

The Treasury

Budget 2018 Information Release

Release Document August 2018

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[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)
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[38]	to enable the Crown to negotiate without disadvantage or prejudice	9(2)(j)
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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.

From: Nathan Spence [TSY]
Sent: Wednesday, 4 April 2018 7:39 PM
To: ^Parliament: Tamsin Royson
Cc: @Budget Team
Subject: RE: Cabinet paper

Hi Tamsin

We just noticed that the operating expenditure for a PGF initiative was counted twice in the original summary table. The below table reflects the correct numbers – which is a reduction in the operating package by \$13.516 million operating per annum.

Sorry about this – with the QA of the significant recommendations almost complete there shouldn't be any more surprises like this.

Nathan

Portfolio	Operating per annum	Capital total
Conservation	45.405	-
Corrections	132.527	228.400
Defence	84.705	41.311
Education	[33]	394.912
Foreign Affairs	231.444	40.281
Health	882.204	893.000
Housing and Urban Development	122.931	369.351
Police	145.500	17.800
Research, Science and Innovation	274.433	11.925
Other Portfolios	207.09	1,806.59
Total	[33]	

Nathan Spence | Analyst | **The Treasury**

[39]

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From: Nathan Spence [TSY]
Sent: Wednesday, 4 April 2018 6:47 p.m.
To: ^Parliament: Tamsin Royson [39]
Cc: @Budget Team [39]
Subject: RE: Cabinet paper

Hi Tamsin

If all of the decisions below were agreed to the net impact would be an increase in the operating package of \$0.596 million total (\$0.149 million per annum).

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From: Nathan Spence [TSY]
Sent: Wednesday, 4 April 2018 6:01 p.m.
To: ^Parliament: Tamsin Royson [39]
Cc: @Budget Team [39]
Subject: Cabinet paper

Hi Tamsin

This email covers 4 things:

- Draft Cabinet paper
- Key timing for feedback
- Updated Budget 2018 Package numbers
- Outstanding decisions

Note that we will be sending the significant financial recommendations later tonight.

Draft Cabinet paper

Please find attached the latest draft of the Cabinet paper – there are some comments from the office that we have not yet had the change to incorporate. It is still to go through a detailed QA and requires the office’s input on the political aspects.

Key timing for feedback

We will need feedback on the outstanding decisions and Cabinet paper by COP today (based on the Ministers timing). This is to ensure we have enough time to make the necessary changes to both significant recs and the Cabinet paper content to turn around another version for the Minister to sign by 1pm Thursday (our time). We need to get the significant recommendations to printlink by 4pm Thursday at the latest.

Updated Budget 2018 Package numbers – following decisions at Budget Ministers 4 and excluding outstanding decisions below

Portfolio	Operating per annum	Capital total
Conservation	45.405	-
Corrections	132.527	228.400
Defence	84.705	41.311
Education	[33]	394.912
Foreign Affairs	231.444	40.281
Health	882.204	893.000
Housing and Urban Development	122.931	369.351
Police	145.500	17.800
Research, Science and Innovation	274.433	11.925
Other Portfolios*	220.61	1,806.59
Total	[33]	

* The ‘Other Portfolios’ row includes Budget 2018 pre-commitments. This totals \$67.361 million in operating per annum and \$902 million capital.

Outstanding Decisions

Outstanding decisions for your agreement

Management and disposal of criminal assets

This initiative seeks \$2.9 million over the forecast period. We wish to draw to your attention that an alternative funding arrangement is possible – this was briefly discussed with you a few weeks ago, but no concrete decision was made. This alternative funding mechanism would require Cabinet delegating authority to the Minister of Finance and the Minister of Commerce and Consumer Affairs, to jointly approve changes to the Commerce and Consumer Affairs: Official Assignee Functions appropriation, to fund the difference between costs and recoveries, from Proceeds of Crime Revenue. Allowing appropriation changes would reduce the net funds available to fund activities under the Methamphetamine Action Plan, which currently has approximately \$30 million per annum available. If you decided to agree to this approach, it would reduce the amount of funding available in for the Methamphetamine Action Plan by \$1.4 million in 2018/19 and \$1.5 million in 2019/20. **Agree/disagree** to alternative funding arrangement.

