

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
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From: Hamish Coghill [TSY]
Sent: Wednesday, 20 March 2024 6:52 pm
To: ^Parliament: Lachlan Stark
Cc: Ephraim Wilson [TSY]; Conor McBride [TSY]; Jinal Mehta [TSY]
Subject: Re: MoF Commissioning from Vote Foreign Affairs Background Briefing and pre-Budget Bilateral

Hi Again ^[33]

Hamish

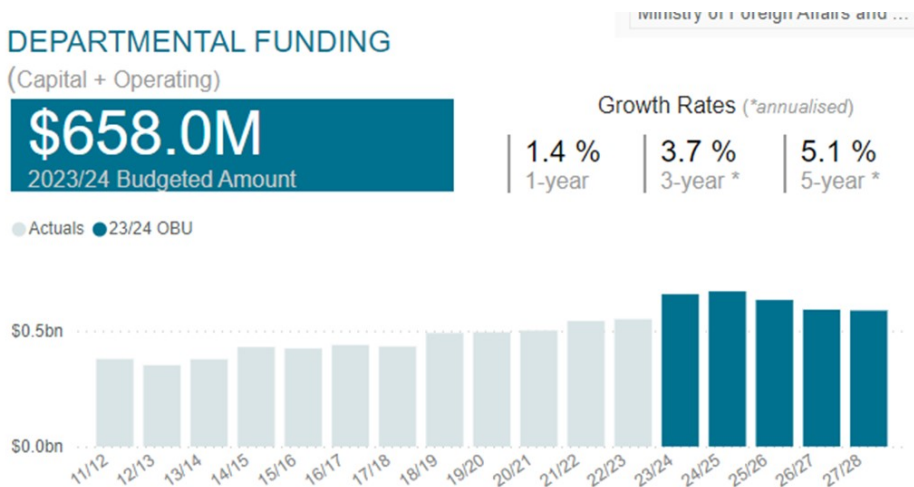
From: Hamish Coghill [TSY] <Hamish.Coghill@treasury.govt.nz>
Sent: Wednesday, March 20, 2024 6:24:01 PM
To: ^Parliament: Lachlan Stark <lachlan.stark@parliament.govt.nz>
Cc: Ephraim Wilson [TSY] <Ephraim.Wilson@treasury.govt.nz>; Conor McBride [TSY] <Conor.McBride@treasury.govt.nz>; Jinal Mehta [TSY] <Jinal.Mehta@treasury.govt.nz>
Subject: Re: MoF Commissioning from Vote Foreign Affairs Background Briefing and pre-Budget Bilateral

Kia ora Lachy

This email provides further information in response to MoF’s requests at yesterday evening’s Vote Foreign Affairs Background Briefing session.

Recent Vote Foreign Affairs funding increases compared to the rest of the public sector

The Minister asked for more information about how Vote Foreign Affairs baselines have increased in recent years, and how it compares to the rest of the public sector. Information about how Vote Foreign Affairs has increased over time is included in the Background Briefing presentation already, however generally speaking, between 2008/09 and 2016/17 the baseline was held relatively flat around \$1 billion p.a. (+/- \$100m p.a. or so). The baseline then increased significantly from 2017/18 to the current financial year, where they reach a peak, before declining. See screenshots below from Vote Analytics tool for comparison (using HYEFU numbers):



NON-DEPARTMENTAL, & BENEFITS OR RELATED FUNDING

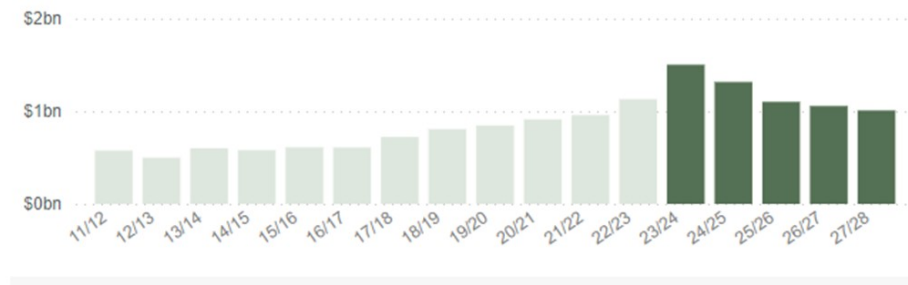
(Capital + Operating)

