

The Treasury

Budget 2015 Information Release

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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] 6(e)(iv) - to damage seriously the economy of New Zealand by disclosing prematurely decisions to change or continue government economic or financial policies relating to the entering into of overseas trade agreements.
- [4] 9(2)(a) - to protect the privacy of natural persons, including deceased people
- [5] 9(2)(b)(ii) - to protect the commercial position of the person who supplied the information or who is the subject of the information
- [6] 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.
- [6a] 9(2)(ba)(ii) - to protect information, where the making available of the information would be likely otherwise to damage the public interest
- [7] 9(2)(d) - to avoid prejudice to the substantial economic interests of New Zealand
- [8] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials
- [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
- [11] 9(2)(i) - to enable the Crown to carry out commercial activities without disadvantage or prejudice
- [12] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice
- [13] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage
- [14] Not in scope

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, a [4] appearing where information has been withheld in a release document refers to section 9(2)(a).

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.

2015 Budget Package: Vote Defence Force

On 20 April 2015, Cabinet:

- 1 **approved** the Budget initiatives for the above Vote for inclusion in the 2015 Budget package, as listed in the summary below and detailed in the attached initiative documents;

Summary of initiatives included in the attached initiative documents:

Operating Initiatives (Impact on Operating Balance)

| Initiative ID | Initiative Name | \$m - increase/(decrease) | | | | |
|------------------------|--|---------------------------|--------------|---------------|---------------|--------------------|
| | | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 & Outyears |
| 8786 | Defence Mid-Point Rebalancing Review | - | 1.008 | 52.058 | 69.458 | 69.458 |
| 8973 | Write-Down to Fair Value of the Loan to Montecillo Veterans' Rest Home | 2.725 | - | - | - | - |
| Total Operating | | 2.725 | 1.008 | 52.058 | 69.458 | 69.458 |

- 2 **approved** changes to appropriations to implement the initiatives, as set out in the attached initiative documents;
- 3 **agreed** that the changes to appropriations for 2014/15 above be included in the 2014/15 Supplementary Estimates and that, in the interim, the increases be met from Imprest Supply;
- 4 **authorised** the Minister of Finance and the Responsible Minister to approve jointly any technical adjustments to baselines necessary to remove any errors or inconsistencies identified while finalising the 2014/15 Supplementary Estimates, the 2015/16 Estimates and the fiscal forecasts;
- 5 **noted** that all communications relating to the 2015 Budget are co-ordinated 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;

- 6 **noted** that on 1 April 2015, the Cabinet Committee on State Sector Reform and Expenditure Control agreed to funding for [8] of the Network Enabled Army Programme [SEC Min (15) 5/2];
- 7 **agreed** that the initiative in the following table be set aside as a contingency item, that corresponding funding be set aside in the between-Budget spending contingency, and that it be submitted to Cabinet for consideration at a later stage:

Operating Contingency

| Initiative Name | \$m - increase/(decrease) | | | | |
|---|---------------------------|---------------|---------------|---------------|--------------------|
| | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 & Outyears |
| Defence Mid-Point Rebalancing Review - Contingent Funding | - | 14.082 | 14.082 | 14.082 | 14.082 |
| Total Operating | - | 14.082 | 14.082 | 14.082 | 14.082 |

Secretary of the Cabinet

Reference: CAB (15) 173

Initiative No: 8786

Vote: Defence Force

Title: Defence Mid-Point Rebalancing Review

Description: The Defence Mid-Point Rebalancing Review determined from first principles the set of capabilities required within a coherent New Zealand Defence Force able to deliver against Defence White Paper 2010 policy settings. This initiative excludes funding to support new capability planned for introduction in 2015/16 but awaiting approval.

