

The Treasury

Budget 2024 Information Release

September 2024

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- [1] 6(a) - to avoid prejudice to the security or defence of New Zealand or the international relations of the government
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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
- [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

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Treasury Report: Outstanding Budget 2024 decisions (week of 15 April)

Date:	16 April 2024	Report No:	T2024/1056
		File Number:	BM-2-4-2024-6

Action sought

	Action sought	Deadline
Hon Nicola Willis Minister of Finance	<p>Note the additional information and package changes identified in this report.</p> <p>Indicate your decisions – where requested in the “Minister of Finance decision” column – on the initiatives in Annex A.</p>	17 April 2024

Contact for telephone discussion (if required)

Name	Position	Telephone	1st Contact
Chris Brunt	Senior Analyst, Budget [39]	[35]	✓
Keiran Kennedy	Manager, Budget		

Minister’s Office actions (if required)

Return the signed report to Treasury.

Note any feedback on the quality of the report

Enclosure: No

Treasury Report: Outstanding Budget 2024 decisions (week of 15 April)

Purpose of this Report

1. This report (in Annex A):
 - a. Provides the additional information you requested when reviewing draft letters to portfolio Ministers on the weekend of 13 April.
 - b. Updates you on a small numbers of changes to the package to, for example, correct errors identified during the bilateralisation process.
 - c. Updates you regarding a small number late initiatives submitted into the process.
2. It also provides you with a breakdown of the Vote Conservation baseline savings (see Annex B).

Recommendation

1. **Indicate** your decisions – where requested in the “Minister of Finance decision” column – on the initiatives in Annex A; and
2. **Note** the information on Conservation baseline savings in Annex B.

Annex A – Outstanding Budget 2024 Changes

	ID	Title	Follow up question raised	Treasury response	Minister of Finance decision	Package amount reflected in current package		Variance from BM5 package (\$m) Less savings / (More savings)	
						Average operating p.a.	Total capital	Average operating p.a.	Total capital
Agriculture, Biosecurity, Fisheries and Food Safety									
Agriculture, Biosecurity, Fisheries and Food Safety	15697	Agricultural Emissions Pricing Tagged Contingency	You asked if this package is reflective of the decision for Minister McClay to retain \$10 million from the Agricultural Emissions Pricing Tagged Contingency.	<p>Clarification sought from your review of draft letters</p> <p>Yes, this is reflective of the agreement made with Minister McClay. The total Agricultural Emissions Pricing Tagged Contingency is \$174.5m total. We have reduced this by \$10m which leave the savings as \$164.5m total or \$41.1m per annum.</p> <p>We have updated the draft letter to be clear that this package is reflective of the agreements previously made with Minister McClay.</p>	<p>Note that we have updated the draft letter for your signature to be clear that this package is reflective of the agreements previously made with Minister McClay.</p>				
Business Science and Innovation									
Business Science and Innovation	15806	Wellington Science City	You have not raised any questions regarding this initiative.	<p>Correction of error</p> <p>These savings are from stopping Wellington Science City project (currently held in tagged contingency). There was a data entry error during Vote team assessment (where 126 million of capital savings in 2027/28 was entered as 12.6 million), and the error was only picked up after bilateralisation.</p>	<p>Note that (i) the draft letter provided for your signature and (ii) the bilateralised package (which underpins agency financial recommendations) has been updated to correct this error.</p>	(15.7)	(400.0)	-	(113.4)
Business Science and Innovation	15624	Stop Just Transitions programme – return of funding	MBIE has identified that this initiative involves some savings from the termination of contracts. These figures were originally communicated incorrectly by MBIE.	<p>Correction of error</p> <p>A decrease in savings for this initiative in 2024/25 is required to meet your previously stated expectation that all existing Just Transitions contracts are upheld.</p>	<p>Note that (i) the draft letter provided for your signature and (ii) the bilateralised package (which underpins agency financial recommendations) has been updated to correct this error.</p>	(2.6)	-	0.1	-
Business Science and Innovation	15633	Scale NZTE operational funding and International Growth Fund.	You asked if this initiative was consistent with the agreement reached with Hon McClay.	<p>Clarification sought from your review of draft letters</p> <p>Yes, this quantum reflects the agreement reached with Hon McClay.</p>	<p>Note that we have updated the draft letter for your signature to be clear that this package is reflective of the agreements previously made with Minister McClay.</p>				
Business Science and Innovation	N/A	N/A	You asked whether the International Visitors Levy needed to be mentioned in the letter.	<p>Clarification sought from your review of draft letters</p> <p>We have updated the letter to be clearer that the IVL additional revenue is in the package, but is <u>not</u> noted in the 1 pager (as this is still to be finalised through a separate Cabinet paper process).</p>	<p>Note that we have updated the draft letter for your signature to be clearer regarding IVL's status.</p>				

