

The Treasury

Budget 2022 Information Release

August 2022

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Treasury Report: Budget 2022 Technical Package

Date:	25 March 2022	Report No:	T2022/605
		File Number:	BM-2-4-2022-8

Action Sought

	Action Sought	Deadline
Minister of Finance (Hon Grant Robertson)	<p>Agree the technical initiatives to be included in the Budget 2022 technical initiatives package</p> <p>Decline the technical initiatives for: (i) the Ministerial Advisory Group joint venture, (ii) forecast APEC underspend, (iii) the Afforestation Grants Scheme, and (iv) the Hill Country Erosion programme</p> <p>Agree to include a late technical initiative relating to Vote Housing and Urban Development</p> <p>Approve two matters relating to multi-category appropriations</p>	28 March 2022

Contact for Telephone Discussion (if required)

Name	Position	Telephone	1st Contact
Emma Harris	Graduate Analyst, Budget Management	[39]	[35] ✓
Simon Duncan	Manager, Budget, Budget Management		

Minister of Finance's Office Actions (if required)

Return the signed report to Treasury.

Note any feedback on the quality of the report

Enclosure: Yes (attached)

Treasury Report: Budget 2022 Technical Package

Executive Summary

This report seeks your agreement to the Budget 2022 technical initiatives for inclusion in the Budget 2022 package. Once you have agreed to the Budget 2022 technical package, a summary will be included in an annex to the Budget 2022 Cabinet paper which Cabinet considers on 11 April. Cabinet will then authorise Joint Ministers to approve the corresponding detailed financial recommendations to give effect to all Budget 2022 initiatives (significant and technical).

The Budget 2022 technical package contains 99 initiatives, none of which have policy or new funding implications. The overall impact of the technical package is fiscally neutral. The detailed financial recommendations for these 99 initiatives are attached to this report for your information.

The Treasury has identified issues with four technical initiatives submitted by departments (relating to Vote Foreign Affairs, Vote Forestry and Vote Justice). We recommend you do not include these initiatives in the Budget 2022 technical package. We also seek your agreement to include a late initiative relating to Vote Housing and Urban Development.

This report also asks you to approve the modification, as well as the creation, of multi-category appropriations (MCA) under section 7B of the Public Finance Act 1989.

Recommended Action

We recommend that you:

- a **note** the attached detailed financial recommendations for the 99 technical initiatives submitted for inclusion in the Budget 2022 technical initiatives package
- b **decline** the following technical initiatives and as a result they will not be included in the Budget 2022 package considered by Cabinet on 11 April:
 - the Ministerial Advisory Group joint venture initiative (note that this initiative is not included in the attached initiatives) (paragraph 7 refers)
Agree/disagree
 - the APEC underspend initiative (#14439) (paragraphs 10-11 refer)
Agree/disagree
 - the Afforestation Grants Scheme initiative (#14332) (paragraph 8 refers)
Agree/disagree
 - the Hill Country Erosion initiative (#14335) (paragraph 9 refers)
Agree/disagree

- c **agree** to include all the submitted technical initiatives in the Budget 2022 package for consideration by Cabinet on Monday 11 April, subject to your decisions in recommendation b above:

Agree/disagree

- d **indicate** whether there are any other of the technical initiatives in the attached detailed financial recommendations that you do not want included in the Budget 2022 technical package

- e **agree** to include a late technical initiative seeking authority for joint Ministers to approve the transfers of unspent amounts from appropriations in Vote Housing and Urban Development that are expiring on 30 June 2022 to the successor appropriations in that Vote in 2022/23 (paragraphs 12 – 13 refer)

Agree/disagree

- f **approve** the following matters under section 7B of the Public Finance Act 1989:

- the changes to the overarching purpose statement and the categories of the Multi Category Appropriation “Tertiary Tuition and Training” in Vote Tertiary Education as set out in paragraph 14 of this report

Approved/not approved

- the establishment of a Multi Category Appropriation “Capital Investment Package- Operating” in Vote Transport as set out in paragraph 15 of this report, and

Approved/not approved

- g **note** that the technical initiatives included in the Budget technical package will be summarised in an annex to the Budget 2022 Cabinet paper, to be considered by Cabinet on 11 April.

Simon Duncan
Manager, Budget Management

Hon Grant Robertson
Minister of Finance

Treasury Report: Budget 2022 Technical Package

Purpose of Report

1. This report seeks your agreement to the technical initiatives submitted by Ministers for inclusion in the Budget 2022 technical initiatives package. The package is entirely technical in nature, while the forthcoming significant Budget package contains Budget 2022's substantive initiatives. The technical and significant Budget 2022 packages will be considered together by Cabinet on 11 April.

