

The Treasury

Budget 2014 Information Release

Release Document

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- [1] 6(a) - to prevent prejudice to the security or defence of New Zealand or the international relations of the government
- [2] 6(c) - to prevent prejudice to the maintenance of the law, including the prevention, investigation, and detection of offences, and the right to a fair trial
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- [11] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice
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- [13] Not in scope
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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, a [3] appearing where information has been withheld in a release document refers to section 9(2)(a).

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

Treasury Report: Canterbury Earthquake Recovery Authority Operational Funding

Date:	28 March 2014	Report No:	T2014/532
		File Number:	DH-50-1

Action Sought

	Action Sought	Deadline
Minister of Finance (Hon Bill English)	Indicate if you support an additional \$50 million over two years for vote Canterbury Earthquake Recovery departmental operations.	Tuesday, 1 April 2014
Associate Minister of Finance (Hon Steven Joyce)	Note report	
Associate Minister of Finance (Hon Dr Jonathan Coleman)	Note report	

Contact for Telephone Discussion (if required)

Name	Position	Telephone	1st Contact
Louise Lennard	Senior Analyst	[3] (wk)	[3] (mob) ✓
Tom Hall	Manager, Earthquake Coordination	[3] (wk)	[3] (mob)

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

Return the signed report to Treasury.

Enclosure: No

**Treasury Report: Canterbury Earthquake Recovery Authority
Operational Funding**

Purpose of Report

1. You requested additional information on the Canterbury Earthquake Recovery Authority operational funding budget initiative.

Proposal

How much is being sought?

2. The follow table outlines the baseline for managing the recovery and the additional funding sought.

	\$ million				
Vote Canterbury Earthquake Recovery	2013/14	2014/15	2015/16	2016/17	2017/18
Baseline for Departmental Output: Managing the Recovery	62.765	51.033	48.809	22.500	22.500
Minister for Canterbury Earthquake Recovery's funding request		[7]			
Treasury recommended additional funding		30.000	20.000		
Total Treasury recommended baseline	62.765	81.033	68.809	22.500	22.500
Part of Minister for Canterbury Earthquake Recovery's request declined taking Treasury's recommended funding level		[7]			
Existing Vote CER total operating baseline excluding tagged contingencies	337.4	227.9	114.1	25.1	25.1

3. The amount sought by the Minister for Canterbury Earthquake Recovery covers the period until April 2016. Any additional funding to cover the period from April 2016 will need to be considered as part of the Budget 2015 or when Ministers take decisions on the transition plan.

What is the purpose of the additional funding

4. In the context of the drop-off in baseline as highlighted above, the Minister for Canterbury Earthquake Recovery in his 18 February letter to you stated:

“Additional operating funding is therefore sought in Budget 2014 to maintain the current level of services delivered by CERA (although obviously the exact services will reflect new and developing priorities). I have thoroughly reviewed CERA’s existing prioritised activities and seek an additional [7] million in new funding over the next two financial years to maintain levels of service at the same [level] as this financial year. This will ensure the continuation of its current prioritised work plan through effectively flat lining CERA’s operating budget for the next two financial years.”

Why is additional funding required?

5. CERA prepared a draft four year plan but this was never completed or submitted to you. The latest version Treasury received did not contain the information necessary to support a budget proposal of [7] million. We therefore subsequently entered into discussions with CERA on this budget initiative.
6. CERA has advised that the additional funding is required as some key assumptions are different to those when the budget for managing the recovery was set in Budget 2013:
- The current budget baseline was based on the information known in November 2012 before the cost-sharing agreement with the Christchurch City Council was finalised. The cost-sharing agreement was signed in June 2013 after the Budget was set.
 - The work involved in implementing the cost-sharing agreement only became clear in the second half of 2013 when implementation started. More staff than originally assumed have been required in the Central City Development Unit and the supporting units (finance, communications, legal, etc).
 - CERA has put more resources into managing the infrastructure rebuild than expected, with a focus on value for money from the Crown’s contribution. This will continue until 2016.
 - CERA has been asked to take an active role in managing procurement in Canterbury.
 - CERA expected that by now some functions would have transferred to other agencies, to have been scaled down or have been completed (for example, completing purchasing of residential red zone properties, monitoring the activities of other agencies, the residential advisory service and helpline).

Why is Treasury supporting the proposal?

7. Treasury has reviewed the proposals and supports new funding of \$50 million on the basis that:
- It is required to implement current government policy including the cost sharing agreement and managing the procurement process;
 - It reflects the decisions taken by the Minister for Canterbury Earthquake Recovery on the strategic priorities for CERA, which are consistent with the Government’s goals in Christchurch;

BUDGET-SENSITIVE

- CERA has gone through a robust bottom-up budgeting process to support the amount sought; and
- CERA now has a more robust process in place to alert its Minister when decisions will materially alter fiscal assumptions. You can, therefore, expect that if key assumptions change which materially affect costs, you will be alerted earlier than previously.

Why is Treasury supporting a lower amount of funding?

8. Treasury is supporting [7] \$50 million over two years because:
- You have agreed to an expense transfer (\$2.5 million) and an in-principle expense transfer ([7] million) which will increase the level of appropriations available in 2014/15 and 2015/16 for managing the Recovery; and
 - There is a need to maintain pressure on CERA to prioritise expenditure but not to the extent that it compromises its ability to manage the recovery.

Risks

9. The amount sought by the Minister for Canterbury Earthquake Recovery covers only the period to April 2016. This is because one of the key assumptions is that there will be a transfer of the provision of services from April 2016. If additional resources are required for the transition or continued service delivery by CERA from April 2016, this will be sought when decisions are taken on the transition plan or as part of Budget 2015.

Next Steps

10. In order to finalise the budget package for Budget 2014, please indicate your decision on the Minister for Canterbury Earthquake Recovery's request for additional departmental funding.

Recommended Action

We recommend that you:

- a **agree** to support additional departmental funding in vote Canterbury Earthquake Recovery at the Treasury recommended level of additional funding of \$30.0 million in 2014/15 and \$20.0 million in 2015/16 to manage the recovery.

Agree/disagree.

Tom Hall
Manager, Earthquake Coordination

Hon Bill English
Minister of Finance