

# The Treasury

## Budget 2016 Information Release

### Release Document July 2016

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[s18(c)(i)]	that the making available of the information requested would be contrary to the provisions of a specified enactment	
[40]	Not in scope	

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In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) and section 18 of the Official Information Act.

## Treasury Report: Implementing Funding Arrangements for Ōtākaro Limited

<b>Date:</b>	29 March 2016	<b>Report No:</b>	T2016/508
		<b>File Number:</b>	DH-50-3

### Action Sought

	<b>Action Sought</b>	<b>Deadline</b>
Minister of Finance (Hon Bill English)	<b>Approve</b> the establishment of new appropriations and fiscally neutral transfers of funding outlined in this report to give effect to the funding arrangements agreed for Ōtākaro in T2016/467	Wednesday 30 March 2016
Minister for Canterbury Earthquake Recovery (Hon Gerry Brownlee)	<b>Approve</b> the establishment of new appropriations and fiscally neutral transfers of funding outlined in this report to give effect to the funding arrangements agreed for Ōtākaro in T2016/467	Wednesday 30 March 2016

### Contact for Telephone Discussion (if required)

<b>Name</b>	<b>Position</b>	<b>Telephone</b>	<b>1st Contact</b>
[34]			✓
Elizabeth Scurr	Team Leader, Fiscal and State Sector Management	04 917 6190 (wk)	[23] (mob)

### Actions for the Minister's Office Staff (if required)

**Return** the signed report to Treasury.

Note any feedback on the quality of the report

**Enclosure:** No

# Treasury Report: Implementing Funding Arrangements for Ōtākaro Limited

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## Executive Summary

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This report follows advice Treasury recently provided on funding arrangements for Ōtākaro Limited [T2016/467 refers], which signalled that agreement would be sought to:

- Establish a new multi-category appropriation (MCA) in Vote Finance and transfer existing anchor project funding from Vote Canterbury Earthquake Recovery (CER). The Minister for Canterbury Earthquake Recovery will still be the responsible Minister for any new Canterbury related appropriations in Vote Finance.
- Establish a new multi-year appropriation (MYA) for the transfer of anchor project assets from the Crown to Ōtākaro.
- Disestablish Vote CER from 2016/17 onwards.

This report seeks agreement from joint Ministers to implement the above and make the necessary changes to appropriations required. **The changes in this paper are all fiscally neutral and have no impact on the operating balance or debt.**

These changes need to take effect from 1 April 2016 to allow for the transfer and associated auditing to coincide with the existing month end and thereby minimise the risk of unappropriated expenditure. **This requires that joint Ministers sign off on the recommendations in this report by 31 March.**

This report also seeks approval to transfer any residual appropriations in Vote CER related to Regenerate Christchurch to Vote Prime Minister and Cabinet (PM&C).

## Recommended Action

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We recommend that:

**A. the Minister of Finance and the Minister for Canterbury Earthquake Recovery jointly:**

*New multi-category appropriation in Vote Finance for development of the anchor projects*

- a. **agree** to the establishment in Vote Finance of a new multi-category appropriation to be the responsibility of the Minister for Canterbury Earthquake Recovery and with the title, overarching purpose, categories and scopes as set out in Part 1 of Annex 1;

*Agree/disagree*

*Agree/disagree*

- b. **agree** to the fiscally neutral transfer of existing anchor project funding from Vote Canterbury Earthquake Recovery to this new appropriation in Vote Finance as set out in Part 2 of Annex 1;

*Agree/disagree*

*Agree/disagree*

- c. **agree** that there be no limit on the ability of the Treasury to move funding between different categories of this appropriation within the overall amount of the appropriation;

*Agree/disagree*

*Agree/disagree*

- d. **note** that joint ministerial approval to further fiscally neutral transfers may be sought in mid-April once March actuals are available and before the 2015/16 Supplementary Estimates are finalised;

*Noted*

*Noted*

- e. **agree** in principle to the transfer to 2016/17 of any underspend in Vote Finance in 2015/16 relating to Canterbury Earthquake Recovery, with the amount of this transfer to be confirmed in the October Baseline Update once audited accounts for 2015/16 are available;

*Agree in principle/disagree*

*Agree in principle/disagree*

*New multi-year appropriation in Vote Finance for the transfer of anchor projects assets from the Crown to Ōtākaro Limited*

- f. **agree** to the establishment in Vote Finance of a new non-departmental capital expenditure multi-year appropriation to be the responsibility of the Minister for Canterbury Earthquake Recovery and with the title, scope and period as set out in Part 1 of Annex 2;

