

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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- [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
- [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
- [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: Finalising the Budget 2024 Package

Date:	9 April 2024	Report No:	T2024/967
		File Number:	BM-2-4-2024

Action sought

	Action sought	Deadline
Hon Nicola Willis Minister of Finance	<p>Indicate your decisions on individual initiatives outlined in Annexes 1, 2 and 3.</p> <p>Note the material provided on Treaty of Waitangi implications of the Budget 2024 package in Annex 4.</p>	10 April 2024

Contact for telephone discussion (if required)

Name	Position	Telephone	1st Contact
Jinal Mehta	Analyst, Budget ^[39]	^[35]	
Chris Brunt	Senior Analyst, Budget	-	✓
Bonar Robertson	Principal Advisor, Public Finance Policy	-	(Technical package only)
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: Finalising the Budget 2024 Package

Purpose of Report

1. This report:
 - a Provides you with responses on initiative level queries you had following Budget Ministers 4 (BM4) and following advice provided to you last week (T2024/905 refers). Our advice and recommendations are included in Annex 1.
 - b Provides an update on the technical package for Budget 2024, including follow ups from previous advice (T2024/814 refers) in Annex 2 and a late technical initiative in Annex 3.
 - c Provides you with advice regarding next steps to manage the Treaty of Waitangi implications of the Budget 2024 package, further to the advice provided in the bilateral briefings and in advance of Budget Ministers 3. See Annex 4.

Pay Equity

2. We are continuing to make amendments to the Budget 2024 package as additional decisions and amendments are made. To date, we have treated pay equity as a separate line item, which has been added manually into the summary schedule. This is because it is still awaiting a Cabinet decision and there has been considerable discussion about the quantum that could be included in the Budget 2024 package.
3. [38]
- 4.
- 5.
6. We understand that the Cabinet paper to agree the pay equity saving is planned for the 15 April 2024, and will need to be agreed by 29 April 2024 (at the latest), so we can incorporate these decisions into the final Budget 2024 package.
7. The updated Budget 2024 table below reflects this change.

Budget Package as at 9 April (1pm) – see notes on following page

Budget 2024 Package \$millions Savings / (Spending)	Operating Allowances					Total Operating	Average Per Annum	MYCA Total Capital
	2023/24	2024/25	2025/26	2026/27	2027/28 and Outyears			
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	745	1,962	2,488	2,472	2,521	10,188	2,547	(349)
<i>Baseline savings</i>	122	972	1,004	1,036	1,103	4,236	1,059	700
<i>Targeted Policy savings and revenue</i>	322	460	844	899	897	3,422	855	(2,051)
<i>Capital Pipeline Review</i>	182	12	16	17	17	243	61	625
<i>Tagged Contingencies</i>	48	118	130	101	100	496	124	325
<i>Additional Baseline Savings Review (Nine Agencies)</i>	-	31	4	2	2	40	10	-
^[33]								
Treasury Discount for baseline savings	-	-	-	-	-	-	-	-
New Spending	(82)	(3,060)	(4,364)	(4,044)	(4,036)	(15,585)	(3,896)	(3,526)
<i>Government Policy Commitment</i>	(81)	(649)	(757)	(248)	(288)	(2,023)	(506)	(3,056)
<i>Tax Package</i>	(1)	(2,393)	(3,574)	(3,751)	(3,694)	(13,413)	(3,353)	-
<i>Capital Investment</i>	(0)	(18)	(33)	(44)	(54)	(150)	(37)	(470)
^[33]								
Cost Pressures and Capital Cost Escalations	(33)	(2,721)	(2,440)	(2,294)	(2,250)	(9,738)	(2,435)	(1,386)
<i>Cost Pressures</i>	49	(704)	(617)	(567)	(541)	(2,380)	(595)	(702)
<i>Health Cost Pressures</i>	-	(1,430)	(1,430)	(1,430)	(1,430)	(5,720)	(1,430)	-
<i>Whaikaha Cost Pressures</i>	(80)	(322)	(230)	(230)	(237)	(1,100)	(275)	(63)
<i>Capital - Cost Escalations</i>	(2)	(265)	(162)	(67)	(43)	(539)	(135)	(621)
Total Budget Package	601	(4,237)	(4,762)	(4,278)	(4,200)	(16,875)	(4,219)	(5,330)
Remaining within / (Over) Budget Allowances	707	(465)	503	536	311	1,592	398	6,845

Note, relating to the summary table:

- The following items are excluded from the table above: savings from ^[33] savings from the Independent Rapid Reviews and reduction in tax revenue on smoked tobacco products (removing duty from heated tobacco products).
- In the table above, there is a separate line for the Education Envelope, which includes a mix of new spending, cost pressures and reprioritisation initiatives per agreement with the Minister of Education. In addition to the Education Envelope, certain education initiatives are included in either the Government Policy Commitment line (ie Healthy School Lunches, Partnership Schools) or within capital investments, cost escalations, or baseline savings.
- Tax package (excluding family boost) have been included at 31 July implementation date.
- 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 the Pre-commitments line.
- The Whaikaha pre-commitment of \$80 million is reflected within the Whaikaha cost pressure.
- In the table above, Housing savings are shown separately and include saving initiatives from both Housing and Urban Development and Kāinga Ora.

Update on the Budget 2024 technical package

8. We provided advice to you on the Budget 2024 technical package on 5 April 2024 [T2024/814 refers]. You agreed to most of the initiatives being included in the package, and we are progressing the preparation and review of financial recommendations for these with agencies.
9. You requested further information on six initiatives. Annex 2 provides further advice on the questions you asked and seeks your approval to include these initiatives in the technical package.

