

Chair
CABINET

DRAFT BUDGET POLICY STATEMENT

Proposal

1. This paper provides, for Cabinet's information, a draft of the *2010 Budget Policy Statement* (BPS). I intend to release the BPS on 15 December, with the Treasury's *Half Year Economic and Fiscal Update* (HYEFU).

Background

2. The Public Finance Act 1989 requires the Minister of Finance to present a BPS that sets out the broad strategic priorities for the forthcoming Budget; any changes in the government's fiscal objectives; and how the current forecasts accord with these fiscal objectives.

Comment

3. The BPS recaps the economic and fiscal situation that we faced when we were elected to office, and the steps we took to address that situation. The BPS discusses the improvement in the economic and fiscal forecasts since Budget 2009, and the challenges that remain.
4. The BPS sets out our economic strategy, which aims to raise incomes and support jobs, investment and exports. This is based around the six drivers of economic growth (infrastructure; regulation; public sector; skills; business support and innovation; and tax) which Cabinet agreed in July [CAB Min (09) 24/7 refers].
5. The BPS also sets out our fiscal strategy, as explained in the *2009 Fiscal Strategy Report*. This underlines the importance of the \$1.1 billion operating allowance in turning around the debt track so that we do not saddle future generations with ever-increasing debt repayments. The BPS shows that we are on track to achieve our fiscal strategy and to deliver on our promise of better, smarter public services for less.
6. Finally, the BPS discusses our intention to increase the emphasis upon the government's net worth. This is because we are concerned with poor management of a number of the government's assets and liabilities, which costs taxpayers in terms of poor service and wasted tax dollars.

Consultation

7. The draft BPS has been shared with the Prime Minister, Associate Finance Ministers, and the Department of the Prime Minister and Cabinet.

Financial Implications

8. This paper has no financial implications. Budget Ministers intend to bring a paper to Cabinet for consideration on Monday 14 December that proposes an allocation of the \$1.1 billion Budget 2010 operating allowance.

Human Rights, Legislative, Regulatory, Gender and Disability Implications

9. This paper has no human rights, legislative, regulatory, gender or disability implications.

Publicity

10. The release date of the BPS has already been publicly announced. I will release the BPS at 1pm on Tuesday 15 December, jointly with Treasury's HYEPU.

Recommendations

I recommend that Cabinet:

1. **note** the attached draft of the *2010 Budget Policy Statement*; and
2. **note** that I intend to release the BPS on 15 December, with the Treasury's *Half Year Economic and Fiscal Update*.

Hon Bill English
Minister of Finance

Date: