

Budget Report: Senior Ministers Meeting 3 April - Final Decisions

Date:	2 April 2007	Priority:	High
Security Level:		Budget Report No:	BR2007/9

Action Sought

	Action Sought	Deadline
Minister of Finance (Hon Dr Michael Cullen)	Forward the report to your Senior Minister colleagues for discussion at the Senior Ministers' meeting at 5:00pm on Tuesday 3 April.	Monday 2 April 2007
Associate Minister of Finance (Hon Phil Goff)	Note contents for the Senior Ministers' meeting at 5:00pm on Tuesday 3 April.	5:00pm, Tuesday 5 April
Associate Minister of Finance (Hon Trevor Mallard)	Note contents for the Senior Ministers' meeting at 5:00pm on Tuesday 3 April.	5:00pm, Tuesday 5 April

Contact for Telephone Discussion (if required)

Name	Position	Telephone	1st Contact
<i>[information deleted in order to protect the privacy of natural persons, including deceased people]</i>			
Mark Sowden	Manager, Fiscal Management and Reporting		

Budget Report: Senior Ministers meeting 3 April - Final Decisions

Executive Summary

Senior Ministers are meeting at 5:00pm on 3 April to finalise Budget 2007 decisions. Following this meeting Treasury will prepare the Budget Cabinet paper that Cabinet Business Committee will consider on 19 April.

The remaining issues covered in this report (along with specific recommendations) are:

1. *[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]*
2. **Polar Year** – We understand Senior Ministers want to consider funding options for this initiative;
3. **Solomon Police Deployment** – This initiative is not currently in the Budget package though we understand Senior Ministers want this issue re-highlighted in this paper;
4. **Staffing Improvements for New Entrants** – We understand Senior Ministers wish to fund this initiative though have asked that this be phased from 2008/09;
5. *[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]*
6. **Home Energy Efficiency Package** – Since Senior Ministers met on 27 March, the Minister of Finance has met with Hon Parker and agreed on a home energy package. This is included in this report to be ratified by Senior Ministers;
7. *[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]*
8. **Additional Tertiary capital decisions** – Since Senior Ministers met on 27 March, there have been further decisions on tertiary capital. These are included in this paper to be ratified by Senior Ministers;
9. **Initiatives funded from baselines** – Some Ministers are proposing to fund initiatives that fell below the line (or in some cases new initiatives) from baseline savings consistent with Cabinet's agreement that any savings found (up to \$10 million per annum) could be retained within the vote. These are listed for Senior Minister to consider; and
10. **Overall capital spending.** The Minister of Finance has asked Treasury to have a further look at all capital spending to ensure that the profile is consistent with the actual rate at which this can be spent.

Annexes are provided at the back of the report for Senior Ministers to confirm the full 2007 Budget package. These incorporate the decisions Senior Ministers took on Tuesday 27 March.

Note that the marginal analysis has been provided again for the other and capital packages as we are aware Ministers did not have enough time to consider these at their meeting on 27 March.

Recommended Action

We recommend that you:

- a **forward** this paper to your Senior Minister colleagues for discussion at the meeting at 5:00pm on Tuesday 3 April; and
- b **note** that the recommendations for each issue covered in this report are presented with the relevant section so Senior Ministers can use this report as an agenda.

Mark Sowden

Manager, Fiscal Management
for Secretary to the Treasury

Hon Dr Michael Cullen

Minister of Finance

Budget Report: Senior Ministers meeting 3 April - Final Decisions

Purpose of Report

- The purpose of this report is to seek agreement from Senior Ministers on the remaining issues in Budget 2007 prior to the 2007 Budget Cabinet paper being considered by Cabinet Business Committee on 19 April.

Overall position of Budget 2007

- The table below indicates the latest overall position of Budget 2007 reflecting the decisions by Senior Ministers on 27 March. Specifically these decisions were:
 - To proceed with the Enhanced *KiwiSaver* package;
 - To rescind the previous decision to index personal income tax thresholds from 1 April 2008; and
 - To make some minor additions/subtractions to some of the theme packages.

BUDGET 2007 ALLOWANCES

	\$ millions					5 year total
	2006/07	2007/08	2008/09	2009/10	2010/11	
Operating funding for Budget 2007	23	1,897	1,879	1,942	1,971	7,712
Pre-commitments	4	1,332	1,314	1,377	1,406	5,433
Proposed packages						
Families - Young and Old	(2)	391	436	442	392	1,659
Economic Transformation	2	87	111	114	117	430
National Identity	6	41	41	27	28	143
Other	1	117	139	207	305	768
Tertiary Education	(91)	2	3	(15)	(10)	(110)
First year of Business Tax Package	-	106	-	-	-	106
Tax incentives for giving to charities	-	-	15	25	25	65
Savings package	-	200	500	900	1,200	2,800
Removing personal income tax threshold indexation	-	(85)	(395)	(425)	(535)	(1,440)
Post Budget 2007 contingency	-	100	100	100	100	400
Difference from target Under/(Overspend)	104	(393)	(385)	(810)	(1,057)	(2,541)
Capital funding for Budget 2007	20	362	193	283	-	858
Proposed packages						
Large capital	67	743	328	300	242	1,681
Families - Young and Old	1	10	4	0	0	15
Economic Transformation	-	16	6	1	0	22
National Identity	(3)	3	1	1	0	2
Tertiary Education	(20)	118	78	1	(6)	171
Post Budget 2007 contingency	-	45	25	-	-	70
Difference from target Under/(Overspend)	(25)	(573)	(249)	(20)	(237)	(1,104)
Total difference (operating and capital)	79	(966)	(634)	(830)	(1,294)	(3,645)

* This table excludes the costs of the Business Tax Package from 2008/09, which are funded from the Budget 2008 allowance.

** This table includes funding for all initiatives in green and yellow in the attached annexes.

[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]

International Polar Year

3. Funding was sought for a suite of initiatives to allow enhanced New Zealand participation in International Polar Year (IPY) activities. Research to better understand the sustainability of toothfish fisheries in the Ross Sea and the establishment of a contestable research fund to complement existing funding available for on-ice research is being proposed.

	Funding Sought					Treasury support				
	2007/08	2008/09	2009/10	2010/11	Total	2007/08	2008/09	2009/10	2010/11	Total
CAML Voyage	-	3.600	-	-	3.600	-	3.600	-	-	3.600
Fisheries research	-	1.500	1.500	1.500	4.500	-	1.000	1.000	1.000	3.000
MoRST research	-	2.500	2.500	2.500	7.500	-	-	-	-	-
Total	-	7.600	4.000	4.000	15.600	-	4.600	-	-	6.600

4. There are three submitted Initiatives relating to International Polar Year:
- **Oceans Survey 2020:** Land Information New Zealand (LINZ) submitted a \$25 million initiative to the Economic Transformation (ET) Theme during Budget 2007 for the Ocean Survey 2020 programme. This initiative included funding for a number of ocean survey and research voyages. One component involves biodiversity and fisheries research in the Ross Sea (Census or Antarctic Marine Life [CAML]) as a New Zealand contribution to IPY. The CAML component can be funded for \$3.6 million in 2007/08. Some ongoing funding may be required for the processing of the collected samples and data;
 - **Fisheries Research:** The Ministry of Fisheries is seeking \$1.5 million per annum through a separate Budget initiative in the ET Theme for the processing and analysis of the scientific data gained from the Ocean Survey voyage. This initiative will need to receive some funding if any scientific output is going to be gained from the IPY voyage; and
 - **General Research:** The Ministry of Research Science and Technology is seeking \$7.5 million over three years to establish a contestable fund supporting New Zealand scientists to participate in important international scientific collaborations. This is intended to produce advances for Antarctic science and reinforce the position of New Zealand as a serious science partner.
5. The first two bids are co-dependent to some extent. Funding these initiatives is not seen as an overall priority by Treasury for this Budget, but we see some value in funding the first two initiatives.

Options to fund

6. Treasury considers Ministers have the following options to fund this initiative:

7. **Option 1: The extra funding approved to Vote Foreign Affairs and Trade in the Budget 2007 bilateral:** the Ministry received an extra \$14.922 million in 2007/08 and \$30 million in 2008/09 and outyears to fund "Response to Foreign and Trade Policy Changes".
8. Treasury considers that the Vote received sufficient funding in Budget 2007 to either fully or partly fund the IPY. As the Ministry of Foreign Affairs and Trade is the lead department on the Antarctica Officials Policy Group, and has been the lead agency, along with Antarctica NZ (a Crown Entity within Vote Foreign Affairs and Trade) in developing the IPY bid, there is merit in this proposal.
9. **Option 2: Funding from National Identity:** This initiative fits more under the National Identity theme than any of the others, as it promotes the objective of "New Zealand in the world". Ministers could consider taking out one or more of the Treasury-identified marginal bids from the National Identity package to fund this initiative.
10. Treasury identified the five bids we considered to be of lowest priority amongst the bids supported by Senior National Identity Ministers. Should Senior Ministers agree to this option, a table is set out in the recommendations section below that allows Senior Ministers to select one or more of the Treasury-identified marginal initiatives that could be fully or partly used to fund the IPY bid.
11. **Option 3: Splitting the funding between different Votes:** Senior Ministers could consider funding this bid either from the baselines of a number of different related Votes, or from new funding agreed in Budget 2007. Possible Votes where funding could come from are: Foreign Affairs and Trade, Fisheries, Lands and Research, Science and Technology.
12. In the new initiative assessment process for Budget 2007, the Ministry of Research, Science and Technology did not consider that these initiatives were of sufficiently high priority to include in the research package agreed by Ministers. Funding this initiative from the research package can potentially lead to the displacement of higher value projects linked to the Government's Economic Transformation agenda. Treasury supports this view. The Ministry of Fisheries did not consider the research science component of the IPY a high priority either.
13. It would be difficult for LINZ to fund from baselines as these include significant revenue from user-charges that cannot be reallocated; and departmental baseline funding has decreased by 5% since 2001, reflecting a substantial reduction in real terms. Both Crown funding and user-charges funding has declined. The department has already absorbed a large number of additional costs (around \$2 million) over recent years, which makes it even more difficult for them to absorb the costs of IPY.

Recommendations

EITHER

14. **agree** to fund the totality of the bid to the amount of \$15.6 million across Votes Fisheries, Lands and Research, Science and Technology for the costs of vessels, marine science research and a contestable research fund for the period 2007/08 to 2009/10, as set out below:

	2007/08	2008/09	2009/10	2010/11	Total
CAML Voyage	-	3.600	-	-	3.600
Fisheries	-	1.500	1.500	1.500	4.500

research					
MoRST research	-	2.500	2.500	2.500	7.500
Total	-	7.600	4.000	4.000	15.600

Agree/disagree

OR

15. **agree** to fund this initiative at the Treasury recommended amount of \$6.6 million to cover both the vessel costs and marine science research for the period 2007/08 to 2009/10, as set out below:

	2007/08	2008/09	2009/10	2010/11	Total
CAML Voyage	-	3.600	-	-	3.600
Fisheries research	-	1.000	1.000	1.000	3.000
MoRST research	-	-	-	-	-
Total	-	4.600	-	-	6.600

Agree/disagree

Funding options

EITHER (Treasury preferred)

16. **agree** to fund the International Polar Year initiative entirely from additional funding received by Vote Foreign Affairs and Trade in Budget 2007;

OR

17. **agree** that funding for the International Polar Year initiative should come from the Treasury-identified marginal initiatives supported within the National Identity Theme in Budget 2007. These are:

Vote	Initiative	Amount supported through Budget 2007	Amount reprioritised to IPY
Conservation	A Nationwide Pest Reduction strategy for Deer, Chamois, Thar and Pigs	\$0.200 million in 2006/07 only	
Arts, Culture & Heritage	Enhanced NZ ON Air Services	\$8 million over the period	
Conservation	Te Araroa trail	\$1.5 million in operating over three years plus \$2.3 million in capital	
Internal Affairs	Moderation of Birth and Death Records: "increasing security of identity related"	\$1 million in each of 2007/08 and 2008/09	

Conservation	Intensive, Integrated Biodiversity Management at New Sites on Conservation Land	\$8 million over the period in operating plus \$0.800 million in capital	
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OR

18. **agree** that funding for the International Polar Year initiative should be split between Votes Foreign Affairs and Trade, Fisheries, Lands and Research, Science and Technology; and

Vote	Minister's recommended split
Fisheries	
Foreign Affairs & Trade	
Lands	
Research, Science & Technology	

19. **note** that given the current pressures on the baselines of these Votes, Treasury suggests that a fair split could be that Vote Foreign Affairs and Trade fund 75% of the costs of International Polar Year, in light of its role as lead department for the work being carried out through this initiative. The remaining 25% can be split equally between Votes Fisheries, Lands and Research, Science and Technology.

