The Treasury

Budget 2024 Information Release

September 2024

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[31] 9(2)(f)(ii) - to maintain the current constitutional conventions protecting collective and individual ministerial responsibility

[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

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TE TAI ŌHANGA
THE TREASURY

Treasury Report: Further follow ups on Budget 2024 initiatives

Date:	4 April 2024	**Report No:**	T2024/905
		File Number:	

Action sought

	Action sought	Deadline
Hon Nicola Willis **Minister of Finance**	**Indicate** your decisions on individual initiatives in Annex 1. **Indicate** your approach to Whaikaha cost pressures for BM4.	5 April 2024

Contact for telephone discussion (if required)

Name	Position	Telephone		1st Contact
Chris Brunt	Senior Analyst, Budget	[39]	[35]	✓
Jinal Mehta	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: Further follow ups on Budget 2024 initiatives

Purpose of Report

1. This report provides you with a third tranche of responses on initiative level queries you had following advice provided to you over the last week, including savings from the Climate Emergency Response Fund (T2024/823 and T2024/874 refers). It also provides updates on a select few other small initiatives. Our advice and recommended actions are included in Annex 1.

2. Annex 2 provides further advice on Whaikaha cost pressures, and your options for managing them at Budget 2024. Annex 3 also provides further information on the Apprenticeship Boost initiative, as requested by yourself (T2024/874 refers).

3. Alongside this report, you will also receive separate advice to support your conversations with portfolio Ministers and seek your decisions for key elements of the Budget 2024 package ahead of Budget Ministers 4 (BM4):

   a Housing and Urban Development Budget 2024 Update (T2024/904)

   b [33]

   c Police Budget 2024 package and past Budget funding for Police (T2024/918)

   d Regional Infrastructure Fund (T2024/899)

   e Prescription co-payment flow on impacts (T2024/914)

   f Partnership schools (T2024/897)

4. This report has been prepared under tight timeframes and consequently subject to limited QA. Any follow up can be addressed in BM4.

Savings from the Climate Emergency Response Fund

5. On 2 April 2024, we provided you with advice on all of the remaining CERF funding and opportunities for savings. You indicated a number of areas that you wanted to consider savings for in Budget Minister 2024. These were largely in the MBIE, MFE and MPI space. We note that MBIE and MfE are subject to Independent Rapid Reviews.

   a **MfE**: The Reviewer for MFE noted that any additional savings amount identified at this time would be arbitrary (on the basis that it was not derived from a bottom up examination of costs) [33]

   . If you want to progress further savings, the reviewer suggested you could request another $3m per annum over the forecast period across all departmental appropriations (although this is not recommended);

   b **MBIE**: The Reviewer for MBIE identified a range of savings options for MBIE, some of which have subsequently been incorporated into the package. The additional options identified relate to nine contestable funds. The Treasury does not recommend progressing any of the MBIE savings options for Budget 2024. While the vote team is supportive of some of these savings proposals (subject to further analysis of the cumulative impact of decisions, [33] we recommend deferring decisions on the future of these funds until after Budget 2024. Our view is that the level of uncertainty in the quantum of savings available means that it would be very high risk to proceed with the proposals in full under these timeframes.

6. The Treasury is preparing you with separate advice to support engagements with Minister McClay on CERF savings options. Advice on all of these options is outlined in Annex 1.

Next Steps

7. We are available to discuss this report with you on Friday 5 April. We will not be able to reflect decisions from this TR in the BM4 material on Friday 5 April, but can include them in the final Budget 2024 package.

Recommended Action

We recommend that you:

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

Agree/disagree.

