

Barton Deakin Brief: New Zealand Budget 2016-17

26 May 2016

Today the Deputy Prime Minister and Minister of Finance Hon Bill English MP handed down the 2016 New Zealand Budget, the eighth by the National –led Government. This Barton Deakin Brief outlines the key policies and spending arrangements in the [2016 New Zealand Budget](#).

Overview

The 2016 Budget forecasts real GDP growth of around 2.9 per cent over the coming year, and 2.8 per cent on average over the five years to June 2020.

The unemployment rate is expected to drop to 4.6 per cent and the average wage is forecast to rise to \$63,000 a year.

For the first time in a generation, New Zealand will have a net annual movement of people into the country from Australia – rather than an exodus of Kiwis across the Tasman.

Total exports increased by \$2 billion last year.

Nominal GDP is expected to be \$17 billion higher over the five years to June 2020.

Government expenditure will fall to 29.7 per cent of GDP this year and is expected to remain under the 30 per cent thereafter.

Modest Budget surpluses are expected in 2015/16 and 2016/17, increasing to a forecast \$2.5 billion the following year, and \$6.7 billion in 2019/20.

Net debt is expected to peak at 25.6 per cent of GDP next year and to fall to 19.3 per cent of GDP in 2020/21. Net new spending in 2016 Budget averages to \$1.6 billion per year.

Key initiatives

The 2016 Budget focuses on key initiatives in areas that support the four stated priorities of the New Zealand Government:

1. Growth of the New Zealand Science System through producing skills, encouraging innovation and investment in regional New Zealand;
2. Infrastructure in New Zealand with a focus on transport and schools;
3. Social investment to support vulnerable New Zealanders; and
4. Investment in health to ensure continued quality of Health Care in New Zealand.



The 2016 Budget included the following key initiatives:

Innovation and Regional Economic Development

The Government has committed to increasing science and innovation funding by \$410.5 million, bringing total investment in the sector to \$1.6 billion by 2020, which will fund projects such as the expansion of the Marsden Fund and the Health Research Fund. The total funding to innovative New Zealand initiatives will be \$761 million over four years.

A commitment of \$94 million to be provided for regional economic development funding programmes including:

- The Regional Growth Programme, at a cost of \$44 million in over four years;
- The Regional Business Partners Programme with \$2.4 million in 2016-17; and
- The Regional Research Institutes, with a commitment of \$40 million over four years.

Infrastructure

A total package of \$2.1 billion will be invested in infrastructure needs. This will include:

- Investments of \$883 million in schools and classrooms, funding nine new schools and a total of 480 new classrooms;
- \$857 million for Inland Revenue's new tax administration system upgrade;
- \$115 million for major road upgrades and extensions in Gisborne, Marlborough and Taranaki; and
- \$19 million for the construction of a high-security national biocontainment laboratory.

Support for vulnerable New Zealanders

The 2016 Budget includes a \$652 million social investment package over four years, which includes:

- An additional \$200 million to support vulnerable children through reforms to the support and services of children;
- \$61.2 million to expand the Youth Service to 18 and 19-year olds identified as needing more support because they are at-risk of long-term benefit dependency;
- \$20 million to support offenders leaving prison and returning to a community in a Prisoner Reintegration programme;
- \$50.3 million to reduce barriers to employment, including for people with complex health conditions; and
- \$50 million operating to raise data quality and build infrastructure for secure data distribution to aid Government agencies and NGOs to deliver better results from social services using rigorous, evidence-based measurement, evaluation and feedback.

In the area of social housing, the Government will invest \$36 million in improvements to homes, as well as \$258 million to fund 750 additional social housing places and 3,000 emergency housing places each year.



Health

Investment in health will be \$16.1 billion in 2016-17. The Government has allocated \$2.2 billion to support health initiatives, including:

- \$1.6 billion in funding for district health boards to spend on what their region requires;
- \$169 million for disability support services;
- \$124 million for Pharmac to provide more access to new medicines;
- \$39 million to introduce a bowel cancer screening programme;
- \$81 million to reduce preventative illnesses in children by upgrading houses to be healthier environments;
- 96 million to increase surgeries by 4,000 a year; and
- Increase of 10 per cent to tobacco excise each year from 2017 to 2020.

Education

The Government will provide \$641 billion over four years, including funding of:

- \$257 million for tertiary education and apprenticeship programmes, including funding for 5,500 more apprentice positions over the next four years, the International Connections for New Zealanders (\$6.5 million in 2016-17 and \$43.5 million over four years) and the University Sector Innovation Contingency (\$35 million over 5 years);
- \$397 million to meet growing demand for early childhood education by providing places for around 14,000 more children; and
- \$42 million for students with high and special educational needs.

Small Business Tax

The Government committed to a small and medium enterprise (**SME**) tax package valued at \$187 million. This will include:

- New pay as you go options for small businesses to be implemented from 1 April 2018; and
- The 1 per cent monthly late-payment penalties will be removed for debt accumulated after 1 April 2017.

Justice Sector

The Government will provide \$837 million over four years to fund initiatives including:

- \$356 million to reduce reoffending and meet recent growth in the prison system;
- \$250 million in additional funding to New Zealand police, primarily to meet wage increases; and
- \$208 million to address family violence and ensure the justice system better caters for victims of crime.



Environment

The Government will:

- Remove the Emissions Trading Scheme One for Two Transitional Measure, saving \$356 million over four years. Under the new arrangements, the current 50 per cent unit cost will increase to 67 per cent from 1 January, then 83 per cent from 1 January 2018, with all sectors in the ETS paying the full market price from 1 January 2019. Current price ceiling which caps units at \$25 will remain;
- Invest \$100 million over ten years to clean up degraded lakes, rivers and streams in New Zealand; and
- \$21 million for targeted pest control and \$16 million to eradicate invasive wilding pines.

Defence

In the area of intelligence and defence the Government will spend an additional \$481.5 million over four years, including:

- \$178 million in additional funding to the New Zealand Intelligence Community; and
- \$300.9 million over to the Defence Mid-point Rebalancing Review Funding Track.

Maori Development

Over the next four years \$100 million will be spent on Maori development programmes, including:

- \$10.6 million on the Maori Television Service to promote the Maori language and culture;
- \$12.6 million on growing the Maori Housing network;
- \$40 million on the Whānau Ora to expand commissioning activity; and
- \$12 million on Te Taura Whiri on the Te Reo Māori Whānau and Community Planning Initiative.

Further Information

To view the National-led New Zealand Government's Budget Papers, click [here](#).

To view the Treasurer's Budget Speech, click [here](#).

To view Barton Deakin's Brief on the New Zealand Government, click [here](#).

To view Barton Deakin's complete series of Budget Briefs, click [here](#).

All dollar amounts are \$NZD.

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