Solomon Police Deployment

20. *[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]*
Treasury's initial assessment was to only support the Solomon Islands deployment, at a cost of \$7.214 million in 2007/08 and 2008/09 only.
21. *[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]*
There was no support for the Solomon Islands component of the bid either. Treasury notes that a decision will be required prior to 30 June 2007 regarding a continued NZ Police presence in the Solomon Islands.
22. Treasury considers that the best option to fund the Solomon Islands component of Police deployment overseas is to use NZAID funding. NZAID can either fund the full costs of any continuation of the NZ Police contribution to the Regional Assistance Mission to the Solomon Islands (RAMSI) and the Solomon Islands Police Force (SIPF), or NZAID can fund costs that can be reported as official development assistance and Police absorb any other costs from within baselines. Funding for Vote Official Development Assistance (ODA) is increasing by \$70 million in 2007/08 to reach a ODA:GNI ratio of 0.30%.
23. NZAID has advised that much of the expenditure on the Solomon Islands Deployment can be reported as official development assistance under the OECD definition, including funding for Police salaries and munitions. It should be noted that tax, such as PAYE paid on these salaries, does not qualify under the definition of official development assistance. Thus, expenditure on tax items will adversely impact New Zealand's international reporting of official development expenditure at some level. However, it is expected that this impact will be fairly minimal given that NZAID officials have indicated it is likely that a minimum of 80% of the deployment costs will qualify as official development assistance (but possibly as high as 90% according to AusAID levels would occur between Police and ODA).

Recommendations

24. **note** that funding for the New Zealand Police contribution to the Regional Assistance Mission to the Solomon Islands (RAMSI) and the Solomon Islands Police Force (SIPF) ceases on 30 June 2007;
25. **agree** that the Solomon Islands *[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]* bid should be funded at the Treasury recommended amount of \$7.2 million per annum for 2007/08 and 2008/09;

Agree/disagree

EITHER

26. **agree** to fund the full costs of the deployment from Vote Official Development Assistance, noting that this could adversely impact on New Zealand's reporting internationally of development expenditure;

Agree/disagree

OR

27. **agree** to fund costs that can be reported as official development assistance from Vote Official Development Assistance Budget 2007 funding, with any remaining costs to be funded from Vote Police baselines.

Agree/disagree

Staffing Improvements for New Entrants (formerly Smaller Class Sizes for Year 1 Students)

Phasing the Proposal

28. Ministers have requested options for phasing the Staffing Improvements initiative (formerly known as Smaller Class Sizes for Year 1 Students). Senior Ministers indicated that they want the funding to start from 1 July 2008. We do not recommend this option. Schools are notified of their funding entitlements for the following academic year at the end of the previous academic year, and then employ teachers on a yearly basis. It would be difficult for schools to recruit an additional 700 staff in the middle of the academic year, as the teachers are unlikely to be available at this time. It is more likely that schools would not be able to fill the positions in July, and instead hold onto the extra staffing entitlement, which they would roll forward into academic year 2009 under the 'Banking Staffing' rules. If schools were able to recruit teachers part way during the year, it would be necessary to break up existing classes at that time to reduce the teacher:student ratio. It is clear, however, that a strong relationship between teachers and their students drives student achievement, particularly in Year 1, so disrupting this relationship for a large number of students in their first year at school would likely have a negative impact on their outcomes.

Options

29. There are therefore three options for phasing the proposal:

i. Commence in 1 January 2008

The Treasury does not recommend that Ministers support this option as it would initiate substantial capital expenditure in 2007/08. The costs of this option would be:

	2006/07	2007/08	2008/09	2009/10	2010/11 and outyears
Operating	-	18.245	41.845	41.957	41.585
Capital	-	19.593	16.030	-	-

ii. Commence in 1 January 2009

This option would allow Ministers to announce the initiative in Budget 2007, but manage concerns about fiscal stimulus in 2007/08. We estimate that the costs of this option would be as follows:

	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12 and outyears
Operating	-	-	18.245	41.845	41.957	41.585
Capital	-	-	19.593	16.030	-	-

iii. Defer consideration of this initiative to Budget 2008

30. It should be noted, however, that all of these options cover the first tranche of this initiative only and reduce teacher:student ratios from 1:23 to 1:18. Funding to reduce the ratios from 1:18 to 1:15 (and therefore fully meet the Labour Party Manifesto commitment) would need to be sought in future budgets.

Recommendation

EITHER:

31. **agree** to commence the roll-out of the School Staffing initiative on 1 January 2008;

Agree/disagree

OR:

32. **agree** to commence the roll-out of the School Staffing initiative on 1 January 2009;

Agree/disagree

OR:

33. **agree** to defer consideration of the School Staffing initiative to Budget 2008.

Agree/disagree

[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]

Home Energy Efficiency Package

34. When Senior Ministers met on Tuesday 27 March Hon Parker's proposed initiatives for Budget 2007 had not been agreed with the Minister of Finance. On Thursday 29 March the Minister of Finance and the Associate Minister of Finance (Hon Mallard) met with the Hon Parker and Hon Benson-Pope and agreed to the following package on home energy efficiency. Senior Ministers are asked to endorse the package for inclusion in the 2007 Budget Cabinet paper.

Agreed Components of proposed 'EnergyWise' Package	Indicative Cost (\$ million)			
	2007/08	2008/09	2009/10	2010/11 and outyears
Development of an interest-free loans scheme (set aside as contingency)	3.000	4.000	8.000	8.000
Rebranding of existing energy efficiency-related government initiatives, as desirable, in a way that complements the broader 'sustainable households' brand	1.000	1.000	1.000	1.000
Targeted information campaigns, building from the sustainable households programme (eg, on energy efficient lighting)	-	0.700	1.000	1.400
Maintain EnergyWise Home Grants scheme at 12,000 homes pa - Existing Budget initiative.	1.400	1.600	1.900	3.900
Incorporate a new clean heating component into the EWHG (to cover about 1,000 clean heating retrofits pa for low-income families)	1.350	1.350	1.350	1.350
Establish Smartbuild web portal	0.150	0.150	0.150	0.150
Implement HERS by December 2008 (depending on outcome of pilot). Outyear funding would be dependent on policy decisions regarding cost recovery.	0.250	5.000	5.000	5.000
Research programme on evaluating performance of energy efficient technologies – e.g. starting with hot water systems (other than solar) and lighting, later incorporating space heating, small scale renewables etc. Builds from existing solar programme.	0.500	0.500	0.500	0.500
Partnership with industry to promote energy efficient household technologies and practices (EECA lead)	0.150	0.150	0.150	0.150
Expanded installer accreditation programme for new technologies. Builds from existing solar programme.	-	1.000	1.000	1.000
Partnership with industry to develop new funding mechanisms – eg, green mortgages (MfE lead). New funding to accelerate uptake. Builds on existing MfE work	0.150	0.150	0.150	0.150
Partnership with councils to help implement new Building Code requirements and to promote uptake of new technologies and practices in households (MfE and DBH lead). New funding for targeted assistance. Builds on MfE and DBH liaison programmes.	0.150	0.150	0.150	0.150
Total for Agreed 'EnergyWise' Package	8.100	15.750	20.350	22.750

35. The funding sources for this package are set out in the table below.

Overview of Agreed Funding & Sources	Indicative Cost (\$ million)			
	2007/08	2008/09	2009/10	2010/11 and outyears
Agreed in 29 March Meeting:				
Modified 'EnergyWise' Package, including interest-free loans scheme	8.100	15.750	20.350	22.750
Agreed Funding Sources (from previous bilateral on 14 March):				
ET Theme Budget Bid - EnergyWise Home Grants [information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]	1.400	1.600	1.900	3.900
ET Theme Budget Bid - Warm Homes [information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]	1.500	1.500	1.500	1.500
Total Funding Sources	4.900	10.100	10.400	12.400
Total new funding agreed in 29 March Meeting	3.200	5.650	9.950	10.350

Recommendation

36. **agree** to this climate change package for inclusion in the 2007 Budget Cabinet paper.

Agree/disagree

[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]

Additional Tertiary Capital Decisions

37. *[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]*, and further capital funding of around \$6 million for the Tertiary Education Institution Capital Investment Contingency. This funding would be re-directed from the allocation set aside for the Business Tax Review.
38. Treasury's view is that the current Tertiary budget package is generous, including around \$207 million in capital funding, and progresses all of the government's highest priorities. In other sectors, however, key capital initiatives *[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]* are either not being progressed or are only going ahead at a scaled level. Given the imbalance in funding across sectors, we consider that it would be more appropriate for Ministers to re-direct the \$26 million in capital funding to meet the costs of major service delivery risks in other sectors that are currently sitting outside the budget package.

Recommendations

39. **note** that the capital allocation across government is already over-subscribed and that Senior Ministers have directed officials to examine options for reducing capital expenditure, particularly in the next two fiscal years;

EITHER:

[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]

AND/OR:

40. **agree** to the provision of further capital funding of \$6 million for the Tertiary Education Institution Capital Investment Contingency.

Agree/disagree

Late Vote Maori Affairs Initiatives

41. The Minister of Maori Affairs has written to the Minister of Finance requesting that \$7.060 million of expenditure in 2006/07 is reprioritised and used to fund initiatives in 2007/08. The Minister of Maori Affairs has proposed funding the following initiatives **in 2007/08 only** through this reprioritisation:
- Treaty 2U (\$0.530 million): A information bus tour on the Treaty of Waitangi in the Auckland region;
 - Maori Wardens (\$2.530 million): Leaders in Maori communities working to liaise more effectively with social services with a special focus on youth. This initiative also requires reprioritisation of \$0.189 million within Vote Police; and
 - Cross-agency partnered interventions (\$4.000 million): A range of programmes aiming to provide greater support to Maori communities in the areas of housing, succession planning, single parents, trade training, and the transition from secondary to tertiary education.
42. The Maori Wardens initiative contributes to meeting the Confidence and Supply Agreement with New Zealand First. The Ministers of Maori Affairs and Police are meeting with the Leader of New Zealand First to finalise details for funding the Maori Warden initiative in the evening on Tuesday 3 April (after the Senior Ministers meeting).
43. Note that these changes do not fund these programmes from 2008/09 onwards so Ministers could expect a Budget initiative in Budget 2008 for the continuation of these programmes.

Recommendations

44. **agree** that the Minister of Maori Affairs, in consultation with the Minister of Police and the Leader of New Zealand First, may finalise fiscally neutral details for reprioritising \$7.060 million of expenditure within Vote Maori Affairs and \$0.189 million with Vote Police from 2006/07 to 2007/08;

Agree/disagree

45. **agree** that these decisions will be reflected in the Budget 2007 Cabinet paper.

Agree/disagree

Late Baseline Funded Initiatives

46. Some Ministers have now identified savings within baselines to fund initiatives that were not successful within themes. Although this is consistent with Cabinet's decision that savings could be retained within the vote¹, Treasury questions whether these are "real" savings rather than simply underspends which should be returned to the Crown.