[33]

[33]

Keiran Kennedy
Manager, Budget

Hon Nicola Willis
Minister of Finance

______/______/________

Annex 1 – Follow up advice on outstanding Budget 2024 initiatives

Vote	ID	Title	Follow up question raised	Treasury response	Minister of Finance decision	Package amount 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	15655	**CERF Savings**: Enhancing Energy Resilience for New Zealand Communities through Distributed Renewable Energy	In response to T2024/874, you indicated this initiative as a candidate for further savings.	The initiatives "Supporting Renewable and Affordable Energy in New Zealand Communities" (Budget 2022) and "Enhancing Energy Resilience for New Zealand Communities through Distributed Renewable Energy" (Budget 2023) established and then extended the Community Renewable Energy Fund (the Fund). We understand that at least $20.628 million of the Fund is currently uncommitted. We have assessed this and suggest that the Fund could be reduced by an additional $10 million across the forecast period. This will increase the total savings for initiative 15655 to $43.870 million. Any impacts associated with this additional reduction would need to be confirmed with MBIE. We no longer consider our earlier savings option "scale back to Budget 2022 levels" to be viable, following updated information from MBIE. [33]	We recommend discussing this with the Minister for Energy in the first instance. **Agree** to reduce the Community Renewable Energy Fund by an additional $10 million over the forecast period. *Agree/Disagree.* OR [33]	(11.0) OR [33]	-	(2.5) OR	-
Business, Science and Innovation	New initiative	**CERF Savings**: [33]	In response to T2024/874, you indicated this initiative as a candidate for further savings.	We have assessed this [33] MBIE have advised that the final figures for this saving (including the existence of any contracts/commitments) will need to be confirmed with the Energy Efficiency and Conservation Authority (EECA). The IRR review also identified that uncommitted funds remain and could be returned, subject to discussion with the portfolio Minister and confirming amounts with EECA. [33]	[33]				-
Business, Science and Innovation	New initiative	**CERF Savings:** [33]	In response to T2024/874, you indicated this initiative as a candidate for	You have requested more information on the delivery risks associated with returning this funding. [33]	We recommend discussing these initiatives with the Minister for Energy in the first instance.	-	-	-	-

Vote	ID	Title	Follow up question raised	Treasury response	Minister of Finance decision	Package amount 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]	further savings.	[33]					
Business, Science and Innovation	New initiative	**CERF Savings:** Emissions Trading Scheme – Market Governance	In response to T2024/874, you indicated this initiative as a candidate for further savings.	We have assessed this and recommend that this funding be returned as savings. MBIE noted that this relates to work which is higher priority for other Ministers and Ministries, including the Ministry for the Environment. You may wish to discuss the wider implications of returning this funding with the Minister for the Environment before making a decision.	**Agree** to take this funding as savings. *Agree/Disagree.*	(0.9)	-	(0.9)	-
Environment									
Environment	New initiative	**CERF Savings:** MfE Climate Change Initiatives	In response to T2024/874, you indicated this initiative as a candidate for further savings.	We understand that the IRR suggests that, should you wish to increase MfE's Budget 2024 departmental savings, you could request an additional $3m per annum over the forecast period (from 2024/25 to 27/28). The Reviewer noted that any additional savings amount identified at this time would be arbitrary (on the basis that it was not derived from a bottom up examination of costs) and ultimately did not recommend these savings [33] . In addition, the Reviewer did not recommend savings from CERF funded initiatives – as MfE's approach to generating savings has been to take a holistic and priority-driven approach to deliver savings. Should the you choose to go ahead with this proposal, we recommend that you invite the Minister for Climate Change: • to find further savings across all departmental appropriations to deliver $3m per annum of additional savings over the forecast period for decisions at BM4; • to ensure that any funding that is to be retained for Climate Change is aligned with only the government's highest priorities. However, should you want to specifically target CERF-funded initiatives and take decisions ahead of commissioning further savings from MOCC, we have provided an option below. Our proposed figure is somewhat arbitrary and it is a further 20% reduction in MfE's CERF-funded departmental capability. Further reductions to policy capability funding will risk the ability of MFE to deliver on the government's priorities for Climate Change, alongside its statutory commitments and regulatory responsibilities. However, it is not possible to say at what point further reductions will begin to compromise or delay delivery significantly.	**EITHER** **Agree** to the IRR option (not recommended by the reviewer) for further savings of $3m per annum over the forecast period across all departmental appropriations; **OR** **Agree** to direct the Minister of Climate Change to find a further $5m of savings over the forecast period across initiatives 14785, 14286,	(3) OR (1.25)	-	(3) OR (1.25)	-

