

The Treasury

Budget 2020 Information Release

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Cabinet Document Details

Title: **Cabinet Minute CAB-20-MIN-0153.02: 2020 Budget Technical Financial Recommendations: Vote Business, Science and Innovation**

Date: **6 April 2020**

Creator: Cabinet Office

Information Withheld

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Where this is the case, the relevant sections of the Act that would apply have been identified.

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Key to sections of the Act under which information may have been withheld:

- [1] 6(a) - to avoid prejudice to the security or defence of New Zealand or the international relations of the government
- [2] 6(b)(i) - to avoid prejudice the entrusting of information to the Government of New Zealand on a basis of confidence by the Government of any other country or any agency of such a Government
- [4] 6(c) - to avoid prejudice to the maintenance of the law, including the prevention, investigation, and detection of offences, and the right to a fair trial
- [11] 6(e)(vi) - to prevent serious damage to 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
- [23] 9(2)(a) - to protect the privacy of natural persons, including deceased people
- [25] 9(2)(b)(ii) - to protect the commercial position of the person who supplied the information or who is the subject of the information
- [26] 9(2)(ba)(i) - to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to prejudice 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
- [27] 9(2)(ba)(ii) - to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely otherwise to damage the public interest

- [29] 9(2)(d) - to avoid prejudice to the substantial economic interests of New Zealand
- [31] 9(2)(f)(ii) - to maintain the current constitutional conventions protecting collective and individual ministerial responsibility
- [33] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials
- [34] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions
- [36] 9(2)(h) - to maintain legal professional privilege
- [37] 9(2)(i) - to enable the Crown to carry out commercial activities without disadvantage or prejudice
- [38] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice
- [39] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage
- [40] not in scope
- [41] 18(c)(i) - that the making available of the information requested would be contrary to the provisions of a specified enactment
- [42] 18(d) - information is already publicly available or will be publicly available soon.

Where information has been withheld, a numbered reference to the applicable section of the Act has been made, as listed above. For example, a [23] appearing where information has been withheld in a release document refers to section 9(2)(a).

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Cabinet

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.

2020 Budget Technical Financial Recommendations: Vote Business, Science and Innovation

On 6 April 2020, Cabinet:

- 1 **approved** the Budget initiatives for the above Vote for inclusion in the 2020 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) | | | | |
|------------------------|---|---------------------------|----------------|----------------|----------------|--------------------|
| | | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 & Outyears |
| 12395 | Creation of a New Oil Stocks MYA and Transfer of Funding into the New MYA | - | - | - | - | - |
| 12394 | Creation of the Pacific Cyber Security Initiatives MYA (Annual Appropriation to MYA) | - | 0.302 | (0.302) | - | - |
| 12393 | Transfer of Funding for Early Stage Capital Market Development from Vote Business, Science and Innovation to Vote Finance | - | (1.580) | (1.580) | (1.580) | (1.580) |
| 12397 | Reforecasting of Emergency Telecommunications Services | 0.590 | (0.590) | - | - | - |
| Total Operating | | 0.590 | (1.868) | (1.882) | (1.580) | (1.580) |

Capital Initiatives (Impact on Debt)

| Initiative ID | Initiative Name | \$m - increase/(decrease) | | | | |
|----------------------|---|---------------------------|-----------------|-----------------|-----------------|--------------------|
| | | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 & Outyears |
| 12393 | Transfer of Funding for Early Stage Capital Market Development from Vote Business, Science and Innovation to Vote Finance | (39.500) | (80.000) | (80.000) | (40.000) | - |
| Total Capital | | (39.500) | (80.000) | (80.000) | (40.000) | - |

