



BUDGET  
2019

# THE WELLBEING BUDGET

30 May 2019

## THE WELLBEING BUDGET

### 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

Reaching 5,600 extra secondary students with **more nurses in schools**

**Tackling homelessness**, with 1,044 new places – Housing First will now reach 2,700 people

### IMPROVING CHILD WELLBEING

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

**Breaking the cycle for children in State care**, including helping 3,000 young people into independent living

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

**Lifting incomes by indexing main benefits** and removing punitive sanctions

### SUPPORTING MĀORI AND PASIFIKA ASPIRATIONS

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

Ensuring **te reo Māori and Pacific languages survive and thrive**

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

A \$12m programme **targeting rheumatic fever**

### BUILDING A PRODUCTIVE NATION

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

\$106m injection into innovation to **help New Zealand transition to a low-carbon future**

Nearly \$200m set aside for vocational education reforms to **boost apprenticeships and trade training**

**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

**Encouraging sustainable land use** with a \$229m package

**Freshwater focus** improving water quality in at-risk catchments

### INVESTING IN NEW ZEALAND

**\$1.7b to fix hospitals** over the next two years

**10-year \$1.2b investment in schools**, starting with \$287m this year for new buildings

**Bowel screening programme** extended to five more DHBs

**Investing in better and more healthcare** with \$2.9b for DHBs

# CONTENTS

FROM THE  
PRIME MINISTER

**2**

THE WELLBEING  
BUDGET

**4**

FROM THE  
MINISTER OF FINANCE

**3**

NEW ZEALAND'S  
WELLBEING

**11**

CHILD POVERTY  
REPORT

**20**

## PRIORITIES FOR THE WELLBEING BUDGET



TAKING MENTAL  
HEALTH SERIOUSLY

**30**



IMPROVING CHILD  
WELLBEING

**42**



SUPPORTING MĀORI AND  
PASIFIKA ASPIRATIONS

**60**



BUILDING A  
PRODUCTIVE NATION

**74**



TRANSFORMING  
THE ECONOMY

**84**



INVESTING IN  
NEW ZEALAND

**98**

THE FISCAL  
STRATEGY

**118**

THE TREASURY'S  
ECONOMIC AND  
FISCAL FORECASTS

**132**

GLOSSARY

**143**

## FROM THE PRIME MINISTER

Welcome to the Coalition Government's first Wellbeing Budget. It's something you will have heard a lot of talk about and now it's a reality.

It's a reality because while economic growth is important – and something we will continue to pursue – it alone does not guarantee improvements to our living standards.

Nor does it measure the quality of economic activity or take into account who benefits and who is left out or left behind.

We know for example that New Zealand has had strong growth for a number of years, all the while experiencing some of the highest rates of suicide, unacceptable homelessness and shameful rates of family violence and child poverty.

Growth alone does not lead to a great country. So it's time to focus on those things that do.

Our five Wellbeing Budget priorities show how we have broadened our definition of success for our country to one that incorporates not just the health of our finances, but also of our natural resources, people and communities.

They show that we are doing things differently by:

- 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
- creating opportunities for productive businesses, regions, iwi and others to transition to a sustainable and low-emissions economy.

There are real people behind every one of these priorities and this Budget will give them the opportunities they don't currently have. The opportunity to be trained or retrained, to have a warm, dry home, to escape the cycle of family violence or to grow a business and achieve success.

I am proud of this Wellbeing Budget. It positions our country to begin tackling our long-term challenges and puts in place what we need to make a difference now and for generations to come.



**RT HON JACINDA ARDERN**

Prime Minister of New Zealand



## FROM THE MINISTER OF FINANCE

It is my absolute pleasure to present Budget 2019 – the Wellbeing Budget. This Budget signals a new approach to how government works, by placing the wellbeing of New Zealanders at the heart of what we do.



This approach represents a significant departure from the status quo. Budgets have traditionally focused on a limited set of economic data. Success has been declared on the basis of a narrow range of indicators, like GDP growth. But New Zealanders have questioned that claim of success when they have seen other things that we hold dear – child wellbeing, a warm, dry home, or being able to swim in our rivers and lakes – getting steadily worse. The old ways have left too many people behind. It is time to change.

New Zealanders want us to measure our success in line with their values – the importance of fairness, the protection of the environment, the strength of our communities. That is what this Wellbeing Budget sets out to do.

Many countries around the world have begun to look at different ways of measuring success to better reflect the wellbeing of their people. This Budget goes further and puts wellbeing at the heart of everything we do.

To set the priorities for this Budget, we used evidence and expert advice to tell us where we could make the greatest difference to the wellbeing of New Zealanders. Each bid for funding required a wellbeing analysis to make sure that funding would address those priorities. We have broken down the silos of government to support programmes that bring together agencies to solve the big challenges of our time.

In this first Wellbeing Budget our priorities are tackling long-term challenges facing New Zealand. We're taking mental health seriously, addressing child poverty and domestic violence, supporting Māori and Pasifika aspirations, transforming our economy and building our productivity. Alongside them we are balancing the need for fiscal sustainability for future generations and making long term infrastructure investments, such as in our schools and hospitals, and supporting the economy.

We do not claim perfection in this first Wellbeing Budget, and we will not fix everything in one go. This is just the start of a programme of change. The Coalition Government is committed to the wellbeing approach, now and in the future. I want to thank all three parties that make up this Government for their commitment, and to doing the right thing for New Zealand for generations to come. Budget 2019 is a landmark moment, and I am proud to present it.

A handwritten signature in black ink, which appears to be 'Grant Robertson'. The signature is fluid and cursive, written in a professional style.

**HON GRANT ROBERTSON**

Minister of Finance

A woman with long blonde hair, wearing a red knit beanie and a white lace-trimmed sweater, is focused on her work in a garden. She is using a black shovel to dig in the soil. To her left is a large blue plastic bucket. The garden is filled with various green plants, including a large leafy plant in the foreground. In the background, there is a wooden frame structure with a round clock hanging from it. The scene is brightly lit, suggesting a sunny day. The overall atmosphere is peaceful and productive.

**THE  
WELLBEING  
BUDGET**

# THE WELLBEING BUDGET

## What is wellbeing?

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

Sustainable economic growth is an important contributor, but many factors determine people's wellbeing. Just because a country is doing well economically does not mean all of its people are. This has been the case for New Zealand. Too many people have been left behind or left out. The Wellbeing Budget endeavours to give more New Zealanders the ability to share in the benefits of a strong and growing economy.

We now know that we cannot meaningfully address complex problems like child poverty, inequality and climate change through traditional ways of working. Making the best choices for current and future generations requires looking beyond economic growth on its own and considering social, environmental and economic implications together.

The Wellbeing Budget does this in three ways:

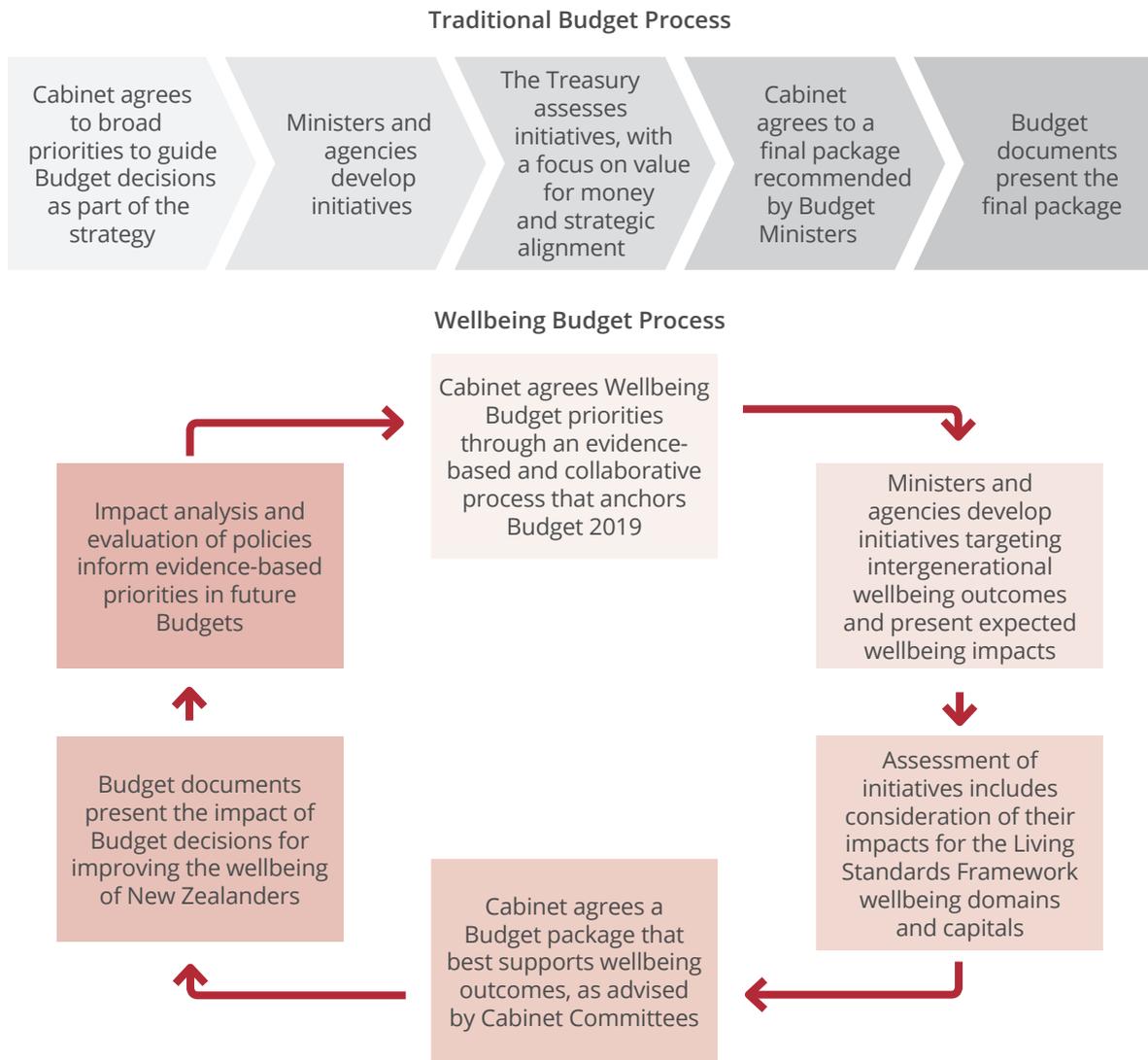
1. Breaking down agency silos and working across government to assess, develop and implement policies that improve wellbeing
2. Focusing on outcomes that meet the needs of present generations at the same time as thinking about the long-term impacts for future generations
3. Tracking our progress with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

Achieving such fundamental change will take time, but we are committed to making significant progress. The Wellbeing Budget marks the start of this process.

## How does Budget 2019 deliver a wellbeing approach?

The Coalition Government is proud to deliver the country's first Wellbeing Budget. It represents a significant change from how Budgets have previously been designed, developed and presented (see Figure 1).

Figure 1 – Developing a Wellbeing Budget



The Wellbeing Budget focuses on five priority areas where evidence tells us there are the greatest opportunities to make real differences to the lives of New Zealanders:

- *Taking Mental Health Seriously* – Supporting mental wellbeing for all New Zealanders, with a special focus on under 24-year-olds
- *Improving Child Wellbeing* – Reducing child poverty and improving child wellbeing, including addressing family violence
- *Supporting Māori and Pasifika Aspirations* – Lifting Māori and Pacific incomes, skills and opportunities
- *Building a Productive Nation* – Supporting a thriving nation in the digital age through innovation, social and economic opportunities
- *Transforming the Economy* – Creating opportunities for productive businesses, regions, iwi and others to transition to a sustainable and low-emissions economy.

## Investing for wellbeing

The Wellbeing Budget priorities were selected using a collaborative and evidence-based approach. Data from the Treasury's Living Standards Framework (LSF) Dashboard was combined with advice from sector experts and Government Science Advisors to identify outcomes where New Zealand could and should be doing better. These outcomes support the Government's wider policy programme.

*Table 1 – Examples of evidence behind the Wellbeing Budget priorities<sup>1</sup>*

<b>Taking Mental Health Seriously</b>	<b>Improving Child Wellbeing</b>	<b>Supporting Māori and Pasifika Aspirations</b>	<b>Building a Productive Nation</b>	<b>Transforming the Economy</b>
<b>Mental health</b> – In any year, one in five New Zealanders will have a diagnosable mental illness, with three-quarters of lifetime cases starting by the age of 25	<b>Material hardship</b> – Around 150,000 children in New Zealand live in households experiencing material hardship	<b>Living standards</b> – Māori and Pacific people rank low in most measures of wellbeing relative to the rest of the population	<b>R&amp;D expenditure</b> – New Zealand has low research and development (R&D) expenditure relative to OECD countries	<b>Greenhouse gas emissions</b> – New Zealand has one of the highest per capita rates of greenhouse gas emissions in the OECD
<b>Suicide rates</b> – New Zealand's suicide rate for young people is amongst the worst in the OECD	<b>Health outcomes</b> – 41,000 children are hospitalised each year for conditions associated with deprivation	<b>Income level disparities</b> – Māori and Pacific people have lower income levels, on average, than other groups	<b>Future of work and automation</b> – 21 per cent of current workforce tasks may be automated by 2030	<b>Quality of waterways</b> – Waterways in our farming areas have markedly higher pollution than in catchments dominated by native vegetation
<b>Homelessness</b> – One in 100 New Zealanders are homeless, based on the 2013 Census	<b>Family violence</b> – New Zealand has high rates of family violence	<b>Educational attainment</b> – Māori and Pacific people are less likely to attain higher educational qualifications than other groups	<b>Productivity</b> – New Zealand's productivity is low relative to other OECD countries	<b>Soil erosion</b> – Annual soil erosion of 720 tonnes per square kilometre is reducing our land's productivity and harming aquatic ecosystems
<b>Young people in employment</b> – 12 per cent of young people aged 15-24 years are not in education, employment or training	<b>Crowded housing</b> – Over 40 per cent of Pacific children and roughly 25 per cent of Māori children live in crowded homes	<b>Disparities in health status</b> – Māori and Pacific people are less likely to report good, very good or excellent health than other groups	<b>Incomes</b> – New Zealand's incomes are in the bottom half of the OECD as measured by per capita Gross Domestic Product (GDP)	<b>Waste</b> – New Zealand's level of waste per capita has increased substantially since 2013

The process for Budget 2019 investment decisions was different to previous years. In the past, Ministers and agencies focused almost exclusively on their own areas of responsibility when designing Budget initiatives – an approach that has not worked for addressing New Zealand's long-term challenges. This year, Ministers had to show how their bids would achieve the wellbeing priorities. Cabinet Committees helped to draw together packages within each priority area. This meant working together closely, focusing on how they could collectively address the Wellbeing Budget priorities. Many programmes in the Budget are a result of new, collaborative approaches.

<sup>1</sup> Further information on these measures, as well as New Zealand's wider wellbeing context, can be found in the New Zealand's Wellbeing section on page 11.

For the first time, decisions about Budget allocations have used a wellbeing analysis. The Government made use of the growing amount of evidence and wellbeing measures to look beyond just fiscal and economic implications. Initiatives were assessed on the difference they would make across a range of economic, social, environmental and cultural considerations, with a long-term view of intergenerational outcomes. This meant the Wellbeing Budget was developed with an understanding of the impacts it would have across the range of areas that matter to New Zealanders.

This document demonstrates the new approach we are taking to presenting Budget information. It is the first time a Government has presented the Budget in a document that links the wellbeing outlook for New Zealand with the rationale and impacts of Budget decisions. Rather than just containing an economic and fiscal outlook, this document has an overall wellbeing outlook for New Zealand. It identifies wellbeing needs and explains what we are doing to address them. While this remains an area for further work, ongoing progress on Indicators Aotearoa New Zealand and the Treasury's LSF Dashboard will allow us to monitor improvements in New Zealanders' wellbeing over time.

## **What next for the wellbeing approach?**

The Government is committed to delivering the wellbeing approach in Budget 2020 and beyond. This will continue the progress we have made to embed wellbeing into the heart of the Government's policy-making. However, achieving genuine and enduring change requires a public sector and systems geared towards this new way of working.

The Government has already passed legislation to support the wellbeing approach. The Child Poverty Act 2018 requires the Government to have measures of child poverty and clear targets for improving them. The accompanying amendments to the Public Finance Act 1989 also require the Government to report on progress towards these targets at Budget time. The Child Poverty Report section of this document delivers on this for the first time (see page 20).

The Government also intends to amend the Public Finance Act to ensure wellbeing remains a focus in future Budgets. This will mean future Governments have to set out how their wellbeing objectives, together with their fiscal objectives, guide their Budgets and fiscal policy. Additionally, the Treasury will be required to report on New Zealand's wellbeing data at least every four years.

Achieving meaningful change requires the State sector to make progress more quickly on priorities that improve the wellbeing of New Zealanders. The Government intends to reform the State Sector Act 1988 to support a public service that puts people at the heart of how it organises services. These changes will join the public service together around citizen-focused outcomes and services and support new models for working across sectors.

Finally, we will implement a work programme across government to embed wellbeing. This will include changes to the way agencies plan, report and measure their progress. More information on these changes will be released in the coming months.

## The Treasury's LSF and Dashboard

To provide a robust framework for the Wellbeing Budget, the Government asked the Treasury to further develop and accelerate the work it has done on its LSF. The LSF builds on 30 years of New Zealand and international wellbeing research, in particular from the OECD, to build a New Zealand framework for considering the intergenerational wellbeing impacts of policies and proposals.

The Treasury developed the LSF to improve the quality of its policy advice. It is a framework to support the use of wellbeing data and evidence to better understand the interactions between potential policy choices available to governments. In applying the LSF in its policy advice, the Treasury aims to bring the same level of analytical rigour to assessing wellbeing benefits as is applied to fiscal costs.

Figure 2 – The Treasury's Living Standards Framework



To support this work, the Treasury has released the LSF Dashboard. The Dashboard provides a range of wellbeing indicators and analysis that informed Budget 2019 and are discussed in the New Zealand's Wellbeing section of this document (see page 11). No single set of indicators can capture all that matters for all New Zealanders, but the Dashboard provides one perspective on the difficult question of how we can measure a country's wellbeing.

The current Dashboard is the first live version and further work is needed to ensure future versions improve known gaps and limitations. These include more fully and richly expressing and representing Te Ao Māori perspectives, child wellbeing, New Zealand cultural identity, and risk and resilience. Future updates will also look for opportunities to increase alignment with Indicators Aotearoa New Zealand developed by Stats NZ, which provides a comprehensive suite of social, cultural, environmental, and economic indicators.

For further information on the LSF, see <https://treasury.govt.nz/information-and-services/nz-economy/living-standards>. For the LSF Dashboard, see <https://treasury.govt.nz/lfsddashboard>.

Table 2 – Wellbeing indicators in the Treasury's LSF Dashboard

<b>Indicators of New Zealand's current quality of life (Domains of wellbeing)</b>			
<b>Civic engagement and governance</b> <ul style="list-style-type: none"> <li>• Voter turnout</li> <li>• Trust in government institutions</li> <li>• Perceived corruption</li> </ul>	<b>Cultural identity</b> <ul style="list-style-type: none"> <li>• Te reo Māori speakers</li> <li>• Ability to express identity</li> </ul>	<b>Environment</b> <ul style="list-style-type: none"> <li>• Air quality</li> <li>• Access to the natural environment</li> <li>• Water quality (swimmability)</li> <li>• Perceived environmental quality</li> </ul>	<b>Health</b> <ul style="list-style-type: none"> <li>• Healthy life expectancy</li> <li>• Health status</li> <li>• Mental health</li> <li>• Suicide rate</li> </ul>
<b>Housing</b> <ul style="list-style-type: none"> <li>• Household crowding</li> <li>• Housing cost</li> <li>• Housing quality</li> </ul>	<b>Income and consumption</b> <ul style="list-style-type: none"> <li>• Disposable income</li> <li>• Financial wellbeing</li> <li>• Consumption</li> </ul>	<b>Jobs and earnings</b> <ul style="list-style-type: none"> <li>• Unemployment rate</li> <li>• Employment rate</li> <li>• Hourly earnings</li> </ul>	<b>Knowledge and skills</b> <ul style="list-style-type: none"> <li>• Educational attainment (tertiary)</li> <li>• Educational attainment (upper secondary)</li> <li>• Cognitive skills at age 15</li> </ul>
<b>Safety and security</b> <ul style="list-style-type: none"> <li>• Intentional homicide rate</li> <li>• Domestic violence</li> <li>• Workplace accident rate</li> <li>• Feeling safe</li> </ul>	<b>Social connections</b> <ul style="list-style-type: none"> <li>• Social network support</li> <li>• Loneliness</li> <li>• Discrimination</li> <li>• Māori connection to marae</li> </ul>	<b>Subjective wellbeing</b> <ul style="list-style-type: none"> <li>• General life satisfaction</li> <li>• Sense of purpose in one's life</li> </ul>	<b>Time use</b> <ul style="list-style-type: none"> <li>• Leisure and personal care</li> <li>• Paid work</li> <li>• Unpaid work</li> </ul>
<b>Indicators of New Zealand's sustainable and intergenerational wellbeing (Capitals)</b>			
<b>Financial and physical capital</b> <ul style="list-style-type: none"> <li>• Total net fixed assets</li> <li>• Net intangible fixed assets</li> <li>• Household net worth</li> <li>• Multifactor productivity growth</li> <li>• Net international investment position</li> <li>• Total Crown net worth</li> </ul>	<b>Human capital</b> <ul style="list-style-type: none"> <li>• Educational attainment (tertiary)</li> <li>• Educational attainment (upper secondary)</li> <li>• Expected educational attainment</li> <li>• Non-communicable diseases</li> <li>• Cognitive skills at age 15</li> <li>• Life expectancy</li> </ul>	<b>Natural capital</b> <ul style="list-style-type: none"> <li>• Natural hazard regulation</li> <li>• Climate regulation</li> <li>• Sustainable food production</li> <li>• Drinking water</li> <li>• Biodiversity and genetic resources</li> <li>• Waste management</li> </ul>	<b>Social capital</b> <ul style="list-style-type: none"> <li>• Trust held in others</li> <li>• Perceived corruption</li> <li>• Discrimination</li> <li>• Trust in government institutions</li> <li>• Sense of belonging</li> </ul>

# NEW ZEALAND'S WELLBEING

This section provides an overview of New Zealand's wellbeing. We want New Zealand's overall wellbeing to drive the decisions we make about Government policies and Budget priorities. This means measuring our progress on a broader range of indicators of success, and not just on traditional measures like GDP.

We have drawn on evidence from the Treasury's LSF Dashboard, together with evidence from Stats NZ Official Statistics, the OECD and specialist advice from agencies and experts, like the Government Science Advisors. This evidence has been organised around the four capitals presented in the Treasury's LSF. These are: our built and financial assets (financial and physical capital), our people and skills (human capital), our environment (natural capital) and our connections (social capital).

## New Zealand's wellbeing at a glance<sup>2</sup>

The evidence suggests that New Zealanders overall currently have high levels of wellbeing. We are relatively:

- healthy
- well educated
- socially connected, and have
- high material standards of living.

However, there are also significant challenges that need to be addressed to ensure the benefits of continued economic growth are shared by all New Zealanders. These challenges include:

- poor mental health outcomes
- significant numbers of children living in poverty
- high levels of greenhouse gas emissions
- significant disparities across indicators of wellbeing between different ethnic groups.

Threats to our waterways and our unique biodiversity, as well as future challenges arising from the changing nature of work, also need attention to ensure intergenerational wellbeing.

Evidence in this section has informed the Budget 2019 priorities, which represent a first step towards addressing some of the challenges we face in improving the wellbeing of New Zealanders.

<sup>2</sup> The main evidence sources for this section are: The Treasury's LSF Dashboard, Stats NZ Official Statistics, the OECD Better Life Index and the latest Treasury forecasts.

## Financial and physical capital: our built and financial assets

This refers to assets owned by households, companies and the government. These range from things like cars, factories and machines to software and databases. It also includes financial assets, like cash and shares.<sup>3</sup>

These assets generate incomes and influence living conditions. Together with a strong fiscal position, they contribute to New Zealanders' wellbeing. This gives future generations more options, and provides resilience to help manage future economic change.

### New Zealand has strong material living standards and economic growth, but too many people are being left out or left behind

We have reasonably good overall standards of living. The economy is growing at a solid rate and the outlook continues to be positive. Economic growth – the increase in the volume of goods and services produced each year – is forecast to be 2.6 per cent, on average, over the five years to June 2023 (Figure 3), higher than countries similar to us.

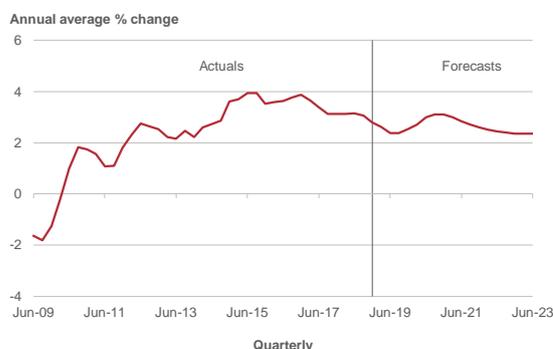
This growth is supported by government and business investment, low interest rates, high commodity prices and population growth. But it is the quality of economic growth that is important for raising New Zealanders' wellbeing and living standards. Growth that provides decent opportunities for all

New Zealanders, while maintaining and enhancing our natural environment, will drive increased wellbeing. The need to deliver high-quality growth is why the Government's economic strategy is to build a more productive, sustainable and inclusive economy.

Currently, there are significant disparities in the standards of living of New Zealanders. For example, Māori and Pacific people score consistently lower on most areas of wellbeing relative to the general population, including in measures of income and housing quality (Figure 4).

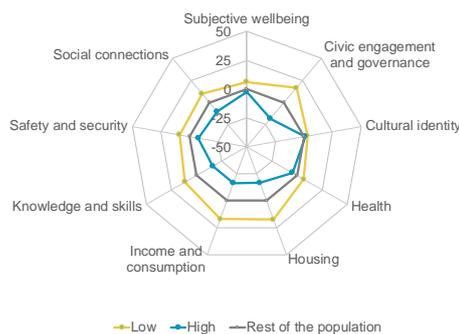
This evidence demonstrates that there is significant scope for improvement, which is why a specific focus on lifting Māori and Pacific incomes, skills and opportunities is one of our Wellbeing Budget priorities.

Figure 3 – Real GDP Growth



Sources: The Treasury, Stats NZ

Figure 4 – Māori wellbeing analysis compared to the rest of New Zealand



Sources: Treasury analysis, Stats NZ

Note: Figure 4 shows how Māori compare to the rest of the population. If a yellow point is further from the middle than a corresponding grey point, this means wellbeing for Māori is lower than the national average in that domain. Māori rank low relative to the rest of the population in most measures of wellbeing.

<sup>3</sup> Additional source used in this sub section: *He Puna Hao Pātiki – 2018 Investment Statement*. Accessed from <https://treasury.govt.nz/sites/default/files/2018-03/is18-hphp-wellbeing.pdf>.

**New Zealand has a strong labour market...**

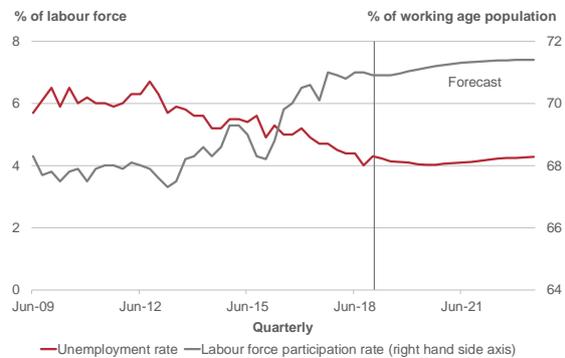
The labour market is strong, with unemployment expected to remain low and the proportion of people in work expected to increase (Figure 5). Wage growth is expected to average 3.4 per cent per year over the next five years, well ahead of inflation.

**...but a low starting point for incomes, productivity levels and R&D investment when compared to other OECD countries**

However, New Zealand’s incomes are lower than many of our OECD peers and New Zealand’s labour productivity has been below the OECD average for over three decades (Figure 6).<sup>4</sup>

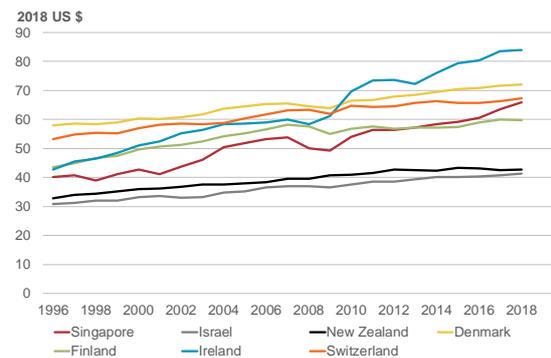
Productivity growth is a key driver of incomes, both at a household and country level. There is a clear need to improve productivity. This will create more opportunities for New Zealanders to raise their living standards and lead the lives they want to live. We spend less on R&D than many OECD countries. R&D investment has the ability to create new knowledge, innovative processes and products, which in turn can boost productivity. There is a pressing need for investment in innovation and skills if New Zealand is to meet these challenges and take the opportunity of a rapidly changing world of work. This is why *Building a Productive Nation* is a Wellbeing Budget priority.

*Figure 5 – Unemployment and labour force participation rate*



Sources: The Treasury, Stats NZ

*Figure 6 – Labour productivity in small advanced economies (output per hour worked)*



Source: The Conference Board Total Economy Database (adjusted series)

**A number of our assets, including public housing, school buildings, hospitals and defence assets need improving**

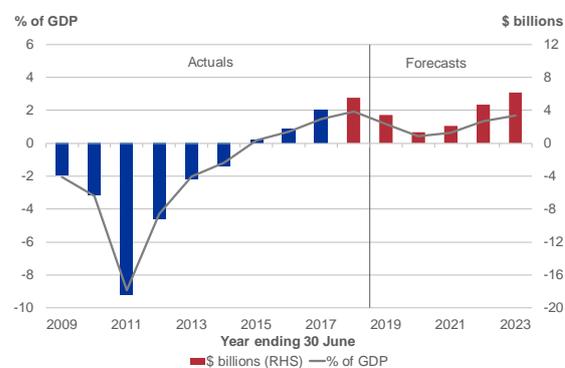
The condition of our social assets is of concern. As discussed in *He Puna Hao Pātiki – 2018 Investment Statement*, assets, including public housing, school buildings and some healthcare and defence assets are old and in poor condition. Approximately 40 per cent of public houses are over 50 years old. Nearly 20 per cent of District Health Board (DHB) buildings are in poor or very poor condition and 38 per cent of school buildings are 50 years old or older, due to inconsistent maintenance. Defence assets also continue to fall below expected levels. The Wellbeing Budget, using the new multi-year capital allowance, will take serious steps to build and improve our critical assets.

<sup>4</sup> Based on OECD countries with available data.

### The Government's strong fiscal position can help maintain New Zealanders' wellbeing

The Government's books are in good shape. We are committed to running sustainable surpluses and keeping debt, as a percentage of GDP, under control to ensure we are in a good position to deal with any unexpected shocks (Figure 7). The Treasury forecasts net core Crown debt to reduce to 19.9 per cent of GDP in 2021/22, in line with the Government's target to reduce net core Crown debt to 20 per cent of GDP within five years of taking office. Total Crown net worth is forecast to continue to increase in nominal terms, in line with operating surpluses.

Figure 7 – Total Crown operating balance before gains and losses (OBEGAL)



Source: The Treasury

### Human capital: our people and skills

Human capital is the skills and knowledge, physical and mental health that enable people to participate fully in work, study, recreation and society.<sup>5</sup> It has a direct link to key elements of wellbeing, including employment, income, housing and social connections.

### New Zealanders are generally healthy and well educated, but there are significant areas that need addressing

Overall, we are generally a healthy and well educated nation. The latest *New Zealand Health Survey (2017/18)* found that a high percentage of New Zealanders (88 per cent) report good, very good or excellent health. New Zealanders' life expectancy continues to gradually increase and is above the OECD median, while our smoking rates continue to decline. Additionally, health loss caused by non-communicable diseases is in the bottom half of OECD countries.

### Mental health is a significant issue...

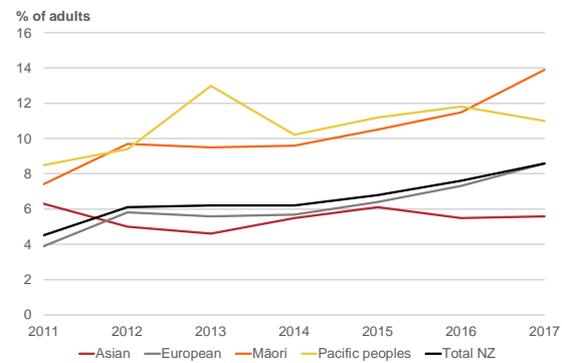
Mental health is a significant problem in New Zealand. Poor mental health is often a barrier to participating in community activities and connecting with others, which contributes to greater life satisfaction. It can also strongly affect other areas of wellbeing, including material standards of living and cultural wellbeing.

We know that in any year, one in five New Zealanders will have a diagnosable mental illness, with most lifelong cases beginning before the age of 25. *He Ara Oranga – Report of the Government Inquiry into Mental Health and Addiction*, found that New Zealand's suicide rate for young people is among the worst in the OECD. This is why the Wellbeing Budget priority, to support mental wellbeing for all New Zealanders, has a special focus on youth mental health outcomes.

<sup>5</sup> Additional sources used in this subsection: *New Zealand Health Survey 2017/18* and *He Ara Oranga – Report of the Government Inquiry into Mental Health and Addiction 2018*.

There are also significant disparities in health outcomes between New Zealanders. Māori and Pacific people are less likely to report good, very good or excellent health compared to other New Zealanders. *He Ara Oranga* also found that mental health outcomes for Māori and Pacific people are worse than for the overall population. Suicide rates are higher for Māori than the total population, while a significantly higher percentage of Māori and Pacific people experience high levels of psychological stress relative to the rest of the population (Figure 8).

Figure 8 – Percentage of adults with high levels of psychological distress

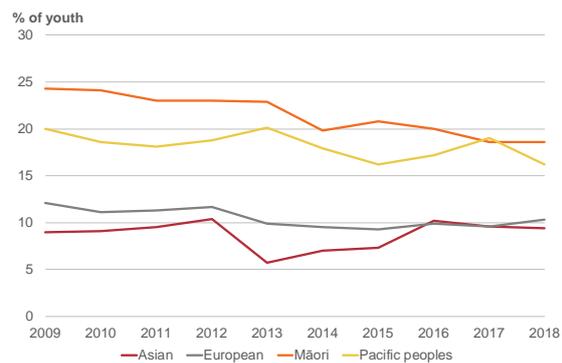


Source: Ministry of Health

**...and one in 10 young people are not in education, employment or training**

Education can have a significant impact on occupation, income, housing and health. Nearly 80 per cent of our adult population have at least an upper secondary education (equivalent to National Certificate of Educational Achievement (NCEA) Level 2).<sup>6</sup> Our young adult educational attainment is rising, our adult skill level is in the top performing OECD countries and our expected educational attainment is above the OECD median.

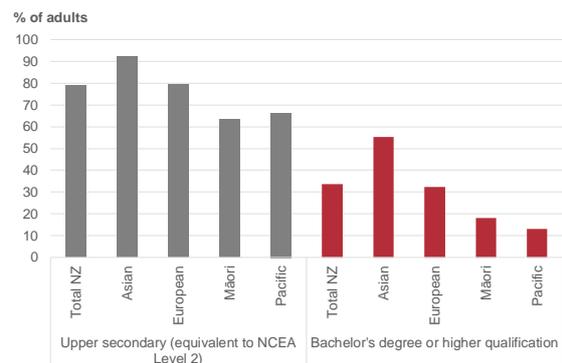
Figure 9 – Youth (15-24) not in employment, education or training (NEET)



Source: Stats NZ

Yet, there are areas in need of improvement. For example, 12 per cent of young people aged 15-24 years are not in employment, education or training (Figure 9).

Figure 10 – Educational attainment, 2017



Source: Stats NZ

We are preparing for a period of significant technological change that will have impacts on our economy. These changes include digitalisation, automation and the transition to a low-emissions economy. These future trends in the labour market will affect the way we work and the skills required, with evidence suggesting 21 per cent of current workforce tasks may be automated by 2030.<sup>7</sup>

This poses challenges for the resilience and adaptability of our workforce's skills and experiences. Evidence suggests people need to continuously refresh their skills to respond to the rapidly changing nature of work.

<sup>6</sup> Treasury analysis of the *Household Labour Force Survey*, Stats NZ.

<sup>7</sup> *A Future That Works: Harnessing Automation for a More Productive and Skilled New Zealand 2019*. Accessed from <https://www.pmbac.co.nz/the-future-of-work-report>.

As with health outcomes, there are also significant differences in qualification and skills between New Zealanders, particularly Māori and Pacific people. For example, Māori and Pacific students are less likely to attain an upper secondary school education (equivalent to NCEA Level 2) or a tertiary qualification (Bachelor’s degree or higher qualification) (Figure 10).

Disparities that emerge early in life, and differences in achievement and skills in early childhood, can persist, on average, throughout adulthood. This has impacts on occupation, income and overall material living standards. This is one of the reasons why lifting skills, opportunities and incomes for Māori and Pacific people is a Wellbeing Budget priority for this Government.

### Natural capital: our environment

Natural capital covers all aspects of the natural environment that support life and human activity, like land, soil, water, plants and animals, minerals and energy resources.<sup>8</sup>

A strong and sustainable environment contributes to wellbeing. The relationship we have with the environment goes beyond the goods and services we derive from it. The quality, quantity and sustainability of our environment not only directly impacts material aspects of wellbeing but also our cultural identity, subjective wellbeing and health.

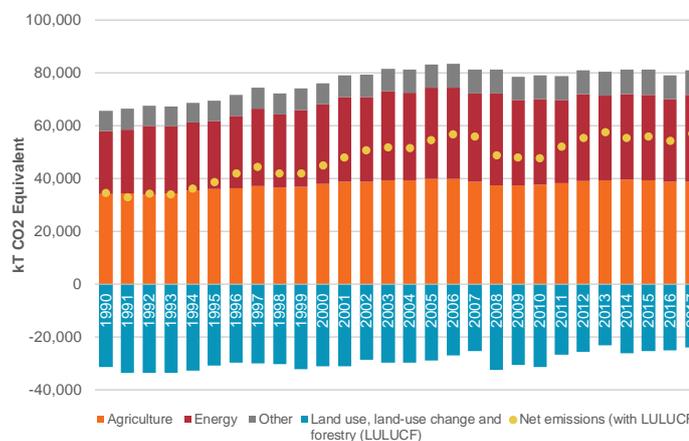
### The environment is our turangawaewae – the place where we live, learn, socialise, work and earn a living

Our land, sea and biodiversity are unique and special, having evolved so distinctly and separately from the rest of the world. There are areas of our natural environment that are looking positive. For example, the quality of our air is good in most places and at most times of the year, particularly in comparison to OECD countries.

However, New Zealand has one of the highest rates of greenhouse gas (GHG) emissions per person internationally (Figure 11). Globally, these emissions are causing significant changes to the Earth’s oceans, atmosphere and climate, which are expected to be long lasting and some irreversible.

