

Wellbeing Budget 2021

Securing Our Recovery



Budget at a Glance

20 May 2021



Wellbeing
Budget 2021
**SECURING OUR
RECOVERY**

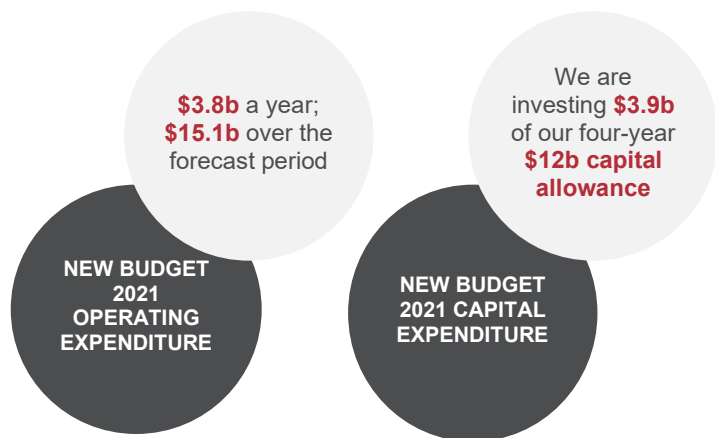
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New Zealand Government

WELLBEING BUDGET 2021: SECURING OUR RECOVERY

*Budget 2021 supports the long-term wellbeing of New Zealanders by making **significant progress towards our Government priorities** this term to:*

- continue to **keep Aotearoa New Zealand safe from COVID-19**
- **accelerate the recovery and rebuild** from the impacts of COVID-19, and
- **lay the foundations for the future**, including addressing key issues, such as our climate change response, housing affordability and child poverty.



In addition to a core **\$3.8 billion operating per year Budget 2021** package, we are funding a number of initiatives from the COVID-19 Response and Recovery Fund (CRRF) to **support our recovery and rebuild from COVID-19**. The CRRF retains a \$5.1 billion buffer for us to respond to future resurgences of COVID-19.

WELLBEING BUDGET 2021: KEY HIGHLIGHTS

Lifting weekly main benefit rates by between \$32 and \$55 per adult to **tackle inequality and child poverty**, as well as **reinstating the Training Incentive Allowance**

\$300 million to recapitalise New Zealand Green Investment Finance to continue to **invest in support of climate change mitigation**, with a particular focus on decarbonising public transport, waste and plastics

Infrastructure investment totals **\$57.3 billion** over the next five years, and to increase housing supply we are investing **\$3.8 billion in a Housing Acceleration Fund**

Just under **\$1.5 billion** allocated for the **COVID-19 Vaccine and Immunisation Programme**, which provides fully funded, free COVID-19 vaccines

Investing **\$4.7 billion in Health**, which includes more funding for PHARMAC, plus the transition to a new health system and establishment of a **Māori Health Authority**

WELLBEING OVERVIEW

Our *third Wellbeing Budget* continues to build on progress from our previous Budgets, by focusing spending on areas that will support enduring, intergenerational change, giving people the capabilities to live lives of purpose, balance and meaning.

Enduring Wellbeing Objective	What we are doing through Budget 2021
Just Transition Supporting the transition to a climate-resilient, sustainable and low-emissions economy , while building back from COVID-19.	Setting New Zealand up for success by reducing emissions by funding transitions in areas such as transport, agricultural research, and increasing our commitment to New Zealand Green Investment Finance to better mitigate the impacts of climate change.
Future of Work Enabling all New Zealanders and New Zealand businesses to benefit from new technologies and lift productivity and wages through innovation, and support into employment those most affected by COVID-19, including women and young people.	We also continue to invest heavily in education , skills and training to build back better. For example, by providing a digital skills programme and training support so industries, businesses and workers have the skills they need to succeed in an increasingly evolving digital environment.
Physical and Mental Wellbeing Supporting improved health outcomes for all New Zealanders and keeping COVID-19 out of our communities.	Continuing to strengthen the health system to meet the evolving needs of the population through addressing pressures in, and reforming, the health and disability system.
Māori and Pacific Lifting Māori and Pacific incomes , skills and opportunities and combatting the impacts of COVID-19.	Supporting Māori and Pacific peoples , particularly in housing and health, to develop solutions that are driven by Māori and Pacific communities.
Child Wellbeing Reducing child poverty and improving child wellbeing .	Supporting families and whānau to provide the essentials needed to support their children's wellbeing through income support measures and supporting more families and whānau into warm, dry housing.

