

# The Treasury

## Budget 2024 Information Release

### September 2024

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## Treasury Report: Budget 2024 - Technical Initiatives

<b>Date:</b>	5 April 2024	<b>Report No:</b>	T2024/814
		<b>File Number:</b>	

### Action sought

	Action sought	Deadline
Hon Nicola Willis <b>Minister of Finance</b>	<b>Agree</b> the technical initiatives that are recommended for inclusion in Budget 2024.	8 April 2024

### Contact for telephone discussion (if required)

Name	Position	Telephone	1st Contact
Bonar Robertson	Principal Advisor, Public Finance Policy	N/A (wk) [35]	✓
Keiran Kennedy	Manager, Budget	N/A (wk)	

### Minister's Office actions (if required)

**Return** the signed report to the Treasury.

Note any feedback on the quality of the report

**Enclosure:** Yes (Annex A attached)

# Treasury Report: Budget 2024 - Technical Initiatives

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## Executive Summary

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This report seeks your agreement to the Budget 2024 technical initiatives for inclusion in the Budget 2024 package, to allow financial recommendations to be prepared for agreement by Cabinet on 29 April.

The technical package contains 193 initiatives across 39 Votes. Technical initiatives do not seek new funding, and therefore do not impact Budget allowances. They cover:

- Critical and urgent technical decisions for 2023/24 and/or 2024/25 that cannot be agreed under Joint Minister delegations
- Late technical changes not agreed through the March Baseline Update process
- For Budget 2024, reprioritisation within remaining baselines to manage critical cost pressures that were not invited into the Budget process (which may contain policy decisions that require Cabinet-level approval).

The Treasury has assessed the above initiatives to ensure they meet the requirements of a technical initiative. Annex A outlines where we recommend declining initiatives, as we do not consider they are technical in nature or align with Budget priorities, or where we have recommended initiatives are re-classified as significant.

This report sets out a number of technical initiatives that we recommend you approve but are worthy of bringing to your attention. This includes:

- initiatives that impact on OBEGAL, including swaps between operating and capital (and vice-versa);
- fiscally neutral expense transfers from 2023/24 to allow unspent North Island Weather Event (NIWE) funding to continue to be used for NIWE recovery (rather than returned to the centre);
- fiscally neutral transfers to the Department of Internal Affairs to enable the agreed shared approach to back-office transformation;
- an initiative that seeks Cabinet's authority to delegate to joint Ministers the ability to increase appropriation funding for residential care loans, which are fiscally neutral over time as receipts offset loan payments; and
- a number of Vote Education initiatives, where you have choices on whether to agree them or seek further advice, including on teacher house sales obligations, electric vehicle subsidies and cybersecurity and IT.

As Minister of Finance, your approval is required under section 7B of the Public Finance Act 1989 for the establishment of multi-category appropriations (or to make changes to the scopes and categories of existing MCAs). This report highlights where departments have sought new or changed MCAs, however, we will seek your formal approval for these as part of our advice on the final Budget 2024 package Cabinet paper.

Once we have your decisions on which technical initiatives you agree to include in Budget 2024, we will work with departments to progress the preparation and review of financial

recommendations to give effect to these initiatives. The financial recommendations for the technical initiatives will be included with the Budget 2024 Final Package Cabinet paper, alongside significant initiatives, for consideration by Cabinet on Monday 29 April.

**Recommended Action**

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We recommend that you:

- a **note** that departments have submitted 193 initiatives across 39 Votes, which are provided, alongside the Treasury’s recommendation, in Annex A
- b **agree** to include technical initiatives in the Budget 2024 package for consideration by Cabinet on 29 April, subject to any feedback you provide on the initiatives outlined in Annex A;

*agree / disagree*

- c **note** that some initiatives seek your approval under section 7B of the Public Finance Act of 1989 for the establishment of new, or changes to existing, multi-category appropriations and that we will seek this approval once the financial recommendations for both the technical and significant Budget initiatives have been prepared, and
- d **note** that the financial recommendations for the technical initiatives included in the Budget 2024 technical package will be included in the Budget 2024 Cabinet paper, to be considered by Cabinet on 29 April.

Keiran Kennedy  
**Manager, Budget**

Hon Nicola Willis  
**Minister of Finance**

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# Treasury Report: Budget 2024 - Technical Initiatives

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## Purpose of Report

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1. This report seeks your agreement to the technical initiatives submitted by Ministers for inclusion in the Budget 2024 technical initiatives package. The package is technical in nature and will be considered by Cabinet together with the significant Budget 2024 package on 29 April 2024.