The quality of our waterways is also an issue. The *Environment Aotearoa 2019* report finds that waterways in farming areas have markedly higher pollution levels than waterways in catchments dominated by native vegetation. Pollution can easily spread through catchments, threatening our freshwater ecosystems and cultural values and making water unsafe for drinking and recreation.

Figure 11 – Net greenhouse gas emissions, by source



Source: Ministry for the Environment

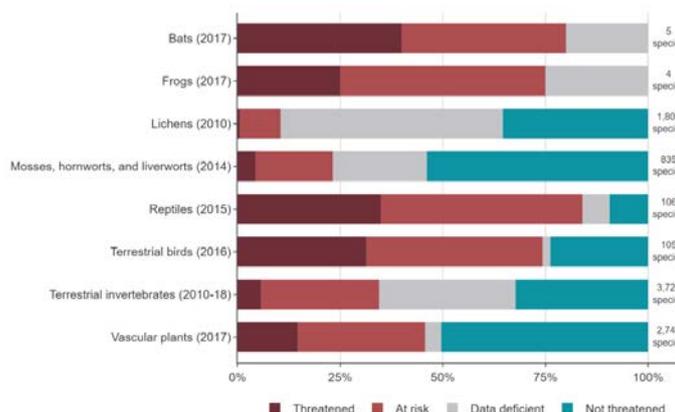
Note: ‘Other’ includes emissions from waste, industrial processes and product use (IPPU) and Tokelau gross emissions

<sup>8</sup> Additional sources used in this subsection: *Environment Aotearoa 2019* report and the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services report 2019.

## Almost 4,000 of our native species are currently threatened with, or at risk of, extinction

The decline in our biodiversity also needs attention (Figure 12). A recently released international scientific report and the *Environment Aotearoa 2019* report illustrate just how bad the situation has become both in New Zealand and globally. Almost 4,000 of our native species are currently threatened with, or at risk of, extinction. Globally, the *Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services* report suggests that one million animals and plant species are now threatened with extinction. Biodiversity is a key health indicator for ecosystems. Ecosystems provide many benefits integral to our wellbeing, including food, recreation, pollination and erosion control.

Figure 12 – Conservation status of native species



Source: Stats NZ

Soil erosion is a significant issue, with the rate of loss at 720 tonnes per square kilometre per year. Along with landslides, this is estimated to be costing the economy at least \$250-300 million a year.<sup>9</sup> Cultivation, grazing and logging often degrade soils through erosion, affecting our waterways and causing the loss of nutrients and organic matter. This reduces the productivity of the land, harms aquatic ecosystems and affects flood control, water filtering and soil retention.

## This Government is starting to help transition our economy to a clean, green carbon neutral New Zealand with a sustainable future

This environmental evidence has strongly influenced the Budget 2019 priority, Transforming the Economy. We are starting to transition our economy to a clean, green, carbon-neutral New Zealand with a sustainable future. We are also looking at ways to more sustainably manage the extraction of our natural resources and support our people, places and businesses to transition to a low-emissions economy.

Transitioning to a low-emissions economy will benefit many areas of our environment and our overall wellbeing. There is increasing evidence that low-carbon, climate-resilient growth can be progressed alongside other socio-cultural, environmental and economic goals. However, it will take time. Technology and science will play an essential role in supporting this transition.

<sup>9</sup> *Environment Aotearoa 2019 report*. Note: 2012 is the latest year when this data was collected. It is unlikely that erosion rates have reduced significantly since then. For soil erosion, and many other natural capital indicators, annual data is not always available.

## Social capital: our connections

This Social capital refers to the connections between people and the places where they connect. It includes the attitudes, norms and formal rules or institutions that contribute to wellbeing by helping prevent and solve societal problems.<sup>10</sup>

Social capital has a direct link to many areas of wellbeing, including social connection, civic engagement and subjective wellbeing. Societal understandings can encourage social connections and strengthen institutions.

### Our civic engagement is strong and we have a strong sense of belonging...

Overall, New Zealand does well on various aspects of social connection, including trust, civic engagement and areas of social cohesion (Figure 13). We have very low rates of perceived corruption, particularly in comparison to OECD countries. We are also in the top performing OECD tier for indicators like trust in others, trust in police and trust in government institutions.

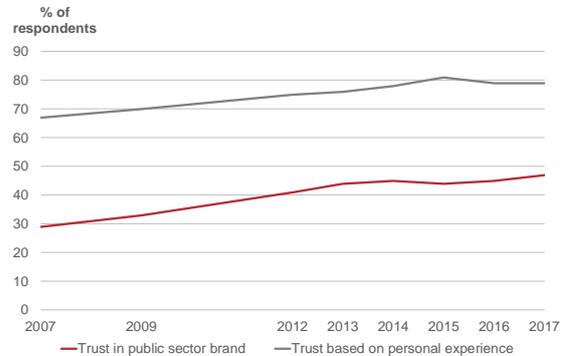
Our civic engagement is strong. Voter turn-out is high (79 per cent) and has been gradually increasing, while our broader stakeholder engagement in developing laws and regulations is higher than the OECD average.

We also have, on average, strong social connections and a strong sense of belonging. For example, 77 per cent of adults had face-to-face contact at least once a week with friends who did not live with them. However, there is always room for improvement.

### ...but areas of social cohesion and safety need our attention

Areas of social cohesion, like discrimination and loneliness, also need attention. In 2016, 17 per cent of New Zealanders reported they had experienced discrimination in the past 12 months and 17 per cent of New Zealanders had felt lonely most/all or some of the time in the last four weeks (Figure 14). There are also clear ethnic disparities in these indicators. Asian and Māori people experience greater levels of discrimination and loneliness than the rest of the population.

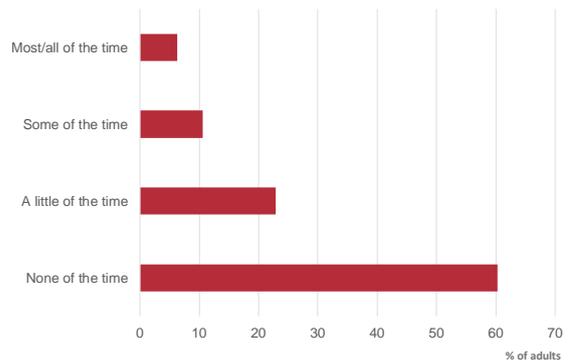
Figure 13 – Trust in public sector services



Source: State Services Commission

Note: Data not available for 2008, 2010 and 2011

Figure 14 – Felt lonely in last four weeks



Source: Stats NZ

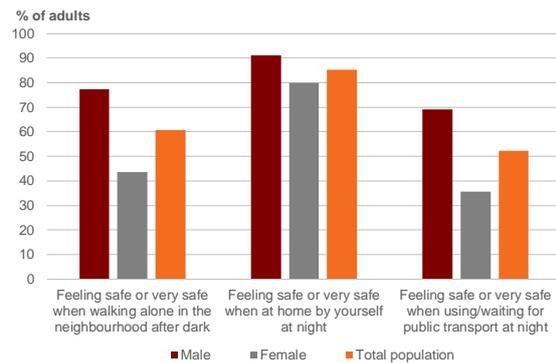
<sup>10</sup> Additional source used in this subsection: *New Zealand Crime and Victims Survey 2018*.

Rising homelessness in New Zealand is also a major issue. The exact scale of the problem is unknown and likely underestimated. Those who are homeless are likely to experience a number of significant life challenges, including mental health problems, drug and alcohol issues and domestic violence. Based on the 2013 Census, one in 100 New Zealanders are homeless.<sup>11</sup>

Personal safety is also a significant issue in New Zealand (Figure 15). We have high rates of family violence. According to the New Zealand Crime and Victims Survey 2018, almost 80,000 adults experienced more than 190,000 incidents of family violence over the last 12 months. However, it has been estimated that only 27 per cent of family violence crimes are reported to police.

We know that a lack of safety at home can have a considerable impact on many or all areas of wellbeing, including physical and mental health and self-worth. Children’s exposure to family violence can severely impact areas of their wellbeing and leave lasting impacts throughout life. These children are more likely to attempt suicide, become youth offenders and are less likely to succeed in the education system and beyond. The Budget 2019 priority *Improving Child Wellbeing* is a step towards addressing this issue.

Figure 15 – Feelings of safety, 2016



Source: Stats NZ

**A significant proportion of children in New Zealand need further support**

The experiences we have as children lay the foundations for healthy development and positive outcomes throughout life. Many of our children are doing well and achieving positive outcomes – they live in supportive homes and receive the care they need. Unfortunately, a significant proportion of children in New Zealand need further support. Around 150,000 children in New Zealand live in households experiencing material hardship. Many children in our country are hospitalised each year for conditions associated with deprivation and live in crowded houses. Household crowding is associated with a number of infectious diseases, such as rheumatic fever. Children need homes that are healthy, nurturing and safe in order to thrive and grow. Improving child wellbeing is an important part of improving New Zealand’s wellbeing.

<sup>11</sup> University of Otago research using Stats NZ Official Statistics. Note: Homelessness is defined by Stats NZ as “living situations where people with no other options to acquire safe and secure housing are: without shelter, in temporary accommodation, sharing accommodation with a household or living in uninhabitable house”.

# CHILD POVERTY REPORT

# CHILD POVERTY REPORT

## Child Poverty and the Wellbeing Budget

### Background

Budget 2019 marks New Zealand's first ever Budget Day report on child poverty.

Our Coalition Government is committed to reducing child poverty and improving child wellbeing. Building on the Families Package, we have made this a priority area for investment in Budget 2019. We have also passed legislation to make sure that Governments now – and in the future – are held to account for decisions that have economic, fiscal and wellbeing impacts on children living in poverty.

The Child Poverty Reduction Act 2018 ('the Act') will help to ensure an enduring focus on reducing child poverty, political accountability against published targets and transparent reporting on the progress we are making.

Children depend on the resources of their family, whānau and wider community for having their basic material needs met. For individual children, poverty is about growing up in a household that experiences financial hardship and the stress that arises from having to make decisions that involve trade-offs between basic needs. The experience of poverty can involve various forms of hardship, such as going hungry, living in cold, damp houses and foregoing opportunities, like school outings and sports activities.

There is strong evidence that growing up in poverty can harm children in multiple ways. These effects are particularly evident when poverty is severe and persistent, and when it occurs during early childhood. The harmful effects of child poverty can continue into adulthood, impacting individuals' future wellbeing and potential, and the economy and society more generally.

### Budget Day child poverty reporting requirements

The Child Poverty Reduction Act 2018 amended the Public Finance Act 1989, introducing section 15EA which requires the supporting information for the main Appropriation Bill (the Budget) to include a report on child poverty. The report must:

- a. discuss any progress made, in the most recent completed financial year, in reducing child poverty consistent with the targets under the Child Poverty Reduction Act 2018; and
- b. indicate whether and, if so, to what extent, measures in or related to that Bill will affect child poverty.

The most recently completed financial year is 2017/18 and the targets under the Child Poverty Reduction Act 2018 begin in 2018/19. This report therefore addresses paragraph (a) by providing a high-level view of recent trends up to 2017/18, before discussing the expected impact of Budgets 2018 and 2019 to address paragraph (b).

## How do we measure child poverty?

The Act specifies 10 distinct measures of child poverty, including measures related to income and material hardship. Given the complexity of the issue it is important that these measures are considered together. Positive movement on all these measures together will mean real progress for the children of New Zealand.

There are three primary measures of child poverty for which data is available, and six supplementary measures (see Table 3). Two of these primary measures are income measures (one moving-line measure, with the poverty threshold taken the year the data is gathered; and one fixed-line measure, with the poverty threshold fixed to 2017/18). The third primary measure is a non-income measure and relates to material hardship. In addition, persistent poverty is an upcoming fourth primary measure, targets for which are required for and after the financial year commencing on 1 July 2025.

*Table 3 – The primary measures of child poverty*

	<b>What are we measuring?</b>	<b>How do we measure it?</b>	<b>What does it tell us?</b>
<b>Low income, before housing costs – moving-line measure (BHC50)</b>	A measure of the number of children in households with much lower incomes than a typical household.	The threshold line is 50 per cent of the median household income in the year measured.	How households with low incomes are doing relative to other households.
<b>Low income, after housing costs – fixed-line measure (AHC50)</b>	A measure of the number of children in households with incomes much lower than a typical 2018 household, after they pay for housing costs.	The threshold line is 50 per cent of the median income in 2017/18, adjusted for inflation, after housing costs are removed.	How households with low incomes are doing relative to previous years. How much housing costs impact the money available for other budget items.
<b>Material hardship</b>	A measure of access to the essential items for living.	The threshold line is a lack of six or more out of the 17 items in the material deprivation index. <sup>12</sup>	Directly measures living standards and households going without the basics. Picks up the impact of the level of income and other resources, the costs of housing and other essentials and other social and personal factors.

<sup>12</sup> Items are listed under four categories:

Category 1 – enforced lack of essentials: a meal with meat, fish or chicken (or vegetarian equivalent) at least each second day; two pairs of shoes in good condition; suitable clothes for special occasions; home contents insurance; the ability to give presents to family or friends on birthdays, Christmas, etc;

Category 2 – economising behaviours: going without fresh fruit or vegetables; buying cheaper cuts of meat or less meat than desired; putting off visits to the doctor; putting off visits to the dentist; doing without or cutting back on trips to the shops or other local places; putting up with feeling cold; delaying replacing or repairing broken appliances;

Category 3 – restrictions: feeling limited by available money; not being able to pay for an unexpected and unavoidable expense of \$500 within a month without borrowing;

Category 4 – financial stress and vulnerability: inability to pay electricity, gas, rates or water bills on time; inability to pay for car insurance, registration or warrant of fitness on time; and borrowing from friends or family to meet everyday living costs.

Understanding our progress towards reducing child poverty each year relies on good quality data. In Budget 2018 we invested \$25.7 million to improve the measurement of child poverty in New Zealand. This funding has allowed Stats NZ to survey more people through the Household Economic Survey and to look into improvements in data methodology and integration. We will see the full results of this investment in our Child Poverty Report in Budget 2021.

The most recent data we have for child poverty reporting is for 2017/18. This is the year prior to the full implementation of our first significant investment to reduce child poverty (the Families Package) and is the base year from which to measure progress on child poverty.

## What are the child poverty reduction targets?

The Act requires the Government to set three-year and 10-year reduction targets on the three primary measures. These targets are set out in Table 4.

*Table 4 – Child poverty reduction targets (% of children)*

Primary measure	Baseline rate (2017/18)	3-year target rate (2020/21)	10-year target rate (2027/28)
BHC50 moving-line	16.5%	10.5%	5%
AHC50 fixed-line	22.8%	18.8%	10%
Material hardship	13.3%	10.3%	6%

The percentage number in each line in the table above shows the percentage of children in New Zealand living in poverty at the baseline year (2017/18) and at the three-year and 10-year target years.

## What are the current trends in child poverty?

On 2 April 2019 the Government Statistician published the first report on the primary and supplementary measures.<sup>13</sup> Rates for the three primary measures in Stats NZ's report are presented in Figures 16, 17 and 18 (the green line on pages 26 and 27). The trends are broadly as follows:

- The rate on the before-housing-cost moving-line measure shows a slight rising trend from 2006/07 onwards.
- The rate on the fixed-line after-housing-cost measure has been steadily trending downwards from 2010/11.
- Following a significant rise between 2007 and 2011, the material hardship rate is trending down.<sup>14</sup>

When a country is experiencing broadly favourable economic conditions and wage growth, the general pattern is for incomes in the middle of the income distribution to increase at a slightly faster rate than incomes at the bottom. As a consequence, without specific government intervention, rates of child poverty on the moving-line measure will generally gradually increase over time.

<sup>13</sup> See Stats NZ website for full report: <https://www.stats.govt.nz/information-releases/child-poverty-statistics-year-ended-june-2018>.

<sup>14</sup> MSD has provided an account of how recent figures can be understood within the context of past reporting (see Perry, MSD Working Paper 02/19 Stats NZ Child Poverty Statistics release, 2 April 2019: MSD Background and Overview, MSD, 2019).

## What are we doing to reduce child poverty?

This Government has already implemented a number of policies to reduce child poverty. Some of these initiatives are designed to directly impact children living in poverty by putting more money in the pockets of parents. Others have a more indirect impact and are designed to ease the pressures faced by families – such as changes to health, housing and education settings. Wider economic policy settings implemented by this Government will also have a positive impact on reducing child poverty numbers.

In order for an initiative to have a discernible effect on measured child poverty rates, it needs to improve the resources available to families living in poverty – either by increasing incomes, reducing housing costs, or reducing other demands on household budgets.

But it's important that we don't become too fixated on the targets alone. Some initiatives may not affect the headline numbers on the primary measures, but will still make a material difference to the lives of the families and children living in poverty. Initiatives can reduce the depth and severity of poverty itself. Others, such as education and health initiatives, can address some of the related challenges faced by families and children living in poverty, by mitigating the consequences of poverty and disadvantage.

### *Table 5 – Policy changes intended to reduce child poverty*

---

#### **Directly impacts the incomes of parents of children in poverty**

**The Families Package**, implemented from July 2018:

- increased the Family Tax Credit
- increased the Accommodation Supplement
- introduced the Winter Energy Payment for those on a main benefit and people who receive Superannuation or a Veteran's Pension
- introduced the Best Start payment for all families in the first year, followed by two more years of support for middle- and low-income families.

The package will increase the incomes of around 384,000 middle- to low-income families with children, on average, \$75 a week once it is fully rolled out.

#### **Total investment of \$5.5 billion over four years**

**Budget 2019** includes further changes to **income support** settings that will impact child poverty, including:

- the indexation of all main benefits to average wage growth
- increasing the amount that beneficiaries can earn before their benefit reduces
- removing the penalty for sole parents who don't identify the other parent and/or don't apply for child support (section 192).

Ministry of Social Development (MSD) modelling indicates that approximately 146,000 families with 269,000 children will benefit from this investment.

#### **Total investment of \$535.1 million over four years**

---

#### **Other changes designed to ease the pressures faced by families**

**In Budget 2018** we:

- expanded school-based health services in decile 1-4 schools, and free and low-cost doctors' visits for children under the age of 14
  - expanded Housing First, public housing and transitional housing
  - began improving the affordability and availability of housing through KiwiBuild
  - continued funding KickStart and KidsCan
  - provided a clothing allowance for children whose caregivers receive an Orphan's Benefit or Unsupported Child's Benefit.
-

---

### Other changes designed to ease the pressures faced by families

**In Budget 2019** we are:

- helping parents with education costs by providing increased funding for decile 1-7 schools that agree not to request donations for parents, and removing NCEA fees
- further expanding school-based health services in decile 1-5 schools
- continuing funding for KickStart and KidsCan
- working to tackle homelessness, including through further investment in transitional housing and Housing First
- supporting increasing incomes through meeting minimum wage obligations
- supporting people into sustainable employment through increasing the capacity of the Ministry of Social Development's frontline workforce.

**Other changes implemented by this Government include:**

- improving the quality of housing and conditions for renters by implementing the Healthy Homes Guarantee Act 2017 and through changes to the Residential Tenancies Act 1986
  - reviewing the price of electricity for households and investigating whether the prices paid are fair, efficient and equitable
  - reducing problem debt, by introducing legislative measures to stop predatory lending.
- 

### Changes to wider economic policy settings that will affect child poverty and intergenerational cycles of poverty

**We are committed to:**

- working toward reaching an unemployment rate of 4 per cent in our first term
  - improving pay and conditions for New Zealand workers through Fair Pay Agreements, minimum wage increases and pay equity
  - improving employment opportunities and outcomes, including the following in Budget 2019:
    - *Improving Māori Labour Market Resilience – Expanding the Cadetships Initiative to Improve Employment Outcomes* – \$6 million
    - *Expanding the Pacific Employment Support Service to Reduce the Rate of Pacific Young People Not in Employment, Education or Training* – \$14.5 million
    - *He Poutama Rangatahi – Continuing to Reduce the Rates of Māori Rangatahi who are not in Employment, Education and Training* – \$26.5 million
    - *Mana in Mahi – Employment Programme to Support Successful Transition into Sustainable Work* – \$49.9 million
- 

A fuller list of the Budget 2019 initiatives that may affect child poverty is included at Table 7 at the end of this report. There are also a number of Budget 2019 initiatives that are unlikely to materially reduce poverty in the short to medium term, but which should nonetheless have a positive impact on the wider wellbeing of some children living in poverty and may also help break cycles of disadvantage and intergenerational poverty over the longer term. These include initiatives related to child development, whānau wellbeing, mental health, prisoner reintegration, child protection and family violence.

While we are committed to reducing child poverty and improving child wellbeing, we also have to balance this focus with other priorities. At times this could mean implementing policies that might not impact positively on reducing child poverty in the short term. The increase in Petrol Excise Duty may increase some families' costs if there are no offsetting factors. The impact of this on child poverty has not been modelled. In the longer term, transport costs for families could come down owing to the resulting investment in roads, rail and public transport.

## Are we on track to reach our targets?

While it's too early to say with certainty if all of the changes we've made will enable us to reach our targets, we've been able to model the estimated impact of some of our flagship initiatives, namely the Families Package and Budget 2019 income support changes.

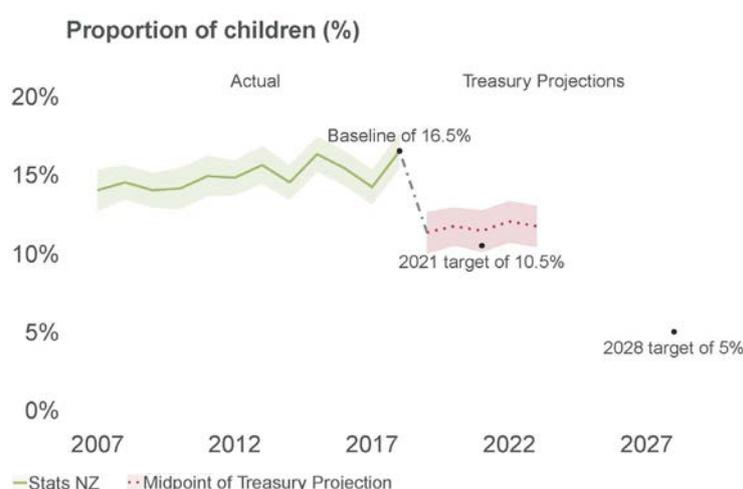
Modelling by the Treasury indicates that by 2020/21 the combined impact of the Families Package and Budget 2019 income support changes would mean:

*Table 6 – Impact of the Families Package and Budget 2019 income support changes on child poverty*

		By 2020/21		
	From a 2017/18 baseline of	Reduce the 2017/18 baseline	Projected proportion of children remaining in poverty	Projected number of children remaining in poverty
<b>On the BHC50 measure</b>	16.5% of children (around 180,000 children)	By between 24% and 37% (between 41,000 and 66,000 children)	Between 10.1% and 12.7% of children	Between 115,000 and 144,000 children
<b>On the AHC50 measure</b>	22.8% of children (around 250,000 children)	By between 22% and 30% (between 50,000 and 74,000 children)	Between 15.2% and 18.6% of children	Between 172,000 and 212,000 children

The Treasury's modelled estimates of changes relative to the baseline data provided by Stats NZ are set out in the graphs below.<sup>15</sup> The forecast trend, taking into account the impact of the Families Package and part of Budget 2019 income support changes, is shown in red in Figures 16 and 17. It is not possible with available data for the Treasury to model the impact of the removal of the section 192 sanction or the impact of any policy changes on the material hardship measure.

*Figure 16 – Children in households below the moving-line BHC poverty threshold*



<sup>15</sup> For all charts above, access to the data used in this study was provided by Stats NZ under conditions designed to give effect to the security and confidentiality provisions of the Statistics Act 1975. The results presented labelled as Treasury Projections are the work of the Treasury, not Stats NZ.

Figure 17 – Children in households below the fixed-line AHC poverty threshold

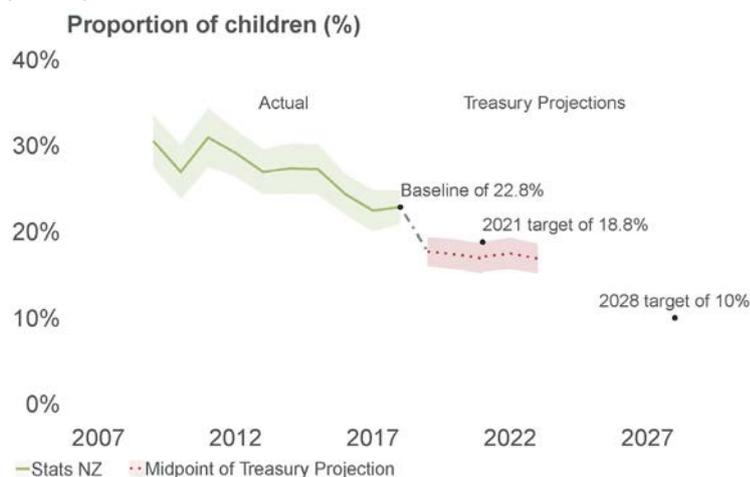
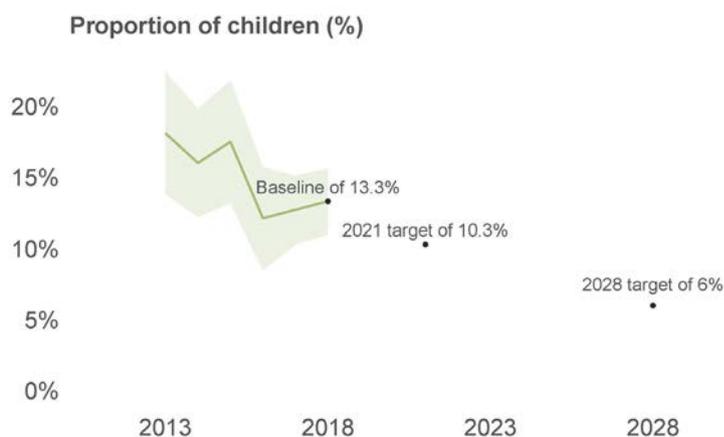


Figure 18 – Children in households experiencing material hardship



### Modelling projected impact

Current reporting timeframes mean that poverty rates for the 2018/19 year will not be available until early 2020. Instead, the Treasury estimated the expected rates based on forecasts of the economy and housing costs, and taking into account the key income support packages announced in Budgets 2018 and 2019. Modelling is only available for the income measures and is not available on the material hardship measure.\*

\* This modelling is a projection only and the impacts of these initiatives are best expressed as a range, based on a 95 per cent margin of error. This range accounts for survey variability but not deviation from current economic forecasts.

## What will we be doing next?

Budget 2019 is another step we are taking to reduce child poverty. The Prime Minister took ministerial responsibility for child poverty reduction on the formation of this Government and we have established the Child Poverty Unit within the Department of the Prime Minister and Cabinet to support a continued focus on tackling child poverty.<sup>16</sup> Further programmes of work are being developed that will help us break the cycle of child poverty and progress towards our 10-year targets, making a tangible difference to the lives of New Zealand children living in poverty. These will be the subject of forthcoming announcements, and a central part of key work programmes, including:

- responses to the Welfare Expert Advisory Group (WEAG)
- the development and publication of the first Child and Youth Wellbeing Strategy later in 2019
- our planning to further embed wellbeing in Budget 2020 and beyond.

Budget 2020 will also mark our second report on child poverty, which will include one year of data of the impact of the Families Package on child poverty.

<sup>16</sup> Find more information on the Child Poverty Unit here: <https://dpmc.govt.nz/our-business-units/child-wellbeing-and-poverty-reduction-group>.

Table 7 – Budget 2019 initiatives that may affect child poverty

<b>Direct impacts on the incomes of parents of children living in poverty</b>	<b>Other initiatives designed to ease the pressures faced by families</b>
<p><b>Increasing household incomes</b></p> <p>\$535.1 million over four years to make changes to benefits by:</p> <ul style="list-style-type: none"> <li>indexing main benefits to wage growth</li> <li>removing the penalty for sole parents who don't identify the other parent and/or don't apply for child support</li> <li>increasing the amount that beneficiaries can earn before their benefit reduces (abates).</li> </ul> <p>As part of this investment, modelling by the Ministry of Social Development indicates that approximately 146,000 families with 269,000 children will receive, on average, around \$20 more per week by 1 April 2023. This investment will also benefit individuals without children.</p> <p>At an individual initiative level:</p> <ul style="list-style-type: none"> <li>By indexing main benefits to wage growth, it is estimated that around 339,000 individuals and families will gain, on average, around \$11 per week by 1 April 2023. The amount people will gain will continue to increase beyond April 2023, as the difference between wage growth and inflation (current settings) is likely to accumulate over time.</li> <li>By removing the section 192 (formerly section 70A) sanction, around 12,000 sole parents will be better able to support their families, by not having a deduction applied to their benefit each week. Around 24,000 children will be better off, with affected sole parents' incomes increasing by an average of \$34 a week.</li> <li>By increasing the amount that beneficiaries can earn before their benefit reduces, around 73,000 low-income individuals and families will benefit.</li> </ul> <p>This initiative is expected to impact the BHC50, AHC50 and material hardship primary measures. It will also impact the individual experiences of families and children living in poverty.</p>	<p><b>Helping parents with education and health costs</b></p> <p><i>Additional Funding for Schools to Replace Parental Donations</i> – \$266 million to help alleviate pressure on families who struggle to pay school donations. Up to 1,703 schools could be eligible, receiving \$150 per student for up to 494,000 students.</p> <p><i>NCEA – Removal of Fees and Funding of Cost Pressures</i> – \$49 million to support equity of access to NCEA qualifications, increase residual incomes for low-income families and remove the need for the caregivers of approximately 23,000 students to apply for financial assistance.</p> <p><i>Expanding and Enhancing School Based Health Services</i> – \$19.6 million to expand and enhance school based health services to 83,333 students in decile 1-5 schools.</p> <hr/> <p><b>Directly addressing material deprivation</b></p> <p><i>KickStart and KidsCan – Continuing to Improve Child Wellbeing</i> – \$3.2 million to allow the KickStart programme to continue to provide breakfast to 30,000 children in over 1,000 schools; and KidsCan to continue to provide food and essential clothing to children in over 700 low-decile schools.</p> <hr/> <p><b>Housing affordability</b></p> <p><i>Papakāinga development and rural housing repairs for better whānau wellbeing</i> – \$40 million to allow the Māori Housing Network to invest in 10 collectively owned homes every year, repairs to an estimated 100 homes every year and capability building programmes with 300 whānau groups.</p> <p><i>Supporting Pacific Households into Home Ownership through Financial Capability Services</i> – \$2.6 million to improve home ownership rates for Pacific households, through financial capability services to 300 Pacific households every year.</p> <hr/> <p><b>Housing tenure</b></p> <p><i>Housing Support Products – Expansion to Help More People Access and Maintain Tenancies</i> – \$18.9 million to support a total of 2,250 households to access and retain secure tenancies to minimise the risk of homelessness.</p>

## Other initiatives designed to ease the pressures faced by families

---

### Targeted homelessness initiatives

*Transitional Housing – Funding for the Continued Provision of Transitional Housing to Support Those in Need* – \$149.2 million operating; \$134.2 million capital to maintain the supply of long-term and relocatable transitional housing places to approximately 2,800, and reduce levels of homelessness by providing transitional housing accommodation and support services for up to approximately 11,500 households.

*Maintaining and Strengthening the Housing First Programme as a Response to Ending Homelessness* – \$197 million to strengthen the Housing First programme to a total of 2,700 places to improve the social and housing outcomes of chronically homeless people.

---

### Income support

*Meeting Minimum Wage Obligations Under the Home and Community Support (Payment – Travel Between Clients) Settlement Act* – \$23 million to ensure care and support workers are paid fairly for travel time.

---

### Employment support

*Ministry of Social Development – Increasing Case Management at the Frontline* – \$76.3 million to increase the Ministry of Social Development's frontline staff capacity to be able to work more intensively with more people and help them into meaningful and sustainable work.

*Disabled People and People with Health Conditions – Improving Employment and Wider Wellbeing Outcomes* – \$26.3 million to support an additional 2,600 disabled people and people with health conditions to find and stay in meaningful employment, increase their knowledge and skills and improve their health and wider wellbeing.

---

### Debt

*Improving Consumer Protection Under the Credit Contracts and Consumer Finance Act 2003* – \$16 million to protect consumers from predatory and irresponsible lending practices through doubling the Commerce Commission's credit enforcement staff, education and advocacy.

---

# TAKING MENTAL HEALTH SERIOUSLY



## SUPPORTING MENTAL WELLBEING FOR ALL NEW ZEALANDERS, WITH A SPECIAL FOCUS ON UNDER 24-YEAR-OLDS

**HIGHLIGHTS**

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

Reaching 5,600 extra secondary students with more nurses in schools

Tackling homelessness, with 1,044 new places – Housing First will now reach 2,700 people

**TAKING MENTAL HEALTH SERIOUSLY**

### Charting a new course for mental health and addiction

If there was one thing that the report of the Inquiry into Mental Health and Addiction *He Ara Oranga* revealed, it was that we need a whole new approach to mental health and addiction in New Zealand.

As it stands we only have mental health and addiction services for those with the highest needs, and demand is increasing for these services. People with emerging issues, or mild to moderate mental health or addiction needs, have largely been left on their own, or have had to wait too long to get help.



*“For too long we’ve treated issues of mental health and addiction only when they become a crisis. That’s no longer acceptable – in fact it never was.”*

David Clark

Everyone knows that isn’t right and isn’t working. Most New Zealanders will have a friend or family member who has struggled with addiction or with their mental wellbeing. In fact, as *He Ara Oranga* confirmed, current data suggests one in five New Zealanders experience mental health or addiction challenges at any given time.

All this comes at huge social cost. To individuals and families, and to the economy. It’s estimated that in 2014 the economic cost of serious mental illness alone was \$12 billion, or five per cent of GDP.

We need to transform our approach so that every New Zealander who needs it has access to a range of free services that support and maintain their mental wellbeing. That starts with Budget 2019, and will require ongoing investment.

Supporting and maintaining people’s mental wellbeing must become part of the normal delivery of our health services. When New Zealanders are in distress they need to know there is appropriate support available, and it has to be easily accessible. We need to make it as easy as possible for people to get the help they need.

That’s why this Wellbeing Budget includes funding for a new model of frontline mental health services that will be accessible at general practices, Kaupapa Māori providers, Pacific providers, community organisations, through online and telehealth platforms and even in universities and youth centres.

## A new frontline service for mental health

This new layer of services will be rolled out nationwide over five years (recognising the need to train more qualified mental health workers and build new facilities). It will put trained mental health workers in doctors' clinics, iwi health providers and other health services so that when people seek help it is immediately available.

For example, when a GP identifies a mental health or addiction issue they can physically walk with their patient to a trained mental health worker to talk. They might provide the patient with immediate advice and support or manage their referral to specialist services. The mental health worker will have an ongoing relationship with the person in distress and help guide and support their recovery.



This cannot be a one-size-fits-all approach. What works in Northland may not work in Christchurch. Some people will want to talk to health professionals, others will respond better to a trained peer-support person. We will need to design and develop local services in consultation with local communities, the sector and those with experience.

Health centres and iwi health providers won't be the only ways people can connect with primary mental health and addiction support. The Wellbeing Budget includes extra funding for digital and telehealth services (\$20.8 million over four years) specifically tailored to meet mental health needs. That will mean an extra 58,000 responses per year when people seek support by texting or calling 1737 and other existing telehealth services.

Health Minister David Clark says it needs to be made easier for people to get help early, before small issues become major problems.

"We want people to know there is no wrong door to use when they need help.

"That will mean people who have previously slipped through the cracks will get the advice and services they need – particularly those with mild to moderate issues.

"By the end of the rollout we expect up to 325,000 people a year will be able to access this new model of primary mental health care – these are the people *He Ara Oranga* identified as the 'missing middle'," David Clark says.

Building a range of new services to meet their needs, including Kaupapa Māori services, will revolutionise our approach to mental health and addiction.

Making mental health advice available at a primary care level will also promote early intervention. Over time, that should mean more people stay well, which will reduce demand on



*"We're charting a new course – one that builds resilience, maintains wellbeing and supports people to get better when they are unwell."*

David Clark

expensive acute services. To make this transformation possible it will take sustained investment over a number of years. In 2019/20, \$48.1 million will be invested in expanding primary mental health and addiction support. This will ramp as workforce and sector capacity increases to total \$455.1 million over four years.

## Suicide prevention and response

If there is one issue that has brought discussion about mental health and addiction to the fore in recent years it is New Zealand's tragic suicide rate.

One death from suicide is one death too many. The effects of each suicide on family and friends is devastating.

Tackling our stubbornly high rate of suicide won't be easy. But this Wellbeing Budget is the start of transforming our entire approach to mental health and addiction and building entirely new services designed to support people when issues first emerge.

Those frontline early intervention services, tailored to meet the needs of Māori, Pacific, Rainbow and rural communities, are the key to improving overall wellbeing.

At the same time, the Ministry of Health is working on a new suicide prevention strategy in response to the recommendation of *He Ara Oranga*. The strategy is being developed alongside people with lived experience, Māori and Pacific communities and the wider mental health sector.

To support that work the Government is investing \$40 million over four years into suicide prevention services, to give intensive support to people at risk. This includes better recognition and support for people who have self-harmed or experienced suicidal distress.

The Associate Health Minister Jenny Salesa says the Government knows there is particular need in Māori and Pacific communities.

"It is also important that we do more to support those who are bereaved by suicide, so provision has been made for free counselling for up to 2,500 people (four sessions per person) who have lost a loved one to suicide," Jenny Salesa says.



*"To recognise the need in Māori and Pacific communities the Wellbeing Budget will fund up to eight programmes designed to strengthen their sense of identity and connection to the community."*

Jenny Salesa

## Expanding access to addiction treatment

There is no question that alcohol and drugs cause considerable harm to individuals, families and communities across New Zealand.

Synthetic drugs alone have been provisionally linked to as many as 80 deaths over the past two years. The cost of drug-related harm is estimated at about \$1.5 billion a year, while the cost of alcohol-related harm is more than \$5 billion.

We also know that more than seven out of every 10 people who receive addiction treatment also have mental health conditions, and more than half of mental health service users are thought to misuse alcohol or drugs.

Demand for addiction treatment services has grown steadily over the last decade, and we need to do more to support people struggling with alcohol and drugs.

That starts with early intervention. This Wellbeing Budget will make it easier for an estimated 5,000 people a year to get early support through primary care for alcohol and drug issues with an investment of \$14 million over four years.

This will include increased availability of counselling and group therapies, in up to four regions based on community need.

We also need to upgrade current facilities and add capacity by building new facilities. That's why we're investing \$200 million into new and existing mental health and addiction facilities.

One of the first regions to benefit from this will be Tairāwhiti, which will get to pioneer a new model of care, combining both mental health and addiction services on the same site.

The Government is also providing \$4 million over four years to continue the *Te Ara Oranga* programme in Northland, which provides support to up to 500 people a year who are addicted to methamphetamine, and their families. This is a joint initiative with the New Zealand Police.




---

*"We don't want to needlessly criminalise people who could benefit from addiction treatment through programmes such as Te Ara Oranga in Northland."*

Stuart Nash

## Strengthening existing mental health and addiction services

At the same time as we develop new models of mental health and addiction treatment, we also need to do more to support and expand existing services.

