

The Treasury

Budget 2020 Information Release

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Cabinet

Minute of Decision

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Budget 2020: Strategy and Process

Portfolio Finance

On 23 September 2019, Cabinet:

Wellbeing and Economic Context

- 1 **noted** that the Wellbeing Budget marked a significant milestone for the government's commitment to embed a wellbeing approach into policymaking;
- 2 **noted** that Budget 2020 will build on the progress made in Budget 2019 by maintaining a focus on wellbeing priorities, cross-government collaboration, and delivering remaining Speech from the Throne, Coalition Agreement, and Confidence and Supply Agreement commitments;
- 3 **noted** that the economic outlook has weakened since publication of the Treasury's Budget Economic and Fiscal Forecasts 2019, driven by a combination of slower global growth and lower business confidence;
- 4 **noted** that the Treasury's next Half Year Economic and Fiscal Update 2019 will be published alongside the government's Budget Policy Statement 2020 in December 2019;
- 5 **noted** that the Minister of Finance will continue to monitor the global and domestic economic situation and will report further to Cabinet on any additional fiscal support that may be required;

Fiscal Strategy and Budget Allowances

- 6 **noted** that the Budget Responsibility Rules continue to underpin the government's fiscal strategy;
- 7 **agreed** that the operating and capital allowances for Budget 2020 will remain at this time as signalled in Budget 2019:
 - 7.1 Operating Allowance: \$3.0 billion per annum for Budget 2020 and \$2.4 billion per annum for Budgets 2021 to 2023;
 - 7.2 Multi-Year Capital Allowance: \$4.4 billion remaining in the multi-year capital allowance for Budgets 2020-2023;

- 8 **noted** that an additional year of the rolling four-year capital allowance will be included in the forecast period in the Budget Policy Statement 2020 and a decision will be made on the amount of funding to be included for this year at that time;
- 9 **authorised** the Budget Ministers group to agree any changes to allowance settings in the Budget Policy Statement 2020;

Budget 2020 Priorities

- 10 **noted** that the outstanding commitments from the Speech from The Throne, Coalition Agreement, and Confidence and Supply Agreement will be prioritised in Budget 2020, either through the appropriate priority package or in their own right;
- 11 **noted** that agencies, Departmental Science Advisors, and external stakeholders were consulted to review the Budget 2019 priorities;
- 12 **noted** that there was support for retaining focus on the five Budget priorities, but also developing sub-priorities to provide greater clarity to agencies and stakeholders on the government's areas of focus for Budget 2020;
- 13 **agreed** that the following priorities and sub-priorities will form the focus for investment in Budget 2020:
- 13.1 Just Transition Priority: Supporting New Zealanders in the transition to a climate-resilient, sustainable, and low-emissions economy;
 - 13.1.1 Sub-Priority 1: Enable land use to deliver higher value and improved environmental outcomes;
 - 13.1.2 Sub-Priority 2: Promote a sustainable and affordable energy system;
 - 13.2 Future of Work Priority: Enabling all New Zealanders to benefit from new technologies and lift productivity through innovation;
 - 13.2.1 Sub-Priority 1: Enabling workers to adapt to technological change by continually upskilling, re-skilling, and participating in productive and fair employment;
 - 13.2.2 Sub-Priority 2: Supporting businesses by enabling uptake of new technology and improving access to global markets, skills and infrastructure;
 - 13.3 Māori and Pacific Priority: Lifting Māori and Pacific incomes, skills, and opportunities;
 - 13.3.1 Sub-Priority 1: Lifting Māori and Pacific peoples' skills, education, income, and employment outcomes;
 - 13.3.2 Sub-Priority 2: Improving Māori and Pacific health and housing outcomes through housing quality, affordability, and tenure;
 - 13.4 Child Wellbeing Priority: Reducing child poverty and improving child wellbeing;
 - 13.4.1 Sub-Priority 1: Improving housing quality and income levels for low-income families;

