

# The Treasury

## Budget 2018 Information Release

### Release Document August 2018

<https://treasury.govt.nz/publications/information-release/budget-2018-information-release>

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)
[2]	to avoid prejudice the entrusting of information to the Government of New Zealand on a basis of confidence by the Government of any other country or any agency of such a Government	6(b)(i)
[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)
[40]	not in scope	
[41]	that the making available of the information requested would be contrary to the provisions of a specified enactment	18(c)(i)
[42]	information is already publicly available or will be publicly available soon	18(d)

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: T2017/2788 BM-2-1-2018

Date: 5 December 2017

To: Minister of Finance (Hon Grant Robertson)  
Associate Minister of Finance (Hon Dr David Clark)  
Associate Minister of Finance (Hon David Parker)

## **Aide Memoire: Budget 2018 decision-making process**

This note sets out the key elements of the Budget 2018 decision-making process for discussion at Budget Matters on Wednesday 6 December, 11am.

There are a number of decisions around the process which still need to be confirmed and we recommend this is done ahead of Christmas to assist with Budget planning and provide agencies and portfolio ministers with certainty around how the decision-making process will run once initiatives are submitted.

The attached A3 provides a strawman for discussion and can be used in discussions with portfolio ministers to communicate the Budget process.

The key elements we would like to discuss with you at Budget Matters are outlined below.

### **Workstreams and ministerial groupings to support decision-making**

To get the right level of scrutiny and be able to trade-off and prioritise initiatives in a consistent manner, we recommend setting up broad groupings or workstreams which help to categorise initiatives and are aligned to your priorities. As a strawman, we've highlighted the following potential workstreams in the A3:

- Cost pressures: initiatives are split based on the cost drivers of either volume, price or personnel. This will allow prioritisation across similar types of initiatives regardless of sector (e.g. volume pressure in Education compared to a volume pressure in Corrections).
- Manifesto initiatives: we have used the dimensions in the living standards framework and your priorities as a starting point for setting out five workstreams which can be used for manifesto initiatives in Budget 2018:
  - Natural resources
  - Social Wellbeing
  - Economic Development
  - Infrastructure
  - Other

These workstreams could be supported by ministerial groups that meet in mid-late February, discuss initiatives and provide advice to Finance and Budget Ministers.

- Reprioritisation submissions: we recommend reprioritisation submissions are reviewed centrally by the Treasury with advice provided directly to Finance and Budget Ministers.

Questions for discussion:

1. Are you comfortable with the recommended categorisation of cost pressures and manifesto initiatives set out above?
2. How would you like to progress setting up these workstreams and ministerial groups?

### **Purpose and timing of Budget Ministers**

You have previously indicated you would like to continue to use a 'Budget Ministers' group as the key decision-making mechanism for Budget 2018. The attached A3 sets out our recommendations on both the timing and purpose of these meetings.

We recommend four Budget Ministers meeting throughout the decision-making process (assuming a Budget is delivered in late May):

- Budget Ministers 1 (early February): the purpose of this meeting will be to provide an overview of the economic and fiscal context for Budget 2018, an initial overview of how the allowances compare to initiatives that have been submitted by departments, and the process that will follow to prioritise initiatives and build a Budget package.
- Budget Ministers 2 (early March): a draft package will be presented to Budget Ministers which brings together cost pressure initiatives, manifesto initiatives and reprioritisation submissions. This will involve discussion on the significant choices and trade-offs required to remain within the allowances and the Government's fiscal objectives.
- Budget Ministers 3 (late March): an updated version of the draft package will be presented to Budget Ministers which considers any feedback from Budget Ministers 2 and ministerial engagements over March. Budget Ministers will also be provided with information on preliminary economic and fiscal forecasts for the Budget Economic and Fiscal Update (BEFU). This will support discussions around whether allowances need to be (or can be) adjusted.
- Budget Ministers 4 (early April): A near-final Budget package is presented to Budget Ministers. A paper is prepared to get Cabinet approval on the package in mid-April.

Budget Ministers' discussions will be supported by weekly meetings with Finance Ministers and potential ministerial groupings (as discussed above).

Questions for discussion:

3. Would you like to add any further Budget Ministers meetings?
4. Are you comfortable with the proposed timing and scope of these meetings as set out above?

### **Ministerial engagements**

Meeting with portfolio Ministers will help to draw out key contextual information on sectors and support the package development process.

There are choices for you on the timing and scope of these meetings, including which portfolio Ministers you would like to meet with.

- **Timing:** the attached A3 has ministerial engagements occurring in March. This is a critical period in the decision-making process. Given the volume of cost pressures and manifesto initiatives that will come through in Budget 2018, the allowances are likely to be oversubscribed and the draft package will typically reflect a 'bare minimum' package that is used as a starting point for discussions with portfolio Ministers.
- **Scope:** we recommend that the ministerial engagements proposed in March are used to cover cost pressure and manifesto initiatives as well as reprioritisation options submitted by portfolio Ministers. Typically these meetings involve discussion on:
  - Strategic context and pressures across the sector.
  - Prioritisation across initiatives submitted for consideration in Budget 2018.
  - Opportunities to reprioritise expenditure within baselines, scale or phase initiatives.
  - The main drivers around why funding is required now and implications if no funding is provided.

