

# The Treasury

## Budget 2022 Information Release

August 2022

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## 2022 Budget Package: Vote Housing and Urban Development (Technical Initiatives)

### Appropriation Administrator: Ministry of Housing and Urban Development

It is recommended that the relevant Appropriation Minister and the Minister of Finance jointly:

- note** that Cabinet has approved the Budget initiatives for the above Vote for inclusion in the 2022 Budget package, as detailed in the summary tables below:

### Summary of technical initiative(s) agreed by Cabinet:

#### Operating Initiatives (Impact on Operating Balance)

Initiative ID	Initiative Name	\$m - increase/(decrease)				
		2021/22	2022/23	2023/24	2024/25	2025/26 & Outyears
14421	Affordable Housing Fund Administration Costs	(3.750)	(0.250)	2.000	2.000	-
14429	Housing Programme Fair Value Impairment Loss and Inventory Disposal	(24.161)	24.161	-	-	-
14402	Refinancing of Crown loans to Kāinga Ora - Homes and Communities	-	-	-	-	-
14422	Reforecast of Sale of Land and Dwellings - Costs	(103.490)	8.140	140.450	116.000	116.000
14393	Uncommitted Development Prepayments to Community Housing Providers	-	-	-	-	-
14489	Authority to Approve Adjustments Associated with an Appropriation Restructure	-	-	-	-	-
<b>Total Operating</b>		<b>(131.401)</b>	<b>32.051</b>	<b>142.45</b>	<b>118.000</b>	<b>116.000</b>

#### Capital Initiatives (Impact on Debt)

Initiative ID	Initiative Name	\$m - increase/(decrease)				
		2021/22	2022/23	2023/24	2024/25	2025/26 & Outyears
14421	Affordable Housing Fund Administration Costs	-	-	-	-	-
14429	Housing Programme Fair Value Impairment Loss and Inventory Disposal	-	-	-	-	-
14402	Refinancing of Crown loans to Kāinga Ora - Homes and Communities	-	-	-	-	-
14422	Reforecast of Sale of Land and Dwellings - Costs	-	-	-	-	-

14393	Uncommitted Development Prepayments to Community Housing Providers	15.000	-	-	-	-
14489	Authority to Approve Adjustments Associated with an Appropriation Restructure	-	-	-	-	-
<b>Total Capital</b>		<b>15.000</b>	-	-	-	-

2 **note** that Cabinet has:

- i. **authorised** the relevant Appropriation Minister and the Minister of Finance (Joint Ministers) jointly to agree to the changes to appropriations (including establishment of new appropriations if necessary) and/or capital injections and related recommendations necessary to give effect to the initiatives included in the 2022 Budget package for the above Vote, as detailed in the summary tables above;
- ii. **authorised** Joint Ministers jointly to agree that the proposed changes to appropriations and/or capital injections for 2021/22 approved by Joint Ministers as authorised above be included in the 2021/22 Supplementary Estimates and that, in the interim, the increases be met from Imprest Supply;
- iii. **agreed** that expenses or capital expenditure against appropriations and capital injection authorisations set out in the 2022/23 Estimates and being sought in the Appropriation (2022/23 Estimates) Bill may be met from Imprest Supply until that Bill is enacted and comes into force;
- iv. **authorised** Joint Ministers to approve jointly any technical adjustments to baselines necessary to remove any errors or inconsistencies identified while finalising the 2021/22 Supplementary Estimates, the 2022/23 Estimates and the fiscal forecasts;
- v. **authorised** the chief executives of departments that monitor Crown entities directly affected by Budget decisions taken by Cabinet or taken by Joint Ministers as authorised by Cabinet 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 and/or Statement of Performance Expectations;
- vi. **noted** that all communications relating to the 2022 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;

3 **agree** to establish new appropriations where required to implement the initiatives included in the summary tables above, as detailed in the attached initiative documents;

4 **approve** changes to appropriations and/or the capital injections to the administering department (where applicable) to implement the initiatives included in the summary tables above, as set out in the attached initiative documents;

5 **approve** the additional recommendations to give effect to the initiatives, as set out in the attached initiative documents;

- 6 **agree** that the proposed changes to appropriations and/or capital injections for 2021/22 detailed in the attached initiative documents be included in the 2021/22 Supplementary Estimates and that, in the interim, the increases be met from Imprest Supply;

**Vote:** Housing and Urban Development

**Appropriation Administrator:** Ministry of Housing and Urban Development

**Title:** Affordable Housing Fund Administration Costs

**Description:** This funding was originally obtained in 2020 to administer the Residential Development Response Fund through Kāinga Ora. In March 2021 it was announced that the Residential Development Response Fund will be refocused on increasing affordable housing. This refocused fund will now be run through the Ministry of Housing and Urban Development. This technical initiative is to reallocate administrative funding to the correct appropriation.

