

Budget Report: Budget 2010: Baseline Alignment Proposals - Initial Observations

Date:	12 March 2010	Report No:	BR2010/13
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Action Sought

	Action Sought	Deadline
Minister of Finance (Hon Bill English)	Read this report in advance of the Budget Ministers' meeting on Tuesday 16 March 2010	5.00 pm, Tuesday March 16
Prime Minister (Hon John Key)	Read this report in advance of the Budget Ministers' meeting on Tuesday 16 March 2010	5.00 pm, Tuesday March 16
Associate Minister of Finance (Hon Simon Power)	Read this report in advance of the Budget Ministers' meeting on Tuesday 16 March 2010	5.00 pm, Tuesday March 16
Associate Minister of Finance (Hon Steven Joyce)	Read this report in advance of the Budget Ministers' meeting on Tuesday 16 March 2010	5.00 pm, Tuesday March 16

Contact for Telephone Discussion (if required)

Name	Position	Telephone		1st Contact
[withheld – privacy]	Senior Analyst Fiscal Management	[withheld – privacy]	[withheld – privacy]	✓
Richard Downing	Acting Manager Fiscal Management	[withheld – privacy]	[withheld – privacy]	

Minister of Finance's Office Actions (if required)

None.

Enclosure: Yes

Budget Report: Budget 2010: Baseline Alignment Proposals - Initial Observations

Executive Summary

In December 2009, Cabinet allocated the \$1.1 billion Budget 2010 operating allowance to a small number of Votes. At that time, they also set aside funding for a between Budget contingency and the Prime Minister's Rolling Maul fund.

Since December, The Minister for ACC has returned his allocation of \$121 million (one-off, not baselined). However, the between Budget contingency and Rolling Maul fund have been substantially committed in the interim.

Vote Ministers were invited to submit Baseline Alignment Proposals (BAPs) by 8 March, showing how they planned to use their existing baselines (including any share allocation) to deliver their priorities.

On the whole we assess the BAPs as being adequate and are confident they will assist Budget Ministers in developing a Budget package that remains within the \$1.1 billion operating allowance. However, a significant number of assessments do not include substantive realignment options. These BAPs fall short of the expectation of ambitious proposals and tough trade-offs envisaged at the start of the process. In most cases this means that opportunities for more in-depth reprioritisation will need to be faced post-Budget and either implemented through OBU 2010 or in Budget 2011. Additionally there may still be a need to direct that some specific savings opportunities are taken to ensure that the Government's highest priorities for Budget 2010 are advanced.

This report provides Budget Ministers with Treasury's initial observations on the Budget 2010 BAPs and advice on which proposals we consider:

- should be accepted as submitted;
- have issues that need to be resolved prior to the formation of a Budget package; or
- have issues that should be addressed after the Budget or are being addressed through separate processes.

The report proposes you accept the majority of BAPs, although in many cases further investigation of savings and reprioritisation opportunities following the Budget may be appropriate.

Our recommendations on the major social sectors are set out in the table below:

Sector	Overall Comment	Proposed course of action
Health	BAP does not balance by small amount. Little information on new initiatives. Concern of inadequate risk provisioning.	Ministers discuss at bilateral on 22 March. Capital issues to discuss at this time also.
Education (excl Tertiary)	BAP balances and supports priorities. Concern around plan for managing demand driven cost pressures.	Ministers discuss at bilateral on 23 March. Capital issues to discuss at this time also.

Sector	Overall Comment	Proposed course of action
Tertiary Education	BAP balances and supports priorities. Concern around CPI adjustment/tertiary places.	Ministers discuss at Education bilateral or other convenient time (e.g. Fiscal Issues, Budget Ministers on 31 March)
Justice Sector	BAP balances and supports priorities. Some outstanding issues around large capital proposals.	Ministers discuss capital issues only at bilateral on 23 March
Social Development	BAP balances (with savings in outyears) and some reprioritisation supported. <i>[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]</i>	<i>[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]</i>

The BAPs for a small number of medium-small sized Votes also have outstanding issues. In some cases these can be resolved by officials prior to Budget Ministers on 31 March. Two which request additional funding will require consideration by Budget Ministers on 31 March dependent on the size of the final package. Finally, we have concerns with the quality of the BAPs for Climate Change, Environment, Labour, ODA, Defence Force, Foreign Affairs and Trade, and Housing, but these do not affect the finalisation of the Budget package. As such we recommend these Votes are considered through separate processes such as the ECC work programme *after* Budget.

