NEW ZEALAND COUNCIL OF TRADE UNIONS
Te Kauae Kaimahi

CTU Report on Budget 2018

Contents

Introduction

This is a report on some of the Budget highlights. There has not yet been an opportunity to analyse all aspects of the Budget so this report does not attempt to provide a full commentary. You will see that funding increases are often stated as over four years and we also need to factor in demographic changes as well as an inflation adjustment before real increases can be assessed.

Key Points

- Some welcome restoration of previous underfunding, but funding the many further needs is highly constrained by 'Budget Responsibility Rules' limiting spending and debt.
- Health received $80 million more than what is required for rising costs and population, and to fund initiatives, in effect restoring some of the funding shortfalls of past years.
- DHBs received $13.2 billion, very close to what is required to cover rising costs and population pressures.
- However this does not provide for pay settlements for nurses, allied health staff and pay equity claims.
- $60.9 million to reduce doctors' fees for an estimated 540,000 people with low incomes, and free visits extended to 13 year olds.
- Poverty will be reduced with increased funding for Working for Families complemented by lower cost access to doctors and grants to low-income home owners to insulate and heat their homes.
- Kiwibuild gets a kickstart with significant funding for the redevelopment of vacant crown land and the first capital injection in a decade into building affordable housing.
- A welcome announcement of 1,600 new state houses per year gets no new funding in 2018/19. Housing New Zealand must fund the builds out of existing budgets and private debt. There is also increased transitional housing support to reduce homelessness.
- Provincial Growth Fund projects could stimulate much needed employment in the regions, although the budget is $221 million short of the $1 billion in the coming year.
- Schools get $394.9 million over four years to fund new classrooms to meet roll growth, but only a 1.6 percent increase to operational grants.
- $284 million over four years allocated for additional learning support.
- Early Childhood Education gets $695 million over four years to cover roll growth and a 1.6 percent increase to base funding.
- Tertiary education gets a boost of $237 million in 2018/19, although not enough to catch up with nine years of underfunding that is estimated to have cost the sector $3.7 billion.
- Positive initiatives for pest control in Conservation get off to a slow start in 2018/19 with only $8m of new spending.
- $8.8 million over 4 years to double labour inspectors to 120 in total.
- No real increase in budget for development of capacity in employment policy other than for labour inspectors.
- Modest increase in WorkSafe's funding from $92.9 million to $93.3 million in 2018/19.
- $4.2 million for Pike River Re-entry and $17 million the following year.
- New initiative of funding of $4m in the 2018/19 period to improve work-readiness of unemployed youth in four target regions.
- $37 million of new funding in Māori Development– focused on housing, learning for rangatahi Māori and te reo Māori.
- Research Science and Innovation gets $1 billion over four years, starting with $71 million this year, to finance a tax incentive for more Research & Development by businesses.
- Increased funding for Ministry of Justice and to deal with growth in prisoner population and to include 17 year olds in the Youth Justice System.
- Establishment of Canterbury Earthquakes Insurance Tribunal.
- Community law centre funding increasing by 4 percent over four years.
- $38.6 million allocated in 2018/19 towards 1,800 new police and support staff.

Economic forecasts and outlook

A general note about forecasts: except as noted, the Treasury forecasts have a reasonable record to about 18 months out. As they get further into the future, they tend to a long term average or theoretical value (for example, Treasury considers that unemployment shouldn't fall below 4.3 percent or it will create inflation) and have less and less reliability.

