



Cabinet

CAB Min (08) 14/1(44)

Minute of Decision

Copy No:

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2008 Budget Package: Vote Revenue

On 14 April 2008, Cabinet:

1. **approved** the Budget initiatives for the above Vote for inclusion in the 2008 Budget package, as listed in the summary below and detailed in the attached initiative documents;

Summary of initiatives included in the attached initiative documents:

Operating Initiatives (Impact on Operating Balance)

Initiative ID	Initiative Name	\$m - increase/(decrease)				
		2007/08	2008/09	2009/10	2010/11	2011/12& Outyears
4702	Student Loans Redesign	-	4.267	-	-	-
4713	Implementation of Government Initiatives	-	0.651	0.220	0.220	0.220
4719	Improved Compliance and Customer Experience	-	1.350	0.630	(0.405)	(1.755)
4724	People Capability - Remuneration	-	5.000	5.000	5.000	5.000
4892	Increasing the Student Allowance Parental Income Threshold by 10 Percent	-	-	0.036	0.112	0.188
4894	Expansion of Bonded Merit Scholarship Scheme	-	-	0.014	0.042	0.083
5196	Student Achievement Component: Access in Priority Areas	-	-	(0.243)	(0.553)	(0.780)
5263	Increasing the Student Loan Scheme Living Cost Component to \$155 Per Week	-	-	(0.218)	(0.705)	(1.293)
5264	Lowering the Age Limit for Student Allowance Parental Income Testing by One Year	-	-	0.087	0.269	0.456
Total Operating		-	11.268	5.526	3.980	2.119

Capital Initiatives (Impact on Debt)

Initiative ID	Initiative Name	\$m - increase/(decrease)				
		2007/08	2008/09	2009/10	2010/11	2011/12& Outyears
4713	Implementation of Government Initiatives	-	1.098	-	-	-
4719	Improved Compliance and Customer Experience	-	3.630	-	-	-
4892	Increasing the Student Allowance Parental Income Threshold by 10 Percent	-	-	0.055	0.178	0.314
4894	Expansion of Bonded Merit Scholarship Scheme	-	-	0.022	0.067	0.137
5196	Student Achievement Component: Access in Priority Areas	-	-	(0.367)	(0.877)	(1.317)
5263	Increasing the Student Loan Scheme Living Cost Component to \$155 per week	-	-	(0.335)	(1.119)	(2.142)
5264	Lowering the Age Limit for Student Allowance Parental Income Testing by One Year	-	-	0.133	0.428	0.761
Total Capital		-	4.728	(0.492)	(1.323)	(2.247)

2. **agreed** to establish new appropriations where required to implement these initiatives, as described in the attached initiative documents;
3. **approved** the changes to appropriations and/or projected balances of net assets of the administering department (where applicable) to implement the initiatives, as set out in the attached initiative documents;
4. **approved** the additional recommendations to give effect to the initiatives, as set out in the attached initiative documents;
5. **agreed** that the proposed changes to appropriations and/or projected balances of net assets for 2007/08 above be included in the 2007/08 Supplementary Estimates and that, in the interim, the increases be met from Imprest Supply;
6. **authorised** the Minister of Finance and the Vote Minister to approve jointly any technical adjustments to baselines necessary to remove any errors or inconsistencies identified while finalising the 2007/08 Supplementary Estimates, the 2008/09 Estimates and the fiscal forecasts;
7. **noted** that all communications relating to the 2008 Budget are co-ordinated 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;
8. **agreed** that the initiatives in the following table be set aside as contingency items, that corresponding funding for them be set aside in the between-Budget spending contingency, and that they be submitted to the appropriate Cabinet committee for consideration at a later stage:

Operating Contingency

Initiative Name	\$m - increase/(decrease)				
	2007/08	2008/09	2009/10	2010/11	2011/12& Outyears
KiwiSaver-implementing a legislative fix to calculation of employer tax credit	-	1.300	2.900	3.900	4.600
Total Operating	-	1.300	2.900	3.900	4.600

Capital Contingency

Initiative Name	\$m - increase/(decrease)				
	2007/08	2008/09	2009/10	2010/11	2011/12& Outyears
KiwiSaver-implementing a legislative fix to calculation of employer tax credit	-	4.500	-	-	-
Total Capital	-	4.500	-	-	-

