

The Treasury

Budget 2022 Information Release

August 2022

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- [34] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions
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- [36] 9(2)(h) - to maintain legal professional privilege
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- [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
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Treasury Report: Draft Budget Ministers 6 Material

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|--------------|---------------|---------------------|--------------|
| Date: | 28 March 2022 | Report No: | T2022/645 |
| | | File Number: | BM-2-14-2022 |

Action Sought

| | Action Sought | Deadline |
|--|--|-----------------------|
| Minister of Finance (Hon Grant Robertson) | Discuss your feedback on the attached material with officials at the Budget Matters meeting on 29 March | Tuesday 29 March 2022 |

Contact for Telephone Discussion (if required)

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

Minister of Finance's Office Actions (if required)

Return the signed report to Treasury.

Note any feedback on the quality of the report

Enclosure: Yes (attached)

Treasury Report: Draft Budget Ministers 6 Material

Purpose of Report

1. You are meeting with Budget Ministers at 9:00am on Friday 1 April to discuss outstanding decisions on the final Budget 2022 package (Budget Ministers 6).
2. This report provides you with draft Budget Ministers 6 (BM6) material for your feedback at the Budget Matters meeting on Tuesday 29 March.

Draft BM6 Material

3. The purpose of the BM6 meeting is to finalise the Budget 2022 package. The final Budget 2022 package presented in the draft BM6 slides comes to \$6.00 billion operating per annum, which includes an offset of \$150 million per annum from the COVID-19 Response and Recovery Fund (CRRF). In addition, the final capital package totals \$4.50 billion and the near-final Climate Emergency Response Fund (CERF) package currently totals \$2.4 billion (subject to further decisions at BM6).
4. The draft BM6 slides also cover the recalibrated fiscal rules, and how these can be communicated to New Zealanders.
5. We seek your feedback on the framing and content of the draft slides, and will discuss this with you at Budget Matters on Tuesday 29 March. The final QA of the slides will occur on Tuesday 29 March.

Health Sub-Package

6. On Monday 28 March you met with the Minister of Health to discuss joint advice on the combined uplift for cost pressure and rebase funding. This advice was consistent with your steer at Budget Ministers 5 (BM5) to fund these initiatives in line with the upper end of the communicated planning parameters. At the meeting, you and the Minister of Health indicated your support for initially announcing a portion of Health cost pressure funding in contingency, pending further analysis on the Health New Zealand (HNZ) budget and planning process.
7. Officials are now working up options for the contingency around the quantum, conditions for drawdown, and communications to HNZ and, later, the public. They will provide an update tomorrow, and will provide draft financial recommendations in the draft Cabinet Paper this Friday.
8. Some small tweaks have been made to the Health sub-package slide to reflect these changes.

Justice Cluster Changes

9. The final Justice cluster package is within the delegated amount of \$2.730 billion total operating funding over the next three years. As per the Minister of Justice's submission, this includes:

- increases to funding for Police’s “Preventing the harm from serious and organised crime” and “Improving the safety of frontline police” initiatives
- an increase to funding for the Ministry of Justice’s “Sector-wide Strategy and Operating Model to support better outcomes for Victims” initiative
- funding towards Corrections’ “High Impact Innovation Programme” initiative, and
- scaling of the Ministry of Justice’s “Strengthening legal aid” initiative.

10. We do not propose any changes to the package at this late stage, given it is within the amount you have provided. However, given the lack of detailed implementation planning for several of the initiatives, we consider that there should be sufficient scope within the package to manage most unforeseen cost pressures or emerging priorities over the next three years. We are currently drafting recommendations for inclusion in the final Budget 2022 Cabinet paper that will ensure the cluster continues to monitor and report back to Cabinet on the spending and delivery of its stated outcomes over the next three years.

11. [33]

[38]

12. [38]

13. The above highlights that the [38] increase you provided to the Justice cluster package was not necessary. However, given the late stage of the Budget process, and as the funding will go into a tagged contingency, we do not consider there to be a need to amend the cluster package. [38]

You could also direct that any underspends are used as a general contingency provision for the cluster, or retain the balance of the funding in the tagged contingency once drawdowns are complete.

