

# The Treasury

## Budget 2015 Information Release

### Release Document July 2015

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

Reference: T2015/100

TY-2

Date: 17 February 2015

To: Minister of Finance  
(Hon Bill English)

Associate Minister of Finance  
(Hon Steven Joyce)

BGA Infrastructure Ministers

Deadline: None  
(if any)

## **Aide Memoire: Budget 2015 Initiatives in the BGA Infrastructure Workstream**

### **Purpose**

The purpose of this note is to support a discussion amongst Infrastructure Ministers on the relative priority of Budget initiatives seeking operating funding that relate to the Infrastructure workstream of the Business Growth Agenda (BGA).

The following tables outline the relevant initiatives and the Treasury's initial (?) view on their value for money, links to BGA objectives, and the degree of discretion over progressing the initiative.

The Treasury assessments focus on the merits of the initiatives as they stand. Once each of the BGA Ministerial groups has discussed the initiatives, Budget Ministers will consider options for prioritised packages across the BGA to fit into the available allowance. We are looking to develop packages of \$0-\$100 million in net terms.

A number of capital projects that will be considered by Investment Ministers are listed for information so that Infrastructure Ministers can see the full set of bids that are under consideration in Budget 2015.

### **Budget 2015 context**

- The emphasis of Budget 2015 is to target children in material deprivation as well as continued focus on results and improving public sector performance.

- There are a large number of initiatives that have been submitted in Budget 2015. In total, there is around \$1.8 billion to \$2.1 billion a year of operating pressures, of which \$215 million to \$265 million are BGA-related initiatives.
- Funding all initiatives would require active reprioritisation, significant savings and/or revenue increases.
- Within this workstream, there are around \$82 million per annum of operating pressures. To support a discussion on priorities we outline some suggested discussion points on options and key trade-offs below.

### **Suggested issues for discussion**

- [8]

*Given Budget pressures, what regional initiatives would Ministers prioritise and defer? Given Manifesto commitments around ultra-fast and rural broadband, can other regional initiatives be deferred to future budgets?*

- [8]

- **Housing and construction sector.** The initiatives for additional policy advice funding reflect increased demand for work in the housing and construction area. The Treasury considers that there is potential to reprioritise funding from the weather-tight homes appropriation where there are continued underspends. While this approach may make it more difficult to manage any unforeseen weather-tight costs, Cabinet could consider funding for such pressures if and when they eventuate.

*Do Ministers wish to ask MBIE to deliver this work through reprioritisation?*

- **Transport initiatives.** [8]

The MetService and Transport Accident Investigation Commission (TAIC) are also seeking funding to address operational pressures. The Treasury supports these initiatives as they will deliver efficiencies but only the MetService is likely to reduce services without new funding.

[8]

*Do Ministers consider there are any service failure risks of deferring MetService and TAIC initiatives?*

- [8]

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Vote	Initiative	Description	Opex sought (\$m)					Treasury assessment		
			2014/15	2015/16	2016/17	2017/18	2018/19	Value for money	Links to BGA	Degree of discretion
<i>Regional Initiatives</i>										
Communications	Extending the Ultra-Fast Broadband Initiative	Funding for further policy advice to support Government's plan to expand and accelerate Ultra-Fast Broadband (UFB) investment throughout New Zealand.	-	2.000	1.500	1.500	0.500	<b>Support through reprioritisation.</b> There is a case for additional policy support but MBIE has indicated it could meet the cost by reprioritising an existing appropriation.	Extends current BGA action to roll out UFB.	Discretionary (separate manifesto commitment for UFB extension)
[8]										
Economic Development and Employment	Funding for Proactive Engagement with Specific Regions	Greater regional economic growth contributes to a fairer and wealthier New Zealand. This funding will enable central government to play its part in driving and delivering Action Plans that will enhance economic growth in selected regions and sub-regions of New Zealand.	-	1.000	0.500	0.500	0.500	<b>Fund within MBIE baselines.</b> There is increased demand from Ministers for regional policy advice, however Ministers could ask MBIE to reprioritise other activities and direct funding towards pressures.	Supports BGA cross cutting priority of regional development.	Discretionary
[8]										

