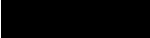


7 March 2024



Public Service Association

Via email: @[psa.org.nz](mailto:psa.org.nz)

Kia ora 

**Official Information Act request regarding fiscal sustainability and change management**

On 9 February 2024 you made an Official Information Act (OIA) request for:

- 1. Any correspondence received by you between 1 December 2023 and today [9 February 2024] from your agency's responsible minister, the Minister of Finance, Treasury, or any other Minister or Agency regarding the fiscal sustainability programme, including any savings required by your agency.*
- 2. Any letters of expectation or guidance from Te Kawa Mataaho received by you between 1 December 2023 and today regarding change management or employment relations.*

Attached to this letter are copies of all correspondence related to your request.

We have withheld some information contained in this correspondence and communication. The grounds under which we have withheld information are:

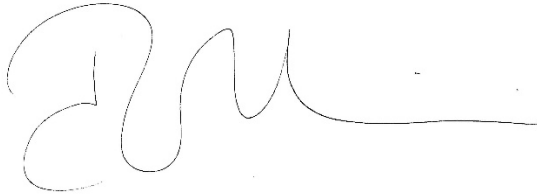
- Section 9(2)(a) – to protect the privacy of natural persons. This includes email addresses and phone numbers.

I do not believe there are considerations that render it desirable, in the public interest, to make that information available.

Please note that this letter (with your personal details removed) and the enclosed documents may be published on Te Waihanga's website.

This reply addresses the information you requested. You have the right to ask the Ombudsman to investigate and review my decision.

Yours sincerely



Anna Moodie  
**General Manager, Operations**

**From:** [Kiah Puth \[TSY\]](#) on behalf of [Struan Little \[TSY\]](#)  
**To:** [Alan Bollard](#)  
**Cc:** [Ann Webster \[TSY\]](#); [Chelsea Wong She \[TSY\]](#); [Ross Copland](#)  
**Subject:** Fiscal Objectives and Budget 2024 Letter - Te Waihangā  
**Date:** Wednesday, 10 January 2024 1:50:04 pm  
**Attachments:** [image001.png](#)  
[Fiscal Objectives and Budget 2024 Letter - Te Waihangā.pdf](#)

---

[IN-CONFIDENCE]

Kia ora Alan,

Hoping this email finds you well!

Please find attached a letter from Struan Little, in his current capacity as Acting Secretary and Chief Executive of the Treasury.

Ministers have asked Chief Executives of monitoring departments to write to statutory Crown entities, Crown entity companies, State-owned enterprises and Public Finance Act 1989 Schedule 4A companies, to ensure you are aware of the Government's fiscal strategy and the need to identify savings.

Please do not hesitate to contact me or your Treasury relationship manager (cc'ed) with any questions regarding the attached letter, and we can direct you towards wider Treasury support as required.

Ngā mihi,  
Struan Little  
Acting Secretary and Chief Executive



Note: The attached letter and this email are classified as Budget Sensitive, and should be handled accordingly. This means that information contained should only be shared on a "need-to-know" basis and that care should be taken to ensure that when sharing the information (either in electronic or physical form) documents are only available to the intended recipients.

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10 January 2024

Dr Alan Bollard  
Chair  
New Zealand Infrastructure Commission/Te Waihanga  
[REDACTED]



Kia ora Alan

## **FISCAL OBJECTIVES ACROSS THE TERM AND BUDGET 2024**

The Crown has been in operating deficit since 2019/20 and there is an ongoing challenging fiscal environment. High inflation and interest rates are creating significant cost of living pressures for New Zealanders and putting pressure on government finances. Our economy relies on a fiscal strategy that sees a steady path to return to surplus, supporting monetary policy to bring inflation down. Strict fiscal management will be necessary to get the government books back in order and ensure limited funds are directed towards the highest value investments. The Government expects all public sector organisations to play their part in this, including statutory Crown entities, Crown entity companies, State-owned enterprises (SOEs) and Public Finance Act 1989 Schedule 4A companies.

As part of the Government's immediate actions, it will be making decisions to reduce public expenditure, including consultant and contractor expenditure. Meeting the Government's fiscal objectives while also delivering better public services requires looking at all public expenditure, not just that of government agencies. A target level of savings for Budget 2024 has been established for all government agencies. The responsible agency will be required to quickly identify these savings.

Government agencies and other public organisations should expect enhanced scrutiny of Crown funding. Crown entities are also expected to operate efficiently, effectively and in a financially responsible manner, ensuring that they act as a successful going concern. You should be able to demonstrate that activities funded from Crown revenue are:

- As efficient as possible;
- Making a difference for New Zealanders.

## BUDGET-SENSITIVE

If your Crown entity receives funding from the Crown, including funding for the purchase of goods or services, I would be grateful if you could:

- work proactively with my department to identify material savings and efficiency improvements for your entity, including trade-offs and impacts on the ability to carry out the entity's functions
- work proactively with my department to identify how cost pressures can be managed within existing funding envelopes, and
- provide information to my department so that the Government can be assured that expectations are being met while continuing to deliver for New Zealand.

For the duration of this term, it is expected that there will be a greater focus on reprioritisation and managing cost drivers, while delivering improved performance. This applies to both departmental and non-departmental appropriations. We look forward to discussing this with you over the coming months.

