

Reference: 20150322

21 September 2015



Thank you for your Official Information Act request, received on 27 July 2015. You requested the following:

“All formal documents produced by Treasury regarding the Future Investment Fund since October 1 2014 other than those included in the Budget 2015 information release”

We have agreed with you that this request be limited to documents that were sent to a Minister or Minister’s office and that are substantively regarding the Future Investment Fund.

The deadline for a response to this request was extended from August 20 to September 21 2015.

Information Being Released

Please find enclosed the following documents:

Item	Date	Document Description	Decision
1.	5 February 2015	Background Briefing for Minister Bennett on the Future Investment Fund	Release in part
2.	24 April 2015	Future Investment Fund factsheet for Media Release	Release in part
3.	28 May 2015	TR on Budget 2015 and 2016 capital pressures	Release in part
4.	28 July 2015	Future Investment Fund overview	Release in part

I have decided to release the relevant parts of the documents listed above, subject to information being withheld under one or more of the following sections of the Official Information Act, as applicable:

- personal contact details of officials, under section 9(2)(a) – to protect the privacy of natural persons, including deceased people,
- advice still under consideration, section 9(2)(f)(iv) – to maintain the current constitutional conventions protecting the confidentiality of advice tendered by Ministers and officials,
- commercially sensitive information, under section 9(2)(i) – to enable ... [the Crown] to carry out commercial activities without disadvantage or prejudice
- information that could prejudice security, under section 6(a) - to prejudice the security or defence of New Zealand;

In making my decision, I have considered the public interest considerations in section 9(1) of the Official Information Act.

Please note that this letter (with your personal details removed) and enclosed documents may be published on the Treasury website.

This fully covers the information you requested. You have the right to ask the Ombudsman to investigate and review my decision.

Yours sincerely

Simon McLoughlin
Team Leader, Fiscal and State Sector Management

Information for release

TOIA 20150322

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Note for Minister Bennett on the FIF

Background on the FIF

Prior to the 2011 election, the Government committed to establish the Future Investment Fund (FIF), which would use the **expected** \$5 billion to \$7 billion of proceeds from the Government share offer to invest in priority new taxpayer assets (**actual** proceeds totalled approximately \$4.7 billion). The Fund was intended to deliver on the Budget 2011 commitment to use existing sources of funding on the Crown balance sheet to finance capital investments from Budgets 2012 to 2016.

The Future Investment Fund is a notional fund. It therefore does not have an appropriation in the Estimates. To ensure transparency and accountability to the public, information on current spending and receipts in the Fund is included at each Economic and Fiscal Update.

Rules of the fund

New capital expenditure that would previously have counted against the capital allocation comes out of the Fund i.e. funds allocated at or between Budgets and that will be spent within the next 10 years counts against the FIF.

The fund is used for all capital, not just investment in physical assets (for example, a loan to a DHB or an equity injection into KiwiRail would be covered by the Fund). Departments also receive a significant amount of depreciation funding each year. This is typically used for repairs and maintenance of capital assets. Capital expenditure funded from departments' balance sheets does not count against the Fund.

The current state of the FIF

Around \$3 billion has already been counted against the FIF in Budgets 2012, 2013 and 2014. See the attached annex for the specific investments that counted against the FIF. \$137 million has been pre-committed against Budget 15. This is made up of \$97 million in regional road investments and \$40 million in urban cycleways.

This leaves \$1528 million in the FIF, which we assumed in our forecasts at HYEPU would be split \$698 million at Budget 2015 (\$835 million including pre-commitments) and \$830 million at Budget 2016.

In Budget 2015 we have received initiatives totalling approximately \$1673 million (\$1810 million including pre-commitments). This could change as there are some initiatives still to come e.g. Kiwirail and some where we have questions to clarify the cost. We would expect a similar level of initiatives to be put forward at Budget 2016. This exceeds by a little over two to one the remaining funds in the FIF.

From the fund, an allowance of \$1 billion each has made for investments in health and investments to create 21st Century schools. These allowances were made at a time when we expected a higher level of proceeds in the FIF.

\$684 million has already been allocated in health and \$391 million in education. This leaves a combined \$925 million left in these allowances out of a total of \$1528 still to be allocated from the whole FIF, or approximately 60% of what is left. In Budget 2015, education has initiatives totalling [Withheld under s9(2)(i)] Health has not put forward any initiatives. It may be necessary to reconsider these allowances given pressures outside of health and education and the lower than expected proceeds of the government share offer.

Based on our best estimates, and assuming that education and health take up their full allowances, we estimate that the FIF will be oversubscribed by about \$2 billion over Budget 2015 and Budget 2016.

The Capital Investment Panel will meet on the week beginning 16 February to consider and prioritise the capital initiatives. This will feed into Treasury's advice for Investment Ministers on 12 March. We also intend to provide a report directly from the Capital Investment Panel to Ministers.

Currently, the FIF will end after Budget 2016. Treasury will be providing advice to Investment Ministers about capital rules beyond Budget 2016.

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Annex – Measures scored against the FIF at Budgets 2012, 2013 and 2014

Budget 2012

Vote	Initiative	\$mn
[Withheld under s6(a)]		
Education	School Network Upgrade Project	33.8
Education	Support for Mental Health Initiatives – System Development	1.5
Finance	Landcorp Protected Land Agreement	20.0
Health	Increase in the health capital envelope	52.6
Parliamentary Service	Crown Asset Management	5.7
Prime Minister and Cabinet	CABnet (document management) project	2.6
Prime Minister and Cabinet	New Visitor Centre	0.5
Science and Innovation	Advanced Technology Institute	76.1
Social Development	Welfare Reform - return of balance sheet cash	-8.0
Transport	KiwiRail Turnaround Plan Year 3	250.0
Veterans' Affairs - Defence Force	Modernisation of the War Pensions Act 1954	1.5
Transport	National War Memorial	50.0
	Total	533

