

# The Treasury

## Budget 2017 Information Release

### Release Document July 2017

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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: T2017/765 MS-9-1

Date: 24 March 2017

To: Minister of Finance (Hon Steven Joyce)  
Associate Minister of Finance (Hon Simon Bridges)  
Associate Minister of Finance (Hon Amy Adams)

Deadline: Before the Fiscal Issues meeting on 30 March 2017

## **Aide Memoire: Further advice on Business Growth Agenda Budget 2017 initiatives**

At the recent Finance Ministers meeting on 15 March 2017, you discussed the emerging Business Growth Agenda (BGA) package for Budget 2017. Finance Ministers requested further information on a number of budget initiatives. This Aide Memoire responds to these requests and provides additional information (Annex I), in order to support Finance Ministers in developing a BGA Budget package.

We have also attached an updated draft of the BGA Budget package (Annex II) which includes the initiatives supported by the BGA Leadership Group (T2017/714 refers), and scaled options (as reflected in Annex I) for the following initiatives:

- *New Zealand Business Number (NZBN)*
- *Ministry of Transport – capacity and capability*

[33]

- *Performance Based Research Fund*
- *Kaikoura District Council - loan to support restoration of three waters network post November 2016 earthquake*

[33]

### **Next Steps**

Fiscal Issues on 30 March 2017 will provide an opportunity to discuss the BGA Leadership Group recommendations in light of the additional information provided in this Aide Memoire.

**Sebastian Doelle**, Senior Analyst, Economic Performance and Strategy (Policy), [39]

**King**, Acting Team Leader, Economic Performance and Strategy (Policy), [39]

**ANNEX I - Additional Information on the BGA Budget package – following meeting by Finance Ministers (15.03.2017) and bilateral Ministerial meetings**

Work stream	Initiative	Items for the Treasury to provide further information on	Avg. \$m p.a. (OPEX)	Treasury Comment in Response to Finance Ministers
Export	New Zealand Screen Production Grant - International	Ministers signalled that they wish to create a new MYA across four years.  The Treasury to engage with MBIE and advice on how the MYA could work.	60.000	Treasury does not support the establishment of a new MYA, and recommends to increase the existing MYA by \$240 million overall. See separate Treasury advice (T2017/669 refers).  \$60.000 million opex average p.a. in new MYA reflected in Annex II.
	Rollover funding for G2G Partnerships Office (G2G Know-How)	The Treasury to consult with NZTE and MFAT on baseline funding to be reprioritised, and how options for the G2G Office to be self-funded can be explored.	1.000	The BGA Leadership Group recommends \$2 million in 2017/18 and 2018/19 in order for the G2G office to capture the value of the existing deal pipeline. See separate BGA Leadership Group recommendations (T2017/714 refers).  \$2.000 million opex in 2017/18 and 2018/19 included in Annex II.
Infrastructure	Housing Infrastructure Fund	[33]		
	Kaikoura District Council - loan to support restoration of three waters network post November 2016 earthquake	The Treasury to provide further advice on capital underwrite and treatment of operating costs to the Minister of Finance.	0.600	Loan to Kaikoura District Council no longer required as upfront payments from government and insurers should mitigate cash flow issues identified. Residual \$2.4 million opex relates to discretionary “betterment” of the network which is not covered under the PLA and therefore impacts Budget allowances. See separate Treasury advice (T2017/639 refers).  \$0.600 million opex average p.a. included in Annex II.
	[33]			
	Alcohol Interlock Subsidy Scheme	The Treasury to confirm whether this initiative can be funded through the National Land Transport Fund	3.300	Funding this initiative is within scope of the National Land Transport Fund (NLTF) but would require a change to either the current road safety activity in the Government Policy Statement for Land Transport (GPS) or the creation of a new activity class for the scheme (treatment to be confirmed with consultation with New Zealand Transport Agency (NZTA)). Cabinet approval is required for changes to the GPS. We note the following risks with this approach: <ul style="list-style-type: none"> <li>• Integrity of the NLTF – given the benefits of the scheme lie across both the justice and transport sectors the rationale for funding from the NLTF is not clear and may result in additional calls on the fund for similar purposes; and</li> <li>• Funding from the NLTF has not been fully explored with the NZTA, and therefore we are not able to advise of the implications of this for NLTF.</li> </ul> No impact included in Annex II.
Implementing the Government’s Urban Development Priorities	The Treasury to confirm in consultation with MBIE’s Building and Housing and MfE’s Urban teams	[33]		

