

# The Treasury

## Budget 2018 Information Release

### Release Document August 2018

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# **Budget Ministers 1**

## **Budget 2018 Scene Setting**

**13 February 2018**

# Purpose

The key objectives for this meeting are to:

- Set out the fiscal context and priorities for Budget 2018.
- Provide an overview of the Budget initiatives submitted across cost pressures, manifesto commitments and reprioritisation options.
- Discuss the process, options and trade-offs to manage expenditure within allowances to inform the development of the draft Budget package.

**Budget Ministers 1 will not be going into detail on specific initiatives and make any funding decisions. A draft Budget package will be presented for consideration at Budget Ministers 2 on Monday 19 March.**

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# 1) Executive Summary

- Overall, \$5.670 billion per annum of operating initiatives have been submitted by agencies and \$9.742 billion of capital. This compares to an available operating allowance of \$2.570 billion per annum and a capital allowance \$2.608 billion (after precommitments).
  - Of the total operating, \$3.423 billion per annum reflects cost pressures and \$2.247 billion manifesto<sup>1</sup> initiatives
  - Of the total capital, \$5.511 billion reflects cost pressures and \$4.231 billion reflects manifesto initiatives
- Allowances are heavily oversubscribed but this is consistent with the starting point for previous Budgets.
- Total savings from reprioritisation submissions so far are small (\$170 million operating per annum) and unlikely to provide sufficient headroom to fund additional spending on top of the operating allowance for Budget 2018. The Treasury will be engaging with agencies to explore further savings options.
- In order to remain within allowances, Ministers will need to prioritise initiatives and make some challenging trade-offs across cost pressure and manifesto initiatives. This includes phasing our commitments over the next three Budgets, ensuring initiatives are costed correctly and scaling initiatives where appropriate.
- There are a number of mechanisms in the process to support Ministers to make prioritisation decisions including the classification of similar initiatives by workstreams, ministerial engagements and Treasury advice and support.
- I will be presenting a draft package at Budget Ministers 2 which will cover cost pressure, manifesto initiatives and reprioritisation options. This draft package will support a discussion on the choices and trade-offs required to remain within set allowances.

<sup>1</sup> **Manifesto initiatives reflect commitments included in the Coalition Agreement, Confidence and Supply Agreement, and Speech from the Throne.**

## 2) Economic and Fiscal Context

**The Budget Policy Statement (BPS) outlines our key fiscal parameters for Budget 2018, in addition to our 100 Day Plan commitments.**

- The 2018 **BPS** reaffirmed our commitment to our Budget Responsibility Rules:
  - Deliver a sustainable operating surplus across an economic cycle
  - Reduce the level of net core Crown debt to 20% of GDP within five years of taking office
  - Prioritise investment to address the long-term financial and sustainability challenges facing New Zealand
  - Take a prudent approach to ensure expenditure is phased, controlled, and directed to maximise benefits. The Government will maintain its expenditure to within the recent historical range of spending to GDP ratio
  - Ensure a progressive taxation system that is fair, balanced, and promotes the long-term sustainability and productivity of the economy
- The BPS confirmed the following Budget allowances consistent with our Budget Responsibility Rules:
  - Operating allowance of **\$2.6 billion per annum for Budget 2018** and \$1.875 billion per annum for Budget 2019 to 2021 (before precommitments).
  - Capital allowance of **\$3.4 billion for Budget 2018** and Budget 2019, \$3.1 billion for Budget 2020 and \$2.7 billion for Budget 2020 and Budget 2021 (before precommitments).

## 2) Economic and Fiscal Context

**The Treasury's Half Year Economic and Fiscal Update (HYEFU) show our plans are on track to meet our Budget Responsibility Rules.**

- The forecasts from **HYEFU** show:
  - The economic outlook is expected to continue to strengthen with growth expected to average 2.9% over the next five years, with a peak of 3.6% in the year to June 2019;
  - The operating balance before gains and losses is expected to reach \$8.8 billion in 2021/22; and
  - Net core Crown debt is expected to reduce to 19.3% of GDP in 2021/22.
- Since the HYEFU, both the economic and fiscal outturns are broadly tracking to Treasury's expectations. Key developments to consider for the Budget Economic and Fiscal Update include:
  - The weather is likely to have hindered overall agricultural production and may have a small negative influence on GDP. Business Confidence fell sharply in November 2017 with a small recovery in December. A key judgement will be whether this reflects a precursor to weaker activity.
  - The latest fiscal outturns are tracking slightly ahead of forecast and some of this strength is likely to persist through the year, potentially providing some offset to any near-term economic weakness.
- The Treasury is in the process of preparing updated forecasts which will inform decision making for Budget Ministers meetings 2 and 3.

## 2) Economic and Fiscal Context

We have already made significant Budget decisions through our 100-Day Plan commitments, that have already been included in the HYEFU. This is in addition to the operating and capital allowances reflected in HYEFU.

- The following costs related to the 100-Day Plan were reflected in HYEFU forecasts and outlined in the Budget Policy Statement.

