

The Treasury

Budget 2022 Information Release

August 2022

This document has been proactively released and is available on:

- The **Budget website** from August 2022 to May 2023 only at: <https://budget.govt.nz/information-release/2022>, and on
- the **Treasury website** from later in 2022 at: <https://treasury.govt.nz/publications/information-release/budget-2022-information-release>.

Cabinet Document Details

Title: **Cabinet Minute CAB-22-MIN-0129: Wellbeing Budget 2022 Package**

Date: **11 April 2022**

Creator: Cabinet Office

Information Withheld

Some parts of this information release would not be appropriate to release and, if requested, would be withheld under the Official Information Act 1982 (the Act).

Where this is the case, the relevant sections of the Act that would apply have been identified.

Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

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

[33] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials

Where information has been withheld, a numbered reference to the applicable section of the Act has been made, as listed above. For example, a [33] appearing where information has been withheld in a release document refers to section 9(2)(f)(iv).

Copyright and Licensing

Cabinet material and advice to Ministers from the Treasury and other public service departments are © **Crown copyright** but are licensed for re-use under **Creative Commons Attribution 4.0 International (CC BY 4.0)** [<https://creativecommons.org/licenses/by/4.0/>].

For material created by other parties, copyright is held by them and they must be consulted on the licensing terms that they apply to their material.

Accessibility

The Treasury can provide an alternate HTML version of this material if requested. Please cite this document's title or PDF file name when you email a request to information@treasury.govt.nz.



Cabinet

Minute of Decision

This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.

Wellbeing Budget 2022 Package

Portfolio Finance

On 11 April 2022, Cabinet:

Budget 2022 strategy and approach

- 1 **noted** that Budget 2022 addresses New Zealand's most pressing immediate needs while continuing the government's investment to tackle long-term, multi-generational challenges;
- 2 **noted** that in December 2021, the Minister of Finance released the Budget Policy Statement 2022, which outlined the government's current wellbeing objectives and focus areas for Budget 2022;
- 3 **noted** that the focus areas are the immediate, short-term goals for Budget 2022 which contribute to the achievement of the long-term wellbeing objectives;

Budget 2022 Package

- 4 **agreed** to the Budget 2022 package, as set out at the initiative level in the Budget 2022 Significant Package, attached under CAB-22-SUB-0129, comprising:
 - 4.1 a net operating package of \$5.89 billion per annum against the Budget 2022 operating allowance;
 - 4.2 an operating package of \$1.98 billion per annum against the Budget 2023 operating allowance for the second year of clusters and health investments;
 - 4.3 an operating package of \$0.42 billion per annum against the Budget 2024 operating allowance for the third year of cluster investments;
 - 4.4 an operating package of \$2.75 billion total operating and \$0.19 billion total capital over the forecast period against the Climate Emergency Response Fund;
 - 4.5 a net capital package of \$4.69 billion over ten years against the multi-year capital allowance;
- 5 **agreed** to the fiscal implications of each of the initiatives set out in the Budget 2022 Significant Package being charged against the funding source indicated against that initiative, with a corresponding impact on the operating balance and net core Crown debt;

- 6 **authorised** the Minister of Finance and relevant appropriation Minister(s) (Joint Ministers) to jointly agree to the changes to appropriations (including establishment of new appropriations if necessary) and/or capital injections and related recommendations to give effect to each of the initiatives with “Agreed” shown against the Decision column in the Budget 2022 Significant Package;
- 7 **authorised** Joint Ministers, for each initiative with “Contingency” shown against the Decision column in the Budget 2022 Significant Package, to jointly agree:
 - 7.1 the work that needs to be completed or other conditions that need to be satisfied before the contingency is drawn down into appropriations;
 - 7.2 whether the drawdown into appropriations requires Cabinet approval or the approval of Joint Ministers;
 - 7.3 the expiry date of contingency funding;
 - 7.4 any related recommendations necessary to give effect to the contingency initiative;
- 8 **agreed** to the initiatives set out in the Budget 2022 Technical Package, attached under CAB-22-SUB-0129, as technical initiatives for Budget 2022, with largely no impact on net core Crown debt over the forecast period;
- 9 **authorised** Joint Ministers to jointly agree changes to appropriations, including establishing new appropriations if necessary, and/or capital injections and related recommendations to give effect to each of the technical initiatives in the Budget 2022 Technical Package;
- 10 **authorised** Joint Ministers to jointly agree 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;
- 11 **agreed** that expenses and 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;
- 12 **authorised** Joint Ministers to jointly approve any technical adjustments necessary to remove any errors or inconsistencies identified while finalising the 2021/22 Supplementary Estimates, the 2022/23 Estimates and the fiscal forecasts;

