

The Treasury

Budget 2017 Information Release

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[40]	Not in scope	

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.

Reference: T2017/193 SH-11-1-8

Date: 9 February 2017



To: Minister of Finance (Hon Steven Joyce)
Minister for Women (Hon Paula Bennett)
Associate Minister of Finance, Minister for Economic Development (Hon Simon Bridges)
Minister of Immigration, Minister for Workplace Relations and Safety (Hon Michael Woodhouse)
Minister for Social Development (Hon Anne Tolley)
Minister of Education (Hon Hekia Parata)
Associate Minister for Economic Development (Hon Nathan Guy)
Minister of Tertiary Education, Skills and Employment (Hon Paul Goldsmith)
Associate Minister of Tertiary Education, Skills and Employment, Associate Minister of Education (Hon Louise Upston)
Minister for Pacific Peoples (Hon Alfred Ngaro)
Minister for Small Business (Hon Jacqui Dean)
Minister for Māori Development, Associate Minister of Economic Development (Hon Te Ururoa Flavell)

Deadline: SSW Ministers' meeting, Tuesday 14 February 2017, 7.30pm - 8.30pm

Aide Memoire: Business Growth Agenda Budget 2017 – Skilled and Safe Workplaces

Purpose

This Aide Memoire supports the discussion amongst Skilled and Safe Workplaces Ministers on the relative priority of Budget 2017 initiatives that relate to the Skilled and Safe Workplaces workstream.

The Treasury assessments focus on the merits of the initiatives, and their alignment with the BGA 2017 Refresh priorities. Our assessments are informed by the supporting information that has been provided by agencies, including cost-benefit templates. Our advice also reflects the assessment of selected BGA budget initiatives by the BGA Peer Review Process¹.

Once each of the Business Growth Agenda (BGA) Ministerial groups has discussed the initiatives relevant to their sectors, Ministers Joyce and Bridges will consider options for prioritised packages across the BGA to fit into the available allowance, with advice from the BGA Leadership Group.

¹ The selected initiatives which were assessed by the Peer Review Process are marked in Annex I

Context

Budget 2017 is building on a number of positive changes that were introduced in Budget 2016 to ensure that greater scrutiny is applied consistently across all investment decisions. There has been a shift in focus towards better use of evidence to support decision making, enforcing greater transparency around cost drivers, and agencies developing a deeper understanding of their business and customers.

These positive changes include the enforcement of cost-benefit analysis and broader application of CBAX, greater use of expert panels, and more transparency around future costs and benefits. Embedding these changes will help drive value-for-money investment across the system.

The operating allowance for Budget 2017 is set at \$1.5 billion per annum. [33]

Emerging themes

The emerging themes from the SSW initiatives reflect some of the SSW priorities identified in the BGA refresh. [33]

Strengthening skills and transitions and targeting at risk populations

Several initiatives aim to assist priority populations to improve their skills and employability. Targeted investment in programmes for young people not in employment, education or training (NEETs) and [33] aim to improve the outcomes of these priority populations and meet the skill needs of New Zealand's economy.

The Treasury supports initiatives that are shown to be effective in assisting target populations into sustainable employment. [33]

We also think it is important that interventions are well-coordinated across agencies. This is especially important where agencies are proposing different approaches to support the same populations – such as NEETs.

² Note this figure is based on initiatives that have been submitted to the Treasury on 9 February. This figure will be updated to reflect the changes to the tertiary education package once the initiatives have been updated on the Treasury system

MBIE propose a regional approach to reducing the number of NEETs in areas where they are highly represented. Treasury supports a focused trial of the regional initiative with a clear evaluation plan required to measure the effectiveness of a new approach in assisting young people to successfully transition into training or employment. Our proposal to focus the initiative on one or two regions, and to focus on exploratory steps, reflects both the low investment-readiness of the regional initiative, and the need to allow more time to understand how it could mesh with a similar set of MSD-led initiatives. The BGA Peer Reviewers also supported initiative trials with a strong emphasis on trial designs that assist in developing effective strategies that can address the complex issues of the NEETs population.

MSD's initiatives, which are part of the Track 1 budget initiative process, also seek to reduce the number of young people who are NEET. These MSD initiatives would introduce new or enhanced Work & Income case management services and activity obligations. The Treasury's analysis of these MSD Track 1 initiatives is continuing, since final Track 1 bids were only received on 31 January.

We recommend that Ministers reserve their decisions on all the related NEET proposals until Track 1 advice is available, enabling Ministers then to take a considered view across their investment options.

Deliver relevant skills and qualifications

Maintaining a quality tertiary education system is necessary to ensure the delivery of relevant skills and qualifications. One tertiary education initiative seeks an across-the-board tuition subsidy increase at level 3 and above³. [33]

While we acknowledge the need to ensure the tertiary education system is adequately funded, we do not see evidence that there is any need for an across-the-board increase. However, we do support targeted funding in areas of highest relevance and greatest return. [33]

[33]

[33]

[33]

Ensure safe and fair workplaces

Several initiatives aim to build the capability of regulators to support safe and skilled workplaces, following reforms affecting their policy objectives. Three initiatives are focused on maintaining or extending the capacity of health and safety regulators (Worksafe, Civil Aviation Authority, and Maritime New Zealand) following the *Working Safer* reforms, and would be funded from within the Working Safer levy without any levy increase.^[33]

[33]

A further initiative would increase the capacity of the employment resolution services to manage pay equity cases following recent court decisions and proposed changes to pay equity laws. This initiative would also fund a time-limited project to address issues with the Holidays Act. The initiative would be partially offset through a proposed redirection of baseline funding.

