

The Treasury

Budget 2024 Information Release

September 2024

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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
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- [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
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- [40] 18(c)(i) - that the making available of the information requested would be contrary to the provisions of a specified enactment

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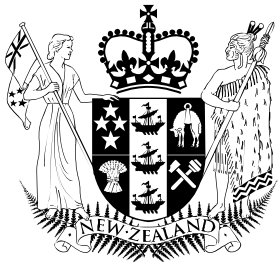
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Budget Ministers 4

Final Budget 2024 package

Introduction

The proposed package now meets our BPS target with all initiatives contained with a less than \$3.5 billion operating allowance, with net operating costs averaging **\$3.3 billion per annum**.

The package excludes:

- **outstanding spending decisions** which could increase the package (e.g., Excise Tax on Heated Tobacco Products), and
- numerous **outstanding savings decisions** which could provide additional headroom (e.g.,
[33])

The key objective for this meeting is to **take final decisions on a Budget 2024 package** that we will then endorse for Cabinet agreement on 29 April.

Taking final decisions today is key to ensure that the technical processes to facilitate:

- our Cabinet decisions (preparation of financial recommendations), and
- Budget night legislation (preparation of the Estimates of Appropriations), can proceed as planned.



Decisions at and since BM3

At Budget Ministers 3, we:

- Agreed our approach to our **Health commitments** at Budget 2024 (except for prescription co-payments and Gumboot Friday).
- Indicated which **targeted savings options** we want to consider including in the Budget 2024 package, and which we want to remove from consideration.
- Asked several follow ups of officials, where we needed further information.

A full record of our BM3 discussion is annexed to this pack.

I have since worked with portfolio Ministers to **finalise the packages** for a number of small Votes. I do not propose we discuss these further today:

- | | | |
|---|----------------------|-----------------|
| • Attorney General | • Courts | • Security |
| • Communications,
Security and
Intelligence | • Customs | Intelligence |
| | • Defence (Ministry) | • Serious Fraud |
| | | • Statistics |

Outstanding risks & savings opportunities

Risks:

- **Regional Infrastructure Fund:** Currently \$400 million capital and \$2 million operating per annum but subject to coalition discussions;
- [33]
- **Tobacco tax changes:** Depends on a range of policy and timing choices consistent with coalition agreement [33]
and
- **Housing savings:** \$168 million per annum of the Kāinga Ora operating savings related to forecast changes in asset maintenance, which is subject to market driven factors such as cost escalations, and, therefore, there is a risk these savings may not materialise.

Savings opportunities:

- [33]
- **Uplift in Waste Levy** could offset baseline cost reductions in Vote Environment with a savings impact of between \$25 million and \$50 million per annum;
- [33]
-

*The following initiatives have not been included within the current Budget package as at 7 April.

Overview of Budget 2024 package *

*As at 8 April

\$millions Savings / (Spending)	Operating Allowances							MYCA	
	2023/24	2024/25	2025/26	2026/27	2027/28 and Outyears	Total Operating	Average Per Annum	Total Capital	
Budget 2024 Allowances	-	3,500	3,500	3,500	3,500	14,000	3,500	2,900	
Precommitments agreed by Cabinet	(121)	(1,294)	(1,448)	(1,610)	(1,276)	(5,748)	(1,437)	120	
Mini Budget decisions	228	1,153	2,501	2,112	1,475	7,470	1,867	455	
Expected Pre-commitments	-	100	400	500	500	1,500	375	-	
Return of National Resilience Plan*	-	352	352	352	352	1,406	352	1,700	
Multi-Year Capital Allowance Top up	-	-	-	-	-	-	-	7,000	
Between Budget Contingency	-	(40)	(40)	(40)	(40)	(160)	(40)	-	
Remaining Unallocated Allowances	107	3,771	5,265	4,814	4,510	18,468	4,617	12,175	
Spending, Revenue and Savings against allowances									
Savings and Revenue	745	1,962	2,188	2,172	2,221	9,278	2,319	(349)	
Baseline savings	122	972	1,004	1,036	1,103	4,226	1,057	700	
Targeted Policy savings and revenue	322	460	544	599	597	2,522	630	(2,051)	
Capital Pipeline Review	182	12	16	17	17	243	61	625	
Tagged Contingencies	48	118	130	101	100	496	124	325	
Additional Baseline Savings Review (Nine Agencies)	-	31	4	2	2	40	10	-	
Housing Savings	71	370	491	418	402	1,751	438	51	
Treasury Discount for baseline savings	-	-	-	-	-	-	-	-	
New Spending	(82)	(3,060)	(4,364)	(4,044)	(4,036)	(15,585)	(3,896)	(3,526)	
Government Policy Commitment	(81)	(649)	(757)	(248)	(288)	(2,023)	(506)	(3,056)	
Tax Package	(1)	(2,393)	(3,574)	(3,751)	(3,694)	(13,413)	(3,353)	-	
Capital Investment	(0)	(18)	(33)	(44)	(54)	(150)	(37)	(470)	
[33] and [38]									
Cost Pressures and Capital Cost Escalations	(33)	(2,721)	(2,440)	(2,294)	(2,250)	(9,738)	(2,435)	(1,386)	
Cost Pressures	(31)	(2,456)	(2,277)	(2,227)	(2,208)	(9,200)	(2,300)	(765)	
Health Cost Pressures	-	(1,430)	(1,430)	(1,430)	(1,430)	(5,720)	(1,430)	-	
Whaikaha Cost Pressures	(80)	(322)	(230)	(230)	(237)	(1,100)	(275)	(63)	
Capital - Cost Escalations	(2)	(265)	(162)	(67)	(43)	(539)	(135)	(621)	
Total Budget Package	[33] and [38]								
Remaining within / (Over) Budget Allowances									