## Budget 2024 Technical Package

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2. Technical initiatives can be broadly classified into one of the following categories:
  - fiscally neutral adjustments to appropriations that Joint Ministers do not have delegated authority to approve under Cabinet Office Circular CO (18) 2, and which therefore cannot be agreed through the March Baseline Update (MBU)
  - minor technical adjustments to appropriations needed to rectify errors made at previous Budgets or baseline updates, and
  - items that missed MBU.
3. In previous years, initiatives that have policy implications were not invited into the technical process. A change for this year's technical package was to allow initiatives for situations where reprioritisation is being sought to manage critical cost pressures that were not invited into the significant Budget package. These initiatives were able to contain policy implications that would normally require Cabinet-level approval.
4. The Budget 2024 technical package includes 193 initiatives across 39 Votes. Last year, the package contained 103 initiatives across 27 Votes. The increase in initiatives is primarily driven by the large number of individual initiatives associated with funding the shared approach to back-office transformation initiative in Vote Internal Affairs (see paragraph 13), as well as requests to approve reprioritisation to manage critical cost pressures as a result of baseline savings.
5. All technical initiatives and Treasury's recommendation for each, are included in Annex A. Below we provide commentary on some of the more substantive or contentious technical initiatives.

## Substantive initiatives we recommend approving

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### *Initiatives that have a fiscal impact*

6. While technical initiatives cannot seek new funding that impacts on Budget allowances, there are some instances where technical initiatives can have an impact on OBEGAL. This can happen where a policy is already set (such as through Cabinet decisions or legislation), but the fiscal impacts do not become clear until later. Examples of the larger impacts on OBEGAL requested through this package includes:
  - ID 15888 and 15889: *Discount Unwind Expense: Funding Shortfall* (\$85 million operating across the forecast period). This is a non-cash adjustment in Vote Defence Force required because of changes in actuarial projections for the Veterans' Entitlement liability.

- 16076: *Transfer of Dolomite Point Experience Centre and ancillary assets to third-parties* (\$40.5 million operating across the forecast period). This provides for the write-off of Crown assets in Vote Conservation following the completion of the Dolomite Point Redevelopment Project [DEV-18-MIN-0266 refers]. The ownership of the Dolomite Point Experience Centre and ancillary assets will be transferred to Ngati Waewae, NZTA and Electronet.
7. If you agree to our recommendations in Annex A, there will be a negative impact on OBEGAL of \$127.068 million across the forecast period. Given the above initiatives relate to a policy commitment, we recommend these are approved to ensure the fiscal impact is appropriately reflected.
8. Some technical initiatives seek approval for operating to capital, or capital to operating, swaps, usually due to changes in accounting treatment of agreed policies. These changes have a corresponding fiscal impact on OBEGAL and net core Crown debt. The most significant swaps are:
- ID 16079: *Waikeria Public Private Partnership liability payment* (\$15 million operating to capital swap). Corrections has been repaying the Waikeria Public Private Partnership liability since May 2022 as the project was scheduled to be completed by this date with a non-cash depreciation expense funding a portion of the repayment. As the Waikeria project has not yet been completed, there is no depreciation expenditure generated and therefore, no funding for the liability repayment. Corrections is requesting a fiscally neutral funding swap from operating baselines (depreciation) to capital baseline (capital injection) of \$15.000 million to manage this repayment obligation for the 2023/24 year. This treatment is consistent with a request in 2023.
  - ID 15884: *Arms Information Solution – Vote Police* (\$15.8m million capital to operating swap). The Arms Legislation Act 2020 directed the Commissioner to keep and operate a registry for the purposes of the Act. As a result, the Arms Information Solution was developed which provided a digital platform and registry to manage Arms, firearms licensing and the activities associated with the possession and use of firearms. After the funding secured through Budget 2022, the interpretation of the accounting rules regarding Software as a Service have changed. A review was undertaken to reassess the appropriate accounting treatment which has identified that expenditure previously treated as capital in nature now needs to be reclassified as operating.
9. There are some technical initiatives which then seek approval for changes to appropriations where the fiscal impact has already been accounted for in the forecasts. This means these requests do not impact on allowances, OBEGAL or net core Crown debt. These are:
- ID 16032: *Kāinga Ora - Homes and Communities Private Debt Refinancing Facility* <sup>[25]</sup> This initiative increases the appropriation limit in the Kāinga Ora debt refinancing facility multi-year appropriation, so that Kāinga Ora can refinance their existing debts. This refinancing is already forecasted for; however, it is not yet appropriated. This is a necessary step to shift Kāinga Ora debt from borrowing on the private market to borrowing by the Crown (bond refinancing) as previously agreed by Cabinet.
  - ID 15907: *New Zealand Superannuation Contributions - adjustment to forecast contributions to align with the Contribution Rate Model* (\$1.657 billion total decrease in capital). This initiative aligns forecast outyears contributions to the updated amounts as calculated by the formula set out in section 43 of the New Zealand Superannuation and Retirement Income Act 2001. Cabinet has previously

agreed that these adjustments are technical in nature and do not count against Budget allowances.