Recommended Action

We recommend that Budget Ministers:

- a **agree** that the 2010 Between Budget Contingency and Rolling Maul Fund allocations are to remain as agreed in Cab Min (09) 44/28;

Agree/disagree.

- b **note** that the combined impact of the funding for BAPs, the between Budget contingency, Rolling Maul Fund and operating impacts of capital expenditure decisions commits around \$1 billion of the total allowance for new spending in Budget 2010;

- c **note** that in most cases the BAPs do not provide substantive opportunities for realigning spending within Votes, nor to most provide opportunities for ambitious proposals;

- d **note** that further opportunities for in-depth reprioritisation will need to take place after Budget 2010, through the October Baseline Update and/or Budget 2011;

- e **note** that there is scope for seeking further savings over the next three weeks to ensure that the Government's highest priorities for Budget 2010 are advanced;

- f **agree** to confirm the following BAPS for the purposes of Budget 2010 as they are balanced, although (with the exception of Agriculture and Forestry and Biosecurity) do not provide significant reprioritisation options:

<ul style="list-style-type: none"> • Agriculture and Forestry • Arts, Culture and Heritage • Biosecurity • Commerce • Communications • Community and Voluntary Sector • Conservation • Consumer Affairs • Crown Research Institutes • Customs • Defence • Education Review Office • Emergency Management 	<ul style="list-style-type: none"> • Employment • Energy • Finance • Food Safety • Immigration • Internal Affairs • Local Government • Maori Affairs • Ministerial Services • National Archives • National Library • Office of the Clerk • Pacific Island Affairs • Parliamentary Counsel • Parliamentary Service 	<ul style="list-style-type: none"> • Prime Minister and Cabinet • Racing • Revenue • Security Intelligence • Senior Citizens • Sport and Recreation • State Services • State-Owned Enterprises • Statistics • Tourism • Transport • Veterans' Affairs - Defence Force • Veterans' Affairs - Social Development • Women's Affairs
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Agree/disagree.

- g **note** that the Vote Health BAP does not balance in outyears by \$12.4 million;

- h **agree** to hold bilateral for Vote Health on 22 March to discuss balancing the Health BAP; improving information on new initiatives; and ensuring adequate reprioritisation to risk provisioning;

Agree/disagree.

- i *[information deleted in order to maintain the effective conduct of public affairs through the free and frank expression of opinions];*
- j **agree** to hold bilateral for Vote Education on 23 March to discuss managing demand driven pressures in ECE and the schooling sector;
- Agree/disagree.*
- k **note** differing recommendations on CPI adjustment and tertiary places in the Tertiary Education BAP can be resolved at or prior to Budget Ministers on 31 March;
- l **note** that the BAPs for the Justice Sector Votes propose an increase in spending that is within the amount allocated to the Justice Sector by Cabinet in December 2009;
- m **note** that the Justice Sector proposals show evidence of cross Vote co-operation and of reprioritisation to manage within baselines to meet Government priorities;
- n **agree** to hold bilateral for the Justice Sector on 23 March to discuss outstanding capital initiatives;
- Agree/disagree.*
- o *[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]*
- p **direct** officials to resolve issues related to unbalanced BAPs in the following Votes by Friday 26 March ACC, Economic Development, Environment and Climate change, Fisheries, Labour, Land Information and Research Science and Technology;
- Agree/disagree.*
- q **agree** that requests for additional funding in the following Votes should be considered at Budget Ministers meeting on 31 March to set the overall Budget package: Communications Security and Intelligence and Treaty Negotiations;
- Agree/disagree.*
- r **agree** that issues related to the following Votes should be addressed post-Budget as they do not affect the development of the Budget package: Climate change, Environment, Labour and ODA;
- Agree/disagree.*

s **agree** that issues in Votes Defence Force, Foreign Affairs and trade and Housing should be addressed through respectively the Defence Review, the NZ Inc Offshore review and MFAT's capability review and the Housing Shareholders Advisory Group and other housing processes;

Agree/disagree.

Richard Downing
**Acting Manager Fiscal Management
for Secretary to the Treasury**

Hon Bill English
Minister of Finance

Budget Report: Budget 2010: Baseline Alignment Proposals - Initial Observations

Purpose of Report

1. This report provides Budget Ministers with Treasury's initial observations on the Budget 2010 Baseline Alignment Proposals (BAPs) and advice on which BAPs we consider:
 - should be accepted as submitted; or
 - have issues that need to be resolved prior to the formation of a Budget package; or
 - have issues that should be addressed after the Budget or are being addressed through separate processes.

