

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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- [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
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Treasury Report: Outstanding Budget 2024 Decisions

Date:	30 March 2024	Report No:	T2024/823
		File Number:	BM-2-4-2024

Action sought

	Action sought	Deadline
Hon Nicola Willis Minister of Finance	<p>Note the revised summary table of your Budget 2024 package.</p> <p>Indicate your decisions on individual initiatives in Annex 1.</p> <p>Indicate your approach to Whaikaha cost pressures in the BM4 package.</p>	2 April 2024

Contact for telephone discussion (if required)

Name	Position	Telephone	1st Contact
Jinal Mehta	Analyst, Budget	[39]	[35]
Chris Brunt	Senior Analyst, Budget		✓
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: No.

Treasury Report: Outstanding Budget 2024 Decisions

Purpose

1. The purpose of this report is to:
 - a Provide you with an updated aggregate picture of the Budget 2024 package, noting that this is still incomplete. This is because it does not include:
 - i Additional savings identified from Climate Emergency Response Fund (CERF) programmes. This advice will be provided on Tuesday 2 April.
 - ii Additional savings identified by Independent Rapid Reviews and the Treasury’s review of a further 9 agencies. Advice on the 9 agencies will be provided over the call Easter weekend. The Independent Rapid Review report will be provided to you on Wednesday 3 March, with a covering report from Treasury provided on Thursday 4 March.
 - iii A select few outstanding initiative-level queries, which will be provided on the week beginning 29 March. This includes on the initiative related to excise duties on heated tobacco products.
 - b Seek your decisions on the additional information or follow ups commissioned by you at Budget Ministers 3 (BM3) and your bilateral meetings, as well as provide updates provide updates on other material initiative in the package from the past week (e.g., from the draft of Hon Seymour’s Cabinet paper on Ka Ora, Ka Ako Healthy School Lunches provided to us).

Background

2. At Budget Ministers 4 (BM 4), we recommend you seek Budget Ministers support for a package within (or below) a \$3.5 billion allowance. This paper is the first in a set of advice to support your decisions. The sequence of further Budget 2024 advice coming next week is set out here:

Mon	Tue	Wed	Thurs	Fri
April				
Easter Monday 1	2	3	4	5
	Draft BM4 materials and cover advice to Minister of Finance Savings advice to Minister Seymour and Minister of Finance	Budget matters meeting with Minister of Finance Draft Budget 2024 EXP paper to MoF for feedback Independent Rapid Review reports to MoF (fiscals)	Final draft BM4 materials to MoF for approval Final EXP paper for MoF to approval Advice on outyear allowances to MoF	BM4 materials to Budget Ministers Advice on B24 technical initiatives to MoF Independent Rapid Review themes to MoF Lodge EXP paper

3. Alongside this report, you have also received (or will receive on the week of Tuesday 2 April) one-pagers summarising the initiatives in the package for all/most Votes, and individual reports on select elements of your draft package:

Date	Report
Friday 29 March (i.e., alongside this report)	<ul style="list-style-type: none"> • Annex 2 of this report: Whaikaha cost pressures. • Annex 3 of this report: Ministry of Education advice provided on the fees free proposal change. Treasury advice and options is set out in Annex 1. • One page summaries of the draft package by Vote, to support your conversations with portfolio Ministers.

Date	Report
	<ul style="list-style-type: none"> • T2024/624: Joint Treasury/MSD advice on further savings for Budget 2024. • T2024/863: Advice on the proposed envelope for education cost pressures and new spending (excluding Ka Ora, Ka Ako Healthy School lunches and Partnership Schools).
Sunday 31 March	<ul style="list-style-type: none"> • T2024/853: Advice to you and Minister Seymour on additional savings options from the Treasury deep dive into nine agencies
Week of Tuesday 2 April	<ul style="list-style-type: none"> • [33] • Further outstanding decisions: advice on additional CERF savings and confirmation of a small number of outstanding baseline saving initiatives and any follow up from decisions taken in T2024/823 and/or your discussions with Portfolio Ministers based on the one page vote summaries. • Tax: Further scaling options for your package, as discussed at Budget Matters on 28 March 2024. • International Visitors Levy: Further advice on the levy in anticipation of the Cabinet paper scheduled for ECO on 10 April. • Housing: As discussed at Budget Matters on Thursday 28 March, wrap-up advice on outstanding housing issues at Budget 2024 including confirmation of Kainga Ora savings. • Independent Rapid Review Report: Report from the independent reviews of the five agencies agree at BM 1.5 supported with Treasury advice.

Follow ups commissioned at BM3 and your bilateral meetings with portfolio Ministers

4. **Annex 1** sets out initiative level information in response to the commissioning from your bilateral meetings and BM3. In light of the additional information provided, it seeks your decision how each should be presented in the draft BM4 package.
5. If your decisions in this annex are provided by **10am Tuesday 2 April**, this will be incorporated into the draft BM4 slides you will receive on Tuesday 2 April.

Whaikaha cost pressures

6. Specific advice on the Whaikaha cost pressures that you commissioned earlier this week – and recommended next steps – is set out in **Annex 2**.

Fees Free Information

7. Further information from the Ministry of Education on this initiative is included in **Annex 3**. Supporting advice from the Treasury is included in the “Tertiary Education” section of Annex 1.

Updated Summary Table

8. After taking into account the Treasury-recommended set of decisions sought in this report, and additional savings in social development (T2024/624 refers), the parameters for the Ministry of Education envelope as agreed with Minister Stanford (T2024/863 refers), and options for additional targeted savings, your package is between \$216 million and \$1 million over the operating allowance. This takes into account the ranges for outstanding decisions.
9. Below is a full summary of the changes included/not yet included in the package:

Status	Initiative
Included in the package itself	<ul style="list-style-type: none"> Decisions taken at BM3 (e.g., to take the [33] and [33] changes out of the package).
Included "below the line"	<ul style="list-style-type: none"> The fiscal implications of Treasury recommended decisions only relating to the initiatives in Annex 1. Recommended additional savings in the joint MSD/Treasury report (T2024/624 refers). Changes to the education envelope (T2024/863 refers). The Treasury recommended Whaikaha cost pressures (refer Annex 2). Additional Targeted Savings reflecting decisions at BM3 to keep "on the table" for BM4 such as changes to the [33]
Not included yet – to be added on the week beginning 2 April (subject to your decisions on related advice).	<ul style="list-style-type: none"> Costs associated with late initiatives, including: <ul style="list-style-type: none"> excise duties on heated tobacco products, [25], and an initiative relating to the Veterans Affairs processing backlog. Additional savings identified by the Independent Rapid Reviews and/or the Treasury process regarding the further 9 agencies.

10. Notes for the Budget 2024 – Update Summary of Package as at 30 March table below:
- The remaining operating funding in the National Resilience Plan is \$1.4 billion and has been averaged across the four years. This funding is not ongoing beyond the forecast period.
 - The Pre-commitments for Interest Deductibility, FamilyBoost and the Government Policy Statement on Land Transport (GPS) are included within New Spending and not reflected in Pre-commitments below.
 - The Treasury has included a 10% reduction assumption on baseline savings. Ahead of BM 4, this reduction assumption to baseline savings is expected to be removed subject to your discussions with Portfolio Ministers and further advice on any outstanding issues with baseline savings.
 - The Whaikaha cost pressure included at BM 3 has shifted from being included in Cost Pressures down to a separate Outstanding Decision to reflect the decision sought in this report. [33]
 - The additional targeted savings commissioned at BM 1.5 have been adjusted for decisions taken at BM 3.
 - All figures are subject to further quality assurance and represent the Treasury's best estimate as at 30 March 2024.

Budget 2024 - Update Summary of Package as at 30 March

Budget 2024 - Budget Package	Operating Allowances					MYCA		
	2023/24	2024/25	2025/26	2026/27	2027/28 and Outyears	Total Operating	Average Per Annum	Total Capital
\$millions Savings / (Spending)								
Budget 2024 Allowances	-	3,500	3,500	3,500	3,500	14,000	3,500	2,900
Precommitments agreed by Cabinet	(121)	(1,294)	(1,448)	(1,610)	(1,276)	(5,748)	(1,437)	120
Mini Budget decisions	228	1,153	2,501	2,112	1,475	7,470	1,867	455
Expected Pre-commitments	-	100	400	500	500	1,500	375	-
Return of National Resilience Plan*	-	352	352	352	352	1,406	352	1,700
Multi-Year Capital Allowance Top up	-	-	-	-	-	-	-	7,000
Between Budget Contingency	-	(40)	(40)	(40)	(40)	(160)	(40)	-
Remaining Unallocated Allowances	107	3,771	5,265	4,814	4,510	18,468	4,617	12,175
Spending, Revenue and Savings against allowances								
Savings and Revenue	709	1,422	1,344	1,347	1,337	6,160	1,539	1,704
Treasury Discount for baseline savings	(18)	(106)	(111)	(112)	(116)	(463)	(116)	(74)
New Spending	(87)	(3,112)	(3,966)	(3,675)	(3,805)	(14,646)	(3,662)	(3,361)
Cost Pressures and Capital Cost Escalations	(8)	(1,873)	(1,731)	(1,610)	(1,583)	(6,806)	(1,701)	(577)
Total Budget Package	595	(3,669)	(4,464)	(4,051)	(4,167)	(15,756)	(3,939)	(2,309)
Remaining within / (Over) Budget Allowances	702	102	801	763	343	2,712	677	9,866
Outstanding decisions								
The Treasury recommended decisions on initiatives in annex 1	(12)	(265) - (242)	(542) - (454)	(262) - (171)	(170) - (84)	(1,251) - (963)	(313) - (241)	(2,781)
Education Envelope (New Spending and Cost pressures)	[33]							
Further MSD Savings	19	35 - 30	111 - 75	180 - 181	197 - 320	544 - 625	136 - 156	7
Whaikaha Cost Pressures	[33]							
Additional Targeted Savings to be confirmed	-	219 - 341	219 - 341	219 - 341	219 - 341	876 - 1,364	219 - 341	-
Remaining within / (Over) Budget Allowances	601	(752) - (612)	(357) - (184)	(12) - 202	(344) - (12)	(861) - (4)	(216) - (1)	7,023

