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

[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

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[38] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice

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TE TAI ŌHANGA
THE TREASURY

Treasury Report: Budget 2024 package Impact Analysis

Date:	10 May 2024	**Report No:**	T2024/1277
		File Number:	BM-2-4-2024-6-M105123

Action sought

	Action sought	Deadline
Hon Nicola Willis **Minister of Finance**	None – for information only	None

Contact for telephone discussion (if required)

Name	Position	Telephone		1st Contact
Keiran Kennedy	Manager, Budget Management	N/A (wk)	[35]	✓
Jordan Ward	Budget Management	N//A (wk)		

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: Budget 2024 package Impact Analysis

Executive summary

1. This report assesses the impacts of Budget 2024 on Māori, as well as selected other population groups. This analysis is based on the final package, and builds on previous distributional [T2024/655 refers] and Crown-Māori relations [T2024/967 refers] advice provided during the Budget 2024 decision-making phase.

2. Three analytical approaches are used – TAWA modelling of tax changes; spend-weighted analysis on the overall package; and qualitative analysis of initiatives.

3. For Māori:

   a) *Treasury Tax and Welfare Analysis (TAWA) modelling of tax package:* Personal income tax changes (including FamilyBoost) will lift the incomes of 74% of Māori aged 15+. This is 10 percentage-points less than non-Māori.[1] However amongst individuals who benefit, Māori and non-Māori are better off by approximately the same amount – an average of $16 per week.

   b) *Spend-weighted analysis of the Budget package:* A vast majority (roughly three quarters) of the expenditure in the Budget package is on initiatives expected to benefit Māori, albeit to varying degrees compared to non-Māori. This reflects the large share of Budget expenditure coming from personal income tax reductions, health and education initiatives.

   c) *Initiative reviews:* Māori benefit from funding targeted by economic need – for example, higher operational grant increases for low equity index schools, continuation of the Ka Ora, Ka Ako school lunches programme, and increased social housing places. The Budget is also providing ongoing funding for Te Matatini.

   The Budget makes savings of more than $200m (total operating) from programmes that primarily target Māori or Māori interests, especially relating to land and housing. This equates to about 2% of savings in the main Budget package. Alongside impacts on Māori individuals and whānau, there are potential flow-on implications for the Crown's relationship with iwi more broadly [T2024/967 refers].

   Te Puni Kōkiri is making baseline savings of 4.5%. [33]

4. Amongst other assessed population groups, beneficiaries are notable for benefiting less due to them not being impacted by personal income tax changes.

Context

5. This report responds to your request for an assessment of Budget 2024 on Māori. It also assesses impacts on other population groups. To allow cross reference with other Budget materials, it includes initiative IDs where relevant.

6. It builds on previous advice on distributional impacts and Crown-Māori risks [refer T2024/655, T2024/967].

[1] See paragraph 20 for drivers of this 10-percentage-point difference.

Approach

7. Three analytical approaches are used to assess impacts:

   a **TAWA modelling of the tax package:** Distributional impacts of personal income tax changes and FamilyBoost have been estimated using Treasury's TAWA microsimulation model.

   b **Spend-weighted analysis of the Budget package:** We assessed how much expenditure and savings in the Budget had a positive or negative impact on different population groups. Relative to TAWA modelling of tax changes, this approach allows for an assessment of a larger share of the Budget, but in a cruder way.

   c **Initiative reviews:** Budget initiatives were reviewed for disproportionate impacts on population groups.

8. These analyses do not assess the broader macroeconomic impacts of the Budget on population groups (i.e., inflation, interest rates and economic growth), or climate change impacts – see separate Budget advice. We note that macroeconomic stability, including low inflation, is foundational to improving outcomes for all population groups. In the current context, tight fiscal policy will support monetary policy to bring inflation back to target.

A. TAWA modelling of the tax package

9. The distributional impacts of personal income tax changes as well as FamilyBoost have been modelled with TAWA.

10. Previous advice has shown household-level impacts by income group [refer T2024/668 and below]. In this report, we provide additional analysis showing impacts for Māori and other demographic groups.

Scope of analysis

11. The modelling captures four specific policy changes:
    - Personal Income Tax (PIT) threshold changes (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+.)
    - Independent Earner Tax Credit (IETC) change (updates the upper limit of eligibility to $70,000 with abatement from $66,000)
    - In-Work Tax Credit (IWTC) change (increases by $25 to $97.50 a week)[2]
    - Introduction of FamilyBoost[3]

12. Collectively, these initiatives are the most fiscally significant component of the Budget, costing $2.9b pa, although combined still represent less than half of the gross spending

[2] The Minimum Family Tax Credit threshold is also increasing as part of this change to ensure these families gain from IWTC and threshold changes.

