

# BUDGET AT A GLANCE

THE WELLBEING BUDGET



BUDGET  
2019

30 May 2019

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any form before 2:00pm on Thursday 30 May 2019

New Zealand Government

# BUDGET 2019 OVERVIEW

NEW  
SPENDING  
IN BUDGET  
2019

**Net new operating  
expenditure in Budget 2019**

**\$3.8b** a year or  
**\$15.2b** over the  
forecast period

**Net new capital  
expenditure  
in Budget 2019**  
**\$10.4b** total

TAKING  
MENTAL  
HEALTH  
SERIOUSLY

**A new frontline service for  
mental health** with a  
\$455m programme  
providing access for 325,000  
people by 2023/24

**Suicide prevention  
services** get a  
\$40m boost

IMPROVING  
CHILD  
WELLBEING

Specialist services as part  
of a \$320m package  
**to address family  
and sexual violence**

**Taking financial pressure  
off parents** by increasing  
funding to decile 1-7 schools  
so they don't need to ask  
for donations

SUPPORTING  
MĀORI AND  
PASIFIKA  
ASPIRATIONS

**Major boost for  
Whānau Ora**, including  
a focus on health and  
reducing reoffending

**An additional 2,200  
young people** in the  
Pacific Employment  
Support Service

BUILDING A  
PRODUCTIVE  
NATION

**Bridging the  
venture capital gap**,  
with a \$300m fund so start-  
ups can grow and succeed

**Opportunities for  
apprenticeships** for nearly  
2,000 young people through  
Mana in Mahi

TRANSFORMING  
THE ECONOMY

Over \$1b **boost in  
funding for KiwiRail**

**Helping farmers with  
the climate change  
challenge** by investing  
in scientific research

# TAKING MENTAL HEALTH SERIOUSLY



*The report of the Inquiry into Mental Health and Addiction He Ara Oranga revealed that we need a whole new approach to mental health and addiction in New Zealand. This package provides funding to begin addressing the gaps in current services, particularly in early life or through early intervention.*

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## Investment in Mental Health – Strengthening and Improving Frontline Services

**\$823m**  
operating

Investment provides services from prevention through to intensive intervention, and will improve access to primary care by more than 100% with 325,000 people able to access services by 2023/24. This includes more funding to strengthen existing services to meet demand and ring-fencing \$213 million of DHB funding to meet acute, primary or community-based care needs. A major focus will be placed on suicide prevention and early intervention.

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## Treating Drug and Alcohol Addiction

**\$58m**  
operating

The Wellbeing Budget begins to address the strong link between alcohol and other drug dependency and mental wellbeing. These initiatives increase funding for specialist services to meet the current demand and better serve those living with a dependency. Additional funding for these services is in the justice sector mental health package, including Hāpaitia.

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## Housing First and Transitional Housing

**\$346m**  
operating

Safe housing is a key social determinant for positive mental health. Funding will provide 1,044 extra Housing First places, significantly increase the number of transitional housing placements and ensure support services continue to be provided alongside housing need.

**\$134m**  
capital

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## Hāpaitia te Oranga Tangata

**\$131m**  
operating

Hāpaitia was jointly developed by the Ministers of Justice, Corrections and Police to lift outcomes for people who interact with the justice system. Hāpaitia initiatives target people in need of, or at higher risk of needing, mental health or addiction services. These initiatives increase access to treatment services related to alcohol and other drugs by at least 59% and provide mental health services to up to 6,300 people from 2022/23.

**\$4m**  
capital

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# IMPROVING CHILD WELLBEING



*The Government has committed to tackling New Zealand's persistent challenge of child poverty. Up to 250,000 children live in poverty or hardship in New Zealand<sup>1</sup>, and this can contribute to lasting wellbeing impacts in areas such as health, housing and education. We are also committed to addressing family and sexual violence.*

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## Breaking the Cycle for Children in State Care

This includes support for Oranga Tamariki to ensure that young people do not fall through the cracks. Funding will transform the care and youth justice systems; meet new responsibilities to tamariki Māori; build a new Transition Support Service for young people leaving care and youth justice; and pilot a new Intensive Intervention service to prevent children and young people from entering care in the first place.

