

The Treasury

Budget 2011 Information Release

Release Document

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- [1] 9(2)(a) - to protect the privacy of natural persons, including deceased people
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Treasury Report: Canterbury Earthquake Recovery Authority Net Assets and Departmental Capital Expenditure (2010/11 and 2011/12)

Date:	21 April 2011	Report No:	T2011/894
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Action Sought

	Action Sought	Deadline
Minister of Finance (Hon Bill English)	Read this report and approve the change to the net asset schedule for the Canterbury Earthquake Recovery Authority	Urgent , before Wednesday 27 April 2011
Minister for Canterbury Earthquake Recovery (Hon Gerry Brownlee)	Read this report and approve the change to the net asset schedule for the Canterbury Earthquake Recovery Authority	Urgent , before Wednesday 27 April 2011

Contact for Telephone Discussion (if required)

Name	Position	Telephone	1st Contact
[1]			✓
Catherine Atkins	Manager, Regulatory Quality Team	[1]	

Minister of Finance's Office Actions (if required)

If the Minister of Finance approves this report, please forward to the Minister for Canterbury Earthquake Recovery for his signature.

Minister for Canterbury Earthquake Recovery's Office Actions (if required)

Please return an original of the report to the Treasury. **Please note that this is urgent and needs to occur before 27 April 2011.**

Enclosure: No

Treasury Report: Canterbury Earthquake Recovery Authority Net Assets and Departmental Capital Expenditure (2010/11 and 2011/12)

Executive Summary

Recent funding provided for the Canterbury Earthquake Recovery Authority (CERA) includes amounts that CERA intends to spend on capital assets (including motor vehicles). To undertake this capital investment and meet Budget reporting requirements Ministerial approval is sought to:

- Approve an equity injection into CERA, funded from a fiscally neutral transfer of operating to capital; and
- Approve CERA's projected net asset schedule for the 2010/11 and 2011/12 financial years.

As Budget Ministers provided approval for CERA's budget for 2010/11 and 2011/12, both the capital and operating swap and capital injections can be regarded as technical matters that can be approved by joint Ministers (the Minister of Finance and the Responsible Minister) under Cabinet Office Circular (CO (09) 6).

Recommended Action

We recommend that you:

- note** that the amounts Budget Ministers (as authorised by Cabinet) recently approved for the two departmental output expense appropriations in Vote Canterbury Earthquake Recovery included amounts that the Canterbury Earthquake Recovery Authority intend to spend on capital assets (in particular motor vehicles);
- note** that the Canterbury Earthquake Recovery Authority require a capital injection to undertake the proposed expenditure on capital assets;
- note** that the 2010/11 Supplementary Estimates and 2011/12 Estimates are required to state the projected balance of net assets for each department at the end of the financial year (sections 17(1)(b) and 14(1)(c) of the Public Finance Act 1989 refers);
- note** that the associated Appropriation Bills are required (by section 23 of the Public Finance Act 1989) to include a schedule of movements in net assets and projected capital injections and projected balance of net assets at the end of that financial year;
- note** that Cabinet Office Circular (Co (09) (6)) provides that technical changes to baselines can be approved jointly by the Minister of Finance and the Vote Minister;
- agree** that the equity injection required to support capital expenditure be funded in a fiscally neutral manner by swapping operating funding to capital;

Agree/disagree.
Minister of Finance

Agree/disagree.
Minister for Canterbury Earthquake Recovery

- g **approve** the following changes to appropriations and net assets to provide for the required capital injections for the Canterbury Earthquake Recovery Authority, with a corresponding impact on the operating balance and debt;

	\$m – increase/(decrease)				
	2010/11	2011/12	2012/13	2013/14	2014/15& Outyears
Vote Canterbury Earthquake Recovery Authority Minister for Canterbury Earthquake Recovery					
Departmental Output Expense: Policy Advice Planning for the Recovery (funded by revenue Crown)	(0.038)	(0.075)	-	-	-
Departmental Output Expense: Implementation for the Canterbury Recovery Programme (funded by revenue Crown)	(0.012)	(0.025)	-	-	-
Net Asset Schedule of the Canterbury Earthquake Recovery Authority: Capital Injection	0.050	0.100	-	-	-
Total Operating	(0.050)	(0.100)	-	-	-
Total Capital	0.050	0.100	-	-	-