We know it can be difficult to get treatment, even when the need is acute. Waiting times, particularly for alcohol and drug treatment, can be lengthy and many of our mental health facilities are ageing and in poor condition.

This is the direct legacy of years of underinvestment and, as a result, will take years to fully address.

Budget 2019 provides \$44 million over four years to improve and enhance existing specialist drug addiction services, with a focus on residential care, detoxification services and ongoing support for more than 2,000 people that are currently receiving assistance. This funding will mean people get more intensive support, with better follow-up to improve the chances that treatment results in long-term behaviour change. It will also provide a much-needed boost to community providers and non-government organisations that deliver these vital services.

Most existing mental health and addiction services are delivered through DHBs, either directly or via contracts with non-government and community providers. As part of the overall four-year funding boost to DHBs of \$2.9 billion, a total of \$213.1 million will go into mental health and addiction treatment services.

For many services this will provide much-needed funding to cover cost pressures and demand. However, as we transform our approach to mental health, the mix of service options may change to meet changing demands. This will include scaling up some successful services, including Kaupapa Māori and Pacific services.

As an immediate measure to help people in crisis we are also investing an additional \$8 million over four years in improving responses for the up to 15,000 people a year who turn up at hospital emergency departments needing mental health support.

A key part of ensuring we have quality services and sufficient capacity to meet demand is building our mental health and addiction workforce. Training mental health staff doesn't happen overnight, but Budget 2019 includes a major focus on workforce development across the health service.

TAKING  
MENTAL  
HEALTH  
SERIOUSLY

## Supporting young people's mental wellbeing

The Coalition Government is committed to making New Zealand the best place in the world to be a child.

Budget 2019 extends the nurses in schools programme to a further 5,600 students by commencing the roll-out to decile 5 secondary schools and enhancing existing services in decile 1-4 schools with an investment of \$19.6 million over four years.

Already almost 78,000 secondary school students have access to school based health services. In last year's Budget that programme was extended to decile 4 schools because the evidence shows it works.

We want to provide our young people with support and early intervention as they learn to cope with the pressures that come with becoming a young adult. Many of the issues raised with nurses in schools relate to mental wellbeing.

This complements the great work of the Mana Ake programme funded through Budget 2018, which was rolled out over 2018/19 to primary and intermediate schools in Canterbury and Kaikōura, and the Piki pilot of free mental health support for 18-25 year olds in the Greater Wellington region.

"Young people have been calling out for more help, and programmes like our Piki pilot will enable young people to have easy access to counselling," Associate Health Minister Julie Anne Genter says.

We're also supporting schools and early childhood education centres to improve wellbeing through healthy eating and physical activity. New resources will also be made available to teachers to help promote mental resilience in primary and intermediate schools (\$2.2 million over four years).



*"Evidence shows where students have more time with on-site professionals there is significantly less depression and suicide risk. Early intervention works."*

Jacinda Ardern



*"Our young people need free and timely access to mental health support."*

Julie Anne Genter

## A solution to homelessness

The Wellbeing Budget will mean the internationally-acclaimed Housing First programme will be able to reach 2,700 homeless people and help them into permanent homes.

Research by the University of Otago found that chronically homeless people have high mental health needs.<sup>17</sup> It found that in the five years before being housed, 390 people seen by the People's Project in Hamilton had spent a total of 10,000 bed nights in mental health facilities – that's about a month per person. They were also given 55,000 prescriptions, most commonly for anti-psychotic and antidepressant medicines.

The Housing First programme understands that it is easier for people to address their issues once they have a home. That's why they house them, then support them to address their issues by connecting them with services such as counselling and addiction treatment, helping them to keep their homes and avoid ending up back on the streets.



*"Homelessness is the sharp end of the housing crisis. Our Government wants to stop people falling through the cracks and becoming homeless in the first place."*

Phil Twyford

Budget 2019 is investing \$197 million over four years into Housing First, which will fund 1,044 new places.

Housing and Urban Development Minister Phil Twyford says the funding announced in the Wellbeing Budget will raise the number of people the programme can help to 2,700.

"Housing First has housed 720 households, including 431 children in Auckland alone, since 2017.

"It is now helping house long-term homeless people in Auckland, Hamilton, Christchurch, Tauranga and Rotorua, and will launch in Northland, Hawke's Bay, Nelson/Blenheim and Wellington later this year."

## Hāpaitia te Oranga Tangata

Mental health and addiction treatment and support services contribute to reducing re-offending and improving the health, wellbeing and quality of life of vulnerable people, including those who are in prison.

The Wellbeing Budget will significantly increase access to existing mental health and addiction support for offenders to meet the high levels of unmet need both in prison and in the community. As mentioned previously, \$124.4 million over four years has been provided for this programme.

Corrections Minister Kelvin Davis says 91 per cent of people in prison have a lifetime diagnosis of a mental health or substance use disorder.

"Current mental health services help 8,000 people a year through the Corrections service. We need to grow those services to reach even more people in our care," Kelvin Davis says.

<sup>17</sup> Associate Professor Nevil Pierse, Co-Director *He Kainga Oranga*, Department of Public Health, University of Otago (Wellington). Not yet published, accessed with permission from the author.

This expansion of mental health and addiction support services for offenders will be rolled out over four years and will deliver:

- **Mental health services** for up to 2,310 offenders per year with a mental health need. Enabling national coverage of mental health services across prisons and community Corrections sites.
- **A family/whānau service** for the family/whānau of offenders who need mental health services. Up to 275 families will be supported per year.
- **Supported living accommodation** for offenders with intensive mental health needs who are transitioning to the community. Up to 30 offenders will be supported in total each year.
- **Expanded social worker and trauma counselling services** to help offenders reconnect with their whānau/children, address personal trauma, and transition back into the community. Up to 800 prisoners will be supported each year.
- **Alcohol and Other Drug (AOD) intensive treatment in prisons.** Up to four additional treatment programmes will be established, and the 11 existing programmes will be enhanced, enabling up to 204 participants to access treatment per year.
- **Expanding AOD testing and harm-reduction support interventions** in the community will provide AOD tests and alcohol detection anklets to ensure they avoid drink driving.
- **AOD aftercare support services.** Offenders will be able to access the relapse support prevention they need.

An additional \$6.2 million is going into support for the victims of crime and making their mental health a priority.

Justice Minister Andrew Little says the initiative aims to ensure the justice system responds safely and effectively to victims while providing mental health support.

This will be done through funding victim support to improve its capabilities so it can manage mental health services.

“The new plan includes employing specialist caseworkers with mental health experience to support families bereaved by homicide, in their recovery and help them navigate the criminal justice system,” Andrew Little says.

“Victims will get constant support from the same person. To limit confusion a single, consistent professional point of contact will be appointed to manage their needs until they no longer need it or their engagement with the criminal justice system ends.”

### The wellbeing approach in action – Hāpaitia te Oranga Tangata

This programme runs across three Budget priorities – Child Wellbeing, Māori and Pasifika Aspirations and Taking Mental Health Seriously.

Finance Minister Grant Robertson says Hāpaitia te Oranga Tangata is a clear example of the Wellbeing Approach in Action with Ministers working across their portfolios to focus on breaking the cycle of reoffending.

The programme involves Justice Minister Andrew Little, Corrections Minister Kelvin Davis and Police Minister Stuart Nash.

## Initiatives to support this priority

### Mental health - a new frontline service

#### Expanding Access and Choice of Primary Mental Health and Addiction Support

*\$455.1 million operating*

This initiative will enhance primary mental health and addiction responses across New Zealand to expand access and choice of mental health and addiction support, in particular, for New Zealanders with mild to moderate needs. This will involve a national roll out phased over five years, which will make support available in a range of settings, including general practices, community settings, kaupapa Māori organisations, Pacific organisations and youth settings (including access to integrated therapies).

#### Expanding and Enhancing School Based Health Services

*\$19.6 million operating*

This initiative improves school-based support for the health and wellbeing needs of young people by funding enhanced School Based Health Services in decile 1-4 secondary schools. This funding will also commence the roll out of School Based Health Services to publicly-funded decile 5 secondary schools, to expand service delivery and coverage.

#### Expanding Telehealth and Digital Supports for Mental Wellbeing

*\$20.8 million operating*

This initiative will help people to maintain and improve their mental health and wellbeing by increasing access to mental health and addiction support over the phone and online through an expansion of telehealth and digital support.

#### Improving Support for People Experiencing a Mental Health Crisis

*\$8 million operating*

This funding enhances responses for people experiencing a mental health crisis or at risk of suicide.

#### Intensive Parenting Support: Expanding the Pregnancy and Parenting Service to Improve the Wellbeing Outcomes of Parents and Their Children

*\$7 million operating*

This initiative expands the Pregnancy and Parenting Service to two more sites and enables delivery of an intensive outreach service for pregnant women and parents who experience problems with alcohol and other drugs, and are poorly connected to support services.

#### Mental Wellbeing Support for Parents and Whānau

*\$10 million operating*

This initiative provides funding for a pilot to develop, test and evaluate enhanced support for parents and whānau who have mental health or addiction needs during pregnancy, the first two years of a child's life, or following a stillbirth.

#### New Mental Health and Wellbeing Commission

*\$8 million operating*

This initiative will strengthen leadership and oversight of mental health and addiction treatment in New Zealand to ensure there is sustained transformational change. This will be done through funding the establishment and operation of a new Mental Health and Wellbeing Commission, as recommended by the Inquiry into Mental Health and Addiction *He Ara Oranga*.

## Preventing Suicide and Supporting People Bereaved by Suicide

*\$40 million operating*

This initiative provides for: tailored Māori and Pacific suicide prevention interventions; enhanced follow-up support; increased access to bereavement counselling; and improvements to information services for whānau and the media.

## Promoting Wellbeing in Primary and Intermediate Schools

*\$2.2 million operating*

This initiative helps support the mental wellbeing of children. This will be done by funding resilience-building resources available to primary and intermediate schools and teachers across the country.

## Treating drug and alcohol addiction

### Enhancing Primary Addiction Responses

*\$14 million operating*

This initiative expands the range of primary addiction support available to people with mild to moderate alcohol and other drug (AOD) issues.

### Enhancing Specialist Alcohol and Other Drug Services

*\$44 million operating*

This initiative improves the sustainability of alcohol and other drug (AOD) residential services.

## Supporting mental health within the justice sector

### Alcohol and Other Drug Treatment Court: Operational Support 2019/20

*\$0.7 million operating*

This initiative funds the Alcohol and Other Drug Treatment Court (AODT Court) so it will continue operating with dedicated police prosecutors, court co-ordinators and lawyer team leaders at the two pilot sites (Auckland and Waitakere) until it ends on 30 June 2020.

### Increasing Access to Mental Health and Addiction Support

*\$124.4 million operating    \$3.9 million capital*

This initiative is part of the Budget package supporting the Hāpaitia te Oranga Tangata – Safe and Effective Justice programme. This will improve the health, wellbeing and quality of life of vulnerable people in Corrections' care by providing funding for mental health and addiction interventions.

### Support for Victims: Ensuring Safe and Effective Justice and Improved Mental Health Outcomes

*\$6.2 million operating*

This initiative forms part of a package of initiatives supporting the justice sector Hāpaitia te Oranga Tangata – safe and effective justice programme. The initiative aims to ensure we have a justice system that responds safely and effectively to victims of homicide and improves the mental health and other outcomes of victims.

### Te Ara Oranga: Continuing the Methamphetamine Harm Reduction Programme in Northland

*\$4 million operating*

This initiative supports people addicted to methamphetamine, and their whānau, to recover and maintain wellbeing. This will be done through contributing funding to the continuation of Te Ara Oranga, a methamphetamine harm reduction programme in the Northland region.

## Strengthening existing mental health services

### Forensic Mental Health Services for Adults

*\$15 million operating*

This initiative ensures safe and secure forensic mental health services are available to adults in the justice system who require mental health support.

### Forensic Mental Health Services for Young People

*\$19 million operating*

This initiative ensures safe and secure forensic mental health services are available to young people. Funding responds to the legislative change increasing the youth justice age from 17 to 18 years, resulting in more young people within the youth justice system.

### Support for Christchurch: Continuation of Funding for Primary Care and Community-Based Mental Health Workers

*\$5.5 million operating*

This initiative provides additional mental health support to the Christchurch community to ensure appropriate, immediate and accessible mental health responses are available to those who need it following the 15 March Terror Attacks.

## Investing in social determinants of mental health

### Disabled People and People with Health Conditions: Improving Employment and Wider Wellbeing Outcomes

*\$26.3 million operating*

This initiative aims to support an additional 2,600 disabled people and people with health conditions, including those with mental health needs, to find and stay in meaningful employment, increase their knowledge and skills, and improve their health and wider wellbeing.

### Housing Support Products: Expansion to Help More People Access and Maintain Tenancies

*\$18.9 million operating*

This initiative will help minimise the risk of homelessness. This will be done through providing an increased amount of funding for Housing Support Products, as well as introducing a new rent arrears payment.

### Maintaining and Strengthening the Housing First Programme as a Response to Ending Homelessness

*\$197 million operating*

This initiative aims to ensure we can continue to improve the social and housing outcomes of chronically homeless people.

### Promoting and Supporting the Health and Wellbeing of Veterans and their Families

*\$2.1 million operating      \$2 million capital*

This funding will support the provision of a modern and responsive service to meet statutory obligations in response to the Independent Review of the Operations of the Veterans Support Act 2014.

### Transitional Housing: Funding for the Continued Provision of Transitional Housing to Support Those in Need

*\$149.2 million operating      \$134.2 million capital*

This initiative aims to improve housing and social outcomes by reducing homelessness through the provision of warm, dry and safe short-term accommodation for individuals and families in insecure housing through the transitional housing programme.

## Supporting mental wellbeing

### **An Effective, Timely Crown Response to the Royal Commission of Inquiry into Historical Abuse in Care**

*\$9.7 million operating*

This initiative aims to ensure the Crown can engage with the Royal Commission of Inquiry into Historical Abuse in Care in a full, timely and joined-up manner, to help the Royal Commission achieve its vision of “Transforming the way we, as a nation, care for children, young people and vulnerable adults in our communities.”

### **Establishment of the Royal Commission into Historical Abuse in State Care and in the Care of Faith-Based Institutions**

*\$77.5 million operating*

This initiative investigates the historical abuse of people in State care and in the care of faith-based institutions. Funding will establish and support the Royal Commission to investigate, and will cover counselling costs for those impacted by historical abuse.

### **Historical Abuse While in State Care: Resolving Claims**

*\$93.8 million operating      \$1.4 million capital*

This initiative aims to help those who have been abused while in State care have a sense of justice, validation and empowerment, and to support them address adverse outcomes. It also aims to improve the current care system. This will be done by providing funding for MSD to resolve 1,864 claims of historical abuse of people while in State care, without them having to resort to civil litigation.

### **Sensitive Claims of Abuse: Funding to Resolve and Acknowledge Historic Abuse in the Schooling System**

*\$6.1 million operating*

This initiative aims to ensure the resolution of claims against the Crown for allegations of historic physical, psychological and sexual abuse that occurred at a school, including residential special schools.

# IMPROVING CHILD WELLBEING



## REDUCING CHILD POVERTY AND IMPROVING CHILD WELLBEING, INCLUDING ADDRESSING FAMILY VIOLENCE

### HIGHLIGHTS

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

Breaking the cycle for children in State care, including helping 3,000 young people into independent living

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

Lifting incomes by indexing main benefits and removing punitive sanctions

IMPROVING  
CHILD  
WELLBEING

The Coalition Government has committed to tackling New Zealand's persistent and long-term challenge of child poverty, and to making our country the best in which to be a child.

Evidence shows that the experiences we have as children lay the foundation for healthy development and positive outcomes throughout the rest of life. Giving every child this chance means breaking the cycle of child poverty. This requires support for parents and caregivers to provide homes where children are safe and able to thrive. It requires supporting the education system to provide quality teaching for successful outcomes for all learners. We know these outcomes can be supported or harmed by some key factors:

- Poverty early in a child's life can have a long-term detrimental effect on outcomes later in life, and persistent poverty is worse than intermittent poverty.
- The abilities of parents to provide a safe, nurturing environment for children, supporting strong attachment, can significantly mitigate the impacts of other detrimental factors, in particular, poverty. Various factors can undermine parents' abilities to provide this kind of environment, for example, poor mental health and/or other chronic health conditions (which can be exacerbated by poor access to primary care) and family violence.
- Children's resilience – which can be both positively and negatively affected by early experiences – influences how they fare when faced with difficult environments and transitions, both in childhood and throughout life.
- Effective teaching is critical to children developing the social, emotional and cognitive skills needed for positive life outcomes. Education can also counter the impacts of key risk factors to children's development such as poverty, trauma, and neglect.

These factors are interdependent. There is emerging evidence that addresses the impact of 'toxic stress' – that is, the build-up of multiple different serious stressors such as inadequate housing, inadequate income, and family violence – on parents' abilities to provide a secure emotional environment for their children.

We know that every year, almost 300,000 children are affected by domestic violence. Within the State's care system, nine out of 10 children and young people have had a family violence incident in their lifetime, half within the last year. There is evidence that nearly 60 per cent of children and young people in care have experienced repeated significant trauma, often combined with mental health or substance use issues.

This evidence contributed to the Wellbeing Budget's child wellbeing priority. If we are to address this properly, we must start to do things differently. The Government has already set ambitious 10-year targets to halve child poverty (see page 20). It's what should be expected in a country like ours. Investments made in the Wellbeing Budget are targeted at addressing family and sexual violence, and ensuring our care system stops our most vulnerable children falling through the cracks.

## Addressing family and sexual violence

Addressing family and sexual violence and better supporting survivors is a major feature of the Wellbeing Budget, with the Government delivering the largest ever investment in family and sexual violence and support services.

The Budget package delivers more support services to more New Zealanders, major campaigns aimed at stopping violence occurring and major changes to court processes to reduce the trauma victims experience through a \$320 million package.

It is a new and collaborative approach to tackling one of the country's most disturbing long-term challenges.

"There has never before been investment of this scale in preventing and responding to family violence and sexual violence," Prime Minister Jacinda Ardern says.

"Every year about one million New Zealanders are affected by family and sexual violence, including almost 300,000 children. This is something I know New Zealand is ashamed of and the Government is taking a major step forward in fixing.

"Wellbeing means being safe and free from violence. That is why this package is such a significant cornerstone of the Wellbeing Budget.

## The wellbeing approach in action – Domestic violence

Addressing domestic violence requires working in new and different ways across government, with all communities. Through the new Wellbeing Budget process, 10 government agencies have taken shared responsibility for this issue through a joint venture, and developed a single, whole-of-government package of initiatives to address New Zealand's long-term record on family and sexual violence.

"The family and sexual violence package in this Budget illustrates how the new wellbeing approach has driven a cross-government strategy to tackle this issue", Finance Minister Grant Robertson says.

"The evidence at the very start of the Wellbeing Budget process in September last year showed how domestic violence affected lives of the hundreds of thousands of children and families every year. That's why we specifically highlighted family violence in the child wellbeing priority, giving responsibility to all Ministers and all departments to work together to tackle this long-term issue."

Justice Under-Secretary (Domestic and Sexual Violence Issues) Jan Logie worked to develop the package with Ministers Andrew Little (Justice), Carmel Sepuloni (Social Development), Tracey Martin (Children), Nanaia Mahuta (Māori Development), Chris Hipkins (Education), Stuart Nash (Police), Kelvin Davis (Corrections), Iain Lees-Galloway (Workplace Relations, ACC), and Jenny Salesa (Associate Education).

"That's a whole-of-government approach – the wellbeing approach – which will start to tackle and turn around a long-term problem that just shouldn't exist in the country we all believe New Zealand to be," Grant Robertson says.

“My goal has always been for New Zealand to be the best place in the world to be a child and that means supporting parents and communities to ensure children grow up in secure homes free from violence,” Jacinda Ardern says.

The family and sexual violence package, which sits across eight portfolios, includes funding and support for:

- One million New Zealanders covered by Integrated Safety Response sites (Christchurch and Waikato), and 350,000 by the Whāngaiā Ngā Pā Harakeke and Whiria Te Muka sites (in Gisborne, Counties Manukau and Kaitaia)
- 24/7 sexual violence crisis support services for up to 2,800 children and young people every year, and an additional 7,700 adult victims and survivors from 2020/21
- Funding for major advertising campaigns and intervention programmes to reduce violence occurring
- Using video victim statements to reduce trauma for up to 30,000 victims of family violence every year, and reduce time spent in court
- Enabling victims of sexual violence to give evidence in court in alternative ways in order to reduce the risk of experiencing further trauma, and providing specialist training for lawyers in sexual violence cases
- Specialist training for lawyers in sexual violence cases
- Improving the wellbeing of male victims and survivors of sexual violence through peer support services – up to 1,760 from 2020/21 onwards
- Dedicated funding for a kaupapa Māori response to sexual violence
- Training for health practitioners in District Health Boards to provide effective screening and referrals for family violence.



*“We know this is a long-term project. This package lays the foundations for a violence-free Aotearoa New Zealand.”*

Jan Logie

IMPROVING  
CHILD  
WELLBEING

“We know this is a long-term project. The package we’ve announced lays the foundations for a violence-free Aotearoa New Zealand,” Jan Logie, Under-Secretary to the Minister of Justice (Domestic and Sexual Violence Issues) says.

## Breaking the cycle for children in State care

If all New Zealand’s children are to do well, we must do more to stop our most vulnerable from falling through the cracks. More than a quarter of children in care have at least one parent who was themselves in care. Breaking the generational cycle of child harm requires intervention at the earliest possible point and better support for children in care so they can recover and live the lives they deserve.

The Wellbeing Budget targets investment towards children at serious risk and in the most need of help, providing the very best care and support through a new Oranga Tamariki as we transform the broken Child, Youth and Family (CYF) model.

The Budget package includes:

- more money to support Oranga Tamariki to meet the new care standards and an extra 350 frontline roles, including more social workers to ease caseloads
- a new intensive intervention service that will work with families to keep children safe at home
- more money for non-government organisations (NGOs) providing early intervention services
- investment to ensure children in care get the specialist support they need to help them achieve at school and in life, like toys, books, laptops, sports equipment and specialist health resources
- 60 extra dedicated support roles for caregivers and new specialised training for all caregivers
- new Whānau Care Partnerships to attract more Māori caregivers
- 16 new, small community-based homes for 100 additional youth justice placements so that young people in the youth justice system can get education, training and rehabilitation closer to their families and communities
- a new service to support 3,000 young people to prepare for, and transition successfully from, care and youth justice to adulthood.

### A new approach

At 31 March this year, 6,400 children and young people were in State care. This shouldn't be the case in a country like New Zealand.

"We have known about this problem for a long time. Children have not had anything like the system they deserve," Minister for Children Tracey Martin says.

"In 2015, the Expert Advisory Panel on Modernising Child, Youth and Family advised the Government that New Zealand's most vulnerable children needed a new, child-centred agency that would lead the change to a completely different care, protection and youth justice system."

"The Wellbeing Budget starts to deliver that new child-focused system. The Oranga Tamariki that was envisaged by the Expert Advisory Panel can start to be built.

"Looking after children is for the most part about families and communities. But when government help is needed, the system should enable people like foster carers, social workers, iwi and NGOs to provide quality help.

"Children in care have not had a great start to their lives and in the past they have been served by a second class system. We want them to have the support they need to live like any other Kiwi kids."

The Wellbeing Budget focuses on five areas that are being built and strengthened to prevent harm, lift standards for children and young people in care, and then better prepare them to move out of care and into adulthood.

"When all of these components are in place, fewer children will enter State care, and those in care will be better supported."



*"The Wellbeing Budget starts to deliver on the Oranga Tamariki system that was envisaged by the Expert Advisory Panel."*

Tracey Martin

## Intensive and early intervention

A new Intensive Intervention service will use new, highly skilled, family/whānau intensive support workers to work with families and whānau of children most at risk of entry or re-entry into State care to support them to remain safely at home.

“This is about breaking the cycle of harm and reducing the number of children who are removed from their families,” Tracey Martin says.

“For the first time, Oranga Tamariki will be able to trial this new approach to keeping children safely with their families and stopping the flow into the care system,”

This new partnered approach will be rolled out to five Oranga Tamariki sites or areas covering around 150 families and 400 children in its first year.

In addition, the Budget provides \$26.7 million over four years for the Ministry’s NGO partners currently providing early intervention services.

## Improved care

New National Care Standards come into force on 1 July 2019. For the first time, New Zealand’s State care system will have explicit legal standards around the experience children in care can expect to have and the support that those looking after children in care can expect to receive. Lifting the standards of care for our children is being funded by an extra \$524.7 million over the next four years.

We’re also investing in extra capacity, with an extra 350 frontline roles including social workers, and more caregivers and improved support for caregivers.

“New National Care Standards will let children in care and their caregivers know what to expect and what is required. This new funding will help provide it. Those in care have said they want to see their social workers more and more social workers will help with that.”



As part of this transformation, \$70 million will go towards better meeting the needs of the individual children in care by looking at all their needs and putting plans for this in place. This will ensure children receive the help they need to do well at school, be healthy and connect within their communities. Resources like toys, books, laptops, sports equipment and specialist health services, as well as opportunities to participate in community and cultural events, will be supported.

Our care system would not exist without our remarkable and dedicated caregivers. We’re acknowledging the work they do by providing them more help, including respite support. An extra 60 dedicated support roles for caregivers will include caregiver social workers. We’ll also

provide new specialised training for all caregivers, including for those who have children with high behavioural needs.

### **Improved support for tamariki Māori**

A key objective of the new operating model is whether it delivers improved outcomes and reduced disparities for tamariki Māori, who make up 70 percent of children and young people in care.

“The vast majority of Māori children and their whānau have no need for assistance from Oranga Tamariki. However, rangatahi and tamariki are over-represented in both the care and youth justice systems. We need to ensure that they receive appropriate care and support – including being connected to their whānau and culture,” Tracey Martin says.

“This is not just about spending more money on care and protection. To achieve better outcomes for Māori children and their whānau, Oranga Tamariki will use this investment to work in very different ways.”

The Ministry will work differently – both with individual tamariki and whānau, and at a system level – and build on its strategic partnerships and relationships with iwi and Māori organisations. New funding will support this and allow:

- Māori specialist roles, including Kairāranga and Iwi Family Group Conference co-ordinators
- new Whānau Care Partnerships with iwi and Māori organisations providing models for the development and support of caregivers.

### **Youth justice**

Legislative changes mean most 17-year-olds will be included in the youth justice system, instead of the adult system, from 1 July 2019.

The Wellbeing Budget provides extra funding to make this successful and support the extra numbers of young people in the system, with an increased focus on education, training and rehabilitation.

“Over the last year Oranga Tamariki has built and successfully run four new community-based remand homes that take a more therapeutic approach to youth justice. These young people need the chance to get skills and to live responsibly in society,” Tracey Martin says.

Up to 16 of these small, community-based homes will be built over four years, contributing to 100 additional youth justice placements. An extra 300 staff – youth workers, night care workers and team leaders – will work in these facilities.

## Transition services

The Wellbeing Budget also establishes a new service from 1 July 2019 to support young people to transition successfully from care and youth justice into adulthood.

“It is time to recognise the special responsibility we have for the young people leaving the State’s care,” Tracey Martin says.

“For too long they have been left to fend for themselves with little support, in a way we would never accept for our own children when they leave home.

“For these young people, the transition to adulthood often comes early, abruptly, and with little in the way of a safety net. It has been a huge hole in our system of care that young people didn’t have this support. It’s time to fix that.”

A new nationwide Transition Support Service will grow to 175 staff whose role is to stand alongside young people to prepare for this important transition, respond to their needs as they leave care and help them gain their independence. It will provide advice and assistance, after-hours support and broker services like housing support.

“It has been a huge hole in our system of care that young people didn’t have this support. Over the first four years of the service we expect it to support around 3,000 young people,” Tracey Martin says.

The \$153.7 million initiative also allows for young people to continue to live with a caregiver after they turn 18 – something they have not been able to do before – and provides supported accommodation places for young people who need a stepping stone to independent living.

IMPROVING  
CHILD  
WELLBEING

## Improving child wellbeing through education and taking pressure off parents

We know that child wellbeing, and the potential for positive outcomes later in life, is linked to educational outcomes early in life. Through the Wellbeing Budget, the Coalition Government is making a number of significant investments to improve New Zealand’s education system. This includes investing in more teachers, meeting demand pressures and setting aside funding for a 10-year school property programme (see page 101).

The Coalition Government is also taking a number of practical steps to reduce the financial pressure on families when it comes to their children’s education.

### Replacing school donations

Families of nearly half a million children at 1,700 schools stand to benefit from no longer being asked to pay school donations as a result of the Wellbeing Budget.

All decile 1-7 State and State-integrated schools, attended by about 63 per cent of all students, will be eligible to receive \$150 per student per year if the school agrees to stop requesting donations from parents.



*“This is a meaningful step in relieving material hardship by reducing the expectation and financial pressure on parents to contribute to the basic needs of their children’s schools.”*

Chris Hipkins

“We know how difficult it is for parents to afford the fees that schools charge. We are making school education free again. Many students will now be able to get the education they need with less financial pressure on their parents. With 83 per cent of all Māori and Pacific school children attending these schools, they will particularly benefit from this.

The Government is also taking financial pressure off parents by removing fees for NCEA and NZ Scholarship.

More than 145,000 households are estimated to benefit from the removal of the \$76.70 NCEA fee that families pay every year for around 168,000 secondary students.

“Abolishing these fees will make things a bit easier for families to make ends meet and ensure every student who achieves NCEA can receive their qualification,” Education Minister Chris Hipkins says.

“Where schools opt to continue to seek donations, those donations remain voluntary – meaning parents and caregivers are not required to pay them,” Chris Hipkins says.

The Ministry of Education will monitor schools that opt in to ensure they do not continue to seek donations.

“I will introduce legislation so funding paid to schools that do not comply with the scheme’s conditions can be recovered,” Chris Hipkins says.

The initiative will take effect from the start of the 2020 school year. It is budgeted to cost \$265.6 million in the four financial years from 2019/20 through 2022/23.

### **Removing NCEA Fees**

The Government is also taking financial pressure off parents by removing fees for NCEA and NZ Scholarship.

More than 145,000 households are estimated to benefit from the removal of the \$76.70 NCEA fee that families pay every year for around 168,000 secondary students.

“Abolishing these fees will make things a bit easier for families to make ends meet and ensure every student who achieves NCEA can receive their qualification,” Education Minister Chris Hipkins says.

“This is another step by the Coalition Government to put the “free” back into free education.”

### **The wellbeing approach in action – Healthy eating and physical activity in schools**

Evidence shows that children’s nutrition and physical activity are linked to academic achievement and improved physical and mental health.

Minister for Sport and Recreation Grant Robertson joined Minister of Health David Clark, Associate Minister of Health Jenny Salesa, and Minister of Education Chris Hipkins to develop a \$47.6 million programme to promote a healthy eating and physical activity in schools initiative under the Child Wellbeing priority for Budget 2019.

As a joint Ministry of Health, Ministry of Education and Sport New Zealand initiative, all schools and early learning centres will be supported through new resources and guidance, health promotion staff, and school physical activity advisors.

## Maintaining quality and keeping a lid on Early Childhood Education fees

“The Wellbeing Budget also helps maintain the quality of Early Childhood Education (ECE), while meeting rising demand and keeping a lid on potential fee increases for parents,” Chris Hipkins says.

Around 4,200 early-learning services serving about 190,000 children will receive a 1.8 per cent increase in their subsidy rates to cover for inflation over the past year.

The previous Government never gave per child funding a full inflation adjustment between 2010 and 2017.

“Without the subsidy increase to offset rising costs, providers would likely face the choice of raising fees and making parents pay more, or reducing the quality of the services they provide to young children and their families,” Chris Hipkins says.

The higher subsidies for ECE are budgeted to cost \$131.1 million in operating funding over the four-year forecast period. This is on top of the \$105 million that we provided for the ECE sector in Budget 2018.

IMPROVING  
CHILD  
WELLBEING

## A fairer welfare system

The Wellbeing Budget will lift the incomes of 339,000 individuals and families as part of the next step of the Government’s overhaul of the welfare system.

The Government is delivering on a key recommendation of the WEAG’s report, *Whakamana Tāngata – Restoring Dignity to Social Security in New Zealand*.

From 1 April 2020, main benefits will be indexed to average wage increases, to ensure the incomes of people needing to access main benefits do not fall further behind.

This means main benefit rates will progressively rise as a result of this change, and are forecast to increase by \$26-\$46 per week by 1 April 2023 (an additional increase of \$10-\$17 per week over and above CPI indexation), helping to reduce rates of poverty for those living on benefits.

“By doing this, we are reversing a decades-long policy that has meant those on benefits have fallen further and further behind. In 1991 the National Government significantly cut benefits, including scrapping the Universal Family Benefit,” Social Development Minister Carmel Sepuloni says.

“Since then, main benefit levels have been adjusted using the Consumers Price Index (CPI). We are now indexing main benefits to wages for the first time in New Zealand’s history.”

“Pressures on low income families were already being felt through cuts to housing, health and education support from the reforms of the late 1980s and early 1990s. These cuts resulted in poverty traps for many low income New Zealanders. Many have never really recovered.

“It’s time for change.”

Indexation is the latest part of our response to the WEAG report. The cost of indexing main benefits to average wage increases is forecast to be \$320.2 million over four years.

The WEAG's final report contained 42 key recommendations and will help inform how we make our welfare system fairer and more accessible for all New Zealanders. This Government has already started work on 15 of the recommendations and made pre-Budget announcements to address some of these, including:

- up to 263 new frontline staff to focus on helping more people into meaningful and sustainable work
- scrapping the discriminatory sanction that cuts income to women and their children if the name of the child's father is not declared to the government, so that around 12,000 sole parents will be better able to support their families
- abatement thresholds for those on benefits who work will be lifted in line with minimum wage increases.

"This Government knows that targeting child poverty, addressing family violence, housing, and the mental health needs of all New Zealanders will have the most impact on those in the welfare system and requires a cross-government approach. The Wellbeing Budget provides a plan to help us do that and ensures the changes are effective and enduring," Carmel Sepuloni says.




---

*"Investment from the Wellbeing Budget will increase income security, help support people into work, and let them keep more of what they earn."*

Carmel Sepuloni

## Initiatives to support this priority

### Addressing family and sexual violence

#### **A National Strategy and Action Plan to Prevent and Eliminate Family Violence and Sexual Violence**

##### *Non-spending initiative*

This initiative will help achieve reductions in child poverty by encouraging a greater focus on child poverty reduction, facilitating political accountability against published targets, requiring transparent reporting on child poverty levels (including as part of Budget reporting under the Public Finance Act), and creating a greater commitment by Government to address child wellbeing.

### Increasing investment in prevention

#### **Early Years Violence Prevention Sites**

##### *\$15 million operating*

These sites will trial ways to better understand and implement changes that will meaningfully prevent and reduce the impact of family violence and sexual violence on children in the early years.

#### **Family Violence Prevention**

##### *\$30.8 million operating*

This contingency has been set aside to reduce family violence in communities, including: in Māori communities by increasing investment in E Tū Whanau; in Pacific communities by increasing investment in Pasefika Proud; and expanding the services and coverage of the Campaign for Action on Family Violence.

#### **Violence Prevention Needs of Diverse Communities**

##### *\$2 million operating*

This initiative will enable the development and understanding of violence prevention needs in diverse communities including LGBTQI+, elderly, youth, disability and new migrants to develop future violence prevention programmes.

### Safe, consistent and effective responses to family violence in every community

#### **Ensuring Safe, Consistent and Effective Responses to Family Violence in Every Community**

##### *\$41.8 million operating      \$4 million capital*

This initiative aims to provide people affected by family violence with safe and consistent responses, where and when they need them. This will be achieved through building the foundations for an effective response in every part of New Zealand, providing more specialist family violence services, maintaining funding for two Integrated Safety Response sites, and extending trials for proximity alarms to help keep victims and whānau safe.

#### **Family Violence Capability and Regional Support**

##### *\$26.6 million operating*

This initiative will enhance regional capability across the country to respond to family violence by: providing practice leaders to build practice standards and support professional development and training; and providing additional specialist frontline services.

#### **Family Violence Services: Continuing Funding for the Family Violence Response Coordination Fund for One Year**

##### *\$2.8 million operating*

This continues the Family Violence Response Coordination fund while work begins to establish regional support that has a more dedicated focus on building service provider workforce capability and, in time, on coordinating regional service responses.

**Victim Video Statements***\$5.9 million operating      \$0.5 million capital*

This initiative allows victims of family violence incidents to give statements in a less intrusive and time-consuming manner in their own words. This will be achieved by enabling Police responding to an incident to record an audio-visual statement from a victim at the scene.

**Violence Intervention Programme: Health Sector Screening for Early Intervention and Prevention of Family Violence***\$2.7 million operating*

This initiative supports safe, consistent and effective responses to family violence in every community by continuing training for health practitioners in District Health Boards.

**Expanding essential specialist sexual violence services****Sexual Violence Services: Crisis Support Services for Children and Young People***\$24.9 million operating*

This initiative aims to increase child wellbeing by providing funding for age-appropriate sexual harm crisis support services for children and young people.

**Sexual Violence Services: Developing Kaupapa Māori Services for Victims/Survivors, Perpetrators and Their Whānau***\$7 million operating*

This initiative aims to reduce the severity and duration of trauma-related symptoms experienced by Māori victims/survivors and perpetrators of sexual violence and their whānau. This will be done through providing funding to enable the development and co-design of holistic, whānau-centred kaupapa Māori specialist sexual violence services.

**Sexual Violence Services: Improving the Wellbeing of Male Victims/Survivors Through Peer Support Services***\$12 million operating*

This initiative aims to reduce the severity and duration of trauma-related symptoms experienced by male victims/survivors of sexual violence.

**Sexual Violence Services: Increased Services for Children and Young People with Concerning/Harmful Sexual Behaviours***\$15.9 million operating*

This initiative provides funding for increased service capacity to meet demand for prevention, education, early intervention, assessment and treatment services for children and young people who display concerning and harmful sexual behaviours.

**Sexual Violence Services: Increasing Access to Crisis Support Services for Victims/Survivors***\$50.6 million operating*

This initiative aims to reduce the severity and duration of trauma-related symptoms experienced by victims/survivors of sexual violence. This will be done by providing more sustainable funding for crisis support services including ensuring they are available 24/7 at a level that meets current demand.

**Sexual Violence Services: Support for Victims/Survivors of Sexual Violence Going Through the Criminal Justice System***\$6.3 million operating*

This initiative aims to reduce secondary victimisation of victims/survivors of sexual violence going through the criminal justice system. It is also expected to increase convictions rates for perpetrators by reducing the current attrition rate of sexual violence cases. This will be done by funding specialist services to provide counselling, social work support and help preparing for the court process.

### **Sexual Violence Services: Support Services for Adults Experiencing Concerning Sexual Ideation**

*\$2.8 million operating*

This initiative aims to increase the mental wellbeing of adults who exhibit concerning sexual ideation by providing access to support that reduces the chance of them engaging in harmful behaviours. It is expected to decrease sexual offending in the long term.

### **Sexual Violence Services: Support Services for Non-Mandated Adults with Harmful Sexual Behaviours**

*\$11.8 million operating*

This initiative aims to reduce re-offending by adults with harmful sexual behaviours who are not engaged in the justice system (non-mandated adults). Funding will be provided to continue current treatments and support services and increase the number of places available.