Provincial Growth Fund

As discussed (briefly) with the Minister of Finance on Tuesday evening after Budget Ministers, there was an error in the original calculations of how much funding would be required for the PGF in Budget 2018 to reach \$1 billion in Year One. This was due to double counting \$36 million of the operating pre-commitments. As such, an additional \$36 million is required for the PGF for Budget 2018 to reach \$1 Billion for Budget 2018. There is discretion about whether this is for operating or capital funding. Given where allowances are currently at, we recommend counting the increase (\$9 million operating per annum) against the operating allowance, we have not included this in the current package. **Agree/disagree**.

Contingency for NEETs in Maori Development

Currently \$10.0 million has been set aside in contingency for supporting young Maori and increasing the reach of Maori Wardens to deliver local initiatives. Budget Ministers indicated a preference to increase this contingency to \$15 million, funded out of Maori Development reprioritisation. Increasing the contingency will reduce the amount that can be returned to the centre as reprioritisation. **Agree/disagree** to increase contingency to \$15 million.

Papakāinga Housing

There is currently no initiative for this in the Budget process. Budget Ministers indicated a preference to explore options to fund this initiative as part of the Budget 2018 Maori Development package. TPK have been developing two initiatives for potential submission to the PGF on Papakāinga housing and housing repairs in rural Māori communities, and these could form the basis for focusing a tagged contingency. The Papakāinga initiative would provide in TPKs words “secure homes for whānau, a pathway for whānau to return to their whenua, a base for economic opportunities, and strengthen cultural and spiritual identity. The investment includes assistance with planning, infrastructure, and construction, as well as building financial capability of whānau and rūpū”. Both of these initiatives propose scaling up existing programmes within TPK, and provide evidence of demand for the services and a capacity to scale.

TPK have indicated a preference for this contingency to provide \$4 m p.a. into outyears (and \$3 m in 18/19 as they scale up). Alternatively the contingency could provide limited funding and invite a report back on the impact of the investment prior to agreeing ongoing funding. **Agree/disagree** to create a tagged contingency of \$3.75 million per annum on average.

Public Media

There is currently room in the operating package to increase the Public Media initiative by \$5 million total (\$1.25 million operating per annum). **Agree/disagree** to increase the Public Media initiative by \$5 million total (\$1.25 million operating per annum).

Sustainable Farming and Project Overseer

We also understand that you would like \$10 million operating over the forecast for the Sustainable Farming Fund (an average of \$2.5 million operating per annum), and \$5 million for Project Overseer’s IT programme (likely to be operating funding, an average of \$1.25 million operating per annum). We are currently working with MPI on these, and have not included these in the current package. **Agree/disagree** to include these initiatives at the above funding levels.

Crown Irrigation Savings

We understand that \$70.9 million capital is available to be withdrawn from Crown Irrigation following DEV this morning. This can be included as a savings initiative for Budget 2018. You have options around whether you would like this to be included as a capital or operating savings initiative. If you decide to transfer this funding into operating, this will amount to savings of \$7.09 million per annum over 10 years. We recommend using it as an operating saving to offset the additional PGF decision above, the Sustainable Farming and Project Overseer initiatives and the Public Media initiative. **Agree/disagree** to use an operating saving. Note this is not included in the above table.

Outstanding decision for your consideration

Foreign Affairs

Foreign Affairs is currently included in the package at a total of \$926 million operating over the forecast period (an average of \$231 million per annum) and \$40 million capital. We understand that you are working with the Prime Minister and the Deputy Prime Minister on agreeing a final foreign affairs package. **In order for any changes to be incorporated in the Cabinet paper, we will require final decisions by 9am Thursday morning (this is a hard deadline).**

Nathan Spence | Analyst | The Treasury

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