

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)
[4]	to prevent prejudice to the maintenance of the law, including the prevention, investigation, and detection of offences, and the right to a fair trial	6(c)
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[33]	to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials	9(2)(f)(iv)
[34]	to maintain the effective conduct of public affairs through the free and frank expression of opinions	9(2)(g)(i)
[36]	to maintain legal professional privilege	9(2)(h)
[37]	to enable the Crown to carry out commercial activities without disadvantages or prejudice	9(2)(i)
[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.

Reference: T2017/544

BM-2-1-2017



Date: 10 March 2017

To: Minister of Finance
(Hon Steven Joyce)

Associate Minister of Finance
(Hon Simon Bridges)

Associate Minister of Finance
(Hon Amy Adams)

Deadline: For discussion at Fiscal Issues on Monday, 13 March

Aide Memoire: Budget 2017 - Other package discussion

Purpose

This aide memoire provides you with the draft “Other” package and a short commentary of the individual sectors. The draft “Other” package is part of the overall draft package that was discussed at Fiscal Issues on 7 March 2017 (refer T2017/38). The full draft package of [33] shows the minimum required to remain within the allowances.

Fiscal Issues on Monday 13 March will provide an opportunity to go through the initiatives in the draft “Other” package line by line. Subject to any changes, the draft “Other” package, could be recommended to Budget Ministers on Monday 20 March 2017 or Budget Ministers on Monday 3 April 2017.

The “Other” package is made up of initiatives that are not part of the Social Sector or the Business Growth Agenda process.

Context

The Treasury assessments focus on the merits of the initiatives and are informed by the supporting information that has been provided by agencies. Unlike the BGA and Capital processes there is no ministerial group considering “Other” initiatives as a package. We recommend you manage the process of these bids through the Treasury advice provided to you. You will receive further advice on initiatives with capital implications at Investment Ministers on 13 March.

The draft “Other” package

Overall, the Treasury’s draft “Other” package would cost an average of [33] **per annum in operating expenditure and [33] in capital expenditure**. This compares to total bids from relevant agencies of [33] per annum in operating expenditure and [33] in capital expenditure.

The minimum package is comprised from predominantly, investment in Defence [33] million per annum) and Parliamentary Services [33] per annum). We have scaled back the remaining package quite hard. The balance of the package is made up of scaled non-discretionary initiatives that fund statutory requirements and a smaller investment in Māori Development (compared to previous Budgets). If the Defence numbers are pushed down further, the Treasury would recommend that this funding is directed to higher value-for-money and other service risk initiatives which were excluded due to the size of the package (Appendix 1 provides detail on this).

The Annex splits the initiatives in the “Other” package by sector. The Annex indicates whether or not it is funded in the draft “Other” package, and provides the Vote analyst recommendation.

Commentary on individual sectors in the draft “Other” package

Defence

Draft package: [33] per annum. The majority of this funding (\$102 million per annum) reflects the Government’s commitment to the Defence White Paper (DWP) and direction by Budget Ministers that this would be supported. The DWP commits the Government to an indicative funding track and decisions are taken on specific initiatives; decisions to defer expenditure could be explored, which may free up further room for other initiatives.

[33] reflects funding to maintain current levels of a ents. This limits the call on the between- Two initiatives were not included:

- [33]
-

Māori Development

Draft package: [33] per annum. This compares to [33] totalling [33] per annum [33] of these were incomplete and so could not be assessed). Preliminary VA recommendations totalled [33] per annum. The low amount of funding in the

draft package reflects that these initiatives are largely discretionary and could be more easily scaled to remain within the allowances; it does not reflect the potential strategic alignment and value-for-money if considered on an initiative-by-initiative basis.

The Treasury has provided its preliminary assessment of these initiatives (T2017/495 refers). Though these assessments will move around, the Treasury would recommend that this area is funded as a priority, up to the level of ^[33] per annum. Investment in Māori Development (and Treaty Negotiations below) should be considered in the wider context of the impact on the Māori economy and regional economic development.

Key initiatives within Māori Development include:

[33]

- The Māori Housing Network - home ownership financial capability pilot (no. 9859) which targets whanau in severe housing deprivation and makes a tangible difference to their living conditions (and therefore health). It is not replicated anywhere else in government funding. Critically though, we need to see an evaluation of the programme to be confident it is offering the highest value for money possible, and recommend that any funding is contingent on an evaluation taking place.

Parliamentary Services

Draft package: ^[33] per annum. The majority of this funding relates to a mix of non-discretionary initiatives for demand driven services, implementing select committee recommendations and wage settlements. There may be some scope (though limited) to push these numbers down further or defer initiatives at the margins, however the trade-offs will become harder.

This package excludes the Parliamentary Accommodation ^[33]

[33] Cabinet agreed to a preferred option to pursue for costing and invited the speaker to submit a Budget initiative (CAB-16-MIN-0586). Not funding may have operating funding implications (for a new lease premises) and may

limit options, though a right of renewal on the lease remains available. Parliamentary Service aims to link their budget bids to the electoral cycle so it is likely there will be no bids between elections.

Treaty Negotiations

The package excludes \$12 million of funding over two years to partially offset a reduction in baseline funding in 2017/18 due to the expiry of time-limited funding. This has not been included in the package as it does not fit the definition of non-discretionary.

[38]

Remaining portfolios: *Arts, Culture and Heritage; Finance; Internal Affairs; Pacific Peoples; Women; and Revenue.*

Draft package: [33] *per annum.* This funding has been limited to non-discretionary initiatives, predominantly where not funding would risk not fulfilling statutory requirements or may lead to service failure. The following areas present risks due to the initiatives not being included in the draft package:

[33]

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[23]

Analyst, Fiscal and State Sector Management, [39]
Kamlesh Patel, Team Leader, Budget Coordination, Fiscal and State Sector
Management, [39]

Appendix 1. Initiatives to consider in addition to the draft “Other” package

Funding all of the below initiatives in addition to the draft “Other” package would increase the total cost from \$146.00 million to \$173.00 million per annum.

Note: this table does not include any vote Māori Development initiatives. The Treasury has provide advice on the Māori Development initiatives (T2017/495 refers).

Vote	Initiative	Amount in minimum package <i>Ave. p/a</i>	Proposed amount <i>Ave. p/a</i>	Difference <i>Ave. p/a</i>	Comment
Treaty Negotiations	9506 Broadening the Reach of Historical Treaty of Waitangi Settlements	0.000	3.045	3.045	Full amount: Enables Cabinet-agreed Treaty negotiations strategy
Revenue	9666 Tax cuts and working for families tax credit changes	[33]			
Internal Affairs	9711 Transition to Digital Identity Marketplace and Maintaining RealMe Services				
	9776 Preserving the Nation's memory				
	9643 Local Government Commission – Ongoing Funding				
Pacific Peoples	9862 Increasing Capability and Capacity				
Parliament Services	9553 Parliamentary Accommodation				
				Total: 26.704	