Reprioritised Initiatives in Schooling and ECE

47. The Minister of Education is proposing to partially fund a number of schooling and early childhood education initiatives from within existing baselines. These initiatives are:

	<i>Operating \$million increase/(decrease)</i>					
	<i>2006/07</i>	<i>2007/08</i>	<i>2008/09</i>	<i>2009/10</i>	<i>2010/11 & outyears</i>	<i>5 year total</i>
FNA from ECE Funding Rates to Free ECE Funding Rates	-	-	-	-	-	-
Cost Increases for Non-GSE Providers	-	2.348	2.442	2.442	2.442	9.674
Funding increase for the District Truancy Service	-	0.423	0.173	0.273	0.523	1.392
Support for Schools facing Gang Issues in Counties Manukau	-	0.572	0.969	0.969	0.896	3.406
Extra Therapy Support for Some High Needs Students	-	1.107	1.107	-	-	2.214
Further Adjustment to Schools' Operational Funding	-	6.392	11.935	10.980	10.911	40.218
Kohanga Reo Funding Adjustment	-	2.764	3.824	3.728	3.618	13.934
Laptops for Teachers (TELA)	-	1.250	-	-	-	1.250
Aspiring and Potential Principals	-	0.750	0.650	-	-	1.400
TOTAL	-	15.606	21.100	18.392	18.390	73.488

48. The Treasury notes that this package is not actually fiscally neutral. Although the package nearly balances over the forecast period, this is only due to the Minister's proposal to roll forward underspends in 2006/07. Year by year, however, the package is in deficit, with the outyear deficit reaching over \$7 million.

¹ This was up to a threshold of \$10 million per annum and beyond \$10 million 80% was guaranteed to remain within the vote.

Operating \$million						
	2006/07	2007/08	2008/09	2009/10	2010/11 & outyears	5 year total
<i>[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]</i>						
Total Initiatives to be Funded	-	(15.606)	(21.100)	(18.392)	(18.390)	(73.488)
Surplus/(deficit)	27.108	(1.198)	(7.015)	(11.437)	(7.473)	(0.015)

Recommendations

49. **note** that the package is not fiscally neutral and will result in an outyear deficit of around \$7 million per annum;

EITHER:

50. **agree** to fund the additional package submitted by the Minister of Education and therefore increase the Education budget package by around \$7 million per annum in outyears beyond what has already been agreed in budget decisions to date;

Agree/disagree

OR:

51. **invite** the Minister of Education, by Wednesday 4 April, to revise this package for submission into the 2007 Budget Cabinet paper such that it is fiscally neutral to the Crown (i.e. the package does not exceed the level of underspends, savings and contingency funding in the outyears).

Use of Vote Social Development 2006/07 underspends

52. The Ministry of Social Development have identified the following level of 2006/07 underspends that could be used to fund further initiatives.

Vote Social Development	2006/07 (\$ million)
Employment Assistance	16.000
Community Labour Market Development Assistance	3.000
Out of School Care Programmes	2.000
Un-specified departmental underspends	up to 15.000
Total	up to 36.000

53. There are three initiatives to which this funding could be applied. These are set out below:

Option 1: Transfer of funding to assist the completion of the merger of CYFS and MSD

54. This option involves funding time-limited initiatives and demand pressures in Child, Youth and Family in 2007/08. The time limited initiatives are a continuation of the Differential Response Model (DRM) pilot in two sites (\$1.3 million) and a continuation of the Transition from Care to Independence programme (\$1.6 million). DRM provides an alternative response to care and protection notifications, which enables notifications to be assessed earlier and referred to appropriate services. Transition from Care to Independence supports young people aged 15-17 who are in the process of leaving state care to achieve independence. The remainder will cover a hole in baselines of \$6.8 million, as well as enabling Child, Youth and Family to manage increased demand for its services effectively.

Vote Child, Youth and Family Services	2007/08 (\$ million)
Demand pressures	6.800
Differential response model	1.300
Transition from care to independence - continuation	1.600
Un-specified	5.300
Total	15.000

Option 2: Pathways to Partnership: Strengthening Child and Family NGOs

55. Pathways to Partnership addresses issues of sustainability for NGOs delivering child and family support services. At the same time, it provides incentives for NGOs to look at how they can reduce duplication and improve co-ordination amongst themselves. The funding will support this process by, for example, incentivising the creation of local consortia of providers and pooling funds at a local level to meet local priorities. It will also help meet cost and demand pressures for providers, many of which have not had funding increases for 7-10 years. Funding will be allocated across social service votes possibly including Social Development, Child Youth and Family Services, and Community and Voluntary Sector. The intention is to report to Cabinet by 14 May with a strategy for strengthening child and family support services, including detailed proposals for the use of funding.

Vote Social Development	2007/08 (\$ million)	2008/09 (\$ million)
Departmental Output Expense: Family and Community Services	0.452	0.452
Non-Departmental Output Expense: Connected Communities	10.048	10.048
Total	10.500	10.500

[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]

Recommendations

EITHER:

56. **agree** to fund option 1;

Agree/disagree

AND/OR:

57. **agree** to fund option 2;

Agree/disagree

AND/OR:

58. **agree** to fund option 3.

Agree/disagree

Capital Package

59. Senior Ministers asked Treasury to have a further look at the capital package to ensure that the level of funding is appropriate. The overall Treasury assessment is that, given capital programmes that the Government is committed to doing, the level of funding recommended is appropriate and in most cases significantly scaled from department's original submissions. The following section provides further information on five areas of capital spending that comprise over 90% of proposed capital spending. Some options for managing the capital overspend are included.

Crown Property Disposals Programme

60. Treasury recommends funding one LINZ initiative that was not included in the National Identity package.

	2006/07	2007/08	2008/09	2009/10	2010/11
Operating	-	0.400	0.400	0.400	0.400
Capital	-	(6.000)	(6.000)	(6.000)	(6.000)

61. LINZ is seeking \$0.4 million of operating funding per annum to bring in \$6 million per annum of capital revenue over four years.
62. National Identity coordinating Ministers expressed concerns regarding the extent to which the initiative might be impacted by current reviews of Crown land disposal processes. Land Information New Zealand have subsequently provided assurance that this programme can still proceed despite these reviews and that risks around the planned land disposals are very low.
- All properties on the disposal programme are advised to the Department of Conservation in line with Government policy. If DoC consider the property to be important it either acquires the land from LINZ or requests that LINZ take steps to protect the conservation values or a conservation covenant is placed on the land;
 - Maori interests are addressed through the Maori Protection Mechanism and strict adherence to various first refusal rights applying through the country; and
 - The nature of the properties on the LINZ disposal programme (ex rail, generally less than 4ha in size, non-coastal, and non-pastoral) means that they are unlikely to fall into the sensitive category.

Recommendation

63. **agree** to fund the Crown Property Disposals Programme which will add \$30 million to the capital allocation to offset current overspends.

Agree/disagree

Rail Initiatives

	2006/07	2007/08	2008/09	2009/10	2010/11
ONTRACK debt & equity funding	-	104.550	-	-	-
<i>[information deleted in order to enable the Crown to carry out commercial activities without disadvantage or prejudice]</i>					
<i>[information deleted in order to enable the Crown to carry out commercial activities without disadvantage or prejudice]</i>					
ONTRACK Network Plan	-	25.000	25.000	-	-

64. The capital allocation currently includes funding to ONTRACK of \$104.550 million in 2007/08, largely to meet contractual obligations. Combined with this will be a 2006/07 underspend of approximately \$20 million which will be transferred to 2007/08. This total is significantly scaled from the original amount requested by ONTRACK, and as such we consider that ONTRACK is likely to be able to spend this amount in 2007/08. In fact, the provision of this level of funding creates a high risk that ONTRACK will seek further capital through the year for additional rail upgrades and commercial projects. To manage this risk, the general capital contingency was increased by \$20 million.
65. In addition to this, ONTRACK may receive significant further funding for a range of new initiatives in Budget 2007:
- [information deleted in order to enable the Crown to carry out commercial activities without disadvantage or prejudice]*
- ONTRACK Network Plan (approx \$50m).
66. There is a risk that ONTRACK will not have the capacity to implement all these projects at once, particularly given the considerable funding they already have over this time period through the \$600m Auckland Rail Development multi- year appropriation approved in Budget 2006, and the \$104.550 debt and equity funding.
67. Ministers have the option to focus ONTRACK on the initiatives of greatest priority in 2007/08, and either delay funding for other initiatives, or (Treasury preferred) defer some decisions until Budget 2008.
68. Particularly, there are options to:
- **Option 1:** consider the urgency of making a decision on the 'Wellington Rail Electrification' initiative, and if a decision is required soon, consider re-phasing the capital profile to reduce the overspend in 2007/08;
 - **Option 2:** defer consideration of the 'ONTRACK Network Plan' initiative as this contains a series of projects for which we have yet to see a detailed and scoped business case. Treasury does not consider any of the projects to be urgent; and
 - **Option 3:** remove funding for the 'Manakau Spur Line' project, which had funding of approximately \$100 million ear-marked out of the \$600 million Auckland Rail Development multi-year appropriation approved in Budget 2006. Given the relative priority of the Manakau Spur Line compared to other rail projects, there is an opportunity to reprioritise this funding to partially meet the requirements of other initiatives. The Manakau Spur Line could be reconsidered as part of a future budget.

Recommendations

69. Either

defer consideration of the 'Wellington Rail Electrification' initiative until Budget 2008

Agree/Disagree

Or

[information deleted in order to enable the Crown to carry out commercial activities without disadvantage or prejudice]

70. **defer** consideration of the 'ONTRACK Network Plan' initiative until Budget 2008;

Agree/Disagree

71. **agree** to remove the 'Manakau Spur Line' project for the 'Auckland Rail Development' multi-year appropriation approved in Budget 2006, thereby reducing the appropriation by \$100 million, with the savings being used to off-set the costs other rail initiatives in Budget 2007.

Agree/Disagree

School Property

	2006/07	2007/08	2008/09	2009/10	2010/11
School Property Business Case	-	190.718	7.326	4.670	-

72. This initiative originally sought funding of around \$250 million in capital and associated operating expenditure for the annual School Property works programme. The Treasury has worked with the Ministry of Education to develop a preferred scaled proposal of around \$200 million in capital plus associated operating expenditure, which strikes a balance between meeting the immediate demands of the programme and provisioning for the site purchases of new schools scheduled to open in the immediate future.

73. Should Senior Ministers wish to scale the Business Case further, the Ministry has developed a minimum option of around \$145 million in capital and associated operating expenditure. While this is a feasible option, it would risk delays in the opening dates for four schools currently planned for 2009 with resulting pressure on neighbouring schools and likely discontent in the affected communities. The Ministry may be able to avoid delays to the opening of new schools planned for 2009-2011 if other schools underutilise their 5-year property plan capital entitlements, but such deferred spending by schools will increase capital requirements in subsequent years. Reducing the school property capital injection for 2007-2008 will also increase the cost of purchasing sites planned for acquisition next year. The Ministry estimates that by delaying site purchases, costs could increase by up to \$80 million in later years. This is partly because of rising land prices, but mostly because the Ministry would need to purchase land from developers through the designation process, rather than purchasing the land directly from councils or on the open market.

Recommendation

74. **indicate** a level of funding above \$145 million and below \$200 million (currently recommended) that Ministry of Education should manage school properties to, noting that level of funding below \$200 million will likely increase future costs:

Currently recommended level of funding	2006/07	2007/08	2008/09	2009/10	2010/11
School Property Business Case	-	190.718	7.326	4.67	-

	Option Descripition: 2007-08 capital injection	Tick your preference
Option1	\$191 million (current recommendation)	
Option 2	\$180 million (some site purchases will be deferred, resulting in higher purchase costs and/or delayed opening dates)	
Option 3	\$160 million (some site purchases will be deferred, resulting in higher purchase costs and/or delayed opening dates)	
Option 4	\$145 million (may increase site costs and delay opening of four schools planned for 2009 - Waikuku, Rangiora West, Churton Park Wgtn, Halswell Chch - and five schools planned for 2010+ - Hamilton N Secondary, Belfast, Rolleston, Mt Wellington, Takanini)	

Cost Guarantee for State Highways

	2006/07	2007/08	2008/09	2009/10	2010/11
State Highways - Cost Guarantee	60.000	85.000	-	-	-

75. It is impossible to know whether all the funding appropriated for the State Highway construction guarantee will be required or not, due to the nature of the guarantee. The Treasury has estimated the possible call on the guarantee based on the input price movements over the last few years. An appropriation will be needed this financial year and the recommended \$60 million is designed to ensure that there is sufficient funding given known input cost movements to date and a possible worst case scenario for the last six months of the year.

