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An overview of Budget 2024

Pundits have dubbed this year's Budget various things, all describing something bland or hum drum. It has been called the Beige Budget, the Housewife Budget, in reference to Finance Minister Nicola Willis repeatedly comparing her budget to that of struggling kiwi households, for others it is the No Frills Budget. Whatever moniker sticks to Budget 2024 one thing is certain, there are no surprises. Nicola Willis' first budget delivers exactly what it says on the label, tax cuts funded almost, but not quite by savings.

According to Minister Willis this is because "What is apparent now as opposed to six months ago, is that the current downturn started earlier, has been deeper, and is expected to last for longer, than previously thought." This means funding tax cuts was much harder than it would have looked from the other side of the election when she made the promise to deliver them.

The Government now expects to borrow an additional $12 billion over the next four years, over and above its plans, and has delayed its projected return to surplus by a year to June 2028.

From 31 July all New Zealanders will have a little more change in their pockets, but probably not really enough to ease the burden on those already struggling on low incomes. In addition, the tax cuts come with a risk of further fuelling inflation. Minister Willis says however, that downgrades to GDP and lower revenue forecasts coupled with a dramatic decrease in Government spending will reduce inflationary pressure on the economy and even the tax cuts in combination with spending levels could lead to a decrease in interest rates.

There are the significant baseline savings of around $2.5 billion from imposing hard targets on the public sector. In addition, there are "further savings and revenue" from ending multiple programmes implemented by the previous Labour Government where delivery has been hard to measure or where programmes have become so mired in politics, they are nigh on impossible to deliver. Money has also been found via capital review savings and the return of tagged contingencies, but with an operating allowance of $2.4 billion less than Treasury estimates will be needed to pay for cost pressure in the public services, cost savings will have to be ongoing to balance the books.

In terms of new spending most of this is going to health, education and law and order. Other services receiving a boost are transport, defence and disability services.

This is very much a holding Budget. The Government has not been able to cut spending by as much as it would like, because there are some areas where funding is desperately needed, like health and education, where the basic infrastructure is literally falling down.

At the same time the forecast tax take is falling every time the Treasury updates its forecasts. This has left Minister Willis in the position of cutting but not slashing; perhaps this means she got the balance of her first Budget about right.

Economic and fiscal forecasts

Measure	2024 Actual	2025 Forecast	2026 Forecast	2027 Forecast	2028 Forecast
Real GDP (annual % change)	-0.2	1.7	3.2	2.9	2.7
Unemployment rate	4.9	5.2	4.8	4.5	4.4
CPI Inflation (annual % change)	3.4	2.2	2.0	2.0	2.0
Total tax revenue	120.8	127.1	135.5	143.0	149.8
Total expenses	138.3	143.9	147.7	151.1	156.4
Total Deficit/(Surplus)	-11.1	-13.4	-8.5	-3.1	1.5
Net debt (% of GDP)	43.1	43.5	43.0	43.3	41.8

All figures taken from Treasury: Budget Economic and Fiscal Update 2024 - 30 May 2024 (treasury.govt.nz)

Health

While the health system will see a substantial increase of $16.6 billion over the next four years, this number has been overshadowed by a much smaller number 13 –the number of new cancer drugs the Government is failing to uphold its promise to fund. However, Minister Willis has said the government "*remains committed to increasing access to cancer treatments*".

The $16.6 billion will almost all go to addressing health cost pressures and maintaining services in the health system, rather than funding anything new.

Over the next four years, $3.4 billion of this new funding will go towards hospital and specialist services, with $2.1 billion to primary and community care. Further to the pre-budget announcement of $24 million for Gumboot Friday, $9.7 million of funding will go towards establishing a National Mental Health and Addiction Community Sector Innovation Fund.

Following through on a different campaign promise, $31.2 million has been allocated to gradually extend the BreastScreen Aotearoa programme from 45-69 to 45-74 years of age.

Against the backdrop of overrun emergency departments, $31 million over four years has been allocated to provide 44 new security staff at high-risk departments.

The Budget also confirms a confidential amount set aside to cover future pay disputes. To help alleviate some of the pressure felt by doctors leading to these disputes the Budget has allocated $22 million over the next four years to train 25 more doctors per year.

