

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: T2017/379 SH-11-1

Date: 24 February 2017

To: Associate Minister of Finance (Hon Simon Bridges)

Copy to: Minister of Finance (Hon Steven Joyce)

Deadline: 5pm Monday 27 February 2017

Aide Memoire: BGA Budget 17 - Material for Discussion on 27 February 2017

Purpose

1. You have requested a meeting with officials to discuss the BGA workstream of Budget 2017 on 27 February.

Budget Background

2. The operating allowance for Budget 2017 is set at \$1.5 billion per annum.
[33]

BGA process so far

3. The key steps in the process so far are:
 - Initiatives received and assessed by the Treasury
 - Selected initiatives discussed by peer review panel to inform Treasury advice
 - BGA workstream ministers have discussed the priority order within each workstream (all workstreams except for Export Markets have completed this stage at the time of writing. Export Markets will discuss budget initiatives on Monday 27 February)

Proposed sets of initiatives

4. The proposed investment is focused on best achieving the BGA vision with a particular focus on “Building a more diversified and resilient New Zealand economy to enable firms to succeed on the world stage”. The proposed investment is also driven by the BGA refresh and organised according to the strategic themes being developed there.

5. The attached material represents Treasury advice as at 23 February on which initiatives to support and at what level (e.g. full or scaled funding). There are three sets of initiatives:
 - a. Low level of discretion/ Pre-commitments set – Appendix A
 - b. High Priority/ Strong Strategic alignment set – Appendix B
 - c. Opportunity set – Appendix C
 - d. The overview containing information on all initiatives - Appendix D

6. The summary position is set out below.

Overview table of proposed investment (Opex in \$m)					
		Low level of discretion/ pre-commitments	High Priority/Strong Strategic Alignment Set	Opportunity Set	Totals
BGA Refresh Theme					
Infrastructure	Other infrastructure, including social and regional infrastructure	[33]			
	Strengthen the management and development of urban infrastructure				
SSW	Ensure safe and fair workplaces				
	Delivering skills and qualifications needed for a modern economy				
	Strengthen transitions from secondary school to higher education and into the workforce				
	Lift the participation of Māori and Pasifika in the workforce to the same level as the rest of New Zealand				
	Use immigration settings to attract the best people to fill skill shortages across different sectors and regions				
Export	Diversify the export base, and drive for higher value				
	Secure access to diverse markets				
	Protect our people, reputation and investment				
Innovation	New business through innovation				
	Globally Integrated Innovation Network				
	Adaptive Regulatory Frameworks and Competitive Market				

	Advanced Technologies	[33]
	Digital Economy	
	Data Driven Innovation	
	Innovation Skills	
NRS	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	
	The value of biodiversity to the economy and the lives of New Zealanders is reflected in our natural resource decisions	
	Our land is sustainably used to its best value and in a way that maximises its future potential	
	Everyone in the system has the information and data they need for better decisions, investments and innovation	
Investment	Focus on responsible financial management	
	Ensure access to good quality financial advice	
Average OPEX across the forecast period		
Cumulative		
Outyears		
Cumulative outyears		

Low level of discretion / Pre commitment set

7. [33]

It is worth noting that the
OPEX is primarily driven by three large initiatives, as discussed in the table below.

Initiative	Average OPEX per year (\$m)	Comment	Link to BGA theme
R&D Growth Grants: Meeting Rising Demand	[33]	Treasury supports funding the R&D Growth Grants to meet rising demand. International evidence states that a key criteria for business R&D support policy is that it should be stable over time and not undergo frequent change in order for businesses to feel confident in making medium to long term R&D investments with certainty.	New Business Through Innovation
New Zealand Screen Production Grant – International	[33]	[33] This initiative represents the anticipated demand on the grant with current agreements and settings. Any significant reduction to this funding would require significant change to the core rebate rate, which would have significant impacts on the film industry in New Zealand (T2017-131 refers).	Diversify the export base, and drive for higher value
Housing Infrastructure Fund	[33]	This represents a one off charge [33] as a concessionary charge on the Housing Infrastructure Fund.	Other infrastructure, including social and regional infrastructure

[33]

High Priority / Strong Strategic alignment set

9. [33]

This set of initiatives is based on the Treasury assessment of value for money and strategic alignment with the BGA vision.

10. [33]

This
investment has strong alignment with overall vision and reflects the Ministerial priority for investing in overseas presence and supporting tourism.

