

The Treasury

Budget 2011 Information Release

Release Document

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Key to sections of the Official Information Act 1982 under which information has been withheld.

Certain information in this document has been withheld under one or more of the following sections of the Official Information Act, as applicable:

- [1] 9(2)(a) - to protect the privacy of natural persons, including deceased people
- [2] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials
- [3] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions
- [4] 9(2)(b)(ii) - to protect the commercial position of the person who supplied the information or who is the subject of the information
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- [6] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice
- [7] 6(a) - to prevent prejudice to the security or defence of New Zealand or the international relations of the government
- [8] 9(2)(h) - to maintain legal professional privilege
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- [10] 9(2)(d) - to avoid prejudice to the substantial economic interests of New Zealand
- [11] 9(2)(i) - to enable the Crown to carry out commercial activities without disadvantage or prejudice.

Where information has been withheld, a numbered reference to the applicable section of the Official Information Act has been made, as listed above. For example, an [8] appearing where information has been withheld in a release document refers to section 9(2)(h).

In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) of the Official Information Act.



Minute of Decision

This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.

Budget 2011: Vote Housing

On 11 April 2011, Cabinet:

- 1 **approved** the Budget initiatives for the above Vote for inclusion in the 2011 Budget package, as listed in the summary below and detailed in the attached initiative documents:

Summary of initiatives included in the attached initiative documents:

Operating Initiatives (Impact on Operating Balance)

Initiative ID	Initiative Name	\$m - increase/(decrease)				
		2010/11	2011/12	2012/13	2013/14	2014/15 & Outyears
6613	Mortgage Insurance Scheme	(3.042)	-	-	-	-
6616	Tamaki Transformation Programme	0.500	1.100	-	-	-
6704	Home Ownership Education	-	-	(2.400)	(2.400)	(2.400)
6706	Crown Programmes	1.650	3.548	3.648	3.648	3.648
Total Operating		(0.892)	4.648	1.248	1.248	1.248

Capital Initiatives (Impact on Debt)

Initiative ID	Initiative Name	\$m - increase/(decrease)				
		2010/11	2011/12	2012/13	2013/14	2014/15 & Outyears
6614	Energy Efficient Warm Homes	-	(3.000)	(1.500)	(1.500)	(1.500)
Total Capital		-	(3.000)	(1.500)	(1.500)	(1.500)

- 2 **approved** the changes to appropriations to implement the initiatives, as set out in the attached initiative documents;
- 3 **agreed** that the changes to appropriations and/or projected balances be included in the 2010/11 Supplementary Estimates and that, in the interim, the increases be met from Imprest Supply;

- 4 **approved** the additional recommendations to give effect to the initiatives, as set out in the attached documents;
- 5 **authorised** the Minister of Finance and the Vote Minister to approve jointly any technical adjustments to baselines necessary to remove any errors or inconsistencies identified while finalising the 2010/11 Supplementary Estimates, the 2011/12 Estimates and the fiscal forecasts;
- 6 **authorised** the chief executives of departments that monitor Crown entities directly affected by decisions in this minute to inform the chair and/or chief executive of a Crown entity, on a budget-in-confidence-until-budget-day basis, of decisions that directly affect that Crown entity for the purpose of planning and preparation of their Statement of Intent;
- 7 **noted** that all communications relating to the 2011 Budget are coordinated by a Budget communications committee, and that any requests for early announcement will need to have both the written approval of the Minister of Finance and sign-off from the Prime Minister's office;
- 8 **agreed** that the initiative in the following table be set aside as a contingency item, that corresponding funding for it be set aside in the between-Budget spending contingency, and that it be submitted to Cabinet for consideration at a later stage:

Operating Contingency

Initiative Name	\$m - increase/(decrease)				
	2010/11	2011/12	2012/13	2013/14	2014/15 & Outyears
Growing Third Party Social Housing Providers	-	45.000	-	-	-
Total Operating	-	45.000	-	-	-

- 9 **agreed** that funding provided through the Budget 2011 operating allocation for Growing Third Social Housing Providers tagged contingency will be offset by an additional \$21 million surplus identified in Housing New Zealand Corporation (HNZC), to be returned to the Crown as part of the 2009/10 HNZC dividend;
- 10 **noted** that with the exception of the contingency established in paragraph 8, all other initiatives in the Vote are fiscally neutral as any operating impacts are offset by a higher HNZC dividend and capital savings;