[3] As comprehensive data on childcare costs and their relationship to parental income and other family characteristics is not available, the fiscal cost and distributional impacts estimates when including FamilyBoost modelling carry higher uncertainty than other policies modelled as part of this package.

in the main Budget package ($7.1b pa), and 20% of the total absolute value of all decisions ($14.1b)[4].

13. This analysis does not incorporate offsetting impacts of reversing the extension of free ECE to 2-year olds – a mini-Budget decision with savings that were charged to the Budget 24 operating allowance.

14. Analysis is based on the latest available economic forecasts and household data – in particular, 2024 Budget Economic and Fiscal Update forecasts and 2023 HES data.

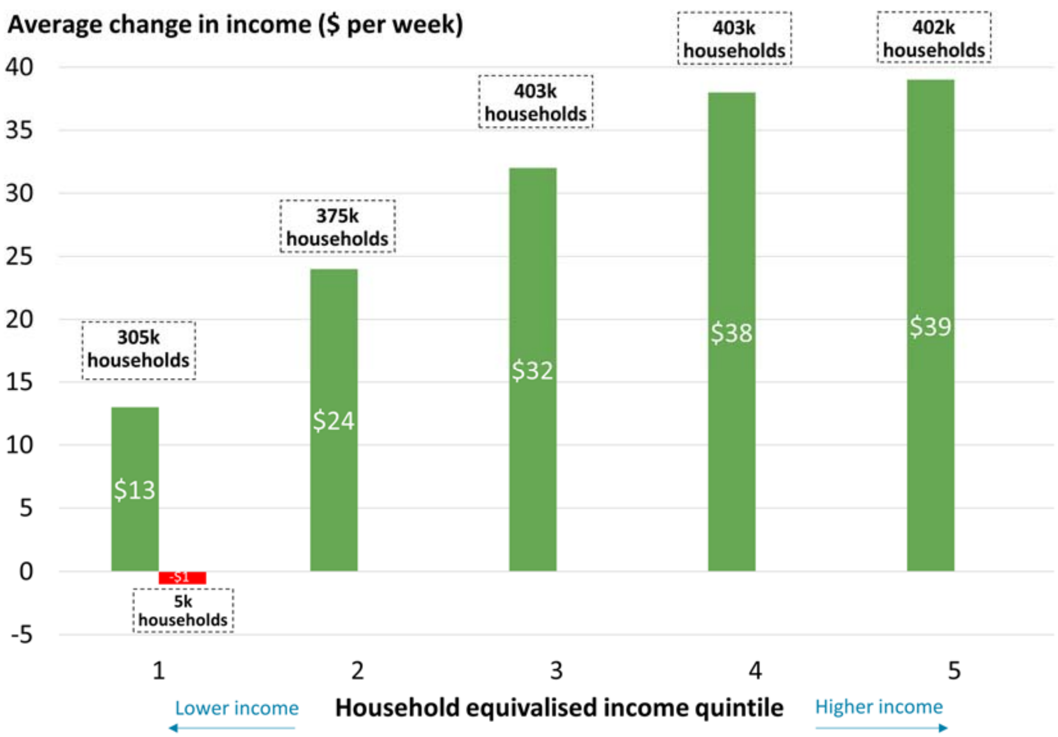
Household-level analysis – impacts by income group

15. As provided in earlier advice [refer T2024/668], household-level analysis shows that overall, the package increases the income of 94% of households by $30 per week on average. Households with children gain by $39 per week on average.

16. A small number of households (less than 1%) have their income reduced from the package by $1 per week on average. 126,000 households (6%) are unaffected. Many of these will be receiving main benefits and have no change because benefit rates are set in after-tax terms.

17. Larger average weekly gains go to households with higher incomes – see Figure 1. Households gaining from the changes in the highest earning quintile receive an average of $39 per week. This compares with $32 per week for the middle income quintile, and $13 per week for the lowest income quintile.

Figure 1: Impact on household incomes by equivalised income quintile



Individual-level analysis – impacts by population group

18. Distributional impacts on population groups are assessed using individual-level analysis for people aged 15+. Results are summarised in Figure 2 below.

[4] See Part B on spend-weight analysis for details on total gross expenditure and the absolute value of all decisions.

19. The package increases the incomes of 83% of individuals by an average of $16 per week. 17% of individuals are unchanged, and <1% are worse off, by an average of $1 per week.