<table>
<thead>
<tr><th rowspan="2">Vote</th><th rowspan="2">ID</th><th rowspan="2">Title</th><th rowspan="2">Follow up question raised</th><th rowspan="2">Treasury response</th><th rowspan="2">Minister of Finance decision</th><th colspan="2">Package amount if Treasury recommendation accepted ($m)</th><th colspan="2">Variance from BM3 package ($m)
Less savings / (More savings)</th></tr>
<tr><th>Average operating p.a.</th><th>Total capital</th><th>Average operating p.a.</th><th>Total capital</th></tr>
</thead>
<tbody>
<tr><td></td><td></td><td></td><td></td><td>If further savings are sought, a further $5 million could be realised from across these four initiatives over the forecast period. You may wish to direct the Minister for Climate Change to work with MfE on the specific allocation of these further savings.</td><td>14832, 14055 for decisions at BM4.
Agree/Disagree.</td><td></td><td></td><td></td><td></td></tr>
<tr><td colspan="10">Finance</td></tr>
<tr><td>Finance</td><td>New initiative</td><td>CERF Savings: Emissions Reduction Plan Performance Monitoring</td><td>In response to T2024/874, you indicated this initiative as a candidate for further savings.</td><td>We have assessed this and recommend that the funding not be returned as savings.

The original funding was to develop reporting for the CERF. Once the CERF reporting processes were established, resource was applied to develop reporting for NIWE expenditure and to fund resources to further enhance sector reporting. At the recent FEC hearing, a question was raised about reporting across the system. The auditor general and FEC have continued to raise concerns about Treasury's ability to look across the key initiatives from an accountability perspective.

Further, Treasury has already increased its savings from $9.5m p.a. (mostly departmental) to $10.5m p.a. on the basis of this funding not also being removed from baseline.

Finally, Treasury's overall savings already assume that broader policy advice resources (which is where this funding sits) will be shifted from lower-priority to higher-priority areas. This means there is a risk that the 'double counting' inherent in seeking to capture this funding in addition to $10.5m p.a. of savings would result in Treasury not being able to deliver on the Government's priorities.</td><td>Agree to not progress this savings initiative further.
Agree/Disagree.</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td colspan="10">Health</td></tr>
<tr><td>Health</td><td>15813</td><td>Health Workforce – Training 50 more doctors</td><td></td><td rowspan="2">We are aware of two health initiatives in the proposed Budget package that have an increasing spending profile beyond the forecast period.

• Operating and capital funding for training more doctors (15813) significantly scales up outside of the forecast period. This increase is due to subsequent cohorts introduced into the programme, while those currently studying remaining in the programme. The costs flatten out after approximately 7 years, as the first group of students graduate.
<table>
<tr><th colspan="5">$m over the forecast period</th><th colspan="5">$m outside the forecast period</th><th></th><th></th></tr>
<tr><th>23/24</th><th>24/25</th><th>25/26</th><th>26/27</th><th>27/28</th><th>28/29</th><th>29/30</th><th>30/31</th><th>31/32</th><th>22/33 & outyears</th><th>Total</th><th>New average per annum to be charged against allowances (if proceed with Option 1 below)</th></tr>
<tr><td>-</td><td>0.9</td><td>1.9</td><td>3.0</td><td>4.4</td><td>15.3</td><td>25.5</td><td>25.2</td><td>25.3</td><td>25.3</td><td>126.8</td><td>14.1</td></tr>
</table>

