

The Treasury

Budget 2014 Information Release

Release Document

July 2014

www.treasury.govt.nz/publications/informationreleases/budget/2014

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] 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
- [3] 9(2)(a) - to protect the privacy of natural persons, including deceased people
- [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
- [5] 9(2)(ba)(i) - to prevent prejudice to the supply of similar information, or information from the same source, and it is in the public interest that such information should continue to be supplied.
- [6] 9(2)(d) - to avoid prejudice to the substantial economic interests of New Zealand
- [7] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials
- [8] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions
- [9] 9(2)(h) - to maintain legal professional privilege
- [10] 9(2)(i) - to enable the Crown to carry out commercial activities without disadvantage or prejudice
- [11] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice
- [12] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage
- [13] Not in scope
- [14] 6(e)(iv) - to damage seriously the economy of New Zealand by disclosing prematurely decisions to change or continue government economic or financial policies relating to the entering into of overseas trade agreements.

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.



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 2014 Package

Portfolio: Finance

On 14 April 2014, Cabinet:

Background

- 1 **noted** that on 7 April 2014, Cabinet agreed to the technical initiatives for Budget 2014 [CAB Min (14) 12/3 (1-37)];
- 2 **noted** that the economy continues to accelerate, with a 2014/15 surplus of a few hundred million dollars expected on Budget Day;
- 3 **noted** that Budget 2014 will continue to help achieve the government's top four priorities:
 - 3.1 responsibly managing the government's finances;
 - 3.2 building a more productive and competitive economy;
 - 3.3 better public services;
 - 3.4 rebuilding Christchurch;

Fiscal strategy beyond Budget 2014

- 4 **agreed** that there are two key criteria for changing operating allowances:
 - 4.1 ensuring that the government remains on track to achieve its target of reducing core Crown net debt to 20 per cent of GDP by 2020;
 - 4.2 ensuring that there is no material impact on interest rates as a result of the change;
- 5 **noted** that the Treasury has advised the limit for achieving both of these objectives is an operating allowance of \$1.5 billion a year each budget from Budget 2015;
- 6 **noted** that an allowance of \$1.5 billion a year each budget would be sufficient to incorporate prudent tax reductions as well as spending increases;
- 7 **authorised** the Prime Minister and Minister of Finance to finalise the level of the operating allowance for Budget 2015 and subsequent years;

- 8 **noted** that the government retains the option of prudent tax reductions consistent with debt and interest rate objectives;
- 9 **agreed** to signal in the Fiscal Strategy Report 2014:
- 9.1 that debt repayment will be the main priority if revenue comes in ahead of forecast until our debt objective is achieved;
- 9.2 the following priorities for rebuilding the balance sheet:
- 9.2.1 debt repayment;
- 9.2.2 resuming New Zealand Superannuation Fund contributions;
- 9.2.3 rebuilding other parts of the Crown's balance sheet;
- 10 **agreed** to use targets to support management of the Crown's balance sheet;
- 11 **agreed** that once net debt is below 20 per cent of GDP, it will be maintained within a range of 10-20 per cent of GDP over the economic cycle;

Budget 2014 package

- 12 **noted** that new operating spending proposals in Budget 2014 have been partially offset by savings and revenue initiatives, resulting in a net increase in spending of approximately \$1 billion a year on average over the forecast period;
- 13 **noted** that the third tranche of spending from the Future Investment Fund to be announced at Budget 2014 totals \$1,037 million, including \$144 million previously agreed by Cabinet;
- 14 **agreed** to the initiatives for Budget 2014 as set out in the financial recommendations attached to the paper under CAB (14) 189; and the additional initiatives and amendments to the financial recommendations tabled at Cabinet by the Minister of Finance;
- 15 **agreed** that expenses or capital expenditure against appropriations and capital injection authorisations set out in the 2014/15 Estimates and being sought in that Bill may be met from Imprest Supply until the Appropriation (2014/15 Estimates) Bill is enacted;
- 16 **authorised** the Minister of Finance and the relevant Vote Ministers to approve changes to initiatives and appropriations where this proves necessary to finalise the 2014 Budget package;
- 17 **authorised** the Prime Minister and the Minister of Finance to take any additional steps necessary to protect the 2014/15 surplus based on the final fiscal forecasts;
- 18 **agreed** to set aside a between-Budget contingency to let the government respond rapidly to events as they unfold;
- 19 **noted** that funding for initiatives agreed as tagged contingencies will expire on 1 February 2015;

General matters

- 20 **agreed** that:
- 20.1 proposals for funding from the between-Budget contingency must be for urgent issues that cannot be deferred to Budget 2015;
 - 20.2 Ministers will be expected to demonstrate that they have exhausted their search for opportunities to fund the initiative through prioritisation of lower value activities;
- 21 **agreed** that no papers with fiscal and/or appropriation implications for agreement by Cabinet or Cabinet committees be submitted between 14 April 2014 and 15 May 2014 so that Budget documentation is accurate;
- 22 **noted** that all communications relating to Budget 2014 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.

Secretary of the Cabinet

Reference: CAB (14) 174
*Additional financial recommendations and
amendments tabled by the Minister of Finance*

Secretary's notes:

- *Separate minutes have been issued for the Budget 2014 initiatives for each Vote. See CAB Min (14) 13/8(1-34).*
 - *Paragraphs 20 – 22 above have also been issued in a separate minute for the information of all Ministers and Chief Executives [CAB Min (14) 13/8A].*
-