20. Impacts on assessed population groups are generally unfavourable – relatively fewer benefit, and by a smaller amount:

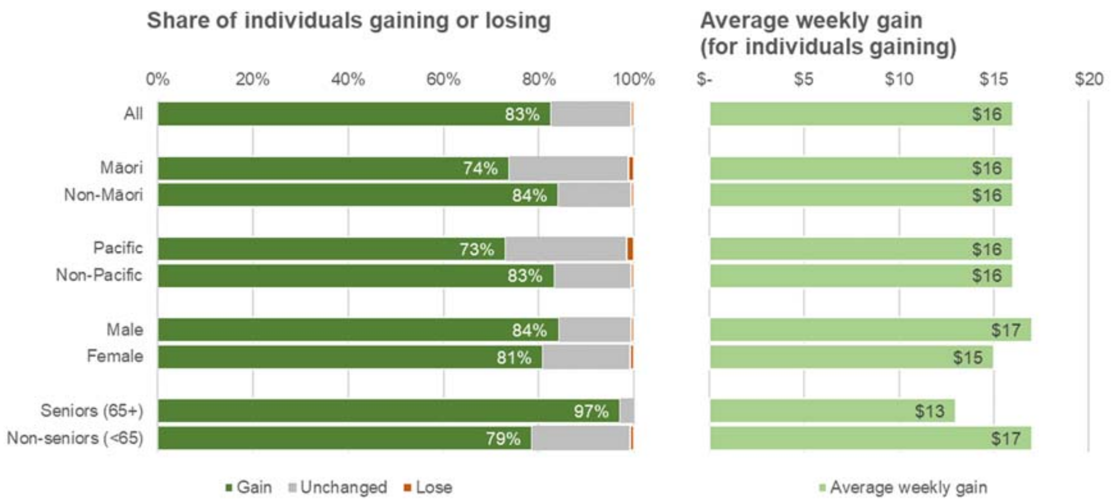
a **A significantly smaller share of Māori and Pacific peoples gain from the changes compared to non-Māori and non-Pacific peoples** (10-percentage-points less). This is partly due to a higher proportion of Māori and Pacific peoples being main benefit recipients whose income in unaffected by personal income tax changes. Māori and Pacific peoples populations are also younger. Younger people are more likely to have little or no earnings because they are in training and education. We are undertaking further analysis of the drivers of the 10-percentage-point difference and will provide this to your Office next week.

b **For Māori and Pacific peoples who do gain from the package, they receive the same average benefit to the rest of the population ($16 per week).**

c A slightly smaller share of women gain from the changes compared to men (3-percentage points less). Women also gain on average less - $15 per week, compared with $17 per week for men. The lower average gain is driven by women having lower incomes than men.

d By contrast, almost all seniors benefit from the changes (97%). This is due to nearly all seniors receiving NZ Super. However, their average weekly benefit is smaller - $13 per week for seniors, compared with $16 for non-seniors.

Figure 2: Impact on individual income, by demographic group (aged 15+)



Disclaimer for distributional outputs from the Treasury's TAWA model

21. These results are not official statistics. They have been created for research purposes from the Integrated Data Infrastructure (IDI) which is carefully managed by Stats NZ. For more information about the IDI please visit https://www.stats.govt.nz/integrated-data/. The results are based in part on tax data supplied by Inland Revenue to Stats NZ under the Tax Administration Act 1994 for statistical purposes. Any discussion of data limitations or weaknesses is in the context of using the IDI for statistical purposes, and is not related to the data's ability to support Inland Revenue's core operational requirements.

B. Spend-weighted analysis of the Budget package

22. This section assesses the share of expenditure and savings in the Budget positively or negatively impacting population groups. Two analytical approaches are taken:
    - an assessment of the extent to which Budget initiatives are targeted or broad-based;
    - spend-weight assessment of initiative impacts on population groups.

Scope of analysis

23. The analysis looks at the largest initiatives or groups of initiatives by operating expenditure. Specifically, spending or revenue-negative initiatives more than $100m pa, and savings or revenue-positive initiatives more than $50m pa.[5] Collectively, these 33 initiatives account for 80% of expenditure and savings.

24. All decisions charged to the Budget 2024 operating allowance are within scope, as shown in Table 1 below. This includes $8.6b of spending and revenue-negative decisions, and $5.4b of savings and revenue-positive decisions. These sum to combined absolute value of $14.1b of decision. About of third of decisions by value are pre-commitments, including the mini-Budget.[6]

Table 1: Composition of Budget 2024 operating initiatives ($billions, average per annum)

	Budget 2024 Initiatives	Budget 2024 Pre-commitments	Total
Spending and revenue-negative initiatives	[33]		
Savings and revenue-positive initiatives			
Net fiscal impact (spending less savings)			
Total absolute value of all decisions (spending plus abs. value of savings)			

Note: Some numbers do not add to totals shown due to rounding

Extent of targeting

25. Figure 3 below shows the extent to which the Budget is broad-based versus targeted. Initiatives are classified as broad-based or diffuse if the benefits or costs are spread broadly across the population. Initiatives are classified as targeted if the benefits or costs occur primarily in a specific group – e.g., families with young children, smokers, women, etc.