		whether this initiative can be funded from within baselines		<p>[33]</p> <ul style="list-style-type: none"> <li>• funding across the forecast period to support implementation of the National Policy Statement on Urban Development Capacity (NPS-UDC).</li> </ul> <p>MBIE and MfE are unable to meet these requirements without new funding for the initiatives. MBIE has repeatedly been using the Weathertight Homes Fund to resource its work on new priorities including support for the NPS-UDC so far this year. MfE is unable to defer, de-scale or stop current priorities to the level required to fund within its baseline. If MfE were to re-prioritise its baseline, it is likely critical or legislative activities would be comprised. MfE is currently absorbing a number of areas that were not initially budgeted for this year e.g. known litigation, on-going earthquake costs.</p> <p>The requirements the NPS-UDC sets for councils represent a significant change in mind-set and capability, and without adequate support and guidance from central government councils are likely to fail to meet the standards that are set, with the consequence that they are not able to free up housing supply in their plans. This builds on previous experience of New Zealand's resource management system, in which a lack of support for councils has hindered achievement of the system's intended outcomes.</p> <p>[33]</p>
	[33]			
	Ministry of Transport – Capacity and capability	The Treasury to explore scaled and time-limited options with the Ministry of Transport.	4.701	Treasury recommends providing the Ministry of Transport one year of funding and deferring decisions on an ongoing baselines increase to Budget 2018. See separate Treasury advice (T2017/751 refers).  Impact of \$0.564 million opex average p.a. included in Annex II.
Innovation	Census Transformation to 2020 – Testing an Administrative Data Approach	The Treasury to confirm with Statistics NZ and its abilities to reprioritise funding from within existing baselines, e.g. explore funding to come from the “Data and Analytics” contingency.	1.115	The position Statistics have put forward is that, due to organisational priorities and baseline pressures, if budget or alternative funding (e.g. a contribution from the remainder of the data & analytics contingency) is not available to be sourced for this initiative, it will need to be deferred.

			<p>The Treasury agrees with Statistics that given their baseline pressures, they are unlikely to be able to self-fund this initiative. Should Ministers agree, there may be potential to fund this initiative through the remainder of the data &amp; analytics contingency, in order to help realise the considerable benefits offered by moving towards an administrative data-based census.</p> <p>No impact included in Annex II.</p>
	[33]		
	R9 Accelerator – making it easier for business to deal with government	Provide funding for two years followed by a review of the impacts and benefits. Treasury to confirm change raises no significant red flags.	<p>1.425</p> <p>MBIE provided advice to Hon Bridges (MBIE 2901 16-17 refers) and did not raise any significant flags about providing 2 years of funding for the accelerator.</p> <p>Impact of \$1.425 million opex average p.a. included in Annex II.</p>
	New Zealand Business Number (NZBN)	Ministers asked for an outline of the additional benefits from this investment. Treasury to consult with MBIE on additional benefits and implications of this initiative.	<p>1.600</p> <p>Existing spend is expected to generate very limited benefits (10 year NPV of \$0.3m).</p> <p>This initiative provides funding for communications and marketing to raise awareness and encourage businesses to use their NZBN; to support agencies to meet their NZBN Directions obligations; and programme support and benefits measurement. MBIE provided advice to Hon Bridges (MBIE 2834 16-17 refers) and recommended fully funding the initiative. Treasury supports this recommendation.</p> <p>We understand that Hon Bridges is supporting a scaled bid of \$6.4m over 2 years (\$1.6m average impact over forecast period). Treasury considers that a scaled bid would put the BPS R9 target at risk, would see lower benefits generated from the NZBN, and would stop work on mutual recognition activity with Australia.</p> <p>Impact of \$1.600 million opex average p.a. included in Annex II.</p>
NRS	Marine Protection and Development	[33]	<p>0.375</p> <p>The BGA Leadership Group recommends funding for agencies' engagement with stakeholders on recreational fishing parks [33] See separate BGA Leadership Group recommendations (T2017/714 refers)</p> <p>Impact of \$0.375 million opex average p.a. included in Annex II.</p>

