

# The Treasury

## Budget 2015 Information Release

### Release Document July 2015

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- [8a] 9(2)(f)(ii) - to maintain the current constitutional conventions protecting the collective and individual ministerial responsibility
- [9] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions
- [10] 9(2)(h) - to maintain legal professional privilege
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- [12] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice
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- [14] Not in scope

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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.

# Budget 2015 Package

Budget Ministers Meeting  
13 April 2015



2015  
**BUDGET**

# Impact of Budget decisions (including all savings options and ACC) on OBEGAL

[9]

However, final fiscal forecasts (due on 1 May) will include changes to the above numbers (e.g. the final student loan valuation) and at this stage we are aware of the following for 2015/16:

- **ACC insurance claims expenses are expected to increase OBEGAL by around \$130 million** in 2015/16, reflecting discount rate movements from 31 January to 31 March and review of provision in 2015/16 for potential court cases (see ACC slide).
- **The outlook for nominal GDP is expected to be marginally weaker**, reflecting a lower starting point based on the recent December GDP outturn. Slightly stronger growth through the forecast period does not fully recover this shortfall.
- **2015/16 tax revenue is likely to be lowered slightly** relative to the preliminary forecasts. However, this impact is likely to be marginal as December tax was already known. Estimated net effect for 2015/16 is around -\$50 million (-0.8%).
- **Updated DHB deficit forecasts** are likely to impact negatively on OBEGAL by around \$50 million from 15/16.
- **Other changes** are possible, including to benefit expenditure and SOE forecasts.

# BUDGET 2015 OPERATING PACKAGE

*This graph shows the profile of Budget initiatives and packages against the Budget 2015 operating allowance. The allowance is \$1.0 billion pa or \$4.0 billion across the forecast period.*

[8]

# BUDGET 2015 OPERATING PACKAGE

	2015/16	2016/16	2017/18	2018/19	Average
<b>Precommitments</b>					
Home Start	43.419	50.662	56.531	60.200	52.703
NZ Flag Referendum	19.668	-	-	-	4.917
<b>Total Precommitments</b>	<b>63.087</b>	<b>50.662</b>	<b>56.531</b>	<b>60.200</b>	<b>57.620</b>

## Other commitments

[8]

[9]

[8]

## Children in Material Hardship

<b>Total Children in Material Hardship</b>	<b>70.575</b>	<b>244.538</b>	<b>237.895</b>	<b>237.305</b>	<b>197.57825</b>
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## Social Sector Package

[8]

Social Development	45.702	11.057	12.809	13.577	20.786
[8]					
Social Housing	20.734	14.764	12.106	17.460	16.266
Other Social Sector initiatives	18.585	14.722	16.751	18.698	17.189
MSD Simplification Savings	(10.700)	(12.000)	(53.400)	(53.400)	(32.380)

[8]

## Business Growth Agenda Package

Tertiary Package	12.070	14.885	3.200	6.000	9.039
Natural Resource Sector Package	46.444	(9.487)	19.731	22.619	19.827
Other BGA initiatives	42.010	54.884	48.404	49.649	48.737
<b>Total BGA Package</b>	<b>100.524</b>	<b>60.282</b>	<b>71.335</b>	<b>78.268</b>	<b>77.602</b>

## Other Initiatives

	2015/16	2016/16	2017/18	2018/19	Average
<b>Total Other Initiatives</b>	<b>39.038</b>	<b>102.743</b>	<b>144.463</b>	<b>146.423</b>	<b>108.167</b>

[11]

## Savings Initiatives

<b>Savings Initiatives</b>	<b>(201.000)</b>	<b>(204.000)</b>	<b>(210.000)</b>	<b>[8]</b>
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[11]

[8]

<b>Outstanding Savings Decisions</b>	<b>(52.000)</b>	<b>(116.000)</b>	<b>(216.000)</b>	<b>(216.000)</b>	<b>(150.000)</b>
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# BUDGET 2015 FISCAL FORECASTS

**Preliminary fiscal forecasts for Budget 2015 were finalised on 23 March and showed a modest deficit in 2014/15 and a very small surplus in 2015/16.** At less than half a percent of GDP, the fiscal position should be considered in broad balance in these two years given normal forecast variation

	14/15	15/16	16/17	17/18	18/19
Prelim OBEGAL (\$millions)	-665	15	1,735	2,428	4,043
Prelim OBEGAL (% of GDP)	-0.3	0.0	0.7	0.9	1.4

**Final fiscal forecasts are due on 1 May.** Some changes are likely to the above numbers (e.g. the final student loan valuation) and at this stage we are aware of the following for 2015/16:

- **The outlook for nominal GDP is expected to be marginally weaker**, reflecting a lower starting point based on the recent December GDP outturn. Slightly stronger growth through the forecast period does not fully recover this shortfall.
- **2015/16 tax revenue is likely to be lowered slightly** relative to the preliminary forecasts. However, this impact is likely to be marginal as December tax was already known. Estimated net effect for 2015/16 is around -\$50 million (-0.8%).
- **ACC insurance claims expenses are expected to increase OBEGAL by around \$130 million** in 2015/16, reflecting discount rate movements from 31 January to 31 March and review of provision in 2015/16 for potential court cases (see ACC slide).
- **The Budget package is currently lower than the assumed \$1.0 billion** in the preliminary forecasts and could increase OBEGAL by around \$50-100 million depending on final decisions and the exact impact.
- **Other changes** are possible, including to benefit expenditure and SOE forecasts.