Note that:

The following items are excluded from the table above: [33] (removing duty from heated tobacco products).

In the table above, there is a separate line for the Ed certain education initiatives are included in either the

Tax package (excluding family entation date.

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 Pre-commitments for Interest Deductibility, FamilyBoost and the Government Policy Statement on Land Transport (GPS) are included within New Spending and not reflected in Pre-commitments above.

Whaikaha pre-commitment of \$80 million is reflected within the Whaikaha cost pressure.

In the table above, Housing savings are shown separately and include saving initiatives from both Housing and Urban Development and Kāinga Ora.

savings from the Independent Rapid Reviews and reduction in tax revenue on smoked tobacco products

orisation initiatives per agreement with the Minister of Education. In addition to the Education Envelope, (hools) or within capital investments, cost escalations, or baseline savings.

Fiscal Strategy

- According to current forecasts, which do not yet factor in individual policy decisions we will take at Budget 2024 (e.g., on pay equity), **deficits reduce across the forecast period, narrowing to \$0.7 billion by 2027/28.**
- At the end of the forecast period, net core Crown debt is expected to be just over 41% of GDP, **compared to a forecast 43% of GDP in 2023/24.**
- **We also need to decide on our future allowances.** These decisions will affect the forecasts for OBEGAL and net debt.

Finalising the Budget package

Summary

The summary of the **net impact of the current draft package** in each key sector – noting there are several outstanding decisions still-to-be-made – is set out below. More detail on each sector is provided in the following slides:

Sector	Operating \$m (average per annum)			Net Funding – Operating **	Net Funding – Capital (\$m total) **
	New Spending	Cost Pressures and capital cost escalations	Savings		
Education (including Tertiary and ERO) *	649.7	62.6	(348.6)	363.7	[33] and [38]
Police	47.8	98.2	(23.5)	122.4	68.6
Law and Order (excluding Police)	16.3	326.4	(171.5)	171.1	825.8
Health	173.9	1,875.0	(124.0)	1,924.9	(103.4)
Defence and Foreign Affairs	31.6	78.7	(45.6)	64.7	324.6
Oranga Tamariki	32.1	58.0	(79.9)	10.2	(112.2)
Whaikaha	-	275.0	-	275.0	-
Social Development	20.5	-	(215.7)	(195.3)	46.1
MBIE	79.2	7.0	(406.1)	(320.0)	(507.3)
Housing	35.0	18.8	(376.4)	(322.7)	(51.3)
Transport	(81.3)	101.0	(86.4)	(66.7)	2,524.5
Natural Resources	23.9	-	(231.9)	(208.0)	13.8
Population and other agencies	43.3	40.0	(222.3)	(139.0)	(210.3)

One-page summaries of **all initiatives in each Vote** are appended to this pack.

* Education envelope figures included in cost pressures column, but includes new spending also.

** Includes pre-commitments for police remuneration and Pharmac, but excludes all others.

Education

I have worked closely with the Minister for Education to develop an Education package that achieves a net uplift at Budget 2024, and meets the Government’s priorities for the sector.

This includes:

- Funding to maintain frontline services. This includes an **uplift of funding for school operational grants**, the **Early Childhood Education (ECE) sector** and **the tertiary sector**, as well as depreciation costs associated with the education property portfolio.
- **Capital funding** for School Property Portfolio Growth cost pressures and the Christchurch School’s Rebuild programme.
- **Lifting fee maxima** for tertiary institutions by up to 6% per annum for student fees following lower increases in recent years, which results in a slight increase in Student Loan Scheme costs for Government.
- Key Government commitments, including **our Structured Approaches to Literacy** reforms, two years of funding for **Ka Ora Ka Ako – Healthy School Lunches**, and fees free for final year students (not paid until course completion).
- **Apprenticeship Boost** - the current package addresses the fiscal cliff left by the previous Government and includes new funding to ensure this programme continues.

