

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
- [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
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Date: 10 May 2024

To: Minister of Finance (Hon Nicola Willis)
Associate Minister of Finance (Hon Chris Bishop)

Deadline: None
(if any)

Aide Memoire: Summary of Budget 2024 capital pipeline review

On Thursday 2 May, we met with you to discuss concerns about market confidence and the forward capital pipeline that have been raised with you. At the meeting, you asked for a summary of the capital pipeline review (the review), undertaken as part of Budget 2024.

Context

There is a significant amount of investment activity across the portfolio. Based on agency returns for the March 2024 end Quarterly Investment Reporting (March 24 QIR), there are 137 investments in planning with an estimated value of \$93.7 billion and 171 investment reported in delivery with a combined approved delivery budget of \$79.4 billion. Investments in delivery have a cost to complete of \$42.6 billion, meaning there is a significant level of activity planned over the forecast period. Of these investments in delivery, agencies are reporting \$1.2 billion worth of cost pressures.

We have provided you the March 24 QIR which provides further information on the Government's investment portfolio [T2024/1268 refers].

As discussed at the Thursday 2 May 2024 meeting, we are also working closely with the Infrastructure Commission to ensure data on Crown infrastructure investment in the QIR and the National Infrastructure Pipeline are based on the same information, so there is one source of the truth.

Purpose and process of Budget 2024 capital pipeline review

The purpose of the review was to:

1. Ensure the capital investment pipeline is aligned to Government priorities.
2. Has a strong focus on value for money.
3. Better matches fiscal, agency and market capacity.

The review was not focused on finding savings from capital investment. It was focused on the reprioritisation of funding that had been allocated to lower value investments in planning or early delivery towards higher value and higher priority investments.

The process of the review involved:

1. From the Quarterly Investment Reporting, the Treasury identified funded projects that were still in planning (including funding in tagged contingencies yet to be drawn down) – these are easiest to reprioritise as the agency will not have entered into main delivery contracts.
2. As part of the Budget 2024 invitation process, agencies were asked to review these identified projects and provide a submission which outlined:
 - a. The objectives and expected outcomes of the project, including whether it related to the delivery of key Government priorities.
 - b. The impact if the project did not proceed.
3. Agencies were also able to propose other investments for reprioritisation which did not align with the Government priorities or were not high value for money.
4. As part of the Budget 2024 draft package development, the Treasury assessed these submissions and provided you with recommendation on which projects should be reprioritised, and therefore funding returned.

T2024/47 is also part of this release. Please refer to that report for Annex A

We have enclosed as **Annex A**, a previous report outlining further detail on the review [T2024/47 refers].

Outcome of the Budget 2024 capital pipeline review and other capital funding returned:

The final Budget package includes \$1.996b capital expenditure and \$1.295b associated operating expenditure over the forecast period that is being reprioritised towards higher priority and higher value investment.

This includes capital expenditure, identified through the capital pipeline review, that has been returned that was allocated to deliver Crown assets (such as infrastructure) as well as other funding allocated for a range of capital funds (such as research and development funds).

The largest initiatives where funding was returned are set out in Table 1:

Table 1: Initiatives with significant capital savings

Return of funding allocated to deliver Crown assets as part of capital pipeline review		
Initiative	Total capital expenditure (\$m)	Total operating expenditure (\$m)
Wellington Science City	(400)	(63)
[33]	(235)	(80)
Te Pūkenga transformation programme	(220)	-
Return of funds and loans identified through baseline and targeted policy savings, return of tagged contingencies		
Initiative	Total capital expenditure (\$m)	Total operating expenditure (\$m)
Return of funding for Science Innovation and Technology (various research and development funds and loans)	(534)	(370)
[25]		

In addition, unallocated funding from the National Resilience Plan has returned to both the operating allowances and the Multi-Year Capital Allowance (MYCA), totalling \$1.480b operating and \$1.760b capital expenditure.

New Budget 2024 capital expenditure:

The Budget 2024 package includes:

1. [25] total capital expenditure for new capital initiatives
2. [25] total capital expenditure for capital cost pressures and cost escalations

Table Two below outlines the largest new capital initiatives:

Table 2: Significant new capital funding

Initiative	Total capital expenditure (\$m)	Total operating expenditure (\$m)
Government Policy Statement on land transport 2024 – Crown grant and Crown loan	2,955	(716)
Regional Infrastructure Fund	900	300
Prisoner Population – Responding to Increasing Prison Numbers (expansion of Waikeria Prison)	[25]	
North Island Weather Events – Road Response and Recovery	609	330
School Property Portfolio Growth Cost Pressure	400	56

Net capital expenditure:

Table Three below provides the total returned and new spending for capital initiatives:

Table Three: summary of capital initiatives for Budget 2024

Category	Total capital expenditure (\$m)	Total associated operating expenditure (\$m)
Capital funding returned (savings and revenue)	(1,996)	(1,295)
Mini Budget decisions and Budget 204 pre-commitments	(575)	(1,425)
Return of National Resilience Plan funding	(1,760)	(1,480)
New capital initiatives ¹	5297	1,096
Capital cost pressures and escalations	1,426	1,076
Total net capital expenditure	2,392	(2,028)

Annex B provides the detailed list for each of these categories.

Erana Sitterle, Head of Investment Policy, Investment Management System (IMS),

[35]

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¹ This figure excludes the tax package capital of \$7.0 million and associated total operating of \$991.51 million