Kāinga Ora – Homes and Communities Private Debt Refinancing Facility

10. The most significant concern you raised was for initiative 16032 *Kāinga Ora – Homes and Communities Private Debt Refinancing Facility*.

Policy decisions were undertaken by the previous Government (in 2022) that Kāinga Ora was no longer to borrow on the private market. An arrangement was agreed where New Zealand Debt Management (NZDM) borrow centrally and then 'on-lend' to Kāinga Ora, to be more efficient than Kāinga Ora borrowing from private market. This means that Kāinga Ora needs to borrow from central government to refinance its bonds. This was expected to decrease borrowing costs and provide greater financing certainty. Treasury considered that these arrangements would significantly reduce Kāinga Ora's liquidity needs without impacting on their ability to deliver.

11. Policy decisions were undertaken by the previous Government (in 2022) that Kāinga Ora was no longer to borrow on the private market. An arrangement was agreed where New Zealand Debt Management (NZDM) borrow centrally and then 'on-lend' to Kāinga Ora, to be more efficient than Kāinga Ora borrowing from private market. This means that Kāinga Ora needs to borrow from central government to refinance its bonds. This was expected to decrease borrowing costs and provide greater financing certainty. Treasury considered that these arrangements would significantly reduce Kāinga Ora's liquidity needs without impacting on their ability to deliver. Because it is considered more likely than not that NZDM will refinance Kāinga Ora and Housing New Zealand debt as it matures, these costs have already been factored into the borrowing programme forecasts under accounting standards.
12. After further consultation with NZDM, we have been informed that, over the forecast period only ^[25] is required to be appropriated to cover refinance costs. This is because one of the bonds originally captured in initiative 16032 is not maturing until 18 October 2028, and therefore falls outside of the forecast period. NZDM have confirmed that this ^[25] is factored into the New Zealand Government Bond borrowing programme over the forecast period to 30 June 2028. We will work with the Ministry of Housing and Urban Development to update the initiative for this.
13. There is an additional ^[25] of Housing New Zealand bonds outstanding that mature between 2028/29 and 2040/41.
14. Because it is considered more likely than not that NZDM will refinance Kāinga Ora and Housing New Zealand debt as it matures, these costs have already been factored into the borrowing programme forecasts under accounting standards.
15. After further consultation with NZDM, we have been informed that, over the forecast period only ^[25] s required to be appropriated to cover refinance costs. This is because one of the bonds originally captured in initiative 16032 is not maturing until 18 October 2028, and therefore falls outside of the forecast period. NZDM have confirmed that this \$4.065 billion is factored into the New Zealand Government Bond borrowing programme over the forecast period to 30 June 2028. We will work with the Ministry of Housing and Urban Development to update the initiative for this.
16. There is an additional ^[25] billion of Housing New Zealand bonds outstanding that mature between 2028/29 and 2040/41.
17. This funding does not change the debt headroom of Kāinga Ora, it only refinances market lending with Crown lending. We agree that best practice would be to appropriate the full amount required for refinancing in the forecast period at the time it is known these debts will need to be refinanced and will work with the Ministry of Housing and Urban Development to improve this practice.
18. We recommend an explicit financial recommendation is included in the Budget 2024 Cabinet paper that notes that this spending is to be managed outside of allowances given that it has already been incorporated in the NZ Government Bond borrowing programme forecasts.

Other technical package matters

19. After the advice we provided on Friday, the Ministry of Business, Innovation and Employment requested to submit a late technical initiative into the package. While submitted well past the deadline for technical initiatives, we recommend this initiative is included in the technical package. Otherwise, the change would need to be progressed outside of the Budget process. A minor appropriation change being progressed in this way would not be a good use of agency, Treasury, or Ministerial time. We have outlined the initiative and our recommendation in Annex 3 and seek your approval to include the initiative in the technical package.

20. We have worked with the Ministry of Transport to reflect the decisions on the Vote Transport technical initiatives following your meeting with Minister Brown on 5 April 2024. The table below outlines the changes made to the technical package; however, we note that these amendments have not been approved for the budget package yet:

ID	Initiative title	Changes made
16002	Maritime New Zealand – Reprioritisation of funding	Moved to baseline savings track.
[33]		
16005	Transport Choices – Scaling of Programme	Moved to savings track.
16007	Maintaining Critical Frontline Water Safety Services	Moved to cost pressure track.
16008	Severe weather / emergency response readiness, resilience, and recovery	Moved to new spending track.
16009	Auckland Light Rail – Return of Surplus Funding	Moved to savings track.
16010	Clean Vehicle Discount – Return of Surplus	Moved to savings track.
16011	Community Connect Programme Concessions – Return of Surplus Funding	Moved to savings track.
16016	Civil Aviation Authority Health and Safety at Work Act (HSWA) delegations	Moved to cost pressure track.

21. You also received advice on a range of Housing matters [T2024/904 refers]. The decisions you took on this advice has the following impact on these two technical initiatives:
- a 16030: Accounting for Upfront Payments and Amortisation Expenses – this remains in the technical package.
 - b 16031: Transfer of Shovel Ready Assets to Councils and other Stakeholders – this will be moved into the main Budget 2024 package.
22. Once you have confirmed your decisions on the initiatives in Annex 2 and 3, we will have all decisions we require from you on the technical package.

Independent Rapid Reviews

23. We reported to you last week on the findings of the Independent Rapid Reviews (IRR). You had follow-up questions relating to potential further savings arising from the Ministry of Business, Innovation and Employment (MBIE) IRR.

[33]

Kānoa

26. You sought further advice on the additional \$29.0 million of funding that the IRR report identified as potential savings. Minister Jones has subsequently written to you identifying \$27.9 million that can be returned from Kānoa-administered funds to the centre. Treasury will work with MBIE on the process to return these funds.

