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# Special Bulletin

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June/July 2008

## Budget 2008

Budget 2008 is the ninth Budget of the third-term Labour-led Government and was delivered by the Finance Minister, Hon Michael Cullen, on 22 May 2008. According to Dr Cullen, the connecting thread throughout those nine Labour-led Budgets has been the twin themes of security and opportunity – ideals that lie at the heart of our national identity.

### Overview

The Minister of Finance acknowledged that Budget 2008 balances five imperatives:

- Responding to the **needs of families** for some early relief from price pressures;
- A longer-term **tax reduction programme** which reflects a fair deal for all;
- The maintenance of **social services**;
- **Sensible fiscal management** to avoid worsening current pressures on the household budget and which is sustainable over the long term; and
- An integrated programme to continue to build a **stronger, sustainable economy**.

The main spending and revenue decisions in Budget 2008 include:

- Personal Tax Cuts: \$10.6 billion over 4 years will return a dividend to New Zealanders by reducing the lowest personal tax rate to 12.5% and increasing the tax thresholds (21% now \$20,000; 33% now \$42,500; and 39% threshold now \$80,000).
- Economic Transformation: \$700 million capital for the New Zealand Fast Forward Fund to boost innovation in pastoral and food industries; \$690 million capital in 2007-08 for the purchase of Toll New Zealand's rail business; and \$325 million in Budget 2008 as part of more than \$500 million to facilitate high speed broadband in urban areas and extend the reach of broadband into under-served regions.
- National Identity: \$276.4 million to develop defence capability; \$165.2 million to strengthen New Zealand's presence in the international community; and \$124.4 million to develop our arts and culture and preserve our unique heritage.
- Families – Young and Old: Extra \$3 billion to improve health and wellbeing of New Zealanders; \$182 million to invest in more teachers and \$180 million for more police; and \$446.5 million for community organisations.

- Business Tax Reform: \$4.5 billion of business tax reform that enables New Zealand business to grow and compete in a global economy, including reducing the company tax rate from 33% to 30%.

Budget 2008 provides a programme of personal and family tax cuts beginning on 1 October 2008 with second and third stages occurring on 1 April 2010 and 1 April 2011. This programme consists of a combination of a cut in the bottom rate of income tax, threshold changes, a simplification of the structure of the income tax system, a bringing forward of indexation of Working for Families (WFF) and a forecast second round of such indexation. The cost of this tax rate programme is \$1.5 billion in 2008-09 rising to \$2.3 billion in 2009-10, \$3.1 billion in 2010-11, and \$3.8 billion in 2011-12. The cost of the indexation of WFF is \$146 million in 2008-09 rising to \$438 million in 2011-12. As a consequence of this programme, superannuitants will receive from 1 October 2008 an increase of \$45.88 per fortnight for a married couple, and \$23.84 per fortnight for a single person living alone.

### Overview of new expenditure

Budget 2008 commits:

- \$4.8 billion in 2008-09, rising to \$7.0 billion in 2011-12 in operating spending and revenue initiatives, and
- \$1.9 billion in new capital spending between 2008-09 and 2011-12.

### Operating commitments

In the next financial year Government decisions will lead to an increase of \$5.4 billion in total operating commitments. This is made up of:

- \$1.8 billion from Budget 2008 including WFF timing changes;
- \$1.1 billion for parts of the Business Tax Package impacting on Budget 2008;
- \$1.5 billion in personal tax cuts; and
- \$512 million of benefit indexation (including KiwiSaver forecasts) by \$689 million.

Total spending on capital committed by this Government for the next financial year in Budget 2008 and in previous Budgets is approximately \$2.2 billion. This is made up of:

- \$1.2 billion in capital projects in 2008-09; and
- \$1 billion from earlier Budgets in 2008-09.

### Economic overview

Economic activity over the year ahead is expected to slow owing to a reduction in house prices, drought, and the higher cost and lower availability of credit. The economy is expected to show early signs of recovery from 2009. Annual consumer price index (CPI) inflation is expected to exceed or remain near the top of the 1%-3% target band.

There is a risk of more negative and widespread effects coming from weakness in the US economy. The Australian and Asian economies remain relatively strong supporting New Zealand's export prices. However, the household and corporate sectors will find it more difficult than it has been recently to obtain credit.

Domestic conditions (eg, house prices) could decline more sharply and reduce residential investment and consumption. This will be offset by the ongoing strength in the labour market and tax cuts.