Budget 2022 Technical Package

2. The Budget 2022 technical initiatives package contains adjustments to appropriations without policy implications. These technical initiatives do not seek new funding and therefore do not impact budget allowances. The overall impact of the technical package is fiscally neutral.
3. The technical initiatives to be approved are primarily:
 - minor changes to scope statements of appropriations
 - fiscally neutral adjustments that joint Ministers do not have delegated authority to approve under Cabinet Office Circular CO (18) 2, and which therefore could not be agreed through the March Baseline Update (MBU)
 - a small number of adjustments that are not fiscally neutral but have no cash impact and therefore no impact on debt
 - items that missed MBU, and
 - technical changes resulting from a change in the accounting treatment of Software as a Service (SaaS) arrangements.
4. A new approach to the approval of financial recommendations is being trialled for Budget 2022. Once you have indicated which initiatives should be included in the Budget technical package, a summary of them will be included in an annex to the Budget Cabinet paper for Cabinet to agree and to authorise Joint Ministers to approve the corresponding detailed technical financial recommendations. This approach is aimed at providing Cabinet with a clearer, more accessible summary of the Budget package.
5. The collated technical financial recommendations to give effect to these initiatives are attached for your information. Subject to your decisions on this report, they will then be included in the consolidated Budget 2022 financial recommendations for Joint Ministers to approve (following Cabinet's agreement to the Budget 2022 package on 11 April).
6. The Budget 2022 technical package includes 99 initiatives, with financial recommendations impacting the following Votes:

Agriculture, Biosecurity, Fisheries and Food Safety	Foreign Affairs
Arts, Culture and Heritage	Forestry
Attorney General	Health
Building and Construction	Housing and Urban Development
Business, Science and Innovation	Internal Affairs
Conservation	Justice
Corrections	Oranga Tamariki
Courts	Parliamentary Service
Customs	Police
Defence Force	Prime Minister and Cabinet
Education	Revenue
Education Review Office	Social Development
Finance	Tertiary Education
	Transport

Technical Initiatives Recommended to be Declined

Joint Venture Funding Request for Establishment of Ministerial Advisory Group

7. As part of the March Baseline Update, the Minister for the Prevention of Family and Sexual Violence requested a transfer from 2021/22 to 2022/23 to provide funding for the establishment of the Ministerial Advisory Group. You declined this request, noting that Budget 2021 provided ongoing funding for the Group and that delays in setting up the Group should not impact the 2022/23 funding requirement. The Joint Venture has since submitted a similar technical initiative late into the process. We have not included this initiative in the package, as we consider the agency has not provided a compelling argument for why this funding should be retained and transferred to address the points raised through your MBU response letter. Further, the revised package for the Joint Venture in Budget 2022 reinstates \$4 million previously scaled from the package, which will fund community-led wānanga and community participation in the annual hui.

Afforestation Grants Scheme

8. This initiative seeks to shift funds from non-departmental grant expenditure to departmental expenses. The Ministry of Primary Industries (MPI) has previously indicated a desire to divert underspent or returned grant expenditure to fund internal cost pressures, circumventing seeking funding through the main Budget process. No rationale has been provided to the Treasury to justify this initiative and therefore it is not supported. Underspends for 2021/22 should return to the centre.

Hill Country Erosion

9. This initiative is not fiscally neutral in the forecast period and will have an impact on the operating balance. Funding is being brought forward from beyond the forecast period to support the Hill Country Erosion programme from 2023/24 to 2027/28 after funds from across these years were reprioritised to establish the 1 Billion Trees programme in 2019.

Forecast Underspends for Hosting APEC 2021- Multi Year Appropriation

10. The Ministry of Foreign Affairs (MFAT) have submitted a Budget technical initiative seeking to retain \$2.010 million in forecast underspends from the Hosting APEC 2021 Multi-Year Appropriation, which expires at the end of 2021/22. This appropriation was reduced by only a conservative amount following the decision to host APEC virtually, so the realisation of an underspend is not unexpected. Ordinarily this funding would be returned to the centre, however MFAT is seeking agreement to spread this funding over the remaining years in the forecast period to meet the costs of the 'Indigenous Peoples' Economic and Trade Cooperation Arrangement' (IPETCA), which they established as part of their APEC hosting year intending to increase indigenous peoples' participation in the global economy. Further work is required to establish and then operationalise the programme, which includes fulfilling commitments that have been made to Māori to facilitate their involvement.
11. While this initiative is fiscally neutral across the forecast period, it is retrospectively seeking funding to address a cost pressure that has been created by a policy decision that the Minister of Foreign Affairs has made. Policy decisions that have financial implications should be made by Cabinet unless joint Ministers have delegated authority under Cabinet Office Circular CO (18) 2. If you wanted to reinforce your expectations on this point, you may wish to decline to include this initiative in the Budget technical package and instead require MFAT to fund it from within existing baselines.

Late Technical Initiatives Recommended to be Included

Vote Housing and Urban Development – Transfer of Underspends

12. Your agreement is sought to include a late technical initiative for Vote Housing and Urban Development due to the appropriation restructure in this Vote. 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 late initiative seeks for the relevant appropriations Cabinet approval to delegate that authority to the appropriation Minister and the Minister of Finance jointly.
13. This initiative was submitted too late to be included in the attached technical financial recommendations. Should you agree to include this initiative, detailed financial recommendations will be provided to you in April, together with the financial recommendations for significant Budget 2022 initiatives.