Education Package	Budget Ministers 4 Package	
	Operating Allowances	MYCA
\$millions (Saving) / Spending	Average Per Annum	Total Capital
Baseline Savings	(6 9.2)	-
Capital Pipeline Review	-	(8.3)
Tagged Contingencies	-	-
Government Policy Commitment	15 7.3	1.2
<i>Partnership Schools (Charter schools Kura Hourua)</i>	3 8.3	-
<i>Ka Ora, Ka Ako Healthy School Lunches Programme</i>	11 9.1	1.2
<i>Structured Approaches to Literacy</i>	1 6.8	-
Capital Investment	1.6	6 4.4
Education Envelope (New spending and Cost Pressures)	43 5.2	6 9.3
<i>Property Portfolio Revaluation Impact [38]</i>	19 5.0	-
<i>Schools Operational Grant</i>	4 9.9	-
<i>Early Childhood Education</i>	4 7.7	-
Capital Cost Escalations	2 2.7	54 3.5
<i>School Property Portfolio Growth [38]</i>	14.1	400.0

* Note this table only includes Vote Education, not Tertiary Education or ERO.

Decision sought:

Agree the Education (including Tertiary Education) Budget 2024 package.

Police

The draft package sees Police receive a net uplift in funding at Budget 2024. **This represents a significant uplift from the BM3 package**, and includes:

- Significant funding for ^[38] per our recent Cabinet decisions.
- Sufficient funding to achieve **our commitment of 500 new officers**, measured from the day that we took office.
- **Partial funding for Police cost pressures in 2024/25 only**. The Independent Rapid Review of Police's head office (that we commissioned at Budget Ministers 1.5) found that reforms to office functions could yield savings in future years. I propose we provide funding for the next year only, to give time for these changes to occur. **I have not funded everything that Police have sought** (even in 2024/25).

I intend to accept some savings from Police, but excluded submitted savings (e.g., Police support for non-court proceedings) that are inconsistent with our focus on supporting frontline Police services.

Budget Ministers 4 Package		
Police Package	Operating Allowances	MYCA
\$millions (Saving) / Spending	Average Per Annum	Total Capital
[38] Pre-Commitment	[38]	-
Baseline Savings	(14.8)	-
Tagged Contingencies	(8.8)	-
Government Policy Commitment	47.8	34.6
<i>Investing in Core Policing</i>	47.8	34.6
Cost Pressures	30.0	-
<i>Critical Police Cost Pressures</i>	7.2	34.0
Capital Cost Escalations		
Total Police Budget 2024 Package	[38]	68.6

Decision sought:

Agree the overall funding uplift for Police, noting I will work through select initiatives with the Minister of Police

Law and Order (excluding Police)

Outside of Police, the Budget package also achieves an uplift in funding for the broader law and order sector. This includes:

- **\$235 million operating per annum for forecast growth in prisoner numbers.** This is due to population growth and the coalition Government's law and order policies. This funding allows for approximately an extra 550 extra prison places, to provide for a total prisoner population of 10,000 ^[37]
- ^[37] total capital funding for an **810-bed expansion to Waikeria Prison**, which Treasury recommends funding now due to the lag time for prison construction.
- Remuneration increases ^[25] per annum) and Corrections ^[25] per annum) **frontline staff.**
- Capital funding for the replacement of ^[37]
- Funding to deliver our commitment to **extend rehabilitation programmes to remand prisoners.**

Corrections Package	Budget Ministers 4 Package	
	Operating Allowances	MYCA
\$millions (Saving) / Spending	Average Per Annum	Total Capital
Baseline Savings	(110.5)	-
Government Policy Commitment	12.0	30.0
<i>Corrections Rehabilitation Programmes</i>	12.0	30.0
Capital Investment	[37] and [38]	
Cost Pressures		
<i>Prisoner Population</i>		
<i>Frontline Remuneration</i>		
Capital Cost Escalations		
Total Corrections Budget 2024 Package		

Justice Package	Budget Ministers 4 Package	
	Operating Allowances	MYCA
\$millions (Saving) / Spending	Average Per Annum	Total Capital
Baseline Savings	(36.1)	-
Targeted Policy Savings and Revenue	-	-
Capital Pipeline Review	-	-
Tagged Contingencies	-	-
Government Policy Commitment	3.0	1.2
<i>Responding to gang harm</i>	2.2	0.2
<i>Taking a tougher approach to sentencing</i>	0.8	0.9
Capital Investment	[37] and [38]	-
Cost Pressures		-
<i>Remuneration cost pressure</i>		-
Capital Cost Escalations		-
Total Justice Budget 2024 Package		1.2

Decision sought:

Agree the Law and Order (excluding Police) Budget 2024 package.

Health

At BM3, we discussed most of the Budget 2024 health package. But we deferred some decisions, which I want to return to now.