Additional Recommendations - Housing Policy Advice

- 11 **noted** that on 6 December 2010, Cabinet agreed to consolidate housing policy advice to Ministers within the Department of Building and Housing by 1 July 2011 [CAB Min (10) 44/8];
- 12 **agreed** to establish a new Departmental Output Expense appropriation Housing, Building and Construction Policy Advice in Vote Housing, to be the responsibility of the Minister for Building and Construction, to enable the consolidation within the Department of Building and Housing of housing policy advice to Ministers;

New Appropriation Approval

Type	Period	Name	Multi-class Output Appropriation Output Class	Scope
Departmental Output Expense	Annual	Housing, Building and Construction Policy Advice	N/A	This appropriation is limited to the provision of policy advice to improve the performance of the building and housing sector; develop an effective social housing market; improve the efficiency and adequacy of support for people in housing need; monitor and provide information on sector trends and outcomes, and provide advice on the membership and effectiveness of statutory boards.

Appropriation Changes

Vote Housing	\$m – increase/(decrease)				
	2010/11	2011/12	2012/13	2013/14	2014/15 & Outyears
Minister for Building and Construction					
Departmental Output Expenses:					
Housing, Building and Construction Policy Advice (funded by revenue Crown)	-	6.715	6.744	6.614	6.614
Sector and Regulatory Policy (funded by revenue Crown)	-	(4.221)	(4.211)	(4.211)	(4.211)
Minister of Housing					
Non-Departmental Output Expense:					
Housing Policy Advice	-	(2.494)	(2.533)	(2.403)	(2.403)
Total Operating	-	-	-	-	-

- 13 **agreed** to disestablish the Departmental Output Expense appropriation Sector and Regulatory Policy in Vote Housing and the Non-Departmental Output Expense appropriation Housing Policy Advice in Vote Housing, with effect from 1 July 2011;

- 14 **agreed** to amend the name and scope of the following appropriation, which is the responsibility of the Minister of Housing, in Vote Housing, to enable the consolidation within the Department of Building and Housing of housing policy advice to Ministers:

Appropriation Type: Departmental Output Expense	Appropriation Title	Scope Statement
Current appropriation	Performance Monitoring and Advice – Housing New Zealand Corporation	This appropriation is limited to the provision of advice to Ministers arising from the monitoring of the Housing New Zealand Corporation's current and expected performance.
Amended appropriation	Performance Monitoring and Advice – Social Housing	This appropriation is limited to the provision of advice to Ministers arising from the monitoring of the Housing New Zealand Corporation's current and expected performance, and the monitoring of housing grants provided to Wellington City Council.

Secretary of the Cabinet

Reference: CAB (11) 187; CAB (11) 190

Initiative No: 6613

Vote: Housing

Title: Mortgage Insurance Scheme

Description: Reduced activity in the residential property market, particularly for first home buyers, has lowered demand for this product. Demand is forecast to remain low in the medium term.

Appropriation Changes

	\$m - increase/(decrease)				
	2010/11	2011/12	2012/13	2013/14	2014/15 & Outyears
Operating Balance Impact	(3.042)	-	-	-	-
Debt Impact	-	-	-	-	-
No Impact	-	-	-	-	-
Total	(3.042)	-	-	-	-

	\$m - increase/(decrease)				
	2010/11	2011/12	2012/13	2013/14	2014/15 & Outyears
Non-Departmental Output Expense:					
HNZC Housing Support Services	(3.042)	-	-	-	-
Total Operating	(3.042)	-	-	-	-
Total Capital	-	-	-	-	-

Initiative No: 6614

Vote: Housing

Title: Energy Efficient Warm Homes

Description: The Housing New Zealand Corporation is now treating the energy efficiency retrofits as business as usual, and is funding the cost with its income. This will result in appropriation savings.