Background

2. On 21 September 2009 Cabinet agreed to a 2010 Budget process with the following key features [Cab Min (09) 34/12 refers]:
 - A Premier House session on 12 October 2009 to discuss priorities.
 - An up-front allocation of shares of new operating funding available in Budget 2010 to relevant Votes.
 - Ministers and Chief Executives working together to align baselines with priorities.
 - Budget Ministers drawing together a consolidated budget package.
 - An ongoing ECC work programme to establish appropriate relativities for government expenditure and update baselines to reflect these.
3. Vote Ministers were invited by Cabinet [Cab Min (09) 34/12 refers] to provide BAPs to the Minister of Finance by Monday 8 March 2010 setting out how they intend to align their baselines and any allocation of additional funding to give effect to the Government's priorities. Vote Ministers proposals will be discussed by Budget Ministers at the Budget Ministers' meeting on Tuesday 16 March and at a subsequent meeting on Wednesday 31 March, and will inform the compilation of the 2010 Budget package. Bilateral meetings with Votes Health, Education, Immigration, and the Justice sector Votes are scheduled for 22, 23 and 24 March 2010. Cabinet will consider the 2010 Budget package on Monday 19 April.

Allocation of the Operating Allowance

4. On 14 December 2009 Cabinet noted that the \$1.1 billion Budget 2010 operating allowance had been allocated by Budget Ministers to:

	\$ millions, GST exclusive				
	2009/10	2010/11	2011/12	2012/13	2013/14 & outyears
Vote Health	-	375	375	375	375
Vote Education	-	325	325	325	325
ACC non-earners account	86	42	-	-	-
2010/11 between-Budget contingency	-	141	141	141	141
"Rolling Maul" Fund	-	100	100	100	100
Operating impacts of capital expenditure decisions	-	50	50	50	50
Vote Defence Force	-	35	35	35	35
Justice sector Votes	-	38	38	38	38
Vote Revenue	-	15	-	-	-
Total	86	1,121	1,064	1,064	1,064

[CAB Min (09) 44/28 refers]

ACC Non-earners Account Funding

5. Since the operating allowance allocation was set in December 2009 the Minister for ACC has written to the Minister of Finance and advised that he will not require the \$128 million allocated to the ACC non-earners account. Once the operating allowance is rephased to reflect this, \$53 million in 2010/11 and \$68 million per year from 2011/12 onwards are potentially available for allocation to other priorities. In his BAP the Minister for ACC has requested additional funding of 2 million in 2010/11, *[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]*.

Between-Budget contingency

6. The 2009 between Budget operating contingency was overspent by \$150m (including provision for Weathertight Homes). This overspend has been counted against the 2010 contingency. Further commitments against the 2010 contingency, including the 2008/09 Health underspend, mean that over half of the contingency is already committed:

	Operating (\$ m)					Capital (\$ m)	
	2009/10	2010/11	2011/12	2012/13	2013/14	Total	Total
2010 Contingency	-	141	141	141	141	564	-
Adjustment to balance 2009 BBC including Weathertight homes	-	(39)	(39)	(39)	(39)	(155)	96
Health 2008/09 underspend	-	(35)	(23)	(14)	(13)	(85)	(142)
Total Remaining in Contingency	-	67	80	88	89	324	(46)

7. Switching the amount available for the 2010 between Budget contingency (\$141m p.a.) and the Rolling Maul fund (\$100m p.a.) would reduce the total amount remaining in the contingency as follows:

	Operating (\$ m)					Capital (\$ m)	
	2009/10	2010/11	2011/12	2012/13	2013/14	Total	Total
Total		26	39	47	48	160	(46)

8. We consider that this amount for the 2010 between Budget contingency would be insufficient to cover the pressures that are likely to arise throughout 2010/11.

