

The Treasury

Budget 2022 Information Release

August 2022

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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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- [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] Out of 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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2022 Budget Package: Vote Finance (Technical Initiatives)

Appropriation Administrator: The Treasury

It is recommended that the relevant Appropriation Minister and the Associate Minister of Finance (Hon Dr Megan Woods) acting on behalf of the Minister of Finance jointly:

- note** that Cabinet has approved the Budget initiative(s) for the above Vote for inclusion in the 2022 Budget package, as detailed in the summary table(s) below:

Summary of technical initiative(s) agreed by Cabinet:

Operating Initiative(s) (Impact on Operating Balance)

Initiative ID	Initiative Name	\$m - increase/(decrease)				
		2021/22	2022/23	2023/24	2024/25	2025/26 & Outyears
14344	Crown Infrastructure Partners Limited - Equity Injection	-	-	-	-	-
14353	Local Government Funding Agency Liquidity Facility	-	-	-	-	-
14342	Participation in Dividend Reinvestment Plans by the Mixed Ownership Model Companies	-	-	-	-	-
13879	Refinancing of Kainga Ora - Homes and Communities and Housing New Zealand Limited Debt	-	-	-	-	-
14396	Software as a Service Costs Accounting Restatement	-	-	-	-	-
14354	Tamaki Regeneration Company - Rephasing of Capital Investment	-	-	-	-	-
Total Operating		-	-	-	-	-

Capital Initiative(s) (Impact on Debt)

Initiative ID	Initiative Name	\$m - increase/(decrease)						
		2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28 & Outyears
14344	Crown Infrastructure Partners Limited - Equity Injection	(258.883)	95.512	37.284	53.919	72.168	-	-
14353	Local Government Funding Agency Liquidity Facility	-	-	1,500.000	-	-	-	-
14342	Participation in Dividend Reinvestment Plans by the Mixed Ownership	-	70.000	70.000	70.000	70.000	70.000	-

	Model Companies							
13879	Refinancing of Kainga Ora - Homes and Communities and Housing New Zealand Limited Debt	0.300	(23.400)	107.800	(126.900)	42.200	-	-
14396	Software as a Service Costs Accounting Restatement	-	-	-	-	-	-	-
14354	Tamaki Regeneration Company - Rephasing of Capital Investment	71.000	(72.900)	1.900	-	-	-	-
Total Capital		(187.583)	69.212	1,716.984	(2.981)	184.368	70.000	-

2 **note** that Cabinet has:

- i. **authorised** the relevant Appropriation Minister and the Minister of Finance (Joint Ministers) jointly to agree to the changes to appropriations (including establishment of new appropriations if necessary) and/or capital injections and related recommendations necessary to give effect to the initiative(s) included in the 2022 Budget package for the above Vote, as detailed in the summary table(s) above;
- ii. **authorised** Joint Ministers jointly to agree that the proposed changes to appropriations and/or capital injections for 2021/22 approved by Joint Ministers as authorised above be included in the 2021/22 Supplementary Estimates and that, in the interim, the increases be met from Imprest Supply;
- iii. **agreed** that expenses or capital expenditure against appropriations and capital injection authorisations set out in the 2022/23 Estimates and being sought in the Appropriation (2022/23 Estimates) Bill may be met from Imprest Supply until that Bill is enacted and comes into force;
- iv. **authorised** Joint Ministers to approve jointly any technical adjustments to baselines necessary to remove any errors or inconsistencies identified while finalising the 2021/22 Supplementary Estimates, the 2022/23 Estimates and the fiscal forecasts;
- v. **authorised** the chief executives of departments that monitor Crown entities directly affected by Budget decisions taken by Cabinet or taken by Joint Ministers as authorised by Cabinet to inform the chair and/or chief executive of a Crown entity, on a Budget-in-confidence-until-Budget-day basis, of decisions that directly affect that Crown entity for the purpose of planning and preparation of their Statement of Intent and/or Statement of Performance Expectations;
- vi. **noted** that all communications relating to the 2022 Budget are co-ordinated by a Budget communications committee, and that 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;

- 3 **agree** to establish new appropriations where required to implement the initiative(s) included in the summary table(s) above, as detailed in the attached initiative document(s);
- 4 **approve** changes to appropriations and/or the capital injections to the administering department (where applicable) to implement the initiative(s) included in the summary table(s) above, as set out in the attached initiative document(s);
- 5 **approve** the additional recommendation(s) to give effect to the initiative(s), as set out in the attached initiative document(s);
- 6 **agree** that the proposed change(s) to appropriations and/or capital injections for 2021/22 detailed in the attached initiative document(s) be included in the 2021/22 Supplementary Estimates and that, in the interim, the increase(s) be met from Imprest Supply;

Vote: Finance

Appropriation Administrator: The Treasury

Title: Crown Infrastructure Partners Limited - Equity Injection

Description: This initiative creates a new multi-year appropriation to supersede the existing multi-year appropriation, which is set to expire on 30 June 2022.