Economic forecasts include (annual percentage changes unless otherwise stated; forecasts in red, actuals in black):

June Year	2016	2017	2018	2019	2020	2021	2022
GDP	3.8	3.3	2.8	3.3	3.4	2.7	2.5
GDP per person	1.7	1.2	0.7	1.3	1.7	1.3	1.3
Unemployment rate	5.0	4.8	4.5	4.2	4.1	4.1	4.2
Employment	2.3	5.2	3.8	2.1	1.9	1.5	1.3
Wages (av. wage/hr)	2.1	1.6	3.2	2.7	3.1	3.3	3.4
CPI	0.4	1.7	1.4	1.5	1.8	1.9	2.0
Real wages	1.7	-0.1	1.8	1.2	1.3	1.4	1.4
Labour productivity	0.8	-1.6	-0.9	1.2	1.4	1.4	1.3
Current account [1]	-2.4	-2.7	-2.6	-3.1	-3.0	-3.0	-3.1

Economic growth forecast in the Budget is somewhat weaker than in the previous Treasury forecast (in the December Half Year Economic and Fiscal Update – HYEFU). GDP growth in the year to June 2019 is now forecast to be 3.3 percent compared to the previous forecast of 3.6 percent but it is stronger in future years. However give the strong population growth, GDP per person is more meaningful. Per capita growth is still well below the 2000s average of 2.3 percent at 1.3 percent for 2019, though it is up on the very weak growth (0.7 percent) forecast for 2018. This is in part due to net immigration which Treasury forecasts to fall off only gradually from 66,000 in the year to June 2018 to 52,000 next year, and 25,000 in 2022 – still considerably higher than New Zealand's historical average.

Treasury also forecasts continued relatively slow wage growth with the average hourly wage rising 2.8 percent in the year to June 2019, though rising slightly faster in subsequent years. The continued rise in immigration and higher Working for Families payments are likely to put downward pressure on wages unless improved employment laws can counter that.

However it also forecasts lower price inflation (CPI), rising only 1.5 in the year to June 2019 but rising (as their forecasts always do) to 2.0 percent in 2022. That means real wages grow somewhat more strongly than in the previous forecast, though slower at 1.2 percent (compared to 1.4 percent previously forecast) in the coming year to June 2019.

Labour productivity is forecast to grow somewhat more strongly than previously (after falling for two years according to Treasury) but still doesn't reach Treasury's view of its long term average of 1.5 percent, which it has not attained since 2012.

The wage and salary share of New Zealand's income rises slightly over the period, from a forecast 48.5 percent of GDP to 48.7 percent[2].

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[1] Current account deficit as a proportion of GDP, not percentage change.
[2] At factor prices (before indirect taxes less subsidies).

Employment growth is forecast to taper off from 3.8 percent in the year to June 2018 to 2.1 percent next year and 1.3 percent by 2022. The forecast unemployment rate continues to fall next year to 4.2 percent and bottoms out at 4.1 percent.

The current account deficit at around 3 percent is in a relatively healthy state (for New Zealand), and is driven largely by income on overseas investment and debt in New Zealand.

Government spending and fiscal outlook

Forecasts in red, actuals in black

June Year	2016	2017	2018	2019	2020	2021	2022
	$m						
Core Crown Expenses	73,929	76,339	81,720	86,720	90,075	94,715	98,108
Core Crown Revenue	76,121	81,782	85,959	90,965	96,221	101,178	106,259
OBEGAL	1,831	4,069	3,141	3,737	5,420	5,721	7,312
Operating Balance	-5,369	12,317	6,997	6,773	8,837	9,567	11,652
Net debt (incl NZSF)	32,102	23,619	21,359	21,902	19,015	15,079	8,021
Net debt (excl NZSF)	61,880	59,480	60,409	64,204	65,865	67,607	66,957
	Percent of GDP						
Core Crown Expenses	28.7	27.8	28.1	28.5	28.2	28.3	28.0
Core Crown Revenue	29.5	29.8	29.5	29.9	30.1	30.2	30.4
OBEGAL	0.7	1.5	1.1	1.2	1.7	1.7	2.1
Operating Balance	-2.1	4.5	2.4	2.2	2.8	2.9	3.3
Net debt (incl NZSF)	12.5	8.6	7.3	7.2	5.9	4.5	2.3
Net debt (excl NZSF)	24.0	21.7	20.8	21.1	20.6	20.2	19.1

NZSF = New Zealand Superannuation Fund

The conservative nature of this Budget is seen in the Government's spending plans. It has set itself a number of limits under its Budget Responsibility Rules (BRR). These form a pincer that leave it little space to move despite growing surpluses, rising from $1.1 billion in the coming year (to June 2019) to $2.1 billion in 2022 (see OBEGAL – the Operating Balance Before Gains and Losses in the above table). Counting in gains and losses, the surplus is even greater.