Rolling Maul Fund

9. The Rolling Maul fund was set up to fund the Government's key economic and social priorities. The following commitments have been made against the Rolling Maul:

	Operating (\$ m)					
	2009/10	2010/11	2011/12	2012/13	2013/14	Total
Rolling Maul	-	100	100	100	100	400
Medium-Term Economic Growth Agenda: Science and Innovation Initiatives	-	(30)	(50)	(70)	(75)	(225)
Rugby World Cup Free to Air		(1)	(1)			
Total Remaining in Rolling Maul	-	69	49	30	25	173

10. Further candidates for funding from the Rolling Maul are:

	Operating (\$ m)					
	2009/10	2010/11	2011/12	2012/13	2013/14	Total
<i>[information deleted in order to maintain the constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]</i>						
<i>[information deleted in order to maintain the constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]</i>						
Tourism Priority Delivery Pressures	-	30				30
<i>[information deleted in order to maintain the constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]</i>						
<i>[information deleted in order to maintain the constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]</i>						
<i>[information deleted in order to maintain the constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]</i>						
Digital Literacy	-	7	7	7	7	28
<i>[information deleted in order to maintain the constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]</i>						
Total	-	83	45	44	42	214

11. Final Budget decisions against the Rolling Maul will be taken at the second Budget Ministers meeting on 31 March 2010. Ministers may want to set aside a portion of the fund for spending between budgets.

Treaty Settlements

12. *[information deleted in order to enable the Crown to negotiate without disadvantage or prejudice]*

Baseline Alignment Proposals

13. Vote Ministers have submitted BAPs that when combined with the funding allocated to the between Budget contingency, Rolling Maul Fund, and for the operating impacts of capital expenditure decisions, commit around \$1 billion of the \$1.1 billion operating allowance.
14. Summaries of the BAP analysis conducted by Treasury Vote teams are attached as Annex 1 to this report. A meeting agenda and a one-page graphic that will be used to guide discussion at the Budget Ministers meeting on Tuesday 16 March will be forwarded to Budget Ministers on Monday 15 March. The full BAPs will be forwarded for Budget Ministers' reference under cover of a separate report. It is not intended that Budget Ministers read the full BAPs.
15. On the whole we assess the BAPs as being adequate and are confident they will assist Budget Ministers in developing a Budget package that remains within the \$1.1 billion operating allowance. However, a significant number of assessments do not include substantive realignment options. These BAPs fall short of the expectation of ambitious proposals and tough trade-offs envisaged at the start of the process. In most cases this means that opportunities for more in-depth reprioritisation will need to be faced post-Budget and either implemented through OBU 2010 or in Budget 2011. Additionally there may still be a need to direct that some specific savings opportunities are taken to ensure that the Government's highest priorities for Budget 2010 are advanced.
16. The BAPs for the following Votes balance to zero (i.e. they do not propose additional new funding for the Vote) and we recommend that for Budget 2010 purposes they be accepted as submitted. However, it should be noted that most of these BAPs (with the notable exception of Agriculture and Forestry and Biosecurity) do not propose any substantive reprioritisation of expenditure or activities, and we are of the view that there are further savings and/or reprioritisation opportunities in many of these Votes:

<ul style="list-style-type: none"> • Agriculture and Forestry • Arts, Culture and Heritage • Biosecurity • Commerce • Communications • Community and Voluntary Sector • Conservation • Consumer Affairs • Crown Research Institutes • Customs • Defence 	<ul style="list-style-type: none"> • Employment • Energy • Finance • Food Safety • Immigration • Internal Affairs • Local Government • Maori Affairs • Ministerial Services • National Archives • National Library • Office of the Clerk • Pacific Island Affairs • Parliamentary Counsel 	<ul style="list-style-type: none"> • Prime Minister and Cabinet • Racing • Revenue • Security Intelligence • Senior Citizens • Sport and Recreation • State Services • State-Owned Enterprises • Statistics • Tourism • Transport • Veterans' Affairs - Defence Force
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<ul style="list-style-type: none"> • Education Review Office • Emergency Management 	<ul style="list-style-type: none"> • Parliamentary Service 	<ul style="list-style-type: none"> • Veterans' Affairs - Social Development • Women's Affairs
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Health

17. Vote Health has a total budget package of \$1827.21 million over four years, which comprises a budget allocation of \$1600 million, \$135.848 million in reprioritisation, and \$91.362 million from the 2010 between budget contingency, as agreed by joint Ministers to reflect Vote Health's underspends from the 2008/09 year. The Minister of Health proposes allocating \$1400 million of this funding to DHBs, \$237.36 million to Ministry managed services, \$96.701 million to government commitments, \$91.362 million (level of 2008/09 underspends) to commitments and pressures in operating non-departmental expenditure and \$1.787 million to increase Vote Health's risk reserve.
18. The Vote Health BAP does not balance in the outyears by \$12.4 million. This is because Joint Ministers have agreed that Health is to receive one-off funding of \$91.362 million over four years, an amount equal to Health's underspends in the 2008/09 year. However, the Minister of Health proposes to use this funding for a number of initiatives which require ongoing funding. The fact that spending exceeds funding in the outyears is not evident in the Vote Health BAP because they have presented the underspend funding as on-going. Health's package could be made to balance by not funding the proposed initiatives in outyears (potentially creating a "hole" in future baselines) or by finding further savings.
19. *[information deleted in order to enable the Crown to negotiate without disadvantage or prejudice]*

The BAP indicates that the Minister may seek further funding from the between budget contingency if risks materialise during the financial year. Even if the \$12.4 million outyear overspend is corrected, our initial judgement is that the BAP does not demonstrate that Health will manage all risks and pressures within baselines as required.