<b>Year ending 30 June \$millions</b>	<b>2018 Forecast</b>	<b>2019 Forecast</b>	<b>2020 Forecast</b>	<b>2021 Forecast</b>	<b>2022 Forecast</b>	<b>Total</b>
Families package	(80)	1,157	1,309	1,525	1,616	5,527
Tertiary education package	342	469	535	597	628	2,571
Other operating commitments	28	134	78	37	37	314
Reversing Budget 2017 tax cuts	(486)	(1,904)	(1,904)	(1,993)	(2,077)	(8,364)
<b>Net operating (savings)/expense</b>	<b>(197)</b>	<b>(143)</b>	<b>18</b>	<b>166</b>	<b>204</b>	<b>48</b>
KiwiBuild	100	900	1,000	-	-	2,000
New Zealand Superannuation Fund contributions	500	1,000	1,500	16	330	3,346
Tertiary education package	(155)	(123)	(86)	(44)	(26)	(434)
Other capital commitments	3	3	-	-	-	6
<b>Net capital spending</b>	<b>448</b>	<b>1,780</b>	<b>2,414</b>	<b>(28)</b>	<b>304</b>	<b>4,918</b>
<b>Net estimated fiscal cost</b>	<b>251</b>	<b>1,636</b>	<b>2,432</b>	<b>138</b>	<b>508</b>	<b>4,965</b>

- There are still some commitments where final costs are yet to be agreed by Cabinet.

# 3) Budget 2018 Priorities and Strategy

- Cabinet agreed on the following broad priorities for Budget 2018:
  - Providing quality public services for all New Zealanders and improving access to core services such as health and education,
  - Taking action on child poverty and homelessness,
  - Supporting families to get ahead and sharing the wealth generated by our economy with a wide range of New Zealanders,
  - Sustaining economic development and supporting the regions, and
  - Managing our natural resources and taking action against environmental challenges such as climate change.
- Beyond the 100 Day Plan, the scope for Budget 2018 is limited to genuine agency cost pressures and manifesto initiatives. **All initiatives will be managed within the operating and capital allowances as well as any savings identified from reprioritisation.**
- Manifesto initiatives will still be assessed through the process to ensure they are value-for-money and implemented effectively. Initiatives which are not implementation ready are likely to be deferred to future Budgets.

# 3) Budget Workstreams

- The following five workstreams **have been established for Budget 2018 following discussions between myself and Minister Clark**. They will be used to categorise initiatives in the Budget process.

Workstream	Relevant Portfolios
<b>Social Wellbeing</b>	ACC, Child Poverty Reduction, Children, Corrections, Courts, Crown/Maori Relations, Disability Issues, Education, Health, Housing and Urban Development, Justice, Police, Social Development, Transport.
<b>Economic Development</b>	Civil Defence, Commerce and Consumer Affairs, Customs, Economic Development, Employment, Energy and Resources, Foreign Affairs, Government Digital Services, Greater Christchurch Regeneration, Housing and Urban Development, Immigration, Regional Economic Development, Research, Science and Innovation, State Services, Statistics, Tourism, Trade and Export Growth.
<b>Infrastructure</b>	Corrections, Education, Greater Christchurch Regeneration, Health, Police, Transport, Housing and Urban Development.
<b>Natural Resources</b>	Agriculture, Biosecurity, Climate Change, Conservation, Environment, Fisheries, Food Safety, Forestry, Land Information, Rural Communities.
<b>Other</b>	Arts, Culture and Heritage, Civil Defence, Defence, Internal Affairs, Revenue, State Services, Treaty of Waitangi Negotiations, Veterans.

- These are broadly consistent with the Cabinet Committee structure and will help support prioritisation discussions across similar types of initiatives.
- For Budget Ministers 2, a draft package will be presented for consideration for each of the workstreams above (subject to the allowances). These packages will cover cost pressure initiatives, manifesto commitments and reprioritisation options.

# 3) Taking a Wellbeing Approach to Budget

## What are we doing for Budget 2018?

- The Budget Policy Statement confirms the Government's intention to report against child poverty measures from Budget 2018, and against a wider set of wellbeing indicators in future Budgets.
- The focus on child poverty reduction in Budget 2018 will be the first example of how a wellbeing approach, and a focus on non-financial measures, can be brought into the Budget process. In future Budgets, additional wellbeing priorities will be considered as part of the development of the wider set of indicators.

## Options for future Budgets

- To support the wellbeing focus, the Treasury is developing up a detailed timetable, working with my office, to implement options for delivering the wellbeing Budget in 2019 (building on the Treasury's Living Standards Framework).
- This includes introducing a wellbeing approach in the strategic and production phases of Budget 2019 (e.g. setting Budget priorities, including non-financial content in Budget documents).
- The emphasis will continue to be on demonstrating that initiatives will deliver particular objectives in a cost-effective way, anchored in the Government's overarching wellbeing approach.

# 4) Overview of submitted initiatives

## Overview

- Figures 1 and 2 below provide an overview of all submitted initiatives compared to the operating and capital allowances as at 7 February. These initiatives will be categorised into the following five workstreams to support the decision-making process: *social wellbeing, economic development, infrastructure, natural resources and other*.
  - Of the total operating initiatives submitted, \$3.423 billion reflects cost pressures and the remaining \$2.247 billion is for manifesto initiatives
  - Of the total capital initiatives submitted, \$5.511 billion reflects cost pressures and the remaining \$4.231 billion is for manifesto initiatives
- Even after considering savings from reprioritisation, the allowances are heavily oversubscribed. **This is consistent with experiences in previous Budgets.**