The pincer is between requiring operating expenses to be below 30 percent of GDP; lowering net debt (excluding the New Zealand Superannuation Fund, NZSF) to below 20 percent of GDP by 2022, and a promise not to introduce new taxes in this term of office.

Throughout the forecast period, operational spending is well below 30 percent of GDP: 28.5 percent in the year to June 2019 and falling over the next three years. It is higher than it would have been under the previous Government, but by only about 0.5 percent of GDP (equivalent to about $1.5 billion a year).

Revenue, even without new taxes, is rising from 29.9 percent of GDP to 30.4 percent over the same period. So why can't the Government increase spending to 30 percent of GDP? Because it is spending large amounts ($41.8 billion over the five years to 2022) on capital for school and hospital buildings, housing, rail, prisons, defence, computer systems and other investment. These all may be important but being long term projects with an expected future benefit to the country (and hence to the government) they could be funded from borrowing. Borrowing is very low cost at present – Treasury estimates their average interest rates at around 3.6 percent. But the borrowing limit prevents this. A little more funding is available from taxes as the economy expands and people move up tax scales, but nowhere near enough to close the gap.

While net debt falls to 19.1 percent in 2022 from a forecast 21.1 percent by June 2019, if the NZSF is included as an asset balancing against the debt, net debt in June 2019 is only 7.2 percent and falls much more rapidly to only 2.3 percent in 2021. It falls more rapidly because the NZSF is growing much faster than the economy: it grew at an average rate of 12 percent a year between 2010 (when the previous Government stopped contributions) to 2017. Even at Treasury's very conservative forecast rate of growth of the fund of around 6 percent, it grows at a similar rate when government contributions (which the Government has rightly resumed) are added. That means net debt falls faster when the NZSF is included. The international agencies include these assets when comparing countries. The Auditor-General has criticised the exclusion of these assets because they "pre-fund" future expenditure and therefore reduce New Zealand's future liabilities[3].

We could set a debt target of around 10.0 percent on this more justifiable basis, which would still be among the lowest in the OECD. It would allow several billion dollars of prudent borrowing, freeing up funds for operational spending to address the large funding shortfalls left by the previous Government.

The waste encouraged by the rigid debt limit is illustrated by the fact that Housing NZ will be required to fund its welcome house building programme by private borrowing, almost certainly at greater expense than the government could borrow. See the section on housing below. Because it is a Crown Entity, Housing NZ's borrowing is not included in the 'Net Core Crown Debt' target. The limit leads to more expensive borrowing.

The Finance Minister reminded us that the next budget would focus on wellbeing:

> The *Budget Policy Statement 2018* confirmed this Government's intention to take a wellbeing approach to Budget 2019, which will support our commitment to put people's wellbeing and the environment at the heart of our policies. This includes reporting against a wider set of wellbeing indicators in future Budgets. For example, the Prime Minister's Child Poverty Reduction Bill will require each government to set targets on alleviating child poverty and report against those targets at every Budget.
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> Budget 2019, the Wellbeing Budget, will broaden the Budget's focus beyond economic and fiscal policy by using the Treasury's Living Standards Framework (LSF) to inform the Government's investment priorities and funding decisions. The LSF is based on the OECD's wellbeing framework and combines measures of current wellbeing (across 12 domains) with indicators of intergenerational wellbeing, which are organised into four capitals – financial and physical, human, social and natural.