	[33]			
	System Operator Service Enhancement	Ministers to consider including this initiative in the emerging BGA package.	Fiscally Neutral	It is important that the Electricity Authority can effectively perform its function as an independent regulator, including considering proposed service enhancements.  Total costs – \$2.331 million opex No impact included in Annex II.
	Electricity Litigation Fund	Ministers to consider including this initiative in the emerging BGA package.	Fiscally Neutral	It is important the Electricity Authority can be an effective regulator and participate in litigation when required.  Total costs – \$0.556 million opex No impact included in Annex II.
	Electricity Security Management	Ministers to consider including this initiative in the emerging BGA package.	Fiscally Neutral	The Treasury supports this bid because the policy need for the appropriation remains, so it is appropriate that a renewal is approved.  Total costs – \$6.000 million opex No impact included in Annex II.
SSW	[33]			

[33]			
Maintaining Employment Relations & Standards Service Delivery	Treasury to follow up with MBIE on how many FTEs (e.g. Immigration investigators) are currently employed, and how much funding was provided last year	1.675	<p>\$8 million per annum was provided through Budget 2015, which flowed through to both Resolution services (mediation and case management capability – not number of mediators) and the Labour Inspectorate (increasing numbers to 90FTEs).</p> <p>Existing funding is \$24.1 million per annum, made up of the following:</p> <ul style="list-style-type: none"> <li>• <i>Labour inspectorate</i> \$15.3 million per annum on 90 FTEs (including 12.5 FTEs involved in the Payroll initiative for \$1.7 million)</li> <li>• <i>Mediation services</i> \$4.8 million per annum on 22.3 FTE mediators and 13 FTE case coordinators (including \$1.8 million operating costs)</li> <li>• <i>Employment Relations Authority</i> \$3.98 million per annum for 17 Authority members (plus overheads)</li> </ul> <p>No impact included in Annex II.</p>
[33]			
WorkSafe NZ - Funding Review Implementation	Ministers to consider including this initiative in the emerging BGA package.	Fiscally Neutral	<p>This is a cost pressure bid after a full funding review. Partially support. [38]</p> <p>[33]</p> <p>No impact included in Annex II.</p>
Health and Safety at Work Act activity - Maritime New Zealand	Ministers to consider including this initiative in the emerging BGA package.	Fiscally Neutral	<p>This funding will enable Maritime New Zealand to meet its new requirements as a health and safety regulator. Partially support. Review health and safety funding increase after two years to inform future funding.</p> <p>Total costs - \$15.835 million opex. No impact included in Annex II.</p>
Health and Safety at Work Act (HSWA) – Civil Aviation Authority	Ministers to consider including this initiative in the emerging BGA package.	Fiscally Neutral	<p>This funding will enable CAA to meet its new requirements as health and safety regulator.</p> <p>Total costs - \$3.046 million opex. No impact included in Annex II.</p>
[33]			

