

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: First Draft of Budget 2024 Early Decisions Cabinet Paper

Date:	12 March 2024	Report No:	T2024/622
		File Number:	BM-2-4-2024-3

Action sought

	Action sought	Deadline
Hon Nicola Willis Minister of Finance	Provide feedback on the first draft of the Budget 2024 early decisions Cabinet paper.	12 March 2024

Contact for telephone discussion (if required)

Name	Position	Telephone	1st Contact
Katie Collier	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: Yes (attached).

Treasury Report: First Draft of Budget 2024 Early Decisions Cabinet Paper

Purpose of Report

1. This report seeks your feedback on a first draft of a Cabinet paper seeking early decisions on Budget 2024. It also provides you with additional information on initiatives proposed for early savings identified in T2024/602.

Content of the Budget 2024 Early Decisions Paper

2. You have previously agreed to include key parameters for the Budget Policy Statement (BPS) in the Budget 2024 Early Decisions Cabinet Paper. This included decisions on your fiscal strategy and Budget allowances (including the Multi-Year Capital Allowance)
3. We have reflected recent decisions on the fiscal strategy into the draft Cabinet paper:
 - a At the Budget Ministers 2 (BM2) meeting, it was confirmed that your fiscal strategy announced at BPS should target a return to OBEGAL surplus in 2027/28 at the latest, and announce a Budget 2024 operating allowance of up to \$3.5 billion (which is the figure published at HYEFU).
 - b We have also reflected the Short-Term Intentions (STIs) and Long-Term Objectives (LTOs) contained in the draft BPS provided to us by your office. The most substantive changes are for net debt and operating expenditure:
 - i An intention to put net debt on a downward trajectory and, once below 40% of GDP based on the net core Crown debt indicator, an objective of maintaining it in a range of 20-40% of GDP; and
 - ii Supporting the intentions and objectives for the operating balance and net debt by controlling growth in government spending so that, over time, core Crown expenses reduce towards 30 per cent of GDP.
4. We will provide minor and technical drafting suggestions for the STIs and LTOs when we provide a near-final draft of the BPS on 14 March.
5. The overarching policy goals and wellbeing objectives will be published in the BPS, as required by the PFA.
6. Your office has drafted 'Budget Areas of Focus' for inclusion in the draft BPS. These are similar to the Budget Priorities previously agreed by Cabinet, but are more succinct in a number of ways. Reflecting the discussion at BM2, we have drafted the Cabinet paper to explicitly seek agreement that these are the Budget priorities that will be communicated in the BPS.
7. You also previously agreed to include early savings options in the paper. Our recommendations on the initiatives to include are outlined below.

Additional Information on Early Savings Options

8. In T2024/602, we provided you with a list of potential candidates for early savings decisions. We identified that your decision whether to take early savings decisions to

Cabinet should balance agencies' desire for certainty with Budget Ministers' need for flexibility to form their preferred final Budget package.

9. In your feedback, you requested recommendations from Treasury as to which initiatives you should take forward. We recommend that you include the following four Agriculture, Biosecurity, Fisheries and Food Safety, Conservation and Social Development initiatives for early decisions.

Agriculture, Biosecurity, Fisheries and Food Safety

10. The Ministry for Primary Industries (MPI) has requested an early decision on "MPI Operating Efficiencies – Return of Funding [Initiative 15675]" (the agency submitted \$126.9 million total operating) in order to begin their change management process. While change management is within CE delegations, MPI is likely testing to ensure Ministers are comfortable with the scale of change proposed ^[33]

Given this, we recommend that you submit this initiative for Cabinet consideration as one of the only early decisions sought in the draft Cabinet paper.

11. We have included a delegation to joint Ministers in the draft Cabinet paper to agree savings up to \$126.9 million. We recommend if Cabinet agree to the delegation, you discuss the risks and trade-offs with taking this early decision with the Portfolio Minister at your bilateral on 20 March. If you both agree to take this early decision, we can work with your office to exercise this delegation.

Conservation

12. The Department of Conservation has requested early decisions on "External Services Savings Initiative [Initiative 15627]" (the agency submitted \$6.5 million total operating) and "Enabling Functions Savings Initiative [Initiative 15626]" ^[33]

to begin change management. The Treasury has recommended scaling for initiative 15626 to \$45 million total operating.

