

The Treasury

Budget 2013 Information Release

Release Document

July 2013

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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.



Minute of Decision

This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.

Budget 2013 Package

Portfolio: Finance

On 15 April 2013, Cabinet:

Background

- 1 **noted** that on 8 April 2013, Cabinet agreed to the technical budget initiatives for Budget 2013 [CAB Min (13) 11/2(1-24)];
- 2 **noted** that the economic recovery continues, with a 2014/15 surplus of approximately \$50 million to \$100 million expected on Budget Day, the result of stronger tax revenue, spending decisions in the Budget package, and indicative ACC levy reductions;
- 3 **noted** that continued fiscal restraint will be necessary to achieve the government's fiscal objective of reducing debt to a level no higher than 20 per cent of GDP by 2020;
- 4 **noted** that Budget 2013 will continue to help achieve the government's top four priorities:
 - 4.1 responsibly managing the government's finances;
 - 4.2 building a more productive and competitive economy;
 - 4.3 delivering better public services within tight fiscal constraints;
 - 4.4 rebuilding Christchurch;

New operating spending

- 5 **agreed** to decrease the Budget 2014 operating allowance by \$100 million to \$1.09 billion per year to offset new spending in Budget 2013;

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- 6 **noted** that new operating spending decisions in Budget 2013 have been partially offset by savings and revenue initiatives, resulting in a net increase in spending across the forecast period of \$3.6 billion:

	Sm – increase/(decrease)					Total
	2012/13	2013/14	2014/15	2015/16	2016/17	
New Spending	72	1072	1047	986	1057	4234
Savings/revenue	(62)	(91)	(169)	(161)	(151)	(634)
Net spending	10	981	878	825	906	3600

Future Investment Fund spending

- 7 **noted** that the second tranche of investments from the Future Investment Fund to be announced at Budget 2013 total \$1.5 billion, including \$616 million previously agreed by Cabinet;
- 8 **agreed** to establish a \$1 billion allocation in the Future Investment Fund for health capital expenditure;

ACC levy reductions

- 9 **agreed** to the following indicative reductions in the operating balance before gains and losses through lower ACC levies:
- 9.1 \$500 million from 2014/15 onwards;
- 9.2 an additional \$1 billion from 2015/16 onwards;
- 10 **authorised** the Minister of Finance and the Minister for ACC to change the indicative reductions in paragraph 9 above once final Budget forecasts are available to ensure consistency with the fiscal strategy;
- 11 **noted** that the indicative levy reduction for 2014/15 is based on advice provided by ACC in November 2012 and reflects the government's prudent management of the ACC scheme;
- 12 **noted** that the indicative levy reductions for 2015/16 are based on funding policy work carried out by officials in 2012;
- 13 **noted** that the final total of levy reductions in 2014/15 and 2015/16 are subject to final Cabinet decisions on levy rates in November 2013 and November 2014 respectively;

Budget 2013 Package

- 14 **agreed** to the initiatives for Budget 2013 as set out in the financial recommendations attached to the paper under CAB (13) 203, **subject to** merging a number of the initiatives in Vote Health as proposed by the Minister of Health;
- 15 **agreed** to an increase of \$5.00 million per year in Vote Conservation to be funded as part of the Budget 2013 package;

- 16 **authorised** the Minister of Finance and the relevant Vote Ministers to approve changes to initiatives and appropriations where this proves necessary to finalise the 2013 Budget package;
- 17 **authorised** the Minister of Finance and the Vote Minister to approve jointly any technical adjustments to baselines necessary to remove any errors or inconsistencies identified while finalising the 2012/13 Supplementary Estimates, the 2013/14 Estimates and the fiscal forecasts;
- 18 **agreed** to set aside a between-Budget spending contingency to let the government respond rapidly to events as they unfold:

	\$m – increase/(decrease)			
	2013/14	2014/15	2015/16	2016/17 & Outyears
Between-Budget Contingency	47.02	46.00	46.00	46.00

- 19 **agreed** that:
- 19.1 proposals for funding from the between-Budget contingency must be for urgent issues that cannot be deferred to Budget 2014;
- 19.2 Ministers will be expected to demonstrate that they have exhausted their search for opportunities to fund the initiative through reprioritisation of lower value activities;
- 20 **noted** that funding for initiatives agreed as tagged contingency items will expire on 1 February 2014;
- 21 **agreed** to only provide further extensions to those contingencies where such extensions are critical to the achievement of a Better Public Service result;
- 22 **authorised** the Prime Minister and the Minister of Finance to set final allowances for future Budgets and any additional steps necessary to protect the 2014/15 surplus based on the final fiscal forecasts;
- 23 **agreed** that no papers with fiscal and/or appropriation implications for agreement by Cabinet or Cabinet committees be submitted between 15 April 2013 and 16 May 2013 so that Budget Day documentation is accurate;
- 24 **noted** that all communications relating to Budget 2013 are coordinated by a Budget communications committee, and that any requests for early announcement will need to have both the written approval of the Minister of Finance and sign-off from the Prime Minister's office;

25 **agreed** that expenses or capital expenditure against appropriations set out in the 2013/14 Estimates and being sought in that Bill may be met from Imprest Supply until the Appropriation (2013/14 Estimates) Bill is enacted.

Secretary of the Cabinet

Reference: CAB (13) 203

Secretary's Notes:

- 1 *Separate minutes have been issued for the 2013 Budget initiatives for each Vote. See CAB Min (13) 12/6(1-30).*
 - 2 *Paragraphs 19, 23 and 24 above have also been issued in a separate minute for the information of all Ministers and Chief Executives [CAB Min (13) 12/6A].*
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