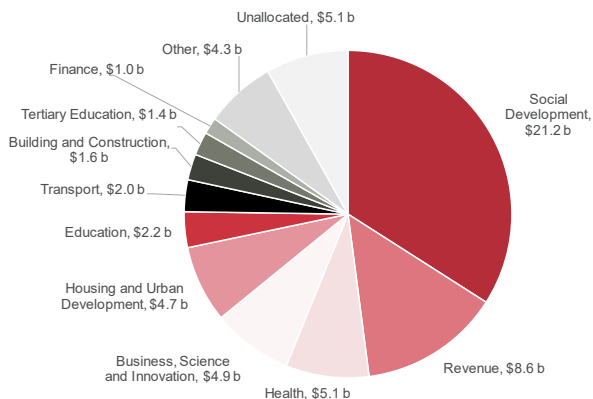
COVID-19 RESPONSE AND RECOVERY FUND

\$4.6 billion of funding from the COVID-19 Response and Recovery Fund has been allocated through Budget 2021 for initiatives that support our response to, and recovery from, COVID-19.

To support our ongoing rebuild from COVID-19, we have funded the **\$3.8 billion Housing Acceleration Fund** from the CRRF. Just as we have **stamped out community spread** and **supported businesses and workers**, it is important that we continue to deliver on key initiatives that support New Zealand's economic recovery, rebuild and long-term wellbeing.

\$5.1 billion remains in the CRRF as a contingency to respond to further outbreaks, should they occur, and to continue our economic rebuild.

COVID-19 support



KEEPING NEW ZEALANDERS SAFE FROM COVID-19

*We have to continue to keep New Zealanders safe and confident about how we will manage a COVID-19 resurgence. **\$5.1 billion remains in the COVID-19 Response and Recovery Fund for this purpose.***

Where public services have been affected by COVID-19, **we've invested to maintain service levels, ensuring essential operations can keep going.** The CRRF has given support to ensure businesses and public services keep operating. It is now contributing to important parts of our recovery programme.

COVID-19 Vaccine Rollout

Our top priority this year is to ensure all New Zealanders who wish are able to get free, fair and equitable access to a COVID-19 vaccine. We have **already allocated \$1.5 billion** from the CRRF **to support the rollout of the COVID-19 vaccine programme** in New Zealand. This will provide enough of the Pfizer vaccine for all New Zealanders who wish to get the two doses they need to be protected, free of charge.

Managed Isolation and Quarantine and Other Border Services

Managed isolation and quarantine (MIQ) services at the border ensure **New Zealanders and key workers are able to come home and enter the country**, while keeping Aotearoa New Zealand safe from community transmission of COVID-19.

We have **already provided funding** from the CRRF to support the MIQ of arrivals at the New Zealand border. **\$333 million total in additional operating and capital funding** from the CRRF has been agreed through the Budget process to support the ongoing management of MIQ and other border services.

Looking Ahead

While Aotearoa New Zealand has successfully resumed normal economic activity, many other countries are struggling with the health and economic impacts of COVID-19, making the global economic outlook more uncertain.

Opportunities, like quarantine-free travel between Australia and New Zealand and New Zealand and the Cook Islands, will enable further economic activity and support our economic recovery, while keeping COVID-19 out of our communities. We will continue to seek opportunities for businesses and New Zealanders, while also protecting New Zealanders' wellbeing against a COVID-19 resurgence.

ACCELERATING OUR RECOVERY AND REBUILD

We are driving our economic recovery through investment in business, infrastructure, and tourism support.

Ongoing Investment in Infrastructure

\$57.3b
capital

Our Crown infrastructure investment over the next four years now totals \$57.3 billion. **Infrastructure is at the core of our economic recovery plan.** As we began this term, we already had a record \$42 billion of infrastructure investment in progress over the next four years in roads and rail, schools and hospitals, housing and energy generation – **Budget 2021 adds considerably to this investment.**

Future of Rail Initiatives

\$1.3b
operating
and capital

Provides funding for three Future of Rail initiatives that support the procurement of 60 new locomotives and 1,900 new wagons, provide a top-up to the National Land Transport Fund to help restore a resilient and reliable rail network, and provide working capital for KiwiRail to ensure the maintenance of core freight, tourism, property and ICT assets.

Tourism Communities: Support, Recovery and Re-set Plan

\$200m
operating
and capital

Funded from the COVID-19 Response and Recovery Fund, our \$200 million Tourism Communities: Support, Recovery and Re-set Plan provides support for those communities that are most reliant on international tourism, as well as for the tourism sector nationwide, to enable the reset of tourism in response to COVID-19 to be more sustainable and resilient.

Small Business Digital Training, Advisory and Support Programme

\$44m
operating

This funding will enable a partnership with the private sector to deliver a two-year nationwide programme to supply core digital business skills training to New Zealand small businesses.