Ngā mihi,



Struan Little  
Acting Secretary and Chief Executive – The Treasury

cc Ross Copland, Chief Executive New Zealand Infrastructure  
Commission/Te Waihanga, [REDACTED]

BUDGET-SENSITIVE

**From:** [Chelsea Wong She \[TSY\]](#)  
**To:** [Ross Copland](#)  
**Cc:** [Diana Miller \[CASS\]](#); [Anna Moodie](#); [Virginia Moss](#)  
**Subject:** RE: Fiscal Objectives and Budget 2024 Letter - Te Waihangā  
**Date:** Wednesday, 17 January 2024 4:24:24 pm  
**Attachments:** [image001.png](#)  
[B24 IBE FAQs.docx](#)

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Kia ora Ross

Please find attached some general key messages regarding the Budget 2024 Initial Baseline Savings Exercise. Please note that this document was prepared for agencies and departments and therefore some content may not be applicable to the Commission (e.g. CFISnet submissions).

Anna/Virginia – can you please provide some date and time options for availability for a meeting next week.

Let us know if you have any questions in the meantime.

Thanks

**Ngā mihi**

**Chelsea Wong She** (she/her) | **Kaitātari Matua – Senior Analyst | Te Whaihua Tauhokohoko, Umanga – Commercial and Institutional Performance | Te Tai Ōhanga – The Treasury**

Tel: [REDACTED] | Email/IM: [REDACTED]

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**From:** Chelsea Wong She [TSY] <[REDACTED]>  
**Sent:** Friday, 12 January 2024 12:24 pm  
**To:** Ross Copland <[REDACTED]>  
**Cc:** Diana Miller [CASS] <[REDACTED]>  
**Subject:** Re: Fiscal Objectives and Budget 2024 Letter - Te Waihangā

Kia Ora Ross

Thanks for letting me know. I will liaise with our finance team to see what we can do.

Thanks

Ngā mihi  
Chelsea

---

**From:** Ross Copland <[REDACTED]>  
**Sent:** Friday, January 12, 2024 11:50:10 AM  
**To:** Chelsea Wong She [TSY] <[REDACTED]>  
**Cc:** Diana Miller [CASS] <[REDACTED]>  
**Subject:** Re: Fiscal Objectives and Budget 2024 Letter - Te Waihangā

Thanks Chelsea.

I'm away next week on leave, back on 23rd Jan. Perhaps in the interim if you could send us some written notes in reply to my email that would be great and we can aim to schedule a meeting for the week beginning Tuesday 23rd (Monday is Wellington anniversary day). Happy for you to suggest times that work - online sounds good.

Kind regards,

Ross

Ross Copland | Tumu Whakarae - Chief Executive  
New Zealand Infrastructure Commission | Te Waihanga

Ph: + [REDACTED] | Email: [REDACTED]  
Visit us online at <https://tewaihanaga.govt.nz>

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**From:** Chelsea Wong She [TSY] <[REDACTED]>  
**Sent:** Friday, January 12, 2024 11:46:52 AM  
**To:** Ross Copland <[REDACTED]>  
**Cc:** Diana Miller [CASS] <[REDACTED]>  
**Subject:** RE: Fiscal Objectives and Budget 2024 Letter - Te Waihanga

Kia ora Ross

Happy new year! Hope you had a good Christmas break.

Further to the below email and letter sent from Struan Little, our finance team would like to meet with Te Waihanga to discuss the contents of the letter in more detail.

This initial meeting is likely to include myself and a couple of people from the finance team, including our CFO Glenn McStay. You might like to include Anna Moodie and Caine Garrity from your end.

Can you please provide some date and time options for your availability next week. This meeting can be in person or virtual, but virtual might be easier given the number of attendees.

Please let me know if you have any further questions.

**Ngā mihi**

**Chelsea Wong She** (she/her) | **Kaitātari Matua – Senior Analyst | Te Whaihua Tauhokohoko, Umanga – Commercial and Institutional Performance | Te Tai Ōhanga – The Treasury**

Tel: + [REDACTED] | Email/IM: [REDACTED]

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**From:** Kiah Puth [TSY] <[REDACTED]> **On Behalf Of** Struan Little [TSY]  
**Sent:** Wednesday, 10 January 2024 1:50 pm

**To:** [REDACTED]  
**Cc:** Ann Webster [TSY] <[REDACTED]>; Chelsea Wong She [TSY]  
[REDACTED] <[REDACTED]>; Ross Copland <[REDACTED]>  
**Subject:** Fiscal Objectives and Budget 2024 Letter - Te Waihanga

[IN-CONFIDENCE]

Kia ora Alan,

Hoping this email finds you well!

Please find attached a letter from Struan Little, in his current capacity as Acting Secretary and Chief Executive of the Treasury.

Ministers have asked Chief Executives of monitoring departments to write to statutory Crown entities, Crown entity companies, State-owned enterprises and Public Finance Act 1989 Schedule 4A companies, to ensure you are aware of the Government's fiscal strategy and the need to identify savings.

Please do not hesitate to contact me or your Treasury relationship manager (cc'ed) with any questions regarding the attached letter, and we can direct you towards wider Treasury support as required.

Ngā mihi,  
Struan Little  
Acting Secretary and Chief Executive



**Note:** The attached letter and this email are classified as Budget Sensitive, and should be handled accordingly. This means that information contained should only be shared on a "need-to-know" basis and that care should be taken to ensure that when sharing the information (either in electronic or physical form) documents are only available to the intended recipients.