### Appropriation Changes

	Sm - increase/(decrease)				
	2021/22	2022/23	2023/24	2024/25	2025/26 & Outyears
Operating Balance Impact*	(3.750)	(0.250)	2.000	2.000	-
Net Core Crown Debt Impact Only	-	-	-	-	-
No Impact	-	-	-	-	-
<b>Total</b>	<b>(3.750)</b>	<b>(0.250)</b>	<b>2.000</b>	<b>2.000</b>	<b>-</b>

\* Unless non-cash, will also impact net core Crown debt.

	Sm - increase/(decrease)				
	2021/22	2022/23	2023/24	2024/25	2025/26 & Outyears
<b>Non-Departmental Output Expenses:</b>					
Kāinga Ora - Homes and Communities	(3.750)	(2.000)	-	-	-
<b>Multi-Category Expenses and Capital Expenditure:</b>					
Managing the Housing and Urban Development Portfolio (MCA)					
<i>Departmental Output Expenses:</i>					
Management of Housing Provision and Services (funded by revenue Crown)	-	1.750	2.000	2.000	-
Total Multi-Category Expenses and Capital Expenditure: Managing the Housing and Urban Development Portfolio (MCA)	-	1.750	2.000	2.000	-
<b>Total Operating</b>	<b>(3.750)</b>	<b>(0.250)</b>	<b>2.000</b>	<b>2.000</b>	<b>-</b>
<b>Total Capital</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Vote:** Housing and Urban Development

**Appropriation Administrator:** Ministry of Housing and Urban Development

**Title:** Housing Programme Fair Value Impairment Loss and Inventory Disposal

**Description:** Commencement of the Housing Infrastructure Fund's Tauranga Te Tumu project has been delayed to 2022/23 financial year. As a result, the associated fair value impairment of the zero-interest loan funding the project will now be recognised in 2022/23. At the 2021/22 March Baseline Update, Joint Ministers agreed to restructure the relevant impairment appropriation so that it is a category within a multi-category appropriation, with effect from 1 July 2022. This technical initiative seeks to transfer this funding from 2021/22 to 2022/23 and from the current appropriation to the new MCA.

### Appropriation Changes

	\$m - increase/(decrease)				
	2021/22	2022/23	2023/24	2024/25	2025/26 & Outyears
Operating Balance Impact*	(24.161)	24.161	-	-	-
Net Core Crown Debt Impact Only	-	-	-	-	-
No Impact	-	-	-	-	-
<b>Total</b>	<b>(24.161)</b>	<b>24.161</b>	-	-	-

\* Unless non-cash, will also impact net core Crown debt.

	\$m - increase/(decrease)				
	2021/22	2022/23	2023/24	2024/25	2025/26 & Outyears
<b>Non-Departmental Other Expenses:</b>					
Housing Infrastructure Fund - Fair Value Write Down (MYA)	(24.161)	-	-	-	-
<b>Multi-Category Expenses and Capital Expenditure:</b>					
Housing Programme Fair Value Impairment Loss and Inventory Disposal (MCA)					
<i>Non-Departmental Other Expenses:</i>					
Fair Value Impairment Loss – Housing Infrastructure Fund	-	24.161	-	-	-
Total Multi-Category Expenses and Capital Expenditure: Housing Programme Fair Value Impairment Loss and Inventory Disposal (MCA)	-	24.161	-	-	-
<b>Total Operating</b>	<b>(24.161)</b>	<b>24.161</b>	-	-	-

## **Additional Recommendations**

- 7 **agree** the Multi Year Appropriation: "Housing Infrastructure Fund - Fair Value Write Down" is adjusted by \$(24.161) million;
- 8 **note** that the amounts shown in the appropriation changes table for the Multi Year Appropriation: "Housing Infrastructure Fund - Fair Value Write Down" reflect the change to the indicative annual spending profile;

**Vote:** Housing and Urban Development

**Appropriation Administrator:** Ministry of Housing and Urban Development

**Title:** Refinancing of Crown loans to Kāinga Ora - Homes and Communities

**Description:** Kāinga Ora - Homes and Communities has four Crown loans, created under the now disestablished Vote Social Housing and administered by the Ministry of Social Development, that require refinancing. The requirement to appropriate the rollover of these was not recognised when the successor vote, Vote Housing and Urban Development, was established. The loans date back to 2017 and 2018, with two totalling \$95 million falling due in June 2022, a third (\$23.349 million) in June 2023, and the fourth (\$8.916 million) in November 2028. As this is a rollover of borrowing there is no net impact on Crown debt.

