

The Treasury

Budget 2024 Information Release

September 2024

This document has been proactively released and is available on:

- The Budget website from September 2024 to May 2025 only at: <https://budget.govt.nz/information-release/2024>, and on
- The Treasury website from later in 2024 at: <https://www.treasury.govt.nz/publications/information-release/budget-2024-information-release>

Information Withheld

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

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

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

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

- [1] 6(a) - to avoid prejudice to the security or defence of New Zealand or the international relations of the government
- [23] 9(2)(a) - to protect the privacy of natural persons, including deceased people
- [25] 9(2)(b)(ii) - to protect the commercial position of the person who supplied the information or who is the subject of the information
- [27] 9(2)(ba)(ii) - to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely otherwise to damage the public interest
- [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
- [35] 9(2)(g)(ii) - to maintain the effective conduct of public affairs through protecting ministers, members of government organisations, officers and employees from improper pressure or harassment;
- [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

Where information has been withheld, a numbered reference to the applicable section of the Act has been made, as listed above. For example, a [23] appearing where information has been withheld in a release document refers to section 9(2)(a).

Copyright and Licensing

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

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

Accessibility

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

Treasury Report: Finalising Budget 2024 Strategy and Design

Date:	6 December 2023	Report No:	T2023/2072
		File Number:	BM-2-1-2024

Action Sought

	Action Sought	Deadline
Minister of Finance (Hon Nicola Willis)	<p>Confirm you do not want to adjust Budget allowances before the Budget Policy Statement</p> <p>Indicate your final decisions on Mini Budget and what to invite into the Budget 2024 process</p> <p>Agree which agencies you want to submit significant savings and/or revenue raising options</p> <p>Provide feedback on the attached draft Cabinet paper</p>	7 December 2023

Contact for Telephone Discussion (if required)

Name	Position	Telephone	1st Contact
Emma Harris	Analyst, Budget	[39]	n/a (mob) ✓
Emily Fulford	Senior Analyst, Budget		n/a (mob)
Stephen Bond	Manager, Budget		n/a (mob)

Minister of Finance's Office Actions (if required)

Return the signed report to Treasury.

Note any feedback on the quality of the report

Enclosure: Yes

Treasury Report: Finalising Budget 2024 Strategy and Design

Recommended Action

We recommend that you:

Budget Allowances

- a **confirm** you do not want to adjust the Budget 2024 – 2027 operating allowances before the Budget Policy Statement

Agree/disagree.

- b **confirm** you do not want to adjust the Multi-year Capital Allowance before the Budget Policy Statement

Agree/disagree.

Mini Budget

- c **indicate** your decisions regarding final and in-principle decisions in Annex 1, which we have updated per your feedback on T2023/2030

- d **indicate** whether you wish to:

- a. return unspent 2023/24 funds on resource management reform to the centre via your Mini Budget paper, or

Agree/disagree.

- b. defer decisions regarding the return of unspent 2023/24 funds to the centre to the Minister for Resource Management Reform's Cabinet paper on 18 December.

Agree/disagree.

Initiatives for invitation into the Budget process

- e **note** that we have shaded grey the Government policy commitments (in Annex 2) you agreed to invite into the Budget 2024 process on 5 December [T2023/2030 refers]

EITHER:

- f **confirm** that you do not want to invite further initiatives in Annex 2

Agree/disagree.

OR

- g **indicate** whether there are any additional Government policy commitments you want to seek Cabinet's agreement to invite into the Budget 2024 process

Agree/disagree.

h **confirm** that you would like the attached Cabinet paper to seek Cabinet’s agreement to invite all time limited funding in Annex 3 into the Budget 2024 process

Agree/disagree.

i **agree** which cost pressures (outlined in Annex 4) you would like to invite into the Budget process:

Cost	Decision
Health price, volume and remuneration pressures	<i>Agree/disagree.</i>
Education price, volume and remuneration pressures	<i>Agree/disagree.</i>
Tertiary Education price pressures	<i>Agree/disagree.</i>
Whaikaha price and volume pressures	<i>Agree/disagree.</i>
Oranga Tamariki remuneration pressures	<i>Agree/disagree.</i>
Corrections volume and remuneration pressures	<i>Agree/disagree.</i>
Police remuneration pressures	<i>Agree/disagree.</i>
Justice remuneration pressures	<i>Agree/disagree.</i>
Defence Force remuneration pressures	<i>Agree/disagree.</i>

Next Steps

j **provide** feedback on the attached draft letter that we recommend you send to portfolio Ministers on the Fiscal Sustainability Programme and Budget 2024, and

Yes/no.

k **provide** feedback on the attached draft of Cabinet paper (attached).

Yes/no.

l **note** the draft Cabinet paper includes a draft annex outlining design of the baseline reduction, which we can amend based on your feedback, including the decisions you take on the final target.