- ID 16039: *Refinancing of Kāinga Ora - Homes and Communities and Housing New Zealand Limited Debt* (\$47.631 million total decrease in capital). This initiative adjusts cashflows to align to forecasts of Kāinga Ora and Housing New Zealand Limited Debt for 2027/28.

*Funding associated with the North Island Weather Events funding provided in Budget 2023*

10. In Budget 2023, the previous Government agreed that any unspent funding after 2023/24 for initiatives responding to the North Island Weather Events (NIWE) should return to the centre. This was to reflect the immediate and urgent nature of the NIWE response at that time.
11. Several departments have requested expense transfers from 2023/24 for unspent NIWE funding, to continue to use this to support NIWE recover efforts. While expense transfers can normally be considered by joint Ministers under CO (18) 2, because of the previous Cabinet's decision on NIWE funding, these transfers require Cabinet approval because of condition outlined in paragraph 10.
12. The table below outlines the technical initiatives related to NIWE funding. We support these expense transfers because there is a continued funding need for the ongoing support for NIWE affected areas, there are contractual obligations and commitments to meet costs, and the Government has committed to the recovery effort.

<b>Vote</b>	<b>Title</b>	<b>Description</b>	<b>Transfer (\$m)</b>
Business, Science and Innovation	ID 15938: Expense transfers and in-principle expense transfers for the North Island Weather Events Primary Producer Finance Scheme	The North Island Weather Events Primary Producer Finance Scheme was established in July 2023 to provide capital support for primary producers impacted by the North Island Weather Events. The timing for successful recipients to meet milestones is uncertain and the expectation is that the 2023/24 funding will not be fully paid within this financial year and that the surplus will be required in 2024/25.	120.000
Education	ID 15880: North Island Weather Events - Repair and Rebuild School Property to Pre-Event State	This initiative will transfer funding from 2023/24 to subsequent years to complete repairs to schools affected by NIWE, including redevelopment or relocation of schools on extensively damaged sites. More time is required to plan and design for suitable long-term solutions, such as the occasional entire school rebuild which will take several years to deliver. These issues have been compounded by limited building industry capacity and delays in receiving council approvals.	0.700
Internal Affairs	ID 15916: Funding supporting local authorities to respond to the North Island Weather Events	This initiative seeks approval that local authorities who have been allocated funding to respond to adverse weather events through NIWE can continue to use this funding beyond 30 June 2024 and, where appropriate, that variations will be made to the end dates of existing funding agreements between the Department of Internal Affairs and local authorities. This	-  (request is for an in-principle expense transfer)



		initiative also seeks an in-principle expense transfer <sup>[33]</sup> from 2023/24 to 2024/25 to allow for potential delays.	
Prime Minister and Cabinet	ID 15909: North Island Severe weather events expense transfer to 2024/25	This initiative will transfer funding from 2023/24 to 2024/25 to ensure that Regional and Local Support grants notified to local authorities for the 2024/25 financial year can be paid and to ensure adequate resourcing to support Ministerial advice and design and implementation of the whenua Māori and marae pathway.	6.000

#### *Funding a shared approach to back-office transformation*

13. 47 technical initiatives relate to transfers to the Department of Internal Affairs (DIA) to fund a shared approach to back-office transformation led by the Government Chief Digital Officer, agreed by the previous Government on 4 September 2024 [CAB-23-MIN-0417 and GOV-23-MIN-0045 refers]. We have previously provided advice to you on this initiative [T2024/721 refers].
14. In line with that advice, we have ensured that the funding increase from DIA's initiative (ID 15913) equals the amount of funding being transferred by departments so that overall, the transfers are fiscally neutral.
15. A small number of departments have not yet transferred funds as directed by Cabinet. We will provide the list of these agencies to DIA so they can follow up as required. As the technical package has now closed, any transfers from these agencies can be completed through the October Baseline Update.