You may wish to have an additional meeting in late January/early February to discuss strategy context and baselines. The Treasury and individual departments will provide advice to Ministers ahead of these discussions.

Questions for discussion:

1. Would you like more than one ministerial meeting with portfolio ministers?
2. Which portfolio ministers would you like to meet with in the decision-making process and would you prefer this to be multilateral or bilateral meetings?
3. Do you agree that these engagements should be used to cover all initiatives and reprioritisation options related to that portfolio?

## **Prioritisation across different tracks**

The Budget Strategy Cabinet paper identified cost pressures as a separate track to manifesto initiatives. However, there are options for you on how these tracks are progressed through the decision-making process.

- The first option is to keep both of these tracks separate throughout the decision-making process. This means that cost pressures are traded-off against each other and brought together with manifesto initiatives into an overall package.
- Alternatively, you may wish to make trade-offs between cost pressures and manifesto initiatives across timing, cost and phasing of implementation. The Treasury can provide advice on this as part of developing the draft package for consideration.

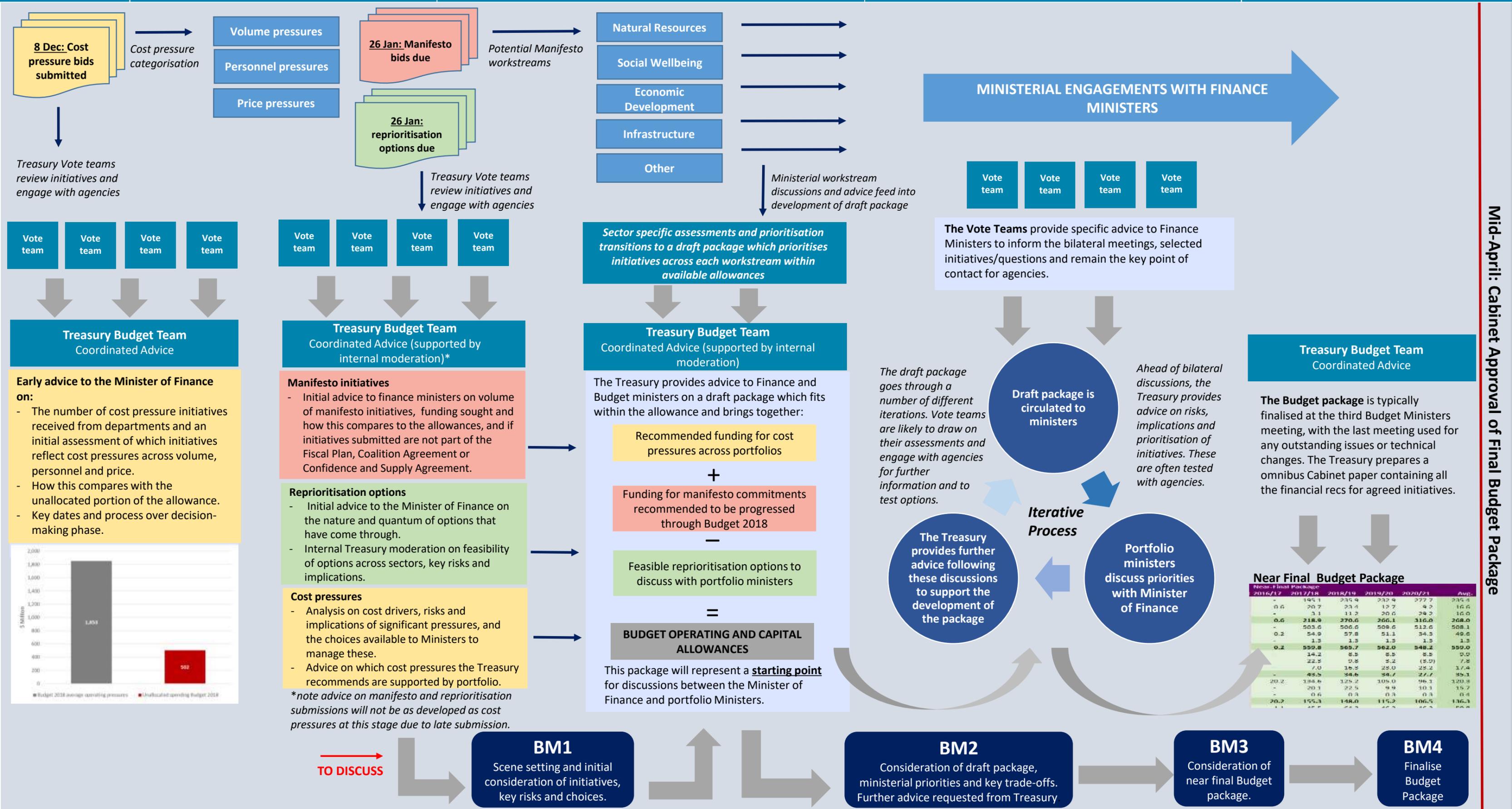
Note a decision on this is not required now and you may wish to see how many initiatives come through the process and how oversubscribed the allowances are.

Question for discussion:

1. Would you like to treat cost pressures and manifesto initiatives as separate tracks through the decision-making process?

Pooja Patel, Analyst, Budget Coordination, [39]

Kamlesh Patel, Team Leader, Budget Coordination, [39]



Mid-April: Cabinet Approval of Final Budget Package