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## Budget 2024 Initial Baseline Exercise Frequently Asked Questions

### Key Messages

- As noted at Cabinet on 11 December, delivering on the Government's policy commitments in the current fiscal and economic environment will be challenging and will require a strong focus on fiscal discipline. Cabinet has therefore agreed to the following priorities for Budget 2024:
  - **addressing the rising cost of living:** deliver meaningful tax relief to working New Zealanders through changes to the tax system and cancellations of existing and planned taxes;
  - **delivering effective and fiscally sustainable public services:** introduce measures to improve value for money by focussing on results (in particular, in the areas of health, education, and law and order), and responsibly manage public finances; and
  - **building for growth and enabling private enterprise:** deliver more housing, infrastructure and renewable energy through carefully prioritised investment, regulatory change that creates the conditions for investment, and developing a long-term pipeline of investments, and improve regulatory settings to encourage skills growth, innovation, and competition, and to attract investment and boost exports.
- Cabinet also agreed to a fiscal sustainability programme focused on three interrelated objectives;
  - Creating sufficient fiscal headroom to fund the Government's policy commitments and achieve fiscal strategy;
  - Orienting the Government to prioritise fiscal discipline and embed a culture of continuously improving value for money; and
  - Ensuring collective ownership and accountability for the fiscal position and value for money at all levels of government.
- Phase One of this programme will involve an Initial Baseline Exercise (IBE), which forms the basis of Budget 2024. The IBE will focus on finding savings from work that doesn't align to the Government's priorities, across both operating and capital.
- Letters outlining the Budget 2024 strategy, savings targets and any limited invitations have been issued to Ministers (with Chief Executives Cc'd) and the templates and guidance released on CFISnet. **Submissions will be due in CFISnet 1pm Friday 16 February 2024.**
- There are only limited invitations for New Spending and Cost Pressures, with no guarantee these will be funded. Equally, agencies should not expect to keep savings to fund their uninvited cost pressures. The IBE summary allows you to outline the implications associated with managing within remaining baselines.
- Agencies should expect more oversight from central agencies **prior** to submissions on 16 February. Those considered at risk of not meeting their baseline reduction

## **BUDGET-SENSITIVE**

targets will be subject to a focused assurance panel process made up of senior central agency representatives.

- With regards to capital, the usual Investment Panel process will play a key role in reviewing the existing capital pipeline. For Budget 2024, the focus will be on funded investments that are easier to stop, rephase or rescope.
- A reminder that Budget information should be handled in accordance with your agency's security policy, under the BUDGET-SENSITIVE classification as appropriate.
- The Treasury is here to support you, and will provide information sessions during the pre-submission period. Please contact your Vote team with any questions, and they can also direct you towards wider Treasury support as required.

### **Budget 2024**

#### **What is the Initial Baseline Exercise (IBE)?**

The IBE forms the basis of the Budget 2024 process. Given the focus on fiscal sustainability, the IBE will require agencies to work with their responsible Minister to set out operating savings options, details on capital investments as part of the Capital Pipeline review, and – if invited – submit cost pressures or new spending initiatives.

The term refers to the fact that Budget 2024 is focused on a review by agencies of their expenditure in order to identify savings, and is the first step in a longer term programme of fiscal sustainability.

#### **Why do we need to find savings?**

The Government's fiscal sustainability programme is tasked with funding Government priorities and delivering enduring improvements in the operating balance before gains and losses (OBEGAL) position through reprioritisation, savings and revenue.

#### **Who has to do the IBE?**

All agencies must complete the IBE (except offices of Parliament). Within the exercise, all agencies must submit savings as part of the baseline reduction, and some must provide further targeted policy savings. Non-departmental Health, Education, and Whaikaha are still expected to complete the exercise but with different requirements set out in the invitation letter. What is required is set out in the invitation letter sent to your Minister (and Cc'd to your Chief Executive).

#### **Is the IBE completed at the Vote or department level?**

The IBE must be completed at the department level and cover all Votes and appropriations administered by the agency, including all departmental and non-departmental expenditure.

An agency administering multiple Votes should complete only one IBE. Agencies should ensure they include any departmental agencies, interdepartmental executive

boards, statutory or Crown Entities etc for which the agency is the monitoring department.

**Do I have to submit an initiative in CFISnet for the IBE summary template?**

The IBE summary template should be submitted through the CFISnet Document Sharing Function, not in the Budget 2024 Initiatives Module.

**Is capital part of the IBE?**

Yes, the IBE comprises the entirety of the Budget 2024 process, including operating and capital, savings and expenditure (where invited). See further questions on capital below.

**Why can't we submit our cost pressures?**

Due to the challenging fiscal context, the significant cost pressure funding in recent years, and limited funding remaining in the Budget 2024 allowance, Cabinet agreed to a targeted and top-down, invitation-only process for cost pressures at Budget 2024. Only invited cost pressures, as agreed by Cabinet and set out in the invitation letters to Ministers must be submitted.

**Are Agencies expected to work over Christmas?**

The deadline for submissions is 16 February 2024, with the expectation there will be engagement with central agencies on the scope of their IBE from mid-January. It is for agencies to consider their own resourcing requirements, in line with their Ministers' expectations. You may wish to speak to your CFO.

**Assurance process**

**What is the Assurance process?**

Given the focus on baseline savings, the Minister of Finance has asked the Treasury to run an assurance process to ensure sufficient savings options are identified, and support agencies as they develop their savings options.