Budget 2015

# **OUTSTANDING DECISIONS**

# OUTSTANDING DECISIONS – Social Sector Package

## ***'MARGINAL' INITIATIVES – not currently included in the 2015 Budget package***

Vote/Initiative	15/16	16/17	17/18	18/19	Average	Decision Required
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### EDUCATION

[8]

### HEALTH

[8]

Bowel Screening Pilot Extension	3.400	6.000	3.000	-	3.100	This reflects the original funding initiative (i.e. this has not been scaled). Treasury has recommended that these costs could be absorbed.
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### OTHER

Super Gold Card [8]

[8]

## **RESPONSES TO QUESTIONS RAISED AT BUDGET MINISTERS 31 MARCH**

- In relation to the Children in Material Hardship package, Ministers asked if the 'MSD Implementation costs' initiative could be halved. In consultation with MSD, DPMC and the Minister of Finance, Treasury have confirmed that the amount presented to Budget Ministers has already been scaled. To scale any further would limit MSD's ability to deliver the package and would remove their ability to enforce the new work obligations and re-application process by actively working with these clients
- [8]
- [12]



# OUTSTANDING DECISIONS – BGA package

## *'MARGINAL' INITIATIVES – not currently included in the 2015 Budget package*

Vote/Initiative	15/16	16/17	17/18	18/19	Average	Decision Required
<b>Social Development:</b> Extension of Temporary Accommodation Assistance (TAA) in Canterbury	3.664	3.304	0.760	-	1.932	The TAA provides non-income tested financial assistance to households whose houses are being repaired or rebuilt in Canterbury. There is a case to extend the assistance as those who would be eligible over the next 2 years are more likely to be facing difficult repairs. However, Treasury considers it is not well-targeted and the initiatives to maintain the supply of temporary accommodation are of greater priority. <b>Budget Ministers could decide to include in the BGA package.</b>
<b>Housing:</b> Christchurch City Council Home Ownership	5.000	-	-	-	1.250	This initiative seeks funding to set up a homeownership fund with the Christchurch City Council to support low income families into home ownership. This initiative was not included in the package presented at Budget Ministers on 31 March. Treasury does not support this initiative. <b>Budget Ministers could decide to include this initiative in the BGA package.</b>
<b>Internal Affairs:</b> Local Government Commission	0.900	0.900	0.900	-	0.675	This initiative was not included in the package presented at Budget Ministers on 31 March. <b>Budget Ministers could decide to include this initiative in the BGA package.</b>
[8]						
<b>TOTAL Marginal Decisions for BGA</b>						

## **RESPONSES TO QUESTIONS RAISED AT BUDGET MINISTERS 31 MARCH**

- [8]

# OUTSTANDING DECISIONS – OTHER and CAPITAL Packages

• ***The Minister of Revenue has requested consideration of two options to provide for greater Child Support Legacy debt write-off. This is in addition to the write-off already included in the ‘Other package’.***

[8]

Vote/Initiative - Other	15/16	16/17	17/18	18/19	Average	Capital	Comment
[8]							
Revenue: Addressing Child Support Legacy Debt – <u>additional</u> write-off option 2	0.700	4.400	9.400	15.300	7.450	-	The ‘Other’ package already includes operating costs of \$0.500m, \$3.900m, \$5.500m, \$7.400m (2015/16-2018/19). These costs are in addition to this measure.
[8]							
Office of the Clerk: Parliament TV webcasting	0.180	0.180	0.180	0.180	0.180	-	[8]

***There are three outstanding issues for Budget Ministers to confirm as part of the capital package:***

• [8] ***and the provision of capital, as opposed to operating, support for the Waitangi Wharf, as included in the capital package.***

[8]

Vote/Initiative (\$m) - Capital	Total sought	Recommended	Comment
[8]			
Internal Affairs: Waitangi Wharf	52.0	52.0	Original bid requested operating funding – Budget Ministers questioned whether this could be capital
[8]			



# ACC LEVY REDUCTIONS

## ***ACC Levy Reductions***

There are two main options for ACC levy reductions (indicative numbers):

1. No reductions: Delay decision to implement ACC funding policy, with no OBEGAL impacts shown in Budget 2015 forecasts. This is what was included in preliminary Budget forecasts.
2. Implement ACC funding policy: This option is currently projected to have a negative OBEGAL impact of \$163m in 2015/16 and \$487m in 2016/17, though changes in claims performance assumptions and discount rates could change these impacts significantly.
3. Alternatively, an option to signal a smaller, fixed amount of levy reductions could be explored: Given the uncertainty around impacts, this would require consultation with ACC to identify a sensible scenario within a given range.

AGREE – Option 1

OR

AGREE – Option 2

OR

EXPLORE – Option 3

Final decisions on levies are not made until later in the year following public consultation.

[9]

**Context for ACC decision:** There are expected to be changes to forecasts of ACC insurance claims expenses in the final Budget forecasts, compared with preliminary forecasts shown above. An improvement of around \$130 million in 2015/16 reflects discount rate movements from 31 January to 31 March and review of provision in 2015/16 for potential court cases.

# OUTSTANDING DECISIONS - SYSTEM Package

**A system initiatives package will require mandatory baseline contributions for operating funding. Note that since Budget Ministers 31 March, this package now includes funding** <sup>[11]</sup> **and NZ Data Futures.**

The system package focuses on the delivery of Results 9 and 10, together with resolving long running ICT tensions in the system, and reducing transaction costs. Note that most of these initiatives have been scaled since they were initially submitted – this has been done in consultation with agencies. A mandatory baseline contribution has been signalled with departmental Chief Executives and CFOs. The level of contribution required from each agency is shown on the next slide.