[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]

Housing

	2006/07	2007/08	2008/09	2009/10	2010/11
Healthy Housing	(3.000)	7.000	7.000	7.000	-
Housing Innovation Fund	-	-	12.000	-	-

76. There are two housing initiatives that have been allocated capital – Healthy Housing and the Housing Innovation Fund (HIF). Both initiatives were scaled at the bilateral meeting and in previous years have used more capital than has been allocated to them in Budget 2007. The Department of Building and Housing advises that demand for the HIF products remains strong and there are still a large number of state houses requiring health modifications. Treasury is comfortable that underspends in these two initiatives are unlikely.

Defence

	2006/07	2007/08	2008/09	2009/10	2010/11
Long Term Development Plan - Capital Injection	-	56.000	-	-	-

77. NZDF's capital injection is calculated from the additional cash required to meet payments for projects on the Capital Minor Programme and Ministry of Defence's forecast payments for approved projects on the Long Term Development Plan. The \$56 million originally sought in Budget 2007 was based on an estimate of MOD's billing schedule, current up to the March Baseline Update. Since that time, MOD has advised of a \$12 million reduction in the expected payments for 2007/08. Treasury therefore recommends that the capital injection for Vote Defence Force be reduced to \$44 million to take into account this updated information with no subsequent impact on deliverables.

Recommendation

78. **agree** to reduce the capital injection from \$56 million to \$44 million with no subsequent impact on deliverables.

Agree/Disagree

CYFS - Implementation of the Residential Services Strategy - Youth Justice Lower North

	2006/07	2007/08	2008/09	2009/10	2010/11
Previous recommendation	-	9.740	3.247	-	-
Current recommendation	-	1.500	11.487	-	-

79. Capital spend could be pushed out without significantly compromising project outcomes. In particular, delaying the spending in 2007/08 would allow more time to complete the design work with construction commencing from 1 July 2008. Treasury therefore recommends that the capital profile be altered to reduce the overspend in 2007/08 year.

Recommendation

80. **agree** to rephase the funding to reduce the overspend in 2007/08, noting that the project will not be significantly compromised.

Agree/Disagree

Families Young and Old initiatives

Allocation Details

	Operating					Capital
	2006/07	2007/08	2008/09	2009/10	2010/11	Total
	(\$m)	(\$m)	(\$m)	(\$m)	(\$m)	(\$m)
Funding as per Terms of Reference Letter	14.000	320.000	320.000	320.000	320.000	20.000
<i>Less Between Budget Spending Decisions Agreed by Cabinet</i>						
Response to Joint Working Group Report on Concerns of Viet Nam Veterans	0.600	-	-	-	-	-
Review of 2004 Recovery Funding Decisions	0.052	0.052	0.052	0.052	0.052	-
Increasing Financial Support for Caregivers Receiving Unsupported Child's Benefit/Orphan's Benefit	2.361	9.719	10.092	10.423	10.423	-
Ministry of Social Development "Value for Money" Review of Non Departmental Baseline Expenditure	-	(9.000)	(12.000)	(16.446)	(16.446)	-
Setting New Zealand Superannuation and Veteran's Pension Rates at 66 Percent of the Net Average Wage	23.789	97.261	94.386	59.418	5.811	-
Support Costs for Additional Court of Appeal Judge	0.085	0.253	0.232	0.232	0.232	-
South Island Snow Event June 2006: Councils' Claims for Government Assistance	0.365	-	-	-	-	-
Inspector-General of Intelligence and Security: Additional Funding	0.509	0.380	0.032	0.032	0.032	-
Total "Other" allocation remaining	(13.761)	221.335	227.206	266.289	319.896	20.000

Key:

	=	Initiatives currently supported within the package
	=	Marginal initiatives for discussion at the Senior Ministers meeting
	=	Associated capital funding (already agreed)

1.527	282.488	307.295	313.001	318.612	319.022
-	6.658	28.751	64.961	65.454	143.000

Initiatives inside the package

	Bid ID	Vote(s)	Title	Description	2006/07	2007/08	2008/09	2009/10	2010/11	Capital Total
Confidence and Supply	4342	Police	Increase in Frontline Capacity	This proposal relates to operational and capital funding required to support the second tranche of additional staff from the Government's commitment of an extra 1,000 sworn and 250 non sworn staff over budget years 2006 - 2008. An additional 462 staff on top of the 406 provided by Budget 2006.	-	45.542	46.317	46.630	48.586	54.805
	3911	Courts	1,000 Additional Police: Flow on Impacts	Cabinet noted [CAB Min (06)27/3A] the additional prosecutions resulting from 1,000 additional police will require an additional 4 DC judges and 1 HC judge by 2009/10. 1 DC judge was funded in 05/06. This bid seeks funding for 1 DC judge and 1 HC judge, remaining funding will be sought in budget 08.	-	1.681	1.521	1.521	1.521	0.131
	4074	Justice	Criminal Legal Aid – 1000 Police	Make legal aid services available to meet the increase in criminal prosecutions expected following the decision to recruit 1,000 additional Police as part of the Effective Interventions Initiatives.	-	0.889	0.889	0.889	0.889	-
	4051	Attorney-General	1,000 extra Police: Flow on impacts	This budget initiative seeks funding to support the expected increase in prosecutions by the Crown Solicitors following implementation of the Government's decision to fund 1,000 additional police. -Justice Sector Priority 4	0.100	0.430	0.430	0.430	0.430	-
Wage bids	[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]									
	[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]									
	[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]									
Top HESDJ Priorities	3985	Courts	Justice Field Staff Remuneration	This bid is to seek funding to support a new remuneration and performance management system for Ministry of Justice field staff to be implemented from 1 July 2007. The new system is to ensure the Ministry maintains and develops field staff capability to limit the risk of service failure.	-	17.801	18.513	19.254	19.254	-
	4034	Justice	Wage, Overhead and Programme Sustainability of the Human Rights Commission	The funding will be used to address the Human Rights Commission's critical financial position and ensure baseline sustainability for staffing, overheads and programme work to maintain service delivery expectations at the 2002 merger of the Race Relations Office and the Human Rights Commission.	-	1.580	1.819	1.951	2.115	-
	4425	Education	School Property Business Case	A capital bid to support the school property capital works programme, largely through the provision of new school property, plus the operating costs associated with implementing the programme and resulting from the capital injection.	-	10.099	11.852	11.898	11.362	202.714
Top HESDJ Priorities	4078	Justice	Police Complaints Authority - on-going funding requirements	Provide sufficient funding to allow PCA to investigate and review complaints against Police within agreed timeliness and quality standards.	-	0.599	0.599	0.599	0.599	-
	4150	ACC	Increase to rates for providers of home-based rehabilitation (HBR) services	Recruit and retain HBR support workers to provide home support services to claimants with an assessed need by increasing rates for HBR providers by 15% for attendant care and 5% for home help and child care.	-	6.600	6.600	6.700	4.500	-

Top Justice Priorities	3986	Justice	Conduct of the 2008 General Election	The Chief Electoral Office bears significantly higher costs each electoral cycle, especially for remuneration and property rental, yet baselines have not increased since 2002 putting statutory obligations and the quality of the 2008 general election at risk.	-	0.277	7.106	-	-	-
	4110	Emergency Management	Backup Emergency Operations Facilities	The proposal will address deficiencies in the emergency management system, identified by two different reviews, by establishing a secondary Emergency Operations centre and providing computer-based information systems that will integrate information flows from affected parties in an emergency.	0.500	0.826	1.010	1.010	1.010	2.800
	4006	Attorney-General	Increased Demand for Legal Advice and Representation	Increased demand for litigation services from government departments & Crown agencies. Increased disbursements incurred on behalf of clients, cost pressures in relation to increased annual leave provisions, salary & wages, and the rent review of the accommodation lease. -Justice Sector Priority 43	-	-	-	-	-	-
	4053	Attorney-General	Crown Law – Demand Pressures	Crown Law is seeking \$11.724 million over the next 5 years to fund increased demand for services across the following output classes: Conduct of Criminal Appeals, Crown Prosecution Services, & The Exercise of Principal Law Officer Functions. -Justice Sector Priority 32	-	1.000	1.000	1.000	1.000	-
	3948	Courts	Implementing the Coroners Act 2006	This proposal is to implement the new Coroners Act 2006 on 1 July 2007. In particular, it will support the new Chief Coroner and Coroners to be appointed under this legislation, and help ensure consistently applied coronial processes and better recognise cultural and spiritual sensitivities.	-	5.729	4.493	3.812	3.812	5.627
	4103	Emergency Management	Tsunami Warning System	This initiative will implement the recommendations of the Tsunami Risk Management Report. It will enable an effective warning system to be put in place to reduce the risk of loss of life from a significant hazard for New Zealand.	-	0.110	0.110	0.110	0.110	0.120
	3984	Courts	Judicial Officers Remuneration	Additional funding for payments to Certifying Consultants for services under the Contraception, Sterilisation and Abortion Act 1977 and proposed increases in remuneration payable to Judicial and Statutory Officers. Costs are unavoidable yet underfunded due to a forecasting error in a previous bid.	0.694	1.093	1.093	1.093	1.093	-
	4068	Justice	Legal Services Management System Business Case	The investment and ownership costs proposed in the Agency's Legal Services Management System (LSMS) business case to replace the core legal aid granting system – LA Office.	-	0.903	0.126	1.305	1.251	4.285
	4035	Justice	Human Rights Commission: Infrastructure and knowledge management	Funding is critical to meet and maintain essential service delivery through infrastructure and knowledge management functionality. The bid provides IT solutions to ensure business continuity, and to improve client satisfaction through timely and efficient delivery of high quality information.	-	0.207	0.178	0.164	0.164	0.540
Time Limited Social Services	4416	Education	Annual Adjustment to Schools' Operational Funding	This initiative provides for an increase of 4% to schools' operational funding effective from 1 January 2008. Operational funding is the core funding utilised by state and state-integrated schools to cover costs typically incurred in the daily running of a school.	0.233	14.482	28.356	28.478	28.284	-
	4528	Child, Youth and Family Services	Youth Gangs - Multi-Agency Support Services in Secondary Schools (MASSiS)	MASSiS will enable the continuation of social work services in 9 AIMHI secondary schools participating in the Healthy Community Schools pilot, and an extension of the programme into another 8 secondary schools in South Auckland.	-	2.580	-	-	-	-
	4162	Social Development	Family Violence - Whanau Violence Prevention: Best Practice Initiatives	Provision of support and supervision for people working to prevent violence in Maori whanau and communities, including provision of Mauri Ora training and the establishment of a Maori advisory group to support best practice approaches.	-	2.000	-	-	-	-
	4187	Youth Development	Mentoring and Services for Young People	This proposal continues and expands programmes that provide mentoring as an essential element, to facilitate successful transitions into employment, training and further education for young offenders or young people on a pathway to offending behaviour.	-	0.700	-	-	-	-
	4282	Child, Youth and Family Services	Supported Bail Programme	The Supported Bail Programme provides the provision of individualised intensive supports for young people aged 14 - 16 years on remand from the Youth Court to ensure compliance with their bail conditions. The Judiciary and the Police support the need for continuation and expansion of the programme.	-	1.320	-	-	-	-
	4275	Child, Youth and Family Services	Programmes for Youth Offenders	Programmes to support Youth Court orders (particularly supervision with activity), Family Groups Conferences for youth offenders and referrals from CYF. Programmes: 1.Community Based Sex Offender Treatment, 2.continuation of Reducing Youth Offending Programme, 3. programmes for serious offenders.	-	1.400	-	-	-	-
[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]										
4353	Education	ECE Funding Sustainability Adjustment	This bid seeks to increase ECE funding to keep pace with increases in services' operating costs. It also gives effect to rate increases from funding already appropriated (for teacher salaries, playcentre). The bid includes sustainability adjustments to ECE funding subsidy rates and free ECE funding.	-	12.054	12.539	12.729	13.342	7.385	-
					1.527	282.488	307.295	313.001	318.612	319.022

