

The Treasury

Budget 2024 Information Release

September 2024

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- [36] 9(2)(h) - to maintain legal professional privilege
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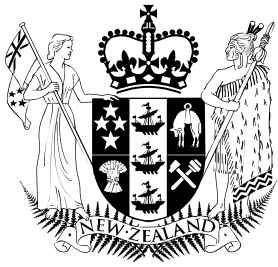
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Budget Ministers 3

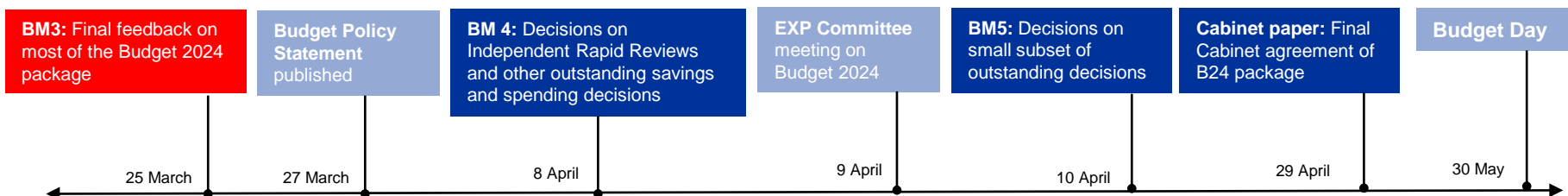
Revised Budget 2024 package

Purpose of Budget Ministers 3

The two key objectives for this meeting are to:

1. **Provide feedback on, or otherwise indicate your support for, elements of the package that are more settled** (and this is Budget Ministers' final opportunity to provide this feedback). Subject to your support – and a further discussion between myself and the relevant portfolio Minister – Treasury will work with agencies to get the technical processes required to give effect to them underway. (See slides 6-11).
2. Make decisions on the **savings proposals** we have to bring the package back within allowances, noting that our current package is **\$363 million average per annum over the operating allowance** and there are several risks that it increases in size further. (See slides 13-15).

At BM4, we will **make any outstanding decisions** on the Budget 2024 package, and on the additional savings identified by the **Independent Rapid Reviews and the Treasury**.



Overview of Budget 2024 package

The package is currently **\$363 million average operating per annum over the allowance**. But we have a clear path – via additional targeted policy savings (see slide 15) and closure of tagged contingencies (see slide 14) – to bring it back to (or below) a \$3.5 billion allowance. If we are not prepared to take some of these options, we will have to look to instead further scale or defer our new spending commitments.

Budget 2024 - Budget Package	Budget Ministers 2			Budget Ministers 3 package - as at 22 March							
	Operating Allowances		MYCA	Operating Allowances					MYCA		
\$millions Savings / (Spending)	Total Operating	Average Per Annum	Total Capital	2023/24	2024/25	2025/26	2026/27	2027/28 and Outyears	Total Operating	Average Per Annum	Total Capital
Budget 2024 Allowances	14,000	3,500	2,900	-	3,500	3,500	3,500	3,500	14,000	3,500	2,900
Precommittments agreed by Cabinet	(3,733)	(933)	120	(121)	(871)	(923)	(1,077)	(740)	(3,733)	(933)	120
Mini Budget decisions	7,470	1,867	455	228	1,153	2,501	2,112	1,475	7,470	1,867	455
Expected Pre-committments	(395)	(99)	-	-	(345)	(72)	11	11	(395)	(99)	-
Return of National Resilience Plan*	1,406	352	1,700	-	352	352	352	352	1,406	352	1,700
Multi-Year Capital Allowance Top up	-	-	7,000	-	-	-	-	-	-	-	7,000
Between Budget Contingency	(160)	(40)	-	-	(40)	(40)	(40)	(40)	(160)	(40)	-
Remaining Unallocated Allowances	18,588	4,647	12,175	107	3,749	5,317	4,858	4,558	18,588	4,647	12,175
Spending, Revenue and Savings against allowances											
Savings and Revenue [33]	7,659	1,905	1,398	801	1,625	1,692	1,807	1,816	7,742	1,936	1,406
New Spending	(16,153)	(4,038)	(3,273)	(88)	(3,369)	(4,520)	(4,090)	(4,201)	(16,268)	(4,067)	(3,486)
Cost Pressures and Capital Cost Escalations	(11,145)	(2,786)	(714)	(98)	(2,867)	(2,785)	(2,644)	(2,599)	(10,993)	(2,748)	(714)
Total Budget Package	(21,114)	(5,287)	(2,723)	585	(4,726)	(5,733)	(5,053)	(5,115)	(20,040)	(5,010)	(2,860)
Remaining within / (Over) Budget Allowances	(2,526)	(640)	9,452	692	(977)	(416)	(195)	(557)	(1,452)	(363)	9,315
Additional Options to get within allowances											
Tagged Contingencies	-	-	-	48	118	130	101	100	496	124	325
Remaining within / (Over) Budget Allowances	(2,526)	(640)	9,452	741	(859)	(286)	(94)	(457)	(955)	(239)	9,640
Additional targeted savings options											
Remaining within / (Over) Budget Allowances	(2,526)	(640)	9,452	741	(419) - (283)	154 - 290	346 - 482	(17) - 119	805 - 1,349	201 - 337	9,640