## **Improving the justice response to sexual violence victims**

### **Improving the Justice Response to Sexual Violence Victims**

*\$32.7 million operating      \$5 million capital*

This initiative will reduce the risk of sexual violence victims experiencing further trauma when participating in the criminal justice process by enabling complainants to give evidence in alternative ways (including by pre-recorded video).

IMPROVING  
CHILD  
WELLBEING

## **Joint Venture Business Unit**

### **Supporting the Leadership, Governance and Accountability of the Family Violence and Sexual Violence Joint Venture**

*\$20 million operating*

This initiative aims to support the leadership and governance of the joint venture by providing a focal point for cross-agency projects and coordinating action across joint venture agencies. This will be achieved by funding the staff and infrastructure of the business unit.

## **Improving child wellbeing through education and taking financial pressure off parents**

### **Additional Funding for Schools to Replace Parental Donations**

*\$265.6 million operating*

This initiative will provide an additional payment of \$150 per student to decile 1–7 State and State-integrated schools that agree not to request donations from parents.

### **Christchurch Schools Rebuild**

*\$20.7 million operating      \$84.3 million capital*

This initiative aims to improve educational infrastructure for students in Christchurch after the 2011 earthquakes, by funding the Christchurch Schools Rebuild programme for another year.

### **Cost Adjustment for Subsidies for Early Learning and Schools' Operational Grant**

*\$235.7 million operating*

This initiative supports early childhood education services, ngā kōhanga reo and schools to maintain volume and quality while meeting the rising costs of resources, services and staffing. The initiative is intended to limit the need for fee increases in early childhood education, reductions to the breadth and depth of curriculum, or deferral of maintenance. This will be done by increasing funding for schools' operational grants and subsidies for services. The cost adjustment will take effect from 1 January 2020.

### **Creatives in Schools**

*\$7.2 million operating*

This funding will enable a Creatives in Schools programme to be delivered to schools and kura. Professional artists and creative practitioners will partner with schools to share specialist artistic knowledge and creative practice with students.

**Early Childhood and Schooling: Meeting Increased Demand***\$296.3 million operating*

This initiative aims to ensure that schools and early childhood education services are funded to maintain existing levels of access and provision, in response to changes in demand. This will be done through providing funding for projected changes in expenditure on teacher salaries, schools' operational funding, and early childhood education subsidies.

**Home-Based Early Childhood Education Review: Improving the Quality of Home-Based Early Childhood Education***\$6.9 million operating      \$1.7 million capital*

This initiative aims to improve the quality of educator-child interactions in home-based early childhood education. This will be done by providing funding to tertiary providers to enable the existing educator workforce to upskill to a Level 4 ECE qualification.

**Improving the Condition of School Property***\$17 million operating      \$19.8 million capital*

This initiative aims to improve the condition and performance of school property through better information for decision-making. This will be done by collecting performance data on schools to inform the systematic upgrade of all State schools by 2030.

**Improving the Quality of the Education System***\$19.7 million operating*

This initiative meets cost pressures to enable the current review frequency for early childhood education services and schools to be maintained. It also provides funding to increase the frequency of reviews of early childhood education services by the Education Review Office and the proportion of tertiary courses monitored by the New Zealand Qualifications Authority.

**Increasing Learning Support Funding in Line with Population and Demand Growth***\$29.6 million operating*

This initiative helps to maintain timely and quality support for children and young people with additional learning needs, primarily for those with moderate needs.

**Learning Support Coordinator Role***\$217.3 million operating      \$95 million capital*

This initiative aims to directly support the Learning Support Action Plan to develop an education system where the needs of all children are met. The implementation of approximately 600 Learning Support Coordinators will support schools and kura to better identify and respond to the disability and learning support needs of children and young people.

**Learning Support: Addressing Critical Cost and Demand Pressures for Children and Young People***\$81.3 million operating*

This initiative aims to ensure that children and young people with learning support needs receive timely and quality support. This includes: improving education provision for students at risk of disengaging from education; early intervention services; maintaining access to education for deaf and hard-of-hearing children and young people; English for Speakers of Other Languages; Te Kahu Tōi Intensive Wraparound Service; residential special schools; and increasing access to assistive technology.

**Learning Support System Improvements: Creating a More Inclusive Education System***\$7.6 million operating*

This initiative includes an enhanced package of support for gifted learners and continues to support students most at risk of disengaging from education through the Te Kura Big Picture programme.

**National Certificate of Educational Achievement Online: Transforming Assessment for Learners (NCEA Online)***\$14.5 million operating      \$6.4 million capital*

This initiative aims to deliver equitable and inclusive online digital assessments, by funding new technologies and business processes to deliver digital assessments and learning.

**NCEA: Removal of Fees and Funding of Cost Pressures***\$49 million operating*

This initiative aims to remove financial barriers to students accessing National Certificate of Educational Achievement (NCEA) qualifications. This will be done through providing funding to remove the NCEA assessment fee for all students.

**Providing the Education Infrastructure Service with Sustainable Funding***\$61 million operating*

This initiative aims to maintain the Ministry of Education's current level of service in managing the school property portfolio.

**School Property Programme to Deliver the National Education Growth Plan***\$60.9 million operating      \$1.2 billion capital*

This initiative aims to deliver additional classrooms, new schools, property for kura and special education. This will be done through providing funding for the first stage of a 10-year programme that provides certainty to the Ministry of Education, schools and the construction sector. The remaining funding for the 10-year programme is held in tagged contingency.

**Supporting Schools and Early Learning Settings to Improve Wellbeing Through Healthy Eating and Quality Physical Activity***\$47.6 million operating*

This funding will help early childhood education settings and schools provide healthy and active learning environments with curriculum resources, health promotion staff and school physical activity advisors. Implementation will include a focus on healthy eating, enhanced delivery of the Health and Physical Education curriculum and provision of active school environments.

**Teacher Supply: Continuing to Increase the Levels of Teacher Supply for the Future***\$95 million operating*

This initiative aims to ensure we continue to increase the levels of teacher supply for the future through a range of initiatives.

**Breaking the cycle for children in State care****Community Service Providers: Supporting Social Services for Children***\$26.7 million operating*

This initiative aims to support the sustainability and effectiveness of non-government organisation (NGO) social service providers contracted by Oranga Tamariki. It will address particular challenges in recruiting and retaining staff with the skills required to work effectively with high risk children, young people and families.

**Corporate Cost Pressures for Oranga Tamariki***\$6 million operating*

This initiative aims to maintain current programmes and services provided to children by providing for increasing costs associated with shared services, insurance and office rental cost increases.

**Improving Outcomes for Māori Children and Young People Within the Oranga Tamariki System***\$25 million operating      \$0.1 million capital*

This initiative will focus on building strategic partnerships to enable iwi and Māori groups to be actively involved in meeting the needs of Māori children, young people, and their whānau; and scaling up a core workforce of specialist Māori roles to better meet the needs of Māori children and young people.

**Intensive Intervention: Supporting Children and Young People at Risk of Harm to be Safe at Home with Their Families and Whānau***\$31.6 million operating      \$1.6 million capital*

This initiative aims to create a new Intensive Intervention service that uses a highly skilled 'family/whānau intensive support worker' role to work with families and whānau.

**Investment in Children: Demand Cost Pressures for Oranga Tamariki***\$70.4 million operating*

This initiative aims to maintain current outcomes by providing funding to meet the increasing costs of services that are offered to meet the emotional and physical needs of children in care.

**Remuneration Cost Pressures for Oranga Tamariki***\$52.9 million operating*

This initiative aims to maintain current outcomes by providing for increased remuneration costs associated with staff in line with employment agreements.

**State Care for Children and Young People: Improving Outcomes Through Independent Monitoring***\$19 million operating      \$8.8 million capital*

This initiative aims to increase confidence in the State care system and improve the current and intergenerational wellbeing of children, young people, their whānau and caregivers; build resilience in the care system; and support the voice of children, young people, their whānau and caregivers to be heard in the delivery of services. This will be done by providing funding to establish an independent monitor for the State care system for children and youth.

**Supporting Service Delivery: Client Access to Information***\$12.6 million operating*

This initiative aims to ensure that Oranga Tamariki can continue to ensure individuals have access to information about themselves.

**Transforming the Care System to Improve the Safety and Wellbeing of Children and Young People in Care***\$450 million operating      \$101.8 million capital*

This initiative aims to transform the care system by building frontline capacity and capability to provide care and support for children and young people in care and their families, whānau and caregivers and community environments suited to our new way of working; delivering high-quality services and support that address children's and young people's individual needs; finding and retaining high-quality caregivers, and supporting them to provide safe, stable, loving homes for children and young people in their care; building placement capacity for very high needs children and young people, whose therapeutic needs cannot be met in whānau care or traditional foster care environments.

**Transforming Our Response to Children and Young People at Risk of Harm***\$91.5 million operating*

This initiative aims to allow Oranga Tamariki to make essential preparatory changes to meet legislative requirements to transform the Care system, establish the Transition Support Service, and introduce new information sharing arrangements before 1 July 2019.

**Transition Support Service: Improving the Wellbeing Outcomes of Young People Leaving Care or Youth Justice***\$136.9 million operating      \$2.5 million capital*

This initiative aims to provide young people leaving care or youth justice with a more gradual and supported transition into adulthood, as required under the Oranga Tamariki Act 1989. This will be achieved through providing funding for a relationship-based service that will support young people to prepare for transition, respond to their needs as they leave, and help them gain their independence. It will provide advice and assistance, after-hours support, and broker services and housing supports.

**Youth Justice: Investment in Youth Justice Services to Manage Increased Volumes and Reduce Young People's Re-Offending***\$140 million operating      \$72 million capital*

This initiative aims to enhance the wellbeing of young people in the Youth Justice system and reduce reoffending, in line with the Oranga Tamariki Act 1989. This will be achieved through providing funding to establish and staff small, community-based facilities to manage the increased volume of young people requiring custodial services, following the legislative requirement to include 17-year-olds in the youth justice system from 1 July 2019; provide education assessments and education provision to young people in youth justice residences; and include 17-year-olds in supported bail initiatives to prevent young people from entering custody.

## A fairer welfare system

### Incomes for People Receiving Benefits: Implementation

*\$4.7 million operating*

This initiative is for the implementation of Budget initiative “Incomes for people receiving benefits – indexing main benefits, removing deductions and changing abatement thresholds”.

### Incomes for People Receiving Benefits: Indexing Main Benefits, Removing Deductions and Changing Abatement Thresholds

*\$530.4 million operating*

This initiative provides funding to: increase all main benefits each year by the rate of increase of the net average wage; remove deductions currently applied under the Social Security Act 2018 to the benefit rate of sole parents because they have not identified the other parent and/or applied for Child Support; and allow for an increase in the amount that beneficiaries can earn before their benefit reduces (abatements).

## Ensuring our children are safe and nurtured

### Enhancing Services to Combat Child Sexual Exploitation Across Our Cyber Border

*\$7.6 million operating      \$2.7 million capital*

This initiative aims to: reduce sexual exploitation of children for the creation and distribution of abuse imagery; reduce the number of children sexually abused; and prevent further abuse of previously abused children.

### Increasing Access to and Modernising Child Development Services to Improve the Health and Social Outcomes of Children with Additional Needs

*\$35 million operating*

This initiative improves the health and social outcomes of children who are not meeting their developmental milestones (owing to neurodisabilities, like autism, physical or sensory impairments or other factors) and have additional needs.

### KickStart and KidsCan: Continuing to Improve Child Wellbeing

*\$3.2 million operating*

This initiative continues funding for the KickStart Breakfast Programme and for KidsCan. The funding will also allow an impact evaluation of a KidsCan pilot programme in early childhood education centres.

### Oho Ake: Expanding the Programme to Prevent Offending by Tamariki and Rangatahi in the Eastern Bay of Plenty

*\$1 million operating*

This initiative is part of the Budget package Hāpaitia te Oranga Tangata, and aims to expand the scope of Oho Ake to prevent offending by tamariki and rangatahi in the Eastern Bay of Plenty.

### Well Child Tamariki Ora: Maintaining the Universal Health Service for Children and Their Families from Birth to Five Years

*\$10 million operating*

This initiative provides for the continuation of the Well Child Tamariki Ora (WCTO) programme, which ensures universal health services for children and their families from birth to five years to improve child wellbeing outcomes.

### The Child Poverty Reduction Act 2018: Achieving a Significant and Sustained Reduction in Child Poverty in New Zealand

*Non-spending initiative*

This initiative will help achieve reductions in child poverty by encouraging a greater focus on child poverty reduction, facilitating political accountability against published targets, requiring transparent reporting on child poverty levels (including as part of Budget reporting under the Public Finance Act), and creating a greater commitment by Government to address child wellbeing.

# SUPPORTING MĀORI AND PASIFIKA ASPIRATIONS

## LIFTING MĀORI AND PACIFIC INCOMES, SKILLS AND OPPORTUNITIES

### HIGHLIGHTS

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

Ensuring te reo Māori and Pacific languages survive and thrive

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

A \$12m programme targeting rheumatic fever

*Hei wakaritenga mai hoki tenei mo te wakaetanga ki te Kawanatanga o te Kuini – Ka tiakina e te Kuini o Ingarani nga tangata maori katoa o Nu Tirani ka tukua ki a ratou nga tikanga katoa rite tahi ki ana mea ki nga tangata o Ingarani.*

This is article three of Te Tiriti. Signed in 1840, it promises to Māori the same rights as British citizens: Oritetanga, or equality.

As a Government we have committed to doing things differently. To challenge the status quo. Because for Māori and Pacific communities, the status quo does not work. The status quo does not mean equality for Māori, nor does it mean equality for Pacific peoples.

We want to strive for more.

That is why this Government has made Māori and Pacific peoples' aspirations a priority for Budget 2019. This Wellbeing Budget puts in place measures that address the gaps between Māori and non-Māori, and Pacific and non-Pacific peoples.

In Budget 2019 our focus is on ways to give Māori and Pacific peoples more scope to lift their own wellbeing. This includes the wellbeing of whānau, language, communities, economic and social wellbeing and the wellbeing of future generations.

This Budget shows that when we work together in a partnership, when Māori and Pacific communities set their own wellbeing goals and aspirations, and when we as a Government use our levers to change the system and help Māori and Pacific peoples achieve those aspirations – that equality can start to be a reality.

We can change the status quo, by taking a whānau-centred approach to wellbeing, working collaboratively across government, by harnessing Māori potential, celebrating Māori culture, embracing Pacific values and co-designing initiatives with Māori and Pacific communities.

We can improve wellbeing. We can and we will bring about true equality for all.

## A boost for Whānau Ora

Whānau wellbeing is at the heart of this year's Budget for Māori. When whānau succeed so will hapū, iwi, Māori and Pacific communities throughout Aotearoa.

Whānau Ora supports tino rangatiratanga and mana of whānau by empowering them to self-determine their needs, aspirations and desired outcomes.



The Whānau Ora Review concluded that Whānau Ora creates positive change for whānau and the conditions for these changes to be sustainable. The Review recommendations are reflected in this year's wellbeing package for Whānau Ora.

Whānau Ora Minister Peeni Henare says the independent review of Whānau Ora highlights important opportunities to develop Whānau Ora into the future. The Wellbeing Budget commits \$80 million over four years to expand the coverage and impact of Whānau Ora. This includes increased commissioning activities to provide greater support to whānau, and support for improved localised decision-making and accountability.

Investment in the current commissioning approach will be increased, alongside the development of innovative localised commissioning options, to ensure Whānau Ora continues to be responsive to the needs and aspirations of whānau in particular communities.

The Budget also provides investment to provide professional development pathways for Whānau Ora Navigators. Further, the Budget package will increase Te Puni Kōkiri funding to facilitate engagement and foster greater support for Whānau Ora across Government.

"My vision for Whānau Ora is that it supports whānau to achieve their aspirations, that it is appropriately supported across government agencies, and that whānau are able to play a key role in local decision making regarding Whānau Ora support." Peeni Henare says.

Whānau Ora is about empowering whānau to make decisions for themselves and providing support services to ensure that happens. Whānau Ora is also about shifting the way government agencies operate to include whānau-centred approaches that focus on better outcomes for our Māori and Pacific communities.



*"Increasing support for Whānau Ora will directly impact wellbeing indicators across the board."*

Peeni Henare

## Whānau Ora for better health outcomes

Primary care is the gateway into the health and disability system. But the system does not work for everyone.

Māori and Pacific peoples are hospitalised at a far greater rate than other ethnicities. Together they comprise approximately 22 per cent of the population but make up over 60 per cent of avoidable hospitalisations. Many of these admissions could be prevented or could have been treated earlier in primary care.

Budget 2019 allocates \$1 million this year to research how a whānau-centred approach to primary healthcare can improve health outcomes for Māori and Pacific peoples. Te Puni Kōkiri will partner with the Ministry of Health and Whānau Ora providers working in the health sector to design the initiative.

“Identifying and developing a whānau-centred approach to our primary healthcare can improve the wellbeing of Māori and Pacific peoples, and may allow primary healthcare providers to deliver the support required to make positive and enduring changes in the lives of whānau,” Peeni Henare says.

## A Kaupapa Māori approach to tackling reoffending

The Wellbeing Budget is investing \$98 million of operating and capital funding into a pathway for people to experience a kaupapa Māori and whānau-centred approach for all of their time with Corrections, from pre-sentence to reintegration and transition in their community.

It will initially focus on Māori men under 30 years of age, as this group has the highest reconviction and reimprisonment rates.

Corrections Minister Kelvin Davis says the investment is a major first step in changing the way Corrections operates, to help break the cycle of Māori reoffending and imprisonment.

“We are acknowledging that our system does not work for the majority of Māori.

“This is a new pathway for people in prison and their whānau to walk together.

“This is a system change and a culture change for the Corrections system. That change starts today,” Kelvin Davis says.

“The Māori Pathway delivers on a number of our Government’s priorities. It’s about reducing reoffending so there are fewer victims of crime, building closer partnerships with Māori, and enabling us to keep delivering on our target to reduce the prison population by 30 per cent as part of the Hāpaitia te Oranga Tangata package.”

This initiative includes \$35 million of operating funding over four years to apply a Whānau Ora approach to reduce reoffending and improve whānau outcomes and wellbeing.

“Paiheretia te Muka Tangata – Uniting the Threads of Whānau – will be based on Whānau Ora and aims to support tino rangatiratanga and mana of whānau by empowering whānau to determine their needs, aspirations and outcomes,” Peeni Henare says.

Paiheretia te Muka Tangata will be delivered through the support of Kaiarataki Navigators who will initially work directly with Māori under the age of 30 and their whānau engaged in the Corrections system – assisting them to set goals and navigate them to the services and support they need, while maintaining the links between whānau members.

### The wellbeing approach in action – The Māori pathway

This initiative is co-designed and implemented by Māori, with Corrections, Te Puni Kōkiri, and the Ministry for Social Development working together in partnership with hapū and iwi.

Kelvin Davis says it is a great example of the wellbeing approach in action, with a number of agencies working together to target long-term change.

Ministers involved in this initiative include Corrections Minister Kelvin Davis, Whānau Ora Minister Peeni Henare, and Social Development Minister Carmel Sepuloni.

We know that when whānau are well, they are self-managing, living healthy lifestyles, and participating fully in society and in their language and culture. This is a new and innovative approach that aims to reduce the Māori prison population and improve intergenerational whānau wellbeing.

## The revitalisation of te reo Māori

A key part of this year's Wellbeing Budget is the revitalisation of te reo Māori to promote a stronger sense of national identity.

Minister for Māori Development Nanaia Mahuta says the Crown is committed to ensuring that basic te reo is spoken by a million people in Aotearoa by 2040.

"This investment will underpin the growth of te reo across the Maihi Karauna and Maihi Māori programmes.

"For te reo to thrive by 2040 we all need to do our part to make it a working, living language," Nanaia Mahuta says.

Nearly \$9.8 million over four years will fund Te Taura Whiri, the former Māori Language Commission, and support an increase in certification for te reo teachers. Another \$4 million dollars will be used to sponsor events that contribute to promoting the status and use of te reo Māori. Te Puni Kōkiri will administer this fund.

"Te reo is a taonga that will strengthen the partnership between Crown and Māori. The language also makes a key contribution to New Zealand tourism and international trade," Nanaia Mahuta says.

The Maihi Karauna programme provides an umbrella for te reo across a range of government and public service agencies to achieve the Government's commitments under Te Ture mō te Reo Māori 2016.

As part of the Wellbeing Budget initiatives for te reo, a further \$6 million will be invested in the Kāhui investment model run by Te Mātāwai. This investment will be used to support the Maihi Māori programme in the wider Māori community and also for policy and advice for Te Taura Whiri.



*"The story of te reo Māori is one of resilience and passion."*

Nanaia Mahuta

The money will be earmarked for eight iwi and Māori language clusters across the country.

"I welcome these Budget initiatives as the Māori language is one of the best ways to say 'We are New Zealanders'," Nanaia Mahuta says.

## Unlocking Whenua Māori

The Government will invest in unlocking the unused potential of Māori-owned land as part of the 2019 Wellbeing Budget.

This investment will be used to roll out an advisory service for Māori landowners to help them develop plans to utilise their land and resources and support whānau aspirations.

Minister for Māori Development Nanaia Mahuta says the Whenua Māori programme will initially focus on three regions: Te Tai Tokerau, Waikato-Wairariki and Tairāwhiti.

“At present, the challenge of navigating the minefield of complex rules and regulations around the whenua means that there are significant barriers for Māori land owners.

Nanaia Mahuta says there will be legislative amendments to Te Ture Whenua Māori Act 1993 and improved technology, but at the heart of the reforms are the new regional advisory services. The government will invest \$56 million of operating and capital funding in this programme over the next four years.

“Current research shows that 600,000 hectares, nearly 40 per cent of Māori land, is underdeveloped. We simply have to do better for our tamariki,” Nanaia Mahuta says.

## Supporting our Pacific communities

The Wellbeing Budget recognises the aspirations of Pacific communities in Aotearoa to be confident, thriving, resilient, successful and prosperous.

By 2030, Pacific peoples will make up more than 10 per cent of New Zealand’s working-age population. More than 60 per cent of Pacific peoples are now born in New Zealand, and the community is fast growing, young and dynamic with untapped potential.

The Government recognises that Pacific peoples are taking leadership roles in decisions that affect their lives and in the design and delivery of services to Pacific communities.

Minister for Pacific Peoples Aupito William Sio says this increasingly means communities are driving their own Pacific-led solutions.

“We are leading in innovation and change, by drawing on Pacific cultures and skills to ensure outcomes reflect both our values and the changing environment.

Associate Minister of Education and Health Jenny Salesa says the Wellbeing Budget empowers Pacific peoples to grow and sustain their success by lifting skills, health outcomes, incomes and opportunities.

“We are ensuring Pacific peoples have access to services and supports that deliver in culturally appropriate ways,” Jenny Salesa says.



*“The Wellbeing Budget responds directly to the voices of Pacific communities and empowers them to grow and sustain their success.”*

Aupito William Sio

## Lifting education and employment

Improving education outcomes for Pacific students is crucial to their future success in life.

The Wellbeing Budget provides \$27.4 million over four years to ensure Pacific students and their families have the skills, knowledge and equitable opportunities to pursue any education pathway. This will include investing in Pacific PowerUP, an education programme that actively supports Pacific parents, families and communities to champion their children's learning.

Associate Education Minister Jenny Salesa says a whole-of-system approach is needed.

"This investment delivers a broad range of initiatives aimed at lifting and sustaining achievement for all Pacific students, their families and communities."

Budget 2019 will also provide \$14.5 million to the Ministry for Pacific Peoples to grow opportunities for young people. This funding will expand collaboration with Pacific providers in Auckland, Wellington and Christchurch to support up to 2,220 Pacific young people who are on a benefit into employment, education or training.

## Transforming the Pacific Business Trust

Pacific peoples make an important contribution to New Zealand's economy. That can and should be developed further.

Budget 2019 supports this with \$11.2 million over four years to increase the capability and capacity of the Pacific Business Trust to expand the delivery of a range of business services, and support industry and community economic development activities focused on growing Pacific businesses and job opportunities throughout Aotearoa and beyond.

It will include research, monitoring and evaluation of Pacific peoples' contribution to New Zealand's economy.



*"This Budget will support more Pacific people to lead more confident, more resilient and more prosperous lives. With each step we take in the direction of greater wellbeing for Pacific people, change will follow for all of us."*

Aupito William Sio

## A boost for Pacific languages

The languages we use say something about not just who we are, but where we are. They speak to our sense of belonging, our identity and our understanding of how we came to be here.

But Pacific languages in New Zealand are struggling. Without action we risk losing an incredible repository of wisdom and culture, and a sense of belonging for our Pacific peoples.

The Wellbeing Budget is providing \$20 million over four years so the Ministry for Pacific Peoples can establish a new Pacific Language Unit, with a set of language support functions to help ensure the survival of Pacific languages.

## Improving Māori and Pacific health and wellbeing

The Wellbeing Budget provides \$12 million in funding for rheumatic fever programmes to reduce the incidence rate among Māori and Pacific peoples and support better management of the illness.

Associate Health Minister Jenny Salesa says this investment will support the development and implementation of innovative community-led rheumatic fever interventions.

There will also be increased investment of \$9.8 million over four years in developing innovative community initiatives, including initiatives to share evidence-based Pacific models of care.

An important part of delivering improved health outcomes for Pacific peoples will be to increase our Pacific health workforce. This will be done with funding of \$14.3 million over four years for a strengthened Pacific training pathway, from secondary school to tertiary study, work experience and work placements. This includes increasing our Pacific nursing and midwifery workforce pipeline.



---

*"Targeted and tailored initiatives are shown to be more effective for improving both Māori and Pacific health outcomes."*

Jenny Salesa

## Initiatives to support this priority

### Whānau wellbeing

#### A boost for Whānau Ora

##### **Te Whakaū i te Kaupapa o Whānau Ora i roto i ngā Whare Hauora Matua hei Painga mō te Oranga o te Māori me ngā Iwi o Te Moananui-a-Kiwa**

Identifying and Developing How a Whānau-Centred Approach to Our Primary Healthcare Can Improve the Wellbeing of Māori and Pasifika

*\$1 million operating*

This initiative will enable exploration into how a whānau-centred approach can be used to raise health and wellbeing outcomes for Māori and Pasifika.

##### **Whānau Taurikura: E Whakawhānui ana i te Kaupapa o Whānau Ora e Ora Nui ai te Huhua o ngā Whānau**

Whānau Wellbeing: Expanding Coverage of Whānau Ora to Support More Whānau to Thrive and Achieve Wellbeing Outcomes

*\$80 million operating      \$0.1 million capital*

This initiative aims to increase support for whānau to achieve their aspirations and lift overall wellbeing. This will be done through funding the expansion of the Whānau Ora commissioning for outcomes approach to reach more whānau. It will include an increase in the navigator workforce, targeted tamariki support, and support to build financial capability.

#### Kaupapa Māori approach to tackling re-offending

##### **Paiheretia te Muka Tāngata: Kia Piki Ake ngā Hua ki ngā Whānau Māori kua Pāngia e te Ture, e Hoki Pai mai ai Rātou ki te Hapori – Wāhanga A**

Māori Pathway: Improving Outcomes for Māori and Their Whānau in the Corrections System and Supporting Their Reintegration Back into Communities – Part A

*\$35 million operating      \$0.1 million capital*

This initiative aims to use the Whānau Ora approach to support Māori aged under 30 in the New Zealand corrections system. It aims to build and maintain strong relationships between the individual and their whānau and provide support to lower reconviction rates and the Māori prison population.

##### **Paiheretia te Muka Tāngata: Kia Piki Ake ngā Hua ki ngā Whānau Māori kua Pāngia e te Ture, e Hoki Pai mai ai Rātou ki te Hapori – Wāhanga B**

Māori Pathway: Improving Outcomes for Māori and Their Whānau in the Corrections System and Supporting Their Reintegration Back into Communities – Part B

*\$60 million operating      \$3 million capital*

This initiative is part of the Budget package supporting the Hāpaitia te Oranga Tangata – Safe and Effective Justice programme. This initiative will develop a kaupapa-Māori based pathway, for Māori who enter the corrections system to improve rehabilitation and reintegration outcomes in Hawke's Bay and Northland.

## Supporting Te Reo Māori and communities

### He Tautoko i Te Rūnanga Nui o Ngā Kura Kaupapa Māori

#### Supporting Te Rūnanga Nui o Ngā Kura Kaupapa Māori

*\$1.5 million operating*

This initiative aims to improve outcomes for Māori learners attending kura kaupapa Māori, by funding Te Rūnanga Nui o Ngā Kura Kaupapa Māori to better undertake its kaitiaki (guardianship) and kaitautoko (advocacy) functions.

### He Whakaara anō i Te Kotahitanga: Ko te Tautoko i ngā Hua Tōtika mō ngā Ākonga Māori

#### Restarting Te Kotahitanga: Supporting Equitable Outcomes for Māori Learners

*\$42 million operating*

This initiative aims to support equitable outcomes for Māori students by addressing cultural bias and racism in the education system (Te Hurihanganui) and supporting whānau to engage in the education of Māori learners (Mana Whānau).

### He Whakarākai Whanaungatanga ki waenga i Te Mana ā-Rohe me te Iwi/Māori ki te Hāpai Rangapū

#### Enhancing Relationships Between Local Government and Iwi/Māori to Improve Partnerships

*\$10 million operating*

This initiative will support improved relationships between local government and iwi/Māori and support a strong and thriving Māori language.

### He Whakawhānui i ngā Hōtaka Kawekawe ā-Hapori: He Hāpai Hua mō ngā Whāmere me ngā Whānau

#### Expanding Community-Based Collective Impact Programmes: Improving Outcomes for Families and Whānau

*\$4.6 million operating*

This initiative will expand on the Kainga Whānau Ora pilot programme currently running in Palmerston North.

### Kāinga Rua; Oranga Whānau: He Whare Whakaruruhau, he Whakapakari Whānau

#### Kāinga Rua; Oranga Whānau: Marae Resilience and Whānau Development

*\$12 million operating      \$0.014 million capital*

This initiative aims to revitalise the physical and cultural infrastructure of marae, and support marae to develop their capability and capacity to support emergency management responses in their local communities. This will be done through increasing funding to the Oranga Marae programme.

### Maihi Karauna: E Whakapiki Ake ana i Te Mana me te Whakamahinga o Te Reo Māori

#### Implementation of the Maihi Karauna Strategy: Increasing the Status and Use of Te Reo Māori

*\$13.8 million operating*

This initiative aims to support the revitalisation of te reo Māori through providing funding for Te Taura Whiri to lead the coordination of the implementation of the Maihi Karauna, and funding to support national and regional events that promote the active use of te reo Māori.

### Maihi Māori me te Whare o Te Reo Mauri Ora: E Whakarauora ana i Te Reo Māori hei Reo Tuatahi

#### Implementation of the Maihi Māori and Te Whare o Te Reo Mauri Ora: Restoring Te Reo Māori as a Nurturing First Language

*\$6 million operating*

This initiative aims to support the restoration of te reo Māori as a nurturing first language and strengthen the partnership between Māori and the Crown in te reo Māori revitalisation, through funding for Te Mātāwai to enhance the implementation of its kāhui investment model and resources to support its strategic and policy advice functions in relation to Maihi Karauna and Te Whare o Te Reo Mauri Ora.

**Oranga Pāpori, Oranga Ōhanga mā te Whenua Māori****Social and Economic Development Through Whenua Māori***\$54 million operating      \$2.1 million capital*

This initiative aims to lift incomes, skills and opportunities for Māori freehold landowners by supporting them to realise their whenua aspirations and transition from feasibility studies to investment readiness.

**Te Reo kia Rere: Kia Rangona Te Reo i te Huhua o ngā Pae Pāpāho****Innovative Te Reo Māori Media Content: Increasing Engagement with Te Reo Māori Across a Range of Media Platforms***\$14 million operating*

This initiative aims to support the revitalisation of te reo Māori and the goals of the Maihi Karauna Strategy through increasing engagement with te reo Māori on broadcast and online platforms. This content will have a particular focus on rangatahi audiences, and will be delivered across a range of platforms.

**Te Whakahoutanga o te Kaupapa o ngā Wātene Māori: Kia Tū Roa tēnei Kaupapa hei Hāpai i te Oranga o te Whānau me te Hapori****Modernising the Māori Wardens: Enabling their Sustainable Contribution to Whānau and Community Wellbeing***\$3.8 million operating*

This initiative aims to ensure that the Māori Wardens are well positioned to meet the increasingly diverse range of whānau and community needs and improve community wellbeing and safety.

**Te Whakarauoratanga o te Rāngai Mahi: E Whakawhānui ana i ngā Tūranga Ākongā Mahi hei Hiki i ngā Putanga Mahi****Improving Māori Labour Market Resilience: Expanding the Cadetships Initiative to Improve Employment Outcomes***\$6 million operating      \$0.1 million capital*

This initiative aims to partner with employers to attract, retain and develop Māori employees in growth industries and occupations. This will be done through providing funding to employers to support the employment, development, and mentoring of Māori cadets.

**Te Whakatū Papakāinga me te Whakapai Whare hei Huarahi ki te Hauora o te Whānau  
Papakāinga Development and Rural Housing Repairs for Better Whānau Wellbeing***\$40 million operating      \$0.1 million capital*

This initiative aims to raise Māori intergenerational wellbeing by taking a whānau-led approach to addressing housing and wider community needs. This will provide funding for the Māori Housing Network to invest in additional papakāinga (Māori collectively owned homes), housing repairs, and capability building programmes.

**Supporting Māori health outcomes****He Kaupapa Hāpai Kaimahi Hauora Māori: He Ara Pupuri Mahi kia Āhei ngā Putanga Hauora Tōtika****Māori Health Workforce Development Package: Pathways to Ongoing Employment to Enable Equitable Health Outcomes***\$10 million operating*

This initiative will contribute to improving Māori health outcomes by increasing the Māori health workforce. This will be done by providing programmes to incentivise and support Māori students and low-paid workers into paid health employment.

## **He Toko i Te Ao Auahatanga Hauora Māori: He Tahua Hauora Māori Auaha ki te Whakapiki i ngā Hua Hauora Māori**

### **Increasing Te Ao Auahatanga Hauora Māori: Māori Health Innovation Fund to Improve Māori Health Outcomes**

*\$4 million operating*

This initiative aims to increase the number and range of Māori health providers to support innovative health services that improve Māori health outcomes and reduce inequities.

## **Supporting our Pacific communities**

### **Enhancing Pacific Economic Development by Transforming the Pacific Business Trust**

*\$11.2 million operating*

This initiative will increase the capability and capacity of the Pacific Business Trust to deliver a wider range of business-facing services, including mentoring, training and marketing research and advice, to a larger cohort of Pacific businesses.

### **Ensuring Pacific Languages Survive in New Zealand's Pacific Communities**

*\$20 million operating*

The initiative will support Pacific languages to survive in New Zealand through investment in education, research and community engagements.

### **Expanding the Pacific Employment Support Service to Reduce the Rate of Pacific Young People Not in Employment, Education or Training**

*\$14.5 million operating*

This initiative aims to decrease the rate of Pacific young people not in employment, education or training, by expanding the Pacific Employment Support Service in Auckland, Wellington and Christchurch.

### **Improving and Accelerating Education Outcomes for Pacific Learners**

*\$27.4 million operating*

This initiative will be realised by partnering with communities to focus on achieving Pacific outcomes, growing the cultural competency of the workforce, and providing opportunities to learn in Pacific languages.

### **Increasing Investment in Pacific Innovation Funds to Improve Pacific Health Outcomes**

*\$9.8 million operating*

This initiative improves Pacific health outcomes and reduces inequities by supporting the development of innovative Pacific initiatives, including sharing evidence-based Pacific models of care.

### **Increasing the Pacific Provider and Workforce Development Fund (PPWDF) to Support a Pacific Workforce Pipeline**

*\$10 million operating*

This initiative will contribute to improving Pacific health outcomes by increasing the Pacific health workforce.

### **Reducing the Incidence and Improving the Management of Rheumatic Fever**

*\$12 million operating*

This initiative provides funding for programmes to improve access to primary care for rheumatic fever prevention and management among Māori and Pacific people in the Auckland region.

### **Senior Diverse Leaders: Specialised Pacific Skills, Leadership and Talent Pipeline Capability-Building Pilot**

*\$1.4 million operating      \$0.021 million capital*

This initiative aims to ensure that Pacific peoples in New Zealand's public sector workforce are supported to play an active role in the delivery of the Government's economic strategy, through providing funding for a specialised Pacific skills, leadership and talent pipeline capability-building pilot focused on identifying, enabling and delivering systems-change opportunities across public sector administration agencies.

### **Supporting Pacific Households into Home Ownership through Financial Capability Services**

*\$2.6 million operating*

This initiative funds targeted financial capability services with information about the practicalities of buying a home, opportunities and assistance available, to help Pacific people save for a deposit and the knowledge to keep ownership over time.

### **Support Programme for Pacific Students to Successfully Complete a Nursing/Midwifery Undergraduate Degree**

*\$4.3 million operating*

This initiative aims to increase the Pacific nursing and midwifery workforces to improve Pacific health outcomes, and lift Pacific employment.

## **Supporting Māori Crown relations and Treaty settlements**

### **He Koke Whakamua i ngā Whiringa Whakatau o ngā Take Tiriti o Waitangi**

#### **Progressing Historical Treaty of Waitangi Settlement Negotiations**

*\$4 million operating*

This initiative aims to provide support to the Minister for Treaty of Waitangi Negotiations to progress towards completion of historical Treaty of Waitangi settlement negotiations as quickly and as fairly as possible.

### **He Putunga Whakataunga Tiriti: Kia Whāia e Te Karauna kia Kāinga Mahana, Maroke, Haumaru me te Whakatutuki i ō mātou Kawenga Tiriti**

#### **Treaty Settlement Landbank: Ensuring the Crown Provides Warm, Dry and Safe Homes and We Meet Our Treaty Obligations**

*\$21.3 million operating*

This initiative will increase the quantity and quality of housing, address health and safety risks on Landbank properties, and ensure properties are maintained in a state that is suitable for use in a Treaty of Waitangi settlement.

### **He Putunga Whakataunga Tiriti: Kia Whakaitihia ngā Mōrearea Hauora me Haumaru me te Whakatutuki i ō mātou Kawenga Tiriti**

#### **Treaty Settlement Landbank: Work on Four Properties to Mitigate Health and Safety Risks and Meet Our Treaty Obligations**

*\$16.8 million operating*

This initiative will ensure Land Information New Zealand mitigates identified risks to health and safety on a number of Landbank properties, and meets its Treaty of Waitangi obligations to prepare the properties for use as either cultural or commercial redress in a Treaty of Waitangi settlement. This will be done through procuring the demolition and remediation of three properties and the replacement of the wastewater plant on one property.

### **He Rapunga Kaupapa Mana Wāhine: He Huringa Kaupapa Here me ngā Ratonga mō ngā Wāhine Māori**

#### **Mana Wāhine Kaupapa Inquiry: Transforming Policy and Services to Deliver for Wāhine Māori**

*\$6.2 million operating*

This initiative will support the Government and public sector to ensure high-quality participation in the Waitangi Tribunal's Mana Wāhine Kaupapa Inquiry. It will help the wellbeing of wāhine Māori and their whānau, and support the work to build stronger relationships between Māori and the Crown.