Budget 2013

Vote	Initiative	\$mn
Transport	National War Memorial Park	9.9
Primary Industries	Crown Investment in Irrigation Infrastructure	80.0
Finance	Mighty River Share Loyalty Bonus Scheme	40.0
Health	Canterbury DHB Rebuild	426.0
Education	School Network Upgrade Project	50.0
Education	School Property Expansion	134.0
Justice	Christchurch Justice and Emergency Services Precinct	332.6
Transport	KiwiRail Turnaround Plan 2013/14 onwards - additional	93.8

	Crown commitment.	
Tertiary Education	Capital Cases for Canterbury Tertiary Education Institutions	165.0
Prime Minister and Cabinet	Strengthening Capability on Security and Risk Management	0.02
Social Development	White paper for Vulnerable Children Start up costs	3.0
Immigration	Implementing Immigration Global Management System	6.1
Immigration	Replacement of Refugee Resettlement Facilities	15.7
Office of the Clerk	Closed captioning Parliament TV	0.3
Transport	Replacement ground station for Search and Rescue satellite system.	7.2
Finance	Replacement of Matriarch System (the IT system DMO uses)	1.4
Health	Whole of Government Radio Network	5.4
Finance	Analysis for Outcomes (Cabinet Investment Function)	5.0
Housing	Tamaki Transformation	45.0
	Total	1420

Budget 2014

Vote	Initiative	\$mn
Health	Future Capital Projects	200.00
Transport	KiwiRail Turnaround Plan	198.00
Education	School Property Expansion	172.46
Tertiary Education	Crown Capital Investment to Support the University of Canterbury's Science and Engineering Rebuild	143.90
Housing	Canterbury Housing Contingency	75.00
Primary Industries	Investment in Crown Irrigation Investments Limited	40.00
Housing	Hobsonville Land Company	30.60
Transport	Funding for KiwiRail Aratere	25.00

	Incident	
Finance	World Bank subscription	23.00
Primary Industries	National Biocontainment Laboratory	21.85
Labour	WorkSafe New Zealand	17.50
Social Development	Transfer of Social Housing Needs Assessment	16.40
Internal Affairs	TVNZ Archive	11.32
Conservation	Kauri dieback	10.73
Economic Development	Replacement of Refugee Resettlement Facilities	9.00
Arts, Culture & Heritage/ Transport	National War Memorial Precinct	8.75
Arts, Culture and Heritage	Te Papa - Cable Street	8.00
Statistics	Census 2018 Contingency	7.36
Parliamentary Service	Funding for Crown Capital work	7.00
Statistics	Christchurch Integrated Government Accommodation (CIGA)	5.62
Revenue	Foreign Account Tax Compliance Act (FATCA)	4.94
Transport	Maritime NZ - IT system	2.90
Revenue	Research and Development - cashing up tax losses	2.73
Social Development	Social Housing Reform: Implementing the Transfer of Needs Assessment Function	1.99
Other	Other contingencies	1.84
Social Development	Reviewable Tenancies	1.81
Finance	Genesis IPO Bookbuild Decisions	1.10

Internal Affairs	Internal Affairs' Delivery of its Government ICT Functional Leadership and Information Management Mandate	1.07
Statistics	Census 2018 Programme	0.55
	Total	1050

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FINAL

BUDGET 2015 FACT SHEET FOR MEDIA RELEASE

Future Investment Fund (FIF)

Headline Information:

New spending:

- (A) **Gross new funding of \$1083 million has been allocated from the Future Investment Fund, partially offset by \$144 million of savings. The total impact on the FIF is therefore \$939 million. \$726 million remains in the FIF for Budget 2016.**
- (B) **Total education funding from the FIF from Budget 2012 to Budget 2015 is \$635 million. Total health funding is \$684 million. Kiwirail has received \$752 million plus \$25 million for the KiwiRail Aratere Incident.**

Table 1: Health, education and Kiwirail initiatives and all others receiving funding over \$50m

Vote: initiative	Budget	Total funding (\$m)
Business, Science and Innovation: Extending Ultra-Fast Broadband (contingency)	2015	210.0
Education: New Schools and Roll Growth Classrooms	2015	243.8
Internal Affairs: Waitangi Wharf (contingency)	2015	52.0
Tertiary Education: Lincoln University (contingency)	2015	100.0
Transport: Regional Highways	2015	97.0
Transport: KiwiRail ongoing support	2015	209.8
Education: School Property Expansion	2014	172.5
Health: Future Capital Projects	2014	200
Housing: Canterbury Housing Contingency	2014	75
Tertiary Education: Crown Capital Investment to Support the University of	2014	143.9

Canterbury's Science and Engineering Rebuild		
Transport: KiwiRail Turnaround Plan	2014	198
Transport: Funding for KiwiRail Aratere Incident	2014	25
Education: School Network Upgrade Project	2013	50
Education: School Property Expansion	2013	134
Health: Canterbury DHB Rebuild	2013	426
Health: Whole of Government Radio Network	2013	5.4
Justice: Christchurch Justice and Emergency Services Precinct	2013	332.6
Primary Industries: Crown Investment in Irrigation Infrastructure	2013	80
Tertiary Education: Capital Cases for Canterbury Tertiary Education Institutions	2013	165
Transport: KiwiRail Turnaround Plan 2013/14 onwards - additional Crown commitment.	2013	93.8
Education: School Network Upgrade Project	2012	33.8
Education: Support for Mental Health Initiatives – System Development	2012	1.5
Health: Increase in the health capital envelope	2012	52.6
Science and Innovation: Advanced Technology Institute	2012	76.1
Transport: KiwiRail Turnaround Plan Year 3	2012	250
Transport: National War Memorial	2012	50

Table 2: funding broken down by area:

	Budget 2012	Budget 2013	Budget 2014	Budget 2015	Budget 2016	Total
Funding allocated:	\$533m	\$1420m	\$1050m	\$939m	\$726m	\$4.7b
Education	\$35.3m	\$184m	\$172.5m	\$243.8m	-	\$635.6m
Health	\$52.6m	\$431.4m	\$200m	-	-	\$684m
Transport	\$300m	\$110.9m	\$225.9m	\$353.3m	-	\$990.1m
Immigration/ border	-	\$21.8m	-	\$35m	-	\$56.8m
Justice	-	\$332.6m	-	-	-	\$332.6m
Housing	-	\$45m	\$105.6m	-	-	\$150.6m
Science and innovation	\$76.1m	-	-	\$3.5m	-	\$79.6m
Other	\$69.4m	\$294.72	\$346m	\$303.4	-	\$1013.5m

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New initiatives:

The following are the capital initiatives agreed at Budget 2015 and counted against the FIF.

