

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) |
| [39] | to prevent the disclosure of official information for improper gain or improper advantage | 9(2)(k) |
| [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.

Treasury Report: Process for cross-cutting initiatives in the Business Growth Agenda (BGA) stream in Budget 2017

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|--------------|-----------------|---------------------|------------|
| Date: | 7 November 2016 | Report No: | T2016/2139 |
| | | File Number: | SH-11-1 |

Action Sought

| | Action Sought | Deadline |
|---|--|------------------|
| Associate Minister of Finance (Hon Steven Joyce) | <p>Agree to one of the options outlined in this report on how BGA cross-cutting initiatives will be processed in Budget 2017</p> <p>Forward a copy of this report to the Minister of Finance</p> | 14 November 2016 |

Contact for Telephone Discussion (if required)

| Name | Position | Telephone | 1st Contact |
|-----------------|---|------------------|--------------------|
| [23] | | | |
| Matthew Gilbert | Manager - Economic Performance & Strategy, Regulatory Quality | [39] | [23] |

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

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| <p>Return the signed report to Treasury.</p> <p>Refer a copy to the Minister of Finance.</p> |
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Note any feedback on the quality of the report

Enclosure: No

Treasury Report: Process for cross-cutting initiatives in the BGA stream in Budget 2017

Purpose of Report

1. This report sets out and seeks your agreement to the Budget 2017 process for initiatives which contribute towards the three Business Growth Agenda (BGA) cross-cutting themes of Māori economic development, regional economic development, and regulation.

Background

2. BGA workstream Ministers, supported by economic agencies, are currently identifying their BGA refresh priorities for the 2017 BGA refresh. We expect that these will provide the basis for Budget 2017 initiatives, including initiatives from the cross-cutting themes. You have agreed to accommodate cross-cutting themes within the context of the overall BGA 2017 refresh narrative rather than as a separate chapter (T2016/2069 refers).
3. In Budget 2016, cross-cutting initiatives were allocated to particular workstreams. For example, regional economic development initiatives were part of the Natural Resource Sector (NRS) workstream and were therefore discussed by NRS Ministers.

Feedback from cross-cutting leads

4. Following Budget 2016, we reviewed the processes used for cross-cutting themes, and sought feedback from agencies on the allocation of cross-cutting initiatives.
5. Agency feedback highlighted the difficulty of assessing initiatives from cross-cutting themes alongside sector-specific initiatives with different, often narrower, focus areas.
6. For example, previous NRS initiatives focused on protecting the value of natural capital assets, improving the productivity of resource-related industries while reducing the environmental impact. In contrast, regional economic development initiatives in Budget 2016 had a strong business and economic development focus.
7. These distinct, and not always consistent policy objectives, made assessment and prioritisation of regional economic development alongside NRS initiatives challenging. Further, it limited the opportunity for Ministers to make more appropriate trade-offs and prioritise regional economic development initiatives alongside initiatives in other workstreams with a similar business and economic development focus.

Options for the Process for BGA cross-cutting initiatives in Budget 2017

8. Looking ahead to Budget 2017, we see three broad options for allocating cross-cutting initiatives across the BGA workstreams.

Option A – Utilise existing cross-cutting Ministerial meetings to identify priorities and allocate budget initiatives to the most relevant BGA workstream (Treasury recommended).

9. Under this option, cross-cutting Ministerial priorities would flow into the discussions on BGA workstream priorities by workstream Ministers in January/February 2017.
10. This option would allow a comprehensive prioritisation by both Ministers with cross-cutting responsibilities and workstream Ministers, as well as linking them to initiatives in workstreams which have related focus areas and objectives.
11. A formal role of putting a collective Ministerial view on cross-cutting budget initiatives early on will strengthen the focus on cross-cutting themes as part of the BGA budget process.
12. BGA agencies responsible for cross-cutting themes¹ and Treasury will provide advice on cross-cutting themes in the emerging overall BGA package to Ministers English and Joyce in March.
13. This option would provide existing Ministerial groups² for the cross-cutting themes in the BGA with a more formal role in Budget 2017. Ministers would discuss and signal priority budget initiatives for their respective cross-cutting theme in their December 2016 meetings.³