New Appropriation Approval

Name	Appropriation Minister	Period	Type	Category Name	Scope
Crown Infrastructure Partners Limited - Equity Injection	Minister of Finance	Multi-Year Appropriation Start: 1/07/2022 Finish: 30/06/2026 Amount (\$m): 258.883	Non-Departmental Capital Expenditure	N/A	This appropriation is limited to investment in Crown Infrastructure Partners Limited.

Appropriation Changes

	\$m - increase/(decrease)					
	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27 & Outyears
Operating Balance Impact*	-	-	-	-	-	-
Net Core Crown Debt Impact Only	(258.883)	95.512	37.284	53.919	72.168	-
No Impact	-	-	-	-	-	-
Total	(258.883)	95.512	37.284	53.919	72.168	-

* Unless non-cash, will also impact net core Crown debt.

	\$m - increase/(decrease)					
	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27 & Outyears
Non-Departmental Capital Expenditure:						
Crown Infrastructure Partners Limited - Equity Injection (MYA)	(258.883)	-	-	-	-	-
Crown Infrastructure Partners Limited - Equity Injection (MYA)	-	95.512	37.284	53.919	72.168	-
Total Operating	-	-	-	-	-	-
Total Capital	(258.883)	95.512	37.284	53.919	72.168	-

Additional Recommendations

- 7 **note** that the above new Multi-Year Appropriation: "Crown Infrastructure Partners Limited - Equity Injection" will supersede the current Multi-Year Appropriation "Crown Infrastructure Partners Limited - Equity Injection", which expires on 30 June 2022;
- 8 **agree** that the new Multi-Year Appropriation "Crown Infrastructure Partners Limited - Equity Injection" be adjusted by \$258.883 million, and that the current Multi-Year Appropriation: "Crown Infrastructure Partners Limited - Equity Injection" be adjusted by \$(258.883) million;
- 9 **note** that the amounts shown in the Appropriation Changes table for the new Multi-Year Appropriation: "Crown Infrastructure Partners Limited - Equity Injection" are the indicative annual spending profile, and for the current Multi-Year Appropriation: "Crown Infrastructure Partners Limited - Equity Injection" the change to the indicative annual spending profile;
- 10 **note** that the increase in the new Multi-Year Appropriation is fully offset by a decrease in the current Multi-Year Appropriation, and therefore there is no impact on net core Crown debt across the forecast period;
- 11 **agree** that any funding in the current Multi-Year Appropriation "Crown Infrastructure Partners Limited - Equity Injection" that remains unspent at 30 June 2022 be transferred to the new Multi-Year Appropriation "Crown Infrastructure Partners Limited - Equity Injection", subject to confirmation of the final amount for transfer by the Appropriation Minister and the Associate Minister of Finance following completion of the Treasury's 2021/22 audited financial statements;

Vote: Finance

Appropriation Administrator: The Treasury

Title: Local Government Funding Agency Liquidity Facility

Description: This initiative creates a new multi-year appropriation to supersede the existing permanent appropriation, which expired on 31 December 2021. The facility is required to allow the Crown to continue to meet its obligations under the existing policy settings.

New Appropriation Approval

Name	Appropriation Minister	Period	Type	Category Name	Scope
Local Government Funding Agency Liquidity Facility	Minister of Finance	Other Start: 14/04/2022 Finish: 30/06/2024 Amount (\$m): 1,500.000	Non-Departmental Capital Expenditure	N/A	This appropriation is limited to any lending by the Crown to the Local Government Funding Agency to meet an exceptional and temporary liquidity shortfall affecting the Agency.

Appropriation Changes

	\$m - increase/(decrease)				
	2021/22	2022/23	2023/24	2024/25	2025/26
Operating Balance Impact*	-	-	-	-	-
Net Core Crown Debt Impact Only	-	-	1,500.000	-	-
No Impact	-	-	-	-	-
Total	-	-	1,500.000	-	-
	2026/27	2027/28	2028/29	2029/30	2030/31
Operating Balance Impact*	-	-	-	-	-
Net Core Crown Debt Impact Only	-	-	-	-	(1,500.000)
No Impact	-	-	-	-	-
Total	-	-	-	-	(1,500.000)

* Unless non-cash, will also impact net core Crown debt.