**He Tautoko i ngā Hononga Māori me Te Karauna: Te Arawhiti**

**Supporting the Māori Crown Relations: Te Arawhiti Portfolio**

*\$30 million operating*

This initiative aims to strengthen the Crown's capability to engage meaningfully with Māori. This will be achieved through providing funding for the delivery of Te Arawhiti's responsibilities under the Māori Crown Relations portfolio.

**Ko Ngā Kaupapa Matua: He Tautoko, he Whakanui i ngā Hui Whakahirahira**

**Ngā Kaupapa Matua: Supporting and Celebrating Te Ao Māori Significant Events**

*\$4 million operating*

This initiative aims to strengthen a shared national identity that recognises, values and encourages te ao Māori. This will be achieved through providing funding arrangements for a number of significant events to enable longer-term planning.

# BUILDING A PRODUCTIVE NATION

## SUPPORTING A THRIVING NATION IN THE DIGITAL AGE THROUGH INNOVATION, SOCIAL AND ECONOMIC OPPORTUNITIES

**HIGHLIGHTS**

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

\$106m injection into innovation to help New Zealand transition to a low-carbon future

Nearly \$200m set aside for vocational education reforms to boost apprenticeships and trade training

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

The Government wants New Zealanders to thrive in the digital age.

This requires industries and businesses to innovate and adopt cutting-edge technology that offers productivity and job benefits. It also means New Zealanders will need to acquire new skills to take advantage of the opportunities in the changing job market.

Our Coalition Government also wants to make sure all New Zealanders can take advantage of the opportunities available through digital technology. New Zealanders need the chance to share in the opportunities provided by the digital age by both increasing the availability of technology and programmes for people to acquire the skills required to use it.

New Zealanders are innovative. The Government wants to foster that innovation and encourage smaller start-ups to expand, which will in turn help improve New Zealand's productivity, wages and drive export growth.

**BUILDING A  
PRODUCTIVE  
NATION**

### Bridging the venture capital gap

There is evidence of a gap in domestic capital markets that may be slowing the growth of New Zealand firms – this gap is not being filled by current venture capital. The Government has therefore asked the managers of one of New Zealand's sovereign wealth funds to support its goal to strengthen and deepen this market.

A new \$300 million fund will be established to help fill the 'capital gap' for New Zealand firms that expand beyond the early start-up phase.

The \$300 million fund will use \$240 million of contributions earmarked for the New Zealand Superannuation Fund (NZS Fund) between 2018 and 2022 and \$60 million from the New Zealand Venture Investment Fund's (NZVIF) existing assets.



*"This will help keep more start-ups in New Zealand for longer and support the proportion of New Zealand ownership."*

David Parker

The Guardians of New Zealand Superannuation (Guardians) will apply a best practice commercial approach to support the NZVIF in making venture capital investments to take start-up businesses to the next level.

Economic Development Minister David Parker says this will help transform the economy to be more productive, sustainable and inclusive in a digital age.

“We need to have well-functioning early stage capital markets and a healthy start-up ecosystem to grow the knowledge economy. Our goals include raising the number of start-ups that develop into successful companies.

“New start-ups are well served but mid-sized ones, between about \$2 million and \$15 million in size, are not well supported.

“Filling that gap will help reduce pressure on companies to sell prematurely to overseas buyers, which happens when you have weak early-stage capital markets.

“The world is in the middle of a technological revolution and we need to chase down as many of these commercial opportunities as possible. We also want to increase the amount of technology that gets commercialised and to lift the level of innovation in New Zealand,” David Parker says.



Contributions to the NZS Fund will continue with an additional \$9.6 billion forecast to be contributed over the next five years.

The Guardians will provide governance and leverage their investment expertise to maximise the new fund’s success. The new fund will be administered by the Guardians, and invested by NZVIF through private sector fund managers.

After 15 years all funds (including the principal and returns and the \$60 million from NZVIF) will be returned to the Crown to fund superannuation.

## Innovation for the future

Transitioning to a high-productivity, low-emissions economy will require industries to change. This means not only a change in behaviour but also an understanding about the sustainable use of resources and the promotion of investment and innovation.

One way of addressing this is through prioritising government investment in R&D and ways to encourage innovation.



*“Start-ups are the way New Zealand will continue to develop unique, world-first and ground-breaking ideas.”*

Megan Woods

Budget 2019 allocates \$106 million of operating funding over four years and \$50.6 million capital into innovation, with initiatives to support businesses to become more productive and develop high-value, low-emissions products.

Minister for Research, Science and Innovation Megan Woods says start-ups are the ultimate champions of innovation that often introduce more radical, disruptive innovations than more established firms.

As part of this investment, the Wellbeing Budget provides \$25.5 million over four years to help support, incubate and grow start-ups.

“Having sustained support will mean that innovators can more effectively commercialise science and research and turn ideas into products and services which can then be successfully brought to market,” Megan Woods says.

The funding will help start-ups with more support for the Commercialisation Partner Network Fund. It will also provide additional support for the PreSeed Accelerator Fund and the scale-up of the Technology Incubator programme.

These initiatives support the target to invest two per cent of New Zealand’s GDP into R&D by 2027.

## Reform of vocational education

The Government is committed to lifting the status, quality and access to vocational education and training.

Minister of Education Chris Hipkins is leading this critical reform, which is needed to increase the number of people in vocational training and the number of apprentices training on the job.

“There is a national shortage of skilled tradespeople across many industry sectors and our vocational education system is not keeping up,” Chris Hipkins says.

“New Zealand needs a lot more people in vocational education. We need both on-the-job and off-the-job training to be higher quality, easier to navigate for learners and employers, more coordinated, and for employers to have more say in setting out the skills they need.

“For New Zealand to become a more productive country and for learners to have more opportunities to get ahead, it is vital for us to get this right. That means working with iwi, regional leadership, industry groups and businesses to achieve the sustainable outcomes we are seeking,” Chris Hipkins says.

### The wellbeing approach in action – Industry 4.0 and the Future of Work

As the nature of work changes the Government wants to stay ahead of the curve and make sure New Zealanders have the skills they need to adapt. Ensuring a just transition to the future of work is a priority area for the Government.

This means working across sectors to develop policies that help New Zealanders make the most of the rapidly changing digital world.

Budget 2019 includes \$6.2 million of operating and \$0.6 million of capital funding for an Industry 4.0 demonstration network with up to two ‘smart factories’. This will help employers make sure they are ready for the future as well.

We are currently considering feedback from consultation and we know we need to provide resources for this change.

Underspending on the Fees Free programme will go towards implementing the reform of vocational education.

The Government initially budgeted for Fees Free at the upper end of potential demand and we are now in a position to re-allocate an estimated \$197.1 million of the funding to another part of tertiary education.

## Skills for the future

Globalisation and changes in technology will make some traditional forms of work obsolete. At the same time, the forces of change are creating new opportunities.

The Government wants to make sure New Zealanders are equipped with the skills they need to adapt and thrive as their workplaces change, and to ensure young people entering the workforce are well prepared.

### The School Leavers' Toolkit

The Wellbeing Budget provides \$3.5 million of operating funding to better equip young people for life after leaving school.

All secondary school students will have access to programmes that will provide civics knowledge and skills, financial literacy and key workplace competencies. These include key skills like how to enrol to vote, save for a home deposit, and write a CV.

Each school will have access to resources so they're able to design their own School Leavers' Toolkit that meets the context, culture and needs of its students and community.

Resources will be available in both English and te reo Māori.

### Mana in Mahi – Strength in Work

Mana in Mahi is a work programme designed to provide employment and an industry training qualification pathway to young people on a benefit.

The Wellbeing Budget provides a \$49.9 million boost for Mana in Mahi, extending the places available for participants from 150 to almost 2,000.

Employers receive a wage subsidy equivalent to the annual Jobseeker Support rate and support for work-readiness or pre-employment costs, if needed.

Participants receive in-work support and incentives to encourage them to stay in work and enter industry training.

Employment Minister Willie Jackson says partnering with employers in key growth industries is part of building an economy that everyone can participate in.



*"Mana in Mahi creates real opportunities for our young people who don't have the recognised qualifications that lead to long-term dignified work."*

Willie Jackson

Social Development Minister Carmel Sepuloni says Mana in Mahi is an example of this Government's commitment to creating employment opportunities for young people, as recommended by the WEAG.

"It provides work, training, mentoring and pastoral care in one package and provides them with great opportunities to get into meaningful and sustainable work," Carmel Sepuloni says.

### **He Poutama Rangatahi**

He Poutama Rangatahi works with young Māori and Pacific people who are not in employment, education or training and are at risk of long-term unemployment.

The programme has been successfully piloted in Te Taitokerau, Eastern Bay of Plenty, Gisborne/Tairāwhiti and Hawke's Bay.

Some schemes are already placing about 70 per cent of their participants in employment.

An additional \$26.6 million is allocated through the Provincial Growth Fund to extend He Poutama Rangatahi and ensure young Māori and Pacific people are supported, with possible expansion into the Waikato and other places in the regions.

### **Digital literacy for seniors**

Seniors are consistently among the most digitally disadvantaged. They face reducing 'over-the-counter' services and also need to acquire new technology and learn new skills just to stay in touch with their families.

The Wellbeing Budget has allocated \$600,000 for community organisations to provide training and teaching facilities to help seniors use and keep up with digital technology.

With dedicated funding, the reach of digital literacy training can be extended to cover more of the senior population through a network of volunteer tutors and administrators who would provide an essential, friendly and less costly resource for educating seniors.

## Initiatives to support this priority

### Bridging the venture capital gap and supporting innovation

#### Building Early Stage Capital Market Development

*\$240 million capital*

This initiative aims to provide investment into early stage capital markets. This will be done through providing funding for venture capital funds. Multiple venture capital funds will be created at scale that will offer highly specialised capability and expertise.

#### Business Connect: Digitally Connecting Businesses with Central and Local Government

*\$7.1 million operating*

This initiative establishes a catalogue of services, business rules and information that can be reused by agencies across government with the platform to become self-funding from 2021.

#### Commercialisation of Innovation

*\$25.5 million operating*

This package of initiatives aims to maximise the impact of public investment in research and science by providing effective pathways for knowledge transfer into the economy.

#### Future-Proofing New Zealand's Manufacturing Sector by Driving Industry 4.0 Uptake and Skills Development

*\$6.2 million operating      \$0.6 million capital*

This initiative provides funding for an Industry 4.0 demonstration network consisting of a mobile industry showcase, a network of Industry 4.0 site visits and up to two 'smart factories', all available for visit by those interested in learning about Industry 4.0 technologies and concepts.

#### Gracefield Innovation Quarter Programme Business Case

*\$25 million operating      \$50 million capital*

This initiative enables Callaghan Innovation to redevelop the Gracefield Innovation Quarter. This will be done by addressing long-standing deficiencies and underinvestment. The funding also provides for development of a long-term strategic vision for the site.

#### Improved Satellite-Based Positioning to Increase Innovation, Safety and Efficiency

*\$2 million operating*

This initiative will explore opportunities for New Zealanders to access global positioning technology using a satellite based augmentation system. This is necessary to support the adoption and creation of new technologies and products.

#### Innovative Partnerships Programme

*\$10 million operating*

This initiative seeks to attract globally-leading firms and innovators. This will be done through developing New Zealand's competitive advantage in transformative technologies and new sectors that support the Government's vision for a more sustainable, diversified, productive and inclusive economy.

#### New Zealand Screen Production Grants: Domestic

*\$25 million operating*

This initiative will meet increased demand from eligible New Zealand productions, in line with the demand-driven, uncapped, non-discretionary New Zealand Screen Production Grants – New Zealand scheme. These grants promote industry development and cultural benefits for New Zealand.

#### New Zealand Screen Production Grants: International

*\$130 million operating*

This initiative aims to incentivise international screen work to be undertaken in New Zealand. This will be done through providing funding to support the continuation of an existing grant scheme.

## **New Zealand Superannuation – Contributions to Support Venture Capital**

*-\$240 million capital*

\$240 million of funding previously earmarked for contribution to the NZ Superannuation Fund has been re-purposed for Crown investment into early stage capital markets. There will still be a contribution of \$9.6 billion to the Superannuation Fund in this Budget.

## **NZTE: International Support for New Zealand Businesses**

*\$20.7 million operating*

This initiative aims to allow New Zealand Trade and Enterprise (NZTE) to continue supporting New Zealand businesses in international markets, in the same locations and at the same intensity.

## **Ongoing Operation of New Zealand Food Innovation Network**

*\$9.6 million operating*

This initiative aims to contribute to the Government's goal to raise R&D expenditure to 2 per cent of GDP and thereby support an innovative economy and help the transition to a low-emissions economy. This will be done through allowing the New Zealand Food Innovation Network (NZFIN) to continue operating while a new funding model is developed.

## **Skills for the future**

### **Increasing Tertiary Tuition and Training Subsidies: Maintaining Quality Tertiary Education**

*\$154.8 million operating*

This initiative aims to maintain quality education by meeting cost pressures, such as increases in wages and salaries. This will be done by increasing subsidy rates paid to Tertiary Education Organisations by 1.8 per cent from the start of 2020.

### **Increasing WorkSafe New Zealand's Capacity to Improve the Health and Safety Outcomes of Workers in New Zealand**

*\$57 million operating*

This initiative provides funding for unmet costs from WorkSafe New Zealand's existing service delivery, increasing WorkSafe New Zealand's specialist capacity in the inspectorate and legal services, further education and guidance support. Funding for this initiative is fully offset by third party revenue.

### **Mana in Mahi: Employment Programme to Support Successful Transition into Sustainable Work**

*\$49.9 million operating*

This initiative aims to support people on benefits, particularly 18 to 24-year-olds, to find and stay in employment. This will be done by providing funding for a wage subsidy to employers who hire someone in receipt of a main benefit and offer that person industry training qualification opportunities, as well as support for employers and participants.

### **Preparing for the Future of Work and a Just Transition to a Low-Emissions Economy**

*\$9 million operating      \$0.2 million capital*

This initiative provides funding for additional policy resource for the Ministry of Business, Innovation and Employment to continue working on the Government's ambitious policy agendas on the future of work and a just transition to a low-emissions economy.

### **Reform of Vocational Education**

*\$197.1 million operating*

This initiative will support the transition to a thriving vocational education system that better responds to learners', employers' and regions' needs by implementing the Government's Reform of Vocational Education (RoVE). This will include changes to institutional forms and systems to support the ongoing sustainability of a broad range of delivery across New Zealand.

### **School Leavers' Toolkit**

*\$3.5 million operating*

This initiative aims to increase opportunities for students aged 13 to 18 to develop civics knowledge and skills, financial literacy and key workplace competencies before they leave school.

**Support for Unitec Institute of Technology***\$50 million capital*

This initiative established an interest-free concessionary loan facility of up to \$50 million from August 2018 for Unitec Institute of Technology to be repaid within 10 years.

**A secure digital nation****Computer Emergency Response Team: New Zealand Cyber Security Funding***\$8.7 million operating      \$0.6 million capital*

This initiative aims to ensure the Computer Emergency Response Team (CERT) New Zealand is adequately funded to fulfil its Cabinet-mandated functions.

**Computers in Homes***\$1 million operating*

This initiative continues funding for a Computers in Homes-type programme that will provide devices, training, technical support and support for home internet connectivity to learners and their families.

**Digital Literacy Training for Seniors***\$0.6 million operating*

This initiative supports seniors to adapt to changing technology, engage fully in the community and the workplace, and access digital information and services. This will be done by providing funding for nationwide digital literacy training for seniors.

**Government Chief Digital Officer: Supporting the Government's Digital Transformation***\$27.6 million operating*

This initiative ensures the Government's digital transformation continues. This will be done by supporting delivery of innovative government services through the Government Digital Partnership Innovation Fund and providing additional funding for the Government Chief Digital Officer.

**Implementation of the Cyber Security Strategy 2019***\$8 million operating*

This initiative supports New Zealand's response to the growing scope, scale and sophistication of cyber threats.

**Investment in Cyber Security***\$1 million operating*

This funding will enable a lift in cyber security capability to meet the expectations of customers and to protect systems from external threats.

**SuperGold Card: Improving Financial Wellbeing Through Better Access to Discounts and Concessions***\$7.7 million operating*

This initiative provides funding to improve access to SuperGold information and discounts, through the development of a mobile app, enhanced SuperGold website and increased promotion of the SuperGold Card and associated discounts.

**Supporting the Operation of RealMe***\$57.1 million operating      \$9 million capital*

This initiative provides funding to continue the operation of RealMe, which provides a secure way for New Zealanders to access a range of online services and prove their identity.

## Delivering national statistics and enhanced wellbeing data

### Addressing Learners' Needs by Improving Data Quality, Availability, Timeliness and Capability

*\$45.8 million operating      \$1.6 million capital*

This initiative provides a data system that enables a joined-up approach to data about student progress and learning support needs throughout schooling.

### New Zealand Census of Population and Dwellings: Complete the 2018 Census and Commence the 2023 Census

*\$16.1 million operating*

This initiative ensures Stats NZ completes 2018 Census products and services, and funds the first year of fundamental work required to deliver the next census in 2023. Stats NZ will bid in Budget 2020 to fund the remainder of the programme.

### Stats NZ: Maintaining Statistical Products and Services, Data Services and Data System Leadership

*\$136.5 million operating*

This initiative ensures Stats NZ can maintain current products and services by covering a growing shortfall in operating expenditure owing to cost and demand pressures and a declining nominal baseline.

### Supporting Evidence-Based Policy on Child Wellbeing by Continuing the Growing Up in New Zealand (GUINZ) Study

*\$17.1 million operating*

This initiative aims to enhance children's social, educational and health outcomes through improving the evidence base for policy interventions for children and families. This will be done by providing funding to continue the GUINZ data collection when the study-children turn 11 years old. This child-centred longitudinal data will be used to inform the proposed Child and Youth Wellbeing Strategy.

# TRANSFORMING THE ECONOMY



## CREATING OPPORTUNITIES FOR PRODUCTIVE BUSINESSES, REGIONS AND IWI AND OTHERS TO TRANSITION TO A SUSTAINABLE AND LOW-EMISSIONS ECONOMY

### HIGHLIGHTS

Over \$1b boost in funding for KiwiRail

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

Encouraging sustainable land use with a \$229m package

Freshwater focus improving water quality in at-risk catchments

The Wellbeing Budget provides opportunities to grow and modernise New Zealand's economy and ensure a just transition to a low-emissions future. We need to preserve and enhance our environment, as our natural resource base is the foundation for our long-term wellbeing.

This is why 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.

This transition will take time, but Budget 2019 is an important step.

As an outward-facing export nation, the risks to New Zealand from climate change cannot be underestimated. More frequent and intense weather events will affect the country's agricultural and horticultural sectors, with flow-on implications for exports and the economy as a whole.

The Reserve Bank last year noted the country's economy and financial system will be affected by both the physical and transitional impacts of climate change. This includes effects on property values, damage to property and the environment, and changes in consumer and investor preferences. It also said there are risks if New Zealand is too slow to match the global shift to lower-carbon economies.

TRANSFORMING  
THE ECONOMY

### Investing in rail

Rail has huge benefits for New Zealanders' wellbeing, including unlocking regional economic growth, reducing emissions and traffic congestion and preventing deaths and injuries on our roads. The Coalition Government is revitalising rail, with a substantial investment in KiwiRail, regional rail and the Auckland City Rail Link.

Budget 2019 and the Provincial Growth Fund (PGF) provide \$1 billion to support the redevelopment of KiwiRail. This includes \$375 million for new wagons and locomotives, \$331 million to invest in track and other supporting infrastructure and \$35 million to begin the process of replacing current ferries that are nearing the end of their lives.

\$300 million is also being provided from the PGF for investment in regional rail initiatives.

Deputy Prime Minister and Minister for State Owned Enterprises Winston Peters says the Coalition Government has secured the future of our national rail assets because they are a critical and valued part of our transport network.

“This funding will enable KiwiRail to become resilient and reliable through substantial investment in rail infrastructure, purchasing new locomotives and wagons, and beginning the process to replace the Interislander ferries.

“After 155 years of rail in New Zealand, the historic misstep of privatisation and the managed decline of the past decade, securing these assets for the future is especially gratifying,” Winston Peters says.

The Ernst & Young Value of Rail Report<sup>18</sup> notes that rail prevents at least 271 accidents per year by reducing the number of trucks on the road. It also found that a tonne of freight moved by rail delivers a 66 per cent reduction in carbon emissions compared with trucks.

Transport Minister Phil Twyford says funding in this year’s Budget is just the first step to rebuilding rail as the backbone of a sustainable 21st century transport network, with a long-term national rail plan to be developed this year.

“Rail makes a vital contribution to urban public transport. Moving more freight by rail is economically efficient, and reduces carbon emissions as well as deaths and serious injuries on our roads.

“Previous Governments have taken a hands-off approach and left rail in a state of managed decline.

“That’s why we instigated the Future of Rail review to make sure we are taking a long-term, joined-up approach to rehabilitating rail.

“Our New Zealand Rail Plan will outline the Government’s strategic vision and give a 10-year programme of indicative investments and benefits,” Phil Twyford says.

KiwiRail will report on progress on implementing the Government’s vision for rail and further funding will be considered in Budget 2020.

Budget 2019 also provides \$405.5 million to cover the Crown’s share of forecast cost increases to build the Auckland City Rail Link.

The City Rail Link will provide the equivalent of 16 extra lanes of traffic into the city centre during peak times and the number of people within 30 minutes travel of Auckland’s CBD will double.

## A sustainable future

New Zealand’s success depends on an economy that is both environmentally sustainable and improves the wellbeing of our people.

Environment Minister David Parker says the way we live and make a living is having a serious impact on our environment.



*“KiwiRail is essential for economic growth throughout New Zealand, achieving stronger connections for freight and people, and addressing climate change.”*

Winston Peters

<sup>18</sup> Ernst and Young. (2016). *The Value of Rail in New Zealand*. Available at <https://www.kiwirail.co.nz/uploads/Publications/The%20Value%20of%20the%20Rail%20in%20New%20Zealand.pdf>.

## The Productive and Sustainable Land Use package

The Wellbeing Budget provides more support for farmers and councils to make positive land use changes.

Improving the way we use our land can have significant benefits for the health of our waterways, contribute to our climate change goals and increase the productivity of our land.

The \$229.2 million package invests in projects to protect and restore at-risk waterways and wetlands and provides support for farmers and growers to use their land more sustainably.

“We want to ensure that farmers and growers have the tools and data they need to understand their impacts on the environment and make informed decisions,” David Parker says.

Agriculture Minister Damien O’Connor says the Government is delivering economic, environmental and social benefits that will flow through to all New Zealanders.

“The primary sector is fundamental to that. It’s a major contributor to our economy – delivering more than \$43 billion in export revenue last year.

“This Government wants to help get more value from the primary sector, in a sustainable way that means our natural resources will be there for future generations. That is why we are investing \$229.2 million this Budget,” Damien O’Connor says.

## Freshwater focus

It is our goal to create a proper legacy for future generations by developing a fair and enduring system for sustainably managing our freshwater.

It is more cost effective to stop catchments from deteriorating rather than to restore them once they are degraded. Many communities, landowners, Māori and stakeholders are ready to protect waterways, but need initial assistance to make this possible.

The Sustainable Land Use Package provides funding to accelerate actions that improve water quality in at-risk catchments and wetlands.

## The wellbeing approach in action – The Productive and Sustainable Land Use Package

Ministers and agencies from across government worked together on what would make the greatest difference to improving New Zealand’s land use practices.

The Finance Minister Grant Robertson says so much of what New Zealand relies on for wellbeing is derived from the land – revenue from exports and tourism, health benefits from outdoor recreation and play and learning for children.

Ministers involved in this package: David Parker (Environment), Damien O’Connor (Agriculture), James Shaw (Climate Change), Megan Woods (Research, Science and Innovation), Eugenie Sage (Conservation, Land Information), and Shane Jones (Forestry).



*“The Sustainable Land Use package will help us tackle the environmental issues New Zealanders care about, while also supporting the primary sector to increase the value of our exports.”*

David Parker

The Wellbeing Budget also addresses capability gaps and inconsistent practices across regions in relation to the development and implementation of freshwater rules. This includes support for improving consistency between councils, better compliance and enforcement, better engagement with Māori, and improving scientific knowledge to inform plan development.

“In key catchments across New Zealand, freshwater resources have been allocated well in excess of environmental limits,” David Parker says.

“Driving this change efficiently and effectively, while providing for the wide range of interests involved, is one of the most challenging environmental issues facing New Zealand.”

It is also of profound importance to Māori, and is central to the Crown’s recognition of Māori rights and interests in freshwater.

“It’s a birth right of all New Zealanders to pop down to their local river in summer for a swim and put their head under without getting crook,” David Parker says.

## Provincial Growth Fund

“The Government’s PGF is helping to unlock the economic potential of New Zealand’s regions and to ensure that all New Zealanders, no matter where they live, can share in a strong and growing economy,” Regional Economic Development Minister Shane Jones says.

“We have supported more than 250 projects and created more than 560 jobs up and down the country – with many more to come as projects scale up.

“So far, \$1.7 billion of the PGF has been committed to date with investments ranging from skills and employment programmes for young people, remedial infrastructure in rail, road, digital connectivity and water storage, and business projects with key firms in our regions.



Photograph by Reid McNaught

"The Wellbeing Budget sees \$40 million of the PGF earmarked towards projects in the waste sector and \$40 million for projects in the energy sector. We've identified these sectors as vital to supporting a transition to a low-emissions economy while also unlocking new opportunities for our regions.

"We want to catalyse a shift to higher-value waste processing to create job opportunities and support new technologies to build a more resilient resource recovery sector while contributing to increased productivity in regional New Zealand.

"The Fund's \$40 million investment in energy will also create new opportunities and help maximise labour redeployment in the case of sunset industries. It will also strengthen the capital infrastructure of the energy sector in the regions to ensure it is well positioned to take advantage of current and future demands, particularly in areas that have a natural advantage in energy production.

"The PGF is also allocating \$300 million to regional rail projects – a key focus for the Coalition Government and specifically noted in the Coalition Agreement as a priority for the PGF.

"Rail has a long and proud history in New Zealand and this Government wants to support new rail opportunities in our regions as part of a mode-neutral, integrated transport system that delivers for all New Zealanders," Shane Jones says.

## Meeting the climate change challenge

The Government is setting into law greenhouse gas reduction targets to meet the Paris Agreement goal of keeping temperature rise to no more than 1.5 degrees. The Wellbeing Budget provides funding to ensure the economic transition required to deliver these emission reductions is effective, efficient and just.



*"Urgent and ambitious action is needed on climate change, and this Government is not afraid to face that challenge."*

James Shaw

Long-term and stable regulatory settings are critical to meeting our emission reduction goals.

Climate Change Minister James Shaw says the funding for the Climate Change Commission in the Productive and Sustainable Land Use package will mean the Commission can provide the advice, guidance and monitoring New Zealand needs to reduce greenhouse gas emissions in line with our goal of limiting global warming.

"I welcome the Productive and Sustainable Land Use package funding to develop and implement an Emissions Trading Scheme (ETS) auctioning platform. Having an effective ETS is a vital component of achieving a just transition," James Shaw says.

Investing in research and development is also required so we can develop new ways to reduce emissions to manage the costs of the transition we need to make especially in the land sector.

Budget 2019 invests \$8.5 million in 2019/20 in the Global Research Alliance on Agricultural Greenhouse Gases (GRA) to reduce and mitigate agricultural emissions.

An additional \$3.2 million will go into the Agricultural Climate Change Research Platform to support world-class research here in New Zealand to help agriculture deal with the effects of climate change.

It is expected that industry will invest alongside government, particularly where research is providing benefits to industry.

Minister for Research, Science and Innovation Megan Woods says this investment will help address one of our most pressing emissions' sources.

"Ultimately this funding will help us achieve the Government's goal of net-zero carbon emissions by 2050. It's crucial that we invest in the research now for long-term change."

## Transitioning to a low carbon future

To tackle the long-term challenge of climate change, the Government will also invest in research into cutting edge energy production.

The National New Energy Development centre will help create new business and jobs in Taranaki while helping New Zealand move towards clean, affordable, renewable energy and away from fossil fuels.

The Wellbeing Budget invests \$27 million to set up the centre in Taranaki, alongside a further \$20 million over four years to establish a new science research fund for cutting-edge energy technology so that we can look into the likes of organic photovoltaics (solar), super conductors, nanotechnologies and inductive power.

Megan Woods says the centre will work closely with industry to test and trial technologies across a range of new energy forms, such as offshore wind, hydrogen, solar, batteries, geothermal and waste-to-energy.

## More value from our wood: Te Uru Rākau

Forestry plays a critical role in many of the Government's priority areas – enhancing regional development, supporting Māori to realise the potential of their land, improving water quality, reducing carbon emissions and creating jobs.

"Not only will one billion trees be planted in the next 10 years, but the Wellbeing Budget is delivering \$49.4 million in operating and capital funding to see more transformation of the forestry sector," Forestry Minister Shane Jones says.

"The funding will allow Te Uru Rākau (Forestry New Zealand) to increase its regional presence to ensure foresters and landowners have the support they need to increase the value they receive from wood and timber resources.

"It will also allow the agency to work towards the Government's goal of developing a sustainable domestic forestry workforce," Shane Jones says.



*"The Wellbeing Budget gives clear leadership to Te Uru Rākau to build a sustainable forestry sector that delivers benefits for New Zealand."*

Shane Jones

## Tackling the waste problem

The Government recognises New Zealanders are worried about the amount of waste that goes to landfill and is committed to reducing those volumes.

The Wellbeing Budget provides \$4 million over four years to help the Ministry for the Environment work on improving resource efficiency and shifting New Zealand to a zero-waste economy.

It will build on work underway to improve the data on waste, develop mandatory product stewardship schemes for tyres, lithium batteries and refrigerants. The new funding will help implement national resource recovery work in response to China's waste ban and action on single-use and problem plastics.

"New Zealanders care deeply about reducing waste and this funding forms part of our plan to turn around New Zealand's rubbish record on waste," the Associate Environment Minister Eugenie Sage says.

The Wellbeing Budget also provides \$18 million over four years to continue the Bioresource Processing Alliance and Product Accelerator.

The Bioresource Processing Alliance co-funds and co-develops innovative products or processes that turn low-value biological waste streams into new high-value products. The Product Accelerator also helps develop technologies which create new products, new market opportunities and grow New Zealand's exports.

## Initiatives to support this priority

### Investing in rail and sustainable transport

#### **Auckland City Rail Link: To Improve Access to Employment and Education in Auckland Central**

*\$1.4 billion capital*

The City Rail Link project is expected to improve access to the city centre; reduce travel times and reduce traffic congestion; double capacity on the Auckland rail network; and provide for commercial and residential development. This initiative includes \$855 million for the original cost of the project (shared equally with Auckland City Council), \$406 million for the ability to cope with cost pressures as a result of market conditions, and \$134 million to increase benefits of the project through enabling the running of nine-car trains and increased station capacities.

#### **Future of Rail: Begin the Process of Replacing the Interisland Ferries to Support a Resilient and Reliable Freight Rail System**

*\$35 million capital*

This initiative aims to ensure the ferries between the North Island and the South Island continue to support economic growth through the movement of freight and passengers, as well as reducing carbon emissions.

The funding will begin the process of replacing the Interislander ships that are at the end of their serviceable and economic lives.

#### **Future of Rail: Replacing Rolling Stock to Support a Resilient and Reliable Rail Freight System**

*\$375 million capital*

This funding is to replace rolling stock (locomotives and wagons) that have reached, or will soon reach, the end of their useful lives. It also provides funding for upgrades to KiwiRail's mechanical maintenance facilities so they can be more effective and efficient in providing ongoing maintenance of the new rolling stock fleet.

#### **Future of Rail: Working Capital to Support a Resilient and Reliable Freight Rail System**

*\$1 million operating      \$331 million capital*

This initiative aims to ensure rail can continue to support economic growth through the movement of freight and passengers, as well as reducing carbon emissions.

#### **Investigating a Green Transport Card to Make Public Transport More Affordable for Low-Income Households**

*\$4.6 million operating*

This funding will enable the investigation of a Green Transport Card, which would entitle Community Services Card holders to public transport fare concessions. This funding will be used to establish operational systems for the card, which may be introduced in the future.

#### **Rail – Maintaining an Electric Locomotive Fleet on the North Island Main Trunk Line**

*\$35 million operating*

This initiative ensures that electric locomotives continue to provide a significant portion of rail freight services between Hamilton and Palmerston North. The funding will be used to refurbish the electric control system and 15 electric trains that would otherwise need to be retired.

### A sustainable future – policy and institutional change

#### **Accelerating a Local Government Reform Programme to Enhance Community Wellbeing and Strengthen Local Governance**

*\$10 million operating*

This initiative helps to enhance community wellbeing and strengthen local governance by funding additional staff to work with local government to make improvements to water services, develop strategies to manage natural hazards and climate change, and improve local government financial sustainability.

**Bonamia Response: Compensation and Operating Costs***\$7 million operating*

This initiative provides for outstanding costs associated with the 2015 biosecurity response to *Bonamia ostreae*, a parasitic infection in New Zealand's farmed and wild oysters. This funding will meet the expected legal liability of the cost of outstanding compensation claims associated with destruction of oysters and equipment from 14 Stewart Island oyster farms as part of the response.

**Delivering Better Responses to Emergencies: Building National Crisis Management Centre Resilience***\$5.8 million operating      \$0.2 million capital*

This initiative provides funding to implement arrangements to manage a national crisis if the National Crisis Management Centre (NCMC) in Wellington is unavailable.

**Delivering Better Responses to Emergencies: Establishing a New National Emergency Management Agency***\$12 million operating*

This initiative provides funding to establish a new national emergency management agency (NEMA) to replace the existing Ministry of Civil Defence & Emergency Management (MCDEM).

**Delivering Better Responses to Emergencies: Establishing Fly-In Teams***\$0.7 million capital*

This initiative provides for the capital requirements associated with establishing Fly-In Teams to support the response to emergencies in New Zealand.

**Eradicating *Mycoplasma Bovis****\$472 million operating*

This initiative supports additional biosecurity response activities to eradicate *Mycoplasma Bovis*. The funding will also contribute to the legal liability for compensation costs, primarily associated with the loss of stock and milk production.

**Essential Freshwater Work Programme***Non-spending initiative*

In October 2018, the Government launched an Essential Freshwater Work Programme to stop further degradation and loss, reverse past damage and address water allocation issues. These will be achieved through a new National Policy Statement for Freshwater Management and a new National Environmental Standard for Freshwater Management, among other things.

**Funding to Continue Protecting New Zealand from Imported Threats***\$50.6 million operating*

This initiative aims to ensure that Customs can: maintain its current ability to manage risks at the border; efficiently and effectively clear goods for entry into New Zealand; and keep pace with the forecasted 23 per cent growth in trade volumes by 2020/21. This will be achieved through funding to offset the loss of third party revenue forgone as a result of Inland Revenue's new system for collecting Goods and Services Tax (GST) on imported low-value goods.

**TRANSFORMING  
THE ECONOMY**

**Growing Compliance and Enforcement Capacity for Food Safety, Animal Welfare and Fisheries***\$38 million operating      \$1.3 million capital*

This initiative will improve the Ministry for Primary Industry's capacity to detect and respond to increasing non-compliance in the areas of food safety, animal welfare and fisheries.

**Implementation of the Global Harmonised System of Chemical Classifications and a New Hazardous Substances Database***\$1.1 million operating      \$2.4 million capital*

This initiative will improve the safe use of chemicals in workplaces and by consumers, through providing funding to align New Zealand's chemicals classification and labelling system with international practices and create a new hazardous substances database.

### **Implementing Improved Monitoring of Fishing Catch on Commercial Fishing Vessels – Providing Greater Assurance of Sustainable Fishing Practices**

*\$13.5 million operating      \$3.6 million capital*

This initiative aims to give greater assurance of sustainable commercial fishing practices by funding a proof of concept to improve monitoring of fishing catch. This will enable Fisheries New Zealand to develop and refine the approach for any future stages.

### **Improving New Zealand’s Resource Efficiency by Reducing Waste**

*\$4 million operating*

This initiative will reduce waste and facilitate the transition to a circular economy by providing funding to improve the Ministry for the Environment’s policy capability to support resource efficiency.

### **Improving the Safety and Security of Conservation Workers and Volunteers**

*\$10.7 million operating*

This initiative aims to ensure Department of Conservation employees and volunteers are safe and secure while at work by providing funding for a Chief Security Officer support team and increasing the Department’s health and safety presence in the regions.

### **Increasing and Improving the Management of Crown Pastoral Land**

*\$3.1 million operating*

This initiative aims to support lower impact land use. This will be achieved through increasing Land Information New Zealand’s capability and capacity to manage approximately 1.2 million hectares of Crown pastoral land.

### **Making New Zealand Households and Businesses Safer During Severe Weather Events: Public Safety Weather Forecasting**

*\$3.1 million operating*

This is part of the Making New Zealand Households And Businesses Safer During Severe Weather Events package. This initiative will make households and businesses safer by maintaining the accuracy and timeliness of severe weather warning forecasting services.

### **Making New Zealand Households and Businesses Safer During Severe Weather Events: Weather Radar Upgrades**

*\$1.8 million operating*

This initiative will make households and businesses safer by maintaining the accuracy and timeliness of severe weather warning forecasting services. The funding will enable MetService to replace weather radars that are at the end of their serviceable and economic lives.

### **Maritime Non-Oil Incident Response: Enabling New Zealand to Effectively Respond to Non-Oil Pollution Incidents at Sea**

*\$3.1 million operating*

This initiative ensures the impacts of a non-oil maritime incident to our environment and economy are minimised. This will be done by continuing training and drills, and purchasing equipment to ensure New Zealand is ready in the event of an incident.

### **Productive and Sustainable Land Use: Climate Change Commission and Government Response**

*\$42.7 million operating      \$0.4 million capital*

This initiative supports New Zealand’s transition to more sustainable land use and a low emissions and climate-resilient economy. This will be done by providing funding to establish key institutions and regulations and ensuring the Government has the resources to deliver on its obligations and commitments.

### **Productive and Sustainable Land Use: Enabling the Transition in Agriculture**

*\$122.2 million operating*

This initiative provides funding for: on-the-ground advice to farmers; supporting Māori agribusiness; information, tools and advice to support farmers making change to more environmentally sustainable and higher value production; improving on-farm emissions data and upgrading decision and regulatory tools; and protecting high-value food exports and updating our official assurances system.

### **Productive and Sustainable Land Use: Freshwater and Transition to a Sustainable and Low Emissions Economy**

*\$64.3 million operating*

This initiative forms part of the Productive and Sustainable Land Use package. It will provide funding to establish key institutions and regulations.

### **Protecting Lakes, Rivers and Lands from Invasive Pests and Weeds**

*\$7.5 million operating*

This initiative aims to minimise the high risk of major pest and weed outbreaks in many iconic lakes, rivers and lands stewarded by the Crown. This will be done by providing for the acceleration and enhancement of existing biosecurity programmes, and prioritisation of key sites.

### **Reforms to the Resource Management Act**

*Non-spending initiative*

The Government is undertaking a two stage process to reform the resource management system. A Bill will shortly be introduced to Parliament addressing immediate issues with the Resource Management Act (RMA). The second stage will be a comprehensive review of the resource management system, focused on the RMA.

### **Response Activities to Eliminate Fruit Flies in Auckland**

*\$5 million operating*

This initiative ensures that fruit flies cannot establish and maintain a breeding population in Auckland by funding extended surveillance, management of risk material, and fruit fly trapping in three suburbs of Auckland between February and April 2019.

