

# The Treasury

## Budget 2017 Information Release

### Release Document July 2017

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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: T2017/172

DH-36-0



**THE TREASURY**  
Kaitohutohu Kaupapa Rawa

Date: 3 February 2017

To: Minister of Finance (Hon Steven Joyce)  
Minister for Climate Change Issues (Hon Paula Bennett)  
Associate Minister of Finance (Hon Simon Bridges)  
Minister of Local Government (Hon Anne Tolley)  
Minister for Primary Industries (Hon Nathan Guy)  
Minister for the Environment (Hon Dr Nick Smith)  
Minister of Energy and Resources (Hon Judith Collins)  
Minister of Conservation (Hon Maggie Barry)  
Minister for Land Information (Hon Mark Mitchell)  
Minister of Māori Development (Hon Te Ururoa Flavell)

Deadline: Ministers meeting Wednesday, 8 February 2017, 3.30pm – 4.30pm

## **Aide Memoire: Business Growth Agenda Natural Resources Budget 2017**

### ***Purpose***

The purpose of this Aide Memoire is to support the discussion amongst Natural Resource Sector (NRS) Ministers on the relative priority of Budget 2017 initiatives that relate to the Natural Resources workstream.

The Treasury has assessed all the Budget initiatives with a focus on the value for money and likely net benefits of the initiatives, and their alignment with the BGA 2017 Refresh priorities. Our assessments are informed by the supporting information that has been provided by agencies, including cost benefit templates. Our advice also reflects the assessment of selected BGA budget initiatives by the BGA Peer Review Process<sup>1</sup>. The peer review panel was generally supportive of Treasury's advice of the selected initiatives.

Once each of the Business Growth Agenda (BGA) Ministerial groups has discussed the initiatives relevant to their sectors, Ministers Joyce and Bridges will consider options for prioritised packages across the BGA to fit into the available allowance, with advice from the BGA Leadership Group.

### ***Context***

Budget 2017 is building on a number of positive changes that were introduced in Budget 2016 to ensure greater scrutiny is applied consistently across all investment decisions. There has been a shift in focus towards better use of evidence to support decision making, enforcing greater transparency around cost drivers, and agencies developing a deeper understanding of their business and customers.

These positive changes include the enforcement of cost benefit analysis and broader application of CBAX, greater use of expert panels, and more transparency around

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<sup>1</sup> The selected initiatives which were assessed by the Peer Review Process are marked in Annex I

future costs and benefits. Embedding these changes will help drive value for money investment across the system.

The operating allowance for Budget 2017 is set at \$1.5 billion per annum. In total, there are **over** [33] of operating initiatives, of which approximately [33] million are BGA-related initiatives.

### ***BGA refresh priorities for the Natural Resources workstream***

The initiatives that the Natural Resource Sector agencies submitted link to all BGA Refresh outcome areas. The total amount of funding sought from NRS agencies totals [33] **million operating over the next four years** and [33] **million of capital expenditure**. Of the initiatives that Treasury have assessed, we recommend supporting [33] **million operating over the next four years** and [33] **million of capital expenditure**

*Our land is sustainably used to its best value and in a way that maximises its future potential*

- [33]
  - The total amount of **funding sought** from these initiative is [33] **million operating** over the next four years
  - Treasury recommends supporting initiatives which enable private sector investment or include clear evaluation of likely success before continued Crown commitment. Treasury does not support initiatives which propose ongoing funding without consideration of effectiveness, the role of government is not clear or the support by key private sector players has not been established.
- [33]

*Thriving communities care for and get what they need from their freshwater*

- The initiatives under this workstream focus on developing and constructing irrigation infrastructure to increase productivity in the primary sector and provide greater certainty about freshwater availability.
- The total amount of **funding sought** for these initiatives is **\$26.7 million operating** over the next four years and [33] **million capital** expenditure.
- Treasury is generally supportive of these initiatives as they align well with existing policy settings and provides significant economic gains. There is a role for Crown backing investment-ready projects that require capital commitment where governance and commercial capability is strong. Treasury supports the **full \$26.7 million operating** costs but only supports [33] **million capital** expenditure [33]

*New Zealand realises the full potential of its marine resources in a sustainable and innovative way*

- The initiatives under this workstream focus on modernising existing regimes to ensure appropriate governance mechanisms and regulatory enforcement tools are in place to enhance use and protection of our marine environment.
- The total amount of funding sought for these initiatives is [33] **million operating** over the next four years.
- Treasury is generally supportive of the investment proposition to modernise the enforcement of the fisheries system and allow for more innovation in fishing techniques. Greater certainty about marine protection should also improve investment activity and focus resources and community attention on where

protection would be most valuable. Of the funding sought for these initiatives, Treasury supports funding [33] **million operating** over the next four years.