The key objective of the assurance process is to ensure that the Minister of Finance has oversight of agency how well-prepared each department is and highlight where additional focus may be required.

**How will the assurance process work?**

There are two key assurance checkpoints to the assurance process.

1. An initial engagement in the week commencing 8 January where agencies will discuss their approach to developing savings options. This includes targeted savings options and revenue raising options, where agencies have been requested to provide those.
2. A second engagement in late January/early February to follow up on any issues raised at the initial engagement and get early sight of the savings that have been identified. Treasury will schedule the second engagement in mid-January.

## BUDGET-SENSITIVE

These engagements will be run by a central agency Assurance Panel (comprised of TSY, PSC and DPMC officials) and directed at Chief Executives (or delegate). For further information, see the Budget 2024 guidance.

The assurance process does not replace Vote team assessment of the savings initiatives, which occurs after submissions. As with previous Budget processes, departments are expected to engage with their relevant Vote teams on their proposed initiatives/savings ahead of submission to ensure that they align with the parameters of exercise. Departments are also responsible for ensuring their minister(s) are engaged in the savings initiatives.

### Savings

#### **Why are some agencies being excluded/being asked to find more than others?**

All agencies (except the Offices of Parliament) are within scope of the IBE and must set out savings options. Cabinet agreed that agencies with Full Time Equivalent (FTE) growth under 50% since 2017 are given savings targets of 6.5% of their identified eligible base and agencies with FTE growth over 50% since 2017 are given savings targets of 7.5% of their eligible base. This is consistent with the Government's objective to prioritise savings from areas of public spending that have grown the most in recent years.

Cabinet also agreed that a select few areas of spend are treated differently:

- Non-departmental health, education, and Whaikaha are expected to identify savings options that could be reprioritised to fund their frontline cost pressures only, rather than returned to the centre.
- Some agencies, such as Defence, are expected to find savings but will also be considered for additional funding for cost pressures, with the net impact on their baselines determined as part of the Budget process.

#### **We disagree with our savings calculation, what avenue is there to revisit this?**

You must present options as part of the IBE that meet your baseline reduction target as agreed by Cabinet and set out in the Minister of Finance's invitation letter to your Minister. We encourage you to flag the risks associated with meeting this target in your engagements with the Treasury during the assurance process and in your final Budget 2024 returns.

Budget Ministers will have the opportunity to assess trade-offs across savings options and determine the final allocation of savings across agencies.

#### **What process did you undertake to check the eligible base?**

Agency CFOs were provided with their eligible base number prior to final decisions and helpfully provided some feedback which fed into the final decision on the eligible base number for each agency. A materiality threshold was applied to the feedback.

#### **What does the baseline reduction target include for my agency? What is the scope of the baseline reduction target?**

Baseline reduction targets were calculated based on average departmental and non-departmental appropriations between 2024/25 and 2027/28. A number of exclusions were made to determine an appropriate eligible spend to which the percentage savings

requirements were applied. These are set out in the letter from the Minister of Finance to Ministers. Should you have further questions about the methodology, please contact your Treasury vote team in the first instance, noting that savings targets for each agency have been agreed by Cabinet.

**What is the scope of the baseline reduction (e.g., departmental vs. non-departmental, Crown entities)?**

The IBE covers the entirety of each Vote. It includes departmental and non-departmental expenditure and all departments and Crown entities.

The baseline reduction savings target was calculated on an identified eligible base which is set out in the letter from the Minister of Finance to your Minister.

Savings options to meet the baseline reduction savings target can be identified from across the Vote. Savings options are expected to focus on low value programmes, programmes that do not align with Government priorities, and reducing non-essential back-office functions (including contractor and consultant spend) informed by the increase in head count since 2017 or since agencies establishment.

The Minister of Finance's letter to your Ministers sets out that she expects agencies and Ministers identify and consider all available options to reduce back office spending (including from departmental expenditure) and that savings options do not undermine the delivery of frontline services.

**How will savings from the baseline reduction be used?**

This exercise supports the Government's commitments to reduce back-office and contractor & consultant spend, alongside delivering the previous 1%-2% savings exercise. Savings will therefore be used for a combination of meeting the Government's fiscal objectives, and supporting wider expenditure and tax priorities; including re-investment in frontline cost pressures.

**Will existing savings measures count toward the baseline reduction target?**

Where the Coalition agreement<sup>1</sup> includes policies which will result in a saving to the Crown, these cannot be used to contribute to your baseline reduction target. Except for final decisions taken through the Mini Budget (which have been factored into the calculation of the eligible base, where appropriate), we do not expect that these commitments will materially reduce the size of your eligible base, and therefore your baseline reduction target.

**Can revenue options be used to meet the savings target?**

Yes, but these must be well developed and able to be realised for 2024/25. If agencies have ideas for effective revenue options, but these require further policy work or will take longer to realise, agencies should begin work on these, to be developed further in their savings and performance plans (to be commissioned in April 2024).

**Can operating savings from capital projects be used to meet the savings target?**

---

<sup>1</sup> For the avoidance of doubt, this includes those parts of the National Party Tax Plan, Fiscal Plan, 100 day plan and 100 point economic plan endorsed by the Coalition agreements (see paragraph 10 of the New Zealand National Party & New Zealand First Coalition Agreement and paragraph 14 of the New Zealand National Party & ACT New Zealand Coalition Agreement).

