	-	12,304	-	11,390	-	<p>- Provision of advice to the Minister of Defence on military contributions to New Zealand's foreign policy and military responses to contingencies, in accordance with NZDF Output Plan specifications. This output expense also includes military intelligence, responses to ministerial correspondence, select committee and parliamentary questions, Official Information Act inquiries, and Ombudsmen correspondence.</p> <p>Reason for Change: The decrease (\$1 million) reflects the budget reduction for the one-off operating costs of the new Defence House during 2006/07.</p>
Mine Countermeasures (MCM) and MCM Diving Forces (M22)	35,146	-	35,146	-	37,687	-	<p>- Provision of the capabilities of the Mine Countermeasures (MCM) Forces, HMNZS MANAWANUI with HMNZS KAHU as backup, prepared to conduct route surveys and conditioning of selected New Zealand ports, and the provision of the Operational Diving Team prepared to support MCM operations and to conduct independent diving tasks, in accordance with NZDF Output Plan specifications. This output expense also includes some support services to the community.</p> <p>Reason for Change: The increase (\$3 million) reflects capital charge changes.</p>

	2006/07				2007/08		
	Budget		Estimated Actual		Vote		
Appropriations	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	Scope of 2007/08 Appropriations
Miscellaneous Support Activities (M22)	13,353	-	13,353	-	13,689	-	Provision of the NZDF infrastructure and planned support to regional defence forces and the New Zealand community provided by identified elements of the NZDF. It includes support provided under the auspices of the Mutual Assistance Programme, support to the New Zealand Cadet Forces, training of Limited Service Volunteers and the provision of Service Museums, in accordance with NZDF Output Plan specifications.
Naval Combat Forces (M22)	413,096	-	413,096	-	394,454	-	Provision of the capabilities of the frigates, HMNZ Ships TE KAHA and TE MANA, prepared to conduct maritime operations and to contribute support services to the community, in accordance with NZDF Output Plan specifications. Reason for Change: The decrease (\$19 million) mainly reflects a redistribution of personnel costs with the manning of the new Project Protector vessels.
Naval Helicopter Forces (M22)	85,956	-	85,956	-	84,670	-	Provision of the capabilities of No 6 Squadron RNZAF (Seasprite SH-2G helicopters) prepared to conduct maritime operations in support of other Output Expenses, especially the Naval Combat Forces, Naval Support Forces and Naval Patrol Forces, in accordance with NZDF Output Plan specifications.
Naval Patrol Forces (M22)	27,367	-	27,367	-	85,221	-	Provision of the capabilities of the Offshore and Inshore Patrol Vessels (OPVs, IPVVs) prepared for the conduct of maritime operations in support of Multi-Agency Operations and Tasks (MAO&T), and for the security and protection of New Zealand's economic border and EEZ, in accordance with NZDF Output Plan specifications. Once in service the OPVs will also be prepared to conduct sovereignty and resource protection patrol operations in the Southern Ocean, Ross Dependency, South Pacific region and further afield when directed. Reason for Change: The increase (\$58 million) reflects the increased personnel, maintenance and running costs, depreciation and capital charge as the new Offshore and Inshore Patrol Vessels gradually become operational in FY 2007/08, and some cost model changes.
Naval Support Forces (M22)	71,848	-	71,848	-	95,502	-	Provision of the capabilities of the Fleet Replenishment Ship, HMNZS ENDEAVOUR, and the Multi-Role Vessel, HMNZS CANTERBURY, prepared to conduct maritime logistic support and amphibious sealift operations for deployed military forces, in accordance with NZDF Output Plan specifications. This output expense also includes contributions to a range of services provided to Government and the community. Reason for Change: The increase (\$24 million) mainly reflects the increased running costs and depreciation as the new Multi-Role Vessel becomes fully operational.

	2006/07				2007/08		
	Budget		Estimated Actual		Vote		
Appropriations	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	Scope of 2007/08 Appropriations
Departmental Output Expenses (General) - cont'd							
Rotary Wing Transport Forces (M22)	108,109	-	108,109	-	114,472	-	Provision of the capabilities of No 3 Squadron RNZAF (Iroquois helicopters) prepared to conduct tactical air transport, including aeromedical evacuation, and counter-terrorist operations, and to contribute support services to the community, in accordance with NZDF Output Plan specifications. Reason for Change: The increase (\$6 million) reflects changes to the output attribution model with all costs related to RNZAF Ohakea now directed to this Output Expense.
Special Operations Forces (M22)	48,348	-	48,348	-	51,986	-	Provision of the capabilities of the Special Operations Forces prepared to conduct special forces operations in support of land operations, counter-terrorist operations, and the provision of Chemical, Biological, Radiological, Explosive, Improvised Explosive Device Disposal (CBRE IEDD) that threaten public safety or national interests, in accordance with NZDF Output Plan specifications. Reason for Change: The increase (\$4 million) reflects a combination of capital charge, and cost model and DSI increases associated with personnel, operating and depreciation changes.
Total Departmental Output Expenses (General)	1,781,633	-	1,781,633	-	1,909,712	-	
Other Expenses to be incurred by the Department							
Asset Write-Offs (M22)	2,700	-	2,700	-	-	-	
Total Other Expenses to be incurred by the Department	2,700	-	2,700	-	-	-	
Total Appropriations	1,784,333	-	1,784,333	-	1,909,712	-	

Part B2 - Details of Multi-Year Appropriations

Appropriations	Current Appropriation \$000	Scope of Appropriations
Departmental Output Expenses (General)		
Operationally Deployed Forces (M22)		
Original Appropriation	66,999	The provision of force elements for routine operational deployments in support of the United Nations and other relevant multinational agencies as approved by the Government, in accordance with NZDF Output Plan specifications.
Commences	1 July 2005	
Expires	30 June 2008	Reason for Change: Adjustments include agreed increases of \$30.200 million in 2006/07 and \$41.776 million in 2007/08 to provide for future Defence Force Allowances and to fund deployments, and an addition of \$741,000 representing residual Defence Force Allowances ex Ministry of Social Development; an overall total adjustment of \$72.717 million.
Adjustments 2006/07	72,717	
Appropriation	138,178	
Estimated Actual to 2006/07 Year End	62,860	Note:
Estimated Actual to 2007/08 Year End	138,178	Experience since the introduction of this MYA has highlighted the difficulty in forecasting operational tempo over a three-year period. In consequence, after 30 June 2008, Output Expense Operationally Deployed Forces will be appropriated on an annual basis rather than via a MYA.

Part C - Explanation of Appropriations for Output Expenses

Part C1 - Departmental Output Expenses

Military Policy Development, Coordination and Advice

Under this output expense the Minister of Defence purchases military advice on NZDF contributions to New Zealand's foreign policy and military responses to contingencies. Also included is the provision of military intelligence, responses on behalf of the Minister to ministerial correspondence, select committee and parliamentary questions, Official Information Act inquiries and Ombudsmen correspondence.

Naval Combat Forces

Under this output expense the Minister of Defence purchases the capabilities of the Naval Combat Forces (*HMNZ Ships Te Mana* and *Te Kaha*) prepared to conduct maritime operations. This output expense also includes contributions by the Naval Combat Forces to a range of services to the Government and the community.

Naval Support Forces

Under this output expense the Minister of Defence purchases the capabilities of the Naval Support Forces (the Fleet Replenishment Ship *HMNZS Endeavour* and the new Multi-Role Vessel *HMNZS Canterbury*) prepared to conduct maritime logistic support and amphibious sealift operations for deployed military forces. This output expense also includes contributions by Naval Support Forces to a range of services to the Government and the community.

HMNZS Canterbury is expected to be delivered in May 2007.

Mine Counter Measure (MCM) and MCM Diving Forces

Under this output expense the Minister of Defence purchases the capabilities of the MCM and MCM Diving Forces. The MCM Force (*HMNZS Manawanui* with *HMNZS Kahu* as backup) is prepared to conduct Q route surveys and conditioning of selected New Zealand ports. The MCM Diving Force (the Operational Diving Team), is prepared to support MCM Forces operations and to conduct independent diving tasks. This output expense includes the provision of some support services to the community, when appropriate.

