

Budget 2022 Investments:

Aiming to look ahead to a high wage, low emissions economy for economic security, the government is investing \$5.9 billion per annum in net operating spending. There are further initiatives funded as pre-commitments from Budget 2023 and 2024 allowances (as a result of new multi-year funding approaches). Additionally, there is a significant package of initiatives funded through the Climate Emergency Response Fund.

Budget 2022 has a particular focus on delivering long-term solutions in two areas; embedding reforms to our health system and addressing climate change.

This is alongside a \$1 billion cost of living package to support New Zealanders, particularly those on low- and middle-incomes, with the rising cost of living by reprioritising funding remaining following the closure of the COVID-19 Response and Recovery Fund.

Supporting New Zealanders with the rising cost of living

The Government is introducing a cost of living payment of \$350 in three monthly instalments starting 1 August, to provide short-term support to low and middle income earners. This is the equivalent of around \$27 per week for three months, and represents half the total couple rate of the Winter Energy Payment. The payment will be available to individuals who earned less than \$70,000 per annum in the past tax year, and are not eligible to receive the Winter Energy Payment – approximately 2.1 million New Zealanders.

Additionally, Budget 2022 is responding to the rising cost of living by:

- continuing to support half-price public transport until August, as well as implementing an ongoing 50 percent concession for Community Services cardholders
- extending the Warmer Kiwi Homes programme until the end of June 2024, to ensure that more low-income homeowners can access grants to cut energy bills and reduce emissions
- providing funding to support renewable and affordable energy projects, with a focus on low-income communities and those with insecure access to energy, and
- responding to the findings of the Commerce Commission's market study into the supermarket sector, including legislative changes that would remove barriers to new retailers entering the market.

This package of support comes on top of the package of income support measures that came into force on 1 April this year. This included a significant lift in main benefit rates, student allowances, and increases to the Family Tax Credit, childcare allowances and superannuation. On 1 May the 2022 Winter Energy Payment (\$450 per individual and \$700 per couple) began to be provided to Kiwis on income support and superannuation to help them meet additional costs across the winter months.

COVID-19

An overview of how the COVID-19 response is evolving and the Response and Recovery Fund allocation to date can be read [here](#).

The COVID-19 response has become part of standard public service delivery, future COVID-related costs are being moved to within the standard Budget process, and will repurpose the remaining CRRF funding to the most pressing issues facing New Zealanders. This includes:

- \$1.2 billion set aside for any immediate COVID-related public health needs that cannot wait until the next Budget cycle
- \$1 billion, or \$250 million per annum, to offset investments funded from the Budget 2022 operating allowance, and
- \$1 billion for a package of measures to support low- to middle-income New Zealanders to manage the rising cost of living, as outlined above.

Economic Recovery

The establishment of Industry Transformation Plans (ITPs) brings together all relevant parties in an industry to agree on a long-term vision, and identify the actions that can be taken by the industry, government and others to realise that vision.

Budget 2022 provides funding to make progress across the ITP programme, including funding for:

- **Construction Sector Accord Transformation Plan** (*\$37 million total operating*). The ITP is aimed at increasing the productivity, capability and resilience of our construction sector, while maintaining a culture that fosters innovation and values our construction workforce.
- **Advanced Manufacturing Industry Transformation Plan** (*\$30 million total operating*). The manufacturing sector is a major employer in New Zealand and an area with significant potential for growth. The Advanced Manufacturing ITP is focused on identifying our existing and emerging points of comparative advantage, and maximising our global brand and international connections.
- **AgriTech Industry Transformation Plan** (*\$5 million total operating*). The AgriTech ITP focuses on building the skills and practices required to

transform our agritech sector into a sustainable and competitive export industry.

- **Digital Technologies Industry Transformation Plan** (*\$20 million total operating*). The Digital Technologies ITP is aimed at ensuring that New Zealand is equipped to take our place in an ever-evolving digital landscape. This funding will support further development of software as a service (SaaS) ecosystems and increase the visibility of our tech sector in overseas markets.
- **Primary Industry Transformation Plans** (*\$40 million total operating*). Budget 2022 provides funding for three ITPs that are in varying stages of development in the food and fibre sector - the Food and Beverage ITP (*\$8 million*), the Fisheries ITP (*\$5 million*), and the Forestry and Wood Processing ITP (*\$27 million*). These plans will ensure that our primary industries are resilient, future-focused and provide high-value job opportunities for New Zealanders.

Other Economic Recovery Initiatives:

- Support for the tourism sector with the establishment of the Innovation Programme for Tourism Recovery.
- \$100 million of capital funding to contribute to a Business Growth Fund being developed alongside New Zealand's major banks. The Business Growth Fund would enable SME owners to retain majority control of their businesses, while allowing them to grow, create new jobs and increase their contributions to our wider economic and regional development.
- Provincial Growth Fund and Infrastructure Reference Group projects continue to support employment and economic development in the regions. The remaining \$200million funding from 2021 will support the funds investments in local projects and tailored regional needs and advantages.
- \$60 million total operating funding to improve broadband infrastructure in the worst-served regions, enabling stronger connections and productivity.