• The Breast Screening extension (15804) includes a ramping in costs across a 10-year period due to the proposed phased implementation timeline beginning in 2025, where an additional one-year age cohort is invited each year. Full implementation will not begin until 2030.
<table>
<tr><th colspan="5">$m over the forecast period</th><th colspan="5">$m outside the forecast period</th><th></th><th></th></tr>
<tr><th>23/24</th><th>24/25</th><th>25/26</th><th>26/27</th><th>27/28</th><th>28/29</th><th>29/30</th><th>30/31</th><th>31/32</th><th>22/33 & outyears</th><th>Total</th><th>New average per annum to be charged against allowances (if proceed with Option 1 below)</th></tr>
<tr><td>-</td><td>6.0</td><td>6.0</td><td>6.0</td><td>6.0</td><td>11.9</td><td>17.5</td><td>19.3</td><td>19.7</td><td>19.5</td><td>111.9</td><td>12.4</td></tr>
</table>
</td><td rowspan="2">EITHER

Agree to continue current fiscal management approach, and revise Budget 2024 BM4 package (Option 1).
Agree/Disagree

OR

Agree to increase materiality threshold to $100 million and therefore no change to Budget 2024 BM4 package (Option 2).
Agree/Disagree</td><td>14.1</td><td>13.0</td><td>11.5</td><td>-</td></tr>
<tr><td>Health</td><td>15804</td><td>Breast screening extension of eligibility to include 70–74-year-olds as part of the free national programme</td><td></td><td>12.4</td><td>7.2</td><td>6.4</td><td>-</td></tr>
</tbody>
</table>

Vote	ID	Title	Follow up question raised	Treasury response	Minister of Finance decision	Package amount 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
				You have a choice on how to manage the fiscal impact of these initiatives. • **Option 1:** You could choose to manage the fiscal impact against the Budget operating allowance, which would ensure the Government stays on track to achieve their long-term fiscal objective and communicate a more accurate cost of the investment in the Budget package or you could choose to "look through" this fiscal impact and not manage the impact against the Budget operating allowance, such that it would impact the Operating Balance Before Gains and Losses (OBEGAL) directly. The previous Government choose to manage the impact of initiatives that had an increasing spending profile beyond the forecast period against Budget allowances, but applied a materiality threshold of $50 million (i.e., outyears were charged to allowances if the costs in the last year of the forecast period for the initiative increased by more than $50 million beyond the forecast period). This approach means increasing the package across the two initiatives by an additional $17.9m per annum. To get the new average per annum, the total cost is divided by 9 years rather than the usual 4 years within the forecast period. • **Option 2:** Alternatively, you should consider lifting the materially threshold to $100 million, to reflect that the Government's primary long-term objective is focussed on net core Crown debt rather than OBEGAL. We would recommend continuing with Option 1.					
Internal Affairs									
Internal Affairs	15471	Savings from the repeal of the Three Waters programme	Savings from the repeal of the Three Waters Programme were subject to change pending close-down activities.	Savings from the Three Waters Programme repeal (a targeted policy savings initiative) have been revised down to $289.080 million total now that the Department of Internal Affairs (DIA) is closer to completing pending-down activities (e.g., reassignment of leases). We recommend that these savings be amended in the Budget 2024 package.	**Agree** to amend these savings for the Budget 2024 package. *Agree/Disagree.*	(72.5)	(10.1)	1.3	-
[33]									
Justice and Courts									
Courts	15712	Increase in sundry Courts and Tribunals civil fee revenue	We understand you met with the Minister of Justice	We understand you met with the Minister of Justice and agreed changes to the following Justice and Courts savings initiatives: • Increased savings from sundry Courts and Tribunals civil fee revenue • Removing savings from staff training on family and sexual violence	**Confirm** that these savings should be amended in the Budget 2024 package.	(10.8)	-	(4.6)	-