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ANNEX II

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Export Markets		Agency initiative (net)						Draft set of initiatives						Comments	
Vote	Initiative name	2016/17	2017/18	2018/19	2019/20	2020/21	4YT	Avg.	2016/17	2017/18	2018/19	2019/20	2020/21		4YT
<b>Low discretion/demand pressures</b>															
Business, Science and Innovation	New Zealand Screen Production Grant – International	[33]													
	<b>Sub-total</b>	-	120.000	120.000	-	-	240.000	60.000	-	60.000	60.000	60.000	60.000	240.000	60.000
<b>Trade Agenda 2030</b>															
Foreign Affairs and Trade	Making New Zealanders more prosperous through trade	[33]							-	2.943	4.947	5.581	6.808	20.279	5.070
Foreign Affairs and Trade	Making New Zealanders safer								-	1.497	1.593	1.557	2.055	6.702	1.676
Primary Industries and Food Safety	Boosting primary industry and food export value								-	7.286	8.794	9.625	9.625	35.330	8.833
Foreign Affairs and Trade	Establishment of a New Zealand High Commission in Colombo, Sri Lanka								-	0.937	1.942	3.067	2.917	8.863	2.216
[1]															
Foreign Affairs and Trade	Establishment of a New Zealand Embassy in Dublin, Ireland	-	1.432	1.149	3.191	3.361	9.133	2.283	-	1.432	1.149	3.191	3.361	9.133	2.283
[1]															
	<b>Sub-total</b>	[33]													
<b>Tourism Investment</b>															
Conservation	Tourism growth initiative	-	[33]						-	5.418	7.103	10.624	9.987	33.132	8.283
[33]															
Business, Science and Innovation	Tourism Infrastructure Fund	[33]							-	14.449	16.935	14.598	14.500	60.482	15.121
	<b>Sub-total</b>	[33]													
<b>Other Export Markets Investment Opportunities</b>															
Foreign Affairs and Trade	Participation and leveraging opportunities with Expo 2020 Dubai	[33]							-	3.010	7.790	32.100	10.340	53.240	13.310
[33]															
Business, Science and Innovation	Rollover funding for G2G Partnerships Office (G2G Know-How)	[33]							-	2.000	2.000	-	-	4.000	1.000
[33]															
Tertiary Education	Strengthening the Foundations for Sustainable Growth of International Education	-	1.700	1.700	1.700	1.700	6.800	1.700	-	1.700	1.700	1.700	1.700	6.800	1.700
[33]															
Primary Industries and Food Safety	Biosecurity 2025 – Protecting to Grow New Zealand	-	[33]						-	4.100	4.577	4.842	4.842	18.361	4.590
Finance	Creating Economic Opportunity: A Treasury Presence Offshore (Singapore)	-	0.854	0.854	0.854	0.854	3.416	0.854	-	0.854	0.854	0.854	0.854	3.416	0.854

See Treasury advice T2015/743 - Reduced funding to administer the new TIF.

\$0.4 million baseline funding from NZTE and MFAT. BGA LG recommends \$2 million each in 17/18 and 18/19

BGA LG recommends funding this initiative. ENZ's highest priority - To address ENZ cost pressures arising from a managed spend-down of cash reserves and the end of time-bound Export Education Levy funding, and increased expectations to manage New Zealand education reputational risks.

[33]

Infrastructure		Agency initiative (net)					Draft package							Comments		
Vote	Initiative name	2016/17	2017/18	2018/19	2019/20	2020/21	Avg.	2016/17	2017/18	2018/19	2019/20	2020/21	4YT		Avg.	
<b>Low discretion/Demand Pressures</b>																
Building and Housing	Housing Infrastructure Fund (HIF)	[33]														
Transport	Auckland City Rail Link (CRL)	-	6.000	6.000	6.000	6.000	24.000	6.000	-	6.000	6.000	6.000	6.000	24.000	6.000	Capex of \$436 million contributed by the Crown over 8 - 10 years
[33]																
Prime Minister and Cabinet	Kaikoura District Council - loan to support restoration of three waters network post November 2016 earthquake	[33]							0.600	1.800	-	-	-	2.400	0.600	See Tsy advice (T2017/639 refers). Loan no longer required as upfront payments from government and insurers should mitigate cashflow issues identified. Residual \$2.4 million opex relates to discretionary "betterment" of the network which is not covered under the PLA and therefore impacts Budget allowances.
Transport	Reinstatement of the Southern Corridor post November 2016 earthquake	-	-	-	-	-	-	-	-	-	-	-	-	-	-	[33]
[33]																
<b>Other Infrastructure Investment Opportunities</b>																
Building and Housing	Auckland Vacant or Underutilised Crown Land Programme	-	0.500	0.500	0.500	0.500	2.000	0.500	-	0.500	0.500	0.500	0.500	2.000	0.500	Capex of \$100 million over the forecast period which is supported by Investment Ministers. Fiscally neutral as it is repaid within 10 years.
Transport	KiwiRail - ongoing support of the rail freight business	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Capex of \$240 million in 2017/18 only
Building and Housing	Implementing the Government's urban development priorities	[33]										0.934	0.662	[33]	[33]	Pre-commitment by the Government - Funding required for MFE and MBIE departmental activities
Transport	KiwiRail - rollover of existing loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Capex of \$174.3 million over the forecast period
[33]																
Transport	Wellington metro rail upgrades - KiwiRail and Greater Wellington Regional Council	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Capex of \$98.4 million over the forecast period
[33]																
Transport	Ministry of Transport - Capacity and capability	-	[33]													
[33]																
Sub-total		[33]														
<b>TOTAL: INFRASTRUCTURE</b>																