### New Appropriation Approval

Name	Appropriation Minister	Period	Type	Category Name	Scope
Refinancing of Crown loans to Kāinga Ora - Homes and Communities	Minister of Housing	Annual	Non-Departmental Capital Expenditure	N/A	This appropriation is limited to refinancing existing Crown loans to Kāinga Ora - Homes and Communities and Housing New Zealand Limited.

### Appropriation Changes

	\$m - increase/(decrease)							
	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Operating Balance Impact*	-	-	-	-	-	-	-	-
Net Core Crown Debt Impact Only	-	-	-	-	-	-	-	-
No Impact	95.000	23.349	-	-	-	-	-	8.916
<b>Total</b>	<b>95.000</b>	<b>23.349</b>	-	-	-	-	-	<b>8.916</b>

\* Unless non-cash, will also impact net core Crown debt.

	\$m - increase/(decrease)							
	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
<b>Non-Departmental Capital Expenditure:</b>								
Refinancing of Crown loans to Kāinga Ora - Homes and Communities	95.000	23.349	-	-	-	-	-	8.916
<b>Total Capital</b>	<b>95.000</b>	<b>23.349</b>	-	-	-	-	-	<b>8.916</b>

## **Additional Recommendations**

- 9 **note** that repayment of loans rolled over is recorded by New Zealand Debt Management Office through Vote Finance;
- 10 **note** that for the fiscal forecasts existing Crown loans to Kainga Ora are assumed to continually rollover;

**Vote:** Housing and Urban Development

**Appropriation Administrator:** Ministry of Housing and Urban Development

**Title:** Reforecast of Sale of Land and Dwellings - Costs

**Description:** A new appropriation was created to recognise the accounting cost of the sale of KiwiBuild housing properties held as inventory by the Ministry of Housing and Urban Development at Budget 2021. At its creation, the full amount of the appropriation was attributed to the 2021/22 financial year rather than to when revenue from property sales was expected. At the 2021/22 March Baseline Update, Joint Ministers agreed to restructure the relevant appropriation, with effect from 1 July 2022. This technical initiative seeks to align the accounting cost arising from the reduction in inventory with the corresponding forecast revenue from KiwiBuild property sales and transfer the remaining 2021/22 funding to the new MCA.

### Appropriation Changes

	\$m - increase/(decrease)				
	2021/22	2022/23	2023/24	2024/25	2025/26 & Outyears
Operating Balance Impact*	(103.490)	8.140	140.450	116.000	116.000
Net Core Crown Debt Impact Only	-	-	-	-	-
No Impact	-	-	-	-	-
<b>Total</b>	<b>(103.490)</b>	<b>8.140</b>	<b>140.450</b>	<b>116.000</b>	<b>116.000</b>

\* Unless non-cash, will also impact net core Crown debt.

	\$m - increase/(decrease)				
	2021/22	2022/23	2023/24	2024/25	2025/26 & Outyears
<b>Non-Departmental Other Expenses:</b>					
Sale of Land and Dwellings - Costs	(103.490)	-	-	-	-
<b>Multi-Category Expenses and Capital Expenditure:</b>					
Housing Programme Fair Value Impairment Loss and Inventory Disposal (MCA)					
<i>Non-Departmental Other Expenses:</i>					
Sale of Land and Dwellings – Costs	-	8.140	140.450	116.000	116.000
Total Multi-Category Expenses and Capital Expenditure: Housing Programme Fair Value Impairment Loss and Inventory Disposal (MCA)	-	8.140	140.450	116.000	116.000
<b>Total Operating</b>	<b>(103.490)</b>	<b>8.140</b>	<b>140.450</b>	<b>116.000</b>	<b>116.000</b>

## **Additional Recommendation**

- 11 **note** that this is a non-cash appropriation and aligns with the corresponding forecast revenue from KiwiBuild property sales;

**Vote:** Housing and Urban Development

**Appropriation Administrator:** Ministry of Housing and Urban Development

**Title:** Uncommitted Development Prepayments to Community Housing Providers

**Description:** Cabinet agreed to establish a non-departmental capital expenditure appropriation as required by section 65P of the Public Finance Act 1989 to facilitate lending as a result of advance payment of early-stage funding of the Operating Supplement to Community Housing Providers to deliver the Public Housing Plan 2021 [SWC-21-MIN-0106 refers].

