

# The Treasury

## Budget 2013 Information Release

### Release Document

July 2013

[www.treasury.govt.nz/publications/informationreleases/budget/2013](http://www.treasury.govt.nz/publications/informationreleases/budget/2013)

Key to sections of the Official Information Act 1982 under which information has been withheld.

Certain information in this document has been withheld under one or more of the following sections of the Official Information Act, as applicable:

- [1] 6(a) - to prevent prejudice to the security or defence of New Zealand or the international relations of the government
- [2] 6(c) - to prevent prejudice to the maintenance of the law, including the prevention, investigation, and detection of offences, and the right to a fair trial
- [3] 9(2)(a) - to protect the privacy of natural persons, including deceased people
- [4] 9(2)(b)(ii) - to protect the commercial position of the person who supplied the information or who is the subject of the information
- [5] 9(2)(d) - to avoid prejudice to the substantial economic interests of New Zealand
- [6] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials
- [7] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions
- [8] 9(2)(h) - to maintain legal professional privilege
- [9] 9(2)(i) - to enable the Crown to carry out commercial activities without disadvantage or prejudice
- [10] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice
- [11] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage
- [12] Not in scope
- [13] 7(b) - to prevent prejudice to relations between any of the Governments of New Zealand, the Cook Islands or Niue
- [14] 9(2)(ba)(i) - to prevent prejudice to the supply of similar information, or information from the same source, and it is in the public interest that such information should continue to be supplied.

Where information has been withheld, a numbered reference to the applicable section of the Official Information Act has been made, as listed above. For example, an [4] appearing where information has been withheld in a release document refers to section 9(2)(b)(ii).

In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) of the Official Information Act.

---

**From:** [3]  
**Sent:** Wednesday, 13 March 2013 12:11 p.m.  
**To:** ^Parliament: Cameron Burrows  
**Cc:** Linda Cameron; Simon McLoughlin; Ben McBride; [3]  
**Subject:** Ministry of Education's Aide Memoire on Tertiary Package for Fiscal Issues Meeting TODAY  
**Attachments:** Aide memoire 12 March.doc

Hi Cameron,

As noted yesterday, the Ministry of Education has provided an Aide Memoire to Minister Joyce (see attached) in response to our advice on the Tertiary Education Budget 2013 package which we provided to Minister English on Friday 8<sup>th</sup> March. We understand that Minister Joyce intends to discuss the content of the Ministry's Aide Memoire at today's Fiscal Issues Meeting.

- When Minister English and Minister Joyce met on 5 March to discuss the Tertiary Package, options were discussed in relation to the treatment of the technical change to the cost of lending i.e. 1) whether the savings should be returned to the centre 2) whether an allocation should be returned to Vote Tertiary or 3) whether the savings remain in the Vote Tertiary Budget 2013 Package. Our understanding is that these three options were discussed, but Ministers did not make a final decision.
- The established process with forecast changes (excluding Votes Health and Education) is that they are managed within the central spending allowance, as they are volatile and can have positive and negative impacts on the OBEGAL. In previous years, these changes have largely been OBEGAL positive, but have been "banked" as they are expected to net to zero over the long-run. Similarly, the technical change to Tertiary's forecasts is also expected to net to zero over the long-run.
- If Ministers agree to option 2) and decide to fund new ongoing initiatives, there will be a spending gap that the centre will need to manage as there is no out-year funding. As stated in the Ministry's Aide Memoire, there will be a negative effect on the operating balance as the interest unwind outweighs the positive savings in the cost of lending from 2018/19 onwards. Ministers need to be aware that this will affect the operating balance/Obegal. The technical change will have a negative impact on the operating balance from 2018/19 onwards, and the net impact of forecast changes is charged directly against the spending allowance in line with the fiscal management approach.
- The Aide Memoire refers to positive effects on the operating balance in real terms for a tranche of lending over 50 years when the last repayment is being made. However, this assumption is based on interest rates remaining at current low levels over the forecast period. If interest rates increase, the real positive effect over 50 years is reversed. Nevertheless, the OBEGAL is a nominal measure, and is not adjusted for inflation in outyears. Further, a central tenet of the fiscal management approach is fixed nominal baselines, with forecast changes for CPI adjustments dealt with through the central spending allowance for each Budget.
- [6]

Please let me know if you require further information or would like to discuss.

Kind regards

[3]

[3]

CONFIDENTIALITY NOTICE

The information in this email is confidential to the Treasury, intended only for the addressee(s), and may also be legally privileged. If you are not an intended addressee:

- a. please immediately delete this email and notify the Treasury by return email or telephone (64 4 472 2733);
- b. any use, dissemination or copying of this email is strictly prohibited and may be unlawful.