Kāinga Ora Savings – further advice

11. In the BM 3 package, \$200 million total operating (\$50 million per annum) in Kāinga Ora savings from personnel were included in baseline savings with a 10% reduction assumption applied. We also noted that there may be further savings from Kāinga Ora (ie savings from repairs and maintenance and further personnel savings) and that the Treasury was working through the fiscal treatment. For the Updated Summary above, we have excluded these Kāinga Ora savings in order for you to consider the full package of savings from Kāinga Ora and how these should be treated. We note that currently the reduction in Kāinga Ora expenditure from personnel savings and repairs has been reflected in our preliminary fiscal forecasts through Kāinga Ora updating their forecasts (T2024/714 refers).
12. As discussed at Budget Matters on 28 March, you will be receiving advice on these savings next week as noted in Annex 1. We will incorporate any decisions based on this advice into the package ahead of BM 4.

Upcoming Cabinet papers

13. At the Thursday 29 March Budget Matters, we discussed several risk to your package. One risk not canvassed was plans for several separate Cabinet papers related to Budget initiatives. Final decisions on several of these papers are scheduled to occur after BM 4 and Budget Ministers 5 on 8 and 10 April.
14. To mitigate risks of changes to your package after this date, it will be important that:
 - a the policy direction relating to each proposal is finalised before BM4 (i.e., in the next week), such that the fiscal implications of these policies (with implications for your overall package) do not change after BM4, and
 - b you and Budget Ministers set a clear expectation that Cabinet Committees and Cabinet should only depart from those policy settings incorporated into BM4 where this departure is fiscally neutral (so does not affect your overall package).
15. We set out below those separate Cabinet papers that we are currently aware of:

Vote	Proposed date of Cabinet paper	What the paper is seeking
Business, Science and Innovation, and Conservation	[33]	
Establishment of the Regional Infrastructure Fund	10 April ECO	Agreement to establishment of the RIF. As discussed at Budget Matters on 28 March, the specificity of the current proposals would be likely to have operating implications. Noting that the BM 3 package included \$400m capital for Phase 1 funding for the fund.
Ka Ora, Ka Ako Healthy School Lunches programme	10 April SOU	Policy decisions on the future of the programme. The current draft paper helpfully proposes financial decisions are taken through the Budget 2024 Cabinet paper, with this paper making policy decisions within a fixed funding envelope.
Labour Market	27 March ECO 2 April Cabinet	Immigration fee and levy review savings. Noting that there is a targeted saving in the BM 3 package - 'Shifting Immigration system to user pays'.
Public Service/Finance	15 April Cabinet	Pay Equity Reset – agreement to reset the oversight arrangements and fiscal management approach for pay equity settlements in the public and funded sectors. Noting that pay equity savings were incorporated in the BM 3 package.

Justice	15 April Cabinet	Agreement to policy settings for increasing revenue from changes to the collection of court fines, legal aid debt, and sundry courts and tribunals fees. Noting that the BM 3 package included a baseline saving of \$9.8 million per annum.
[33]		
Environment	TBC	Agreement to Waste Minimisation Levy savings. Noting that the BM 3 package included a baseline saving of \$6.6 million per annum.
Tertiary Education	Hon Simmonds paper delayed	Agree next steps on the Government's tertiary education reforms. Noting that the BM 3 package includes Government commitments new spending for disestablishment and transition costs [38]

Next Steps

16. Following your decisions from this report, we will incorporate these into the draft BM4 material you will receive Tuesday 2 April. You will also receive further advice on savings ahead of BM4.
17. You will receive additional advice week beginning 2 April as set out in the table in paragraph 3 together with advice on late initiatives as set out in paragraph 9.
18. We are preparing a short Budget update paper for you to take to EXP on April 9 to provide an update to your colleagues. We are providing a draft of this paper to you early next week.
19. Once Budget Ministers agree the final package at BM4, we will support you in communicating these decisions to portfolio Ministers. We will also begin the technical processes necessary to give effect to the Budget package. These include:
 - a Preparation of financial recommendations as part of the Budget 2024 Cabinet paper – to be printed 22 April before lodgement on 26 April.
 - b Estimates, and subsequently Budget legislation (to be tabled in the House on Budget Day). Estimates set out what expenditure the Government plans to incur within each Vote, and are the starting point for Budget legislation. The Budget legislation refers to specific page numbers within the Estimates documents.
20. The Budget moratorium takes effect from April 29 once Cabinet makes decisions through the Budget cabinet paper through to 30 May. During the moratorium no decisions with fiscal impacts for new funding requests, changes to appropriations, and changes to revenue or expense forecasts (even where there are no appropriation forecasts) can be taken. This will be covered in your EXP April 9 paper.

Recommended Action

We recommend that you:

- a **indicate** in Annex 1 changes to the Budget 2024 package in response to the additional advice commissioned in bilateral meetings and at BM3, which we will then include in the draft BM4 package.
- b **indicate** your preferred option in table below to manage Whaikaha's cost pressure in Budget 2024 (figures include the \$80 million already agreed for 2023/24):

- c **note** you will be receiving advice next week on outstanding matters to be agreed ahead of BM 4 including advice on Kāinga Ora savings.

Keiran Kennedy
Manager, Budget

Hon Nicola Willis
Minister of Finance

_____/_____/_____

Annex 1 – Follow ups commissioned at BM3 and your bilaterals with portfolio Ministers

Vote	ID	Title	Follow up question raised	Treasury response	Minister of Finance decision	BM4 package if Treasury recommendation accepted (\$m)		Variance from BM3 package (\$m) Less savings / (More savings)																																	
						Average operating p.a.	Total capital	Average operating p.a.	Total capital																																
Agriculture, Biosecurity, Fisheries and Food Safety																																									
Agriculture, Biosecurity, Fisheries and Food Safety	15687	Agricultural Emissions Pricing – Return of Tagged Contingency	At your bilateral meeting with Hon McClay, you asked him to confirm how much funding would be required to measure on-farm emissions by 2025, [33]	[33]	EITHER: Agree to return the tagged contingency in full (<i>Treasury recommended</i>) <i>Agree/Disagree.</i> OR Agree to Minister McClay's proposal. <i>Agree/Disagree.</i>	(43.6)	-	(2.7)	-																																
Business, Science and Innovation																																									
Business, Science and Innovation	15658	Financial Markets Authority – operational funding savings	At your bilateral meeting with Hon Seymour, you requested that MBIE provide further savings from the Financial Markets Authority.	We recommend that you accept the increased savings (from 7.5% of operational funding to 10%), which stem from reduced expenditure on specialist reports and regulatory activity.	Agree to amend these savings in the BM4 package. <i>Agree/Disagree.</i>	(1.7)	-	(0.4)	-																																
Business, Science and Innovation	15667	Te Ara Ahunga Ora Retirement Commission – discretionary savings and scaling programmes	At your bilateral meeting with Hon Seymour, you requested that MBIE review the proposed savings to ensure that they do not come from financial literacy programmes.	We recommend you accept MBIE's proposal to increase savings for this initiative. While their proposal does not provide the full \$0.600m p.a. savings requested by Ministers, it achieves more savings than originally recommended by Treasury, with likely minimal impact on the Retirement Commission's financial literacy programmes in the 2024/25 financial year. <table border="1" data-bbox="836 1528 1792 1705"> <thead> <tr> <th></th> <th colspan="7">Operating (\$m)</th> </tr> <tr> <th></th> <th>2023/24</th> <th>2024/25</th> <th>2025/26</th> <th>2026/27</th> <th>2027/28</th> <th>Total</th> <th>Operating p.a.</th> </tr> </thead> <tbody> <tr> <td>Current</td> <td>-</td> <td>(0.287)</td> <td>(0.287)</td> <td>(0.287)</td> <td>(0.287)</td> <td>(1.148)</td> <td>(0.287)</td> </tr> <tr> <td>Recommended</td> <td>-</td> <td>(0.400)</td> <td>(0.400)</td> <td>(0.400)</td> <td>(0.400)</td> <td>(1.600)</td> <td>(0.400)</td> </tr> </tbody> </table> However, we note that the additional savings proposed by MBIE may have an impact on the financial literacy programmes from FY25/26. [33] If you are minded wants to minimise this risk, you could opt to retain the \$0.287 million per annum of savings currently included in the package.		Operating (\$m)								2023/24	2024/25	2025/26	2026/27	2027/28	Total	Operating p.a.	Current	-	(0.287)	(0.287)	(0.287)	(0.287)	(1.148)	(0.287)	Recommended	-	(0.400)	(0.400)	(0.400)	(0.400)	(1.600)	(0.400)	EITHER: Agree to include MBIE's proposal of \$0.4 million operating per annum savings in the BM4 package (<i>Treasury recommended</i>) <i>Agree/Disagree.</i> OR Agree to not amend this initiative in your BM4 package (i.e., retaining the \$0.29 million operating per annum savings currently in it). <i>Agree/Disagree.</i>	(0.4)	-	(0.1)	-
	Operating (\$m)																																								
	2023/24	2024/25	2025/26	2026/27	2027/28	Total	Operating p.a.																																		
Current	-	(0.287)	(0.287)	(0.287)	(0.287)	(1.148)	(0.287)																																		
Recommended	-	(0.400)	(0.400)	(0.400)	(0.400)	(1.600)	(0.400)																																		