Figure 1: Total operating initiatives compared to the operating allowance

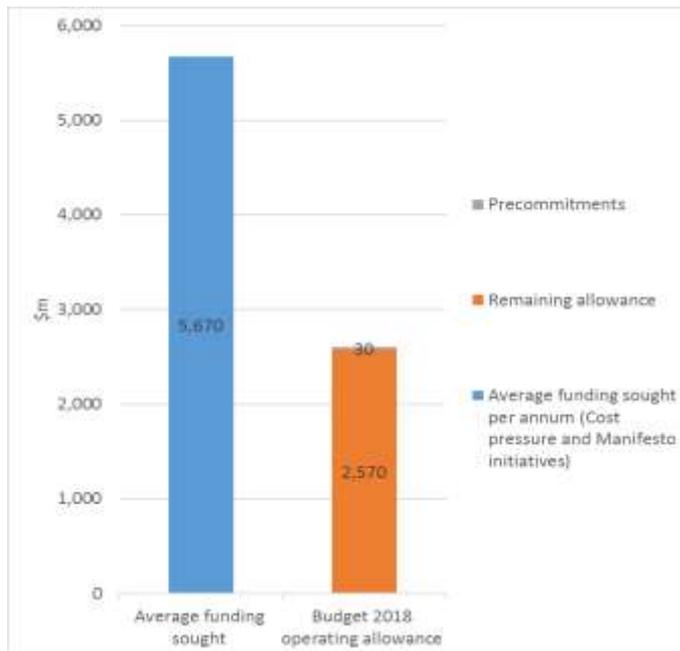
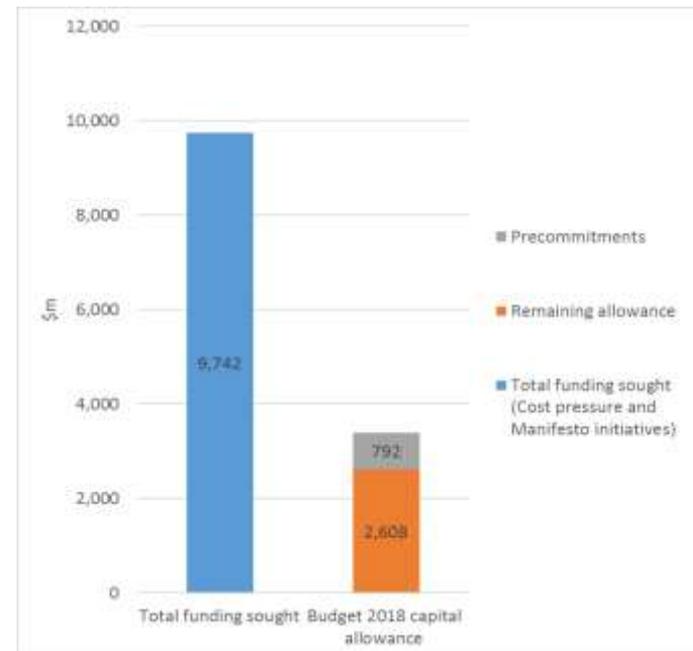


Figure 2: Total capital initiatives compared to the capital allowance

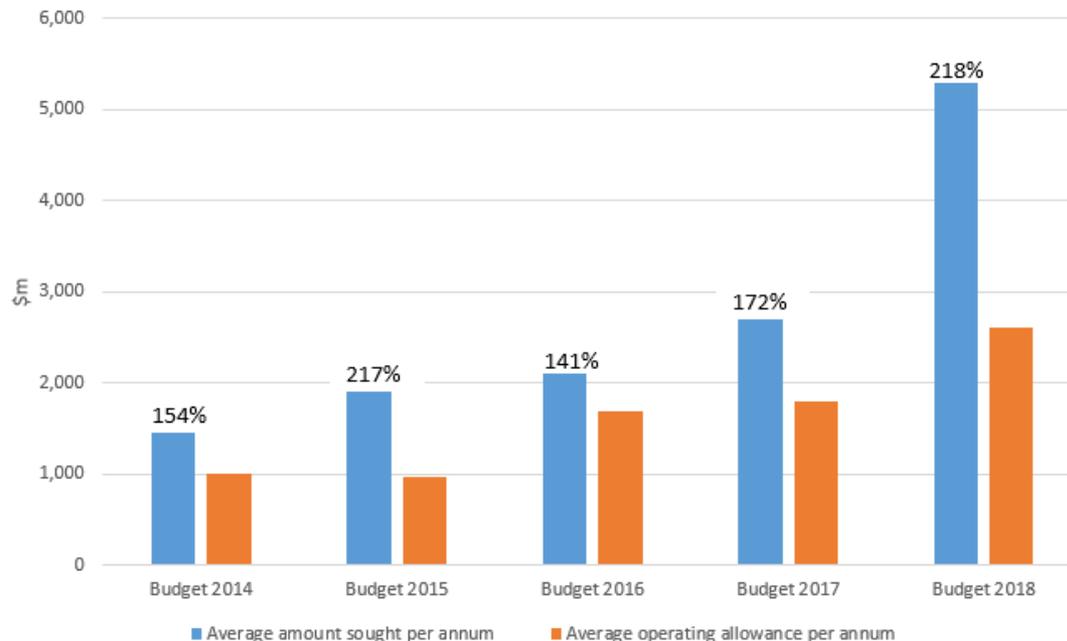


# 4) Overview of submitted initiatives

## Comparison to previous Budgets

- While the allowances are currently oversubscribed, previous Budgets have also had large submissions of initiatives in comparison to the overall allowance. Figure 3 below outlines the amount of operating funding sought in Budgets 2014 to Budget 2017 and the final allowances.
- The purpose of the decision-making process is to help support the prioritisation of initiatives and reveal key trade-offs and choices to manage within allowances. Section 5 (pages 18-21) of this slide-pack outlines in more detail the tools and mechanisms available to support the prioritisation and decision-making process.