*Agree/disagree*

*Agree/disagree*

- g. **agree** to the amount of this appropriation as set out in Part 2 of Annex 2;

*Agree/disagree*

*Agree/disagree*

- h. **note** that the indicative spending profile of this multi-year appropriation is currently \$300 million in 2015/16 and \$200 million in 2016/17 but that this profile may be updated before the Budget Economic and Fiscal Update forecasts;

*Noted*

*Noted*

- i. **note** that this appropriation is required because the assets are being transferred outside the legal Crown but it is fiscally neutral as the Crown will be issued shares in Ōtākaro Limited in return for the transfer of the assets;

*Noted*

*Noted*

- j. **note** that the timing of asset transfers from the Crown to the company is still uncertain and that the amount of the multi-year appropriation is for the value of all anchor project assets plus an allowance for any increases in value prior to transfer;

*Noted*

*Noted*

*Transfer of appropriations relating to Regenerate Christchurch from Vote Canterbury Earthquake Recovery to Vote Prime Minister and Cabinet*

- k. **agree** to the establishment in Vote Prime Minister and Cabinet of new appropriations to be the responsibility of the Minister for Canterbury Earthquake Recovery and with the titles, scopes and period as set out in Part 1 of Annex 3;

*Agree/disagree*

*Agree/disagree*

- l. **agree** to the fiscally neutral transfer of existing funding for Regenerate Christchurch from Vote Canterbury Earthquake Recovery to these new appropriations in Vote Prime Minister and Cabinet as set out in Part 2 of Annex 3;

*Agree/disagree*

*Agree/disagree*

- m. **note** that following these transfers Vote Canterbury Earthquake Recovery will cease to exist after 2015/16;

*Noted*

*Noted*

*Supplementary Estimates and Imprest*

- n. **agree** that the proposed changes to appropriations for 2015/16 set out in Part 2 of Annex 1, Part 2 of Annex 2, and Part 2 of Annex 3 be included in the 2015/16 Supplementary Estimates and that, in the interim, the increases be met from Imprest Supply; and

*Agree/disagree*

*Agree/disagree*

**B. the Minister for Canterbury Earthquake Recovery**

- o. **direct** the Department of the Prime Minister and Cabinet (including the Canterbury Earthquake Recovery Authority) to use the Vote Finance multi-category appropriation Greater Christchurch Anchor Projects for expenses or capital expenditure incurred on anchor project-related activities from 1 April 2016 to 18 April 2016.

*Agree/disagree*

Elizabeth Scurr  
**Team Leader, Fiscal and State Sector Management**

Hon Bill English  
**Minister of Finance**

Hon Gerry Brownlee  
**Minister for Canterbury Earthquake Recovery**

# Treasury Report: Implementing Funding Arrangements for Ōtākaro Limited

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## Purpose of Report

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1. The purpose of this report is to implement and give effect to the overall funding approach for Ōtākaro discussed in our earlier advice on 22 March 2016 [T2016/467 refers]. Ōtākaro will be responsible for delivering anchor projects in Christchurch once the Canterbury Earthquake Recovery Authority (CERA) is disestablished.
2. The report seeks agreement from joint Ministers to:
  - a. Establish a new multi-category appropriation (MCA) in Vote Finance and make a fiscally neutral transfer to this MCA of anchor project funding currently in Vote Canterbury Earthquake Recovery (CER).
  - b. Establish a new non-departmental capital multi-year appropriation (MYA) for the transfer of anchor project assets from the Crown to Ōtākaro Limited.
  - c. Transfer remaining appropriations in Vote CER related to Regenerate Christchurch into Vote Prime Minister and Cabinet. This means that Vote CER will cease to exist from 2016/17 onwards.
3. For the new appropriations to take effect from 1 April 2016 and be included in estimates documentation, the recommendations in this report need to be approved by joint Ministers by 31 March 2016.

## Establishing a new MCA in Vote Finance

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4. Details of the new MCA in Vote Finance, including the overarching purpose statement and scope statements for each MCA category, are set out in part 1 of Annex 1. The categories are broadly consistent with what is currently in Vote CER, but the new scope statement for the capital categories allows for the Crown to provide both equity and debt funding to the Company. Performance measures for each of the categories and the overall MCA will be included in the 2015/16 supplementary and 2016/17 main estimates documents.
5. We propose that there are no limits on Treasury's ability to transfer funding between categories of the MCA. Ōtākaro has been set up as a commercial entity and this provides sufficient flexibility for it to operate at a programme level rather than be restricted by a pre-determined funding level for each project. Any movements of funding between projects will be subject to Treasury approval.
6. The associated transfer of funding from Vote CER to the newly created categories is set out in part 2 of Annex 1 in a financial recommendations table. The transfer of funds will take effect from 1 April 2016 and is fiscally neutral. CERA will still be able to access funding in Vote Finance up to 18 April through the administration and use provision set out in the Public Finance Act. This will be at the direction of the appropriation Minister.

