

The Treasury

Budget 2021 Information Release

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Cabinet

Minute of Decision

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2021 Budget: Substantive Package

Portfolio **Finance**

On 12 April 2021, Cabinet:

Economic and Fiscal Outlook

- 1 **noted** that the Treasury's preliminary economic forecasts show a robust recovery in the economic outlook, with nominal GDP and tax revenue over the five-year forecast period expected to be significantly higher than forecast at the Half Year Economic and Fiscal Update (HYEFU) 2020;
- 2 **noted** that the Treasury's preliminary fiscal forecasts show a significant improvement over the forecast period in the government's fiscal position since HYEFU 2020, but that operating balance before gains and losses deficits and increases in the level of net core Crown debt are still expected;
- 3 **noted** that the Treasury's final fiscal forecasts for the 2021 Budget Economic and Fiscal Update will be completed by 30 April 2021;

Fiscal strategy

- 4 **agreed** to increase the operating allowance for Budget 2021 to \$3.8 billion per annum;
- 5 **agreed** to increase the operating allowances for Budget 2022 to Budget 2024 inclusive from \$2.625 billion per annum to \$2.7 billion per annum;
- 6 **agreed** to increase the Multi-Year Capital Allowance from \$7.8 billion to \$12 billion;
- 7 **noted** that while the increase to the Budget 2021 operating allowance in paragraph 4 is significant, the strong economy puts the government in a good position to make significant investments through Budget 2021;
- 8 **noted** that the increase to future operating allowances in paragraph 5 is modest and reflects the need for careful, balanced spending in future Budgets in order to ensure that the Crown's long-term fiscal position is sustainable;
- 9 **authorised** the Minister of Finance to finalise the fiscal strategy as set out in the Budget Policy Statement 2021, including any further changes to future allowances for inclusion in the 2021 Fiscal Strategy Report;

Revenue strategy

- 10 **noted** that the Public Finance Act 1989 requires the government to present its revenue strategy, outlining its objectives for the tax system and tax policy in light of its economic and fiscal strategies, as part of its annual Fiscal Strategy Report;
- 11 **noted** that the Minister of Finance and Minister of Revenue have approved an updated revenue strategy, attached to the paper under CAB-21-SUB-0116 as Appendix One;
- 12 **noted** that the revenue strategy informs the government's tax policy work programme being undertaken by Inland Revenue and the Treasury;
- 13 **noted** that the new revenue strategy will be released as part of the Fiscal Strategy Report published at Budget 2021;

Budget 2021 strategy and approach

- 14 **noted** that Budget 2021 provides a key opportunity to build on the government's strong response to COVID-19, while continuing to make progress on New Zealand's long-standing challenges and improve the wellbeing of New Zealanders;
- 15 **noted** that in February 2021, the Minister of Finance released the Budget Policy Statement 2021, which outlined the government's current wellbeing objectives:
 - 15.1 Just Transition – Supporting the transition to a climate-resilient, sustainable and low-emissions economy, while building back from COVID-19;
 - 15.2 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;
 - 15.3 Māori and Pacific – Lifting Māori and Pacific incomes, skills and opportunities, and combatting the impacts of COVID-19;
 - 15.4 Child Wellbeing – Reducing child poverty and improving child wellbeing;
 - 15.5 Physical and Mental Wellbeing – Supporting improved health outcomes for all New Zealanders and keeping COVID-19 out of our communities;
- 16 **noted** that Cabinet previously agreed [CAB-20-MIN-0483] that the priorities for this year's Budget are:
 - 16.1 continuing the COVID-19 response;
 - 16.2 delivering priority and time-sensitive manifesto commitments;
 - 16.3 supporting core public services through managing critical cost pressures and manifesto commitments; and
 - 16.4 continuing to deliver on our existing investments;
- 17 **noted** that the immediate Budget 2021 priorities are designed to support fulfilling the government's longer-term wellbeing objectives as set out in the Budget Policy Statement 2021;