26. The figures shows that **most of the Budget has broad or diffuse impacts**, affecting all or most population groups. Of the analysed initiatives, about two thirds by value had broad-based impacts. This reflects the broad-based nature of the largest Budget

[5] Law and order, and education initiatives are considered as packages. Transport expenditure related to investments is generally excluded given funding complexities (i.e., shifts between capital and operating funding). Smaller initiatives with offsetting impacts are included for completeness – notably in relation to the NRP, Three Waters, RM reforms, and tobacco excise.

[6] Pre-commitments encompasses all decisions and initiatives outside the main package including the mini-Budget. It also includes funding decisions related to allowances, namely the NRP, BBC and EPC.

initiatives – namely personal income tax changes, and the health, education and law and order packages.

Figure 3: Targeting of spending and savings in Budget 2024

Legend
Spending/revenue negati
Saving/revenue positive

			$m pa (opex)	% of abs. total	
Broad or diffuse initiatives	Main package	Personal income tax changes (ex FamilyBoost)	2,725	19%	
		Health cost pressures	1,430	10%	
		[25]			
		Education envelope	434	3%	
		Regional Infrastructure Fund	75	1%	
		Tax compliance	-147	1%	
	Pre-commitments	Pharmac - time-limited funding	443	3%	
		B22 Justice & NR clusters	418	3%	
		Education (bargaining and forecast changes)	258	2%	
		Return of NRP	-351	2%	
		offset by new spending in NIWE roads	*83*	*1%*	
		Return of CERF	-225	2%	*14%*
		RM stop work savings	-76	0.5%	
		offset by new spending on RM changes	*23*	*0.2%*	
		Three Waters repeal (new of new funding)	-72	0.5%	
		offset by new spending on Local Water Done Well	*10*	*0.1%*	
		$5 prescription copay repeal (net of exemptions)	-29	0.2%	
Targeted initiatives	Main package	Interest deductibility	729	5%	
		Whaikaha cost pressures	275	2%	
		Family Boost	182	1%	
		Smokefree changes	-375	3%	
		offset by heated tobacco duty removal	*54*	*0.4%*	
		Fees free changes	-220	2%	
		KO housing maintenance	-169	1%	*18%*
		Immigration levy changes	-114	1%	
		Pay equity	[33]		
		MBIE science, innovation & tech savings	-92	1%	
		KO personnel savings	-92	1%	
		Emergency housing savings	-88	1%	
		IVL	-76	1%	
	Pre-commitments	Commercial building depreciation	-578	4%	
		Unwinding B23 ECE extension	-295	2%	
		Main benefit indexation	-169	1%	
		Return of GIDI	-162	1%	*10%*
		Digital services tax	-79	1%	
		Half-price transport	-66	0.5%	
		First Home Grant wind-down	-61	0.4%	
		Absolute value of decisions - sub-total	[25]		
		Other spending initiatives			
		Other savings initiatives			
		Absolute value of decisions - total			

