

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
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- [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: Supporting material for Budget Ministers 4

| | | | |
|--------------|--------------|---------------------|------------|
| Date: | 5 April 2024 | Report No: | T2024/933 |
| | | File Number: | 2-4-2024-2 |

Action sought

| | Action sought | Deadline |
|---|---|--------------|
| Hon Nicola Willis Minister of Finance | <p>Use the material below to prepare for Budget Ministers 4 on 8 April.</p> <p>Indicate your decisions on the outstanding initiatives where you are able.</p> | 8 April 2024 |

Contact for telephone discussion (if required)

| Name | Position | Telephone | 1st Contact | |
|----------------|-----------------|-----------|-------------|---|
| Jinal Mehta | 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: Supporting material for Budget Ministers 4

Purpose of Report

1. This report provides you with a reading guide to **help you to navigate the wide range of Budget 2024 advice you have received this weekend**, in advance of Budget Ministers 4 (BM4) on Monday 8 April.
2. Please advise officials if you require any further information to support your engagement. We will also be available to support you in the meeting itself, as required.
3. There are several annexes to this report:
 - a **Annex 1:** All the decisions and relevant reports with further information or advice, to support you in preparing for the meeting.
 - b **Annex 2:** Further advice on the Waste Disposal Levy (WDL), including your options for achieving savings from Budget 2024.
 - c **Annex 3:** Further advice on the International Visitors Levy (IVL), including your options for savings from Budget 2024. This is intended to support your conversation with Ministers Doocey and Potaka on Monday 8 April, as well as any discussion on the IVL at BM4.
 - d **Annex 4:** Further information on Partnership Schools and the Ministry for Regulation, as you requested at Budget Matters on 4 April. You have also received more detailed advice and options around Partnership Schools (T2024/897 refers).
 - e **Annex 5:** Talking points about the Independent Rapid Reviews for the BM4 meeting.
 - f **Annex 6:** Advice on GeoHazards Information Service initiative. You have not requested information on this initiative, but we understand Minister Mitchell may raise this with you.
 - g **Annex 7:** Information on Budget 2024 workforce implications.

Overview of the Budget 2024 package

4. Below is a full summary of the changes included/not yet included in the package (as reflected in slides):

| Status | Initiative |
|--|---|
| Included in Budget Ministers 4 package | All decisions that you have taken since BM3. This includes those in: Annexes of outstanding decisions sent on Sunday 31 March (T2024/823), Tuesday 2 April (T2024/874), and Wednesday 4 April (T2024/887). The report on savings from 9 agencies provided on Sunday 31 March (T2024/853), excluding Transport technical initiatives which are subject to your conversation with Minister Brown). Further advice on the Education package at Budget 2024, including on the envelope approach (T2024/863). |

| Status | Initiative |
|--|---|
| | <p>Joint Treasury/MSD report on savings (T2024/624), excluding changes to the accommodation supplement – this is covered in T2024/904.</p> <p>Treasury recommended decisions on: Police Budget 2024 Package (T2024/624) – in your weekend bag. Oranga Tamariki cost pressures (T2024/905, in your weekend bag).</p> |
| <p>Not included in the Budget Ministers 4 package, but included as “outstanding decisions”</p> | <p>Decisions on the following are still outstanding, and so have not been included in the package, but have been included in your “outstanding decisions” options in the BM4 slides (see slide 5). All these reports are in your weekend bag: Annexes of outstanding decisions included in your weekend bag (T2024/905), except increase in Oranga Tamariki cost pressures. Excise on heated tobacco products (subject to conversations with your coalition partners). Changes to the accommodation supplement (T2024/904). Further housing savings (T2024/904). Savings from the IVL (details in Annex 3 of this report). Savings from the WDL (details in Annex 2 of this report). Savings from changes to the ^[33]</p> <p>Savings from Independent Rapid Reviews (T2024/824)</p> |
| <p>Not included in the package or “outstanding decisions” section</p> | <p>Savings from Transport technical initiatives, which are subject to your conversation with Minister Brown (T2024/863 refers)</p> |

Miscellaneous follow ups on various initiatives

Auckland Pacific Skills Shift (ID: 15610)

- You agreed to remove savings from the Auckland Pacific Skills Shift (T2024/874 refers), but indicated you wished to speak to the responsible Minister. You may wish to follow up with Minister Lee about this initiative (in her capacity as the Minister of Economic Development).