Budget 2021 Package

- 18 **noted** that the Budget 2021 package supports the long-term wellbeing of New Zealanders by making significant progress towards the government's goals in the areas of child wellbeing, climate change and housing;
- 19 **noted** that the Budget 2021 package also ensures that the government is delivering on the commitments, as well as addressing critical cost-pressures across the public sector;
- 20 **agreed** to the following packages being charged against Budget 2021 allowances as detailed in the financial recommendations accompanying the paper under CAB-21-SUB-0116:
- 20.1 a net operating package of \$3.8 billion per annum (\$15.2 billion total over the forecast period); and
- 20.2 a net capital package of \$3.9 billion over ten years;
- 21 **agreed** to an operating package of \$0.64 billion per annum (\$2.57 billion total over forecast period) being charged as a precommitment against the Budget 2022 operating allowance as detailed in the financial recommendations accompanying the paper under CAB-21-SUB-0116;

COVID-19 Response and Recovery Fund

- 22 **noted** that the Minister of Finance has also identified a number of spending initiatives which support the response and recovery from COVID-19;
- 23 **agreed** to the following packages being charged against the COVID-19 Response and Recovery Fund (CRRF) as detailed in the financial recommendations accompanying the paper under CAB-21-SUB-0116:
- 23.1 an operating package of \$2.6 billion total; and
- 23.2 a capital package of \$2.0 billion total;
- 24 **agreed** to the following operating and capital reprioritisation packages with associated funding to be returned to the CRRF, as set out in the financial recommendations accompanying the paper under CAB-21-SUB-0116:
- 24.1 an operating savings package of \$812 million total; and
- 24.2 a capital savings package of \$113 million total;
- 25 **noted** that following these new spending and reprioritisation packages, the remaining balance in the CRRF is just over \$5 billion;

Appropriation matters

- 26 **agreed** to the detailed financial recommendations accompanying the paper under CAB-21-SUB-0116, and to the additional and amended financial recommendations tabled at Cabinet by the Minister of Finance;
- 27 **agreed** that except as otherwise explicitly indicated in a particular initiative document, all initiatives be charged against the Budget 2021 operating allowance and the Multi-Year Capital Allowance;

- 28 **authorised** the Minister of Finance and relevant Appropriation Ministers to approve changes to initiatives, appropriations and capital injection authorisations where this proves necessary to finalise the Budget 2021 Package;
- 29 **agreed** that expenses or capital expenditure against appropriations and capital injection authorisations set out in the 2021/22 Estimates and being sought in the Appropriation (2021/22 Estimates) Bill may be met from Imprest Supply until that Bill is enacted;

Between-Budget Operating Contingency

- 30 **agreed** to establish a between-Budget operating contingency totalling \$160 million, as set out below:

	\$m - increase/(decrease)				
	2020/21	2021/22	2022/23	2023/24	2024/25 & Outyears
Between-Budget operating contingency	-	40.000	40.000	40.000	40.000

- 31 **agreed** that:
- 31.1 proposals for funding from the between-Budget contingency must be for urgent issues that cannot be deferred to Budget 2022; and
- 31.2 before accessing the between-Budget contingency, Ministers will be expected to demonstrate that they have exhausted their search for opportunities to fund the initiative through reprioritisation of lower-value activities;

Emerging Priorities Operating Contingency

- 32 **agreed** to increase the Emerging Priorities operating contingency by \$20 million, as set out below:

	\$m - increase/(decrease)				
	2020/21	2021/22	2022/23	2023/24	2024/25 & Outyears
Emerging Priorities operating contingency	-	5.000	5.000	5.000	5.000

Legislative implications

- 33 **invited** the Minister of Finance to introduce the Appropriation (2021/22 Estimates) Bill, the Appropriation (2020/21 Supplementary Estimates) Bill (both on Budget Day), the Imprest Supply (First for 2021/22) Bill and the Imprest Supply (Second for 2021/22) Bill to give effect to Budget 2021;
- 34 **agreed** that any further legislation will be progressed on Budget Day only as agreed by the Minister of Finance and the Leader of the House;

Other matters

- 35 **noted** that the Office of the Minister of Finance coordinates all communications relating to Budget 2021, and that any requests for early announcement will need to have the written approval of both the Minister of Finance and the Prime Minister's Office;

- 36 **agreed** that no papers with fiscal and/or appropriation implications for agreement by Cabinet, Cabinet Committees or joint Ministers be submitted between 12 April 2021 and 20 May 2021 so that Budget documentation accurately reflects decisions already taken.

Michael Webster
Secretary of the Cabinet