### Financial overview

The operating balance before gains and losses (OBEGAL) will fall close to zero for a number of years but will remain in surplus, and the ratio of gross sovereign-issued debt (excluding Reserve Bank settlement cash) to GDP will rise from its current level of around 18%, but will remain consistent with our long-term fiscal objective of being broadly stable around 20%.

### Budget facts

- What is the new personal income tax scale?  
[www.treasury.govt.nz/budget/2008/taxpayers/01.htm#personal](http://www.treasury.govt.nz/budget/2008/taxpayers/01.htm#personal)
- Who pays income tax... and how much?  
[www.treasury.govt.nz/budget/2008/taxpayers/01.htm#whopays](http://www.treasury.govt.nz/budget/2008/taxpayers/01.htm#whopays)
- How much will my after-tax income increase?  
[www.treasury.govt.nz/budget/2008/taxpayers/01.htm#aftertax](http://www.treasury.govt.nz/budget/2008/taxpayers/01.htm#aftertax)
- WFF Tax Credits: increase from 1 October 2008  
[www.treasury.govt.nz/budget/2008/taxpayers/01.htm#families](http://www.treasury.govt.nz/budget/2008/taxpayers/01.htm#families)
- Where do core Crown expenses go?  
[www.treasury.govt.nz/budget/2008/taxpayers/02.htm#spending](http://www.treasury.govt.nz/budget/2008/taxpayers/02.htm#spending)
- Where does core Crown revenue come from?  
[www.treasury.govt.nz/budget/2008/taxpayers/02.htm#corecrown](http://www.treasury.govt.nz/budget/2008/taxpayers/02.htm#corecrown)
- What are the new spending initiatives for Budget 2008?  
[www.treasury.govt.nz/budget/2008/taxpayers/02.htm#spending](http://www.treasury.govt.nz/budget/2008/taxpayers/02.htm#spending)
- Operating balance before gains and losses (OBEGAL)  
[www.treasury.govt.nz/budget/2008/taxpayers/02.htm#obegal](http://www.treasury.govt.nz/budget/2008/taxpayers/02.htm#obegal)
- What is the 2008/09 operating surplus made up of?  
<http://www.treasury.govt.nz/budget/2008/taxpayers/02.htm#operatingsurplus>

### Personal tax cuts

Budget 2008 announced that personal tax cuts are to take effect from 1 October 2008.

- The bottom personal tax rate will be reduced from 15% to 12.5%, and the thresholds at which personal rates apply are to be raised over a period of three and a half years. On 1 October 2008, the beginning of a three-year programme, workers will get tax cuts of between \$12 and \$28 a week. At the end of the third year, April 2011, the cuts will have risen to between \$22 and \$55 a week.
- The cuts tax cuts are being brought in through a reduction in the bottom tax rate and changes in the thresholds, which will rise in stages. At the end of the programme, the top tax bracket of 39 cents, which now applies to income over \$60,000, will cut in at \$80,000.
- In addition, superannuation for married couples will increase by \$45.88 a fortnight on October 1 and by \$23.84 for single people.
- Complementary changes to WFF tax credits will increase the amount of entitlement to the family tax credit and raise the income threshold at which abatement starts.

Specifically the tax cut programme will deliver:

- A new low tax rate of 12.5%;
- A lifting of the 21% threshold by \$10,500 to \$20,000;
- A lifting of the 33% threshold by \$4,500 to \$42,500;
- A lifting of the 39% threshold by \$20,000 to \$80,000;
- A boost to the Family Tax Credit and an increase to the WFF Tax Credit income threshold from 1 October, worth \$14 per week for a family with two young children on the average wage; and
- A further expected increase to the Family Tax Credit and income threshold from 1 April 2011, worth an additional \$16 per week for this same family.

The Budget announcement also states that:

- A couple on the current average household income of \$72,000 (split two thirds/one third) with two children aged 11 and 8 will be better off by \$2,223 a year (\$43 a week) from 1 October rising to \$4,397 a year (\$85 a week) from 1 April 2011.
- The tax cuts are designed to be as fair as possible to all workers, with the greatest impact on average take home pay being felt for workers on low incomes.
- At full implementation, the programme will cut personal tax by roughly one quarter at the current level of the full-time minimum wage (\$1,130 per year), one sixth at the current level of the full-time average wage (\$1,670 per year) and one eighth at \$80,000 a year (\$2,870 per year).

The effects of the changes to personal tax rates and WFF credits are set out in the following tables.