Health multi-year funding

- 13 **noted** that in October 2021, Cabinet agreed to provide a transitional funding package at Budget 2022 that supports the health sector through to Budget 2024, providing sufficient funding for the health sector for a two-year period so that, at establishment, Health New Zealand would have a starting balance with no deficits, be able to meet its expected costs, and not be forecasting a deficit position on Day One [SWC-21-MIN-0157];
- 14 **agreed** to \$11.1 billion total operating across the forecast period to cover Vote Health cost pressures consisting of:
 - 14.1 \$1.8 billion operating per annum from 2022/23 onwards to fund cost pressures, with \$500 million per annum of this held in a tagged contingency, to be managed against the Budget 2022 operating allowance;

14.2 \$1.3 billion funding per annum in a tagged contingency from 2023/24 onwards for Vote Health to cover 2023/24 cost pressures to be managed against the Budget 2023 operating allowance;

15 **agreed** to \$2.1 billion total operating across the forecast period to cover Vote Health new spending, with \$266 million per annum managed against each of Budget 2022 and Budget 2023 operating allowances;

Climate Emergency Response Fund (CERF)

16 **agreed** to a net operating CERF package for Budget 2022 of \$2.75 billion operating and \$0.19 billion capital total across the forecast period, which leaves \$690 million unallocated;

17 **agreed** that any operating expenditure after 2025/26 from CERF initiatives agreed in Budget 2022 Significant Package will impact operating balance before gains and losses and net debt directly;

18 **noted** that preliminary 2022 Budget and Economic Update fiscal forecasts show an increase of \$800 million cash proceeds from the Emissions Trading Scheme since the Half Year Update;

19 **agreed** to top-up the CERF by \$800 million, subject to confirmation of the final forecast cash proceeds from the Emissions Trading Scheme in the 2022 Budget Update;

20 [33]

21 **agreed**, subject to the establishment of the monitoring and reporting framework in paragraph 20 above, that all underspends from CERF initiatives are returned to the CERF for reallocation;

Clusters

22 **noted** that in August 2021, Cabinet agreed to pilot longer-term policy proposals to modernise the Public Finance System [CAB-21-MIN-0349];

23 **noted** that this included the establishment of two multi-agency clusters (Natural Resources and Justice) on a non-statutory basis, which would develop multi-year funding proposals for cost pressures and new spending to cover Budgets 2022-2024;

24 **agreed** to \$3.8 billion total operating across the forecast period to the Natural Resource and Justice clusters, with \$419 million average per annum managed against each of Budget 2022, Budget 2023, and Budget 2024 operating allowances;

25 **agreed** that the Natural Resources and Justice clusters may seek additional funding over the next three years (Budgets 2022-2024) for only the following:

25.1 capital initiatives;

25.2 CERF initiatives;

25.3 initiatives for Crown entities monitored by the departments in the Natural Resources and Justice clusters;

25.4 initiatives related to the Joint Venture for eliminating family and sexual violence;

25.5 specific exceptions to three-year funding that the Minister of Finance confirmed in writing with Cluster Ministers on 9 November 2021;

26 **agreed** that, other than the exceptions outlined above, the Natural Resources and Justice clusters will need to fund any unforeseen cost pressures or emerging priorities over the next three years (Budgets 2022-2024) within the multi-year funding packages outlined in paragraph 24;

27 **invited** Justice Cluster Ministers to report back to Cabinet by 31 December 2022 on spending to-date and progress against the specific Cluster priorities;

28 **invited** Natural Resources Cluster Ministers to report back to the Minister of Finance by 31 December 2022 on spending to-date and progress against the specific Cluster priorities;

COVID-19 Response and Recovery Fund (CRRF)

29 **noted** that the CRRF has been successful to date and that the fiscal response to COVID-19 pandemic must evolve in line with the policy response;

30 **noted** that, after funding decisions are taken, the CRRF will have a remaining balance of \$3.25 billion after known funding requests are met;

31 **agreed** to close the CRRF effective 11 April 2022;

