



## Minute of Decision

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### Budget 2010: Allocation of the Operating Allowance

#### Portfolio: Finance

On 14 December 2009, Cabinet:

#### Previous decisions

- 1 **noted** that on 2 November 2009, Cabinet 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, by 30 November 2009 [CAB Min (09) 39/23];

#### Requests for additional operating funding

- 2 **noted** that submissions for further funding were received from Votes Arts, Culture and Heritage, Climate Change, Defence Force, Justice sector, Maori Affairs, National Archives, Revenue, Tourism and Treaty Negotiations;
- 3 **noted** that Budget Ministers met on 7 December 2009 and considered the requests for additional operating funding;

#### Recommended decisions on requests

- 4 4.1 **agreed** that the following submissions for additional funding be declined:
  - 4.1.1 Vote Arts Culture and Heritage: Memorial Park;
  - 4.1.2 Vote National Archives: Digital Archive Information System;
- 4.2 **invited** the Minister for Arts, Culture and Heritage and the Minister Responsible for Archives New Zealand to resubmit proposals for funding through the capital process, with submissions due by 5 February 2010;

5 **noted** that the following submissions are to be considered as candidates for funding from the “Rolling Maul” fund:

5.1 Vote Maori Affairs: Ex-gratia payment to Ngati Rarua and Atiawa Iwi Trust;

5.2 *[deleted – confidentiality of advice];*

5.3 Vote Maori Affairs: Maori Economic Development;

5.4 Vote Tourism: Priority Delivery Pressures;

6 6.1 **agreed** that the submission for additional funding in Vote Climate Change be accepted;

6.2 **invited** the Minister for the Environment to consider options to fund the additional funding required from savings in Vote Environment;

7 **agreed** that the following submissions for additional funding be accepted and funded by reducing the Budget 2010 contingency for between-Budget spending:

7.1 a scaled version of the submission for additional funding in Vote Defence Force: Depreciation Funding:

	\$ millions, GST exclusive			
	2010/11	2011/12	2012/13	2013/14 & outyears
Vote Defence Force	35	35	35	35

7.2 Vote Revenue: *[deleted – confidentiality of advice];*

	\$ millions, GST exclusive			
	2010/11	2011/12	2012/13	2013/14 & outyears
Vote Revenue	15	-	-	-

8 8.1 **agreed** that the following submissions for additional funding be declined:

8.1.1 Vote Arts Culture and Heritage: Digital Television; and

8.1.2 Vote Treaty Negotiations: OTS Negotiation Capacity;

8.2 **invited** relevant Vote Ministers (Arts Culture and Heritage, Communications and Information Technology and Maori Affairs for digital television, and Treaty negotiations for OTS negotiation capacity) to consider alternative sources of funding for these initiatives;

9 **noted** that declining a Vote Minister’s request for additional operating funding does not mean the particular initiative for which the additional funding was requested is declined at this stage, as it is still open to the Vote Minister to propose in his or her Baseline Alignment Proposal (due on 8 March 2010) that the initiative be funded by reprioritisation from within the total funding available to the Vote;

10 **agreed** that the following submission for additional funding be accepted on the basis that it directly raises revenue and therefore assists the government's fiscal strategy of reducing debt:

10.1 Vote Revenue: Increased audits of tax debt collection, property speculation and the hidden economy at an annual cost of up to \$21 million until 2014/15;

### **Vote Health**

11 **noted** that the Minister of Health's submission identified pressures of \$515 million in Vote Health for 2010/11;

12 **agreed** that Vote Health be allocated \$400 million in additional operating funding;

13 **agreed** that all Health risks, pressures and policy initiatives are to be managed within this number, including any increase in District Health Board (DHB) deficits above the current forecast track;

14 **agreed** that no less than \$300 million is to be applied to increase funding to DHBs through demographic and price changes in DHB appropriations;

15 **noted** that the Minister of Health intends to inform DHBs of their likely 2010/11 funding before Christmas 2009 to allow them to prepare draft District Annual Plans;

16 **authorised** the Minister of Finance and the Minister of Health to jointly determine the final amount and composition of the 2010/11 DHB funding signal within the range of \$300 million to \$400 million and to determine the appropriate planning assumption for DHB funding increments in 2011/12;

17 **noted** that the detailed baseline examination of Vote Health identified a range of potential savings options and policy choices that offer scope to meet other priorities and pressures through reprioritisation;

18 **invited** the Minister of Health to provide a report to Budget Ministers by 28 January 2010 on progress in finalising savings and reprioritisation options to manage the balance of Health pressures and policy priorities in Budget 2010;

### **Vote Education**

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

20 **noted** that the use of forecast changes in Vote Education in 2010/11 and beyond will be revisited in the new year;

21 **agreed** that Vote Education be allocated \$300 million in additional operating funding;

22 **noted** that in the detailed baseline examination of Vote Education to be submitted to the Minister of Finance by 21 December 2009, the Minister of Education has been invited by Cabinet to demonstrate how pressures facing the Vote will be handled within the funding available to the Vote [CAB Min (09) 39/24];

