

**Treasury Report: Briefing for Expenditure Control Committee Tuesday 3 March 2009**

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<b>Date:</b>	27 February 2009	<b>Report No:</b>	T2009/406
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**Action Sought**

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	<b>Action Sought</b>	<b>Deadline</b>
Minister of Finance (Hon Bill English)	<b>Read</b> prior to ECC on Tuesday 3 March at 8.30am	3 March 2009
PAssociate Minister of Finance (Hon Simon Power)	<b>Read</b> prior to ECC on Tuesday 3 March at 8.30am	3 March 2009
Associate Minister of Finance (Hon Steven Joyce)	<b>Read</b> prior to ECC on Tuesday 3 March at 8.30am	3 March 2009

**Contact for Telephone Discussion (if required)**

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<b>Name</b>	<b>Position</b>	<b>Telephone</b>		<b>1st Contact</b>
Mark Jacobs	Manager - State Sector Management Team	<i>[Deleted – privacy]</i>	<i>[Deleted – privacy]</i>	✓

**Minister of Finance's Office Actions (if required)**

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None.
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**Enclosure: Yes**

## Treasury Report: Breifing For Expenditure Control Committe Tuesday 3 March 2009

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### Executive Summary

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We are currently aware of two items on the Capital Expenditure Control Committee agenda for Tuesday 3 March 2009: Unwinding Unfunded Budget 2008 Commitments for ET: Innovation (briefing attached) and a paper seeking approval to end or scale back programmes administered by the Ministry for the Environment.

Title	Pg	Recommend	Fiscal Implications (\$m GST excl.)					Treasury Comment
			08/09	09/10	10/11	11/12	Out years	
Unwinding Unfunded Budget 2008 Commitments for ET: Innovation	5	Support	<i>Operating</i>					Treasury supports recommendations to make baseline reductions in Tertiary Education, RS&T and Economic Development to reverse the unfunded Budget 2008 pre-commitment.
			-	(89.78)	(159.86)	(211.79)	(223.85)	
			<i>Capital</i>					
			-	1.97	3.89	5.53	5.94	

Title	Pg	Recommend	Fiscal Implications (\$m GST excl.)					Treasury Comment
			08/09	09/10	10/11	11/12	Out years	
Paper seeking approval to end or scale back programmes administered by the Ministry for the Environment.	-	-	None					<p>Following the EEC consideration of MfE at its meeting of 23 February, the Minister for the Environment is submitting a Cabinet Committee paper seeking approval to:</p> <ul style="list-style-type: none"> <li>- end or scale back five programmes currently funded from Vote Environment and Vote Climate Change;</li> <li>- authorise the Minister of Finance and the Minister for the Environment to make detailed budgetary decisions, based on your and the Minister for the Environment's bilateral discussion on 19 February and ECC's consideration of MfE on 23 February.</li> </ul> <p>The Ministry for the Environment's strong preference is that this paper be considered by the EGI Cabinet Committee, as it relates to the revocation of previous policy decisions, but we understand Cabinet Office is intending to put this paper on the ECC agenda. The Cabinet Committee process is being clarified by the Cabinet Office and MfE.</p> <p>The substantive recommendations of this paper are consistent with your and Minister For the Environment's bilateral discussions and ECC's consideration of MFE. Accordingly, we recommend you support them.</p>

## Recommended Action

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We recommend that you **read** this report prior to the Capital Expenditure Control Committee meeting on Tuesday 3 March 2009 at 8.30am.

Mark Jacobs  
**Manager, State Sector Management  
for Secretary to the Treasury**

Hon Bill English  
**Minister of Finance**

## Unwinding Unfunded Budget 2008 Commitments for ET: Innovation

**Responsible Person:** Warwick Terry [*Deleted – privacy*]

**First Contact Person:** [*Deleted – privacy*]

### Purpose

1. The paper is from the Minister for Economic Development responding to your letter of 17 December 2008 asking for the Minister to lead a process to unwind this pre-commitment against Budget 2009.

### Comment

2. Fiscally, the paper achieves its desired objective of recommending baseline reductions commensurate with the size of the pre-commitment:

	\$ million				
	2009/10	2010/11	2011/12	2012/13 and outyears	4 year total
Tertiary Education	46.740	128.224	167.092	178.984	521.040
Research, Science and Technology	37.366	20.748	31.168	30.918	120.200
Economic Development	3.700	7.000	8.000	8.000	26.700
Total savings	87.806	155.972	206.26	217.902	667.940
<i>Total Pre-commitment</i>	<i>93.000</i>	<i>175.000</i>	<i>200.000</i>	<i>200.000</i>	<i>668.000</i>

3. The process for finding savings has involved each relevant agency finding savings in proportion to funding agreed as part of the Budget 2008 package. Thus, the savings of \$668 million over four years are distributed as 78% from Vote Education, 18% from Vote RS&T and 4% from Vote Economic Development.
4. Most savings come from Budget 2008 initiatives, but some savings have been identified from other low value programmes.
5. The paper includes a Treasury comment on the proposed reductions to the Literacy, Language and Numeracy package. Subsequent discussion with officials provided further information which means our concerns have now been addressed.
6. The unwinding of the pre-commitments for tertiary education needs to be viewed alongside the line by line review for Vote: Education. As such we've included our detailed comments on work needed for tertiary education in our separate briefing on the line by line review for Vote: Education. Savings in the pre-commitment paper include:
  - reducing or removing CPI adjustments;
  - reducing tertiary education organisation component funding in areas not well aligned with government priorities;
  - reducing funding for literacy, language and numeracy;
  - removing three scholarship programmes;
  - reducing operating funding for the Tertiary Education Commission;
  - removing skill enhancement, funding for regulatory compliance qualifications, and a number of other small funds; and
  - reducing funding for adult and community education.

7. Across both processes significant savings (\$660.740 million over 4 years) have been identified and the Treasury's view is that officials have made a good start. We support the savings identified and think that these are defensible given that real funding per equivalent full-time student (above inflation) has increased by 25% (including student support) from 2000 to 2007.
8. While we support the reduction in funding for the Tertiary Education Commission, it should be noted that the paper does not include specific advice on the impact of these savings on the functions of the Commission. We understand, however, that \$2 million will come out of the ownership monitoring function.
9. We support the proposed recommendations made with respect to Vote RS&T and Economic Development. *[Information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials].*