\$1,503.0M
2023/24 Budgeted Amount

Growth Rates (*annualised)

17.8 % | 10.3 % | 9.4 %
1-year | 3-year * | 5-year *

● Actuals ● 23/24 OBU



As you can see, while there have been increases in departmental funding (primarily for cost pressures, but also some new Posts), the most significant increases are in non-departmental funding (primarily the aid programme including climate finance, but also Scott Base Redevelopment Project). For comparison, here is all government expenditure during this period:

DEPARTMENTAL FUNDING

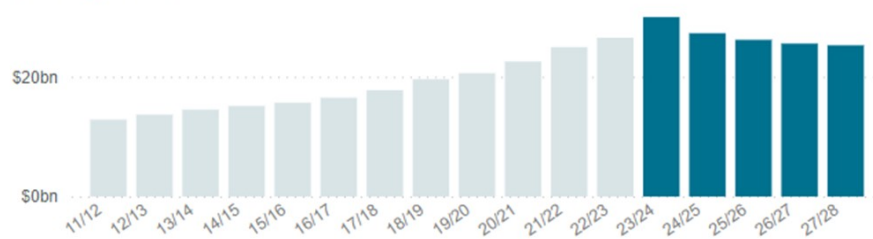
(Capital + Operating)

\$30,597.1M
2023/24 Budgeted Amount

Growth Rates (*annualised)

6.3 % | 8.8 % | 8.4 %
1-year | 3-year * | 5-year *

● Actuals ● 23/24 OBU



NON-DEPARTMENTAL, & BENEFITS OR RELATED FUNDING

(Capital + Operating)

\$159,581.5M
2023/24 Budgeted Amount

Growth Rates (*annualised)

-0.2 % | 8.0 % | 13.7 %
1-year | 3-year * | 5-year *

● Actuals ● 23/24 OBU



Vote Foreign Affairs pre-Election savings exercise

Under the Fiscal Sustainability and Effectiveness Programme announced in August 2023 by the previous Government, Vote Foreign Affairs was set a permanent savings target of **\$35.06 million p.a.**, from 2024/25 onwards. This was 2% of their eligible base of \$1,753 million (including \$534 million departmental, \$1,223 million non-departmental, excluding capital charge and depreciation costs, and other smaller costs (e.g. PLAs)). The eligible base was taken as at BEFU 2023. Proposals for how this target would be achieved were not received before the Election.

-
Post-Election, the savings target for Vote Foreign Affairs was increased to **\$98.90 million p.a.** for Vote Foreign Affairs, incorporating the previous 1-2% targets. The first time Treasury received concrete savings proposals for MFAT was through the Baseline Savings Assurance exercise on 16 February 2024, which stated they were looking at the following areas (noting these hadn't yet been discussed with their Minister):

- [1]
- Reductions to aid programme management/administration
- Reduced contractors/consultants
- Reduced staffing levels
- Reduced specialised funds, and
- A general reduction to head office budgets.

As we noted in the meeting with MoF, we understand MFAT has been working with their Minister's Office on iterations of a potential alternative savings package amounting to roughly ^[33] although they were also working on an organisational cost pressure initiative of around \$15 million p.a.

[33]

Taking a 'National Security Sector' view of Budget

MoF indicated she wanted to see how savings submitted by national security sector agencies might be collectively used to 'offset' their cost pressures (at least in an informal sense). The Budget package as at BM2, as shown in the table below, shows these agencies are in a net positive position – in other words, their new spending outweighs their savings over the forecast period. The extent to which the inclusion of a savings amount for Vote Foreign Affairs will result in more savings than new spending will depend on upcoming decisions for BM3.

