

# 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
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- [34] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions
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- [39] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage
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Reference: T2024/664

Date: 13 March 2024

To: Minister of Finance (Hon Nicola Willis)

Deadline: 14 March 2024  
(if any)

## Approach to Budget Ministers 3

This aide memoire seeks your direction on the approach to Budget Ministers 3. You are meeting with the Treasury to discuss this at Budget Matters on Thursday 14 March.

### *Finalising the Budget 2024 package*

Budget Ministers have three scheduled meetings to finalise the Budget 2024 package prior to Cabinet's approval on Monday 29 April. For agencies and the Treasury to undertake the necessary technical processes to finalise the Budget (including preparing financial recommendations and Budget legislation), it is important that decisions are sequenced as follows:

- **Budget Ministers 3** (Monday 25 March): Substantive package decisions focused on Government policy commitments, cost pressures, and capital package. We also recommend you seek decisions on existing targeted policy savings and as many baseline reduction target savings as possible. We will provide advice on which additional targeted policy savings to progress from Budget Ministers 1.5 and any outstanding baseline reduction target savings.
- **Budget Ministers 4** (Monday 8 April): Savings decisions from the Independent Rapid Reviews and any spending decisions as a result of the headroom created from these additional savings.
- **Budget Ministers 5** (Wednesday 10 April): A small number of final outstanding decisions that were not made at Budget Ministers 4.

### *Budget Ministers 3*

You met with Budget Ministers on Tuesday 12 March to discuss the draft Budget 2024 package and the Government's fiscal strategy. The package presented at this meeting was \$640 million operating over allowances on average per annum. This number currently increases to \$813 million in 2027/28 and outyears, which means an even more concerted effort is required to reduce spending or increase savings beyond the forecast period.

At Budget Ministers 2, you agreed to present a package within the current Budget 2024 operating allowance (i.e. \$3.5 billion per annum) at Budget Ministers 3 on 25 March. There is already work underway regarding additional savings levers and separate advice will be provided to you on these to reflect in the Budget Ministers 3 material. The focus of this aide memoire and the discussion at Budget Matters on 14 March is to get your steer on what levers you want to use to reduce spending to get within allowances for Budget Ministers 3.

- Which **Government commitments** would you like to scale or remove from the package (particularly where the Treasury will need to rapidly work with agencies on additional scaling options). This includes what parameters you would like to use for the **tax package** at Budget Ministers 3 (e.g. a 1 July or 1 October implementation for the Personal Income Tax threshold changes). We understand you are having further discussions with Budget Ministers on the Regional Infrastructure Fund, Ministry for Regulation and Partnership Schools initiatives specifically.
- Whether you would like to further options on scaling **cost pressures**, for example:

- At your Budget bilateral with Hon Dr Reti on Monday 11 March, you indicated that you want to maintain the **Health** cost pressure planning parameters included in National's Fiscal Plan and the Pre-election Economic and Fiscal Update (\$1,430 million operating per annum). This was also reflected in the Budget Ministers 2 package.

However, you could revisit this decision and scale the Health cost pressure package to the quantum in the Treasury's draft Budget package (i.e. \$1,318 million operating per annum – a reduction of \$113 million), which we consider minimum viable funding. This level of funding will require trade-offs and careful management to ensure implementation plans for proposed efficiencies are delivered, fiscal risks are managed and multi-year funding arrangements are adhered to.

- You requested that the Budget Ministers 2 package increase the **Education** cost pressure portion to 75 percent of what was sought by MoE <sup>[33]</sup> which the Treasury reflected in the final material. However, you could decide to revisit this decision as one way to help get the package within allowances.

The Ministry of Education (MoE) submitted <sup>[33]</sup> operating per annum for cost pressures. The Treasury's draft package recommended funding 42 percent of this from the Budget 2024 operating allowances <sup>[33]</sup> of which <sup>[33]</sup> is met through reprioritisation of existing funding.

If you wished to continue with this approach rather than funding 75 percent of the Education package, it would decrease the package in an order of magnitude of approximately <sup>[33]</sup>. This would have a noticeable impact on getting the package back within allowances. Education also received considerable cost pressure funding in Budget 2023, particularly for cost adjustments. However, this needs to be balanced against your broader priorities for Budget 2024, as this approach does include significant scaling of Education cost pressures and reprioritisation of programmes.

- We are working through whether further scaling of **Corrections'** cost pressure submissions is possible.
- We do not recommend further scaling cost pressures for **Oranga Tamariki, Whaikaha, the New Zealand Defence Force and the Ministry of Justice** as we consider what is in the current package represents the minimum viable for these agencies.

The timeframes to develop a package within allowances for Budget Ministers 3 are tight, including to reflect outcomes of bilaterals (see Annex A for further detail). The Treasury will not be able to make any further changes to the Budget Ministers 3 package after 12pm Thursday, 21 March. Any changes beyond this will need to be tabled at Budget Ministers 3 on 25 March or reflected for Budget Ministers 4 on 8 April.

Emily Fulford, Senior Analyst, Budget, <sup>[39]</sup>

Keiran Kennedy, Manager, Budget, <sup>[35]</sup>

## Annex A: Timeline for finalising Budget Ministers 3 material

Date	Deliverable	Budget bilaterals
Thurs, 14 March	Budget Matters to discuss approach to BM3	
Fri, 15 March	First data cut off for changes to be reflected in draft BM3 material	
Mon, 18 March	Draft BM3 materials to Minister of Finance	<ul style="list-style-type: none"> <li>Ministry for the Environment bilateral (5.15-5.45pm)</li> <li>Ministry of Business, Innovation and Employment bilateral (8.30-9pm)</li> </ul> <p><b>Decisions at these bilaterals can be reflected for BM3</b></p>
Tues, 19 March		<ul style="list-style-type: none"> <li>Ministry of Education, including tertiary education (5-5.30pm)</li> <li>Justice sector (8-8.30pm)</li> </ul> <p><b>Decisions at these bilaterals can be reflected for BM3</b></p>
Wed, 20 March	Budget Matters to discuss BM3 material and revised Budget package (4.30-5pm)	<ul style="list-style-type: none"> <li>Ministry of Housing and Urban Development (12-12.30pm)</li> <li>Ministry for Primary Industries (3.30-4pm)</li> <li>New Zealand Defence Force (7-7.30pm)</li> <li>Ministry of Social Development, including Whaikaha (7.45-8.30pm)</li> </ul> <p><b>Decisions that are agreed at these meetings can be reflected for BM3. Decisions that require further work from officials can be tabled at BM3 or reflected for BM4.</b></p>
Thurs, 21 March	<ul style="list-style-type: none"> <li><b>Data cut off for final changes to BM3 package at 12pm</b> (changes beyond this point will need to be tabled at BM3 or reflected for BM4)</li> <li>Revised draft BM3 material to Minister of Finance for approval</li> </ul>	<ul style="list-style-type: none"> <li>Ministry of Foreign Affairs (3.15-3.45pm)</li> </ul> <p><b>Decisions will be reflected for BM4 or can be tabled at BM3</b></p>
Fri, 22 March	Send final BM3 material to Budget Ministers	
Mon, 25 March	Budget Ministers 3	