The current Budget Responsibility Rules should be reviewed in this light. They are inconsistent with a wellbeing approach because they do not take considerations other than fiscal and financial risk into account.

On the positive side, the Minister also announced that the allowance for new operational spending, the operating allowance was increased from $2.6 billion previously set for this Budget up to $2.8 billion per year and the capital allowance to $3.8 billion. The operating

[3] See https://www.oag.govt.nz/2017/long-term-fiscal-position/part4.htm, paragraphs 4.45-4.53.

and capital allowances have also been increased for future Budgets (though as with this year, they are reviewed and often changed from year to year). The following table shows the changes.

$billions	Budget 2018	Budget 2019	Budget 2020	Budget 2021
Operating allowances at *Budget Policy Statement*	2.600	1.875	1.875	1.875
Operating allowances at Budget 2018 (per year)	2.848	2.400	2.400	2.400
Capital allowances at *Budget Policy Statement*	3.400	3.400	3.100	2.700
Capital allowances at Budget 2018 (total)	3.804	3.700	3.400	3.000

It is interesting that despite its aversion to debt, this Government will continue the previous Government's practice of effectively subsidising the finance sector (call it industry support) by continuing to borrow even when it has reached its debt target. Its Financial Strategy Report states: "Even if net core Crown debt falls below 20 per cent of GDP, the Government intends to maintain levels of NZGBs (NZ Government Bonds) on issue at not less than 20 per cent of GDP over time. This supports ongoing government access to debt funding if needed, reduces volatility in the size of government borrowing programmes over time and provides wider capital market benefits."

Housing

There are some positive signals and announcements in housing with the start of the Kiwi build scheme, significant funding for the redevelopment of vacant crown land, and the promise of 1,600 new state houses this year. However, with over 70,000 new houses are needed right now and half of them in Auckland, an even further expanded housing package is needed. With nearly 10,000 people on waiting lists for public housing, the need is enormous.

Budget 2018 announced an increase in public housing by 6,400 homes over the next four years – 1,600 a year. However, there is no new funding allocated for this in 2018/19, with Housing New Zealand's budget for new housing actually cut by $6.7m. While government has announced funding of $234m over the next four years for state house construction, this does not begin until 2019. Housing NZ will have to meet the bulk of the cost of new builds by borrowing up to $2.9 billion on the private market. This will end up costing the Crown more than if the government had funded the houses directly.

There is an increase in transitional housing of 200 places funded through $68.9 million in capital in 2018/2019 and $101.0 million in operating funding over next four years.
The Housing First Programme to reduce homelessness has increased support with $20.5 million operating funding over the next four years to provide services for more than 900 households. There is a further expansion of Housing First to an additional 500 more households in other regions of high need.

There is $142.5 million in operating funding provided over the next four years to a programme administered by the Energy and Efficiency Conservation Authority of grants to low-income home owners to insulate and heat their homes.

Social Development

A funding increase of $269.9 million over next four years to expand Oranga Tamariki services appears modest given the challenges and needs. An allocation of $141.6 million over the next four years for additional care placements, pay increases for social workers and upgraded tools for IT tools for social workers to do their jobs seems optimistic at best.

Child Poverty and Working for Families

The Families Package announced in December 2017, due to kick in on 1 July 2018, is the new Government's major response to child poverty. The package contains increased Working for Family payments to approximately 384,000 families with children; a rise in the Accommodation Supplement; a winter energy payment for low-income households and a $60 a week "Best Start" payment for each child born (or due) on or after 1 July 2018, until they turn 1.

Some specific initiatives (some of which are part of other funding areas) to reduce child poverty are:

- Extending free doctors' visits to under 14 year olds - an increase of 56,000 more children eligible for free GP visits.
- $ 284 million over four years is allocated for additional learning support.
- Financial grants available for low-income home owners to insulate and heat their homes.
- School-based health services will be expanded to cover decile 4 secondary schools
- Operating funding for $7.9 million over four years to establish a Child Poverty Unit in the Prime Minister's Department and a Child Wellbeing Unit funded by Oranga Tamariki.
- An increase in the sample size of the Household Economic Survey from 3500 to 20,000 will provide a larger and more detailed picture of child wellbeing and family income.
- An increase in public housing of 6,000 homes over the next four years.