*New Zealand is a more productive, low emissions economy that is resilient to a changing climate*

- The initiatives under this workstream focus on interventions [33] [33] transitioning to a low carbon economy.
- The total amount of funding sought for these initiative is [33] **million operating** over the next four years.
- [33]

Treasury **does not support the emissions reduction at home bid** as this is business as usual work that can be delivered once resources are freed up at the end of the ETS review. There are no material risks from delaying the delivery of this work.

*The value of biodiversity to the economy and the lives of New Zealanders is reflected in our natural resource decisions.*

- The initiatives under this workstream focus on [33] reducing pests to protect biodiversity and productivity.
- The total amount of funding sought for these initiative is [33] **million operating** over the next four years.
- Treasury recommends supporting [33] due to high standard evidence and investment readiness to effectively deliver these initiatives.

*Everyone in the system has the information and data they need for better decisions, investments and innovation*

[33]

Initiatives submitted by NRS agencies also include three bids from MBIE on behalf of the Electricity Authority. The total amount of these initiatives is **\$8.8 million** operating over the next four years which the Treasury supports in full. The figures relating to these bids are not included in the total figures sought for and supported as the costs of these initiatives are fully cost recoverable.

## **Prioritisation of NRS Budget Bids**

If Ministers wish to prioritise investment for Budget 17 based on BGA refresh outcome then Treasury recommends supporting initiatives relating to:

- **Marine**, as investment in marine has been limited in recent years and modernisation of the regime is needed,
- **Freshwater**, as investment in irrigation is key to the Government's commitment to improving primary sector productivity, and
- **Battle for our Birds**, as inaction in this area would undermine the Government's commitment to a Predator Free New Zealand by 2050.

If Ministers wish to prioritise certain themes, the Treasury recommends that Ministers request that Natural Resource Sector Chief Executives report back in March with themes for prioritisation.

If there are initiatives you are interested in pursuing that Treasury does not support funding for in Budget 2017, we recommend Ministers discuss with Treasury officials so Treasury can help ensure the investments in these initiatives is effective as possible.

## **Discussion points for Workstream Ministers**

- How does this align with Ministers expectations for the Natural Resources Sector in Budget 2017?
- Prioritisation of bids against Government priorities.

## **Annexes**

There are two appendices attached to this document.

- Annex I: details of Treasury's initial assessment of all initiatives in the BGA Natural Resources workstream submitted as part of Budget 2017.
- Annex II: shows Treasury's assessment of the relative value for money and strategic fit across the Natural Resources workstream.

[34]

**Libby Masterton**, Manager, Natural Resources, [39]

Annex I: Details of Treasury’s initial assessment of all initiatives in the BGA Natural Resources workstream

Outcome	Initiative	Initiative Description (provided by agency)	Pre-commitments	Treasury Advice	Financial Analysis						
						OPEX (millions)					CAPEX
						16/17	17/18	18/19	19/20	20/21	(over 4 years)
<p><b>Our land is sustainably used to its best value and in a way that maximises its future potential</b></p>	[33]										

	<b>Te Ture Whenua Māori Reform Legislation education programme</b>	This funding will provide an education programme for Māori landowners and other stakeholders to provide guidance and education on Te Ture Whenua Māori reforms.	Agreed Initiative	<b>Defer</b> Legislation is unlikely to come into force earlier by the end of 2018 at the earliest so the initiative can be considered as part of Budget 2018.	Sought		1.344				
	[33]	[33]	[33]	[33]	TSY rec						
					[33]						
					[33]						

Outcome	Initiative	Initiative Description (provided by agency)	Pre-commitments	Treasury Advice	Financial Analysis						
						OPEX (millions)					CAPEX
						16/17	17/18	18/19	19/20	20/21	(over 4 years)
<b>Thriving communities care for and get what they need from their freshwater</b>	<b>Grant Funding to support regional irrigation scheme development</b>	This initiative is to continue the Government's support for the development and construction of irrigation infrastructure. The funding requested will match grant funding to regional scale irrigation schemes, to support schemes to meet the costs of progressing through the phases of development and ultimately reach construction.	Discretionary	<b>Support</b> Crown Irrigation Investments Ltd is due to complete an investment review of Central Plains Water Stage 1 irrigation scheme and the results of this review may help inform the value of these schemes.	Sought		9.162	15.500	2.000		
					TSY rec		9.162	15.500	2.000		
	<b>Investment in irrigation schemes in South-Canterbury, Marlborough, Nelson Tasman, and Hawke's Bay regions</b>	This initiative relates to the Government's support for the development and construction of irrigation infrastructure. The funding requested in this initiative is for CIIL to undertake its core function to invest in the construction of regional scale irrigation infrastructure, to ensure that irrigation schemes are built, and built to an optimal size to maximise their economic impact.	The government manifesto has publically supported investing \$400 million in irrigation schemes to encourage third party investment.	<b>Partial Support</b> Support all schemes [33]	Sought						[33]
					TSY rec						[33]

