

The Treasury

Budget 2021 Information Release

August 2021

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Key to sections of the Act under which information has been withheld:

- [1] 6(a) - to avoid prejudice to the security or defence of New Zealand or the international relations of the government
- [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
- [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
- [36] 9(2)(h) - to maintain legal professional privilege
- [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
- [40] Not in scope
- [42] 18(d) - information is already publicly available or will be publicly available soon.

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Treasury Report: Request for Invitation for Late Budget 2021 Initiatives - Finance Portfolio

Date:	4 February 2021	Report No:	T2021/183
		File Number:	BM-2-1-2021

Action sought

	Action sought	Deadline
Hon Dr Megan Woods Associate Minister of Finance	Agree which late initiatives in the Finance portfolio you would like to invite into the Budget 2021 process. Sign and send the attached letter to the Minister of Finance.	10 February 2021

Contact for telephone discussion (if required)

Name	Position	Telephone	1st Contact
Tim Roper	Senior Analyst, Justice, Security and Government Services	[39]	N/A (mob) ✓
Colin Hall	Manager, Justice, Security and Government Services	[35]	

Minister's Office actions (if required)

Return the signed report to Treasury
Send the attached letter to the Minister of Finance and **provide** a copy to Treasury

Note any feedback on the quality of the report

Enclosure: Yes (attached)

Treasury Report: Request for Invitation for Late Budget 2021 Initiatives - Finance Portfolio

Purpose of Report

1. This report provides advice on three late initiatives in the Finance portfolio that Minister Robertson has requested you invite him to submit for consideration in Budget 2021.

Background

2. In accordance with Cabinet's agreed invitation-only process for Budget 2021 initiatives, The Minister of Finance wrote to you¹ on 10 December 2020 requesting that he be invited to submit a cost pressure initiative relating to maintaining Treasury capability. The Minister also signalled a number of non-departmental cost pressures in the Finance portfolio that would need to be addressed over the next three Budgets.
3. You replied on or about 15 December, inviting the Minister to submit the requested cost pressure initiative relating to maintaining Treasury capability.
4. Minister Robertson subsequently wrote to you on 29 January 2021 seeking permission to submit three, late non-departmental cost pressure initiatives, as follows:

[33]

- World Bank Subscription – to provide for New Zealand's agreed increased contribution to the International Finance Corporation (IFC), and
- Productivity Commission – to enable the Commission to meet its full range of activities in the face of constrained baseline funding.

Analysis

5. There is a high bar for initiatives to be invited for consideration in Budget 2021. Specifically, initiatives are limited to critical cost pressures and priority manifesto commitments; all other initiatives are out of scope. Initiatives also need to demonstrate high value for money and implementation-readiness.
6. The Vote team has assessed each of the late Finance portfolio initiatives against these criteria. Our summary assessments are set out below.

World Bank Subscription

[1]

¹ In your capacity as Associate Minister of Finance with delegation to act as Minister of Finance where matters relate to appropriations in Vote Finance for which Minister Robertson is responsible.

8. We understand the amount required for payment is \$32 million. Taking a decision in Budget 2021 to make payment in 2021/22 rather than waiting until Budget 2022 to make payment in 2022/23 involves minimal opportunity cost, as the payment constitutes capital expenditure and the capital allowance spans multiple Budgets (unlike the operating allowances, which are set for each Budget).
9. Taking the above into consideration, we are satisfied that the initiative meets the necessary threshold for consideration as a critical cost pressure. We recommend inviting Minister Robertson to submit this initiative for consideration in Budget 2021.

[33]

Productivity Commission

13. We consider this cost pressure initiative does not meet the necessary threshold for consideration in Budget 2021. While the Productivity Commission has not received a baseline increase since its establishment in 2010, the entity is not at immediate risk of service delivery failure or not meeting its legislative requirements. Indeed, the Minister's letter states that a baseline increase needs to be agreed no later than Budget 2022. No amounts are mentioned in the letter, but we understand the increase sought is about \$1 million operating funding per annum.
14. We recommend not inviting this initiative for consideration in Budget 2021 and instead deferring it to Budget 2022. While we acknowledge that the Commission's baseline remains tight, in our view such deferral is realistically achievable. Ministers have choices about which specific outputs they contract the Commission to deliver and can reasonably be expected to take the Commission's financial position into account when agreeing these for the 2021/22 financial year.

Next Steps

15. If you agree to our recommendations, we recommend you sign and send the attached letter to the Minister of Finance at the earliest opportunity.

Recommended Action

We recommend that you:

- a **agree** to invite the late Finance portfolio initiative *World Bank Subscription* into the Budget 2021 process

Agree/disagree.

Associate Minister of Finance

- b **agree** not to invite the late Finance portfolio initiative [33] into the Budget 2021 process

Agree/disagree.

Associate Minister of Finance

- c **agree** not to invite the late Finance portfolio initiative *Productivity Commission* into the Budget 2021 process, and

Agree/disagree.

Associate Minister of Finance

- d **sign** the attached letter informing the Minister of Finance of your decisions.

Agree/disagree.

Associate Minister of Finance

Colin Hall
Manager, Justice, Security and Government Services

Hon Megan Woods
Associate Minister of Finance

Hon Dr Megan Woods

MP for Wigram

Minister of Housing

Minister of Energy and Resources

Minister of Research, Science and Innovation

Associate Minister of Finance



Hon Grant Robertson
Minister of Finance
Parliament Buildings
WELLINGTON

Dear Grant

REQUEST FOR INVITATION FOR LATE BUDGET 2021 INITIATIVES - FINANCE PORTFOLIO

Thank you for your letter dated 29 January 2021 seeking invitation to submit three late cost pressure initiatives in the Finance portfolio for consideration in Budget 2021.

Based on the further information provided in your letter, I am satisfied that the World Bank Subscription initiative meets the necessary threshold for consideration as a critical cost pressure. Accordingly, I invite you to submit a Budget 2021 initiative relating to this item.

I consider that the other two late cost pressure initiatives ([33] Productivity Commission) do not meet the necessary critical cost pressure criteria for consideration in Budget 2021. On this basis, consideration of these initiatives should be deferred to a future Budget.

Yours sincerely

Hon Megan Woods
Associate Minister of Finance