Vote: initiative	Brief description	Total funding (\$m)
Arts, Culture and Heritage: Te Papa Wellington	Maintain the integrity of Te Papa's Cable Street and Tory Street buildings.	40.0
Business, Science and Innovation: NZ Business Number	Source and update relevant data about a business from one place.	3.5
Conservation: Deferral of capital injections	Deferral of capital injections to align with long term capital programme.	(144.0)
Education: New Schools and Roll Growth Classrooms	Capital costs in line with shifting demographics.	243.8
Internal Affairs: Archives New Zealand: Christchurch Regional Office	Relocation of regional office following the Christchurch earthquakes.	13.0
Internal Affairs: Insurance proceeds returned for CIGA building refit	Return of insurance claim proceeds to fit out Christchurch building.	2.3
Internal Affairs: RealMe	Continuation of on-line authentication and verification service.	12.5
Internal Affairs: GCIO Common Capabilities	Capital injection to address deficits on the memorandum accounts.	5.0
Labour Market: Vision 2015	More visas processed online, transformed business processes and updated ICT systems.	28.4
Labour Market: Managing our Borders: Immigration Risk	Technology to manage gaps in New Zealand's border security.	6.6
Prime Minister and Cabinet: Government House Maintenance	Planned maintenance for the Government House buildings and related assets.	3.6
Social Development: Children's Action Plan (CAP) operating model	A case management IT system that will enable collaboration and information sharing.	2.3
Transport: Regional Highways	Accelerated regional state highway package.	97.0
Transport: Urban Cycleways	Urban cycleway investigation, design and construction.	40.0

Transport: KiwiRail ongoing support	Ongoing capital injection for KiwiRail.	209.8
Transport: Wellington Metro Rail	Wellington metro rail signals power supply upgrade.	6.5
Contingency:		
Business, Science and Innovation: Extending Ultra-Fast Broadband	Expand and accelerate Ultra-Fast Broadband (UFB) to at least 80% of NZ.	210.0
[Withheld under s9(2)(i)]		
Internal Affairs: Waitangi Wharf	Capital injection for construction of Waitangi Wharf.	52.0
Tertiary Education: Lincoln University	Rebuild and redevelopment of Science facilities post quake.	100.0
	Total	939

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Initiatives from previous BudgetsBudget 2014

Vote	Initiative	\$m
Arts, Culture & Heritage/ Transport	National War Memorial Precinct	8.8
Arts, Culture and Heritage	Te Papa - Cable Street	.8
Conservation	Kauri dieback	10.7
Economic Development	Replacement of Refugee Resettlement Facilities	9
Education	School Property Expansion	172.5
Finance	World Bank subscription	23
Finance	Genesis IPO Bookbuild Decisions	1.1
Health	Future Capital Projects	200
Housing	Canterbury Housing Contingency	75
Housing	Hobsonville Land Company	30.6
Internal Affairs	TVNZ Archive	11.3
Internal Affairs	Internal Affairs' Delivery of its Government ICT Functional Leadership and Information Management Mandate	1.1
Labour	WorkSafe New Zealand	17.5
Other	Other contingencies	1.8
Parliamentary Service	Funding for Crown Capital work	7
Primary Industries	Investment in Crown Irrigation Investments Limited	40
Primary Industries	National Biocontainment Laboratory	21.9
Revenue	Foreign Account Tax Compliance Act (FATCA)	4.9
Revenue	Research and Development - cashing up tax losses	2.7
Social Development	Transfer of Social Housing Needs	16.4

	Assessment	
Social Development	Social Housing Reform: Implementing the Transfer of Needs Assessment Function	2
Social Development	Reviewable Tenancies	1.8
Statistics	Census 2018 Contingency	7.4
Statistics	Christchurch Integrated Government Accommodation (CIGA)	5.6
Statistics	Census 2018 Programme	0.6
Tertiary Education	Crown Capital Investment to Support the University of Canterbury's Science and Engineering Rebuild	143.9
Transport	KiwiRail Turnaround Plan	198
Transport	Funding for KiwiRail Aratere Incident	25
Transport	Maritime NZ -IT system	2.9
	Total	1050

Budget 2013

Vote	Initiative	\$m
Education	School Network Upgrade Project	50
Education	School Property Expansion	134
Finance	Mighty River Share Loyalty Bonus Scheme	40
Finance	Replacement of Matriarch System (the IT system DMO uses)	1.4
Finance	Analysis for Outcomes (Cabinet Investment Function)	5
Health	Canterbury DHB Rebuild	426
Health	Whole of Government Radio Network	5.4
Housing	Tamaki Transformation	45
Immigration	Implementing Immigration Global	6.1

	Management System	
Immigration	Replacement of Refugee Resettlement Facilities	15.7
Justice	Christchurch Justice and Emergency Services Precinct	332.6
Office of the Clerk	Closed captioning Parliament TV	0.3
Primary Industries	Crown Investment in Irrigation Infrastructure	80
Prime Minister and Cabinet	Strengthening Capability on Security and Risk Management	0.02
Social Development	White paper for Vulnerable Children Start up costs	3
Tertiary Education	Capital Cases for Canterbury Tertiary Education Institutions	165
Transport	National War Memorial Park	9.9
Transport	KiwiRail Turnaround Plan 2013/14 onwards - additional Crown commitment.	93.8
Transport	Replacement ground station for Search and Rescue satellite system.	7.2
	Total	1420

Budget 2012

Vote	Initiative	\$m
[Withheld under s6(a)]		
Education	School Network Upgrade Project	33.8
Education	Support for Mental Health Initiatives - System Development	1.5
Finance	Landcorp Protected Land Agreement	20

