

The Treasury

Budget 2018 Information Release

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[36]	to maintain legal professional privilege	9(2)(h)
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[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)
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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: T2018/440

BM-2-4-2018



Date: 27 February 2018

To: Minister of Finance (Hon Grant Robertson)
Associate Minister of Finance (Hon Dr David Clark)
Minister for the Environment (Hon David Parker)
Minister of Fisheries (Hon Stuart Nash)
Minister of Agriculture, Biosecurity, Food Safety and Rural Communities
(Hon Damien O'Connor)
Minister of Forestry (Hon Shane Jones)
Minister for Climate Change (Hon James Shaw)
Minister for Conservation and Land Information (Hon Eugenie Sage)

Deadline: Thursday 1 March 3:15pm

Aide Memoire: Material to support the Natural Resources workstream meeting

The purpose of this note is to support the Natural Resources workstream meeting, chaired by Minister Clark on Thursday 1 March at 3:15pm.

This note provides an overview of:

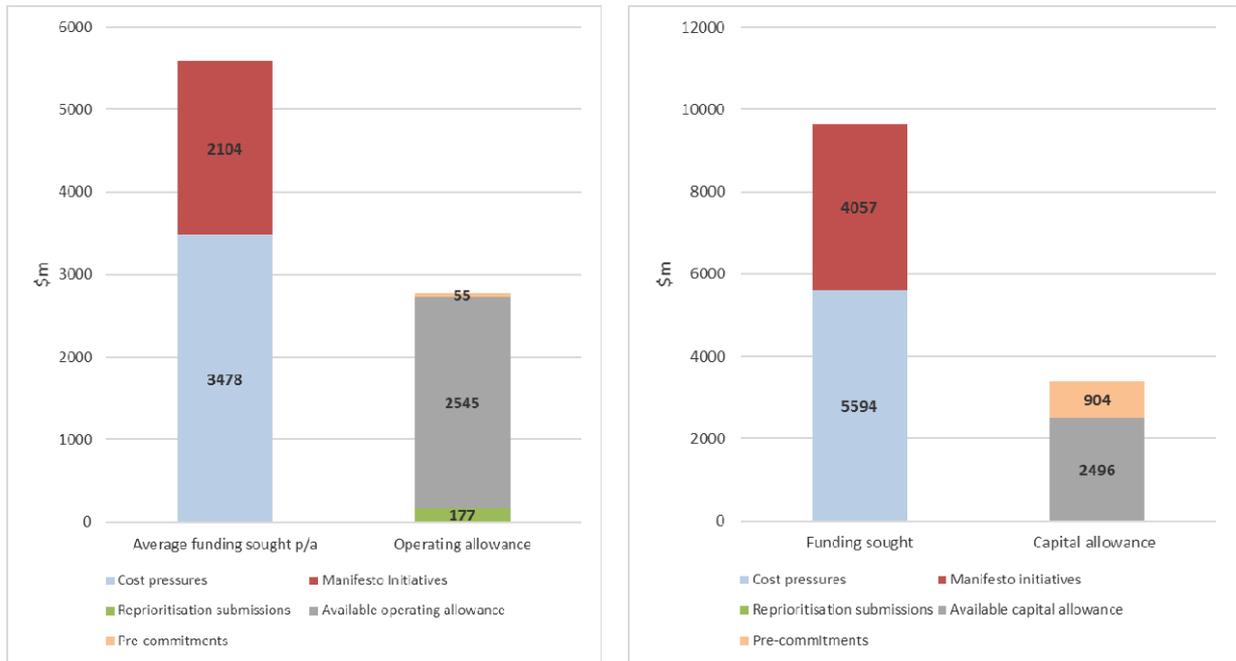
- The purpose of the workstream meetings;
- The key assessment criteria used by the Treasury Vote teams;
- A comparison of what has been submitted in the Natural Resources workstream compared to what the Treasury Vote team initially supports for the next round of assessment;
- Key groupings and initiatives to consider in the Natural Resources workstream, and
- A recommended agenda for the meeting.

Attached to this note is a list of all initiatives submitted by agencies to the Natural Resources workstream with the Treasury Vote team funding assessment. This includes cost pressure and manifesto initiatives and reprioritisation submissions.

Overview across all workstreams

As outlined at the recent Budget meetings led by Minister Clark and illustrated in Figures 1 and 2 below, both the operating and capital allowances are heavily oversubscribed. This reflects initiatives submitted up to 23 February.

Figure 1 – operating funding per annum sought vs. Budget allowances
Figure 2 – capital funding sought vs. Budget allowances



Purpose of the workstream meetings

The purpose of the workstream meetings is to assist with the Budget 2018 decision-making process by considering initiatives dealing with similar issues or sectors together, identifying priority initiatives across portfolios and to provide advice to Budget Ministers who make final Budget decisions.