Note that:

There may be further saving opportunities from Kāinga Ora, however the Treasury is currently working through the fiscal treatment of the additional savings.

The remaining operating funding in the National Resilience Plan is \$1.4 billion and has been averaged across the four years. This funding is not ongoing beyond the forecast period.

The Treasury has included a 10% reduction assumption on baseline savings. The additional targeted savings commissioned at BM 1.5 are one of the levers to bring the package within allowances.

Funding for Interest Deductibility is included in the tax package line and funding for the GPS on land transport is included in the Government policy commitment line.

Additional Context: Fiscal Outlook

- Since BM2 on 12 March, I have received the Treasury's preliminary fiscal forecasts. **These are yet to include the impact from individual policy decisions being discussed at BM3.**
- As expected, the outlook has deteriorated since the Half Year Update in December 2023. The operating balance before gains and losses (OBEGAL) remains in a **deficit position over the whole forecast horizon**, while net core Crown debt is around \$15 billion higher by 2027/28.
- The weaker OBEGAL track is largely a result of the softer economic outlook which has reduced forecast tax revenue. A deficit of \$7.9 billion is expected in the current year, which widens slightly next year to \$8.9 billion before narrowing to \$0.7 billion by 2027/28.
- As a share of the economy net core Crown debt is expected to remain relatively stable at around 42% of GDP over the forecast horizon.
- **The Treasury's final fiscal forecasts released on Budget Day will be influenced by our Budget 2024 decisions.**

Finalising elements of the Budget package

Decisions by Vote

- **I seek your feedback on initiatives set out in Annex A, appended to this pack.**
- Subject to any feedback provided by this group today – and a discussion between myself and the portfolio Minister – Treasury will communicate these decisions and work with agencies to get the technical processes required to give effect to them underway.
- This will cover **all initiatives for the Votes in column A**, and **only some of the initiatives for column B**. For those Votes in column B, outstanding decisions will be made at Budget Ministers 4 on 8 April.

A: Votes to be finalised following BM3	B: Votes that will only be partially finalised following BM3	
Attorney-General	Arts, Culture and Heritage	Internal Affairs
Communications Security and Intelligence	Agriculture, Biosecurity, Fisheries and Food Safety	Justice
Courts	Building and Construction	Labour Market
Customs	Business, Science and Innovation	Lands
Defence (Ministry)	Conservation	Māori Development
Education Review Office	Corrections	Oranga Tamariki
Health	Defence Force	Parliamentary Service
Office of the Clerk	Education	Police
Pacific Peoples	Environment	Revenue
Prime Minister and Cabinet	Finance	Sports and Recreation
Public Service	Foreign Affairs	Social Development
Security Intelligence	Forestry	Tertiary Education
Serious Fraud	Housing and Urban Development	Transport
Statistics		
Te Arawhiti		
Women		

Key:

Votes with savings initiatives only in BM3 package

Votes with savings and spending initiatives in BM3 package

Cost pressures

- The draft package includes **\$2.6 billion average operating per annum** and **\$137 million total capital** for critical cost pressures facing frontline services.
- Subject to my final discussions with portfolio Ministers, I recommend that Budget Ministers indicate their support for:
 - Setting the Health cost pressure figure at \$1.4 billion average operating per annum** (per the Pre-election Economic and Fiscal Update quantum). This is approximately \$100 million more than the Treasury recommended as minimum viable level of cost pressures.
 - Funding the minimum viable cost pressures for Oranga Tamariki.
- I propose we do not take decisions on the Justice, Education, Defence Force and Whaikaha cost pressures until BM4.