Community Development

NGOs have either been starved or had funding frozen in the last nine years while facing hugely increased demand. But there is not much apparent relief in Budget 2018 by way of increased funding for the community sector. Announcements include:

- A pre-budget announcement of $76.2 million over four years for services fighting to reduce family violence was a welcome signal for community-based organisations on the front lines of this battlefield.
- $7.5 million operating founding, co-funded by ACC, the Police and the Ministry of Health, over four years for sexual abuse assessment and treatment services.

Health

Our provisional analysis of the Health vote shows that it received an $833 million additional funding for Health operational expenses compared to Budget 2017, raising its funding to $16.9 billion in the year to June 2019 from $16.1 billion this year. Our pre-Budget analysis estimated it needed $805 million just to 'stand still' – that is, to cover increasing costs, population growth and the aging of the population. Cost pressures are less than we estimated because Treasury has lowered its CPI forecast to an increase of 1.5 percent for the year from 1.9 percent, and has also lowered its forecast average wage increase to 2.7 from 3.2 percent.

DHBs received very close to what they required to stand still – at $13.2 billion, $553 million up, just $3.7m less than we calculate is required for population growth, aging and costs.

However this does not take account of pay increases for nurses, allied staff and others which are under review, and pay equity settlements such as for mental health care and support workers.

Health initiatives for new services were relatively limited and offset by savings. This means the vote at $16.9 billion is $81 million more than cost and population pressures. In essence there is some restoration of previous cuts.

Funding initiatives included (for the year to June 2019):

- $18.7 million for air ambulance services.
- $31.5 million for further elective surgery.
- $58.4 million in additional support for Disability Support Services.
- $2.0 million for an integrated mental health therapies pilot for 18-25 year olds.
- $17.4 million for extending the implement of the national bowel cancer screening programme to a further 5 DHBs.
- $25.9 million for maternity services.
- $4.2 million for an expansion of school-based health services.
- $60.9 million to reduce doctors' fees for an estimated 540,000 low income users by giving all Community Services Card holders access to the same low fees as Very Low Cost Access practices and extending the Community Services Card to all Housing New Zealand tenants and people who receive an accommodation supplement or income-related rent subsidy.
- $3.7 million for extension of zero fees doctors' visits to include 13 year olds.

The main savings came from

- $17.7 million (and $24.3 million in the current financial year, and $55 million in future years) from unallocated funding from the Mental Health Social Investment Fund Contingency which the National Party has repeatedly highlighted as new spending for desperately needed mental health services, but evidently has not in fact been allocated (as we feared when we wrote about it last year because the projects it was supposed to fund had not been identified).
- $29.3 million from PHARMAC savings (rather than simply allowing the health sector to make use of the lower cost of pharmaceuticals).

The Ministry of Health has $207.5m, $4.7m more than required by cost pressures, which is justified in an organization that has been substantially and repeatedly cut over the last nine years and is showing signs of that.

A total of $1.25 billion is budgeted for capital, almost double that for this year - $664 million, only $378 million of which is estimated to be spent. This is a very large increase, and the problem again will be bringing the resources together in time to spend it during the year. Under the capital charge regime, DHBs will be paying a 6 percent charge to the government for all assets they gain from this – another pressure on their operational budgets.

Note that this is provisional. A full report on Health funding will be published in the next few weeks.

Pay Equity and Equal Pay

The community midwives framed their case for increased funding as a pay equity claim but how close or how far away the additional funding allocated in Vote: Health to community midwifery is in meeting community midwives' pay equity expectations is unknown.