Contestable funds

27. We understand that you are in the process of engaging with relevant portfolio Ministers to realise savings from the following funds:
- a International Growth Fund (Minister for Trade)
 - b Management Capability Fund (Minister for Small Business and Manufacturing)
 - c Innovation Programme for Tourism Recovery Fund (Minister for Tourism and Hospitality).
28. Following your engagements, we are working with MBIE to confirm the amount of savings that can be banked and will provide a further update.

Recommended Action

We recommend that you:

Pay equity summary schedule

- a [38]

- b **note** that the Treasury has completed significant additional quality assurance overnight on 8 April, to ensure that this is an isolated error;

Decisions on Annexes 1, 2 and 3

- c **indicate** your decisions regarding the treatment of the initiatives in Annex 1 in the final Budget 2024 package for agreement at BM5;
- d **indicate** your decisions on the outstanding technical initiatives in Annex 2 for inclusion in the Budget 2024 technical package;
- e **indicate** your decision on the late technical initiative for Vote Business, Science and Innovation in the Budget 2024 technical package as outlined in Annex 3;

Follow ups on the Independent Rapid Reviews

- f [33]

Treaty of Waitangi analysis

- g **note** the Treaty of Waitangi implications of the Budget 2024 package analysis set out at Annex 4; and
- h **discuss** next steps regarding this analysis with officials at Budget Matters on 10 April 2024.

Agree/Disagree

Keiran Kennedy
Manager, Budget

Hon Nicola Willis
Minister of Finance

_____/_____/_____

Annex 1 – Outstanding Budget 2024 decisions

Vote	ID	Title	Follow up question raised	Treasury response	Minister of Finance decision	Package amount if Treasury recommendation accepted (\$m)		Variance from BM4 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	15699	Screen Production Grant (International)	You currently have funding in the Budget 2024 package for the Screen Production Grant (SPG) in 204/25 and 2025/26, [33] and [34]	We are currently working through the fiscal treatment of expected costs from the rebate from 2026/27 onwards. The SPG is non-discretionary and uncapped. Expenditure occurs when qualifying production activity occurs, meaning no further Government decision is required. At present it is unlikely the level in current appropriations <u>and</u> the additional funding in the Budget 2024 package will be sufficient to cover costs in 2026/27 onwards. In the past, our fiscal forecasts have reflected the estimate of SPG expenses of productions currently registered with New Zealand Film Commission and estimates of production activity that may register during the year. The difference between the amount appropriated and included in the fiscal forecasts has previously been assumed to be met from a pre-commitment against a future Budget allowance. We have engaged with MBIE to determine whether this is a material issue. If an adjustment needs to be reflected, we will be seeking your agreement on how this should be treated for fiscal management purposes (e.g., charged against future (i.e., <u>not</u> Budget 2024) allowances).	Note work underway on the treatment of the Screen Production Grant in Treasury's fiscal forecasts.	-	-	-	-																		
Housing																											
Housing	15499	Kainga Ora Crown-Funded Programmes and Statutory Obligations – Continuation of Funding	Last week, you agreed to retain scaled funding for this initiative in the package. You have not requested further information on this initiative. However, as part of final quality assurance, we have identified a small error in the funding agreed.	<p>The original and corrected funding for this initiative is as follows:</p> <table border="1"> <thead> <tr> <th>Operating (millions)</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>Original</td> <td>34.920</td> <td>13.970</td> <td>11.610</td> <td>11.610</td> <td>72.110</td> </tr> <tr> <td>Corrected</td> <td>34.920</td> <td>14.970</td> <td>12.610</td> <td>12.610</td> <td>75.110</td> </tr> </tbody> </table> <p>We seek your agreement to make this change in the final Budget 2024 package.</p>	Operating (millions)	2024/25	2025/26	2026/27	2027/28	Total	Original	34.920	13.970	11.610	11.610	72.110	Corrected	34.920	14.970	12.610	12.610	75.110	Agree to include this change in the Budget 2024 package. <i>Agree/Disagree.</i>	18.8	-	0.8	-
Operating (millions)	2024/25	2025/26	2026/27	2027/28	Total																						
Original	34.920	13.970	11.610	11.610	72.110																						
Corrected	34.920	14.970	12.610	12.610	75.110																						

[33]

