

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.

Reference: T2024/526

Date: 2 March 2024

To: Minister of Finance (Hon Nicola Willis)

Deadline: 4 March 2024
(if any)

BM1.5 Agenda and Talking Points

1. This Aide Memoire provides you with:

- a. **Annex 1:** A draft agenda for Budget Ministers 1.5 on Monday 4 March (BM1.5). Please let us know if you have any comments on this by Monday 4 March, and your office will then distribute it in advance to the office of other Budget Ministers.
- b. **Annex 2:** Draft talking points to support your engagement with colleagues at BM1.5.
- c. **Annex 3:** A summary of the coalition Government policy priorities invited into the Budget, including options to scale, defer or fund these commitments through reprioritisation.

Chris Brunt, Senior Analyst, Budget, ^[39]
Keiran Kennedy, Manager, Budget, ^[35]

Annex 1: Draft Agenda for Budget Ministers 1.5

Agenda item	Slide pack cross-reference	Recommendations
1. Update on Budget 2024	3-4	<p>Note that Treasury is working intensively to assess the approximately 400 submissions made for Budget 2024, and a full draft package will be presented to the Minister of Finance ahead of Budget Ministers 2.</p> <p>Note that the indicative package prepared for Budget Ministers 1.5 (BM1.5) has reduced the difference between the package and the operating allowance from \$4.0 billion to \$1.3 billion (average per annum).</p> <p>Note that this indicative package for BM1.5 is largely built on Treasury's current assessment of individual initiatives (except for Government policy commitments including the tax package.) The packages also includes pre-commitment decisions.</p>
2. Next steps on the baseline savings exercise	5-6	<p>Note that 11 agencies have not met their targets, and this is more justified in some cases than others.</p> <p>Agree that we should continue to push for further savings from those who haven't met their target, and from those where there is an opportunity to identify further savings (i.e. beyond the initial target).</p> <p>Agree to a triaged approach to progressing further savings, with agencies subject to either:</p> <ul style="list-style-type: none"> • Independent Rapid Reviews; • Minister-led 'test and challenge' processes; and/or • Treasury engagement via Budget 2024. <p>Assign agencies to each of these processes for Budget 2024.</p> <p>Agree the draft Terms of Reference for the Independent Rapid Reviews.</p>
3. Additional targeted savings and revenue options	7	<p>Note that a number of Portfolio Ministers are considering additional savings proposals that you will consider as part of decisions at Budget Ministers 3.</p> <p>Note the Treasury advice on targeted savings and revenue options identified by Budget Ministers at the Budget Ministers 1 (BM1) meeting (refer Annex 3, T2024/490).</p> <p>Indicate which of these options you want to formally consider through Budget 2024.</p>
4. Priorities for Government policy commitments at Budget 2024	N/A	<p>Discuss the Government policy commitments we want to prioritise at Budget 2024.</p>

Annex 2: Draft Talking Points for Budget Ministers 1.5

Agenda Item 1: Update on Budget 2024

- Treasury has prepared an indicative draft package for today's meeting, to provide a progress update to Budget Ministers.
- The headline is that the Treasury assessment process has already brought down the operating allowance in the draft budget package from \$4.0 billion per annum over the allowance at BM1 to \$1.3 billion per annum over the allowance.
- The change from BM1 is driven by Treasury's assessments of invited costs pressures where there has been scaling back of over ^[38] . Also we have reduced the funding envelope for our tax package
- This indicative draft package also includes Smokefree Repeal and the precommitments for Pharmac ^[38] . Also the Treasury has made a small positive adjustment for the Digital Services Tax that was reflected in HYEPU but was not included in the BM1 material.
- For savings, there has been a 20% adjustment based on Treasury's current risk assessment that not all savings will be realisable. Treasury is working through their risk assessment and we will be updated on this at BM2.
- The indicative draft package doesn't include savings invited but not yet submitted (e.g., any additional savings from Kāinga Ora).
- The indicative draft package does not include any adjustment for the increase to the Multi-year capital allowance.
- In line with our Budget priority "Building for growth and enabling private enterprise" the current capital package is focused on critical and urgent priorities, and ensuring that further investments are implementation-ready and provide optimal value for money.
- Several significant reviews (in the Housing, Education Defence, and Health sectors) are underway and due to be completed this year, which will assist us with careful prioritisation of the long-term capital pipeline to inform our future Budgets.
- The Treasury has been working intensively to assess the value-for-money (costs and benefits, deliverability, distributional impacts, etc) of Budget 2024 submissions.
- That process is ongoing, and a full package will be presented to me tomorrow. This package will be the basis of our BM2 discussion next Monday.
- This does not change any of the key messages from BM1 regarding the scale of challenge ahead of us to agree a package within allowances, particularly given our deteriorating economic and fiscal environment.
- The indicative draft package does demonstrate that we will need to consider options to defer or scale initiatives, or require that they are met from reprioritisation.
- I envisage we can really get our teeth into those trade-offs at BM2, when we will see the package in its entirety, including Treasury's line-by-line assessment of each submission.

