

The Treasury

Budget 2020 Information Release

July 2020

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Key to sections of the Act under which information has 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
- [5] 6(d) - to prevent endangerment of the safety of any person
- [9] 6(e)(iv) - 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 stability, control, and adjustment of prices of goods and services, rents, and other costs, and rates of wages, salaries, and other incomes
- [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
- [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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Reference: T2020/1201 MC-1-5-2 (Fiscal strategy)

Date: 24 April 2020

To: Minister of Finance (Hon Grant Robertson)

Deadline: 29 April 2020

Fiscal Strategy Report Chapter: Second Draft

Attached to this Aide Memoire is a second draft of the Fiscal Strategy chapter for the Budget 2020 document. This redraft incorporates on comments we received on the first draft [T2020/953].

In some cases the text you or your office removed in the previous draft is required under the Public Finance Act (PFA). Where this is the case we have redrafted the text as far as possible. We have highlighted in red text which we have included to meet the requirements of the PFA, and noted these sections below.

We suggest your office contact us if you wish to remove or substantially revise this text, so we can advise on the legal implications for the final draft.

We are seeking any further comments to incorporate in the final version of the chapter. Specific details regarding fiscal forecasts and the fiscal projections will be added in the final draft. The values, figures, and tables in this draft have not been quality assured and may not match the latest data.

New Zealand Superannuation Fund capital contributions

Since the last draft we provided, we have calculated the forecast legislatively required capital contributions to the New Zealand Superannuation Fund (NZSF).

The Government's planned NZSF capital contributions for 2019/20, 2020/21 and 2021/22 will now exceed those legislatively prescribed by the formula. This is a result of the impact of COVID-19 on GDP, which has reduced the legislatively prescribed contribution path substantially.

Given the finalisation of fiscal forecasts, we do not recommend changing the Government's actual NZSF contribution path at this stage. We will provide further advice on this issue following the Budget. Your immediate choice is how you wish to present this situation in the Budget documentation.

Your options are:

1. Present both the Government's actual and the legislatively prescribed contribution paths, noting the uncertainty in the economic forecast data used to calculate the legislative path, and your intent to review NZSF contributions at the 2021 BPS in December 2020 [**recommended**].
2. Present only the Government's actual contribution path, and not reporting the over-contribution – the legislatively prescribed contribution path will still be published on the Treasury's website.
3. Remove this section on NZSF contributions from the chapter – the NZ Superannuation and Retirement Income Act (2001) only requires the Government to report on contributions if they are below the legislatively prescribed amounts, however, the legislatively prescribed contribution path will still be published on the Treasury's website [**not recommended**].

There is currently considerable uncertainty around the path of GDP, and so it is possible that the NZS Fund contribution paths change substantially again by the time of the 2021 BPS. Following Budget and in advance of the 2021 BPS, we will provide advice on recommended NZS Fund contribution paths in light of these factors.

Year ending 30 June \$billions	2020 Forecast	2021 Forecast	2022 Forecast	2023 Forecast	2024 Forecast	Total
NZS Fund contributions – previously prescribed by formula (BPS 2020)	2.4	2.5	2.6	2.7	2.7	12.9
NZS Fund contributions – currently prescribed by formula (Budget 2020)	1.5 ¹	0.4	1.6	2.2	2.4	8.1
NZS Fund contributions – set at BPS 2020	1.5 ¹	2.1	2.4	2.0	2.3	10.3

Source: The Treasury

You should also note that we have:

- Provided high-level detail on the COVID-19 Response and Recovery Fund (CRRF) and Budget initiatives – under the assumption that more detailed discussion of both will be in the main Budget document.
- Redrafted text on the short-term intentions (STIs) and long-term objectives (LTOs) to incorporate your comments, [36]

¹ We have assumed that the legislatively prescribed and actual contribution values for 2019/20 are both \$1.5 billion as most of the contribution for 2019/20 has already been provided.

- Noted that the STIs depart from some of the PFA's principles of responsible fiscal management, while noting it is still economically advisable to support the economy against the impacts of COVID-19.
- Retained text assessing the fiscal performance of the Government against the Fiscal Strategy Report consistent with the most recent substantial change in the political party composition (i.e. the Budget Responsibility Rules), as required by Section 26L of the PFA.

Next steps

- We are seeking your comments on this draft, and your direction on how to communicate the NZSF contributions by Wednesday 29 April.
- The Treasury will incorporate your comments and provide a third draft on Friday 1 May. The third draft will include finalised data, fiscal forecasts, and fiscal projections.

Ken Tsang, Analyst, Macroeconomic and Fiscal Policy, [39]

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