Marginal initiatives for discussion

Bid ID	Vote(s)	Title	Description	2006/07	2007/08	2008/09	2009/10	2010/11	Capital Total	Include in Package? (✓)
[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]										
4415	Education	Smaller Class Sizes for Year 1 Students	This proposal provides primary and area schools with an estimated extra 702 full-time teacher equivalents and related property from 2008 by reducing the Year 1 curriculum staffing ratio from 1:23 to 1:18 (teacher:student). This is a Labour 2005 manifesto commitment.	-	1.383	19.927	43.405	43.284	-	
[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]										
[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]										
				-	6.658	28.751	64.961	65.454	143.000	

Economic Transformation initiatives

Allocation Details

	Operating					Capital
	2006/07 (\$m)	2007/08 (\$m)	2008/09 (\$m)	2009/10 (\$m)	2010/11 (\$m)	Total (\$m)
Funding as per Terms of Reference Letter	5.000	100.000	100.000	100.000	100.000	20.000
<i>Less Between Budget Spending Decisions Agreed by Cabinet</i>						
Treaty of Waitangi Claim WAI262: Funding Issues: Report Back	0.490	-	-	-	-	
Scampi Fishery: High Court Judgment for Goodship/Pranfield Holdings and United Fisheries	3.675	-	-	-	-	
Total "Other" allocation remaining	0.835	100.000	100.000	100.000	100.000	20.000

Key:

	=	Initiatives currently supported within the package
	=	Marginal initiatives for discussion at the Senior Ministers meeting
	=	Associated capital funding (already agreed)

3.016	76.336	99.773	97.960	99.735	38.771
-	8.100	10.750	15.350	17.750	-

Initiatives inside the package

	Bid ID	Vote(s)	Title	Description	2006/07	2007/08	2008/09	2009/10	2010/11	Capital Total
Increasing International Cooperation	4000	Economic, Industry and Regional Development	New Zealand's Participation at Expo 2010 Shanghai, China.	NZ participation in the next World Expo in Shanghai, China 1 May-31 October 2010. Participation reflects the importance of our bilateral relationship with China. It is a response to intense international interest in the Shanghai Expo and will build a distinct NZ profile to a new and large audience.	-	1.600	-	-	-	-
	4003	Economic, Industry and Regional Development	Accelerating international connections (Beachheads and Kea)	Accelerating the creation of additional and deeper international connections by increasing support for two programmes: 1. Extending Beachheads into China and India and advisory boards to all Beachhead regional locations; and 2. Enabling Kea to expand its network of influential NZ expatriates.	-	1.630	1.630	1.830	1.200	-
	4004	Economic, Industry and Regional Development	NextSpace 3D Digital Cluster	The Nextspace cluster (built around the Right Hemisphere platform) will bring together technology-development companies, companies that use technology, and universities/research organisations, to develop research/commercial projects that build on NZ's strength in 3D digital graphics technology.	-	3.000	2.000	2.000	-	-
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Improving tertiary skills and lifting firms innovative capacity	4267	Research, Science and Technology	Vote RST package	This proposal will increase investment in research initiated by New Zealand's top researchers and teams via the Marsden Fund, Smash Palace, Mataranga Maori, biomedical research, and Humanities.	-	15.000	15.000	15.000	15.000	-
	3888	Pacific Island Affairs	Pacific Women's Economic Development Advisory Board	The Pacific Women's Economic Development Advisory Board's role is to ensure effective implementation of the Pacific Women's Economic Development Plan. Its role will be strategic within policy contexts, and include monitoring and evaluation responsibilities (CAB Min (06) 42/6 refer).	-	0.060	0.060	0.060	-	-
	4183	Communications	Digital Strategy: Urban and Rural Broadband.	The government signalled the development of a rural broadband package and an expansion of the Broadband Challenge in the Telecommunications Stock-take Cabinet paper of May 3rd.	-	0.300	-	-	-	-
	4118	Agriculture and Forestry	New Zealand Primary Industry Congress and Product/Technology Showcases	A high profile centrepiece conference event themed around the critical role of the primary sector in sustainable economic transformation; supported by a series of product/technology showcases based on themes of food and beverage, wool and related fibre, and forestry.	-	1.000	-	-	-	-

Sustainability, energy efficiency, and climate change	4148	Agriculture and Forestry	Sustainable Land Management Programme	This programme will operate alongside climate change policies to support national projects on resource information, catchment group facilitation, and capacity building and will contract local government through the agreed framework to achieve government outcomes through SLM initiatives.	-	2.500	2.500	2.500	2.500	-	
	[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]										
	4531	Climate Change and Energy Efficiency	Moving the Public Sector Towards Carbon Neutrality	The Government wishes to move towards a carbon neutral public sector, and once achieved, to continue to be carbon neutral into the future. Agencies will pursue emissions reductions in the first instance, and offset only those emissions which cannot be avoided cost-effectively.	-	1.200	6.357	(0.733)	(2.833)	-	
	4532	Environment	Government Leadership in Sustainable Procurement	To reduce known barriers to sustainable procurement by government agencies to help deliver both direct environmental benefits in a cost-effective way and improved market opportunities for New Zealand sustainable businesses.	-	2.600	2.000	1.400	1.400	-	
	4533	Environment	Households sustainable living programme	Overarching sustainability communications programme across related govt programmes with a specific focus on the household sector, focusing on where to go and what to do with a goal of effecting behaviour change. Covers carbon footprint, energy use, transport, construction, waste, water, land use	-	2.000	2.000	2.000	-	-	
	4534	Environment	Business partnerships for sustainability	Accelerating NZ's transformation to a sustainable economy by aligning benefits & addressing barriers to sustainable business development.	-	1.000	1.000	1.000	-	-	
4539	Environment	Sustainable New Zealand - Supporting Government's Leadership Role	The Sustainable New Zealand initiative comprises two key components: 1. Monitoring progress towards sustainability (Indicators and Targets) 2. Auckland Urban Development.	-	0.650	-	-	-	-		
Imperative/Service Delivery	3974	Transport	"Public Good" Weather Forecasting - Renegotiate Service Level Agreement	Significant enhancement to the weather radar coverage in the North Island (25% to 78%), additional recreation marine area forecasts in the Bay of Plenty, long range mountain forecasts, port surge forecasts and introduction of forecasting capability south of 55 o south to the ice shelf.	-	2.301	2.301	2.301	2.301	-	
	3980	Transport	Drug and Alcohol Driver Assessment - Increase in Crown-funded regulated fee	A significant increase is needed to a Crown-funded regulated fee paid by Land Transport NZ for better quality and increased numbers of drug and alcohol assessments to reduce recidivism rates of repeat drink-drivers who are sentenced under section 65 of the Land Transport Act 1998.	-	1.400	0.820	0.820	0.820	-	
	3981	Transport	Ensuring TAIC's viability and capability for service .	To restore a sufficient level of baseline funding and working capital to ensure the Commission's viability and to enable it to respond to increased demand for its services.	-	0.106	0.121	0.121	0.121	-	
	4132	Biosecurity	Effective Border Management	Maintain MAF's current border inspection capability; improve future border regulation and operations; increase stakeholder involvement and compliance; and improve border enforcement operations.	1.775	7.576	9.925	9.949	9.949	1.293	
	4155	Food Safety	NZFSA Contractual and Treaty Obligations	NZFSA has a number of treaty and contractual obligations with escalating costs which must be funded but for which no additional funding is available.	-	0.790	0.500	0.500	0.500	-	
	4388	Environment	Cleanup of Tui Mine	This initiative will deliver clean-up Tui mine, New Zealand's second most contaminated site. This will remove a major blight on New Zealand's mining industry; eliminate the unacceptable risk of catastrophic tailings dam failure; and significantly improve surface water quality and public safety.	-	4.940	4.940	-	-	-	
	4393	Finance	ONTRACK Operating and Maintenance Costs	Operating and maintenance cost of ONTRACK not recoverable through the National Rail Access Agreement. Negotiations currently in progress between the Crown, ONTRACK and Toll may result in a restructure of the funding proposed by this initiative	6.600	12.800	-	-	-	-	
	4409	Fisheries	Increase in Ministry of Fisheries baseline for Crown legal expenses	To set the Ministry of Fisheries baseline for Crown legal expenses at a more realistic level. The expenditure arises through external parties litigating the Crown and the need for the Crown to defend its actions.	-	0.500	0.500	0.500	0.500	-	
	3900	Commerce	Insolvency Legislation Funding	To address the impact of the Insolvency law reform on the Insolvency and Trustee Service. The Insolvency Bill confers a number of new functions on the Official Assignee. The costs of carrying out these functions can not be covered under the existing appropriation.	0.509	2.183	-	-	-	-	
	4109	Agriculture and Forestry	Staff Remuneration	Restore and maintain MAF's core capability by addressing remuneration pressures.	-	0.867	1.441	2.036	2.568	-	
	4112	Biosecurity	Staff Remuneration	Restore and maintain MAF's core capability by addressing remuneration pressures.	-	3.315	5.516	7.796	9.836	-	
	4115	Food Safety	Staff Remuneration	Restore and maintain New Zealand Food Safety Authority's core capability by addressing remuneration pressures.	-	1.124	1.811	2.526	3.084	-	
	4220	Labour	Information Communication Technology Infrastructure Investment	Development of an ICT infrastructure and systems, and provision of funding for internal expertise to deliver ICT services, that meet Department objectives and align with strategies. The current systems are old, basic and are struggling to meet the Department's needs.	-	1.449	3.710	5.749	6.561	16.272	
	4338	Customs	Upgrade of Passenger Processing Facilities at Auckland International Airport	Customs needs to fit out its expanded operating area in Auckland International Airport's new terminal to meet the projected growth in passenger numbers. It is also an opportunity to minimise costs in establishing a digital platform for Customs' monitoring and recording equipment at this airport.	-	-	0.216	0.216	0.216	1.200	
	4458	Customs	Sustain Customs' People Capability to Prevent Service Failure	Maintain Customs' necessary people capability to ensure continued delivery of agreed essential services; arrest turnover; create skilled, flexible staff to respond to future demands; and to meet obligations including remuneration and service conditions. Capacity will drop to 83% from 91% by 2008/09.	-	2.812	2.812	2.812	2.812	-	
	4461	Customs	Border Management Systems Upgrade Including CusMod Planning Replacement	Development of a business case to replace systems that are over 10 years old and for extra staff to sustain current systems. It will support Crown revenue collection , manage increasing border risks, facilitate increasing trade and travel demands, and whole-of-government objectives.	-	2.741	1.185	1.185	1.185	-	
	4537	Environment	Implementing the Sustainable Water Programme of Action	To implement a staged package of actions to improve the sustainable management of New Zealand's freshwater resources.	-	1.000	-	-	-	-	
	3895	Internal Affairs	Anti-Spam Regulation - Contingency	This initiative will provide for the establishment and operation of an Enforcement Unit to monitor and enforce compliance with the Unsolicited Electronic Messages Bill, when enacted. Incremental to approved contingency 2006 initiative.	0.450	0.900	0.900	0.900	0.900	0.250	
	4023	Economic, Industry and Regional Development	Enhancements of the Companies Offices Registry Systems	This bid seeks a capital injection to meet the forecast cost of enhancements to the Ministry of Economic Development's Companies Office IT system.	-	-	-	-	-	2.000	
	4145	Maori Affairs	Beyond Hui Taumata	The purpose of the bid is to enable the Government to continue to purchase services and activities that support the implementation of key directions arising from the Hui Taumata 2005.	-	1.000	1.000	-	-	-	