## BUDGET-SENSITIVE

Yes, however decisions on capital savings should be driven by the need to meet cost escalations and reduce market impact, rather than a desire to secure any associated operating expenditure as savings. This should also not be at the expense of asset maintenance for capital projects the agency is wanting to continue.

### **What about our existing 1 – 2% baseline reduction?**

The baseline reduction targets set now include the 1-2% savings agreed by the previous Government. Therefore, those targets are no longer applicable. The IBE guidance and templates supersede guidance and templates that were shared to support the delivery of the 1-2% targets.

### **What is the difference between baseline savings and targeted savings?**

There is no set definition of what constitutes a baseline reduction saving or a targeted savings measure. Baseline savings must be permanent reductions to baseline funding, with a focus on low value programmes, programmes that do not align with Government priorities, and reducing non-essential back-office functions (including contractor and consultant spend) informed by the increase in head count since 2017.

Our expectation is that targeted savings are higher value, more discrete measures that realise at least \$100m of savings or revenue raising across the forecast period per option. Targeted measures do not necessarily have to result in permanent reductions to baseline spend, for example they can include time-limited funding and (non-capital investment) tagged contingencies.

### **What if we can't identify sufficient savings to meet our target?**

You must identify savings options that meet the required target and make clear the risks and impacts of doing so. Please discuss any challenges with your central agency team during the assurance process.

### **What are third parties (Crown entities, Public Finance Act Schedule 4A companies, SOEs – collectively referred to as “public organisations”) required to submit?**

Public organisations will not be making their own submissions. Monitoring departments will need to work with their statutory Crown entities, Crown entity companies, Public Finance Act 1989 Schedule 4A companies and State-owned enterprises that receive Crown funding, including for the purchase of goods or services, to identify savings. Monitoring departments will need to advise on the impact of reducing Crown funding to these organisations on their ability to carry out their statutory functions and programmes.

### **Will we be able to keep our savings to fund our cost pressures?**

Due to the challenging fiscal context and pressure on allowances, Cabinet agreed to a targeted and top-down, invitation-only process for cost pressures at Budget 2024. Cabinet only agreed that non-departmental health, disability and education spend are guaranteed to be able to use identified operating savings options for reprioritisation rather than being returned to the centre. Only invited cost pressures, as agreed by Cabinet and set out in the invitation letters to Ministers may be submitted.

As part of the capital pipeline review, invited agencies will be asked to provide cost pressure returns for investments they are proposing to fund from reprioritisation. No capital investments are invited for new cost escalation funding.

**How does this take into account contractors and consultants?**

The Government has an ongoing commitment to reduce contractor and consultant spend. In addition, Cabinet previously agreed to reduce contractor and consultant spend to 11% of total workforce spend as soon as possible and by no later than 2025/26. There is not a separate target for savings that should come from contractors and consultants through this exercise, though the Minister of Finance has set out that reducing this spend is a priority and agencies will need to set out the impacts of any savings (or invited expenditure) initiatives on contractor and consultant spending.

**Does the baseline reduction target need to be met in full in each year or is there scope to 'smooth' reductions across the forecast period?**

The expectation of the baseline reduction targets is that they are met in full from 2024/25 onwards. Alternative savings profiles will be considered on a case-by-case basis and will need to be justified. If you are considering proposing an alternative savings profile in your return, please consult with your vote team in advance of submission.

**Capital Pipeline Review**

**What is the scope of the capital pipeline review?**

The capital investment pipeline is comprised of all investments within the scope of Cabinet Office circular CO (23) 9, which includes operating-heavy investments such as managed services.

For Budget 2024, the focus will be on funded medium and high risk capital investments that are easier to stop, rephase or rescope. Invited capital investments will be confirmed in the New Year.

After Budget 2024 all other unfunded medium and high risk capital investments in planning will be considered as part of the review (and will be coordinated through Treasury's quarterly investment reporting process).

**We disagree with what has been invited into the capital pipeline review, what avenue is there to revisit this?**

Invitation into the review does not imply a predetermined outcome to e.g., stop an investment. The Budget process provides the opportunity for agencies to evidence the options to change an investment, the risks and impacts, including whether there are limited opportunities for changes.

Where there are cost escalations that need to be met but the agency is proposing limited opportunities for change to the investment, the agency can volunteer alternative saving options for capital investments not invited to the capital pipeline review to meet these cost escalations.

## **CERF**

### **Is there a CERF track for new spending in Budget 2024?**

Budget 2024 will not include a dedicated CERF funding track. Some invited cost pressures and new spending initiatives outlined in the invitation letter to your portfolio Minister may have climate implications, and these will need to be considered as part of the main Budget process. To support this, climate impact information will be sought for all initiatives as part of the main Budget process. For savings, agencies should identify climate impacts and also indicate in the template if the initiative was funded (partially or entirely) through the CERF. More details on this can be found in the guidance.

### **Are agencies able to identify CERF spending as part of the baseline savings exercise? Are CERF initiatives subject to any different savings requirements?**

Agencies are able to identify CERF initiatives as part of the baseline savings exercise. CERF initiatives should be subject to the same scrutiny as other savings options. Our template seeks information about climate impacts for all savings options. CERF initiatives should also identify that funding originally came from the CERF in the template.