	Submitted (\$m over forecast period)		BM2 (\$m over forecast period)	
	Operating	Capital	Operating	Capital
Defence – net funding	1822.538	942.561	128.047	216.423
MoD savings	(8.000)	-	(8.000)	-
NZDF savings	(353.828)	-	(89.650)*	-
NZDF invited cost pressures	[33]	-	120.000	-
NZDF uninvited cost pressures		-	-	-
NZDF new spending		[33]	105.697	216.423
Foreign Affairs – net funding	45.070	133.910	-	-
Savings	-	-	-	-
Cost pressures	[33]		-	-
New spending			-	-
Communications Security		-	[33]	-
Savings		-		-
Security Intelligence		-		-
Savings		-		-
Total		[33]		[33]

[33] of savings was originally included in the BM2 package, but we understand MoF's initial view was to no longer progress with two of the savings options, reducing savings to \$89.650 million.

Thanks for your patience with us getting this prepared, and please let us know if you have any follow up questions. See you tomorrow.

Hamish

From: Hamish Coghill [TSY] <Hamish.Coghill@treasury.govt.nz>
Sent: Wednesday, March 20, 2024 10:47 AM
To: ^Parliament: Lachlan Stark <lachlan.stark@parliament.govt.nz>
Cc: Ephraim Wilson [TSY] <Ephraim.Wilson@treasury.govt.nz>; Conor McBride [TSY] <Conor.McBride@treasury.govt.nz>; Jinal Mehta [TSY] <Jinal.Mehta@treasury.govt.nz>
Subject: Re: MoF Commissioning from Vote Foreign Affairs Background Briefing and pre-Budget Bilateral

Thanks Lachy - that should be fine.

Hamish

From: Lachy Stark <Lachlan.Stark@parliament.govt.nz>
Sent: Wednesday, March 20, 2024 9:59 AM
To: Hamish Coghill [TSY] <Hamish.Coghill@treasury.govt.nz>
Cc: Ephraim Wilson [TSY] <Ephraim.Wilson@treasury.govt.nz>; Conor McBride [TSY] <Conor.McBride@treasury.govt.nz>; Jinal Mehta [TSY] <Jinal.Mehta@treasury.govt.nz>
Subject: RE: MoF Commissioning from Vote Foreign Affairs Background Briefing and pre-Budget Bilateral

Thanks Hamish,

Yes, that aligns with the commissions I have in my notes, one minor extra in red.

Yes please to getting something across this evening – would it be feasible to have it by 5pm?

Thanks,
Lachy

From: Hamish Coghill [TSY] <Hamish.Coghill@treasury.govt.nz>
Sent: Tuesday, March 19, 2024 8:39 PM
To: Lachy Stark <Lachlan.Stark@parliament.govt.nz>
Cc: Ephraim Wilson [TSY] <Ephraim.Wilson@treasury.govt.nz>; Conor McBride [TSY] <Conor.McBride@treasury.govt.nz>; Jinal Mehta [TSY] <Jinal.Mehta@treasury.govt.nz>
Subject: MoF Commissioning from Vote Foreign Affairs Background Briefing and pre-Budget Bilateral

Hi Lachy - thanks for your help today over at the Beehive.

As discussed, I'm keen to compare notes about what we've been commissioned to get for MoF tomorrow/ahead of her bilateral with the Minister of Foreign Affairs on Thursday afternoon. Here's what I have:

- What was the 1-2% target that MFAT was required to meet as part of the pre-Election process, which has already been booked? What options were they looking at then to meet that target? **What was their eligible baseline (i.e. parameters of what spend was in/out and any assumptions made in that exercise, plus size of the eligible baseline vs full baseline)?**
- She would like to have more information about savings options for MFAT that do not include Post closures or reductions to aid expenditure.
- How much have Vote Foreign Affairs baselines increased in recent years, and how does it compare to other agencies?
- Can we put MFAT's savings here in the context of the National Security Sector as a whole, in particular the Vote Defence Force remuneration pressures, and show how savings from Vote Foreign Affairs and other agencies could be shown to 'offset' increases in other parts of the sector (such as NZDF)?

We will make a start on an email providing these answers in the morning. I'm assuming we should be aiming to get this in MoF's overnight bag as an Annex to our bilateral briefing?

Thanks again,

Hamish



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