Though not entirely unexpected, the Budget does not specifically address any funding allocation to close the gender pay gap – a Government priority for the public sector. It may be that this is included in a mysterious $619.6 million “Other Tagged Contingencies” provision for the 2018/19 year which has yet to be formally approved (appropriated) and which covers provision “such as for wage negotiations”.

Education

The major focus in Budget 2018 is responding to roll growth and the impact of that in classrooms. The total of new operating spending for education, including early childhood education (ECE), over the next four years amounts to $1.6 billion. As expected there was an announcement of capital investment of $394.9 million to fund new schools and classrooms in 2018/19 and 2020/21.

A major announcement was increased funding of $272.8 million over four years for learning support.

Early Childhood Education

There is at last a cost adjustment for early childhood education after a nine year funding freeze. Centre-based ECE services and ngā kōhanga reo will receive a $104.8 million (1.6 percent) increase in base funding over four years. The increase is welcome but well short of the $218 million the New Zealand Education Institute Te Riu Roa (NZEI) identified it would cost to restore funding to 2010 rates.

There is $590 million more in operational funding over the next four years, but most of it - $483 million - is for new places.

Additional learning support for 0-5 year olds was included in pre-Budget announcements. However the government's "quality track" doesn't include a commitment to reinstate the 100 percent target, disappointing the sector.

Primary Education

The Budget has a focus on buildings, classrooms and more places necessary to keep pace with demographic growth but very little in the way of initiatives to reduce class sizes or increase teacher staffing overall.

The 1.6 per cent cost adjustment to operational funding is essentially a freeze or may even be a cut in real terms for schools. Teacher-aide funding of an extra $59.3 million over four years was announced but this will only enable schools to fully pay teacher aides. Schools have been under-funded for this and have effectively been ‘subsidising’ the Ministry of Education.

Disappointing to both teacher unions is that given the teacher shortage crisis there is nothing by way of initiatives in the Budget to recruit and retain teachers. It is unclear if there is any contingency for teacher salary increases.

The ongoing resourcing scheme (ORS) receives an extra $133.5 million over four years and will benefit about 1,000 additional students from next year, or 250 children a year. There had been a call for ORS to be extended from 1 percent to 3 percent of the population – around 20,000 more children.

Te Kahu Tōī Intensive Wraparound Service receives an extra $4.8 million over four years to reach more students, and New Zealand Sign Language receive an extra $30.2 million to support about 2,900 deaf and hard-of-hearing students and approximately 1,500 low-vision students.

Secondary Education

In secondary education the emphasis of Budget 2018 is also on responding to roll growth. While the extra funding for special education and the operations grant was welcomed, there was nothing to fix declining numbers of teacher graduates and high levels of attrition in the profession.

The updating and reintroduction of Te Kotahitanga, a programme to improve the educational achievement of Māori students in mainstream secondary school classrooms, was welcomed.

Tertiary Education and Skills

Tertiary Education gets its first increase in overall funding since 2015, with a $237 million boost in total spend in 2018/19 compared to 2017/18. This will continue funding the government's policy of one year fees-free education and training for new students and trainees. There is also a $15 million boost for research and research-based teaching in tertiary institutions.

However, this funding increase does little to undo the effects of an estimated $3.7b in cumulative underfunding the Tertiary Education Union calculated has occurred since 2009 as government spending has failed to keep pace with rising costs and student numbers.

There is $44 million extra for student allowances in 2018/19, partly rolling back the cuts of the last two Budgets, but still leaving funding for allowances significantly below 2015 levels in real terms. The increase will fund the previously announced $50 per week boost to the maximum allowance, but leaves nothing over to reverse the last government's cuts to allowances for postgraduate and older students.

The $1 million to support apprentices with their tools and training costs in this year's budget is four times what the last budget allocated, but a fraction of the $20 million spent in 2015 before National cut the fund.