In a move that will surprise some, $749 million has been allocated to enable Health NZ, Te Whatu Ora to deliver Māori health services. This is comparable to the $616 million given to the now-disestablished Māori Health Authority, Te Aka Whai Ora to manage these services last year.

Disability

Budget 2024 will provide an additional $1.1 billion over five years to address demand and cost pressures on the support services funded by the Ministry of Disabled People – Whaikaha.

This includes an $80 million pre-Budget commitment to the end of the 2023/24 financial year, and $322 million for 2024/25.

The funding is intended to allow eligible New Zealanders to access home and community support services, respite care and community residential care.

New funding for this sector will be a step towards repairing the damage done by National's early missteps in the portfolio.

Pharmac

A 'no surprises' theme continues with $1.6 billion allocated to Pharmac under Vote Health to manage and purchase pharmaceuticals – a 5 per cent increase from $1.3 billion last year.

The Budget will make previously time-limited funding for Pharmac's Combined Pharmaceutical Budget ongoing, but there is little else new here beside reinstating the $5 prescription co-payment for those aged 14 years and over.

While this will result in $269 million in savings over the next five years, it is offset by additional funding to Pharmac to continue targeted prescription fee exemptions for community service card holders and those aged over-65, resulting in a net saving of $116.1 million.

Despite a campaign pledge that New Zealanders will not have to leave the country or re-mortgage their home to pay for cancer treatments extending survival rates of patients overseas, the Government has not reallocated any of the new prescription fees to the 13 promised with $280 million ring-fenced Pharmac funding needed to deliver the therapies.

Education

The education sector is one of the few with an increase in spending, receiving an additional $2.9 billion. The majority, $1.8 billion will go towards new school buildings and property while schools will also see some increases in their operational grants.

The Government has also pumped $153 million in funding over four years to establish up to 50 charter schools across the country. These will be either entirely new or converted state schools.

Reductions of funding in the Tertiary Education sector are focused on the ending of programmes the previous government introduced. This includes ending funding for Centres of Vocational Excellence and Workforce Development Councils.

Funding has been increased for companies taking on apprentices and from 1 January 2025, first-year apprentices in key industries will be eligible for the $500 per month subsidy, while all tertiary education organisations will receive a 2.5 per cent increase in subsidies.

Overall, this is a holding budget for education, with funding going towards the most pressing property issues, and to alleviate some of the cost pressures the sector has faced from inflation.

Defence

Announced earlier this month, Defence is set to receive $571 million in new spending. $163 million will go to a new remuneration package for New Zealand Defence Force personnel, with $408 million going to upgrade equipment and infrastructure.

This is a not nearly enough to upgrade our armed forces to one which could be characterised as well equipped with planned capital expenditure for the coming three years falling from $1.5 billion this year to just under $1 billion in 2025.

Agriculture and Biosecurity

Farmers and the broader agriculture sector will be happy with some of the changes in funding announced today.

All funding for pricing of agricultural emissions has been cut from the Government's books. This reduces spending by some $179m over four years, but more importantly means it is now highly unlikely that agriculture will enter the Emissions Trading Scheme at all.

Funding for a range of other programs has also been cut, most notably with a decrease in funding for biosecurity monitoring by $21 million. This will be replaced by third-party payments for the services.

Law and Order

One of the few winners of the budget was spending on law and order, making up a third of total budget spending.

In addition to the $1.9 billion announced in a confusing pre-budget announcement about additional beds for Waikeria prison, $651 million over four years has been allocated towards frontline police, rehabilitation programmes and for Corrections to respond to the increase in prisoner numbers.

Savings – or more revenue – will also be made up through updating fees for court filing, enforcement and fine collection. This will add an estimated $43.4 million over four years to the Government's pockets.

Associate Police Minister Casey Costello promises numbers of frontline police will be increased by 500 officers by the end of 2025, but this does not factor in time for their training. Funding for more frontline police officers was set out in the NZ First-National coalition agreement.

Transport

It is unsurprising that roading will be prioritised by this Government over the next four years, with $2.68 billion allocated to various transport initiatives. A significant portion of this budget, $1 billion, is designated for NZ Transport Agency Waka Kotahi "*to accelerate the delivery*" of key projects, notably the Roads of National Significance.

The $1 billion supplements the already planned $20.7 billion expenditure set for the period of 2024 to 2027 in the draft Government Policy Statement on land transport and Roads of Regional Significance programme.