**Table 1: Table of tax thresholds**

<b>Current Rates</b>	<b>New Rates</b>		
	<b>From 1 October 2008</b>	<b>From 1 April 2010</b>	<b>From 1 April 2011</b>
15% to \$9,500	12.5% to \$14,000	12.5% to \$17,500	12.5% to \$20,000
21% to \$38,000	21% to \$40,000	21% to \$40,000	21% to \$42,500
33% to \$60,000	33% to \$70,000	33% to \$75,000	33% to \$80,000
39% over \$60,000	39% over \$70,000	39% over \$75,000	39% over \$80,000

**Table 2: WFF tax credits**

<b>Weekly Rate</b>	<b>Current Weekly Rates</b>	<b>New Weekly Rates from 1 October 2008</b>
First child if under 16	\$82.00	\$86.29
First child if 16 or over	\$95.00	\$99.96
Subsequent child rate if under 13	\$57.00	\$59.98
Subsequent child rate if 13 to 15	\$65.00	\$68.40
Subsequent child rate if 16 or	\$85.00	\$89.44
Income threshold	\$35,000	\$36,827

**Table 3: How the tax cuts will affect after-tax income (excluding the ACC Levy)**

<b>Current Annual Taxable Income</b>	<b>Weekly After Tax Increase Above Current (\$)</b>			<b>Annual Increase (\$)</b>
	<b>From 1 October 2008</b>	<b>From 1 April 2010</b>	<b>From 1 April 2011</b>	<b>1 April 2011</b>
\$20,000	12	18	22	1,130
\$30,000	12	18	22	1,130
\$40,000	16	22	26	1,370
\$50,000	16	22	32	1,670
\$60,000	16	22	32	1,670
\$70,000	28	34	44	2,270
\$80,000 and above	28	39	55	2,870

**Table 4: Weekly gain from tax cuts and WFF indexation**

	<b>Weekly Gain from Tax Cuts and WFF Indexation</b>	
	<b>From 1 October 2008</b>	<b>From 1 April 2011</b>
Two earner family with two children under 13 earning \$45,000 and \$20,000	\$42.76	\$84.55
One earner family with two children under 13 earning \$45,000	\$30.83	\$62.82
Two earner family with one child under 13 both earning \$20,000	\$35.16	\$67.76
One earner family with one child under 13 earning \$45,000	\$27.85	\$56.42
One earner family with one child under 13 earning \$35,000	\$16.21	\$30.94

## Arts, Culture and Heritage

Budget 2008 contains additional investments in arts, cultural, and heritage infrastructure, including the following:

- Te Papa receives an additional baseline funding of \$12 million over 4 years.
- A Wharewaka or Maori cultural venue, on the Wellington waterfront, will be allocated \$7 million for development.
- Mataatua Whare: \$7 million (in 2007-08 to 2008-09) to erect and restore the 1870s Mataatua Whare.
- New Zealand Historic Places Trust receives an increase of \$7.7 million over 4 years, plus one-off additional capital funding of \$500,000 for upgrades to IT systems in 2008-09.
- New Zealand Symphony Orchestra receives an extra \$4.4 million baseline funding over 4 years.
- New Zealand Film Commission receives an extra \$27.8 million over 4 years. It will administer a new Screen Production Incentive Fund for eligible New Zealand films and television productions.
- New Zealand Music Commission receives extra baseline funding of \$4.8 million over 4 years to continue promoting Kiwi music internationally and locally, and undertake market and business development.
- New Zealand Authors fund receives an extra \$2 million over 4 years to compensate authors for loss of royalty income on books lent by public libraries.
- Radio New Zealand will receive \$10.9 million extra over 4 years to maintain its core services. Additional funding recognises the broadcaster's significant and successful public service role domestically and internationally.

## Business

### Business tax changes

In addition to the tax Bill introduced – the Taxation (Personal Tax Cuts, Annual Rates, and Remedial Matters) Bill (see below “Outside the Budget”) – a tax Bill will be introduced in June to reduce tax-related compliance costs and to remove tax impediments to the offshore expansion of New Zealand-resident businesses.

The tax-related compliance costs measures include:

- Raising the PAYE once-a-month filing and payment threshold from \$100,000 to \$250,000.
- Raising the FBT annual return filing threshold from \$100,000 to \$250,000.

- Allowing closely-held companies to file FBT returns annually if their FBT liability arises solely from the provision of up to two vehicles to shareholder-employees.
- Raising the GST registration threshold from \$40,000 to \$50,000.
- Raising the GST six-monthly return filing threshold from \$250,000 to \$500,000.
- Other threshold changes relating to provisional tax, low-value trading stock and accounting for tax in respect of financial arrangements.