Secretary of the Cabinet

Reference: 2008 Budget package tabled
by the Minister of Finance**Distribution:**

Prime Minister
 Chief Executive, DPMC
 Director PAG, DPMC
 Minister of Finance
 Secretary to the Treasury
 Hon Jim Anderton
 Associate Minister of Finance (Hon Trevor Mallard)
 Minister of Revenue
 Commissioner of Inland Revenue
 Controller and Auditor-General

Initiative No: 4702

Vote: Revenue**Title:** Student Loans Redesign**Description:** This initiative is for phase one of a new Inland Revenue Department (IRD)/Ministry of Social Development (MSD) Student Loan system. This will develop a detailed design of a new system to enable a Request For Proposal (RFP) process.**Theme:** Other**Theme Objective:** Other**Performance Information****Performance Text**

Phase one of a new IRD/MSD Student Loan system will deliver a design proposal detailed enough to proceed to market with an RFP. This will be delivered by March 2009 and will allow Ministers to make a final full funding decision as part of Budget 2009. A new Student Loan system will deliver increased alignment of services between agencies, seamless provision of services for students/borrowers across agencies, timely sharing of information between agencies, and enhanced loan management capabilities.

Appropriation Changes

	\$m - increase/(decrease)				
	2007/08	2008/09	2009/10	2010/11	2011/12& Outyears
Operating Balance Impact	-	4.267	-	-	-
Debt Impact	-	-	-	-	-
No Impact	-	-	-	-	-
Total	-	4.267	-	-	-

	\$m - increase/(decrease)				
	2007/08	2008/09	2009/10	2010/11	2011/12& Outyears
Departmental Output Expenses (General):					
Services to Inform the Public About Entitlements and Meeting Obligations (funded by Revenue Crown)	-	2.560	-	-	-
Services to Process Obligations and Entitlements (funded by Revenue Crown)	-	1.707	-	-	-
Total Operating	-	4.267	-	-	-
Total Capital	-	-	-	-	-

Initiative No: 4713

Vote: Revenue

Title: Implementation of Government Initiatives

Description: This initiative addresses the administrative costs associated with the implementation of the Legislation Programme which includes initiatives in the June 2008 Tax Bill.

Theme: Other

Theme Objective: Other

Performance Information

Performance Text

Implementation of the 2008/09 Legislation Programme. Funding will be allocated to ensure that the Legislation Programme is progressed in the most efficient manner possible, and will be evaluated against internal Inland Revenue performance measures. Specific performance specifications are detailed in the policy papers.

Appropriation Changes

	\$m - increase/(decrease)				
	2007/08	2008/09	2009/10	2010/11	2011/12& Outyears
Operating Balance Impact	-	0.651	0.220	0.220	0.220
Debt Impact	-	1.098	-	-	-
No Impact	-	0.082	0.082	0.082	0.082
Total	-	1.831	0.302	0.302	0.302

	\$m - increase/(decrease)				
	2007/08	2008/09	2009/10	2010/11	2011/12& Outyears
Departmental Output Expenses (General):					
Management of Debt and Outstanding Returns (funded by Revenue Crown)	-	0.100	0.041	0.041	0.041
Policy Advice (funded by Revenue Crown)	-	0.017	0.007	0.007	0.007
Services to Inform the Public About Entitlements and Meeting Obligations (funded by Revenue Crown)	-	0.284	0.117	0.117	0.117
Services to Process Obligations and Entitlements (funded by Revenue Crown)	-	0.148	0.062	0.062	0.062
Taxpayer Audit (funded by Revenue Crown)	-	0.184	0.075	0.075	0.075
Net Asset Schedule: Capital Investment	-	1.098	-	-	-
Total Operating	-	0.733	0.302	0.302	0.302
Total Capital	-	1.098	-	-	-

Initiative No: 4719

Vote: Revenue**Title:** Improved Compliance and Customer Experience**Description:** This programme of work will deliver a robust call handling platform to manage growth in the volume and complexity of calls, improved natural language speech recognition, and an automated call back functionality.**Theme:** Other**Theme Objective:** Other**Performance Information****Performance Table**