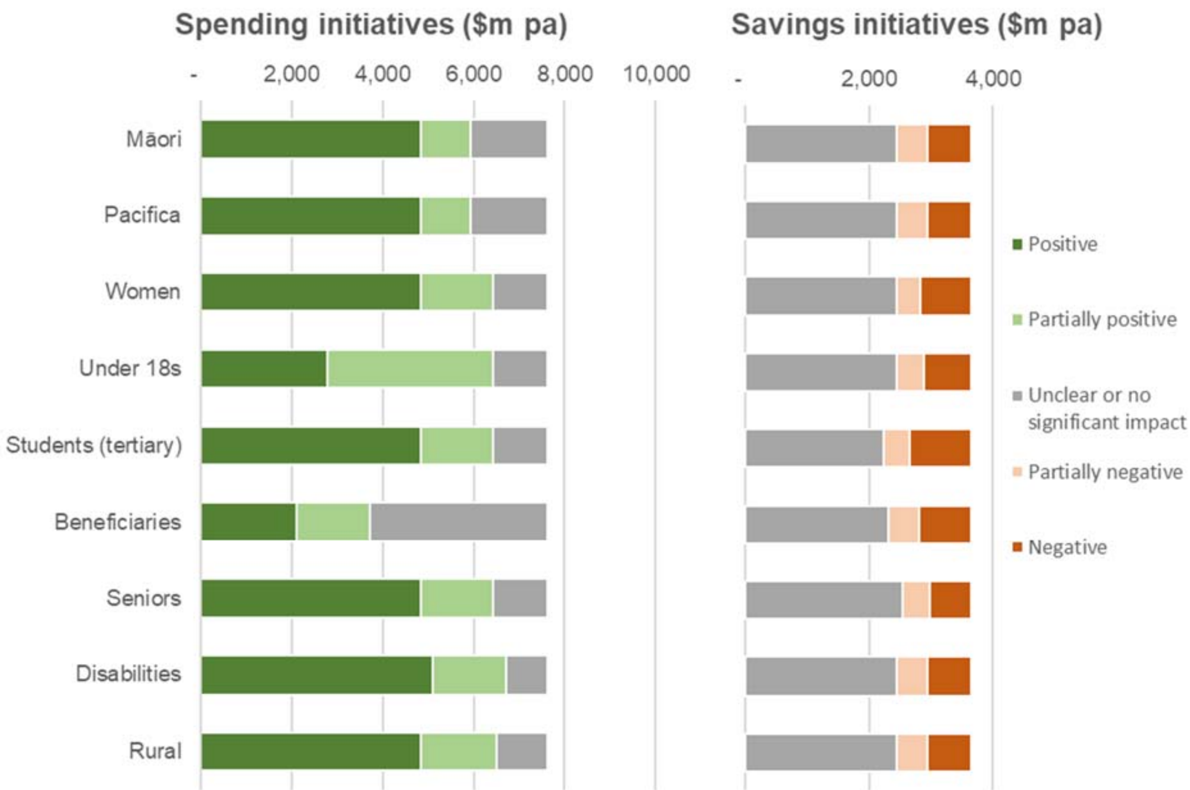
Spend-weighted assessments

27. Figure 4 below shows the share of Budget expenditure and savings having a positive or negative impact on population groups. Green bars show the amount of expenditure (or savings) on initiatives with positive impacts. Red bars indicate negative impacts. Grey bars indicate unclear or no significant impacts. Assessments are limited to the 33 large initiatives set out in Figure 3.

28. **For Māori, about three quarters of assessed expenditure has a positive or partially positive impact** ($5.9b of $7.6b)**.** This is similar to or slightly below the levels of other groups.[7] About a third of assessed savings have a negative impact on Māori ($1.2b of $3.6b) which is similar to most other population groups.

29. Amongst other population groups, **beneficiaries are the outlier with less than 50% of Budget expenditure being assessed as positive**. This is driven by beneficiaries not benefiting from personal income tax changes. Beneficiaries are also uniquely adversely impacted by mini-Budget changes to benefit indexation, given Treasury forecasts are for wage growth to exceed inflation across the forecast period.

Figure 4: Spend-weighted impact of initiatives on population groups



30. This analysis provides only a crude assessment of how the overall Budget package impacts groups, and has important caveats:

- Assessments do not reflect how much groups are impacted – only whether they are positively or negatively impacted. For example, personal tax impacts are assessed simply as 'positive' for all groups except beneficiaries, despite some groups benefiting more than others

- impact assessments sometimes reflect the intent of an initiative in the absence of an evidence-based assessments

- the analysis only considers large initiatives. This means it excludes most baseline savings initiatives, many of which have uneven impacts on population groups

[7]The difference is primarily due to law and order initiatives which are classified as having a mixed impact for Māori. Māori are over-represented as victims of crime (and so stand to benefit from steps taken to reduce offending), while also being also over-represented as offenders and within the prisoner population

C1. Initiative reviews – impacts on Māori

31. This section provides a descriptive overview of key Budget initiatives impacting Māori, and initiatives with disproportionate impacts on Māori.

The Budget's major initiatives benefit Māori

32. As shown in previous sections, Budget 2024's major initiatives are intended to benefit all population groups, including Māori. Most of the expenditure in the Budget is on personal income tax reductions, health and education, all of which benefit Māori.

33. Personal income tax reductions increase the incomes of 74% of Māori adults by an average $16 per week – but with a smaller share of Māori benefiting relative to non-Māori [refer paragraph 20].

34. In health, $1.9b pa is being spent on health system cost pressures and Pharmac. This will benefit Māori who have a greater burden of illness and less recourse to private healthcare, although are also less likely to access some public healthcare services.

35. In education, initiatives that will disproportionately benefit Māori and low-income groups include higher operational grant funding for lower equity-index schools [ID 15707, +$199m operating] and continuation of the Ka Ora, Ka Ako school lunches programme [ID 15747, +$476m operating]. There is new funding for property maintenance and upgrades of kōhanga reo, lifting ongoing funding to $8m pa for Te Kōhanga Reo National Trust property [ID 15705, +$12m operating]. The package also includes funding for curriculum changes (e.g., structured approaches to literacy) which aims to lift student achievement, as well as continuation of Apprenticeship Boost which has had growing levels of Māori participation [IDs 16171 and 15738, +$65m].

There are smaller Budget initiatives benefiting Māori

36. The Budget provides ongoing funding for Te Matatini which previously only had time limited funding [ID 15569, +$49m operating]. Māori will also benefit from 1,500 annual new social housing places [ID 16099, +$140m operating] – Māori are over-represented in social housing tenancies.

