

# The Treasury

## Budget 2016 Information Release

### Release Document July 2016

[www.treasury.govt.nz/publications/informationreleases/budget/2016](http://www.treasury.govt.nz/publications/informationreleases/budget/2016)

Key to sections of the Official Information Act 1982 under which information has been withheld.

Certain information in this document has been withheld under one or more of the following sections of the Official Information Act, as applicable:

[1]	to prevent prejudice to the security or defence of New Zealand or the international relations of the government	6(a)
[4]	to prevent prejudice to the maintenance of the law, including the prevention, investigation, and detection of offences, and the right to a fair trial	6(c)
[11]	to damage seriously the economy of New Zealand by disclosing prematurely decisions to change or continue government economic or financial policies relating to the entering into of overseas trade agreements.	6(e)(vi)
[23]	to protect the privacy of natural persons, including deceased people	9(2)(a)
[25]	to protect the commercial position of the person who supplied the information or who is the subject of the information	9(2)(b)(ii)
[26]	to prevent prejudice to the supply of similar information, or information from the same source, and it is in the public interest that such information should continue to be supplied	9(2)(ba)(i)
[27]	to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information - would be likely otherwise to damage the public interest	9(2)(ba)(ii)
[29]	to avoid prejudice to the substantial economic interests of New Zealand	9(2)(d)
[31]	to maintain the current constitutional conventions protecting collective and individual ministerial responsibility	9(2)(f)(ii)
[33]	to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials	9(2)(f)(iv)
[34]	to maintain the effective conduct of public affairs through the free and frank expression of opinions	9(2)(g)(i)
[36]	to maintain legal professional privilege	9(2)(h)
[37]	to enable the Crown to carry out commercial activities without disadvantages or prejudice	9(2)(i)
[38]	to enable the Crown to negotiate without disadvantage or prejudice	9(2)(j)
[39]	to prevent the disclosure of official information for improper gain or improper advantage	9(2)(k)
[s18(c)(i)]	that the making available of the information requested would be contrary to the provisions of a specified enactment	
[40]	Not in scope	

Where information has been withheld, a numbered reference to the applicable section of the Official Information Act has been made, as listed above. For example, a [23] appearing where information has been withheld in a release document refers to section 9(2)(a).

In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) and section 18 of the Official Information Act.



THE TREASURY

Kaitohutohu Kaupapa Rawa

**Treasury Report:** Briefing for Item at Cabinet National Security Committee  
– Tuesday 1 March 2016

<b>Date:</b>	29 February 2016	<b>Report No:</b>	S0828
		<b>File Number:</b>	SCIF

**Action Sought**

	<b>Action Sought</b>	<b>Deadline</b>
<b>Minister of Finance</b> (Hon Bill English)	Read before Cabinet National Security Committee meeting	1 March 2016

**Contact for Telephone Discussion (if required)**

<b>Name</b>	<b>Position</b>	<b>Telephone</b>		<b>1st Contact</b>
Alex Harrington	Senior Analyst, Justice and Security	(04) 890 7239 (wk)	[ [23] ] (res)	✓
Fiona Whiteridge	Manager, Fiscal and State Sector Management	(04) 917 6304 (wk)	[ [23] ] (mob)	

**Actions for the Minister's Office Staff (if required)**

Safe hand to CASS Information Management Team or First Contact Person

**Enclosure:** No

## Treasury Report: Briefing for Item at Cabinet National Security Committee – Tuesday 1 March 2016

---

### Purpose of Report

---

1. This report briefs you on a paper on the agenda for the Cabinet National Security Committee (NSC) on Tuesday 1 March 2016 entitled "New Zealand Intelligence Community Strategy, Capability and Resourcing Review (SCRR): Year-by-Year Investment and Impact".

### Previous Consideration

---

2. The New Zealand Intelligence Community Strategy, Capability and Resourcing Review (SCRR) commenced in early 2014. It was designed to deliver fundamental change to help the government mitigate its most critical national security risks.
3. In the lead-up to Budget 2015, Cabinet selected a preferred funding track for SCRR, [ [33]; [34] ].
4. In Budget 2015, Ministers were concerned about the capacity of the community to absorb the proposed SCRR funding. Accordingly, rather than approving full SCRR funding, Cabinet approved baseline increases of \$10 million per annum across agencies to meet critical funding pressures.
5. In November 2015, Cabinet confirmed that its preferred funding track for SCRR remained Scenario [ [33]; [34] ]. Cabinet agreed a funding track as a basis for a Budget 2016 submission, and asked the responsible Minister to report back to NSC by March 2016 with a year-by-year investment plan.