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Business Science and Innovation	16052	Expanding the Impact of Vision Mātauranga	You asked to revisit Vision Mātauranga decision, and indicated you were interested in understanding the options and approach here.	<p>Clarification sought from your review of draft letters</p> <p>Vision Mātauranga aims to attract and grow Māori talent in the Science, Innovation and Technology sector.</p> <p>The Ministry of Business, Innovation and Employment (MBIE) informed us that expenditure has begun for Vision Mātauranga. MBIE now risks going unappropriated and not fulfilling contracts if transfers are not approved.</p> <p>^[34] The options we outlined in the Treasury Report on the Technical Package [T2024/814 refers] were:</p> <ul style="list-style-type: none"> Decline the fiscally neutral adjustment and return ^[33] to the centre and direct MBIE to meet already-incurred expenditure from baselines. Approve a portion of the transfer to meet committed costs (this would be ^[33] for 2023/24). Approve the transfer as requested. <p>You agreed to decline the initiative and return the savings to the centre.</p> <p>Note we also raised a similar issue for the Founder and Startup Support Programme, which you agreed to provide a portion of the transfer requested to meet committed costs (^[33] in 2023/24 and 2024/25).</p> <p>To avoid this situation in the future, we recommend that you remind the Minister of Science, Innovation and Technology that future Fiscally Neutral Adjustments require approval from Joint Ministers or Cabinet before funding can be spent or committed.</p>	<p>Note that you have agreed to decline the fiscally neutral adjustment and return ^[33] to the centre and direct MBIE to meet already-incurred expenditure from baselines, and that this is currently reflected in the bilateralised technical Budget 2024 package (which underpins agency financial recommendations).</p> <p>Indicate as soon as possible if you wish to take a different approach.</p>				
Conservation									
Conservation	N/A	N/A	You asked to review the baseline savings for the Department of Conservation.	<p>Clarification sought from your review of draft letters</p> <p>Annex B of this report provides an overview of the current savings package for the Department of Conservation. In short:</p> <ul style="list-style-type: none"> Conservation's baseline target was \$33.8 million per annum, which it submitted sufficient savings for. This was reduced to \$31.4 million per annum as a result of Ministerial decisions to reduce some savings. You subsequently agreed to include two additional savings options (totalling \$1.7 million per annum) for the Department of Conservation during the 'nine agency' review, taking the total back to \$33.1 million. 	<p>Note that (i) the draft letter provided for your signature and (ii) the bilateralised package (which underpins agency financial recommendations) has not made any changes to the Conservation package at this stage.</p> <p>Indicate as soon as possible whether you want to make any changes to Conservation's baseline savings at Budget 2024.</p>				
Education									
Education	15799	Partnership Schools	We identified that the current initiative does not include any capital funding for the establishment of a new agency.	<p>Correction of error</p> <p>There is currently no capital funding associated with this initiative because this was associated with FTE funding which was scaled out of the original assessment. We subsequently included provision for \$4 million per annum operating funding for FTE funding to reflect the cost of a Departmental Agency that was agreed to by Cabinet late in the Budget process (and is now reflected in the bilateralised amount). When we did this, we</p>	<p>Note that (i) the draft letter provided for your signature and (ii) the bilateralised package (which underpins agency financial recommendations) has been updated to include \$0.2 total million of capital funding.</p>	38.3	-	-	0.2