### **If agencies are seeking to fund new spending via reprioritisation in Budget 2024, can they use CERF funding as part of that reprioritisation?**

In the CERF's first funding round in Budget 2022, Cabinet agreed that any CERF underspends should be returned to the centre [CAB-22-MIN-0129 refers] as opposed to being retained in agency baselines. This means that Cabinet agreement is required to reprioritise the funding. As Budget decisions will be agreed by Cabinet, this can be sought through the Budget process.

Where the reprioritisation in question amounts to a policy change, the change should be agreed through the relevant policy Cabinet paper. If the reprioritisation does not involve policy change then it can be agreed through the Budget 2024 technical process. More information about the Budget technical process will be provided in due course.

## **Beyond Budget 2024**

### **What is a savings and performance plan?**

The savings and performance plans will be a medium-term planning document. It is a "living" document, owned by Ministers, that outlines an agency's strategy, prioritisation, allocation, and delivery. The plans are intended to improve visibility and scrutiny of spending and performance. They will do this by pulling together information that is currently available across a range of documents (e.g. Annual Reports and Strategic Intentions) into one place.

### **Will we have to do a savings and performance plan for Budget 2024?**



## **BUDGET-SENSITIVE**

No. Savings and performance plans will be introduced as part of phase two of the Fiscal Sustainability Programme, after Budget 2024. Under current proposals, the plans will be formally commissioned in April 2024, with draft plans due in September 2024. At this stage, final plans won't be due until June 2025, following Cabinet consideration of the drafts for feedback.

### **Templates/information requirements**

#### **When are we expected to submit into CFISnet?**

All Budget 2024 IBE submissions are due in CFISnet by 1pm Friday 16 February.

#### **When will the technical guidance be issued?**

Technical guidance (including BEFU 2024, Specific Fiscal Risks, Financial Recommendations, and Estimates) will be issued early in the New Year.

### **Out of cycle**

Agencies must continue to follow the out of cycle funding process where the Minister of Finance's agreement must be sought on any proposals with spending implications before they are brought to Cabinet.

**From:** [Alex Masters \[TSY\]](#)  
**Subject:** Baseline savings reductions - media response  
**Date:** Friday, 26 January 2024 5:08:19 pm  
**Attachments:** [image001.png](#)  
[image002.png](#)  
[Baseline reduction targets by agency.docx](#)

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[UNCLASSIFIED]

Kia ora koutou

Thank you for your patience. For your awareness, the Finance Minister agreed to release the percentage savings figures for each agency. This has now gone to Stuff (please see attached document).

Also for your information Secretary of the Treasury Caralee McLiesh emailed Chief Executives the below email.

Again, thank you for your patience, please don't hesitate to get in contact if you questions, and forward any enquiries regarding savings or the budget to me or [media@treasury.govt.nz](mailto:media@treasury.govt.nz)

And sorry to everyone I missed the phonecalls/emails of today!

Alex



**Alex Masters | Head of Communications & Engagement | Te Tai Ōhanga – The Treasury**

Ph: [REDACTED] | Email/IM: [REDACTED]

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**From:** Caralee McLiesh [TSY]  
**Sent:** Friday, 26 January 2024 4:37 pm  
**To:**  
**Subject:** Baseline savings reductions - media response

Kia ora koutou

This is an urgent heads-up to let you know that on the back of a number of media enquiries regarding the savings target percentages, the Minister of Finance has decided to waive Budget-Sensitivity rules and release a table of agencies' target of 6.5% or 7.5%. The response will note that the eligible base for the targets includes non departmental and departmental spend and excludes certain items such as non discretionary spend, and that final decisions will be made in the budget process.

As you are aware, the Finance Minister announced at the mini-Budget last year that government agencies would be subject to a 6.5 or 7.5% savings target as part of the budget process. She spoke to a range of media yesterday confirming that was being sought from all agencies, but did not go into detail on which agencies had which target.

This information will be released to Stuff by the Treasury later this afternoon.

I am aware that while some of you have already provided savings information to staff or others, for some this may be the first they learn of this target so want to ensure you have the opportunity to communicate to your staff if you wish. You may find the below lines useful.

As the Minister of Finance announced at the mini-Budget in December last year, the Government is looking to find \$1.5 billion per annum in savings to deliver on policy commitments and fund cost pressures. Ministers have asked their agencies to identify savings options of either 6.5% or 7.5%, depending on how much their full-time staff numbers increased since 2017. Our agency percentage target is X %

We are working to identify credible savings options, and ministers will consider these alongside our rationale, risks and trade offs required to reach our target. Final decisions will be made as part of the Budget 2024 process.

Please note that the dollar sum of this percentage **will not be released** and remains Budget-Sensitive. Any details about what savings options your agency and minister are considering also remains Budget-Sensitive, and no decisions have yet been taken. If you receive media enquiries regarding the savings target or options, or the Budget process in general please feel free to direct them to our Communications team: [media@treasury.govt.nz](mailto:media@treasury.govt.nz)

Please let me know if you have any questions or would like to discuss.

Ngā mihi nui  
Caralee

**Caralee McLiesh** ([she/her](#))

**Te Tumu Whakarae mō Te Tai Ōhanga | Secretary and Chief Executive - The Treasury**

Tel: [REDACTED] | Email/IM: [REDACTED]

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## Agency savings targets

Agencies have been asked to identify savings options of either 6.5 or 7.5 percent. If their full-time equivalent staff numbers (FTE)<sup>1</sup> increased by more than 50% since 2017, they were allocated the higher target.