Initiative	Decision sought
Gumboot Friday	Consistent with our coalition agreement, I seek Budget Ministers' agreement to increase this funding to \$6 million per year from 2024/25 onwards.
Prescription co-payments	<p>I have sought further advice on these costings. There are two elements:</p> <ol style="list-style-type: none"> The savings from reinstating prescription co-payment charges to everyone except CSC holders and superannuants. There is a cost associated with buying more pharmaceuticals (more people filling more prescriptions). Because the previous Government did not provide ongoing funding for Pharmac costs beyond 2024/25, we have no choice but to include this in our Budget 2024 package. This means that – even if we reduce the number of people getting free prescriptions at Budget 2024 – we will still have to incur the cost of more pharmaceuticals being purchased as CSC holders and superannuants remain exempt from the co-payment charge. <p>Netting off the above, we have two options regarding how to proceed:</p> <ol style="list-style-type: none"> Provide funding for the extra Pharmac costs that will be incurred as a result of free prescriptions being made available to CSC holders and super annuitants (cost of \$38 million p.a.), while at the same time re-introducing co-payments for other prescription users (savings of \$67 million p.a.). This provides savings of \$29m average per annum. Do not re-introduce co-payments. This will cost approximately \$56m average per annum (subject to further advice from Ministry of Health / Pharmac in the future). <p>I seek Budget Ministers' agreement to option (a).</p>
Health capital	I propose ensuring a net neutral position for Health capital at Budget 2024 (rather than a net decrease of \$103.4 million as shown in the table), by returning Te Whatu Ora tagged contingencies to the centre and instead reallocating these to cover likely cost escalations for other health projects.

Health Package	Budget Ministers 4 Package	
	Operating Allowances	MYCA
\$millions (Saving) / Spending	Average Per Annum	Total Capital
Expected Pharmac precommitment	445.	-
Baseline Savings	0	-
	(12.6)	-
Targeted Policy Savings and Revenue	(37.9)	-
	(8.9)	-
<i>Disestablishment of the Māori Health Authority</i>	(9)	-
<i>Prescription co-payment</i>	(29.0)	-
	-	-
Capital Pipeline Review	(73.5)	(123.6)
Tagged Contingencies	(2.1)	-
<i>Health Infrastructure Unit Work Programme</i>	(35.4)	(50.0)
<i>Data and Digital Foundations and Innovation</i>	(36.1)	-
<i>Data and Digital Infrastructure and Capability</i>	-	(73.6)
<i>DHB equity support capital contingency</i>	80.3	20.2
Government Policy Commitment	3	2
<i>Breast screening eligibility extension</i>	6.0	7.2
<i>Emergency department security</i>	7.7	-
<i>Gumboot Friday</i>	6.0	-
<i>Training more doctors</i>	2.5	13.0
<i>COVID-19 vaccine and therapeutics delivery</i>	58.0	-
	1,430.0	-
Cost Pressures	1,	-
<i>Health cost pressure</i>	430.0	-
	-	-
Capital Cost Escalations		
Total Health Budget 2024 Package	1,924.9	(103.4)

Defence Force and Foreign Affairs

The current package includes a net uplift for the sector, including:

- **Key cost pressures sought by the Defence Force**, including for remuneration and property expenses arising from asset revaluation. I have not included other funding sought (e.g., for fuel and ammunition) which NZDF considers a lower priority.
- I have included funding for **several new spending initiatives** in Defence Force:
 - Military Operational Vehicles (158 new utility vehicles).
 - Modernising work tools for NZDF personnel.
 - Investing in 184 modern homes for NZDF personnel across New Zealand.
 - Constructing centralised warehouse at Linton Camp for national goods distribution.
 - NH90 Helicopter navigation and communication equipment upgrade (8 helicopters).
 - Upgrading ^[1] technologies.
 - Improving protection against maritime threats.
- **But I propose that other capital decisions are deferred until completion of the Defence Capability Review later this year.**
- I have accepted some savings from Defence Force, but **excluded those relating to capability reductions, asset maintenance,** ^[33]
- I have accepted **\$15 million per annum of savings from MFAT** (focused on back-office functions, with our foreign posts unaffected), to be partially redirected to enhance our diplomatic footprint in the Pacific.

Defence Force Package	Operating Allowances	MYCA
	Average Per Annum	Total Capital
\$millions (Saving) / Spending		
Baseline Savings	[33]	
<i>Non-Operational (Back-office) function savings</i>		
<i>Lower value programmes and activities</i>		
Capital Investment	31.6	281.1
<i>Protection Against Maritime Threats</i>	[38]	
<i>NH90 Helicopter Upgrade</i>		
Cost Pressures	[33]	-
<i>Depreciation expense</i>	31.9	-
<i>Remuneration Cost Pressure</i>	[38]	-
Capital Cost Escalations	-	-
Total Defence Force Budget 2024 Package	77.9	281.1
Foreign Affairs Package	Operating Allowances	MYCA
\$millions (Saving) / Spending	Average Per Annum	Total Capital
Baseline Savings	(15.0)	-
Capital Cost Escalations	3.8	43.5
<i>Pacific Property Strategy</i>	3.8	43.5
Total Foreign Affairs Budget 2024 Package	(11.2)	43.5

Decision sought:

Agree the Defence Force and Foreign Affairs Budget 2024 package.