Vote	Submitted (operating per annum \$m)	Budget Ministers 3 (operating per annum \$m)	% scaled
<i>Final feedback sought at BM3</i>			
Health cost pressures	1,862	1,430	23%
Oranga Tamariki cost pressures	[33]	35	[33]
Other cost pressures	67	47	30%
<i>Final feedback not yet sought</i>			
Education envelope	[33] and [38]		
Whaikaha cost pressures			
Defence Force cost pressures	[33]	30	[33]
Justice cluster (Justice, Corrections, Police) cost pressures		354	

Provide final feedback on, or otherwise indicate your support for, the cost pressure packages for Votes Health and Oranga Tamariki, subject to a discussion between myself and the portfolio Minister to finalise these parts of the package.

Capital package (1 of 2)

- **Capital investment is a key enabler to improving productivity and economic growth**, particularly when it is focused on initiatives that will provide the most value for money and are deliverable. Some key capital investments in our manifesto (e.g., the Regional Infrastructure Fund) are dealt with separately on slide 11.
- Given significant capital funding allocation in recent years, it is important that we take into account market capacity, as well as leave sufficient headroom within the MYCA to manage our future priorities. **Importantly, capital funding also has significant operating implications – a rule of thumb is that for every \$3 of capital funding, there is \$1 of associated operating funding.**
- **We will announce this week in the Budget Policy Statement an increase to the MYCA of up to \$7 billion**, on top of the current \$3.45 billion balance. This will help ensure that our investment objectives are achieved in a way that is fiscally responsible and recognises the capacity of the market to deliver without pushing up costs.
- **The draft package currently includes \$4.5 billion capital funding for investments.** While agencies sought significantly more for Budget 2024, this builds on existing funding within agencies as outlined below:

Vote	Existing funding approved			Budget 2024 Capital Initiatives – Draft package	
	Total Operating (\$m)	Total Capital (\$m)	Spend to Date – Combined Operating and Capital (\$m)	Total Operating (\$m)	Total Capital (\$m)
Corrections	146	1,234	1,054	940	680
Defence Force	51	6,435	4,412	104	216
Education	1,119	5,547	4,586	816	647
Health	529	4,775	1,851	-	-
Housing and Urban Development (Kāinga Ora)	-	9,818	3,394	-	-
Transport	10,689	25,674	17,291	20	2,564
<i>City Rail Link Limited</i>	-	5,493	4,195	-	-
<i>KiwiRail</i>	3,574	4,998	3,552	-	-
<i>Waka Kotahi</i>	7,115	15,183	9,544	-	-
All other agencies	4,912	3,900	2,515	52	559
Total	17,446	57,383	35,103	1,932	4,666

Note: We define capital initiatives as those that fall within the definition of investment set out in Cabinet Office circular (23) 9: Investment Management and Asset Performance in Departments and Other Entities (CO (23)9). This represents the vast majority of the total capital expenditure sought at B24 (other capital expenditure sought relates to associated capital with operating initiatives).

Capital package (2 of 2)

- The draft package is therefore focused on **funding key Government priority areas and critical asset maintenance, renewals and upgrades**.
- This will give us time to reset expectations with agencies – ahead of Budget 2025 – on the need for sound investment and asset management plans, **including high quality business cases**, to support our funding decisions.
- It will also give us time to consider the outcome of the reviews and strategies being developed across capital intensive votes, including Housing, Health, Transport, Education and Defence and possible further reprioritisation of existing funding.
- **Key capital initiatives**, including cost escalations, include:

Vote	Key initiatives	Recommended operating funding (\$m average per annum)	Recommended capital funding (\$m total)
Transport	GPS for land transport top up; NIWE road recovery	5	2,564
Defence Force	Military Operational Vehicles; Regional Supply Facility and Logistics Model at Linton Camp	26	216
Education	School Property Portfolio Growth Pressures; Essential Digital Services in Schools	[38]	647
Corrections	Expansion of Waikeria prison	[37]	
Business, Science and Innovation	Regional Infrastructure Fund	2	400
[37]			
Other		10	54
Total		483	4,666

Note: We define capital initiatives as those that fall within the definition of investment set out in Cabinet Office circular (23) 9: Investment Management and Asset Performance in Departments and Other Entities (CO (23)9). This represents the vast majority of the total capital expenditure sought at B24 (other capital expenditure sought relates to associated capital with operating initiatives).

Provide final feedback on, or otherwise indicate your support for, the capital investment package at Budget 2024, subject to a discussion between myself and the portfolio Minister to finalise these parts of the package.

Original targeted savings

There are several savings options that we invited into the process at its outset. These are already in the package and **are separate to the additional targeted savings we invited into the process at BM1.5** (see slide 15).