Savings are being made from programmes targeting Māori

37. More than $200m of savings (total operating) are being made on programmes primarily targeting Māori or Māori interests, especially relating to land and housing. This equates to about 2% of the $2.7b pa total operating savings and revenue-positive changes in the main Budget package.

38. Some of these savings are intended to be achieved without impacting service delivery (e.g, cost efficiencies from Te Puni Kōkiri). These savings are also less than originally proposed by agencies [33]

As a result of these decisions, Te Puni Kōkiri's baseline savings are 4.5% - less than the 6.5% target.

39. Savings from programmes or agencies targeting Māori include (not exhaustive):

Housing and land

- reduced funding for Māori housing supply and capability [ID 15497, -$40m operating]
- the return of the largely unspent Te Ringa Hapai Whenua Fund [ID 15430, -$23m operating] – a Budget 2023 initiative to fund infrastructure to improve the economic potential of whenua Māori
- reduced funding for the Māori trustee, Te Tumu Paeroa [ID 15435, -$5m operating]

Education

- disestablishing a Ministry of Education leadership development for rangatahi, but with no impact on existing contracts [ID 15852, -$22m operating]
- disestablishing a Ministerial advisory group and Secretariat for Māori medium and Kaupapa Māori education pathways [ID 15849, -$4m operating]

TPK and Te Arawhiti operations

- savings from Te Puni Kōkiri departmental cost efficiencies [ID 15429, -$40m operating]
- savings from Te Arawhiti cost efficiencies (cross-vote Ministry of Justice initiative) [ID 16190, -$1m operating]

Recent Budget initiatives

- returning funding for mātauranga Māori-based approaches to agricultural emissions reduction [ID 15663, -$37m operating][8]
- ceasing the Budget 2023 Hapori Māori data capability programme [ID 15431, -$23m operating]
- return of funding following disestablishment of the Māori health authority [ID 15796, -$36m operating]

Other savings

- reduction in claimant funding for historical Treaty of Waitangi settlement claims, reflecting funding that has historically been underspent [ID 15526, -$10m operating]
- reduced funding for Aotearoa Reorua bilingual towns and cities programme [ID 15467, -$3m operating]

Savings are also being made from programmes which risk disproportionately negatively impact Māori

40. Departmental saving initiatives across several agencies are expected to reduce funding on partnerships and Māori capability which could impact Crown-Māori relations, both in the context of the individual areas of cooperation and across the breadth of the relationship. For example, in conservation [ID 15626, -$45m operating] and environment [ID 15591, -$38m operating; ID 15663, -$37m operating]. Your letters to portfolio Ministers set clear expectations that agencies would meet the Crown's Treaty obligations despite reducing baselines.

41. Māori are disproportionately represented in emergency housing and social housing tenancies and could be particularly impacted by savings on emergency housing [ID 15522, -$351m operating] and Kainga Ora asset maintenance [ID 16156, -$674m operating]. This counterbalanced by the fact that Māori will likely disproportionately benefit from the individual 1,500 social housing places funded through Budget 2024.

42. Changes to court fees and debt collection could disproportionately impact Māori and low-income individuals [IDs 15613 and 16212, -$43m operating]. However, for courts and tribunals where access to justice concerns are greater, fee increases have been more limited to offset access impacts.

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[8] Additionally, as part of savings initiative 15585 'Climate Change – Return of Funding', there is $20m being returned that was appropriated for 'Supporting Equitable Transitions and Climate Resilience for Māori'

43. Māori are expected to be disproportionately negatively impacted by the reintroduction of the $5 prescription co-payment, although this will be mitigated by retaining free prescriptions for community service card (CSC) holders and superannuitants [ID 15792, -$116m].

Tobacco and law and order changes could have mixed impacts

44. The removal of excise on heated tobacco will reduce costs for tobacco consumers who are disproportionately Māori, Pacific peoples, disabled, and low income [ID 16085, +$216m]. There is no evidence of positive health effects from this initiative, although we understand that you and the Prime Minister have commissioned further analysis on this point before Budget Day. Conversely, recent smokefree policy changes are forecasted to result in higher consumption of smoked tobacco, with corresponding financial and health costs for consumers [ID104, -$1,500m].

45. There is significant new spending in law and order with a mix of impacts on Māori. Māori are both over-represented as victims of crime (and so stand to benefit from steps taken to reduce offending), but are also over-represented as offenders and within the prisoner population.

