

# 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.

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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## Treasury Report: Near-Final Budget 2020 Package

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|              |              |                     |             |
|--------------|--------------|---------------------|-------------|
| <b>Date:</b> | 9 March 2020 | <b>Report No:</b>   | T2020/545   |
|              |              | <b>File Number:</b> | BM-2-4-2020 |

### Action sought

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|  | Action sought  | Deadline      |
|--|--|---------------|
| Minister of Finance<br>(Hon Grant Robertson) | <b>Discuss</b> with Treasury officials on Tuesday 10 March | 10 March 2020 |

### Contact for telephone discussion (if required)

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| Name                    | Position                        | Telephone | 1st Contact |
|-------------------------|---------------------------------|-----------|-------------|
| Caitlin Daugherty-Kelly | Analyst, Budget Management Team | [39]      | N/A (mob) ✓ |
| Alex Harrington         | Manager, Budget Management Team | [23]      |             |

### Minister's Office actions (if required)

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**Return** the signed report to Treasury.

Note any feedback on the quality of the report

**Enclosure:** Yes

# Treasury Report: Near Final Budget 2020 Package

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## Executive Summary

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This report seeks your feedback on a 'near-final' Budget 2020 Package (Package) of [33] (set out in the Annexes), ahead of Cabinet Committee consultation and Budget Ministers agreement the week of 16 March.

This Package reflects your feedback from the Budget Scene Setter meeting on 9 March and the changes we proposed in our 5 March report [T2020/426 refers], and is consistent with the 26 February advice we provided to you on the Fiscal Strategy.

To fit the Package within a [33] allowance, we have further scaled the New Spending Other (Other) package, and each of the revised Priority packages. In each of the annexes, we have highlighted where initiatives have been further scaled beyond the amount that you agreed to at the Budget Scene Setter meeting on 9 March.

[33]

We are meeting with you at 9am tomorrow, 10 March, to discuss the near final Budget 2020 Package. We will provide you with an updated near-final Budget 2020 Package following this meeting, which reflects any revisions you may request.

We will provide you with draft Budget Ministers slides this Friday, 13 March.

[33]

## **Recommended Action**

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We recommend that you:

- a **note** the Treasury's advice on the near-final Budget 2020 package; and
- b **discuss** the contents of this report with Treasury officials on Tuesday 10 March.

Alex Harrington  
**Manager, Budget Management Team**

Hon Grant Robertson  
**Minister of Finance**

# Treasury Report: Near Final Budget 2020 Package

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## Purpose of Report

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1. This report seeks your feedback on a 'near-final' Budget 2020 Package of [33] (set out in the Annexes) ahead of Cabinet Committee consultation and Budget Ministers agreement the week of 16 March.

## Background and Context

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2. On 6 March we provided you with a report on the Budget package [T2020/426 refers], which sought your feedback on key outstanding decisions, and provided comment on the revised Priority packages, submitted 27 February.
3. These packages lifted proposed Budget 2020 spending to over [33], when taken with pre-commitments, contingencies, and the updated Cost Pressure and Other annexes we provided to you on 28 February.
4. While the [33] included placeholders for Defence, it did not include any funding for [33]
5. In our 26 February advice on the Fiscal Strategy, we proposed increasing the operating allowance to around [33] for Budget 2020, with increases in subsequent Budgets to manage upcoming cost pressures. As noted in that advice, the recommended allowance levels are not hard limits, and larger increases would remain consistent with your fiscal strategy in the medium term.
6. However, larger increases particularly in Budget 2020, raise the risk of deficits becoming persistent if the economic outlook worsens, and would require sharper reductions in future allowances or other structural reforms to meet your fiscal objectives in the long-run.
7. In our March 6 advice, we indicated that we provide you with a near final Budget package that fits within a [33] operating allowance. While a package of this size mitigates the risks discussed in the above paragraph, to develop it, we have had to further scale the Other package, and each of the revised Priority packages. The approach we have taken is discussed in further detail in the 'Options' sections below.