Figure 3: Comparison of initiative submissions and final operating allowances (Budgets 2014-2018)



# 4) Overview of submitted initiatives

## Precommitments against allowances

- A precommitment is where the fiscal implications of an initiative have already been counted against a future capital or operating allowance outside of the standard Budget process. Given we are now in the decision-making phase of the Budget, I expect all decisions with fiscal implications to be taken as part of the Budget process to ensure consistent prioritisation.
- The table below lists all the operating and capital precommitments by Portfolio and outlines the remaining allowances to be allocated at Budget. These initiatives have already been approved by Cabinet and counted against allowances.
- There are likely to be a small number of precommitments in the coming weeks (e.g. Provincial Growth Fund).

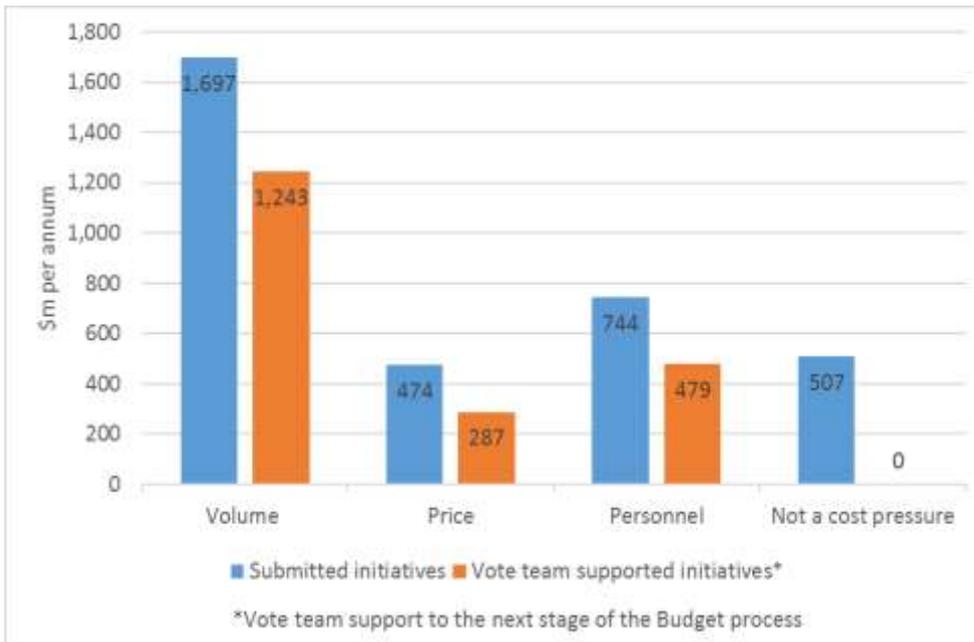
Portfolio	Initiative	Average Operating (per annum)	Total Capital
Transport	Auckland City Rail Link	0.000	427.300
Infrastructure	Crown Infrastructure Proposal	0.000	300.000
[33]			
Internal Affairs	Premier House	0.000	1.039
Economic Development	Funding for the 36th America's Cup	25.000	0.000
Employment	He Poutama Rangatahi / Youth Employment Pathways	3.319	0.000
Maori Development	Passport to Life	2.000	0.000
Conservation	One Billion Trees: Enabling Crown Forestry to Plant Trees	0.000	23.800
<b>Total</b>		[33]	
<b>Allowance minus precommitments</b>			

# 4) Overview of submitted initiatives

## Cost pressure initiatives - Operating

- An average of \$3.423 billion per annum has been submitted by departments for operating cost pressures. Based on the individual Vote team assessments, the Treasury is supporting to the next stage \$2.009 billion per annum. This is based on an individual bottom up 'merits based' assessment ahead of any cross sector prioritisation.
- To support the assessment process these initiatives were classified by the main driver of the pressure: *volume*, *price*, or *personnel*. Where initiatives did not meet the definition of these drivers they were classified as 'not a cost pressure' and no funding was supported.
- There are selected initiatives within this 'not a cost pressure category' which are high risk and require a decision from Budget Ministers for Budget 2018. These initiatives will be made visible to Ministers in the development of the draft Budget package for Budget Ministers 2.

Figure 4: Operating cost pressures by type (average per annum)



