

# The Treasury

## Budget 2020 Information Release

### August 2020

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#### Cabinet Document Details

Title: **Cabinet Minute CAB-20-MIN-0328.13: COVID-19 Response and Recovery Fund (CRRF) July Package: Vote Internal Affairs**

Date: **6 July 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 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
- [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
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- [23] 9(2)(a) - to protect the privacy of natural persons, including deceased people
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- [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.

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# Cabinet

## Minute of Decision

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### COVID-19 Response and Recovery Fund (CRRF) July Package: Vote Internal Affairs

On 6 July 2020, Cabinet:

- 1 **approved** the attached initiatives for the above Vote for inclusion in the COVID-19 Response and Recovery Fund (CRRF) July package;
- 2 **agreed** to establish new appropriations where required to implement these initiatives, as described in the attached initiative documents;
- 3 **approved** changes to appropriations and/or capital injections to the administering department (where applicable) 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 **authorised** the Minister of Finance and relevant Appropriation Ministers to approve jointly any other changes to appropriations and/or capital injections, and the establishment of new appropriations where necessary, to give effect to the policy decisions outlined in the submission under CAB-20-SUB-0328;
- 6 **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 prior to finalising the 2020/21 Supplementary Estimates;
- 7 **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 an in-confidence-until-announcement basis, of decisions that directly affect that Crown entity for the purpose of planning and preparation of their Statement of Intent;
- 8 **agreed** that any and all underspends related to the initiatives approved in this package be returned to the CRRF, until it ceases to exist, at which point they be returned to the centre;
- 9 **agreed** that the changes to appropriations and/or capital injections for 2020/21 in the attached initiative documents be included in the 2020/21 Supplementary Estimates and that, in the interim, the increase be met from Imprest Supply;
- 10 **agreed** that the expenses incurred under the attached initiative documents be charged against the COVID-19 Response and Recovery Fund established as part of Budget 2020;

- 11 **agreed** that the initiatives in the following table be set aside as contingency items, and that corresponding funding for them be charged against the COVID-19 Response and Recovery Fund:

### Operating Contingency

Initiative Name	\$m - increase/(decrease)				
	2019/20	2020/21	2021/22	2022/23	2023/24 & Outyears
Taumata Arowai, New Crown Agent Regulator for Water Services	-	-	[33]		
Three Waters Infrastructure Investment and Service Delivery Reform Programme	-	710.000			
<b>Total Operating</b>	-	<b>710.000</b>	[33]		

### Taumata Arowai, New Crown Agent Regulator for Water Services (Tagged Contingency)

- 12 **noted** that in September 2019, Cabinet:
- 12.1 **agreed** that decisions on funding arrangements for the new drinking water regulator would be made as part of Budget 2020, informed by refined financial information in the business case; and
- 12.2 **noted** that there are choices to be made about funding mechanisms, including an appropriate mix of Crown and third-party funding in the short and longer term, and that decisions on this matter would be made as part of the Budget 2020 process;
- [CAB-19-MIN-0506]
- 13 **noted** that the current drinking water regulatory system is administered by the Ministry of Health, and [33]
- 14 **authorised** the Minister of Finance and the Minister of Local Government to jointly draw down funding from the tagged operating contingency ‘Taumata Arowai, New Crown Agent Regulator for Water Services’, once satisfied that:
- 14.1 the overall costs of the regulator are clear and robust; and
- 14.2 sufficient work is being carried out to determine an appropriate balance between cost recovery from the sector and Crown funding for the regulator;
- 15 **agreed** that the ‘Taumata Arowai, New Crown Agent Regulator for Water Services’ tagged operating contingency expires on 31 March 2022;
- 16 **noted** that 2020/21 funding for Taumata Arowai has been appropriated in the attached initiative (Initiative 12938);

### Three Waters Infrastructure Investment and Service Delivery Reform Programme

- 17 **noted** that in June 2020, the Cabinet Economic Development Committee (DEV):
- 17.1 **agreed** to proceed with a three-year programme for reforming three waters service delivery arrangements, to be delivered in parallel with an economic stimulus package of Crown investment in local authority water infrastructure;