#### *Cabinet approval for Residential Care Loans*

16. The Ministry of Health has requested an increase to their appropriation funding Residential Care Loans (RCLs) to address a forecast funding shortfall in 2023/24 and outyears, based on forecast loan activity. RCLs enable eligible residents to retain ownership of their properties but still pay for their care. The loans and the repayments from estates are expected to be fiscally neutral over time.
17. Over recent years, there has been a substantial increase in the number of people entering aged residential care facilities and larger numbers who pay the maximum contribution for aged care services. For forecasting purposes, the working assumption is that the receipts will offset the loan payments each year as the actual pattern of repayments is difficult to predict.
18. Health have been recycling payment of loans to increase the appropriation through Joint Minister decisions without clear Cabinet authority since the early 2000's. As part of this initiative, Cabinet's authority will be sought to provide clear delegation to Joint Ministers going forward.

#### *Education technical initiatives*

19. There are Education initiatives where we have provided recommendations – either because there are choices you could make about agreeing to the initiative or where we think additional advice on the issue should be sought.
  - ID 15934: *Teacher House Sales Obligations - Ensuring Compliance*: (\$1.4 million in 2023/24 only). This initiative provides funding for transferring 50% of sales proceeds to Arrowtown School from the disposal of their board-owned teacher housing. This has an OBEGAL impact as the sale proceeds are Crown revenue, so forgoing 50% of these proceeds is a cost. We support the technical initiative on the

basis that it is a cost that must be met in accordance with the current contractual arrangements the Ministry of Education has in place over the disposal of school property. However, our view is that there is a discrepancy between previous Cabinet decisions on the disposal of school property and the Ministry of Education's arrangements. We recommend that you ask the Minister of Education to direct the Ministry of Education to report to Ministers on their approach to managing the proceeds of sale of surplus school houses.

- ID 15879: *Electric Vehicle Fleet Transition – Provision for Additional Subsidies* (\$2.401 million across the forecast period). This initiative provides funding to subsidise the Ministry of Education transitioning to an Electric Vehicle (EV) fleet and installing EV chargers. The subsidy is funded from the State Sector Decarbonisation Fund administered by Energy Efficiency and Conservation Authority (EECA). It also provides for the Ministry to retain the contributions from EECA towards the capital cost of EV charging stations totalling \$282,000 as an increase in taxpayers' funds in 2023/24. You could choose to decline this initiative and the increased funding for the Ministry, given it is not core to frontline delivery of education.
- Initiative 15933: *Cybersecurity and Managed IT Services - Continuing Delivery* (transfers \$14.232 million funding from 2023/24 to 2024/25). The underspend in 2023/24 reflects delays due to a Ministry of Education recruitment freeze. This programme builds on services being funded in the new spending initiative 15640 *Essential Digital Services – Internet in Schools, Equipment Replacement and Cyber Security* which is being fully funded from the Budget 2024 funding envelope for Education. Overall we are supportive of this transfer being approved, although you could choose to stop the programme and decline this request given the new spending under ID 15640.

## Technical initiatives we recommend including as significant initiatives in the Budget package

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### *Vote Transport technical initiatives*

20. You received advice on several initiatives submitted into the technical process by the Minister of Transport that, in our view, should be included in the significant Budget package [T2024/853 refers] as savings or new spending initiatives. We also recommended the following initiatives are declined as they do not meet the requirements to be technical initiatives:

- ID 16008: Severe weather / emergency response readiness, resilience, and recovery (\$23.142 million across the forecast period)
- ID 16016: Civil Aviation Authority Health and Safety at Work Act (HSWA) delegations <sup>[33]</sup>

21. You have agreed with our recommendations, subject to a discussion with Minister Brown which is scheduled for the afternoon of 5 April 2024. We will update the final technical package depending on decisions following your discussion with Minister Brown.

### *Vote Housing and Urban Development technical initiatives*

22. You are receiving advice relating to Budget 2024 matters for Housing on 5 April 2024 [T2024/904 refers]. Decisions you take based on this advice may move the following two technical initiatives in Vote Housing into the significant Budget package:

- ID 16030: Accounting for Upfront Payments and Amortisation Expenses
  - ID 16031: Transfer of Shovel Ready Assets to Councils and other Stakeholders
23. We will update the final technical package depending on the decisions you take on this advice.

### Technical initiatives we recommend you decline

24. There are several technical initiatives that we recommend you decline, either as they are no longer required (Vote Social Development) or do not meet the criteria for a technical initiative (Vote Business, Science and Innovation). These are provided in the table below.