32 **agreed** to manage the remaining funding as follows:

32.1 \$1.0 billion to be reprioritised and used to offset the Budget 2022 operating allowance;

32.2 \$1.05 billion reprioritised for cost of living initiatives, as agreed in the submission *Measures to Address Cost of Living Increases for Low-middle Income Earners* [CAB-22-MIN-0130];

32.3 \$1.2 billion to be set aside to establish a ring-fenced COVID-19 related tagged contingency;

33 **agreed** to establish a tagged COVID-19 Response operating contingency focussed on urgent public health costs that cannot be met within baselines before Budget 2023:

Item	\$m - increase/(decrease)				
	2021/22	2022/23	2023/24	2024/25	2025/26
COVID-19 response operating contingency	-	1,202.000	-	-	-

34 **agreed** that the expiry date for the tagged operating contingency in paragraph 33 above is 30 June 2023;

Between-budget operating contingency

35 **agreed** to establish a between-Budget operating contingency as set out below:

Item	\$m - increase/(decrease)				
	2021/22	2022/23	2023/24	2024/25	2025/26 & Outyears
Between-Budget operating contingency	-	40.000	40.000	40.000	40.000

36 **agreed** that:

36.1 proposals for funding from the between-Budget contingency must be for urgent issues that cannot be deferred to Budget 2023;

36.2 Ministers will be expected to demonstrate that they have exhausted their search for opportunities to fund the initiative through reprioritisation of lower-value activities before seeking funding from the between-Budget contingency;

37 **agreed** that no papers with fiscal and/or appropriation implications for agreement by Cabinet, Cabinet Committees, or joint Ministers be submitted between 11 April 2022 and 19 May 2022 so that Budget documentation accurately reflects decisions already taken;

Emerging priorities operating contingency

38 **agreed** to increase the Emerging Priorities Operating Contingency as set out below:

Item	\$m - increase/(decrease)				
	2021/22	2022/23	2023/24	2024/25	2025/26 & Outyears
Emerging Priorities operating contingency	-	5.000	5.000	5.000	5.000

Communications

39 **noted** that the Office of the Minister of Finance coordinates all communications relating to Budget 2022, and that any requests for early announcement will need to have the written approval of both the Minister of Finance and the Prime Minister's Office;

Legislative implications

40 **invited** the Minister of Finance to introduce the Appropriation (2022/23 Estimates) Bill, the Appropriation (2021/22 Supplementary Estimates) Bill (both on Budget Day), the Imprest Supply (First for 2022/23) Bill and the Imprest Supply (Second for 2022/23) Bill to give effect to Budget 2022;

41 **noted** that in November 2021, Cabinet agreed that two Commerce and Consumer Affairs Bills be progressed as Budget night legislation [CAB-21-MIN-0487];

42 **agreed** that any further legislation will be progressed on Budget Day only as agreed by the Minister of Finance and the Leader of the House;

Fiscal strategy

- 43 **agreed** to increase the operating allowance for Budget 2023 from \$4 billion per annum to \$4.5 billion per annum, to ensure the government's priorities and commitments can be delivered;
- 44 **authorised** the Minister of Finance to finalise the fiscal strategy including any further changes to allowances for inclusion in the Fiscal Strategy Report, pending Cabinet's agreement on 19 April 2022 to the Government's new fiscal rules;

Software as a Service

- 45 **noted** that a recent change in the accounting treatment of software as a service (SaaS) arrangements have resulted in the write-off of previously capitalised costs;
- 46 **noted** that the write-off of previously capitalised costs needs to be approved by Parliament in the 2021/22 year, however there are no operating balance or net core Crown debt implications;
- 47 **noted** that the write-off of previously capitalised costs is expected to result in a reduction in depreciation expenses for the Government, which the Treasury estimates could be around \$50 million per annum from 2022/23;
- 48 **agreed** that any reduction in depreciation expenses from the change in accounting treatment will result in a corresponding reduction in Crown funding;
- 49 **agreed** that the reduction in departmental baselines are confirmed through the 2022 October Baseline Update;
- 50 **agreed** that the initial estimate of the reduction in Crown funding (\$50 million per annum from 2022/23) is offset against the Budget 2022 operating allowance.

Michael Webster
Secretary of the Cabinet

Secretary's note: This minute has been amended to correct the net capital package figure in recommendation 4.5.