	Vote/Initiative	15/16	16/17	17/18	18/19	Average	AGREED CAPEX	Comment
RESULT 10	RealMe	13.950	12.750	6.510	2.410	8.905	12.500	Investment Ministers package includes capex, to be funded from FIF. Funding agreed with expectation that agencies increasingly take up services. A review will identify opportunities to partner with the private sector.
	Result 10	3.000	3.000	3.000	3.000	3.000	-	- Funding for Result 10 is currently pooled from Result 10 agencies. Including it in this package is agreeing to change this model to reduce transaction costs, and instead fund through cross government mandatory baseline contributions.
RESULT 9	NZ Business Number (NZBN)	0.548	0.582	0.432	0.432	0.499	3.500	Investment Ministers package includes capex, to be funded from FIF.
	Business.govt.nz	1.150	1.250	1.350	1.350	1.275	-	- New tools for business.govt.nz to reduce small business compliance costs.
OTHER	ICT Common Capabilities	0.400	0.400	0.400	0.400	0.400	5.000	Investment Ministers package includes capex, to be funded from FIF. Scaled down from \$7.000m capital sought. Changed funding model to fully fund from voluntary user charges (not compulsory service charges for all agencies). \$0.4 million opex to cover associated capital charge.
	Property Management Centre of Expertise (PMCoE)	2.500	2.500	2.500	2.500	2.500	-	- Funding for PMCoE is currently pooled from agencies. Including it in this package is agreeing to change this model to reduce transaction costs, and instead fund through cross government mandatory baseline contributions.
	Christchurch Integrated Government Accommodation (CIGA)	0.305	0.700	0.700	0.800	0.626	-	- Funding for additional costs associated with relocation to joint accommodation in central Christchurch.
	[11]							
	NZ Data Futures	1.000	1.000	1.000	1.000	1.000	-	
	[11]							
	<b>Total</b>	-	-	-	-	-	21.000	Capital from Future Investment Fund – included in Capital Package slide



# SAVINGS FOR BUDGET 2015

Initiative (\$m)	14/15	15/16	16/17	17/18	18/19	Comments
Net return on IRD Revenue Investments	-	(52)	(116)	(216)	(216)	This consists of two initiatives: 1) Continuing time-limited funding in Budget 2012 for targeted compliance areas: Aggressive tax planning, hidden economy, unfiled returns, and collection of older debt. 2) Additional revenue investment opportunities in investigations, particularly: Aggressive tax planning, property compliance, and hidden economy
Removal of KiwiSaver kick-start payment	(17)	(175)	(126)	(106)	(107)	Removal of the kick-start would involve a repeal (primary legislation) which could be done in legislation on Budget night.
Cost recovery for passenger clearance at the border - MPI and Customs	-	(26)	(78)	(104)	(104)	MPI spend \$50mn p.a. on passenger clearance and customs spend \$56m. MPI require a public consultation on a levy under the Biosecurity Act and customs would require primary legislation. This equates to a fee of approximately \$16.25 for arriving passengers (currently no charge) and \$5.90 for departing (currently \$13.50). 2015/16 Savings assumes a 1 Jan start. Savings assume a point of sale, rather than point of travel charge.

[8]

<b>TOTAL</b>	[8]					
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[8]

IRD Initiative breakdown:	14/15	15/16	16/17	17/18	18/19	Comments
Additional Revenue	-	(64.720)	(144.417)	(257.564)	(257.564)	This reflects IRD's expectation of the additional revenue to be generated.
Operating costs	-	7.440	16.602	36.586	36.586	This is the additional departmental costs of the greater investigations workforce.
Impairment costs	-	5.199	11.601	5.076	5.076	This is the net impairment cost, which is made up of two parts: 1) an increase in impairment from the revenue generating initiatives to reflect the likelihood that not all of the revenue will be collectable. 2) a decrease in impairment from the debt collection aspects of the second initiative. This decrease reflects the increased collectability of the debt due to earlier action by IRD.
<b>TOTAL</b>	-	(52.081)	(116.214)	(215.902)	(215.902)	

# IMPLICATIONS OF THE BUDGET PACKAGE

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The IRD savings in the preceding slide would create significant headroom within the \$1 billion budget allowances (package would average around \$850 million over the forecast period), especially in 2017/18 and 2018/19. [9]

[9]

The operating package has some additional implications for Budget 2016:

- Work is underway on a social investment approach for Budgets 16 and beyond; this will provide better information on returns on investment, to support Ministers in making spending choices (in the social sector).
- Deferred and anticipated cost pressures for Budget 2016 e.a. [8]

The capital package has a number of implications for Budget 2016:

- The Government has committed to use the balance sheet to finance capital investments until Budget 2016. The proposed Budget 2015 capital package (\$938 million) leaves \$727 million in the FIF for Budget 2016,[8]
- [8]



Budget 2015

**CHILDREN IN MATERIAL  
HARDSHIP PACKAGE (\$198m)**

# CHILDREN IN MATERIAL HARDSHIP PACKAGE

Budget Ministers are asked to agree a package of initiatives focussed on assisting families with children experiencing material hardship, while continuing an emphasis on paid work as a route out of poverty.