**\$1.1b**  
operating  
**\$187m**  
capital

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## Improving Incomes and Addressing the Cost of Living

Indexing main benefits to wage increases, a lift in the abatement thresholds for main benefits to allow people to work more hours before their benefit reduces and the removal of a sanction for failing to apply for child support are consistent with our vision for the welfare system and are first steps in responding to the Welfare Expert Advisory Group. They also support our child poverty reduction objectives.

**\$535m**  
operating

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## Addressing Family and Sexual Violence (FVSV)

This initiative will focus on increasing investment in prevention, growing essential specialist services and building safe, consistent and effective responses in every community. This response has been coordinated by the Joint Venture on FVSV and represents a strong collaboration across agencies to achieve the outcome of a significant reduction in family violence and sexual violence.

**\$311m**  
operating  
**\$10m**  
capital

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## Taking Financial Pressure Off Parents

This includes additional funding for deciles 1-7 schools to replace parental 'donations', removing NCEA fees and significant investment in learning support.

**\$650m**  
operating  
**\$95m**  
capital

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<sup>1</sup> Based on the primary measures of child poverty in the Child Poverty Reduction Act 2018.

# SUPPORTING MĀORI AND PASIFIKA ASPIRATIONS



*Māori and Pacific peoples make a significant contribution to New Zealand across a range of different sectors. However, the indicators and evidence underpinning our priorities show that there is significant scope for enduring inequities to be improved.*

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## Major Boost for Whānau Ora

Whānau Ora will receive a boost to expand the integrated service model to improve outcomes for whānau. Additional Whānau Ora programmes will be delivered to improve primary healthcare outcomes.

**\$81m**  
operating

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## Supporting Te Reo Māori and Communities

To promote a stronger sense of national identity, there are significant investments in culture and community-focused initiatives. This includes re-starting Te Kotahitanga, supporting the Māori Housing Network and revitalising marae.

**\$208m**  
operating

**\$2m**  
capital

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## Valuing the Contribution and Ensuring the Wellbeing of Pacific Communities

Significant initiatives include \$10 million to increase the Pacific Provider Workforce Development Fund to support a Pacific Health workforce pipeline, \$20 million to support Pacific languages to survive in New Zealand's Pacific communities and \$12 million to combat rheumatic fever, a disease that is particularly prevalent among Māori and Pacific peoples.

**\$113m**  
operating

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## Kaupapa Māori Approaches to Tackling Reoffending

A major first step in changing the way Corrections operates, to help break the cycle of Māori reoffending and reimprisonment. This includes a \$35 million investment to apply a Whānau Ora approach to improve outcomes in the Corrections system.

**\$95m**  
operating

**\$3m**  
capital

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# BUILDING A PRODUCTIVE NATION



*The nature of work is changing, and this Government wants to ensure that New Zealanders thrive in the rapidly moving digital age. This requires us to use data, technologies and skills to become a responsive and efficient economy and society.*

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## **Bridging the Venture Capital Gap**

Establishing a new \$300 million fund for investing in our venture capital markets through the New Zealand Venture Investment Fund (NZVIF) to provide businesses with a sustainable path to grow and develop.

**\$240m**  
new  
capital  
  
**\$60m**  
existing  
capital

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## **Funding for Research and Innovation**

Funding has been allocated to support innovative businesses to develop and commercialise products and adopt cutting-edge new technologies. It lifts government funding for high-performing business research and development (R&D), and programmes to support, incubate, and grow innovative start-ups.

**\$106m**  
operating  
  
**\$51m**  
capital

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## **Reform of Vocational Education**

We have set aside funding to support the transition to a thriving vocational education system that better responds to learners', employers', and regions' needs. The funding will enable changes to institutional forms and systems that are necessary to support the ongoing sustainability of a broad range of delivery across New Zealand.