Agenda Item 2: Next steps on the baseline savings exercise

- The Treasury has provided a list of agencies that haven't met their targets based on agency savings submissions (Annex 1 of the Treasury Report that accompanied the slides). There are 11 in total.

- I want us to keep pushing for more credible savings options at Budget 2024. This should include from agencies who haven't met their target, but also where there are opportunities to identify further savings (i.e., beyond the initial target).
- I propose that we take a triaged approach to this next stage of the process.
 - **Independent Rapid Reviews:** For selected agencies, we should agree to commission independent reviewers to consider existing submissions and identify areas where agencies could go further. Additional options that they find can be considered by us at BM4 in early April. I see these reviews as having two purposes: Identification of savings for Budget 2024, ^[34]
 - **Minister-led 'test and challenge':** For some agencies that we want to push harder on, an independent review might not be as effective as a test-and-challenge process led by a Minister already familiar with the Vote. ^[34]
 - **Treasury engagement through Budget 2024:** Just because an agency is not in the first two categories does not mean that I am giving up on further savings. This will just happen through the ordinary Budget 2024 process. I expect, for example, for further potential savings to be a focus of my bilateral engagements with portfolio Ministers commencing this week.
- One note on how we approach Budget package development in coming weeks. It will be quite important that we don't "bank" these savings before we see what options are surfaced, particularly because of how they late they enter the process (at BM4 on 8 April). The advice from Treasury is that, when we get to BM4, there will *inevitably* be commitments that we collectively support adding back into the package if more fiscal room is available. We should therefore push ahead with our package discussions at BM2 and 3 assuming we will not get significant further savings from this process (as a contingency in case we don't). And then we can have a conversation at BM4 about what we bring back into the package once we're clear on the savings proposals identified by the independent reviewers.

Agenda Item 3: Additional savings and targeted savings options

- At BM1, we created a fulsome list of potential savings options we wanted to consider bringing into Budget 2024.
- The Treasury has pulled together some rapid advice on these options (Annex 3 of the covering Treasury Report). This advice was focused on two key questions:
 - can we make these decisions fast enough that, if we wanted to, we could bank savings at Budget 2024, and
 - what is the approximate quantum of savings we could realise.
- This is indicative advice that the Treasury has prepared (at pace) to give a flavour of the options available.
- We don't need to take final decisions on these today. But we do need to decide which we are serious about and want to consider further, and which we want to rule out now.

- Based on the decisions we make here, I'll then write to the relevant portfolio Minister and get them to prepare a formal submission for our consideration (like the 400 we have already received).

Agenda Item 4: Priorities for Government policy commitments at Budget 2024

- The Treasury has presented an improving picture for Budget 2024 relative to what we saw last week. But \$1.3 billion (operating per annum) is still a significant delta between us and allowances.
- Tomorrow, the Treasury is going to present me their recommended option for bringing the package right within allowances (based on their own value-for-money assessments).
- That will be the focus of the BM2 discussion we are having next Monday.
- Clearly one area we are going to have to collectively grapple with is which of our policy commitments we fund in full at Budget 2024, which we fund in-part, and which we defer or require are met through reprioritisation.
- Any steers that we can provide on that now will help us frame the conversation at BM2 in the most helpful way.
- (If you judge useful) - to aid this conversation, the Treasury has provided me with copies of a table which summarises our commitments, and their initial view on whether we have scaling or deferral options on each. These are just indications at this stage – the full Treasury advice on each initiative will be provided for BM2.

Annex 3: Key Government Policy Commitments

Note grey highlighted initiatives are related to time-limited funding.