The following table shows the performance targets for 2011/12 relative to the current performance targets:

	Unit of Measurement	Performance Specification				
		2007/08	2008/09	2009/10	2010/11	2011/12
Quality						
Increase in customer satisfaction	Percentage	80	-	-	-	[deleted – confidentiality of advice]
First call resolution - ensure continued delivery of target %	Percentage	85	-	-	-	85
Timeliness						
Call length - reduction	minutes	8:55	-	-	-	[deleted – confidentiality of advice]
Average speed to answer – general services - ensure continued delivery of target	minutes	2:00	-	-	-	<2:00
Average speed to answer – priority queues - ensure continued delivery of target	seconds	30	-	-	-	30

Appropriation Changes

	\$m - increase/(decrease)				
	2007/08	2008/09	2009/10	2010/11	2011/12& Outyears
Operating Balance Impact	-	1.350	0.630	(0.405)	(1.755)
Debt Impact	-	3.630	-	-	-
No Impact	-	0.272	0.272	0.272	0.272
Total	-	5.252	0.902	(0.133)	(1.483)

Initiative No: 4719

	\$m - increase/(decrease)				
	2007/08	2008/09	2009/10	2010/11	2011/12 & Outyears
Departmental Output Expenses (General):					
Services to Inform the Public About Entitlements and Meeting Obligations (funded by Revenue Crown)	-	1.622	0.902	(0.133)	(1.483)
Net Asset Schedule:					
Capital Investment	-	3.630	-	-	-
Total Operating	-	1.622	0.902	(0.133)	(1.483)
Total Capital	-	3.630	-	-	-

Vote: Revenue

Title: People Capability - Remuneration

Description: Funding to maintain [deleted – negotiate without prejudice] to retain/recruit the significant capability required to deliver current and new business.

Theme: Other

Theme Objective: Other

Performance Information

Performance Text

Remuneration funding [deleted – negotiate without prejudice] will ensure the capability that the Inland Revenue Department (IRD) has is maintained, allowing IRD to:

- retain the people to undertake current and new initiatives;
- maintain output performance standards;
- *[information deleted in order to enable the Crown to negotiate without disadvantage or prejudice]*

The success of this initiative will be measured by changes in staff turnover, difficulties in recruitment, and other key human resource indicators.

Appropriation Changes

	\$m - increase/(decrease)				
	2007/08	2008/09	2009/10	2010/11	2011/12& Outyears
Operating Balance Impact	-	5.000	5.000	5.000	5.000
Debt Impact	-	-	-	-	-
No Impact	-	-	-	-	-
Total	-	5.000	5.000	5.000	5.000

	\$m - increase/(decrease)				
	2007/08	2008/09	2009/10	2010/11	2011/12& Outyears
Departmental Output Expenses (General):					
Management of Debt and Outstanding Returns (funded by Revenue Crown)	-	0.682	0.682	0.682	0.682
Policy Advice (funded by Revenue Crown)	-	0.119	0.119	0.119	0.119
Services to Inform the Public About Entitlements and Meeting Obligations (funded by Revenue Crown)	-	1.934	1.934	1.934	1.934
Services to Process Obligations and Entitlements (funded by Revenue Crown)	-	1.007	1.007	1.007	1.007
Taxpayer Audit (funded by Revenue Crown)	-	1.258	1.258	1.258	1.258
Total Operating	-	5.000	5.000	5.000	5.000
Total Capital	-	-	-	-	-

Vote: Revenue

Title: Increasing the Student Allowance Parental Income Threshold by 10 Percent

Description: Funding to increase the student allowance parental income threshold by 10 per cent to approximately \$50,318 from 1 January 2009 to widen eligibility to student allowances to more full-time students.

Theme: Economic Transformation

Theme Objective: Innovative and productive workplaces: innovation

Performance Information

Performance Text

Performance information is included in the financial recommendations for Vote Social Development.