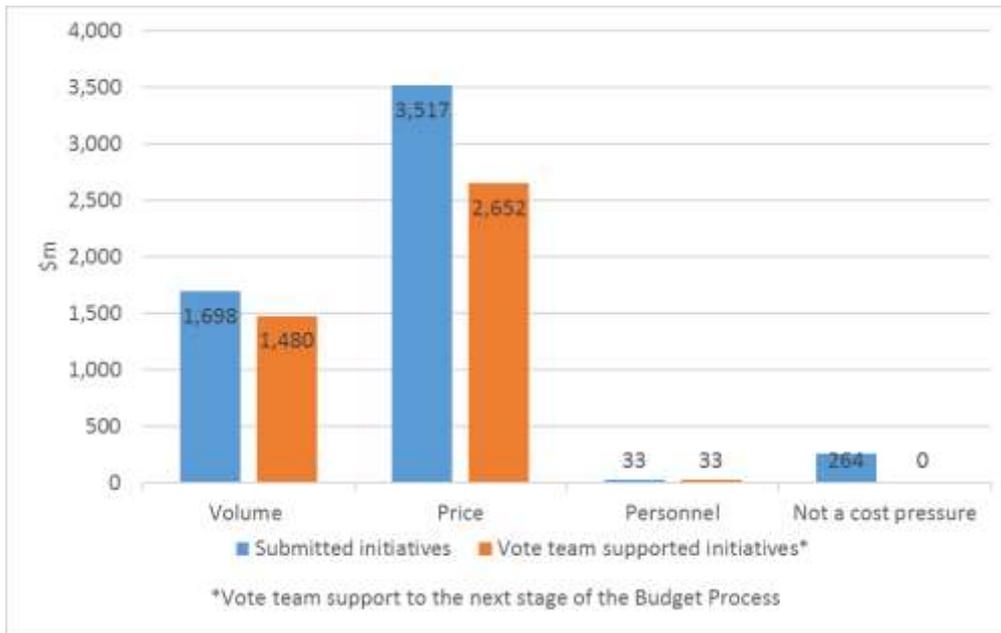
- **Volume pressures** reflect higher demand for services under current policy settings (for example, driven by population growth). Costs largely driven by demographic education forecast changes, Health DHB support, and corrections prison muster pressures.
- **Price pressures** reflect initiatives where the cost of delivering or continuing the service is now higher (for example, due to inflation). Costs largely driven by Defence operating funding, APEC 21 and public housing and transitional supply.
- **Personnel pressures** primarily reflect collective bargaining agreements, wage progression pressures and pay equity claims. Costs largely driven by [33], [37], [38] and MSD wage pressures and Defence.
- **Not a cost pressure.** Reflects initiatives which were discretionary and therefore out of scope (e.g. expansion of current service or new policy). Some initiatives, although not strictly cost pressures, are likely to require decisions from Ministers for Budget 2018 (e.g. resilience initiatives).

# 4) Overview of submitted initiatives

## Cost pressure initiatives – Capital

- A total of \$5.511 billion has been submitted by departments for capital cost pressures. Based on the individual Vote team assessments, the Treasury is supporting to the next stage \$4.164 billion. This is based on an individual bottom up 'merits based' assessment ahead of any cross sector prioritisation and consideration of allowances.
- To support the assessment process these initiatives were classified by the main driver of the pressure: *volume, price, or personnel*. Where initiatives did not meet the definition of these drivers they were classified as 'not a cost pressure' and no funding was supported.
- There are selected initiatives within this 'not a cost pressure category' which are high risk and require a decision from Budget Ministers for Budget 2018. These initiatives will be made visible to Ministers in the development of the draft Budget package for Budget Ministers 2.

Figure 5: Capital cost pressures by type



Capital pressures were largely classified as either volume or price pressures.

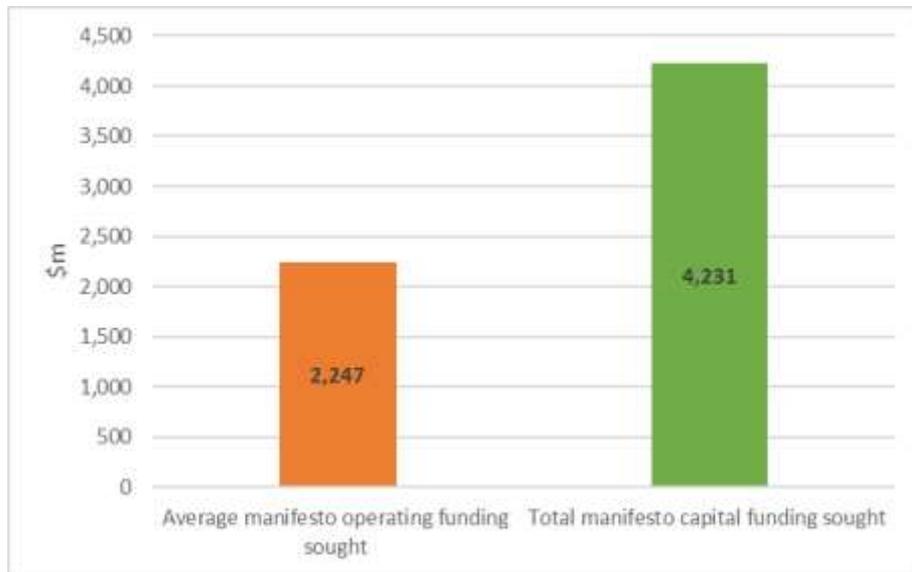
- **Volume:** reflects pressures on capital infrastructure as a result of population growth and/or changes in population characteristics. Costs largely driven by schools growth package, Waikeria prison development and funding for Tamaki Redevelopment.
- **Price:** reflects increasing costs of maintenance of existing infrastructure or replacement of assets. Costs largely driven by Defence P-8 acquisition and DHB capital investment.
- **Personnel:** only one capital initiative has been classified as a personnel pressure related to Immigration New Zealand.
- **Not a cost pressure:** generally reflects discretionary investment choices.

# 4) Overview of submitted initiatives

## Manifesto initiatives

- 141 manifesto initiatives were submitted by departments. These initiatives sought operating funding of \$2.247 billion per annum on average and a total of \$4.231 billion capital.
- Treasury Vote teams are currently assessing the manifesto initiatives, with a particular focus on whether the initiatives are well costed, have strong value-for-money and are ready to be implemented.
- Figure 5 provides an overview of both the operating and capital manifesto submissions by workstream.