7. Following consultation with CERA officials, conservative amounts have been transferred from Vote CER to the new MCA given March payments will still need to be finalised. Joint Ministers will be provided with a further opportunity to approve the transfer of any remaining amounts in a narrow window in early to mid-April once the unaudited March actuals are available and before the 2015/16 supplementary estimates are finalised.

## Transfer of assets to Ōtākaro

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8. Annex 2 outlines the details of the MYA required for the transfer of anchor project assets from core Crown to Ōtākaro, including the start and end dates of the appropriation. A MYA is proposed to cover the uncertainty around timing of asset transfer to Ōtākaro (for some projects it may take some time to transfer associated assets to the company).
9. The appropriation covers the total value of all anchor project assets (land and buildings) to be transferred to Ōtākaro irrespective of timing plus an allowance for any increases in values prior to transfer. This will avoid having to seek approval for an increase in the appropriation each time an asset is transferred. All assets will be transferred at market value.
10. The transfer of assets to Ōtākaro is fiscally neutral as Ōtākaro still sit within the total Crown. The Crown is reducing the assets it owns, however at the same time increasing investment in the Company through the purchase of shares.

## Remaining appropriations in Vote CER

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11. Vote CER will cease to exist from 2016/17 and any remaining appropriations need to be shifted to other Votes. Most of the appropriations in Vote CER are related to the anchor projects and these are already being transferred to Vote Finance under the new MCA structure outlined in Annex 1.
12. The only appropriations remaining in the Vote are related to Regenerate Christchurch – the joint Council Crown owned company who will be leading and monitoring regeneration outcomes in Christchurch. We propose that any appropriations related to Regenerate Christchurch are shifted to Vote PM&C given DPMC will be leading the Crown's involvement with Regenerate Christchurch. The necessary changes to appropriations required are outlined in part 1 and part 2 of Annex 3.

## Next steps

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13. Joint Ministers will receive a further report around early to mid-April, seeking agreement to transfer any residual amounts of funding out of Vote CER once March actuals are available and before the 2015/16 supplementary estimates are finalised.

## Annex 1

### Part 1: Agreement to establishing MCA

Vote	Appropriation Minister	Title	Type	Purpose Statement
Finance	Minister for Canterbury Earthquake Recovery	Greater Christchurch Anchor Projects	Multi-Category Expenses and Capital Expenditure	The single overarching purpose of this appropriation is to support the recovery of Christchurch by contributing operating and capital funding for anchor projects covered by the Christchurch Central Recovery Plan.

Category	Scope Statement
<i>Non-Departmental Other Expenses</i>	
Christchurch Bus Interchange and Associated Transport Infrastructure – Operating	This category is limited to the Crown's contribution to the development, operations and divestment of the Christchurch Bus Interchange and associated transport infrastructure.
Christchurch Convention Centre – Operating	This category is limited to the Crown's contribution to the development, operations and divestment of the Christchurch Convention Centre.
Christchurch Stadium – Operating	This category is limited to the Crown's contribution to the development, operations and divestment of the Christchurch Stadium.
Earthquake Memorial – Operating	This category is limited to the Crown's contribution to the development, operations and divestment of the Canterbury Earthquake Memorial.
Metro Sports Facility – Operating	This category is limited to the Crown's contribution to the development, operations and divestment of Metro Sports Facility.
Public Space – Operating	This category is limited to the Crown's contribution to the development, operations and divestment of the Crown owned public space.
Residential Housing – Operating	This category is limited to the Crown's contribution to the development, operations and divestment of residential housing covered by the Christchurch Central Recovery Plan.
Financial Impact of Valuations	This category is limited to expenses incurred as a result of the Crown's decisions affecting valuations.
Leasing Anchor Project Land	This category is limited to the financial impact of granting concessionary leases over anchor project land.
Sale of Land	This category is limited to the financial impact from the divestment of land and transaction costs incurred in the preparation for sale and the sale of land