Vote	ID	Title	Follow up question raised	Treasury response	Minister of Finance decision	Package amount if Treasury recommendation accepted (\$m)		Variance from BM4 package (\$m) Less savings / (More savings)	
						Average operating p.a.	Total capital	Average operating p.a.	Total capital
Health									
Health	N/A	Multi-Year Funding for Health – Precommitments for Future Budgets	You and the Minister of Health have agreed to a multi-year cost pressure arrangement for Vote Health covering three years of cost pressures (refer T2023/2003). This seeks your formal agreement to those pre-commitments.	<p>In the Health Budget 2024 bilateral you agreed that you wanted to fund Health New Zealand cost pressures at the level of the health Budget Planning Parameters set out in Treasury's 2023 Economic and Fiscal Updates and included in your fiscal plan. The Budget 2024 package includes \$1.43 billion per annum for Health New Zealand cost pressures.</p> <p>Under the three-year cost pressure arrangement, the Budget 2025 and Budget 2026 components would be pre-commitments against the Budget 2025 and 2026 allowances. This means that \$1.37 billion per annum would be charged against the Budget 2025 allowance and \$1.37 billion per annum would be charged against the Budget 2026 allowance. Treasury provided further information to your office on 9 April 2024 on how the cost pressure arrangement works, including the pre-commitments.</p>	<p>Agree to pre-commit \$1.37 billion per annum against the Budget 2025 allowance. <i>Agree/Disagree.</i></p> <p>Agree to pre-commit \$1.37 billion per annum against the Budget 2026 allowance. <i>Agree/Disagree.</i></p>	-	-	-	-
Health	15795, 15792	Prescription co-payment – reinstating the \$5 prescription co-payment with targeted exemptions	<p>At BM4, Budget Ministers asked two questions regarding this initiative:</p> <p>1. Whether the new pharmaceutical software to better tally when families have reached their 20 scripts per year would lead to an increase in the costs of this policy.</p> <p>2. What the implications of recognising Pharmac's increased budget outside of allowances would be.</p>	<p>The Ministry of Health's response to (1), and our response to (2), are set out below.</p> <p><u>Question 1</u> Health New Zealand is working on developing software to improve the prescription subsidy card (PSC) system. The new system will enable pharmacists to look up the item count towards getting a PSC and link the number of prescriptions written for family members towards a PSC. The new system is likely to be available by 1 February 2025 to align with the beginning of the PSC year.</p> <p>The new system is expected to reduce administrative burden for pharmacists in assigning the correct co-payment amount. It is not immediately clear what impact this will have on co-payment revenue independently of the proposed co-payment changes. This is because health officials do not currently know the extent to which pharmacists comply with the current system rules under the existing manual process. It is possible that there are currently some households that are eligible for co-payment exemption and do not access it under the current manual system, and that the introduction of an automated software system would increase number of prescriptions exempt from co-payment. However, it is also possible that there is variable interpretation of the number of prescriptions incurred by all members of the household at individual pharmacies.</p> <p>Therefore, officials have not included the updated PSC software changes into the modelling because of the uncertainty around the costs and forecast for prescription medicines as the impact of these software changes; however, they do predict that the impact will be minimal. Given this is not a new policy change and the PSC is paid from forecast appropriations (Disability Assistance and Hardship Assistance) in Vote Social Development any increase in costs will flow through to the forecasts of these appropriations.</p> <p><u>Question 2</u> The wider prescription co-payment costs for Pharmac are funded from an annual appropriation. Any funding increases in the appropriation would need to be agreed by Cabinet, rather than being automatically adjusted. Therefore, any change in funding would not constitute a forecast change, as the increase in spending is dependent on a policy decision to increase the funding. Which costs are (and aren't) managed against the allowance is your decision. However – consistent with the treatment of ongoing funding for other instances of time limited funding (e.g., Healthy School Lunches) – our strong recommendation is that this cost is managed against the allowance.</p>	<p>Agree to leave this initiative in the Budget 2024 package unchanged in the BM5 package, with treatment in the package subject to a further discussion with Budget Ministers. <i>Agree/Disagree.</i></p>	(29)	-	-	-

Vote	ID	Title	Follow up question raised	Treasury response	Minister of Finance decision	Package amount if Treasury recommendation accepted (\$m)		Variance from BM4 package (\$m) Less savings / (More savings)		
						Average operating p.a.	Total capital	Average operating p.a.	Total capital	
Health	N/A	Health Capital	You have indicated that you wish to consider options regarding ensuring that the health capital profile is neutral at Budget 2024.	<p><u>Background:</u> The Budget 2024 Health position for Te Whatu Ora came out at a net 0 position after the identification of cost pressures and reprioritisation opportunities. Subsequently, it was agreed to return two contingencies - the DHB Equity contingency (\$73.6m capex) and the Budget 2022 Data and Digital Contingency (\$50m capex). This is what makes up the net negative for the Budget 2024 Health position. ^[34] And the net negative position does not reflect savings coming out of the physical infrastructure side of the portfolio. While you have taken the decision to not fund any new health capital until the consideration of the Infrastructure Investment Plan, there are options available to you if you want to provide additional funding for health capital at this time.</p> <p><u>Proposed way forward:</u> In the initial reprioritisation exercise, Te Whatu Ora requested ^[33] for a centralised risk contingency. ^[25]</p> <p>You have an option to provide an additional \$103.4m, which will make it easier for Te Whatu Ora to manage known risks to in-flight projects, without having to deprioritise necessary maintenance on existing assets. This change would be sufficient to make your overall health capital budget neutral at Budget 2024.</p> <p>While Te Whatu Ora do have some depreciation funding on their balance sheet which could be used for this purpose, putting too much pressure on their depreciation over several years will result in smaller remediation projects being delayed or stopped. We think this is the best option for further investment, as cost escalations throughout the year are near certain.</p>	EITHER: Agree to not make any further changes to the health capital package at Budget 2024; <i>Agree/Disagree.</i> OR Agree to increase the Te Whatu Ora Risk Contingency through providing an additional \$103.4 million capital in the BM5 package (<i>Treasury recommended</i>). <i>Agree/Disagree.</i>	-	^[33]			
Health	15813	Health Workforce – Training more doctors	Following your decision last week that Student Loan operating impacts should flow to OBEGAL (T2024/887 refers), we have identified that this impacts on an initiative in Vote Health.	To align with your agreement that student loan operating impacts do not count against the operating allowance, we recommend you agree to reduce the Budget allowance impact of this initiative. This results in a saving of \$0.415 million average per annum to your Budget 2024 package.	Agree to amend this initiative in the Budget 2024 package. <i>Agree/Disagree.</i>	2.4	-	(0.4)	-	
Labour Market										
Labour Market	15833	MBIE Employment Services Savings	We understand that Minister van Velden has indicated to you that she does not wish to progress with approximately \$300k of savings from this initiative.	We understand that yourself and Minister van Velden agreed to remove \$0.3 million per annum from the Budget 2024 package and have flowed this through to the BM5 package.	Confirm that you wish to amend this initiative for the BM5 package. <i>Agree/Disagree.</i>	(2.7)	-	0.3	-	