Vote	ID	Title	Follow up question raised	Treasury response	Minister of Finance decision	Package amount 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
			and agreed some changes to the Justice and Courts savings initiatives.	• Increased savings from the Human Rights Commission • Increased savings from the Electoral Commission • Reduced savings from the Criminal Cases Review Commission • Reduced savings from the Victims of Crime Tagged Contingency We seek your confirmation that these savings should be amended in the Budget 2024 package.	*Confirm/Not confirm.*				
Justice	15619	Operating cost reduction by reducing staff training on family violence and sexual violence			**Confirm** that these savings should be amended in the Budget 2024 package. *Confirm/Not confirm.*	-	-	0.2	-
	15486	Human Rights Commission – Operating Cost Reduction			**Confirm** that these savings should be amended in the Budget 2024 package. *Confirm/Not confirm.*	(1.4)	-	(0.48)	-
	15701	Electoral Commission – Operating Cost Reduction			**Confirm** that these savings should be amended in the Budget 2024 package. *Confirm/Not confirm.*	(1.3)	-	(0.02)	-
	15702	Criminal Cases Review Commission - Operating Cost Reduction			**Confirm** that these savings should be amended in the Budget 2024 package. *Confirm/Not confirm.*	(0.3)	-	[33]	
	15558	Victims of Crime – Improving Outcomes Initiative – Return of Funding			**Confirm** that these savings should be amended in the Budget 2024 package. *Confirm/Not confirm.*	(3.5)	-	9.0	-
Oranga Tamariki									
Oranga Tamariki	[37]		In advance of BM3, you indicated that you wanted to ensure Oranga Tamariki received an uplift in	We recommend that Oranga Tamariki be provided a net uplift through: • [37] • **Including Frontline Technology Systems Upgrade (ID 15446) in the Budget 2024 package:** This revised option will fund OT to replace its primary case management system, alongside smaller systems. OT has already	[37]				

Vote	ID	Title	Follow up question raised	Treasury response	Minister of Finance decision	Package amount 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
	15446	Frontline Technology Systems Upgrade (FTSU)	funding at 2024. [33]	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. In combination with your previous decision to increase funding for costs for high needs children (T2024/823 refers), this will mean that Oranga Tamariki has an uplift of $30 million over the forecast period (i.e., $7.5 million per annum).	**Agree** to include this initiative in the Budget 2024 package. *Agree/Disagree.*	15.6	-	15.6	-
No Vote									
None	None	Prime Minister's Emerging Priorities Contingency (EPC) and the Between-Budget Contingency (BBC)	You have previously agreed to top up the EPC (T2024/887 refers) by [33] over the forecast period, but requested further advice on whether the BBC could be reduced in outyears to compensate.	The BBC is currentl [33] per annum for Budget 2024 so would reduce to [33] per annum if you were to fund the EPC at [33] per annum. Reducing the BBC would limit the quantum available to respond to urgent out-of-cycle funding requests, and therefore could mean additional pre-commitments against future Budget allowances. We also recommend rolling forward the remaining balance in the BBC established at Budget 2023 ($19 million per annum) into 2024/25, subject to any upcoming out-of-cycle funding decisions ahead of the Budget moratorium.	EITHER **Agree** to not establish a Prime Minister's Emerging Priorities Contingency and keep the BBC at [33] n per annum. *Agree/Disagree.* OR **Agree** to establish a Prime Minister's Emerging Priorities Contingency at [33] per annum through reducing the BBC at [33] per annum. *Agree/Disagree.* OR **Agree** to establish a Prime Minister's Emerging Priorities Contingency at [33] per annum from the Budget 2024 operating allowance and keep the BBC at [33] per annum. *Agree/Disagree.*	[33]			