Transport – licence subsidy (ID: 15691)

- You recently asked to understand the impact of the ‘older drivers licence subsidies’ portion of Waka Kotahi/New Zealand Transport Agencies’ baseline reduction initiative (ID 15691). This initiative is part of a wider 5% reduction proposed for the Land Transport Regulatory Services Appropriation.
- Older drivers have to renew their licence more frequently than other drivers. In recognition of this, there is a subsidy on the cost of renewing licences. The impact of this savings proposal would see older drivers paying approximately 65 cents extra when renewing their license.

8. We estimate that the savings from this element of the initiative are approximately \$0.072 million (\$72k). We can request that this additional detail is firmed up with Waka Kotahi, if required.

Reduced savings from Public Service Commission

9. As part of the further savings exercise, the Public Service Commission (PSC) advised it may be able to provide a one-off saving of up to \$1 million in 2024/25. This was based on PSC moving quickly to a new sustainable and affordable size. ^[33]

As a result, PSC proposes reducing the one-off saving from \$1 million to \$0.3 million total operating. This would give them an additional \$0.7 million in 2024/25 to ensure the transition can be achieved without the risk of going unappropriated. PSC have noted that they will return any unspent funding from transition costs in 2024/25 if they don't eventuate as planned.

Recommended Action

We recommend that you:

- a **note** the information in the following Annexes to this report:

- Annex 1: All the decisions and relevant reports with further information or advice, to support you in preparing for the meeting.
- Annex 2: Further advice on the Waste Disposal Levy (WDL), including your options for achieving savings from Budget 2024.
- Annex 3: Further advice on the International Visitors Levy (IVL), including your options for savings from Budget 2024. This is intended to support your conversation with Ministers Doocey and Potaka on Monday 8 April, as well as any discussion on the IVL at BM4.
- Annex 4: Further information on Partnership Schools and the Ministry for Regulation, as you requested at Budget Matters on 4 April. You have also received more detailed advice and options around Partnership Schools (T2024/897 refers).
- Annex 5: Talking points about the Independent Rapid Reviews for the BM4 meeting.
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- Annex 7: Information on Budget 2024 workforce implications.

Miscellaneous follow ups on various initiatives

- b **note** that Minister Lee is responsible for the Auckland Pacific Skills Shift savings, and that – per your decision in T2024/874 – this initiative is no longer in the Budget 2024 package;
- c **note** the requested information on the impact of the ‘older drivers licence subsidies’ portion of Waka Kotahi/New Zealand Transport Agencies’ baseline reduction initiative provided in this report;

- d **note** that the impact of this savings proposal (approximately \$0.072 million) would mean that older drivers pay approximately 65 cents extra when renewing their license;

Waste Disposal Levy (WDL)

- e **note** that to realise savings through Budget 2024, the scope of Cabinet decisions should focus on expanding the scope of the WDL;

- f **indicate** your preferred approach to Cabinet decisions on the WDL:

EITHER

- a. a separate Cabinet paper be considered by a Cabinet committee no later than 15 April 2024 (***Treasury recommended***);

Agree/disagree.

OR

- b. the policy decisions are included in the Budget 2024 Cabinet paper on 29 April 2024.

Agree/disagree.

- g **agree** to provide direction on your preferred date and scope for the Cabinet paper with Minister Simmonds following Budget Ministers 4 on 8 April;

Agree/disagree.