Vote	ID	Title	Follow up question raised	Treasury response	Minister of Finance decision	BM4 package if Treasury recommendation accepted (\$m)		Variance from BM3 package (\$m) Less savings / (More savings)	
						Average operating p.a.	Total capital	Average operating p.a.	Total capital
Business, Science and Innovation									
Business, Science and Innovation	15869, 15870, 15872, 15873	Commerce and Consumer Affairs Revenue Options	At your bilateral meeting with Hon Seymour, you requested MBIE consider if any further potential revenue options could be locked in for Budget 2024, and to provide timeframes for decision-making.	[33]	Agree to not make any further changes to this initiative in the BM4 package. <i>Agree/Disagree.</i>	-	-	-	-
Business, Science and Innovation	15624	Economic Development: Stop Just Transitions Programme – return of funding	At your bilateral meeting with Hon Seymour, you signalled that while Just Transitions funding should be returned to the centre, contracts should not be terminated.	Honouring existing contracts will reduce savings to \$2.6 million per annum. Given the contractual risks, we recommend accepting this reduction and reducing savings from this initiative to \$2.6 million per annum. For completeness, we note that MBIE have advised that two other savings initiatives in the Economic Development portfolio (Auckland Pacific Skills Shift and Pacific Procurement Support Service) would also involve terminating the contractual arrangements, but only the contracts with the respective delivery partners. Existing contracts with affected businesses would be honoured.	EITHER: Agree to reduce these savings to \$2.635 million per annum in the BM4 package (<i>Treasury recommended</i>). <i>Agree/Disagree.</i> OR Agree to not make any further changes to the BM4 package. <i>Agree/Disagree.</i>	(2.6)	-	0.8	-
Business, Science and Innovation	15655	MBIE Energy Portfolio Programmes	At your bilateral meeting with Hon Seymour, you signalled a preference that savings should not terminate existing contracts where possible. In ensuring that they did not, MBIE identified savings from the energy portfolio involved renegotiating existing agreements.	[33] the total savings from the energy portfolio will be reduced to \$7.1 million per annum	EITHER: Agree to reduce these savings to \$7.1 million per annum in the BM4 package. <i>Agree/Disagree.</i> OR Agree to not make any further changes to the BM4 package. <i>Agree/Disagree.</i>	(7.1)	-	1.4	-
Business, Science and Innovation	15633	Economic Development: Scale New Zealand Trade and Enterprise (NZTE) operational funding and	At your meeting with Hon McClay on Thursday 28 March, you agreed to remove this initiative from the package, to be offset by increased	NZTE savings (\$12.5 million per annum) have been removed from the Budget 2024 package , per your direction. We recommend that Hon McClay submit a replacement savings initiative as soon as possible on the week beginning Tuesday 2 April, to ensure this change is fiscally neutral (per your agreement).	Confirm that this initiative should be removed for the BM4 package. <i>Confirm/Not confirm.</i> Note that Hon McClay should submit a replacement saving as	-	-	12.5	-

Vote	ID	Title	Follow up question raised	Treasury response	Minister of Finance decision	BM4 package if Treasury recommendation accepted (\$m)		Variance from BM3 package (\$m) Less savings / (More savings)	
						Average operating p.a.	Total capital	Average operating p.a.	Total capital
		International Growth Fund - return	savings from Hon McClay's other portfolios.		soon as possible, to ensure this change is fiscally neutral.				
Business, Science, and Innovation	15616	Economic Development: Operation of the Future of Work Forum – return of funding	At your bilateral meeting with Hon Seymour, you asked MBIE to confirm that this is the only Future of Work initiative outstanding, and if not, any other funding should be provided as savings.	We understand that an additional \$0.1 million per annum is available from the Future of Work Forum, which was proposed to be retained by the Minister of Social Development and Employment through the Budget technical process. We recommend these additional savings be returned to the centre, and that you decline relevant the technical initiatives (you will receive separate advice on the technical process shortly).	Agree to amend these savings in the BM4 package <i>Agree/Disagree.</i>	(0.7)	-	(0.1)	-
Business, Science and Innovation	15567	Small Business Enabling Services: Savings Proposals	At your bilateral meeting with Hon Seymour, you requested advice on how MBIE can deliver further savings by reducing any MBIE Small Business Services that compete with services delivered by Chambers of Commerce.	We recommend you include the \$0.5 million of additional savings in 2024/25 from reduced funding to Management Capability Development Fund (MCDF), ^[34]	Agree to amend these savings in the BM4 package <i>Agree/Disagree.</i>	(3.1)	-	(0.1)	-

Vote	ID	Title	Follow up question raised	Treasury response	Minister of Finance decision	BM4 package if Treasury recommendation accepted (\$m)		Variance from BM3 package (\$m) Less savings / (More savings)																																																					
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Business, Science and Innovation	15782	Geohazard Information Services: Geonet and the National Seismic Hazard Model	At the bilateral meeting with yourself and Minister Seymour, you sought advice on options to scale up funding for Geohazard Information Services.	<p>The updated scaled option provided by MBIE is smaller than the previous scaled option provided ^[33] but does not ^[33]. We also note that MBIE's scaled option would decommission the National Geohazard Monitoring Centre (NGMC), which costs ^[33].</p> <p>Option A (Treasury recommended): We have provided a scaled option that would enable the ^[33] to continue to be funded. ^[33]</p> <table border="1"> <thead> <tr> <th></th> <th colspan="7">Operating (\$m)</th> </tr> <tr> <th></th> <th>2023/24</th> <th>2024/25</th> <th>2025/26</th> <th>2026/27</th> <th>2027/28</th> <th>Total</th> <th>Operating p.a.</th> </tr> </thead> <tbody> <tr> <td>Current</td> <td>-</td> <td>23.0</td> <td>15.0</td> <td>15.0</td> <td>15.0</td> <td>68.0</td> <td>17.0</td> </tr> </tbody> </table> <p>^[33]</p> <p>Option B: ^[33]</p> <table border="1"> <thead> <tr> <th></th> <th colspan="7">Operating (\$m)</th> </tr> <tr> <th></th> <th>2023/24</th> <th>2024/25</th> <th>2025/26</th> <th>2026/27</th> <th>2027/28</th> <th>Total</th> <th>Operating p.a.</th> </tr> </thead> <tbody> <tr> <td>Current</td> <td>-</td> <td>23.0</td> <td>15.0</td> <td>15.0</td> <td>15.0</td> <td>68.0</td> <td>17.0</td> </tr> </tbody> </table> <p>^[33]</p>		Operating (\$m)								2023/24	2024/25	2025/26	2026/27	2027/28	Total	Operating p.a.	Current	-	23.0	15.0	15.0	15.0	68.0	17.0		Operating (\$m)								2023/24	2024/25	2025/26	2026/27	2027/28	Total	Operating p.a.	Current	-	23.0	15.0	15.0	15.0	68.0	17.0	<p>EITHER:</p> <p>Agree to amend the BM4 package to include Option A (Treasury recommended) <i>Agree/Disagree</i></p> <p>OR</p> <p>Agree to amend the BM4 package to include Option B. <i>Agree/Disagree</i></p>	^[33]							
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Corrections																																																													
Corrections	15473	Prisoner Population - Responding to	Following the multilateral, you asked Treasury to confirm with Justice	Corrections has raised an inadvertent omission relating to the capital funding in the package. Due to a presentation error, \$9.6 million of capital funding relating to the bid has not been included in the package. The capital funding is sought for costs directly arising from an increase in prisoner population, such as devices for Corrections Officers and additional	Agree to include this additional capital funding in the Budget 2024 package.	^[37]																																																							

