

The Treasury

Budget 2023 Information Release

July 2023

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Hon Grant Robertson

MP for Wellington Central
Deputy Prime Minister
Minister of Finance
Minister for Infrastructure
Minister for Sport and Recreation



9 November 2022

Hon Stuart Nash
Minister for Economic and Regional
Development, Small Business, Tourism
Parliament Buildings

Hon Dr Megan Woods
Minister for Energy and Resources, Building
and Construction
Parliament Buildings

Hon Carmel Sepuloni
Minister for Social Development and
Employment
Parliament Buildings

Hon Michael Wood
Minister for Immigration, Workplace Relations
and Safety
Parliament Buildings

Hon Dr David Clark
Minister for Commerce and Consumer Affairs
Parliament Buildings

Hon Dr Ayesha Verrall
Minister for COVID-19 Response, Research,
Science and Innovation
Parliament Buildings

Hon Kieran McAnulty
Minister for Emergency Management
Parliament Buildings

Dear Ministers

Please note that this letter replaces the one I sent to you on 4 November.

Thank you for your engagement to-date on Budget 2023. As outlined in the strategy letter I sent to you in early September, Budget 2023 is taking place amidst challenging global economic conditions. As you will be aware, we have set a very high bar for the initiatives and cost pressures that will be invited for submission into the Budget 2023 process.

I am aware of the pressures the current economic environment will be having on core government services, however, we also have a number of remaining manifesto commitments and other key Government priorities to progress this Budget. Given the fiscal and economic constraints facing New Zealand, we will have to make challenging choices to develop our Budget 2023 package. This requires a tight focus on our collective priorities, and using all the levers we have, such as reprioritisation, to create additional space to support the delivery of these collective priorities.

When looking at cost pressure submissions identified by departments, in total these exceed available funding for Budget 2023 by over 200 percent. This is before we factor in any priority new spending initiatives. As will be obvious to you, that is far beyond the funding available and has required me to make early decisions to allow for an effective and focused Budget process.

Budget 2023 Invitations

With this in mind, I have decided to invite you to submit a package of Ministry of Business, Innovation and Employment cost pressure initiatives into the Budget 2023 process. My general expectations regarding Budget 2023 initiatives and specific expectations for the MBIE envelope are outlined below.

Where I am inviting a new spending initiative or initiatives within your portfolio(s), this will be communicated to you in a separate letter.

Additional guidance and initiative templates have been communicated to departments. Final Budget 2023 initiatives must be submitted by 16 December 2022.

In Budget 2023 I am focused on prioritising between existing agency baseline activities and new initiatives. As such, I expect that the development of the MBIE cost pressure packages will surface cross-agency choices and trade-offs. I have asked Minister Nash and Minister Woods to co-ordinate the development of the package to ensure effective prioritisation.

The Annex to this letter outlines the assumptions used by the Treasury in developing the recommended envelope that I have chosen to invite. While these assumptions provide a useful indication of where funding should be directed, I expect the final submitted package to reflect your assessment of the highest priorities across the agency.

Any submitted cost pressure initiatives must meet the critical cost pressure definition and any conditions outlined in the Annex.

I expect all initiatives to be supported by a robust case for funding and a strong evidence base, as well as a clear articulation of relative priorities. I am particularly conscious of capacity constraints across the system and expect initiatives to demonstrate they can be delivered efficiently and effectively.

I also expect you to closely scrutinise your agency's baseline funding to identify any opportunities for reprioritisation. Initiatives which do not present a compelling case for why they cannot be funded through the reprioritisation of existing resources will not be supported in Budget 2023.

Next Steps

I look forward to receiving your Budget 2023 initiative submissions in December. Following submission, the Treasury will assess the value for money and relative priority of submitted initiatives, and this advice will help to inform the shape of the final Budget 2023 package considered by Cabinet.

As per the expectations that I have outlined above, I will not support any out-of-cycle funding requests for initiatives that I have not invited into Budget 2023, except in exceptional circumstances. If such a request is sought, I expect you to engage with my Office prior to the formal Cabinet paper consultation process.

Thank you for your ongoing work and support in progressing Budget 2023.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Grant Robertson', written in a cursive style.

Hon Grant Robertson
Minister of Finance

cc: Carolyn Tremain, Ministry of Business, Innovation and Employment

Annex: Budget 2023 Invitations

Invitations and associated conditions for new spending and/or cost pressures are outlined below. Detailed guidance for submitting initiatives, due 16 December 2022, has been communicated to your department and is available on CFISnet.

Cost Pressure Track

Budget 2023 marks a departure from recent Budgets where I asked you to write back to me on potential initiatives for submission. Instead, I asked you to submit background information on existing spend, including delivery, as well as cost drivers to the Treasury by 27 September.