In order to meet the Budget Responsibility Rules, it is critical that Budget 2018 is delivered within the allowances announced in the 2018 Budget Policy Statement. This means that initiatives will need to be prioritised, further reprioritisation options will need to be considered and some challenging decisions will need to be made.

Five workstreams have been established to help with this decision-making process:

- **Natural Resources:** This workstream considers policies related to the environment, conservation and energy sustainability. It also considers policies related to New Zealand’s natural resources and indigenous flora and fauna, biodiversity, and climate change. This workstream also includes policies within the Lands portfolio.
- **Economic Development:** This workstream considers non-infrastructure policies related to economic, urban and regional development. It also considers policies related to communications, research and innovation in business, productivity and New Zealand’s workforce.
- **Social Wellbeing:** This workstream considers policies relating to social wellbeing to support a fair and dignified standard of living for all New Zealanders. This workstream includes policies relating to education, health, justice, income support, public housing and child poverty reduction.

- **Infrastructure:** This workstream considers investment in physical and non-physical facilities and services necessary for a well-functioning economy, for example: schools, hospitals and IT.
- **Other:** This workstream considers policies in the areas not covered by the other workstreams, for example: Arts, Culture & Heritage, Defence, and Internal Affairs.

These workstreams were created to incorporate the Living Standards Framework and the Government's priorities. They do not limit how the Budget package is presented on Budget day, but are instead designed to help with the decision making process.

Natural Resources workstream meeting

Natural Resources workstream ministers will play a key role in this prioritisation process in looking across portfolios at initiatives classified in the Natural Resources workstream to determine cross-portfolio linkages and workstream priorities.

It will be critical that Ministers consider at this meeting, which of the Natural Resources workstream initiatives best contribute to the following priorities agreed to by Cabinet for Budget 2018:

- Providing quality public services for all New Zealanders and improving access to core services such as health and education,
- Taking action on child poverty and homelessness,
- Supporting families to get ahead and sharing the wealth generated by our economy with a wide range of New Zealanders,
- Sustaining Natural Resources and supporting the regions, and
- Managing our natural resources and taking action against environmental challenges such as climate change.

Additionally, Budget Ministers have highlighted the following areas as priorities for Budget 2018. Portfolio Ministers should consider how initiatives in the Natural Resources workstream align with these priorities:

- Commitment to Coalition and Confidence and Supply Agreements,
- Meeting cost pressures and rebuilding core services,
- Housing (both short-term and long-term focus),
- Health,
- Education, and
- Supporting the business community and wealth creation

This will assist in the prioritisation and development of a draft package for Budget Ministers' consideration on **Monday 19 March**.

Where are we at in the assessment and decision-making process?

The Treasury Vote teams have completed their individual assessment of cost pressure and manifesto initiatives and reprioritisation submissions. It is important to note that these are individual Vote team assessments.

Initiatives that are supported in this initial assessment still need to be considered in the next three rounds of assessment and decision-making as outlined in Annex 2.

The Treasury Vote team assessment

The Treasury Vote team funding recommendations have been included in Annex 1 of submitted initiatives. These recommendations derive from more detailed assessments. The table in Annex 3 outlines the key considerations of these assessments.

The first consideration of this assessment is scope. Initiatives that are not genuine cost pressures or mentioned in the Coalition agreement, Confidence and Supply agreement or the Speech from the Throne have not been prioritised in the assessment process and are reflected as 'do not support' in the Annex. These initiatives have been assessed as 'do not support' as they are out of scope for Budget 2018 and the assessment does not necessarily reflect the merits of the initiative.

Budget Ministers will still have visibility of all initiatives in the decision-making process, including those that have been assessed by the Treasury Vote team as out of scope.

Submitted initiatives in the Natural Resources workstream and the Treasury Vote team assessment

Operating Initiatives – average per annum (\$m)		
Type of initiative	Operating funding sought or offered	VA assessment of recommended operating funding
Cost pressure	35	13
Manifesto	228	70
Total funding sought	263	83
Reprioritisation submissions	24	24

Capital Initiatives – total sought or offered (\$m)		
Type of initiative	Capital funding sought	VA assessment of recommended capital funding
Cost pressure	165	0
Manifesto	194	194
Total funding sought	359	194
Reprioritisation submissions	0	0

Reprioritisation

As discussed in the recent Budget meetings held by Minister Clark, reprioritisation submissions are unlikely to provide sufficient headroom to fund additional spending on top of the operating allowance for Budget 2018. To generate further savings, the Treasury has sent across its initial assessments to portfolio ministers, which in a number of portfolios identifies further savings options to investigate.