Oranga Tamariki

The BM4 package includes a net uplift in operating funding for Oranga Tamariki. This is comprised of:

- Scaled funding for our coalition commitment to **Address Serious Youth Offending** (i.e., increasing Court powers to respond to serious and persistent offending, and establishment of a single pilot academy for offenders).
- Ongoing funding for **a funding cliff associated with the established “Fast Track” joint OT/Police initiative**, which provides wrap-around support to 10-13 year olds showing offending behaviour.
- Other urgent cost pressures being faced by Oranga Tamariki. This includes **remuneration of frontline staff**, costs for services to high needs children, and an upgrade of OT’s case management system.

These costs are partially offset by savings from back-office FTE reductions, contactor arrangements and administration costs.

Oranga Tamariki Package \$millions (Saving) / Spending	Operating Allowances	MYCA
	Average Per Annum	Total Capital
Baseline Savings	(7)	(4)
	9.9)	2.2)
<i>Efficiencies in administration costs</i>	(1)	-
	5.0)	-
<i>Efficiencies in how we contract for services</i>	(3)	-
	0.0)	-
<i>FTE reduction as result of organisation design</i>	(3)	-
	4.9)	-
Targeted Policy Savings and Revenue	-	-
	-	(7)
Capital Pipeline Review	-	2.0)
Tagged Contingencies	-	-
	3	-
Government Policy Commitment	2.1	2.0
<i>Addressing Serious Youth Offending</i>	8.8	2.0
<i>Fast Track Youth Offending Programme</i>	7.7	-
Capital Investment	-	-
	5	-
Cost Pressures [37] and [38]	8.0	-
Capital Cost Escalations	-	-
Total Oranga Tamariki Budget 2024 Package	[37] and [38]	

Decision sought:

Agree the Oranga Tamariki Budget 2024 package.

Whaikaha

- The costs of disability support services have been growing **by an average of over 10% per annum in recent years.**
- Expected costs in 2023/24 were higher than expected (due to increased demand), and we have had to provide **an additional \$80 million of funding to meet those immediate pressures.**
- [33]
-
-
-

Decision sought

We have a choice regarding what to do at Budget 2024, pending the outcomes of this review. I propose that we:

- [33]
- 2024 for disability support services to **\$275 million average per annum.**

• [33]

I seek Budget Ministers' approval to this proposal.

Social Development

The Budget 2024 package includes funding for resolving historic claims of abuse (funding was otherwise set to expire). It does not include **new funding for our “Welfare that Works” commitment** – this should be funded from reprioritisation of existing employment programmes.

I propose that our Social Development package at Budget 2024 also includes savings from:

- MSD departmental funding and community programmes.
- **A range of time limited savings in 2024/25** (e.g., from COVID-19 departmental funding), to ensure that MSD meets its baseline savings target across the forecast period.
- Recognising contributions from all boarders when calculating **eligibility for housing subsidies** from 1 April 2026.
- Tightening **the emergency housing gateway** (noting that ongoing funding for MSD’s emergency housing support services is also included to support this).

Outstanding initiatives	Decision sought
[33]	

Social Development Package	Budget Ministers 4 Package	
	Operating Allowances	MYCA
\$millions (Saving) / Spending	Average Per Annum	Total Capital
Baseline Savings	(112.3)	(16.9)
<i>Contractor and Consultant Savings</i>	(15.7)	-
<i>MSD Departmental Savings – FTE</i>	(16.9)	-
<i>Emergency Housing: Tightening the gateway and scaled down support services for people in emergency housing</i>	(87.6)	-
<i>Housing subsidies – including boarders’ contribution in the calculation of subsidies for private and social housing</i>	-	(6.9)
<i>Time-limited Savings</i>	(22.7)	-
Targeted Policy Savings and Revenue	(103.4)	-
Capital Pipeline Review	-	-
Tagged Contingencies	-	-
Government Policy Commitment	20.5	-
<i>Historic Claims of Abuse in Care</i>	20.5	-
Capital Investment	-	-
Cost Pressures	-	-
Capital Cost Escalations	-	-
Total Social Development Budget 2024 Package	(195.3)	46.1

Decision sought: Agree the Social Development Budget 2024 package.