Fully funded/Fiscally neutral	3884	Labour	Employment Relations Education Fund	This bid aims to increase access to employment relations and health and safety courses across industry sectors to build capacity in workplaces for a sustained growth of knowledge and best practice in workplaces; and maximise the benefits for social partners to support economic transformation.	-	(0.750)	0.500	0.250	-	-	
	3902	Commerce	Commerce Commission Litigation Fund	This proposal seeks to increase funding of the Litigation Fund, due to increasing costs of major litigation, and a higher number of cases involving substantial breaches of competition and fair trading laws.	-	-	-	-	-	-	
	3983	Transport	Adaptation & Acceleration: Alternative Fuels, Technology & Fuel Economy	Develop & implement transport policies and initiatives as set out in the 2006 transport climate change work programme, draft New Zealand Energy Strategy & draft National Energy Efficiency & Conservation Strategy	(1.320)	1.320	-	-	-	-	
	4002	Economic, Industry and Regional Development	Tax on overseas allowances and benefits paid to New Zealand staff overseas	Funding to meet revised tax obligations for the allowances and benefits of NZTE offshore staff following review of tax status by the Inland Revenue Department.	-	-	-	-	-	-	
	4176		Continuation and expansion of electricity efficiency programme.	A proposal to continue and expand electricity efficiency programmes, to be delivered by the Electricity Commission, once initial funding runs out at the end of 2006/07. The initiative would be funded via a levy on electricity industry participants. No taxpayer funding is involved.	-	-	-	-	-	-	
	4180	Energy	Extension of the Acquisition of Petroleum Exploration Data Programme.	This proposal seeks to transfer forecast lapsed funds in the 2006/07 financial year to 2007/08, and due to the expiry of the multi-year appropriation on 30 June 2007 convert the savings to an annual appropriation.	(2.000)	2.000	-	-	-	-	
	4181	Energy	Reconfiguration of multi-year appropriations for Whirinaki power station.	Disestablish two GST-inclusive Whirinaki-related MYAs and re-establish as GST-exclusive, plus set new end dates. Note annual appropriations for operating, maintenance and pass-through of spot market revenue not adjusted at this stage, nor offsetting non-tax revenue; reviewable upon dry-year event.	-	(30.601)	(1.444)	11.000	21.045	-	
	4382	Research, Science and Technology	Tax on Overseas Conditions of Service	Funding is sought for tax (PAYE and FBT) on overseas terms and conditions of service. The impact to the Crown is fiscally neutral as tax receipts increase by commensurate amounts. It is also proposed that MoRST's baseline be adjusted annually in the MBU for the actual amount of tax incurred.	-	-	-	-	-	-	
	4403	Finance	Kaingaroa Forest Road Network Easements	To fund the surveying of the Kaingaroa forest road, apply for any necessary consent from the Taupo District Council and register the easements to ensure ongoing reciprocal use of major Kaingaroa off-highway roads by forest owners and their licensees	-	-	-	-	-	-	
	4421	Fisheries	Inshore Trawl Form	The reporting of spatial information, by commercial fishers, should be at a finer scale than is currently required to improve effectiveness in fisheries management. It is proposed to develop a new inshore trawl form to apply to trawl vessels under 28m in length to meet these information needs.	-	-	-	-	-	-	
	4518	Economic, Industry and Regional Development	MED Baseline Pressures - offsetting savings	On 17 October 2006, Economic Transformation Ministers agreed that the Ministry of Economic Development provide MED Ministers with a view across Votes of pressures they face and options for reprioritisation and offsetting savings to fund these.	(6.044)	2.956	1.411	1.116	-	-	
	[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]										
	3955	Tourism	Strategic Tourism Marketing of New Zealand in China	Establishing New Zealand's country profile in the minds of targeted high value Chinese consumers in key mainland China markets to realise tourism economic benefits, avoid continued growth of undifferentiated price-based tourism and optimise spill over benefits to other New Zealand export sectors.	-	4.000	4.000	-	-	-	
4001	Economic, Industry and Regional Development	Increasing New Zealand Trade and Enterprise services in China, India and Japan	To increase NZTE's in-market assistance for New Zealand firms in China, India and Japan to take advantage of market opportunities arising from anticipated growth in these economies, and to respond to growth in existing demand from New Zealand firms for assistance in these markets.	-	2.537	5.514	5.657	5.657	5.005		
4156	Food Safety	Implementation of Food Reviews	NZFSA has now completed three extensive reviews to address identified problems with the NZ food regulatory programme and to position NZ's food industry for the future. Cabinet has approved the implementation of the Domestic Food Review and development of a new Food Bill.	-	2.500	2.500	-	-	0.900		
4472	Statistics	Making More Information Freely Available	This initiative will help transform New Zealand's economy by providing free access over the Internet to information most needed by businesses and community organisations to assist them to make better decisions.	-	1.500	1.500	1.500	1.500	2.727		
4535	Environment	Public Space Recycling	To partner with local government to construct a nationally consistent network of public space recycling bins located throughout New Zealand. This initiative will enable the general public to do the "right thing" and recycle when they are away from home	-	1.000	1.000	1.000	-	1.575		
					3.016	76.336	99.773	97.960	99.735	38.771	

Marginal initiatives for discussion

Bid ID	Vote(s)	Title	Description	2006/07	2007/08	2008/09	2009/10	2010/11	Capital Total	Include in Package? (v)
	Various	EnergyWise Package	A package of home energy efficiency initiatives to promote energy efficiency at all levels. Details as set out in the body of the Senior Ministers paper	-	8.100	10.750	15.350	17.750	-	
				-	8.100	10.750	15.350	17.750	-	

National Identity initiatives

Allocation Details

	Operating					Capital
	2006/07 (\$m)	2007/08 (\$m)	2008/09 (\$m)	2009/10 (\$m)	2010/11 (\$m)	Total (\$m)
Funding as per Terms of Reference Letter		25.000	25.000	25.000	25.000	0.000
<i>Less Between Budget Spending Decisions Agreed by Cabinet</i>						
Response to Joint Working Group Report on Concerns of Viet Nam Veterans	0.200	0.200	0.200	0.200	-	
Crown Property Disposal Programme: Funding Continuation	0.540	-	-	-	-	
Government Response to the Concerns of Viet Nam Veterans: Additional 2006/07 Appropriations	2.075	(0.064)	(0.069)	(0.074)	(0.079)	
Total National Identity allocation remaining	(2.815)	24.864	24.869	24.874	25.079	0.000

Key:

	=	Initiatives currently supported within the package
	=	Marginal initiatives for discussion at the Senior Ministers meeting
	=	Associated capital funding (already agreed)

2.900	26.134	26.039	22.772	24.018	5.200
-	14.814	14.814	4.000	4.000	-

Initiatives inside the package

Bid ID	Vote(s)	Title	Description	2006/07	2007/08	2008/09	2009/10	2010/11	Capital Total
3919	Arts, Culture and Heritage	Additional Baseline Capacity for the Ministry for Culture and Heritage	Restore and develop the capability required in order to meet stakeholder expectations for current service delivery, and also enable the Ministry to enhance the value of its current outputs.	-	2.150	2.070	2.070	2.070	0.250
[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]									
4092	Arts, Culture and Heritage	New Zealand Music Industry Commission (NZMIC) Capability	Continuation of current baseline funding to NZMIC in 2007/08 to maintain support for the New Zealand music industry pending a full review of the organisation and the Outward Sound funding programme in 2007.	-	0.533	-	-	-	-
4095	Arts, Culture and Heritage	Maintenance of NZ Film Archive Capability	Increased baseline funding to ensure the problems identified in the Capability Review of the Film Archive are addressed and the organisation is able to carry out its core functions.	-	0.500	0.500	0.500	0.500	-
4096	Arts, Culture and Heritage	Authentication of Protected Objects	Under the Protected Objects Act 1975, Maori artifacts are required to be issued with a certificate of examination by an authorised museum before they may be sold. Each museum receives a grant towards the cost of this activity. The budget of \$19,000 has not increased since 1987.	-	0.030	0.030	0.030	0.030	-
4099	Arts, Culture and Heritage	Conservation of Crown-Owned Artifacts	The Protected Objects Act 1975 provides that any newly-found Maori artifact is, prima facie, owned by the Crown. The Act requires the Ministry to arrange any conservation treatment required.	-	0.030	0.030	0.030	0.030	-
4020	Arts, Culture and Heritage	Maintenance of Radio New Zealand's Core Services	Additional funding to enable radio New Zealand to maintain core services by implementing a remuneration strategy to bring RNZ into line with the public sector median and to complete new initiatives part-funded in previous years.	-	1.142	1.142	1.142	1.142	0.521
4131	Maori Affairs	Maori Broadcasting - Increase in the Operational Funding of Iwi Maori Radio	This proposal seeks an increase in operational funding to the 21 Iwi Maori Radio stations (Maori Radio) funded through Te Mangai Paho (TMP). The increase recognises the continuing pressure Maori Radio are under to provide a high quality service while managing increasing operational costs.	-	1.000	1.000	1.000	1.000	-
3880	Defence Force	Operating To Capital Swap - Technical Adjustment	A transfer to ensure that 2006/07 depreciation savings continue to be reserved for NZDF Long Term Development Plan (LTDP) purposes where those savings provide for a 2007/08 capital injection.	-	-	-	-	-	-
3881	Defence Force	Defence Force Allowance Transfer - Technical Adjustment	To recognise that from 18 March 2007, the Income Tax Act 2004 provides for residual Vote Social Development appropriations associated with New Zealand Defence Force operational allowances to be transferred to Vote Defence Force.	0.741	-	-	-	-	-
3883	Defence Force	Disposal Costs - Other Expense	An accounting treatment to provide should it be necessary, for the expensing by 30 June 2007 in accordance with Audit New Zealand advice, of items included in the New Zealand Defence Force Statement of Financial Position.	2.700	-	-	-	-	-
3885	Defence Force	Costing System Change - Technical Adjustment	An adjustment to provide for transfers between appropriated Output Expense values to reflect changes to the Defence Costing System (DCS) model without aggregate impact.	-	-	-	-	-	-
3887	Defence Force	Recognise International Financial Reporting Standards - Technical Adjustment	A technical adjustment that provides for the adoption of NZ International Financial Reporting Standards (NZ IFRS) without funding impact.	-	-	-	-	-	-
4488	Defence Force	Response to Joint Working Group Report on Concerns of Viet Nam veterans	To provide for the arrangements covered by a Memorandum of Understanding (MOU) signed by the Crown with the Ex-Vietnam Services Association and the Royal New Zealand Returned and Services Association regarding the concerns of Vietnam Veterans.	-	1.120	-	-	-	-
4523	Defence Force	Implications of Revised Taxation Treatment For Overseas Allowances	To reimburse personnel in receipt of overseas allowance income newly recognised as assessable for income tax purposes.	-	-	-	-	-	-
[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]									
4121	Conservation	Maintaining Department of Conservation Capability	Additional capability funding is required to maintain the department's competitiveness in the employment market, to further develop the Natural Heritage Management System (NHMS), to meet increasing Geospatial Information Services (GIS) requirements, and to offset other inflationary pressures.	-	0.297	3.106	4.331	5.589	-