Vote/Initiative (\$m)	15/16	16/17	17/18	18/19	Average	Comment
Benefit rate increase for families with children	33.025	132.139	132.105	133.820	107.772	Increase of \$25 per week in the benefit rates for families with children
Student allowance increase	1.883	5.946	6.093	6.120	5.011	To maintain parity between benefit rates for families with children and the student allowance for families with children
In-Work Tax Credit increase and abatement rate increase for Working for Families	19.000	73.000	69.000	66.000	56.750	Increase the base rate of the In-Work Tax Credit by \$12.50 per week and increase the abatement rate for Working for Families from 21.25c to 22.5c/\$1
Minimum Family Tax Credit increase	0.400	1.600	1.800	1.800	1.400	Consequential increase in the Minimum Family Tax Credit from the increase to benefit rates and the In-Work Tax Credit of \$12 per week
Childcare Assistance increase for low-income families	7.753	31.484	32.088	32.822	26.037	Increase in the hourly subsidy by \$1 for childcare and out-of-school care of low-income working families
OSCAR programme costs	0.100	0.400	0.400	0.400	0.325	Consequential increase in Out-of-School-Care-and-Recreation (OSCAR) programme costs as a result of the increase to Childcare Assistance subsidy rates
Income-Related Rent subsidy appropriation	(0.601)	(7.383)	(7.459)	(7.525)	(5.742)	Consequential decrease in the Income-Related Rent subsidy appropriation from the benefit rate increase
Payment to redress unintended financial disadvantage resulting from the package	0.065	0.250	0.250	0.250	0.204	A small payment to redress unintended financial disadvantage resulting from the package
MSD implementation costs	8.350	6.872	3.618	3.618	5.615	Most of this relates to the cost of ongoing staffing within Work and Income to administer new work search obligations and the 52-week benefit reapplication process. The remainder relates to other implementation costs including IT and systems changes
IR implementation costs	0.600	0.230	-	-	0.208	This covers the changes required by the increase to the In-Work Tax Credit and the abatement rate
<b>Total</b>	<b>70.575</b>	<b>244.538</b>	<b>237.895</b>	<b>237.305</b>	<b>197.578</b>	

Note this package will be considered by Cabinet on 13 April.

AGREE / DISAGREE

Budget 2015

# **SOCIAL SECTOR PACKAGE** <sup>[8]</sup>

# SOCIAL SECTOR PACKAGE

## EDUCATION INITIATIVES

Initiatives relating to outstanding decisions have been bolded.

Vote/Initiative	15/16	16/17	17/18	18/19	Average	Comment
Forecast Changes OBU 2014	33.901	26.269	13.721	18.538	23.107	
[8]						
New Schools and Roll Growth Classrooms	8.927	24.666	26.734	27.947	22.069	Cost from new schools / increased capacity at existing schools to meet demographic change. Scaled amount represents a deferral of the operating expenditure due to a scaled package of \$243 million for capital funding
Ongoing Resourcing Scheme demand pressures	7.473	9.834	10.666	11.553	9.882	
[8]						
Education payroll system	15.949	12.438	12.438	12.438	13.316	Budget Ministers asked if this initiative could be scaled. Treasury has confirmed that it cannot be.
Education school building insurance	8.500	8.500	8.500	8.500	8.500	
Earthquake resilience	4.850	-	-	-	1.213	
Additional In-Class Support	5.718	5.795	5.872	5.951	5.834	[8]
[8]						
School's Operating Grant	6.080	12.066	12.093	12.085	10.581	Increased to 1% - agreed at Budget Ministers on 31 March
[8]						

AGREE / DISAGREE

# SOCIAL SECTOR PACKAGE

## HEALTH INITIATIVES

Vote/Initiative	15/16	16/17	17/18	18/19	Average	Comment
National Child Health Services – HNS	2.961	2.961	2.961	2.961	2.961	Treasury recommend fully funding demographic pressures, [12]
Disability Support - Home & Community Support Services - HNS	6.090	6.090	6.090	6.090	6.090	Treasury recommend fully funding demographic pressures, [12]
Disability Support - Community Residential Services - HNS	12.307	12.307	12.307	12.307	12.307	Treasury recommend fully funding demographic pressures, [12]
Ambulances - HNS	3.350	3.350	3.350	3.350	3.350	
Community Midwives - HNS	4.882	4.882	4.882	4.882	4.882	Treasury recommend fully funding demographic pressures [12]
Primary Health Care - HNS	3.631	3.753	3.779	3.805	3.742	
Public Health - HNS	2.140	4.218	4.218	4.218	3.699	Treasury recommend fully funding demographic pressures, [12]
Disability Support - Environmental Support Services - HNS	2.241	2.241	2.241	2.241	2.241	Treasury recommend fully funding demographic pressures, [12] wage pressures
Disability Support - Other Services & minimum wage increase -HNS	1.933	5.683	5.683	5.683	4.746	Treasury recommend fully funding demographic pressures, [12]
Disability Support - High & Complex Services cost increase - HNS	0.510	0.510	0.510	0.510	0.510	
DHB Funding Signal	275.000	275.000	275.000	275.000	275.000	Agreed by Cabinet
In-between travel	14.000	14.000	14.000	14.000	14.000	Agreed by Cabinet
\$50m over three years for electives	11.000	27.000	12.000	-	16.667	Shifted profile to align with SSPM first year and reduce 15/16 pressure
Additional 2000 Electives Procedures	12.000	12.000	12.000	12.000	12.000	
Expand hospice community palliative care services	13.000	13.000	13.000	13.000	13.000	
Palliative Care Nurses	3.100	7.000	7.000	7.000	6.025	Scaled down in year 1, consistent with Ministers package.
<b>TOTAL HEALTH PACKAGE</b>	<b>368.145</b>	<b>393.995</b>	<b>379.021</b>	<b>367.047</b>	<b>377.052</b>	