- 13.4.2 Sub-Priority 2: Prevention and early intervention for children and whānau with the greatest needs, including continuing to address family violence and sexual violence;
- 13.5 Physical and Mental Wellbeing Priority: Supporting improved health outcomes for all New Zealanders;
 - 13.5.1 Sub-Priority 1: Strengthening existing mental health services in the health sector and beyond, with a focus on under 24-year-olds;
 - 13.5.2 Sub-Priority 2: Delivering a sustainable and equitable public health and disability system;

Process for Budget 2020

- 14 **noted** that the Treasury will be releasing detailed guidance to agencies on the process and requirements for Budget 2020 in late September 2019;
- 15 **noted** that funding sought for cost pressures and outstanding commitments in the Speech from the Throne, Coalition Agreement, and Confidence and Supply Agreement will place significant pressure on the Budget allowances;
- 16 **agreed** that to ensure the government delivers on wellbeing objectives, priority will be given to Budget initiatives that clearly and compellingly demonstrate that they progress the wellbeing priorities agreed in paragraph 13;
- 17 **agreed** that the following Coordinating Ministers will be appointed to lead development of packages of priority-aligned new initiatives, in collaboration with relevant portfolio Ministers, for recommendation to Budget Ministers:
 - 17.1 Just Transition: Hon David Parker;
 - 17.2 Future of Work: Hon Phil Twyford;
 - 17.3 Māori and Pacific: Hon Kelvin Davis;
 - 17.4 Child Wellbeing: Hon Tracey Martin;
 - 17.5 Physical and Mental Wellbeing: Hon Dr David Clark;
- 18 **agreed** that all Budget bids that seek funding for new initiatives will be due by 29 November 2019 and will demonstrate:
 - 18.1 a clear articulation of expected outcomes;
 - 18.2 well-evidenced wellbeing analysis and intervention logic;
 - 18.3 detailed costings, scaling options, and identification of risks;
 - 18.4 evidence of cross-agency collaboration where appropriate;
- 19 **noted** that a separate process will be run for Budget bids that seek funding to address cost pressures;

- 20 **agreed** that all Budget bids that seek funding to address cost pressures will be due by 1 November 2019 and will demonstrate:
- 20.1 a clear understanding of the most significant cost-drivers across their agency creating the pressures;
 - 20.2 that a high level of risk is attached to not funding them;
 - 20.3 where funding has previously been provided to manage these, how this has been used and why further funding is required;
 - 20.4 what efforts have been made or are being made to manage pressures within baselines;
- 21 **noted** that initiatives not aligned with the Budget priorities, that do not address a cost-pressure, or that do not relate to commitments in the Speech from the Throne, Coalition Agreement, or Confidence and Supply Agreement, will only be considered if they meet a very high bar;
- 22 **authorised** the Digital Government Leadership Group to endorse and oversee the use of a set of investment principles to guide a data, digital, and ICT system perspective to be applied to relevant Budget initiatives;

Decision-Making Processes and Ministerial Involvement

- 23 **agreed** that Budget Ministers will continue as a decision-making body in Budget 2020 to review progress, consider priorities and trade-offs across packages, and to recommend a final Budget package to Cabinet;
- 24 **agreed** that Budget Ministers will consist of the following Ministers:
- 24.1 Prime Minister;
 - 24.2 Deputy Prime Minister;
 - 24.3 Minister of Finance;
 - 24.4 Associate Minister of Finance (Hon Dr David Clark);
 - 24.5 Associate Minister of Finance (Hon James Shaw);
- 25 **noted** that Cabinet Committees will be involved at two points during the Budget 2020 process:
- 25.1 in November 2019 to receive an update from Coordinating Ministers on how each priority is progressing;
 - 25.2 in March 2020 to consider near-final Budget packages ahead of Cabinet consideration;

- 26 **noted** that the Minister of Finance, or an Associate Minister of Finance, will be meeting with all portfolio Ministers in November 2019 to discuss the pressures their agencies are facing and their spending priorities for Budget 2020.

Michael Webster
Secretary of the Cabinet

Hard-copy distribution:

Prime Minister
Deputy Prime Minister
Hon Kelvin Davis
Minister of Finance
Hon Phil Twyford
Associate Minister of Finance (Hon David Clark)
Hon David Parker
Hon Tracey Martin
Associate Minister of Finance (Hon James Shaw)