

The Treasury

Budget 2020 Information Release

July 2020

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- [1] 6(a) - to avoid prejudice to the security or defence of New Zealand or the international relations of the government
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- [23] 9(2)(a) - to protect the privacy of natural persons, including deceased people
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- [29] 9(2)(d) - to avoid prejudice to the substantial economic interests of New Zealand
- [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
- [35] 9(2)(g)(ii) - to maintain the effective conduct of public affairs through protecting ministers, members of government organisations, officers and employees from improper pressure or harassment;
- [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
- [42] 18(d) - information is already publicly available or will be publicly available soon.

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Treasury Report: Budget 2019 Bilateral with Minister Parker

Date:	7 November 2019	Report No:	T2019/3527
		File Number:	SH-10-0 (Environment)

Action sought

	Action sought	Deadline
Hon Grant Robertson Minister of Finance	Read this report and attached material ahead of your bilateral discussion with Minister Parker.	11 November 2019

Contact for telephone discussion (if required)

Name	Position	Telephone	1st Contact
[39]	Vote Analyst, Environment	[39]	N/A (mob) ✓
[39]	Vote Analyst, Attorney-General		N/A (mob) ✓
Gwen Rashbrooke	Manager, Natural Resources		N/A (mob)

Minister's Office actions

Return the signed report to Treasury.

Note any feedback on the quality of the report

Enclosure: Yes (Vote Environment performance reporting letter attached)

Treasury Report: Budget 2019 Bilateral with Minister Parker

Executive summary

This report provides background information and talking points for your Budget 2020 bilateral discussion with Minister Parker at 5:30pm on Monday 11 November. The purpose of the bilateral is to discuss cost pressure bids and progress reporting in the Environment portfolio, and the cost pressure bid in the Attorney-General portfolio.

Recommended Action

We recommend you **read** this report and attached material prior to your Budget 2020 bilateral discussion with Hon David Parker at 5:30pm on Monday 11 November 2019.

Gwen Rashbrooke
Manager, Natural Resources

Hon Grant Robertson
Minister of Finance

Treasury Report: Budget 2019 Bilateral with Minister Parker

Purpose of Report

1. The purpose of this report is to provide background information and advice for your Budget 2020 bilateral discussion with Minister Parker at 5.30pm on Monday 11 November, regarding the Environment and Attorney-General portfolios.
2. Minister Parker is also the Minister for Trade and Export Growth, however for Budget purposes this portfolio falls under Vote Foreign Affairs and Trade, for which Minister Peters is Vote Minister. Information on Vote Foreign Affairs and Trade will be provided in the upcoming Treasury Report to support your bilateral discussion with Minister Peters.
3. This report provides:
 - Context on existing funding, including funding received in recent Budgets.
 - An overview of cost pressures submitted for Budget 2020.
4. Attached to this report are three annexes:
 - Annex A provides talking points for your bilateral discussion.
 - Annex B provides a full list of the cost pressure initiatives submitted for Vote Environment and Vote Attorney-General.
 - Annex C provides the Vote Environment progress reporting letter that you requested from Minister Parker.
5. We have provided preliminary assessments for the cost pressure initiatives. We will provide you with further advice, including funding recommendations for each cost pressure, ahead of the package formation stage.

Context

Vote Environment

6. Vote Environment departmental annual operating expense is \$87.224 million. The annual capital expenditure is \$1.200 million. Vote Environment also includes non-departmental operating funding for the Environmental Protection Authority (EPA) (\$19.125 million for 2019/20).
7. The majority of Vote Environment's departmental operating expenditure is for the Ministry for the Environment's (MfE) policy work on resource management, water, climate change, and waste.

8. Estimates for Vote Environment baselines over the last two Budgets are summarised in the table below. Note that this table excludes the “Allocation of New Zealand Units” appropriation, which is a large forecast appropriation and falls under the Climate Change Portfolio.

Budget Estimates	Total appropriations (4 year annual avg) at Budget (\$m)	% increase (decrease) in total appropriations (4 year annual avg) from previous Budget (\$m)
Budget 2017	181.040	
Budget 2018	194.983	7.70%
Budget 2019	288.887*	48.15%

* There is an additional \$42.715 million held in tagged contingencies for the Climate Change Commission from Budget 2019.

9. Through Budget 2019, Vote Environment received a total of \$142.534 million new operating funding across the four-year forecast period. Operating funding comprised:
- \$4.000 million for improving New Zealand’s resource efficiency by reducing waste.
 - \$107.000 million for Productive and Sustainable Land Use: essential freshwater and transition to a sustainable and low emissions economy.
 - \$30.484 million for strengthening the integrity of the environmental management system.
 - \$1.050 million for implementation of the Global Harmonised System of Chemical Classifications and a new hazardous substances database.
10. Vote Environment also received \$6.797 million capital funding in Budget 2019. Capital funding comprised:
- \$0.449 million for Productive and Sustainable Land Use – Climate Change Commission and Government response.
 - \$3.948 million for strengthening the integrity of the environmental management system.
 - \$2.400 million for implementation of the Global Harmonised System of Chemical Classifications and a new hazardous substances database.
11. Budget 2019 funding amounted to a significant increase (26.7%) in MfE’s departmental baseline for 2019/20. Given this increase, it is likely that MfE is finding it challenging to source the additional capability required to respond to their expanded work programme.

Vote Attorney-General

12. Vote Attorney-General’s annual operating expenditure for 2019/20 is \$72.795 million, and annual capital expenditure is \$1.081 million. Operating expenditure includes \$40.084 million for Public Prosecution Services. Most of the funding in this category is provided to the 17 private law firms throughout New Zealand which hold Crown Solicitor warrants, and are responsible for undertaking serious criminal prosecutions in the Crown’s name.

13. Estimates for Vote Attorney-General baselines over the last two Budgets are summarised in the table below.

Budget Estimates	Total appropriations (4 year annual avg) at Budget (\$m)	% increase (decrease) in total appropriations (4 year annual avg) from previous Budget (\$m)
Budget 2017	71.539	
Budget 2018	71.497	(0.06)%
Budget 2019	78.222	9.4%

14. At Budget 2019, Crown Law received a total of \$27.533 million new operating funding across the four-year forecast period, and one-off capital funding of \$2.100 million. Operating funding comprised:
- \$6.135 million to address pressures on Crown Law's core business and organisational structure.
 - \$21.398 million to address pressures on the Crown Solicitor network resulting from policy decisions in other Justice Sector portfolios.

Overseas investment reforms

15. Minister Sage has submitted two cost pressure bids in Vote Lands that relate to changes to overseas investment policy led by Minister Parker. These are:
- Overseas Investment Regime – Phase 2 Implementation [33]
 - Overseas Investment Regime Cost Pressures [33]
16. Further details on these cost pressures are listed in your bilateral briefing for Minister Sage (Treasury Report T2019/3541 refers).

Cost Pressures

17. As at 1pm 6 November, cost pressure bids seeking a combined total of \$14.9 billion operating over the forecast period (\$3.7 billion average per annum), and \$6.1 billion total capital have been submitted.

Vote Environment

18. For Budget 2020, Minister Parker submitted two cost pressure initiatives totalling [33] of operating funding for the EPA. The two initiatives are being led by Minister Sage as Associate Minister for the Environment.
19. Information on the initiatives can be found in Annex A. We have provided initial comments on the two initiatives, and will provide you with further advice about funding options during the initiative assessment process.

Vote Attorney-General

20. Minister Parker submitted one cost pressure bid totalling [33] of operating funding for the Attorney-General portfolio. This initiative seeks funding to address increasing volume pressure on Crown Solicitors.