**\$197m**  
operating

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The initiatives in this priority complement the significant changes already underway including R&D tax credits that were announced in Budget 2018 and the investment in the *Transforming the Economy* priority to develop new energy technologies and industries. In addition, this priority includes support for the Government's data, digital and cyber security work.

# TRANSFORMING THE ECONOMY



*The Government is committed to moving New Zealand towards becoming a low-emissions economy. This means having the courage to do the long-term planning required to ensure workers, businesses and communities are supported as we move away from fossil fuels and towards a low-carbon future.*

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## **A Sustainable Future – Productive and Sustainable Land Use**

**\$229m**  
operating

The Productive and Sustainable Land Use package is a collaboration between the Ministers with responsibility for the Agriculture, Climate Change, Conservation, Environment, Land Information, Forestry and Research, Science and Innovation portfolios. It aims to set up the institutions necessary to drive change, but combines them with transformative, on-the-ground assistance for land users to reduce their environmental impacts.

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## **Investing in the Future of Rail**

**\$41m**  
operating

More than \$1 billion will be invested in the rail network (including \$300 million from the Provincial Growth Fund). This will support our climate change goals and improve choices for freight and commuter transport. Funding is also provided for Auckland City Rail Link and beginning the process to replace the Interislander ferries.

**\$2.1b**  
capital

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## **Meeting the Climate Change Challenge**

**\$80m**  
operating

An important part of the transition includes research into our current emissions profile, and ways to reduce emissions in the agriculture and energy sectors. We will inject \$80 million operating and \$15 million capital funding into science and research on climate change and new energy technologies.

**\$15m**  
capital

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Alongside this spending, we are making considerable changes to regulation to achieve our intended outcomes. These include the Zero Carbon Bill, upcoming changes to the Emissions Trading Scheme, and Phase 2 of the Resource Management Act reforms.

# WELLBEING OVERVIEW

## What is wellbeing?

Wellbeing is when people lead fulfilling lives with purpose, balance and meaning to them. Giving more New Zealanders the capability to improve their wellbeing requires tackling the long-term challenges we face as a country, like the mental health crisis and breaking the cycle of child poverty and domestic violence. It means improving the state of our environment, the strength of our communities and the performance of our economy.

Making the best choices for current and future generations requires looking beyond economic growth and considering social, environmental, and economic implications together. The Wellbeing Budget does this in three ways:

1. Breaking down agency silos and working across government to assess, develop and implement policies that improve wellbeing
2. Focusing on outcomes that meet the needs of present generations at the same time as thinking about the long-term impacts for future generations, and
3. Tracking our progress with broader measures of success, including the health of our finances, natural resources, people and communities.

The Wellbeing Budget Package focuses on the five priorities announced in the *Budget Policy Statement*, as well as funding to maintain public services at the level New Zealanders expect. These priorities were identified using collaborative and evidence-based processes, involving Science Advisors and the Treasury's Living Standards Framework. The five priorities are:

- Supporting mental wellbeing for all New Zealanders, with a special focus on under 24-year-olds
- Reducing child poverty and improving child wellbeing, including addressing family violence
- Lifting Māori and Pacific incomes, skills and opportunities
- Supporting a thriving nation in the digital age through innovation, social and economic opportunities, and
- Creating opportunities for productive businesses, regions, iwi and others to transition to a sustainable and low-emissions economy.

# THE CHILD POVERTY REPORT

**We are committed to reducing child poverty.** We passed the Child Poverty Reduction Act 2018 to make sure that current and future governments are held to account for decisions that have economic, fiscal and wellbeing impacts on children in poverty.

The Act requires the Government to set three-year and 10-year reduction targets on three primary measures of child poverty. The Government has announced its targets for reducing child poverty, which are:

## *Child poverty reduction targets (% of children)*

<b>Primary measure</b>	<b>Baseline rate (2017/18)</b>	<b>3-year target rate (2020/21)</b>	<b>10-year target rate (2027/28)</b>
Low income before housing costs - 50% of median, moving line (BHC50)	16.5%	10.5%	5%
Low income after housing costs - 50% of median, fixed line (AHC50)	22.8%	18.8%	10%
Material hardship	13.3%	10.3%	6%

## **What are we doing to reduce child poverty?**

Budget 2019 builds on investment in the Families Package, which increased the Family Tax Credit and Accommodation Supplement, and introduced the Winter Energy and Best Start payments.