Conservation and Environment

Despite big announcements of a $182 million increase to Conservation funding over the next four years, there is only $8 million extra in the 2018/19 budget, with the rest promised to follow in subsequent years. Increases announced to support community conservation initiatives ($8.7 million in the coming year) and Predator Free NZ ($1.8 million) were offset by more than $20 million cut from the Department of Conservation's core Natural Heritage Management funding. However, the Department of Conservation's budgets for Recreation Management and Capital Works will each get around $10 million extra per year.

The budget includes operational funding to establish the promised Independent Climate Commission and Green Investment Fund. $100 million in capital has been announced for the Green Investment Fund but this has not yet been funded in the current budget.

There is a small, though welcome, annual increase of $2 million to improve biosecurity systems at the border.

Employment and Regional Development

The government has promised to spend $1 billion per year for each of the next three years on the Provincial Growth Fund (PGF). But not all of the $1 billion for the 2018/19 year is new money, or even allocated to this year. In the 2018/19 budget, $123 million is allocated to projects already approved since the fund was announced, with $374 million more available to be allocated to new projects in the coming year. $216 million of existing spending has been allocated to the PGF, in addition to $43 million of existing contingencies. That leaves $244 million for the government's "One Billion Trees" program, which is allocated over the next ten years, with only $23 million for 2018/19.

This means that overall the government will spend $779 million through the PGF in 2018/19, $221 million short of the $1 billion promised.

Another small, although welcome, initiative will see the government spend $8 million in the coming year on He Poutama Rangatahi Youth Employment Pathways, supporting work readiness and employment initiatives in the four target regions of Te Tai Tokerau, Eastern Bay of Plenty, Tairawhiti and Hawke's Bay.

Labour

The 2018/19 budget aims to better fund employment services by a number of initiatives.

The capability and capacity of the Labour Inspectorate will be lifted by committing $8.8 million of new operating funding over four years for more labour inspectors and support staff. This is to double the number of labour inspectors over 4 years to 120 in total.

Interestingly, despite increasing the capacity of the labour inspectorate, revenue from penalties (money collected through infringement offence notices issued under the Employment Relations Act 2000) is not forecasted to increase from the 2017/18 budget for the 18/19 period.

There is new operating funding of $4.3 million over 4 years to address cost pressures in frontline employment services administered by MBIE, including the Labour Inspectorate and Employment Mediation Services. It is said the costs pressures have arisen largely from the Labour Inspectorate's focus on serious and systemic breaches, leading to more complex and in-depth investigations being carried out.

Funding for 'Employment Sector Analysis and Facilitation' has decreased from the 2017/2018 allocation of $4.1 million to $2.9 million in 2018/19. A new performance standard is the number of interventions, both proactive and reactive, aimed at ensuring minimum compliance with employment standards is at least 2,000.

There is less being made available, as compared to last year, for New Zealand's annual subscription to the ILO.

The Employment Relations Authority will need a budget to undertake pay equity cases and possibly sit in a tripartite structure but there is no additional funding for the ERA.

There is new funding of $4 million in the 2018/19 period for an additional 800 places for the Limited Service Volunteer programme to improve the work-readiness of unemployed 18 to 25-in four target regions.

Health and Safety

There is a modest increase in Worksafe's funding from $92.9 million in 2017/18 to $93.2million in 2018/19. There is a jump in funding for Workplace Relations and Safety policy advice of some $900,000 from the 2017/18 budget and a $100,000 increase to Workplace Relations and Safety Related Services to the Minister for the 2018/19 period.

Pike River

$4.2 million for Pike River Re-entry will get the process well under way to provide closure to bereaved families and gain new information on the causes of the mine collapse, with a further $17 million budgeted for the following year to complete the work. An additional $1.5 million is allocated over the next two years to vest the site in the Department of Conservation and to build a memorial and museum once the re-entry authority completes its work.

