

Budget 2021

This afternoon Grant Robertson presented this Labour Government's first and his fourth budget. This is the third "Wellbeing Budget" with the subtitle of "Securing Our Recovery". He acknowledged the backdrop created by last's year's "Building Together" budget and the "Mother of all Budgets" of 1992. Mr Robertson said it was time to undo some of the 1992 damage.

Mr Robertson then informed us how our economy is faring better than predicted a year ago, and how it is expected to build on this resilience to secure our recovery. While acknowledging that some people would argue for taking on more debt and running larger deficits, and others would argue for less debt, reduced government services and removal of support, Mr Robertson opined that Budget 2021 gets the balance right.

Grant Robertson then confirmed the Government's three goals this term:

- To keep New Zealanders safe from COVID-19
- To accelerate our recovery and rebuild
- To tackle our foundational challenges, in particular, housing affordability, climate change and child wellbeing.

Mr Robinson confirmed that the three budgets for this government's term will drive this programme and should be seen as a package.

To keep New Zealanders safe from COVID-19

- \$1.5 billion to the COVID-19 Vaccine and Immunisation Programme
- Vaccinate everyone over 16 by the end of this year
- Continue providing managed isolation and quarantine and other border facilities
- Retain \$5 billion of the COVID-19 Response and Recovery Fund (CRRF) for possible resurgences
- Investigate the development of an ACC-style unemployment insurance scheme.

To accelerate our recovery and rebuild

- Develop Industry Transformation Plans across seven areas of the economy
- \$4 billion increase in the multi-year capital allowance to take it to \$12 billion over the next four years. Total infrastructure spending is to be \$57.3 billion during 2021 to 2025
- Extend the Training Incentive Allowance to level four to seven qualifications
- funding for a digital skills training programme for up to 60,000 small businesses
- Further \$200 million support for the tourism sector
- \$132 million to reform our resource management system
- \$296 million to the Three Waters programme
- \$4.7 billion increase in Health operating budget over the forecast period
- \$200 million allocated to PHARMAC for existing and new medicines
- \$170 million for early childhood teachers' pay parity

- increases in main benefit rates in two tranches. From 1 July all benefits will increase by \$20 per week. Then from 1 April next year when benefits will increase by a range of amounts
- changes to abatement rates that will allow those receiving benefits to earn at least \$160 a week before their benefits are affected.

Tackling our foundational challenges

Housing Affordability

- Budget 2021 documents estimates that annual house price increases will peak in June at 17 percent before dropping over the forecast period to 0.9 percent. Government's interventions to remove interest deductibility and increase the bright line test were focused on this goal
- On the supply side, the March 2021 reforms establish a tax incentive to build with both the bright line extension and the removal of interest deductibility not applying to new builds. Budget 2021 appropriates \$3.8 billion to establish the Housing Acceleration Fund
- \$380 million for Māori housing through Whai Kāinga Whai Oranga along with ring fencing \$350 million of the Housing Acceleration Fund to provide infrastructure to support the programme
- Resources for Kāinga Ora to acquire land and over \$133 million to carry out its urban development functions as well as funds the increased support within First Home Products announced in March.

Climate Change

- Intention that from Budget 2022 onwards Government will recycle the revenue generated from the Emissions Trading Scheme into emissions reductions programmes
- \$300 million is allocated to NZ Green Investment Finance Limited (NZGIF) which has a focus on decarbonizing public transport and reducing emissions in the waste and plastic sectors
- \$302 million tagged contingency to incentivise the uptake of low-emissions vehicles
- \$67.4 million to implement the Carbon Neutral Government programme, the extension of the Warmer Kiwi Homes programme for another 47,700 homes, more support for the Low Emission Vehicle Fund and more support for businesses to transition to low-emissions energy.

Child Wellbeing

- Mr Robertson presented a Child Poverty Report as mandated by the Public Finance Act. It reports reduced child poverty rates, using the after-housing cost measure, to the extent that there are 43,000 fewer children in low-income households and 18,000 fewer children experiencing material hardship
- an additional \$15 per adult per week to families and whānau with children from 1 April next year
- the extension of the Ka Ora, Ka Ako Healthy School Lunches programme to the tune of \$526.9 million
- introduction of indexation of childcare assistance income thresholds to the average wage
- provides for 3,300 places for children in Out of School Care and Recreation Services to support parents or caregivers to transition into employment, education or training.

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