## Options

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8. Options to reduce the Budget package to [33] without raising revenue are detailed below. [33]

[33]

- Option 4: Reducing the Other and Priorities packages to a level which, when taken with the other packages, would total [33]
9. We recommend, and have produced a Budget 2020 package (set out in the Annexes) based on, Option 4. While each option has benefits and limitations, we consider that Option 4 provides the greatest opportunity to target investment to initiatives of relative merit, while balancing funding across the Packages to make meaningful progress on each Priority's objectives.

## Near Final Budget Package

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10. An overview of the near-final Budget 2020 Package we have developed in line with Option 4 is provided in Table 1 below. The Package reflects your feedback from the Budget Scene Setter meeting on 9 March and builds on the changes we proposed in our 5 March report [T2020/426 refers].
11. To fit within an allowance of [33], however, we have further scaled the Other package, and each revised Priority package by a combined \$194.9 million. We have highlighted where initiatives have been further scaled beyond the amount that you agreed at Budget Matters on 9 March in each of the Annexes.

| <b>Item</b>                     | <b>Operating (\$m p.a.)</b> | <b>Capital (\$m total)</b> |
|---------------------------------|-----------------------------|----------------------------|
| Allowances                      | 3,000                       | 8,400                      |
| Pre-commitments                 | 384                         | 49                         |
| Between-Budget Contingency      | 40                          | -                          |
| Emerging Priorities Contingency | 5                           | -                          |
| Cost Pressures                  | 1,946                       | 1,188                      |
| Sub-total                       | 2,375                       | 1,237                      |
| [33]                            |                             |                            |
| Revenue Generating Bid          | (39)                        | -                          |
| <b>Total</b>                    | [33]                        |                            |

12. Individual initiatives have been scaled where we consider these are duplicative, lack implementation readiness, or represent poor value for money relative to wellbeing impacts. Commentary on each initiative has been provided in the Annexes. High-level commentary on each scaled package is provided overleaf.

13. The Other package has increased by \$37.0 million operating per annum as we have now included the *Defence Capability Plan Funding* initiative.
14. At your request at the Budget Scene Setter meeting on 9 March, we have removed the [33] initiatives from [34]

[33]

20. The Package currently includes \$391.8 million operating per annum for Education including pre-commitments. [33]

21. [33]

22. Beyond scaling funding for the *Enabling the Continuation of Mycoplasma bovis Eradication Programme* initiative to 2020/21 only, we have not scaled the Cost Pressure package.

23. We have, at your request, explored options for scaling MSD's total Cost Pressure funding. You could reduce three initiatives by a combined [38] per annum, bringing total investment in MSD's Cost Pressures down to [38] operating per annum. While this will reduce Budget 2020's investment in MSD, the agency will likely seek additional funding in subsequent Budgets. It will also increase pressure on service providers to address presenting demand for their services.



- a. Reduce *Addressing Demand for Response Services for Victims of Elder Abuse* by \$3.6 million operating per annum. This will provide funding for existing services only, at a slightly higher level. As a result, vulnerable people will continue to face a long wait times, or not receive help, although they are eligible for it.
  - b. Reduce *Funding for Under-Serviced Communities in Regional New Zealand* by \$3.9 million operating per annum. This scaling would mean that many rural and provincial communities would struggle to access government services and supports.
  - c. Reduce *Keeping Community-Based Services Open for Disabled People* [
24. The Department of Conservation (DOC) has submitted a late Cost Pressure initiative, that seeks [33] operating per annum and [33] capital total, to rebuild the Southern South Island infrastructure that was damaged following recent flooding events. While it has not yet been reflected in the Package, the Vote Team recommends supporting contingency funding of \$1.1 million operating per annum and \$9.6 million total capital for the remedial work that needs to be undertaken on the Great Walks, and for flood protection from the Cleddau River. This spending is discretionary, however, the risk of not funding is high due to the importance of Great Walks for the tourism sector. DOC noted that more detailed response plans for short- and medium-term actions respectively are expected to be complete by 31 May 2020.

## Next steps

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- 25. We are meeting with you at 9am tomorrow, 10 March, to discuss the near-final Budget 2020 Package, ahead of Cabinet Committee consultation and Budget Ministers agreement the week of 16 March. We will provide you with an updated near-final Budget 2020 Package following this meeting that reflects any revisions you may request.
- 26. We will provide you with draft Budget Ministers slides this Friday, 13 March.
- 27. [33]