The use of *HMNZS Resolution* and Survey Motor Boat *Adventure* to deliver the MCM output will continue to be explored, commensurate with primary output expense (Hydrography) tasking.

Naval Patrol Forces

Under this output expense the Minister of Defence purchases the capabilities of the Offshore and Inshore Patrol Vessels (OPVs and IPVs) prepared for the conduct of maritime operations in support of Multi-Agency Operations and Tasks (MAO&T), and for the security and protection of New Zealand's economic border and EEZ. Once in service the OPVs will also be prepared to conduct sovereignty and resource protection patrol operations in the Southern Ocean, Ross Dependency, South Pacific region and further afield when directed.

As the IPVs are introduced into service, the existing Inshore Patrol Craft (IPCs) will be phased out and disposed of.

The expected delivery dates of the two OPVs are:

- *HMNZS Otago* - November 2007
- *HMNZS Wellington* - May/June 2008.

The expected delivery dates of the four IPV are:

- *HMNZS Rotoiti* - September 2007
- *HMNZS Hawea* - December 2007
- *HMNZS Pukaki* - March 2008
- *HMNZS Taupo* - June 2008.

Military Hydrography, and Hydrographic Data Collection and Processing for LINZ

Under this output expense the Minister of Defence purchases the capabilities of the hydrographic and oceanographic survey vessel (*HMNZS Resolution*), specialist personnel and support infrastructure to conduct military hydrography, and hydrographic data collection and processing which meets contractual commitments to LINZ. This output expense is supported by the Hydrographic Business Unit as part of the Joint Geospatial Support Facility.

The use of *HMNZS Resolution* and Survey Motor Boat *Adventure* to deliver the MCM output will continue to be explored, commensurate with primary output expense (Hydrography) tasking.

Land Combat Forces

Under this output expense the Minister of Defence purchases the capabilities of the Land Combat Forces, consisting of command, control and intelligence elements and manoeuvre force elements (infantry and reconnaissance) prepared to conduct land operations. This output expense also includes contributions to a range of services to the Government and the community.

Land Combat Support Forces

Under this output expense the Minister of Defence purchases the capabilities of the Land Combat Support Forces, consisting of artillery, engineer, communications and military police force elements, prepared to conduct land operations. This output expense also includes contributions to a range of services to the Government and the community.

Land Combat Service Support Forces

Under this output expense the Minister of Defence purchases the capabilities of the Land Combat Service Support Forces, consisting of transport, medical, supply, repair and movements force elements, prepared to support land operations. This output expense also includes contributions to a range of services to the Government and the community.

Special Operations Forces

Under this output expense the Minister of Defence purchases the capabilities of the Special Operations Forces prepared to conduct special operations in support of land operations and counter-terrorist

operations. Also purchased are the capabilities of the NZDF CBRE IEDD/EOD organisation prepared to dispose of chemical, biological, radiological, explosive, improvised explosive devices that threaten public safety or national interests. These forces will not usually be available for other community support tasks.

Naval Helicopter Forces

Under this output expense the Minister of Defence purchases the capabilities of the Naval Helicopter Forces (Seasprite SH-2G) prepared to conduct maritime operations in support of the *Naval Combat Forces*, *Naval Support Forces* and *Naval Patrol Forces*, and to conduct limited independent operations. This output expense may also include the provision of naval helicopter forces for a range of support to the Government and the community, when required.

Maritime Patrol Forces

Under this output expense the Minister of Defence purchases the capabilities of the Maritime Patrol Forces (P-3K Orion aircraft) prepared to conduct maritime surveillance of New Zealand's EEZ, the Pacific region and the Southern Ocean, search and rescue missions, and maritime air operations. This output expense also includes the provision of Orion aircraft for a range of support services to the Government and the community.

Fixed Wing Transport Forces

Under this output expense the Minister of Defence purchases the capabilities of the Fixed Wing Transport Forces (B757-200 and C-130 Hercules aircraft) prepared to conduct strategic and tactical air transport operations, including aeromedical evacuation (AE). This output expense also includes the provision of air transport aircraft for a range of support services to the Government and the community.

Rotary Wing Transport Forces

Under this output expense the Minister of Defence purchases the capabilities of the Rotary Wing Transport Forces (Iroquois helicopters) prepared to conduct tactical air transport operations, including AE, and counter-terrorist operations. This output expense also includes the provision of helicopters for a range of support services to the Government and the community, land search and rescue in particular.

Miscellaneous Support Activities

Under this output expense the Minister of Defence purchases the NZDF infrastructure and planned support to regional defence forces and the New Zealand community provided by identified elements of the NZDF. It includes support provided under the auspices of the Mutual Assistance Programme, support to the New Zealand Cadet Forces, training of Limited Service Volunteers and the provision of Service Museums, in accordance with NZDF Output Plan specifications.

Operationally Deployed Forces

Under this output expense the Minister of Defence purchases the capabilities of deployed NZDF force elements on operations, including the commitments agreed by the Government under which the NZDF contributes to peace support and other operations conducted in support of the United Nations and other relevant multinational agencies. This includes the provision of individuals, observers, advisors, instructors, headquarters staff, and complete force elements and contingents, when necessary, to operational missions. Also included is the conduct of any additional training required to bring force elements to the operational level of capability (OLOC) and to meet any special conditions associated with threat levels anticipated when deployed.

This Output Expense is subject to a three-year (2005/06 - 2007/8) MYA; see Part B2. When the MYA expires (30 June 2008), it is intended that *Operationally Deployed Forces* be appropriated on an annual basis rather than via a MYA.

Additional Funding for Unplanned Major Operations

The NZDF Output Expenses contain appropriations for known activity levels. Until 2005/06, no provision was made for unknown events - such as new requests for NZDF support to peace support operations. Under the Government-approved Defence Sustainability (DSI) funding package the NZDF is required to fund new operational missions up to the level of normal operational tempo and funding. Should the Government decide to activate a larger contribution to an operation, such as a battalion group (as was deployed to Timor Leste), the additional costs associated with generating the OLOC required, the deployment, and the sustainment of the force for the duration of the task, will need to be considered separately. In such circumstances funding will be provided by a reprioritisation of existing expenditure and by further appropriation, as necessary. Funding proposals for major unplanned initiatives, including trade-offs against existing activities, will be considered on a case-by-case basis within agreed Cabinet procedures.

Part E - Explanation of Capital Flows

Part E1 - Explanation of Movements in Departmental Net Asset Schedules

Details of Net Asset Schedule for New Zealand Defence Force	Estimated Actual 2006/07 \$000	Projected 2007/08 \$000	Explanation of Projected Movements in 2007/08
Opening Balance	4,498,432	4,974,132	
Capital Injections	479,812	127,585	A new \$44 million capital injection has been agreed for 2007/08. The balance (\$83.585 million) is made up from an agreed capital transfer of \$73.395 million from 2006/07 and an agreed Operating to Capital Swap of \$10.190 million from 2006/07. Investing activity undertaken by the NZDF during 2007/08 is expected to exceed \$589 million. The capital injection described is the funding required to meet the NZDF's capital asset purchase programme. Capital funding will be applied to expenditure associated with the Defence Long-Term Development Plan and NZDF infrastructure planning.
Capital Withdrawals	-	-	-
Surplus to be Retained (Deficit Incurred)	(2,700)	-	-
Other Movements	(1,412)	2,700	The 2006/07 movement represents an asset revaluation reserve reduction. The 2007/08 figure represents a non-cash movement to cover the 2006/07 forecast output deficit.
Closing Balance	4,974,132	5,104,417	

VOTE *Economic, Industry and Regional Development*

Economic, Industry and Regional Development

Overview

Annual appropriations for Vote Economic, Industry and Regional Development in 2007/08 total \$341.174 million. These are to be applied as outlined below.

Departmental Appropriations

Appropriations for departmental output expenses total \$19.883 million (5.8% of the Vote). These take the form of policy advice services from the Ministry of Economic Development (MED) including:

- \$18.237 million (5.3% of the Vote) will be used for policy advice on economic, industry and regional development policies and initiatives to promote sustainable economic development.
- \$1.646 million (0.5% of the Vote) will be used for policy advice on issues related to small and medium enterprises.