### **Schools Energy Efficiency Package**

*\$6.1 million operating      \$13 million capital*

This initiative aims to improve the sustainability of the school property portfolio, including energy efficiency, in support of wider Government goals.

### **Securing and Strengthening the Resilience of the Biosecurity System**

*\$12.3 million operating*

This initiative will build greater resilience and more effective risk management in the biosecurity system. This will be done through providing funding for: fit-for-purpose workforce planning and management systems to ensure New Zealand's border service workforce is efficiently deployed and managed across New Zealand; improving diagnostic and surveillance capability to respond to growing volumes and diversifying Ministry for Primary Industries' (MPI's) scientific expertise; Tiaki, a programme which will provide MPI with a better information technology (IT) system to manage biosecurity responses; and building MPI's capability to better manage marine and freshwater biosecurity risks.

### **Strategic Science Solutions to Combat Kauri Dieback**

*\$20.8 million operating*

This initiative aims to provide a critical foundation for effective management of kauri dieback. This will be done through funding new strategic research to inform the development of new tools and approaches to counter kauri dieback.

### **Strengthening the Integrity of the Environmental Management System**

*\$30.5 million operating      \$3.9 million capital*

This initiative will enable New Zealand to better manage economic and urban growth within environmental limits. This will be done through providing funding for comprehensive reform of the resource management system and the improvement of implementation, compliance and enforcement of National Direction (how resources are managed under the RMA).

### **The One Billion Trees Programme**

*\$183.8 million operating*

This initiative supports the one billion trees programme and increases tree planting by lowering planting barriers for landowners and improving incentives to support planting.

**Tsunami Monitoring and Detection Network***\$11.7 million capital*

This initiative improves the Tsunami monitoring and detection network by purchasing specialised Tsunami detection equipment and systems for deep-ocean deployment.

**Watts Peninsula: Improving Wellbeing Through the Establishment of a Reserve***\$4 million operating*

This funding will establish a reserve at Watts Peninsula in Wellington. Funding will be used to prepare the land for public access and site maintenance until the reserve is established.

**Wilding Conifer Control: Protecting Farmland, Biodiversity and Iconic Landscapes***Non-spending initiative*

This initiative aims to control wilding conifer infestations and protect against future loss of land productivity, loss of land use opportunities, decreased water availability, and increased fire risk. It will prevent irreversible loss of iconic landscapes and biodiversity and support the expansion of the One Billion Trees programme by making more land available for tree planting.

**Meeting the climate change challenge****Advanced Energy Technology Platform***\$20 million operating*

This initiative aims to further enhance New Zealand's world-class capability in niche areas of energy research, opening-up significant opportunities for New Zealand businesses while assisting the world to transition to a low-emissions economies.

**Agricultural Climate Change Research Platform***\$3.2 million operating*

This initiative aims to support a programme of world-class climate change research for agriculture. Science and technology will be critical to a transition to low-emissions, climate-resilient food production.

**Changes to the Emissions Trading Scheme***Non-spending initiative*

These changes will create a cap on tradeable emissions and provide certainty to scheme participants. The cap will restrict the number of units supplied into the ETS, increasing the incentive to reduce emissions.

**Climate Change Response (Zero Carbon) Amendment Bill***Non-spending initiative*

The Bill creates a framework for the adoption of five-yearly emissions budgets, which will each contribute to reaching the 2050 emissions target(s), and for national climate change risk assessments that will inform the Government's national adaptation plan.

**Establishing a National New-Energy Development Centre in Taranaki***\$27 million operating*

This initiative funds the establishment of a National New Energy Development Centre (NNEDEC) in Taranaki.

**Industry Futures (Bioresource Processing Alliance and Product Accelerator)***\$18 million operating*

This initiative funds the continuation of two programmes and contributes to the Government's goal to raise R&D expenditure to 2 per cent of GDP.

**Leading Internationally Through the Global Research Alliance to Reduce Agricultural Emissions***\$8.5 million operating*

This initiative supports accelerated global agricultural emissions mitigation research and action to reduce agricultural emissions. This will be done through providing funding for New Zealand's continued leadership, participation and investment in the Global Research Alliance (GRA) on Agricultural Greenhouse Gases.

### **Our Place in Antarctica: Enabling the Redevelopment of Scott Base into a Safe, Fit-For-Purpose Facility**

*\$3.2 million operating      \$15.3 million capital*

This initiative is the first stage in the redevelopment of Scott Base. This stage involves design, engaging with the construction market and undertaking a process for the procurement of a main contractor to ensure greater certainty of expected build costs and project duration. Implementation funding will be sought in a future budget.

## **Supporting regional economic development and growth**

### **The Provincial Growth Fund**

*\$281.1 million operating      \$855 million capital*

This funding supports projects through the Provincial Growth Fund that lift regional productivity potential.

### **Transforming New Zealand Forestry: Growing a Vibrant and Inclusive Low-Emissions Economy**

*\$42.4 million operating      \$7 million capital*

This initiative supports scaling up Te Uru Rākau to promote the growth and ongoing sustainability of the forestry sector.



# INVESTING IN NEW ZEALAND

# INVESTING IN NEW ZEALAND

## HIGHLIGHTS

\$1.7b to fix hospitals over the next two years

10-year \$1.2b investment in schools, starting with \$287m this year for new buildings

Bowel screening programme extended to five more DHBs

Investing in better and more healthcare with \$2.9b for DHBs

The past decade has seen significant underinvestment in crucial national infrastructure. Infrastructure is the backbone of our economy. It connects our regions and cities and drives economic activity.

Our ability to deliver world-class education and healthcare relies on the state of our schools and hospitals. Long-term underinvestment means our infrastructure is aging. New Zealand has also been warned by the IMF and OECD about the negative impact that persistent underinvestment in infrastructure has on our economy and productivity.

Our ability to deliver world-class education and healthcare relies on the state of our schools and hospitals. This underinvestment means our infrastructure is ageing. The Treasury's recent *Investment Statement 2018* showed nearly 40 per cent of the government's social assets – including schools and hospitals – have aged to a point where they are holding back teachers' ability to teach and nurses' ability to care for patients.<sup>19</sup>

New Zealand has also been warned by the International Monetary Fund (IMF) and OECD about the negative impact that persistent underinvestment in infrastructure has on our economy and productivity.

The Coalition Government has committed to closing the infrastructure deficit. Budget 2018 began this work by investing in school refurbishments, fixing mouldy and crumbling hospitals and investing in our regions. The Government's Policy Statement on Land Transport commits record investment into New Zealand's roads, rail and public transport infrastructure over the next 10 years.<sup>20</sup>

The Government is a central player in New Zealand's infrastructure and construction market, accounting for about 20 per cent of construction contracts in New Zealand. That means capital investment decisions made by the government can have a considerable impact on this sector and the economy as a whole. This includes providing certainty about future projects and funding, which will help the industry plan ahead.



*"The infrastructure package in Budget 2019 will help underpin economic growth in the face of global uncertainty."*

Grant Robertson

<sup>19</sup> <https://treasury.govt.nz/publications/investment-statement/2018-investment-statement>

<sup>20</sup> <https://www.transport.govt.nz/assets/Uploads/Our-Work/Documents/c6b0fea45a/Government-Policy-Statement-on-land-transport-2018.pdf>

In recent months, economists have been warning about the growth slowdown happening around the world. The New Zealand economy is resilient, but not immune from this. In the face of these global economic headwinds, the Coalition Government has made a decision to get ahead of these effects by announcing a multi-year infrastructure investment in Budget 2019 to stimulate the economy and support Kiwi businesses and workers.

We can do this while maintaining investment package in core public services like health and education because we are managing the books responsibly and because the economy continues to be supported by solid underlying fundamentals.

### Delivering certainty

The multi-year capital allowance allows greater oversight of the prioritisation and sequencing of capital funding to ensure affordability and achievability. This oversight will now be supported by the new Infrastructure Commission, Te Waihanga.

Figure 19, from the Treasury's *He Puna Hao Pātiki – 2018 Investment Statement*, shows the situation the Coalition Government inherited. It shows capital investment requirements from departments grew from 313 per cent of what the previous Government was prepared to invest at Budget 2015 to 448 per cent at Budget 2017. It also shows how little visibility there was for future capital investment requirements over the next 10 years.

That is why we have set up the Infrastructure Commission, Te Waihanga, with funding from Budget 2019. Its work includes producing an infrastructure pipeline and working with central and local government, industry, and other stakeholders to develop a 30-year strategy for the long-term infrastructure requirements of New Zealand.

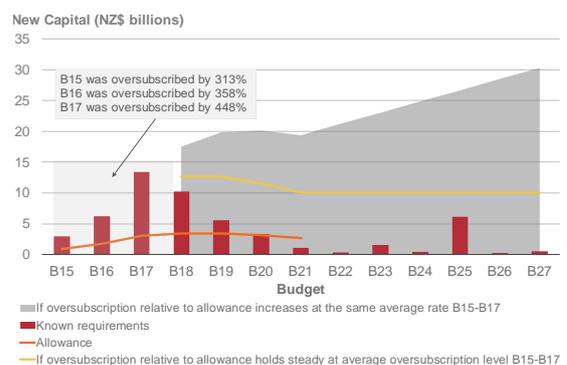
### The wellbeing approach in action – Supporting the infrastructure pipeline through a multi-year approach to the capital allowance

Budget 2019 is the first time the Government has used a multi-year allowance for capital investments. The approach, which moves away from the long-standing single-year allowance, allows the Government to signal forward several years not only the pipeline of work but also the scale of investment.

In the past, Governments set a single-year allowance for that year's Budget, which skewed decisions by producing trade-offs between potential investments submitted in a single year rather than taking a longer-term view.

The new approach uses a rolling four-year funding envelope based on the fiscal headroom for the next four Budgets. It allows Governments to make better long-term investment decisions by committing earlier to investment-ready proposals that often require several years to procure, plan or design. It also provides greater clarity for the construction sector and improves transparency by tracking and reporting the cash impact of initiatives over time.

Figure 19 – Pressures on the capital pipeline from Budget 2015-2027



Source: The Treasury

The Minister for Infrastructure has already announced a prototype pipeline which includes projects from five capital-intensive agencies: the ministries of Education and Health, the New Zealand Transport Agency, the New Zealand Defence Force and the Department of Corrections. Future iterations of the pipeline will include all central government agencies, as well as major projects from local government and the private sector.

Developing the projects was a priority identified by the Construction Industry Accord between Government and the sector. The Accord is about creating certainty for businesses so they have the confidence to plan ahead, invest and train their workforces.



*"The New Zealand Infrastructure Commission, Te Waihanga, will provide expert advice, assistance with planning and strategy, support the delivery of major infrastructure projects across the country and act as the golden thread between the various pieces of work this Government is undertaking with regards to major capital projects."*

Shane Jones

## Closing the infrastructure deficit

### A 10-year plan to invest in schools and classrooms

The Wellbeing Budget, for the first time, makes a multi-year commitment to build new schools and classrooms by setting aside funding for a 10-year School Property Programme.

The Programme will roll out in four waves. The first wave of investment will pay for the following projects to start in 2019/20:

- three new schools to accommodate 1,320 more students
- four expansions of existing schools for an additional 1,100 students
- at least 150 new classrooms at existing schools for 3,500 more students.

Budget 2019 allocates \$286.8 million in capital for the first wave of investment to build these new schools and classrooms.

A traditional Budget would have stopped there, leaving uncertainty about what funding would be made available in future Budgets.

The multi-year capital allowance in Budget 2019 means we can now plan further ahead, and set aside money now for future investments that we know will be needed.

An additional \$913.3 million is being set aside in this Budget to allow the Ministry of Education, as well as schools and communities, to better plan for growth over the next 10 years. This brings the total capital funding set aside in this Budget for new schools and classrooms to \$1.2 billion.



*"This is the largest ever investment in school property by a New Zealand Government."*

Chris Hipkins

With this funding now confirmed, the Government will shortly release the National Education Growth Plan. The Plan will identify the number of student spaces required around New Zealand by 2030 as the school-age population grows.

“The National Education Growth Plan is a first for New Zealand, representing a step change in the way we plan for, and manage, growth in the school-age population, school redevelopments and school builds over a number of years,” Chris Hipkins says.

“This programme will give certainty to schools, communities and the construction sector. It will streamline procurement processes, giving taxpayers more value for money.

“The education programme will focus on the areas of New Zealand with the highest forecast student population growth. This enables us to take a more strategic approach across the whole country and within each region, instead of having to react to population issues school by school.”

## Investing in the long term health of our hospitals

No-one really wants to go to hospital, but when they do, they want to be treated in modern facilities that are up to the job.

Unfortunately, that hasn't always been the reality in New Zealand in recent years.

Underinvestment means that DHBs reported about 19 per cent of their assets were in poor or very poor condition. The Coalition Government inherited issues with earthquake-prone hospitals, asbestos, leaky roofs and buildings that have simply come to the end of their useful lives.



*“We have world-class doctors and nurses. They deserve to treat their patients in world-class facilities.”*

David Clark

A lot of money is currently being spent on maintenance to keep these facilities safe and in service – but that is simply not sustainable. We need to invest in rebuilding and fixing our health facilities, and adding capacity to cope with a growing and ageing population.

That began at Budget 2018 with an injection of \$750 million into capital projects in health – the biggest capital investment in health for a decade. That investment is funding everything from remedial works at Middlemore Hospital to deal with rot and mould in the walls, to new mental health facilities in Christchurch and extra surgery capacity on Auckland's North Shore.

Once completed, those projects and others will make a real difference to patients and the staff that work in our health section. But there is still much more work to be done.

That's why Budget 2019 includes two years of capital funding for health: \$850 million for 2019/20 and a further \$850 million for 2020/21. Over the two years, at least \$200 million of the funds will be set aside for investment in capital projects in mental health and addiction.

This unprecedented investment of \$1.7 billion over two years gives DHBs the certainty they need to plan for the future. It will mean DHBs can put forward business cases for important projects that have been put off for too long.

## Funding confirmed for Dunedin Hospital

The single biggest building project currently being progressed in the health sector is the Dunedin Hospital rebuild.

The people of the South have been waiting too long for a replacement for their aged hospital, which has had well-publicised issues with leaks and asbestos (which saw patient records having to be fetched by staff in hazardous materials suits).

The Coalition Government has committed to the rebuild, and purchased the central Dunedin site for the new hospital in 2018. Planning is well advanced, with the outpatient and day surgery building prioritised for construction first.

Budget 2019 sets aside funding for the Dunedin Hospital rebuild in a contingency in anticipation of a business case being completed. The funding will be allocated over the 10-year life of the project.

These investments in our schools and hospitals are central components to the Government's infrastructure package in Budget 2019. We have chosen to bring forward infrastructure investment to close the infrastructure deficit and stimulate the economy against the backdrop of a volatile international economy.



*"This Government will invest in the health of our hospitals – and there's no better example than our commitment to the Dunedin Hospital rebuild."*

David Clark

## Other crucial capital investments in Budget 2019

- **Our investment in KiwiRail** (see page 85) – Over \$1 billion to unlock regional economic growth, reduce emissions and congestion and prevent deaths and injuries. This includes \$375 million for new engines and carriages, \$331 million to invest in track and other supporting infrastructure and \$35 million to begin the process of replacing current ferries that are nearing the end of their life. \$300m is also provided from the PGF for investment in regional rail initiatives.
- **Our investment in Auckland's City Rail Link** (see page 85) – We are investing \$405.5 million of new capital investment into this project through Budget 2019. The City Rail Link will provide the equivalent of 16 extra lanes of traffic into the city centre during peak times and the number of people within 30 minutes travel of Auckland's CBD will double.
- **The Christchurch Schools Rebuild programme** (see page 55) – \$84.3 million to keep the Christchurch Rebuild programme on track for completion.
- **Transitional housing** – We are setting aside \$283 million in capital and operating investment to increase the supply of long-term and relocatable transitional housing places to approximately 2,800, as well as maintain support services. In addition, we have set aside further funding in contingency to invest in transitional housing. Further announcements will be made in the Housing Reset.
- **The Provincial Growth Fund** (see the Transforming the Economy section, page 84) – The Provincial Growth Fund has now been fully allocated, including \$855 million to capital investment, which will provide long-lasting economic benefits for regions previously neglected.

- **Defence** – As previously announced the Government will fund the purchase of four P8 patrol aircraft to replace the aging P3 planes. In addition, there is continued investment in other defence capability, including the Defence Estate.

## Investing in New Zealand's critical public services

The Wellbeing Budget continues to invest in the core public services that New Zealanders, their families and communities rely on every day. Because we are managing the Government's books well and prioritising what we are investing in, we are able to meet the needs of a growing population and cost pressures. These investments include:

- **District Health Boards** – Our DHBs face increasing pressures from New Zealand's growing population. Budget 2019 sets aside \$2.9 billion over five years in additional support for our 20 DHBs. This funding is required for them maintain services in the face of the growing population and cost pressures. This funding includes \$40 million for PHARMAC which is also highlighted below. There is also additional funding for more planned care (for example, elective surgeries).
- **Ambulances** – The Government is investing \$21 million into our emergency services over the next two years. The one-off funding will relieve immediate pressures and provide certainty while St John and Wellington Free work with the Ministry of Health, ACC and DHBs on the long-term sustainability of their services. This is on top of a \$17.2 million increase in operational funding over four years as part of Budget 2019.
- **Bowel screening** – We are rolling out the National Bowel Screening programme to four more DHBs. This \$36 million investment will reduce bowel cancer mortality, increase the proportion of early stage bowel cancer detection, reduce treatment costs for patients and increase five-year relative survival rates for bowel cancer.
- **Disability Support Services** – We are investing \$464.3 million over four years so Disability Support Services can continue to deliver services in the face of increasing demand. This supports 34,000 people receiving Ministry of Health support through Needs Assessment Service Coordination organisations, 7,500 of whom are in residential care. More than 75,000 people receive Environmental Support Services, including equipment like mobility and positioning, hearing and vision support, equipment for daily living and housing and vehicle modifications. This funding will also meet increasing costs of delivering disability support services due a growth in In-Between Travel between clients and the minimum wage increase. In addition, child development services will be delivered to an additional 1,150 children.
- **PHARMAC** – As noted above, we are continuing to increase funding for PHARMAC, in 2019/20 boosting its Combined Pharmaceutical Budget to almost \$1 billion.
- **Our schools:** We are investing \$235 million over four years for early childhood education services, ngā kōhanga reo and schools to maintain quality while meeting the rising costs of resources, services, and staffing, and \$296 million over four years to meet the costs of additional children in the system.
- **Restoring a Safe and Effective Prison Network** – The Wellbeing Budget also invests in New Zealand's prison network to ensure it is safe and effective. Our goal is to ensure that prisoners are held in more humane environments and can be out of their cell longer for more rehabilitation and reintegration activities. These are key foundations to improving wellbeing and reducing reoffending.

## Initiatives to support Investing in New Zealand

### Maintaining and investing in public services

#### Christchurch Terror Attacks: Initial Health Response

*\$3 million operating*

This initiative will support Canterbury District Health Board's initial response to the 15 March terror attacks. This will be done through providing funding to cover costs associated with initial health and wellbeing support provided following the terror attacks.

#### Continuation of Government to Government Office

*\$7.2 million operating*

This initiative aims to allow the New Zealand Government to Government office to continue to act as the international business development arm for Government and to continue to take New Zealand State sector solutions to the world for a further three years.

#### Crown Infrastructure Partners

*\$300 million capital*

This initiative provides for investment in water and roading infrastructure to support the timely increase of housing supply.

#### Crown Law: Responding to Funding Pressures

*\$6.1 million operating      \$2.1 million capital*

This initiative will improve access to legal advice and strengthen the influence of the rule of law by funding operating cost pressures (excluding remuneration pressures).

#### Disability Support Service: Maintaining Health Services for Disabled New Zealanders

*\$348.4 million operating*

This initiative will maintain services to people with long-term physical, intellectual and/or sensory impairment who require ongoing support.

#### District Health Boards: Additional Support to Improve the Health of New Zealanders

*\$2.3 billion operating*

This initiative improves, promotes and protects the health of New Zealanders by providing funding to maintain DHB services such as hospital care, mental health support, primary health care and support for older people. This will be done through providing funding to meet additional costs driven by changes in the population, wage costs and inflation.

#### District Health Boards: Capital Investment

*\$1.7 billion capital*

This initiative will help to maintain health services for New Zealanders by investing in health infrastructure, such as hospital buildings. This will include new facilities, and upgrades of current facilities based on priorities identified by business cases.

#### District Health Boards: Deficit Support

*\$190 million capital*

This initiative will help to maintain health services for New Zealanders by providing equity support to manage DHB deficits and to support their working capital positions.

**Enhancing the Ministry of Health's Capability to Support Government Priorities***\$4 million operating*

This initiative enhances the Ministry of Health's capability to respond effectively and timely to future needs of the health sector, including building capability in DHB performance monitoring, improvement and sustainability.

**Funding the Growth in In-Between Travel for Home and Community Support***\$118.3 million operating*

This initiative aims to meet legal obligations under the Home and Community Support (Payment for Travel Between Clients) Settlement Act 2016. The will be done through providing funding for the additional costs for home and community support services, and the resulting in-between travel and guaranteed hours costs.

**Future Air Surveillance Capability: Boeing P-8A Poseidon Maritime Patrol Aircraft***\$273.8 million operating     \$1.7 billion capital*

This initiative enables the continuance of air surveillance, resource protection, and search and rescue services. Funding buys four Boeing P-8A Poseidon maritime patrol aircraft and the training systems, infrastructure, mission support and other services required to operate them.

**Generation of Air Force Capabilities to Deliver the Strategic Defence Policy Statement 2018***\$26.3 million operating*

This funding will, in line with the Strategic Defence Policy Statement 2018, sustain the generation of Air Force capabilities to achieve the levels of readiness for military operations and other tasks as directed by the Government.

**Generation of Army Capabilities to Deliver the Strategic Defence Policy Statement 2018***\$8.9 million operating*

This funding will sustain Army capabilities. These include the generation and preparation of multi-purpose, combat-capable land and special operations forces that are optimised for joint land combat and a wide range of security events, such as regional crises and non-combat inter-agency operations and tasks in New Zealand.

**Generation of Defence Estate to Support Delivery of the Strategic Defence Policy Statement 2018***\$44.9 million operating*

This funding will, in line with the Strategic Defence Policy Statement 2018, sustain the Defence Estate, which includes land, buildings and related infrastructure.

**Generation of Enablers to Support Delivery of the Strategic Defence Policy Statement 2018***\$31.5 million operating*

This funding will, in line with the Strategic Defence Policy Statement 2018, sustain a diverse range of supporting defence-wide capabilities, including Defence Health, Military Police, information and communications technology (ICT) infrastructure concerns, strategic projects and military capabilities impacted by price increases for key commodities.

**Generation of Navy Capabilities to Deliver the Strategic Defence Policy Statement 2018***\$35.5 million operating*

This funding will sustain the generation of Navy capabilities to achieve the required levels of readiness of personnel, fleet and equipment for military operations; the delivery of outputs (now and into the future); and other tasks as directed by the Government.

**Generation of People Capability to Support Delivery of the Strategic Defence Policy Statement 2018***\$38 million operating*

This funding will promote retention and attract a skilled workforce that is necessary for maintaining the levels of readiness for military operations and other tasks as directed by the Government.

### **Health Workforce Training and Development to Benefit Rural and Regional Areas**

*\$18.3 million operating*

This initiative increases the size of the health workforce, focusing on rural and regional areas. This will be done by supporting new health professionals into the health system by providing post-graduate training and support.

### **Holidays Act 2003 Compliance: Payroll System for the Ministry of Business, Innovation, and Employment**

*\$12.9 million operating      \$2.7 million capital*

This initiative will enable the Ministry of Business, Innovation and Employment (MBIE) to comply with its legislative requirements under the Holidays Act 2003 and to operate more economically by funding MBIE to replace its existing 20 year old payroll system with a modern, cloud-based payroll system.

### **Implementing the Electronic Travel Authority**

*\$54.6 million operating      \$21.8 million capital*

This initiative implements a new electronic form that collects information from most visa-waiver travellers (including cruise passengers) before travel and enables the collection of the International Visitor Levy from liable visitors. Electronic Travel Authorities will be current for two years. Operating funding for this initiative is offset by third party revenue.

### **Improving Government Payroll Systems**

*\$2 million operating*

This initiative aims to reduce the risks and costs of change to payroll systems across government and ensure payroll systems are future-proofed. This will be done by providing funding for the Government Chief Digital Officer to lead a programme of work across government to engage with suppliers and provide investment advice to government agencies.

### **Improving New Zealand's Infrastructure Outcomes: A New Independent Infrastructure Body**

*\$51.3 million operating*

This initiative establishes a new Crown entity, the New Zealand Infrastructure Commission – Te Waihanga. This entity will provide advice to promote infrastructure that improves the wellbeing of all New Zealanders.

### **Improving the Financial Sustainability and Performance of District Health Boards**

*\$94.7 million operating*

This funding will be used for initiatives to improve the financial sustainability and performance of District Health Boards.

### **Improving the Financial Sustainability and Performance of Emergency Services**

*\$21 million operating*

This funding will be used for initiatives to improve the financial sustainability and performance of emergency services.

### **Increasing Access to and the Range of Affordable Pharmaceuticals**

*\$40 million operating*

This initiative aims to give New Zealanders greater access to publicly funded pharmaceuticals. This will be done by increasing the Combined Pharmaceutical Budget to purchase more pharmaceuticals through PHARMAC.

### **Increasing Access to Gender Affirming Surgery**

*\$3 million operating*

This initiative improves the health sector's capability in delivering transgender health care. This will be done through funding an increase in the number of gender affirming surgeries, responding to a 50-year waiting list for surgery and growing demand.

**Increasing the Refugee Quota***\$140.5 million operating    \$7.7 million capital*

The initiative aims to support the increase in the annual refugee quota from 1000 to 1500 places, and to ensure successful refugee settlement outcomes. This will be done by providing specific services during the selection, reception, and settlement of refugees in their new communities.

**Infrastructure Support for District Health Boards' Capital Projects***\$20 million operating*

This initiative enhances the capability and capacity of the Ministry of Health to support District Health Boards' capital investments, including the establishment of a health infrastructure unit.

**Investing in the Department of Internal Affairs' Policy Advice Function in Order to Deliver Government Priorities***\$5.6 million operating*

This initiative will lift the Department of Internal Affairs' policy capability and capacity in areas such as citizenship, volunteering, classification, and gambling policy by providing funding for approximately eight additional staff.

**Leading New Zealand's Public Services to Deliver Transparent, Transformational, and Compassionate Government***\$8 million operating*

This initiative will ensure the State Services Commission has the capability and capacity to contribute to government priorities, the wellbeing domains and to perform its statutory functions.

**Maintaining an Independent Regulatory System for Classification***\$0.8 million operating*

This initiative maintains public wellbeing and harm prevention by supporting our independent publications classification system by providing additional funding to the Office of Film and Literature Classification.

**Maintaining Core Services to the House of Representatives***\$2.4 million operating*

This initiative will address non-discretionary cost pressures resulting from market forces that could impact the ability of the Office of the Clerk of the House of Representatives to deliver core services. Cost pressures include personnel, price and volume elements. This will be done through providing funding for various operational pressures as indicated above.

**Meeting Minimum Wage Obligations Under the Home and Community Support (Payment for Travel Between Clients) Settlement Act 2016***\$23 million operating*

This initiative aims to meet obligations under the Home and Community Support (Payment for Travel Between Clients) Settlement Act 2016 to ensure care and support workers are fairly recompensed for the travel time involved in completing their roles. This will be done through providing funding to cover the increase in the minimum wage to \$17.70.

**Ministry of Defence Operating Cost Pressures***\$8.4 million operating*

This initiative aims to ensure that the Ministry of Defence can co-locate and share facilities and IT, security, and other services with the New Zealand Defence Force.

**Ministry of Housing and Urban Development Capability: Baseline Funding***\$10 million operating*

This initiative will support the Ministry of Housing and Urban Development's role in the Government's ambitious housing and urban development programme for 2019/20.

**Ministry of Housing and Urban Development: Initial Establishment***\$6 million capital*

This initiative provides capital funding to support the establishment of the Ministry of Housing and Urban Development, which began its operations on 1 October 2018.

**Ministry of Social Development: Inflationary and Other Cost Pressures***\$61.4 million operating*

This initiative addresses issues associated with lost economies of scale for MSD arising from the establishment of Oranga Tamariki and the Ministry of Housing and Urban Development by funding existing policy capacity and addressing inflationary pressures in technology and accommodation.

**Ministry of Social Development: Remuneration Cost Pressures***\$160.9 million operating*

This initiative aims to maintain MSD's services. This will be done by providing funding for expected remuneration increases of current staff.

**Ministry of Social Development: Safety and Security for Clients and Staff with Continued Security Guard Presence***\$38.5 million operating*

This initiative provides continued funding for security guards at 126 MSD service centres and eight administrative buildings. The initiative will provide for gradually fewer guards, as site-based risk assessments are extended and other security enhancements are made at service centres.

**National Bowel Screening Programme: Further Rollout of Programme***\$36 million operating*

This initiative funds the roll out of the National Bowel Screening Programme to a further four DHBs in 2019/20, and funds the associated costs relating to the National Coordination Centre, laboratory testing, diagnostic and surveillance colonoscopies and bowel screening regional centres.

**National Community Maternity Services: Maintaining Primary Maternity Services for New Zealanders to Support Healthy Pregnancies and Births***\$29.7 million operating*

This initiative aims to support healthy pregnancies and births by ensuring that pregnant women can continue to receive access to free community maternity services.

**New Tenancy Bond System: Designing a More Resilient and Customer Centric Bond System that Enables System Effectiveness and Future Flexibility***\$1.5 million operating*

This initiative aims to complete the second phase of a project to replace the tenancy bond system. This will be done by providing funding for service design, requirements definition, a procurement process, and development of a business case.

**Next Generation Critical Communications (NGCC): Replacing Emergency Services Critical Communications Networks***\$15 million operating*

This initiative will support work on the Next Generation Critical Communications programme to provide Emergency Services' (New Zealand Police, Fire and Emergency New Zealand, St John and Wellington Free Ambulance) with a replacement digital critical communications capability.

**Non-Discretionary Cost Pressures Associated with Delivering the Treasury's Core Functions and a Wellbeing Approach***\$20 million operating*

This initiative ensures that the Treasury has the capacity to effectively and sustainably deliver its core functions, support the Government's priority work programmes and develop and implement a wellbeing approach.

**Nursing Workforce Accord: Providing Additional Places for Nurse Entry to Practice***\$24.5 million operating*

This initiative seeks to meet the Government's commitment to recruit and train sufficient DHB nurses to meet safe staffing levels.

**Other tagged contingencies***\$1.3 billion operating      \$1.7 billion capital*

A number of initiatives agreed through Budget 2019 have been set aside in contingency, including funding for Dunedin Hospital. Often initiatives set aside in contingency are commercially sensitive or relate to negotiations that have yet to take place, such as wage negotiations. A general contingency is also provided for funding proposals that arise between Budgets.

**Parliamentary Service: Maintaining Capability and Capacity***\$12.6 million operating*

This funding will enable the Parliamentary Service to meet a large variety of immediate contractual obligations including ensuring contractors are paid the living wage, covering annual fixed increases to the rent of Bowen House, remuneration pressures and addressing deferred maintenance.

**Parliamentary Service: Replacement of Payroll System***\$1.2 million operating*

This funding will remove the operational and business risks associated with a payroll solution for the Parliamentary Service that will become unsupported from the end of 2019.

**Payroll Legislative and Compliance Projects***\$2.6 million operating*

This initiative aims to ensure that the schools payroll service is compliant with legislation, employment agreements, wider education policy and assurance requirements.

**Planned Care, Including Elective Surgery: Increasing Number of Services for New Zealanders***\$48 million operating*

This funding will support District Health Boards to increase access to Planned Care by providing funding for additional Planned Care interventions.

**Planned Care, Including Elective Surgery: Maintaining Services for New Zealanders***\$66.8 million operating*

This funding aims to support District Health Boards to maintain Planned Care services for New Zealanders. This will be done through providing funding to meet new national pricing levels and match 2018/19 contracted volumes.

**Primary Care: Maintaining Access to Primary Health Services for New Zealanders***\$67.2 million operating*

This initiative aims to address inequitable access to primary care by retaining reduced patient co-payments for high needs populations.

**Radio Assurance: Ensure the Operation of Emergency Services' Critical Communications Radio Networks***\$22.2 million operating*

This initiative aims to ensure the Emergency Services (New Zealand Police, Fire and Emergency New Zealand, St John and Wellington Free Ambulance) critical communications radio networks remain operational until the transition to the Next Generation Critical Communications (NGCC) capability.

**Reducing Risk in Critical Systems and Implementing Legislative Change***\$74 million operating      \$63 million capital*

This initiative aims to maintain the Ministry of Social Development's provision of services to over 1 million New Zealanders and make \$24 billion in payments annually, by stabilising the computer systems at highest risk of serious failure.

**Relativity Mechanism Dispute Resolution***\$2.5 million operating*

This initiative will enable the Crown to participate in the resolution of disputes arising from the Relativity Mechanisms included in the historical Treaty settlements with Waikato-Tainui and Ngāi Tahu.

**Remediation of Executive Wing Exterior***\$10 million capital*

This funding will enable the remediation of the exterior of the Beehive. Remedial works include the replacement of concrete, asbestos removal and stopping the ingress of water which leads to interior damage.

**Schools Payroll Holidays Act 2003 Remediation Payments***\$63.5 million operating*

This initiative aims to ensure current and former school staff receive corrective payments where they have not been paid in accordance with the requirements of the Holidays Act 2003, as identified through a compliance analysis programme which is under way.

**Social Work Sector: Improving Professionalism Through Managing Mandatory Registration***\$2.4 million operating*

This initiative aims to protect the safety of those who are most vulnerable, especially children and the elderly, by enhancing the professionalism of social workers. This will be done through providing funding to increase the capacity of the Social Workers Registration Board, a Crown entity, so it can implement mandatory, rather than voluntary, registration for social workers, which is required by law.

**Supporting the Continued Delivery of Emergency Ambulance Services***\$17.2 million operating*

This initiative allows emergency ambulance services to continue to deliver timely emergency services to New Zealanders and improve outcomes for people suffering from medical emergencies.

**Supporting the Reform of the New Zealand Racing Industry***\$46.5 million operating*

This initiative provides a contribution to the Racing Industry Transition Agency which will implement the Government's reform of the New Zealand Racing Industry, and by repealing the totalisator duty paid to the Government to allow the New Zealand Racing Board to distribute more funding to racing and sports codes.

**Keeping New Zealand secure****Addressing Non-Compliant Behaviour in the Immigration System***\$31 million operating**\$1.5 million capital*

This initiative provides funding for a targeted compliance strategy in priority sectors with additional resources for immigration intelligence, compliance and investigations and educating and informing migrants and employers in these sectors of their entitlements and responsibilities.

**Firearms Buy-Back Scheme***\$150 million operating*

This initiative is to support the prohibition of certain types of semiautomatic firearms, parts and magazines under the Arms (Prohibited Firearms, Magazines, and Parts) Amendment Act 2019. This will be achieved through a prohibited items buy-back scheme.

**Government Communications Security Bureau (GCSB): Additional Funding***\$39 million operating*

This initiative will contribute to the protection of New Zealand's national security, international relations and protect our way of life.

**Firearms Buy-Back Scheme: Implementation***\$18 million operating*

This initiative is to enable the implementation of the buy-back scheme to support the Arms (Prohibited Firearms, Magazines and Parts) Amendment Act 2019. This will be achieved by providing funding for collecting, recording and processing prohibited items and administering payments.

**Maritime Mass Arrival Prevention: Enhancing New Zealand's Capability to Prevent People Smuggling Ventures Departing for New Zealand***\$23.6 million operating      \$1.4 million capital*

This initiative provides funding to expand New Zealand's offshore engagement, training additional staff and strategic deterrence communication to deter people smuggling ventures in priority countries, as well as increasing domestic strategic coordination, intelligence and response capability.

**New Zealand Security Intelligence Service (NZSIS): Additional Funding***\$11 million operating*

This initiative will contribute to the protection of New Zealand's national security, international relations and protect our way of life.

**Office of Ethnic Communities Uplift***\$9.4 million operating*

This initiative provides funding for additional Office of Ethnic Communities staff nationwide, most of whom will be frontline community engagement staff.

**Closing loopholes and making systems fairer****GST Treatment for Telecommunication Services: Aligning the Rules***-\$71.5 million operating*

This initiative will generally align the GST treatment for telecommunication services with current rules for taxing remote services. In particular, international roaming services for New Zealanders travelling overseas will be subject to GST.

**Superannuation and Veteran's Pension: Modernising and Simplifying***-\$114.2 million operating*

This initiative provides funding to implement system changes so that people's entitlement is based primarily on their own circumstances rather than on their partner's. There will be savings to the Crown from these changes, which will continue to increase in out-years.

**Fairer pay outcomes and working conditions****Addressing Regulated Wage Pressures in Early Learning***\$3.2 million operating*

This initiative supports certain early childhood education services to meet their statutory obligations under the Minimum Wage Act 1983 without compromising their quality of education and care.

**Addressing Regulated Wage Pressures in Schools***\$6.7 million operating*

This initiative supports schools to meet their statutory obligations under the Minimum Wage Act 1983 without compromising the quality of education and other services. This will be done by providing an additional payment to schools as part of their operational grant funding.

**Health Workforce Collective Bargaining***\$551 million operating*

This funding is for Health collective bargaining commitments that are negotiated between unions and DHBs, including the nurses pay settlement agreed in August 2018.

**Improving Base Pay of Ministry of Justice Employees***\$78.6 million operating*

This initiative improves the base pay of Ministry of Justice employees to enable the Ministry of Justice to maintain quality justice services. This will be done by introducing new pay bands and increasing wages across the Ministry of Justice.

**Improving Remuneration and Development Opportunities for Artists and Arts Practitioners Through Payment of a Fairer Wage***\$4 million operating*

This initiative will enable Creative New Zealand to improve arts practitioners' working conditions by funding them at fairer wage levels.

**Oranga Tamariki Social Workers Pay Equity Claim Settlement***\$114.6 million operating*

This initiative aims to maintain current outcomes for New Zealand children and strengthen the social work profession, by paying statutory social workers in line with the 2018 social worker pay equity settlement.

**Pay Equity: Settlement and Programme Costs***\$14.8 million operating*

This initiative aims to ensure women receive the same pay as men for doing the same work and also for doing work that is different but of equal value. This will be done by assessing current claims, funding litigation costs, oversight and coordination of potential future pay-equity claims in the education sector.

**Police Constabulary and Employee Bargaining***\$127.4 million operating*

This initiative provides funding to support the settlement of two collective agreements: the Police Constabulary collective agreement and the Police Employee collective agreement.

**Tools and Resources to Support the Effective Implementation of the New Pay Equity Regime***\$1 million operating      \$0.1 million capital*

This initiative aims to support more enduring and robust pay-equity settlements that address the historical undervaluation of work performed predominantly by women, owing to sex-based discrimination. This will be achieved through providing funding for guidance, tools and data for people making pay-equity claims and for employers who consider those claims.