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						Average operating p.a.	Total capital	Average operating p.a.	Total capital
				- in error – omitted the \$200k of capital funding required to establish the Departmental Agency.					
Internal Affairs									
Internal Affairs	15472	Implementing Local Water Done Well	We understand you have agreed with Hon Brown to increase this initiative in the package.	<p>Confirmation of decision</p> <p>Confirming we have reflected this change in the Budget 2024 package.</p>	<p>Note that (i) the draft letter provided for your signature and (ii) the bilateralised package (which underpins agency financial recommendations) has been amended to reflect your decision.</p>	10.18	-	1.72	-
Immigration									
Immigration	N/A	N/A	You asked why the Levy was not noted in the letter to Hon Stanford.	<p>Clarification sought from your review of draft letters</p> <p>The approach we took to pre-commitments such as this was:</p> <ul style="list-style-type: none"> <u>Where they have been agreed/finalised (i.e., immigration levy changes):</u> They are noted in the Budget 2024 package 1-pager. <u>Where they are still subject to finalisation and/or a separate Cabinet decision (i.e., IVL and Waste Disposal Levy):</u> They are not included these in the 1-pager, but are explicitly referenced in the letter as an outstanding decision. For the avoidance of doubt, these initiatives <u>are</u> reflected in the current Budget package. 	<p>Note the Treasury's approach to pre-commitments in the 1-pagers and letters.</p>	-	-	-	-
Multiple Votes									
Business Science and Innovation	16125	Emissions Trading Scheme – Market Governance.	You asked for additional information on these initiatives to discuss with Climate Change Ministers.	<p>Clarification sought from your review of draft letters</p> <p>\$38 million was allocated to the ETS Market Governance Tagged contingency at Budget 2023.</p> <p>In August 2023, Joint Ministers approved the draw down of a portion of the tagged contingency (\$9.686 million, distributed across 5 agencies: Forestry; the Financial Market Authority; Commerce and Consumer Affairs; MFE/vote Climate Change). The \$9.696 million was for FTE and to develop a more comprehensive market governance package for a report back in June 2024, an education campaign, and some minor regulatory changes.</p> <p>We previously advised you (T2024/905), that of the \$9.696m drawn down, \$6.504m remains unallocated and could be returned for savings. In addition, you agreed to return the \$28.3m tagged contingency.</p> <p>A large portion of this tagged contingency was due to be spent on establishing a centralised exchange which we understand Ministers have indicated that they do not wish to proceed and, therefore, continue to recommend that the unallocated funding and tagged contingency be returned.</p> <p>[33]</p>	<p>Note that – per direction from your office, and subject to your decisions below – (i) the draft letter provided for your signature and (ii) the bilateralised package (which underpins agency financial recommendations) has been updated to <u>remove</u> this initiative at this stage.</p> <p>EITHER: Return the full tagged contingency to the centre (\$28.3m) and unallocated funding within MBIE and MFE as previously agreed (<i>Treasury recommended</i>) <i>Agree/Disagree</i> OR</p>	-	-	8.6	-

	ID	Title	Follow up question raised	Treasury response	Minister of Finance decision	Package amount reflected in current package		Variance from BM5 package (\$m) Less savings / (More savings)	
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Environment	16158		[33]		[33] but return the \$6.504m currently unallocated in MBIE and MFE. <i>Agree/Disagree</i> OR Retain a portion of the tagged contingency [33] and do not return the \$6.504m currently unallocated in MBIE and MFE. <i>Agree/Disagree</i>				
Prime Minister and Cabinet									
[33]									
Regulation									
Regulation	16187	Ministry for Regulation Establishment and ongoing funding	You have not asked for more information on this initiative.	Correction of error We identified that T2024/951 incorrectly rounded the total capital funding sought for the establishment of the Ministry from \$2.145 million to \$2.0 million. We have made this correction in Budget 2024 package.	Note that (i) the draft letter provided for your signature and (ii) the bilateralised package (which underpins agency financial	11.3	2.1	-	0.1