Non-Departmental Appropriations

Appropriations for non-departmental output expenses total \$151.683 million (44.5% of the Vote). These take the form of New Zealand Trade and Enterprise services provided to firms, sectors and regions, and New Zealand Venture Investment Fund Limited services provided to support venture capital investment. These relate to:

- \$48.882 million (14.3% of the Vote) for facilitating the development and implementation of sector and regional strategies.
- \$28.974 million (8.5% of the Vote) for promoting New Zealand's business and development of investment opportunities.
- \$10.322 million (3.0% of the Vote) for business information and advice services.
- \$12.078 million (3.5% of the Vote) for training and capability building services.
- \$4.691 million (1.4% of the Vote) for the administration, management and monitoring of business assistance grants.
- \$13.085 million (3.8% of the Vote) for customised information and advice services.
- \$30.161 million (8.8% of the Vote) for identifying and leveraging new business opportunities.
- \$1.600 million (0.5% of the Vote) for New Zealand's participation at Expo 2010 Shanghai, China.
- \$1.890 million (0.6% of the Vote) for the operation of the Venture Investment and Seed Co-investment Funds.

Appropriations for non-departmental other expenses total \$140.188 million (41.1% of the Vote). These take the form of grants or awards to firms, sectors and regions and relate to:

- \$5.274 million (1.5% of the Vote) for assisting entrepreneurs and businesses to undertake advanced training, engage a business mentor or specific management advice and/ or undertake international market development activities.

- \$1.511 million (0.4% of the Vote) for encouraging a culture of enterprise and entrepreneurship through supporting enterprise education initiatives.
- \$400,000 (0.1% of the Vote) for operation of GIF industry governed bodies.
- \$683,000 (0.2% of the Vote) for the GIF project sector funding.
- \$9.427 million (2.8% of the Vote) for growth services funding.
- \$4 million (1.2% of the Vote) for facilitating joint ventures between Australia and New Zealand companies in biotechnology development, manufacturing and marketing.
- \$35.556 million (10.4% of the Vote) for a large budget screen production fund.
- \$3.522 million (1.0% of the Vote) for support of major events.
- \$966,000 (0.3% of the Vote) for the commissioning of research, stimulation of business interest and supply of management development services.
- \$51.351 million (15.1% of the Vote) for encouraging the integration of New Zealand businesses into global markets.
- \$3.774 million (1.1% of the Vote) to support regional and industry specific projects including those that promote the visibility of Buy Kiwi Made.
- \$17.756 million (5.2% of the Vote) for development of business incubators and regional clusters, and to support regional partnerships to develop and implement sustainable economic growth strategies.
- \$5.218 million (1.5% of the Vote) for support of specific sector related initiatives, particularly in the areas of major events, pre-feasibility and feasibility studies.
- \$750,000 (0.2% of the Vote) for the operation of an independent structure for Film New Zealand.

Appropriations for net capital flows total \$29.420 million (8.6% of the Vote) relating to a capital contribution to New Zealand Trade and Enterprise (NZTE) to increase NZTE's in-market assistance for New Zealand firms in China, India and Japan (\$1.420 million); funding for the Seed Co-investment Fund (\$8 million); and funding for the Venture Investment Fund (\$20 million).

Appropriations for non-departmental other expenses, multi-year funding, total \$7 million for research and development of commercial projects that build on New Zealand's existing strength in 3D digital graphics technology.

Details of how the appropriations are to be applied appear in Parts B1, C, D and E of this Vote.

Terms and Definitions Used

APEC	Asia-Pacific Economic Cooperation
BIZ	The Business Development programme established to enhance the management capability, business skills, and knowledge of small and medium enterprises
GIAB	Growth and Innovation Advisory Board
GIF	Growth and Innovation Framework
IAEG	Inter-Agency Events Group
ICT	Information Communications Technology
INZ	Industry New Zealand, a former Crown entity responsible for the delivery of industry and regional development programmes and activities
MED	Ministry of Economic Development
MYA	Multi-Year appropriation
NZ VIF Ltd	New Zealand Venture Investment Fund Limited
NZTE	New Zealand Trade and Enterprise
OECD	Organisation for Economic Co-operation and Development
RMA	Resource Management Act 1991
RWC 2011	Rugby World Cup 2011
SBAG	Small Business Advisory Group
SCIF	Seed Co-Investment Fund
SMEs	Small and Medium Enterprises
SPs	Strategic Priorities
TNZ	Trade New Zealand, a former Crown entity responsible for the New Zealand Trade Development Board
VIF	Venture Investment Fund

Minister Portfolio Table

39	Minister for Industry and Regional Development
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Economic, Industry and Regional Development

ADMINISTERING DEPARTMENT: Ministry of Economic Development

The Minister for Economic Development is the Responsible Minister for the Ministry of Economic Development

Part A - Statement of Objectives and Trends

Part A1 - Objectives for Vote

Related Government Outcomes

A priority for the Government is working to progress New Zealand's economic transformation to a high income, knowledge based market economy, which is both innovative and creative, and provides a unique quality of life to all New Zealanders.

Within the economic transformation agenda there are the following sub-themes:

- Growing globally competitive firms.
- World class infrastructure.
- Innovative and productive workplaces, underpinned by high standards in education, skills and research.
- An internationally competitive city - Auckland.
- Environmental sustainability.

We need a strong economy to deliver the living standards, the services, and the quality of life which the citizens of our first world country expect, deserve, and are prepared to work for. A strong economy in turn needs healthy, well educated, highly motivated, and confident people to drive it to ever greater achievements.

The Government's specific economic objective is to return New Zealand's per capita income to the top half of the OECD rankings and to maintain that standing. The strategy for achieving this objective is embodied in the Economic Transformation Agenda.

Strategic Issues

Vote Economic, Industry and Regional Development plays an important role in responding to the economic transformation challenge. Globally competitive firms are the primary generators of economic wealth. This Vote provides advice through the Ministry of Economic Development on the key issues they face in lifting their productivity performance. It also develops programmes (largely delivered by New Zealand Trade and Enterprise) to address these issues.

The context for this advice and these programmes is the rapidly changing nature of international business, where globalisation and technological change are increasing the intensity of competition New Zealand businesses face. This competition requires firms to be more innovative and responsive to international customer needs if they are to gain competitive advantage and command the premium prices that will enable New Zealanders to enjoy higher standards of living over time. Competition involves a process of change in which less productive firms are replaced by more productive firms, and resources flow to productive sectors and regions.

Key activities include:

- Supporting Ministers with coordination and implementation of the Economic Transformation Agenda.
- Working at both the systemic and the individual business level to lift the capacity of firms to innovate.
- Building the connections of firms with international markets and customers through targeted support for developing international markets and attracting foreign investment.
- Ensuring certainty to business and consumers that they will have access to reliable infrastructure services they need, at reasonable cost.
- Focusing on key enablers of growth, including general purpose technologies, enterprise culture and business and management capability.
- Supporting regional economic development policy and developing regional development programmes.
- Improving business access to finance.
- Fostering partnerships between all economic agents to improve information flows, problem identification and policy.
- Monitoring and evaluating the performance of policies and programmes, including the overall performance of NZTE and NZ VIF Ltd (jointly with CCMAU).

Appropriations Linkages to the Government's Outcomes

Departmental output expenses

The services to be purchased under Vote Economic, Industry and Regional Development will allow the Ministry of Economic Development and other agencies to deliver outputs that contribute to the Government's economic transformation agenda. Key to this is ensuring that New Zealand's business environment promotes a higher rate of sustainable income growth for New Zealanders.

Given the wide range of the Ministry of Economic Development's activities, one of the main challenges has been to identify areas of work that the Ministry can do within this Vote to make the biggest contribution to improving economic growth in New Zealand. The Ministry has identified five strategic priorities (SPs) that are considered to be the most important areas for the Ministry to focus on over the next three to five years. Of these, activities undertaken in Vote Economic, Industry and Regional Development will contribute across all SPs, the Auckland SP: Working to make Auckland world-class; International Linkages SP: Improving the international linkages that allow firms to benefit from trade, knowledge transfer and investment; Sustainable Business SP: Helping New Zealand firms to use environmental integrity for economic advantage; Investment SP: Improving the investment environment for New Zealand firms; and Infrastructure SP: Improving the quality and reliability of key infrastructure services.

