

The Treasury

Budget 2016 Information Release

Release Document July 2016

www.treasury.govt.nz/publications/informationreleases/budget/2016

Key to sections of the Official Information Act 1982 under which information has been withheld.

Certain information in this document has been withheld under one or more of the following sections of the Official Information Act, as applicable:

[1]	to prevent prejudice to the security or defence of New Zealand or the international relations of the government	6(a)
[4]	to prevent prejudice to the maintenance of the law, including the prevention, investigation, and detection of offences, and the right to a fair trial	6(c)
[11]	to damage seriously the economy of New Zealand by disclosing prematurely decisions to change or continue government economic or financial policies relating to the entering into of overseas trade agreements.	6(e)(vi)
[23]	to protect the privacy of natural persons, including deceased people	9(2)(a)
[25]	to protect the commercial position of the person who supplied the information or who is the subject of the information	9(2)(b)(ii)
[26]	to prevent prejudice to 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	9(2)(ba)(i)
[27]	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	9(2)(ba)(ii)
[29]	to avoid prejudice to the substantial economic interests of New Zealand	9(2)(d)
[31]	to maintain the current constitutional conventions protecting collective and individual ministerial responsibility	9(2)(f)(ii)
[33]	to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials	9(2)(f)(iv)
[34]	to maintain the effective conduct of public affairs through the free and frank expression of opinions	9(2)(g)(i)
[36]	to maintain legal professional privilege	9(2)(h)
[37]	to enable the Crown to carry out commercial activities without disadvantages or prejudice	9(2)(i)
[38]	to enable the Crown to negotiate without disadvantage or prejudice	9(2)(j)
[39]	to prevent the disclosure of official information for improper gain or improper advantage	9(2)(k)
[s18(c)(i)]	that the making available of the information requested would be contrary to the provisions of a specified enactment	
[40]	Not in scope	

Where information has been withheld, a numbered reference to the applicable section of the Official Information 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).

In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) and section 18 of the Official Information Act.



THE TREASURY
Kaitohutohu Kaupapa Rawa

Reference: T2016/33

BM-2-4-2016-10

Date: 12 February 2016

To: Minister of Finance
(Hon Bill English)

Associate Minister of Finance
(Hon Steven Joyce)

BGA Skilled and Safe Workplaces Ministers

CC: Associate Minister of Finance
(Hon Paula Bennett)

Deadline: Ministers meeting on Wednesday 17 February at 7.30pm

Aide Memoire for Budget 2016 - BGA Skilled and Safe Workplaces Ministers

Purpose

1. The purpose of this note is to support a discussion amongst Skilled and Safe Workplaces (SSW) Ministers on the relative priority of Budget initiatives that relate to the SSW workstream.
2. The Treasury assessments focus on the merits of the initiatives and are informed by the supporting information that has been provided by agencies. Once each of the Business Growth Agenda (BGA) Ministerial groups has discussed the initiatives relevant to their sectors, Minister English and Minister Joyce will consider options for prioritised packages across the BGA to fit into the available allowance, with advice from the BGA Leadership Group. Budget Ministers are yet to make a call on the quantum available for the BGA.

Context

3. The emphasis of Budget 2016 is on analysis and use of evidence to support investments that achieve results for New Zealanders as well as a continued focus on public sector performance.
4. [33]

5. The BGA sets out recommended actions required to strengthen our economy, improve productivity and create jobs. The SSW workstream achieves these ends through the following actions:
 - ensuring tertiary education and training delivers the skills industries need
 - preparing our school students for success
 - reducing the number of working-age people dependent on a benefit by 25 per cent by June 2018 (BPS Result 1)
 - lifting the participation of Māori and Pasifika in the workforce to the same level as the rest of New Zealand
 - ensuring that more young people achieve NCEA Level 2 and progress into the workforce and on to further training
 - introducing fees-free second chance foundation education for people of all ages
 - reviewing immigration settings to ensure that we attract the best people for each sector and region of New Zealand
 - developing an effective and efficient workplace safety system to reduce the rate of work-related fatalities and serious injuries by at least 25 per cent by 2020, and
 - making the job market more responsive.
6. Within this workstream, nine operating initiatives totalling approximately ^[33] per annum have been submitted. The submitted initiatives focus on two of the above action points: ensuring tertiary education and training delivers the skills industry needs, and developing an effective and efficient workplace safety system to reduce the rate of work-related fatalities and serious injuries by at least 25 per cent by 2020.
7. Funding all initiatives would require active reprioritisation, significant savings and/or revenue increases. To support a discussion on priorities, we outline some suggested discussion points on options and key trade-offs below.

Key themes emerging

8. The majority of initiatives in the SSW workstream relate to cost pressure initiatives. There are two tertiary education initiatives that seek to increase funding across a wide range of tertiary education provision.
9. The Treasury supports targeting funding to areas of highest relevance and greatest return, while recognising that tertiary education providers should be adequately supported by government to ensure that the quality of provision and the level of access to tertiary education are both maintained.
10. The Treasury supports an increase to the Annual Maximum Fee Movement (AMFM) in the 2017 academic year to address cost pressures in the short term ^[33] but does not support an across the board subsidy increase for all tertiary education at Level 3 and above.