Vote	ID	Title	Follow up question raised	Treasury response	Minister of Finance decision	Package amount 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
					Agree to roll forward the remaining 2023/24 BBC balance into 2024/25, subject to any upcoming out-of-cycle funding decisions ahead of the Budget moratorium. *Agree/Disagree.*				
Revenue									
Revenue	15740/15767	Investment in tax compliance activities (including overseas-based student loan borrowers)	We seek your confirmation on the approach to treating second-order impacts from investment in tax compliance activities.	Investment in tax compliance will also have a second-order positive impact on debt impairment and debt-write offs of $188 million over the forecast period. While historically, second-order impacts have not been charged against the Budget allowance, it is ultimately a decision for Ministers. We consider that the decision of whether to positively charge this impact against the Budget allowance should be considered in the wider context of the fiscal management approach (e.g., ensuring a consistent treatment of all Budget decisions). **Treasury recommended approach:** We recommend that the second-order impacts of this initiative not be charged to the Budget 2024 operating allowance, but hit OBEGAL directly. We would not recommend charging the second-order impacts of the compliance bid against the allowances because: • They are indirect impacts of the decision to increase the compliance funding for Inland Revenue; and • This treatment is consistent with the approach taken with other Budget 2024 initiatives, such as student loan impacts (T2024/887 refers).	**Confirm** your agreement to the Treasury's recommended fiscal management approach for the second-order operating impacts from investment in tax compliance activities; in particular, that they should impact on the OBEGAL and not be counted against Budget allowances. *Confirm/Do not confirm.* **Note** 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.	-	-	-	-
Social Development									
Social Development	New initiative	**CERF Savings:** Public Transport Concessions	In response to T2024/874, you indicated this initiative as a	We have assessed this savings initiative and do not recommend realising these savings. We had previously advised there may be savings from changes in forecast demand for these concessions. Having explored this further, we now understand that no savings are achievable at Budget 2024 without amending the concession policy.	**Agree** not to progress further savings from this initiative. *Agree/Disagree.*	-	-	-	-

Vote	ID	Title	Follow up question raised	Treasury response	Minister of Finance decision	Package amount 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
		for Community Services Cardholders	candidate for further savings.						

Annex 2: additional information about Whaikaha's 2024/25 cost pressures

Previous advice and purpose of this annex

1. [33]

2.

3.

Funding and volume growth since 2017/18

4. We have annexed charts outlining cost and volume growth since 2017/18. These show that while volume has increased, the rate of growth cannot be strongly correlated with the stark growth of the cost of Disability Support Services (DSS). Since 2017/18, the number of people accessing DSS has grown from 42,305 to a (projected) 56,500 in 2024/25 – or 33.6% – while the nominal cost of DSS (and Whaikaha) has grown from $1,256 million to a (projected) $2,743 million in 2024/25 – or 118.4%.

5. The factors driving the growth of cost, therefore, are broader than only volume. For example, while the number of people supported in residential care has remained almost static (about 6,500 people each year), the complexity of the needs of those in care has increased. This is reflected by increases in the hours of support worker care needed for the same number of people.[3]

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[33]

[3] between 2018/19 and 2023/24 the number of people in residential care increased by less than 100, but the number of support worker hours increased by about 900,000.

6. The main factors driving cost growth include: the rising cost of labour (predominantly a result of pay equity for the care and support workforce); increased levels of flexibility in the system (e.g., Individualised Funding, which gives disabled people discretion to purchase supports themselves); growth in the eligible population accessing DSS (e.g., growing demand from people with autism); and changes in the role of families in providing care (obligations have evolved in response to litigation and now families can be paid for delivering support in certain circumstances). Moreover, decisions in the health system continue to drive DSS costs due to a common workforce and group of providers in many cases. We provided you advice about these cost drivers in our Vote Social Development Background Briefing [T2024/426 refers].

[33]

[33]

13.

14.

15.

