

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 Finance

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	2019/20 & Outyears
8913	Establishment of the Local Government Risk Agency	(0.320)	0.830	(0.170)	(0.170)	(0.170)	-
8768	Implementation of the Social Housing Reform Programme	(2.500)	12.500	6.800	5.800	1.700	1.700
8645	Release of the Crown's Obligations to Taitokerau Forests Limited	6.791	(0.991)	(0.800)	(1.000)	(1.000)	(1.000)
9000	Southern Response Earthquake Services' Insurance Liabilities	5.000	-	-	-	-	-
Total Operating		8.971	12.339	5.830	4.630	0.530	0.700

Capital Initiatives (Impact on Debt)

Initiative ID	Initiative Name	\$m - increase/(decrease)					
		2014/15	2015/16	2016/17	2017/18	2018/19	2019/20 & Outyears
8645	Release of the Crown's Obligations to Taitokerau Forests Limited	-	(0.600)	(0.800)	(0.800)	(0.800)	(0.800)
9000	Southern Response Earthquake Services' Insurance Liabilities	500.000	-	-	-	-	-
Total Capital		500.000	(0.600)	(0.800)	(0.800)	(0.800)	(0.800)

- 2 **agreed** to establish new appropriations where required to implement these initiatives, as described in the attached initiative documents;
- 3 **approved** changes to appropriations to implement the initiatives, as set out in the attached initiative documents;
- 4 **approved** the additional recommendations to give effect to the initiatives, as set out in the attached initiative documents;
- 5 **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;
- 6 **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 2014/15 Supplementary Estimates, the 2015/16 Estimates and the fiscal forecasts;
- 7 **authorised** the chief executives of departments that monitor Crown entities directly affected by decisions in this minute to inform the chair and/or chief executive of a Crown entity, on a budget-in-confidence-until-budget-day basis, of decisions that directly affect that Crown entity for the purpose of planning and preparation of their Statement of Intent.
- 8 **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;
- 9 **agreed** that the initiatives in the following table be set aside as contingency items, that corresponding funding for them be set aside in the between-Budget spending contingency, and that they be submitted to Cabinet for consideration at a later stage:

[8]

Secretary of the Cabinet

Reference: CAB (15) 173

Initiative No: 8913

Vote: Finance

Title: Establishment of the Local Government Risk Agency

Description: Creation of an establishment board to investigate whether a new agency can improve the risk management maturity of councils, also providing an opportunity for central government to work alongside the local government sector in reforming the 60/40 cost sharing arrangement for post-disaster restoration of three waters infrastructure and river control systems.

New Appropriation Approval

Name	Period	Type	Category Name	Scope
Review and Reform of Local Government Infrastructure Arrangements	Annual	Non-Departmental Other Expenses	N/A	This appropriation is limited to the review and reform of disaster funding for local government infrastructure, including contributions to expenses of the Local Government Risk Agency.

Appropriation Changes

	\$m - increase/(decrease)					
	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20 & Outyears
Operating Balance Impact	(0.320)	0.830	(0.170)	(0.170)	(0.170)	-
Debt Impact	-	-	-	-	-	-
No Impact	-	-	-	-	-	-
Total	(0.320)	0.830	(0.170)	(0.170)	(0.170)	-

	\$m - increase/(decrease)					
	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20 & Outyears
Non-Departmental Other Expenses:						
Crown Residual Liabilities	(0.550)	(0.170)	(0.170)	(0.170)	(0.170)	-
Review and Reform of Local Government Infrastructure Arrangements	0.230	1.000	-	-	-	-
Total Operating	(0.320)	0.830	(0.170)	(0.170)	(0.170)	-

Additional Recommendation

- 10 **agreed** to the in-principle expense transfer of any undistributed funds from 2014/15 into the 2015/16 non-department other expense appropriation “Review and Reform of Local Government Infrastructure Arrangements”, with the final amount for transfer to be confirmed by joint Ministers following completion of 2014/15 audited financial statements;

Initiative No: 8768

Vote: Finance

Title: Implementation of the Social Housing Reform Programme

Description: The policy, operational, and transactional undertakings required to implement the Government's programme for reform of social housing.

Appropriation Changes

	\$m - increase/(decrease)				
	2014/15	2015/16	2016/17	2017/18	2018/19 & Outyears
Operating Balance Impact	(2.500)	12.500	6.800	5.800	1.700
Debt Impact	-	-	-	-	-
No Impact	-	-	-	-	-
Total	(2.500)	12.500	6.800	5.800	1.700

	\$m - increase/(decrease)				
	2014/15	2015/16	2016/17	2017/18	2018/19 & Outyears
Non-Departmental Other Expense:					
Landcorp Protected Land Agreement - Operating	(2.500)	-	-	-	-
Multi-Category Expenses and Capital Expenditure					
Social Housing Reform					
Departmental Output Expense:					
Implementation of the Social Housing Reform Programme (funded by revenue Crown)	-	4.600	3.200	1.800	0.400
Non-Departmental Output Expense:					
Direct Sale Costs for Implementing the Social Housing Reform Programme	-	7.900	3.600	4.000	1.300
Total Operating	(2.500)	12.500	6.800	5.800	1.700

Additional Recommendation

11 **noted** this initiative is only one component of the overall cross-agency bid to implement the social housing reform work programme (the other components are in Vote Building and Housing and Vote Social Development);

Initiative No: 8645

Vote: Finance

Title: Release of the Crown's Obligations to Taitokerau Forests Limited

Description: The potential financial impact arising from negotiations between the Crown and landowners regarding exit through repayment of Crown debt.