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		Increasing Prisoner Numbers	Sector agencies where their initiatives in the package have been scaled, deferred or not supported.	prisoner transport vehicles. Consistent with scaling to operating funding, the \$9.6 million capital funding ^[33] We recommend the \$9.6 million is included in the Budget package as it relates directly to the forecast prison population growth.	<i>Agree/Disagree.</i>					
Defence Force										
Defence Force	15548	Defence Force Remuneration	At your bilateral meeting with the Minister of Defence, you sought clarification on what the remuneration cost pressure currently in the package would enable.	Base pay increases were originally sought as the number one priority by NZDF. Given the scaling that has been applied and the current compression of pay grades, NZDF now consider that applying the funding to Military Factor would be more effective at retaining key personnel. Military Factor is an additional allowance given to military personnel to reflect their reduced employment rights and, by its nature, is only provided to military rather than civilian personnel. On balance, we recommend providing NZDF discretion in considering how the funding is used to best address attrition risks. Given the funding amount is unchanged, this does not impact the overall shape of the Budget package.	Agree to provide NZDF flexibility to use the funding in a way that it considers best addresses attrition risks. <i>Agree/Disagree.</i>	-	-	-	-	
Defence Force	15553	Depreciation expense arising from Asset Revaluation	At your bilateral meeting with the Minister of Defence, you sought further advice on potential options to provide limited additional remuneration funding and limited additional funding for other cost pressures.	NZDF have presented new scaled options to Treasury totalling ^[33] over the forecast period (scaled from ^[33] for all cost pressures (including remuneration), ^[33]	Agree to provide \$31.9 million operating per annum for "Depreciation expense arising from Asset Revaluation" (ID 15553) in the BM4 package. <i>Agree/Disagree.</i>	31.9	-	31.9	-	
Defence Force	15548	Defence Force Remuneration (additional funding)		Despite the scaling undertaken by NZDF, providing funding for all of these cost pressures would still represent a substantial net increase of ^[33] above the current cost pressure package, and would have a broader impact on the formation of the overall Budget package. However, NZDF have presented the cost pressures in priority order, and you have choice over what, if any, components to fund.	Agree to provide a further ^[33] per annum of funding for "Defence Force Remuneration" (ID 15548) in the BM4 package. <i>Agree/Disagree.</i>	[33]			-	
Defence Force	15549	Defence Force Fuel		If you wish to provide further funding, we consider that it would be best used for either depreciation (totalling \$127.612 million, which is now NZDF's top priority, and would allow it to maintain core investment given reducing depreciation reserves as a result of previous major asset purchases) or additional remuneration (an additional ^[33] to the \$120 million currently in the package, which would likely have the greatest near-term benefits to NZDF), or both (totalling an additional ^[33] to the \$120 million currently in the package).	Agree to not provide any further funding for Defence cost pressures in the BM4 package. <i>Agree/Disagree.</i>	-	-	-	-	
Defence Force	15550	Defence Force Ammunition		Beyond this, whilst other cost pressures appear genuine, NZDF either appear to have greater scope to manage these or impacts are less likely to be felt in the near-term. Further detail on individual cost pressures can be provided, if required.	Note you are receiving separate advice on this via the Budget technical process, it is just included here for completeness.	-	-	-	-	
Defence Force	15551	Defence Estate Maintenance		NZDF have not submitted a cost pressure for deployments. We are aware there are a number of potential deployments, including the extension and expansion of existing operations, being prepared for potential Cabinet submission. ^[33]						
Defence Force	15552	Defence Force Platform Maintenance								
Defence Force	15906	Technical initiative - deployments								
Defence Force	15508	Improving Protection Against Maritime Threats	At your bilateral with the Minister of Defence, you	This initiative seeks ^[33] operating funding over the forecast period for a computer system that provides a real time picture of what is happening in New Zealand's maritime domain. ^[33]	Agree to not include this initiative in the BM4 package.	-	-	-	-	

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			sought further advice on the club funding arrangement associated with this initiative.	[33] Defence note that other agencies may be unable to contribute to support this initiative given the need to find baseline savings, and some agencies have reportedly already withdrawn from the current arrangement. However, this would raise questions over the relative priority placed on this initiative (its reported importance to many agencies is noted as a key reason for progressing this investment).	<i>Agree/Disagree.</i>				
Defence Force	15504	Uplifting NZDF's Cyber Security Capability	We understand that the Minister of Defence may shortly write to you seeking additional funding for these initiatives.	This initiative seeks [38] capital funding to establish, train and equip deployable military teams to provide active defensive measures, to repel cyber threats against NZDF networks, system and operational platforms. This initiative was not invited into the Budget process, on the grounds that a business case has not been agreed by Cabinet. [38]	Agree to not include this initiative in the package. <i>Agree/Disagree.</i>	-	-	-	-
Defence Force	15505	NH90 Helicopter Upgrade: Navigation and Secure Radios		This initiative seeks [38] capital funding to procure and install new navigation and communication equipment on the eight NH90 Helicopters, which provide air mobility for operations and support to other agencies. This initiative was not invited into the Budget process, on the grounds that a business case has not been agreed by Cabinet (business cases for previous tranches of the programme have been agreed and progressed). If the investment is not made, NZDF report that it will become increasingly dangerous to fly the NH-90 helicopters in civilian airspace, and failure to update radios will mean Secure Communications capability both with internal NZDF units and partners will continue to be limited (this capability is already reduced). NZDF also note that unless a time-limited delivery opportunity is utilised, upgrades will not proceed for several years due to market capacity constraints. Partial upgrades to radios were made in March 2023, which were described at the time as allowing the fleet "to be deployed operationally with a functional, yet reduced secure communication capability" and that the reduced capability was "acceptable to the RNZAF in the short term".	Agree to not include this initiative in the package. <i>Agree/Disagree.</i>	-	-	-	-
Education									
Education	15737	Ka Ora, Ka Ako Healthy School Lunches Programme: Continuing beyond 2024	We have received an updated version of Hon Seymour's draft Cabinet paper.	As part of finalising the Budget 2024 Approach for the Ka Ora, Ka Ako Healthy School Lunches (Ka Ora, Ka Ako) programme, the Associate Minister for Education (Partnership Schools) is seeking Cabinet agreement to change the provision model for learners that are Year 7 and older from the beginning of the 2025 school year, while keeping the status quo provision for students in year 0-6, generating savings of \$108m. The Cabinet paper will also seek agreement to introduce a targeted Early Childhood Food Programme for up to 10,000 two-to-five-year-olds who attend low equity, not for profit, community-based early childhood education centres (ECE), by reinvesting \$4m of the generated savings. The associated Budget bid is funding for two academic years only (two years of funding split across three financial years). We have some concerns around the costings, deliverability and outcomes proposed to be achieved, and will provide further advice as part of our Pre-Cabinet briefing on the paper. The paper is expected to be considered by SOU on 10 April, for Cabinet consideration on 15 April. Updated costings are based on Treasury's current understanding of the proposal to seek 2-year funding. This is being confirmed with the Ministry of Education (MoE).	Agree to adjust this initiative in the package. <i>Agree/Disagree.</i>	119.4	0.6	(87.6)	(2.8)

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[33]									
Education	15671	School Property Portfolio Growth Cost Pressure	At your bilateral meeting with Hon Stanford, you requested further advice about the trade-offs between the Treasury's recommended scaling versus the Ministry of Education's preferred approach (whether to tag a portion of the funding for land purchases or not).	<p>MoE has indicated that there is a greater immediate need for delivering additional student places rather than securing a pipeline of land for new schools. We accept that the Ministry is better placed to judge the appropriate mix of immediate and longer-term funding needs.</p> <p>However, MoE has indicated that to fund its preferred amount of student places, the current operating funding amount of the Budget initiative would need to increase by an additional \$29 million above the current package amount to cover capital charge and depreciation. MoE has advised that if the full operating funding is not received, it would be required to fund these costs from baselines, which would have a significant and ongoing impact on the number of maintenance and renewal activities that the Ministry could undertake. This is the equivalent of approximately 3 medium-sized redevelopment projects.</p> <p>As you signalled in the Education bilateral discussion on this initiative, there is significant pressure on the Budget 2024 operating allowance. Consequently, we recommend the additional operating funding impact is not included in the Budget 2024 package at this time. MoE will need to work to manage its priorities within the property portfolio within the parameters of the current operating funding amount.</p> <p>We continue to consider there are benefits to shifting away from the reimbursement approach to land purchases and securing a pipeline for future investment. We recommend that you direct the Ministry of Education to use this – as well as existing growth funding – to shift away from a reimbursement approach to land purchases and that they report to joint Ministers (Education, Infrastructure and Finance) outlining how this will be achieved.</p>	<p>Agree to maintain the current funding allocation for this initiative. <i>Agree/Disagree.</i></p> <p>Agree that, within the current funding allocation, the funding is rephased to align with MoE's preferred approach to prioritising more of the funding towards increased student places. <i>Agree/Disagree.</i></p> <p>Agree, as part of Budget 2024, to direct the Ministry of Education to use this as well as existing growth funding to shift away from a reimbursement approach to land purchases. <i>Agree/Disagree.</i></p> <p>Agree, as part of Budget 2024, to direct the Ministry of Education to report to joint Ministers (Education, Infrastructure and Finance) outlining how this shift will be achieved. <i>Agree/Disagree.</i></p>	-	-	-	-