Vote	Title	Comment
Business, Science and Innovation	ID 16052: Expanding the Impact of Vision Mātauranga	<p>Vision Mātauranga aims to attract and grow Māori talent in the Science, Innovation and Technology sector. The Founder and Startup Support programme provides co-funding to firms to support startup programmes.</p> <p>You previously deferred decisions on fiscally neutral adjustments for Expanding the Impact of Vision Mātauranga (Vision Mātauranga) and Founder and Startup Support to the Budget 2024 process [briefing 2324-1369 refers]. The Ministry of Business, Innovation and Employment (MBIE) has, however, informed us that expenditure has begun for Vision Mātauranga, and some funding has been committed for Founder and Startup Support. MBIE now risks going unappropriated and not fulfilling contracts if these transfers are not approved.</p> <p>We are concerned that these costs have been incurred (or committed to) before these transfers have been agreed. As a consequence, you could decline both fiscally neutral adjustments and return <sup>[33]</sup> to the centre and direct them to meet from baselines.</p> <p>Alternatively, you could approve a portion of these transfers. For Vision Mātauranga, this would be <sup>[33]</sup> for 2023/24, and for Founder and Startup support this would be <sup>[33]</sup> for each of 2023/24 and 2024/25.</p> <p>To avoid this situation in the future, we recommend that you remind the Minister of Science, Innovation and Technology that future FNAs require approval from Joint Ministers or Cabinet before funding can be spent or committed.</p>
	ID 16053: Founder and Startup Programme	
	ID 16077: IPET of the Sport and Recreation: 2023 FIFA Women's World Cup MYA	<p>This initiative seeks in-principle decisions to transfer 2023/24 underspends from the <i>Sport and Recreation: 2023 FIFA Women's World Cup MYA</i> to the <i>Economic and Regional Development: Major Events Development Fund 2022-2027 MYA</i> in 2024/25. Our view is that this funding was specifically for the FIFA Women's World Cup event, and any underspends now that the event has concluded should be returned to the centre.</p>

	ID 15931: Transfer of some of the Administration funding back to the Tourism Innovation Fund	As part of the initial set up of the Tourism Innovation Fund of \$54 million, a portion was set aside to administer the funding agreements, contracts and ongoing maintenance of these agreements. The fund has now been reduced to approximately \$10 million and MBIE is requesting that some of the administration costs be transferred back into the Fund (\$1.510 million in 2024/25). We do not support this given the decision was made to reduce the fund, which includes the corresponding administrative portion.
Social Development	ID 15945: Continuing Support for Apprenticeship Boost Initiative	This initiative increases the funding available for the Apprenticeship Boost initiative (ABI) in 2024/25 through seeking an in-principle decision to transfer up to \$22 million of expected underspends in the ABI in 2023/24 in order to fund the ABI through to the end of the 2024/25 financial year. We do not support this, as there is already a significant Budget initiative for the continuation of the ABI [ID 15738], and the funding provided for this initiative assumes that this underspend will provide savings towards the cost of this initiative.
	ID 15999: Fiscally neutral funding reprioritisation for Disability Supports	This initiative seeks a fiscally neutral transfer to reprioritise funding from the Disability-related Legal Expenses appropriation to support increases in demand for Disability-related Supports in the current financial year, 2023/24. We understand that this transfer is no longer required.

## Approval of multi-category appropriations (MCAs)

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25. Under section 7B of the Public Finance Act 1989, Minister of Finance approval is required for the establishment of multi-category appropriations (or to make changes to the scopes and categories of existing MCAs). Four technical initiatives request new MCAs or changes to existing MCAs:
- ID 15997: MCA Scope Changes in Vote Foreign Affairs
  - ID 16023: Technical Adjustments to implement new MCA in Vote Customs
  - ID 15887: EQC on-solds - rephrasing of Crown expenditure in Vote Finance
  - ID 15963: Policy Advice and Financial Services Multi-Category Appropriation Establishment in Vote Finance
26. Your approval will be required for these MCAs before Cabinet approves the technical package on 29 April 2024 to comply with section 7B. However, it is likely there will also be new MCAs or changes to existing MCAs as part of the significant Budget package.
27. Given this, we will seek your formal approval of all MCAs once we have received the financial recommendations for both the technical and significant Budget packages.

## Next Steps

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28. Once we have your decisions on which technical initiatives you agree to include in Budget 2024, we will work with departments to progress the preparation and review of financial recommendations to give effect to these initiatives.

29. The financial recommendations for the technical initiatives will be included with the Budget 2024 Final Package Cabinet paper, alongside significant initiatives, for consideration by Cabinet on Monday 29 April.