Figure 6: Manifesto initiatives



- The majority of the **operating manifesto initiatives** are in the social wellbeing workstream. These include:
  - Cutting GP fees by \$10 a visit [38]
  - Striving towards 1800 new police [33]
  - Additional public housing places [33]
- \$375 million operating per annum is also sought for the Provincial Growth Fund (PGF).
- The **capital manifesto initiatives** are largely driven by:
  - The Provincial Growth Fund (\$1.5 billion)
  - Dunedin Hospital Redevelopment [33]
- A **key consideration** for manifesto initiatives include the treatment of initiatives outside of the Coalition Agreement, Confidence and Supply Agreement, and Speech from the Throne. In addition, the treatment of initiatives which are not yet implementation ready or there are uncertainty around costings.

# 4) Overview of submitted initiatives

## Reprioritisation submissions

- A total of \$679 million over the forecast period (\$170 million per annum) has so far been submitted for reprioritisation by portfolio ministers. The Treasury is yet to examine these submissions for viability, which may further reduce the total amount. The Treasury will also be analysing where further savings may be found beyond those already submitted.
- Of the \$679 million operating submitted for reprioritisation, \$378.2 million is from the Health portfolio. The Treasury did not identify any phase 1 reprioritisation options for Health in its initial advice to Finance Ministers ahead of Christmas. The bulk of the \$378.2 million over the forecast period is made up of:
  - \$194.7 million from savings in the PHARMAC Combined Pharmaceutical Budget (dependent on a policy change giving PHARMAC budget holding responsibilities for hospital medicines); and
  - \$125.0 million from unallocated contingency funding for mental health.
- Treasury vote teams will engage with agencies on reprioritisation options that were identified by the Treasury that have not been submitted by Ministers. This could increase savings by up to \$278 million (assuming the full amount of 'low-risk' reprioritisation identified by the Treasury can be achieved).
- If the full amount of savings can be achieved, there is potential to reprioritise a total of \$957 million across the forecast period (\$239.3 million per annum).

# 5) Options to manage expenditure

## The decision-making process

- Both the operating and capital allowances are heavily oversubscribed which means initiatives will need to be prioritised and some tough choices will be required.
- The following mechanisms are available in the process to help support us in the development of a Budget package which fits within allowances.

Aspects of the Process	How it can assist with prioritisation?	Timing
Workstream prioritisation	Initiatives have been classified into one of the following workstreams: social wellbeing, economic development, natural resources, infrastructure, and other. This allows similar initiatives to be grouped together to support prioritisation and development of the draft package. Each workstream will include cost pressure, manifesto and reprioritisation initiatives.	<b>Ongoing.</b> Initiatives are being classified into workstreams by the Treasury as they come through. Draft packages will be developed by each workstream.
Ministerial engagements with portfolio ministers	Engagement with portfolio ministers can help to reveal sector context, what is driving the need for funding and options to defer, scale or reprioritise. The draft package can be used as a starting point for discussions to support the negotiating strategy of Finance Ministers and drive prioritisation.	First set of meetings commence on <b>13 February</b> . The second set of meetings commencing on <b>27 February</b> will discuss initial Treasury assessment of initiatives.
Coalition and Confidence and Supply Partners	Engagement with Coalition and Confidence and Supply Partners will support discussions around prioritisation and phasing of commitments over the next three Budgets.	Meetings will be scheduled throughout the decision-making process.

# 5) Options to manage expenditure

Aspects of the Process	How it can assist with prioritisation?	Timing
Budget Ministers meetings	Budget Ministers is the key decision-making mechanism for Budget 2018. It provides an opportunity to look across portfolios/workstreams to prioritise initiatives and bring together the overall Budget package alongside updated forecasts and the Government's Budget Responsibility Rules.	Budget Ministers 2 is scheduled for <b>19 March</b> where the draft packages for each workstream will be discussed.
Treasury Advice and support	<p>The Treasury provides support in the decision-making process in three main ways:</p> <ul style="list-style-type: none"> <li>• The formal assessment and moderation of initiatives submitted by departments. This assessment includes providing a value-for-money and strategic alignment rating for initiatives.</li> <li>• Providing advice to Finance Ministers to support ministerial engagements. This includes sector context, rationale for the Treasury assessments and key talking points to raise with portfolio ministers.</li> <li>• Advice and support for ad hoc requests and meetings during the finalisation of the Budget package. This may be required to land more complex initiatives with significant trade-offs.</li> </ul>	<b>Ongoing.</b> The Treasury can provide support to Finance and Budget Ministers as and when required.
Capital investment panel advice	Selected capital initiatives will be reviewed by an independent capital investment panel. Initiatives are selected based on size, complexity and risk. This will provide a useful 'outside-of-Government' perspective to help support the development of the capital package.	The investment panel will be meeting on the <b>13<sup>th</sup> and 15<sup>th</sup> of February.</b>

