

The Treasury

Budget 2017 Information Release

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[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)
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[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)
[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: T2017/785 SH-1-6-3

Date: 27 March 2017

To: Minister of Finance (Hon Steven Joyce)

Deadline: For the discussion on Tuesday, 28 March.

Aide Memoire: Terranova: increasing the fiscal parameter?

Issue. The Crown negotiator sees no point in further negotiations within current parameters and is seeking an increased mandate. You need to decide how to respond. You are discussing this with key Ministers on Tuesday.

We spoke to you last week about next steps on Terranova. You made clear that you did not want to increase the fiscal parameter [38] a couple more rounds within his current mandate. We passed this message on. The Crown negotiator then confirmed that he does not consider a settlement achievable within the current mandate and sees little purpose in further negotiations unless the fiscal parameter is increased.

Joint Ministers are now being asked to agree to increase the five-year fiscal parameter to [38]

with an impact on your fiscal headroom (although note comments below about the impact on the Crown's accounts). By year five, the cost would be [38] per annum more than previously indicated.

[38]

[38]

[38]

[38]

[38]

Some detailed points to note.

- The figures presented in this note (like those agreed to in November) will not match the eventual impact on the Crown's account because they only show "cash costs" for ACC. There will also be implications for the ACC's outstanding claims liability and this, along with decisions about levies and funding (and the discount rate), will determine the eventual impact on OBEGAL, the operating balance and net debt. This was modelled by ACC for the purposes of HYEPU, but will need to be re-estimated for the BEFU forecasts.
- We have previously signalled flow-on costs for MSD disability support. These costs are now estimated at [38] per annum. We have not seen any modelling to support this figure, which is likely to be a rough estimate. The latest union offer (attached to the Ministry's note) would commit the Crown to conclude a similar settlement with these MSD workers. Although such a settlement is likely

to be necessary, those workers are outside the scope of the current negotiation. We do not think the Crown should enter into a binding commitment to settle with them on similar terms as part of this agreement, before the full implications are known.

- The Ministry's has signalled that providers have raised concerns about how the settlement will be incorporated into current funding structures. It also notes that implementation will require renegotiation of 4,000 contracts with 1,000 providers. These issues are being worked through, but the risks are real. Agreeing wage rates with the unions is only the first step. Providers are still pushing for additional funding for workforce regularisation (part of the in-between travel settlement). They may well lobby for more funding here, too.
- The issue of private costs for aged-care residents will be exacerbated by a more expensive settlement. The tables in the Ministry's paper suggest that this impact will be small – with costs actually being lower in year five under the union proposal (\$68 million) than the Crown's offer (\$70 million)! These numbers don't look right to us, but in the time available it hasn't been possible to clarify them.

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