- h **note** that we have included savings from the Waste Levy in the “outstanding decisions” section of the Budget Ministers 5 slides (refer to slide 5);

[33]

Reduced Savings from Public Service Commission

- k **agree** to reduce one-off savings from the Public Service Commission from \$1 million to \$0.3 million, as transition costs were higher than expected.

Agree/disagree.

Keiran Kennedy
Manager, Budget

Hon Nicola Willis
Minister of Finance

____ / ____ / ____

Annex 1: BM4 reading guide

| Slide | Outstanding decisions | What to read | Potential further actions |
|--|---|---|--|
| Slide 3: Decisions at and since BM3 | None | The BM3 readout contains a breakdown of all decisions and actions agreed at BM3. | None. The BM3 readout will be circulated to Budget Ministers alongside the BM4 slides. |
| Slide 4 and 5: Overview of the Budget 2024 package | These are set out in the slides below. | This Aide Memoire. The table in paragraph 4 above sets out what is included in the Budget 2024 package. | None. |
| Slide 6: Fiscal Strategy | None for BM4. The fiscal strategy is scheduled to be discussed at Budget Ministers 5 (BM5) on Wednesday 10 April. | T2024/872 | You may wish to refer this report onto Budget Ministers. |
| | Apprenticeship Boost – Approval of the scaled option currently in the package. | Annex 3 of T2024/905 | None. |
| | Partnership schools – Approval of the scaled option currently in the package. | T2024/897 | You may wish to refer this onto Minister Seymour or use it to support your discussions with him. |
| Slide 10: Police | Agreement to changes to the overall Police package. | T2024/918 | None. |
| | Increasing funding for Gumboot Friday to \$6 million per annum from 2024/25. | None | None. |
| | Approach to pharmaceutical co-payments. | T2024/914 | You may wish to refer this onto Budget Ministers. |
| Slide 13: Defence and Foreign Affairs | Agreement to the overall Defence Force package. | T2024/895 | None. Post your bilateral with Minister Collins, we are expecting further information or possible package changes from New Zealand Defence Force |
| Slide 14: Oranga Tamariki | Agreement to the overall Oranga Tamariki package. | Page 6 of T2024/887 | None. |
| Slide 15: Whaikaha | Agreement to the approach to Whaikaha cost pressures | Annex 2 of T2024/905 | None. |

| | | | |
|---|---|--|--|
| Slide 16: Social Development | Agreement to the overall Social Development package. | None. | None. |
| | Eligibility changes to the accommodation supplement. | T2024/624 | You may wish to discuss this initiative with Minister Upston ahead of BM4. |
| Slide 17: MBIE | Regional Infrastructure Fund | T2024/899 | You may wish to discuss this initiative with Minister Jones and refer T2024/899 to Budget Ministers. |
| | [33] | | None. |
| Slide 18: Housing | Housing savings, including the use of First Home Grants to fund additional Social Housing Places. | T2024/904 | None. |
| Slide 19: Transport | Agreement to the overall Transport package. | | None. |
| Slide 20: Natural Resources | Decisions on the Waste Disposal Levy. | Annex 2 of this report. | You may wish to refer Annex 2 to Minister Bishop. |
| | International Visitor Levy. | Annex 3 of this report. | You may wish to refer Annex 3 to Ministers Doocey and Potaka. |
| Slide 21: Population and other agencies | Approach to the Ministry for Regulation. | Annex 4 of this report. | None. |
| Slides 22: Tax | Agreement to the overall tax package. | Back-pocket tax scaling options removed from BM4 materials, to be provided to you separately. | None. |
| Slide 24: Independent Rapid Reviews and Treasury review of further 9 agencies | None, but you may wish to speak the Independent Rapid Review findings at BM4. | T2024/853: For additional baseline savings from 9 agencies T2024/824: For Independent rapid reviews. T2024/938: For further savings from CERF in the agriculture portfolio. We have also provided talking points in Annex 5 of this report. | Ahead of BM4, you may wish to discuss further savings in the Transport and Agriculture sectors with Ministers Brown and McClay respectively. |
| Slide 25: Approach to Capital at Budget 2024 | Approach to capital at Budget 2024. | None. | None. |
| Slide 26: Workforce implications | None. | Annex 7 of this report. | None. |