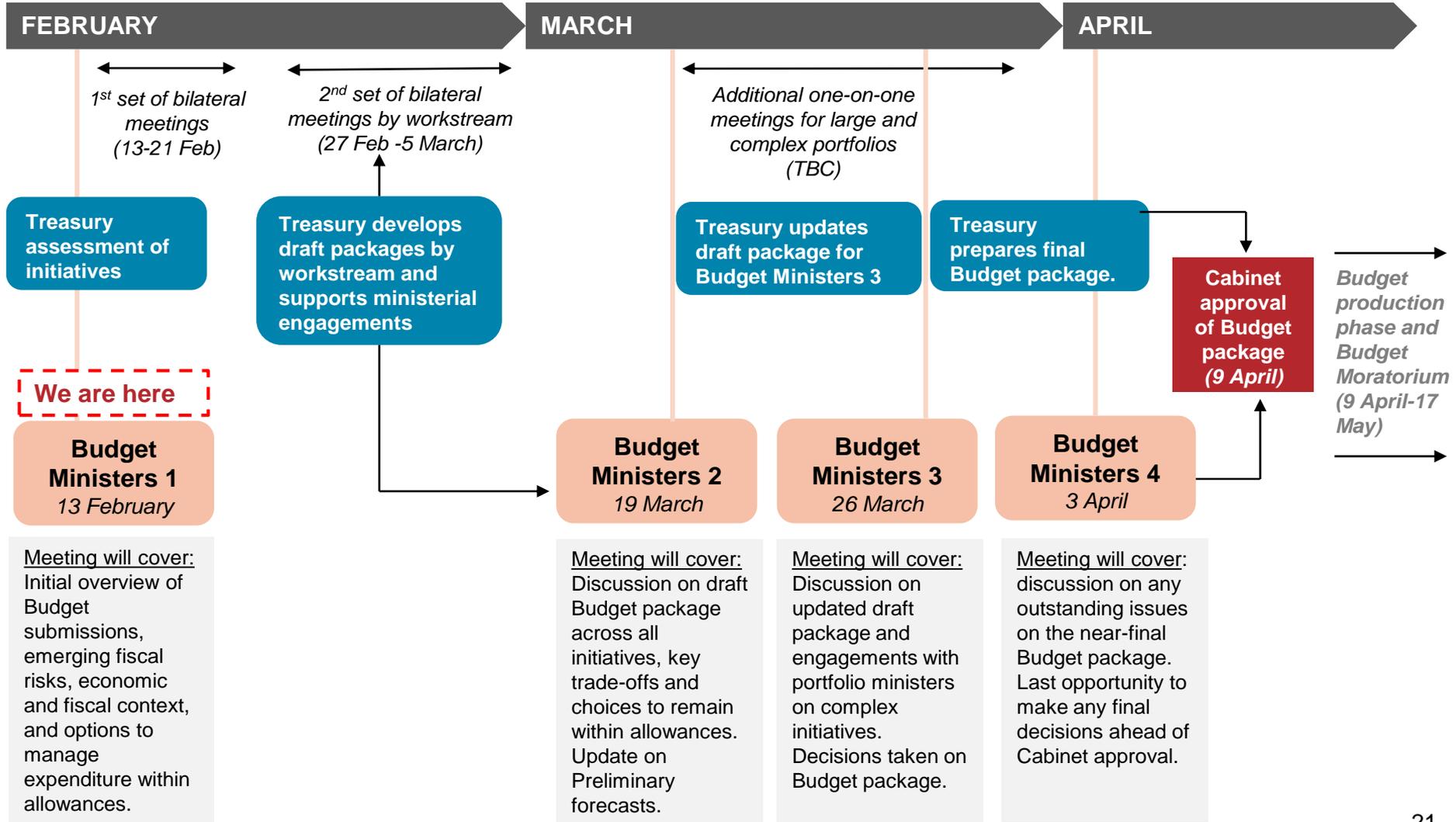
# 5) Options to manage expenditure

## Options to manage expenditure in Budget 2018 and future Budgets

- As the draft Budget package is developed, we will need to consider the following options and trade-offs in order to manage the volume of expenditure in Budget 2018 and also meet our Budget Responsibility Rules.

Option	Comment
<b>Manage down expenditure</b>	There are options to defer and scale cost pressure initiatives and phase manifesto commitments over the next three Budgets to help manage expenditure in Budget 2018. The Treasury will provide advice on the key risks and implications of these options as the draft package is developed. Deferring cost pressures is unlikely to be a viable solution as these pressures are expected to continue in future Budgets.
<b>Reprioritisation, savings and revenue</b>	Savings and revenue raising initiatives can help to offset expenditure pressures. Reprioritisation initiatives submitted so far from agencies are small and the Treasury will be engaging with selected agencies to explore further savings options.
<b>Adjust Budget Allowances</b>	It is possible to change the allowances set in the Budget Policy Statement. The Treasury will provide fiscal strategy advice for consideration at Budget Ministers 3, taking into account updated preliminary forecasts and consistent with our Budget Responsibility Rules.
<b>Investigate policy settings driving costs</b>	Large non-discretionary cost pressures are typically driven by existing policy settings. As part of phase two of the reprioritisation work (Budgets 2019 and 2020), the Treasury will be providing advice on policy options to change settings that may be driving significant cost pressures (for example, prison population pressures in the Justice sector).

# 5) How does it all come together?



# 6) Developing the draft Budget package

For Budget Ministers 2, the Treasury will be pulling together a draft Budget package for each workstream which fits within the allowances. This is the next stage following the individual vote team assessments and will involve cross sector prioritisation of initiatives.

The following will be some of the key considerations and high level principles that will be used to support the development of an initial draft package (alongside individual Treasury assessments).

Agreement by Budget Ministers

## Manifesto initiatives

- Manifesto initiatives identified in the Coalition Agreement, Confidence and Supply Agreement and Speech from the Throne will be prioritised over other commitments.

- Out of those commitments, consideration will be given to manifesto initiatives which are implementation ready, have accurate and certain costings, and are identified by Budget Ministers as a high priority for funding in Budget 2018 relative to future Budgets.

## Cost pressure initiatives

- Consideration will be given to initiatives driven by genuine volume, price or personnel pressures where all other funding sources have been exhausted.

- Initiatives where there is very little discretion (without changing underlying policy settings) and there are high operational risks to not funding will be prioritised.