Agree/disagree.
Minister of Finance

Agree/disagree.
Minister for Canterbury Earthquake Recovery

- h **approve** the following changes to the net asset schedule for the Canterbury Earthquake Recovery Authority for 2010/11 and 2011/12; and

	2010/11	2011/12
Canterbury Earthquake Recovery Authority forecast net asset schedule	\$50,000	\$100,000

Agree/disagree.
Minister of Finance

Agree/disagree.
Minister for Canterbury Earthquake Recovery

- i **agree** that the proposed changes to appropriations and projected balances of net assets for 2010/11 above be included in the 2010/11 Supplementary Estimates and that, in the interim, the increases be met from Imprest Supply.

Agree/disagree.
Minister of Finance

Agree/disagree.
Minister for Canterbury Earthquake Recovery

Catherine Atkins
**Manager, Regulatory Quality Team
for Secretary to the Treasury**

Hon Bill English
Minister of Finance

Hon Gerry Brownlee
Minister for Canterbury Earthquake Recovery

Treasury Report: Canterbury Earthquake Recovery Authority Net Assets and Departmental Capital Expenditure (2010/11 and 2011/12)

Purpose of Report

1. Joint Minister approval is sought to undertake two minor and technical changes to Vote Canterbury Earthquake Recovery.

Background

2. On 28 March 2011 Cabinet agreed to create the Canterbury Earthquake Recovery Authority (CERA). CERA was created to facilitate the recovery of Canterbury following the Canterbury Earthquake on 4 September 2010 and the subsequent aftershocks, including the 22 February 2011 aftershock (CAB Min (11) 13/9 refers).
3. In April 2011 the Minister for Canterbury Earthquake Recovery and Budget Ministers agreed on two years of funding for CERA.
4. The total Budget for CERA is as follows:

\$ = millions	2010/11	2011/12
Planning for the Recovery	\$2.973	\$16.183
Implementing the Recovery	\$0.991	\$5.394
Total	\$3.964	\$21.577

5. The funding was intended to cover the following broad items, including capital items:

Table 1: CERA Departmental Expenditure Summary

CERA Operating Cost Summary (\$'000) ex GST	2010/11	2011/12
	3 months	12 months
Personnel costs	960.0	7,933.7
Research, consultancy	2,100.0	9,750.0
Accommodation, IT, Vehicles	174.0	972.0
Capital charge	21.3	85.0
Depreciation	109.3	437.0
Other & contingency	600.0	2,400.0
Total 15 month spend	3,964.6	21,577.7

Analysis

6. For CERA to purchase capital assets (in particular motor vehicles), as anticipated by Budget Ministers, they need to have some equity. Equity can be provided to CERA by Joint Ministers making a capital injection to CERA, and effected in a fiscally neutral manner by swapping some of the operating funding to capital.
7. The operating to capital swap, as well as joint net assets of CERA (which correspond with any equity injections) need to be confirmed by Ministers to enable CERA to purchase the capital items and also fulfil their reporting requirements.
8. The 2010/11 Supplementary Estimates and the 2011/12 Estimates of Appropriations are required (by sections 17 (1) (b) and 14 (1) (c) of the Public Finance Act 1989) to state the projected net assets for each department at the end of the financial year. The associated Appropriation Bills are required (by section 23 of the Public Finance Act 1989) to include a schedule showing for each department:
 1. Projected movements in net assets during that financial year, including any projected capital injections; and
 2. The Projected balance of net assets at the end of that financial year.

Ministers need to approve any capital injections to enable CERA to meet these reporting requirements.

Consultation

9. These approvals are a consequential requirement to enable CERA to undertake its functions and meet its reporting requirements for Budget. The recommendations have been consulted with the Acting CFO at CERA who supports and agrees with the proposal.