

The Treasury

Budget 2021 Information Release

August 2021

This document has been proactively released and is available on

- the **Budget website** from August 2021 to May 2022 only at <https://budget.govt.nz/information-release/2021>, and on
- the **Treasury website** from later in 2021 at <https://treasury.govt.nz/publications/information-release/budget-2021-information-release>.

Information Withheld

Some parts of this information release would not be appropriate to release and, if requested, would be withheld under the Official Information Act 1982 (the Act).

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

Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

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
- [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
- [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
- [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
- [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).

Copyright and Licensing

Cabinet material and advice to Ministers from the Treasury and other public service departments are © **Crown copyright** but are licensed for re-use under **Creative Commons Attribution 4.0 International (CC BY 4.0)** [<https://creativecommons.org/licenses/by/4.0/>].

For material created by other parties, copyright is held by them and they must be consulted on the licensing terms that they apply to their material.

Accessibility

The Treasury can provide an alternate HTML version of this material if requested. Please cite this document's title or PDF file name when you email a request to information@treasury.govt.nz.

Treasury Report: Budget 2021 – Invitations for Minister Robertson

| | | | |
|--------------|--------------------------|---------------------|-------------|
| Date: | Tuesday 15 December 2020 | Report No: | T2020/3796 |
| | | File Number: | BM-2-1-2021 |

Action sought

| | Action sought | Deadline |
|--|---|-------------------------|
| Hon Dr Megan Woods Associate Minister of Finance | <p>Agree which initiatives from Minister Robertson you would like to invite into the Budget 2021 process.</p> <p>Sign and send the attached letter to Minister Robertson.</p> | Friday 18 December 2020 |

Contact for telephone discussion (if required)

| Name | Position | Telephone | 1st Contact |
|--------------|--------------------------------------|-----------|-------------|
| Gerald Lee | Senior Analyst, Budget Management | [39] | [35] ✓ |
| Simon Duncan | Acting Manager, Budget Management | | |

Minister's Office actions (if required)

Return the signed report to Treasury.

Send the attached letter to the Minister of Finance and **provide** a copy to Treasury.

Note any feedback on the quality of the report

Enclosure: Yes (attached)

Treasury Report: Budget 2021 – Invitations for Minister Robertson

Purpose of Report

1. This report provides you with advice on inviting initiatives identified by Minister Robertson into the Budget 2021 process.

Background

2. The large volume of initiatives that have been submitted through recent Budgets have reduced the Government's ability to focus on delivering improved wellbeing outcomes through high-value spending, as well as the visibility of the key trade-offs and choices between initiatives.
3. Through the Budget 2021 strategy, the Minister of Finance, Hon Grant Robertson, has set clear expectations of greater discipline and focus in annual budgeting which more effectively targets the drivers of wellbeing. As part of this, Cabinet agreed that for Budget 2021, Ministers will only be able to submit critical cost pressure and high-priority manifesto commitments initiatives that the Minister of Finance has invited into the process [CAB-20-MIN-0483 refers].
4. In circumstances where the Minister of Finance is conflicted, it has been common practice for an Associate Minister of Finance to act for the Minister of Finance, including during the Budget process. Minister Robertson has agreed that you will take decisions on whether to invite initiatives from his portfolios of Deputy Prime Minister, Finance, Infrastructure, Racing, and Sport and Recreation into the Budget 2021 process [T2020/3616 refers].

Selecting initiatives to invite

5. In order to inform your decisions, Minister Robertson recently sent you a number of letters setting out the cost pressure and manifesto commitments within his portfolios over the next three Budgets. He has identified two cost pressure initiatives and one manifesto commitment for potential submission into the Budget 2021 process.
6. Tables 1 and 2 below contain recommendations from Treasury Vote teams on whether to invite individual initiatives. These recommendations are based on an initial assessment of whether initiatives meet the following criteria:
 - a **Cost pressures:** whether they appear to constitute a critical cost pressure as defined in the Budget 2021 strategy Cabinet paper (for instance, the level of risk if funding was not provided). Out of the two initiatives that were identified, Vote teams have recommended inviting one with conditions.
 - b **Manifesto commitments:** whether they represent a genuine commitment that is explicitly set out in one or more key Government documents, and whether they cannot reasonably be deferred to future Budgets. Vote teams have recommended inviting the one initiative that was identified.