Health	Increase in the health capital envelope	52.6
Parliamentary Service	Crown Asset Management	5.7
Prime Minister and Cabinet	CABnet (document management) project	2.6
Prime Minister and Cabinet	New Visitor Centre	0.5
Science and Innovation	Advanced Technology Institute	76.1
Social Development	Welfare Reform - return of balance sheet cash	-8
Transport	KiwiRail Turnaround Plan Year 3	250
Transport	National War Memorial	50
Veterans' Affairs - Defence Force	Modernisation of the War Pensions Act 1954	1.5
	Total	533

Treasury analyst contact for any questions or discussion:

Neil Kidd
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DDI: (04) 817 7023

[Withheld under s9(2)(a)]

IN-CONFIDENCE**Treasury Report: Budget capital pressures B15 and B16**

Date:	28 May 2015	Report No:	T2015/1126
		File Number:	ST-4-8-4

Action Sought

	Action Sought	Deadline
Minister of Finance (Hon Bill English)	Refer for discussion at Investment Ministers meeting	12 June 2015
Associate Minister of Finance (Hon Steven Joyce)	Note	
Associate Minister of Finance (Hon Paula Bennett)	Note	

Contact for Telephone Discussion (if required)

Name	Position	Telephone	1st Contact
Ricky Utting	Manager	04 890 7200 (wk)	[Withheld under s9(2)(a)] ✓ (mob)
Andrew Blazey	Director, Investment Management & Asset Performance	04 917 6985 (wk)	[Withheld under s9(2)(a)] (mob)

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

Return the signed report to Treasury.

Enclosure: No

IN-CONFIDENCE**Treasury Report: Budget capital pressures B15 and B16**

Executive Summary

This report looks back at the pressures on the capital allowance for Budget 2015 to project ahead likely pressures on the capital allowance for Budget 2016. It then considers a way to reconcile fiscal targets and likely capital ambitions.

Budget 2015's capital allowance was oversubscribed. In part, this was managed by deferring some decisions to 2016. [Withheld under s9(2)(f)(iv)]

[Withheld under s9(2)(f)(iv)]

[Withheld under s9(2)(f)(iv)]

[Withheld under s9(2)(f)(iv)]

One way of resolving this lack of funds is to find capital savings and recycling opportunities for supplementing the remaining FIF. This would help reconcile near term fiscal targets, and capital sustainability considerations. If significant savings are found to offset Budget 2016 pressures, the level of contribution from savings and recycling to the post-FIF allowances may be reduced. Alternatives may need to be found to fulfil the post FIF capital statement that savings would partially offset the capital allowances in the 2015 Fiscal Strategy Report.

Planning work is already underway to find savings to help fund post FIF capital allowances.

We recommend that you:

- a **agree** to refer the content of the paper to the Investment Ministers meeting on 25 June 2015

Agree/disagree.

Andrew Blazey
Director, Investment Management & Asset Performance

Hon Bill English
Minister of Finance

Hon Steven Joyce
Associate Minister of Finance

Hon Paula Bennett
Associate Minister of Finance

IN-CONFIDENCE**Treasury Report: Budget capital pressures B15 and B16**

Purpose of Report

1. To give the Minister of Finance a wrap-up on the capital proposals that sought new funding in Budget 2015, against the available allowance.
2. To give the Minister early visibility of the level of proposals likely to be seeking new funding in Budget 2016, against what remains in the Future-Investment-Fund.
3. To outline a possible solution to the lack of funds left in the FIF to meet likely pressures.

Analysis

4. The process leading up to Budget 2015 saw 42 proposals seek new funding of \$2,847¹million. This was on top of already pre-committed allocation prior to the Budget of \$137m (regional highways and urban cycle ways), and did not include the deferral of capital injections of \$144m (Conservation). Inclusion of the pre-commitments and deferrals came to \$2,840m of pressures against the allocation from the FIF.
5. The indicative allocation from the FIF for Budget 2015 was \$830m. The difference between proposals and available funding was \$2,010m.
6. Netting off the capital savings, \$939²m of new capital was funded in Budget 2015, \$109m more than the indicative allocation. Appendix A shows a breakdown of the original level of funding in the proposals, scaling of the proposals, and what the final decisions were. This includes proposals that were confirmed as loans (Tamaki redevelopment, [Withheld under s9(2)(i)])
7. The FIF envelope is \$4,669m and commitments against it now amount to \$3,942m, leaving \$726m for allocation on or before Budget 2016. In recent years only Budget 2012 came in under this level of allocation (\$533m) but that was under different circumstances. It may be possible to live within the \$726m remaining in the FIF, though this would involve very difficult choices, trade-offs and risks.
8. During the process leading to Budget 2015 a number of proposals were identified as likely to be seeking funding between budgets as a pre-commitment against the \$726 indicative allocation for Budget 2016. These include: The Asian Infrastructure Investment Bank (\$126m³), [Withheld under s9(2)(f)(iv)]
1 and a pre-commitment already announced for Kiwirail of \$190m. This is a potential 2 of pre-commitments that if funded would leave only 3 available for allocation in Budget 2016. [Above redactions numbered 1-3 withheld under s9(2)(f)(iv)]
9. Figure 1 (below) shows how the Capital Investment Panel assessed these proposals for potential pre-commitment in the process leading to Budget 2015. None of these were considered particularly high value investments by the panel. The Treasury holds a different view on pursuing the Asian Infrastructure Investment Bank proposal, and is supporting its bid for funding.

