

# 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
- [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
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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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Reference: T2024/337

Date: 13 February 2024

To: Minister of Finance (Hon Nicola Willis)

Deadline: None  
(if any)

## Status update on risks and levers and late initiatives for Budget 2024

### *Update on risks and levers*

On 8 February, the Treasury provided you with advice on the risks and levers for Budget 2024 based on the savings and spending initiatives invited into the Budget process [T2024/260 refers].

- **Risks:** These are areas where new spending initiatives may cost more, or savings yield a lower quantum, than anticipated.
- **Levers:** These are areas that will help Budget Ministers get the Budget package back within allowances (such as targeted savings).

We assessed initiatives as low, medium or high risk, and recommended for high risk initiatives that you discuss with the relevant portfolio Minister prior to initiative submission on 16 February to ensure your expectations are being met.

On 12 February, you provided feedback on these risks and levers, including confirming your expectations or where you have additional questions. Annex A provides a status update and/or follow up action for the key risks and levers.

### *Late initiatives*

You have agreed to invite a select number of late initiatives into the Budget 2024 process [T2024/204 refers]. The Treasury has been made aware of other late initiatives that portfolio Ministers intend to submit on 16 February. Annex B outlines these initiatives and the Treasury's recommendations.

You have a Budget Matters meeting with the Treasury on 14 February, and both the above matters are on the agenda for discussion.

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Stephen Bond, Manager, Budget, <sup>[39]</sup>

**Annex A – Status update on risks and levers for Budget 2024**

Portfolio	Previous advice	MoF feedback	Status update and/or action
Tertiary Education	Discuss the following initiatives with the Minister for Tertiary Education and Skills: <ul style="list-style-type: none"> <li>• Replace fees free policy</li> <li>• Remove workforce development councils</li> <li>• Savings options for student loans</li> <li>• Unwind Te Pūkenga merger</li> </ul>	More aggressive options preferred for fees free replacement	We understand you had a conversation with the Minister for Tertiary Education and Skills over the weekend and reiterated your expectations.
[33]			

Portfolio	Previous advice	MoF feedback	Status update and/or action
Tourism	[33]		
Health	Ask for the Budget submission for <b>removing the prescription co-payment</b> to include options that would target the initiative further and increase the net savings	What is the reason for the Pharmac off set and why was this not funded by previous govt?	<ul style="list-style-type: none"> <li>• The Pharmac component of this initiative accounts for the forecasted ongoing increased volume of medicines collected by over 65 year olds and people with a Community Services Card, as these groups are currently still exempt from the \$5 co-payment charge in the current initiative design.</li> <li>• The initiative to remove the \$5 prescription co-payment for all New Zealanders over 14 was added very late in the Budget 2023 process. In the timeframes available, it was not possible to cost, and account for, the impact to Pharmac.</li> <li>• As an interim solution, the previous government provided \$21.8m in 2023/24 to Pharmac to account for the increase to the Combined Pharmaceutical Budget. They also provided a letter to Pharmac noting it would fund up to an additional \$30m in 2023/24 if required, given the uncertainty of the policy's impact, with a review to assess the initiative's implementation and any</li> </ul>

Portfolio	Previous advice	MoF feedback	Status update and/or action
			<p>outyear costs being considered as part of the regular Budget process.</p> <ul style="list-style-type: none"> <li>• Following updated dispensing data, Pharmac has indicated it requires an additional \$23.78m in 2023/24 to account for the policy change, and funding in outyears to account for the cost of continuing to exempt over 65 year olds and people with a Community Services Card (should that be where decisions land on this policy).</li> <li>• We note that the Minister of Health has also requested additional information on the Pharmac offset and is considering policy design options on this initiative.</li> </ul>
<p>[33]</p>			