14. [38]

Climate Emergency Response Fund (CERF)

15. The near-final CERF package totals \$2.4 billion (operating and capital).
16. At BM6 there are two sets of decisions to be made on the CERF:
 - a Confirming funding decisions decided tentatively at BM5, and
 - b Making further decisions on Transport initiatives, based on a potential \$200 million additional Transport bundle to be funded from the CERF.
17. There are also further decisions to be made on your preferred approach to CERF outyears funding and whether or how to top up the CERF from emissions trading scheme proceeds. Depending on the options chosen for these outstanding issues, there could be significant implications for the quantum of funding charged against the CERF. We recommend BM6 decisions be situated in this broader context.
18. We also note that an initiative in the CERF package, “Equitable Transitions Programme” (\$16.32 million operating over four years), does not yet have a delivery agency identified. For this reason, we recommend its funding is held in a tagged contingency. We will engage with the bid lead (MBIE) to draft financial recommendations on this basis.

Follow-Up Investment Panel Commentary

19. Following the Investment Panel’s advice on the proposed key investments in Budget 2022 (T2022/76 refers), Treasury committed to providing further advice on suggested conditions or recommendations to support deliverability and investment outcomes for funded initiatives. This advice is attached as Annex 1.

Next Steps

20. We are meeting with you on Tuesday 29 March at Budget Matters to discuss your feedback on the draft Budget Ministers 6 material. Following this, we will incorporate your amendments and provide finalised material on Wednesday 30 March ahead of Budget Ministers 6 on Friday 1 April.

Recommended Action

We recommend that you **discuss** your feedback on the draft Budget Ministers 6 material with officials at Budget Matters on Tuesday 29 March.

Simon Duncan
Manager, Budget Management

Hon Grant Robertson
Minister of Finance

Annex 1: Follow-up Investment Panel Commentary

| Initiative details | Recommendations or suggested conditions to support deliverability and investment outcomes |
|--|---|
| <p>Agency: Department of Internal Affairs Initiative name: Modernising and enabling digital identity services for people in New Zealand (13647) Initiative Description: This initiative is a modernisation package for New Zealand’s digital identity system including a new regulatory regime, improvements to RealMe services and improvement in uptake of digital identity services. Developing Package Decisions: Support Funding in Budget Package: CAPEX: \$9m, OPEX: \$84m</p> | <p>This initiative was identified as a foundational data, digital and cyber-security initiative. DIA to engage with Government Chief Digital Officer (GCDO) on governance, assurance and risk management.</p> |
| <p>Agency: Land Information NZ Initiative name: Southern Positioning Augmentation Network (SouthPAN) (14074) Initiative Description: Funding will deliver SouthPAN, a satellite-based augmentation system for Australasia in partnership with Geoscience Australia. This is a critical cost pressure bid and increased funding is being sought as a pre-commitment to Budget 2022. Developing Package Decisions: Support – scaling Funding in Budget Package: CAPEX: \$2m, OPEX: \$203m</p> | <p>This initiative was identified as a foundational data, digital and cyber-security initiative. LINZ to engage with:</p> <ul style="list-style-type: none"> • GCDO on governance, assurance, risk management, approach to programme management and co-design with Māori, and • Government Communications Security Bureau (GCSB) Regulatory team on our space/high altitude activities. |
| <p>Agency: Ministry of Arts, Culture and Heritage Initiative name: Te Papa Tongarewa – Replacement Facility for Spirit Collection Area (13922 and 14460) Initiative Description: This initiative will fund the development of a new facility that is fit for purpose in the long term and enables Te Papa to continue to deliver its world class services in a compliant and cost-effective way while increasing iwi and community engagement. Developing Package Decisions: Support – scaling Funding in Budget Package: CAPEX: \$166m</p> | <p>MCH to:</p> <ul style="list-style-type: none"> • engage Te Waihangā on governance, assurance, risk management • undertake Gateway review for the initiative, and • report back with Detailed Business Case (DBC) to be noted by Cabinet. |
| <p>Agency: Ministry of Business, Innovation and Employment (to be delivered by ACC) Initiative name: Establishment of a social insurance scheme (13624) Initiative Description: This initiative will fund the Accident Compensation Corporation to establish the systems and staffing for a new income insurance scheme to provide income replacement cover for people made redundant or who are incapacitated by a health condition or disability. Developing Package Decisions: Support Funding in Budget Package: OPEX: \$42m</p> | <p>ACC to:</p> <ul style="list-style-type: none"> • engage with GCDO on development of business case, governance, assurance and risk management • undertake co-design with users, and • apply All of Government data practices to ensure data are useful for government and wider use. |