AGREE / DISAGREE

# SOCIAL SECTOR PACKAGE

## SOCIAL DEVELOPMENT INITIATIVES

Vote/Initiative	15/16	16/17	17/18	18/19	Average	Comment
CYF client demand pressure	8.000	-	-	-	2.000	
OSCAR	2.042	2.107	2.107	2.875	2.283	This initiative also includes \$1.500m for a forecast shortfall in 2014/15. We recommend not funding MSD approvals.
Participation and inclusions for people with disabilities	1.736	3.676	5.428	5.428	4.067	We recommend funding the pressure for three additional years until there is a clearer sense of how Enabling Good Lives will impact the scheme
Improving outcomes for children with high needs	1.414	1.414	1.414	1.414	1.414	
Implement CYPF Act	3.311	-	-	-	0.828	
Security Cost	11.000	-	-	-	2.750	Scaled down consistent with Ministers package. We recommend funding for one year only, with Ministry to manage / absorb costs from 2016/17.
CFY modernisation	5.839	-	-	-	1.460	We recommend minor scaling to reflect a lower estimate of assurance costs.
Manifesto - Achieving BPS target 1	8.500	-	-	-	2.125	We recommend that \$8.5 million is held as a tagged contingency for testing potential contributions towards the target. May include other agencies / cross agency work.
Limited Services Volunteer scheme	3.860	3.860	3.860	3.860	3.860	This initiative has been scaled to provide for only 800 places per annum at a cost of \$3.860 million - [8]
<b>TOTAL SOCIAL DEVELOPMENT</b>	<b>45.702</b>	<b>11.057</b>	<b>12.809</b>	<b>13.577</b>	<b>20.786</b>	

Note that the 'Growing Up in New Zealand' and the 'NZ Data Future Forum' initiatives have been moved to the System Package with an intention that they be funded from a mandatory baseline contribution.

AGREE / DISAGREE

## JUSTICE & POLICE INITIATIVES

Vote/Initiative	15/16	16/17	17/18	18/19	Average	Comment
Serious Fraud Office	2.030	2.030	2.030	2.030	2.030	Funding is sought to, maintain current investigative capacity and increase agency resilience. Treasury supports this bid. Material service impacts if not funded.
[8][12]						
<b>TOTAL JUSTICE &amp; POLICE</b>	<b>[8][12]</b>					

AGREE / DISAGREE

# SOCIAL SECTOR PACKAGE

## SOCIAL HOUSING INITIATIVES

Vote/Initiative	15/16	16/17	17/18	18/19	Average	Comment
Social Housing Reform programme	13.700	7.400	4.400	9.400	8.725	Funding for agencies to implement the Government's social housing reform programme.
Community group housing	7.034	7.364	7.706	8.060	7.541	Funding for HNZN's rent shortfall on Community Group Housing.
<b>TOTAL SOCIAL HOUSING</b>	<b>20.734</b>	<b>14.764</b>	<b>12.106</b>	<b>17.460</b>	<b>16.266</b>	

AGREE / DISAGREE

## OTHER SOCIAL SECTOR INITIATIVES

Initiatives relating to outstanding decisions have been bolded.

Vote/Initiative	15/16	16/17	17/18	18/19	Average	Comment
Children's teams (CAP) - ongoing (9.4) and expansion (4.0)	9.894	8.144	7.144	7.144	8.082	Fund directorate, existing teams plus Hamilton and one other site, scaled workforce, and ViKI. Scaled number of Children's Teams will allow for evaluation and CYF modernisation to inform any rollout of additional teams, including the four previously agreed to by Cabinet

[11]

Super Gold Card	[8]					
<b>TOTAL OTHER SOCIAL SECTOR INITIATIVES</b>	<b>18.585</b>	<b>14.722</b>	<b>16.751</b>	<b>18.698</b>	<b>17.189</b>	

AGREE / DISAGREE

## TOTAL SOCIAL SECTOR PACKAGE

	15/16	16/17	17/18	18/19	Average	
[8]						
MSD SIMPLIFICATION	(10.700)	(12.000)	(53.400)	(53.400)	(32.380)	
[8]						

Budget 2015

# **BUSINESS GROWTH AGENDA PACKAGE**



# BGA PACKAGE – Tertiary Education

The table below presents a net Tertiary Education package.

Vote/Initiative	15/16	16/17	17/18	18/19	Average	Comment
<b>Tertiary Ed:</b> Increase the number of places in Māori and Pasifika Trades Training	1.200	2.400	2.400	2.400	2.100	This funds an additional 500 places from 2016 and DEFERS any further funding decisions to Budget 2016. This is a manifesto commitment.
<b>Tertiary Ed:</b> Targeting increases in tuition subsidy funding	12.250	24.500	24.500	24.500	21.438	Tuition subsidy increases to targeted, priority, fields of study to bring tuition subsidy funding into closer alignment with the relative costs of delivery.
<b>Tertiary Ed:</b> Raising engineering graduate numbers	2.300	3.600	4.200	8.200	4.575	This is a manifesto commitment.
<b>Tertiary Ed:</b> Increase funding to address shortfall in trainee intern medical grants	0.800	1.700	1.700	1.700	1.475	This will provide for a shortfall in funding available for an entitlement.
<b>Tertiary Ed:</b> Expand the Youth Literacy and Numeracy Assessment Tool	0.020	0.185	-	-	0.103	This initiative has associated capital of \$1 million which will be funded using TEC recoveries.
<b>Tertiary Ed:</b> Maintaining the Student Allowance parental income threshold	(0.500)	(2.400)	(4.300)	(5.300)	(3.125)	Provide savings to the centre by continuing to maintain the parental income threshold for access to student allowance at its current rate for an additional three years – out to 2019.
<b>Tertiary Ed:</b> Lower the Annual Maximum Fee Movement at 3% for 2016	(4.000)	(5.100)	(5.300)	(5.500)	(4.975)	For 2016, lowering the amount that providers can increase their fees from 4% to 3%. Post 2016, further decisions are required.
<b>Tertiary Ed:</b> Utilise estimated unspent TEC funding from 2014/15	-	-	-	-	-	[8] Plan is to spread \$30m of these recoveries across the forecast period as shown in table and return the rest to the centre. ( This will be reflected in the forecasts as a <b>\$30m saving in 2014/15</b> and an increase in spending by \$20m in 2015/16 and \$10m in 2016/17.
<b>Tertiary Ed:</b> Utilise a portion of the forecast headroom	-	(10.000)	(20.000)	(20.000)	(12.500)	Decreased demand in Tertiary Education
<b>Total spending initiatives (gross)</b>	16.570	32.385	32.800	36.800	29.639	
<b>Total savings initiatives</b>	(4.500)	(17.500)	(29.600)	(30.800)	(20.600)	
<b>TOTAL (net)</b>	12.070	14.885	3.200	6.000	9.039	