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Education	15680	Marlborough Boys' and Girls' Colleges and the relocation of Bohally Intermediate – New Initiative	At your bilateral meeting with Hon Stanford, you requested that officials confirm correct funding for the minimum viable option (MVO) for this initiative.	<p>Further work has been undertaken to understand the costs of redevelopment on existing school sites which represents the MVO relative to the colocation that was previous proposed. The Minister of Education's preferred redevelopment option has been estimated at \$64.415m capital funding and \$19.759m operating funding noting there are opportunities to scale this back further. This is an increase of \$9.998m operating and \$13.105m capital funding. MoE has advised that these costings now represent the MVO, and that the increases are due to more detailed work to scope and price the project (versus MoE's initial Budget bid which relied on a high-level estimate) plus the addition of write-off costs (operating funding) for work undertaken that will not be required given change to the project's scope.</p> <p>We continue to support the option of redevelopment on existing school sites, and agree this revised option appears to represent the minimum viable investment needed to redevelop the schools and meet the commitments made to the community. That said, in the absence of a detailed business case, the scope of the project – and therefore the cost of the MVO – are subject to change (we can provide further advice on whether this funding should be held in contingency while this business case is developed).</p> <p>Without additional funding, we understand MoE will be required to reprioritise within baselines with a corresponding impact on other school projects. We recommend the write-off costs are managed outside of allowances because these expenses had previously been managed against allowances in Budget 2023 – this approach, if agreed, will reduce the operating impact of the initiative.</p>	<p>EITHER:</p> <p>Agree to update the funding allocation to the latest estimate of the minimum viable option for this initiative which is an increase of \$2.5 operating per annum and \$13.105m total capital (<i>Treasury recommended</i>).</p> <p><i>Agree/Disagree.</i></p> <p>OR</p> <p>Agree to maintain the current funding allocation for this initiative in the BM4 package.</p> <p><i>Agree/Disagree.</i></p> <p>Agree to manage write-off costs related to this initiative outside of allowance.</p> <p><i>Agree/Disagree.</i></p>	4.9	64.4	2.5	13.1

[33] and [38]

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Foreign Affairs									
Foreign Affairs	16082	Vote Foreign Affairs General Saving Initiative	At your bilateral meeting with Rt Hon Peters, you agreed that MFAT should submit \$15 million of savings. MFAT has provided us with these savings, and we have assessed them.	We support these savings, but recommend that you make clear (in your response letter to Rt Hon Peters), that savings in the Pacific Development Group should not impact external monitoring and reporting, and instead are found by driving efficiencies in the management of projects and/or providing a greater proportion of funding to multilateral development banks.	Agree to add these savings to the BM4 package. <i>Agree/Disagree.</i> Note you have also received a draft response letter to Rt Hon Peters to convey these points.	(15.0)	-	(15.0)	-
Foreign Affairs	15439	Pacific Property Strategy – cost pressure	At your bilateral meeting with Rt Hon Peters, you indicated that Treasury and MFAT should consider scaling options for this initiative.	Should you wish to include some funding for the Pacific Property Strategy cost pressure in the Budget 2024 package, we recommend that you provide 65% of the funding sought, which reflects the Crown funding versus balance sheet and baseline funding proportionality in the originally-agreed strategy. We recommend that funding be held in a tagged contingency awaiting finalised business cases for Ministerial approval.	Agree to include a scaled version of this capital cost escalation in the BM4 package. <i>Agree/Disagree.</i>	3.8	43.5	3.8	43.5
Foreign Affairs	[33]					-	-	-	-
Foreign Affairs	N/A	[37] and [38]				-	-	-	-
Forestry									
Forestry		Establishing Native Forests at Scale to Develop Long-Term Carbon Sinks – Return of Tagged Contingency	At your bilateral meeting with Hon McClay, you indicated that your preference was to return the tagged contingency in full but agreed that he would submit a proposal to retain and appropriate	We recommend returning the tagged contingency in full at Budget 2024 (savings of \$39.951 million). Minister McClay proposes to use \$10 million to partner with the private sector to plant trees. However, we are unclear on the value for money of this proposal and consider there may be other non-spend policy levers (e.g., regulatory or planning levers) available to achieve the Government's native afforestation objectives. Should you wish to provide the \$10 million for this initiative, then we recommend holding that \$10 million in a tagged contingency rather than appropriating it at Budget 24 and include a drawdown requirement that joint Ministers (you and Minister of Forestry) approve an implementation plan.	EITHER Agree to return the tagged contingency in full (Treasury recommended), <i>Agree/Disagree.</i> OR Agree to Minister McClay's proposal. <i>Agree/Disagree.</i>	(10.0)	-	-	-

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Health																																									
Health	15792/ 15795	Prescription co-payment – reinstating the \$5 prescription co-payment with targeted exemptions	<p>At BM3, Budget Ministers requested further information on:</p> <ol style="list-style-type: none"> What explanation is there for the limited savings from this policy relative to the cost at Budget 2023? What information is available on the implications across the whole of the healthcare system of this initiative. 	<p><u>Question 1</u></p> <p>Savings generated by re-introducing the prescription co-payment are \$29 million per annum. This is lower than the figures used in the National Party plan (\$79 million average per annum) and the cost of the policy when it was introduced at Budget 2023 (\$155 million average per annum).</p> <p>The difference in the costings between Budget 2023 and Budget 2024 can be explained by:</p> <ul style="list-style-type: none"> Different eligibility: The Budget 2023 initiative removed co-payments for all groups. The Budget 2024 initiative reinstates them for only some, with Community Services Card (CSC) holders and people 65+ retaining free prescriptions. These two groups account for a significant volume of dispensed medicines. Full accounting of the impact on Pharmac’s Combined Budget (CPB): <ul style="list-style-type: none"> The Budget 2023 initiative was directed to be added by Ministers very late in the process. The costing consequently had to be worked up very quickly. Due the pace at which the initiative was progressed, the impact on Pharmac’s Combined Pharmaceutical Budget (CPB) was not considered and had to be addressed post-Budget. In May 2023, Ministers agreed to transfer \$21.8 million from Health New Zealand’s funding from the original bid to Pharmac’s CPB to account for the increase in medicine purchasing. Pharmac noted that the cost could be higher than this. Ministers also agreed to a review of the implementation later in 2023 and to assess out year costs at Budget 2024. These ongoing Pharmac costs (i.e., from increased medicine purchasing by CSC holders and 65+ year olds) are included to reflect the whole of policy cost. <table border="1"> <thead> <tr> <th>Exemption Setting</th> <th>2023/24 (\$m)</th> <th>2024/25 (\$m)</th> <th>2025/26 (\$m)</th> <th>2026/27 (\$m)</th> <th>2027/28 (\$m)</th> <th>Total (\$m)</th> <th>Average p.a. (\$m)</th> </tr> </thead> <tbody> <tr> <td>Savings from reduced pharmacy payments</td> <td>-</td> <td>(70.979)</td> <td>(64.586)</td> <td>(66.201)</td> <td>(67.856)</td> <td>(269.622)</td> <td>(67.406)</td> </tr> <tr> <td>Pharmac CPB cost*</td> <td>23.78</td> <td>31.234</td> <td>32.015</td> <td>32.815</td> <td>33.635</td> <td>153.479</td> <td>(38.370)</td> </tr> <tr> <td>Net savings</td> <td>23.780</td> <td>(39.745)</td> <td>(32.571)</td> <td>(33.386)</td> <td>(34.221)</td> <td>(116.143)</td> <td>(29.036)</td> </tr> </tbody> </table> <p><u>Question 2</u></p> <p>It is challenging to assess the impact of the initiative on the broader healthcare system. However, the universal removal of the co-payment did show an increase in Pharmac’s Combined Pharmaceutical Budget, reflecting increased dispensing.</p> <p>The causal mechanism for any increase in health system costs associated with introduction of co-payments would be that patients reduce adherence and utilisation of prescribed medicine, and this in turn leads to poor health resulting in hospitalisation or additional general practitioner visits. A complex range of factors influence primary care and hospital admissions, making it hard to assess to correlative impact.</p>	Exemption Setting	2023/24 (\$m)	2024/25 (\$m)	2025/26 (\$m)	2026/27 (\$m)	2027/28 (\$m)	Total (\$m)	Average p.a. (\$m)	Savings from reduced pharmacy payments	-	(70.979)	(64.586)	(66.201)	(67.856)	(269.622)	(67.406)	Pharmac CPB cost*	23.78	31.234	32.015	32.815	33.635	153.479	(38.370)	Net savings	23.780	(39.745)	(32.571)	(33.386)	(34.221)	(116.143)	(29.036)	<p>Agree to not make any further changes to the BM4 package (i.e., re-introduce co-payments except for CSC holders and 65+ year olds). <i>Agree/Disagree.</i></p>	-	-	-	-
Exemption Setting	2023/24 (\$m)	2024/25 (\$m)	2025/26 (\$m)	2026/27 (\$m)	2027/28 (\$m)	Total (\$m)	Average p.a. (\$m)																																		
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				<p>The current Ministry of Health analysis does not include budget estimates of any additional health system costs, because while it is expected that demand for medicine will reduce as a result of any prescription co-payment introduction, it is not clear whether the settings proposed will result in increased health system utilisation given the exemptions to the co-payment target some of those expected to be most sensitive to prescription co-payments such as people on low-income that have a CSC, as well as all those who are 65 years of age and over.</p> <p>Useful other data points include:</p> <ul style="list-style-type: none"> Those 65 years of age and over and those with a CSC consume a high proportion of prescriptions filled. For example, the median number of prescriptions per persons aged 65+ is 21, compared to the median across all age groups of 7. The Prescription Subsidy Card (PSC) scheme reduces co-payments to zero for all individuals and families once they have paid for 20 items in a year. In 2022/23, approximately 35%-40% of prescriptions qualified for zero co-payments under the PSC, independently of other co-payment settings. The New Zealand Pharmacy Guild has cited research on the impact of prescription costs on health system use. This includes research from Canada relating to prescription co-insurance changes in 1996 that found an increase in hospitalisation associated with prescription costs. This study has limited applicability to New Zealand system settings, and it is unclear whether the findings would be replicated here (as CSC holders would remain exempt from co-payments). A pragmatic randomised controlled trial in New Zealand by Norris et. al. explored the impact of the prescription co-payment on the risk of hospitalisation. The sample population in this study were people living in areas of high socioeconomic deprivation and who were high users of prescription medicine. The study showed an association between not paying a prescription co-payment and reduced hospital stays. It is unclear whether the results observed by Norris et. al. would be replicated at scale if CSC holders and those who are 65 years of age and over remain exempt from co-payments. 					
Health	15814	Medicines – Increasing access to medicines including cancer treatments	<p>At BM3, Budget Ministers requested further information on:</p> <ol style="list-style-type: none"> What explanation is there for the cost increase vis-à-vis the National Party plan. The extent to which any of the 13 medicines are already funded in the Pharmac pre-commitment? How does this proposal relate 	<p><u>Question 1</u></p> <p>The fiscal plan costings do not appear to accurately provide for the cost of medicines or the additional implementation costs needed to deliver them.</p> <p>The Health entities' submitted bid funds additional medicines via the Pharmac model (as opposed to purchasing specified individual medicines as per the fiscal plan costings). The health entities' submitted bid funds access to 18 additional cancer medicines (including 5 treatments from the list of 13, 1 that has been superseded, and 1 reported by the Cancer Control Agency but not listed). It also funds 30 other (non-cancer) medicines by funding down Pharmac's Option for Investment List.</p> <p>Treasury strongly advises against seeking to progress an initiative to fund medicines outside of the Pharmac model.</p> <p><u>Question 2</u></p> <p>The PHARMAC pre-commitment of \$1.774b does not fund any of the 13 specified medicines. It funds existing medicines, ^[33]</p>	<p>Agree to not include this initiative in the package.</p> <p><i>Agree/Disagree.</i></p>	-	-	-	-