Table 1 – Decisions sought at BM3

Option	Operating (per annum) \$ million	Capital (total) \$million
Workforce Development Councils disestablishment	57	-
Prescription fee co-payments for all except 65+ year-olds and CSC holders	29	-
Repeal of the Three Waters Programme	74	10
End of the mana orite relationship	2	-
[33]		
Disestablishment of Māori Health Authority	9	-
Total	210	10

[33]

** Note that not progressing with these initiatives at Budget 2024 is not yet reflected in the summary table or aggregate numbers. It will be before BM4.

Table 2 – Decisions I do not propose we take final decisions on at BM3

Option	Operating (per annum) \$ million	\$ capital (total)
[33]		
Victims of Crime Fund	12	-

Table 3 – Decisions I propose we do not progress at Budget 2024 **

Option	Operating (per annum) \$ million	\$ capital (total)
[33]		

Table 4 – Targeted savings in the Budget package but decisions happening via separate Cabinet papers

Option	Operating (per annum) \$ million	\$ capital (total)
Shifting immigration system to user pays	117	-
[38]		
Disestablishment of Regional Skills Leadership Groups	11	-
Total	241	-

Provide final feedback on, or otherwise indicate your support for, the original targeted savings in Table 1, subject to a discussion between myself and the portfolio Ministers to finalise these parts of the package.

Government commitments

Following BM2, I have revised the new spending package following bilateral meetings with Ministers to **defer several Government Commitments and fund a few initiatives via reprioritisation**. The revised new spending package is now **\$4.1 billion average operating per annum and \$3.5 billion total capital**, and significant initiatives are outlined below.

Education	Health	Law and Order	Tax	Infrastructure	Other
<ul style="list-style-type: none"> Te Pūkenga Disestablishment and Transition ^[33] NZQA IT System ^[33] Ka Ora, Ka Ako Healthy School Lunches Programme ^[33] NZQA HR System ^[33] Internet in Schools, Equipment Replacement and Cyber Security ^[38], \$52m total capital Continued Teacher Supply Supports \$5m operating Partnership Schools ^[33] Structured Approaches to Literacy - Further Teacher Professional Learning and Development (PLD) \$13 operating Apprenticeship Boost Scheme Continuation ^[33] 	<ul style="list-style-type: none"> Pharmac Combined Pharmaceutical Budget \$443m operating <u>Timely access to COVID-19 vaccine and therapeutics</u> \$58m operating Gumboot Friday \$4.5m operating Breast screening extension of eligibility to include 70–74-year-olds \$6m operating, \$7m total capital Emergency department security - service expansion \$8m operating Training 50 more doctors ^[33] \$13m total capital Waikato Medical School Business Case [33] Mental Health and Addiction Community Sector Innovation Fund Increasing access to medicines including cancer treatments [33] 	<ul style="list-style-type: none"> Implementation costs for taking a tougher approach to sentencing \$1m operating, \$1m total capital Responding to gang harm \$2m operating Fast Track Youth Offending Programme \$8m operating Investing in Core Policing ^[33] Corrections Rehabilitation Programmes \$12m operating, \$30m total capital Addressing Serious Youth Offending \$9m operating, \$2m total capital In addition to the above, we are investing \$354m operating, \$680m total capital in frontline law and order services (e.g., Police, corrections capacity) 	<ul style="list-style-type: none"> Family Boost \$179m operating Personal Income Tax \$2,539m operating Working for Families changes (rate increases) \$155m operating Increased investment in tax compliance activities ^[33] Interest Deductibility \$730m operating Online casino gambling (\$48m) operating 	<ul style="list-style-type: none"> Government Policy Statement on Land Transport 2024 ^[33] North Island Weather Events (NIWE) Road Response, Recovery and ^[33] \$83m operating, \$609m total capital Continued Recovery from the NIWE \$13m operating Regional Infrastructure Fund Establishment \$2m operating, \$400m total capital Kānoa – time limited funding \$22m operating Resource Management Reforms – Replacement \$23m operating Implementing Local Water Done Well \$8m operating [33] National Infrastructure Agency Establishment \$1m operating 	<ul style="list-style-type: none"> New Zealand Screen Production Rebate – International \$28m operating GeoNet and the National Seismic Hazard Model \$17m operating Kāinga Ora Crown-Funded Programmes and Statutory Obligations ^[33] Independent inquiry into how the COVID-19 pandemic was handled in New Zealand \$4m operating Ministry for Regulation – Establishment and ongoing funding \$4m operating, \$2m total capital Historic Claims of Abuse in Care \$21m operating DPMC - establishment of Delivery Unit function Welfare that Works – Youth focused Employment Support <p>[33]</p>
<div style="border: 1px solid black; padding: 5px;"> <p>Notes:</p> <ul style="list-style-type: none"> Operating funding is average per annum Initiatives underlined relate to the extension of time-limited funding. Figures in (brackets) are savings. Education initiatives are subject to change following discussions with the Minister of Education This slide includes significant commitments with capital implications. The full capital package is summarised on slides 8-9. </div>					
<div style="border: 1px solid black; padding: 5px;"> <p>Support </p> <p>Support Scaled </p> <p>Pre-Committed against allowances </p> <p>Support (funded via reprioritisation) </p> <p>Defer/Do not support </p> </div>					

Provide final feedback on, or otherwise indicate your support for, the above approach to new spending at Budget 2024, subject to a discussion between myself and the portfolio Minister to finalise these parts of the package.