AGREE / DISAGREE

**Note** that since Budget Ministers 31 March this package has changed to include the 'Expand the Youth Literacy and Numeracy Assessment Tool' initiative. It is proposed that this package be offset by \$30 million of recoveries returned to the centre in 2014/15.

# BGA PACKAGE – Natural Resources Sector

The table below presents a Natural Resources Sector package – including savings as agreed by the Sector.

Vote/Initiative	15/16	16/17	17/18	18/19	Average	Comment
Primary Industries: Animal Welfare	2.677	2.677	2.317	2.317	2.497	SCALED bid to support increased pressure on service and new requirements under Animal Welfare Act (1999).
Primary Industries: TB National Pest Management Plan	22.444	-	-	-	5.611	Support but potential to be scaled if necessary.
	MPI agree initiative to be unded from PGP	-	(22.444)	-	-	
Primary Industries: Strengthening Biosecurity Capability	1.600	2.100	2.700	2.700	2.275	Treasury recommends funding only for 2015/16 to avoid service delivery risk whilst a review of operations is undertaken. MPI has agreed to fund this from PGP – this agreement is on the assumption that the 'sought' amount be agreed to. [8]
	MPI agree initiative to be funded from PGP	-	(3.700)	(2.700)	(2.700)	
Primary Industries: Doubling the value of Primary Sector Exports	3.360	4.110	-	-	1.868	Treasury does not support this initiative, however if Ministers want to progress, MPI have agreed to fund it from PGP. If Ministers do not want to fund this initiative, one option could be to offset another initiative with these savings.
	MPI agree initiative to be unded from PGP	-	(7.470)	-	-	
Primary Industries: Extending the Irrigation Acceleration Fund	-	5.000	5.000	5.000	3.750	
Primary Industries: Afforestation Grants Scheme (AGS)	0.500	4.400	4.400	4.400	3.425	This initiative will deliver 15,000 hectares of forest on erosion prone land. Ministers should note that this is able to be scaled further and is discretionary. This is a manifesto commitment.
Primary Industries: Fruit Fly	5.571	-	-	-	1.393	Treasury has been made aware that MPI will be submitting a paper to CRC on 13 April seeking funding associated with Fruit Fly. [8] The 2015/16 costs will need to be charged against the allowance to offset the OBEGAL impact.
Environment: Resource Management Reform	5.800	4.600	4.900	5.100	5.100	This initiative has been scaled but will deliver increased national direction but with a slower roll out of reforms and impacts will be felt later in the 4 year period than originally proposed.
Environment: Water reform	4.100	4.500	4.500	3.700	4.200	MfE have indicated that this scaled initiative will lead to reduced investment in economic modelling tools and support for joint economic analysis; however, an alternative approach would be to reduce council engagement or policy work before impacting economic analysis.

Initiatives continue over the page

# BGA PACKAGE – Natural Resources Sector

Vote/Initiative	15/16	16/17	17/18	18/19	Average	Comment
<b>Environment:</b> EPA Support	4.000	-	-	-	1.000	Funding in 2015/16 with further funding to be considered as part of Budget 2016.
<b>Environment:</b> Supply management strategy and auctioning system in NZ-ETS	1.700	1.000	0.700	0.700	1.025	This scaled initiative will deliver a functioning system but design will be constrained; this funding will include procurement and operating of an auctioning platform, and setting up and managing an associated supply management and cap setting process. This is also dependant on a policy decision to pursue this work.
<b>Conservation:</b> Save the Iconic Kiwi	0.592	0.940	3.114	6.602	2.812	
<b>SAVINGS PROPOSED BY NATURAL RESOURCE SECTOR - in addition to PGP reprioritisation shown above</b>						
<b>Primary Industries:</b> Sustainable Farming Fund	(1.000)	(1.000)	(1.000)	(1.000)	(1.000)	
<b>Primary Industries:</b> Climate Change Research	(2.000)	(2.000)	(2.000)	(2.000)	(2.000)	
<b>LINZ proposed contribution</b>	-	(0.200)	(0.200)	(0.200)	(0.150)	
<b>Environment:</b> Community Environment Fund	(1.000)	(1.000)	(1.000)	(1.000)	(1.000)	
<b>Environment:</b> Contaminated Sites Remediation Fund	(0.800)	-	-	-	(0.200)	
<b>Environment:</b> Promotion of sustainable Land Management (Landcare Trust)	-	(0.800)	(0.800)	(0.800)	(0.600)	
<b>Environment:</b> Environmental Legal Assistance	(0.200)	(0.200)	(0.200)	(0.200)	(0.200)	
<b>Energy:</b> Deployment of Marine Energy fund	(0.900)	-	-	-	(0.225)	
<b>TOTAL (Gross Recommended)</b>	<b>52.344</b>	<b>29.327</b>	<b>27.631</b>	<b>30.519</b>	<b>34.955</b>	
<b>TOTAL Savings - including PGP reprioritisation shown above</b>	<b>(5.900)</b>	<b>(38.814)</b>	<b>(7.900)</b>	<b>(7.900)</b>	<b>(15.129)</b>	
<b>TOTAL (NET)</b>	<b>46.444</b>	<b>(9.487)</b>	<b>19.731</b>	<b>22.619</b>	<b>19.827</b>	

AGREE / DISAGREE

NB: This package has changed since Budget Ministers on 31 March to reflect updated information from Primary Industries. At MBU, the PGP funding in 2015/16 was moved out to 2016/17. This means that where previously the initiatives were fiscally neutral in the same financial year, this is no longer the case – however, the initiatives are still fiscally neutral across the forecast period.