[33] We are aware that Ministers may want to make some pre-budget announcements regarding elements of these investments alongside the anticipated release of the trade strategy in late March.

11. The next largest investment in the high priority set in New Zealand realises the full potential of its Marine resources in a sustainable and innovative way [33]

Opportunity set

12. [33]

The majority of proposed investment in this set is in the Innovation workstream. Categorising these initiatives as opportunities reflects the value of investing in innovation balanced against the optional nature of this investment and the \$118 million per annum investment in Innovation in Budget 2016.

Next steps

13. The BGA Leadership group is scheduled to meet with you and Minister Joyce on 7 March to discuss the BGA refresh and budget.

Discussion points

14. The fiscal envelope for the BGA is yet to be confirmed, [33]

Based on this range and the investments

proposed:

- a. Are these the right set of investments to best move us towards the BGA vision?
- b. If not, which investments should be added or subtracted?
- c. Is there any further information you require?

[34]

Sam King, Acting Team Leader, Economic Performance & Strategy (Policy), [39]

Appendix A Low level of discretion/pre-commitments		2016/17	2017/18	2018/19	2019/20	2020/21 and outyears	Average Opex p.a.	Total Capex	
Sought	[33]								
VA Supported									
Initiative Name									BGA Refresh Theme
Alcohol interlock subsidy scheme									Other infrastructure, including social and regional infrastructure - [33]
Auckland City Rail Link (CRL)									
Housing Infrastructure Fund (HIF)									Strengthen the management and development of urban infrastructure - [33]
R&D Growth Grants: Meeting Rising Demand									New business through innovation [33]
Square Kilometre Array (SKA) Membership									Globally Integrated Innovation Network [33]
New Zealand Screen Production Grant – International									Diversify the export base, and drive for higher value - [33]
Investment in irrigation schemes in South-Canterbury, Marlborough, Nelson Tasman, and Hawke’s Bay regions									Thriving communities care for and get what they need from their freshwater [33]

Appendix B High Priority/Strong Strategic Alignment Set		2016/17	2017/18	2018/19	2019/20	2020/21 and outyears	Average Opex p.a.	Total Capex	
Sought		[33]							
VA Supported									
Initiative Name		in \$m							BGA Refresh Theme
Rollover funding for G2G Partnerships Office (G2G Know-How)	Support	[33]							Diversify the export base, and drive for higher value - [33]
Maximising Trade Agreement Benefits and Accelerating Value Growth in Primary Sector Exports	Partial Support								
Participation and leveraging opportunities with Expo 2020 Dubai	Support	0.000	3.010	7.790	32.100	10.340	13.310	0.000	
Tourism growth initiative	Partial Support	[33]							
Making New Zealanders more prosperous	Partial Support	0.000	2.634	4.209	4.485	4.546	3.969	0.000	Secure access to diverse markets - \$3.969
Biosecurity 2025 – Protecting to Grow New Zealand	Support	[33]							Protect our people, reputation and investment - [33]
Making New Zealanders safer	Partial Support	0.000	1.498	1.593	1.557	2.055	1.676	0.000	
Our Place in Antarctica” – Development of a detailed design, business case and delivery strategy for the future replacem	Support	0.000	1.200	0.940	0.000	0.000	0.535	4.000	Globally Integrated Innovation Network - \$0.535
R9 Accelerator – making it easier for business to deal with government	Support	[33]							Adaptive Regulatory Frameworks and Competitive Markets [33]
New Zealand Business Number (NZBN)	Support								
Health and Safety at Work Act activity - Maritime New Zealand	Partial Support	0.000	0.000	0.000	0.000	0.000	0.000	0.000	Ensure safe and fair workplaces - fiscally neutral/levy funded
WorkSafe NZ - Funding Review Implementation	Partial Support	0.000	0.000	0.000	0.000	0.000	0.000	0.000	
Health and Safety at Work Act (HSWA) – Civil Aviation Authority	Support	0.000	0.000	0.000	0.000	0.000	0.000	0.000	
Programme for International Assessment of Adult Competencies (PIAAC)	Support	[33]							Delivering skills and qualifications needed for a modern economy [33]
Work-Integrated Learning	Partial Support								

