

The Treasury

Budget 2021 Information Release

August 2021

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- [1] 6(a) - to avoid prejudice to the security or defence of New Zealand or the international relations of the government
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- [33] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials
- [34] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions
- [35] 9(2)(g)(ii) - to maintain the effective conduct of public affairs through protecting ministers, members of government organisations, officers and employees from improper pressure or harassment
- [36] 9(2)(h) - to maintain legal professional privilege
- [37] 9(2)(i) - to enable the Crown to carry out commercial activities without disadvantage or prejudice
- [38] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice
- [39] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage
- [40] Not in scope
- [42] 18(d) - information is already publicly available or will be publicly available soon.

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Treasury Report: Half Year Economic and Fiscal Update and Budget Policy Statement: Process, Coverage and Timeframes

Date:	6 November 2020	Report No:	T2020/3318
		File Number:	BM-2-1-2021

Action sought

	Action sought	Deadline
Hon Grant Robertson Minister of Finance	<p>Agree that the Half Year Economic and Fiscal Update be published on Wednesday, 16 December 2020.</p> <p>Agree that the Budget Policy Statement be published on Wednesday, 16 December 2020.</p>	Thursday 12 November

Contact for telephone discussion (if required)

Name	Position	Telephone	1st Contact
Struan Little	Deputy Secretary, Budget and Public Services	[39]	[35] ✓

Minister's Office actions (if required)

Return the signed report to Treasury.

Note any feedback on the quality of the report

Enclosure: No

Treasury Report: Half Year Economic and Fiscal Update and Budget Policy Statement: Process, Coverage and Timeframes

Executive Summary

The Public Finance Act 1989 (PFA) requires you to arrange for a Half Year Economic and Fiscal Update (HYEFU) to be published no earlier than 1 November and no later than 31 December, while the Budget Policy Statement (BPS) must be released by 31 March.

The HYEFU is a Treasury document. It updates the Pre-election Economic and Fiscal Update (PREFU) with fresh economic and fiscal forecasts, implications of government decisions, new information and a discussion of risks to the forecasts.

The BPS is a Ministerial document. It outlines the Government's fiscal and Budget strategy and states the broad strategic priorities by which the Government will be guided in preparing the Budget. Following amendments to the PFA, the BPS must now also identify "wellbeing objectives" and explain how these are intended to support long-term wellbeing in New Zealand.

Standard practice has been to publish both documents on the same day in mid-December. This year we propose a release date of **Wednesday, 16 December**. The timeline leading up to the release is very tight, and as such generates [34]

We will work closely with you and your office to ensure the process runs smoothly and all deadlines are met.

Due to the recent publication of the PREFU, and limited new data releases to be incorporated, we expect there will likely be [34]

This provides an opportunity to innovate our processes, move towards a "digital-first" strategy and better manage risk.

We propose the following changes for HYEFU and, subject to your agreement, the BPS:

- printing in-house rather than via a professional printer (and only printing a small number of physical copies, which delivers environmental benefits as well as savings of time and cost) and better match stakeholder expectations around digital production;
- improving our communication of key messages by reducing some content to focus on the most important or statutorily required material; and
- replacing restricted briefings under embargo with a media event (which would include presentations) to media and the Opposition at the time of publication.

This report outlines these proposals and seeks your decisions or feedback, with a series of specific questions for your response outlined in Annex 2.

Recommended Action

We recommend that you:

- a **agree** that the Half Year Economic and Fiscal Update (HYEFU) be published on Wednesday, 16 December 2020.
Agree/disagree.
- b **agree** that the Budget Policy Statement (BPS) be published alongside the HYEFU on Wednesday, 16 December 2020.
Agree/disagree
- c **note** our intention to improve how we communicate our HYEFU narrative, reduce some content and minimise print volumes with a digital-first approach to distribution preferred.
- d **indicate** your preferences and decisions about publication timing, format and content of the BPS and HYEFU as laid out in Annex 2.