Approach for Budget 2024

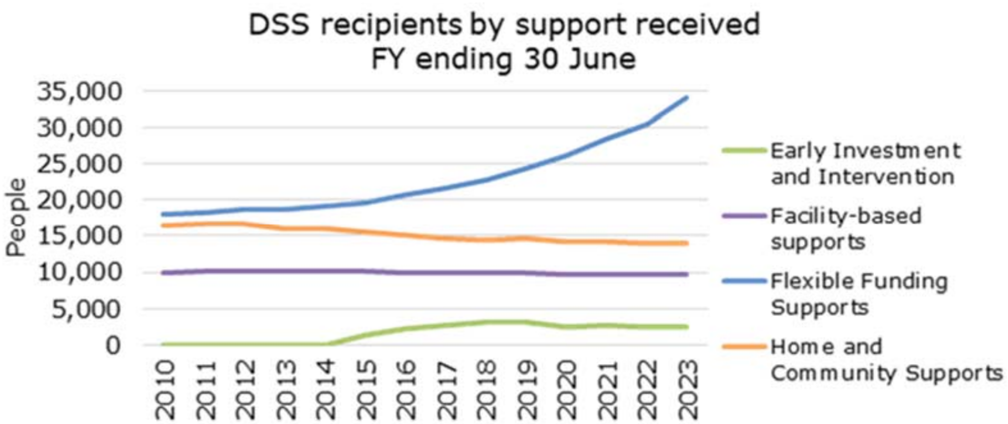
16. [33]

17.

18.

DSS cost and volume charts

[33]



[33]

Annex 3: Apprenticeship Boost Initiative – Additional information

1. The Ministry of Education (MoE) submitted a Budget 2024 Initiative to maintain the Apprenticeship Boost Initiative (ABI) Scheme [ID 15738] at a cost of $65.0 million per annum from 2025/26 onwards, with scaling to 81% of priority sectors. Treasury did not support funding for this initiative and recommended that the ABI scheme should be closed, due to the lack of a formal evaluation to draw a causal link between the scheme and outcomes.

2. You subsequently requested "heavily scaled" options for the continuation of the Apprenticeship Boost Initiative. As part of the Education Bilateral briefing [T2024/687 refers] Treasury included a matrix of scaling options and associated costs, which the Ministry of Education prepared (see matrix table below), with the key scaling options being:

   - reducing the number of sectors that are eligible for support
   - changing eligibility to be either for first-year or second-year apprentices, not both
   - reducing the current $500 per month payment (the Ministry provided costings for a reduction to $300).

3. On balance, Treasury recommended a scaled option at an ongoing cost of $29.223 million per annum from 2025/26 onwards,[4] with the following components and rationale:

   a. <u>target to priority sectors:</u> the Ministry have identified priority sectors to scale the scheme to 81% of apprentices.[5] Further targeting by sector would reduce the breadth of the scheme as well as create a risk of arbitrary distinctions being drawn between sectors, as well as additional complexity to administer the scheme.

   b. <u>scale support to first-year apprenticeships only:</u> maintaining support for first year apprentices supports the objective of ABI to increase the number of placements made available, and assumes that second-year apprentices should be less of a financial burden to employers.

   c. <u>maintain $500 payments:</u> in the absence of any clear evidence on the impact of the payment level on employer behaviour, we consider that retaining the current payment level is more likely to encourage employers to take on apprentices.

4. You have agreed to include the above Treasury recommended scaled option in the BM4 package [T2024/887 refers].

5. We note that scaling to this degree by removing eligibility for second-year apprentices and targeting by sector will reduce the number of employers and potential apprentices who would benefit from the scheme. However, given there is limited evidence available on the effectiveness of the scheme in influencing employer behaviour to take on and train apprentices, we consider that a reduction in funding is appropriate in the constrained fiscal environment.

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[4] This option is indicated in the attached table in red.

[5] *Targeted fields indicated in the attached table.

Excerpt from Scaling Estimates for Apprenticeship Boost Initiative (as at March 2024)

[33]

No targeting	2024/2025	$78,816,000	$63,885,000	$57,194,000	$63,109,000	$50,912,000	$54,460,000
	2025/2026 (and out years)	$78,541,000	$48,522,000	$35,156,000	$46,879,000	$22,491,000	$29,525,000
[33]				[33]	[33]		
				$29,223,000			
				[33]			