Agencies have been asked to develop credible savings options, while ensuring New Zealanders continue to receive quality public services. Agencies have been asked to look at low value programmes, non-essential functions, and contractor and consultant spend in the first instance. Ministers and Cabinet will make final decisions on whether to accept those proposals as part of the Budget 2024 process, and agencies will have the ability to set out any risks and trade-offs associated with their proposals.

The percentage savings target was applied to an eligible spend base which includes departmental and non-departmental funding. Several adjustments were made to:

- exclude spend which is either non-discretionary or not likely to be suitable for savings (such as welfare spend), and
- reduce the target for agencies delivering education and health services reflecting the Government's priority on frontline services.

Please refer to the table below for savings target information.

Agency	Percentage of eligible base- 7.5% or 6.5%
Department of Conservation	6.5%
Department of Internal Affairs	6.5%
Department of the Prime Minister and Cabinet	6.5%
Education Review Office	6.5%
Executive Board for the Elimination of Family Violence and Sexual Violence	6.5%
Inland Revenue Department	6.5%
Justice Cluster (Crown Law Office, Department of Corrections, Ministry of Justice, New Zealand Police, Serious Fraud Office) <sup>2</sup>	6.5%
Land Information New Zealand	6.5%
Ministry for Culture and Heritage	7.5%
Ministry for Pacific Peoples	7.5%

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<sup>1</sup> Based on Public Service Commission workforce data

<sup>2</sup> Given the interconnected nature of the Justice sector, a single savings target has been set for Justice Cluster agencies based on their combined eligible spend base

Ministry for Primary Industries	7.5%
Ministry for the Environment	7.5%
Ministry for Women	7.5%
Ministry of Business, Innovation and Employment	7.5%
Ministry of Defence	7.5%
Ministry of Education	7.5%
Ministry of Foreign Affairs and Trade	6.5%
Ministry of Health	6.5%
Ministry of Housing and Urban Development	7.5%
Ministry of Māori Development - Te Puni Kōkiri	6.5%
Ministry of Social Development	6.5%
Ministry of Transport	7.5%
New Zealand Customs Service	6.5%
New Zealand Defence Force	6.5%
Office of the Clerk of the House of Representatives	6.5%
Oranga Tamariki - Ministry for Children	6.5%
Parliamentary Counsel Office	6.5%
Parliamentary Service	6.5%
Public Service Commission	7.5%
Statistics New Zealand	7.5%
Te Arawhiti – Office for Māori Crown Relations	6.5%
The Treasury	6.5%
Whaikaha - Ministry for Disabled people	7.5%

Agency	Percentage of eligible base- 7.5% or 6.5%
Te Arawhiti – Office for Māori Crown Relations	6.5%
Department of Conservation	6.5%
Department of Internal Affairs	6.5%

**From:** [Myrah Walters \[TSY\]](#)  
**Subject:** Baseline savings - comms guidance for agencies  
**Date:** Monday, 5 February 2024 5:32:08 pm  
**Attachments:** [image001.png](#)  
[Baseline savings exercise - Key messages and FAQs for agencies.docx](#)

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[IN-CONFIDENCE]

Kia ora koutou,

We are aware that agencies continue to get questions on their baseline savings targets and are finding it challenging to navigate what can or cannot be released under the budget process. As requested, we have been working on some additional guidance for agencies to use in responses where queries cannot be transferred to the Treasury.

In the attached document, you will find key messages and FAQs. These are intended to support your agencies' internal stakeholder engagement and external responses to media queries, parliamentary questions and annual review hearings. We've written messaging with recent media coverage in mind and in a way that can be tailored to meet your own agencies and spokespeople.

Any questions that relate to the actual process or savings target in general should be transferred to The Treasury.

As always, please get in touch with our team if you have questions about a response or budget-sensitive information. We're happy to provide further guidance or support where needed, especially if you're unsure about who is best placed to respond. You can contact our media inbox here: [media@treasury.govt.nz](mailto:media@treasury.govt.nz)

Hope you all have a lovely Waitangi Day.

Ngā mihi,

Myrah



**Myrah Walters | Senior Communications Advisor | Te Tai Ōhanga – The Treasury**

Ph: [REDACTED] | Email: [REDACTED]

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**Baseline savings exercise**

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## External communications

### *For agencies*

These key messages and FAQs have been written to support agencies with external media queries, parliamentary questions and annual review select committee hearings.

### *Key messages*

- [Agency name] is committed to supporting the Government's priorities and the savings exercise.
- The Government is looking to find \$1.5 billion per annum in savings to deliver on policy commitments and address critical cost pressures.
- The target percentage for [Agency name] is X%.
- [Agency name] are currently working on our proposal to be considered by X Minister.
- Ministers and Cabinet will make decisions on final savings as part of Budget 2024.
- No final decisions have been made.
- [Agency name] respects the budget process and confidentiality needed for budget sensitive information.
- We will make further announcements in due course.

### *FAQs*

*How are you making up your target? What is in scope?*

- We are currently working on our savings proposal to be considered by X Minister.
- Decisions on our final savings package will be made by Cabinet during Budget 2024.

*How does this savings exercise impact your FTE/staff numbers?*

- [Agency name] are currently working on our savings proposal to be considered by X Minister.
- This baseline reduction savings exercise is part of the Budget 2024 process and Ministers will need to consider and make decisions in due course.

*[if pushed]*

- Any further information, including the initiatives or options being considered, are budget-sensitive and not for release at this time.