# BGA PACKAGE – Building a \$78m package

There are a number of BGA initiatives not included below which will be progressed by departments, either by reprioritising or using underspends. These initiatives are reflected in the supplementary A3s listing 'unfunded initiatives' as they require no new funding.

Vote/Initiative	15/16	16/17	17/18	18/19	Average	Comment
Customs: Building Export Markets	-	1.641	1.531	1.531	1.176	This initiative is expected to deliver trade benefits by reducing costs of duties and avoiding processing delays at international ports, and protect New Zealand's trade reputation through increased assurance of exports.
[11]						
Economic Development & Employment: Skills and Employment Hub	0.850	-	-	-	0.213	Evaluations have shown positive outcomes for the recovery of Canterbury. The key risk of national roll-out is that the Canterbury labour market has significant differences to elsewhere.
[8]						
Immigration: Managing our Borders: Immigration Risk	6.051	6.072	6.069	6.966	6.290	The initiative has been scaled but there is a clear business case for increased resource on the basis of risk mitigation in light of increased visitor numbers. Investment Ministers have agreed the capital component.
Labour: Maintaining Employment Relations and Standards Service Delivery	8.000	8.000	8.000	8.000	8.000	This funding will both maintain current service levels (\$4.3 million), and expand services such as information provision to businesses to achieve new policy objectives (\$4.5 million). [8]
Science & Innovation: Funding for Research and Development Growth Grants	20.000	20.000	20.000	20.000	20.000	International evidence suggests positive growth benefits from government support for R&D. Funding will mitigate cost pressures from higher than expected demand for grants.
Science & Innovation: Funding for Regional Research Institutes	-	[9]				

# BGA PACKAGE – Building a \$78m package

Vote/Initiative	15/16	16/17	17/18	18/19	Average	Comment
Statistics: Financial Flows and Balance Sheet Statistics	1.150	1.350	1.400	1.850	1.438	Funding for this initiative will bring New Zealand into line with all other OECD countries as currently New Zealand does not produce a full set of balance sheet statistics.
Transport: Weather forecasts and warnings	2.638	3.343	4.679	5.191	3.963	This initiative has gone through robust review and funding would allow MetService to operate more sustainably, and maintain and extend service levels.
Transport : Accident or Incident Investigation and Report	1.368	1.774	1.665	1.655	1.616	There is a good case for pursuing this initiative as it would allow TAIC to operate more efficiently and sustainably. Given budget pressures could be deferred without service level impact [8]
Sub-total	42.010	54.884	48.404	49.649	48.737	
Natural Resource Sector (NET PACKAGE)	46.444	(9.487)	19.731	22.619	19.827	
Tertiary Education Sector	12.070	14.885	3.200	6.000	9.039	
<b>TOTAL</b>	<b>100.524</b>	<b>60.282</b>	<b>71.335</b>	<b>78.268</b>	<b>77.602</b>	Could be brought down if Ministers agree to further reprioritisation in the NRS

AGREE / DISAGREE

Budget 2015

# **'OTHER' PACKAGE**

# OTHER INITIATIVES – Recommended Package

Note that the Waitangi Wharf initiative has been removed (as this will be counted as Capital).

Note this includes scaled DMRR [1]

Vote/Initiative	15/16	16/17	17/18	18/19	Average	Comment
Defence Force: DMRR Funding Track and Contingent Funding for new projects	22.490	77.440	97.440	97.440	73.703	Includes DMRR funding track as indicatively agreed by Cabinet, as well as funding for associated projects.
Defence: Ministry of Defence Investment Case	3.980	5.980	8.550	8.610	6.780	Scaled amount supports only the 'capability delivery' portion of the bid which seeks to improve procurement capability in MoD Acquisition team. MoD wants to steadily increase staffing levels by 39 FTEs over the next 4 years. This recommended package does not support an increase in funding for MoD's policy function.
Revenue: Addressing Child Support Legacy Debt	0.500	3.900	5.500	7.400	4.325	This initiative supports improved equity and engagement in the child support system. Although technical in nature this has a reasonable social impact and supports the work of current reforms.
Internal Affairs: Archives New Zealand: Christchurch Office Re-location	0.549	2.140	1.690	1.690	1.517	Associated capex (\$13.040 million) supported by Investment Ministers [9]
Internal Affairs: Insurance Proceeds	0.183	0.183	0.183	0.183	0.183	This initiative was omitted from the information presented to Budget Ministers on 31 March. This reflects the operating funding associated with a capital initiative agreed by Investment Ministers and included in the current Budget package.
Treaty Negotiations: Relativity Mechanism	2.836	-	-	-	0.709	This initiative seeks new funding in 2015/16 only to fund the resolution of relativity mechanism disputes through arbitration. Cabinet have already agreed policy direction, and agreed to enter arbitration.
Office of the Clerk: Capital Planning	0.500	0.500	0.500	0.500	0.500	This initiative will contribute to the efficient operation of the Office of the Clerk and the Parliamentary priorities with the refresh and/or replacement of current core activities. Non discretionary, delay in replacement of systems would result in risking service failure. (Only opex sought – no associated capex)
Prime Minister and Cabinet: Government House Maintenance	-	0.600	0.600	0.600	0.450	Discretionary, funded up to July 2016. Investment Ministers support.