| Initiative details | Recommendations or suggested conditions to support deliverability and investment outcomes |
|---|---|
| <p>Agency: Ministry of Justice Initiative name: Te Au Reka (Caseflow Management) (14178) Initiative Description: Digitisation of court processes to improve the integrity of courts and tribunals. Developing Package Decisions: Support Funding in Budget Package: [33], [38]</p> | <p>This initiative was identified as a foundational data, digital and cyber-security initiative. MoJ to engage with:</p> <ul style="list-style-type: none"> • GCDO on governance, assurance, risk management • Government Chief Data Steward (GCDS) to establish best practice data standards, and • Government Chief Information Security Officer (GCISO) for security design and security funding arrangements. |
| <p>Agency: Ministry of Social Development Initiative name: Continuing investment in the Ministry of Social Development financial management and payroll system replacement (14202) Initiative Description: This initiative funds the remaining investment in the Ministry of Social Development's financial management and payroll systems. Developing Package Decisions: Support Funding in Budget Package: OPEX: \$29m</p> | <p>MSD to:</p> <ul style="list-style-type: none"> • engage with the Treasury and GCDO on current and future deliverables including options analysis, governance, assurance and risk management • engage with GCDS to ensure that existing data is retained and able to be reused, and • prepare a DBC with clear link to common process model. |
| <p>Agency: Statistics New Zealand Initiative name: Providing sustainable, quality data for generations to come (13787) Initiative Description: This initiative modernises how Stats NZ sources and uses data to meet greater demand across government and the broader economy for statistics, data and insights (including a plan to implement a future Census model which uses increased administrative data). Developing Package Decisions: Support – scaling Funding in Budget Package: CAPEX: \$18m, OPEX: \$36m</p> | <p>StatsNZ to engage with:</p> <ul style="list-style-type: none"> • GCDO on governance, assurance, risk management, approach to programme management and co-design with Māori, and • GCISO to further identify potential security risks. |
| <p>Agency: Department of Conservation Initiative name: Whakapapa 3 Waters Infrastructure – Compliance and Asset Management (14268) Initiative Description: This initiative will provide funding for upgrades and renewals of existing 3 waters assets which are at or nearing end of life, as well as funding for construction of new infrastructure. Developing Package Decisions: Support Funding in Budget Package: CAPEX: \$11m, OPEX: \$4m</p> | <p>The use of a tagged contingency could be considered for planning and preparation of a business case in addition to Ministerial approval of business case before drawdown of any funds. DOC to:</p> <ul style="list-style-type: none"> • seek input from iwi about what their ideal solution would be, and • engage with Department of Internal Affairs on how this proposal fits into wider three water reforms. |
| <p>Agency: Ministry for Pacific Peoples Initiative name: Building Pacific STEAM futures through Toloa (14025) Initiative Description: This initiative will address critical funding and meet added demand for desired outcomes of the Toloa STEAM (Science, Technology, Engineering, Arts, and Mathematics) programme that provides education and employment opportunities across Pacific people's journeys through education and employment. Developing Package Decisions: Support Funding in Budget Package: OPEX: \$18m</p> | <p>MPP to engage with GDCO and GCISO on privacy and security risk.</p> |

