

The Treasury

Budget 2021 Information Release

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Cabinet Document Details

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Cabinet

Minute of Decision

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2021 Budget Technical Financial Recommendations: Vote Labour Market

On 6 April 2021, Cabinet:

- 1 **approved** the Budget initiatives for the above Vote for inclusion in the 2021 Budget package, as listed in the summary below and detailed in the attached initiative documents:

Summary of initiatives included in the attached initiative documents:

Operating Initiatives (Impact on Operating Balance)

Initiative ID	Initiative Name	\$m - increase/(decrease)				
		2020/21	2021/22	2022/23	2023/24	2024/25 & Outyears
13443	Concession Expense from Interest-free Loan to Support Modernisation of WorkSafe New Zealand	8,099	-	-	-	-
13413	Reprioritising Funding from Delayed Immigration Policy Work to Support Workplace Relations and Safety Policy Work Programme	(1,200)	1,200	-	-	-
Total Operating		6,899	1,200	-	-	-

- 2 **approved** changes to appropriations to implement the initiatives, as set out in the attached initiative documents;
- 3 **approved** the additional recommendations to give effect to the initiatives, as set out in the attached initiative documents;
- 4 **agreed** that the changes to appropriations for 2020/21 above be included in the 2020/21 Supplementary Estimates and that, in the interim, the increases be met from Imprest Supply;
- 5 **authorised** the Minister of Finance and the Appropriation Minister to approve jointly any technical adjustments to baselines necessary to remove any errors or inconsistencies identified while finalising the 2020/21 Supplementary Estimates, the 2021/22 Estimates and the fiscal forecasts;

- 6 **authorised** the chief executives of departments that monitor Crown entities directly affected by decisions in this minute to inform the chair and/or chief executive of a Crown entity, on a Budget-in-confidence-until-Budget-day basis, of decisions that directly affect that Crown entity for the purpose of planning and preparation of their Statement of Intent;
- 7 **noted** that all communications relating to the 2021 Budget are co-ordinated by a Budget communications committee, and that any requests for early announcement will need to have both the written approval of the Minister of Finance and sign-off from the Prime Minister's office;

Michael Webster
Secretary of the Cabinet

Vote: Labour Market

Appropriation Administrator: Ministry of Business, Innovation and Employment

Title: Concession Expense from Interest-free Loan to Support Modernisation of WorkSafe New Zealand

Description: In Budget 2019, Cabinet agreed to establish a tagged capital contingency for WorkSafe Modernisation, including a capital injection of approximately \$32 million [CAB-19-MIN-0174.23]. As the injection was to be treated as a repayable, concessionary loan there should have been appropriation for the associated concession expense, but this technical aspect was overlooked at the time. WorkSafe New Zealand (WorkSafe) intends to seek draw-down of this capital contingency from the Joint Ministers of Workplace Relations and Safety and Finance before Budget moratorium, which if agreed to would create unappropriated expenditure.

Appropriation changes

	\$m - increase/(decrease)				
	2020/21	2021/22	2022/23	2023/24	2024/25 & Outyears
Operating Balance Impact	8.099	-	-	-	-
Debt Impact	-	-	-	-	-
No Impact	5.303	-	-	-	-
Total	13.402	-	-	-	-

	\$m - increase/(decrease)				
	2020/21	2021/22	2022/23	2023/24	2024/25 & Outyears
Non-Departmental Other Expense:					
Workplace Relations and Safety - Concession Expense for Loans to WorkSafe New Zealand	13.402	-	-	-	-
Total Operating	13.402	-	-	-	-

Additional recommendations

- 8 **noted** that in April 2019, Cabinet agreed, as part of Budget 2019 decisions, to establish a \$31.570 million capital contingency for Increasing WorkSafe New Zealand's capacity to improve the health and safety outcomes of workers in New Zealand [CAB-19-MIN-0174.23];
- 9 **noted** that the funding was not charged against the Budget 2019 capital allowance because the capital was intended to be repaid by WorkSafe New Zealand within a ten year period, constituting an interest free loan to a Crown Entity;
- 10 **noted** that the concessionary expense associated with the foregone revenue of this interest-free loan was overlooked at the time;

- 11 **noted** that the operating balance impact reflects the Treasury's standard fiscal management approach of estimating the concessionary expense based on the expected repayment schedule and foregone revenue discounted by the current public sector discount rate of 5 percent, whereas the appropriation amount is calculated on a 10 percent interest rate assumption to reduce the risk of breaching appropriations;
- 12 **agreed** that, because the concession expense is a non-cash expense that will not affect net debt, the operating balance impact above will not be managed against any allowances, but will represent a decrease in OBEGAL;
- 13 **noted** that the concession expense provides for the appropriate accounting treatment of the better than market loan agreement between the Ministry of Business, Innovation and Employment and WorkSafe New Zealand, and assumes the loan facility agreement and Ministerial authorisation occur in the 2020/21 financial year;
- 14 **agreed in principle** that in the case of a delay in the loan facility agreement and/or Ministerial authorisation, the balance of the appropriation as at 30 June 2021 can be transferred to the 2021/22 financial year to ensure that an appropriation is available for the concession expense;
- 15 **authorised** the Minister of Finance and the Minister for Workplace Relations and Safety jointly to agree the final amount to be transferred, following completion of the 2020/21 audited financial statements of the Ministry of Business, Innovation and Employment (or earlier if necessary), with no impact on the operating balance across the forecast period.

Vote: Labour Market

Appropriation Administrator: Ministry of Business, Innovation and Employment

Title: Reprioritising Funding from Delayed Immigration Policy Work to Support Workplace Relations and Safety Policy Work Programme

Description: Cabinet approved new funding in 2019/20 to negotiate Sector Agreements and monitor their implementation, and update and maintain Skills Shortage Lists. The majority of this work was put on hold due to COVID-19. MBIE requests an expense transfer and fiscally neutral adjustment to support the current cost pressures related to the Workplace Relations and Safety policy team and their current work programme.

Appropriation changes

	\$m - increase/(decrease)				
	2020/21	2021/22	2022/23	2023/24	2024/25 & Outyears
Operating Balance Impact	(1.200)	1.200	-	-	-
Debt Impact	-	-	-	-	-
No Impact	-	-	-	-	-
Total	(1.200)	1.200	-	-	-

	\$m - increase/(decrease)				
	2020/21	2021/22	2022/23	2023/24	2024/25 & Outyears
Multi-Category Expenses and Capital Expenditure:					
Policy Advice and Related Services to Ministers (MCA)					
<i>Departmental Output Expenses:</i>					
Policy Advice and Related Services to Ministers - Workplace Relations and Safety (funded by revenue Crown)	-	1.200	-	-	-
Policy Advice and Related Services to Ministers - Immigration (funded by revenue Crown)	(1.200)	-	-	-	-
Total Multi-Category Expenses and Capital Expenditure: Policy Advice and Related Services to Ministers (MCA)	-	-	-	-	-
Total Operating	(1.200)	1.200	-	-	-