Outcome	Initiative	Initiative Description (provided by agency)	Pre-commitments	Treasury Advice	Financial Analysis					
						OPEX (millions)				
					16/17	17/18	18/19	19/20	20/21	(over 4 years)
<b>New Zealand realises the full potential of its marine resources in a sustainable and innovative way</b>	<b>Future of our Fisheries</b>	This funding will upgrade and modernise the fisheries management system, to maximise the benefits of shared sustainable fisheries now and in the future, and improve public confidence in the stewardship of fishery resources. It includes regulatory changes to introduce electronic monitoring of commercial fishers (IEMRS) and remove barriers to innovation, and a range of other proposals currently under consultation. [33]	Discretionary Pre-commitment for IEMRS.	<b>Partial Support</b>  Support the Integrated Electronic Monitoring and Reporting System component.  [33]	[33]					
					TSY rec	6.222	7.325	8.231	8.700	
	<b>Marine Strategy</b> <i>(assessed by Peer Review Panel)</i>	[33]	[33]	<b>Partial Support</b> [33]	[33]					



Outcome	Initiative	Initiative Description (provided by agency)	Pre-commitments	Treasury Advice	Financial Analysis						
					OPEX (millions)					CAPEX (over 4 years)	
					16/17	17/18	18/19	19/20	20/21		
New Zealand is a more productive, low emissions economy that is resilient to a changing climate	[33]										
	Emission Reductions at Home	This initiative provides options to reduce greenhouse gas emissions [33]	Discretionary	Do not support This is business as usual work and waiting until the completion of the ETS Review will allow agency resourcing to be allocated to this initiative. We do not consider there are any material risks from waiting until the ETS Review is concluded to deliver this work.	Sought	-	[33]				-
					TSY rec	-	-	-	-	-	-

Outcome	Initiative	Initiative Description (provided by agency)	Pre-commitments	Treasury Advice	Financial Analysis						
						OPEX (millions)					CAPEX
						16/17	17/18	18/19	19/20	20/21	(over 4 years)
<b>The value of biodiversity to the economy and the lives of New Zealanders is reflected in our natural resource decisions</b>	<b>Battle for our Birds 2017</b>	Targeted pest control in response to a climatic event.	Discretionary	<b>Support</b> Robust evidence of past success in responding to similar climatic events.	Sought	21.316					
					TSY rec	21.316					

[33]