Table 1: Cost pressures

| Portfolio | Initiative | Operating p.a \$m | Total capex \$m | Cost pressure driver | Recommendation | Vote Team Comment |
|-----------|--|-------------------|-----------------|----------------------|-------------------------------|---|
| Finance | Maintaining Treasury Capability. Seeks an unspecified amount of additional operating funding, to enable Treasury's departmental baseline to be maintained at current levels. As a result of meeting demands from Ministers, it has been necessary for the department to front-load spending against the multi-year, multi-category appropriation, with the result that a hole has emerged in outyears. | | | Personnel | Invite with conditions | Invite with conditions. Meets the definition of a critical cost pressure in that (i) without additional funding there is risk of reduced service delivery at a time when Ministers' expectations of Treasury will likely remain the same or greater, and (ii) a decision cannot be realistically deferred to a future budget, as without certainty of funding the department will need to take steps (e.g. shed staff) to demonstrate it can manage within available funding. We suggest the initiative include scaled options that provide option for Ministers to cease specified lower-value activities. |

[33]

Table 2: Manifesto commitment

| Portfolio | Initiative | Opex p.a (\$m) | Capex total (\$m) | Commitment Source | Possible to defer? | Recommendation | Vote team comment |
|-----------------------|---|----------------|-------------------|--|--------------------|----------------|--|
| Deputy Prime Minister | Establishment of Implementation Unit. Seeks \$3m operating and \$0.16m capital across DPMC and Treasury for two years, to add situational awareness and context to data collected by Treasury on project delivery. The Unit will engage with PSC to provide system-wide insights and aid Ministers in driving delivery and help to identify problems and potential solutions early. | 0.750 | 0.160 | No direct mention in Manifesto. Responds to Cabinet decisions regarding Budget 2021 Strategy and Design. | N | Invite | Invite. Has potential to help ensure delivery of initiatives and investments critical to accelerating NZ's recovery and laying foundations for the future. |

7. One of the cost pressure initiatives relates to funding to maintain Treasury capability. We note that the Treasury team responsible for developing this initiative was not involved in this assessment process, and the Vote team has taken an independent view of whether the initiative meets the criteria that have been set for Budget 2021.

Next Steps

8. If you agree to our recommendations around which initiatives to invite, we recommend that you sign and send the attached letter to Minister Robertson by Friday 18 December 2020.
9. Initiatives are due for submission by 29 January 2021. We will provide you and the Minister of Finance with further advice in January 2021 on the road-map for the rest of the Budget 2021 process, including the assessment and decision-making phases and the role that you will play in this as the Associate Minister of Finance.

Recommended Action

We recommend that you:

- a **note** that Cabinet agreed that for Budget 2021, Ministers will only be able to submit critical cost pressure and high-priority manifesto commitments initiatives that you have invited into the process [CAB-20-MIN-0483 refers]
- b **note** that Minister Robertson has agreed that you will take decisions on whether to invite initiatives from his portfolios of Deputy Prime Minister, Finance, Infrastructure, Racing, and Sport and Recreation into the Budget 2021 process [T2020/3616 refers]
- c **agree** to invite the following initiatives into the Budget 2021 process:
 - i. Maintaining Treasury capability (Finance)
Agree / disagree.
 - ii. Establishment of Implementation Unit (Deputy Prime Minister)
Agree / disagree.
- d [33]
- e if you agree to recommendations c and d above, **sign and send** the attached letter to Minister Robertson informing him of your decisions.
Signed / not signed.

Simon Duncan
Acting Manager, Budget Management

Hon Dr Megan Woods
Associate Minister of Finance