In contributing to these areas under Vote Economic, Industry and Regional Development, the Ministry is tasked with providing policy advice that will encompass the development, evaluation and overview of economic, industry and regional development policies and initiatives.

The Ministry's strategic priorities describe the areas which it will emphasise to best promote economic growth. The particular contributions on these priorities within Vote Economic, Industry and Regional Development are summarised in the table below. However the Ministry's work goes beyond the priorities to include a large number of activities that also make a contribution to improving the business environment. The entirety of the Ministry's work, including work on the strategic priorities, is captured by the Ministry's Business Outcomes which are detailed in the Ministry's 2007-2010 Statement of Intent. The following table summarises the contribution that different outputs make to the Ministry's Business Outcomes.

Outcomes	Contribution of Appropriations to Outcomes
Growing Business Capability Businesses are capable of being more internationally competitive.	<p>Policy advice to support the development and alignment of outputs across the public sector that contribute to economic growth, including ongoing development and implementation of the Government's Economic Transformation Agenda.</p> <p>Policy advice on building closer economic relations internationally through increased cooperation in the areas of:</p> <ul style="list-style-type: none"> • domestic industry and innovation policy • foreign direct investment • exporting, and • NZTE programmes and services to facilitate the sustained and profitable participation of New Zealand businesses in overseas markets. <p>Policy advice and NZTE programmes and services aimed at assisting firms to develop their management and business capability.</p> <p>Policy advice on the development of the framework for encouraging regional economic development.</p> <p>Establishment and implementation of sector engagement processes.</p> <p>Advice on NZTE programmes and services to develop and implement sectoral and regional strategies that support development of new business opportunities.</p> <p>Policy advice on improving the contribution of infrastructure to economic development, particularly in the transport and water sectors, and for infrastructure generally.</p>
Promoting Dynamic and Trusted Capital Markets The business community has confidence in the integrity and effectiveness of New Zealand capital and financial markets.	<p>Policy advice regarding the impact of regulations on small to medium enterprises and improving the regulatory and compliance environment to ensure certainty and flexibility that encourages and supports business growth.</p> <p>Policy advice, programmes and services aimed at encouraging entrepreneurship and assisting firms to gain access to finance.</p>
Harnessing ICTs Information and communications services and technologies make a significant contribution to productivity improvement and quality of life in New Zealand.	<p>Policy advice regarding the potential and actual impact of technologies for enabling and enhancing firm productivity and performance.</p>
Building International Links New Zealand's international connections support transformation of the New Zealand economy and sustainable economic growth through increased trade, and through improved flows of investment, skills and technology.	<p>Policy advice on promoting stronger business networks, in liaison with other agencies, including increased cooperation in the areas of:</p> <ul style="list-style-type: none"> • domestic industry and innovation policy • foreign direct investment • exporting, and • NZTE programmes and services to facilitate the sustained and profitable participation of New Zealand businesses in overseas markets.

Outcomes	Contribution of Appropriations to Outcomes
Boosting the Productivity of Auckland Auckland continues to grow as a world class city, balancing economic growth with improvements to the quality of life of its citizens.	Policy advice regarding a coordinated approach to identify and implement opportunities to develop Auckland as a world-class city to strengthen its contribution to NZ's economic transformation. This includes: <ul style="list-style-type: none"> • encouraging innovation - improving the collaboration between firms and research organisations in Auckland and deepening key innovation clusters • showcasing Auckland to the world - enhancing Auckland's international image and urban form starting with making the most of the potentially magnificent Auckland waterfront, and • building on Auckland's strengths and points of difference to grow globally competitive firms.

Non-departmental output expenses

Appropriations are sought in this Vote to purchase outputs from New Zealand Trade and Enterprise to engage in activities that build business capability, improve the environment for enterprise and growth and help build international connections for business.

These outputs contribute to the Government's goals by helping all New Zealanders attain a greater standard of living and improved participation in the global economy.

Outputs to be purchased include:

- Developing and implementing sector and regional strategies to assist growth and international connections.
- Promoting New Zealand's products and services.
- Promoting a culture of entrepreneurship and business success.
- Promoting and facilitating investment.
- Assisting firms to access skills and expertise in areas such as the raising of capital, starting a business, management and exporting.
- Providing training to improve the management capabilities of small businesses, entrepreneurs, start-ups and new exporters.
- Assisting firms, and groups of firms, achieve their growth objectives by providing customised advice and information that identifies and addresses business opportunities and constraints.
- Managing business assistance grants.
- Providing policy support.

Appropriations are also sought to purchase outputs from NZ VIF Ltd with the objective of accelerating the development of the New Zealand venture capital industry.

Part A2 - Trends in Vote

The allocation flows for Vote Economic, Industry and Regional Development are detailed in the trends table.

Classes of Outputs to be Supplied

Output trends from 2002/03 to 2006/07

The appropriations in the Vote have increased significantly since 2002/03 reflecting both Government priorities and a phased approach to the implementation of industry and regional development programmes.

The first of two significant changes occurred when INZ and the TNZ were merged to form a new Crown entity - NZTE from 1 July 2003.

There has been an increase in funding to support New Zealand businesses to build international relationships and exploit offshore opportunities including:

- Market development assistance scheme.
- Sector-focused International Market Development.
- Enhancing Investment Promotion and Attraction Capability.
- Expanding and Enhancing the Strategic Investment Fund (SIF).
- Building the Government's international market development capability.
- Promoting New Zealand business capability internationally.
- Major Events Development Fund.
- Large Budget Screen Production Fund.

Appropriation Changes from 2007/08

Non-departmental output expenses and other expenses

While overall non-departmental operating baselines in 2007/08 remain relatively fixed, significant change has occurred within the spread of funding. As part of the 2007 Budget and the recent evaluation of NZTE programmes, a substantial level of reprioritisation has occurred to redirect resources from less effective programmes towards those shown to be more effective in increasing the impact of business assistance programmes. This funding is part of the "Encouraging the Integration of NZ Business into Global Markets" initiative. This has seen an overall reduction in NZTE operational expenditure and a number of grant programmes, and a corresponding increase in areas such as the Market Development Assistance Fund.

There has also been a fiscally neutral transfer of funding between non-departmental output classes to reflect the financial impact of NZTE's strategy.

For further details of new initiatives agreed, refer to the "New Policy Initiatives by Appropriations" below.

Capital expenditure*New Zealand Trade and Enterprise*

The major change is additional capital expenditure to increase NZTE's in-market assistance for New Zealand firms in China, India and Japan, \$1.420 million in 2007/08 and \$3.314 million in 2008/09.

New Zealand Venture Investment Fund

This fund was established in 2001 with a capital appropriation of \$100 million in Vote Research, Science and technology. The available fund of \$76.583 million was transferred to Vote Economic, Industry and Regional Development during 2005/06. The major change between 2005/06 and 2006/07 (a reduction of \$49.383 million) reflects a reprofiling of the capital appropriation to match the timing of contractual obligations of the fund with normal accounting practice. Additional funding of \$40 million was provided for as part of the 2006 Budget. This increases the total capital appropriation invested to \$140 million.