An additional allocation of $939.25 million from the 2024 Budget is earmarked for the repair of roadways affected by the severe weather events that struck the North Island in 2023, including the State Highway Network.

The Budget also addresses the needs of New Zealand's struggling rail systems, with $266.9 million set aside for the enhancement and maintenance of metro rail services in Auckland and Wellington. This includes $159.2 million dedicated to a substantial upgrade of the Auckland rail network in preparation for the City Rail Link. The remaining $107.7 million is allocated for rail maintenance and renewal efforts in both cities to resolve ongoing network challenges. KiwiRail has also received a $200 million investment to carry out maintenance and renewals on the national rail network.

Energy

Within Minister Simeon Brown's $582 million in Energy allocations, the most significant line item is the $168 million allocated to industrial decarbonisation projects. While total funding for this programme has increased by $65 million, many of these projects have been inherited from the Labour government's Government Investment in Decarbonising Industry Fund (GIDI) initiative.

The Electricity Authority has secured a 10 per cent increase in funding, driven by increased costs for services such as the grid System Operator, but still less than the full $108.4 million funding request the Authority put before the previous Government.

Act's pre-election view that the Energy Efficiency & Conservation Authority (EECA) should see its funding cut given 'its main jobs are giving unnecessary handouts' has been delivered, with a $16 million reduction in operational expenditure.

Funding reductions to EECA will impact the Warmer Kiwi Homes programme, including funding for hot water heating and low-cost energy efficiency measures. These reductions also call time on the Low Emissions Transport Fund Freight Decarbonisation Grants programme.

In a bright spot for renewable transport, $34 million has been allocated toward the development of the electric vehicle charging network and $14 million in grants to support low emissions heavy vehicles.

Climate Change

Around $2.6 billion of climate initiatives funded from the previous Labour Government's Climate Emergency Response Fund will continue.

These initiatives include electric vehicle charging infrastructure, grant schemes for clean heavy vehicles, decarbonising the public transport fleet and public transport concessions for community service card holders.

Elsewhere in the portfolio funding reductions feature locking in baseline savings targets for the Ministry for the Environment, including removing the agricultural emissions pricing advisory function from the Climate Change Commission, and reducing funding for:

- the Climate Change Development Fund
- Climate Resilience for Māori initiative
- the Climate Change Chief Executives Board
- implementation of the Carbon Neutral Government Programme and other climate work programmes.

Wider savings for Ministry for the Environment are also delivered via reduced spending on environmental standards and monitoring evidence and data.

Regional Development

This Budget finally sees details of how New Zealand First's new Regional Infrastructure Fund (or RIF) of $1.2 billion will be spent.

The RIF will be focused on specific projects where the Government will invest between of $1 million to $50 million, and many will be co-funded with local authorities. These include:

- Resilience infrastructure: Infrastructure that improves a region's ability to absorb, adapt or respond to stresses and shocks, e.g. weather events, energy security, water security and food security. A number of flood resilience projects are already being assessed for RIF support.
- Enabling infrastructure: Infrastructure that supports growth by ensuring regions are well-connected and productive, including shared services such as innovation parks.

Regional Development Minister Shane Jones has kept his party's promise to invest in "productivity, prosperity and resilience" of the regions.

The RIF will feel like déjà vu to some, harking back the Provincial Growth Fund, which was part of NZ First's coalition with Labour in 2017. That fund allocated $3 billion to regional economic development projects, some of which have shown themselves to be of questionable value, while others really were catalysts driving local economic growth.

New Zealand vs Australia – a contrast in style and substance

Once again, the New Zealand government finds itself publishing a Budget that is at odds with our neighbours across the Tasman.

Earlier this month Australia's Prime Minister Anthony Albanese announced plans to invest $23 billion into a programme to spur domestic manufacturing, $3 billion in student debt relief and many billions for their Defence Force. The Australian Government also offered an energy rebate to virtually every Australian household in a Budget that increased spending across the board.

New Zealand, in comparison, has today confirmed it is cutting funding for many climate-related initiatives, publicly stated it will not be 'picking winners' in the industrial space, and increased many levies, fees and costs on business, households and individuals.

There is now a real risk that New Zealand will continue to see our economy lag that of Australia. That could well be one of the biggest risks the National-led Government will face in the coming few years.