	ID	Title	Follow up question raised	Treasury response	Minister of Finance decision	Package amount reflected in current package		Variance from BM5 package (\$m) Less savings / (More savings)	
						Average operating p.a.	Total capital	Average operating p.a.	Total capital
					recommendations) has been updated to correct this error.				
Oranga Tamariki									
[33]									
Tertiary Education									
Tertiary Education	16151	Ministry departmental savings	The Ministry submitted additional savings late last week.	<p>Treatment of late initiative</p> <p>This savings has two purposes:</p> <ul style="list-style-type: none"> to move \$0.87 million per annum of savings which have already been agreed by you, but that were misclassified as part of the Vote Education rather than the Tertiary package, and to include an additional \$0.31 million per annum of savings that had been seen found in Vote Tertiary. <p>We recommend you accept these savings, noting that these savings are all reductions in departmental expenditure related to back-office efficiencies and savings found within staffing, contractors and consultants, professional services, travel and meetings.</p>	<p>Note that (i) the draft letter provided for your signature and (ii) the bilateralised package (which underpins agency financial recommendations) has been updated to include these savings.</p>	(1.2)	-	(0.3)	-
Te Arawhiti									
Te Arawhiti	15526	Reducing Claimant funding, financial assistance under Marine and Coastal Act 2011 and Operations Ngapuhi Investment Fund	You asked for some additional information the interaction with current claims processes and potential funding increases required to met these claims.	<p>Clarification sought from your review of draft letters</p> <p>Te Arawhiti's submitted initiative proposed \$2.393m per annum, split across three programmes: Claimant funding (for the settlement of historical Treaty of Waitangi claims); Financial Assistance Toward Determining Customary Interests in the Marine and Coastal Area; and funding for Tupu Tonu (Ngāpuhi Investment Fund).</p> <p><i>The Vote Team assessment recommended that the entirety of the \$2.393 should be drawn from the Claimant Funding appropriation, which has an 3-year average underspend of \$2.3 million (and has a baseline increase of approx. \$0.5m from 24/25 onwards). We have passed this on to Te Arawhiti.</i></p> <p>We recommended avoiding savings from the other savings for the following reasons:</p>	<p>Note that (i) the draft letter provided for your signature and (ii) the bilateralised package (which underpins agency financial recommendations) is unchanged and includes this initiative in the package.</p> <p>Agree to set clear expectations through the Financial Recommendations regarding management of expenditure.</p>	(2.4)	-	-	-

ID	Title	Follow up question raised	Treasury response	Minister of Finance decision	Package amount reflected in current package		Variance from BM5 package (\$m) Less savings / (More savings)																
					Average operating p.a.	Total capital	Average operating p.a.	Total capital															
			<ul style="list-style-type: none"> Takutai Moana: There are immediate and urgent cost pressures in this space (\$36 million over next two years, sought from the BBC). Taking savings from this appropriation will create immediate further cost pressures across the forecast period. [38] <p>Further details on appropriation and risks:</p> <ul style="list-style-type: none"> The Claimant Funding appropriation has three-year average underspend of approximately \$2.3 million. In these three years (20/21, 21/22, 22/23) the appropriation limit was \$8.102M, \$7.602M, and \$7.102M respectively. Te Arawhiti have consistently transferred these underspends to other appropriations or across years in order to address cost pressures in other areas. This is often used as an alternative funding source for Treaty-related expenses that can't be charged against the Treaty Settlements MYA. However, these purposes aren't within the scope of the appropriation and therefore require approval from joint Ministers. Joint Ministers recently approved a \$1.5 million FNA from the <i>Claimant Funding</i> appropriation to address urgent cost pressures in the Takutai Moana Financial Assistance Scheme. The proposed savings would reduce the baseline of the <i>Claimant Funding</i> appropriation from \$8.103M across the forecast period, to \$5.71 million across the forecast period. Based on expenditure in previous years, there appears to be <i>some</i> risk that the appropriation will have insufficient expenditure. Please see below table comparing historical expenditure to the proposed future baseline: <table border="1"> <thead> <tr> <th>Year</th> <th>2020/21</th> <th>2021/22</th> <th>2022/23</th> <th>2023/24 (March Actuals)</th> </tr> </thead> <tbody> <tr> <td>Post-Savings Baseline (\$M)</td> <td>5.71</td> <td>5.71</td> <td>5.71</td> <td>5.71</td> </tr> <tr> <td>Historical Yearly Expenditure</td> <td>5.138</td> <td>6.114</td> <td>4.669</td> <td>3.900</td> </tr> </tbody> </table> <ul style="list-style-type: none"> We have advised Te Arawhiti of our recommendation that savings be drawn entirely from the Claimant Funding appropriation, and they did not raise any concerns. However, we have not had time to query around the risk of spikes in expenditure that may lead to a breach in appropriation. We can therefore conclude that there may be some risk of Te Arawhiti exceeding their appropriation in future years if the entire amount of savings (\$2.393m) is drawn from the <i>Claimant Funding</i> appropriation, based on historical expenditure. However, this risk appears to be relatively minor as expenditure appears to be relatively consistent. <p>Possible Next Steps</p>	Year	2020/21	2021/22	2022/23	2023/24 (March Actuals)	Post-Savings Baseline (\$M)	5.71	5.71	5.71	5.71	Historical Yearly Expenditure	5.138	6.114	4.669	3.900	Agree/Disagree				
Year	2020/21	2021/22	2022/23	2023/24 (March Actuals)																			
Post-Savings Baseline (\$M)	5.71	5.71	5.71	5.71																			
Historical Yearly Expenditure	5.138	6.114	4.669	3.900																			