Investment Ministers will also consider the following capital initiatives with regional impacts:

- an extension to the Ultra-Fast Broadband roll-out; and
- 

[8]

Vote	Initiative	Description	Opex sought (\$m)					Treasury assessment		
			2014/15	2015/16	2016/17	2017/18	2018/19	Value for money	Links to BGA	Degree of discretion
<i>Canterbury Housing Initiatives</i>										
Social Development	Extension of Temporary Accommodation Assistance	Increase in Hardship Assistance forecast expenditure for Temporary Accommodation Assistance due to the extension of a time limited programme	-	3.675	2.902	0.523	-	<b>Do not support.</b> There is a case to extend the programme as those who will be eligible are more likely to be facing delays or more difficult repairs. However, it is not well targeted towards those who are facing the greatest need for affordable housing. Treasury considers the initiatives below to maintain the supply of temporary accommodation are of greater priority.	Links to government priority of Rebuilding Christchurch and supporting BGA actions.	Discretionary, but we recognise that some households may face a significant financial burden if support is stopped.
[8]										

[8]											
Housing	Christchurch City Council Home Ownership Initiative	This initiative seeks funding from the already established Christchurch Housing Accord capital contingency to seed a Christchurch City Council-led home ownership fund for low income families who can sustain a mortgage.	-	5.000					<b>Do not support.</b> The initiative does not align well with the intentions of the accord which was to encourage the supply of affordable and temporary housing in Christchurch. Providing subsidies may further stimulate demand when the housing market is already overheated. The Government has already announced a package of support for low-medium income households wanting to buy their first home.	No direct link	Discretionary

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<i>Housing and construction sector</i>										
Housing	Building and Housing priorities	The provision of primary and secondary advice in the fields of Building and Housing policy. Covers advice in areas such as the potential to facilitate large scale housing developments, work on minimum quality standards, occupational regulation and improving rental market performance and affordability in NZ.	-	2.122	2.654	2.337	2.270	<b>Support through reprioritisation.</b> While there is increasing demand for housing policy advice, the Treasury considers that continued underspends in the weathertight homes appropriation can be reprioritised to meet these costs.	Links to BGA initiatives on affordable housing	Policy work is agreed by Cabinet.
										[8]
Housing	Housing New Zealand: Resourcing to Support Home Start Programme	To enable the provision of the KiwiSaver deposit subsidy and new Government HomeStart Policy for people who meet the required eligibility criteria.	0.600	1.040	0.966	0.916	0.916	<b>Support at scaled level</b> (approx \$0.6m p.a.). A significant increase in demand for first home deposit subsidy is expected following announcement of Homestart package. Admin costs associated with implementing Homestart were not considered by Cabinet last year. Alternative is to accept slower application processing timeframes (currently 7 days, estimated to become 28 days without new funding). This bid includes funding for marketing the programme which can be scaled back following separate Cabinet decisions on this.	Link to housing affordability initiatives.	Policy agreed by Cabinet.

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<i>Transport initiatives</i>										
Transport	Weather forecasts and warnings	Public weather forecasting - funding to MetService to reduce risk and improve resilience to ensure the on-going delivery of quality services.	-	2.638	3.343	4.679	5.191	<b>Support.</b> Initiative has gone through robust review and would allow MetService to operate more sustainably, and maintain and extend service levels. Deferral would reduce the level of service provided and increase risk to public, agriculture and business.	No direct link but supports safety of infrastructure network. Regional impact: new Otago rain radar.	Discretionary, no prior commitment although bid reflects contract negotiations.
Transport	Accident or Incident Investigation and Reporting	To enable the Transport Accident Investigation Commission to be more effective in delivering accident investigations that meet government and international expectations, by increasing its staffing levels.	-	1.368	1.774	1.665	1.655	<b>Support.</b> Good case for pursuing as the initiative would allow TAIC to operate more efficiently and sustainably. Given budget pressures can be deferred without service level impact.	No direct link to BGA goals, but supports safety of infrastructure network.	Discretionary, no prior commitment.

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