

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: T2017/454

TY-2-3

Date: 10 March 2017

To: Minister of Finance (Hon Steven Joyce)
Associate Minister of Finance (Hon Simon Bridges)

Deadline: Investment Ministers meeting on 13 March 2017
(if any)

**Aide Memoire: Treasury view - DPMC briefings on
Wellington resilience budget
initiatives**

You have received a package of ^[40] papers from the Department of Prime Minister and Cabinet (DPMC) that:

- give context to the Wellington resilience Budget 2017 initiatives

[40]

These papers respond to a request you made in the Fiscal Issues meeting on 7 February for further information on the Wellington resilience Budget initiatives. The papers are intended to inform you in advance of considering these bids at the Investment Ministers meeting on 13 March.

This aide memoire is intended to provide context and Treasury comment on these papers. However, in relation to the Wellington resilience bids, it is not intended to replace the formal stream of Treasury advice you will receive for the investment ministers' process.

Background to this issue

The Budget bids are a result of a cross-government project that DPMC has been leading on behalf of the Officials Committee for Domestic and External Security Coordination (ODESC) following the 14 November 2016 Kaikōura earthquake sequence. The project is assessing whether the existing levels of readiness for a large earthquake affecting the Wellington region are sufficient.

[40]

Summary of DPMC advice

[40]

- Statutory responsibility for resilience of critical infrastructure belongs with the relevant lifeline utilities, which are owned by a mixture of local government, central government and private parties.

[40]

- [40] it has long been recognised that Wellington is particularly vulnerable, compared to other major population centres, due to its geography and the very lengthy disruption it would face to network infrastructure – water, electricity, transport (both people movement and consumer goods).
- The Kaikōura earthquake has temporarily increased the risk that a large seismic event will affect Wellington.
- The heightened short-term risk, the inability of other responsible actors to respond quickly to that risk without government funding, and central government's interest in ensuring continuity of its own critical Wellington-based functions, provide a basis for central government playing a role in contributing toward critical shorter-term mitigation measures.
- DPMC, in consultation with experts across central and local government, has identified [33] small scale, high impact projects that are suitable for central government funding and are being considered in Budget 2017. The bids are:
 - Wellington Water – establishing community emergency water facilities to minimise humanitarian risk from lack of network water [33]

[33]

- Health (Capital and Coast DHB) – includes [33]

[33]

[33]

[40]

Treasury comment: Wellington resilience budget initiatives

We are comfortable with the core argument that central government should, *prima facie*, consider funding for these initiatives. Aside from the factors noted in the summary of DPMC advice above, key determinants for us include:

- The bids are small and focused on critical short term risks particular to Wellington – which minimises precedent risks (both for other larger Wellington resilience projects possibly for Budget 2018, and other small scale initiatives elsewhere).
- The initiatives have been consulted on extensively across experts in government and local government, and have been triaged appropriately.
- Agencies have done some work to explore the impact of this funding on longer term incentives – though this has not been evenly achieved across all bids.

We also note that these initiatives link strongly to the ‘resilience’ theme that you have signalled for Budget 2017.

Live issues that continue to concern us across some (but not all) of the bids are:

- The extent to which alternative non-funding approaches (regulatory or otherwise) from central government to incentivise short term efforts have been explored by agencies.
- The scale of works – focusing the central government contribution on critical immediate response aspects rather than longer term network restoration.
- Certainty on the details of what would be purchased, and the ability to deliver within the short term period of heightened risk.

We consider all ^[33] bids are discretionary, but based on the factors above, our current view is that the Wellington Water initiative (scaled to ^[33] ^[38] the Health bid (scaled to ^[33] and \$6m capex) and ^[33]

It would be our recommendation that any support Ministers want to give to these short term initiatives is tied to the delivery of any further work Ministers agree to commission on the resilience policy framework issue.

Thomas Parry, Senior Analyst, Earthquake Recovery Strategy, ^[39]
Simon McLoughlin, Manager, Earthquake Recovery Strategy, ^[39]