Struan Little
Deputy Secretary, Budget and Public Services

Hon Grant Robertson
Minister of Finance

Treasury Report: Half Year Economic and Fiscal Update and Budget Policy Statement: Process, Coverage and Timeframes

Purpose of Report

1. This report seeks your agreement to our proposed publication date for the 2020 Half Year Economic and Fiscal Update (HYEFU) and the 2021 Budget Policy Statement (BPS).
2. This report also seeks an indication of your preferences about the contents of the documents, the production schedule and an alternative to holding an embargoed restricted briefing. Annex 1 explains the proposed content of the BPS, and Annex 2 sets out the key decisions on which we need your feedback for both the BPS and HYEFU.

Background

3. The Public Finance Act 1989 (PFA) requires you to arrange for a HYEFU to be published no earlier than 1 November and no later than 31 December, while the BPS is required to be released by 31 March. As PREFU was published before 1 October, a HYEFU is still required.
4. The documents are closely related, with some overlapping content, particularly the economic and fiscal forecasts. Standard practice has been to publish them in parallel on the same day in mid-December.
5. The HYEFU includes updated economic and fiscal forecasts, which include the implications of Government decisions and new information received since the completion of the PREFU forecasts. The HYEFU also includes discussion of risks to the forecasts including a Statement of Specific Fiscal Risks. As for other EFUs the Minister of Finance is required to sign a Statement of Responsibility.
6. The BPS requires the Government to outline its fiscal and Budget strategy and state the broad strategic priorities by which the Government will be guided in preparing the Budget, including:
 - a the overarching policy goals that will guide the Government's Budget decisions;
 - b the wellbeing objectives that will guide the Government's Budget decisions (NB: this is a new requirement);
 - c the policy areas that the Government will focus on in that year; and
 - d how the Budget for that year accords with the short-term intentions referred to in the most recent Fiscal Strategy Report (FSR) or the amended short-term intentions.
7. The BPS must indicate any changes in the long-term objectives or short-term intentions from the most recent FSR and explain how they accord with the principles of responsible fiscal management; and indicate any changes in the Government's strategy for managing expenditure, assets and liabilities.
8. Following amendments to the PFA, the BPS must now also explain how the wellbeing objectives (including but not limited to social, economic, environmental, and cultural wellbeing) are intended to support long-term wellbeing in New Zealand.

We propose a release date for HYEFU and BPS of Wednesday, 16 December 2020

9. Releasing both products together will ensure consistency as the content of the BPS is informed by the HYEFU forecasts. It will also allow the Government to communicate its response to the forecasts (for example, through Budget allowance settings). A 16 December release date will also be consistent with previous releases, which since 2001 have ranged between 8-19 December. Last year, both were released on Wednesday, 11 December.
10. Given the later election date and compressed timeframes, a date any earlier than 16 December would add significant – and in our view, likely unmanageable – risk to the production schedule. In particular, moving the date any earlier would:
 - a Reduce the time available and our ability to incorporate Ministerial decisions in the forecasts, including on fiscal and budget strategy, manifesto priorities and the treatment of the COVID-19 Response and Recovery Fund.
 - b Reduce the time available to perform robust assurance processes to ensure that quality standards are met and there are no errors.
 - c [34]
11. A later publication date for HYEFU would mean publishing HYEFU after the latest GDP results are announced on 17 December. Due to analytical and production lead times, the HYEFU and BPS could not feasibly take into account these new GDP results; publishing them ahead of these results will mitigate any expectation of this.
12. While the BPS could be published as late as 31 March, this would be unusually late for public messaging about Budget priorities and fiscal strategy. Furthermore, if the BPS were not published alongside HYEFU, it would use out of date fiscal and economic information.

The timeline leading up to the release is very tight

13. The table below summarises indicative dates for key reports and opportunities for you to engage with Treasury officials in the lead up to the release of the BPS and HYEFU (based on a release date of 16 December 2020 and a small, in-house print run, as discussed further below). We will provide you with a firmed-up schedule following your agreement to the release date and keep you updated through our regular meetings and communications with your office. *Key actions for you are italicised.*
14. Please note that this timetable does not allow for any slippage of Ministerial or Cabinet decision points; if there are any delays in finalising key choices about (for example) fiscal or Budget strategies or wellbeing objectives, it would put the delivery date at significant risk or these may not be able to be incorporated into the published document.