| Initiative details | Recommendations or suggested conditions to support deliverability and investment outcomes |
|---|--|
| <p>Agency: Ministry for Primary Industries Initiative name: Future of Certification – Electronic Certification (E-cert) Systems Replacement (14137) Initiative Description: This initiative will replace, consolidate and modernise New Zealand’s export and import certification systems. Developing Package Decisions: Support Funding in Budget Package: CAPEX: \$14m, OPEX: \$7m</p> | <p>This initiative was identified as a foundational data, digital and cyber-security initiative. MPI to engage with the GCDO on all of government solutions and options analysis, governance, assurance and risk management.</p> |
| <p>Agency: Ministry for Primary Industries Initiative name: Establishing native forests at scale to develop long-term carbon sinks and improve biodiversity (14061) Initiative Description: This initiative responds to the Climate Change Commission Recommendation 25: increase native afforestation to create permanent carbon sinks to offset emissions from hard-to-abate sectors. Developing Package Decisions: Support – scaling Funding in Budget Package: CAPEX: \$80m, OPEX: \$65m</p> | <p>MPI to prepare risk profile assessment to submit to Treasury and business case (with subsequent Cabinet approval and tagged contingency from which to draw funding).</p> |
| <p>Agency: Ministry of Education Initiative name: School Transport – baseline update and ICT transformation (14163) Initiative Description: Critical cost pressure for the delivery of non-departmental school transport assistance arising from time-limited funding provided through Budget 2021. Developing Package Decisions: Support Funding in Budget Package: 1381</p> | <p>MoE to engage with GCDO about how the technology solution will be resourced and delivered.</p> |
| <p>Agency: Ministry of Education Initiative name: Land Purchases for New Schools (14180) Initiative Description: The Ministry requires urgent funding to meet the increasing cost of land (due to land appreciation) and the increasing volume of residential development occurring across New Zealand. Developing Package Decisions: Support Funding in Budget Package: CAPEX: \$85m, OPEX: \$15m</p> | <p>Ministerial approval of Implementation Business case. MoE to provide further information in the Implementation Business Case on site identification and its capacity to undertake the initiative.</p> |
| <p>Agency: Ministry of Education Initiative name: National Education Growth Plan (NEGP) (14160) Initiative Description: This funding will support the continued expansion of the School Property Portfolio by delivering roll growth classrooms and new schools. Developing Package Decisions: Support – scaling Funding in Budget Package: CAPEX: \$280m, OPEX: \$30m</p> | <p>Ministerial approval of programme of work before drawdown of funding. MoE to consider alternative procurement options (e.g. iwi involvement).</p> |

| Initiative details | Recommendations or suggested conditions to support deliverability and investment outcomes |
|--|--|
| <p>Agency: Ministry of Education Initiative name: Christchurch Schools' Rebuild Programme (14157) Initiative Description: This initiative provides funding for the Christchurch Schools' Rebuild Programme for another year following the 2010 and 2011 earthquakes, enabling remediation of damage to the Christchurch School Network. Developing Package Decisions: Support Funding in Budget Package: CAPEX: \$88m, OPEX: \$30m</p> | <p>Te Waihanga to complete an ex-post review of the programme. MoE to outline exit strategy and timing (noting that any exit strategy should consider the impact of discontinuation on the market).</p> |
| <p>Agency: Ministry of Education Initiative name: Cybersecurity and Managed Digital Services (14141) Initiative Description: Providing cyber security services to better protect the education sector against operational failure and privacy breaches, and managed IT services for kura and schools to reduce inequity, administrative burden and cost. Developing Package Decisions: Support – scaling Funding in Budget Package: CAPEX: \$2m, OPEX: \$27m</p> | <p>MoE to:</p> <ul style="list-style-type: none"> • engage with GCDO and GCISO on governance, assurance and risk management, and • undertake proofs of concept with GCISO to validate the initiative and proposed methods of delivery. |
| <p>Agency: Ministry of Health Initiative name: Southern Health System Digital Programme (13994) Initiative Description: This initiative funds the digital infrastructure required for new Dunedin Hospital. Developing Package Decisions: Support Funding in Budget Package: CAPEX: \$161m, OPEX: \$64m</p> | <p>MoH to:</p> <ul style="list-style-type: none"> • engage with GCDO and Te Waihanga on governance, assurance and risk management, and • report back on what can be leveraged as a system investment (whether the data layer is able to be used for subsequent hospital builds). |
| <p>Agency: Ministry of Health Initiative name: Establishment of Population Health & Disease Management Digital Capability (13983) Initiative Description: This initiative establishes a population health and disease management digital capability to leverage off the systems developed in response to the Covid-19 pandemic and utilise these to transform the delivery of public health programmes such as measles and rheumatic fever, and any future pandemic response. Developing Package Decisions: Support Funding in Budget Package: OPEX: \$125m</p> | <p>MoH to engage with GCDO on governance, assurance and risk management.</p> |