New Policy Initiatives by Appropriation

Initiative	Appropriation as shown in Part B	\$'000 increase/(decrease)				
		2006/07	2007/08	2008/09	2009/10	2010/11
Boost to the Market Development Assistance Fund as an Export Year 2007 initiative.	Other Expenses to be Incurred by the Crown - Market Development Assistance Fund	13,500	27,000	26,768	26,000	26,000
	Non-Departmental Output Expenses - Grant Administration and Management	930	930	1,000	1,000	1,000
	Enabling Services - Promotion of New Zealand Business and Development of Investment Opportunities	150	50	-	-	-
	Departmental Multi-Class Output Expense Policy Advice - Economic Development	90	60	-	-	-
Buy Kiwi Made Programme	Departmental Multi-Class Output Expense Policy Advice - Economic Development	1,870	5,130	1,000	-	-
	Other Expenses to be Incurred by the Crown - Regional and Industry Development Fund	1,500	1,500	-	-	-
National Stadium and Finals Venue for hosting the Rugby World Cup 2011, and Auckland Legacy work programme	Departmental Multi-Class Output Expense Policy Advice - Economic Development	400	710	500	500	500
	Non-Departmental Capital Expenditure - Stadium Development	14,000	-	-	-	-
Economic Transformation agenda	Departmental Multi-Class Output Expense Policy Advice - Economic Development	170	715	650	575	515
Preparatory work to support New Zealand's Participation at Expo 2010 Shanghai, China	Non-Departmental Output Expense - New Zealand's Participation at Expo 2010 Shanghai, China	100	1,600	-	-	-
Expanding the Beachheads Programme and leveraging the development of New Zealand's international networks to support the development of globally competitive firms	Non-Departmental Output Expense - Enabling Services - Facilitating the Development and Implementation of Sector and Regional Strategies	-	1,000	1,000	1,200	1,200
	Other Expenses to be Incurred by the Crown - Regional and Industry Development Fund	-	630	630	630	-
In-market assistance for New Zealand firms in China, India and Japan	Non-Departmental Output Expense - Growth Services - Identifying and Leveraging New Business Opportunities	-	2,537	5,514	5,657	5,657
	Capital Expenditure - New Zealand Trade and Enterprise	-	1,420	3,314	124	147

		\$000 increase/(decrease)				
Initiative	Appropriation as shown in Part B	2006/07	2007/08	2008/09	2009/10	2010/11
Research and development of commercial projects that build on New Zealand's existing strength in 3D digital graphics technology	Other Expenses to be Incurred by the Crown - 3D Digital Graphics Cluster	-	3,000	2,000	2,000	-
Innovation park study	Departmental Multi-Class Output Expense Policy Advice - Economic Development	-	300	-	-	-
Total Initiatives		32,710	46,582	42,376	37,686	35,019

Part B - Statement of Appropriations

Summary of Financial Activity

	2002/03	2003/04	2004/05	2005/06	2006/07		2007/08 Appropriations to be Used					2008/09	2009/10	2010/11
							By the Department Administering the Vote		For Non-Departmental Transactions					
	Actual \$000	Actual \$000	Actual \$000	Actual \$000	Budget \$000	Estimated Actual \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	Total \$000	Estimated \$000	Estimated \$000	Estimated \$000
Appropriations														
Output Expenses	63,326	131,123	152,475	157,416	160,894	160,894	19,883	-	151,683	-	171,566	163,375	162,141	162,071
Benefits and Other Unrequited Expenses	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Borrowing Expenses	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Other Expenses	35,436	38,503	50,285	105,993	108,498	108,498	-	-	140,188	-	140,188	142,272	136,357	133,473
Capital Expenditure	-	4,997	1,850	40,288	61,337	61,337	N/A	N/A	29,420	-	29,420	31,314	23,074	8,172
Intelligence and Security Department Expenses and Capital Expenditure	-	-	-	-	-	-	-	-	N/A	N/A	-	-	-	-
Total Appropriations	98,762	174,623	204,610	303,697	330,729	330,729	19,883	-	321,291	-	341,174	336,961	321,572	303,716
Crown Revenue and Receipts														
Tax Revenue	-	-	-	-	-	-	N/A	N/A	N/A	N/A	-	-	-	-
Non-Tax Revenue	-	-	-	-	-	-	N/A	N/A	N/A	N/A	-	-	-	-
Capital Receipts	-	-	-	-	-	-	N/A	N/A	N/A	N/A	-	-	-	-
Total Crown Revenue and Receipts	-	-	-	-	-	-	N/A	N/A	N/A	N/A	-	-	-	-

Part B1 - Details of Appropriations

	2006/07				2007/08		
	Budget		Estimated Actual		Vote		
Appropriations	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	Scope of 2007/08 Appropriations
Departmental Output Expenses (General)							
Policy Advice - Economic Development MCOA							Basis: Both output classes are directed at the same set of defined outcomes.
Policy Advice - Small Business	1,646	-	1,646	-	1,646	-	- Policy advice on issues relating to lifting the capability and performance of Small to Medium Enterprises (SMEs), including development, coordination and implementation of policy advice concerning SMEs.
Policy Advice and Sector Leadership - Firm Capability, Sectoral and Regional Development	15,760	-	15,760	-	18,237	-	- Policy advice encompassing the development, evaluation and overview of economic, industry and regional development policies and initiatives to promote sustainable economic development. This includes implementation of the Economic Transformation Agenda, factors influencing the capability and performance of firms, sectors and regions, and the monitoring of New Zealand Trade and Enterprise.
Policy Advice - Economic Development (M39)	17,406	-	17,406	-	19,883	-	
Total Departmental Output Expenses (General)	17,406	-	17,406	-	19,883	-	
Non-Departmental Output Expenses							
Enabling Services - Facilitating the Development and Implementation of Sector and Regional Strategies (M39)	48,417	-	48,417	-	48,882	-	- Services to support collaboration, linkages and the development of strategies between and among sectors, regions and clusters of businesses and government aimed at exploiting opportunities for growth and overcoming constraints to growth.
Enabling Services - Promotion of New Zealand Business and Development of Investment Opportunities (M39)	27,732	-	27,732	-	28,974	-	- Promotion of New Zealand's products and services, a culture of entrepreneurship and business success, and the fostering of international trade and investment.
Foundation Services - Business Information and Advice (M39)	9,083	-	9,083	-	10,322	-	- Provision of a range of business assistance services and oversight of a range of programmes that provide information and advice to business, with particular focus on small businesses, entrepreneurs, start-ups and new exporters.
Foundation Services - Training and Capability Building (M39)	12,078	-	12,078	-	12,078	-	- Training to improve the management capabilities of small businesses, entrepreneurs, start-ups and new exporters.
Grant Administration and Management (M39)	4,812	-	4,812	-	4,691	-	- Administration and monitoring of business assistance grants and provision of support to government policy development.

	2006/07				2007/08		
	Budget		Estimated Actual		Vote		
Appropriations	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	Scope of 2007/08 Appropriations
Growth Services - Customised Information and Advice (M39)	12,430	-	12,430	-	13,085	-	- Provision of customised information and advice to enable New Zealand businesses which are committed to achieving medium to high growth, to identify and address opportunities and constraints in achieving their growth objectives.
Growth Services - Identifying and Leveraging New Business Opportunities (M39)	26,946	-	26,946	-	30,161	-	- Support for New Zealand businesses with medium to high growth potential, to identify and pursue new international business opportunities.
Investment Fund Management (M39)	1,890	-	1,890	-	1,890	-	- Operational costs of the Venture Investment and Seed Co-investment Funds.
New Zealand's Participation At Expo 2010 Shanghai, China (M39)	100	-	100	-	1,600	-	- Funding for New Zealand's participation at Expo 2010 in Shanghai, China.
Total Non-Departmental Output Expenses	143,488	-	143,488	-	151,683	-	
Other Expenses to be Incurred by the Crown							
Enterprise Development Fund (M39)	3,674	-	3,674	-	5,274	-	- Assistance for entrepreneurs and businesses to undertake advanced training, engage a business mentor or specific management advice and/ or undertake international market development activities.
Enterprise, Culture and Skills Activities Fund (M39)	1,511	-	1,511	-	1,511	-	- Support of enterprise education initiatives to encourage a culture of enterprise and entrepreneurship.
Film New Zealand (M39)	578	-	578	-	750	-	- Operation of an independent structure for Film NZ, development of a marketing plan for the film sector and coordination of regional film offices.
GIF Industry Governed Bodies Fund (M39)	1,014	-	1,014	-	400	-	- Operation of GIF industry governed bodies to oversee the implementation of their individual sector growth strategies within the ICT, biotechnology, design and screen sectors.
GIF Sector Project Fund (M39)	933	-	933	-	683	-	- Implementation of specific projects arising out of industry issues as requested by the established GIF industry governed bodies within the ICT, biotechnology, design and screen sectors.
Growth Services Fund (M39)	9,427	-	9,427	-	9,427	-	- Medium to high growth potential firms to purchase external advice and expertise and marketing intelligence and development services.
International Biotechnology Partnerships (M39)	4,000	-	4,000	-	4,000	-	- Facilitation of joint ventures between Australia and New Zealand companies in biotechnology development, manufacturing and marketing.
Large Budget Screen Production Fund (M39)	35,556	-	35,556	-	35,556	-	- Assistance to film and television productions that spend over \$15 million in New Zealand, if that expenditure equals or exceeds 70% of the production's total budget.
Major Events Development Fund (M39)	3,022	-	3,022	-	3,522	-	- Support for major events that provide economic, social, cultural and international profiling benefits to New Zealand.

