

The Treasury

Budget 2021 Information Release

August 2021

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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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- [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: Budget 2021: revised package for Budget Ministers 3

Date:	19 March 2021	Report No:	T2021/653
		File Number:	BM-2-14-2021

Action sought

	Action sought	Deadline
Minister of Finance (Hon Grant Robertson)	Agree to the revised Budget 2021 package that will be presented for approval at Budget Ministers 3.	22 March 2021

Contact for telephone discussion (if required)

Name	Position	Telephone	1st Contact
Gerald Lee	Senior Analyst, Budget Management	[39]	[35] ✓
Simon Duncan	Team Leader, Budget Management		

Minister'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 2021: revised package for Budget Ministers 3

Purpose of Report

1. This report seeks your agreement to a revised Budget 2021 package, following discussions at Budget Ministers 2 and bilateral meetings with portfolio Ministers.
2. Attached to this report are two Annexes:
 - Annex 1 contains a spreadsheet with the current draft Budget 2021 package listing the initiatives submitted by Ministers, outlining the level of funding sought, and the level of funding included in the package. This incorporates decisions from Budget Ministers 2 and placeholder figures for the revised Education sub-package.
 - Annex 2 provides further advice on initiatives/areas that you identified in your bilateral meetings with Ministers, and seeks confirmation on what changes you would like to make to the package as a result.

Background

3. On 15 March 2021, Budget Ministers met for the second time to discuss the key strategic choices around the emerging Budget 2021 package, with a focus on the priority area sub-packages. At that meeting, you indicated Ministers agreed to:
 - [33]
and to increase the multi-year capital allowance to \$12 billion
 - funding the 'high' option for all three priority area sub-packages
 - charging the \$3.8 billion Housing Acceleration Fund against the COVID-19 Response and Recovery Fund (CRRF)
 - charging the fiscal impact of the staggered main benefit increases across the operating allowances for Budgets 2021 and 2022, and
 - minor decisions on including and excluding a number of initiatives (such as the Training Incentive Allowance).
4. Your next engagement with Budget Ministers is on 29 March (Budget Ministers 3) and this meeting will finalise the Budget 2021 package that you take to Cabinet for approval on 12 April. Budget Ministers 3 is the critical decision-making meeting in the Budget 2021 process that informs the production of the Cabinet paper and associated financial recommendations.

Overview of revised Budget 2021 package

5. Tables 1 and 2 provide an overview of the current Budget 2021 package which incorporates all decisions made at Budget Ministers 2.

Table 1: Revised Budget 2021 package (impact on allowances)

	Operating (\$m p.a.)	Capital (\$m 10 year total)
Funding charged against Budget 2021 allowances		
Pre-commitments	216	11
Between-Budget Contingency	40	-
Cost Pressures	1,870	1,435
Manifesto: Child Wellbeing	680	1
Manifesto: Climate Change	93	336
Manifesto: Housing	144	-
Manifesto: Other	447	1,074
Revised Education	450	750
Sub-total	3,939	3,607
Funding charged against Budget 2022 allowances		
Manifesto: Child Wellbeing (second main benefit increase of \$25 per week in 2022)	541	-
Sub-total	541	-
Total	4,480	3607

Table 2: Revised Budget 2021 package (impact on CRRF)*

	Operating (\$m total)	Capital (\$m 10 year total)
Housing Acceleration Fund	3,800	
Other initiatives	459	404
Total	4,663	

*Does not include CRRF reprioritisation totalling approximately \$1 billion.

6. At Budget Matters on 16 March 2021, you signalled that you are still intending to scale the package in order to manage towards the \$3 billion per annum operating allowance that has been agreed for Budget 2021.
7. We can provide you with further advice to support you with scaling the package but there is likely to be limited room to do so without deferring or scaling key cost pressures or deferring commitments currently being funded through the Manifesto – Other sub-package.
8. Outside of placeholder figures for the revised Education sub-package, the totals above do not include the impact of various changes that you signalled at bilateral meetings this week. Further advice on these changes is outlined below, but if you were to agree all the changes that are proposed they would add approximately \$124 million average operating funding per annum and \$3 million total capital funding to the Budget 2021 package.

Key outstanding decisions

9. In order to finalise the Budget 2021 package that will be considered at Budget Ministers 3, there are a number of outstanding issues which require your decisions.

10. Annex 2 contains a full list of initiatives/areas with further advice that you have requested. Further contextual information on some of the major outstanding issues is summarised below.

Health and Disability System Review initiatives

11. At Budget Ministers 2, you raised concerns about the level of funding being sought for the implementation of the Health and Disability System Review (HSDR) changes and requested further advice on the detailed costings underpinning those initiatives. We subsequently provided you with further advice on the detailed costings for these initiatives and discussed this with you at the Finance Priorities Meeting on 18 March [T2021/651 refers].

Education

12. Following discussions at your bilateral meeting with the Minister of Education on 17 March 2021, the Ministry of Education are developing a revised sub-package that fits within the \$1.8 billion total operating funding envelope that you signalled. This has not yet been reviewed by the Minister of Education, but is expected to be submitted to you and the Treasury on 22 March 2021.
13. Pending finalisation of this sub-package, we have included the placeholder amount of \$1.8 billion total operating funding and \$750 million total capital in the Budget 2021 package as presented in Table 1 above.

[33]

14. [33]

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16.

17.

Late initiatives

18. There are three late Vote Finance initiatives which have been submitted into the Budget 2021 process, and which require decisions on whether they will be included in the draft package. We are providing separate advice to the Associate Minister of Finance Hon Dr Megan Woods on these initiatives.
19. At Budget Matters on 16 March 2021, you signalled that the Prime Minister has requested that a number of late Health initiatives be funded through Budget 2021 but that you wished to consider whether they should be funded from baselines. We seek confirmation from you on whether any of these initiatives should be added to the Budget 2021 package.

Next Steps

20. We intend to discuss this report with you as part of the Weekly Agency Meeting on 22 March 2021, including any feedback you have on the revised Budget 2021 package.
21. Following this meeting, we will:
 - provide you with draft Budget Ministers 3 material on 24 March 2021 for your feedback by 25 March 2021, and
 - provide you with final Budget Ministers 3 material on 26 March for distribution to the other Budget Ministers.
22. Other key milestones leading up to Cabinet's consideration of the Budget 2021 package on 12 April include:
 - **25 March:** Treasury Report sent to you with the technical Budget 2021 package Cabinet paper.
 - **26 March:** Treasury Report sent to you with the preliminary fiscal forecasts.
 - **1 April:** Treasury sent to you with the draft significant Budget 2021 Cabinet paper, and technical Budget 2021 package Cabinet paper lodged with the Cabinet Office.
 - **6 April:** Budget Ministers 4 meeting (to be held only if required) and Cabinet considers the technical Budget 2021 package.
 - **8 April:** Treasury Report sent to you with the final economic forecasts.
 - **9 April:** Significant Budget 2021 Cabinet paper lodged with the Cabinet Office, and email sent to your office with the near-final tax forecasts.

Recommended Action

We recommend that you:

- a **note** that the Budget Ministers 3 meeting on Monday 29 March will finalise the Budget 2021 package that you take to Cabinet for approval on 12 April, and
- b **indicate** via Annex 1 and 2 any changes you wish to make to the draft Budget 2021 package that will be considered at the Budget Ministers 3 meeting.

Simon Duncan
Team Leader, Budget Management

Hon Grant Robertson
Minister of Finance