**Delivering key events to boost the economy and tourism****APEC21 Programme: Enabling New Zealand to Fulfil its Asia Pacific Economic Cooperation (APEC) Hosting Responsibilities***\$84.6 million operating*

This funding will enable New Zealand to fulfil its responsibility to host APEC in 2021. It funds the planning and delivery of operations and hosting elements of the APEC host year in 2021.

**China New Zealand Year of Tourism 2019 Closing Ceremony and Accompanying Trade Delegation***\$0.8 million operating*

This initiative supports the Government to meet its commitments for the China New Zealand Year of Tourism activities in July-December 2019. It will fund a Year of Tourism closing ceremony, to be hosted by New Zealand in China with a Ministerial Trade Mission.

**Major Events Business Leverage Programme: Rugby World Cup 2019***\$1.5 million operating*

This initiative allows New Zealand Trade and Enterprise to manage and implement a programme to leverage the business opportunities generated from the Rugby World Cup, held in Japan in 2019.

## Supporting our communities

### **Benefits for Recent Migrants: Continuing Current Residency Requirements**

*\$17.5 million operating*

This initiative supports migrants to access financial support.

### **Community Service Providers: Supporting Social Service Delivery**

*\$24.9 million operating*

This initiative aims to support the sustainability of community service providers contracted by MSD. This will be done through additional funding to reflect increasing business costs.

### **Disabled People: Improving Wellbeing Through Strategic Support and Advocacy**

*\$6.5 million operating*

This initiative provides funding to increase the capacity of the Disabled People's Organisations coalition to more effectively engage with government on policy development and progress the New Zealand Disability Strategy and Disability Action Plan and to increase the capacity and capability of MSD's Office for Disability Issues.

### **Improving Consumer Protection Under the Credit Contract and Consumer Finance Act 2003**

*\$16 million operating*

This initiative increases the Commerce Commission's level of credit enforcement, education and advocacy to an appropriate level to support the legislative changes.

### **Increasing New Zealand's Investment to Deliver on the Pacific Reset and to Demonstrate Global Leadership**

*\$128.5 million operating*

This initiative will help address regional and global challenges. This will be done through providing funding for: playing a greater role in the Pacific, including addressing critical infrastructure needs; working with multilateral agencies in the Pacific and globally; increasing humanitarian assistance; and increasing support globally for effective governance, peace building and stability.

### **Insurance Claims Resolution: Continuing to Help Resolve Homeowners' Insurance Claims Following Disasters**

*\$20.6 million operating*

This initiative continues help for people whose homes have been affected by disasters, like the Christchurch and Kaikoura earthquakes, to resolve their home insurance claims.

### **Ministry of Social Development: Increasing Case Management at the Front Line**

*\$76.3 million operating*

This initiative will allow case managers to provide more regular support to clients, deliver more effective employment services and ensure other initiatives are able to be delivered by funding 170 additional MSD staff (in 2019/20).

### **Residential Earthquake Prone Building Financial Assistance Scheme**

*\$13.3 million operating      \$10 million capital*

This initiative aims to make assistance available to owner-occupiers or investors in, or facing, hardship that own units in multi-unit multi-storey residential earthquake-prone buildings in high seismic risk areas. This will be done through providing funding for a suspensory loan scheme.

### **Superannuation: Increasing Incomes for Weekly Accident Compensation Corporation (ACC) Claimants at or Near Superannuation Qualification Age**

*\$9.1 million operating*

This initiative aims to raise the incomes of older workers who get injured by providing funding for additional costs arising from legislative changes that will mean more people will receive superannuation.

## Justice and democratic institutions that work for all New Zealanders

### Alleviating Depreciation Cost Pressures in the Justice System Owing to Revaluation of Property

*\$8.8 million operating*

This initiative funds increased depreciation costs resulting from the previous financial year's revaluation of properties.

### Canterbury Earthquakes Insurance Tribunal

*\$3.4 million operating*

The Government intends to establish a tribunal to resolve remaining Canterbury earthquakes insurance claims more quickly, fairly and cheaply. This initiative provides funding for the operation of the Tribunal in the 2019/20 fiscal year.

### Enhancing Court Security

*\$32.4 million operating*

This initiative aims to mitigate risks associated with the safety of all court users across New Zealand, prevent damage to property and enable court proceedings to be delivered in a safe and timely manner. This will be achieved by providing funding to maintain the current level of court security personnel across New Zealand's court system.

### Ensuring the Stable Delivery of New Zealand's Electoral System and Providing Enrolment Services on Election Day

*\$75.6 million operating*

This initiative maintains voter confidence in a secure, transparent and impartial electoral system and delivers more accurate election results by providing accessible enrolment and voting services for all eligible and potential voters, including supporting the Electoral Commission to introduce a new service for election day enrolment.

### Ensuring the Sustainability of the District Court by Appointing Additional District Court Judges

*\$65.5 million operating      \$4.4 million capital*

This initiative aims to maintain public access to justice within the District Court. This will be achieved by providing funding to appoint more District Court judges to manage the court's increased workload. The funding will also cover the additional justice sector staff needed to ensure additional judges can operate effectively.

### Free Community Legal Services: Continuing to Help Improve Access to Justice

*\$8.7 million operating*

This initiative provides funding for Community Law Centres to meet wage and other cost pressures.

### Human Rights Review Tribunal: Increasing Access to Justice for People Whose Human Rights May Have Been Breached

*\$6 million operating*

This initiative provides funding to appoint Deputy Chairpersons to the Tribunal who can hear and determine more people's claims.

### Legal Aid: Continuing to Fund Legal Advice and Representation for People Who Need Legal Services

*\$38.8 million operating*

The legal aid scheme ensures access to legal assistance for people who have insufficient means. This will be achieved by providing payments to approved providers for people who meet the eligibility criteria for legal aid.

### Maintaining the Capability of the Office of the Inspector-General of Intelligence and Security

*\$1.4 million operating*

This initiative aims to maintain public confidence in the Intelligence Agencies by providing effective monitoring, reviewing and reporting on the actions of the agencies to ensure they are acting lawfully.

### **Offenders in the Community: Retaining Safe and Effective Community-Based Sentences and Orders**

*\$77.9 million operating*

This initiative provides safe and effective alternatives to imprisonment through community-based sentences and orders by funding cost pressures, including: increased use of electronic monitoring; increased demand for intensive monitoring for the highest risk offenders in the community; and collective wage pressures.

### **Referendum on the Legalisation of Cannabis**

*\$13.4 million operating*

This initiative funds the Electoral Commission to engage and communicate with the public on participation in the referendum process.

### **Restoring a Safe and Effective Prison Network**

*\$112.8 million operating*

This initiative will restore a safe, effective and quality prison network by funding cost pressures, including remand resourcing pressures, costs for activating and transitioning to new capacity and collective wage pressures under negotiation.

### **Restoring the Human Rights Commission's Ability to Respond to Human Rights Issues**

*\$6.9 million operating*

This initiative improves Commissioner support and internal capabilities. Funding also provides additional resource to respond to increased demand for mediation and Office of Human Rights Proceedings services and significant inquiries.

## **New Zealand's history and national identity**

### **Archives New Zealand and National Library of New Zealand: Meeting Core Statutory Responsibilities**

*\$31.1 million operating*      *\$22.2 million capital*

This initiative maintains public access to, and use of, New Zealand's documentary heritage materials and public accountability of government by addressing cost pressures impacting the ability of Archives New Zealand and the National Library of New Zealand.

### **Conservation of Newly Found Wet Organic Taonga Tūturu**

*\$1.6 million operating*

This initiative will address immediate risks to the sustainability of services to conserve newly found wet organic taonga tūturu – objects that are over 50 years old and relate to Māori culture, history or society.

### **Establishing a National Centre for Music to Expand Options for Access, Participation, Education and Film Scoring**

*\$1.1 million operating*      *\$6 million capital*

This initiative will enable fitout for nationally significant cultural infrastructure at the Wellington Town Hall. The Digital Venue will provide film scoring opportunities, multimedia performances, increased reach and online delivery. The partnership between New Zealand Symphony Orchestra (NZSO) and Te Toki NZ School of Music will form a Centre for Music Education.

### **Increasing Preservation of Audiovisual Archive**

*\$6.6 million operating*

This initiative will increase the rate of digital preservation of New Zealand's historic sound and vision archive, Ngā Taonga.

### **Investing in Identity: A Thriving Nation Nāku te rourou, Nāu te rourou, Ka ora ai te iwi**

*\$10.5 million operating*

This initiative will allow New Zealand On Air to continue to support the production of quality content, with a focus on powerful New Zealand stories.

### **Investment in Te Papa Tongarewa**

*\$50 million operating*

This initiative will enable Te Papa to manage its infrastructure upgrade and replacement programme over a number of years. It provides for seismic strengthening of the Tory Street building.

### **New Zealand Wars and Conflicts Trail**

*\$0.1 million operating*

This initiative will support a feasibility study for a themed programme connecting major New Zealand Wars sites, located primarily throughout the North Island.

### **Preserving the Nation's Memory: Initial Work on New Physical Infrastructure for Archives New Zealand and the National Library of New Zealand**

*\$18.7 million operating      \$16.4 million capital*

This initiative helps ensure New Zealand's archival and library materials are preserved and maintained in appropriate facilities.

### **Strengthening Radio New Zealand: The Cornerstone of Public Media in Aotearoa**

*\$14.5 million operating      \$3.5 million capital*

This initiative will enable Radio New Zealand (RNZ) to continue to provide quality New Zealand programming and journalism. It will also assist RNZ to use new platforms to reach audiences when, where and how they want to be reached.

# THE FISCAL STRATEGY



# THE FISCAL STRATEGY

## A strong economy

### The New Zealand economy is performing well

The New Zealand economy is sound, with robust growth and low unemployment. New Zealand's real GDP growth was 2.8 per cent in the year ended December 2018, well above the OECD average of 2.3 per cent. The unemployment rate remains at a 10-year low in 2019.

### Government investment will support growth in the face of global headwinds

The pace of growth eased over the second half of 2018 at the same time as global uncertainty grew and international growth slowed. Increased domestic investment means New Zealand's real GDP growth is expected to strengthen from 2.4 per cent in the year ending June 2019 to 3.0 per cent in the year ending June 2020. Growth is then expected to moderate in subsequent years (Figure 20). GDP growth averages 2.6 per cent per year across the forecast period. Risks are broadly balanced domestically, but are mostly negative internationally.

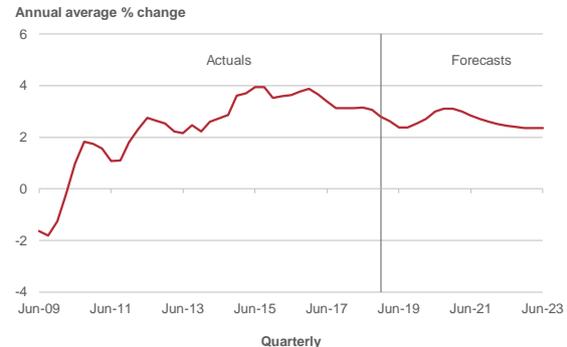
The stimulus coming from additional government investment in this Budget will lift growth in the near term, supporting household incomes, with increased demand flowing through into business investment. Growth will also be supported by historically low interest rates, continued net immigration inflows and historically high export prices. The unemployment rate is expected to remain low, settling around the Government's target of 4 per cent across the forecast period (Figure 21).

Budget 2019 strikes the right balance between supporting growth and wellbeing by investing in new initiatives, while maintaining a prudent fiscal buffer for unexpected events or risks.

This chapter meets the requirement for the Government to report on its fiscal strategy alongside the Budget as set out in sections 26I-26L of the Public Finance Act 1989 (PFA).

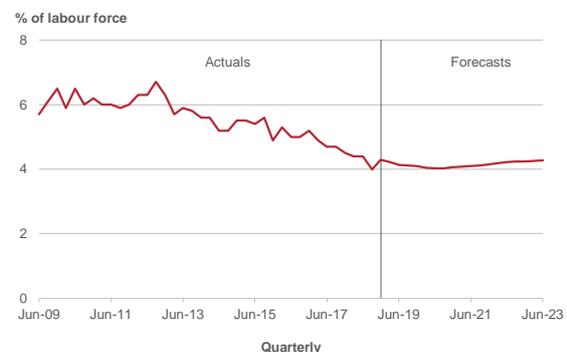
As set out in the *Budget Policy Statement 2019*, the Government plans to amend the PFA to ensure each Budget is developed with wellbeing in mind. The intention is that the Government will be required to set out how its wellbeing objectives, together with its fiscal objectives, have guided its Budget.

Figure 20 – Real GDP growth



Sources: The Treasury, Stats NZ

Figure 21 – Unemployment rate



Sources: The Treasury, Stats NZ

## Our fiscal approach

### The Budget Responsibility Rules are the basis of our fiscal strategy

The Budget Responsibility Rules underpin the Coalition Government's fiscal strategy. They are to:

- Deliver a sustainable operating surplus across an economic cycle
- Reduce the level of net core Crown debt to 20 per cent of GDP within five years of taking office
- Prioritise investments 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 its 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.

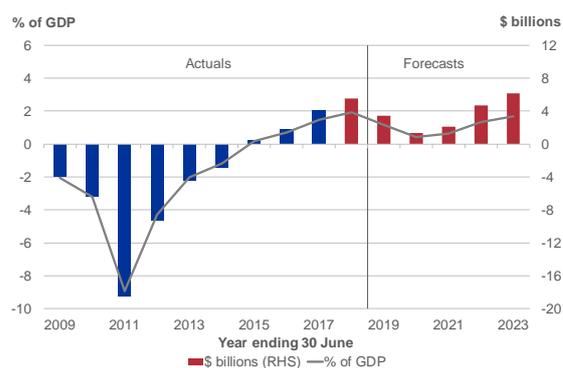
The Government has demonstrated its continued commitment to these rules throughout its term to date. We have delivered sustainable OBEGAL<sup>21</sup> surpluses (Figure 22), maintained core Crown expenses around their historical average and are on track to reduce net core Crown debt to 20 per cent of GDP within five years of taking office (Table 8).

A strong fiscal position is not just a signal of sound fiscal management, it is also a prerequisite for improving the intergenerational wellbeing of New Zealanders. Maintaining debt at prudent levels supports New Zealand's resilience to risks, such as unexpected economic downturns or natural disasters.

Sustainable operating surpluses help debt remain on a stable trajectory in the medium term. Avoiding deficits will ensure future generations are not burdened with paying for initiatives that primarily benefit the current generation.

Prioritising expenditure on high-value initiatives supports the effective and efficient management of the Crown's resources.

Figure 22 – Total Crown OBEGAL



Source: The Treasury

<sup>21</sup> Operating balance before gains and losses.

Table 8 – Summary of the Treasury's fiscal forecasts

Year ending 30 June	2018 Actual	2019 Forecast	2020 Forecast	2021 Forecast	2022 Forecast	2023 Forecast
<b>\$ billions</b>						
Core Crown revenue	86.8	91.6	96.4	102.9	108.1	113.8
Core Crown expenses	80.6	87.3	93.3	98.9	101.7	105.7
Total Crown OBEGAL	5.5	3.5	1.3	2.1	4.7	6.1
Core Crown residual cash	1.3	-2.8	-4.2	-4.3	-0.6	1.2
Net core Crown debt	57.5	60.3	64.7	69.2	69.9	68.5
Net worth attributable to the Crown	129.6	130.0	134.7	140.7	149.8	160.8
<b>% of GDP</b>						
Core Crown revenue	30.0	30.6	30.4	30.8	30.9	31.1
Core Crown expenses	27.9	29.1	29.4	29.6	29.0	28.8
Total Crown OBEGAL	1.9	1.2	0.4	0.6	1.3	1.7
Core Crown residual cash	0.5	-0.9	-1.3	-1.3	-0.2	0.3
Net core Crown debt	19.9	20.1	20.4	20.7	19.9	18.7
Net worth attributable to the Crown	44.9	43.4	42.5	42.1	42.8	43.9

Source: The Treasury

### Capital and operating allowances have been increased

This Budget has progressed the Coalition Government's wellbeing objectives by investing in the five Budget priorities announced in the *Budget Policy Statement 2019*:

- *Taking Mental Health Seriously* – Supporting mental wellbeing for all New Zealanders, with a special focus on under 24-year-olds
- *Improving Child Wellbeing* – Reducing child poverty and improving child wellbeing, including addressing family violence
- *Supporting Māori and Pasifika Aspirations* – Lifting Māori and Pacific incomes, skills and opportunities
- *Building a Productive Nation* – Supporting a thriving nation in the digital age through innovation, social and economic opportunities
- *Transforming the Economy* – Creating opportunities for productive businesses, regions, iwi and others to transition to a sustainable and low-emissions economy.

Budget 2019 required extensive information about the wellbeing impact of Budget initiatives. This led to more scrutiny of initiatives than has been the case in the past and has ensured that new expenditure was directed to maximise benefits. This approach will be continued and enhanced over future Budgets.

This evidence-based approach has identified a number of initiatives that have significant wellbeing benefits. To deliver these we have increased the operating allowance in Budget 2019 from \$2.4 billion to \$3.8 billion. The operating allowance for Budget 2020 has also increased

from \$2.4 billion to \$3.0 billion. A further \$1.7 billion has been added to the multi-year capital allowance for future Budgets (Table 9).<sup>22</sup>

These increases will allow the Government to invest in high-quality initiatives that both enhance the lives of New Zealanders and support the economy in the face of global headwinds.

*Table 9 – Budget allowances*

\$ billions	Budget 2019	Budget 2020	Budget 2021	Budget 2022
Operating allowances at <i>Budget Policy Statement 2019</i>	2.4	2.4	2.4	2.4
Operating allowances at Budget 2019 (per year)	3.8	3.0	2.4	2.4
Capital allowance at <i>Budget Policy Statement 2019</i>	←————— 13.1 —————→			
Capital allowance at Budget 2019	←————— 14.8 —————→			

Source: The Treasury

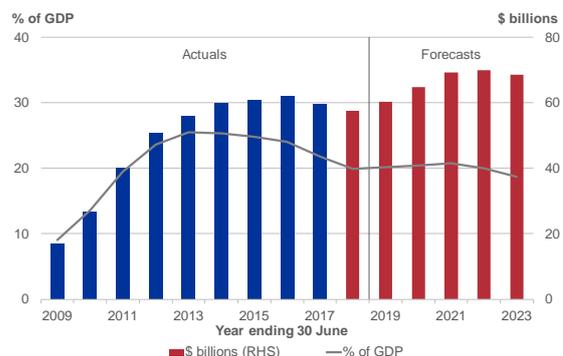
### The Government will increase investment, while maintaining a sound fiscal position

The Government will increase investment in essential public services and infrastructure while maintaining a sustainable fiscal outlook. The Government remains on track to meet its Budget Responsibility Rules and short-term fiscal intentions. Sustainable OBEGAL surpluses are expected across the forecast period, and core Crown expenses will stay within the historic range of spending as a percentage of GDP. Net worth attributable to the Crown is forecast to increase by \$31.2 billion over the forecast period.

Increased Government investment is forecast to lift net core Crown debt slightly before it falls to below 20 per cent of GDP in 2021/22 (Figure 23). Government debt will remain very low compared to most OECD countries. New Zealand has the fifth lowest gross general government debt in the OECD.<sup>23</sup>

Increased Government investment will support economic growth alongside monetary policy. The increase in spending announced in the Budget might be expected to place slight upward pressure on interest rates. However, a moderate increase in spending is appropriate, given the need for greater investment and in the context of subdued inflation and historically low interest rates.

*Figure 23 – Net core Crown debt*



Source: The Treasury

<sup>22</sup> The multi-year capital allowance is explained further in the *Investing in New Zealand* section (see page 98).

<sup>23</sup> As a share of GDP in 2018, IMF *World Economic Outlook*, April 2019.

### ...while the Government will maintain a prudent level of debt in the long term...

The Government has committed to reducing net core Crown debt to 20 per cent of GDP within five years of taking office and maintaining it at prudent levels thereafter.

The long-term objectives have been updated in this Budget to provide more detail about the Government's view of what a prudent level of debt is. Beyond 2021/22 the Government will maintain net debt within a range between 15 and 25 per cent of GDP.

Maintaining net debt within a range recognises that there is no specific level of net debt that is prudent but rather there is a range of levels that meet the Public Finance Act 1989 (PFA) requirements of prudent fiscal management.

Maintaining net debt within a range also provides flexibility for fiscal policy to support economic stability. It encourages a longer-term perspective for fiscal policy by allowing the Government to look through short-term volatility in net debt.

A range of 15 to 25 per cent of GDP for net core Crown debt recognises that current debt levels are prudent, while providing a degree of flexibility for the Government to use debt to progress high-value investments in New Zealand. In the short term, capacity constraints within the economy may limit investment opportunities.

Fiscal discipline will also be supported by the Government's other long-term objectives, including the commitments to sustainable operating surpluses and managing expenditure within the recent historical ratio of spending to GDP.

### ...and remains committed to transparency about its fiscal management

The Government remains committed to fiscal responsibility and, as announced in Budget 2018, we are establishing an Independent Fiscal Institution that will measure progress against the fiscal strategy. The Government has consulted on the proposal, is considering the submissions received and will make further announcements later this year.

## Long-term fiscal objectives and short-term fiscal intentions

The Government's long-term objectives relate to the next 10 years beginning in 2019/20 (Table 10). These long-term objectives are consistent with those set out in the *Fiscal Strategy Report 2018*, with additional detail for the debt objective, as discussed above.

*Table 10 – Long-term fiscal objectives*

#### **Fiscal Strategy 2019**

##### **Operating balance**

The Government will deliver a sustainable operating surplus across an economic cycle.

##### **Operating expenses**

The Government will maintain its expenditure to within the recent historical range of spending as a ratio of GDP.

The Government will take a prudent approach to ensure expenditure is phased, controlled and directed to maximise its benefits, in particular prioritising investments to address the long-term financial and sustainability challenges facing New Zealand.

## Fiscal Strategy 2019

---

### Operating revenues

The Government will ensure a progressive taxation system that is fair, balanced and promotes the long-term sustainability and productivity of the economy.

---

### Debt

Maintain total debt at prudent levels.

The Government will reduce the level of net core Crown debt to 20 per cent of GDP within five years of taking office and maintain it at prudent levels thereafter. Prudent levels of net core Crown debt are within a range of 15 to 25 per cent of GDP (subject to any significant shocks to the economy).

---

### Net worth

The Government will strengthen net worth consistent with the debt and operating balance objectives.

---

The Government's short-term fiscal intentions have not changed since the *Fiscal Strategy Report 2018* (Table 11). However the indicator values that the intentions are measured against have been updated since the *Budget Policy Statement 2019* to reflect the impact of changes in the *Budget Economic and Fiscal Update 2019* forecasts, which remain consistent with the short-term intentions. The updates to the indicator values reflect changes to the economic forecasts, the impact of policy changes and changes in the allowances for this and future Budgets.

*Table 11 – Short-term fiscal intentions*

### *Fiscal Strategy 2019*

#### Debt

Our intention is to reduce the level of net core Crown debt to 20 per cent of GDP within five years of taking office (subject to any significant shocks to the economy).

Gross sovereign-issued debt (including Reserve Bank settlement cash and Reserve Bank bills) is forecast to be 26.9 per cent of GDP in 2022/23.

Net core Crown debt (excluding NZS Fund and advances) is forecast to be 20.4 per cent of GDP in 2019/20, 20.7 per cent of GDP in 2020/21, 19.9 per cent of GDP in 2021/22, and 18.7 per cent of GDP in 2022/23.

This assumes a multi-year capital allowance of \$14.8 billion for Budget 2019 and the next three Budgets.

#### Operating balance

Our intention is to deliver operating surpluses (before gains and losses) to ensure net debt falls to 20 per cent of GDP within five years of taking office.

The operating balance (before gains and losses) is forecast to be 1.2 per cent of GDP in 2018/19, rising to 1.3 per cent of GDP in 2021/22 and 1.7 per cent of GDP in 2022/23. This is consistent with the long-term objective for the operating balance.

The operating balance is forecast to be 3.0 per cent of GDP in 2022/23.

### *Fiscal Strategy Report 2018*

#### Debt

Our intention is to reduce the level of net core Crown debt to 20 per cent of GDP within five years of taking office (subject to any significant shocks to the economy).

Gross sovereign-issued debt (including Reserve Bank settlement cash and Reserve Bank bills) is forecast to be 27.3 per cent of GDP in 2021/22.

Net core Crown debt (excluding NZS Fund and advances) is forecast to be 20.6 per cent of GDP in 2019/20, 20.2 per cent of GDP in 2020/21 and 19.1 per cent in 2021/22.

This assumes new capital allowances of \$3.8 billion in Budget 2018, \$3.7 billion in Budget 2019, \$3.4 billion in Budget 2020, and \$3.0 billion in Budget 2021.

#### Operating balance

Our intention is to deliver operating surpluses (before gains and losses) to ensure net debt falls to 20 per cent of GDP within five years of taking office.

The operating balance (before gains and losses) is forecast to be 1.1 per cent of GDP in 2017/18, rising to 1.7 per cent of GDP in 2019/20 and 2.1 per cent of GDP in 2021/22. This is consistent with the long-term objective for the operating balance.

The operating balance is forecast to be 3.3 per cent of GDP in 2021/22.

---

*Fiscal Strategy 2019***Expenses**

Our intention is to ensure expenses are consistent with the operating balance objective.

Core Crown expenses are forecast to fall from 29.1 per cent of GDP in 2018/19 to 28.8 per cent of GDP in 2022/23.

Total Crown expenses are forecast to be 36.5 per cent of GDP in 2022/23.

This assumes new operating allowances of \$3.8 billion per year in Budget 2019, \$3.0 billion per year in Budget 2020 and \$2.4 billion per year in Budgets 2021 and 2022.

**Revenues**

Our intention is to ensure sufficient revenue to meet the operating balance objective.

Total Crown revenues are forecast to be 38.3 per cent of GDP in 2022/23.

Core Crown revenues are forecast to be 31.1 per cent of GDP in 2022/23.

Core Crown tax revenues are forecast to be 28.8 per cent of GDP in 2022/23.

**Net worth**

Our intention is to increase net worth consistent with the operating balance objective.

Total net worth attributable to the Crown is forecast to be 43.9 per cent of GDP in 2022/23.

Total Crown net worth is forecast to be 45.4 per cent of GDP in 2022/23.

*Fiscal Strategy Report 2018***Expenses**

Our intention is to ensure expenses are consistent with the operating balance objective.

Core Crown expenses are forecast to be 28.1 per cent of GDP in 2017/18 and 28.0 per cent of GDP in 2021/22.

Total Crown expenses are forecast to be 36.2 per cent of GDP in 2021/22.

This assumes new operating allowances of \$2.8 billion per year in Budget 2018 and \$2.4 billion per year in Budget 2019, 2020 and 2021.

**Revenues**

Our intention is to ensure sufficient revenue to meet the operating balance objective.

Total Crown revenues are forecast to be 38.4 per cent of GDP in 2021/22.

Core Crown revenues are forecast to be 30.4 per cent of GDP in 2021/22.

Core Crown tax revenues are forecast to be 28.3 per cent of GDP in 2021/22.

**Net worth**

Our intention is to increase net worth consistent with the operating balance objective.

Total net worth attributable to the Crown is forecast to be 44.2 per cent of GDP in 2021/22.

Total Crown net worth is forecast to be 45.8 per cent of GDP in 2021/22.

Both the short-term intentions and the long-term objectives remain consistent with each other and with the principles of responsible fiscal management as set out in the PFA. That is, they aim to:

- reduce total debt to prudent levels and achieve and maintain levels of total net worth so as to provide a buffer against adverse economic shocks
- ensure that, on average, total operating expenses do not exceed total operating revenues
- have regard to efficiency and fairness, including the predictability and stability of tax rates
- take into account the impact of fiscal policy on monetary policy
- prudently manage the fiscal risks facing the Government
- have regard for present and future generations
- ensure the Crown's resources are managed effectively and efficiently.

## Managing revenues and expenses

### A prudent approach will be taken to ensure expenditure is phased, controlled and directed to maximise its benefits

Core Crown expenses average 29.2 per cent of GDP over the forecast period (Figure 24). This is consistent with our commitment under the Budget Responsibility Rules to keep expenses within the recent historical average. Expenses are expected to peak in 2020/21 at 29.6 per cent of GDP, before reducing to 28.8 per cent of GDP at the end of the forecast period.

The Government remains committed to delivering surpluses and funding essential public services. By increasing the operating allowance in this Budget to \$3.8 billion, and \$3.0 billion in Budget 2020, the Government will address, rather than defer, a number of cost and capacity pressures that have been building over time. This approach is expected to alleviate demand on future Budgets.

The Government will continue to use the fiscal management approach of fixed nominal baselines to control expenditure. Managing within allowances will also require active management of cost pressures. Budget 2019 included a baseline review of MSD’s funding, which allowed for consideration of both its funding levels in total and improvements that may support sustainable service delivery. Further baseline reviews are intended in future.

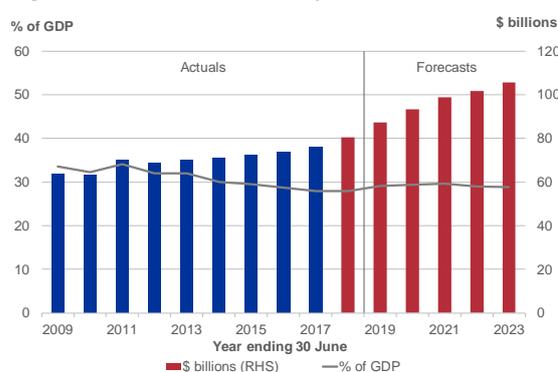
Social security and welfare expenses in 2017/18 accounted for 29 per cent of total Crown expenses and 16 per cent when excluding New Zealand Superannuation (NZS). Overall, welfare expenses excluding NZS are expected to remain broadly stable as a percentage of GDP over the forecast and projection period.

The Government’s approach to managing expenses will also see existing expenditure reprioritised where it is not aligned with wellbeing objectives. In Budget 2019 more than \$1 billion has been reprioritised.

### We will ensure a progressive tax system that is fair, balanced and promotes the long-term sustainability and productivity of the economy

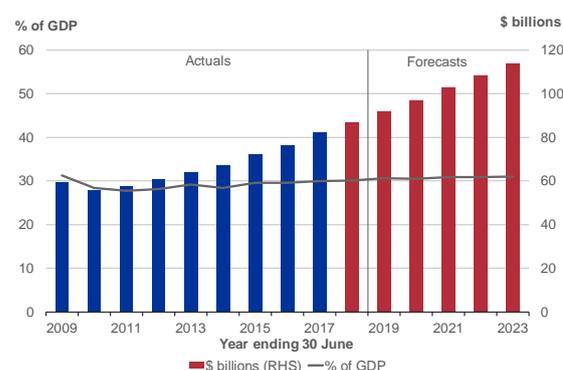
Over the forecast period, core Crown revenue (Figure 25) and core Crown tax revenue average 30.7 and 28.5 per cent of GDP, respectively. Core Crown tax revenue is expected to increase from 28.2 per cent of GDP in 2018/19 to 28.8 per cent of GDP in 2022/23.

Figure 24 – Core Crown expenses



Source: The Treasury

Figure 25 – Core Crown revenue



Source: The Treasury

The primary function of the tax system is to raise revenue to fund government expenditure. However, it should do this in a way that supports this Government's overall economic and fiscal goals.

The Government's objectives for the tax system are:

- A system that is efficient, fair, simple, coherent and collects the tax that is due, on time and in full
- A progressive tax and transfer system for individuals and families
- A system that promotes the long-term sustainability and productivity of the economy
- A system that supports a sustainable revenue base to fund government operating expenditure around its historical level of 30 per cent of GDP
- A system that treats all income and assets in a fair, balanced and efficient manner.

The Government is committed to meeting these objectives. We support a sustainable broad-base low-rate framework for the tax system. This ensures that taxes are fair and efficient, and that they do not impede economic growth. It also helps keep compliance costs low and minimises opportunities for avoidance and evasion. Following the Government's response to the Tax Working Group, the tax policy work programme will consider a range of options to further improve the tax system.

People and businesses should pay their fair share of tax. This includes multi-national companies and those in the digital services field. New Zealand is currently working at the OECD to find an internationally agreed solution for taxing the digital economy. However, we may need to move ahead with our own work so that we can proceed with our own form of a digital services tax, as an interim measure, until the OECD reaches agreement. The Government will release a discussion document exploring options for taxing the digital economy shortly.

The Government also aims to continue to improve public confidence in the tax system and Inland Revenue. Our objective is for a system that helps people meet their obligations, is fair and inspires confidence. With this in mind the Government will ensure that tax policy development continues to be inclusive, consultative and transparent.

We will continue to invest in the modernisation and simplification of New Zealand's tax system through Inland Revenue's Business Transformation programme. Recent changes will enable the end of unnecessary secondary tax and enable Inland Revenue to provide automatic income tax refunds for salary and wage earners. The next stages of Business Transformation will modernise the administration of student loans, KiwiSaver and child support.

## Managing our assets and liabilities

### Assets and liabilities will be managed to improve wellbeing

The Crown owns \$339.9 billion of assets and has \$204.3 billion of liabilities as of June 2018. The difference between these numbers represents the Crown's net worth, which is forecast to increase in dollar terms and remain broadly stable as a per cent of GDP (Figure 26).

The Treasury's *He Puna Hao Pātiki – 2018 Investment Statement* showed that our social assets are ageing. The majority of schools and Housing New Zealand houses are more than 40 years old. A significant proportion of our health assets are in poor or very poor condition.

To improve the Crown asset base, the Government is focusing on asset management at a sector level. This includes work developing a National Asset Management Plan for the health sector, as well as increased investment in housing, schools and hospitals.

Capital investment will be a key focus of our Budgets. The Government will ensure that infrastructure and services are in place to support improved wellbeing and that as a country we are actively planning for our future.

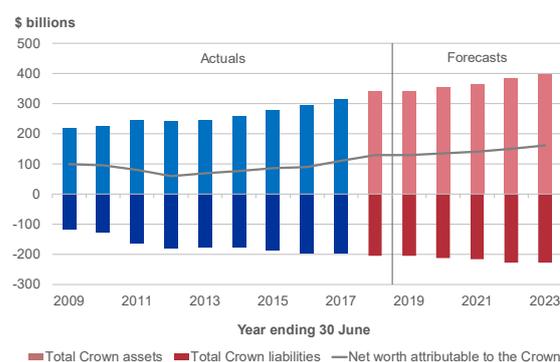
To this end we have announced the multi-year capital allowance will increase to \$14.8 billion for Budgets 2019 to 2022. This will be used to both maintain and enhance public service delivery and infrastructure. Together with Budget 2018, this Government has set out significantly higher levels of capital investment than in previous years (Figure 27).

Consistent with our Budget Responsibility Rules, capital expenditure will be phased to ensure that projects can be delivered on time. While a significant amount has been allocated from the multi-year capital allowance in Budget 2019, it is expected to be spent over a longer timeframe than had been previously assumed in forecasts.

This investment commitment will help to build a pipeline of infrastructure projects. This pipeline will increase certainty for the construction sector, enabling it to better prepare and invest in the capacity and capability needed to deliver projects on time and on budget.

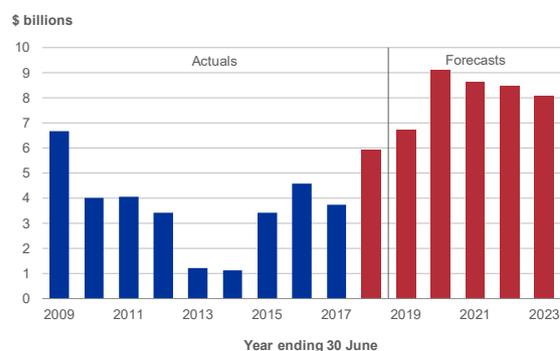
The Government is also creating the NZ Infrastructure Commission, Te Waihangā, which will enhance the long-term planning and delivery of infrastructure by providing independent expert advice to infrastructure decision-makers. This initiative is explained in the *Investing in New Zealand* section (see page 98).

Figure 26 – Assets, liabilities and net worth



Source: The Treasury

Figure 27 – Net capital spending



Source: The Treasury

There are \$70 billion of New Zealand Government Bonds (NZGB) on issue as of 30 April 2019. As outlined in the *Fiscal Strategy Report 2018*, this Government remains committed to maintaining a sustainable NZGB market. The Government intends to maintain levels of NZGBs on issue at not less than 20 per cent of GDP over time, even if net core Crown debt falls below 20 per cent of GDP. This ensures ongoing government access to debt funding if needed, reduces volatility in the size of borrowing programmes through time and provides wider capital market benefits.

### Contributions to the NZS Fund will enhance the long-term wellbeing of New Zealanders

The Government is prioritising responsible investments that enhance the long-term wellbeing of New Zealanders.

Having restarted contributions to the NZS Fund, the Government intends to make regular contributions. These are projected to increase the size of the NZS Fund to \$64 billion by 2022/23 and will help protect the Government's ability to pay superannuation at age 65.

The Government will also support New Zealand's early-stage capital markets by investing \$300 million over four years in a new fund administered by the Guardians of New Zealand Superannuation. Alongside \$60 million from NZVIF, \$240 million will be redirected from NZS Fund contributions to the new fund, which will invest via NZVIF. This initiative is explained in the *Building a Productive Nation* section (see page 74).

As Table 12 shows, \$9.6 billion will be contributed to the NZS Fund in total over the next five years. Having restarted contributions in 2017/18, contributions will increase gradually to be in line with the contribution formula in 2023/24.<sup>24</sup> This contrasts with the previous Government's approach of not having made any payments in the years between 2010 and 2017, estimated by the NZS Fund<sup>25</sup> to have cost up to \$24.1 billion in lost contributions and investment returns.

*Table 12 – Contributions to the NZS Fund*

<b>Year ending 30 June</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
<b>\$billions</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>
NZS Fund contributions – <i>prescribed by formula</i>	2.0	2.2	2.4	2.5	2.5
NZS Fund contributions – <i>Budget Economic and Fiscal Update 2019</i>	1.0	1.5	2.1	2.4	2.6

Source: The Treasury

Having NZS Fund contributions below the level prescribed by the contribution formula for the next four years will not change the Government's ability to make superannuation payments in the future. Lower contributions in the short term will reduce the Government's borrowing requirements, and consequently debt, which supports the Government's ability to meet the future fiscal pressures of an ageing population. Contributions below those prescribed by the formula will lead to the legislated formula calculating higher contributions in future years.

<sup>24</sup> More information about NZS Fund contributions and the contribution formula is available here: <https://treasury.govt.nz/publications/information-release/new-zealand-superannuation-fund-contribution-rate-model>.

<sup>25</sup> Details from <https://www.nzsuperfund.co.nz/nz-super-fund-explained-purpose-and-mandate/contributions-suspension>.

## Fiscal projections and assumptions

The fiscal projections in Table 13 show the Government is expected to meet its long-term objectives. These projections are based on a set of modelling assumptions that are outlined on the Treasury website at <https://treasury.govt.nz/information-and-services/financial-management-and-advice/fiscal-strategy/fiscal-strategy-model>.

The key assumptions in the projections are:

- Non-welfare spending growth is largely determined by operating allowances, which are assumed to be \$2.6 billion in Budget 2023, growing at 4.5 per cent per year for subsequent Budgets.
- Capital allowances are assumed to be \$6.6 billion in each year of the projection period, sufficient to keep net core Crown debt stable at around 19 per cent of GDP. The capital allowances are assumed to be spent in the year they are allocated, in contrast to the forecast period where capital allowances are spread over a number of years. In reality, the profile of capital spend will differ reflecting the timing of decisions and profile of expenditure. As a result, net debt will fluctuate around the levels shown in the projection.
- The long-term core Crown tax-to-GDP ratio is assumed to be 28.3 per cent.
- The economy is assumed to grow at trend growth rates with no economic cycles in the projections.