C2. Initiative reviews – impacts on other population groups

46. This section provides abbreviated overviews of the Budget's impacts on population groups other than Māori. These overviews are non-exhaustive, focused on initiatives that are targeted at particular groups or may have disproportionate impacts. Assessed groups are:

    a. Pacific peoples
    b. Women and girls
    c. Under 18s
    d. Under 5s and early childhood
    e. Students (tertiary)
    f. Beneficiaries & low income
    g. Seniors
    h. People with disabilities
    i. Rural

a. Pacific peoples

47. The impacts for Pacific peoples are similar to impacts for Māori for key parts of the package, albeit to varying degrees. In particular:

    - As above, a significantly smaller share of Pacific peoples gain from the tax changes compared to non-Māori and non-Pacific peoples (10-percentage points less);
    - The law and order package has a disproportionate impact on Pacific peoples, who, alongside Māori, are overrepresented within the criminal justice system (albeit to a lesser extent than Māori);
    - Pacific peoples will disproportionately benefit from additional social housing.

48. The package also includes savings which will have specific impacts on Pacific peoples:

    - Savings from the Pacific Business Procurement Support Service at MBIE ($5m operating).

- Wider baseline savings from MBIE returns funding from programmes designed to support Pacific peoples (stopping the Senior Diverse Leaders programme ($1.4m operating), and returning part of the funding allocated to the Tupu Tai Pacific public service internship programme ($0.8m operating).

- Departmental funding for the Ministry for Pacific Peoples is being reduced by $25.6m. The Ministry is currently consulting on a proposed organisational restructure that will allow for the consolidation of FTE required to make the savings.

b. Women and girls

49. 81% of women will gain an average of $15 per week from the tax package. This represents a smaller share of women benefiting compared to men (3-percentage points less); and a smaller average gain of $15 per week, compared with $17 per week for men.

50. Support for childcare / early childhood education is likely to disproportionately benefit women, as a higher proportion of women are primary caregivers. This Budget includes funding for early childcare education via FamilyBoost and a 2% increase in subsidies for ECE providers. However, this is in the context of significant savings at the mini-Budget (charged to the Budget 2024 operating allowance) from the decision to not extend the 20hrs free ECE to 2-year olds. At the same time, the rebate-model requires families to meet the costs upfront before receiving their rebate, which may make the policy inaccessible for low-income families. This may be partially mitigated by existing MSD childcare subsidies.

51. [38]

52. Other notable measures with specific impacts on women and girls include:

- Funding to extend eligibility for Breast screening to include 70–74-year-olds as part of the free national programme; and

- Funding to provide free period products in schools.

c. Under 18s

53. This Budget delivers significant investment in schools – across both capital and operational expenditure.

54. Investment is also made in young people's wellbeing, with funding for free mental health counselling for young people via Gumboot Friday, the provision of free period products in school, and a two-year extension to the Ka Ora, Ka Ako school lunch programme (which has been shown to disproportionately benefit Māori, Pacific peoples and those on low incomes).

55. At the same time, mini-Budget pre-commitments mean transport costs will increase for young people, with savings being made from the ending of half price fares for U25s and free fares for U13s. These changes will disproportionately impact young people from lower socio-economic backgrounds.

56. Frontline support for children at risk of harm and young offenders (via Oranga Tamariki) stands to receive significant additional support at Budget 2024. This is

because all of Oranga Tamariki's significant back-office savings (i.e., $79.9 million per annum) will be returned to the organisation to support the ongoing delivery of core services (given cost pressures and occasions of time limited funding in the Vote), as well as several Government policy commitments in this space.

*This paragraph states that there's a 2.5% increase in subsidies for ECE providers - this is an error. The increase was 2%, as stated elsewhere in the report.

d. Under 5s / Early childhood

57. This Budget includes funding for early childcare education via FamilyBoost and the 2.5% increase in subsidies for ECE providers. However, this is in the context of significant savings being captured from the decision to not extend the 20hrs free ECE to 2-year olds. *

58. Investment in playcentres ($13m) will increase the number of FTE for paid staff in playcentres, reducing the administrative load on parent and caregiver volunteers and reducing barriers to participation; while the changes to the Ka Ora Ka Ako school lunch programme will also provide funding towards lunches in low decile ECE.

e. Students (tertiary)

59. The main targeted measure in this Budget impacting students will be the change to the Fees Free policy. We note that the lack of evidence of a relationship between the fees free policy and Tertiary admissions. There nevertheless may be a slight negative disproportionate negative impact on Māori, Pacific peoples and disabled students, who are overrepresented in non-completion rates.

60. This Budget also funds a 2.5% increase to tertiary education and training subsidies, increasing funding to providers, and provides for an increase tuition and training fees by up to 6%. While increased fees will increase the costs of tertiary education for students, tertiary providers are facing acute financial challenges which, without further funding provision, may impact on student outcomes.

61. On vocational skills, funding is provided to continue the Apprenticeship Boost scheme beyond the end of 2024, and funding has been set aside for the disestablishment of Te Pūkenga which is intended to increase regional decision making for vocational education.