Table 1: HYEFU/BPS key dates and Ministerial engagement

Date	Actions
6 November	Treasury Report (Economic and fiscal assumptions)
12 November	Outline of BPS delivered, including proposed wellbeing objectives and budget priorities
16 November	<i>Feedback on outline of BPS</i>
19 November	First draft of BPS delivered
19 November (TBC)	<i>Minister of Finance announces HYEFU date</i>
23 November (TBC)	Cabinet agrees Budget 21 strategy and process
23 November	<i>Feedback on first draft of BPS due and photos for publication</i>
23 November	Treasury Report on final economic and tax forecasts
24 November	Treasury Report on Specific Fiscal Risks chapter
26 November	Second draft of BPS delivered (designed)
30 November	<i>Feedback on second draft of BPS due and design approval</i>
3 December	Treasury Report on final fiscal forecasts
3 December	Near-final BPS delivered
4 December	Treasury Report (Economic/Fiscal projections/assumptions)
7 December	<i>Final feedback on BPS</i>
8 December	Near-final HYEFU chapters provided to Minister of Finance
9 December	<i>Minister of Finance signs the Statement of Responsibility</i>
10 December	<i>BPS proofs checked by your office</i>
15 December	<i>Final signoff of BPS</i>
Wed 16 December	HYEFU and BPS released

15. [34] beginning in early September after the Budget strategy paper had been approved by Cabinet. This year, publishing the BPS in mid-December will mean working within a significantly compressed timeline to land your fiscal and Budget strategies simultaneously with BPS content (about six weeks compared to around five months last year).
16. We think this is the right approach, but we will need to work closely with your office to work out a process, which minimises risk on both sides and ensures we deliver a product, which meets your expectations and is error free. The next section makes three proposals in this regard. Annex 1 discusses possible content of the BPS, and Annex 2 seeks various decisions from you.

We propose three improvements to HYEFU and BPS processes

17. Due to the recent publication of the PREFU, and limited new data releases to be incorporated, we expect there will likely be [34]
This provides an opportunity to innovate our processes, move towards a “digital-first” strategy and better manage risk.
18. We outline below three proposals to improve our processes for HYEFU and the BPS: printing copies in house rather than via an external provider (and minimising print volumes), reducing some content, and moving away from an embargoed restricted briefing. We seek your feedback or decisions in Annex 2 on these proposals.

Printing copies in-house

19. Our traditional production and publication processes have lagged behind current expectations of digital content and the time has come to better match stakeholder expectations around digital production.
20. [34]

The lower-risk alternative is for the Treasury to print copies in-house, managing version control internally, and over time would enable us to focus more on digital content.

21. Our current intention for HYEPU is to reduce the number of print copies to the minimum required and print them in-house. This will deliver environmental benefits as well as savings of time and costs. There would be a small reduction in publication quality of the final printed document. You would still receive a printed copy of the HYEPU document (printed in-house). We would encourage other Ministerial offices to make use of electronic material that will be available on our website once the document is publicly available. We could, however, print copies in-house if an office had a strong need for a hard copy version and was unable to print it themselves¹.
22. For any restricted briefings (see below) digital distribution is our preferred approach. We would provide attendees at the main and Opposition lock ups with electronic versions of the document on a USB stick. We may have a few printed copies available at these briefings and/or make a printer available in the lock up room, but will be strongly encouraging people to use the electronic version. As is current practice, once the document is published an electronic version would be available for Members of Parliament, and anyone else, to access on our website.
23. We seek your feedback, in Annex 2, on your comfort with this approach, and also your decision on whether we should take a similar approach to the BPS. As well as enabling full version control, printing the BPS in-house would increase the time we have available to finalise and QA the document.

Reducing some content

24. Over time, our published documents have become increasingly longer and more difficult for stakeholders to engage with. By attempting to be more comprehensive, we have become less comprehensible. We think the key messages will be clearer if we take out extraneous content and put a stronger focus on the key narrative we aim to communicate. We expect that this will take some time to achieve. For HYEPU, we intend keeping the same broad structure as in previous years but target the content on the most important information and to meet both our legislative requirements and the core narrative. As well as helping to improve our communication, this would also have additional benefits from a quality assurance perspective by reducing the amount of material to review in the documents and decreasing the risk of errors.
25. We also propose to reduce the coverage of the BPS, to focus on fulfilling the PFA requirements and in particular communicating a clear fiscal strategy. We also propose that the BPS provide a concise 'wellbeing outlook' that reflects the impact of COVID-19.
26. Our proposal on structure and content for the BPS document is included in Annex 1, noting a couple of specific matters where we seek your decision in Annex 2

¹ For HYEPU the Prime Minister's office received 10 hard copies, the Minister of Finance's office received 31 hard copies and Associate Minister of Finance's offices received 13 hard copies.