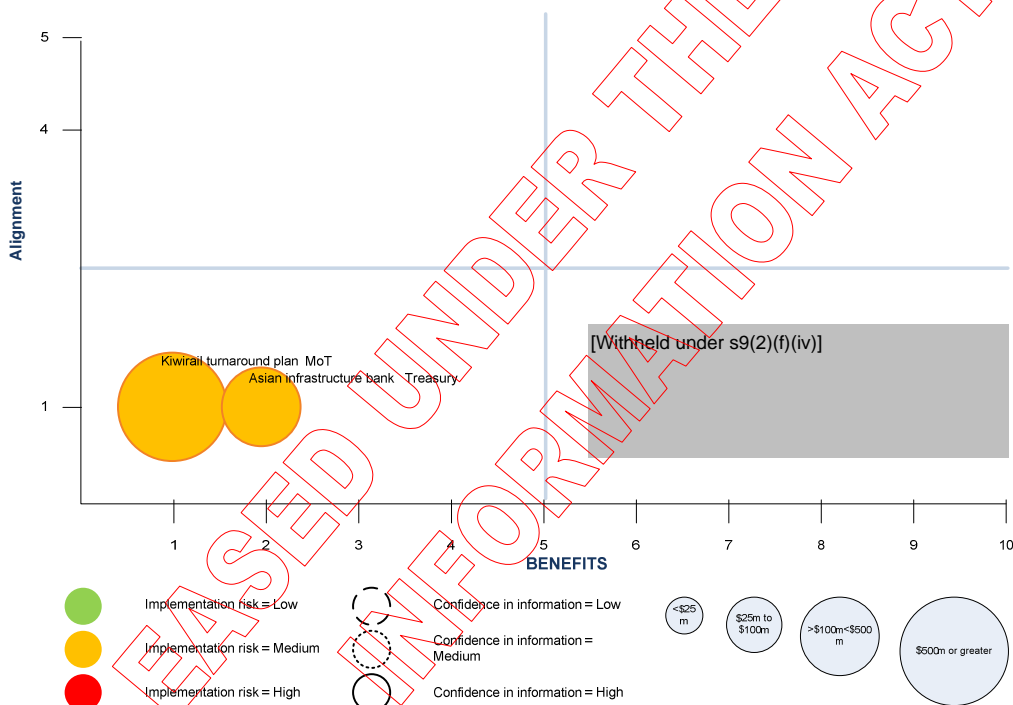
¹ This includes proposals that ended up as loans

² This does not include the \$218m of agreed loans.

³ This is forecast down from the time the table in Appendix B was developed

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Figure 1: Capital Investment Panel relative value analysis of proposals



10. Early analysis on known pressures and proposals for Budget 2016 indicate that there is likely to be even greater demand for new capital funding than Budget 2015. Large ticket items include IRD's business transformation [Withheld under s9(2)(f)(iv)]
[Withheld under s9(2)(f)(iv)]
[Withheld under s9(2)(f)(iv)] and various CFRA projects including the convention centre and metro sports facility. [Withheld under s9(2)(f)(iv)]
11. Appendix B shows our early working analysis of new-funding capital pressures (big ticket items) for Budget 16. and includes known large new-funding pressures in the post-FIF period. [Withheld under s9(2)(f)(iv)]
[Withheld under s9(2)(f)(iv)]
[Withheld under s9(2)(f)(iv)] The possibility of pushing out some of these pressures beyond the post-FIF period is limited as there are known large NZDF new-funding capital pressures in this period (in the billions of dollars).
12. Resetting expectations of agencies, and 'chunking' projects is likely to only go part of the way in reducing the likely pressures, and may not be in the best interests financially in the long term.
13. [Withheld under s9(2)(f)(iv)]

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14. [Withheld under s9(2)(f)(iv)]
[Withheld under s9(2)(f)(iv)]
[Withheld under s9(2)(f)(iv)] The work to look at baselines to identify savings and asset recycling begins in July and will be integrated into Treasury's work to roll out the *Investment Management and Asset Performance in the State Services* circular, and the Ministry of Finance Function's work on agency efficiency and effectiveness. This requires Treasury to work alongside agencies to closely scrutinise the agency forecast needs.
15. By the end of December 2015, 11 tier one investment intensive agencies are planned to be reviewed (and any savings or assets to be recycled identified). These agencies cover approximately 70 % of property, plant and equipment on the balance sheet. It is also an area where Treasury is seeking wider Ministerial support, and a SEC paper is being developed to go at the end of July to this end.
16. [Withheld under s9(2)(f)(iv)]
17. [Withheld under s9(2)(f)(iv)]
18. Either way, any decisions for new capital funding between now and when Budget 2016 is presented needs tight scrutiny and consideration of the opportunity cost associated with that decision for other likely candidates for funding.

Risks

19. If savings and recycling is of a negligible level, then it will have little effect in offsetting the expected new-funding capital pressures in Budget 2016 and out years.
20. [Withheld under s9(2)(f)(iv)]

Next Steps

21. If you are supportive of the approach, please refer for discussion at the Investment Ministers' meeting on 25 June 2015.
22. Treasury will continue with its plan to look at agency capital baselines as part of its 2015/16 and 16/17 work programme. [Withheld under s9(2)(f)(iv)]
[Withheld under s9(2)(f)(iv)]
23. Treasury will give an update in October 2015 on the progress of this work [Withheld under s9(2)(f)(iv)]
24. Any requests for new funding in Budget 2016 or as an early pre-commitment should be intensely scrutinised against the opportunity cost associated with not funding other known Budget 2016 new-funding capital pressures.

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Data Sources and References

1. Data comes from a number of sources: the Government Project Portfolio database, the 2015 Budget process and the Budget itself, Capital Investment Panel 2015 analysis, and discussions with Vote analysts in Treasury

