

The Treasury

Budget 2024 Information Release

September 2024

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- [31] 9(2)(f)(ii) - to maintain the current constitutional conventions protecting collective and individual ministerial responsibility
- [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
- [39] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage
- [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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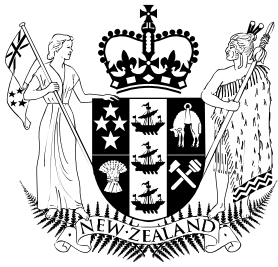
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Budget Ministers 5

Outstanding Budget 2024 and future allowance decisions

Purpose of Budget Ministers 5

Decisions at BM4

At Budget Ministers 4 on Monday 8 April, we agreed to the majority of the Budget 2024 package. In a few instances we agreed the overall headline number and approach, and I am now working to finalise the details of these components of the package (e.g. Vote Oranga Tamariki).

Purpose of this meeting

At this meeting we need to make a small number of **outstanding decisions to finalise the Budget 2024 package**.

I would also like to have an **initial discussion on scenarios for operating allowances in future Budgets**. The size of these allowances has an impact on the forecasts for government spending, the operating balance and debt.

Next steps

Following this meeting, I will:

- write to Ministers confirming the decisions for their respective portfolios, and
- work with the Treasury to prepare a paper seeking Cabinet's agreement to the final Budget 2024 package on 29 April

Overview of final Budget 2024 package

Following BM4, the Budget 2024 package is **on target to have an operating allowance of less than \$3.5 billion** per annum, as we have committed to. Given we met only two days ago, I have not provided an updated summary table of the Budget package. Below is the package we discussed at BM4 on 8 April. Note there are some outstanding decisions that are yet to be incorporated into the package, which also remains subject to final quality assurance.

Budget Ministers 4 \$millions Savings / (Spending)	Operating Allowances					Total Operating	Average Per Annum	MYCA Total Capital
	2023/24	2024/25	2025/26	2026/27	2027/28 and Outyears			
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)
New Spending	(82)	(3,060)	(4,364)	(4,044)	(4,036)	(15,585)	(3,896)	(3,526)
[33]								
Cost Pressures and Capital Cost Escalations	(33)	(2,721)	(2,440)	(2,294)	(2,250)	(9,738)	(2,435)	(1,386)
Total Budget Package	601	(4,237)	(5,062)	(4,578)	(4,500)	(17,785)	(4,447)	(5,330)
[33]								

The following items are excluded from the table above: savings from [33]

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

In the table above, there is a separate line for the Education Envelope, which includes a mix of new spending, cost pressures and reprioritisation initiatives per agreement with the Minister of Education. In addition to the Education Envelope, certain education initiatives are included within the Government Policy Statement on Land Transport (GPS) or within capital investments, cost escalations, or baseline savings.

Tax package (excluding family boost) have been included at 31 July implementation 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.

Outstanding savings decisions

The key outstanding **savings decisions** we need to take at this meeting are:

- [33]
- As discussed at BM4, I propose we do not make these changes for Budget 2024 and instead consider any changes as part of a broader review of the Housing Support System. This initiative is not reflected in the package at present

Decision sought: **Agree** to my proposed approach above to the **Accommodation Supplement** for existing homeowners.

- [33]
-

[33]

- I have received advice from the Treasury on the **Prescription Co-payment** savings.
 - Officials have not included in their modelling the potential impact of new software for the prescription subsidy card. However, it is expected that the impact of these changes will be minimal.
 - The flow on costs to Pharmac do not constitute a forecast change as the spending is dependent on a policy decision.
- I recommend that we continue with the current approach of removing the Prescription Co-payment with the exception of people over 65 years old and Community Service Cardholders (net of the costs to Pharmac)

Decision sought: **Agree** to my proposed approach for the Prescription Co-payment savings.

Update on Transport and Infrastructure

- I have now received advice on **a number of opportunities in the transport portfolios**. I will provide an update and seek a decision in the BM5 meeting on these items.
- As part of the Budget Technical process, the Ministry of Transport submitted **\$268 million across the forecast period in additional savings opportunities**. They proposed to use this to fund two cost pressures and two new initiatives:
 - Civil Aviation Authority Health and Safety at Work Act (cost pressure) – \$2.8 million in 2024/25
 - Emergency Ocean Response Capability (Cook Strait) (new initiative) – ^[25]
 - Maintaining Critical Frontline Water Safety Services (cost pressure) – \$63.6 million total
 - Severe weather/emergency response (new initiative) – \$23.1 million total
- With the closure of the National Resilience Plan, **it is important that our Government can demonstrate our commitment to building back better**. ^[33]
 - ^[33]
 -
- With approximately \$6.8 billion left in the MYCA, **we also have some choices on accelerating projects within the GPS**:
 - ^[33]
 - North West Rapid Transit
 - Roads of National Significance
 - ^[33]

Fiscal strategy

- The preliminary fiscal forecasts assume future operating allowances as set by the previous Government (\$3.25, \$3 and \$3 billion for Budgets 2025, 2026 and 2027 respectively). For context, the average operating allowance across Budgets 2018 – 2023 was \$4.1 billion.
- The preliminary fiscal forecasts show a \$700 million OBEGAL deficit in 2027/28.
- We need to set our own operating allowances for Budgets 2025-2027.
- Lower allowances than Labour's will improve the forecasts for government spending, OBEGAL and debt.
- However, lower allowances will require commitment to ongoing savings in order to fund cost and volume pressures as well as new initiatives. Reprioritisation will require difficult trade-offs.

Surplus and outyear allowances

- The table below sets out scenarios for operating allowances and the indicative surplus in 2027/28.
- Top-down modelling suggests at least \$2.5 billion average per annum at Budgets 2025, 2026 and 2027 is needed to fund cost pressures, but this does not account for volume-driven pressures not already funded (e.g. demographic change) and new initiatives.
- **Managing within lower allowances will require us to find further savings and revenue options, and reprioritisation.**
- **I will receive indicative final fiscal forecasts from the Treasury on 23 April.** I propose we agree outyear operating allowances after receiving the indicative final fiscal forecasts, and ahead of finalising the Cabinet paper for lodgement on 26 April.

Illustrative options based on the preliminary economic and fiscal forecasts					
	Operating allowances (\$b per annum)				Indicative surplus (\$b)
	Budget 2024	Budget 2025	Budget 2026	Budget 2027	Surplus in 2027/28
Preliminary fiscal forecasts (previous Government allowance assumptions)	3.5	3.25	3	3	-0.7 (-0.1% of GDP)
National Party Fiscal Plan allowances	3.2	2.85	2.7	2.7	0.7 (0.1% of GDP)
Scenario A	3.4	2.8	2.8	2.8	0.4 (0.1% of GDP)
Scenario B	3.4	2.5	2.5	2.5	1.3 (0.3% of GDP)

These scenarios are based on the preliminary fiscal forecasts which are subject to change. Fiscal forecasts are subject to uncertain economic conditions.

Achieving our fiscal and policy objectives

- I will be receiving **advice from the Treasury shortly on the next phase of our Fiscal Sustainability Programme**, which I expect will cover:
 - the next steps from the Independent Rapid Review reports^[33]
 - potential areas for deep dive reviews to feed into Budget 2025 e.g.^[33] and other reviews planned or underway, e.g. a review of Whaikaha^[33]
 - how we can take forward additional targeted policy savings and revenue options including those we deferred this Budget and we want to consider in “the round” (e.g.^[33]
- I intend to provide Cabinet an update and seek its steer on the above on 29 April, so that we begin work well in advance of Budget 2025, and announce as part of Budget 2024 communications.