

The Treasury

Budget 2016 Information Release

Release Document July 2016

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[40]	Not in scope	

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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.

Reference: T2016/73

BM-2-4-2016-10



Date: 4 February 2016

To: Minister of Finance
(Hon Bill English)

Associate Minister of Finance
(Hon Steven Joyce)

BGA Natural Resources Ministers

CC: Associate Minister of Finance
(Hon Paula Bennett)

Deadline: Ministers Meeting on 9 February at 5pm

Aide Memoire: Budget 2016 Initiatives in the BGA Natural Resources workstream

Purpose

1. The purpose of this note is to support a discussion amongst Natural Resources Ministers on the relative priority of Budget initiatives in the Natural Resources Sector (NRS).
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 BGA Ministerial groups has discussed the initiatives relevant to their sectors, Ministers English and 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. This advice should be read alongside the advice developed by the NRS agencies, which Treasury has supported. Advice is also being provided to Ministers on the integration of predator-focused initiatives and the control of wilding conifers. The Treasury has shared the content of this aide memoire with NRS agencies as it has been developed.
4. 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.

5. [33]

6. The BGA sets out recommended actions required to strengthen our economy, improve productivity and create jobs. The Natural Resources workstream achieves these ends through the following priorities:

- Maximise the productivity of agricultural and horticultural land while reducing environmental effects
- Provide more flexible governance options for Māori land, and assist Māori trusts and landowners to improve the productivity of their land
- Encourage regional economic development with certain and timely processes for allocating access to resources
- Free up urban land supply and accelerate access and use of it
- Improve the efficiency of freshwater allocation and usage within limits, and encourage investment in water storage and irrigation
- Develop our aquaculture, fisheries and other marine resources, while maintaining marine biodiversity and sustainability, and
- Improve energy efficiency and use of renewable energy to raise productivity, reduce carbon emissions and promote consumer choice.

7. [33]

8. [33]

Key themes

9. [33]

10. Investing in initiatives to eradicate pests (both mammals and wilding conifers) would avoid much larger longer-term costs and support both agricultural productivity and biodiversity aims. On mammals, a core of the eradication effort is well understood and proven [33]

On conifers, methodologies are well understood and successes have been achieved when funding is sustained. Both [33] and wilding conifers could be deferred, with costs increasing only a relatively small amount if addressed next year. However, action has been deferred on these issues in previous years and long-term costs are

rising. Ministers may wish to ask agencies for scaled options which control the growth of long term costs, without pushing for full eradication of these pests.

11. The proposal to establish a contingency for regional development relies on high quality, investment ready projects being presented. Based on the current Action Plans for Northland and Bay of Plenty, we have not yet received a significant number of well-formed or urgent proposals which require a funding decision now. Supporting proposals that are not well-formed and investment-ready effectively crowds out more mature proposals. On balance, Treasury is therefore recommending that Ministers do not support the proposed contingency. If individual, well-formed proposals that need a decision during the financial year are presented to Government, we recommend that consideration is given to funding these from the Between Budget Contingency for funding.
12. [33]
13. Proposals for a \$100 million freshwater fund will be published in autumn/winter, meaning that first projects may well not be announced this financial year (although funding rounds are likely to open during 2016/17). As policy and timescales are still uncertain, this initiative is a strong candidate for deferral or reprofiling if Ministers are looking for such options.

Suggested points for discussion

14. The initiatives submitted by the NRS agencies largely focus on the following priority areas for the natural resources workstream:
 - Maximise the productivity of agricultural and horticultural land while reducing environmental effects, and
 - Provide more flexible governance options for Māori land, and assist Māori trusts and landowners to improve the productivity of their land.

How does this align with Ministers expectations for Budget 2016?

15. What are Ministers' priorities outside of addressing cost pressures and pre-commitments? These could include:
 - Investing in pest reduction to protect biodiversity and productivity;
 - Exploring the potential of Māori land to bring it into productive use more quickly;
 - Funding projects which may contribute to fostering regional development.