20. The level of savings identified is modest, compared to the size of the Vote and the range of savings options considered during 2009 through line-by-line reviews, in-depth spending reviews of NDE baselines and the detailed examination of the Vote last November. Treasury is of the view that additional savings could be found within the Vote from low value expenditure. Also, insufficient information has been provided for the proposed new spending initiatives and it is unclear whether these present good value for money.
21. Treasury recommends that at their bilateral meeting on Monday 22 March Budget Ministers request that the Minister of Health balance his package in the outyears, provide sufficient levels of information for all new spending proposals (including performance measures) and to provide further savings options (including more substantial policy changes) that can be considered in the course of the year to ensure that all risks and pressures in Vote Health (including DHB deficit risks) can be managed within baselines.

Education

22. The Vote Education BAP (excluding the tertiary sector) is organised around Government priorities and balances across the forecast period. However, there is limited acknowledgement of the systemic funding pressures within the sector and no plan for how these will be addressed in the next two years. The need for change has been dampened by the provision of funding via 'forecast changes' (\$385 million of additional baseline funding provided during the 2009/10 year). No substantive savings or operational changes have been provided in the schooling sector and comparatively modest ECE savings have been provided. These limited savings are unlikely to allow continued funding pressures to be managed within similar Budget allocations in the next two years.
23. The Treasury considers that all forecast changes should be made to 'count' against future Budget allocations from the 2010 OBU. *[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]*

In relation to ECE, the Minister of Education has already been provided options for more substantive policy changes that would alleviate funding pressures and release savings. It would be prudent to utilise one or more of these options now as cost growth remains unsustainable *[information deleted in order to maintain the effective conduct of public affairs through the free and frank expression of opinions]*. It is proposed that Budget Ministers discuss these issues during their bilateral meeting with the Minister of Education on Tuesday 23 March.

Tertiary Education

24. The tertiary education budget package makes savings in student support and capability funding, and proposes to reprioritise this towards additional enrolments and addressing provider cost pressures. We support the savings in that they remove obvious low value for money expenditure (capability funding, loans for non-performing students). We do not support the proposed CPI adjustment for tuition subsidies as this is a price increase without an improvement in quality or standards. Other options (such as relaxing fee regulation further than is currently proposed) could allow institutions to raise extra revenue. *[deleted – confidentiality of advice]*
25. The package proposes to fund additional tertiary places to respond to additional demand due to the recession and demographics. We support restoring the funded places freed up by the student support savings. We consider that additional demand could be managed through TEC reprioritising low value expenditure in the system. If Ministers do wish to purchase extra places, we would recommend a contingency to maintain the level of the 2010 EFTS baseline. Any funding decision could therefore be made later in the year after further evidence of actual demand is available. Based on Ministry of Education forecasts, our judgement is that this, along with the ability for institutions to enrol up to 103% of their allocation, should be sufficient to cover the demand pressure.

Justice Sector

26. The Baseline Alignment Proposals for the Justice Sector Votes (Attorney-General, Corrections, Courts, Justice, and Police) propose an increase in spending within the amount allocated to the Justice Sector by Cabinet in December 2009 (\$151.5 million across the forecast period, not to exceed \$38 million in the final year). See table below:

	Operating					Capital	
	2009/10	2010/11	2011/12	2012/13	2013/14	Total	Total
Corrections	(10.000)	10.262	2.175	2.795	3.495	8.727	-
Justice	15.698	40.712	11.248	1.269	1.167	70.094	-
Courts	4.523	18.737	16.228	18.266	17.686	75.440	-
Police	(20.000)	0.510	1.615	2.636	2.575	(12.664)	3.363
Attorney-General	4.300	0.700	-	0.457	-	5.457	-
Total	(5.479)	70.921	31.266	25.423	24.923	147.054	3.363