Vote	ID	Title	Follow up question raised	Treasury response	Minister of Finance decision	Package amount if Treasury recommendation accepted (\$m)		Variance from BM4 package (\$m) Less savings / (More savings)																									
						Average operating p.a.	Total capital	Average operating p.a.	Total capital																								
No Vote																																	
N/A	N/A	Between Budget Contingency (BBC) and Emerging Priorities Contingency (EPC)	In response to previous advice (T2024/905), you requested further advice on decreasing the BBC to \$[33] per annum to offset topping up the EPC to [33] per annum.	<p>We recommend maintaining a [33] BBC as a [33] BBC is likely to be insufficient to meet urgent out of cycle funding requests and could lead to more precommitments against future Budget allowances. This risk is partially offset by your decision to roll forward unspent funding from the current BBC of \$19 million operating per annum, subject to any upcoming out-of-cycle funding decisions ahead of the Budget moratorium [T2024/905 refers].</p> <p>You had previously agreed to topping up the EPC to [33] per annum, but you could increase it to [33] per annum.</p>	<p>EITHER Agree to establish a [33] per annum BBC at Budget 2024 (<i>Treasury recommended</i>) <i>Agree/Disagree.</i> OR Agree to establish a [33] per annum BBC at Budget 2024 <i>Agree/Disagree.</i></p> <p>EITHER Agree to top up the EPC to [33] per annum at Budget 2024 (<i>Treasury recommended</i>) <i>Agree/Disagree.</i> OR Agree to top up the EPC to [33] per annum at Budget 2024. <i>Agree/Disagree.</i></p>	[33]																											
N/A	N/A	Social Investment	As you are aware, we have previously included a placeholder in the Budget 2024 package for accelerating our social investment work.	<p>The formal budget submission is still being completed however, after discussions with your office, we have amended the outyear funding.</p> <table border="1"> <thead> <tr> <th>Operating (millions)</th> <th>2023/24</th> <th>2024/25</th> <th>2025/26</th> <th>2026/27</th> <th>2027/28 & outyears</th> <th>Total</th> <th>Average p.a.</th> </tr> </thead> <tbody> <tr> <td>Original</td> <td>14</td> <td>5.5</td> <td>5.5</td> <td>5.5</td> <td>5.5</td> <td>36</td> <td>9</td> </tr> <tr> <td>Recommended</td> <td>14</td> <td>12</td> <td>12</td> <td>12</td> <td>12</td> <td>62</td> <td>15.5</td> </tr> </tbody> </table> <p>This would increase baseline funding for social investment to approximately \$18 million per annum (i.e., \$12 million new funding, \$6 million in existing funding through the Social Wellbeing Agency). This is broadly comparable to the new Ministry for Regulation, which will (subject to yours and Hon Seymour's final confirmation) have a baseline of between \$16 million (in 2024/25) and \$22 million (in 2027/28) per annum.</p> <p>Note that this initiative does not currently include one off funding for establishment of the social investment fund, devolution of social services, and IDI changes.</p>	Operating (millions)	2023/24	2024/25	2025/26	2026/27	2027/28 & outyears	Total	Average p.a.	Original	14	5.5	5.5	5.5	5.5	36	9	Recommended	14	12	12	12	12	62	15.5	Agree to increase the placeholder in the Budget 2024 package for social investment. <i>Agree/Disagree.</i>	15.5	-	6.5	-
Operating (millions)	2023/24	2024/25	2025/26	2026/27	2027/28 & outyears	Total	Average p.a.																										
Original	14	5.5	5.5	5.5	5.5	36	9																										
Recommended	14	12	12	12	12	62	15.5																										

Vote	ID	Title	Follow up question raised	Treasury response	Minister of Finance decision	Package amount if Treasury recommendation accepted (\$m)		Variance from BM4 package (\$m) Less savings / (More savings)	
						Average operating p.a.	Total capital	Average operating p.a.	Total capital
Oranga Tamariki									
Oranga Tamariki	[37]			<p>[37]</p> <ul style="list-style-type: none"> Costs for services to high needs children (ID 15455) funds service delivery and is to meet NGO's cost pressures (price) in delivering services to children with high needs. There are no new Oranga Tamariki FTE costs related to this funding. "Frontline Technology Systems Upgrade" (ID 15446) funds the design and establishment of a new case management system (and minor related services) to support frontline social workers and partners so is directed at the frontline. The core development team is already established. There will be some additional contractor and FTE costs expected during the design and development phase and then licensing costs ongoing. 	[37]				
Police									
Police	N/A	Reduction of tagged contingency for Next Generation Critical Communications (NGCC)	<p>Previous advice sought your direction on retaining the full NGCC tagged contingency funding of [33], thereby forgoing [33] in savings over the forecast period (T2024/918 refers). You requested that we provide advice on a scaled option after consultation with Police.</p>	<p>As noted in the previous advice, NGCC had informed us that the renegotiated vendor contract could be achieved with existing funding, but it was unclear whether this would require the full tagged contingency funding set aside for the project. While we expect that the proposed tagged contingency savings are unlikely to be required for project management costs, further engagement with Police has revealed that it is now likely that the full tagged contingency funding will be required (given there remain a number of price related risks). It is unlikely there will be sufficient information to inform a scaled option until [33].</p> <p>We therefore recommend you retain the full NGCC tagged contingency funding and forgo the potential [33]. You can take decisions on any future savings from the NGCC tagged contingency following completion of the negotiations. Should you wish to extract savings from this tagged contingency now, Police have advised this would likely undermine funding certainty and their ability to continue negotiations in good faith.</p>	<p>EITHER:</p> <p>Agree to remove these savings from the BM5 package (Treasury recommended). <i>Agree/Disagree.</i></p> <p>OR</p> <p>Indicate your preferred amount of savings to include from this initiative for the Budget 2024 package.</p>	-	-	[33]	-

