

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
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- [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
- [23] 9(2)(a) - to protect the privacy of natural persons, including deceased people
- [25] 9(2)(b)(ii) - to protect the commercial position of the person who supplied the information or who is the subject of the information
- [26] 9(2)(ba)(i) - 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 to prejudice 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
- [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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Reference: T2019/948 DH-0

Date: 29 March 2019

To: Minister of Finance (Hon Grant Robertson)

Deadline: None

Aide Memoire: Costs related to the Government's response to the Christchurch terror attacks

On Monday 1 April 2018 you are leading an oral item at Cabinet to update Ministers on the costs of the Government's response to the Christchurch terror attacks. This Aide Memoire provides you with an update on likely costs in 2018/19, 2019/20 and outyears based on current information. It also provides information on funding options for the buy-back scheme and an update on public donations.

Overall, we have identified between ^[33] in operating costs and ^[33] in capital, as outlined in the table below.

	Immediate: Between-Budget Contingency	Short-term: Budget 2019	Medium-Long term: Post- Budget 2019	Total
\$ million				
Operating	^[33]			
Capital				

Funding requirements for the 2018/19 financial year

Seven agencies have identified a need for funding in the current financial year (with some ongoing funding). Agencies have highlighted funding of between ^[33] opex over the forecast period, and ^[33] capex. This would require funding through the between-Budget contingency, or as part of Budget 2019. Best estimates of the funding required are set out in Table 1 (immediate funding) and Table 2 (short-term funding) in the Annex.

Funding requirements for the 2019/20 year financial

Six agencies have identified funding requirements from 2019/20 onwards. These funding requirements total approximately ^[33] in opex over the forecast period. Best estimates of this funding are set out in Table 3 in the Annex.

We understand you have raised the possibility of setting aside a tagged contingency for funding related to the response to the terror attacks. If this is progressed, funding could be provided for these requests through that contingency. Otherwise these costs will either

need to be considered as part of Budget 2019 or through next year's between-Budget contingency.

Longer-term funding requirements

The Treasury is only aware of two related initiatives that are likely to require funding in the longer-term. ^[33]

You may wish to test with your colleagues whether they, or their agencies, are aware of any other initiatives expected to be developed over the longer-term.

Funding options for the semi-automatic gun buy-back scheme

We have previously provided you with high-level advice on using surplus Accident Compensation Corporation (ACC) funds for the gun buy-back scheme, alongside our preferred option of increasing the operating allowance in Budget 2019 (TR2019/837 refers). The steps to implement the option of using ACC funds are described below.

1 *Decide on the policy option (if time, take to Cabinet separately)*

The first step is to decide what changes to legislation should be made to enable funds to be used. There is a spectrum of options here, from a broad, principle-based, comprehensive system change (eg, to enable dividends to be taken from ACC in general) down to a narrow, one-off addition to the legislation to enable funds to be taken over a set period to fund the buy-back scheme. Note that this is preliminary and in principle advice only, and that the complexities (both known and unforeseeable) of the policy issues involved as outlined below mean that the process is likely to be more difficult and time consuming in practice.

This policy decision should take into account the following risks and considerations:

- how to consider the constitutional questions involved in a legislative change that could be construed as retrospectively taxing a specific group of levy-payers
- the implications of using hypothecated funds for a purpose other than for what they were collected for, and the precedent set for other hypothecated funds
- the precedent set for fast-track legislative change on matters with significant policy and constitutional implications
- minimising the precedent impact of using ACC funds for purposes other than those for which they were collected
- minimising the impact of undermining the ACC levy setting and collection process, including public consultation, and hence the impact on public confidence in the scheme
- minimising the impact on the overall administration of the scheme, such as the setting and implementation of their investment strategy, including in relation to liquidity of assets, and

- using the funds to finance an initiative that has minimal overall fit and consistency with the Act, including the overarching purpose of the scheme.

These considerations make the policy decision substantial. ^[26]

We cannot be confident at this stage that a narrow solution can be designed that does not fundamentally impact the scheme.

2 *Drafting legislation (to take to Cabinet, alongside the policy decision, if timelines require)*

Once the policy decisions have been made, The Ministry of Business Immigration and Employment would work with the PCO and CLO to draft the bill. Due to the unique and complex nature of this change, it is important to involve PCO and CLO to ensure that:

- the legislation change will achieve the outcome that it is intended to do
- the resulting legislation is internally consistent, and consistent with other existing legislation, and
- the risk of legal challenge by interest groups, eg, due to the policy considerations above are mitigated.

The nature of the change, the amount of time taken to settle the policy intent and the assessment of the legal and policy effects of the change will affect how long it will take to develop the draft legislation. While a small, targeted amendment authorising expenditure might be drafted quite quickly, this would require the necessary policy and legal analysis around the impact of the change to be fully assessed prior to the start of drafting.

3 *Introduce, and potentially pass legislation on Budget Day*

There are options as to how far through the legislative process to take the new Bill on Budget day, ranging from simply introducing the legislation to passing it into law under urgency. There is an opportunity to mitigate some of the risks described above by going through more of the usual legislative process, such as consideration of the Bill by Select Committee.