Innovation		Agency initiative (net)					Draft package							Comments		
Vote	Initiative name	2016/17	2017/18	2018/19	2019/20	2020/21	Avg.	2016/17	2017/18	2018/19	2019/20	2020/21	4YT		Avg.	
<b>Low discretion/Demand Pressures</b>																
Business, Science and Innovation	R&D Growth Grants: Meeting Rising Demand	[33]							-	8.222	15.720	23.553	27.153	74.648	18.662	
Business, Science and Innovation	Funding for MBIE's new functions as the lead space agency	-	3.750	3.750	3.750	3.750	15.000	3.750	-	3.750	3.750	3.750	3.750	15.000	3.750	
Business, Science and Innovation	Strategic Science Investment Fund: Development of Hazards Response Capability	-	3.000	4.500	6.000	6.000	19.500	4.875	-	3.000	4.500	6.000	6.000	19.500	4.875	

[33]



[33]

Primary Industries and Food Safety	Future of our Fisheries	[33]								-	6.222	7.325	8.231	8.700	30.478	7.620		
Business, Science and Innovation	System Operator Service Enhancement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Fiscally neutral - levy funded - It is important that the Electricity Authority can effectively perform its function as an independent regulator, including considering proposed service enhancements
Business, Science and Innovation	Electricity Litigation Fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Fiscally neutral - levy funded - It is important the Electricity Authority can be an effective regulator and participate in litigation when required
Business, Science and Innovation	Electricity Security Management	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Fiscally neutral - levy funded - policy need for the appropriation remains, so a renewal is required

[33]

SSW Vote	Initiative name	Agency initiative (net)					Draft package										Comments
		2016/17	2017/18	2018/19	2019/20	2020/21	Avg.	2016/17	2017/18	2018/19	2019/20	2020/21	4YP	Avg.			
SSW Investment Opportunities																	

[33]

Labour Market	Maintaining Employment Relations & Standards Service Delivery	-	1.500	2.350	2.350	0.500	6.700	1.675	-	-	-	-	-	-	-	-	-	Further info on FTE levels and recent funding increases listed in Annex I above
Labour Market	WorkSafe NZ - Funding Review Implementation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Fiscally neutral - levy funded - This is a cost pressure bid after a full funding review. Partially supported by TSV [33]
Transport	Health and Safety at Work Act activity - Maritime New Zealand	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Fiscally neutral - levy funded - This funding will enable Maritime New Zealand to meet its new requirements as a health and safety regulator. Partially support. Review health and safety funding increase after two years to inform future funding

[33]

Transport	Health and Safety at Work Act (HSWA) – Civil Aviation Authority	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Fiscally neutral - levy funded - This funding will enable CAA to meet its new requirements as health and safety regulator
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Tertiary Education	Tuition Subsidy Increase	-	14.800	29.600	29.600	29.600	103.600	25.900	-	9.905	19.810	19.810	19.810	69.335	17.334	-	-	Assumes 1% increase in SAC funding - Placeholder - Investment decision linked to PBRF investment
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Tertiary Education	Workplace Literacy and Numeracy	(3.500)	3.500	-	-	-	-	-	(3.500)	3.500	-	-	-	-	-	-	-	Underspend in tertiary subsidy funding
Tertiary Education	Careers New Zealand Integration into the Tertiary Education Commission	(4.000)	4.000	-	-	-	-	-	(4.000)	4.000	-	-	-	-	-	-	-	Underspend in tertiary subsidy funding

[33]