Health: Laying foundations for a better future

Budget 2022 introduces a new multi-year funding model for Health, beginning with a two-year package of investments through Budget 2022 and Budget 2023, before eventually moving towards a three-year funding cycle from Budget 2024 to support the first New Zealand Health Plan. This Budget includes \$11.1 billion total operating and \$1.3 billion capital to address historic and future funding pressures across the health system.

- **Investment in primary and community care** (*\$488 million total operating*).
- **Support for Māori health services** (*\$299 million total operating*). These investments form part of a wider package of initiatives totalling \$580 million across the Health, Social and Justice sectors which contribute to Māori health and wellbeing.
- **An increase in the PHARMAC Budget** (*\$191 million total operating*).

- **Mental health and addiction services** (\$202 million total operating). Of which - \$100 million total operating funding into strengthening specialist mental health and addiction services in targeted areas across the country.

New approaches to public finance

The Justice Cluster is one of two pilots in Budget 2022 looking to enable more efficient and effective inter-agency investment beyond an annual Budget cycle, with the aim of delivering improved and enduring wellbeing outcomes for New Zealanders. The Justice Cluster agencies will receive \$2.7 billion total operating and \$65 million capital funding across the forecast period, representing three Budgets' worth of investment which will be counted across multiple allowances. Read more about the Justice Cluster [here](#).

The Natural Resources Cluster will receive a budget of \$1 billion of total operating (reflecting three Budgets' worth of decisions, counted across multiple operating allowances) and \$12 million capital funding to the Cluster agencies to progress [priorities](#).

Climate Change: A secure future relies on addressing climate change.

With the release of the first Emissions Reduction Plan, the Government has set out a comprehensive strategy as to how to meet the first emissions budget. The first Emissions Reduction Plan (released on 16 May 2022) focuses on meeting the first emissions budget (2022-2025) and will lay important foundations for plans and strategies to meet the second (2026-2030) and third (2031-2035) emissions budgets. A \$2.9 billion climate change package for Budget 2022 is an important first step toward implementing the Emissions Reduction Plan and meeting the first emissions budget.

Key Climate Emergency Response Fund initiatives

Initiative title	Total funding over forecast period
Funding Further Decarbonisation of Process Heat and Implementation of Supporting Policies	\$653 million
Cleaner Vehicles for Low-Income New Zealanders - Vehicle Scrap and Replace Scheme	\$569 million
Mode-Shift and Reducing Light Vehicle Kilometres Travelled	\$375 million
Agriculture Emissions Reduction - Accelerating Development of Greenhouse Gas Mitigations	\$339 million
Establishing Native Forests at Scale to Develop Long-Term Carbon Sinks and Improve Biodiversity	\$145 million
Maximising Carbon Storage: Increasing Natural Sequestration to Achieve New Zealand's Future Carbon Goals	\$111 million
Reducing Emissions from Waste	\$103 million
Increasing Woody Biomass Supply to Replace Coal and other	\$91 million

Carbon Intensive Fuels and Materials	
Decarbonising the Public Transport Bus Fleet	\$41 million
Agriculture Emissions Reduction - Supporting Producers and Māori Entities Transition to a Low Emissions Future	\$35 million
Māori Climate Action	\$31 million
Decarbonising Freight Transport - Resourcing and Seed Funding	\$20 million
Supporting the energy transition to a low emissions economy	\$18 million
Equitable Transitions Programme	\$16 million

Source: The Treasury

Child Poverty Report 2022

Budget 2022 is supporting low-income families and whānau and tackling child poverty and inequality through a suite of changes.

- making changes to how child support payments work, so that all child support payments will be 'passed on' to sole-parent beneficiaries as income instead of being retained by the Government, giving sole parents more money to help their whānau.
- lifting incomes through changes to the Working for Families scheme and associated supports. This means 346,000 families and whānau will be better off by an average of \$20 per week. This was announced late last year and implemented on 1 April 2022.
- providing further support through the second main benefit increase announced in 2021, to bring these rates in line with a key recommendation of the Welfare Expert Advisory Group. This was announced in Budget 2021 and implemented on 1 April 2022.
- introducing a \$350 cost of living payment over three monthly instalments in 2022 to help ease the increasing cost pressures low and middle-income families and whānau are facing. Treasury modelling suggests that almost half a million households with children will receive this payment.

If you'd like to discuss what Budget 2022 means for you and your business, please contact [PKF Tauranga](#).

This summary was prepared by Michael Markham, Chief Executive and Director, PKF Kendons.