Appropriation Changes

| | \$m - increase/(decrease) | | | | |
|--------------------------|---------------------------|--------------|---------------|---------------|--------------------|
| | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 & Outyears |
| Operating Balance Impact | - | 1.008 | 52.058 | 69.458 | 69.458 |
| Debt Impact | - | - | - | - | - |
| No Impact | - | - | - | - | - |
| Total | - | 1.008 | 52.058 | 69.458 | 69.458 |

| | \$m - increase/(decrease) | | | | |
|--|---------------------------|---------|---------|---------|--------------------|
| | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 & Outyears |
| Departmental Output Expenses: | | | | | |
| Air Force Capabilities Prepared for Joint Operations and Other Tasks (funded by revenue Crown) | - | 0.311 | 16.206 | 21.814 | 21.814 |
| Army Capabilities Prepared for Joint Operations and Other Tasks (funded by revenue Crown) | - | 0.306 | 15.764 | 21.272 | 21.272 |
| Navy Capabilities Prepared for Joint Operations and Other Tasks (funded by revenue Crown) | - | 0.203 | 10.620 | 13.875 | 13.875 |
| Multi-Category Expenses and Capital Expenditure | | | | | |
| Policy Advice And Other Services For Veterans | | | | | |
| Departmental Output Expenses: | | | | | |
| Administration Services (funded by revenue Crown) | - | 0.001 | 0.048 | 0.065 | 0.065 |
| Policy Advice (funded by revenue Crown) | - | - | 0.005 | 0.007 | 0.007 |
| Services and Payments to Veterans (funded by revenue Crown) | - | 0.003 | 0.139 | 0.186 | 0.186 |

Initiative No: 8786

| | | | | | |
|---|---|--------------|---------------|---------------|---------------|
| Advice to the Government | | | | | |
| Departmental Output Expenses: | | | | | |
| Policy Advice (funded by revenue Crown) | - | 0.002 | 0.111 | 0.150 | 0.150 |
| Situational Awareness (funded by revenue Crown) | - | 0.002 | 0.080 | 0.107 | 0.107 |
| Supporting Ministers (funded by revenue Crown) | - | - | 0.040 | 0.055 | 0.055 |
| Operations Contributing to New Zealand's Security, Stability and Interests | | | | | |
| Departmental Output Expenses: | | | | | |
| Military Operations in Support of a Rules- Based International Order (funded by revenue Crown) | - | 0.017 | 0.772 | 0.757 | 0.757 |
| Military Operations that Contribute to Regional Security (funded by revenue Crown) | - | 0.002 | 0.089 | 0.120 | 0.120 |
| Protection of New Zealand and New Zealanders | | | | | |
| Departmental Output Expenses: | | | | | |
| Assistance to the Civil Power and Provision of a Public Service in Emergency Situations (funded by revenue Crown) | - | 0.025 | 1.274 | 1.719 | 1.719 |
| Defence International Engagement (funded by revenue Crown) | - | 0.040 | 2.043 | 2.755 | 2.755 |
| Defence Support to the Community (funded by revenue Crown) | - | 0.019 | 0.970 | 1.310 | 1.310 |
| Military Assistance to Civil Authorities in Non-Emergency Situations (funded by revenue Crown) | - | 0.014 | 0.693 | 0.936 | 0.936 |
| Resource and Border Protection Operations (funded by revenue Crown) | - | 0.063 | 3.204 | 4.330 | 4.330 |
| Total Operating | - | 1.008 | 52.058 | 69.458 | 69.458 |
| Total Capital | - | - | - | - | - |

Initiative No: 8973**Vote:** Defence Force**Title:** Write-Down to Fair Value of the Loan to Montecillo Veterans' Rest Home**Description:** Write-Down to Fair Value of the Loan to Montecillo Veterans' Rest Home for Veterans' Affairs.**Appropriation Changes**

| | \$m - increase/(decrease) | | | | |
|--------------------------|----------------------------------|----------------|----------------|----------------|-------------------------------|
| | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 & Outyears |
| Operating Balance Impact | 2.725 | - | - | - | - |
| Debt Impact | - | - | - | - | - |
| No Impact | - | - | - | - | - |
| Total | 2.725 | - | - | - | - |

| | \$m - increase/(decrease) | | | | |
|--|----------------------------------|----------------|----------------|----------------|-------------------------------|
| | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 & Outyears |
| Non-Departmental Other Expense: | | | | | |
| Fair Value Write Down on Veteran Trust Loans and Thirty-Year Endowment | 2.725 | - | - | - | - |
| Total Operating | 2.725 | - | - | - | - |
| Total Capital | - | - | - | - | - |

Additional Recommendation

8 **noted** that this initiative is to allow for the revaluation of the loan to Monticello Veterans' Rest Home, which is required to be fair valued in order to comply with generally accepted accounting practice.