Vote	ID	Title	Follow up question raised	Treasury response	Minister of Finance decision	Package amount if Treasury recommendation accepted (\$m)		Variance from BM4 package (\$m) Less savings / (More savings)	
						Average operating p.a.	Total capital	Average operating p.a.	Total capital
[33]									

Vote	ID	Title	Follow up question raised	Treasury response	Minister of Finance decision	Package amount if Treasury recommendation accepted (\$m)		Variance from BM4 package (\$m) Less savings / (More savings)	
						Average operating p.a.	Total capital	Average operating p.a.	Total capital
Revenue									
Revenue	15745	Personal income tax threshold changes	You have not sought information on the interactions between the personal income tax changes and the student allowance, but we wished to bring this to your attention to ensure consistency in how the tax changes affect the student allowance and main benefits.	<p>You have a choice around whether to allow the tax changes to flow through to people receiving Student Allowance. The rates of Student Allowance are set gross in legislation which means that without further decisions, the tax changes would directly apply to the net rates of Student Allowance.</p> <p>The flow-through to Student Allowance would be around \$2 per week, provided that the gross rates are at least \$300 per week. Alternatively, flow-through to Student Allowance could be prevented altogether. This would require a decision to reduce the gross rates of Student Allowance to stop the tax changes from flowing through.</p> <p>We have recommend preventing the tax changes flowing through to Student Allowances. Alignment with the benefit system is a principle of the student support system, and since main benefits will not increase from the tax changes, the same approach should be taken for Student Allowance.</p> <p>Preventing the tax changes flowing through would require reducing the gross (before-tax) rates of Student Allowances so that the net (after-tax) rates stay the same after the tax changes. This would reduce the cost of the personal income tax threshold changes by \$13.3 million over the forecast period.</p> <p>This would involve changing legislation to reduce the gross rates of Student Allowance. Even though the overall effect would be that the net rates of Student Allowance people receive would not change, there is a risk that the decision to reduce the gross rates is scrutinised.</p> <p>We have consulted with the Ministry of Education on this recommendation.</p>	<p>Agree to reduce the gross rates of Student Allowance to prevent the personal income tax changes flowing through to the net rates.</p> <p><i>Agree/Disagree.</i></p>	2,475.1	-	(3.1)	-

Annex 2: Budget 2024 Technical Package – follow-up questions and responses

Vote	ID	Title	Total Opex (\$m) Gross	Total Opex (\$) Savings / Revenue	Total Opex (\$m) Net	Total Capex (\$m): Gross	Total Capex (\$m) Savings / Revenue	Total Capex (\$m): Net	Follow up question raised	Treasury response	Minister of Finance decision
Education	15933	Cybersecurity and Managed IT Services – Continuing Delivery	14.232	14.232	-	-	-	-	A related new spending initiative 15640 <i>Essential Digital Services</i> is being funded in full within the Education envelope. Given this funding, you asked what the impact of not agreeing to the transfer requested under this technical initiative would have.	This programme is distinct from the <i>Essential Digital Services</i> bid for Budget 2024, but the two are inter-related. The technical initiative enables the Ministry of Education to continue work on the Cyber Security and Digital Safety (CSDS) Programme in 2024/25 ^[33] This CSDS programme builds on the cybersecurity-related improvements currently funded in the new spending initiative <i>Essential Digital Services</i> (e.g., IT equipment replacement). Declining this transfer would mean the CSDS programme would be stopped or significantly scaled back and funded from within baselines. ^[33]	Agree to include this transfer in the Budget 2024 technical package. <i>Agree/Disagree</i>
Finance	16039	Refinancing of Kāinga Ora – Homes and Communities and Housing New Zealand Limited Debt	-	-	-	-	47.631	(47.631)	You noted the need to double check whether this adjustment aligns with proposed Kāinga Ora debt treatment.	This adjustment reflects the change in profile of debt maturities between the 2026/27 (\$308.618 million) and the 2027/28 financial years (\$260.987 million) for Housing. It agrees to the maturity of debt for Kāinga Ora and Housing New Zealand Limited held by Debt Management at the Treasury. When a further financial year is added to the forecast in the Crown Financial Information System (CFIS), the final year under the previous forecast is “rolled out”. This adjustment is therefore required to reflect the expected profile in the final year of the new forecast.	Agree to include this adjustment in the Budget 2024 technical package. <i>Agree/Disagree</i>
Housing and Urban Development	16027	Progressive Home Ownership Fund MYA	-	-	-	162.381	162.381	-	-This initiative seeks in-principle approval for any residual underspends in the current multi-year appropriation (MYA) to be transferred to a new MYA in 2024/25. You asked why these underspends shouldn't be returned to the centre.	This roll-over of funding is required to honour ongoing existing contractual commitments with providers in the Progressive Home Ownership Scheme (no new agreements are to be signed beyond the end of this financial year). At the scheme's establishment, a MYA was established and \$400 million of capital funding appropriated for the purposes of making loans to providers (non-cash operating funding was also appropriated to recognise the concessionary aspect). Contracts with providers can be of up to 15 years in duration, with providers drawing on capital funding when contractual criteria are met (the timing of which can be highly variable which is why the funding was appropriated into a MYA). Under the Public Finance Act 1989, MYA's cannot exceed five years in duration, hence the need to establish a new MYA and roll the funding over.	Agree to include the initiative in the Budget 2024 technical package. <i>Agree/Disagree.</i>
Housing and Urban Development	16029	Infrastructure Investment to progress Urban Development MYA	-	-	-	68.010	68.010	-	-This initiative seeks in-principle approval for any residual underspends in the current multi-year appropriation (MYA) to be transferred to a new MYA in 2024/25.	The roll-over of funding is required to ensure that funding is available to honour contractual commitments associated with investments in the shovel-ready housing and infrastructure projects for which funding was appropriated into a MYA in 2020. All funding from this appropriation is committed, to	Agree to include the initiative in the Budget 2024 technical package. <i>Agree/Disagree.</i>