Levers to bring the package back within allowances

Summary of the status of the package

- Based on package changes post my bilateral meetings with portfolio Ministers and my line-by-line review of savings proposals, the current package is **\$363 million per annum over the allowance**. We have clear levers to **bring the package within the allowance**, and to achieve close to a \$3.2 billion allowance if desired.
- There is \$124 million average per annum of operating savings available from **closing tagged contingencies** (see slide 14).
- If we take these decisions on tagged contingencies, we need a further **\$239 million per annum** of savings to get within a \$3.5 billion operating allowance. There are \$440 – \$576 million of options available from the **additional targeted savings options we commissioned at BM1.5** (see slide 15).
- There are also several opportunities and risks that will only become visible at Budget Ministers 4 on 8 April, which we should keep in mind.

Potential for further savings identified via:

- ongoing follow-ups on individual savings initiatives from my bilaterals and line-by-line reviews,
- further savings opportunities from Kāinga Ora and MSD,
- the Independent Rapid Reviews,
- the Treasury and Minister Seymour-led process on a further 9 agencies.

Potential downside risks to the package, including those from:

- outstanding fiscal treatment questions regarding the Regional Infrastructure Fund,
- the potential changes to excise tax on non-cigarette tobacco products discussed at Cabinet on Monday 18 March,
- emerging additional costs (e.g., police remuneration, [33])
- any further fiscal consolidation we consider necessary to respond to the deteriorating forecasts (see slide 4).

Closing tagged contingencies

- Tagged contingencies are ringfenced funding that is not appropriated into agency baselines. These contingencies allow us to set funding aside for initiatives or projects that we want to progress but are not yet delivery-ready, commercially sensitive, or where negotiations on it are still taking place.
- The Treasury has reviewed each of the existing 75 tagged contingencies with funding still remaining. These are set out in the Annex. **They recommend that we close all of them unless there is a good reason to keep them open** (e.g., to meet our legal public sector pay obligations in health, education and justice, and fund infrastructure projects currently in delivery).
- I agree with the Treasury's recommended approach, except relating to Lower North Island Rail (where I propose to keep the contingency open).
- Based on historical trends, Treasury's fiscal forecasts assume that some of the money held in contingency won't be spent. Once we account for that top-down adjustment process, the savings that we get from closing these contingencies are **\$124 million average operating per annum** and **\$325 million capital**.
- I propose we add these savings to our Budget 2024 allowances to meet the costs of our new spending initiatives.

Provide final feedback on, or otherwise indicate your support for, the closure of the tagged contingencies set out above. This is subject to a discussion between myself and the portfolio Minister to finalise these parts of the package.

Additional targeted savings

- At BM1.5, we considered a range of **additional targeted savings** that we wanted progressed further for Budget 2024. **Full advice on each of these is provided in the annex.** We need to decide which we want to add to the package. Subject to support for the closure of the tagged contingencies set out in slide 14, if we select **\$239 million per annum** of options, this brings us back to a \$3.5 billion allowance. If we select more, this takes us to below \$3.5 billion.
- Clear steers are required today on the following initiatives, for the necessary policy work to occur for these to be “booked” at Budget 2024: Game Sector Development Rebate, International Visitors Levy and Waste Levy.

Table 1 – Potential options for Budget 2024

Option	Indicative saving* – average p.a. (\$m)
<i>Not currently in package</i>	
Wind-down of the First Home Grants Scheme	(70)
Waste Levy (Options vary from returning the full amount of central government levy and [33])	[33]
<i>Currently partly in package – potential for further savings</i>	
[33] • Replace fees free with dedicated \$20m hardship fund OR • Cancel fees free	(113) (127)
International Visitors Levy (options vary from un-hypothication to maintaining baseline reduction split between MBIE and DOC – costings will change depending on levy increase agreed)	(88)
[33]	
Total potential options for Budget 2024	(440) – (576)

Table 2 – Longer term options for future Budgets

Option	Indicative saving* – average p.a.(\$m)
[33]	

Table 3 – Options not recommended by the Treasury

Option	Indicative saving* – average p.a.(\$m)
[33]	

*Some costings could change depending on further policy work. See Annex.