Approvals sought under the Public Finance Act 1989 – Multi-Category Appropriations

Change to Overarching Purpose Statement and Categories of Tertiary Tuition and Training MCA

14. The Minister of Education has proposed changes to the structure of Vote Tertiary Education to support the implementation of the unified funding system (UFS) for vocational education, a core part of the Reform of Vocational Education. These changes include consolidating funding for work-based and provider-based training, implementing

the learner and strategic components of the UFS, consolidating support funding for wānanga, and improving the administrative efficiency of the Vote overall. The Minister has included a Budget technical initiative to progress these changes, but your approval is separately needed for changes to the multi-category appropriation, "Tertiary Tuition and Training", as follows:

Amending the Overarching Purpose Statement for the *Tertiary Tuition and Training* MCA

Title	Current Overarching Purpose Statement	Proposed Overarching Purpose Statement
Tertiary Tuition and Training	The single overarching purpose of this appropriation is to fund tertiary tuition and training that leads to improvements in New Zealanders' skill levels.	The single overarching purpose of this appropriation is to support and fund tertiary tuition and training that results in improvements in New Zealanders' skill levels.

Changes to Categories of the *Tertiary Tuition and Training* MCA

Title	Type	Scope	Type of Change
Access to and Success in Tertiary Education	Non-Departmental Output Expense	This category is limited to improving access to and success in tertiary education and training for learners underserved by the tertiary system, particularly those identified in the Tertiary Education Strategy.	New Category
Qualification Delivery	Non-Departmental Output Expense	This category is limited to funding for teaching, training and learning services that support enrolled students at tertiary education organisations to achieve recognised tertiary qualifications and credentials.	New Category
Foundation and Community Education	Non-Departmental Output Expense	This category is limited to funding for adult and community education, literacy, numeracy and English language provision, and other foundation education programmes.	New Category
Community Education	Non-Departmental Output Expense	This category is limited to funding for adult and community education and literacy, numeracy and English language provision.	Expiry - to become part of the Foundation and Community Education category
Tertiary Education: Student Achievement Component	Non-Departmental Output Expense	This category is limited to funding for teaching and learning services for enrolled students in approved courses at tertiary education organisations to achieve recognised tertiary qualifications.	Expiry - to become part of the Qualification Delivery category
Training for Designated Groups	Non-Departmental Output Expense	This category is limited to the purchasing and arranging of training linked to the New Zealand Qualifications Framework and the purchase of both on-job and off-job training places, including delivery of fully or partially funded training places and other industry-training related projects.	Expiry - to become part of the Qualification Delivery category
Fees-free Payments	Non-Departmental Other Expense	This category is limited to ensuring fees-free study for eligible students, apprentices and trainees.	Expiry – to become a standalone single-category appropriation

Title	Type	Scope	Type of Change
Vocational Education and Training Component	Non-Departmental Output Expense	This category is limited to funding learning and support services that lead to the achievement of vocational education qualifications at levels three to seven (excluding degrees) on the New Zealand Qualifications Framework.	Expiry - to become part of the Qualification Delivery category

Establishment of Vote Transport MCA

15. Your approval is sought to establish a new Multi Category Appropriation, as detailed below:

Vote	Appropriation Minister	Appropriation Administrator	Title of MCA	Single Overarching Purpose of MCA
Transport	Minister of Transport	Ministry of Transport	Capital Investment Package - Operating	The single overarching purpose of this appropriation is to advance specified roading, walking, and cycling projects that support the announced objectives of the Capital Investment Package.

Type	Category Name	Scope
Non-Departmental Output Expenses	Operating costs	This category is limited to operating expenses incurred by Waka Kotahi NZ Transport Agency in association with the Capital Investment Package including cost pressures associated with COVID-19.
Non-Departmental Other Expenses	Third party projects	This category is limited to Capital Investment Package projects that will result in assets owned by third parties.

Other comments on specific technical initiatives – for information

Establishment of the Multi-Year Appropriation "Local Government Funding Agency Liquidity Facility"

16. The Budget technical package includes a proposed new multi-year appropriation of \$1,500 million in Vote Finance. This is to provide for an extended Liquidity Facility for the Local Government Funding Agency (LGFA), as agreed by Cabinet in July 2020 [CAB-20-MIN-0364 refers], running a further 10 years to December 2031, and with the lending limit increased from \$1,000 million. As any lending to the LGFA is required to be on commercial terms and fully repayable within 10 years, it is considered fiscally neutral under the current Fiscal Management Approach.
17. The proposed multi-year appropriation will run from 14 April 2022 to 30 June 2024. ^[33]

The multi-year appropriation, if agreed, is unlikely to be called upon, given that the Liquidity Facility is intended only for exceptional and temporary potential LGFA liquidity shortfalls and has yet to be utilised since its inception in December 2011. Nevertheless, having the proposed multi-year appropriation in place will ensure

that the Crown does not incur any unappropriated expenditure,^[33]

[33]

18. ^[33]