Vote	ID	Title	Total Opex (\$m) Gross	Total Opex (\$) Savings / Revenue	Total Opex (\$m) Net	Total Capex (\$m): Gross	Total Capex (\$m) Savings / Revenue	Total Capex (\$m): Net	Follow up question raised	Treasury response	Minister of Finance decision
									You asked why these underspends shouldn't be returned to the centre.	nine projects managed by the Ministry of Housing and Urban Development (seven of which are managed by Kāinga Ora). As such this roll-over is not to facilitate the entering of any new contracts, but due to delays in project completion. The Ministry is involved in ongoing monitoring of the projects.	
Housing and Urban Development	16032	Kāinga Ora – Homes and Communities Private Debt Refinancing Facility	-	-	-	[25]			You noted that this is a large sum, and requested further advice to understand better why it has been forecast for without any appropriation agreed. You also asked whether this increases Kāinga Ora's debt.	See further information and advice in paragraph 10. Note that the amount required is now ^[25] across the forecast period (not the ^[25] originally submitted). We recommend an explicit financial recommendation is included in the Budget 2024 Cabinet paper that notes that this spending is to be managed outside of allowances given that it has already been incorporated in the NZ Government Bond borrowing programme forecasts.	Agree to include this initiative in the Budget 2024 Technical Package at the updated amount of ^[25] capital. <i>Agree/Disagree.</i> Agree to include a financial recommendation in the Budget 2024 Cabinet paper that notes that this spending is to be managed outside of allowances given that it has already been incorporated in the NZ Government Bond borrowing programme forecasts. <i>Agree/Disagree.</i>
Public Service	15919	Redeployment of a chief executive into the Public Service Commission	0.100	0.100	-				You asked why an existing chief executive is being redeployed to the Public Service Commission.	The Public Service Commission is currently down a statutory officer. The Chief Executive from Land Information New Zealand has previously been seconded as a statutory officer to the Commission and has now been seconded as a Chief Executive on assignment to allow for continuity of the work they have been doing (e.g., defence appointments and integrity reviews). As a Chief Executive on assignment, their funding sits in the non-departmental other expense appropriation <i>Remuneration and Related Employment Cost for Chief Executives</i> , but they will be paid from the departmental output expense appropriation <i>Leadership of the Public Management System</i> . The intention is to transfer funding between these two appropriations to reflect where the costs will fall and so avoid unappropriated expenditure. While the Commission might normally have had sufficient headroom in its departmental output expense appropriation to fund this secondment, it anticipates that this will now all be needed to cover redundancy costs associated with its change programme.	Agree to include this initiative in the Budget 2024 Technical Package. <i>Agree/Disagree.</i>

Annex 3: Budget 2024 Technical Package – late initiative for your consideration

Vote	ID	Title	Initiative Description	Total Opex (\$m) Gross	Total Opex (\$m) Savings / Revenue	Total Opex (\$m) Net	Total Capex (\$m): Gross	Total Capex (\$m) Savings / Revenue	Total Capex (\$m): Net	Treasury Comment	Treasury Recommendation	Minister of Finance Approval
Business, Science and Innovation	16104	Policy Advice Energy category and Resources category	This initiative seeks to establish an Energy category and a Resources category in the existing Policy Advice and Related Services to Ministers multi-category appropriation (MCA) to reflect Ministerial portfolios.	60.507	60.507	-	-	-	-	This is a standard technical initiative to reflect the fact that the Energy and Resources portfolios have been split across two Ministers.	Include in the Budget 2024 technical package.	<i>Agree / disagree</i>

Annex 4: Next steps on the Treaty of Waitangi implications of your Budget 2024 package

1. Further to the initiative-level advice previously provided (e.g., via bilateral briefings), our Te Ao Māori Strategy and Legal teams have completed a review of the near-final Budget 2024 package, to identify any residual risks in the package relating to:
 - a the Crown meeting its Treaty of Waitangi obligations, and
 - b reputational and relationship risk with iwi, hapū and Māori more generally.

Background

2. The current balance of the package is weighted towards:
 - a Fiscal sustainability, which will support macroeconomic stability and lift public sector productivity.
 - b Delivering the Government's tax commitments.
 - c Funding critical frontline services in health and education sectors.
3. There are also specific initiatives with positive potential for iwi and Māori, including:
 - a Permanent baseline funding for Te Matatini (ID 15569).
 - b The establishment of the Regional Infrastructure Fund (ID 15809) – the intervention logic that was provided with the template lays out objectives around boosting outcomes for Māori.
 - c Funding to assist with property maintenance and upgrade cost pressures in kohanga reo early learning service (ID 15705).
4. The cost of the package is offset by baseline savings initiatives. The invitation process required that this come from back-office functions and low-value programmes not aligned with the Government's priorities. There are, however, a select number of savings that are likely to have impacts on certain population groups. You have reviewed many of these from the package in recent weeks (e.g., savings from Māori and Pacific Trades Training).
5. There are three important pieces of context are important to note in this context:
 - a Baseline savings (which inherently involve pulling back on Government services) do present Treaty of Waitangi risks. The short time that agencies have had to prepare submissions this year (given the timing of the general election) and Budget secrecy rules (which limit the opportunity for engagement with affected groups) make this more challenging.
 - b Iwi, hapū and Māori are already taking action against the Crown. They are doing this via the Waitangi Tribunal, but if the non-binding powers of the Waitangi Tribunal prove ineffective, they may increasingly look to seek remedy via the Courts, with the Waikato Tainui High Court proceeding on the use of Te Reo Māori as one example.
 - c The Treasury only has a limited view of the very numerous Treaty settlements, Iwi Accords, or other joint working initiatives, and is therefore unable to advise on the full due diligence with respect to all savings initiatives.