ID	Submission	Agency sought amount ¹			Treasury indicative assessment ²		
		Total Operating (\$m)	Operating per annum (\$m)	Total Capital (\$m)	Consider scaled funding option	Consider defer/not funding in B24	Possible reprioritisation from existing baselines
Education							
15737	Ka Ora, Ka Ako Healthy School Lunches Programme: Continuing beyond 2024	341.4	85.3	0.6	✓		
15799	Partnership Schools (Charter schools Kura Hourua)	[33]		[33]	✓		
15640	Essential Digital Services - Internet in Schools, Equipment Replacement and Cyber Security			69.3	✓		
15643	Continued Teacher Supply Supports			-	✓		
15839	Structured Approaches to Literacy - Further Teacher Professional Learning and Development (PLD)	63.1	15.8	-	✓		✓
15738	Apprenticeship Boost Scheme Continuation	[33]		-	✓	✓	
15728	Te Pūkenga Disestablishment and Transition	[33] and [37]			✓		
Health							
15797	Timely access to COVID-19 vaccine and therapeutics and ongoing cost-effective management of COVID-19	[33]		-	✓		
[33]							
15814	Medicines – Increasing access to medicines including cancer treatments	[33]		-		✓	
15800	Emergency department security - service expansion			-	✓	✓	
15804	Breast screening extension of eligibility to include 70–74-year-olds as part of the free national programme			7.2		✓	

¹ Note that some initiatives are under active Cabinet consideration. For consistency we have used the amounts agencies submitted.

² Note that these are indicative views only. Line-by-line advice on initial initiatives will be provided in advance of BM2

ID	Submission	Agency sought amount ¹			Treasury indicative assessment ²		
		Total Operating (\$m)	Operating per annum (\$m)	Total Capital (\$m)	Consider scaled funding option	Consider defer/not funding in B24	Possible reprioritisation from existing baselines
15801	Gumboot Friday – funding to deliver free youth mental health counselling services	24.0	6.0	-	✓	✓	
15803	Mental Health and Addiction Community Sector Innovation Fund	[33]		-	✓	✓	
[33]							
15808	Health Workforce – Waikato New Medical School – cost benefit analysis and business case development	[33]		-		✓	
Law and Order							
15625	Ministry of Justice – Responding to gang harm	9.0	2.3	0.2	✓		
15637	Ministry of Justice - Taking a tougher approach to sentencing	3.8	1.0	0.9	✓		
15456	Oranga Tamariki - Addressing Serious Youth Offending	[33]					
15457	Oranga Tamariki - Fast Track Youth Offending Programme						
15784	Investing in Core Policing						
15475	Corrections Rehabilitation Programmes - Extending to Remand Prisoners	60.0	15.0	[33]		✓	
Tax							
15745, 15754	Personal Income Tax and Independent Earner Tax Credit threshold changes	13,724.2	3,431.1	2.5	✓		
15744	Restoring interest deductibility for residential rental property	730.0	2,920.0	-	✓		
15746, 15753	FamilyBoost	741.3	185.3	7.5	✓		
15743, 15742	Online casino gambling tax changes	(189.8)	(47.5)	1.5	✓		
15768, 15747	\$25 per week In work tax credit adjustment	620.6	155.2	0.5	✓		
Infrastructure							
15790	Regional Development – Baseline operating funding to support the Regional Infrastructure Fund and previous interventions	120.0	30.0	-	✓		

ID	Submission	Agency sought amount ¹			Treasury indicative assessment ²		
		Total Operating (\$m)	Operating per annum (\$m)	Total Capital (\$m)	Consider scaled funding option	Consider defer/not funding in B24	Possible reprioritisation from existing baselines
15809	Regional Development - Regional Infrastructure Fund Establishment	[33]			✓	✓	
15582	Resource Management Reforms - Replacement				✓		
15445	National Infrastructure Agency Establishment					✓	✓ [partial]
15472	Implementing Local Water Done Well				✓		
15587	Continued Recovery from the North Island Weather Events				✓		
15771	North Island Weather Events (NIWE) Road Response, Recovery and Rebuild (Time-Limited Funding)				✓		
15769	Civil Aviation Authority Liquidity Funding (time limited funding)				✓		
15789	Government Policy Statement on land transport 2024 - Crown grant and Crown loan				✓		
Other							
15699	New Zealand Screen Production Rebate – International	[33]			✓		
15499	Kāinga Ora Crown-Funded Programmes and Statutory Obligations – Continuation of Funding		50.0	12.5	-	✓	
[33]							
15782	Geohazard Information Services: GeoNet and the National Seismic Hazard Model	[33]			✓		✓ [partial]
15470	Independent inquiry into how the COVID-19 pandemic was handled in New Zealand				✓		
15451	Department of the Prime Minister and Cabinet - establishment of Delivery Unit function					✓	
15734	Ministry for Regulation - Establishment and ongoing funding				✓		

ID	Submission	Agency sought amount ¹			Treasury indicative assessment ²		
		Total Operating (\$m)	Operating per annum (\$m)	Total Capital (\$m)	Consider scaled funding option	Consider defer/not funding in B24	Possible reprioritisation from existing baselines
15524	Historic Claims of Abuse in Care (time-limited funding)	[33]			✓		
15570	Welfare that Works - Youth focused Employment Supports					✓	✓