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APPENDIX A: BREAKDOWN OF CAPITAL PROPOSALS IN BUDGET 2015

B2015 New Capital Expenditure		Requested	Scaling reductions-variance requested to supported	Supported	Declined	Comment
Total Requested vs Supported						
PRE-COMMITMENTS AGAINST BUDGET 2015						
Transport: Regional Highways	Accelerated regional state highway package	\$ 97.00		\$ 97.00	\$ -	
Transport: Urban Cycleways	Urban cycleway investigation, design and construction	\$ 40.00		\$ 40.00	\$ -	
Conservation: Deferral of capital injections	Deferral of capital injections to align with long term capital programme	\$ (144.00)		\$ (144.00)	\$ -	
Subtotal FIF Impact for B2015 pre-commitments		\$ (7.00)	\$ -	\$ (7.00)	\$ -	
BUDGET BIDS 2015						
Immigration: Vision 2015	Transformed business processes and updated ICT systems	\$ 28.40		\$ 28.40		
Immigration: Managing our Borders: Immigration Risk	Technology to manage gaps in New Zealand's border security	\$ 6.60		\$ 6.60		
						Tagged contingency
Tertiary Education: Lincoln University	Rebuild and redevelopment of Science facilities post-quake	\$ 100.00		\$ 100.00		Agreed in-principle by Cabinet. Tagged contingency
Communications: Extending Ultra-Fast Broadband	Expand and accelerate Ultra-Fast Broadband (UFB) to at least 80% of NZ	\$ 210.00		\$ 210.00		Tagged contingency
Education: New Schools and Roll Growth Classrooms	Capital costs in line with shifting demographics			\$ 243.80		scaled,
Transport: KiwiRail ongoing support	Ongoing capital injection for KiwiRail (multiyear support requested)			\$ 209.80		possible pre-commitment to B2016 of \$190.20
Internal Affairs: Archives New Zealand: Christchurch Regional Office	Relocation of regional office following the Christchurch earthquakes	\$ 13.00		\$ 13.00		
Internal Affairs: Insurance proceeds returned for CIGA building	Return of insurance claim proceeds to fit out Christchurch building	\$ 2.30		\$ 2.30		
Internal Affairs: RealMe	Continuation of on-line authentication and verification service	\$ 12.50		\$ 12.50		
Internal Affairs: GCIO Common Capabilities	Capital injection to address deficits on the memorandum accounts	\$ 7.00	\$ 2.00	\$ 5.00		
Internal Affairs: Waitangi Wharf	Refurbishment of the Wharf	\$ 52.00		\$ 52.00		tagged contingency
Arts, Culture and Heritage: Te Papa Wellington	Maintain the integrity of Te Papa's Cable Street and Tory Street buildings	\$ 49.30	\$ 9.30	\$ 40.00		
Commerce and Consumer Affairs: NZ Business Number	Source and update relevant data about a business from one place	\$ 3.50		\$ 3.50		
Prime Minister and Cabinet: Government House Maintenance	Planned maintenance for the Government House buildings and related assets	\$ 3.60		\$ 3.60		
Social Development: Children's Action Plan (CAP) operating model	A case management IT system that will enable collaboration and information sharing	\$ 2.30		\$ 2.30		
Transport: Wellington Metro Rail	Wellington metro rail signals power supply upgrade	\$ 6.50		\$ 6.50		
[Withheld under s9(2)(f)(iv)]						
Total impact of Supported New Capex Budget Bids on the FIF, including pre-commitments		\$ 2,622.03	\$ 838.00	\$ 939.00	\$ 845.03	
DOESN'T IMPACT ON THE FIF (LOAN OR OTHER FUNDING)						
Finance: social housing reform - Tamaki	Loan to Tamaki Redevelopment Company	\$ 200.00		Loan - \$200.00		Would not impact on the FIF as it is a loan

[Redactions numbered 1-2 Withheld under s9(2)(i) all other redactions Withheld under s9(2)(f)(iv)]