Appropriation Changes

	\$m - increase/(decrease)				
	2010/11	2011/12	2012/13	2013/14	2014/15 & Outyears
Operating Balance Impact	-	-	-	-	-
Debt Impact	-	(3.000)	(1.500)	(1.500)	(1.500)
No Impact	-	-	-	-	-
Total	-	(3.000)	(1.500)	(1.500)	(1.500)

	\$m - increase/(decrease)				
	2010/11	2011/12	2012/13	2013/14	2014/15 & Outyears
Non-Departmental Capital Expenditure:					
Acquisition and Improvement of Housing New Zealand Corporation state houses	-	(3.000)	(1.500)	(1.500)	(1.500)
Total Operating	-	-	-	-	-
Total Capital	-	(3.000)	(1.500)	(1.500)	(1.500)

Initiative No: 6616

Vote: Housing

Title: Tamaki Transformation Programme

Description: New funding is being requested for the establishment of the Interim Board and associated administration costs.

Appropriation Changes

	\$m - increase/(decrease)				
	2010/11	2011/12	2012/13	2013/14	2014/15 & Outyears
Operating Balance Impact	0.500	1.100	-	-	-
Debt Impact	-	-	-	-	-
No Impact	-	-	-	-	-
Total	0.500	1.100	-	-	-

	\$m - increase/(decrease)				
	2010/11	2011/12	2012/13	2013/14	2014/15 & Outyears
Departmental Output Expense:					
Sector and Regulatory Policy (funded by revenue Crown)	0.500	-	-	-	-
Departmental Output Expense:					
Housing, Building and Construction Policy Advice (funded by revenue Crown)	-	1.100	-	-	-
Total Operating	0.500	1.100	-	-	-
Total Capital	-	-	-	-	-

Initiative No: 6704

Vote: Housing

Title: Home Ownership Education

Description: Reduced activity in the residential property market, particularly for first home buyers, has resulted in lower demand for this product.

Appropriation Changes

	\$m - increase/(decrease)				
	2010/11	2011/12	2012/13	2013/14	2014/15 & Outyears
Operating Balance Impact	-	-	(2.400)	(2.400)	(2.400)
Debt Impact	-	-	-	-	-
No Impact	-	-	-	-	-
Total	-	-	(2.400)	(2.400)	(2.400)

	\$m - increase/(decrease)				
	2010/11	2011/12	2012/13	2013/14	2014/15 & Outyears
Non-Departmental Output Expense:					
Contracted Housing Support Services	-	-	(2.400)	(2.400)	(2.400)
Total Operating	-	-	(2.400)	(2.400)	(2.400)
Total Capital	-	-	-	-	-

Initiative No: 6706

Vote: Housing

Title: Crown Programmes

Description: HNZC undertakes a number of programmes for the Crown, that it currently funds from its rental income, that are not part of its core business of providing social housing. This seeks to appropriate funding for these programmes in order to improve transparency.

Appropriation Changes

	\$m - increase/(decrease)				
	2010/11	2011/12	2012/13	2013/14	2014/15 & Outyears
Operating Balance Impact	1.650	3.548	3.648	3.648	3.648
Debt Impact	-	-	-	-	-
No Impact	-	3.200	-	-	-
Total	1.650	6.748	3.648	3.648	3.648

	\$m - increase/(decrease)				
	2010/11	2011/12	2012/13	2013/14	2014/15 & Outyears
Departmental Output Expense:					
Performance Monitoring and Advice - Social Housing (funded by revenue Crown)	-	0.148	0.148	0.148	0.148
Non-Departmental Output Expense:					
HNZC Housing Support Services	0.550	5.500	2.400	2.400	2.400
Benefits and Other Unrequited Expenses:					
Housing Assistance	1.100	1.100	1.100	1.100	1.100
Total Operating	1.650	6.748	3.648	3.648	3.648
Total Capital	-	-	-	-	-

Additional recommendations - Crown Programmes

- 15 **noted** that the HNZN undertakes a number of programmes on behalf of the Crown, which are funded out of its rental income, resulting in a lower dividend to the Crown than what it would pay if it did not deliver these programmes;
- 16 **noted** that funding for these Crown programmes is now being appropriated to ensure that there is transparency around the cost of delivering the programmes;
- 17 **noted** that the shift to funding these programmes through appropriations does not change the level or type of services being provided to the Crown, and that as a result the HNZN dividend will be \$3.2 million higher than it would have been if the Crown programmes continued to be funded from rental income.