4039	Conservation	Meeting Treaty Settlement objectives while managing risks to conservation values	Increased capacity: 8 FTEs - Head Office settlement negotiations and risk management for conservation values; Conservancies support negotiations and manage local risks; Conservancies implement settlement commitments (\$70,000 per settlement; \$28,000 per settlement per annum)	-	1.000	1.000	1.000	1.000	-
3898	Internal Affairs	Increasing Ethnic Diversity Leadership	This initiative increases the capacity of the OEA to respond to increased demand from ethnic communities and government. It contributes to developing a strong national identity which in turn positions New Zealand to capitalise on the social, cultural and economic benefits of diversity.	-	0.600	0.600	0.600	0.600	-
3903	Internal Affairs	Births, Deaths And Marriages Registration Amendment Bill Implementation - Contin	This initiative is to provide funding for the Department of Internal Affairs to implement changes to provisions contained in the Births, Deaths, Marriages, and Relationships Registration Amendment Bill.	-	0.165	0.086	0.086	0.086	0.180
4047	Courts	Waitangi Tribunal - Meeting the 2020 Settlement Deadline	The objective of this bid is to ensure the Waitangi Tribunal can deliver upon the Government's stated policy of settling historical Treaty claims by 2020, as well as meeting its statutory obligation to ensure that the right of those claimants who wish to be heard is fulfilled.	-	1.757	1.969	1.969	1.969	0.746
4477	Veterans' Affairs	Response to Joint Working Group Report on Concerns of Vietnam veterans	To provide for the arrangements covered by a Memorandum of Understanding (MOU) signed by the Crown with the Ex-Vietnam Services Association and the Royal New Zealand Returned and Services Association regarding the concerns of Vietnam Veterans.	-	5.320	0.352	0.352	0.352	-
4175	Veterans' Affairs	Commemorations	To provide for attendance at commemorations, for official government attendance at the 90th anniversary of Passchendaele and to expand the ministerial commemorations discretionary fund.	-	0.196	-	-	-	-
4527	Social Development	2006/07 Defence Force Allowance (DFA) underspend transfer to Vote Defence Force	On 18 March 2007 the Defence Force Allowance (DFA) transferred from Vote Social Development to Vote Defence Force. The final underspend of DFA in Vote SD in 2006/07 is \$741,000.	(0.741)	-	-	-	-	-
4231	National Archives	Maintaining Capability - Archives New Zealand	To avoid having to scale down services and to manage government's electronic records long term, Archives New Zealand must replace core failing assets (eg preservation and access systems), maintain staff salaries and develop a digital archive strategy (budget bid invited in Digital Content Strategy).	-	1.705	2.669	2.063	1.686	-
4233	National Archives	Ministers' and Security Classified Papers programme	Enhanced management of Ministers' and Classified Papers, including identifying classified material, improving guidance for Ministerial offices, and investigating secure storage options will address the Smith report, after accidental release of classified Lange papers.	-	0.100	0.100	0.100	0.100	-
4326	National Library	Library Capability for 2007/08	A capability bid to ensure the Library continues as a viable operation, able to meet its mandate and deliver services to its various client groups and stakeholders while it completes a wide ranging organisation review.	-	0.989	0.989	0.989	0.989	-
4327	National Library	Digital Content Strategy: Digital New Zealand	Establishment of a function within the National Library of New Zealand to provide expert information and advice about creating, preserving and protecting of New Zealand digital content; establishment of a fund for the digitisation of New Zealand content.	-	0.750	0.900	0.750	0.900	-
4328	National Library	NZ Digital Content Strategy: People's Network	Enhancing New Zealand's public library network so all Nzers can benefit from the opportunities offered in an increasingly digital world. The initiative would leverage off existing local govt investment of \$200 million.	-	1.100	1.100	1.100	1.100	0.200
4329	National Library	NZ Digital Content Strategy: Digital Scorecard	This initiative will provide community, business and government with robust and timely information with which to inform decision making on trends, opportunities, and challenges related to New Zealander's digital interactions.	-	0.150	-	0.150	-	-
4330	National Library	Lease Exit Costs Accounting Adjustment	Single year impact on appropriations for the National Library from an accounting adjustment required by Audit New Zealand to recognise a provision for the cost of exiting two property leases in 2010. This is funded by Revenue Crown but offset by a return of capital of the same value.	-	-	-	-	-	-
[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]									
4119	Conservation	A nationwide pest reduction strategy for deer, chamois, thar and pigs	To examine alternative strategic approaches for the control of hoofed animals valued for recreational hunting – deer, chamois, thar and pigs.	0.200	-	-	-	-	-
4016	Arts, Culture and Heritage	Enhanced NZ On Air Services	This initiative seeks funding to maintain NZ On Air services at close to existing levels and to develop appropriate responses to the emerging digital environment.	-	2.000	2.000	2.000	2.000	-
4114	Conservation	Connecting NZers to "their place" - New opportunities for outdoor recreation	An outdoor recreation campaign on public conservation land aimed at improving the mental and physical wellbeing of young New Zealanders and their families. The campaign is supported by improving specific opportunities associated with Te Araroa Trail and camping opportunities around our coastline.	-	-	0.146	0.510	0.875	2.503
3901	Internal Affairs	Moderation of Birth and Death Records: "increasing security of identity related	This initiative will enable matching of historical death records (1940-97) against relevant birth records to ensure New Zealanders' identify records are secure and protected from fraud.	-	1.000	1.000	-	-	-
4508	Conservation	Intensive, Integrated Biodiversity Management at New Sites on Conservation Land	Preventing loss of biodiversity at 3 nationally important freshwater sites by integrated management of pests. This will extend proven methods developed under the Mainland Island programme to freshwater ecosystems and build community involvement. Part of agreement with Greens.	-	2.000	2.000	2.000	2.000	0.800
				2.900	26.134	26.039	22.772	24.018	5.200

Marginal initiatives for discussion

Bid ID	Vote(s)	Title	Description	2006/07	2007/08	2008/09	2009/10	2010/11	Capital Total	Include in Package? (✓)
[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]										
	Fisheries, RS&T and Lands		A suite of initiatives to allow enhanced New Zealand participation in International Polar Year activities. Research to better understand the sustainability of toothfish fisheries in the Ross Sea and the establishment of a contestable research fund to complement existing funding available for on-ice research is being proposed.	-	7.600	7.600	4.000	4.000	-	
				-	14.814	14.814	4.000	4.000	-	

Other initiatives

Allocation Details

	Operating					Capital
	2006/07 (\$m)	2007/08 (\$m)	2008/09 (\$m)	2009/10 (\$m)	2010/11 (\$m)	Total (\$m)
Funding as per Terms of Reference Letter		20.000	20.000	20.000	20.000	0.000
<i>Less Between Budget Spending Decisions Agreed by Cabinet</i>						
Tax Legislation Changes: Portfolio Investment Entity Treatment	-	25.000	25.000	25.000	25.000	
Applications for Charitable Donee Status	-	0.250	0.220	0.220	0.220	
Total "Other" allocation remaining	-	(5.250)	(5.220)	(5.220)	(5.220)	0.000

Key:

	=	High priority initiatives currently supported within the package
	=	Marginal priority initiatives currently inside the package
	=	Marginal priority initiatives currently outside the package
	=	Associated capital funding (already agreed)

1.862	24.540	5.923	3.061	29.373	17.450
-	65.895	107.437	178.490	250.617	9.150
-	8.052	36.554	8.653	5.627	45.951

High priority initiatives

Bid ID	Vote(s)	Title	Description	2006/07	2007/08	2008/09	2009/10	2010/11	Capital Total
[information deleted in order to not prejudice New Zealand's security, defence or international relations]									
4019	Foreign Affairs and Trade	Antarctica NZ: Maintaining Antarctic Logistics Support Capability	Increase New Zealand's contribution to the joint New Zealand/US Antarctic logistics pool to redress US concerns that New Zealand is failing to pay its fair share of joint Antarctic logistics support costs.	-	1.100	1.600	1.600	1.600	
4028	Foreign Affairs and Trade	Asia New Zealand Foundation: Increased Funding for Strategy Implementation	New strategic direction for Asia:NZ that is more ambitious and effective in stimulating widespread, urgent change to meet the challenges which Asia's increasing economic influence presents to New Zealand's national well-being and to respond to recommendations of review of the organisation.	-	1.804	-	-	-	
4036	Foreign Affairs and Trade	Pacific Cooperation Foundation: Increase in Baseline Funding	A funding increase will enable the Pacific Cooperation Foundation (PCF) to deliver better outcomes in support of Government's Pacific policies. A recent external review concluded that PCF has provided value for money in its first three years of operation and recommended additional resources.	-	0.900	-	-	-	
4046	Foreign Affairs and Trade	Dili: Upgrade to Embassy Status	In the 2005 Budget Round, capital funding and one-year of operating funding was approved to upgrade the Dili Consulate-General to embassy status. Operating costs can now be forecast with some precision, but capital requirements have increased.	-	1.176	1.394	1.411	1.428	3.169
4048	Foreign Affairs and Trade	Physical Security & Agency Accommodation	Capital funding for increasing chancery accommodation demands from other agencies, principally. Additional funding is also required to refurbish MFAT space in New Zealand House, London and for changes to construction plans at Ankara, Pretoria and Suva that were approved in the 2006 Budget Round.	-	(0.024)	(0.021)	0.007	0.007	(1.550)
4065	Local Government	Chatham Islands Council: Crown Funding Assistance	Supplementary payment to the Chatham Islands Council (CIC) to cover the GST component of Crown funding assistance. The CIC has incurred a debt with IRD as a result of a misunderstanding over the GST status of grants paid by the Crown. The CIC has no realistic means of repaying the debt.	0.512	0.143	-	-	-	
4236	Office of the Clerk	Host 16th Asia Pacific Parliamentary Forum (APPF) meeting	The New Zealand Parliament has agreed to host the 16th APPF meeting in Auckland in January 2008. The APPF is an important inter-parliamentary event with between 200-300 delegates, including presiding officers, ministers and members from 27 countries expected to attend.	-	1.525	-	-	-	
4272	Office of the Clerk	Electronic document management and records management system (EDRMS)	Purchase, customise and implement an EDRMS, develop and implement information management strategy, develop and support procedural and items of parliamentary business databases.	-	0.352	0.252	0.252	0.252	0.277
4274	Office of the Clerk	Chamber support capability	Enhance the Office's ability to provide chamber support services and procedural advice, and improve its ability to manage the risk of loss of key personnel.	-	0.210	0.210	0.210	0.210	
4276	Office of the Clerk	Increase in radio broadcasting of Parliament costs	Radio New Zealand has invoked the cost-price index clause in its parliamentary broadcasting contract with the Office of the Clerk	-	0.083	0.083	0.083	0.083	
4278	Office of the Clerk	Simultaneous interpretation of Te Reo Maori into English	Implement technology and accommodation for interpreters to view and listen to proceedings, and simultaneously transmit and record their interpretation to members in the Chamber via headsets, and the galleries, radio broadcast, television and internet feeds.	0.006	0.033	0.033	0.033	0.033	0.100
[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]									
4506	Parliamentary Counsel	Organisational Capability	As a result of an Organisation Review carried out by PricewaterhouseCoopers, additional staff are required to enhance the strategic management capabilities of the PCO.	-	0.200	0.200	0.200	0.200	0.200
4509	Parliamentary Counsel	Maintaining Capabilities	To enable the PCO to maintain capability by funding salary increases, related personnel costs, and personnel costs for existing vacancies for which funds have had to be spent in other areas, and to fund additional annual bound volumes for rewritten parts of the Income Tax Act 2004	-	1.495	0.813	0.797	0.797	
4467	Parliamentary Service	Increase in level of computer support services.	As a result of continued site growth the existing support resources have failed to achieve the service satisfaction targets for the 2005/06 financial year. Additional staff resources are being added to the computer support team.	0.550	0.550	0.550	0.550	0.550	