In Budget 2019 we are focusing on increasing household incomes through income support changes (\$535.1 million over four years). Indicatively, 146,000 families with 269,000 children will receive additional income from 1 April 2020, increasing to around \$20 more per week by 1 April 2023.

The combined impact of these in 2020/21 is expected to be a reduction to:

- between 10.1% and 12.7% of children in poverty (between 115,000 and 144,000 children) on the BHC measure (compared with the 3-year target of 10.5% of children), and
- between 15.2% and 18.6% of children in poverty (between 172,000 and 212,000 children) on the AHC measure (compared with the 3-year target of 18.8% of children).

We are also investing in initiatives that will have a more indirect impact on child poverty and are designed to ease the pressures faced by families, such as changes to health, housing and education settings.

# CAPITAL INVESTMENTS

*Budget 2019 makes considerable capital investments, and uses a multi-year capital allowance to take a longer-term, considered approach to future spending.*

In the *Budget Policy Statement* we signalled a move away from single-year capital allowances to a rolling multi-year capital allowance. This new approach provides flexibility to meet medium-term investment objectives while ensuring that the near-term fiscal strategy can be achieved. It also improves our ability to take a longer-term view of capital commitments and increases transparency, by tracking and reporting more clearly the cash impact of initiatives over time. This longer-term view is also supported by the establishment of a new independent infrastructure body.

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## Health

- Full funding for the new Dunedin Hospital.
  - \$1.7 billion for the building and redevelopment of hospitals.
  - \$190 million for DHB deficit support.
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## Education

- Taking a longer-term approach to school property, by allocating \$1.2 billion for the 10-year school property programme.
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## Transport and Provincial Growth

- \$1.4 billion for Auckland City Rail Link costs, re-scoping and cost pressures.
  - Overall, \$855 million has been allocated to the Provincial Growth Fund from the multi-year capital allowance.
  - \$741 million for KiwiRail rolling stock, ferries and business-as-usual capital needs. In addition \$300 million has been allocated from the Provincial Growth Fund for regional rail investments.
  - As outlined in the *Government Policy Statement on Land Transport 2018*, a total of \$17.7 billion is to be spent on transport from the National Land Transport Fund over the forecast period.
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## Defence

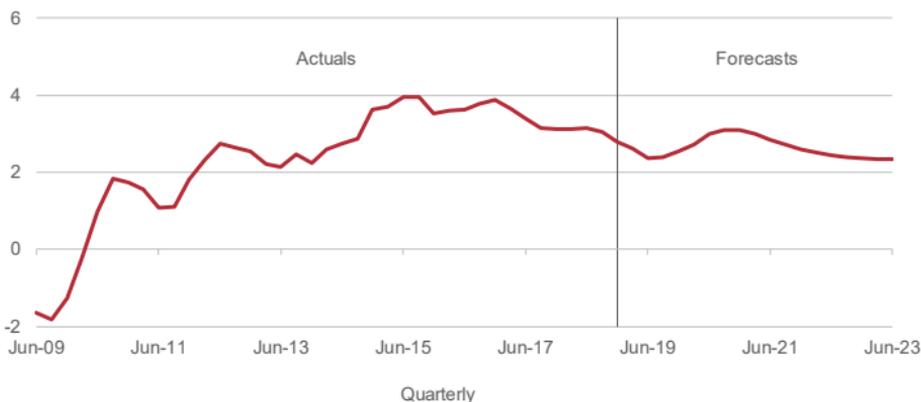
- \$1.7 billion to purchase Boeing P-8A Poseidon Maritime Patrol Aircraft.
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# A STRONG ECONOMY IN CHALLENGING TIMES

The New Zealand economy continues to see solid economic growth. In the year ended December 2018, New Zealand's GDP growth was 2.8%, well above the OECD average of 2.3% and similar to most of our major trading partners. This growth has seen the unemployment rate reach post-GFC lows of just over 4%. Looking ahead, GDP growth is forecast to average 2.6% over the forecast period.