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			to the 2022 Cancer Control Agency report.	<p><u>Question 3</u></p> <p>The 13 medicines were identified by a 2022 Cancer Control Agency report focussed on providing a comparison of cancer medicine availability between New Zealand and Australia. The report focuses on solid cancer tumours (not myeloma, leukaemia and other non-solid cancers). The report acknowledges that there are other factors when assessing medicines (including value for money, impact on patients, communities and the health system, equity and implementation considerations), which Pharmac considers. The report was not intended to direct Pharmac purchases of specific medicines.</p>					
Housing									
Housing and Urban Development	16071	Kāinga Ora – Reduced Expenditure	At the bilateral with Hon Bishop, you requested further details regarding our recommendation on the updated submission from Kāinga Ora, whether we supported it and how bankable the savings are.	We discussed this initiative with you at Budget Matters on 28 March. We understand you are having further discussions with Hon Bishop on this, and can provide separate advice to support these discussions on the week beginning 2 April 2024.	Note we are providing separate advice regarding this.	-	-	-	-
Housing and Urban Development	15500	Social Housing Supply – Maintaining Delivery of New Social Houses	At BM3, Ministers asked for further options for investment in social housing and sought further information about the implications of deferring decisions to Budget 2025 with a strong focus on Social Investment.	We discussed this initiative with you at Budget Matters on 28 March. We understand you are having further discussions with Hon Bishop on this, and can provide separate advice to support these discussions on the week beginning 2 April 2024.	Note we are providing separate advice regarding this.	-	-	-	-
Housing and Urban Development	15499	Kāinga Ora Crown-Funded Programmes and Statutory Obligations – Continuation of Funding	At your bilateral meeting with Hon Bishop, you requested this initiative be scaled and considered whether this funding should be time-limited or baselined.	Our original assessment was that this initiative should be scaled to the minimum necessary to support statutory obligations and that under a principled approach this should be ongoing funding. We continue to recommend this approach, no new information has been provided. We consider decisions should be made once the independent review's findings have been shared if statutory obligations are likely to be repealed.	<p>Agree to not make any further changes to the BM4 package. <i>Agree/Disagree.</i></p> <p>Note we have adjusted the funding required down by \$3m to reflect the proposal to stop First Home Grants (ID 16072).</p>	18.0	-	(3.8)	-
Housing and Urban Development	16073	Rangatahi Youth Transitional Housing – Return of Funding	At your bilateral with Hon Bishop, you asked for further savings to ensure HUD meets	We support the savings (\$20m over the forecast period) as it represents savings from underspends due to costs being above HUD's budgeted benchmarks and constraints to provider capacity, which mean planned delivery is unlikely to be achieved.	<p>Agree to add these savings to the BM4 package. <i>Agree/Disagree.</i></p>	(5)	-	(5)	-

Vote	ID	Title	Follow up question raised	Treasury response	Minister of Finance decision	BM4 package if Treasury recommendation accepted (\$m)		Variance from BM3 package (\$m) Less savings / (More savings)	
						Average operating p.a.	Total capital	Average operating p.a.	Total capital
			its enduring savings target. This initiative has been submitted by MHUD.						
Housing and Urban Development	16072	First Home Grant – wind down of scheme	At Budget Ministers 3, Ministers indicated their support for this targeted savings option (although Hon Bishop noted his preference that this funding be re-allocated (in part or in full) to social housing (ID 15500)).	We support the \$245m targeted savings from the shutdown of the First Home Grants scheme as it is a low-value programme.	Agree to add these savings into the package. <i>Agree/Disagree.</i>	(61.3)	-	(61.3)	-
Oranga Tamariki									
Oranga Tamariki	[33]		In advance of BM3, you indicated that you wanted to ensure Oranga Tamariki received an uplift in funding at Budget 2024. To facilitate this, we made a top-down adjustment to the summary table. You now have to decide which initiatives you use to “back-fill” this adjustment.	You have several options to achieve this. If you take all of them, this will mean that Oranga Tamariki has an uplift of \$30 million over the forecast period (i.e., \$7.5 million per annum). These options are set out below: <ul style="list-style-type: none"> [38] Costs for high needs children (ID 15455): This revised option will fund OT for forecast cost pressures in 2024/25, as well as for the expiry of time-limited funding arriving in 2025/26 of \$17 million per annum. Frontline Technology Systems Upgrade (ID 15446): This revised option will fund OT to replace its primary case management system, alongside smaller systems. OT has already completed a Programme Business Case. We recommend funding is placed in a tagged contingency, subject to the completion of a Detailed Business Case which is focused on the primary case management system. 	[38]				
	15455	Costs for services to high needs children			Agree to increase the funding for this initiative in the package from \$47.554 million total to \$99.784 million total. <i>Agree/Disagree.</i>	24.9	-	13.1	-
	15446	Frontline Technology Systems Upgrade (FTSU)			Agree to include this initiative in the Budget 2024 package. <i>Agree/Disagree.</i>	15.6	-	15.6	-
[33]									