	2006/07				2007/08		
	Budget		Estimated Actual		Vote		
Appropriations	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	Scope of 2007/08 Appropriations
Other Expenses to be Incurred by the Crown - cont'd							
Management Development Fund (M39)	1,156	-	1,156	-	966	-	- Assistance to address the management capability gap in New Zealand, through the commissioning of research, stimulation of business interest and supply of management development services.
Market Development Assistance Fund (M39)	36,307	-	36,307	-	51,351	-	- Encouragement for the integration of more New Zealand businesses into global markets by facilitating the creation, development and expansion of overseas markets for New Zealand goods, services, intellectual property and know-how.
Regional and Industry Development Fund (M39)	4,687	-	4,687	-	3,774	-	- Support of industry and regional specific projects that are likely to have the ability to contribute to government economic objectives and to unlock high growth potential, including support of Buy Kiwi Made sectoral and regional initiatives.
Regional Partnerships and Facilitation (M39)	2,756	-	2,756	-	17,756	-	- Provision of advice and grants to support the development of business incubators and regional clusters, and to support regional partnerships to develop and implement sustainable economic growth strategies.
Sector Strategies and Facilitation (M39)	3,877	-	3,877	-	5,218	-	- Assistance with the facilitation of specific sector initiatives, particularly in the areas of major events, pre-feasibility and feasibility studies and guarantees for significant projects to access funding through other government programmes and cash grants.
Total Other Expenses to be Incurred by the Crown	108,498	-	108,498	-	140,188	-	
Capital Expenditure							
Capital Growth Facility (M39)	12,467	-	12,467	-	-	-	- To facilitate loans to Right Hemisphere and Protemix.
New Zealand Trade and Enterprise (M39)	1,870	-	1,870	-	1,420	-	- To increase NZTE's in-market assistance for New Zealand firms in China, India and Japan.
Seed Co-investment Fund (M39)	8,000	-	8,000	-	8,000	-	- Support the development of the market for early stage equity finance.
Stadium Development (M39)	14,000	-	14,000	-	-	-	- Provision of a funding facility associated with the development activities in relation to the RWC 2011 Finals venue.
Venture Investment Fund (M39)	25,000	-	25,000	-	20,000	-	- Capital Investment to accelerate the development of the New Zealand Venture Capital Market. Public funds will be co-invested with the private sector to increase the rate of formation of new businesses based on high added value goods and services.
Total Capital Expenditure	61,337	-	61,337	-	29,420	-	
Total Appropriations	330,729	-	330,729	-	341,174	-	

Part B2 - Details of Multi-Year Appropriations

Appropriations	Current Appropriation \$000	Scope of Appropriations
Other Expenses to be Incurred by the Crown		
3D Digital Graphics Cluster (M39)		To research and develop commercial projects that build on New Zealand's existing strength in 3D digital graphics technology.
Original Appropriation	7,000	
Commences	1 July 2007	
Expires	30 June 2010	
Adjustments 2006/07	-	
Appropriation	7,000	
Estimated Actual to 2006/07 Year End	-	
Estimated Actual to 2007/08 Year End	3,000	
Regional Partnerships and Facilitation (M39)		Provision of advice and grants to assist regional partnerships to identify, develop and implement sustainable economic growth strategies.
Original Appropriation	56,625	
Commences	1 July 2004	
Expires	30 June 2007	
Adjustments 2006/07	(8,425)	
Appropriation	38,200	
Estimated Actual to 2006/07 Year End	38,200	
Estimated Actual to 2007/08 Year End	38,200	

Part C - Explanation of Appropriations for Output Expenses

Part C1 - Departmental Output Expenses

Policy Advice and Sector Leadership - Firm Capability, Sectoral and Regional Development

This appropriation provides policy advice encompassing the development, evaluation and overview of economic, industry and regional development policies and initiatives to promote sustainable economic development.

This includes the ongoing development and implementation of the Government's Economic Transformation Agenda; the researching and analysis of factors influencing the capability and performance of firms, industry sectors, and regions; undertaking work on the overall management and adequacy of New Zealand's infrastructure; and the monitoring of New Zealand Trade and Enterprise (NZTE).

The following outputs are included in this appropriation for 2007/08:

- Regional Development Policy - which relates to economic initiatives in the regions of New Zealand, with a focus on policies and programmes to improve the business environment at the regional level, which in turn influences individual firm performance.
- Economic Transformation - which relates to the ongoing development and implementation of the Government's cross-agency economic transformation agenda and promotion of associated activities undertaken in regions, sectors and firms.
- Growth and Innovation Advisory Board (GIAB) - which relates to providing support to GIAB and their focus of strengthening the role of innovation stakeholders in informing the development of the Economic Transformation strategy.
- Firm Capability - which relates to the issues that affect and influence management, business capability and overall performance at the firm level. It includes advice on the design, implementation and ongoing operation of industry programmes delivered through NZTE and NZ VIF Ltd.
- Research, Evaluation and Monitoring - which relates to managing a research programme, which informs future policy development, the evaluation and monitoring of industry and regional development programmes and the performance of NZTE.
- Sector Policy Development - which relates to the factors that influence the level and quality of sustainable economic growth from an industry development perspective. The focus is on factors that influence industry sector growth and New Zealand's international connections, including the design, implementation and ongoing operation of programmes delivered through NZTE Major Events - which relates to secretariat support to the Major Events Development Fund as part of the Major Events Strategy and will ensure that expenditure on approved events is properly monitored and accounted for.
- Major Events - which relates to providing secretariat services to the IAEG and identifying major events opportunities and developing associated leveraging plans.
- Infrastructure advice - which relates to work on a range of infrastructure issues not covered under Votes Energy or Communications. The work is directed to improving the contribution of the transport and water sectors, and of infrastructure generally, to economic development. The Ministry, in

conjunction with the Ministry for the Environment, also leads the development of national guidance for infrastructure under the RMA.

Policy Advice - Small Business

This appropriation provides policy advice on issues relating to lifting the capability and performance of SMEs, including development, coordination and implementation of policy advice concerning SMEs.

The following outputs are included in this appropriation for 2007/08:

- Small Business Advisory Group - which relates to facilitating the work of the SBAG in considering SME issues and providing advice to the Government.
- SME research - which relates to the undertaking or oversight of research and commentaries on issues related to the state and development of SMEs.
- Compliance Costs - which relates to advice, research and projects designed to identify, and assist in alleviating, unnecessary costs incurred by SMEs in complying with government regulations.
- International connections - which relates to involvement with international organisations such as APEC and OECD, including leadership of the work they do on SMEs.
- Communication with SMEs - which relates to building communication channels between government and SMEs, including through the SBAG, to promote the development and success of SMEs.

Part C2 - Non-Departmental Output Expenses

Enabling Services - Facilitating the Development and Implementation of Sector and Regional Strategies

This appropriation covers the cost of purchasing services that will support collaboration, linkages, and the development and implementation of strategies between and among sectors, regions and clusters of businesses and government aimed at exploiting opportunities for growth and overcoming constraints to growth. This appropriation will enhance New Zealand's growth prospects both in the medium and long term through the provision of various sector initiatives, sector programmes, regional development and foundation activities in New Zealand, and targeted offshore regions.

Quantity, quality, timeliness and cost

Performance Measures	2007/08 Performance Expectation
Quantity Sector projects, strategic initiatives, foundation activity, regional development and work including the Beachheads programme and other stated activity specified within the Output Agreement.	100% of project deliverables and goals (as detailed in Output Agreement) achieved. Progress monitored and reported quarterly to responsible Ministers.
Quality and Timeliness Sector projects, strategic initiatives, foundation activity, regional development and work including the Beachheads programme will be delivered as per project plans - to scope, timeframes and budget.	100% compliance with NZTE project management guidelines and criteria. See Output Agreement for compliance monitoring details. Projects will be approved, managed and monitored according to NZTE internal processes (project management guidelines and criteria).