The Ministry of Housing and Urban Development requires a technical adjustment to increase the Non-departmental Capital Expenditure: Community Housing Providers – Prepayment of Staged Operating Funding appropriation by \$15 million to cover lending for existing un-allocated funding.

### Appropriation Changes

	\$m - increase/(decrease)				
	2021/22	2022/23	2023/24	2024/25	2025/26 & Outyears
Operating Balance Impact*	-	-	-	-	-
Net Core Crown Debt Impact Only	15.000	-	-	-	-
No Impact	-	-	-	-	-
<b>Total</b>	<b>15.000</b>	-	-	-	-

\* Unless non-cash, will also impact net core Crown debt.

	\$m - increase/(decrease)				
	2021/22	2022/23	2023/24	2024/25	2025/26 & Outyears
<b>Non-Departmental Capital Expenditure:</b>					
Community Housing Providers – Prepayment of Staged Operating Funding	15.000	-	-	-	-
<b>Total Capital</b>	<b>15.000</b>	-	-	-	-

### Additional Recommendations

- 12 **note** that subsequent to Cabinet's SWC-21-MIN-0106 decision, the Minister of Finance noted that officials considered the payments of early stage funding Operating Funding to Community Service Providers were necessary or expedient in the public interest, and agreed with that recommendation; and agreed to delegate to Secretary of The Treasury, with authorised sub delegations to officials in the Ministry of Housing and Urban Development, his powers under sections 65L, 65O and 65Q of the Public Finance Act 1989 in relation to these payments;
- 13 **note** that the Minister of Finance's agreement and delegations did not cover the \$15 million

outlined above as part of this initiative, and that that agreement and delegations will need to be sought in addition to the increase in this appropriation;

**Vote:** Housing and Urban Development

**Appropriation Administrator:** Ministry of Housing and Urban Development

**Title:** Authority to Approve Adjustments Associated with an Appropriation Restructure

**Description:** As part of the 2022 March Baseline Update several Vote Housing and Urban Development non-departmental appropriations were revised. This included a request to transfer the unspent balances as at 30 June 2022 from the expiring appropriations to the successor appropriations. Joint Ministers do not have authority to approve transfers across years from one appropriation to a different appropriation. This impacts all in-principle transfers where an appropriation restructure changes the appropriations between years. This initiative seeks for the relevant appropriations to delegate that authority to the appropriation Minister and the Minister of Finance jointly.

### **Additional Recommendations**

- 14 **authorise** the Minister of Finance and the Minister of Housing jointly to approve the transfer of underspends in 2021/22 to 2022/23 for the following appropriations:
- 14.1 from KiwiBuild Housing MYA to Land for Housing Programme MYA and to Buying off the Plans Programme MYA
  - 14.2 from KiwiBuild Operations to Operating the Land for Housing Programme MYA to Operating the Buying off the Plans Programme MYA
  - 14.3 from Sale of Land and Dwellings - Costs to Housing Programme Fair Value Impairment Loss and Inventory Disposal MCA
  - 14.4 from Housing Infrastructure Fund - Fair Value Write Down to Housing Programme Fair Value Impairment Loss and Inventory Disposal MCA
  - 14.5 from Land for Housing Programme - developers' loans - Fair Value Write Down to Housing Programme Fair Value Impairment Loss and Inventory Disposal MCA
  - 14.6 from Write down and write off of Progressive Home Ownership Loans to Housing Programme Fair Value Impairment Loss and Inventory Disposal MCA
  - 14.7 from Land for Housing - Deferred Settlements to Housing Programme Fair Value Impairment Loss and Inventory Disposal MCA
  - 14.8 from He Kūkū ki te Kāinga - Increasing Māori Housing Supply annual appropriation to He Kuku ki te Kāinga - Increasing Māori Housing Supply MYA
  - 14.9 from He Taupae - Increasing Māori housing capability across the Māori housing continuum to Progressing the Pipeline of Māori Housing
  - 14.10 from He Taupua - Increasing Māori Housing Provider Capability to Progressing the

## Pipeline of Māori Housing

14.11 from Community Housing Providers - Prepayment of Staged Operating Funding to Upfront Payments MCA

14.12 from Progressive Home Ownership - Prepayment of Grants to Upfront Payments MCA; and

15 **note** that the amount to be transferred will be confirmed at the 2022 October Baseline Update when audited results for the year ended 30 June 2022 will be available.