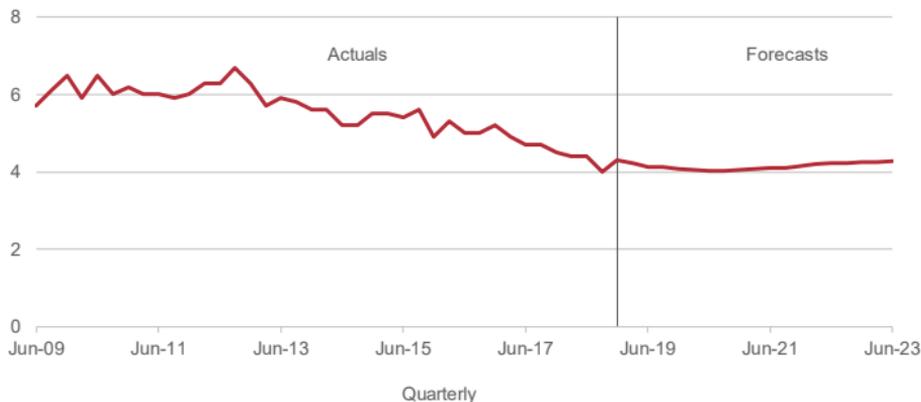
## *Real GDP growth*

Annual average % change



## *Unemployment rate*

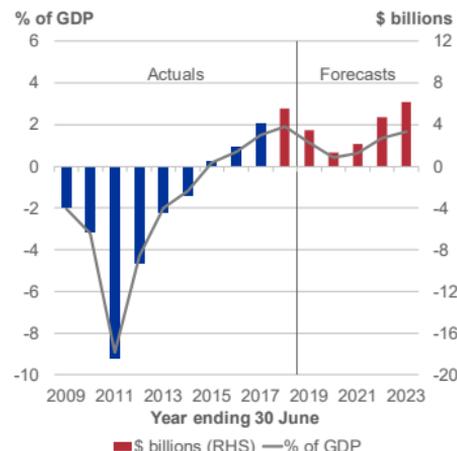
% of labour force



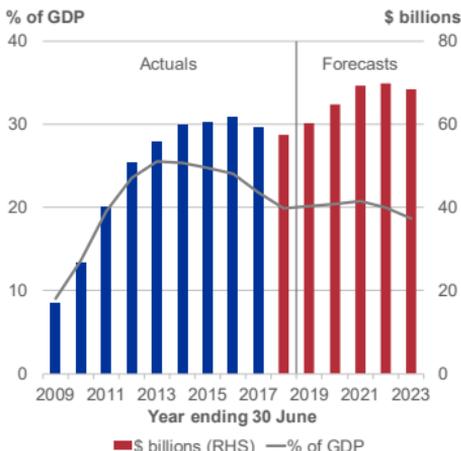
# BUDGET RESPONSIBILITY RULES MET

The fiscal outlook is sound, but greater investment will slightly increase debt in the short term. This will be done without compromising our commitment to maintain a prudent level of debt in the long term. In this Budget, we are continuing to meet our *Budget Responsibility Rules*.

## OBEGAL



## Net core Crown debt



Our fiscal strategy has been set with these and our wellbeing objectives in mind. Accordingly, we have increased our operating allowances for Budgets 2019 and 2020, and have added to the multi-year capital allowance. This has allowed us to fund important investments, based on the wellbeing approach.

\$billions	Budget 2019	Budget 2020	Budget 2021	Budget 2022
Operating allowances at Budget 2019 (per year)	3.8	3.0	2.4	2.4
Capital allowance at Budget 2019	← 14.8 →			



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