Vote	ID	Title	Follow up question raised	Treasury response	Minister of Finance decision	BM4 package if Treasury recommendation accepted (\$m)		Variance from BM3 package (\$m) Less savings / (More savings)	
						Average operating p.a.	Total capital	Average operating p.a.	Total capital
[33]									
Parliamentary Counsel, Office of the Clerk, and Parliamentary Service									
Parliamentary Counsel	15843	[33]	We understand you indicated that savings initiatives from the Parliamentary Counsel Office and the Office of the Clerk should be removed from the Budget 2024 package.	Savings initiatives from the Parliamentary Counsel Office and the Office of the Clerk have been removed from the Budget 2024 package. You may wish to consider taking a consistent approach across the Office of the Clerk and the Parliamentary Service, so we are seeking your decision on whether to remove savings initiatives from the Parliamentary Service from the package also.	<p>Confirm that savings from the Parliamentary Counsel Office and Office of the Clerk should be removed from the BM4 package. <i>Confirm/Do Not Confirm.</i></p> <p>Indicate if you wish to remove savings from Vote Parliamentary Service from the Budget 2024 package <i>Yes/No.</i></p>	-	-	1.9	-
Office of the Clerk	15536								
Parliamentary Service	15899								
Police									
Police	15777	Te Pae Oranga – Scale back on future expansion	At the Justice sector multilateral, you agreed to remove this initiative from the Budget 2024 package. However, at Budget Matters last week, you requested further information on whether these savings flow from deferred expansion or reduced referrals (i.e., if current service levels would be reduced if full savings were taken).	[33]	<p>Agree to amend these savings for the Budget 2024 package <i>Agree/Disagree.</i></p>	[33]	[33]	[33]	[33]
Police	15784	Scaling/phasing options for Core Policing Bid	At the Justice sector multilateral, you sought further scaling/phasing options for the Core	<p><u>Option 1 - 500 additional Police over 2 years</u></p> <p>Funding in current draft package is \$248.060 million operating and \$18.478 million capital funding. Option 1 adds \$65.81m of operating funding over 4 years for overhead costs which (due to further information provided by Police after the multilateral) we now understand are</p>	<p>Agree to increase the funding for this initiative to reinstate some of the direct costs that were</p>	76.6	34.6	14.6	16.2

Vote	ID	Title	Follow up question raised	Treasury response	Minister of Finance decision	BM4 package if Treasury recommendation accepted (\$m)		Variance from BM3 package (\$m) Less savings / (More savings)	
						Average operating p.a.	Total capital	Average operating p.a.	Total capital
			Policing initiative. We have provided 3 options for your consideration.	<p>directly related to the employment of the additional constabulary staff (for example, training, recruitment, allowances, costs for temporary training facilities).</p> <p>The figures in Option 1 reflect Police's scaled option (62 non-sworn staff rather than 124), except:</p> <ul style="list-style-type: none"> We have scaled out \$8m of contingencies for IT and property, which we do not consider priority investments. We have provided \$20 million to cover minor and critical refurbishments (locker installation in stations, etc). Police sought \$207 million over the forecast period, but (except for the minor work funded), this should be subject to business cases. We have adjusted depreciation and capital charge to reflect the above. <p>The capital expenditure also includes requested funding for vehicles and equipment.</p> <p>The costings have been prepared on the same basis as the previous 1800 increase in Police numbers, except that the number of non-sworn staff in the recommended funding is based on a ratio of 1 non-sworn to every 8 sworn staff increase, compared to a ratio of 1:4 for the previous increase in constabulary staff.</p>	<p>previously scaled out because of inadequate information.</p> <p><i>Agree/Disagree.</i></p> <p>Indicate whether to use option 2 as the basis for funding which would provide significant savings as it is based on 500 additional officers from constabulary numbers when Cabinet was sworn in rather than the funded headcount as at 30 June 2024.</p> <p><i>Yes/No.</i></p> <p>Defer a decision on any cost pressure funding until after the Independent Rapid Review has reported back.</p> <p><i>Agree/Disagree.</i></p>				
				<p><u>Option 2 - 500 Police: resetting the baseline date</u></p> <p>If Ministers set the baseline for the additional 500 as constabulary numbers as at the date Cabinet were sworn in, additional funding for only 293 additional officers would be needed as Police already have funding for 167 officers in its baseline (the number of vacancies it had at the date), and it is proposed to repurpose an existing tagged contingency to fund a further 40 officers.</p> <p>Police have calculated this would realise \$146.9m of savings in operating expenses over forecast period and \$92m in capital savings (compared to its original initiative costings which assumed 500 additional officers above the funded FTE strength as at 30 June 2024 - both options assume completion by 30 June 2026). We have attempted to adjust the Police costings for option 2 for the scaling that has been applied to option 1 (mainly changes to depreciation and capital charge to reflect proposed changes to the Police property spending). If option 2 is pursued the costings will need to be verified by Police.</p>		47.8	34.6	(14.3)	16.2
				<p><u>Option 3: Cost Pressures</u></p> <p>Police requested \$786.6m over the forecast period for cost pressures. Police state that funding these pressures is essential to delivering 500 additional officers as it considers it would need to use the funding provided for the additional officers to meet its cost pressures in the first instance.</p> <p>While we accept that Police are facing significant cost pressures, its ability/options to manage these pressures is not clear. Police have identified some further options to reduce costs by looking at its property portfolio and station operating hours but the Minister of Police is not comfortable with pursuing these options. The Independent Rapid Review will shortly provide Ministers with advice on any options for savings. We recommend deferring consideration of any cost pressure funding until the findings of the IRR are available.</p> <p>We are likely to propose that any cost pressure funding that is provided to Police is for 2024/25 only to allow further work to be undertaken on Police's cost structure.</p>		-	-	-	-

Vote	ID	Title	Follow up question raised	Treasury response	Minister of Finance decision	BM4 package if Treasury recommendation accepted (\$m)		Variance from BM3 package (\$m) Less savings / (More savings)	
						Average operating p.a.	Total capital	Average operating p.a.	Total capital
Justice	15486	Human Rights Commission – operating cost reduction	At the Justice sector multilateral, Ministers asked whether further savings could be sought from the Human Rights Commission.	This information will be provided next week.	Note you will receive this information next week.				
Revenue									
Revenue	15753	FamilyBoost	Inland Revenue have raised the need for an additional \$6.5m of funding to administer FamilyBoost in the first two years. This is due to needing to manually process more applications than initially expected. Inland Revenue identified the costs of FamilyBoost as being \$17.6 million higher than the Cabinet pre-committed funding amount. However, they are planning on funding the remainder of this from baselines.	<p>Inland Revenue have stated that if they are required to fund the additional costs of administering FamilyBoost from baselines, they will need to reprioritise resources from other services and support for families. Inland Revenue state the trade-off is that they may be under-resourced to manage queries and there is likely to be service complaints as well as incorrect processing of entitlements. Inland Revenue advises that this could undermine the effectiveness of the Government's other social policies due to:</p> <ul style="list-style-type: none"> • Overpayment of entitlements would create debt for people who may find themselves unable to pay. This would result in an increase to debt-impairment and debt write-offs. • Families that are entitled to benefit from entitlements may get their payments late, at a lower level, or not at all. <p>[33]</p> <p>In light of these initiatives being removed from their work programme, and in the wider context of savings requirements and fiscal restraint, Treasury recommends that Inland Revenue manage the increased costs of FamilyBoost within baselines, subject to any additional savings requirements that may further impact its ability to do so.</p>	<p>EITHER:</p> <p>Agree to maintain Inland Revenue's departmental operating funding for FamilyBoost at the amount agreed by Cabinet (\$39.2 million over the forecast period). (<i>Treasury recommended</i>). <i>Agree/Disagree.</i></p> <p>OR</p> <p>Agree to amend the BM4 package by increasing Inland Revenue's departmental operating funding for FamilyBoost by \$6.5 million over the forecast period. <i>Agree/Disagree.</i></p> <p>OR</p> <p>Agree to amend the BM4 package by increasing Inland Revenue's departmental operating funding for FamilyBoost by \$4 million over the forecast period. (Scaled option). <i>Agree/Disagree.</i></p>	-	-	-	-
Tertiary Education									
Tertiary Education	15715	Workforce Development Councils Disestablishment	You have not requested further advice on these initiatives. However, this change is recommended to manage the impacts of the Minister for Tertiary	<p>The current package includes savings of \$32.500m operating funding in 2024/25 based on the assumption that legislation change will enable WDCs to be disestablished from 1 January 2025. Because Cabinet will now be making decisions after Budget moratorium (i.e., three months later than planned), we no longer consider it is reasonable to assume legislation will be introduced in time to disestablish WDCs on 1 January 2025 and that savings can be realised in 2024/25.</p> <p>We therefore recommend that the savings from the Workforce Development Councils Disestablishment initiative [ID 15715] are reduced by \$32.500m in 2024/25 with a corresponding reduction to the Te Pūkenga Disestablishment and Transition initiative [ID</p>	Agree to reduce the saving realised through Disestablishment of Workforce Development Councils by \$32.500m operating in 2024/25. <i>Agree/Disagree.</i>	(48.8)	-	8.1	-