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				<p>The Financial Recommendations could be used to signal to Te Arawhiti that the <i>Claimant Funding</i> appropriation should be carefully managed/observed to ensure expenditure isn't exceeding the appropriation (Treasury Recommended).</p> <p>Alternatively, to further minimise the risk, the savings per annum could be reduced from \$2.393 million to \$2 million to increase the "buffer".</p>					

Annex B: Department of Conservation package as at 15 April 2024

Initial Baseline Savings submissions									
ID	Budget Track	Initiative Title	Operating (\$m)						Total Capital (\$m)
			2024/25	2025/26	2026/27	2027/28	Total	Per annum	
15626	Savings Baseline savings	Enabling functions for Conservation – Savings towards Initial Baseline Exercise	11.3	11.3	11.3	11.3	45.0	11.3	-
15627	Savings Baseline savings	External services – Savings towards Initial Baseline Exercise	1.6	1.6	1.6	1.6	6.5	1.6	-
15628	Savings Baseline savings	Contaminated Sites programme – Savings towards Initial Baseline Exercise	2.0	2.0	2.0	2.0	8.0	2.0	-
15630	Savings Baseline savings	Kermadec Ocean Sanctuary programme – Savings towards Initial Baseline Exercise	3.1	3.1	3.1	3.1	12.4	3.1	2.2
15631	Savings Baseline savings	Jobs for Nature programme – Savings towards Initial Baseline Exercise	14.9	12.9	12.9	12.9	53.6	13.4	-
15798	Savings Targeted Policy Savings	^[33]	-	-	-	-	-	-	-
TOTAL ORIGINAL			32.9	30.9	30.9	30.9	125.5	31.4	2.2
Baseline Reduction Target								33.8	
Additional Baseline Savings agreed through the 'nine agency review'									
ID	Budget Track	Initiative Title	Operating (\$m)						Total Capital (\$m)
			2024/25	2025/26	2026/27	2027/28	Total	Per annum	
15630	Savings Baseline savings	Kermadec Ocean Sanctuary programme – Savings towards Initial Baseline Exercise	4.7	-	-	-	4.7	1.175	
15631	Savings Baseline savings	Jobs for Nature programme – Savings towards Initial Baseline Exercise	0.5	0.5	0.5	0.5	2.0	0.5	-
TOTAL ADDITIONAL			5.2	0.5	0.5	0.5	6.7	1.675	
OVERALL TOTAL			38.1	31.4	31.4	31.4	132.2	33.05	2.2

[33]