**Justice sector votes**

- 23 **noted** that the submission from the Minister of Justice identified pressures of \$242 million in the Justice sector votes (Attorney General, Courts, Corrections, Justice, Police, Serious Fraud) and requested additional funding of \$99 million;
- 24 **agreed** to a maximum allocation of additional operating funding for the justice sector votes of \$151.5 million over the forecast period (and not more than \$38 million in 2013/14) to meet the most urgent, unavoidable costs in the sector;
- 25 **noted** that the funding for legal aid and community law centres of \$55 million from 2011/12 remains unresolved;
- 26 **agreed** that funding for legal aid and community law centres from 2011/12 be addressed in Budget 2011;
- 27 **invited** the Minister of Justice to report to Budget Ministers by 30 November 2010 with options (including reprioritisation options) to establish a sustainable and affordable baseline for legal aid and community law centres, for consideration in Budget 2011;
- 28 **invited** the Minister of Justice, the Minister of Corrections, the Minister of Police, the Attorney General and the Minister for Courts to include any changes to appropriations required to give effect to the decision in paragraph 24 above in their Baseline Alignment Proposals due on 8 March 2010;
- 29 **agreed** that the new capital funding sought in the Justice sector submission should be submitted by 5 February 2010 for consideration in the capital initiatives stage of Budget 2010;

**Allocation of the Budget 2010 operating allowance**

- 30 **agreed** that \$128 million in total be allocated to Vote ACC across the forecast period (reducing to zero by 2011/12 to cover the ACC non-earners account funding shortfall);
- 31 **agreed** to establish a 2010/11 between-Budget contingency of \$141 million, establish a \$100 million “rolling maul” fund, and provide \$50 million for the operating impacts of capital decisions;
- 32 **noted** the following allocation of the \$1.1 billion Budget 2010 operating allowance:

	<b>\$ millions, GST exclusive</b>				
	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14 &amp; outyears</b>
Vote Health	-	400	400	400	400
Vote Education	-	300	300	300	300
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	-	-	-
<b>Total</b>	<b>86</b>	<b>1,121</b>	<b>1,064</b>	<b>1,064</b>	<b>1,064</b>

- 33 **agreed** that the 2010 between-Budget contingency may require further smoothing to reflect funding profiles finalised when Ministers align their baselines (see paragraph 37 below), and thereby ensure that total expenditure in each year does not exceed \$1.1 billion;
- 34 **invited** Budget Ministers to explore tagging part of the between-Budget contingency to a number of specific risks to assist in mitigating their implications and, if they do not eventuate, enable the government to deliver the 2010 Budget for less than \$1.1 billion;
- 35 **noted** that any submissions for additional funding outside of this allocation that cannot be met from the funding remaining in the 2009 between-Budget contingency will need to be funded from within the \$1.1 billion allowance for new spending, or require offsetting savings;

### Next steps

- 36 **invited** the Minister of Finance to write to Ministers who submitted requests for additional funding advising them of Cabinet's decisions;
- 37 **noted** that on 21 September 2009, Cabinet invited all Vote Ministers to provide reports to the Minister of Finance by 8 March 2010 setting out how they intend to align their baselines and any allocation of additional funding to give effect to the priorities discussed at Premier House on 12 October 2009 [CAB Min (09) 34/12]
- 38 **invited** Ministers to submit capital bids by 5 February 2010, supported by business cases as appropriate;

### Other matters

- 39 **noted** that, as of 11 December 2009, the 2009/10 general between-Budget contingency is overcommitted, and that there is \$141 million remaining in as yet unspent tagged contingencies over the forecast period;
- 40 **noted** that:
- 40.1 the Minister for Treaty of Waitangi Negotiations included a submission for additional funding for two Treaty of Waitangi Settlements in his submission on 30 November;
- 41 [information deleted in order to enable the Crown to negotiate without disadvantage or prejudice]

42 **noted** that on 30 November 2009, Cabinet, as part of its decisions on the revised Waikato River co-management arrangements:

42.1 approved an up-front payment of \$10 million each to Maniapoto and Ngati Tuwharetoa, as part payments of the \$30 million each co-management funding, subject to the confirmation of the availability of funding referred to in paragraph 41.2 below;

42.2 noted that the Treasury will work with the Ministry for the Environment to confirm the availability of the additional \$10 million required in 2009/10 in Vote Environment to provide for the payments to Maniapoto and Ngati Tuwharetoa referred to in paragraph 41.1 above;

[CAB Min (09) 42/19]

43 43.1 **rescinded** the decisions referred to in paragraphs 41.1 and 41.2 above; and instead

43.2 **agreed** to an up-front payment of \$10 million each to Maniapoto and Ngati Tuwharetoa, as part payments of the \$30 million co-management funding, to be funded from the 2009/10 between-Budget contingency.

Secretary of the Cabinet

Reference: CAB (09) 767

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