Restricted briefings

27. For the release of the HYEPU and BPS, Treasury has typically hosted a restricted briefing with media and analysts under embargo, at which the Minister of Finance and Secretary to the Treasury generally present. We also typically organise a restricted briefing for Opposition political parties.
28. Embargoed restricted briefings are time-consuming to prepare for, [34]
In recent years, some similar institutions to Treasury have moved away from holding these embargoed briefings due to the risk factors involved. For example, one institution we spoke to no longer holds embargoed briefings after having a significant issue when one of the media attending the briefing publicly released information early.
29. Given the recent publication of PREPU and the very busy pre-Christmas period, we think for the HYEPU and BPS (as opposed to the Budget) a slightly lower key presentation would be appropriate. Accordingly, we propose that Treasury hosts a media briefing and presentations after the information has been publicly released, and provides a briefing to the Opposition at that time, instead of an embargoed media briefing. This would also help to manage risk while still enabling key messages to be communicated to the media and analysts. We seek your feedback on this in Annex 2.

Preliminary fiscal forecasts

30. Generally, the Treasury prepares preliminary fiscal forecasts as part of a normal Economic and Fiscal Update forecast round. They are usually used by the Minister of Finance to inform decisions the Government take around their Budget and fiscal strategy.
31. The proposed timeframes for HYEPU depend on a steer from you on some key decisions (e.g. Budget allowance setting) prior to receiving Treasury's advice on Budget and fiscal strategy. The timing of when we receive your steer on these decisions will determine whether the Treasury will prepare preliminary fiscal forecasts for HYEPU (i.e. if decisions are too late we will only do a final fiscal forecast round).
32. This may mean that decisions on Budget and fiscal strategy will need to be informed by PREPU fiscal forecasts with some commentary around new developments based on information we are aware of to date.

Next steps

33. We will respond to the preferences and decisions you indicate in Annex 2, working with your office to confirm specific timeframes and deliverables.

Annex 1: Proposed Structure and Content for Budget Policy Statement

Wellbeing objectives and Budget priorities

1. The table below notes that we propose you repurpose your Budget 2020 priorities to meet the “wellbeing objectives” requirements of the PFA. These priorities are:
 - a **Just Transition** - Supporting New Zealanders in the transition to a climate-resilient, sustainable and low-emissions economy
 - b **Future of Work** - Enabling all New Zealanders to benefit from new technologies and lift productivity through innovation
 - c **Māori and Pacific** - Lifting Māori and Pacific incomes, skills and opportunities
 - d **Child Wellbeing** - Reducing child poverty and improving child wellbeing
 - e **Physical and Mental Wellbeing** - Supporting improved health outcomes for all New Zealanders.
2. If you choose, these high-level priorities could endure across the next three Budgets, supported and given effect to by more targeted and specific annual priorities you set for each Budget. For example, Budget priorities for 2021 will need to reflect your manifesto commitments and policy goals, the COVID response and cost pressures across the system – but in doing so they can give effect to the high-level wellbeing objectives outlined above.
3. If you are comfortable with this general approach, then we will test with the Government’s Chief Science Advisors whether any adjustments are needed to the wellbeing objectives before proceeding. The “Future of Work” priority in particular may need refocusing in light of changed labour market conditions due to COVID-19.
4. We ask you to indicate your preferences in Annex 2.

Sections we suggest you include in BPS 2021	Pages	Required by PFA?	Comment
Executive summary	1	No	Include Budget priorities and context; wellbeing changes in PFA
Wellbeing objectives	2	Yes	This section will explain how the wellbeing objectives are intended to support long-term wellbeing in New Zealand. As noted above, suggest you repurpose your Budget 2020 priorities as wellbeing objectives.
NZ’s wellbeing outlook	5	No	Suggest this focus on outlining the impact of COVID-19, including the Government’s response to date.
Budget priorities	2	Yes	Include overarching policy goals and focus policy areas for Budget 2021; show link to wellbeing objectives.
Budget allowances	1	Part of fiscal strategy	Useful context for the framing of priorities. Will require updating to align with your fiscal strategy.
Economic and fiscal	2	No	Useful context for the framing of the

