

# The Treasury

## Budget 2024 Information Release

### September 2024

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Key to sections of the Act under which information has been withheld:

- [1] 6(a) - to avoid prejudice to the security or defence of New Zealand or the international relations of the government
- [23] 9(2)(a) - to protect the privacy of natural persons, including deceased people
- [25] 9(2)(b)(ii) - to protect the commercial position of the person who supplied the information or who is the subject of the information
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- [31] 9(2)(f)(ii) - to maintain the current constitutional conventions protecting collective and individual ministerial responsibility
- [33] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials
- [34] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions
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- [36] 9(2)(h) - to maintain legal professional privilege
- [37] 9(2)(i) - to enable the Crown to carry out commercial activities without disadvantage or prejudice
- [38] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice
- [39] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage
- [40] 18(c)(i) - that the making available of the information requested would be contrary to the provisions of a specified enactment

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## Treasury Report: Outstanding Decisions for Budget Ministers 4

<b>Date:</b>	3 April 2024	<b>Report No:</b>	T2024/887
		<b>File Number:</b>	BM-2-4-2024

### Action sought

	Action sought	Deadline
Hon Nicola Willis <b>Minister of Finance</b>	<b>Indicate</b> your decisions on individual initiatives in Annex 1.	4 April 2024

### Contact for telephone discussion (if required)

Name	Position	Telephone	1st Contact
Chris Brunt	Senior Analyst, Budget	[39]	[35] ✓
Keiran Kennedy	Manager, Budget		

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

**Return** the signed report to Treasury.

Note any feedback on the quality of the report

**Enclosure:** No

# Treasury Report: Outstanding Decisions for Budget Ministers 4

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## Purpose of Report

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1. This report provides you with a second tranche of responses on initiative level queries you had following advice provided to you over the Easter weekend (T2024/823 refers). It also provides updates on a select few other small initiatives. Our advice and recommended actions are included in Annex 1.
2. We note you have also commissioned several pieces of separate advice to support your ongoing conversations, including on:
  - a the Regional Infrastructure Fund (high priority).
  - b tobacco excise settings (high priority – see related entry in Annex 1 below),
  - c funding for the cyclone response,
  - d partnership schools,
  - e potential savings from Climate Emergency Response Fund (CERF) initiatives in the agriculture space, and
  - f the Ministry for Regulation.
3. These will be provided as soon as possible (either Thursday 4 April or for your weekend bag).
4. This report has been prepared under tight timeframes and consequently subject to limited quality assurance. Any follow up can be addressed before Budget Minister 4.

## Recommended Action

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We recommend that you:

- a **indicate** your decisions regarding the treatment of the initiatives in Annex 1 in the draft BM4 package.

*Agree/Disagree.*

Keiran Kennedy  
**Manager, Budget**

Hon Nicola Willis  
**Minister of Finance**

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Annex 1: Responses to initiative level queries

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
<b>Business, Science and Innovation</b>									
Business, Science and Innovation	[25]								
Business, Science and Innovation	15634	Economic Development: Policy Advice and Related Ministerial Servicing - Economic Development Category - return of funding	You have not requested further information on this initiative, but we understand MBIE have made an error in their submitted savings and are seeking to rectify this.	MBIE had incorrectly submitted time-limited funding as ongoing savings (i.e., the proposed savings may not exist), and has therefore sought to revise the savings down by \$0.07 million per annum. However, given the small quantum of savings and the significant pressure on the operating allowance, we consider MBIE should be able to absorb these savings within baselines and therefore do not recommend reducing savings from this initiative.	EITHER: <b>Agree</b> to not make further changes to the BM4 package ( <i>Treasury recommended</i> ) <i>Agree/Disagree.</i> OR <b>Agree</b> to amend these savings for the BM4 package. <i>Agree/Disagree.</i>	(2.2)	-	-	-
Business, Science and Innovation	15620	Economic Development: Scale Major Events Fund – Return of Funding	You have not requested further information on this initiative, but we understand MBIE have made an error in their submitted savings and are seeking to rectify this.	MBIE had incorrectly submitted time-limited funding as ongoing savings (i.e., the proposed savings may not exist), and has therefore sought to revise the savings down by \$0.34 million per annum (to \$1.6 million per annum). However, given the small quantum of savings and the significant pressure on the operating allowance, we consider MBIE should be able to absorb these savings within baselines and therefore do not recommend reducing savings from this initiative.	EITHER: <b>Agree</b> to not make further changes to the BM4 package ( <i>Treasury recommended</i> ) <i>Agree/Disagree.</i> OR <b>Agree</b> to amend these savings for the BM4 package. <i>Agree/Disagree.</i>	(1.9)	-	-	-