6. In this context, we recommend a three-pronged strategy to mitigating the residual risk associated with the package.

Setting clear expectations of Portfolio Ministers

7. We recommend that you set an expectation of all Ministers that they have a robust plan to meet their Treaty of Waitangi obligations in the implementation of Budget initiatives. Examples of what this could involve are:
- a stakeholder management on and around Budget Day,
 - b an implementation plan for successful initiatives which takes the Crown's obligations into account, and/or
 - c post-implementation monitoring and reporting of initiatives' impact on Māori.
8. We propose you use the Budget 2024 Cabinet paper to do this.

Carefully designing your Budget Day communications and stakeholder engagement plan

9. We can provide you with further advice regarding your Budget communications approach, to shape the overall narrative of Budget 2024 from a Te Ao Māori perspective. This is both for initiatives where the Budget is the primary decision-making vehicle (e.g., baseline savings) and those where Budget initiatives area likely to re-surface questions about the impact of Government policy on Māori more broadly (e.g., funding for increased prisoner populations).
10. In previous years, we have prepared specific parts of the Budget document to help achieve this. Our Te Ao Māori Strategy team is available to meet with you regarding this as is useful. You also have several engagements with Māori communities in the immediate lead-up to Budget, including an Iwi Chairs meeting on the 2nd-3rd of May. We can provide advice to help you discuss the Government's approach to the Budget in these fora, if that is useful.

Individual follow ups with individual Ministers on specific initiatives

11. In addition to the general expectation setting of portfolio Ministers, we have identified a select number of initiatives where an explicit follow up with the portfolio Minister is likely to be justified. This is set out below.

ID	Initiative	Risks	Suggested approach to portfolio Minister
15573	Departmental savings from reducing the Ministry's back-office enabling functions and services	In the Ministry for the Environment's submission, they stated that there were potential implications from baseline savings to them meeting their Treaty obligations.	We recommend that you make clear to the Minister that MfE's obligations under the Treaty are unchanged and ask her to ensure that the agency has a robust plan to continue to meet them despite their reducing baseline.
15497	Māori Housing – Reducing Funding for New Supply and Capability	We understand that significant funding for this programme will remain, and that the savings will be taken from the lowest value programmes. That said, this programme: <ul style="list-style-type: none"> • supports the Crown to meet ongoing obligations and commitments under a number of Treaty settlements, and • more generally enables Māori access to adequate housing – a focus of the Wai 2750 Housing Policy and Services Kaupapa inquiry. 	We recommend you seek assurances from the Minister regarding how they plan to mitigate this risk to their Treaty obligations, and what impact this funding will have on Wai 2750.

IN-CONFIDENCE

ID	Initiative	Risks	Suggested approach to portfolio Minister
15621	Ministry of Justice – Reducing legal aid funding within baseline appropriation	<p>We understand that this is the return of underspends, limiting the impact on access to justice and impacting court efficiency.</p> <p>That said:</p> <ul style="list-style-type: none"> The provision of legal aid and the operation of the wider scheme are the subject of claims in Te Rau o te Tika, the Waitangi Tribunal Inquiry into the justice system. This inquiry is active, and the first substantive stages are expected to begin in 2024. The Tribunal panel has indicated it will examine legal aid collectively as a key area of this inquiry. Similarly, the Waitangi Tribunal recently inquired into the provision of legal aid for Tribunal proceedings in Whakatika ki Runga, a mini inquiry into access and claimant funding for Tribunal proceedings, and found that the discrimination and shortcomings of current settings amount to a breach of the principle of active protection under Article 2. 	<p>We recommend that you seek assurances from the Minister regarding:</p> <ul style="list-style-type: none"> The impact that this will have on legal aid funding (i.e., ensuring it is just from underspends). That decreasing this funding has on responding to Wai 3060.
15431	Hapori Māori - Increasing Community Resilience through Data Capability and Access – Return of Funding	<p>This policy is designed to:</p> <ul style="list-style-type: none"> Ensure Māori have equitable access to data and information. Help the government to better understand the impacts of intended policy on the Māori population, to avoid maladaptation, support equitable transitions, and to allow for treaty accords to be considered within the wider government policy response. <p>This initiative also presents a significant risk to the Treaty Accord with Raukawa who are looking to partner to deliver upon a use case.</p>	<p>We recommend that you seek assurance from the Minister regarding how they intend to still meet Treaty obligations and the Treaty Accords in light of this reduced funding.</p>
15526	Reducing Claimant funding, financial assistance under Marine & Coastal Act 2011 and Operations Ngāpuhi Investment Fund	<p>Reducing the funding available to iwi either in the negotiation process or in resolution under the Marine and Coastal Act carries risks. This funding comes from an area with historical underspends, however.</p>	<p>We recommend that you seek assurance from the Minister regarding how they intend to still meet Treaty obligations in light of this reduced funding.</p>