Cost

	2006/07 \$000	2007/08 \$000
Total output class expenses	48,417	48,882

Provider

New Zealand Trade and Enterprise.

Enabling Services - Promotion of New Zealand Business and Development of Investment Opportunities

This appropriation covers the cost of purchasing services for the promotion of New Zealand's products and services both on and offshore to attract and facilitate investment. The services are also aimed at building a supportive business environment in New Zealand, by fostering and supporting a culture of entrepreneurship and business success and by promoting the benefits and value of international engagement.

Quantity, quality, timeliness and cost

Performance Measures	2007/08 Performance Expectation
Quantity	
Promotion of New Zealand	
Number of communications plans implemented around sector-related events	2 - 6
Promotion and Facilitation of Investment	
Number of businesses receiving funding through the Strategic Investment Fund	2 - 6
Quality and Timeliness	
Promotion of New Zealand	
Percentage of positive and/or balanced articles, in line with brand, placed in international media channels for identified priority events/activities.	90%

Cost

	2006/07 \$000	2007/08 \$000
Total output class expenses	27,732	28,974

Provider

New Zealand Trade and Enterprise.

Foundation Services - Business Information and Advice

This appropriation covers the cost of purchasing services for the delivery of a range of business assistance services targeted at a wide business audience, but with a particular focus on smaller firms, entrepreneurs, start-ups and new exporters. The services are largely focused on building and supporting the development of management skills and capabilities such as raising capital, business management and exporting, through the provision of information and advice.

Quantity, quality, timeliness and cost

Performance Measures	2007/08 Performance Expectation
Quantity	
Calls to NZTE hotline service.	12,000 - 18,000
Enquiries logged to the to biz service (calls, email, walk-in).	15,000 - 20,000
Quality	
All biz centres and staff receive a Quality Standards Manual that covers how services will be delivered, recruitment, response times, keeping up-to-date records, and database management.	100% compliance with adherence to Quality Standards Manual. Performance monitoring standards as set in the Output Agreement.
Timeliness	
Online information available to businesses on international market development will be up-to-date.	100% compliance with Annual update cycle.

Cost

	2006/07 \$000	2007/08 \$000
Total output class expenses	9,083	10,322

Provider

New Zealand Trade and Enterprise.

Foundation Services - Training and Capability Building

This appropriation covers the cost of purchasing services for the delivery of training to build and enhance the management capabilities of small businesses, entrepreneurs, start-ups and new exporters.

Quantity, quality, timeliness and cost

Performance Measures	2007/08 Performance Expectations
Quantity	
Businesses receiving training.	10,000 - 15,000. Details of training programmes as specified in the Output Agreement.
Quality	
Owners/Managers of businesses rate training as 'good' or 'very good'.	Mean rating greater than 4 on a scale of 0 - 5.
Timeliness	
Complete the annual audit programme on selected training providers.	By 30 June 2007. Audit details as specified in the Output Agreement.

Cost

	2006/07 \$000	2007/08 \$000
Total output class expenses	12,078	12,078

Provider

New Zealand Trade and Enterprise.

Grant Administration and Management

NZTE will administer a number of grant schemes for businesses on behalf of the Crown. This appropriation covers the cost of purchasing services that will ensure the delivery of business assistance grants as consistent with agreed policy guidelines and Cabinet criteria. In addition a range of services will be purchased which support government policy development particularly related to the development of “economic and regional development” and ongoing NZTE delivery.

Quantity, quality, timeliness and cost

Performance Measures	2007/08 Performance Expectation
Quantity	
Claims against awarded funds and grants are paid in full and on time.	100% compliance with client agreements.
Quality and Timeliness	
Grant applications are assessed and processed in accordance with specified criteria, NZTE processing manuals and guidelines and the grants and programmes administration framework.	100% adherence with specified criteria, guidelines and procedure manuals, grants and programme administration framework,. Compliance monitoring as specified in the Output Agreement.

Cost

	2006/07 \$000	2007/08 \$000
Total output class expenses	4,812	4,691

Provider

New Zealand Trade and Enterprise.

Growth Services - Customised Information and Advice

This appropriation covers the cost of purchasing services for the development and delivery of customised information and advice to New Zealand businesses that are committed to achieving medium to high growth. The services are aimed at assisting companies to identify and respond to opportunities and address constraints to achieving their growth objectives.

Quantity, quality, timeliness and cost

Performance Measures	2007/08 Performance Expectations
Quantity	
Clients receiving paid and unpaid customised market intelligence services.	200 - 400
Quality	
Clients surveyed are satisfied that NZTE market selection and international intelligence services were delivered as agreed.	80% of clients rate service as "good" or "very good".

Cost

	2006/07 \$000	2007/08 \$000
Total output class expenses	12,430	13,085

Provider

New Zealand Trade and Enterprise.

Growth Services - Identifying and Leveraging New Business Opportunities

This appropriation covers the cost of purchasing services relating to the identification, qualification and facilitation of international business opportunities. The services provided are customised to support and assist New Zealand businesses with medium to high growth potential. The services are largely focused on facilitating and leveraging international market opportunities.

Quantity, quality, timeliness and cost

Performance Measures	2007/08 Performance Expectations
Quantity	
Subscriptions to Project Link.	80 - 100
Online trade enquiries registered	600 - 800
Quality and Timeliness	
NZTE through its offshore network will work closely with MFAT posts in markets to provide relevant assistance to internationalising firms.	Performance agreed as satisfactory by Ministers.

Cost

	2006/07 \$000	2007/08 \$000
Total output class expenses	26,946	30,161

Provider

New Zealand Trade and Enterprise.

New Zealand's Participation at Expo 2010 Shanghai, China

This appropriation provides funding for New Zealand's participation at Expo 2010 in Shanghai, China. This recognises the importance of New Zealand's bilateral relationship with China. The Expo will run from 1 May to 31 October 2010 and will have a New Zealand presence, in terms of both community and private sector engagement.

Quantity, quality, timeliness and cost

Performance Measures	2007/08 Performance Expectations
Key milestones in the agreed project plan will be met	100%. Key project milestones as detailed in the 2007/08 Output Agreement.

Cost

	2006/07 \$000	2007/08 \$000
Total output class expenses	100	1,600

Provider

New Zealand Trade and Enterprise.

Investment Fund Management

This appropriation covers the management and governance of NZ VIF Ltd. This includes administering the VIF and the SCIF programmes and monitoring the performance of these funds.

NZ VIF Ltd is a wholly owned Crown company established for the purpose of accelerating the development of the venture capital market in New Zealand. NZ VIF Ltd will achieve this purpose by co-investing with the private sector through both VIF and SCIF Funds. The VIF programme provides for co-investment in venture capital funds managed by private sector fund managers. The SCIF programme provides for co-investment with private sector networks and angel investors.

This investment has the following goals:

Venture Investment Fund

- To accelerate development of the New Zealand venture-capital industry by increasing the level of seed, start-up and early expansion investment activity in the New Zealand market.
- To develop a larger pool of people in New Zealand's venture capital market with skills and expertise in seed and start-up investment.
- To facilitate the commercialisation of innovations from Crown Research Institutes, universities and the private sector.
- To get more New Zealand businesses on paths to global success by increasing their access to international experts, networks and market knowledge.

Seed Co-investment Fund

- To accelerate the development of greater professional capacity in the market for intermediating funds between investors and newer technology-based firms.
- To increase the scale and enhance developed networks for early stage investment.
- To increase the depth in the specialist skills needed to assess and manage early-stage technology-based investment.
- To catalyse investment that would not have occurred without the programme.

Quantity, quality, timeliness and cost

Performance Measures	2007/08 Performance Expectations
Selection of seed fund managers	Due diligence to select investment grade fund managers. Investment charters and legal documentation in line with international venture capital industry "best practice".
Selection of angel networks and network managers	Due diligence to select investment grade fund managers. Investment charters and legal documentation in line with international venture capital industry "best practice".
Manage the Venture Investment Fund and the Seed Co-investment Fund	Fund management conforms to industry "best practice" for venture capital "fund or funds" and angel co-investment portfolio.
Monitor the performance and results achieved by the seed fund managers and the angel networks	Monitoring and governance processes that conform to industry "best practice".
Provision of advice to the Minister as required	The advice will be delivered within 15 working days of the formal request, unless otherwise agreed, and will be of a standard acceptable to the Minister.