[33]										
Workplace Literacy and Numeracy	Support	-3.500	3.500	0.000	0.000	0.000	0.000	0.000		
Reducing the Number of Youth who are not in Education, Employment or Training through Regional Approaches	Partial Support	0.000	[33]					0.000	[33]	
[33]										
Grant funding to support regional irrigation scheme development	Support	[33]								
Future of our Fisheries	Partial Support	0.000	6.222	7.325	8.231	8.700	7.620	0.000	New Zealand realises the full potential of its marine resources in a sustainable and innovative way - \$7.620	
Battle for our Birds 2017	Support	21.316	0.000	0.000	0.000	0.000	5.329	0.000	The value of biodiversity to the economy and the lives of New Zealanders is reflected in our natural resource decisions - \$5.3329	
[33]										
Auckland Vacant or Underutilised Crown Land Programme	Support	0.000	0.500	0.500	0.500	0.500	0.500	100.000	Strengthen the management and development of urban infrastructure - \$0.500 OPEX, \$100.000 CAPEX	
Wellington metro rail upgrades - KiwiRail and Greater Wellington Regional Council	Support	0.000	0.000	0.000	0.000	0.000	0.000	0.000		

Appendix C Opportunity Set		2016/17	2017/18	2018/19	2019/20	2020/21 and outyears	Average Opex p.a.	Total Capex		
[33]										
Initiative Name		in \$m							BGA Refresh Theme	
[33]										
Accommodation support for National Antarctic Programmes with operations based out of Christchurch.	Support	0.000	0.850	0.850	0.850	0.900	0.863	0.000	Globally Integrated Innovation Network - \$15.363	
Strategic Science Investment Fund: Antarctic Science Platform	Support	0.000	7.000	7.000	7.000	7.000	7.000	0.000		
Strategic Science Investment Fund: Development of Hazards Response Capability	Support	0.000	6.000	6.000	6.000	6.000	6.000	0.000		
[33]										
The Endeavour Fund	Support	[33]								
[33]										
Advanced Technologies - \$6.875										
[33]										
[33]										
Funding for MBIE's new functions as the lead space agency	Partial Support	[33]							[33]	
[33]										
[33]										
Tertiary Education Institution (TEI) Merger Contingency	Support	[33]								
[33]										

[33]									
Maintaining Employment Relations & Standards Service Delivery	Support	0.000	1.500	2.350	2.350	0.500	1.675	0.000	Ensure safe and fair workplaces - \$1.675
Electricity Security Management	Support	0.000	0.000	0.000	0.000	0.000	0.000	0.000	
[33]									
Electricity Litigation Fund	Support	0.000	0.000	0.000	0.000	0.000	0.000	0.000	Other infrastructure, including social and regional infrastructure [33]
System Operator Service Enhancement	Support	0.000	0.000	0.000	0.000	0.000	0.000	0.000	
[33]									
Marine Protection and Development	Support	[33]							
[33]									
Regional Growth Programme	Partial Support	0.000	[33]		0.000	0.000	[33]	0.000	[33]
[33]									

Appendix D Overview		2016/17	2017/18	2018/19	2019/20	2020/21 and outyears	Average Opex p.a.	Total Capex
	[33]							
		in \$m						
Initiative Name								
Biosecurity 2025 – Protecting to Grow New Zealand	[33]							
Making New Zealanders safer	VA Supported	0.000	1.498	1.593	1.557	2.055	1.676	0.000
Maximising Trade Agreement Benefits and Accelerating Value Growth in Primary Sector Exports	[33]							
Making New Zealanders more prosperous	VA Supported	0.000	2.634	4.209	4.485	4.546	3.969	0.000
[33]								
Establishment of a New Zealand Embassy in Dublin, Ireland	Sought	0.000	1.432	1.149	3.191	3.361	2.283	0.000
	VA Supported	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Participation and leveraging opportunities with Expo 2020 Dubai	Sought	0.000	3.010	7.790	32.100	10.340	13.310	0.000
	VA Supported	0.000	3.010	7.790	32.100	10.340	13.310	0.000
Tourism growth initiative	[33]							
Strengthening the Foundations for Sustainable Growth of International Education	Sought	0.000	1.700	1.700	1.700	1.700	1.700	0.000
	VA Supported	0.000	1.700	1.700	1.700	1.700	1.700	0.000
[1]								
Creating Economic Opportunity: A Treasury Presence Offshore (Singapore)	Sought	0.000	0.854	0.854	0.854	0.854	0.854	0.000
	VA Supported	0.000	0.000	0.000	0.000	0.000	0.000	0.000
New Zealand Screen Production Grant – International	[33]							
[33]								
Establishment of a New Zealand High Commission in Colombo, Sri Lanka	Sought	0.000	0.937	1.942	3.067	2.917	2.216	6.236
	VA Supported	0.000	0.000	0.000	0.000	0.000	0.000	0.000
[1]								