- 2 **agreed** to establish new appropriations where required to implement these initiatives, as described in the attached initiative documents;
- 3 **approved** changes to appropriations to implement the initiatives, as set out in the attached initiative documents;
- 4 **approved** the additional recommendations to give effect to the initiatives, as set out in the attached initiative documents;
- 5 **noted** that there is an increase in Vote Finance [initiative 12415] corresponding to the decreases in initiative 12393;
- 6 **agreed** that the changes to appropriations and/or capital injections for 2019/20 above be included in the 2019/20 Supplementary Estimates and that, in the interim, the increases be met from Imprest Supply;
- 7 **authorised** the Minister of Finance and the Appropriation Minister to approve jointly any technical adjustments to baselines necessary to remove any errors or inconsistencies identified while finalising the 2019/20 Supplementary Estimates, the 2020/21 Estimates and the fiscal forecasts;
- 8 **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;
- 9 **noted** that all communications relating to the 2020 Budget are co-ordinated by a Budget communications committee, and that any requests for early announcement must have the written approval of the Minister of Finance and the Office of the Prime Minister.

Michael Webster
Secretary of the Cabinet

Vote: Business, Science and Innovation

Title: Creation of a New Oil Stocks MYA and Transfer of Funding into the New MYA

Description: To better manage the foreign exchange exposure for the cost of oil contracts, the Ministry of Business Innovation and Employment (MBIE) has proposed the establishment of a multi-year appropriation (MYA) to cover the risk and a fiscally neutral adjustment (FNA) to move outyear funding from the existing appropriation to the new MYA.

New appropriation approval

| Name | Period | Type | Category Name | Scope |
|--|---|----------------------------------|---------------|--|
| Energy and Resources: Management of International Energy Agency (IEA) Oil Stocks 2020-2024 | Multi-Year Appropriation Start: 1/04/2020 Finish: 30/06/2024 Amount (\$m): 113.000 | Non-Departmental Output Expenses | N/A | This appropriation is limited to purchasing, managing and investigating oil tickets (forward purchase contracts for oil supply) and other related oil security products needed to meet IEA treaty obligations. |

Appropriation changes

| | \$m - increase/(decrease) | | | | |
|--|---------------------------|----------|----------|----------|--------------------|
| | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 & Outyears |
| Non-Departmental Output Expenses: | | | | | |
| Energy and Resources: Management of IEA Oil Stocks | - | (26.000) | (29.000) | (29.000) | (29.000) |
| Energy and Resources: Management of IEA Oil Stocks 2020-2024 (MYA) | - | 26.000 | 29.000 | 29.000 | 29.000 |
| Total Operating | - | - | - | - | - |

Additional recommendations

- 10 **agreed in principle** to transfer any 2019/20 underspends from the Non Departmental Output Expense: "Energy and Resources: Management of IEA Oil Stocks" appropriation to the "Energy and Resources: Management of IEA Oil Stocks 2020-2024" MYA in 2020/21, subject to confirmation of the amount in the October Baseline Update, following the presentation of the 2019/20 audited financial statements;
- 11 **agreed** that the Multi-Year Appropriation: "Energy and Resources: Management of IEA Oil Stocks 2020-2024" is established at \$113.000 million;
- 12 **noted** that amounts shown in the appropriations changes table for the Multi-Year Appropriation: "Energy and Resources: Management of IEA Oil Stocks 2020-2024" is the indicative annual spending profile;

Vote: Business, Science and Innovation

Title: Creation of the Pacific Cyber Security Initiatives MYA (Annual Appropriation to MYA)

Description: An MYA is requested to be created due to the timing of when expenditure is expected to eventuate. Expenditure is expected to be sourced from a number of initiatives, involves the co-operation of a number of different countries and additional funding over a greater number of years is expected to eventuate. An FNA is sought for the "Communications: Pacific Cyber Security Initiatives" appropriation to fund the creation of a new MYA "Communications: Pacific Cyber Security Initiatives MYA". Additionally MBIE seeks approval to transfer any underspends from the annual appropriation in 2019/20 to the new MYA in 2021/22.