4470	Parliamentary Service	Extended Parliamentary Computer Network.	The development and implementation of a wide area computer network to provide connectivity for those parliamentary staff working directly for members of parliament in out of parliament offices. This initiative will also provide computer helpdesk support services for out of parliament staff.	-	1.200	1.200	1.200	1.200	1.019
[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]									
4386	Prime Minister and Cabinet	Maintaining DPMC Capability	Funding to maintain and enhance capability so that DPMC can continue to meet the increasing expectations of it in terms of leadership, high standard of performance, and the complex output requirements such as supporting emergency planning, legislative requirements and risk management.	-	1.230	1.230	1.230	1.230	
3914	Revenue	People capability (remuneration)	Funding to update for last year's (2006) movement in remuneration lines.	-	10.000	10.000	10.000	10.000	
4569	Revenue	Property Audit Strategy	To implement a task force targeted approach to address emerging tax compliance issues involving property transactions.	-	(4.424)	(23.567)	(23.567)	-	
4570	Revenue	Litigation and Complex Transactions Audit	As the tax base increases and with it the complexity of taxpayers' affairs, we need to ensure that we are able to apply the appropriate resource to address the issues effectively.	-	(16.000)	(16.000)	(16.000)	(19.000)	
4215	Revenue	Management of property portfolio (Auckland and Wellington)	Responding to Inland Revenue's critical business need in Wellington from three final lease expiries and long term solutions for both Wellington and Auckland. [Please refer to attached templates for a more detailed description]	-	5.812	6.880	3.489	8.704	9.066
4265	Revenue	Compliance and Penalties	Policy changes regarding proposals aimed at encouraging voluntary compliance through the review of penalty rules.	0.485	6.192	8.000	8.000	8.000	
[information deleted in order to not prejudice New Zealand's security, defence or international relations]									
				1.862	24.540	5.923	3.061	29.373	17.450

Marginal priority initiatives inside the package

Bid ID	Vote(s)	Title	Description	2006/07	2007/08	2008/09	2009/10	2010/11	Capital Total	Include in package? (✓)
4394	Finance	Wellington Regional Council Loan	This Budget initiative would extend a previously approved loan facility for the Wellington Regional Council (WRC) to upgrade passenger rail services in the Wellington region	-	8.850	-	-	-	9.150	
4045	Foreign Affairs and Trade	Response to Foreign and Trade Policy Changes	"Step Change" in resources to anchor NZ firmly into Asia-Pacific regional arrangements, secure high-yield economic partnerships, step up efforts to improve regional security, strengthen natural resource and energy diplomacy, and upgrade capability for dealing with consular crises.	-	14.922	30.000	30.000	30.000		
[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]										
4234	Official Development Assistance	Increase to take NZ's Reported ODA to 0.35% of GNI in 2007/08	Funding is sought to take NZ's reported ODA to 0.35% of GNI in 2007/08 and to hold at that level over the following three years. This increase will immediately redress this country's low ODA levels relative to other OECD donors and will allow us to address urgent Pacific and Asian development needs.	-	40.000	72.000	144.000	216.000		
4335	Racing	Racing Safety Initiatives Scheme	A contestable fund will be established with the aim of enhancing workplace safety and raising the quality of facilities at racecourses. The fund will match dollar for dollar contributions from the racing industry.	-	1.000	1.000	1.000	1.000		
4572	Revenue	Bloodstock write down	This initiative applies the new bloodstock write down rules to bloodstock that were in foreign ownership but had been in production in New Zealand prior to 1 August 2006.	-	1.000	1.000	0.300	-		
				-	65.895	107.437	178.490	250.617	9.150	

Marginal priority initiatives outside the package

Bid ID	Vote(s)	Title	Description	2006/07	2007/08	2008/09	2009/10	2010/11	Capital Total	Include in Package? (✓)
[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]										
[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]										
				-	8.052	36.554	8.653	5.627	45.951	

Capital initiatives

Allocation Details

	Capital				
	2006/07 (\$m)	2007/08 (\$m)	2008/09 (\$m)	2009/10 (\$m)	2010/11 (\$m)
Funding as per Budget Strategy	23.000	317.000	193.000	283.000	0.000
<i>Less Between Budget Spending Decisions Agreed by Cabinet</i> Government Response to the Concerns of Viet Nam Veterans: Additional 2006/07 Appropriations	7.000	-	-	-	-
Total Capital allocation remaining	16.000	317.000	193.000	283.000	0.000

Key:

	=	High priority initiatives currently supported within the package
	=	Marginal priority initiatives currently inside the package
	=	Marginal priority initiatives currently outside the package

2006/07	2007/08	2008/09	2009/10	2010/11
60.100	684.909	214.548	224.148	197.941
-	58.400	113.843	76.030	44.500
-	42.951	205.573	35.447	-

High priority initiatives

Bid ID	Vote(s)	Title	Description	2006/07	2007/08	2008/09	2009/10	2010/11
4091	Arts, Culture and Heritage	NZ Film Commission Relocation	NZFC's existing premises are being redeveloped and no further extensions of its lease are available. They are required to relocate by the end of April 2007 and are seeking a one-off payment of \$946,000 plus GST to cover relocation costs and the costs of fitting-out new premises.	-	0.946	-	-	-
4289	Child, Youth and Family Services	Implementation of the Residential Services Strategy - Youth Justice Lower North	Redevelopment of the facility to accommodate smaller and more manageable groups of young people and improve safety and comply with recommendations from the Judge Henwood and OSH Reports. Increase capacity by 10 beds to contribute to the reduction of young people detained in police custody.	-	9.740	3.247	-	-
3876	Defence Force	Long Term Development Plan - Capital Injection	A capital injection within the existing Defence Funding Package (DFP) limit. This will provide for payments associated with the Long Term Development Plan (LTDP) and other infrastructure projects that cannot be met from NZDF working capital forecast to be generated internally.	-	56.000	-	-	-
4425	Education	School Property Business Case	A capital bid to support the school property capital works programme, largely through the provision of new school property, plus the operating costs associated with implementing the programme and resulting from the capital injection.	-	190.718	7.326	4.670	-
4392	Finance	ONTRACK debt & equity funding	To make Crown capital available to ONTRACK, to meet the Crown's existing obligations under the Sale and Purchase Agreement and the National Rail Access Agreement (NRAA) between the Crown and Toll	-	104.550	-	-	-
4559	Finance	Upgrading Facilities	Upgrading facilities at AgResearch	-	0.195	-	-	-
4048	Foreign Affairs and Trade	Physical Security & Agency Accommodation	Capital funding for increasing chancery accommodation demands from other agencies, principally. Additional funding is also required to refurbish MFAT space in New Zealand House, London and for changes to construction plans at Ankara, Pretoria and Suva that were approved in the 2006 Budget Round.	-	(1.550)	-	-	-
4046	Foreign Affairs and Trade	Dili: Upgrade to Embassy Status	In the 2005 Budget Round, capital funding and one-year of operating funding was approved to upgrade the Dili Consulate-General to embassy status. Operating costs can now be forecast with some precision, but capital requirements have increased.	-	3.169	-	-	-
3945	Justice	Implementing Coroners Act 2006 - Capital funding	This proposal is to implement the new Coroners Act 2006 on 1 July 2007. In particular, it will support the new Chief Coroner and Coroners to be appointed under this legislation, and help ensure consistently applied coronial processes and better recognise cultural and spiritual sensitivities.	-	5.627	-	-	-
[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]								
4024	Justice	Supreme Court Accommodation - Capital funding	This is a Budget pre-commitment for the establishment of the Supreme Court Permanent Premises. Cabinet also agreed that funding will be approved as part of the Budget 2007 process for the design concept agreed to, with a cost estimate of not less than \$65.1million [CAB Min (06) 34/3B refers].	-	-	-	14.750	31.100
4220	Labour	Information Communication Technology Infrastructure Investment	Development of an ICT infrastructure and systems, and provision of funding for internal expertise to deliver ICT services, that meet Department objectives and align with strategies. The current systems are old, basic and are struggling to meet the Department's needs.	-	5.508	6.065	4.699	-
4272	Office of the Clerk	Electronic document management and records management system (EDRMS)	Purchase, customise and implement an EDRMS, develop and implement information management strategy, develop and support procedural and items of parliamentary business databases.	-	0.277	-	-	-
4278	Office of the Clerk	Simultaneous interpretation of Te Reo Maori into English	Implement technology and accommodation for interpreters to view and listen to proceedings, and simultaneously transmit and record their interpretation to members in the Chamber via headsets, and the galleries, radio broadcast, television and internet feeds.	0.100	-	-	-	-
4506	Parliamentary Counsel	Organisational Capability	As a result of an Organisation Review carried out by PricewaterhouseCoopers, additional staff are required to enhance the strategic management capabilities of the PCO.	-	0.200	-	-	-
4470	Parliamentary Service	Extended Parliamentary Computer Network.	The development and implementation of a wide area computer network to provide connectivity for those parliamentary staff working directly for members of parliament in out of parliament offices. This initiative will also provide computer helpdesk support services for out of parliament staff.	-	1.019	-	-	-
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4413	Prime Minister and Cabinet	Restoration of Government House Wellington	There is strong evidence of service failure in many parts of Government House. The House requires restoration to be fit for purpose. \$2.475m is required in 2007/08 to obtain resource consents and complete detailed design. Budget 08 will seek funding for construction costs.	-	2.000	-	-	-
4215	Revenue	Management of property portfolio (Auckland and Wellington)	Responding to Inland Revenue's critical business need in Wellington from three final lease expiries and long term solutions for both Wellington and Auckland. [Please refer to attached templates for a more detailed description]	-	9.066	-	-	-

[information deleted in order to not prejudice New Zealand's security, defence or international relations]									
4216	State Services	Identity Verification Service - enhanced identity management across government	This service will allow agencies to verify people's identity to a passport standard, online and in real-time. It will leverage existing Authentication investment and DIA expertise to reduce duplicate expenditure across government, reduce fraud and enable transformation of services.	-	5.000	4.000	-	-	-
3962	Transport	Protecting Personal Information on the Motor Vehicle Register	A Cabinet paper has been prepared that proposes that the protection of the Official Information Act and Privacy Act be extended to personal information on the Motor Vehicle Register (MVR). It is anticipated that the recommendations in the Cabinet paper will be confirmed.	-	1.300	-	-	-	-
4128	Transport	State Highways - Cost Guarantee	Placeholder bid for funding for the cost escalation guarantee for the five-year State Highway Construction Plan (subject to decisions by the Ministers of Finance and Transport) as part of the government's commitments in the 2006 to increase certainty and investment in State highway construction.	60.000	85.000	-	-	-	-
	Finance	Rail initiatives	Rail initiatives	-	175.000	175.000	150.000	150.000	-
				60.100	684.909	214.548	224.148	197.941	-

Marginal priority initiatives inside the package

Bid ID	Vote(s)	Title	Description	2006/07	2007/08	2008/09	2009/10	2010/11	Include in package? (√)
[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]									
4543	Corrections	Extension of Mt Eden Prison/Auckland Central Remand Prison Extension	This bid seeks funding approval to progress the preferred master planning option for the optimisation of the future development potential of the Mt Eden Prison/Auckland Central Remand site and preservation of historical buildings.	-	0.500	-	-	-	
4415	Education	Smaller Class Sizes for Year 1 Students	This proposal provides primary and area schools with an estimated extra 702 full-time teacher equivalents and related property from 2008 by reducing the Year 1 curriculum staffing ratio from 1:23 to 1:18 (teacher:student). This is a Labour 2005 manifesto commitment.	-	1.750	21.343	16.530	-	
[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]									
4394	Finance	Wellington Regional Council Loan	This Budget initiative would extend a previously approved loan facility for the Wellington Regional Council (WRC) to upgrade passenger rail services in the Wellington region	-	9.150	-	-	-	
4207	Health	Funding for Health Capital Envelope	The Health Capital Budget provides equity and new lending for DHBs and the Ministry of Health for major investment in hospitals and information technology, over and above available depreciation available for baseline capital requirements.	-	-	-	-	60.000	
4317	Housing	Healthy Housing (Scaled)	Healthy Housing delivers improved health outcomes for families. Its core focus is on joint health and housing assessments of household need and to deliver housing improvements to support positive health behaviours	-	7.000	7.000	7.000	-	
4422	Housing	Housing Innovation Fund (Scaled)	Phase 2 of HIF actively promotes the growth of third sector partnerships to improve the supply of affordable, good quality social housing. It builds on the demonstrated success of the first 4 years by expanding the Fund to support local government and community based (non government) organisations	-	-	12.000	-	-	
				-	58.400	113.843	76.030	44.500	

Marginal priority initiatives outside the package

Bid ID	Vote(s)	Title	Description	2006/07	2007/08	2008/09	2009/10	2010/11	Include in package? (√)
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[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]									
				-	42.951	205.573	35.447	-	