Treasury broadly supports the intent of these initiatives, but considers there are choices about the extent of additional capacity to fund. It therefore supports scaling the Maritime New Zealand capacity bid, with a review after two years to inform ongoing funding requirements. We consider that the case has not been made for additional funding for one element of the Worksafe initiative - the proposed remuneration increase across the agency (only the inspector remuneration increase is supported). Finally, Treasury recommends that only four years of additional funding be provided for employment resolution services, with resourcing demands to be reassessed for future funding in 2021/22.

[33]

[33]

Treasury supports one of the initiatives which supports ENZ to continue marketing activity at current levels to support the international education industry,^[33]

Discussion points for Workstream Ministers

Overall, Budget initiatives in the SSW workstream are focussed on delivering relevant skills, qualifications and transitions pathways, ensuring safe and fair workplaces and ^[33]

Current BGA initiatives equate to nearly 40% of the annual Budget allowance and given the pressures from other sectors, it is clear that choices will have to be made.

We suggest you consider:

- how initiatives align with budget and SSW priorities
- whether there is evidence that current funding levels are inadequate
- the evidence of effectiveness, especially where you have competing options (eg. NEETs initiatives)
- ^[33]
- expectations for regulators under the new health and safety legislation
- ^[33]

^[34] , Analyst, Labour Market and Welfare, ^[39]

^[34] Analyst, Economic Performance & Strategy (Policy), ^[39]

Kristie Carter, Team Leader, Labour Market and Welfare, ^[39]

Annexes

There is one appendix attached to this document.

- Annex I: details of Treasury's initial assessment of all initiatives in the BGA Skilled and Safe Workplaces workstream submitted as part of Budget 2017

Annex I

Outcome	Initiative	Initiative Description	Pre-commitments	Treasury Advice	Financial Analysis								
						OPEX 16/17	OPEX 17/18	OPEX 18/19	OPEX 19/20	OPEX 20/21	CAPEX (over 4 years)		
Strengthen transitions from secondary school to higher education and into the workforce	Reducing the number of youths who are NEET through regional approaches	This funding will support regional, employer-led initiatives aimed at supporting individuals aged 16-24 who are NEET into the labour market.	Discretionary	Partially support. This initiative contains promising ideas to reduce NEETs in priority regions and it has strong strategic alignment with Government priorities. However, Treasury is not confident that this is investment-ready, so a more focused trial is recommended.	Sought	-	[33]						-
					TSY rec ⁵	-	[33]						-
	Implementing the integration of CNZ into the TEC	This funding will contribute to the costs of integrating CNZ in to the TEC.	Discretionary	Support. TEC requires funding to effectively integrate CNZ functions into the TEC. TEC is reprioritising \$4 million to contribute to these costs.	Sought	(4.000)	4.000	-	-	-	-	-	-
					TSY rec	(4.000)	4.000	-	-	-	-	-	
	[33]		Discretionary	[33]	Sought	-	[33]						-
					TSY rec	-	-	-	-	-	-	-	
Lift the participation of Māori and Pasifika in the workforce to the same level as the rest of New Zealand	[33]											-	
												-	
												-	
												-	
												-	
Delivering skills and qualifications needed for a modern economy												-	
												-	
												-	
												-	

⁵ This is an estimate only. Costings are yet to be finalised.

[33]

Workplace Literacy and Numeracy Fund

This funding is to meet increasing demand by employers to provide literacy and numeracy tuition in the workplace.

Discretionary

Support. Initial employer reports indicate that workplace literacy and numeracy tuition assists in increasing productivity and family wellbeing.

Sought	(3.500)	3.500	-	-	-	-
TSY rec	(3.500)	3.500	-	-	-	-

[33]

Ensure safe and fair workplaces

Implementing the Worksafe New Zealand Funding Review

This bid implements Worksafe NZ's Funding Review and maintains Worksafe's current capacity and progress in improving health and safety.

Discretionary. Note this initiative is levy funded.

Partially support. Well-aligned with Government priorities and follows an extensive review of Worksafe's funding needs. [38]

[38]

TSY rec	-	4.155	4.475	4.920	5.420	-
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	Maintaining Employment Relations & Standards Service Delivery – Pay equity dispute resolution & Holidays Act compliance	This funding will enable mediation services and the Employment Relations Authority to respond to cases arising from pay equity dispute resolution. It will also enable the Labour Inspectorate to fund the recently established payroll team to address issues with Holidays Act compliance.		Partially support. We see value in a time-limited increase in capacity to enable timely resolution of pay equity cases and allow the Holidays Act project to proceed without drawing significant labour inspectorate resource away from core activity. Given uncertainty about the likely number of pay equity cases, we recommend funding additional pay equity dispute resolution capability until 2020/21 only and then reassessing resource needs. Proposal includes a \$0.5m offset from the proposed disestablishment of the Employment Relations Education Contestable Fund (ERE) Appropriation. This funding would return to the centre in out-years.	Sought	-	1.500	2.350	2.350	0.500	-
					TSY rec	-	1.500	2.350	2.350	0.500	-
	Health and Safety at Work Act – Civil Aviation	This funding will deliver the Civil Aviation Authority's delegated responsibility for health and safety at work functions for its industry under HSWA.	Discretionary. Note this initiative is levy funded	Support	Sought	-	0.835	0.716	0.734	0.761	-
					TSY rec	-	0.835	0.716	0.734	0.761	-
	Health and Safety at Work Act – Maritime New Zealand	This funding will deliver Maritime New Zealand's delegated responsibility to deliver health and safety at work functions for its industry under the HSWA.	Discretionary. Note this initiative is levy funded	Partially support	sought	-	[33]				-
					TSY rec	-	[33]				-

[33]