MBIE

The draft package includes \$189 million per annum of baseline savings from across MBIE Votes (Business, Science and Innovation, Labour Markets and Building and Construction). These **reflect parts of MBIE that do not align with the Government’s priorities**. The Independent Rapid Review has also identified a small number of further savings. These are not currently in the package, but I propose that we add them in.

The draft package also includes:

- Savings from our **proposed changes to immigration levies** and from the **Warmer Kiwi Homes** programme (but not including the savings from the Basic Home Repairs component we discussed at BM3).
- Funding for the **Screen Production Rebate**. The funding cliff for this initiative means we have to allocate new funding for it at Budget 2024, [33] and [34]

Ministry of Business, Innovation and Employment Package *	Budget Ministers 4 Package	
	Operating Allowances	MYCA
\$millions (Saving) / Spending	Average Per Annum	Total Capital
Baseline Savings	(189.6)	(632.7)
Targeted Policy Savings and Revenue	(191.7)	-
<i>Immigration Crown savings</i>	(136.9)	-
Capital Pipeline Review	(15.7)	(286.6)
Tagged Contingencies	(9.1)	-
Government Policy Commitment	79.2	400.0
<i>New Zealand Screen Production Rebate – International</i>	28.4	-
<i>Geohazard Information Services</i>	26.7	-
<i>Regional Infrastructure Fund Establishment</i>	2.0	400.0
<i>Baseline operating funding for Kanoa</i>	22.0	-
Capital Investment	-	-
Cost Pressures	7.0	12.0
Capital Cost Escalations	-	-
Total Ministry of Business, Innovation and Employment Budget 2024 Package	(320.0)	(507.3)

* International Visitors Levy reflected under MBIE “Targeted Policy Savings and Revenue”.

Housing

The Housing package at Budget 2024 includes:

- **\$368m per annum in savings from Kāinga Ora's** personnel and asset maintenance functions, Large Scale Projects, wind down of First Home Grants (net the new expenditure on Social Housing Places) and underspends in the Rangitahi Youth Focus Transitional Housing places.
 - The savings from **Large Scale Projects** will be used to offset critical cost pressures in the delivery of Shovel Ready Projects (the Carrington developments).
- **\$70m per annum in departmental savings from HUD**, which will also be required to reprioritise departmental FTE to help achieve our Going for Housing Growth objectives. We have a longer track of work underway on HUD's broader role and will need to reassess capability requirements for this post Budget 2024.

There are several other housing funds and programmes that the Minister of Housing and I intend to review before Budget 2025.

Outstanding initiatives	Decision sought
First Home Grants and Social Housing Places	<p>At BM3, we discussed ending the First Home Grants programme and redirecting funds to social housing places. I propose that funding be provided to Community Housing Providers (CHPs) to deliver new places from 2025/26 onwards. This would cost \$17.5 million in 2025/26, \$52.5m in 2026/27 and \$70m per annum from 2027/28 onwards. The net impact of these two proposals would deliver savings of \$70m across the forecast period. I note that there would be no savings from 2027/28 onwards as the costs of CHPs would be equal to the savings from First Home Grants.</p> <p>I seek Budget Ministers' agreement to this proposal.</p>

Decision sought: **Agree** the Housing Budget 2024 package.

Transport

- The centrepiece of the Transport package is capital funding for the new **Government Policy Statement for Land Transport**, which provides close to \$2 billion of capital funding for our transport priorities.
- The package also includes ongoing funding for the repair of transport links damaged **by the Auckland Anniversary floods and Cyclone Gabrielle**.
- Except for these two investments, I have not provided capital funding for many of the other investments sought by Transport (except for critical cost escalations). I note that Transport have already received (i.e., in previous Budgets) \$10.7 billion total operating and \$25.7 billion total capital for projects currently in planning and delivery. **Over half of this already-approved funding remains unspent.**

• [33]

Transport Package	Budget Ministers 4 Package	
	Operating Allowances	MYCA
\$millions (Saving) / Spending	Average Per Annum	Total Capital
Baseline Savings	(39.4)	-
Capital Pipeline Review	(45.2)	(38.0)
Tagged Contingencies	(1.8)	(1.8)
Government Policy Commitment	(81.3)	2,564.3
<i>NIWE Road Response, Recovery and Rebuild</i>	82.5	609.3
<i>Government Policy Statement on land transport 2024</i>	(179.0)	1,955.0
Capital Cost Escalations	101.0	-
<i>Auckland's Rail Network Rebuild and Wellington's Metro Substations</i>	[25] and [38]	-
<i>Metropolitan Rail Backlogs and Network Management Plans</i>		-
Total Transport Budget 2024 Package	(66.7)	2,524.5

Natural Resources

- The Budget 2024 package includes funding for **Resource Management Reforms**.
- This is offset by savings from back-office staff at agencies and return of **the Agricultural Emissions Pricing contingency** established by the previous Government.