** Treasury recommended that this option be progressed at Budget 2025. See Annex.

Indicate which of the additional targeted savings in Table 1 we:

- Support with sufficient certainty that I can include these in my discussions with portfolio Ministers this week regarding the final status of their parts of the Budget package.
- Want to include in the package for BM4, with urgent policy advice to support those decisions commissioned as required.
- Do not want to proceed with.

Next Steps

Next steps post Budget Ministers 3

- Subject to your support of the initiatives in Annex A – and a further discussion between myself and the portfolio Minister – Treasury will finalise these decisions and work with agencies to get the technical processes required to give effect to them underway.
- The next Budget Ministers meeting is on 8 April. The key objective of this meeting is for us to **make any outstanding decisions to finalise the Budget package**, including:
 - any outstanding new spending initiatives, including the tax package
 - any decisions from bilateral meetings not yet reflected in the package
 - outstanding savings decisions, including on:
 - additional targeted savings discussed today that we don't take final decisions on, and
 - additional savings identified by the Treasury and the Independent Rapid Reviews.
- We will also have information on the **workforce implications** of the Budget package decided at BM3.

Annex 1: Priority Areas for Budget 2024

Draft Budget 2024 package by key Vote

One of our Government’s priorities is funding frontline services in key sectors. We have committed to “recycling” savings identified by select agencies into frontline services. To achieve this, **the draft package includes a net uplift in operating funding for the below critical frontline agencies** at Budget 2024.

Vote	New Spending (\$m average operating per annum)	Cost Pressures and capital cost escalations (\$m average operating per annum)	Savings (\$m average operating per annum)	Net Funding – Operating (\$m average operating per annum)	Net Funding – Capital (\$m total)
Health	79	1,430	(51)	1,458	20
Justice Cluster	78	362	(227)	212	868
<i>Justice (including Courts)</i>	4	34	(67)	(30)	106
<i>Corrections</i>	12	293	(110)	194	710
<i>Police</i>	62	35	(50)	48	52
Defence Force	26	30	(22)	34	216
Social Development (including Whaikaha)	20	249	(148)	122	(14) **
Oranga Tamariki *	45	35	(80)	-	(112) **

* Note that I have made an in-principle increase to Oranga Tamariki new spending to ensure it receives a net uplift at Budget 2024. This will be reflected in the Annex and overall summary table at BM4.

** Reflects savings through Capital Pipeline Review.

Priority Area - Health

Average VfM Score of Health Package

Value	Alignment	Delivery
2.7	3.0	2.3

Alignment, Value, Delivery Key: ■ Excellent (4) ■ ■ ■ Poor (1)

Budget Track	Average operating per annum – BM2 (\$m)	Total Capital – BM2 (\$m)	Average operating per annum – BM3 (\$m)	Total Capital – BM3 (\$m)
Cost pressures and cost escalations	1,430	-	1,430	-
New spending ^[33]				
Savings	(51)	-	(51)	-
Net total ^[33]				

At the bilateral meeting between the Minister of Health and myself, we have agreed to the following changes for the Health package in Budget 2024:

- Increasing funding for **Breast Screening extension of eligibility** to \$6 million average operating per annum.
- Scaled **Gumboot Friday** from \$5 million to \$4.5 million average operating per annum (funding will scale up to \$6 million per annum from 2026/27 to help build capacity)
- Scaled **Health Workforce to train 50 more doctors** - \$3 million average operating per annum and \$13 million total capital
- Removed **Medicines – increasing access to medicines including cancer treatments** ^[33]

from the package for deferral to future Budget

Key Govt Policy Commitments in draft package:	V	A	D
▪ Precommitment for Pharmac Combined Budget (\$443 million operating per annum)			
▪ Timely access to COVID-19 vaccine and therapeutics (\$58 million average operating per annum)	3	3	3
▪ Breast screening extension of eligibility (\$6m average operating per annum, \$7m total capital)	2	4	1
▪ Gumboot Friday – funding to deliver free youth mental health counselling services (\$4.5 million average operating per annum)	3	3	2
▪ Emergency department security – service expansion (\$8 million average operating per annum)	1	3	2
▪ Training 50 More Doctors (\$3 million average operating per annum, \$13 million total capital)	2	3	3
Key Govt Policy Commitments to be progressed at Budget 2024, but proposed to be met via reprioritisation	V	A	D
▪ Waikato Medical School (\$1 million average operating per annum sought)	3	3	2
Key Govt Policy Commitments not in draft package (Department sought):	V	A	D
▪ ^[33]	2	2	3
▪ Mental Health and Addition Community Sector Innovation Fund (\$5 million average operating per annum)	2	3	3
▪ ^[33]	1	3	3
▪ Medicines: Increasing access to cancer treatments (\$111 million average operating per annum)	3	3	2