Appendices

16. The following tables outline the relevant initiatives and the Treasury's advice on their value for money and the degree of pre-commitment or discretion over progressing the initiative.
17. There are four appendices attached to this document.
 - Appendix 1: details the initiatives we recommend progressing for Budget 2016.
 - Appendix 2: shows those initiatives that may have merit, but are not judged to be as high priority as the initiatives in Appendix 1.
 - Appendix 3: shows those initiatives that we recommend are not funded and are included here for visibility.
 - Appendix 4: shows our assessment of the relative value for money and strategic fit across the Natural Resources workstream.

[23]

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

[23]

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

Appendix One: Recommended initiatives for Budget 2016 (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							
Māori Development	Māori Land Service Programme	Sought	0.000	6.000	[33]				[33]
		Recommended	0.000	6.000					
Māori Development	Te Tumu Paeroa – Effective Māori trustee services	Sought	0.000	[33]					Support cost pressure component only.
		Recommended	0.000	0.914	0.914	0.914	0.914	0.000	
[33]		Sought	[33]						
		Recommended							
Statistics	Environmental Reporting as required by the Environmental Reporting Act 2015	Sought	0.000	0.800	0.800	0.800	0.800	0.000	Cost Pressure resulting from introduction of new functions in 2013.
		Recommended	0.000	0.800	0.800	0.800	0.800	0.000	
Primary Industries and Food Safety	Eliminating bovine TB through joint government/industry management	Sought	0.000	18.444	18.444	16.444	16.444	0.000	
		Recommended	0.000	18.444	18.444	16.444	16.444	0.000	

Primary Industries and Food Safety	Increased research funding for the Global Research Alliance	Sought	0.000	6.000	5.000	5.000	4.000	0.000	Pre-committed. Fund for one year only, with report back on reprioritisation options as per CAB 15-Min-0205.
		Recommended	0.000	6.000	0.000	0.000	0.000	0.000	
Primary Industries and Food Safety	Protecting farmland, biodiversity and iconic landscapes from invasive conifers	Sought	0.000	4.000	4.000	4.000	4.000	0.000	Support for one year with on-going funding to be considered once commitments sought from other parties.
		Recommended	0.000	4.000	0.000	0.000	0.000	0.000	
Conservation	Battle for Our Birds 2016	Sought	0.860	18.680	1.150	0.000	0.000	0.000	
		Recommended	0.860	18.680	1.150	0.000	0.000	0.000	
Environment	Exclusive Economic Zone Regulation (Environmental Protection Authority)	Sought	0.000	[33]				0.000	Cost pressure. Support for two years while EPA reviews cost recovery settings.
		Recommended	0.000	4.000	4.000	0.000	0.000	0.000	
Business, Science and Innovation	Opotiki Harbour Development	Sought	0.000	2.400	0.000	0.000	0.000	0.000	Cabinet pre-commitment.
		Recommended	0.000	2.400	0.000	0.000	0.000	0.000	

Appendix 2: Initiatives that have merit, but are not high priority (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	0.000	[33]					
		Recommended	0.000						
Business, Science and Innovation	Regulatory Monitoring and Compliance in the Petroleum and Minerals Sectors	Sought	0.000	[33]					Bid includes [33] projects; recommend funding two with high value.
		Recommended	0.000	0.490	0.300	0.750	1.050	0.000	
Environment	Next Steps for Freshwater Improvements Fund	Sought	0.000	[33]					Treasury recommends admin costs for the fund be absorbed within baselines. Deferral/re-profiling is possible beyond that shown here.
		Recommended	0.000	2.000	5.000	8.000	10.000	0.000	
[33]									
[33]									

Appendix 3: 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							

[33]

Business, Science and Innovation	Extension of Warm Up New Zealand (WUNZ) Healthy Homes	Sought	0.000	[33]					Exploring fit with Social Sector package
		Recommended	0.000	0.000	0.000	0.000	0.000	0.000	

[33]

Business, Science and Innovation	Regional Economic	Sought	0.000	[33]					0.000	Priority should be individual investment ready proposals. Proposals that need a decision during the financial year can be supported from the Between Budget Contingency
	Development – Regional Contingency Fund	Recommended	0.000	0.000	0.000	0.000	0.000	0.000	0.000	

Appendix 4: Strategic Fit/ Value for Money Diagram

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