LAYING THE FOUNDATIONS FOR A BETTER FUTURE

We are supporting the long-term wellbeing of New Zealanders by making progress in the areas of child wellbeing, housing, and climate change.

Main Benefit Increases to Tackle Inequality and Child Poverty

We are **lifting weekly main benefit rates by between \$32 and \$55 per adult** to bring these in line with a key recommendation of the Welfare Expert Advisory Group and provide an additional boost to families with children.

The increases will be implemented in two stages: an immediate \$20 per adult per week increase on 1 July 2021 and a second increase on 1 April 2022. For families with children, we are increasing main benefit rates by a further \$15 per adult per week to continue to make progress towards our child poverty targets. We are also helping students by increasing student support by \$25 per week on 1 April 2022.

In total, **109,000 families with children will be, on average, \$175 per week better off** as a result of changes made by the Government since late 2017.

Ka Ora, Ka Ako Healthy School Lunches Programme

\$527m

Funded from the COVID-19 Response and Recovery Fund (CRRF), we are continuing the Ka Ora, Ka Ako Healthy School Lunches programme. The programme is currently feeding around 144,000 young people in 660 schools nationwide. Continuing the programme will make a substantial contribution to our recovery from COVID-19 by reducing food insecurity and supporting 2,000 jobs in the community.

operating

Reinstating the Training Incentive Allowance for Levels 4 to 7 on the New Zealand Qualifications Framework

\$153m

As part of our recovery from COVID-19, we are providing four years of funding to support around 16,000 sole parents, disabled people and carers receiving eligible benefits with study costs.

operating

Housing Acceleration Fund

\$2.1b

We are committed to increasing the pace and scale of new housing supply by supporting the provision of infrastructure and housing and expanding the Land for Housing Programme. This initiative is funded from the CRRF, as part of our ongoing rebuild from COVID-19.

operating

\$1.7b

capital

Warmer Kiwi Homes

\$120m

This funding will deliver more insulation and heating retrofits for low-income homeowners through the Warmer Kiwi Homes programme. The Warmer Kiwi Homes programme will improve the wellbeing of New Zealanders by reducing emissions, while improving health outcomes for New Zealanders with lower incomes.

operating

Recapitalising New Zealand Green Investment Finance Ltd

\$300m

Recapitalises New Zealand Green Investment Finance Ltd at a critical time for investment in climate change mitigation in New Zealand, as we move to implement our first Emissions Reduction Plan this year.

capital

LAYING THE FOUNDATIONS FOR A BETTER FUTURE

*Budget 2021 invests in **strong public services** and essential reforms to address pressing issues Aotearoa New Zealand is facing.*

Reform of the Tomorrow's Schools System

\$185m

Budget 2021 provides funding for the first year of a multi-year investment to reform our current schooling model. The reform of the Tomorrow's Schools system will put more frontline support closer to schools to give every child the best chance to succeed.

operating
\$54m
capital

Pay Parity for Teachers in Education and Care Services

\$170m

Provides funding towards moving qualified and certified teachers in education and care services closer towards pay parity with kindergarten teacher pay.

operating

Health and Disability System Reform

\$485m

Provides core initial funding to implement a **new health system operating model**. This includes:

- continuation of funding for the Transition Unit in the Department of the Prime Minister and Cabinet to oversee reform
- early establishment entities at national and sub-national levels (Health New Zealand, a **Māori Health Authority**, iwi/Māori partnership boards), as well as to prototype Locality Health and Wellbeing Networks, and
- an initial commissioning budget for a Māori Health Authority to invest in hauora Māori.

operating
\$1m
capital

Supporting DHBs – Cost and Volume Pressures

\$2.7b

Supports improved overall health for all New Zealanders through the health and disability services provided by District Health Boards (DHBs). This will enable DHBs to continue providing health services for New Zealand's growing and changing population in the face of inflation and other pressures.

operating

District Health Boards' Capital Investment

\$700m

Budget 2021 provides funding for priority capital projects within the health sector. This will support the delivery of safe and appropriate healthcare by providing facilities, infrastructure and technology that can appropriately meet demand.

capital

MĀORI AND PACIFIC OPPORTUNITIES

As we rebuild our economy, it is crucial for Aotearoa New Zealand that we work in partnership with Māori as Treaty partners and with Pacific peoples to achieve their aspirations and ensure long-lasting equitable outcomes.

Funding for Māori Health

\$243m

operating

Budget 2021 provides \$225 million operating funding for a **Māori Health Authority**, including funding for this Authority to invest in hauora Māori services. Budget 2021 also provides \$18 million operating funding to establish **iwi/Māori partnership boards**.