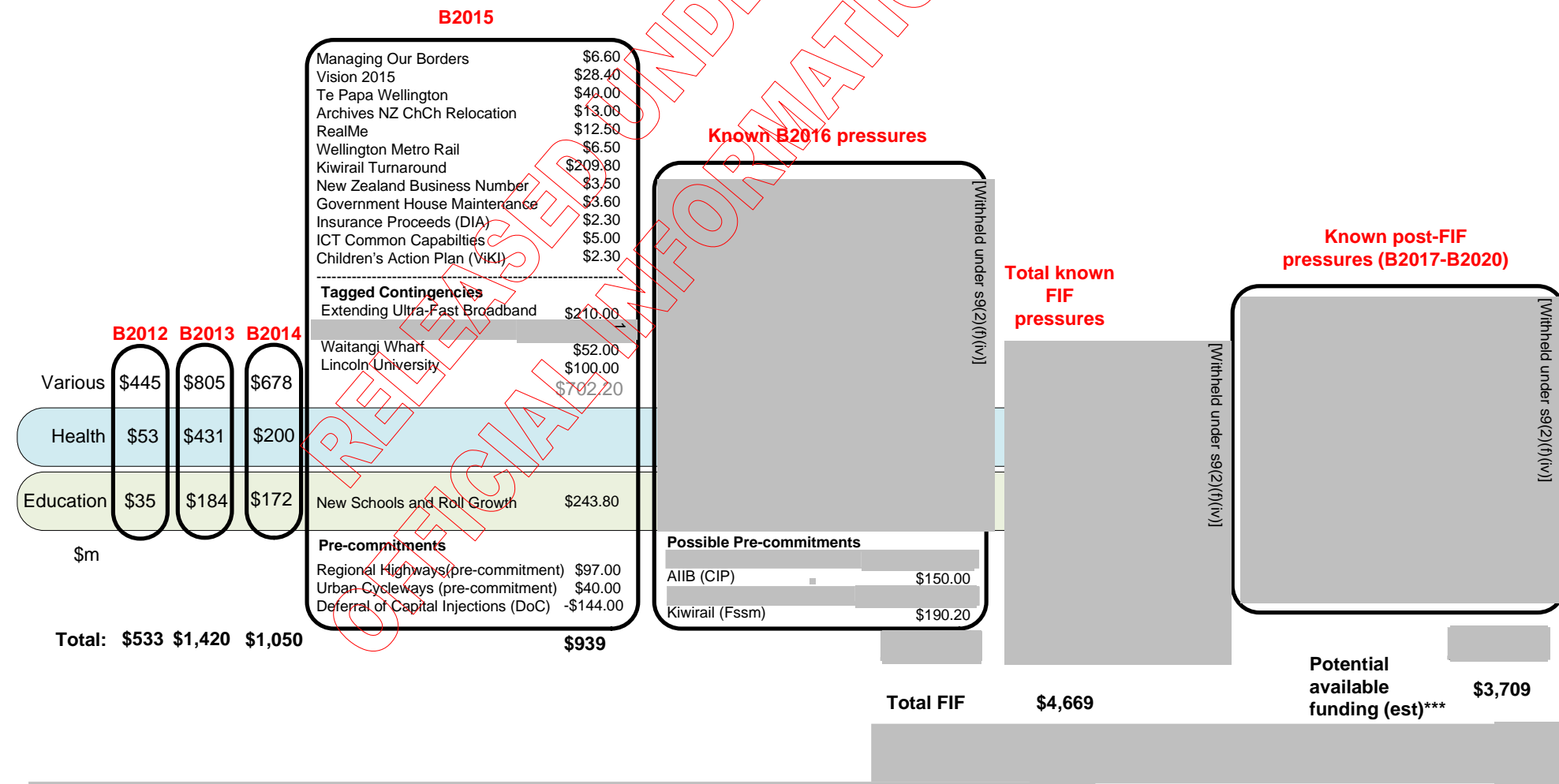
IN-CONFIDENCE

IN-CONFIDENCE

APPENDIX B: WORKING ANALYSIS OF NEW-FUNDING CAPITAL PRESSURES IN BUDGET 2016 (AS AT 26 MAY 2015)

FIF = \$4669

Sensitive



[Redaction no. 1 withheld under s9(2)(i) all other redactions under s9(2)(f)(iv)]

***This figure is based on the indicative fiscal forecast capital allowances recommended in Treasury Report T2015/752
Sources:
Fssm-clarification from Neil Kidd (most current)
VA-specific updates from VAs (most current)
Excl-Known out-year pressures, April 2015 #3139522 (most data here that is different is directly from Ricky)
CIP-Capital Investment Panel A3s, which come from VA assessments of initiatives in Feb
Bull-Bullseye diagram, which was derived from a number of sources (mainly the above sources) #3171218
JP-Capital spending parameters post-FIF from JP #3147997

IN-CONFIDENCE

[Withheld under s9(2)(f)(iv)]

[Redaction no.1 withheld under s9(2)(i) and redactions 2-3 withheld under s9(2)(f)(iv)]

THE FUTURE INVESTMENT FUND

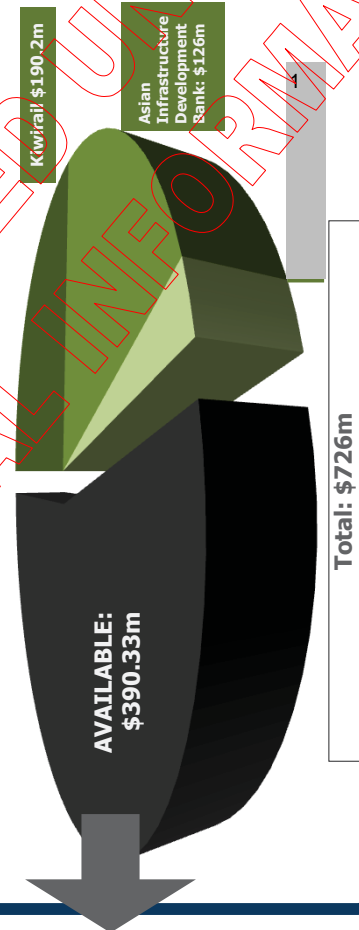
The Future Investment Fund was established to invest the money released by selling minority shareholdings in electricity companies and reducing the Government's stake in Air New Zealand.

Total Future Investment Fund: \$4.7 billion



BUDGET 2016 FIF PRESSURES

Committed vs. Available FIF funding for Budget 2016



\$726 million is available in the FIF for Budget 2016.

The chart to the left shows committed vs. available funding.

On the far left is the list of likely funding requirements that will seek to draw on the remaining \$390.33 million available.

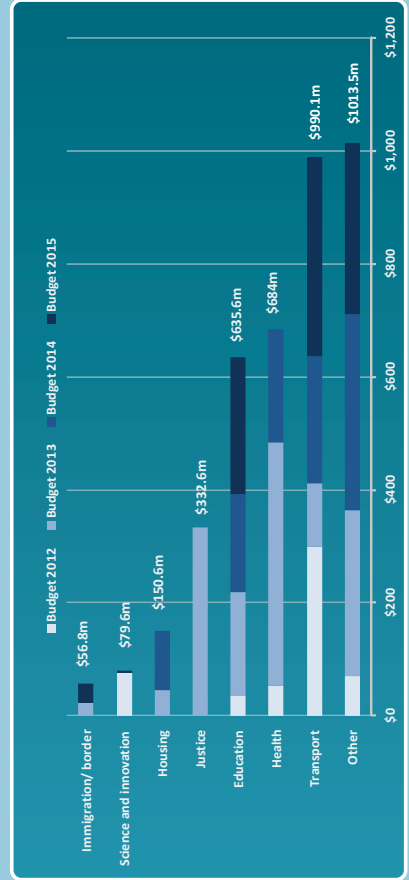
To the left is a summary of FIF allocation by sector and budget year.

The Transport sector has had the largest amount of funding from the Future Investment Fund: \$990.1m between 2012 and 2015. This figure includes \$752m of funding for KiwiRail and a further \$25m for the Aratere incident.

\$1 billion each was pledged to Health and Education, however the figures to the left show that funding to date has not reached the promised amount for either sector.

For a full list of initiatives funded from the FIF, see overleaf.

Spend by Sector: Budgets 2012 - 2015



BACKGROUND

- Owning the right assets, managing them well, funding them sustainably, and managing risks to the Crown balance sheet, are all critical ingredients to the ongoing provision of high-quality and cost-effective services that New Zealanders value
- That means that the quality of investment management is vital to maintaining New Zealanders' living standards now and in the future and it explains why the Government is committed to ensuring investment management and asset performance practices remain fit-for-purpose.

KNOWN 2016 PRESSURES

[Withheld under s9(2)(f)(iv)]

Capital Baselines and Returns of Unused funding

Capital baselines and the return of unused funding from agencies may mitigate the current projected shortfall. This FIF dashboard report will track this in the coming months.