Annex A: Talking points for your bilateral with Minister Parker

Talking points for the Environment portfolio:

- Budget 2019 funding for Sustainable Land Use focussed on putting the right institutional arrangements in place. How is this work progressing? What do you see as the next steps for Sustainable Land Use, and are you planning to seek additional funding to build on this work programme in Budget 2020?
- My officials advise me that Minister Sage is leading on the two cost pressures in the Environment portfolio; for a hazardous substances chemical reassessment programme and baseline funding for the Exclusive Economic Zone (EEZ). In terms of priority level, how do these work programmes fit within Vote Environment?
- Significantly reducing waste to landfill is a commitment in the Confidence and Supply Agreement, and a small amount of funding (\$4.000 million over two years) was provided for resource efficiency in Budget 2019. How is this work programme progressing? Are you planning to seek additional funding for waste and resource efficiency in Budget 2020?
- MfE received a 29% increase in departmental baseline funding in Budget 2019. How do you think MfE is making use of the significant increase in departmental funding? Have there been any barriers to using this funding so far, or do you foresee any risks in the future?

Annex B: Submitted Cost Pressure Initiatives

Environment

Title	Description	Funding Sought by Agency				Treasury Comments	
		Opex (\$m)	Avg	Opex (\$m)	Total		Capex Total (\$m)
Environmental Protection Authority (EPA) baseline funding for Exclusive Economic Zone and Continental Shelf (EEZ) environmental management	<p>This initiative seeks ongoing funding to enable the EPA to continue to carry out its core functions under the EEZ Act that are not cost-recoverable.</p> <p>Minister Sage is leading this initiative.</p>	4.0		16.0		-	<p>This initiative may have some merit. The initiative was not supported in Budget 2019 as the EPA already had funding secured for the 2019/20 financial year and was going to undertake further work on cost recovery analysis. The EPA's EEZ activities are required under the EEZ Act, but there is no ongoing funding for the EPA to conduct these activities.</p> <p>The Treasury has been working with the EPA and MfE to understand the funding requirements and cost recovery settings for EEZ activities. We will provide you with further advice on options to address this pressure.</p>
Environmental Protection Authority chemical reassessment programme	<p>This initiative seeks funding to enable the EPA to address a higher volume of reassessments of the regulatory controls on chemicals than can be achieved with current funding.</p> <p>Minister Sage is leading this initiative.</p>	[33]		[33]		-	<p>This initiative may have some merit. A Hazardous Substances initiative was partially funded in Budget 2019 but no funding was provided for the chemicals reassessment programme.</p> <p>The EPA is responsible for reassessments under the Hazardous Substances and New Organisms Act (HSNO) Act and is facing pressure to reassess chemicals on the priority list within reasonable timeframes. We will consider funding options to address this pressure.</p>
Total		[33]		[33]		-	

Attorney-General

Title	Description	Funding Sought by Agency						Treasury Comments
		Opex (\$m)	Avg	Opex (\$m)	Total	Capex (\$m)	Total	
The Sustainable Provision of Crown Prosecution Services	The Crown Solicitor network is responsible for the prosecution of the most serious offences in New Zealand and has been funded through a bulk funding model since the 2012/13 financial year. Over the last several years, the level of available funding has not kept pace with the sustained increases in demand that are being experienced for Crown prosecution services. The impact of this ever increasing demand, as well as the financial pressure of increasing business costs, has resulted in Crown Solicitors being put under significant financial pressure. This pressure is now affecting the overall sustainability of the Crown Solicitor network and the provision of Crown prosecution services.	[33]		[33]		-		<p>Funding for the Crown Solicitors network has not received a general uplift since 2016. Despite this, information provided by Crown Law suggests that the work required of Crown Solicitors has steadily increased in that time.</p> <p>While funding was provided at Budget 2019, this was aimed at addressing new pressures that are expected to arise as a result of policy decisions, rather than existing pressures on core work.</p> <p>The funding sought is considered by Crown Law to constitute the minimum sustainable option and scaling options were not provided. We will consider whether a lower amount may be sufficient to address these pressures.</p>
Total		[33]		[33]				

Annex C: Delivering on past Budget commitments – Initiatives within Scope

Environment Portfolio

Budget	Title	Funding Allocated		
		Opex Avg (\$m)	Opex Total (\$m)	Capex Total (\$m)
2019	Productive and Sustainable Land Use (Environment portfolio – Essential Freshwater, Climate Change Commission and Government Response)	26.75	107	0.449
	Total	26.75	107	0.449