Transport and Infrastructure

This budget spends more on roads than the previous government had promised, with $2.2 billion allocated to the National Land Transport Programme and $1.2 billion for new highways (compared to $2.1 billion and $1.1 billion respectively allocated for this year by National) for 2018/19. Of the Transport budget, 82 percent was allocated to roads ($4,387 million in 2018/19) and 16 percent to rail ($844 million in 2018/19). However, changes the current government is considering to the Government Policy Statement on Land Transport could mean that more of the roads budget (the National Land Transport Fund) could be spent on making roads more accessible for public transport, cyclists, and pedestrians.

However, the budget also continues the previous government's underfunding of rail infrastructure, with no funding for the desperately needed completion of electrification on the North Island trunk line. Other previously announced rail projects, the Auckland City Link and Wellington Metro upgrade, are funded by $120 million less in this budget than the previous government had projected, meaning the extra cost will be deferred to future years. There are no other major infrastructure announcements. However, given the previous government's announcements were largely unfunded, this represents a continuation of the status quo.

Science, Innovation and Research

The Coalition Agreement with New Zealand First includes a commitment to lift Research and Development spending as a country by 50 percent – to 2 percent of GDP inside 10 years.

There is a boost to innovation in the Budget with $1 billion over four years, starting with $71 million this year, to finance a tax incentive for more research and development by businesses. An initiative called Enabling Science Cooperation with Singapore is funded $57 million over four years commencing with $12 million in 2018/19.

However there is a lack of substantial new funding or initiatives for public spending on research and innovation.

Courts, Corrections and Police

Courts

There is increased funding for the Ministry of Justice from 2018/19 over the period to 2021/22 by $6.3 million for collection and enforcement of fines and civil debt services, $28.5 million for District Court Services, $8.0 million for Senior Court Services and $9.3 million for Specialist Courts, Tribunals and other Authorities Services.

The budget establishes a Canterbury Earthquakes Insurance Tribunal with an allocation in 2018/19 of $1, 830, 000 (pg 36, Vote Courts).

Corrections

The Minister says community law centre funding has been increased by 20 percent over the four years to stabilise staffing and service levels. However there is no acknowledgement of increased funding required to address increased need. The Budget has allocated $2.2 million for 2018/19 and nothing for forward estimates. The Minister says the Police Conduct Authority (IPCA) will receive an extra $2.7 million in their operating fund over the next 4 years.

There is increased funding to deal with growth in prisoner numbers of $85.7 million in 2018/19. There is new Funding allocated for youth justice, including 17 year olds in the Youth Justice System and the remand system. This is $13.4 million over 4 years.

Police
There is $38.6 million allocated in 2018/19 for "Striving Towards 1,800 new police" which the Minister says will be towards funding an additional 920 officers and 240 support staff on top of the 880 sworn officers and 245 other employees announced in the 2017 budget.

Māori Development

Vote: Māori Development has $37 million of new funding. This includes operating funding for:

- $15 million in 2018/19 for papakāinga housing[4]
- $7.0 million in 2018/19 for the whenua Māori programme
- $14.5 million in operating funding over four years to support te reo Māori in schools and enable tamariki and rangatahi to excel in te reo Māori and tikanga.

Budget 2018 identified the goal to lift the achievement rates of Māori students and improve the uptake of te reo Māori in schools with three initiatives. Vote Education funds $1.0 million new operating funding in 2018/19 to support Māori school students; Te Kawa Matakua – a programme of qualifications for secondary school students in te ao Māori; and a package of initiatives to lift capability across the systems for delivering quality te reo Māori education.

Pacific Peoples

The $714.2 million, a pre-budget announcement, of additional funding over the next four years to expand our Official Development Assistance is primarily directed toward the Pacific region to respond to climate change and humanitarian emergencies and issues. This announcement and funding will be welcomed by Pacific peoples both in New Zealand and in the Pacific.

Links

Budget documents can be downloaded from
https://treasury.govt.nz/publications/budgets/budget-2018

[4] **Papakainga** is a form of **housing** development which occurs on multiply-owned Maori or ancestral land.