Annex 2: Waste Disposal Levy

Waste Disposal Levy – realising targeted policy savings for Budget 2024

Savings Proposal

A Cabinet paper on the Waste Disposal Levy (waste levy) that is no longer being progressed would have generated \$104 million in savings for Budget 2024. The Treasury vote team received a copy of this Cabinet paper during agency consultation stage. We understand that Budget Ministers are still interested in progressing options for the Waste Disposal Levy at Budget 2024.

The Cabinet paper proposed to expand the scope of the waste levy, enabling activities that are currently funded in separate appropriations to be funded from within the waste minimisation appropriation. This then allows for a reduction of those separate appropriations (as that activity is now in scope of levy funding) thus generating savings. Expanding the scope of the levy will require legislative change which would be possible through Budget night legislation.

The \$104 million savings are split between the Waste Disposal Levy targeted savings initiative and the Waste Minimisation baseline savings initiative. The Waste Minimisation initiative is currently scaled in the Budget package (\$26.388 million total operating). Progressing the waste levy proposal would mean this initiative can be included in full (an additional \$25.584 million total op), and \$61.83 million in savings can be included against the Waste Disposal Levy initiative (that is not currently in the package).

Pending final decisions, we note the estimated waste levy expansion impact on savings is:

| Initiative | Levy enabled savings currently included in B24 package | Additional savings that could be included in the package | Total |
|--------------------------------|---|---|----------------|
| ID 15592 - Waste Minimisation | 16.700* | 25.584 | 42.284* |
| ID 15595 – Waste Disposal Levy | - | 61.83 | 61.83 |
| Total | | | 104.114 |

*The Waste Minimisation initiative includes components (\$9.688m) not impacted by changes to the waste levy scope that are currently included in the Budget package (\$26.388 million total operating). If the scope expansion is agreed, the total savings for the initiative would be \$51.972 million.

[33]

Options to progress decisions

If you wish to include waste levy savings in Budget 2024, Cabinet decision is required seeking agreement to the expand the levy scope. There are two options to progress this:

1. A separate Cabinet paper considered by a Cabinet committee no later than 15 April (Treasury recommended) or,

2. The policy decision is included in the Budget 2024 Cabinet paper on 29 April 2024.

You also asked about a separate Cabinet paper going to Cabinet on 29 April alongside the Budget Cabinet paper. Given the need for certainty on the final Budget package in the Budget Cabinet paper, we do not recommend this approach. Separate papers increase the risk that a decision is taken on the waste levy contrary to that reflected in the Budget package.

We also understand Environment Ministers may still be considering a broader range of options, including further expansion of the waste levy scope, and increasing the levy. To ensure savings are realised for 2024/25, we strongly recommend that for Budget 2024 the proposal is limited to the expansion of the scope as described above. ^[33]

At Budget Ministers 4, we recommend confirming an approach to and timing of the Cabinet paper that allows savings to be realised from an expansion of the waste levy scope at Budget 2024. This will also need to be discussed with Minister Simmonds.

