

# The Treasury

## Budget 2020 Information Release

### July 2020

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- [1] 6(a) - to avoid prejudice to the security or defence of New Zealand or the international relations of the government
- [2] 6(b)(i) - 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
- [5] 6(d) - to prevent endangerment of the safety of any person
- [9] 6(e)(iv) - to prevent serious damage to the economy of New Zealand by disclosing prematurely decisions to change or continue government economic or financial policies relating to the stability, control, and adjustment of prices of goods and services, rents, and other costs, and rates of wages, salaries, and other incomes
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- [29] 9(2)(d) - to avoid prejudice to the substantial economic interests of New Zealand
- [33] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials
- [34] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions
- [35] 9(2)(g)(ii) - to maintain the effective conduct of public affairs through protecting ministers, members of government organisations, officers and employees from improper pressure or harassment;
- [37] 9(2)(i) - to enable the Crown to carry out commercial activities without disadvantage or prejudice
- [38] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice
- [39] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage
- [42] 18(d) - information is already publicly available or will be publicly available soon.

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**Treasury Report:** Bilateral Budget 2020 Discussion: Minister of Finance and Minister Jones on 18 November at 3pm

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<b>Date:</b>	11 November 2019	<b>Report No:</b>	T2019/3554
		<b>File Number:</b>	SH-11-1-2 (Regional Policy)

**Action sought**

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	<b>Action sought</b>	<b>Deadline</b>
Hon Grant Robertson <b>Minister of Finance</b>	<b>Discuss</b> the contents of this report with Minister Jones at your bilateral on 18 November 2019.	3pm, 18 November 2019

**Contact for telephone discussion (if required)**

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<b>Name</b>	<b>Position</b>	<b>Telephone</b>	<b>1st Contact</b>
[34]	Graduate Analyst, Natural Resources	[39]	N/A (mob) ✓
Gwen Rashbrooke	Manager, Natural Resources		N/A (mob)

**Minister's Office actions (if required)**

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**Return** the signed report to Treasury.

Note any feedback on the quality of the report

**Enclosure:** Yes (performance reporting letters attached)

## **Treasury Report: Bilateral Budget 2020 Discussion: Minister of Finance and Minister Jones on 18 November at 3pm**

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### **Recommended Action**

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We recommend you **read** this report and attached material prior to your Budget 2020 bilateral discussion with Minister Jones at 3pm on Monday 18 November 2019.

Gwen Rashbrooke  
**Manager**

Hon Grant Robertson  
**Minister of Finance**

# Treasury Report: Bilateral Briefing: Minister of Finance and Minister Jones

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## Purpose of Report

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1. The purpose of this report is to provide background information and advice for your Budget 2020 bilateral discussion with Minister Jones at 3 pm on Monday 18 November, regarding the Forestry, Infrastructure and Regional Economic Development portfolios.
2. This discussion is an opportunity for you to seek additional information from Minister Jones on cost pressure bids or progress reports, clarify expectations around the Budget 2020 process, and invite him to raise any concerns he may have.
3. This report provides:
  - Context on existing funding, including funding received in recent Budgets; and
  - An overview of cost pressures submitted for Budget 2020.
4. Attached to this report are three annexes:
  - Annex A provides talking points for your bilateral discussion;
  - Annex B provides a full list of the cost pressure initiatives submitted within Minister Jones’s portfolios; and
  - Annex C provides the Budget 2018 and 2019 initiatives selected for your request to Minister Jones to update on the delivery of past Budget commitments.
5. We will provide you with further advice, including funding recommendations for each cost pressure, ahead of the development of the cost pressures package.

## Context

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### Forestry

6. Vote Forestry’s 2019/20 annual operating expenditure is \$241.7 million. The 2019/20 annual capital expenditure is \$35.4 million.
7. Total baseline uplift over the last two Budgets is summarised below.

### Vote Forestry

Budget Estimates	Total appropriations (4 year annual avg) at Budget (\$m)	% increase (decrease) in total appropriations (4 year annual avg) from previous Budget (\$m)
Budget 2017	Vote established in 2018	
Budget 2018	194.4	NA
Budget 2019	183.7	- 5.5 %

8. The 5.5 % decrease primarily reflects a significant drop in funding appropriated for the Forestry: Grants and Partnerships Programme in 2021/22 and the ending of the One Billion Trees Programme funding in 2022/23.

### **Infrastructure**

9. As Minister for Infrastructure, Minister Jones is responsible for funding relating to investment in broadband within Vote Business, Science and Innovation, as well as funding in Vote Finance for the newly established New Zealand Infrastructure Commission – Te Waihanga (the Commission).
10. Budget 2019 provided \$51.3 million in total operating funding for the operations of the Commission. At the time of preparing this report we have not received the Minister's progress reporting letter in relation to this new funding.

### **Regional Economic Development**

11. Minister Jones is responsible for approximately \$1 billion as Minister for Regional Economic Development, through the Provincial Growth Fund.