Priority Area - Education

Average VfM Score of Education Package

Value	Alignment	Delivery
3.0	3.2	3.1

Alignment, Value, Delivery Key:

Excellent (4) ■ ■ ■ ■ Poor (1)

- At the bilateral meeting between the Minister of Education and myself, we agreed to an **envelope approach** for new spending (excluding Healthy School Lunches and Partnership schools, which are within Minister Seymour's delegation) and cost pressures for Vote Education.
- This will involve Minister Stanford providing me with her priority initiatives within a fixed envelope, which is **based off the 75% cost pressure package for Vote Education discussed at BM2**. I will report back at Budget Ministers 4 on the individual component parts that Minister Stanford and I agree.
- The current proposed envelope is ^{[33] and [38]}
- The BM2 package contained proposals to reprioritise some high value programmes to **offset tertiary cost pressures**. I have agreed with Minister Simmonds that this will no longer occur. We also agreed to seek further savings from Tertiary Crown entities.

Key Govt Policy Commitments in draft package:	V	A	D
▪ Continuing Ka Ora Ka Ako- Healthy School Lunches	3	3	3
▪ Te Pūkenga Disestablishment and Transition	2	4	2
▪ Partnership Schools	2	4	2
▪ Apprenticeship Boost Scheme	2	4	4
▪ Structured Approaches to Literacy	3	4	3
▪ NZQA IT System	3	4	2
▪ NZQA HR System	4	4	4
▪ Internet in Schools, Equipment Replacement and Cyber Security	3	3	4
▪ Continued Teacher Supply Supports	3	3	4

See Annex for detailed list of initiatives

Priority Area - Law and Order

Value	Alignment	Delivery
2.9	3.0	3.2

Value, Alignment, Delivery Key:

Excellent (4) ■ ■ ■ ■ Poor (1)

Budget Track	Average Operating per annum – BM2 (\$m)	Total Capital – BM2 (\$m)	Average operating per annum – BM3 (\$m)	Total Capital – BM3 (\$m)
Cost pressures and cost escalations	352	[37]	352	[37]
New spending	95		95	
Savings	(226)		(221)	
Net total	221		226	

At the multilateral meeting between Justice cluster Ministers and myself, we agreed:

- To remove **unacceptable savings** (e.g., the Independent Police Conduct Authority) from the package.
- To **scale savings submitted from the Electoral Commission** to mitigate potential impacts on the General Election.
- To seek further advice from Police and the Treasury on the “Investing in Core Policing” initiative relating to new officers, and from the Ministry of Justice and the Treasury regarding several savings and new revenue initiatives.

I will report back to Budget Ministers on this additional work at Budget Ministers 4 on 8 April.

Key Govt Policy Commitments in draft package:	V	A	D
Fast Track Youth Offending Programme (\$8 million average operating per annum)	3	4	4
Responding to Gang Harm (\$2 million average operating per annum)	4	4	4
Investing in Core Policing (\$62 million average operating per annum, \$18 million total capital)	2	4	3
Corrections Rehabilitation Programmes (\$12 million average operating per annum, \$30 million total capital)	3	4	1
Addressing Serious Youth Offending (\$9 million average operating per annum, \$2 million total capital)	2	3	2
Implementation of taking a tougher approach to sentencing (\$1m average operating per annum, \$1m total capital)	4	4	4
In addition, we are investing \$354m average operating per annum, and [37] total capital, in frontline law and order services (e.g., Police, corrections capacity)			

Note

- Law and Order includes the following Votes: Attorney-General, Corrections, Courts, Justice, Police and Serious Fraud
- Fast Track Youth Offending Programme** and **Addressing Serious Youth Offending** are part of Vote Oranga Tamariki but have been invited as part of the Law and Order suite of new spending initiatives.
- See Annex for detailed list of initiatives.

Priority Area – Tax Package

Following decisions at BM2, the tax package is \$3.4 billion average operating per annum. The table below outlines initiatives that have already been agreed by Cabinet and the outstanding initiatives to be agreed.