Portfolio	Previous advice	MoF feedback	Status update and/or action
[33]			
Environment	Reiterate expectation that a full suite of options for the <b>Waste Levy</b> is included in the targeted savings submission	Explore option of offsetting hypothecated funds with baseline reductions to these activity classes	We can confirm this expectation with the Ministry for the Environment, and propose that your Office to communicate this to the Minister for the Environment's Office too.
Agriculture	Reiterate that the Budget submission should include returning the full <b>agricultural emissions pricing tagged contingency</b>	Full emissions pricing targeted contingency should be returned. [33]	We will confirm this expectation to the Ministry for Primary Industries, and have asked your Office to communicate this to the Minister of Agriculture's Office too.
Social Development	Direct the Treasury and Ministry of Social Development to provide further advice to you and the Minister for Social Development on a package of <b>policy savings options in social development</b>	Should fast track proposed changes for Budget 24 regarding [33]	<ul style="list-style-type: none"> <li>• We will communicate this with the Ministry of Social Development. You may wish to also write or speak with the Minister for Social Development to outline your expectations.</li> <li>• These additional savings will not be part of the draft Budget package in early March but we will work towards having options for Budget Ministers 3</li> </ul>

Portfolio	Previous advice	MoF feedback	Status update and/or action
Regional Development	N/A	<p>Require any new operating to come from reprioritisation of existing funds:</p> <ul style="list-style-type: none"> <li>• How much is left in Kānoa?</li> <li>• What other regional funds does the govt administer?</li> </ul>	<p>There is no operating funding available as it time limited funding comes to an end in 2023/24. There are some smaller funds e.g. the regional business partner network, but the funding would not be sufficient to meet the costs of administering the RIF</p> <p>The only other active regional fund is the cyclone response Primary Producer Finance Scheme, but the (\$240m) funding is expected to be fully allocated in the next 1-3 months and Ministers have already reviewed advice on that scheme and decided not the change the settings.</p> <p>The Provincial Growth Fund and Regional Strategic Partnership Fund (the previous two regional development funds) have allocated all the funding as of August last year and are in practice now legacy funds with minimal scope for change – though the funding will gradually be returning to the centre over the next 1-10 years as various loans/investments are repaid</p>



**Annex B – additional late initiatives and Treasury recommendations**

Portfolio	Initiative	Treasury recommendation
Prime Minister and Cabinet	DPMC core functions	<p>We <b>do not recommend</b> inviting this initiative.</p> <p>The Treasury view is that this does not align with the Budget 2024 strategy (i.e. limited to urgent cost pressures for core public services), and we would advise that these should be met through reprioritisation.</p>
Prime Minister and Cabinet	A new initiative relating to a delivery unit (repurposing existing implementation unit funding in 24/25 and new funding from 25/26)	<p>We <b>do not recommend</b> inviting this initiative.</p> <p>The Treasury view is that this does not align with the Budget 2024 strategy (i.e. limited to urgent cost pressures for core public services), and we would advise that these should be met through reprioritisation.</p>
Housing	Additional public housing spaces (which will likely require significant capital and ongoing operating funding. For reference, the Budget 2023 bid for 3000 net new places required approximately \$60,000 of ongoing operating funding and approximately \$1m of capital funding per net new place)	<p>We <b>recommend</b> inviting this initiative.</p> <p>This is so Ministers can make a specific decision on the new public housing pipeline and associated level of investment required to maintain it. However, we specifically note that invitation does not predetermine the Treasury’s assessment of the viability of the proposal noting that concerns remain about the Budget 2023 funding and what has or is intended to be purchased.</p> <p>We have reiterated to the Ministry of Housing and Urban Development that the Minister must seek an invitation for late initiatives from you, and you must agree to an invitation for any initiatives to be submitted.</p>
[33]		

Portfolio	Initiative	Treasury recommendation
Education	[33]	<p>We <b>do not recommend</b> inviting these initiatives.</p> <p>This is due to the fiscal constraints on the B24 package, and the significant quantum of initiatives that Vote Education has already been invited to submit.</p> <p>We have identified that the late initiatives comprise of non-discretionary and discretionary cost pressures.</p> <ul style="list-style-type: none"> <li>• For the non-discretionary late initiatives submitted we would recommend that MoE should meet them through reprioritisation.</li> <li>• For the initiatives Treasury consider are more discretionary we wouldn't explicitly recommend these be included for reprioritisation, but that MoE still has the option to trade these initiatives off against other priorities if they wish to.</li> </ul>
Education		
Education		

Portfolio	Initiative	Treasury recommendation
Education	[33]	
Education		