| Initiative details | Recommendations or suggested conditions to support deliverability and investment outcomes |
|---|---|
| <p>Agency: Ministry of Health Initiative name: Critical Data and Digital Foundations (14262) Initiative Description: This initiative provides for new and strategic investment into digital infrastructure to move from the maintenance of outdated assets to contemporary fit-for-purpose technology, as well as to mitigate existing operational risk and consume value from other strategic investments such as the Hira programme intended to improve access to data. Developing Package Decisions: Support – scaling Funding in Budget Package: CAPEX: \$100m, OPEX: \$220m</p> | <p>MoH to engage with GCDO on governance, assurance and risk management.</p> |
| <p>Agency: Ministry of Social Development Initiative name: Te Pae Tawhiti – Designing the Ministry of Social Development’s future operating model (13756) Initiative Description: This initiative will provide one year of funding to design a set of foundational enablers for the Ministry’s future operating model and the continued development of the Te Pae Tawhiti Transformation Programme, including the Future Service Model and detailed delivery design. Developing Package Decisions: Support – scaling Funding in Budget Package: OPEX: \$36m</p> | <p>MSD to engage with</p> <ul style="list-style-type: none"> • GCDO on governance, assurance and risk management, specifically risks associated with market capacity and rising costs, and • GCDS on data management. |
| <p>Agency: Ministry of Transport Initiative name: Auckland Light Rail: Progressing the next phase of project delivery (13845) Initiative Description: This initiative provides funding to support the detailed planning phase of the Auckland Light Rail project, following Cabinet’s decisions in December 2021. Developing Package Decisions: Support Funding in Budget Package: CAPEX: \$131m, OPEX: \$199m</p> | <p>Te Waihanga to complete a formal independent review of the DBC. DBC to consider phasing options.</p> |
| <p>Agency: Ministry of Transport Initiative name: Delivering mode-shift and reducing VKT in New Zealand’s main urban areas (13827) Initiative Description: Funding to support legislative changes to enable congestion charging, making investment in mode-shift more effective and creating a ‘step change’ for transport in NZ. Developing Package Decisions: Support – scaling Funding in Budget Package: OPEX: \$375m</p> | <p>MoT to prepare (and submit to the Treasury) a risk profile assessment and business case (with subsequent Cabinet approval and tagged contingency from which to draw funding).</p> |

| Initiative details | Recommendations or suggested conditions to support deliverability and investment outcomes |
|--|---|
| <p>Agency: Ministry of Transport (to be delivered by City Rail Link Limited)</p> <p>Initiative name: Enabling timely delivery of City Rail Link (13962)</p> <p>Initiative Description: This initiative is for a confidential tagged contingency for current projected and future potential cost pressures (driven by Covid-19 and other cost pressures) on the CRL project in 23/24 and 24/25 to meet contractual commitments and total project costs.</p> <p>Developing Package Decisions: Support</p> <p>Funding in Budget Package: CAPEX: \$360m</p> | <p>Only funding for direct COVID-19 costs is provided.</p> |
| <p>Agency: Ministry of Transport (to be delivered by KiwiRail)</p> <p>Initiative name: Future of Rail: Rolling Stock (13833)</p> <p>Initiative Description: This initiative is the final tranche to complete KiwiRail's rolling stock investment programme to replace life-expired assets with modern, energy efficient units.</p> <p>Developing Package Decisions: Support</p> <p>Funding in Budget Package: CAPEX: \$349m</p> | <p>MoT to engage with Te Waihanga and NZ Government Procurement on long term strategic options.</p> |
| <p>Agency: Ministry of Transport (to be delivered by KiwiRail)</p> <p>Initiative name: Future of Rail: Rail Network Investment Programme (13846)</p> <p>Initiative Description: This initiative seeks operating funding to top-up the National Land Transport Fund for the continuation of the infrastructure renewal and maintenance programme.</p> <p>Developing Package Decisions: Support</p> <p>Funding in Budget Package: OPEX: \$312m</p> | <p>MoT to:</p> <ul style="list-style-type: none"> • utilise Gateway reviews for initiative • provide business case and risk management plan to Cabinet for noting, and • seek an ex-poste review of the initiative by Te Waihanga. |
| <p>Agency: Parliamentary Service</p> <p>Initiative name: Bowen House Fitout (13618)</p> <p>Initiative Description: This initiative will fund the full fit-out of Bowen House post earthquake strengthening works. The fit-out is mandatory, without this the building cannot be occupied.</p> <p>Developing Package Decisions: Support – scaling</p> <p>Funding in Budget Package: CAPEX: \$63m, OPEX: \$31m</p> | <p>Parliamentary Service to engage with Government Property Group on the availability of the building and utilisation, and then report back to Joint Ministers.</p> |