I have made decisions on the packages of cost-pressure initiatives to invite based on the background information submitted. These decisions have been informed by top-down fiscal analysis and considerations regarding affordability within existing allowances. The resultant packages of operating and capital funding reflect the Government's Budget 2023 priorities and identify opportunities for reprioritisation within existing resources.

Table 1 outlines the overall MBIE envelope which I am inviting for submission through the Cost Pressures Track in Budget 2023.

Average operating p.a. (\$m)	Total forecast period (\$m)	Total capital (\$m)
106	423	59

Table 2 provides an overview of the assumptions behind the Treasury's assessment of each portfolio, which formed the basis of the overall MBIE envelope. This breakdown can be used to guide the prioritisation of cost pressure initiatives in the development of the MBIE package, but should not be treated as binding.

Portfolio	Indicative estimate within envelope	Comment
COVID-19 Response	No funding	We recommend funding for this item be excluded from MBIE's starting envelope as the agency is seeking an out-of-cycle decision in November. If funding is required, MBIE could manage it within their overall envelope, and scaled options are available depending on the policy decision taken.
Economic & Regional Development	\$59 million total operating \$40 million total capital	<p>The scaled package for ERD is focused on alleviating price and wage pressures. The operating funding includes price and wage pressures for NZTE and the Major Events Fund. We consider the Major Events Fund initiative can be scaled further [33]</p> <p>The capital funding provides \$40 million for the NZ Growth Capital Partners Elevate Fund, to make up for a shortfall for the \$300 million fund which was intended to be funded over the longer term.</p>

Portfolio	Indicative estimate within envelope	Comment
Commerce and Consumer Affairs	\$28 million total operating	The package supports funding for the newly established New Zealand Claims Resolution Service, which is not funded beyond 2022/23. [33]
Energy and Resources	[33]	[33]
Research, Science and Innovation	\$93 million total operating	<p>This scaled package prioritises price pressures for various entities within the RSI portfolio. This includes scaled funding to address critical pressures for GNS Science, Callaghan Innovation and [33]</p> <p>Further policy funding for the Te Ara Paerangi reform beyond 22/23 is not included as this requires future Cabinet decisions. Some submitted pressures are R&D-related and did not meet the definition of cost pressure; those pressures are instead being invited through the manifesto spending track under the broad “RSI 2% target” invitation.</p>
Tourism	\$24 million total operating	<p>The envelope includes early year funding only for MBIE policy capacity to deliver COVID-related programmes, [33]</p> <p style="text-align: right;">Historic inflation was not funded. [33]</p> <p>The recommended amount is offset by \$11 million per annum in baselines for grant programmes that were closed in order to fund the fixed-term Tourism Infrastructure Fund, and we consider further reprioritisation may be possible.</p>
Small Business	\$16 million total operating \$4 million total capital	<p>Our recommendation includes funding for maintaining the business.govt.nz website, and for addressing price pressures in the Regional Business Partner Network. [33]</p> <p>We have also excluded funding for the Digital Boost programme as it was intended as time limited funding and therefore is not a genuine cost pressure.</p>

Portfolio	Indicative estimate within envelope	Comment
Emergency Management	\$30 million total operating \$10 million total capital	A sustainable funding solution has not been agreed to in time. This scaled package grants bridging funding for GeoNet and NSHM for 1 more year (rather than the full baselined package sought) until a solution is agreed on for Budget 24.
Workplace Relations and Safety	\$30 million total operating \$1 million total capital	<p>We recommend MBIE be allowed to submit \$30 million total operating and \$0.816 million capital for cost pressures through Budget 2023, comprised of two initiatives relating to the Employment Relations Authority and MBIE Employment Services.</p> <p>[33]</p> <p>We recommend that any submitted Worksafe initiatives are accompanied by information detailing how concerns raised in its recent Strategic Baseline Review are being addressed. Consistent with the findings of this recent review, we recommend there be a clear framework in place to assess the value of Worksafe’s activities and guide resource allocation before any additional funding is approved.</p> <p>[33]</p>
Immigration	\$141 million total operating \$5 million total capital	<p>We recommend MBIE be allowed to submit up to \$141 million total operating and \$4.5 million capital for immigration cost pressures through Budget 2023. We also recommend MBIE be allowed to submit for a further \$298 million operating funded from third party revenue.</p> <p>We expect any submitted initiative for Assessment and Processing to take into account the ongoing Immigration Funding Review and to include details around how cost and service efficiency gains will be delivered, including when benefits can expect to be realised.</p> <p>[33]</p>
Employment	No funding	[33]