Annex 4: More information about Partnership Schools and Ministry for Regulation

| Relevant initiatives | | | | | | | | |
|---|---------------|---------------|---------------|---------------|---------------|-----------------------|---------------------------|---------------------|
| <ul style="list-style-type: none"> • ID 15799: Partnership Schools (Charter schools Kura Hourua) <i>Operating \$38.2m (per annum)</i> <ul style="list-style-type: none"> ○ In keeping with the Coalition Agreement between the New Zealand National Party and Act New Zealand, new Charter schools kura hourua (partnership schools) will be created and State schools will have the option to become charter schools. ○ The current Treasury recommendation provides funding for the establishment of up to 15 new charter schools and the conversion of up to 35 State schools into charter schools along with appropriate support over the forecast period. This level of funding enables a balance to be struck between affordability and deliverability. Schools will be opened as proposals are approved. ○ The Departmental Agency (DA) model agreed following recent Cabinet decisions increases costs. Costings are still subject to confirmation but the \$4.0 million of recommended funding provided balances the additional costs needed against the high bar for new FTE. This funding would cover the costs of a Chief Executive and a small number of additional staff to deliver the work of the DA (final staff numbers will be subject to further work by the Ministry of Education and the DA on exact staffing requirements) and for the DA to engage with schools to stimulate demand for the programme and implement contracts with schools. | | | | | | | | |
| Charter Schools | 2023/24 (\$m) | 2024/25 (\$m) | 2025/26 (\$m) | 2026/27 (\$m) | 2027/28 (\$m) | Total Operating (\$m) | Operating per annum (\$m) | Total Capital (\$m) |
| Funding | 0 | 25.223 | 57.018 | 35.478 | 35.371 | 153.090 | 38.273 | 0 |
| <ul style="list-style-type: none"> • ID 15734: Ministry for Regulation - Establishment and ongoing funding <i>Operating \$3.8m (per annum), Total Capital \$2.0m</i> <ul style="list-style-type: none"> ○ This initiative provides funding to establish and operate a new Ministry for Regulation. This funding is in addition to the reprioritised funding from: <ul style="list-style-type: none"> ○ the Productivity Commission (\$5.7m p/a), ○ Treasury (\$1.7m p/a), and ○ Ministry of Business, Innovation and Employment (\$0.3m p/a). ○ This means the total budget for the Ministry of Regulation is approximately \$12m p/a with costs slightly front-loaded in 2024/25. ○ This level of funding will enable an agency of 42 FTE. ○ The additional funding will enable the Ministry to undertake new functions, including undertaking regulatory sector reviews and ensuring compliance with new regulatory principles. It will enable the Ministry to expand existing functions, including quality assurance of regulatory impact statements. | | | | | | | | |
| Regulation | 2023/24 (\$m) | 2024/25 (\$m) | 2025/26 (\$m) | 2026/27 (\$m) | 2027/28 (\$m) | Total Operating (\$m) | Operating per annum (\$m) | Total Capital (\$m) |
| Funding | 0 | 4.589 | 3.557 | 3.557 | 3.557 | 15.26 | 3.815 | 2.04 |

Annex 5: Independent Rapid Reviews Talking Points

- I now have the final IRR reports and have referred these onto you.
- Positively, the Reviewers confirmed that agencies had done a good job, and Reviewers did not identify significant additional savings for Budget 24 – but were generally supportive of the savings packaged proposed.
- There are two savings proposals identified:
 - MfE proposal relating to Kaipara Moana Remediation Funding - \$3.2 million per annum, and
 - MBIE proposal largely relating to closing contestable funds \$84.5 million per annum.
- Treasury supports the Kaipara Moana proposal and the MBIE proposal but recommends deferring consideration of the MBIE proposal until after Budget 2024. This is because confirming savings would require a process of engagement with portfolio Ministers and Crown Entities which may not be proportionate or achievable within the tight timeframes for agreeing the package.
- *[Depending on conversation with Minister Seymour about MBIE proposal and the Minister for the environment about the Kaipara Moana proposal]:* This means that the overall budget package will incorporate savings of an additional \$3.2 million per annum from the MfE proposal.
- The Reviews identified a range of recommendations for possible savings post Budget 2024. It is my intention to request the responsible or agency Minister provide me with a 'Response' plan to enable these recommendations to be progressed further. These will feed into phase two of the fiscal sustainability programme which I will be receiving advice on shortly.

[33]

[33]

[33]