Available to spend	-	37.833	37.833	37.833	38.000	151.500	-
Balance / Out of Balance					13.077	4.446	(3.363)

27. The proposals show evidence of cross vote co-operation and of reprioritisation to manage within existing baselines in the Ministry of Justice and Department of Corrections.
28. The proposals prepared by each department for their Minister have strong alignment with Ministerial priorities – [deleted – free and frank].
29. While the proposals balance within the available funding, there are some outstanding issues relating to large capital proposals. These relate to Prison Capacity, capital funding for Whare Oranga Ake (the sector has committed to funding operating costs), and a small request from the Police for Capital funding for one of the Justice PIAs.
30. We recommend that Ministers meet to discuss these issues.
31. We also recommend meeting with Justice Sector Ministers after the bilateral meetings are complete, but before the Budget is presented to Parliament, to discuss how best Ministers and Departments may work together in the future to achieve sector and Government priorities from within existing resources.
32. The baseline alignment proposals as presented cover off issues for 2010/11, but highlight significant fiscal challenges in outyears including outyear legal aid cost and volume pressures, wage settlements in Corrections, Justice and Police. Early agreement on priorities and process will ensure agencies are able to begin the work necessary to undertake the substantial changes (both within and across votes) that is required to live within existing resources.

Social Development

33. The Social Development BAP proposes funding realignment primarily around the priorities agreed between Minister Bennett and the Prime Minister. These are:
 - a. getting people into work (through reform of the benefit system);
 - b. supporting the protection and well-being of vulnerable children and families; and
 - c. Whānau Ora proposals.
34. The Vote Social Development and Youth Development BAP (which has changed since submitted) will return \$4m of savings over four years, with \$37m per annum returning in outyears. This results from changes to the childcare allowance thresholds (agreed through the Future Focus package), line-by-line savings and unallocated Pathway to Partnership funding.
35. *[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]*

Other Votes

36. The remaining Votes can essentially be considered in two categories; those with issues that need to be resolved before the Budget package can be settled, and those that can be addressed after the Budget or are being addressed through separate processes.
37. The following Votes have presented unbalanced BAPs (i.e. planned expenditure exceeds baselines). We recommend that Budget Ministers direct officials to balance baselines in these Votes by Friday 26 March:

Vote	Amount unbalanced
ACC	<i>[deleted – confidentiality of advice]</i>
Economic Development	\$6.63m in 2010/11
Environment and Climate Change	\$3.15m in 2012/13
Fisheries	\$3.25m across the forecast period
Labour	\$2.20m p.a.
Land information	\$0.61m in outyears
Research, Science and Technology	\$0.51m across the forecast period

38. The following Votes have requested additional funding. We recommend that Budget Ministers consider these requests when they set the overall Budget package at their meeting on Wednesday 31 March:

Vote	Amount requested
Communications Security and Intelligence	<i>[deleted - security interests]</i>
Treaty Negotiations	\$6.5m between 2010/11 and 2012/13

39. There are a number of issues in Votes Climate Change, Environment, Labour, and Official Development Assistance that have been identified either in the BAPs or through our analysis of the BAPs. As the BAPs for these Votes balance, the issues do not directly affect the development of the budget package. Consequently we recommend that they be addressed post-Budget (possibly via wider public sector performance improvement initiatives and/or the ECC work programme for 2010). Alternatively, there is the potential to remove savings from these and many of the other Votes discussed in this report now, and hold them centrally as tagged contingencies, whilst the needs of each Vote are worked through in more detail.
40. The BAPs have also identified a range of issues in Votes Defence Force, Foreign Affairs and Trade, and Housing. We are of the view that these issues are best addressed through respectively the Defence Review, the NZ Inc offshore Review and MFAT's capability review, and the Housing Shareholders Advisory Group and other housing processes, rather than through the Budget process.

Next Steps

41. Following this meeting officials will resolve outstanding issues and develop further advice as directed by Budget Ministers. A proposed Budget package will be prepared by Treasury officials for Budget Ministers consideration.
42. Budget Ministers will consider the proposed Budget package and make final decisions on Wednesday 31 March.

43. Treasury will then draft the Budget cabinet paper (incorporating Budget decisions taken outside of the BAP and capital processes) which is scheduled to be lodged with the Cabinet Office no later than Friday 16 April, for consideration by Cabinet on Monday 19 April.

Annex One: Consolidated BAP Analysis Summaries

[information deleted in order to maintain the effective conduct of public affairs through the free and frank expression of opinions]