Vote	ID	Title	Follow up question raised	Treasury response	Minister of Finance decision	BM4 package if Treasury recommendation accepted (\$m)		Variance from BM3 package (\$m) Less savings / (More savings)	
						Average operating p.a.	Total capital	Average operating p.a.	Total capital
Tertiary Education	15728	Te Pūkenga Disestablishment and Transition	Education and Skills withdrawing her papers related to disestablishing Te Pūkenga and Workforce Development Councils (WDCs) to allow for further consultation and modelling.	15728] to ensure the change is fiscally neutral. We consider a reduction to the Te Pūkenga Disestablishment and Transition is the most appropriate option for managing the reduced savings because it is likely the delay will reduce the level of funding required in 2024/25. Additionally, you have indicated that other proposed savings in Vote Tertiary Education should not be progressed meaning there are unlikely to be further options for savings.	Agree to reduce the funding allocated for Te Pūkenga Disestablishment and Transition by \$32.500m operating in 2024/25.	[38]	-	(8.1)	-
Tertiary Education	15877	Education New Zealand: [33] baseline reduction	You enquired whether there were opportunities for further savings from the Vote Tertiary Crown Entities.	Two Crown Entities within Vote Tertiary Education (Tertiary Education Commission and Education NZ) have increased their savings following the initial Budget submission: <ul style="list-style-type: none"> TEC have increased their savings submission from 5% to 6%. ENZ have increased their savings submission from 5% to [33] While ENZ have provided limited information about how they will achieve these savings, we support these additional savings and recommend that they be incorporated into the Budget package. However, we wish to give you explicit visibility of one specific savings proposal for ENZ and confirm Budget Ministers' comfort with this being progressed. <ul style="list-style-type: none"> [33] 	Agree to Education NZ's proposed [33] <i>Agree/Disagree.</i> OR Direct that these savings are met from elsewhere within Education NZ's baseline. <i>Agree/Disagree.</i>	[33]			
Tertiary Education	15736	Fees Free – Replacing First-Year with Final-Year Fees Free	Budget Ministers have asked for a Fees Free proposal which replaces first-year Fees Free with final-year Fees Free from 2025, with the fees for eligible learners being paid after they complete their qualification.	MoE, in consultation with IR, MSD, and TEC has provided advice on the key components and implementation implications of two options which meet Budget Ministers' request – this is provided at Annex 3 . The options require trade-offs between: quantum of savings, implementation risks, and eligible study (e.g. degree only vs including sub-degree study). <ul style="list-style-type: none"> Option 1 (broad coverage paid on completion) balances quantum of savings with broad eligibility, but is likely to be the most complex to implement. Option 2 (degree-level study paid on completion) prioritises quantum of savings and is less difficult to implement than Option 1, but narrows eligibility so sub-degree learners who are eligible under the existing programme would miss out. Option currently in the package (referred to by MoE in Annex 3 as "Alternative Approach"). This approach prioritises ease of implementation and broad eligibility, but has a lower savings quantum. We note: <ul style="list-style-type: none"> Options 1 and 2 have been developed very quickly following BM3, which adds additional risk to the analysis, including costs and impacts, compared with the option currently in the Budget package. Regarding costings, the outyear profile is uneven until 29/30 by which time the savings quantum reduces as more eligible students reach their final year. See final page of Annex 3 for details of ongoing costs. 	Indicate which option you want to include in the BM4 package: <ul style="list-style-type: none"> Option 1 (broad coverage paid on completion) <i>Agree/Disagree.</i> Option 2 (degree-level study paid on completion) <i>Agree/Disagree.</i> Retain current initiative in package (Fees paid at beginning of final year – referred to as "Alternative Approach" in Annex 3) <i>Agree/Disagree.</i> 	(220.0)	2.224	(93.7)	2.2
						(263.1)	2.224	(136.9)	2.2
						(126.3)	-	-	

[33]

[33]

Annex 3: Fees Free Information – Advice Prepared by Ministry of Education ¹⁰

1. Budget Ministers have indicated that they would like to replace first-year Fees Free with final-year Fees Free from 2025, with the fees for eligible learners being paid after they complete their qualification. This advice has been prepared by the Ministry of Education in consultation with the Tertiary Education Commission (TEC), Ministry of Social Development (MSD) and Inland Revenue (IR).
2. Implementation of payment on completion of qualification is theoretically possible, however it involves significant administrative complexity for operational agencies (TEC, MSD and IR) as well as for Tertiary Education Organisations (TEOs). There may be implementation risks that we have been unable to assess in the time available.
3. It is unable to be delivered within agencies' baselines, given significant implementation and ongoing administrative costs for operational agencies. ^[33]
4. The complexity of agency arrangements is due to multiple successive initiatives over the last 15-20 years each of which has not taken the opportunity to simplify the underlying roles and responsibilities of the agencies, including the introduction of fees-free in 2018. Unfortunately this means that introducing new and different entitlements quickly creates further complexity.
5. The complexity and costs of this approach are due to the following factors:
 - a. None of the agencies involved hold a common learner identifier; ^[33]
 - b. No agencies currently have the ability to refund learner fees in all relevant scenarios, ^[33]
 - c. ^[33]

This is likely to be particularly significant for sub-degree study, which has lower student loan uptake and includes work-based learners who are not eligible for a student loan.
 - d. Paying on completion means that there would be an increase in learners taking out student loans, this would result in both an increase in loan borrowing and added administration costs for MSD.

¹⁰ Note – this has not been reviewed by Hon Simmonds.
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Option 1: Current eligibility requirements, paid on qualification completion

6. We have costed a broad parameter option that retains the current first-year Fees Free eligibility settings (all levels of study, with no eligibility for those with prior study) and applies these to a final-year Fees Free scheme to be paid on completion of their qualification. Learners whose fees were paid for by the existing first-year Fees Free scheme would be ineligible for final-year Fees Free. The total costs for this option over the forecast period are estimated at **\$268.1 million** (including administration costs), with savings over the period of **\$879.4 million** compared to the current first-year Fees Free scheme (excluding student loan impacts such as interest write-downs associated with increased borrowing).
7. The implementation approach for this option would be:
 - a. ^[33]
 - b.
8. These arrangements, ^[33] would need to be in place from 1 January 2026 (to pay learners who become eligible in 2025). Agencies advise that there is a risk that these arrangements may not be in place in time, given that there has not been time to fully develop or test the viability of these arrangements. Agencies have also indicated that their capacity to deliver this initiative depends on decisions made with respect to other budget initiatives and Ministerial priorities, and could risk affecting delivery of existing commitments.

Option 2 – Degree-level study only, paid on completion

9. An alternative option is to narrow eligibility to bachelor's degree study only and to remove the prior-study restriction (although learners whose fees were paid for by the existing Fees Free scheme would still be ineligible). This option would reduce the cost of the scheme to **\$95.5 million** over the forecast period (including administrative costs), with savings over the period of **\$1,052 million** compared to the current scheme (excluding student loan impacts).
10. This option would require the same implementation plan as the broad eligibility option, but would have lower implementation risks as it would be less critical to have this in place by the beginning of 2026. Given that comparatively few degree-level learners would be eligible for final-year Fees Free in 2025 and 2026 (the bulk of learners having received first-year Fees Free), we consider that it would be viable for the TEC to pay TEOs for all learners graduating in these years, with TEOs in turn using existing student loan refund mechanisms to refund the learner.
11. While we do not recommend this as a long-term implementation solution due to the high cost and compliance issues for TEOs, it would allow more time to develop a long-term solution if doing so proves complex. A long-term implementation solution between operational agencies would need to be in place no later than 1 January 2028 in order to manage to the larger volume of eligible learners graduating in 2027.

12. There is a risk, as with many previous reforms, of the short-term solution becoming the long-term arrangement.
13. There are major equity considerations as narrowing to bachelor's degree study only rewards those who are likely to come from higher socio-economic backgrounds and (by virtue of completing a degree) have the highest employment rates and earnings during their adult life. It also does not direct support towards vocational learners who we had understood were the priority group for ministers identified at the Education budget bilateral.
14. However, we note that relatively few work-based learners meet existing eligibility requirements for Fees Free, as a result of the prior study requirement. Removing the prior-study restriction would support lifelong learning and enable quicker processing of learner eligibility.

Alternative approach – fees paid at the beginning of final year [Note this is currently in the Budget 2024 package]

15. While simplifying eligibility settings reduces complexity and implementation risks, it does so at the expense of equity considerations and would still come with significant implementation costs. If a fees-free scheme is to be based on the final year of study the better option would be a final-year Fees Free scheme with broad parameters that is paid at the beginning of a learner's final year, as set out in previous MoE advice.
16. While this approach would have higher overall budget costs (and therefore result in lower savings) than a qualification-based approach, it would be lower risk and come with significantly lower implementation costs including for TEOs. This option would use the same processes as are currently used for the first-year Fees Free scheme, and thus would require no new cross agency data sharing, but would require system changes and other implementation updates.

Fiscal Costs

We have outlined the fiscal impacts of the options outlined above. Note the Fees free savings include the administration costs and exclude any Student Loan impacts.

	Operating (Fees Free savings only) (\$million)							Total Capital
	2023/24	2024/25	2025/26	2026/27	2027/28 & outyears	Total Operating	Operating Per annum	
Option 1	0.449	(177.97)	(261.074)	(245.379)	(195.445)	(879.421)	(219.967)	2,061.2
Option 2	0.449	(184.601)	(312.030)	(303.754)	(252.081)	(1,052.017)	(263.116)	2,061.2

Final year fees free cost – beyond forecast period fiscal impacts:

Costs of the final year fees free policy are likely to increase beyond the forecast period of introduction as more students become eligible for the scheme.

Fees free payments \$m	2027/28	2028/29	2029/30 & ongoing
Option 1	112.945	157.405	175.000
Option 2	61.580	110.639	133.128