Cost

	2006/07 \$000	2007/08 \$000
Total output class expenses	1,890	1,890

Provider

New Zealand VIF Limited.

Part D - Explanation of Appropriations for Other Operating Flows

Part D3 - Other Expenses

Enterprise, Culture and Skills Activities Fund

This fund provides support for projects that develop an enterprise culture across the community which will promote a business and enterprise culture and develop enterprising skills and attitudes among New Zealanders. The focus is on seed funding and piloting new and innovative approaches that will result in:

- a climate that recognises and reinforces business success amongst existing and potential businesses
- a social culture that positively supports entrepreneurial activity and business success
- a culture in education where business is seen as a positive contributor to society and a worthwhile career aspiration for students, and
- students developing enterprising attitudes and behaviours and business-relevant skills.

Enterprise Development Fund

This fund provides for assistance to entrepreneurs and businesses to:

- engage the services of a business mentor for a period of time
- undertake more advanced management and technology-based training
- purchase specific external advice and expertise in a management area (eg, feasibility studies, e-business, market research, enhancement and uptake of new technologies, human resources, intellectual property, strategic planning, environmental management, production management or for governance/advisory), and
- engage the services of advisory boards.

GIF Industry Governed Bodies Fund

This fund provides for the operation of GIF industry governed bodies to oversee the implementation of their individual sector growth strategies within the ICT, biotechnology, design and screen sectors.

GIF Sector Project Fund

This fund provides for implementation of specific projects arising out of industry issues as requested by the established GIF industry governed bodies within the ICT, biotechnology, design and screen sectors.

Growth Services Fund

This fund provides for medium to high growth potential firms to purchase external advice and expertise and marketing intelligence and development services. Funding is available to both firms and groups of firms to facilitate access to the following enablers of business growth:

- New business opportunities.

- Skills and expertise.
- Innovation and new technologies.
- Finance.

International Biotechnology Partnerships

This fund provides for facilitation of joint ventures between Australia and New Zealand companies in biotechnology development, manufacturing and marketing.

Large Budget Screen Production Fund

This fund provides assistance to film and television productions that spend over \$15 million in New Zealand, if that expenditure equals or exceeds 70% of the production's total budget.

Major Events Development Fund

This fund provides support for major events that provide economic, social, cultural and international profiling benefits to New Zealand and is supported by the Major Events Strategy.

Management Development Fund

This fund provides assistance to address the management capability gap in New Zealand, through the commissioning of research, stimulation of business interest and supply of management development services. This is encompassed under the "Fit for the Future" initiative.

Market Development Assistance Fund

This fund encourages the integration of more New Zealand businesses into global markets by facilitating the creation, development and expansion of overseas markets for New Zealand goods, services, intellectual property and know-how. This fund covers up to 50% of a SME's eligible market development expenditure that is related to developing new markets and improving current market positions offshore. The scheme supports a key deliverable in growing our export sector by increasing the numbers of SMEs engaged in sustainable exporting.

Regional and Industry Development Fund

This appropriation provides support for regional and industry specific projects that are consistent with the Government's economic, social and environmental objectives, but cannot be funded through other government assistance programmes. This fund was established on 1 July 2006 combining the Regional Initiatives Fund and the Sector Initiatives Fund. Projects have been developed in partnership with regional stakeholders, through MED and/or NZTE.

From 2006/07 this appropriation also includes the Buy Kiwi Made Sector and Regional Initiatives Fund to support individual sector and regional initiatives that promote the objectives of Buy Kiwi Made.

Regional Partnerships and Facilitation

This appropriation provides assistance for the support and development of business incubators and regional clusters, and regional partnerships to develop and implement sustainable economic growth strategies.

In 2004/05 the appropriation was split into an annual component for incubator and cluster support; and a MYA providing for advice and assistance to regional partnerships to identify, develop and implement sustainable economic growth strategies. The MYA ceases on 30 June 2007, and the investment level of the annual component increases by \$15 million per annum from 1 July 2007. As part of the government's refresh of regional development policy, the Regional Partnerships Fund will be effectively disestablished on 30 June 2007 with the funding going to the Enterprising Regions Fund, Enterprising Partnerships Fund, and Chatham Islands Funding.

Sector Strategies and Facilitation

This fund provides assistance for specific sector related initiatives, particularly in the areas of major events, pre-feasibility and feasibility studies and guarantees for significant projects to access funding through other government programmes and cash grants.

Part E - Explanation of Capital Flows

Part E1 - Explanation of Movements in Departmental Net Asset Schedules

Details of Net Asset Schedule for Ministry of Economic Development	Estimated Actual 2006/07 \$000	Projected 2007/08 \$000	Explanation of Projected Movements in 2007/08
Opening Balance	19,978	20,939	
Capital Injections	10,667	5,127	Deficits incurred on Departmental Output Expenses where memorandum accounts are in operation -\$5.127 million (-\$9.467 million in 2006/07) and funding for capital contribution \$0 (\$1.200 million in 2006/07).
Capital Withdrawals	(139)	-	
Surplus to be Retained (Deficit Incurred)	(9,567)	(5,127)	Deficit for the year. Comprised of memorandum accounts deficit -\$5.127 million (-\$9.467 million in 2006/07); departmental output expenses where surplus earned is \$2.485 million (\$5.076 million in 2006/07), less provision for repayment of surplus -\$2.485 million (-\$5.076 million in 2006/07).
Other Movements	-	-	
Closing Balance	20,939	20,939	

Part E2 - Statement of Estimated and Forecast Net Worth of Entities Owned

	Balance Date	Estimated Net Worth 2007 \$000	Forecast Net Worth 2008 \$000
Crown Entities:			
New Zealand Trade and Enterprise	30 June	22,418	23,838
Crown owned company:			
New Zealand Venture Investment Fund	30 June	24,690	33,340

New Zealand Trade and Enterprise

The net worth reflects an opening balance in 2006/07 of \$22.418 million, which includes additional capital appropriation for the business (biz) portal website development (\$730,000). The forecast net worth in 2007/08 of \$23.838 million reflects the increased capital appropriation for NZTE service expansion in the Asia region (\$1.420 million).

New Zealand Venture Investment Fund Limited

The net worth of NZ VIF Ltd will increase as capital funds are drawn from NZ VIF and SCIF to co-invest with the private sector in early stage ventures. Changes in net worth result from the net effects of profit (after tax), dividends paid and capital injections or withdrawals.

Part E3 - Explanation of Appropriations for Capital Expenditure

Venture Investment Fund

Cabinet agreed in 2000/01 to establish a Crown Seed Capital Fund. This has been renamed the New Zealand Venture Investment Fund (VIF). This fund has been designed so that the Crown and private sector investors co-invest in early stage ventures that show potential to create high value-added goods and services. The Crown has appropriated \$100 million of capital from Vote Research Science and Technology. The balance of the appropriation was transferred to Vote Economic, Industry and Regional Development (\$76.583 million) in November 2005.

Additional funding of \$40 million was provided for as part of the 2006 Budget. This increased the total capital appropriation to \$140 million and a greater contribution will be made by private sector partners. The changes to appropriations are an estimate of the required level of new funding and there may be offsetting funding from VIF Fund exits. Consequently, the level of new appropriations may ultimately need to be higher or lower.

Cabinet agreed in 2006/07 to extend the NZ VIF Ltd investment mandate into expansion and late expansion business stage investments for new VIF funds, and agreed to a Crown to private sector venture capital investment ratio of 1:4 and 1:5 respectively for expansion and late expansion stage investments.

Seed Co-investment Fund

Cabinet agreed in 2004/05 to establish a Seed Co-investment Fund (SCIF). This fund has been designed so that the Crown and private sector investors co-invest in the market for early stage equity finance. The Crown's overall contribution to the Fund is \$40 million. A greater contribution will be made by private sector partners.