THE FUTURE INVESTMENT FUND

Funding Allocations, Budgets 2012 - 2015

BELOW ARE LISTS OF THE INITIATIVES FUNDED BY THE FUTURE INVESTMENT FUND FROM BUDGETS 2012 TO 2015. THE LARGEST CONTRIBUTIONS TO INDIVIDUAL PROJECTS ARE HIGHLIGHTED AT THE TOP OF EACH BUDGET SECTION.

BUDGET 2012: \$533m

Key initiatives funded

- \$250m on Kiwirail Turnaround Plan
- \$76.1m on the Advanced Technology Institute

All initiatives funded:

Initiative	\$m
Education	
School Network Upgrade Project	33.8
Support for Mental Health Initiatives – System Development	1.5
Finance	
Landcorp Protected Land Agreement	20
Health	
Increase in the health capital envelope	52.6
Parliamentary Service	5.7
Crown Asset Management	2.6
Prime Minister and Cabinet	0.5
CABNet (document management) project	76.1
New Visitor Centre	0.5
Science and Innovation	
Advanced Technology Institute	76.1
Social Development	
Welfare Reform - return of balance sheet cash	-8
Transport	
KiwiRail Turnaround Plan Year 3	250
National War Memorial	50
Veterans' Affairs - Defence Force	
Modernisation of the War Pensions Act 1954	1.5

BUDGET 2013: \$1420m

Key initiatives funded

- \$426m on Canterbury DHB rebuild
- \$322.6m on Christchurch Justice and Emergency Services Precinct

All initiatives funded:

Initiative	\$m
Education	
School Network Upgrade Project	50
School Property Expansion	134
Finance	
Mighty River Share Loyalty Bonus Scheme	40
Replacement of Matriarch System (the IT system DHO uses)	1.4
Analysis for Outcomes (Cabinet Investment Function)	5
Health	
Canterbury DHB Rebuild	426
Whole of Government Radio Network	5.4
Housing	
Tanaki Transformation	45
Immigration	
Implementing Immigration Global Management System	6.1
Replacement of Refugee Resettlement Facilities	15.7
Justice	
Christchurch Justice and Emergency Services Precinct	332.6
Office of the Clerk	0.3
Primary Industries	
Crown Investment in Irrigation Infrastructure	80
Prime Minister and Cabinet	
Strengthening Capability on Security and Risk Management	0.02
Social Development	
White paper for Vulnerable Children Start-up costs	3
Tertiary Education	
Capital Cases for Canterbury Tertiary Education Institutions	165
Transport	
National War Memorial Park	9.9
KiwiRail Turnaround Plan 2013/14 onwards additional Crown commitment	93.8
Replacement ground station for Search and Rescue satellite system	7.2

BUDGET 2014: \$1050m

Key initiatives funded

- \$200m on future capital projects
- \$196m on Kiwirail Turnaround Plan

All initiatives funded:

Initiative	\$m
Arts, Culture and Heritage	
National War Memorial Precinct	8.4
Arts, Culture and Heritage	
Te Papa / Capital Street	8
Conservation	
Kauri Dieback	107.7
Economic Development	
Replacement of Refugee Resettlement Facilities	9
Education	
School Property Expansion	172.5
Finance	
World Bank Subscription	23
IT and IT-Related Decisions	1.1
Future Capital Projects	200
Housing	
Canterbury Housing Contingency	75
Hobsonville Land Company	30.6
Internal Affairs	
TWZ Archive	11.7
Internal Affairs' Delivery of its Government ICT Functional Leadership and Information Management Mandate	1.1
Labour	
WorkSafe New Zealand	17.5
Other Departments	
Parliamentary Service	1.8
Funding for Crown Capital work	7
Primary Industries	
Investment in Crown Irrigation Investments Limited	40
National Biocontainment Laboratory	21.9
Revenue	
Foreign Account Tax Compliance Act (FATCA)	4.9
Research and Development - cashing up tax losses	2.7
Social Development	
Transfer of Social Housing Needs Assessment	16.4
Social Housing Reform: Implementing the Transfer of Needs	2
Responsible Finance	
Statistics	1.8
Consue 2018 Contingency	7.4
Christchurch Integrated Government Accommodation (CIQA)	5.6
Tertiary Education	
Crown Capital Investment to Support the University of Canterbury's Science and Engineering Hub	0.6
KiwiRail Turnaround Plan	143.9
Funding for KiwiRail Airfare Incident	198
Maritime NZ - IT system	2.9

BUDGET 2015: \$939m

Key initiatives funded

- \$243m on New Schools and Roll Growth
- \$209.8m on Kiwirail Turnaround Plan

All initiatives funded:

Initiative	\$m
Arts, Culture and Heritage	
Maintain the integrity of Te Papa Wellington's Cable Street and Tory Street buildings	40
Business, Science and Innovation	
NSRF: Source and update relevant data about a business from one place	3.5
Urbanisation	
Deferral of capital injections to align with long term capital programme	-144
Education	
New schools and roll growth: capital costs in line with shifting demographics	243.8
Internal Affairs	
Archives/Relocation of regional office following the Christchurch earthquakes	13
Return of insurance claim proceeds to the OIA/CIQA Christchurch building	2.3
Realize contribution of pre-forensic authentication and verification service	12.5
Labour Market	
Labour Market: more visas processed through transformed business processes and updated ICT systems	28.4
Managing our Borders - Immigration Risk: technology to manage gaps in New Zealand's border security	6.6
Prime Minister and Cabinet	
Planned initiatives for the Government House buildings and related assets	3.6
Social Development	
Children's Action Plan: a case management system that will enable collaboration and information sharing	2.3
Transport	
Accelerated regional state highway package	97
Urban cycleway investigation, design and construction	40
Ongoing capital injection for KiwiRail	209.8
Wellington metro rail signals power supply upgrade	6.5
Contingency	
Business, Science & Innovation: Expand and accelerate Ultra-Fast Broadband (UFB) to at least 80% of NZ	210
Internal Affairs: Capital injection for construction of Waiangi Wharf	-1
TEC: Rebuild and redevelopment of Lincoln science facilities post quake	100