[33]									
Tourism Infrastructure Fund	[33]								
Auckland Vacant or Underutilised Crown Land Programme	Sought	0.000	0.500	0.500	0.500	0.500	0.500	100.000	
Alcohol interlock subsidy scheme	[33]								
[33]									
KiwiRail - ongoing support of the rail freight business	[33]								
KiwiRail - rollover of existing loans									
[33]									
Implementing the Government's urban development priorities	[33]								
Housing New Zealand – Auckland Housing Programme									
Ministry of Transport - Capacity and capability									
Housing Infrastructure Fund (HIF)									
Auckland City Rail Link (CRL)									
[33]									
R9 Accelerator – making it easier for business to deal with government	[33]								
Our Place in Antarctica” – Development of a detailed design, business case and delivery strategy for the future replacem									
[33]									

[33]									
The Endeavour Fund	[33]								
Strategic Science Investment Fund: Development of Hazards Response Capability									
[33]									
Accommodation support for National Antarctic Programmes with operations based out of Christchurch.	Sought	0.000	0.850	0.850	0.850	0.900	0.863	0.000	
	VA Supported	0.000	0.850	0.850	0.850	0.900	0.863	0.000	
[33]									
Strategic Science Investment Fund: Antarctic Science Platform	Sought	0.000	[33]	7.000	7.000	7.000	7.000	0.000	
	VA Supported	0.000		7.000	7.000	7.000	7.000	0.000	
Increasing the Performance-Based Research Fund	[33]								
[33]									
Square Kilometre Array (SKA) Membership	Sought	0.000	0.600	0.000	0.000	0.000	0.150	0.000	
	VA Supported	0.000	0.600	0.000	0.000	0.000	0.150	0.000	
[33]	[33]								
[33]									
Funding for MBIE's new functions as the lead space agency	[33]								
R&D Growth Grants: Meeting Rising Demand									
[33]									
Battle for our Birds 2017	[33]								
Grant funding to support regional irrigation scheme development									

	[33]								
Future of our Fisheries									
[33]									
Regional Growth Programme	Sought	0.000	8.850	8.850	[33]			0.000	
	VA Supported	0.000	[33]					0.000	
[33]									
Marine Protection and Development	[33]								
[33]									
Marine Protection and Development	[33]								
[33]									
Investment in irrigation schemes in South-Canterbury, Marlborough, Nelson Tasman, and Hawke's Bay regions	[33]								
[33]									
Maintaining Employment Relations & Standards Service Delivery	Sought	0.000	1.500	2.350	2.350	0.500	1.675	0.000	
	VA Supported	0.000	1.500	2.350	2.350	0.500	1.675	0.000	
[33]									
WorkSafe NZ - Funding Review Implementation	Sought	0.000	0.000	0.000	0.000	0.000	0.000	0.000	
	VA Supported	0.000	0.000	0.000	0.000	0.000	0.000	0.000	
Health and Safety at Work Act activity - Maritime New Zealand	Sought	0.000	0.000	0.000	0.000	0.000	0.000	0.000	
	VA Supported	0.000	0.000	0.000	0.000	0.000	0.000	0.000	
Health and Safety at Work Act (HSWA) – Civil Aviation Authority	Sought	0.000	0.000	0.000	0.000	0.000	0.000	0.000	
	VA Supported	0.000	0.000	0.000	0.000	0.000	0.000	0.000	
[33]									

[33]								
Workplace Literacy and Numeracy	Sought	-3.500	3.500	0.000	0.000	0.000	0.000	0.000
	VA Supported	-3.500	3.500	0.000	0.000	0.000	0.000	0.000
[33]								
Tertiary Education Institution (TEI) Merger Contingency	[33]							
[33]								
Tuition Subsidy Increase	[33]							
[33]								
Reducing the Number of Youth who are not in Education, Employment or Training through Regional Approaches	Sought	0.000	[33]					0.000
	VA Supported	0.000						0.000
[33]								