- 17.2 agreed in principle, subject to decisions by Budget Ministers, [33] to support and deliver the three waters infrastructure investment and service delivery reform programme;
- 17.3 agreed [33] be set aside for rural drinking water suppliers, based on an allocation approach to be determined by the Minister of Local Government and the Minister for Infrastructure;
- 17.4 agreed to establish a tagged operating contingency ‘Three waters service delivery reform, local government support, participation and infrastructure stimulus’ [33] subject to decisions by Budget Ministers, this would be charged against the CRRF;
- [DEV-20-MIN-0099]
- 18 **noted** that on 24 June 2020, Budget Ministers considered the matters in paragraph 17 above alongside other Wave 3 CRRF initiatives;
- 19 **rescinded** the decisions in paragraphs 24 and 36 to 40 of DEV-20-MIN-0099; and instead
- 20 **agreed** that up to \$710 million be available for the three waters reform programme, including:
- 20.1 an investment package of up to \$701.940 million to:
- 20.1.1 support local government to maintain planned investment and asset quality; and
- 20.1.2 support large scale asset replacements and the bringing forward of “no regrets” investment in the latter part of the reform programme;
- 20.2 up to \$8.060 million in departmental funding to meet the costs associated with the initial implementation of the three waters reform programme;
- 21 **noted** that, depending on future policy decisions impacting on the nature of any spending, some or all of the funding may need to be recognised as capital expenditure by the Crown, and that funding may be drawn down according to a profile different to the indicative spending profile of the tagged contingency;
- 22 **authorised** the Minister of Finance, Minister of Local Government, Minister for Infrastructure, Minister of Internal Affairs, and any other relevant appropriation Ministers, to jointly draw down the ‘Three Waters Infrastructure Investment and Service Delivery Reform Programme’ tagged contingency, subject to their satisfaction that the necessary conditions referred to in paragraph 23 below have been met;
- 23 **noted** that officials from the Treasury, Department of Internal Affairs, and the Infrastructure Commission will provide advice to Ministers about the conditions and investment hurdles prior to any decision to draw down from the tagged contingency;
- 24 **noted** that the decision [33] rural drinking water suppliers package described in paragraph 17.3 above was based on [33]

- 25 **rescinded** the decision referred to in paragraph 17.3 above; and instead
- 26 **agreed** that the allocation of the rural drinking water suppliers package be determined by the Minister of Local Government and the Minister for Infrastructure;
- 27 **noted** that further investment may be required in future in order to achieve local government support for the reforms, and funding may be sought through a future Budget;

### **Communications**

- 28 **noted** that all communications relating to the CRRF and 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.

Michael Webster  
Secretary of the Cabinet

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**Vote:** Internal Affairs

**Title:** Taumata Arowai, New Crown Agent Regulator for Water Services

**Description:** This initiative will provide funding for a new, dedicated water services regulator, as part of a suite of system-wide reforms to the regulation of drinking water and the associated monitoring costs.

### Appropriation changes

	\$m - increase/(decrease)				
	2019/20	2020/21	2021/22	2022/23	2023/24 & Outyears
Operating Balance Impact	-	13.940	-	-	-
Debt Impact	-	1.400	-	-	-
No Impact	-	-	-	-	-
<b>Total</b>	-	<b>15.340</b>	-	-	-

	\$m - increase/(decrease)				
	2019/20	2020/21	2021/22	2022/23	2023/24 & Outyears
<b>Departmental Output Expenses:</b>					
Local Government Policy and Related Services (funded by revenue Crown)	-	5.160	-	-	-
<b>Capital Injections:</b>					
Department of Internal Affairs - Capital Injection	-	1.400	-	-	-
<b>Multi-Category Expenses and Capital Expenditure:</b>					
Local Government Administration (MCA)					
<i>Non-Departmental Output Expenses:</i>					
Taumata Arowai	-	8.780	-	-	-
Total Multi-Category Expenses and Capital Expenditure: Local Government Administration (MCA)	-	8.780	-	-	-
<b>Total Operating</b>	-	<b>13.940</b>	-	-	-
<b>Total Capital</b>	-	<b>1.400</b>	-	-	-

### Additional recommendations

29 **noted** that in June 2020, the Cabinet Economic Development Committee:

29.1 agreed to invest \$51.410 million over four years to provide ongoing funding to the new Water Services Regulator, Taumata Arowai and to cover the costs associated with monitoring this entity, and made changes to appropriations for 2020/21 to 2023/24 and outyears;

**Initiative No: 12938**

29.2 agreed in principle, subject to Budget Ministers' approval, that the expenses incurred be charged against the CRRF and that the departmental capital injection be charged as a pre-commitment against Budget 2021 capital allowance;

[DEV-20-MIN-0099]

30 **noted** that on 24 June 2020, Budget Ministers considered the matters referred to in paragraph 29 above alongside other Wave 3 CRRF initiatives;

31 **rescinded** the decisions in paragraphs 33 to 35 of DEV-20-MIN-0099;

32 **noted** that there is a linked initiative for the funding set aside in the 'Taumata Arowai, New Crown Agent Regulator for Water Services' tagged contingency for 2021/22 onwards.