4 *Transferring funds from ACC*

The final step in the process is for ACC to return the funds to the Crown. The timing of asset sales may impact their investment strategy and returns. The ACC Board also have a legal duty to ensure the ongoing solvency of the scheme, and may need to consider the impact of these proposed changes on their ability to meet that responsibility.

Next steps

If you wish to go ahead with this funding option, we recommend you discuss the possible options with the Minister for ACC, who may wish to consult with ACC to better understand

any operational implications, and to jointly direct officials to proceed working on the policy implications.

Absent decisions on other sources of funding being taken before finalisation of the Budget package, we recommend providing for funding through Budget 2019. We recommend appropriating most of the expected costs for the gun buy-back scheme with the balance being held in a tagged contingency. It may be possible to seek a contribution to the costs from the Proceeds of Crime Fund, which had approximately \$35 million in funding available as at December 2018. The operation of the Fund was discussed by Cabinet on Monday 25 March and, in our view, the agreed scope would allow for the Fund to be used to partly finance the buy-back scheme.

Public Donations and Funding

You and the Minister for the Community and Voluntary Sector have received a briefing yesterday from the Department of Internal Affairs (DIA), responding to your request for advice on whether Government should provide a direct financial contribution to a fundraising organisation.

DIA notes that to date over \$20 million has been donated to help the individuals, families and communities affected by the Christchurch terror attack. Most of this has been to the four largest funds, namely Victim Support, the Christchurch Foundation, New Zealand Islamic Information Centre, and Muslims Around The World Project. Many smaller funds have also received donations, e.g. in support of individual families. The major funders have agreed to collaborate and coordinate funding activities, and they are meeting regularly. DIA officials are attending these meetings.

DIA recommends that Government not make direct financial contribution to local fundraising at this stage, but remain open to the possibility of making a contribution in the future, as both the final quantum of donations and the long-term needs of affected individuals, families and communities becomes clearer. DIA further recommends that helping to inform the public when donating is best achieved by Government publicising details of a handful of the biggest funds and their focus areas. This could reference a list prepared by a third-party organisation (e.g. Philanthropy New Zealand), and would avoid being seen to directly endorse a particular fund or funds (which could prejudice work that DIA's Community Operations staff are doing to offer support for all fundraisers on the ground).

Treasury was consulted through the drafting process and agrees with DIA's recommendations. We will continue to work closely with DIA on matters relating to public donations and funding, including ongoing coordination.

[23]

[35]

Annex: Expected funding required to respond to the Christchurch terror attacks (as at 29 March)

Table 1: Immediate funding

Agency	Initiative	Total funding required (millions)	Status	Comment
[33]				
Department of Internal Affairs	Expansion of the Office of Ethnic Communities	\$1.897 opex	Being considered by SWC on 3 April 2019	
Department of Internal Affairs	Royal Commission of Inquiry	\$7.940 opex and \$0.600 capex	Cabinet paper being drafted for consideration on 8 April 2019.	
Department of Internal Affairs	Memorial Service costs of dignitaries	\$1.200 opex	Approval for costs of dignitaries delegated to Joint Ministers	
Department of Internal Affairs	Royal Visit to Christchurch	\$0.500 opex	No official funding request has been received	
Ministry of Justice	Victims' Services	-	Joint Ministers' paper currently under consideration, rescinding Cabinet decision to carry-forward funding to 2019/20	We understand if agreed the Joint Ministers' paper would cover all additional funding required
New Zealand Police	Administration of the gun buy-back (e.g. collection, destruction, payment processing)	\$18.013 opex	This is under consideration as part of the Budget process	Treasury considers that most costs should be appropriated through Budget 2019.
New Zealand Police	Cost of the gun buy-back scheme	\$100-200 opex	Decisions are being sought from Ministers on the scope of this scheme	Treasury considers that most costs should be appropriated through Budget 2019.
[33]				
Total Funding		[33]		

Table 2: Short-term funding

Agency	Initiative	Total funding required (millions)	Status	Comment
[33]				
Ministry of Health	Canterbury District Health Board health response costs	Between \$1.000 and \$3.000 opex	No official request for funding has been received	Treasury supports this funding and considers other support for the Board may also be appropriate
Ministry of Health	Non-DHB response costs (e.g. St John, Plunket)	To be confirmed	No official request for funding has been received	Further information is required for Treasury to assess this initiative
Ministry of	Mental Health Response	\$34.790	This is a reprioritisation of Budget 2019 initiatives	Treasury supports \$11.630 million as part of the Budget 2019 mental health package
[33]				
Total Funding		[33]		

Table 3: Medium to long term funding

Agency	Initiative	Total funding required (millions)	Status	Comment
Department of Internal Affairs	Expansion of the Office of Ethnic Communities	[33]	This has been submitted as a late Budget bid	Treasury supports funding [33] of this initiative.
Department of Internal Affairs	Additional staff to combat extremist objectionable content.	[33]	This has been submitted as a late Budget bid	We are still considering the initiative.
[33]				
Ministry of Justice	Response [33]	\$1.560 opex \$0.150 capex	No official request for funding has been received	It is unclear whether the Ministry could reprioritise within baselines.
[33]				
Total Funding		[33]		