	\$m - increase/(decrease)				
	2021/22	2022/23	2023/24	2024/25	2025/26 & Outyears
Non-Departmental Capital Expenditure:					
Local Government Funding Agency Liquidity Facility (MYA)	-	-	1,500.000	-	-
Total Operating	-	-	-	-	-

Total Capital	-	-	1,500.000	-	-
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Additional Recommendations

- 12 **note** that establishment of the Multi-Year Appropriation "Local Government Funding Agency Liquidity Facility" gives effect to a previous Cabinet decision [CAB-20-MIN-0364 refers], and is intended as an interim measure ahead of amending legislation to reinstate the permanent authority provided under section 15(2) of the Local Government Borrowing Act 2011, which expired on 31 December 2021;
- 13 **agree** that the Multi-Year Appropriation "Local Government Funding Agency Liquidity Facility" be adjusted by \$1,500.000 million;
- 14 **note** that the amounts shown in the Appropriations Changes table for the Multi-Year Appropriation: "Local Government Funding Agency Liquidity Facility" are the indicative annual spending profile;
- 15 **note** that, as any lending under the Facility is to be repaid within 10 years, the overall impact on net core Crown debt across the 10-year forecast period is fiscally neutral;

Vote: Finance

Appropriation Administrator: The Treasury

Title: Participation in Dividend Reinvestment Plans by the Mixed Ownership Model Companies

Description: This initiative creates a new multi-year appropriation to supersede the existing multi-year appropriation, which is set to expire on 30 June 2022. The appropriation is required to allow the Crown to continue to meet its obligations under the existing policy settings in relation to participation in dividend reinvestment plans by the mixed ownership model companies.

New Appropriation Approval

Name	Appropriation Minister	Period	Type	Category Name	Scope
Participation in Dividend Reinvestment Plans by the Mixed Ownership Model Companies	Minister of Finance	Multi-Year Appropriation Start: 1/07/2022 Finish: 30/06/2027 Amount (\$m): 350.000	Non-Departmental Capital Expenditure	N/A	This appropriation is limited to the Crown acquiring new shares in Air New Zealand Limited, Genesis Energy Limited, Mercury NZ Limited and Meridian Energy Limited as a result of the Crown's participation in any dividend reinvestment plans carried out by the companies.

Appropriation Changes

	\$m - increase/(decrease)						
	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28 & Outyears
Operating Balance Impact*	-	-	-	-	-	-	-
Net Core Crown Debt Impact Only	-	70.000	70.000	70.000	70.000	70.000	-
No Impact	-	-	-	-	-	-	-
Total	-	70.000	70.000	70.000	70.000	70.000	-

* Unless non-cash, will also impact net core Crown debt.

	\$m - increase/(decrease)						
	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28 & Outyears
Non-Departmental Capital Expenditure:							
Participation in Dividend Reinvestment Plans by the Mixed Ownership Model	-	70.000	70.000	70.000	70.000	70.000	-

Companies (MYA)							
Total Operating	-	-	-	-	-	-	-
Total Capital	-	70.000	70.000	70.000	70.000	70.000	-

Additional Recommendations

- 16 **note** that the above new Multi-Year Appropriation: "Participation in Dividend Reinvestment Plans by the Mixed Ownership Model Companies" will supersede the current Multi-Year Appropriation "Participation in Dividend Reinvestment Plans by the Mixed Ownership Model Companies", which expires on 30 June 2022;
- 17 **agree** that the new Multi-Year Appropriation "Participation in Dividend Reinvestment Plans by the Mixed Ownership Model Companies" be adjusted by \$350.000 million;
- 18 **note** that the amounts shown in the Appropriations Changes table for the new Multi-Year Appropriation: "Participation in Dividend Reinvestment Plans by the Mixed Ownership Model Companies" are the indicative annual spending profile;
- 19 **note** that Cabinet has previously decided that capital expenditure associated with the Crown's participation in Dividend Reinvestment Plans by Mixed Ownership Model Companies should be managed outside of Budget allowances, as changes in dividends from the companies are not normally managed within allowances, and because any capital expenditure can be expected to be broadly fiscally neutral over time;

Vote: Finance

Appropriation Administrator: The Treasury

Title: Refinancing of Kainga Ora - Homes and Communities and Housing New Zealand Limited Debt

Description: The detailed cashflow projections show this appropriation may be breached for the 2021/22, 2023/24 and 2025/26 financial years. This initiative will re-phase the cashflows to align to revised forecasts.