Policy	Comment on costings	\$m operating per annum
<i>Remaining Tax initiatives in Budget 2024</i>		
Personal income tax	Based on National tax package, with implementation from 31 July 2024.	2,539*
Compliance funding	Investment in Inland Revenue compliance activity to deliver a positive return from 1 July 2024	(142)
Family Boost	Proposal going to Cabinet Committee week of 18 March.	179
Working for Families	In-Work Tax Credit rate increase cost based on a rate increase by \$25 per week from 1 July 2024.	155
<i>Already agreed – Pre-committed against Allowances</i>		
Interest deductibility	Reflects decisions agreed by Cabinet on 4 March.	730
Online Casino gambling tax	Reflects decisions agreed by Cabinet on 11 March.	(48)

* 31 July implementation not yet reflected in overall package. Current number in draft package is for 1 July implementation, meaning that a small reduction in the overall package will occur when the revised costing is flowed through.

Note decisions on our Budget 2024 tax package will be made at BM4.

Annex 2: Broader package implications

Broader package analysis

Our draft package is focused on:

- **Tax relief** to support New Zealanders with cost-of-living pressures.
- **Fiscal consolidation** to support macroeconomic stability and lift public sector productivity. This will support New Zealanders' long-term living standards.
- Investment in the critical **frontline services** that all New Zealanders use (e.g., in the health, education and justice sectors).

The package is offset by savings, including from agencies' baselines. The Treasury has provided value-for-money analysis on each initiative – these are summarised in Treasury comment and A (Alignment), V (Value) and D (Delivery) 1-4 ratings in the Annex. The Treasury has also identified other broader implications of the package – these are summarised below.

* These "overarching goals" also cover the statutorily required wellbeing objectives.

Alignment of the package to our goals

The balance of the current package is weighted towards our overarching goals* of **delivering better public services** and **getting the government's books in order**.

I am satisfied that the draft package also moves us towards our third goal (**building a stronger economy**), because:

- **Fiscal consolidation** will strengthen business confidence and is key to macroeconomic stability.
- The package focuses on delivering a sustainable pipeline of **capital projects**, and ceasing work on low-value economic policy.
- Concurrent to Budget 2024, we are progressing significant **reform of regulatory levers** (e.g., Resource Management reform).

Climate implications

A full analysis of the climate implications of the package will be presented at BM4, but initial advice from the Climate Change Interdepartmental Executive board indicates that the draft Budget 2024 package **is not expected to materially impact our ability to meet the first emissions Budget**.

The preparation of New Zealand's second Emissions Reduction Plan during 2024 will provide us with the opportunity to ensure alignment of our fiscal and climate policy objectives.

Green bonds

We are not aware of any initiatives eligible for the Green Bond programme in the package, nor proposed cost savings that would materially reduce the programme's size. We will provide updates as required.

Distributional and Treaty of Waitangi implications

There are population-wide benefits to the core elements of our package (tax relief and frontline services). There are a small number savings proposals (e.g., those affecting Māori language) that may also have an **impact on particular population groups** (e.g., Māori and Pacific peoples).

It is also unclear whether agencies have complied with their Treaty obligations (e.g., partnership) in the preparation of submissions.

I consider that the focus of our package will benefit all New Zealanders, and plan to **convey a clear expectation to portfolio Ministers** that, when implementing Budget initiatives, they and their agencies:

- Comply with the Crown's Treaty obligations.
- Mitigate any disproportionate adverse impacts on certain population groups.

Workforce implications

- I consider that the workforce implications of the current Budget package are aligned with our goals of a stronger economy, delivering an efficient public service and getting the Government's books back in order.
- Agencies are still working on the details of the workforce impacts, with further information expected by BM4. ^[33]
- ^[33]
- In some instances, cost pressure initiatives will result in **retention or reprioritisation of FTE (including time-limited FTE)** to continue deliver programmes and/or Government policy commitments. ^[33]
- Agencies have also indicated a **decrease in proposed contractor and consultant spending** through baseline savings initiatives. The Public Service Commission will continue to monitor this spending to ensure we meet our commitment of reducing contractor and consultant spending by **\$400 million per annum**.
- The Treasury advises a further breakdown of the FTE and occupation impacts of the proposed Budget package can be provided as initiatives are confirmed in the Budget package. This will be provided at **BM4** for our consideration.

Note

- The FTE figures have been calculated based on department submissions and represent the full support package. FTE figures for scaled initiatives is not readily available and will be provided at BM4 following consultation with affected agencies. The likely biggest impact of scaling is likely to be in the Health and Justice sector.
- The New Spending and Cost Pressure Initiatives include instances where agencies are proposing to retain or retrain staff to deliver the initiatives where the breakdown of retention and recruitment of new FTEs is yet unclear.