Stephen Bond
Manager, Budget

Hon Nicola Willis
Minister of Finance

_____/_____/_____

Treasury Report: Finalising Budget 2024 Strategy and Design

Purpose of Report

1. This report seeks key decisions on outstanding design elements of Budget 2024. These decisions are needed to enable us to finalise the attached Cabinet paper, which will be lodged on 8 December.

Mini Budget decisions

Updated Annex 1

2. We have updated Annex 1 to reflect your feedback in response to your feedback on T2023/2030. Please indicate final decisions on whether to take final or in principle decisions at Mini Budget in the “MOF Decision re inclusion in Mini Budget” column in Annex 1.

Advice on Climate Dividend

3. In T2023/2030 you indicated a preference to use all available Emissions Trading Scheme (ETS) cash proceeds for your climate dividend,¹ and asked for advice on the impacts for your tax and fiscal plan.
4. As outlined in prior advice, there is no direct link between the CERF and ETS proceeds. There are therefore two broad options for implementing your proposal for a climate dividend:
 - a Remove remaining operating funding from the CERF (\$900m over the forecast) – this is the option we have previously provided, and has no OBEGAL impact, or
 - b Remove remaining operating funding from the CERF and add additional ETS proceeds (\$1.207b).
5. The additional \$307m is because HYEPU forecasts ETS cash proceeds to be \$307 million higher than PREFU over the forecast period. This is through a combination of:
 - a A loss of \$896 million in cash proceed revenue (using PREFU ETS price assumptions) from the failure of the December 2023 auction (T2023/1981 refers)
 - b An increase to cash proceed revenue of \$634 million over the forecast period due to an increase in price from \$59.75 per NZU at PREFU to \$70.00 in HYEPU, and
 - c The roll out of \$569 million in additional proceeds for the 2027/28 financial year.
6. Treasury’s HYEPU forecasts did not assume that the 2027/28 cash proceeds would be added to the Climate Emergency Response Fund (CERF), so making this decision would have a corresponding OBEGAL impact of \$307 million (likely spread across the forecast period). As a result, we recommend against adding these proceeds to your tax plan because of the OBEGAL impact, and instead proceed with a climate dividend based on simply emptying the CERF.

¹ We note that actual ETS proceeds will continue to fluctuate depending on ETS auctions, and may lead to further net debt impacts. Long term, ETS cash proceeds are anticipated to decrease as New Zealand approaches our net zero emissions target. Should the government wish to provide a climate dividend on an ongoing basis, alternative sources of funding may be required.

7. Our costings to date have only considered the assumed operating component of the CERF. \$100 million of available funding is forecast as capital. While you could include this in your “climate dividend”, it would have a negative OBEGAL impact. Instead we recommend returning it to the centre or to the MYCA when you seek Cabinet agreement to close down the CERF.

Advice on Resource Management Reforms (ID 25)

8. We note your decision in T2023/2030 regarding returning all unspent 2023/24 funding to the centre via the Mini Budget. We understand the Minister for Resource Management Reform may raise this with you. This is because subsequent decisions on the Government's Resource Management reform program could require rehiring of FTEs with the same skillset, if a decision to withdraw all unspent funding for RMA reform implementation in 2023/24 led to redundancies.
9. We understand that Cabinet is taking decisions on 18 December on the repeal of the Spatial Planning Act 2023 and the Natural and Built Environment Act 2023, and decisions about resource management related work for this year (including the Fast Track Consenting regime), which will require resourcing. You have two options to deal with this:
 - a You could return 2023/24 savings via the 11 December Mini Budget paper, and then re-allocate some funds via the 18 December paper. However, this could mean overstating savings in your Mini Budget paper.
 - b Alternatively you could return no savings for 2023/24 via the Mini Budget, with decisions regarding this made via the Minister for Resource Management Reform’s paper on 18 December. This would mean that any additional savings from 2023/24 would not be reflected in your 20 December Mini Budget announcement.

Budget Allowances

10. The table below outlines the current operating allowance and multi-year capital allowance (MYCA) and how much remains unallocated following existing pre-commitments.

Table 1: Overview of operating and multi-year capital allowances

Operating allowance (\$m)	Budget 24	Budget 25	Budget 26	Budget 27
PREFU allowances	3,500	3,250	3,000	3,000
Multi-year capital allowance (\$m)	Budgets 2024-2027			
PREFU allowances	2,935			

11. We are seeking your confirmation that you do not want to make any changes to the above allowances ahead of the Budget Policy Statement (BPS), which will be published in March 2024.

Decisions on initiatives for invitation into Budget 2024

12. We are seeking your final confirmation on what initiatives you want to invite for:
 - a Government policy commitments (Annex 2)
 - b Critical cost pressures (Annex 4).
13. We have also attached the baseline reduction savings options (see Annex 5).

Next Steps

14. A second draft of the 11 December Cabinet paper is attached to this report for your feedback.
15. We will revise the Cabinet paper based on your decisions in this report (and other Treasury advice), and provide a final draft for your approval on 7 December. Subject to incorporation of your feedback, we will lodge a final paper on your behalf on 8 December.