- Any discretionary elements of cost pressure initiatives (for example, expansions of an existing service to cover 'unmet' demand and further policy capability without a robust justification) will be deprioritised.

- Savings offered up should reflect discretionary activities not aligned to Government priorities.

## Reprioritisation

- Further investigation of reprioritisation options identified by the Treasury which Ministers have not submitted through the process.

# 7) Budgets 2019 to 2021

- Whilst we are currently on track to achieve the Budget Responsibility Rule of reducing net debt to 20% within five years (net debt was forecast in HYEPU at 19.3% in 2021/22), the current buffer of 0.7% is not large when targeting a specific level of debt in five years' time.
- The following allowances have been set aside for Budgets 2019-2021, consistent with our Budget Responsibility Rules.

<b>\$billions</b>	<b>Budget 2019</b>	<b>Budget 2020</b>	<b>Budget 2021</b>
Operating allowance (per year)	1.875	1.875	1.875
Capital allowance (total)	3.400	3.100	2.700

- Budget 2019 – 2021 have smaller operating allowances and we will need to consider whether these are still appropriate following our experience through Budget 2018, the latest economic and fiscal data, how we are tracking against the Budget Responsibility Rules and information on future cost pressures. Initiatives which are deferred from Budget 2018 will put further pressure on these already tight allowances.
- Cost pressure information from 2017 and 2018 Four Year Plans show operating cost pressures rise on a cumulative basis from \$2.8 billion in 2018/19 to \$6.0 billion in 2021/22. Although departments have identified strategic responses to partially manage these pressures, the majority of these do not reflect a viable response. Pressures that cannot be managed within baselines are likely to come through as Budget initiatives in future Budgets.
- The Treasury will be doing some further analysis on how cost pressure information submitted through Four Year Plans align with actual cost pressure initiatives submitted through Budget 2018.

# 8) Timetable

Date	Item	Description
13 February	Budget Ministers #1	Discuss total initiatives submitted (cost pressures, manifesto and reprioritisation options) through Budget process and preliminary Treasury advice where assessments have been completed. Confirm major parameters and the process.
13 – 21 February	Portfolio Minister meetings – Round 1	Discuss aggregated view of initiatives received and outline expectations to manage initiatives within fiscal parameters.
16 February	Preliminary Economic Forecasts	Based on economic data and other information received since the finalisation of the HYEFU forecasts. A Treasury report will be received in the week beginning 19 February.
22 February	Preliminary Tax Forecasts	Based on preliminary economic forecasts and other information received since the finalisation of the HYEFU forecasts. A Treasury report will be received in the week beginning 26 February.
27 February – 5 March	Portfolio Minister meetings – Round 2	Discuss initiatives to identify priorities/cross-portfolio implications within the five workstreams.
15 March	Preliminary Fiscal Forecasts	Preliminary view of the Government’s fiscal outlook, reflecting the impact of the preliminary economic forecasts and other information received since the finalisation of the HYEFU forecasts. A Treasury report will be received in the week beginning 19 March.
19 March	Budget Ministers #2	Discuss draft Budget packages and significant choices and trade-offs to remain within the Government’s Budget Responsibility Rules.
22 March	Treasury Report on Fiscal Strategy	This report to Budget Ministers provides Treasury’s overall recommendations on fiscal strategy and budget allowances. It is informed by the preliminary forecasts and medium-term projections.

# 8) Timetable

Date	Item	Description
26 March	Budget Ministers #3	Final decisions on the Budget initiatives informed by the report on the Fiscal Strategy advice in light of preliminary Budget forecasts.
3 April	Cabinet Paper – Technical items	Cabinet considers the technical Budget Cabinet paper. This paper covers changes in appropriations that do not require new funding. The paper will be lodged on Thursday 29 March.
3 April	Budget Ministers #4	Confirm the Budget 2018 package to be taken to Cabinet. This meeting is to discuss any outstanding matters only. The majority of the Budget package will be approved through Budget Ministers 3.
9 April	Cabinet Paper – Significant items	Cabinet considers the significant Budget Cabinet paper. This paper will be lodged on Thursday 5 April.
10 April	Final Economic Forecasts	Preliminary forecasts updated based on economic data and other information received since February (including the impact of final Budget 2018 decisions).
13 April	Final Tax Forecasts	Preliminary forecasts updated based in final economic forecasts, latest tax data and Budget 2018 decisions.
19 April	Treasury Report on Specific Fiscal Risks	Discuss the Specific Fiscal Risks chapter for inclusion in the Budget Economic and Fiscal Update.
26 April	Final Fiscal Forecasts	Preliminary forecasts updated for final Budget 2018 decisions, impact on final economic forecasts and any other significant matters that have occurred since the preliminary forecasts.
9 April – 17 May	Budget Moratorium and Budget production phase	No items with financial implications (including any technical adjustments) can be taken during this period. This is to ensure the accuracy and integrity of Budget documents released on Budget Day.

## 8) Next steps in the process

- The first bilateral meetings have already commenced and are being led by Minister Clark. To support these meetings the Treasury has sent all portfolio ministers a **Budget overview** slide-pack to ensure a consistent understanding of the Budget process and how initiatives will be prioritised.
- The Treasury will be assessing manifesto and reprioritisation submissions up to Friday 16 February. The Treasury's vote team assessments for all initiatives will be circulated to portfolio ministers ahead of the workstream minister meetings commencing on 27 February.
- An updated draft package will be presented to Budget Ministers at the next meeting on **Monday 19 March**. This will also include information on how the preliminary economic, tax and fiscal forecasts are looking.