forecasts			updated fiscal strategy.
Fiscal strategy	2	Yes	Updates to fiscal strategy required if it has changed.
Long term fiscal objectives and short term fiscal intentions	3	Yes, if changed from B20	This is usually an annex.
Total number of pages	18		
Sections you can omit from BPS 2021	Pages	Required by PFA?	Comment
Investing in New Zealand	2	No	Other ways to communicate this / recently communicated through election process. Key aspects can be covered in wellbeing outlook. See note below regarding speech opportunities.
Our investments	7	No	
New Zealand's infrastructure	2	No	These pages were added in 2020 to present (what then became) the NZ Upgrade programme. In the new BPS document, recent and proposed infrastructure investment can be discussed in the wellbeing outlook and (for new investment) in the sections on Budget priorities and allowances.
Economic outlook	1	No	This page was added in 2020 to summarise the Government's <i>Economic Plan</i> .
Superannuation statement and Venture Capital statement	1	No	Potential update signalled in B21. Option to reduce NZSF contributions to legislated level.

Positioning Budget 2021

5. In the current fiscal situation, and unlike previous years, new spending announced at Budget does not represent the Government's most significant policy tool for delivering on its wellbeing strategy in the next 12 months. Instead, other policy tools come to the fore, including regulatory improvements and value-for-money improvements within existing spending.
6. The BPS as a strategic communication therefore has a different role to play than in previous years. Other means of strategic communication, including speeches and press releases, are increasingly important.
7. We look forward to talking with you in the coming weeks about how we can support you to communicate the Government's wellbeing and economic strategy to New Zealand outside the BPS process.

Annex 2 Decisions for Budget Policy Statement and HYEFU

Question	Preference (please circle)	Comment
<p>Do you agree to a 16 December publication date for both documents, and the key milestones in the timeline in Table 1?</p> <p><i>If not, please discuss with us an alternative timeframe.</i></p>	<p>Yes / no</p>	
<p>Are you comfortable with Treasury's intention to digitally and electronically distribute the HYEFU, with the print run minimised and conducted in-house, to maximise drafting and QA time and minimise risk?</p> <p><i>If not, please discuss with us your concerns.</i></p>	<p>Yes / no</p>	
<p>Are you happy for the BPS to be digitally and electronically distributed (as with HYEFU), with the print run minimised and conducted in-house? <i>Treasury preferred option; this will maximise drafting and QA time and minimise risk.</i></p> <p>Or do you want a larger print run of the BPS for distribution in hard copy? If so, do you want the BPS to be professionally printed, or would you be comfortable with Treasury printing it in-house (if feasible)?</p>	<p>Yes, BPS can be “digital & electronic first” distribution, and a small print run in-house</p> <p>No, I want a larger print run for hard-copy distribution, and I want it professionally printed</p> <p>No, I want a larger print run for hard-copy distribution, but I'm happy for Treasury to print in-house</p>	
<p>Are you happy to hold a media briefing (and for Treasury to brief the Opposition) on the HYEFU and BPS at the time the documents are released? <i>Treasury preferred option; this will minimise information security risks.</i></p> <p>Or do you want restricted briefings under embargo for the BPS and HYEFU?</p>	<p>I'm happy with media and Opposition briefings at time of release</p> <p>I'd like restricted briefings under embargo</p>	
<p>Do you agree to the proposed content of the BPS as in Annex 1, noting it is a reduced publication compared to last year?</p> <p><i>If you have different expectations about content please let us know.</i></p>	<p>Yes / no</p>	

<p>Do you agree with our proposal to adopt the previous wellbeing budget priorities as wellbeing objectives?</p> <p><i>If not, please let us know what we should present as the Government's wellbeing objectives in the BPS.</i></p>	<p>Yes / no</p>	
<p>Do you agree to us testing the wellbeing objectives with the Government's Chief Science Advisors?</p>	<p>Yes / no</p>	
<p>Do you agree with our proposal to use the Labour manifesto recovery plan as the basis for your Budget priorities, alongside the COVID response and cost pressures?</p> <p><i>If not, please let us know how you would like to frame your Budget priorities.</i></p>	<p>Yes / no</p>	