Pre-Development Holding Costs – Operating	This category is limited to the Crown’s contribution to the maintenance, operation and ownership of anchor project land and assets prior to commencement of developments.
Procurement of Land and Assets – Operating	This category is limited to the Crown’s contribution to the purchase, acquisition and clearance of land and assets for anchor project development.
<i>Non-Departmental Capital Expenditure</i>	
Christchurch Bus Interchange and Associated Transport Infrastructure – Capital	This category is limited to the Crown’s contribution to the capital development of the Christchurch Bus Interchange and associated transport infrastructure and to providing equity or loan capital to Ōtākaro Limited for that purpose.
Christchurch Convention Centre – Capital	This category is limited to the Crown’s contribution to the capital development of the Christchurch Convention Centre and to providing equity or loan capital to Ōtākaro Limited for that purpose.
Christchurch Stadium – Capital	This category is limited to the Crown’s contribution to the capital development of the Christchurch Stadium and to providing equity or loan capital to Ōtākaro Limited for that purpose
Earthquake Memorial - Capital	This category is limited to the Crown’s contribution to the capital development of the Canterbury Earthquake Memorial and to providing equity or loan capital to Ōtākaro Limited for that purpose.
Metro Sports Facility - Capital	This category is limited to the Crown’s contribution to the capital development of Metro Sports Facility and to providing equity or loan capital to Ōtākaro Limited for that purpose.
Public Space - Capital	This category is limited to the capital development of the Crown owned public space and to providing equity or loan capital to Ōtākaro Limited for that purpose.
Residential Housing – Capital	This category is limited to the Crown’s contribution to the capital development of residential housing covered by the Christchurch Central Recovery Plan and to providing equity or loan capital to Ōtākaro Limited for that purpose
Land and Asset Acquisition – Capital	This category is limited to the Crown’s contribution to the cost of land and assets to be acquired for anchor project development and to providing equity or loan capital to Ōtākaro Limited for that purpose.

Part 2: Transfer of funding

	\$m – increase/(decrease)				
	2015/16	2016/17	2017/18	2018/19	2019/20
<b>Vote Canterbury Earthquake Recovery</b>					
<b>Minister for Canterbury Earthquake Recovery</b>					
<b>Multi-Category Appropriation: Development of Central City Anchor Projects</b>	<b>(133.180)</b>	<b>(74.771)</b>	<b>(3.610)</b>		
Non-Departmental Other Expenses					
Christchurch Bus Interchange and associated Transport Infrastructure – Operating	(28.235)	(28.629)	(0.741)	-	-
Christchurch Stadium - Operating	(4.000)	-	-	-	-
Metro Sports Facility - Operating	(7.189)	(2.043)	-	-	-
Public Space - Operating	(37.482)	(25.765)	(1.436)	-	-
Christchurch Convention Centre - Operating	(6.145)	-	-	-	-
Earthquake Memorial - Operating	-	(0.122)	-	-	-
Non-Departmental Capital Expenditure					
Christchurch Bus Interchange and associated Transport Infrastructure - Capital	(6.168)	-	-	-	-
Christchurch Convention Centre - Capital	(8.500)	-	-	-	-
Earthquake Memorial - Capital	(3.377)	(3.996)	(0.683)	-	-
Metro Sports Facility - Capital	(1.000)	-	-	-	-
Public Space – Capital	(31.084)	(14.216)	(0.750)	-	-
<b>Multi-Category Appropriation: Ownership and Divestment of Anchor Projects</b>	<b>(62.899)</b>	<b>(20.416)</b>	<b>(2.850)</b>	<b>(2.100)</b>	<b>(2.100)</b>
Non-Departmental Other Expenses					
Christchurch Bus Interchange and associated Transport Infrastructure	(3.932)	(2.000)	(2.000)	(2.000)	(2.000)

Christchurch Convention Centre	-	(0.500)	-	-	-
Leasing Anchor Project Land	(5.500)	-	-	-	-
Metro Sports Facility	(2.200)	-	-	-	-
Public Space	(47.848)	(17.916)	(0.850)	(0.100)	(0.100)
Sale of Land	(2.434)	-	-	-	-
Financial Impact of Valuations	(0.985)	-	-	-	-
<b>Multi-Category Appropriation: Procurement and Preparation of Land and Other Assets for the Development of Anchor Projects</b>	<b>(77.442)</b>	<b>(6.000)</b>			
Non-Departmental Other Expenses					
Pre-Development Holding Costs – Operating	(4.411)	(6.000)	-	-	-
Procurement of Land and Assets – Operating	(48.031)	-	-	-	-
Non-Departmental Capital Expenditure					
Land and Asset Acquisition - Capital	(25.000)	-	-	-	-
<b>Total Operating</b>	<b>(198.392)</b>	<b>(82.975)</b>	<b>(5.027)</b>	<b>(2.100)</b>	<b>(2.100)</b>
<b>Total Capital</b>	<b>(75.129)</b>	<b>(18.212)</b>	<b>(1.433)</b>	<b>-</b>	<b>-</b>
<b>Vote Finance Minister for Canterbury Earthquake Recovery</b>					
<b>Multi-Category Appropriation: Christchurch Anchor Projects</b>	<b>273.521</b>	<b>101.187</b>	<b>6.460</b>	<b>2.100</b>	<b>2.100</b>
Non-Departmental Other Expenses					
Christchurch Bus Interchange and associated Transport Infrastructure – Operating	32.167	30.629	2.741	2.000	2.000
Christchurch Stadium - Operating	4.000	-	-	-	-
Metro Sports Facility - Operating	9.389	2.043	-	-	-
Public Space – Operating	85.330	43.681	2.286	0.100	0.100