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	15655	MBIE Energy Portfolio Programmes – return of funding	You requested further information about this initiative, specifically [33]	[33]	EITHER: <b>Agree</b> to reduce these savings to \$7.1 million per annum in the BM4 package. <i>Agree/Disagree.</i> OR <b>Agree</b> to not make any further changes to the BM4 package. <i>Agree/Disagree.</i>	(7.1)	-	1.4	-																																							
<b>Health</b>																																																
Health	16085	Tax inky smoked tobacco products (Remove duty from heated tobacco products)	At Budget Matters on 3 April, [33]	[33]	[33]																																											
				<table border="1"> <thead> <tr> <th></th> <th colspan="6">Operating cost (\$million)</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> </tr> </thead> <tbody> <tr> <td>[33]</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td><b>Scenario 3 (50% tax removal on HTPs)</b></td> <td>0</td> <td>11</td> <td>44</td> <td>74</td> <td>82</td> <td>211</td> </tr> <tr> <td>[33]</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table>							Operating cost (\$million)							2023/24	2024/25	2025/26	2026/27	2027/28	Total	[33]							<b>Scenario 3 (50% tax removal on HTPs)</b>	0	11	44	74	82	211	[33]										
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<b>No Vote</b>									
None	None	Prime Minister's Emerging Priorities Fund	You have not raised this question directly, but – after discussions with your office – we have wanted to draw it to your attention.	<p>The current package does not include any provision for the Prime Minister's Emerging Priorities Fund (EPF). This fund has historically played a similar function to the Between-Budget Contingency, but is explicitly connected to the Prime Minister's priorities (such that other Portfolio Ministers cannot seek draw-downs from it without the Prime Minister's explicit permissions). In the past it has been used to respond to crises or major national events (e.g., the 15 March terrorist attacks). The current balance of the EPF is \$0. There is a choice about whether (and, if so, by how much) you top up the EPF at Budget 2024. Top ups to the EPF have varied significantly year-on-year, with the post-Budget balance averaging \$36.0 million over the forecast period since Budget 2020. After Budget 2023, the balance was \$15.5 million. <b>Given the constrained allowances, we recommend that this is topped up by a maximum of \$20 million over the forecast period at Budget 2024.</b></p> <p>[33]</p>	<p>EITHER:  <b>Agree</b> to top up the EPF by \$20 million over the forecast period.  <i>Agree/Disagree.</i>  OR  <b>Indicate</b> that quantum (over forecast period) you wish to top up the EPF by.</p> <p>[33]</p>	5	-	5	-
<b>Oranga Tamariki</b>									
[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)	
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					[33]				
<b>Tertiary Education</b>									
Tertiary Education	15738	Apprenticeship Boost Initiative	<p>Budget Ministers requested heavily scaled options for the continuation of the Apprenticeship Boost Initiative (ABI).</p> <p>Treasury seeks your confirmation of your preferred design for a heavily scaled version of the ABI.</p>	<p>As flagged in the Education bilateral meeting with Hon Simmonds and Stanford, the Apprenticeship Boost Initiative (ABI) scheme can be scaled from its current design by reducing the number of sectors who receive support, providing support for either first or second year apprenticeships only, and/or reducing the level of the financial payments.</p> <p><b>The package currently includes Treasury's preferred heavily scaled option at an ongoing cost of \$29.223m per annum from 2025/26 onwards.</b> This scales the existing scheme by:</p> <ul style="list-style-type: none"> <li>Targeting to priority sectors (81% of existing sectors).</li> <li>Scaling support to first-year apprenticeships only (excluding second year apprenticeships).