Option B - Individual cross-cutting initiatives will be allocated to the most appropriate BGA workstream

14. Under this option, cross-cutting initiatives would be allocated to the most relevant and appropriate workstream. For example, regional research centres would be part of the Building Innovation workstream as it links and contributes to the wider science and innovation system in New Zealand.
15. This approach would enable workstream Ministers to discuss and prioritise cross-cutting initiatives alongside related budget initiatives with similar objectives and make trade-offs accordingly. It would also ensure that a cross-cutting lens is implicitly applied in workstreams with relevant cross-cutting initiatives.
16. However, option b. runs the risk of producing a disjointed view of cross-cutting initiatives as workstream Ministers do not have visibility over all cross-cutting initiatives across all workstreams. Therefore, they may not be able to identify trade-offs and prioritise cross-cutting initiatives in a consistent and comprehensive way.

Option C - Cross-cutting initiatives will be allocated to a particular BGA workstream, similar to the approach used in Budget 2016

17. Consistent with the BGA process in Budget 2016, Ministers could decide to allocate all cross-cutting initiatives to one BGA workstream (e.g. all regional economic development initiatives are discussed by NRS Ministers). This would enable the respective workstream Ministers to have oversight of all cross-cutting initiatives and allow them to prioritise accordingly.
18. However, as highlighted above, due to the variety of cross-cutting initiatives, not all of them are likely to fit naturally within the scope and focus areas of a single workstream.

¹ MBIE for Regional Economic Development and Maori Economic Development, and Treasury for regulation.

² Existing Ministerial meetings on cross-cutting themes are: Regional Economic Development Ministers, meetings between Minister Joyce and Minister Flavell on Maori Economic Development, and informal Ministerial group meetings on regulatory reform led by Minister Joyce and Undersecretary Seymour (with attendance by major regulatory Ministers Guy, Smith, Lotu-liga, Goldsmith, Dunne, Bridges, Adams, Woodhouse, and Finlayson).

³ Regional Economic Development Ministers are scheduled to meet on 15 December 2016. Ministerial meetings on Maori Economic Development are yet to be confirmed for December. The Ministerial group on regulation is not due to meet next month. Any initiatives will be discussed with the Minister for Regulatory Reform although no Budget initiatives for this cross-cutting theme are expected at this time.

Therefore Ministers in other workstreams might not be able to compare similar initiatives with cross-cutting initiatives in the context of their workstream priorities.

Next Steps

19. Following your decision on cross-cutting initiatives in Budget 2017, Treasury will provide guidance to economic agencies which outlines the process and allocation for these initiatives.
20. Treasury will also work with relevant BGA agencies to provide support for Ministerial meetings in line with your decision on the process for cross-cutting initiatives.

Recommended Action

We recommend that you:

- a **note** the BGA Refresh 2017 will continue to include cross-cutting themes, namely Regional economic Development, Maori economic Development, and Regulation
Noted
- b **note** that Treasury expects budget initiatives which fall within cross-cutting themes of the BGA
Noted
- c Either:
agree to option A – utilise existing cross-cutting Ministerial meetings to identify priorities and allocate budget initiatives to the most relevant BGA workstream (Treasury recommended)
Agree/not agree
Or
agree to option B - individual cross-cutting initiatives will be allocated to the most appropriate BGA workstream
Agree/not agree
Or
agree to option C – All cross-cutting initiatives will be allocated to a particular BGA workstream, similar to the approach used in Budget 2016
Agree/not agree
- d **note** that Treasury will provide guidance to economic agencies on cross-cutting initiatives in Budget 2017 reflecting your decision on recommendations above
- e **forward** a copy of this report to the Minister of Finance
Forwarded/not forwarded

Matthew Gilbert
**Manager - Economic Performance &
Strategy, Regulatory Quality**

Hon Steven Joyce
Associate Minister of Finance

