

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)
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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.



Cabinet

Summary

This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.

Budget 2017 Significant Financial Recommendations

Portfolio Finance

The Minister of Finance recommends that Cabinet:

- 1 note that Budget 2017 supports investment in the following key priorities:
 - 1.1 delivering better public services for a growing country, using a social investment approach;
 - 1.2 investing in infrastructure to support a growing economy;
 - 1.3 supporting families to get ahead through the Family Incomes Package;
 - 1.4 reducing net debt to around 20 per cent of GDP by 2020 then to 10 to 15 per cent of GDP by the middle of the next decade;

Fiscal Strategy

- 2 note that the economic and fiscal outlook is positive and the Government is on track to meet its debt target;
- 3 note that higher levels of economic activity and terms of trade is likely to increase nominal GDP cumulatively by a net \$17 billion compared to the Half Year Update across the five years to June 2021;
- 4 note that final economic forecasts and fiscal forecasts for the Budget Economic and Fiscal Update are to be completed on Tuesday 18 April 2017 and Wednesday 3 May respectively;
- 5 note that this fiscal headroom provides choices to the Government on where investment should be targeted to support a strongly growing population and economy;
- 6 agree to increase the operating allowance for Budget 2017 to \$1.8 billion (an increase of \$300 million)
- 7 agree to increase the operating allowance from Budget 2018 to \$1.7 billion (an increase of \$200 million), rising by 2 per cent each Budget thereafter;
- 8 agree to increase the capital allowance from Budget 2017 to \$4 billion to accommodate investment in response to the Kaikoura earthquakes;
- 9 note that the capital allowance in Budget 2018 remains unchanged;

- 10 agree to increase the capital allowance from Budget 2019 onwards to \$2.5 billion (an increase of \$500 million);
- 11 note that the Government's fiscal strategy puts greater emphasis on building resilience and providing a stronger fiscal anchor beyond 2020;
- 12 agree on the new long-term debt objective, to reduce net debt to within a range of 10 to 15 per cent of GDP;
- 13 note that the Government will aim to achieve this target by the middle of the next decade and then maintain net debt within this range;
- 14 authorise the Minister of Finance to finalise the fiscal priorities and future allowances for inclusion into the Fiscal Strategy Report;
- 15 agree to a Government commitment aiming to maintain levels of New Zealand Government Bonds (NZGBs) above 20 per cent of GDP over time.

Budget 2017 Package

- 16 note that Budget 2017 provides for five key packages of new spending:
 - 16.1 Social Sector - \$1.259 billion;
 - 16.2 Social Investment ('Track 1') – \$55 million;
 - 16.3 Business Growth Agenda - \$289 million;
 - 16.4 Defence, Maori Development and Other - \$190 million;
 - 16.5 Capital - \$3.976 billion;
- 17 note that new operating spending proposals in Budget 2017, net of any savings and revenue, result in an increase in spending of \$1.798 billion a year on average over the forecast period;
- 18 note that new capital investment, net of any savings, to be announced at Budget 2017 totals \$3.976 billion;
- 19 agree to both the operating and capital initiatives for Budget 2017 as set out in the financial recommendations accompanying this paper;
- 20 agree that expenses or capital expenditure against appropriations and capital injection authorisations set out in the 2017/18 Estimates and being sought in that Bill may be met from Imprest Supply until the Appropriation (2016/17 Estimates) Bill is enacted;
- 21 authorise the Minister of Finance and relevant Appropriation Ministers to approve changes to initiatives and appropriations where this proves necessary to finalise the 2017 Budget package;

Track 1

- 22 agree that funding cannot be drawn-down for the Track 1 initiatives set out in Annex 1 until a sufficient and robust evaluation plan, as defined and assessed by the Treasury, has been provided for that initiative;
- 23 note that a sufficient and robust evaluation plan must include a reporting schedule outlining what will be reported at each stage of the initiative's implementation;

- 24 delegate responsibility to approve the evaluation plan for all Track 1 initiatives to the Secretary of the Treasury;
- 25 direct the Treasury to report to SOC by 31 January 2018 with a progress report on the funded Track One initiatives;
- 26 direct agencies with Track 1 initiatives to provide the Treasury with the information required for the report-back in recommendation 27 above;
- 27 direct all Track 1 initiatives to report the findings from their evaluation process to their responsible Minister, copied to the Minister of Finance, in accordance with the timeframes set out in the evaluation plan;
- 28 note that where an initiative is not on track to achieve its proposed impacts/benefits (including the identified fiscal savings) the report will either outline the actions being undertaken to ensure that the impacts/benefits are ultimately achieved, or provide options for discontinuing the initiative or for reprioritising the funding;
- 29 direct all Track One initiatives to publically report the findings from their evaluation process at least one year following each key reporting stage;

Mental Health and NEETs Contingency

- 30 agree to establish a cross agency contingency for the Mental Health and NEETs priority population groups with the following profile;

	\$ million increase/(decrease)			
	2017/18	2018/19	2019/20	2020/21 & Outyears
Mental Health	25.000	25.000	25.000	25.000
NEETs	12.500	12.500	12.500	12.500

- 31 agree that the expiry date for these contingencies be extended to 30 June 2019;
- 32 agree to ring-fence \$2.0 million of the NEETs tagged contingency for the 'Passports for Life' Maori Development initiative;
- 33 note that initiatives will need to meet certain assessment criteria and conditions in order to get access to funding from both these contingencies and these will be approved by Cabinet in due course;

General matters

[33]

- 35 agree that:
- 35.1 proposals for funding from the between-Budget contingencies must be for urgent issues that cannot be deferred to Budget 2018;
- 35.2 Ministers will be expected to demonstrate that they have exhausted their search for opportunities to fund the initiative through reprioritisation of lower value activities;

- 36 agree that no papers with fiscal and/or appropriation implications for agreement by Cabinet or Cabinet committees be submitted between 18 April 2017 and 25 May 2017 so that Budget documentation is accurate;
- 37 note that all communications relating to Budget 2017 are coordinated by a Budget communications committee, and that any requests for early announcement will need to have both the written approval of the Minister of Finance and sign-off from the Prime Minister's office;
- 38 invite the Minister of Finance to introduce the Appropriation (2017/18 Estimates) Bill, the Appropriation (2016/17 Supplementary Estimates) Bill, the Imprest Supply (First for 2017/18) Bill and the Imprest Supply (Second for 2017/18) Bill to give effect to Budget 2017.

Gerrard Carter
Committee Secretary

Hard-copy distribution:
The Cabinet