</li> </ul> <p><b>There are other options for the design of the scheme</b></p> <p>For example, the scheme could be scaled by reducing the monthly payment from \$500 to \$300, or further scaling the number of sectors who benefit from the scheme.</p> <p>We note that scaling of any kind is likely to reduce the impact of the scheme, however given there is limited evidence available on the effectiveness of the scheme in influencing employers to take on apprentices, we consider that a funding reduction is appropriate.</p> <p>The Ministry of Education's original submission was to maintain the Apprenticeship Boost Initiative at a cost of \$65.0m per annum from 2025/26 onwards, with scaling to 81% of priority sectors. This option most closely resembles the Government's commitment to 'maintain the ABI,' but comes at the highest cost.</p> <p>*This decrease reflects that the initiative total operating cost has reduced from \$73m to \$65m. This is to reflect what was agreed at the bilateral but had not yet been reflected in the Budget package.</p>	<p><b>Agree</b> to maintain the design of the significantly scaled ABI option currently included in the Budget package (<b>Treasury recommended</b>); <i>Agree/Disagree</i></p> <p><b>Note</b> we have provided a more detailed 1-pager on the ABI to your office, which can be used to support more detailed conversations if useful.</p>	16.2	-	(2.0)*	-
Tertiary Education	15868 15735 15736 15767/15740	<p>Student loan-related initiatives, which are:</p> <ul style="list-style-type: none"> <li>Increasing the Student Loan Scheme</li> </ul>	<p>We seek your confirmation on the approach to treating Budget initiatives with student loan impacts, as per the advice provided in the</p>	<p>Student loans have OBEGAL impacts through the initial fair value write down (expense) on the issuance of loans and the interest unwind (revenue) overtime as the loans are repaid.</p> <p>What counts against Budget allowances is a choice for Ministers to make (informed by Treasury advice) so we seek your agreement to this approach, both for Budget 2024 and future decisions. There have been no decisions with significant impacts on student loans for several years, and so Budget 2024 is an opportunity to confirm the approach going forwards.</p>	<p><b>Confirm</b> your agreement to the Treasury's recommended fiscal management approach for the operating impacts from student loans; in particular, that they should impact on the operating balance before gains and losses</p>				

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						Average operating p.a.	Total capital	Average operating p.a.	Total capital
		overseas interest formula by 1% for 5 years <ul style="list-style-type: none"> <li>• Managing Tertiary Education and Training System Pressures: Increased Fees</li> <li>• Fees Free – Replacing First-Year with Final-Year Fees Free</li> <li>• Investment in tax compliance activities (including overseas-based student loan borrowers)</li> </ul>	Education Bilateral Briefing (T2024/687 refers).	<p><b>Treasury recommended approach:</b> Because over time the OBEGAL impacts of policy changes related to student loans are approximately neutral, Treasury's recommendation is that policy decisions which impact on student loans do not impact on the Budget allowance, but impact OBEGAL directly.</p> <p>Alternatively, operating impacts (both savings and new spending) could be counted against the Budget operating allowance to recognise the impact of policy decisions. If student loan impacts for all four student loan-related Budget 2024 initiatives were managed against the Budget operating allowance, this would have a material negative impact on the Budget 2024 (and likely future</p>	(OBEGAL) and not be counted against Budget allowances.  <i>Confirm/Do not confirm.</i>  <b>Note</b> Treasury's recommended approach is reflected in the current Budget package and your support of the above approach would result in no changes to the package.				