It is important to note that while your entire portfolio may be a priority of the Government, there still may be services or programmes set up by the previous Government within the portfolio that do not align with the Government's priorities. Identifying such initiatives will enable the Government to fund more of its manifesto commitments and cost pressures in Budget 2018.

Key groupings and initiatives in the Natural Resources workstream

Conservation initiatives

In the Conservation portfolio, eight initiatives have been submitted, the majority of which relate to growing components of Department of Conservation's (DOC) core business. In total, the initiatives are seeking an average of ^[33] funding per annum ^[33]

The Coalition Agreement and Confidence and Supply Agreement both include the commitment to significantly increase the Department of Conservation's funding. The Confidence and Supply Agreement goes further, to note the outcome sought as to 'safeguard our indigenous biodiversity by reducing the extinction risk for 3,000 threatened plant and wildlife species, significantly increasing conservation funding, increasing predator control and protecting their habitats'. Almost all of the initiatives submitted also contribute to the Government's focus on New Zealand's regions.

Across the eight initiatives, the Treasury Vote team is supporting a package of ^[33] DOC's current average estimated budget over 2017/18 to 2020/21 is \$457 million per annum, so this supported package amounts to an increase of 5.5% to the baseline. Should DOC's baseline be increased by a larger amount, over a short period of time, there is a high risk that resources will not be well utilised, particularly in the absence of a fit-for-purpose biodiversity strategy.

This Treasury supported package includes around ^[33] to increase DOC's strategy and policy capability. This will enable DOC to submit more developed investment propositions in future Budgets, and help ensure that existing expenditure is well targeted. The package also includes ^[33] for predator control, as, of the programmes put forward in the Conservation portfolio, it is likely to offer the greatest value-for-money and is relatively investment ready. A further ^[33] is supported to contribute to smaller, high priority components across the submitted initiatives, such as addressing health and safety issues of staff accommodation.

Ministers may wish to consider how to approach the significant increase to DOC's baseline funding over the next three years, to ensure that any agreed funding can be best utilised to achieve the Government's objectives.

[33]

One Billion Trees

In the Forestry portfolio, a total of ^[33] and an average of ^[33] per annum of operating funding has been sought to support the delivery of the Government's One Billion Trees Programme. The Treasury Vote team is currently ^[33]

This initiative contributes towards the Provincial Growth Fund's (PGF's) strategic priorities, which is being considered through the Economic Development workstream. The Minister of Finance and the Minister for Regional Economic Development are meeting on 22 March to agree on what initiatives would count against the PGF if they were to be agreed through the Budget process. Other initiatives with a regional and productivity focus submitted in the Natural Resources workstream may also-count against the PGF.

Ministers may wish to consider how current and future initiatives in this workstream might advance the objectives of the PGF over the next three years.

Agenda for the meeting

Given the number of initiatives in the Natural Resources workstream and the time constraints, we recommend the following agenda for the meeting:

	Agenda item	Areas to consider
1.	Cost pressures and manifesto initiatives: Top priorities and common groupings in the Natural Resources workstream for Budget 2018	<ul style="list-style-type: none"> • Discuss the prompting discussion points in the above paragraphs. • What are the Natural Resources workstream priorities? • Do the priorities identified have any overlap with other initiatives across the workstream? <ul style="list-style-type: none"> ○ E.g. are they complimentary in contributing to a particular priority? Do they rely on the same labour force to implement? • Do these priorities align with the Government priorities agreed by Cabinet and Budget Ministers for Budget 2018?
2.	Next steps for reprioritisation – request for Portfolio Ministers to continue to pursue further reprioritisation options with their officials. Agreement from Portfolio Minister to direct their departments to work with the Treasury in order to investigate further savings.	

Next steps

In order to manage expenditure within the allowances initiatives will need to be prioritised and some tough trade-offs will be required. We encourage you to come to the Natural Resources workstream meeting prepared to discuss:

- the common groupings and discussion points across the cost pressure and manifesto initiatives highlighted in this note, and
- the key priority initiatives in the Natural Resources workstream for Budget 2018, and what manifesto initiatives could be deferred until future Budgets, in particular the 2019 Wellbeing Budget.

The workstream meeting will assist Treasury in developing a draft package for Budget Ministers consideration on **Monday 19 March**. At this point, Budget Ministers will consider what further engagements will be required ahead of finalising the Budget package by **Tuesday 3 April**. These further meetings are likely to be required for larger, more complex portfolios.

Rachelle Earwaker, Analyst, Budget Coordination, ^[39]
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