Appropriation Changes

	\$m - increase/(decrease)				
	2014/15	2015/16	2016/17	2017/18	2018/19 & Outyears
Operating Balance Impact	6.791	(0.991)	(0.800)	(1.000)	(1.000)
Debt Impact	-	(0.600)	(0.800)	(0.800)	(0.800)
No Impact	-	-	-	-	-
Total	6.791	(1.591)	(1.600)	(1.800)	(1.800)

	\$m - increase/(decrease)				
	2014/15	2015/16	2016/17	2017/18	2018/19 & Outyears
Non-Departmental Other Expense:					
Impairment of Loans to Taitokerau Forest Limited	6.791	-	-	-	-
Multi-Category Expenses and Capital Expenditure					
Management of the Crown's Agreement with Taitokerau Forests Limited					
Non-Departmental Other Expenses:					
Grants	-	-	-	(0.200)	(0.200)
Impairment of Loans	-	(0.991)	(0.800)	(0.800)	(0.800)
Non-Departmental Capital Expenditure:					
Loans	-	(0.600)	(0.800)	(0.800)	(0.800)
Total Operating	6.791	(0.991)	(0.800)	(1.000)	(1.000)
Total Capital	-	(0.600)	(0.800)	(0.800)	(0.800)

Additional Recommendations

- 12 **agreed** to the in-principle expense transfer of any underspend in the 2014/15 non-departmental other expense appropriation "Impairment of Loans to Taitokerau Forest Limited" into the 2015/16 multi-category appropriation "Management of the Crown's Agreement with Taitokerau Forests Limited", with the final amount for transfer to be confirmed by joint Ministers following completion of 2014/15 audited financial statements;

Initiative No: 8645

- 13 **agreed** that the scope of the non-departmental other expense appropriation "Impairment of Loans to Taitokerau Forest Limited" be amended to "This appropriation is limited to the expense incurred on the impairment and write-down of loans to Taitokerau Forests Limited";
- 14 **noted** that the scope of the category "Impairment of Loans" in the multi-category appropriation "Management of the Crown's Agreement with Taitokerau Forests Limited" be amended to "This category is limited to the expense incurred on the impairment and write-down of loans to Taitokerau Forests Limited.";
- 15 **agreed**, in the event that a negotiated exit is not agreed between the Crown and landowners, that joint Ministers be authorised to reinstate the reduced baseline funding in 2019/20 and outyears in the multi-category appropriation "Management of the Crown's Agreement with Taitokerau Forests Limited", as necessary, through the baseline update process;

Vote: Finance

Title: Southern Response Earthquake Services' Insurance Liabilities

Description: Southern Response Earthquake Services' (SRES) insurance liabilities have risen to a level where it is now probable that SRES will need to make a call of additional capital under the Crown Support Deed [CER Min (12) 10/1].

New Appropriation Approval

Name	Period	Type	Category Name	Scope
Southern Response Earthquake Services Ltd: Equity Investment	Annual	Non-Departmental Capital Expenditure	N/A	This appropriation is limited to the investment in Southern Response Earthquake Services Ltd.
Impairment of Investment in Southern Response Earthquake Services Ltd	Annual	Non-Departmental Other Expense	N/A	This appropriation is limited to the impairment of equity investment in Southern Response Earthquake Services Ltd.

Appropriation Changes

	\$m - increase/(decrease)					
	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20 & Outyears
Operating Balance Impact	5.000	-	-	-	-	-
Debt Impact	500.000	-	-	-	-	-
No Impact	500.000	-	-	-	-	-
Total	1,005.000	-	-	-	-	-

	\$m - increase/(decrease)					
	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20 & Outyears
Non-Departmental Other Expenses:						
Unwind of Discount Rate Used in the Present Value Calculation of Payment Under Crown Deed of Support with Southern Response Earthquake Services Ltd	5.000	-	-	-	-	-
Impairment of Investment in Southern Response Earthquake Services Ltd	500.000	-	-	-	-	-
Non-Departmental Capital Expenditure:						
Southern Response Earthquake Services Ltd: Equity Investment	500.000	-	-	-	-	-
Total Operating	1,005.000	-	-	-	-	-

Additional Recommendations**Initiative No: 9000**

- 16 **noted** that while the impact table shows the entire \$500 million of capital impacting net debt in 2014/15, in reality this impact will be phased over a number of outyears reflecting the cash payment profile;
- 17 **agreed** that any under-expenditure in 2014/15 against the appropriations established above be transferred into outyears as necessary to address recognition timing issues;
- 18 **agreed** to amend the title of the following appropriation to recognise the change in company name from AMI to SRES:

Name	Period	Type	Category Name	Scope
<i>Existing Title:</i>				
Unwind of Discount Rate used in the Present Value Calculation of Payment under Crown Deed of Support with AMI	Annual	Non-Departmental Other Expense	N/A	This appropriation is limited to the expense incurred in unwinding the discount rate used in the present value calculation of the liability as the liability nears settlement.
<i>Proposed New Title:</i>				
Unwind of Discount Rate Used in the Present Value Calculation of Payment Under Crown Deed of Support with Southern Response Earthquake Services Ltd	Annual	Non-Departmental Other Expense	N/A	This appropriation is limited to the expense incurred in unwinding the discount rate used in the present value calculation of the liability as the liability nears settlement.