Appropriation Changes

	\$m – increase/(decrease)				
Vote Revenue Minister of Revenue	2007/08	2008/09	2009/10	2010/11	2011/12 & Outyears
Operating Balance Impact	-	-	0.036	0.112	0.188
Debt Impact	-	-	0.055	0.178	0.314
Total Operating	-	-	0.036	0.112	0.188
Total Capital	-	-	0.055	0.178	0.314

	\$m – increase/(decrease)				
Vote Revenue Minister of Revenue	2007/08	2008/09	2009/10	2010/11	2011/12 & Outyears
Other expenses to be incurred by the Crown:					
Student Loan Impairment	-	-	(0.003)	(0.009)	(0.016)
Total	-	-	(0.003)	(0.009)	(0.016)

Initiative No: 4892

Additional Recommendations

noted the following changes as a result of the decision to increase the parental thresholds for student allowances by 10 per cent:

	\$m - increase/(decrease)				
	2007/08	2008/09	2009/10	2010/11	2011/12 & Outyears
Non-tax revenue					
Student Loans – Accrued Interest	-	-	0.036	0.112	0.188
Capital Receipts					
Student Loans – Receipts	-	-	0.055	0.178	0.314
Total Operating	-	-	0.036	0.112	0.188
Total Capital	-	-	0.055	0.178	0.314

noted that Vote Social Development has also received funding for the initiative.

Vote: Revenue

Title: Expansion of Bonded Merit Scholarship Scheme

Description: This bid seeks funding to expand the Bonded Merit Scholarship scheme by increasing the number of new scholarships offered annually by 50 percent (from 1,000 to 1,500) from 2009.

Theme: Economic Transformation

Theme Objective: Innovative and productive workplaces: innovation

Performance Information

Performance Text

Performance information is included in the financial recommendations for Vote Social Development.

Appropriation Changes

Vote Revenue Minister of Revenue	\$m – increase/(decrease)				
	2007/08	2008/09	2009/10	2010/11	2011/12 & Outyears
Operating Balance Impact			0.014	0.042	0.083
Debt Impact			0.022	0.067	0.137
Total Operating			0.014	0.042	0.083
Total Capital			0.022	0.067	0.137

Vote Revenue Minister of Revenue	\$m – increase/(decrease)				
	2007/08	2008/09	2009/10	2010/11	2011/12 & Outyears
Other expenses to be incurred by the Crown:					
Student Loan Impairment	-	-	(0.001)	(0.003)	(0.007)
Total	-	-	(0.001)	(0.003)	(0.007)

Additional Recommendations

noted the following changes as a result of the decision to expand the Bonded Merit Scholarship Scheme:

	\$m - increase/(decrease)				
	2007/08	2008/09	2009/10	2010/11	2011/12 & Outyears
Non-tax revenue					
Student Loans – Accrued Interest	-	-	0.014	0.042	0.083
Capital Receipts					
Student Loans – Receipts	-	-	0.022	0.067	0.137
Total Operating	-	-	0.014	0.042	0.083
Total Capital	-	-	0.022	0.067	0.137

noted that Vote Social Development has also received funding for the initiative.

Vote: Revenue

Title: Student Achievement Component: Access in Priority Areas

Description: This new initiative allows increased enrolments at Universities and Institutes of Technology and Polytechnics in priority areas, young people enrolling in degrees, and higher participation in trade and technical qualifications.

Theme: Economic Transformation

Theme Objective: Innovative and productive workplaces: innovation

Performance Information

Performance Text

Performance information is included in the financial recommendations for Vote Education.

Appropriation Changes

	\$m – increase/(decrease)				
	2007/08	2008/09	2009/10	2010/11	2011/12& Outyears
Operating Balance Impact	-	-	(0.243)	(0.553)	(0.780)
Debt Impact	-	-	(0.367)	(0.877)	(1.317)
Total	-	-	(0.610)	(1.430)	(2.097)

	\$m – increase/(decrease)				
	2007/08	2008/09	2009/10	2010/11	2011/12& Outyears
Other expenses to be incurred by the Crown:					
Student Loan Impairment	-	-	0.020	0.046	0.064
Total Operating	-	-	0.020	0.046	0.064

Additional Recommendations

noted the following changes as a result of the decision to increase access to study in priority areas:

	\$m - increase/(decrease)				
	2007/08	2008/09	2009/10	2010/11	2011/12& Outyears
Non-tax revenue					
Student Loans – Accrued Interest	-	-	(0.243)	(0.553)	(0.780)
Capital Receipts					
Student Loans – Receipts	-	-	(0.367)	(0.877)	(1.317)
Total Operating	-	-	(0.243)	(0.553)	(0.780)
Total Capital	-	-	(0.367)	(0.877)	(1.317)

noted that funding is also appropriated in Vote Education and Vote Social Development.

