

The Treasury

Budget 2017 Information Release

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[1]	to prevent prejudice to the security or defence of New Zealand or the international relations of the government	6(a)
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[38]	to enable the Crown to negotiate without disadvantage or prejudice	9(2)(j)
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[40]	Not in scope	

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.

Reference: T2016/1537

BM-2

Date: 15 August 2016

To: Minister of Finance
(Hon Bill English)

Associate Minister of Finance
(Hon Steven Joyce)

Associate Minister of Finance
(Hon Paula Bennett)

Deadline: None

Aide Memoire: Draft Budget 2017 Strategy Cabinet Paper for Fiscal Issues

We are meeting with you and the Associate Ministers of Finance at 5.30 pm, Wednesday 17th August to discuss the draft Budget 2017 Strategy Cabinet paper. This aide memoire provides you with advice on the main points that we wish to discuss.

We propose to submit an updated Cabinet paper to you on 24th August, which will reflect outcomes of the discussion at Wednesday's Fiscal Issues and the sections that are still in development. We plan to lodge the paper on 1st September for Cabinet on 5th September.

Key Areas for Discussion

The draft paper reflects a more detailed approach than Budget 2016, including an Annex on the Budget process, which addresses the requests from Ministers and agencies for greater transparency and a firmer set of rules and consequences.

Enduring rules are being developed in parallel as part of the Treasury's Fiscal Integrator role; the new rules introduced in the paper reflect step changes that contribute to this and it is proposed that these apply to out of Budget cycle initiatives as well.

The main areas that we wish to discuss with you are:

- **Priority Areas.** The paper reflects confirmed priority areas of Health and the New Children's Entity and ongoing Government priorities and liability areas. We have provided information from the Youth Funding Review as part of the Fiscal Issues pack, which we would like to use to confirm the third priority area.

- **New Business Growth Agenda (BGA) Processes.** We have reflected your decision on application of the CBAX tool to BGA initiatives and set this out as an “opt-in” for those agencies. We have provided separate advice on an independent expert BGA panel for your consideration (T2016/1542 refers).
- **Late Initiatives.** As directed, we have developed a clearer process for late initiatives going to Cabinet for approval to be included in the Budget process. The outline is included in this draft and we can talk through our key judgements with you at Fiscal Issues.
- **Ministerial Engagement.** We have included an additional set of engagements for you with Ministers ahead of Four Year Plan and Budget initiatives being submitted. We will update the paper to set out clearer information on how these will work for agencies. We would like to discuss the following points for the proposed October Ministerial meetings on Budget 2017:
 - The scope of what you cover – It may be helpful for Ministers to discuss the Budget process and new rules (including any enduring rules) and how these contribute to the overall system improvement we are seeking through the Investment Approach. You could emphasise expectations on evidence and the alignment of initiatives with Government priorities.
 - Who you meet with – We can provide advice on which individual Ministers and groups of Ministers may be considered. These could be used to approach priorities or issues that cut across a number of sectors. We would like to confirm if you envisage meeting with all Ministers or a selection.
- **Savings and Reprioritisation.** Strengthening the process and rules on this area is challenging. We will be developing this area with a strong link to the Budget 2017 objective of “Getting into the base” and how agencies should consider reprioritisation of investment by its impact on results. This will be reflected in the updated version of the Cabinet paper.

Consultation with Agencies and Ministers

We want to confirm with you the level and timing of consultation with other Ministers and their agencies. We think that early signalling of the key timings would be helpful, however that engagement on the new rules could get ahead of a discussion and agreement at Cabinet. We propose developing an engagement plan setting out the type of content and when we would engage with agencies for agreement with your office.

Lachlan Whelan, Analyst, Fiscal and State Sector Management, [39]

Kamlesh Patel, Acting Team Leader, Fiscal and State Sector Management, [39]