New appropriation approval

| Name | Period | Type | Scope |
|--|---|------------------------------|---|
| Communications: Pacific Cyber Security Initiatives | Multi-Year Appropriation Start: 1/07/2020 Finish: 30/06/2025 Amount (\$m): 0.604 | Departmental Output Expenses | This appropriation is limited to the provision of advice, information and technical expertise to increase the cybersecurity skills and capabilities of countries in the Pacific region. |

Appropriation changes

| | \$m - increase/(decrease) | | | | |
|--|---------------------------|--------------|----------------|---------|--------------------|
| | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 & Outyears |
| Departmental Output Expenses: | | | | | |
| Communications: Pacific Cyber Security Initiatives (MYA) (funded by revenue Dept) | - | 0.604 | - | - | - |
| Communications: Pacific Cyber Security Initiatives (funded by revenue Dept) | - | (0.302) | (0.302) | - | - |
| Total Operating | - | 0.302 | (0.302) | - | - |

Additional recommendations

- 13 **agreed in principle** to transfer any 2019/20 underspends from the Departmental Output Expense "Communications: Pacific Cyber Security Initiatives" appropriation to the "Communications: Pacific Cyber Security Initiatives" MYA in 2020/21, subject to confirmation of the amount in the October Baseline Update, following the presentation of 2019/20 audited financial statements;
- 14 **agreed** that the Multi-Year Appropriation: "Communications: Pacific Cyber Security Initiatives" is established at \$0.604 million;
- 15 **noted** that amounts shown in the appropriations changes table for the Multi-Year Appropriation: "Communications: Pacific Cyber Security Initiatives" is the change to the indicative annual spending profile;

Vote: Business, Science and Innovation

Title: Transfer of Funding for Early Stage Capital Market Development from Vote Business, Science and Innovation to Vote Finance

Description: This funding is intended to deepen early stage capital markets and address the venture capital gap experienced by New Zealand firms.

Appropriation changes

| | \$m - increase/(decrease) | | | | |
|--|---------------------------|-----------------|-----------------|-----------------|--------------------|
| | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 & Outyears |
| Non-Departmental Capital Expenditure: | | | | | |
| Economic Development: Early Stage Capital Market Development | (39.500) | (80.000) | (80.000) | (40.000) | - |
| Multi-Category Expenses and Capital Expenditure: | | | | | |
| Seed Co-Investment Fund (MCA) | | | | | |
| <i>Non-Departmental Output Expense:</i> | | | | | |
| Investment Fund Management | - | (1.580) | (1.580) | (1.580) | (1.580) |
| Total Multi-Category Expenses and Capital Expenditure: Seed Co-Investment Fund (MCA) | - | (1.580) | (1.580) | (1.580) | (1.580) |
| Total Operating | - | (1.580) | (1.580) | (1.580) | (1.580) |
| Total Capital | (39.500) | (80.000) | (80.000) | (40.000) | - |

Additional recommendations

- 16 **noted** that there is an associated increase in baseline funding for Early Stage Capital Market Development in Vote Finance of \$245.820 million [initiative 12415];
- 17 **agreed** to change the overarching scope statement in the multi-category appropriation “Seed Co-Investment Fund” to “the single overarching purpose of this appropriation is to provide capital and market development services to support the development of markets for early stage equity finance and venture capital” from 2020/21 onwards;
- 18 **agreed** to the following changes to the non-departmental output expense category in the multi-category appropriation “Seed Co-Investment Fund” from 2020/21 onwards:

| Current Category Title | Current Category Scope Statement | New Category Title | New Category Scope Statement |
|----------------------------|--|--|---|
| Investment Fund Management | This category is limited to operational Costs of the Venture and Seed Co-Investment Funds. | Early Stage Capital Market Development | This category is limited to market development operational Costs of the Venture and Seed Co-Investment Funds. |

Vote: Business, Science and Innovation

Title: Reforecasting of Emergency Telecommunications Services

Description: To support the emergency caller location work programme, identification of new technical dependencies, and increases to security testing requirements, funding is being brought forward from the 2020/21 financial year to fund the activity in the 2019/20 financial year.

Appropriation changes

| | \$m - increase/(decrease) | | | | |
|---|----------------------------------|----------------|----------------|----------------|-------------------------------|
| | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 & Outyears |
| Non-Departmental Output Expense: | | | | | |
| Communications: Emergency Telecommunications Services | 0.590 | (0.590) | - | - | - |
| Total Operating | 0.590 | (0.590) | - | - | - |