Initiative No: 5263

Vote: Revenue

Title: Increasing the Student Loan Scheme Living Cost Component to \$155 Per Week

Description: This initiative is to increase the \$150 per week student loan living cost entitlement to \$155 per week from 1 January 2009. The entitlement would also be adjusted annually for inflation on 1 April each year as part of the Annual General Adjustment process (with the first Consumer Price Index adjustment on 1 April 2009).

Theme: Economic Transformation

Theme Objective: Innovative and productive workplaces: innovation

Performance Information

Performance Text

Performance information is included in the financial recommendations for Vote Social Development.

Appropriation Changes

	\$m – increase/(decrease)				
Vote Revenue Minister of Revenue	2007/08	2008/09	2009/10	2010/11	2011/12& Outyears
Operating Balance Impact	-	-	(0.218)	(0.705)	(1.293)
Debt Impact	-	-	(0.335)	(1.119)	(2.142)
Total Operating	-	-	(0.218)	(0.705)	(1.293)
Total Capital	-	-	(0.335)	(1.119)	(2.142)

	\$m – increase/(decrease)				
Vote Revenue Minister of Revenue	2007/08	2008/09	2009/10	2010/11	2011/12& Outyears
Other expenses to be incurred by the Crown:					
Student Loan Impairment	-	-	0.018	0.059	0.107
Total	-	-	0.018	0.059	0.107

Additional Recommendations

noted the following changes as a result of the decision to increase the Student Loan Scheme living cost component to \$155 per week:

	\$m - increase/(decrease)				
	2007/08	2008/09	2009/10	2010/11	2011/12& Outyears
Non-tax revenue					
Student Loans – Accrued Interest	-	-	(0.218)	(0.705)	(1.293)
Capital Receipts					
Student Loans – Receipts	-	-	(0.335)	(1.119)	(2.142)
Total Operating	-	-	(0.218)	(0.705)	(1.293)
Total Capital	-	-	(0.335)	(1.119)	(2.142)

noted that Vote Social Development has also received funding for the initiative.

Vote: Revenue

Title: Lowering the Age Limit for Student Allowance Parental Income Testing by One Year

Description: Lowering the age limit for student allowance parental income testing from 25 to 24 years to widen eligibility to student allowances and increase the rate of entitlement for 24 year olds from 1 January 2009.

Theme: Economic Transformation

Theme Objective: Innovative and productive workplaces: innovation

Performance Information

Performance Text

Performance information is included in the financial recommendations for Vote Social Development.

Appropriation Changes

Vote Revenue Minister of Revenue	\$m – increase/(decrease)				
	2007/08	2008/09	2009/10	2010/11	2011/12& Outyears
Operating Balance Impact	-	-	0.087	0.269	0.456
Debt Impact	-	-	0.133	0.428	0.761
Total Operating	-	-	0.087	0.269	0.456
Total Capital	-	-	0.133	0.428	0.761

Vote Revenue Minister of Revenue	\$m – increase/(decrease)				
	2007/08	2008/09	2009/10	2010/11	2011/12& Outyears
Other expenses to be incurred by the Crown:					
Student Loan Impairment	-	-	(0.007)	(0.022)	(0.038)
Total	-	-	(0.007)	(0.022)	(0.038)

Additional Recommendations

noted the following changes as a result of the decision to lower the age limit for student allowance parental income testing by one year:

	\$m - increase/(decrease)				
	2007/08	2008/09	2009/10	2010/11	2011/12& Outyears
Non-tax revenue					
Student Loans – Accrued Interest	-	-	0.087	0.269	0.456
Capital Receipts					
Student Loans – Receipts	-	-	0.133	0.428	0.761
Total Operating	-	-	0.087	0.269	0.456
Total Capital	-	-	0.133	0.428	0.761

noted that Vote Social Development has also received funding for the initiative.