The main changes to fiscal projections since the *Fiscal Strategy Report 2018* are:

- changes in the economic and fiscal forecasts, which affect the starting point for the projections
- changes to the assumptions for capital allowances across the projection horizon
- a change to the length of time needed for 10-year government bond yields to return to their assumed long-run levels, reflecting economic developments
- changes to indexation settings for main benefits, consistent with the policy decision in the Budget to adjust growth rates in line with average wage growth rather than CPI inflation
- revisions to some of the major tax types' long-term stable ratios to GDP, which reflects economic developments, along with extensions to the number of years before some of the tax types stabilise.

Table 13 – Summary of fiscal projections

<b>Year ending 30 June</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>...</b>	<b>2033</b>
<b>% of GDP</b>	<b>Forecasts</b>					<b>Projections</b>							
Core Crown revenue	30.6	30.4	30.8	30.9	31.1	30.7	30.6	30.6	30.6	30.6	30.6	...	30.7
Core Crown expenses	29.1	29.4	29.6	29.0	28.8	28.7	28.8	28.9	29.1	29.2	29.4	...	30.0
Total Crown revenue	38.8	38.1	38.4	38.3	38.3	38.1	38.0	38.0	38.0	38.0	38.0	...	38.2
Total Crown expenses	37.6	37.6	37.7	36.9	36.5	36.4	36.6	36.7	36.9	37.0	37.2	...	37.9
Total Crown OBEGAL <sup>1</sup>	1.2	0.4	0.6	1.3	1.7	1.6	1.4	1.2	1.0	0.9	0.7	...	0.2
Total Crown operating balance <sup>2</sup>	-0.1	1.5	1.8	2.6	3.0	2.5	2.4	2.2	2.1	2.1	2.0	...	1.7
Gross sovereign-issued debt	29.7	29.2	28.2	29.3	26.9	27.2	27.1	27.2	27.2	27.2	27.2	...	27.6
Net core Crown debt <sup>3</sup>	20.1	20.4	20.7	19.9	18.7	18.9	18.8	18.8	18.8	18.8	18.9	...	19.2
Total Crown net worth	45.4	44.4	43.9	44.5	45.4	46.1	46.5	46.8	47.0	47.2	47.2	...	46.9
Net worth attributable to the Crown	43.4	42.5	42.1	42.8	43.9	44.5	45.0	45.4	45.6	45.8	45.9	...	45.8

**Notes**

1 Operating balance before gains and losses.

2 Excludes minority interests.

3 Excludes the NZS Fund and advances.

Source: The Treasury

## THE TREASURY'S ECONOMIC AND FISCAL FORECASTS

The tables below are a collection of key tables from the Treasury's economic and fiscal forecasts. The Treasury's *Budget Economic and Fiscal Update 2019* can be found on the Treasury's website at <https://treasury.govt.nz/publications/efu/budget-economic-and-fiscal-update-2019>.

*Table 14 – Summary of economic forecasts*

<b>Year ending 30 June Annual average % change</b>	<b>2018 Actual</b>	<b>2019 Forecast</b>	<b>2020 Forecast</b>	<b>2021 Forecast</b>	<b>2022 Forecast</b>	<b>2023 Forecast</b>
Private consumption	3.6	3.6	2.9	2.9	2.7	2.7
Public consumption	3.0	1.9	4.2	1.8	0.9	1.0
<b>Total consumption</b>	<b>3.5</b>	<b>3.2</b>	<b>3.2</b>	<b>2.6</b>	<b>2.3</b>	<b>2.3</b>
Residential investment	2.6	3.4	5.2	5.4	3.4	2.0
Business investment <sup>1</sup>	6.8	0.7	3.8	3.6	2.4	2.1
<b>Total investment</b>	<b>5.6</b>	<b>1.4</b>	<b>4.2</b>	<b>4.1</b>	<b>2.7</b>	<b>2.1</b>
Stock change <sup>2</sup>	-0.1	-0.2	-0.1	0.1	0.0	0.0
<b>Gross national expenditure</b>	<b>4.1</b>	<b>2.7</b>	<b>3.2</b>	<b>3.1</b>	<b>2.4</b>	<b>2.3</b>
Exports	3.6	2.7	3.1	2.8	2.6	2.5
Imports	7.9	2.1	3.9	3.4	2.3	2.2
<b>GDP (expenditure measure)</b>	<b>2.9</b>	<b>2.5</b>	<b>3.1</b>	<b>2.9</b>	<b>2.5</b>	<b>2.4</b>
<b>GDP (production measure)</b>	<b>3.2</b>	<b>2.4</b>	<b>3.0</b>	<b>2.8</b>	<b>2.4</b>	<b>2.4</b>
Real GDP per capita	1.1	0.7	1.5	1.5	1.3	1.2
Nominal GDP (expenditure measure)	5.7	3.8	5.8	5.4	4.9	4.7
GDP deflator	2.7	1.2	2.5	2.4	2.3	2.2
Potential GDP	3.0	2.9	2.8	2.7	2.6	2.6
Output gap (% of potential, June quarter) <sup>3</sup>	0.7	0.0	0.4	0.3	0.1	-0.1
Employment	3.7	2.3	1.9	1.7	1.4	1.3
Unemployment rate <sup>4</sup>	4.4	4.1	4.0	4.1	4.2	4.3
Participation rate <sup>5</sup>	71.0	70.9	71.2	71.3	71.4	71.4
Hourly wages (annual % change) <sup>6</sup>	3.0	3.3	3.2	3.5	3.5	3.6
CPI inflation (annual % change)	1.5	1.8	2.0	2.1	2.0	2.0
Terms of trade (goods) <sup>7</sup>	4.7	-1.8	0.2	0.1	0.2	0.1
House prices (annual % change) <sup>8</sup>	3.6	2.9	3.8	4.2	4.3	4.8

<b>Year ending 30 June Annual average % change</b>	<b>2018 Actual</b>	<b>2019 Forecast</b>	<b>2020 Forecast</b>	<b>2021 Forecast</b>	<b>2022 Forecast</b>	<b>2023 Forecast</b>
Current account balance (annual)						
\$billions	-9.8	-10.1	-10.8	-11.4	-11.7	-12.2
% of GDP	-3.4	-3.4	-3.4	-3.4	-3.3	-3.3
Net International Investment Position (% of GDP)	-53.5	-57.5	-57.8	-58.3	-58.9	-59.6
Household saving ratio (% of HHDI) <sup>9</sup>	-1.4	-0.5	-0.3	-0.6	-0.8	-0.9
Exchange rate (TWI) <sup>10</sup>	73.8	73.7	73.7	73.8	74.0	74.1
90-day bank bill rate <sup>11</sup>	2.0	1.8	1.9	2.3	2.5	2.6
10-year bond rate <sup>11</sup>	2.8	1.9	2.3	2.5	2.7	2.9

**Notes**

- 1 Business investment is the total of all investment types excluding residential building.
- 2 Contribution to GDP growth.
- 3 Percentage difference between actual real GDP and potential real GDP.
- 4 Percent of the labour force, June quarter, seasonally adjusted.
- 5 Percent of working-age population, June quarter, seasonally adjusted.
- 6 Quarterly Employment Survey, average ordinary-time hourly earnings.
- 7 System of National Accounts.
- 8 Quotable Value Quarterly House Price Index.
- 9 Percent of household disposable income (HHDI), March years.
- 10 Trade Weighted Index (TWI), average for the June quarter.
- 11 Average for the June quarter.

Sources: Stats NZ, Reserve Bank of New Zealand, QV Limited, the Treasury

Table 15 – Summary of fiscal indicators

<b>Year ending 30 June</b>	<b>2018 Actual</b>	<b>2019 Forecast</b>	<b>2020 Forecast</b>	<b>2021 Forecast</b>	<b>2022 Forecast</b>	<b>2023 Forecast</b>
<b>\$billions</b>						
Core Crown tax revenue	80.2	84.7	89.2	95.1	100.2	105.6
Core Crown expenses	80.6	87.3	93.3	98.9	101.7	105.7
Total Crown OBEGAL	5.5	3.5	1.3	2.1	4.7	6.1
Total Crown operating balance	8.4	(0.3)	4.7	5.9	9.0	10.9
Core Crown residual cash	1.3	(2.8)	(4.2)	(4.3)	(0.6)	1.2
Net core Crown debt	57.5	60.3	64.7	69.2	69.9	68.5
Gross debt	88.1	83.3	86.8	88.4	96.8	92.9
Total borrowings	115.7	112.1	118.1	121.2	131.3	130.6
Net worth attributable to the Crown	129.6	130.0	134.7	140.7	149.8	160.8
<b>% of GDP</b>						
Core Crown tax revenue	27.8	28.2	28.2	28.5	28.6	28.8
Core Crown expenses	27.9	29.1	29.4	29.6	29.0	28.8
Total Crown OBEGAL	1.9	1.2	0.4	0.6	1.3	1.7
Total Crown operating balance	2.9	(0.1)	1.5	1.8	2.6	3.0
Core Crown residual cash	0.5	(0.9)	(1.3)	(1.3)	(0.2)	0.3
Net core Crown debt	19.9	20.1	20.4	20.7	19.9	18.7
Gross debt	30.5	27.8	27.4	26.5	27.6	25.3
Total borrowings	40.0	37.4	37.3	36.3	37.5	35.6
Net worth attributable to the Crown	44.9	43.4	42.5	42.1	42.8	43.9

Source: The Treasury

Table 16 – Fiscal indicators and the financial forecasts

Year ending 30 June \$million	2018 Actual	2019 Forecast	2020 Forecast	2021 Forecast	2022 Forecast	2023 Forecast
<b>Fiscal Narrative</b>						
Core Crown taxation revenue...	80,224	84,650	89,245	95,089	100,172	105,595
...combined with other core Crown revenue...	6,554	6,949	7,182	7,837	7,951	8,232
...fund core Crown expenses...	(80,576)	(87,300)	(93,262)	(98,891)	(101,686)	(105,733)
...and with SOE and CE results...	(668)	(834)	(1,852)	(1,904)	(1,754)	(1,948)
...result in an operating balance before gains and losses (OBEGAL)...	<b>5,534</b>	<b>3,465</b>	<b>1,313</b>	<b>2,131</b>	<b>4,683</b>	<b>6,146</b>
...with gains/losses leading to an operating surplus/(deficit)...	8,396	(284)	4,680	5,916	8,972	10,890
...with income in SOEs, CEs and the NZS Fund retained...	139	727	1,920	1,997	1,857	2,063
...and some items do not impact on cash...	(6,789)	44	(2,990)	(5,633)	(7,628)	(9,851)
...this leads to an operating residual cash surplus/(deficit)...	<b>7,280</b>	<b>3,952</b>	<b>4,923</b>	<b>4,411</b>	<b>7,884</b>	<b>9,248</b>
...used to make contributions to the NZS Fund...	(500)	(1,000)	(1,460)	(2,120)	(2,420)	(2,553)
...and to use for capital expenditure...	(2,515)	(3,362)	(3,703)	(3,373)	(2,592)	(2,010)
...and to make advances (eg, to students)...	(2,919)	(3,167)	(4,435)	(2,751)	(2,230)	(1,999)
...adjusting for forecast adjustments (top down/new spending)...	-	792	484	(419)	(1,225)	(1,521)
...results in a residual cash surplus/(deficit)...	<b>1,346</b>	<b>(2,785)</b>	<b>(4,191)</b>	<b>(4,252)</b>	<b>(583)</b>	<b>1,165</b>
...when combined with opening net core Crown debt...	59,480	57,495	60,299	64,695	69,226	69,861
...and other fair value movements in financial assets and financial liabilities...	(639)	19	205	279	52	(241)
...results in a closing net core Crown debt...	<b>57,495</b>	<b>60,299</b>	<b>64,695</b>	<b>69,226</b>	<b>69,861</b>	<b>68,455</b>
...which as a % of GDP is	<b>19.9%</b>	<b>20.1%</b>	<b>20.4%</b>	<b>20.7%</b>	<b>19.9%</b>	<b>18.7%</b>

Source: The Treasury

Table 17 – Forecast analysis of total Crown expenses by functional classification

<b>Year ending 30 June \$million</b>	<b>2018 Actual</b>	<b>2019 Forecast</b>	<b>2020 Forecast</b>	<b>2021 Forecast</b>	<b>2022 Forecast</b>	<b>2023 Forecast</b>
<b>By functional classification</b>						
Social security and welfare	30,195	33,777	36,183	37,642	39,173	40,660
Health	16,746	17,850	18,975	18,936	19,040	19,072
Education	14,607	15,235	15,868	16,260	16,398	16,591
Core government services	4,495	4,914	5,587	5,054	4,617	4,560
Law and order	4,494	5,182	5,369	5,366	5,432	5,554
Transport and communications	9,940	11,205	11,263	12,313	12,030	12,439
Economic and industrial services	8,928	9,982	10,184	9,860	9,166	9,242
Defence	2,239	2,410	2,532	2,565	2,530	2,490
Heritage, culture and recreation	2,518	2,582	2,772	2,757	2,825	2,838
Primary services	2,134	2,428	2,500	2,312	2,085	2,132
Housing and community development	1,878	2,132	2,339	3,017	3,146	3,022
Environmental protection	1,227	1,123	1,279	1,253	1,476	1,445
GSF pension expenses	163	173	178	160	165	182
Other	299	114	341	412	412	412
Finance costs	4,151	3,987	3,906	4,136	4,115	4,352
Forecast new operating spending	-	265	1,266	4,275	6,964	9,318
Top-down expense adjustment	-	(800)	(1,400)	(500)	(500)	(500)
<b>Total Crown expenses excluding losses</b>	<b>104,014</b>	<b>112,559</b>	<b>119,142</b>	<b>125,818</b>	<b>129,074</b>	<b>133,809</b>

Source: The Treasury

Below is an analysis of core Crown expenses by functional classification. Core Crown expenses include expenses incurred by Ministers, Departments, Offices of Parliament, the NZS Fund and the Reserve Bank, but not Crown entities and SOEs.

*Table 18 – Forecast analysis of core Crown expenses by functional classification*

<b>Year ending 30 June \$million</b>	<b>2018 Actual</b>	<b>2019 Forecast</b>	<b>2020 Forecast</b>	<b>2021 Forecast</b>	<b>2022 Forecast</b>	<b>2023 Forecast</b>
<b>By functional classification</b>						
Social security and welfare	25,999	28,961	30,915	32,360	33,726	34,959
Health	17,159	18,277	19,198	19,119	19,254	19,283
Education	13,629	14,312	14,919	15,318	15,447	15,640
Core government services	4,670	5,326	5,608	5,161	4,917	4,829
Law and order	4,184	4,757	4,890	4,885	4,927	5,050
Transport and communications	2,559	3,212	3,103	3,950	3,366	3,443
Economic and industrial services	2,732	3,028	4,328	3,576	2,901	3,068
Defence	2,251	2,418	2,541	2,573	2,539	2,498
Heritage, culture and recreation	850	913	996	929	920	902
Primary services	807	1,088	1,036	862	680	719
Housing and community development	552	711	897	1,396	1,464	1,335
Environmental protection	1,238	1,125	1,281	1,255	1,478	1,448
GSF pension expenses	150	159	164	146	150	167
Other	299	114	341	412	412	412
Finance costs	3,497	3,434	3,179	3,174	3,041	3,162
Forecast new operating spending	-	265	1,266	4,275	6,964	9,318
Top-down expense adjustment	-	(800)	(1,400)	(500)	(500)	(500)
<b>Total core Crown expenses excluding losses</b>	<b>80,576</b>	<b>87,300</b>	<b>93,262</b>	<b>98,891</b>	<b>101,686</b>	<b>105,733</b>

Source: The Treasury

Table 19 – Net capital expenditure activity

Year ending 30 June \$billions	2018 Actual	2019 Forecast	2020 Forecast	2021 Forecast	2022 Forecast	2023 Forecast	5-year Total
Education	0.8	0.8	1.2	1.2	1.0	0.8	5.0
Defence	0.5	0.8	1.3	1.3	0.8	0.5	4.7
Corrections	0.2	0.5	0.2	0.1	0.1	0.1	1.0
Health	0.3	0.2	0.1	-	-	-	0.3
Police	0.1	0.1	0.1	0.1	0.1	0.1	0.5
Inland Revenue	0.1	0.1	0.2	0.2	-	-	0.5
Other	0.5	0.8	0.6	0.5	0.7	0.5	3.1
<b>Net purchase of physical assets</b>	<b>2.5</b>	<b>3.3</b>	<b>3.7</b>	<b>3.4</b>	<b>2.7</b>	<b>2.0</b>	<b>15.1</b>
Student loans	-	(0.1)	(0.1)	(0.1)	(0.1)	-	(0.4)
Housing infrastructure fund	-	0.1	0.2	0.2	0.2	0.1	0.8
PGF loans	-	-	0.7	0.2	-	-	0.9
Other	0.1	0.1	-	0.3	-	(0.1)	0.3
<b>Net advances</b>	<b>0.1</b>	<b>0.1</b>	<b>0.8</b>	<b>0.6</b>	<b>0.1</b>	<b>-</b>	<b>1.6</b>
NZTA	1.6	1.2	1.0	0.3	0.9	0.8	4.2
City Rail Link	0.3	0.1	0.5	0.4	0.4	0.4	1.8
District Health Boards	0.1	0.5	0.6	0.4	0.5	0.6	2.6
Crown Infrastructure Partners	0.1	0.3	0.2	0.2	0.1	-	0.8
KiwiRail	0.4	0.4	0.7	0.6	-	-	1.7
Southern Response	0.2	0.2	0.1	-	-	-	0.3
Ōtākaro	-	0.1	0.2	0.1	-	-	0.4
Tamaki	-	0.1	-	0.1	0.1	-	0.3
Other	0.1	0.2	0.3	0.1	0.1	0.2	0.9
<b>Net investments</b>	<b>2.8</b>	<b>3.1</b>	<b>3.6</b>	<b>2.2</b>	<b>2.1</b>	<b>2.0</b>	<b>13.0</b>
Future new capital spending	-	0.5	0.5	1.0	1.5	1.7	5.2
Top-down capital adjustment	-	(1.3)	(1.0)	(0.6)	(0.3)	(0.2)	(3.4)
Contribution to NZS Fund	0.5	1.0	1.5	2.1	2.4	2.6	9.6
<b>Net capital spending</b>	<b>5.9</b>	<b>6.7</b>	<b>9.1</b>	<b>8.7</b>	<b>8.5</b>	<b>8.1</b>	<b>41.1</b>

Source: The Treasury

Table 20 – Sovereign revenue

Year ending 30 June \$millions	2018 Actual	2019 Forecast	2020 Forecast	2021 Forecast	2022 Forecast	2023 Forecast
<b>Direct taxation</b>						
Individuals tax	35,997	37,409	40,528	43,394	45,840	48,582
Corporate tax	13,495	14,835	14,504	15,344	16,014	16,851
Other direct income tax	2,284	2,356	2,471	2,759	3,240	3,635
<b>Total direct income tax</b>	<b>51,776</b>	<b>54,600</b>	<b>57,503</b>	<b>61,497</b>	<b>65,094</b>	<b>69,068</b>
<b>Indirect taxation</b>						
Goods and services tax	20,813	21,976	23,362	24,892	26,258	27,594
Other indirect taxation	7,007	7,381	7,676	7,921	7,991	8,085
<b>Total indirect tax</b>	<b>27,820</b>	<b>29,357</b>	<b>31,038</b>	<b>32,813</b>	<b>34,249</b>	<b>35,679</b>
<b>Total taxation revenue</b>	<b>79,596</b>	<b>83,957</b>	<b>88,541</b>	<b>94,310</b>	<b>99,343</b>	<b>104,747</b>
Other sovereign revenue	5,223	5,827	6,027	6,233	6,533	6,731
<b>Total sovereign revenue</b>	<b>84,819</b>	<b>89,784</b>	<b>94,568</b>	<b>100,543</b>	<b>105,876</b>	<b>111,478</b>

Source: The Treasury

## Time series of fiscal and economic indicators

Table 21 – Fiscal indicators

June Years	2009 Actual	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Actual	2018 Actual	2019 Forecast	2020 Forecast	2021 Forecast	2022 Forecast	2023 Forecast
\$millions															
<b>Revenue and expenses</b>															
Core Crown tax revenue	54,681	50,744	51,557	55,081	58,651	61,563	66,636	70,445	75,644	80,224	84,650	89,245	95,089	100,172	105,595
Core Crown revenue	59,191	55,757	57,199	60,428	63,805	67,093	72,213	76,121	81,782	86,778	91,599	96,427	102,926	108,123	113,827
Core Crown expenses	63,711	63,554	70,099	68,939	69,962	71,174	72,363	73,929	76,339	80,576	87,300	93,262	98,891	101,686	105,733
<b>Operating balances</b>															
Total Crown OBEGAL	(3,893)	(6,315)	(18,396)	(9,240)	(4,414)	(2,802)	414	1,831	4,069	5,534	3,465	1,313	2,131	4,683	6,146
Total Crown operating balance	(10,505)	(4,509)	(13,360)	(14,897)	6,925	2,939	5,771	(5,369)	12,317	8,396	(284)	4,680	5,916	8,972	10,890
<b>Cash</b>															
Core Crown residual cash	(8,639)	(9,000)	(13,343)	(10,644)	(5,742)	(4,109)	(1,827)	(1,322)	2,574	1,346	(2,785)	(4,191)	(4,252)	(583)	1,165
<b>Debt</b>															
Gross debt	43,356	53,591	72,420	79,635	77,984	81,956	86,125	86,928	87,141	88,053	83,287	86,845	88,445	96,775	92,900
Gross debt incl RB settlement cash and bank bills	50,973	58,891	77,290	84,168	84,286	88,468	93,156	93,283	92,620	95,437	89,046	92,604	94,204	102,534	98,659
Net core Crown debt (incl NZS Fund)	5,633	12,549	23,969	33,475	34,428	34,174	30,862	32,102	23,619	19,460	18,356	18,684	17,355	11,444	3,087
Net core Crown debt	17,119	26,738	40,128	50,671	55,835	59,931	60,631	61,880	59,480	57,495	60,299	64,695	69,226	69,861	68,455
Total borrowings	61,953	69,733	90,245	100,534	100,087	103,419	112,580	113,956	111,806	115,652	112,057	118,125	121,215	131,309	130,582
<b>Net worth</b>															
Total Crown net worth	99,515	94,988	80,887	59,780	70,011	80,697	98,236	95,521	116,472	135,637	136,166	140,748	146,681	155,703	166,605
Total net worth attributable to the Crown	99,068	94,586	80,579	59,348	68,071	75,486	86,454	89,366	110,532	129,644	129,999	134,730	140,747	149,833	160,825
<b>Nominal expenditure GDP (revised actuals)</b>															
% GDP	189,507	196,728	205,801	215,122	218,759	236,650	244,822	257,204	273,340	288,812	299,713	316,957	334,009	350,210	366,568
<b>Revenue and expenses</b>															
Core Crown tax revenue	28.9	25.8	25.1	25.6	26.8	26.0	27.2	27.4	27.7	27.8	28.2	28.2	28.5	28.6	28.8
Core Crown revenue	31.2	28.3	27.8	28.1	29.2	28.4	29.5	29.6	29.9	30.0	30.6	30.4	30.8	30.9	31.1
Core Crown expenses	33.6	32.3	34.1	32.0	32.0	30.1	29.6	28.7	27.9	27.9	29.1	29.4	29.6	29.0	28.8
<b>Operating balances</b>															
Total Crown OBEGAL	(2.1)	(3.2)	(8.9)	(4.3)	(2.0)	(1.2)	0.2	0.7	1.5	1.9	1.2	0.4	0.6	1.3	1.7
Total Crown operating balance	(5.5)	(2.3)	(6.5)	(6.9)	3.2	1.2	2.4	(2.1)	4.5	2.9	(0.1)	1.5	1.8	2.6	3.0
<b>Cash</b>															
Core Crown residual cash	(4.6)	(4.6)	(6.5)	(4.9)	(2.6)	(1.7)	(0.7)	(0.5)	0.9	0.5	(0.9)	(1.3)	(1.3)	(0.2)	0.3

June Years	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	
	Actual	Forecast	Forecast	Forecast	Forecast	Forecast										
<b>Debt</b>																
Gross debt	22.9	27.2	35.2	37.0	35.6	34.6	35.2	33.8	31.9	30.5	27.8	27.4	26.5	27.6	25.3	
Gross debt incl RB settlement cash and bank bills	26.9	29.9	37.6	39.1	38.5	37.4	38.1	36.3	33.9	33.0	29.7	29.2	28.2	29.3	26.9	
Net core Crown debt (incl NZS Fund)	3.0	6.4	11.6	15.6	15.7	14.4	12.6	12.5	8.6	6.7	6.1	5.9	5.2	3.3	0.8	
Net core Crown debt	9.0	13.6	19.5	23.6	25.5	25.3	24.8	24.1	21.8	19.9	20.1	20.4	20.7	19.9	18.7	
Total borrowings	32.7	35.4	43.9	46.7	45.8	43.7	46.0	44.3	40.9	40.0	37.4	37.3	36.3	37.5	35.6	
<b>Net worth</b>																
Total Crown net worth	52.5	48.3	39.3	27.8	32.0	34.1	40.1	37.1	42.6	47.0	45.4	44.4	43.9	44.5	45.4	
Total net worth attributable to the Crown	52.3	48.1	39.2	27.6	31.1	31.9	35.3	34.7	40.4	44.9	43.4	42.5	42.1	42.8	43.9	

Sources: The Treasury, Stats NZ

Table 22 – Economic indicators

June Years	2009		2010		2011		2012		2013		2014		2015		2016		2017		2018		2019		2020		2021		2022		2023					
	Annual average % change	Actual																																
Private consumption	-1.0	2.3	2.0	3.5	2.4	3.4	3.2	4.3	5.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6		
Public consumption	3.3	-0.4	2.5	0.8	0.0	3.0	3.3	1.5	2.6	3.0	3.0	3.0	3.3	1.9	4.2	4.2	1.8	0.9	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0		
<b>Total consumption</b>	0.1	1.6	2.2	2.8	1.8	3.3	3.2	3.7	4.9	3.5	3.5	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2		
Residential investment	-22.0	-2.5	-3.1	10.2	18.2	13.1	6.3	9.9	4.2	2.6	3.4	5.2	5.2	3.4	5.2	5.2	5.4	3.4	2.0	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	
Business investment	-8.9	-8.0	8.2	6.0	0.8	9.3	6.9	2.4	2.1	6.8	0.7	3.8	3.8	0.7	3.8	3.8	3.6	2.4	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	
<b>Total investment</b>	-12.1	-6.8	5.6	6.8	4.6	10.2	6.7	4.3	2.6	5.6	1.4	4.2	4.2	1.4	4.2	4.2	4.1	2.7	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	
Stock change (contribution to growth)	-1.4	0.9	-0.1	0.1	-0.3	0.4	0.0	-0.3	0.3	-0.1	-0.2	-0.1	-0.1	-0.2	-0.1	-0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
<b>Gross national expenditure</b>	-4.2	0.7	2.7	4.0	2.2	4.7	3.8	3.3	4.7	4.1	2.7	3.2	3.2	2.7	3.2	3.2	3.1	2.4	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	
Exports	-2.9	4.8	2.2	2.1	3.0	0.3	6.2	5.4	0.3	3.6	2.7	3.1	2.8	2.5	2.5	2.5	2.8	2.6	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	
Imports	-12.0	-1.0	11.4	4.4	2.6	9.0	6.6	1.1	6.1	7.9	2.1	3.9	3.4	2.3	2.2	2.2	3.4	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	
<b>Expenditure on GDP</b>	-1.4	2.7	0.2	3.3	2.3	2.3	3.8	4.4	3.1	2.9	2.5	3.1	2.9	2.5	3.1	2.9	2.5	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	
<b>GDP (production measure)</b>	-1.6	1.0	1.1	2.8	2.2	2.7	4.0	3.6	3.4	3.2	2.4	3.0	2.8	2.4	3.0	2.8	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	
- annual % change	-2.1	2.8	0.9	2.6	2.4	2.9	3.9	4.0	3.0	3.2	2.1	3.2	2.6	2.1	3.2	2.6	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	
Real GDP per capita	-2.5	-0.2	0.1	2.1	1.5	1.6	2.2	1.6	1.2	1.1	0.7	1.5	1.5	0.7	1.5	1.5	1.5	1.3	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	
Nominal GDP (expenditure basis)	0.3	3.8	4.6	4.5	1.7	8.2	3.5	5.1	6.3	5.7	3.8	5.8	5.4	3.8	5.8	5.4	4.9	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7	
GDP deflator	1.6	1.1	4.4	1.2	-0.6	5.8	-0.3	0.6	3.1	2.7	1.2	2.5	2.4	1.2	2.5	2.4	2.3	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	
Output gap (% deviation, June year average)	-0.6	-1.2	-1.8	-1.1	-1.3	-1.3	-0.4	0.1	0.4	0.6	0.1	0.3	0.4	0.1	0.3	0.4	0.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Employment	-0.2	-1.3	1.5	0.9	0.2	3.2	3.2	2.3	5.2	3.7	2.3	1.9	1.7	2.3	1.9	1.7	1.4	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3
Unemployment (% June quarter s.a.)	5.7	6.5	6.0	6.3	5.9	5.2	5.4	5.0	4.7	4.4	4.1	4.0	4.1	4.1	4.0	4.1	4.2	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	
Wages (average ordinary-time hourly, ann % change)	4.7	1.1	3.0	2.9	2.1	2.5	2.7	2.1	1.6	3.0	3.3	3.2	3.5	3.3	3.2	3.5	3.5	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	
CPI inflation (ann % change)	1.9	1.7	5.3	1.0	0.7	1.6	0.4	0.4	1.7	1.5	1.8	2.0	2.1	1.8	2.0	2.1	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	
Merchandise terms of trade (SNA basis)	-4.3	-3.0	9.7	-1.7	-3.8	16.4	-4.7	-2.7	5.0	4.7	-1.8	0.2	0.1	-1.8	0.2	0.1	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	
House prices (ann % change)	-3.2	3.4	-0.2	4.0	8.9	6.3	11.8	15.0	6.5	3.6	2.9	3.8	4.2	2.9	3.8	4.2	4.3	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	
Current account balance - \$billion	-9.4	-3.5	-6.0	-7.7	-7.9	-5.9	-8.4	-5.8	-7.4	-9.8	-10.1	-10.8	-11.4	-10.1	-10.8	-11.4	-11.7	-12.2	-12.2	-12.2	-12.2	-12.2	-12.2	-12.2	-12.2	-12.2	-12.2	-12.2	-12.2	-12.2	-12.2	-12.2	-12.2	
Current account balance - % of GDP	-4.9	-1.8	-2.9	-3.6	-3.6	-2.5	-3.4	-2.2	-2.7	-3.4	-3.4	-3.4	-3.4	-3.4	-3.4	-3.4	-3.3	-3.3	-3.3	-3.3	-3.3	-3.3	-3.3	-3.3	-3.3	-3.3	-3.3	-3.3	-3.3	-3.3	-3.3	-3.3		
TWI (June quarter)	62.3	68.6	70.8	72.4	76.3	81.5	76.2	73.6	76.5	73.8	73.7	73.7	73.8	73.7	73.7	73.8	74.0	74.1	74.1	74.1	74.1	74.1	74.1	74.1	74.1	74.1	74.1	74.1	74.1	74.1	74.1	74.1	74.1	
90-day bank bill rate (June quarter)	2.9	2.9	2.7	2.6	2.6	3.4	3.5	2.4	2.0	2.0	1.8	1.9	2.3	1.8	1.9	2.3	2.5	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6		
10-year bond rate (June quarter)	5.6	5.7	5.3	3.7	3.5	4.4	3.6	2.7	2.9	2.8	1.9	2.3	2.5	1.9	2.3	2.5	2.7	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9		

Data for 2019 and subsequently are forecasts. Data for 2018 and prior years are those that were available when the forecasts were finalised.

Sources: The Treasury, Stats NZ

# GLOSSARY

## Consumers Price Index (CPI)

Statistics New Zealand's official index to measure the rate of change in prices of goods and services purchased by households. Core or underlying inflation measures exclude or give little weight to extreme or irregular price movements.

## Core Crown

A reporting segment consisting of the Crown, departments, Offices of Parliament, the NZS Fund and the Reserve Bank.

## Core Crown expenses

The day-to-day spending (eg, public servants' salaries, welfare benefit payments, finance costs and maintaining national defence etc) that does not build or purchase physical assets by the core Crown. This is an accrual measure of expenses and includes non-cash items such as depreciation on physical assets.

## Core Crown revenue

Consists primarily of tax revenue collected by the Government but also includes investment income, sales of goods and services and other revenue of the core Crown.

## Financial assets

Any asset that is cash, an equity instrument of another entity (shares), a contractual right to receive cash or shares (taxes receivable and Accident Compensation Corporation (ACC) levies) or a right to exchange a financial asset or liability on favourable terms (derivatives in gain).

## Financial liabilities

Any liability that is a contractual obligation to pay cash (government stock, accounts payable) or a right to exchange a financial asset or liability on unfavourable terms (derivatives in loss).

## Fiscal intentions (short-term)

Indications of the Government's intentions for operating expenses, operating revenues and the impact of its intentions on the operating balance, debt and net worth over (at least) the next three years. These intentions are required under the Public Finance Act 1989 (PFA).

## Fiscal objectives (long-term)

The Government's long-term goals for operating expenses, operating revenue, the operating balance, debt and net worth, as required by the PFA. The objectives must be consistent with the defined principles of responsible fiscal management as outlined in the PFA and must cover a period of (at least) 10 years.

## Gross debt

Represents debt issued by the sovereign (the core Crown) and includes any government stock held by the NZS Fund, ACC and the Earthquake Commission (EQC), but excludes settlement cash and bank bills.

**Gross domestic product (GDP)**

A measure of the value-added of all goods and services produced in New Zealand. Changes in GDP measure growth or contraction in economic activity or output. GDP can be measured on either an expenditure or production basis and in either real or nominal terms.

**Labour productivity**

Output per unit of labour input (where labour inputs might be measured as hours worked or the number of people employed).

**Multifactor productivity**

Multifactor productivity (MFP) relates a change in output to several types of inputs, typically capital and labour. MFP is often measured residually, as the change in output that cannot be accounted for by the change in combined inputs.

**Net core Crown debt**

Net core Crown debt provides information about the sustainability of the Government's accounts and is used by some international rating agencies when determining the creditworthiness of a country. It represents gross debt less core Crown financial assets (excluding advances and financial assets held by the NZS Fund).

**Net worth**

Total assets less total liabilities of all Government reporting entities. The change in net worth in any given forecast year is largely driven by the operating balance and property, plant and equipment revaluations.

**Net worth attributable to the Crown**

Represents the Crown's share of total assets and liabilities and excludes minority interests' share of those assets and liabilities.

**Operating balance**

Represents OBEGAL (refer below) plus gains and less losses. The operating balance includes gains and losses not reported directly as a movement against net worth. The impact of gains and losses on the operating balance can be subject to short-term market volatility and revaluations of long-term liabilities.

**Operating balance before gains and losses (OBEGAL)**

Represents total Crown revenue less total Crown expenses, excluding minority interest share. OBEGAL can provide a more useful measure of underlying stewardship than the operating balance as short-term market fluctuations are not included in the calculation.

**Projections**

Projections relate to the period beyond the five-year forecast period and are based on long-run economic and fiscal assumptions. For example, the projections assume no economic cycle and constant long-run interest, inflation and unemployment rates.

**Year ended**

Graphs and tables within this document use different expressions of the timeframe. While some tables may refer to the end of the tax year (31 March), others will refer to the end of the Government's financial year (30 June). For example, unless otherwise stated references to 2018/19 or 2019 will mean the end of the financial year.

## GUIDE TO THE BUDGET DOCUMENTS

A number of documents are released on Budget day. The purpose of these documents is to provide information about the Government's fiscal intentions for the year ahead and the wider fiscal and economic picture. The documents released on Budget day are as follows:

### Budget at a Glance

The Budget at a Glance is an overview of the Budget information and contains the main points for the media and public. This summarises the Government's spending decisions and key points raised in the *Budget Speech*, the *Wellbeing Budget*, and the *Budget Economic and Fiscal Update*.

### The Wellbeing Budget

The *Wellbeing Budget* is the main source of Budget information. It sets out the Government's priorities for the Budget, the approach taken to develop it, and all new initiatives included in Budget 2019. It also contains reports on fiscal strategy and child poverty, as required under the Public Finance Act 1989. These outline respectively the Government's short-term fiscal intentions and long-term fiscal objectives, and how the Government is progressing towards its child poverty targets.

### Budget Speech

The *Budget Speech* is the Budget Statement the Minister of Finance delivers at the start of Parliament's Budget debate. The Budget Statement generally focuses on the overall fiscal and economic position, the Government's policy priorities and how those priorities will be funded.

### Summary of Budget Initiatives

The *Summary of Budget Initiatives* lists and describes the new initiatives included in Budget 2019. It lists all initiatives by both Budget priority and portfolio.

### Budget Economic and Fiscal Update

The *Update* includes the Treasury's economic forecasts and the forecast financial statements of the Government incorporating the financial implications of Government decisions and other information relevant to the fiscal and economic outlook. The *Update* also discusses key risks to the economic and fiscal forecasts.

### The Estimates of Appropriations

The *Estimates* outline, for the financial year about to start (the Budget year), expenses and capital expenditure the Government plans to incur on specified areas within each Vote, and capital injections it plans to make to individual departments. The *Estimates* are organised into 10 sector volumes, with each Vote allocated to one sector. Supporting information in the *Estimates* summarises the new policy initiatives and trend information for each Vote and provides information on what is intended to be achieved with each appropriation in a Vote and how performance against each appropriation will be assessed and reported on after the end of the Budget year.

Also released on Budget day:

### The Supplementary Estimates of Appropriations

The *Supplementary Estimates* outline the additional expenses, capital expenditure and capital injections to departments required for the financial year about to end. Supporting information for each Vote provides reasons for the changes to appropriations during the year, related changes in performance information and full performance information for new appropriations.

To download these documents and explore additional interactive content visit [www.budget.govt.nz](http://www.budget.govt.nz)



© Crown copyright

This work is licensed under the Creative Commons Attribution 4.0 International licence. In essence, you are free to copy, distribute a <https://creativecommons.org/licenses/by/4.0/>. Please note that no departmental or governmental emblem, logo or Coat of Arms may be used in any way which infringes any provision of the Flags, Emblems, and Names Protection Act 1981. Attribution to the Crown should be in written form and not by reproduction of any such emblem, logo or Coat of Arms.

#### ISBN:

978-1-98-858041-8 (print)  
978-1-98-858042-5 (online)

#### Permanent URL:

[treasury.govt.nz/publications/wellbeing-budget/wellbeing-budget-2019](http://treasury.govt.nz/publications/wellbeing-budget/wellbeing-budget-2019)

#### Budget 2019 website URL:

[budget.govt.nz/budget/2019/wellbeing](http://budget.govt.nz/budget/2019/wellbeing)