62. As with secondary students, tertiary students (<25 years old) will also benefit from funding for free mental health counselling (via Gumboot Friday); and may be impacted by the decision to end half price fares for under 25s.

f. Beneficiaries and those on low incomes

63. Those on low incomes stand to benefit from the Government's fiscal strategy to bring inflation back to target (as this group spends more – as a percentage of their income – on necessity goods and services), as well as the Budget's focus on investing in core public services, especially in health and education. People on low incomes may be more dependent on the public provision of these services.

64. Those on main benefits will not see any benefit from the tax changes. However, the mini-Budget precommitment to index main benefits to CPI instead of wage growth is forecast to result in smaller annual increases to main benefits across the forecast period.

65. Low-income households seeking housing support could benefit from additional social housing places, but could be negatively impacted by savings being made to accessing emergency housing, changes to housing benefits where the beneficiary has a boarder,

and Kainga Ora savings (including on asset maintenance). The return of funding for new elements of the Warmer Kiwi Homes programme as a part of broader savings from the Energy Efficiency and Conservation Authority also disproportionately impacts low income earners, who are targeted by this initiative.

66. The targeting of education funding will benefit those on low incomes. The uplift for schools' operational grant funding includes a three percent increase for higher equity index and more isolated schools, compared to 2.5% for other schools.

67. Increases in fees and levies will disproportionately negatively impact low income households. The cost of operating private motor vehicles will increase due to changes to Motor Vehicle Registration fees, although this is counterbalanced by the commitment not to increase Fuel Excise Duty for this Government's term. Court fees are increasing which could be a barrier to especially lower income households accessing justice, although with smaller increases where access to justice concerns are greater. The reinstatement of the $5 prescription co-payment will impact some low income individuals who do not hold a Community Services Card. As previously noted, there are mixed impacts from tobacco excise changes.

68. In addition to increased Court fees, there are changes to the collection of court fines and legal aid debt which will affect individuals who may already struggle with payments.

g. People with disabilities

69. The Budget provides significant additional funding for Whaikaha – Ministry of Disabled People. [33]

70. Work is discontinuing on a wage supplement, which would have topped up the wages of disabled employees with a minimum wage exemption permit to the ordinary minimum wage. This will likely mean that some disabled employees will be paid less, and at wage rate that is less than the ordinary minimum wage. The wage supplement has not been implemented yet, meaning people will not experience a decline in their current pay as a result of this initiative.

71. Re-instating the prescription co-payment may adversely impact those with chronic health issues and are requiring consistent prescriptions, although this is mitigated by the Prescription Subsidy Scheme which provides free prescriptions once an individual or family has paid for over 20 prescriptions in a year. We note technology investments by Government (from baselines) to support pharmacies to keep better records of the number of prescriptions sought by families.

72. Targeted funding has been provided through the education package for School High Health needs; and through Oranga Tamariki for specialised caregiving responses for disabled children and young people with high support needs.

h. Seniors

73. As shown in the TAWA analysis, seniors almost universally benefit from personal income tax changes (97%), albeit at a lower rate – an average of $13 per person per week compared with $16 per week for non-seniors.

74. Seniors will likely disproportionately benefit from the significant additional cost pressure funding for the healthcare system. Funding is also being provided to extend the eligibility of breast screening to include 70-74 year olds.

75. Some smaller savings initiatives may impact seniors, for example, the removal of the $13 subsidy for older drivers to renew their driving licenses.

* the driver subsidy was reduced not removed

i. Rural

76. There are policy changes managed through this Budget that will be particularly impactful for rural communities – in particular, not progressing with agricultural emissions pricing, and resource management changes.

77. Rural schools are benefiting from a relatively larger uplift in the schools operational grant.

78. Changes to the immigration levy could increase the costs of rural businesses of hiring foreign workers, including through the RSE worker scheme.

79. Rural communities are likely to disproportionately benefit from the Regional Investment Fund, subject to the policy settings and implementation of the scheme. They might also be disproportionately adversely impacted by the return of the NRP, although this will be offset by specific investment in NIWE road repairs and – depending on the final form of the new GPS – investments in national transport infrastructure more broadly.

Next steps

80. As noted above, we are undertaking further analysis on the 10-percentage-point difference in Māori and non-Māori benefiting from personal income tax changes and will provide this to your Office next week.

Recommendations

1. **Note** the above analysis of the Budget 2024 package on Māori and other population groups;

2. **Discuss** this analysis with officials at the next Budget Matters meeting; and

   Yes/No.

3. **Note** that we will incorporate the above analysis into your back-pocket frequently asked questions materials to support your Budget day announcements.

Keiran Kennedy
Manager, Budget Management

Hon Nicola Willis
Minister of Finance

_____/_____/_______