Appropriation Changes

	\$m - increase/(decrease)					
	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27 & Outyears
Operating Balance Impact*	-	-	-	-	-	-
Net Core Crown Debt Impact Only	0.300	(23.400)	107.800	(126.900)	42.200	-
No Impact	-	-	-	-	-	-
Total	0.300	(23.400)	107.800	(126.900)	42.200	-

* Unless non-cash, will also impact net core Crown debt.

	\$m - increase/(decrease)					
	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27 & Outyears
Non-Departmental Capital Expenditure:						
Refinancing of Kāinga Ora – Homes and Communities and Housing New Zealand Limited Debt	0.300	(23.400)	107.800	(126.900)	42.200	-
Total Operating	-	-	-	-	-	-
Total Capital	0.300	(23.400)	107.800	(126.900)	42.200	-

Vote: Finance

Appropriation Administrator: The Treasury

Title: Software as a Service Costs Accounting Restatement

Description: This initiative will enable the restatement of implementation costs associated with Software as a Service arrangements due to a change in accounting policy. A change in the accounting treatment means certain implementation costs associated with Software as a Service arrangements that have been capitalised and previously reported as an intangible asset now need to be written-off as an operating expense.

Appropriation Changes

	\$m - increase/(decrease)				
	2021/22	2022/23	2023/24	2024/25	2025/26 & Outyears
Operating Balance Impact*	-	-	-	-	-
Net Core Crown Debt Impact Only	-	-	-	-	-
No Impact	0.970	-	-	-	-
Total	0.970	-	-	-	-

* Unless non-cash, will also impact net core Crown debt.

	\$m - increase/(decrease)				
	2021/22	2022/23	2023/24	2024/25	2025/26 & Outyears
Departmental Other Expenses:					
Software as a Service intangible asset derecognition (write-off)	0.970	-	-	-	-
Total Operating	0.970	-	-	-	-
Total Capital	-	-	-	-	-

Additional Recommendations

- 20 **note** that there has been a recent change in the accounting treatment for Software as a Service (SaaS) arrangements, which will be applicable for financial reporting in the 2021/22 fiscal year;
- 21 **note** that the change in the accounting treatment for SaaS arrangements will require a retrospective adjustment to prior-year financial information;
- 22 **note** that adopting the accounting policy change is a current-year decision, and that an appropriation is required for a retrospective adjustment that results in the write-off of an intangible asset from a department's balance sheet at 30 June 2021;
- 23 **note** that as this is a retrospective adjustment (non-cash expense), there is no impact on the

operating balance or net core Crown debt;

Vote: Finance

Appropriation Administrator: The Treasury

Title: Tamaki Regeneration Company - Rephasing of Capital Investment

Description: This initiative provides for the rephasing of the capital investment to Tamaki Regeneration Company in 2021/22, 2022/23 and 2023/24 to align funding with deliverables.

Appropriation Changes

	\$m - increase/(decrease)				
	2021/22	2022/23	2023/24	2024/25	2025/26 & Outyears
Operating Balance Impact*	-	-	-	-	-
Net Core Crown Debt Impact Only	71.000	(72.900)	1.900	-	-
No Impact	-	-	-	-	-
Total	71.000	(72.900)	1.900	-	-

* Unless non-cash, will also impact net core Crown debt.

	\$m - increase/(decrease)				
	2021/22	2022/23	2023/24	2024/25	2025/26 & Outyears
Non-Departmental Capital Expenditure:					
Tāmaki Regeneration Company Limited - Equity Injection	71.000	(72.900)	1.900	-	-
Total Operating	-	-	-	-	-
Total Capital	71.000	(72.900)	1.900	-	-

Additional Recommendations

- 24 **note** that the above rephasing has no impact on net core Crown debt across the forecast period;
- 25 **note** that potential delays relating to a significant land purchase require the in-principle transfer of up to \$46.000 million from 2021/22 to 2022/23; and
- 26 **authorise** the Appropriation Minister and the Associate Minister of Finance jointly to agree the final amount to be transferred, up to \$46.000 million, following completion of the Treasury's 2021/22 audited financial statements, with no impact on net core Crown debt across the forecast period.