Outstanding initiatives	Decision sought
International Visitors Levy	We intend to take a paper to Cabinet to seek agreement to increase the levy to either \$50, \$70 or \$90, subject to public consultation.* I seek Budget Ministers' input on this proposal.
Waste Levy	At BM3 Budget Ministers discussed: <ul style="list-style-type: none"> • expanding the scope of the waste disposal levy, increasing revenue with corresponding savings from Vote Environment of up to \$25 million per annum, and • increasing the levy by \$5 per year, realising further savings. I seek Budget Ministers' input on this proposal.

* International Visitors Levy reflected under MBIE "Targeted Policy Savings and Revenue".

Environment Package	Budget Ministers 4 Package	
	Operating Allowances	MYCA
\$millions (Saving) / Spending	Average Per Annum	Total Capital
Baseline Savings	(46.7)	-
<i>Waste Minimisation</i>	(10.6)	-
Targeted Policy Savings and Revenue	(15.5)	-
<i>Waste Disposal Levy</i>	(15.5)	-
Tagged Contingencies	(8.6)	-
Government Policy Commitment	23.1	-
<i>Resource Management Reforms</i>	23.1	-
Total Environment Budget 2024 Package	(47.7)	-

Conservation Package	Budget Ministers 4 Package	
	Operating Allowances	MYCA
\$millions (Saving) / Spending	Average Per Annum	Total Capital
Baseline Savings	(31.3)	-
<i>Jobs for Nature programme</i>	(13.9)	-
Additional baseline savings review (nine agencies)	(2.2)	13.8
Capital Investment	0.8	13.8
Total Conservation Budget 2024 Package	(32.7)	13.8

Agriculture, Biosecurity, Fisheries and Food Safety Package	Budget Ministers 4 Package	
	Operating Allowances	MYCA
\$millions (Saving) / Spending	Average Per Annum	Total Capital
Baseline Savings	(58.7)	-
<i>MPI Operating Efficiencies</i>	(31.7)	-
Targeted Policy Savings and Revenue	(43.6)	-
<i>Agricultural Emissions Pricing</i>	(43.6)	-
Total Agriculture, Biosecurity, Fisheries and Food Safety Budget 2024 Package	(102.3)	-

Decision sought: **Agree** the Natural Resources Budget 2024 package.

Population and other agencies

- The Budget 2024 package for other agencies **largely focuses on baseline savings**. I have been – and continue to – work with portfolio Ministers to ensure that these are focused on back-office functions and/or programmes that do not align with our priorities.
- The draft package also includes funding for:
 - Ongoing operation of **DPMC's Cyclone Recovery Unit**.
 - The Government's **Local Water Done Well** programmes.
 - The **independent inquiry** into the Government's COVID-19 response.
 - Establishment of a **DPMC Delivery Unit**.
 - **Establishment of the Ministry for Regulation**, as discussed between myself and Hon Seymour over the weekend.

Tax

Default package - design parameters

- **The personal income tax (PIT) threshold changes** are: 10.5% for \$0-15.6k; 17.5% for \$15.6-53.5k; 30% for \$53.5-78.1k; 33% for \$78.1k-180k; 39% for \$180k+
- **The Independent Earner Tax Credit (IETC)** change updates the upper limit of eligibility to \$70k (from \$48k) with abatement from \$66k.
- The **In-Work Tax Credit (IWTC)** change increases the credit by \$25 to \$97.50 a week¹
- **FamilyBoost** introduced – parents can receive a rebate of up to \$75/week on early childhood education fees [33]
- Implementation date of 31 July 2024 for PIT/IETC/IWTC, 1 July 2024 for FamilyBoost. Consequential tax changes made on 1 April 2025.

Fiscal cost (\$ Operating – billions)

Component:	24/25	25/26	26/27	27/28	Total
PIT changes: 31 July	\$1.64	\$2.45	\$2.59	\$2.49	\$9.18
IETC changes: 31 July	\$0.15	\$0.21	\$0.19	\$0.18	\$0.74
IWTC changes: 31 July	\$0.16	\$0.16	\$0.15	\$0.15	\$0.62
FamilyBoost: 1 July	\$0.17	\$0.17	\$0.17	\$0.17	\$0.68
Total	\$2.12	\$2.99	\$3.11	\$3.00	\$11.21