[1]

AGREE / DISAGREE

Budget 2015

# **CANTERBURY RECOVERY**

[8]



# CANTERBURY – Recommended Package

The budget proposals have been reworked by CERA after examining timing options for expenditure. The aggregate impact of the proposals has been reduced to those necessary in 2014/15 and 2015/16. In addition, some of the activities and associated expenses that can be transferred into 2014/15 have been moved forward. [8]

Vote/Initiative (\$m)	14/15	15/16	16/17	17/18	18/19	Average (4 years)	Comment
Vesting of land	25.000	8.000	2.000	-	-	2.500	
Building Impairment	43.000	14.000	-	-	-	3.500	Includes unappropriated
Sale or vesting of development costs	8.000	42.000	-	-	-	10.500	Memorial, playground, Avon River
Departmental	-	9.000	[11]				The baseline was never fully established
Costs of Ownership (depreciation)	-	1.000	1.000	1.000	1.000	1.000	Bus Interchange
Facility Operating	-	1.000	1.000	1.000	1.000	1.000	Bus Interchange
Disposal or divestment	4.000	4.000	2.000	-	-	1.500	
Purchase/Demolition/Holding	9.000	[11]	-	-	-	16.000	To enable projects to proceed.
<b>Total</b>	<b>89.000</b>	<b>[11]</b>					

AGREE / DISAGREE

Budget 2015

# **FUTURE INVESTMENT FUND PACKAGE (\$938m)**

# FIF – Investment Ministers recommended Package (\$938m)

## REMAINING FUNDS IN THE FUTURE INVESTMENT FUND (FIF) FOR ALLOCATION AT BUDGET 15 AND BUDGET 16

Total Remaining funds in the FIF - \$1,665 million

Assumed allocation in HYEPU for Budget 15 - \$835 million

Assumed allocation in HYEPU for Budget 16- \$830 million

Vote/Initiative (\$m)	Total sought	Recommended	Comment
<b>Arts, Culture and Heritage:</b> Te Papa Wellington	49.3	40.0	Support scaled amount to Maintain the integrity of Te Papa's Cable Street and Tory Street buildings.
<b>Communications:</b> Extending Ultra-Fast Broadband	210.0	210.0	Fully funding. Operating costs are to be funded from within baselines.
<b>Commerce and Consumer Affairs:</b> NZ Business Number	3.5	3.5	Support. Operating costs are recommended to be funded from cross-agency baseline contributions.
<b>Conservation:</b> Deferral of capital injections	(144.0)	(144.0)	Take-saving from deferral of capital intentions and ask Conservation to seek funding in future.
[12]			
<b>Education:</b> New Schools and Roll Growth Classrooms	[8]	243.8	Scaled, focusing on urgent priorities. Scaled operating costs included in the social sector package.
<b>Immigration:</b> Vision 2015	28.4	28.4	Support. Operating costs to be met from user fees.
<b>Immigration:</b> Managing our Borders: Immigration Risk	6.6	6.6	Support. Scaled operating costs included in the BGA package.
<b>Internal Affairs:</b> Archives New Zealand: Christchurch Regional Office	13.0	13.0	Support subject to resolving question over location in Christchurch CBD. Operating costs funded in the 'other' package.
<b>Internal Affairs:</b> Insurance proceeds returned for CIGA building refit	2.3	2.3	Support. Operating costs funded from within cross-agency baselines.
<b>Internal Affairs:</b> RealMe	12.5	12.5	Agree, conditional on review to ensure increased take-up and break-even. Operating costs to be funded from cross-agency baseline contributions.
<b>Internal Affairs:</b> GCIO Common Capabilities	7.0	5.0	Support \$5m capital injection to address deficits on the memorandum accounts. Operating costs to be funded from cross-agency baseline contributions.
<b>Internal Affairs:</b> Waitangi Wharf	52.0	52.0	Original bid requested operating funding – Budget Ministers agreed to instead provide capital
<b>Prime Minister and Cabinet:</b> Government House Maintenance	3.6	3.6	Plus \$600k of opex p.a. from 2016/17. Included in 'Other' package.
<b>Social Development:</b> Children's Action Plan (CAP) operating model	2.3	2.3	Support. Operating costs are to be met from the Social Sector package.
<b>Tertiary Education:</b> Lincoln University	100.0	100.0	Agreed in-principle by Cabinet. Tagged contingency subject to business case.

# FIF – Investment Ministers recommended Package (\$938m)

Vote/Initiative (\$m)	Total sought	Recommended	Comment
Transport: Regional Highways	97.0	97.0	Cabinet agreed as a <b>pre-commitment</b> against Budget 2015 capital allowance.
Transport: Urban Cycleways	40.0	40.0	Cabinet agreed as a <b>pre-commitment</b> against Budget 2015 capital allowance.
Transport: KiwiRail ongoing support	[8]		
Transport: Wellington Metro Rail	6.5	6.5	Support. Existing funding for maintenance runs out in 2015/16.
<i>Proposals not counted against the Future Investment Fund</i>			
Finance: social housing reform - Tamaki [1]	[9]	Loan – 0	Would not impact on the FIF as it is a loan.
[1]	[9]	937.8	Total excludes \$200m social housing [1]