13. DOC's collective agreement requires consultation on change management processes, and the agency is eager to begin this to ensure delivering savings from 2024/25 is feasible. We understand that certainty on financial decisions (i.e. amounts to be secured) is required as DOC needs to consult on specific proposals. ^[33]

14. The Treasury recommended savings for these initiatives do not include direct cuts to frontline services or frontline FTE. However, they are enabling services, so will indirectly impact frontline services through introducing inefficiencies, shifting the administrative burden, meaning less time and capacity for frontline work. ^[33]

15. When we met to discuss savings initiatives on 12 March, you indicated that you wish to consider the Department of Conservation savings initiatives alongside any decisions on the International Visitor Levy (IVL) which is ^[33] that you will receive advice on ahead of Budget Ministers 3 on 25 March. On this basis we would not recommend taking an early decision on these savings initiatives to enable you to consider this alongside any decisions on the IVL.

Social Development (Whaikaha)

16. Based on current forecasts, Whaikaha expects to spend approximately \$40-60 million (around 2%) more than its appropriation limit in the 2023/24 financial year. Whaikaha has agreed to introduce changes to control current year spend, including waitlisting for

Equipment Modification Services and making immediate changes to Individualised Funding.

17. Whaikaha has requested an early decision on its cost pressure funding for 2023/24.
[33]
18. We have limited confidence in Whaikaha's ability to fully reduce forecast spend to the current level of the appropriation, even if directed to. The impact of any changes are difficult to forecast, and there is also a degree of uncertainty in overall forecasts created by issues such as delays in invoicing.
19. We have included a delegation to joint Ministers in the draft Cabinet paper to agree spending up to \$70 million for the 2023/24 year. We recommend if Cabinet agree to the delegation, you discuss the risks and trade-offs with taking this early decision with the Portfolio Minister at your bilateral on 20 March. If you both agree to take this early decision, we can work with your office to exercise this delegation.
20. Given the risk to frontline services, we recommend seeking an early Cabinet decision on the 2023/24 portion of the Whaikaha cost pressure initiative (\$70 million operating).

Options Treasury does not recommend progressing

21. In your response to T2024/602, you had also signalled an interest in including the Vote Justice initiative: Human Rights Commission - Operating Cost Reduction [Initiative 15486].
[33]

In our view, this initiative is less critical for early decisions, and we advise against including it in the Cabinet paper.

22. [38]

Approach to the draft Cabinet paper

23. We are mindful of your feedback on T2024/602 that you would like to ensure the process is as consistent as possible. We recommend including the two initiatives outlined above for early decisions, but have also included drafting in the Cabinet paper that shows how we would frame a version with no early savings decisions for you to consider. If your preference is for this approach, please indicate this in your feedback on the draft paper.
24. In T2024/602 you directed us to include delegations to joint Ministers to agree the financial implications of any early decisions. In the draft paper we have framed this such that you would be able to discuss and confirm early decisions in your upcoming bilaterals with the Minister of Agriculture and the Minister for Disability Issues. Both of these bilaterals are scheduled on the 20th of March.
25. In your feedback you also asked about whether early announcements should be made on any early decisions taken through this Cabinet paper. In our view, the purpose of these early decisions is to ensure that agencies can avoid unappropriated expenditure or begin change management. We do not recommend making early public announcement of the decisions.

Next Steps

26. We are seeking your feedback on the draft Cabinet paper on Wednesday 13th March. Depending on the scope of your feedback, we will provide you an updated version of the paper that evening to then be lodged on Thursday.
27. If your feedback is significant, we will provide you with an updated version of the paper on Thursday 14th, and will seek permission for late lodging on Friday morning from the Cabinet Office.
28. The Treasury will work with your office to revise and prepare the BPS for publication consistent with the decisions sought in this Cabinet paper.

Recommended Action

We recommend that you:

- a **provide feedback** on the first draft of the Budget 2024 Early Decisions Cabinet paper;
- b **note** that the Treasury has updated the Cabinet paper to reflect recent decisions on the Short-Term Intentions and Long-Term Objectives for your fiscal strategy to be announced at Budget Policy Statement (BPS).
- c **note** that the Treasury will work with your office to revise and prepare the BPS for publication consistent with the decisions sought in this Cabinet paper;
- d **agree** to include the following savings decisions:
 - a. Vote Agriculture, Biosecurity, Fisheries and Food Safety: MPI Operating Efficiencies – Return of Funding [Initiative 15675]
Agree/disagree.
 - b. Vote Social Development: \$70 million in 2023/24 for Whaikaha Cost Pressures [Initiative 15618].
Agree/disagree.
- e **agree** not to include the following initiatives for early decisions:
 - a. Vote Conservation: External Services Savings Initiative [Initiative 15627] and Enabling Functions Savings Initiative [Initiative 15626]
Agree/disagree.
 - b. Vote Justice: Human Rights Commission - Operating Cost Reduction [Initiative 15486].
Agree/disagree.
 - c. [33]

Keiran Kennedy
Manager, Budget

Hon Nicola Willis
Minister of Finance

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