Whai Kāinga Whai Oranga

\$380m

operating

Our \$380 million investment in Māori housing solutions will not only deliver better housing opportunities for Māori but will also empower iwi, hapū and Māori housing providers to build the skills they will need to continue delivering housing solutions. This funding will see the delivery of new housing and repairs to existing stock for Māori across Aotearoa New Zealand.

Building a Sustainable Māori Media Sector – Programme Content

\$42m

operating

Supports the continued development of innovative, local, Māori media content in collaboration with independent producers, Māori Television and iwi radio stations, to deliver on the priorities and goals of the Government's Māori Language Strategy (Maihi Karauna).

Establishing the Pacific Wellbeing Strategy to Lift Pacific Wellbeing and Aspirations

\$7m

operating

Establishes a cross-government Pacific Wellbeing Strategy to lift outcomes for Pacific peoples, including by creating a Pacific Wellbeing Outcomes Framework and building Pacific cultural competency and engagement across government.

Other Pacific Peoples' Initiatives

\$67m

operating

Initiatives to support economic development for Pacific communities, continue Tupu Aotearoa to support Pacific peoples into employment, training and education opportunities, and provide funding for bilingual and language immersion education programmes.

\$1m

capital

A STRONG ECONOMY IN CHALLENGING TIMES

New Zealand's economy is recovering strongly from the COVID-19 pandemic

New Zealand's recovery from the biggest economic contraction in our history has been quicker than expected, supported by the strong and early response from the Government to save the lives and livelihoods of New Zealanders.

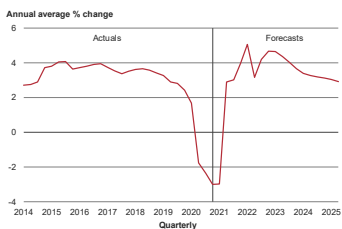
Following the sharpest fall in real GDP on record due to COVID-19, **the economy rebounded with robust growth** and Aotearoa New Zealand's recovery compares favourably with other developed countries.

New Zealand's strong recovery is expected to continue

The Treasury forecasts annual average real GDP growth of 2.9 percent in the year ending June 2021, rising further to 3.2 percent and 4.4 percent in the following years.

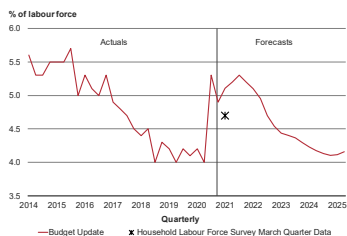
Our Wage Subsidy Scheme, which supported nearly 1.8 million jobs by helping people to stay connected to their employers, **helped to prevent a rapid increase in unemployment.** The unemployment rate increased to only 5.2 percent in the September 2020 quarter, before declining to 4.7 percent in the March 2021 quarter.

Real GDP growth



Sources: The Treasury, Stats NZ

Unemployment rate



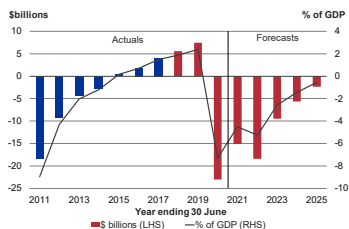
Sources: The Treasury, Stats NZ

FISCAL OUTLOOK

Our strong fiscal position gives us options

Our **careful management of the economy** means that the operating balance deficit reduces to less than 1 percent by the end of the forecast period and net debt stays under 50 percent. This gives us a greater ability to continue our record infrastructure plans to boost productivity, create jobs and secure the recovery from COVID-19.

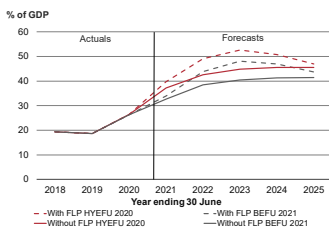
OBEGAL*



Source: The Treasury

* OBEGAL – Operating balance before gains and losses
 FLP – Funding for Lending Programme
 HYEUFU – Half Year Economic and Fiscal Update
 BEFU – Budget Economic and Fiscal Update

Net core Crown debt*



Source: The Treasury

With this and the **long-term wellbeing of New Zealanders** in mind, we have increased our Budget allowances across the forecast period. These allowances enable us to fund important investments based on our wellbeing approach, both at Budget 2021 and future Budgets.

\$billions	Budget 2021	Budget 2022	Budget 2023	Budget 2024
Operating allowances at Budget 2021 (per year)	3.8	2.7	2.7	2.7
Multi-year capital allowance (total)	12.0			

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