Christchurch Convention Centre - Operating	6.145	0.500	-	-	-
Earthquake Memorial - Operating	-	0.122	-	-	-
Residential Housing – Operating	-	-	-	-	-
Leasing Anchor Project Land	5.500	-	-	-	-
Sale of Land	2.434	-	-	-	-
Financial Impact of Valuations	0.985	-	-	-	-
Pre-Development Holding Costs – Operating	4.411	6.000	-	-	-
Procurement of Land and Assets – Operating	48.031	-	-	-	-
<b>Non-Departmental Capital Expenditure</b>					
Christchurch Bus Interchange and associated Transport Infrastructure - Capital	6.168	-	-	-	-
Christchurch Convention Centre - Capital	8.500	-	-	-	-
Earthquake Memorial - Capital	3.377	3.996	0.683	-	-
Metro Sports Facility - Capital	1.000	-	-	-	-
Public Space – Capital	31.084	14.216	0.750	-	-
Land and Asset Acquisition – Capital	25.000	-	-	-	-
Residential Housing – Capital	-	-	-	-	-
Christchurch Stadium – Capital	-	-	-	-	-
<b>Total Operating</b>	<b>198.392</b>	<b>82.975</b>	<b>5.027</b>	<b>2.100</b>	<b>2.100</b>
<b>Total Capital</b>	<b>75.129</b>	<b>18.212</b>	<b>1.433</b>	<b>-</b>	<b>-</b>

## Annex 2

### Part 1: Agreement to establish new MYA

Vote	Appropriation Minister	Title	Type	Scope	Period
Finance	Minister for Canterbury Earthquake Recovery	Transfer of assets	Non-Departmental Capital Expenditure	This appropriation is limited to the transfer of Christchurch anchor project assets to Ōtākaro Limited.	1 April 2016 to 30 June 2020

### Part 2: Amount of appropriation and indicative spending profile

	\$m – increase/(decrease)
<b>Vote Finance Minister for Canterbury Earthquake Recovery</b>	<b>2015/16 to 2019/20</b>
Non-Departmental Capital Expenditure Transfer of anchor project assets to Ōtākaro Limited	500.000

	\$m – increase/(decrease)				
<b>Indicative annual spending profile</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
	300.000	200.000	-	-	-

## Annex 3

### Part 1: Remaining appropriations in Vote CER

Vote	Appropriation Minister	Title	Type	Scope	Period
Prime Minister and Cabinet	Minister for Canterbury Earthquake Recovery	Regenerate Christchurch	Non-Departmental Output Expense	This appropriation is limited to the development of strategies and planning activities, with communities, stakeholders and decision-makers, for the regeneration of areas in Christchurch.	Annual appropriation
Prime Minister and Cabinet	Minister for Canterbury Earthquake Recovery	Regenerate Christchurch MYA	Non-Departmental Output Expense Multi-Year Appropriation	This appropriation is limited to the development of strategies and planning activities, with communities, stakeholders and decision-makers, for the regeneration of areas in Christchurch.	1 July 2016 to 30 June 2021

### Part 2: Transfer of funding

	\$m – increase/(decrease)				
	2015/16	2016/17	2017/18	2018/19	2019/20 & 2020/21
<b>Vote Canterbury Earthquake Recovery</b>					
<b>Minister for Canterbury Earthquake Recovery</b>					
Non-Departmental Output Expense Regenerate Christchurch	(1.225)	-	-	-	-
Regenerate Christchurch MYA	-	(4.000)	(4.000)	(4.000)	(4.000)
<b>Vote Prime Minister and Cabinet</b>					
<b>Minister for Canterbury Earthquake Recovery</b>					
Non-Departmental Output Expense Regenerate Christchurch	1.225	-	-	-	-
Regenerate Christchurch MYA	-	4.000	4.000	4.000	4.000