*Your agency/Crown entity wasn't on the table released by Treasury, are you in scope? And if so, how much are you being asked to save?*

- The agencies on the table are responsible for identifying options to meet the savings target, which may include entities they are responsible for.
- Savings from both departmental and non-departmental expenditure may be considered in order to identify options to meet monitoring agencies savings target.

*[if pushed]*

- We are considering options to support our monitoring department savings target.

*How does the agency savings target affect vote appropriations? (For example, does X agency need to find 6.5% from Vote A and 6.5% from Vote B?)*

- All agencies have been asked to find savings options and this is based agency to agency, not Vote to Vote.
- Where an agency administers multiple votes, it is for ministers (with advice from their agency) to decide on where proposed savings options should be found.

*Are Crown-owned entities/ Crown-owned companies in scope?*

- Savings targets applied to an eligible spend base may include departmental and non-departmental funding.
- Agencies are responsible for identifying options to meet the savings target which may include entities for which it is responsible for.
- Decisions on our final savings package will be made by Cabinet during Budget 2024.

*Are the Courts / RNZ / NZ on Air/ [Crown-funded organisation here] expected to find savings too?*

- Savings targets applied to an eligible spend base may include departmental and non-departmental funding.
- Decisions on our final savings package will be made by Cabinet during Budget 2024.

*Some agencies have been publicly reported as offering voluntary redundancies, have you been asked to consider this as part of your savings?*

- Agencies have been encouraged to look at low value programmes, non-essential functions, and contractor and consultant spend in the first instance.
- The Government has not mandated any workforce changes.
- [Agency name] are currently working on our savings proposal to be considered by X Minister.
- This savings exercise is part of the Budget 2024 process and Ministers will need to consider and make decisions in due course.

*Do the required public sector savings risk undermining constitutional functions?*

- Savings targets have been communicated to all public sector agencies, except for the Offices of Parliament who hold the executive to account and have separate funding arrangements outside of the Budget process.
- [Agency name] are currently working on our savings proposal to be considered by X Minister.
- Ministers and Cabinet will make decisions on final savings as part of Budget 2024.

*Who does this savings exercise apply to? All agencies/departments or those highlighted in National's pre-election tax proposal?*

- We will refer you to Treasury on this question as I understand they have a table of agencies and some contextual information.
- You can get in contact with the Treasury media team at [media@treasury.govt.nz](mailto:media@treasury.govt.nz)

*Will the savings targets lead to redundancies in the public sector / your agency?*

- [Agency name] are currently working on our savings proposal to be considered by X Minister.
- The Government has not mandated any workforce changes.
- Ministers and Cabinet will make decisions on final savings as part of Budget 2024.

***Guidance on other questions***

Your agency may receive a query on a more specific or technical part of the Budget 24 savings programme.

For any further guidance and advice on other topics, or to discuss whether Treasury could be best placed to respond, please get in touch our media team:

[media@treasury.govt.nz](mailto:media@treasury.govt.nz)

## Internal communications

### *For all agencies*

The following key messages and FAQs have been created for engaging with internal stakeholders (e.g. leadership teams, staff) at public sector agencies.

### **Key messages**

- The Government is looking to find \$1.5 billion per annum in savings across the public service, to deliver on policy commitments and address critical cost pressures.
- Agency savings targets have now been released publicly by the Treasury.
- Our agency percentage target is X%.
- We are committed to supporting the Government's priorities and the savings exercise.
- We are working to identify credible savings options, and ministers will consider these alongside our rationale, risks and trade-offs required to reach our target.
- We want to reassure staff that looking after your wellbeing during this process is our top priority.
- Once we have finalised our savings proposal, we will put forward advice to the Minister.
- Any details about our savings proposals remain budget sensitive.
- Ministers and Cabinet will make decisions on final savings as part of Budget 2024.
- We'll share more information, including consultation details, with staff soon/ X date.

### **What will be included in the savings exercise**

- Agencies have been encouraged to look at low value programmes, non-essential functions, and contractor and consultant spend in the first instance.
- Savings may include non-departmental and departmental spend.  
The targets set for agencies include the 1-2% reductions set by the previous government.

### **Protecting budget sensitive information**

- Protecting budget sensitive information is important for the integrity of [Agency name] and our role as public servants.
- Any details about what savings options [Agency name] and our Minister are considering remains budget sensitive.
- Within [Agency name], budget sensitive information should be shared with people on a need-to-know basis.
- If you have any concerns or questions about what you can share, please get in touch with [Agency internal contact].

***Change management processes***

- We want to reassure staff that looking after your wellbeing is our top priority.
- All agencies will be making their own prioritisation decisions through the Budget 2024 process.
- Engaging on any change process is the responsibility of agencies and their Chief Executives.
- The Public Service Commission has guidance for please get in touch with them directly for further guidance.

***Supporting staff and engaging with unions***

- [Agency name] leaders have committed to engaging with our people and [union name] on savings options.
- We recognise that you may have concerns about this process and encourage you to engage with your union delegates throughout the budget process.
- Please don't hesitate to reach out to [people leader/ manager/ HR team/ EAP] for questions or support.

***Facilitating inclusive consultation***

- We value our people's input to inform decision making and business planning.
- We want to know where you see opportunities for us to do things differently and more efficiently. Your ideas help us to think about options and implications from all angles.
- Our [agency] values should help to guide our decision making.