### **Cost Pressures**

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12. As at 1pm 8 November, cost pressure bids seeking a combined total of \$15 billion operating over the forecast period (\$3.7 billion average per annum) and \$6.1 billion total capital have been submitted across all Ministerial portfolios.
13. Minister Jones submitted two cost pressure initiatives for Budget 2020 across his Forestry, Infrastructure and Regional Economic Development portfolios, as detailed in Annex B. The initiatives seek a total of \$69.9 million in operating and \$30.7 million in capital funding. No cost pressure initiatives have been submitted for the Infrastructure portfolio.
14. We are yet to assess the cost pressures in detail. Full assessments will be provided in due course.

#### *Forestry*

15. The initiative *Rebuilding forestry ETS infrastructure to meet demand and support the transition to the low emissions economy* is significant: \$37.4 million operating and \$30.7 million capital. The Treasury will provide a full assessment on the initiative after reviewing the full business case, which MPI is still finalising. MPI submitted a draft business case on 8 November but without the economic case, which will be submitted to the Treasury in the week of 18-22 November.

#### *Infrastructure*

16. No cost pressure bids have been submitted under the Infrastructure portfolio.

#### *Regional Economic Development*

17. Minister Jones has submitted one cost pressure – to manage investments beyond the life of the Provincial Growth Fund. This does not appear to meet the criteria of a cost pressure. Ministers could consider funding ongoing investment management by transferring money from the Provincial Growth Fund into outyears.

## Annex A: Talking Points for your Bilateral with Minister Jones

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### *Forestry*

18. You may wish to ask Minister Jones whether the One Billion Trees Programme funding agreed as part of Budget 2018 (\$213.7 million) is on track to be underspent and why so far only 9.9% of the appropriated funds (\$21.1 million) have been disbursed and 25.8% (\$55.2 million) committed.

### *Infrastructure*

19. You may wish to ask Minister Jones how the newly established Infrastructure Commission is progressing.

### *Regional Economic Development*

20. You may wish to ask Minister Jones whether he can transfer money from the Provincial Growth Fund into outyears to fund ongoing investment management beyond the term of the Fund.

## Annex B: Cost Pressure Initiatives

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### Forestry

Title	Description	Funding Sought by Agency				Treasury Comments		
		Opex (\$m)	Avg	Opex (\$m)	Total		Capex (\$m)	Total
Rebuilding forestry ETS infrastructure to meet demand and support the transition to the low emissions economy	This bid requests funding to implement new business processes and supporting infrastructure to address current issues with Forestry ETS administration and implement the reforms set out in legislation expected to come into force January 2021. This includes: developing and transitioning to the new operating model and enabling IT; developing new operating policies and processes to administer the new regulations and responding to requests from the public; additional staff to implement the new regulations and manage the expected demand; and developing guides, conducting roadshows and training for existing and potential ETS participants.	9.3		37.4		30.7		MPI is currently finalising a business case to accompany this bid. The Treasury will provide a full assessment on the initiative after the full business case has been submitted.
<b>Total:</b>		9.3		37.3		30.7		

### Infrastructure

None.

### Regional Economic Development

Title	Description	Funding Sought by Agency		
		Opex Avg (\$m)	Opex Total (\$m)	Capex Total (\$m)
Managing the PGF beyond the life of the fund	The Provincial Growth Fund (PGF) is a \$1 billion per annum, three-year fund to improve the productivity potential of regional New Zealand, the appropriation for which terminates on 30 June 2021. During the term of the fund, a range of investments will be made by the fund, such as loans, grants and equity investments, which will require management beyond the life of the fund. Outyear funding was not appropriated to carry out this function when the fund was established.	8.1	32.6	0.0
Total:		8.1	32.6	0.0

## Annex C: Delivering on past Budget Commitments – Initiatives within Scope

### Forestry

Budget	Title	Funding Allocated (\$m)			Treasury comment
		Opex Avg	Opex Total	Capex Total	
2018	Provincial Growth Fund – Tree Planting and Hill Country Erosion Programme Expansion	0.0	0.0	88.8	The programme has disbursed only 14 % of the appropriated funds so far (\$12.448 million) but the report notes MPI has committed 80% of the funds so the programme appears to be on track.
2018	One Billion Trees Programme	53.4	213.7	0.0	The Programme appears currently on track to be underspent: it has disbursed only 9.9% of the appropriated funds (\$21.118 million) and committed only 25.8% (\$37.7 million in partnerships and \$17.5 million in grants, totalling \$55.2 million).
<b>Total</b>		53.4	312.7	88.8	

## Infrastructure

Budget	Title	Funding Allocated (\$m)			Treasury comment
		Opex Avg	Opex Total	Capex Total	
2019	Improving New Zealand's Infrastructure Outcomes – New Zealand Infrastructure Commission	12.8	51.3	0.0	The Treasury has not yet received this progress report so it is not appended.
<b>Total</b>		12.8	51.3	0.0	

## Regional Economic Development

Budget	Title	Funding Allocated (\$m)			Treasury comment
		Opex Avg	Opex Total	Capex Total	
2018	Provincial Growth Fund Projects	96.0	384.0	113.0	The Treasury has not yet received this progress report so it is not appended.
2019	The Provincial Growth Fund	70.0	280.0	854.0	The Treasury has not yet received this progress report so it is not appended.
<b>Total</b>		166.0	664.0	967.0	