11. There are two tertiary education initiatives that seek to target increases in tuition subsidies to areas and levels of study that are comparatively underfunded based on an Ministry of Education (MoE) benchmarking model and previous funding decisions respectively. The Treasury supports increasing subsidies to sub-degree tertiary education (Levels 3 to 6) to support the sustainability of sub-degree providers that have not had an increase in funding since Budget 2010, and to incentivise providers to deliver quality sub-degree education that improves pathways into Level 4 and above. However, the Treasury does not support targeted tuition subsidy increases solely because MoE's benchmarking model indicates that these fields of study are relatively underfunded. The Treasury considers that the tertiary system should increasingly incentivise participation in training where public benefits are larger, rather than aim for neutrality of funding across courses. We understand MoE is currently providing further advice to Minister Joyce that also takes into account labour market demand and alignment to Government priorities.
12. In addition, there is one tertiary education initiative that seeks more funding for industry training to meet the predicted growth in demand for New Zealand Apprenticeships. The Treasury recognises that New Zealand Apprenticeships are a cost-effective way to support building relevant skills for the workplace and to provide opportunities for employees to upskill. There have been concerns about the performance of industry training in the past; however, there have been recent improvements in the sector. In addition, MoE has developed a new model to predict demand for industry training. Due to some uncertainty about the level of future demand and outcomes of industry training, the Treasury partially supports this initiative. This will allow agencies to track the success of the scheme with the availability of employment outcome data and accuracy of demand forecasts. This initiative could be considered further in Budget 2017.
13. Other cost pressure initiatives in the SSW workstream include increased Health and Safety requirements for both Maritime New Zealand and the Civil Aviation Authority as regulators under the new Health and Safety at Work Act and the Ministry for Women's operating costs.

[33]

Suggested point for discussion

15. Overall, Budget initiatives in the SSW workstream are focussed on 'ensuring tertiary education and training delivers the skills industry needs', and 'developing an effective and efficient workplace safety system'. How does this align with Ministers' broader expectations for Budget 2016, including other sector priorities?
16. Ministers may wish to discuss the trade-off between the initiative increasing tuition subsidy rates across a broad range of subjects and levels, versus initiatives targeting increases in subjects and levels which aim to yield good labour market returns and economic/social outcomes to New Zealand.

Appendices

17. The following tables outline the relevant initiatives and the Treasury's advice on their value for money, links to BGA objectives, and the degree of pre-commitment or discretion over progressing the initiative.
18. There are two appendices attached to this document:
 - Appendix One: this table details the recommended initiatives we recommend progressing for Budget 2016
 - Appendix Two: this table shows those initiatives that we recommend are not funded and are included here for visibility.

[34]

Matthew Gilbert, Team Leader, Economic Performance & Strategy, [23]

[34]

Simon McLoughlin, Team Leader, Fiscal and State Sector Management, [23]

Appendix One: Recommended Initiatives (amounts are in \$ million)

Vote	Initiative		OPEX 2015/16	OPEX 2016/17	OPEX 2017/18	OPEX 2018/19	OPEX 2019/20	CAPEX (over 4 years)	Comment	
Total		Sought	[33]							
		Recommended								
Tertiary Education	Adjustments to the Annual Maximum Fee Movement from 2017	Sought	0.000	4.700	9.400	13.200	18.000	0.000	Cost pressure of Tertiary Institutions	
		Recommended	0.000	4.700	5.300	5.000	4.800	0.000		
Tertiary Education	Funding Industry Training Demand Growth	Sought	0.000	0.900	2.700	4.500	6.300	0.000	Cost pressure driven by demand	
		Recommended	0.000	0.500	1.500	2.500	3.500	0.000		
Women	Maintaining Policy Capability for Vote Women	Sought	0.000	0.370	0.460	0.500	0.500	0.000	Cost pressure	
		Recommended	0.000	0.370	0.460	0.500	0.500	0.000		
Tertiary Education	Alignment of sub-degree and undergraduate degree tuition subsidy rates	Sought	0.000	5.000	10.000	10.000	10.000	0.000	Cost pressure of Tertiary Institutions	
		Recommended	0.000	5.000	10.000	10.000	10.000	0.000		
Transport	Health and Safety at Work Act for Civil Aviation Authority	Sought	0.000	1.170	[33]				Cost Pressure – funded by third party revenue	
		Recommended	0.000	1.170						
Transport	Health and Safety at Work Act for Maritime New Zealand	Sought	0.000	2.021					Cost Pressure – funded by third party revenue	
		Recommended	0.000	2.021						

Appendix Two: Initiatives that we do not recommend funding (amounts are in \$ million)

Vote	Initiative		OPEX 2015/16	OPEX 2016/17	OPEX 2017/18	OPEX 2018/19	OPEX 2019/20	CAPEX (over 4 years)	Comment	
Total		Sought	[33]							
		Recommended								
Tertiary Education	Targeted increases in tuition subsidy funding	Sought	0.000	12.300	24.500	24.500	24.500	0.000	Conflicts with current policy direction of investment in tertiary education	
		Recommended	0.000	0.000	0.000	0.000	0.000	0.000		
Tertiary Education	Inflation-based Adjustment of Tuition Subsidy Rates	Sought	0.000	18.000	36.000	36.000	36.000	0.000	Conflicts with current policy direction of investment in tertiary education	
		Recommended	0.000	0.000	0.000	0.000	0.000	0.000		

[33]