### Recent Activity

---

6. Since November, the agencies have done considerable work to revalidate their assumptions around the scenarios and to build a "brick-by-brick" investment plan to determine the best way of sequencing growth and capability development. As part of this, the agencies propose a slower and more achievable growth path (one that has a six year implementation plan rather than four years). The Treasury has been taken through this modelling and planning work in detail.
7. The agencies have also had eight months with their \$10 million of increased funding from Budget 2015. They have been very successful in gearing up their organisations to absorb this extra funding, and have in fact overachieved in terms of recruitment activity. This helps to provide us with confidence on one of the key points of concern for Ministers in Budget 2015.

Other Relevant Background

---

8. In terms of Budget 2016, the agencies have submitted a placeholder initiative for the SCRR funding, and this has been included in the "Other" package process.

9. [

[1]

]

Proposal

---

10. The NSC paper sets out a SCRR investment proposal for consideration through the Budget 2016 initiatives process. The funding track is consistent with the parameters agreed by Cabinet in November 2015, and is summarised in the table below:

[

[1]; [33]; [34]

]

11. This investment would represent a transformational increase in funding for the NZIC, given that existing operating baselines for 2015/16 are [ [1] ]. By 2019/20, operating baselines – and staffing levels – would be [ [1] ] percent higher than they are now. (It is worth noting that the figures above include funding of [ [1] ] for foreign fighters; Cabinet gave the NZIC short-term funding for this that runs out at 30 June 2016.)

12. In the view of the agencies, this growth path is the fastest that they could safely and sustainably achieve. This is informed by their recent experience with growth since Budget 2015, as well as detailed consideration of the specific capabilities they propose developing and enhancing.

13. Annexes One and Two in the NSC paper provide useful information on what you would get for the investment. Annex One shows how the investment would impact on meeting the government's protective security and intelligence priorities, giving a visual representation of the expected improvement across a range of measures of interest. Annex Two sets out the highlights of SCRR growth, showing specific capability enhancements that would be delivered in each year in the areas of [ [1] ]. The intention of the Annexes is to give Ministers enough detail that they can get a strong sense of the specific improvements that the investment would enable.

14. In working through the modelling at a detailed level with the agencies, we have built confidence that the proposal is well planned and sequenced. We are comfortable that the proposal is not 'gold plated'. For instance, the planning has systematically identified and eliminated potential duplication between and across capabilities, and the proposal intentionally does not build in inflation or wage growth so that year-on-year efficiencies would need to be achieved.

## Treasury's Advice

---

15. We recommend that you support the recommendations in this NSC paper, i.e. that the proposed investment be considered through Budget 2016. This would not commit the government to actually funding the proposal through Budget 2016 – that decision can be made taking competing pressures and priorities into account.
16. In our view, if the government remains committed to Scenario [ [33]; [34] ], then this is a well-developed and feasible proposal to achieve [ [33]; [34] ].
17. The discussion of this paper at NSC is a good opportunity to test a number of points with the agencies. You may wish to:
  - Test what the government would get for the investment, and whether this satisfies Ministers;
  - Ask about the achievability of the proposal – how confident are they that they can grow at the proposed pace, and find the numbers of people with the skills that they will need; and
  - Ask whether the legislative review of the intelligence agencies by Sir Michael Cullen and Dame Patsy Reddy would impact on the SCRR proposal, either in terms of particular capabilities, or the ability of the agencies to manage the transformational SCRR change effectively.
18. If you are unsure whether the government is willing or able to provide the proposed level of funding, it would be helpful to raise this at NSC, and to commission work from the agencies to inform a scaled investment decision. It would not simply be a case of, for instance, buying half of the capabilities for half of the funding. The agencies could do further work to determine what a particular lower funding path could achieve in terms of capabilities and timing. Depending on the degree of scaling involved, this may involve moving away from Scenario [ [33]; [34] ] and towards Scenario [ [33]; [34] ].

## Recommended Action

---

19. We recommend that you **read** this report before the Cabinet National Security Committee meeting at 4:00 pm on Tuesday 1 March 2016.

Fiona Whiteridge  
**Manager, Fiscal and State Sector Management**

Hon Bill English  
**Minister of Finance**