



Minute of Decision

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Budget 2010: Indicative Shares of the Operating Allowance

Portfolio: Finance

On 2 November 2009, Cabinet:

Background

- 1 **noted** that on 21 September 2009, Cabinet invited the Budget Ministers (Prime Minister, Minister of Finance and Associate Ministers of Finance) to report to Cabinet on 19 October 2009 with:
 - 1.1 an indicative sharing across relevant Votes of new operating funding for Budget 2010;
 - 1.2 any grouping of Ministers and Votes for the remainder of the budget process;[CAB Min (09) 34/12]
- 2 **noted** that given the tighter fiscal conditions, success of the 2010 Budget process is dependent on two key factors:
 - 2.1 Ministers and departmental Chief Executives working together to advance government priorities and manage cost pressures;
 - 2.2 Chief Executives, Ministers, and in some instances Cabinet, being prepared to reduce or stop lower priority programmes / activities;

Provisional deductions from operating allowance

- 3 **noted** that the following amounts have been provisionally deducted from the \$1.1 billion operating allowance for Budget 2010:
 - 3.1 \$128 million to cover the ACC non-earners account funding shortfall, which will be reviewed in early 2010 when final decisions have been taken on ACC levies for 2010/11;
 - 3.2 \$200 million to establish a between budget contingency for 2010/11;

- 3.3 \$122 million for a “rolling maul” of initiatives to be announced both in Budget 2010 and throughout 2010/11; and
- 3.4 \$100 million for the operating impacts of capital expenditure;

Provisional allocations to Education and Health

- 4 **agreed** that \$300 million be indicatively allocated to Vote Health and \$250 million be indicatively allocated to Vote Education;

Detailed examinations of social sector votes

- 5 **agreed** that detailed examinations of the baselines of Vote Health, Education, Social Development and the Justice Sector Votes (Attorney-General, Courts, Corrections, Justice, Police, Serious Fraud) be undertaken by the respective Vote Minister and their departments, reporting to Budget Ministers by 21 December 2009, to assist in aligning baselines to government priorities and, where appropriate, identify where additional resources should be directed;
- 6 **agreed** that if, through their detailed examinations, social sector Vote Ministers referred to in paragraph 5 determine that additional funding over and above the indicative allocation is required, the reviews are to be completed by 30 November 2009 and are to include a reconciliation of where increases to Vote baselines since 2005 have been applied, and what value has been obtained;

Non-social sector votes

- 7 **agreed** that no other Vote be allocated additional funding at this time;
- 8 **invited** the Minister of Finance to write to all Vote Ministers in the next few days, providing more details to assist them for the remainder of the 2010 Budget process;
- 9 **noted** that the Minister of Finance has submitted a separate paper to Cabinet proposing further details on the process and conduct of the detailed examination of the major social sector Votes [CAB Min (09) 39/24];
- 10 **invited** Vote Ministers, who consider that they are unable to deliver priorities and cater for cost pressures from within their existing baseline and indicative share, to submit to the Minister of Finance a request for additional resources, accompanied by a detailed examination of their Vote, consistent with that proposed for Health, Education, Social Development and Justice Sector Votes (paragraph 5 above), by 30 November 2009;
- 11 **noted** that if additional funding is provided to Votes other than that indicatively allocated, this will reduce the increase available for Votes Health and Education, and/or require a reduction in funding proposed for other activities, for example funding for a “rolling maul” of initiatives;
- 12 **agreed** that the final allocation of additional funding to Votes will be set in December 2009 and will be informed by the latest economic and fiscal forecasts, the detailed examination of social sector Votes, Ministers’ feedback and their progress in aligning their baselines with priorities;

Allocation of savings

- 13 **agreed** that savings can be retained within Votes, except for “windfall” savings which are to be returned to the centre;
- 14 **agreed** that proposals to reduce or stop major programmes or activities are to be brought to Cabinet for approval and that Cabinet will determine the proportion of the resulting savings to be retained within the vote and that to be returned to the centre;

Capital

- 15 **noted** that the capital process for Budget 2010 will be similar to that employed in Budget 2009;

Groupings of Ministers and Votes

- 16 **noted** that Budget Ministers have decided not to establish groups of Ministers and Votes specifically for Budget 2010.

Secretary of the Cabinet

Reference: CAB (09) 617