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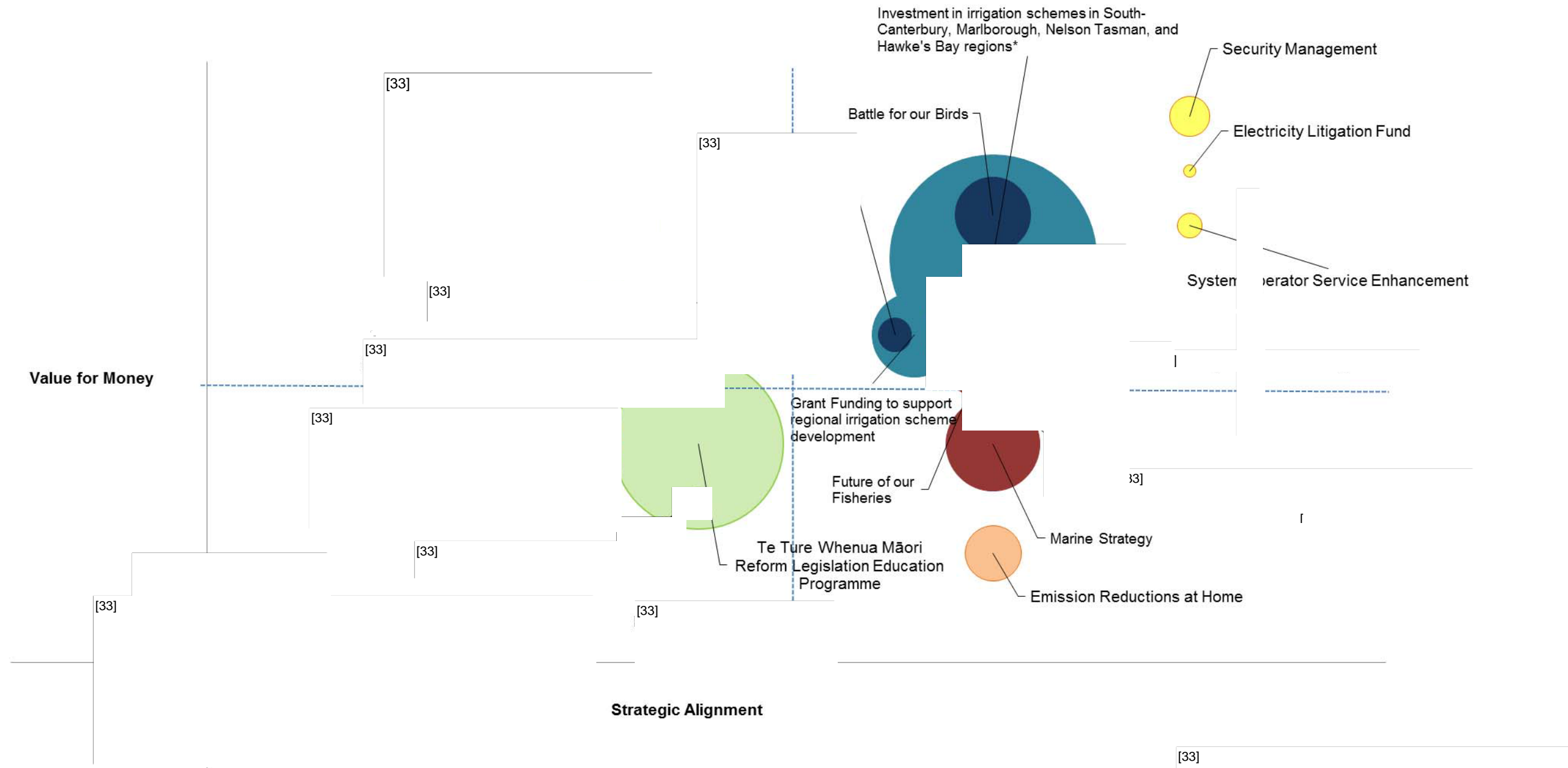
[33]

Outcome	Initiative	Initiative Description (provided by agency)	Pre-commitments	Treasury Advice	Financial Analysis							
						OPEX (millions)					CAPEX	
						16/17	17/18	18/19	19/20	20/21	(over 4 years)	
Other	Electricity Litigation Fund	Appropriation increase to enable the Electricity Authority to remain an effective regulator and participate in litigation when required. Fiscally neutral – levy funded	Discretionary	<b>Support</b> We consider that it is important the EA is able to remain an effective regulator and participate in litigation when required. We acknowledge that the EA is working on some particularly contentious, but important, issues at the moment, a temporary increase in the litigation fund is appropriate, and scope of the appropriation. This bid is fiscally neutral as it will be levy funded. The impact on consumer electricity bills if the levy is triggered is likely to be marginal.	Sought		0.556					
					TSY rec		0.556					
	Security Management	Renewal of security management appropriation to enable the management of emerging or actual emergency events from 1 July 2017. Fiscally neutral – levy funded	Discretionary	<b>Support</b> The policy need for the appropriation remains, so it is appropriate that a renewal is approved. This bid is fiscally neutral as it will be levy funded. The impact on consumer electricity bills if the levy is triggered is likely to be marginal.	Sought		1.2	1.2	1.2	2.4		
					TSY rec		1.2	1.2	1.2	2.4		
	System Operator Service Enhancement	To enable the Electricity Authority to consider the system enhancement upgrades proposed by Transpower. Fiscally neutral – levy funded.	Discretionary	<b>Support</b> We consider it is important the EA is able to perform its function as an independent regulator effectively and be able to consider the system enhancement proposals from Transpower. This bid is fiscally neutral as it will be levy funded. The impact on consumer electricity bills if the levy is triggered is likely to be marginal.	Sought			0.333	0.999	0.999		
					TSY rec			0.333	0.999	0.999		

**Annex II**

**Bubble diagram showing Treasury's assessment of the relative value for money and strategic fit across the Natural Resources workstream**

*(Bubbles that are partially transparent are initiatives not supported by Treasury for Budget 2017)*



- Our land is sustainably used to its best value and in a way that maximises its future potential
- Thriving communities care for and get what they need from their freshwater
- New Zealand realises the full potential of its marine resources in a sustainable and innovative way
- New Zealand is a more productive, low emissions economy that is resilient to a changing climate
- The value of biodiversity to the economy and the lives of New Zealanders is reflected in our natural resource decisions
- Not BGA theme