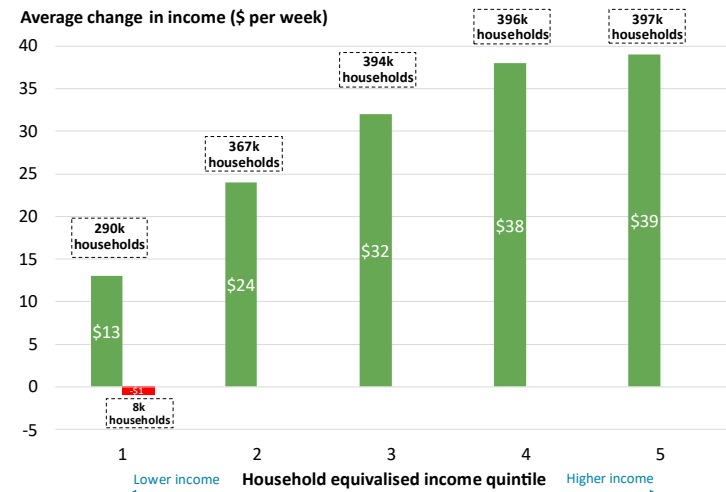
Note: Further work will be needed to produce final costings, including incorporating final BEFU forecasts, and these may differ. Some of the costings in these slides were produced at pace and are indicative only to inform decision making. The fiscal cost and distributional impact estimates of FamilyBoost carry higher uncertainty than other policies modelled as part of this package.

[33]

Distributional impacts

- Overall, the package increases the income of **93% of households by \$30 per week on average**. Households with children gain by \$39 per week on average.
- A small number of households (**less than 1%**) have their income reduced from the package by **\$1** per week on average, due to an unintended interaction with the tax threshold adjustments and the calculation of part-year benefit payments.
- **135,000 households (7%) are unaffected**. Many of these will be receiving main benefits and have no change because benefit rates are set in after-tax terms.
- The package increases the net rate of NZ Superannuation for each person in a couple by around **\$6.60** per week in 2027/28.

Impact on household incomes by equivalised income quintile



Note: Income equalisation accounts for different household compositions, e.g. number of adults and children.

Options for Infrastructure Funding

- We currently have **\$6.8 billion unallocated in the Multi-Year Capital Allowance.**
- We therefore have choices around some additional capital projects that could be included in the Budget 2024 package:
 - ^[33]
 - **Ensuring a net neutral position for Health capital at Budget 2024**, by returning Te Whatu Ora tagged contingencies to the centre and instead reallocating these to cover likely cost escalations for other health projects.
 - Additional funding to accelerate delivery of **major Roads of National Significance** in the Government Policy Statement on Land Transport.
 - Upfront (rather than tranche) funding for capital costs of **the Regional Infrastructure Fund.**

Annexes

Independent rapid reviews and Treasury review of further 9 agencies

- I received the **Independent Rapid Reviews** (IRRs) of 5 agencies (MfE, MoE, MBIE, MSD and Police Head Office) over the weekend. **They did not identify significantly more savings achievable for Budget 2024.** There are potentially small savings in MBIE and MfE, and MfE and MSD reviewers also identified three initiatives in the package with downside risks. I will provide an update in the room.
- The Treasury review of **the further 9 agencies** (with a focus on those with highest growth) identified several further savings options, which I have included in the package. See the table below. I will also have further discussions with Hon Brown and McClay regarding potential further savings in the Transport and Agriculture sectors – I will provide an update in-the-room.

Vote	Initiative	Saving (\$m operating average per annum)
DOC	Additional savings from Jobs for Nature	2.5
DOC	Additional savings from the Kermadec Ocean Sanctuary Programme	1.7
Treasury	Further savings from Treasury's functions	1
Treasury	Further non-departmental savings (unclaimed trust accounts and one off savings)	5.5
Public Service	Return of underspends in contingency for Chief executive remuneration	0.2
Public Service	Return of funding allocated for transition from 3 rd party funding	0.3

- Importantly, **both the Treasury-led process and all IRRs identified savings options for fiscal consolidation beyond Budget 2024.** Findings from these will inform Phase 2 of our Fiscal Sustainability Programme (FSP), as reprioritisation and savings will have to be a focus across our term. I expect next steps of the FSP to form part of our Budget-day communications.

Approach to Capital at Budget 2024

- **On 27 March 2024, I announced in the Budget Policy Statement an increase to the MYCA of up to \$7 billion**, on top of the current \$3.45 billion balance.
- **The draft package currently includes \$5.3 billion net capital funding**, with a focus on funding key Government priority areas (e.g., the Government Policy Statement for Land Transport) and critical asset maintenance, renewals and upgrades.
- Agencies sought significantly more capital funding Budget 2024. However, it is vital that our package takes into account:
 - Funding already provided for projects currently in planning and delivery (e.g., in previous Budgets). Of the \$17.4 billion total operating and \$57.3 billion total capital already provided for projects currently in planning and delivery, **less than half has been spent**.
 - Market capacity constraints that remain in our economy.
 - The operating implications of capital funding. **A rule of thumb is that for every \$3 of capital funding, there is \$1 of associated operating funding.**
 - The need to reset expectations with agencies on the need for sound investment and asset management plans, **including high quality business cases**, to support our funding decisions.
 - Outcomes of current reviews and strategies being developed across capital intensive votes (Housing, Health, Transport, Education and Defence).