The June tax Bill will also introduce a tax exemption for active income from the offshore operations of New Zealand-resident businesses. The exemption will be available to all CFC in all jurisdictions, and the current grey-list of 8 countries will be reduced to a grey-list of one country – Australia.

### Protection of investors

Budget 2008 provides \$6.1 million of operational funding and \$2.9 million of capital funding over four years to implement new laws relating to the supervision of financial advisers and institutions.

A separate fund of \$500,000 will be provided for 2008-09 to support capital market development. And \$4.5 million of capital funding will be provided to the Companies Office's Enterprise Project for 2008-09 and 2009-10.

### Support for exporters

Budget 2008 provides \$6.1 million of operational funding and \$2.9 million of capital funding over four years to implement new laws relating to the supervision of financial advisers and institutions.

## Defence and Foreign Affairs

### Defence

- Budget 2008 invests \$276.4 million in the New Zealand Defence Force over the next four years. The investment will be used primarily to grow the New Zealand Defence Force and retain existing personnel. The \$276.4 million is out of the \$4.6 billion Defence Sustainability initiative started in 2005.
- The Ministry of Defence will also continue the purchase and upgrade of capital equipment including NH90 Helicopters, the P3 Orion fleet, C-130 Hercules and Boeing 757s for use by the New Zealand Defence Force. This is to be funded from the \$4 billion 2002-2012 Long Term Development Plan.

### Antarctic

Budget 2008 allocates \$960,000 to fund the development of a wind farm at Scott and McMurdo bases.

## **Boosting relationships in Asian and the Pacific**

Budget 2008 invests in the Pacific Cooperation Foundation and the Asia New Zealand Foundation, in order to help New Zealand strengthen its key relationships in Asia and in the Pacific.

- The Pacific Cooperation Foundation gains a total of \$5.5 million in baseline funding over four years, to ensure it is better resourced to contribute to efforts to improve New Zealand relations with the Pacific, and to enhance New Zealanders' appreciation of Pacific issues.
- The Asia New Zealand Foundation will receive \$2.5 million for outreach initiatives in 2008-09 to assist the Foundation to achieve greater strategic connectedness between business, culture, education, research and media organisations in the two regions.

## **Education**

### **Early childhood receives an extra \$63.6 million**

Budget 2008 provides an extra \$63.6 million over four years for early childhood education to help services meet increased costs.

### **Schools' operational funding increases by \$171.6 million**

Budget 2008 increases schools' operational funding by 5%, or \$171.6 million over the next four years. This increase brings the total operational funding for schools over the next four years to \$4.7 billion. Included in the \$171.6 million increase is \$65.3 million to help schools meet the costs of Information Communication Technology (ICT).

### **\$215.5 million for an extra 762 teachers**

Budget 2008 provides \$182 million in operational funding, and \$33.5 million in capital funding, over four years for an extra 762 teachers, with the aim of reducing class sizes for new entrants to one teacher per 15 students.

### **School property maintenance programme receives \$95.5 million**

Budget 2008 provides \$20.8 million of operational funding over four years, and \$74.7 million of capital funding over the next three years, to complete nine new schools announced in Budget 2007, to begin construction of two new schools, and to modernise existing school property.

### **Special needs education**

Budget 2008 provides:

- \$18.4 million of operational funding over four years for students with high needs.
- \$7.3 million of operational funding and \$659,000 of capital funding over four years to expand the newborn hearing screening programme.

\$6.1 million of existing operational funding will be redirected over four years to provide extra specialist staff to support blind and vision impaired students.

## **Tertiary education**

Budget 2008 provides the following amounts of funding:

- \$591 million of operational funding over five years and \$15.5 million of capital funding over four years for tertiary education providers. The figures include \$46.7 million of operational funding over five years for tertiary research excellence to boost the Performance Based Research Fund to \$250 million per annum.
- \$168 million for the New Zealand Skills Strategy, and \$130.8 million of operational funding and \$24.4 million of capital funding to make tertiary education more affordable.

Other initiatives announced in Budget 2008 include:

- A 10% increase in the parental income threshold for a full student allowance from 1 January 2009.
- Lowering the age limit for student allowances parental income testing to age 24, and lifting the maximum rate of student allowances for those aged 24 to the level for students aged 25 years and above.
- Indexing the student loan living cost component to inflation from 1 April 2009, following a one-off increase from \$150 per week to \$155 per week on 1 January 2009.
- A 50% expansion of the Bonded Merit Scholarship Scheme.
- \$24 million of operational funding for the development of high tech research platforms to help build new industries over the long-term in high tech manufacturing, ICT, new materials and sophisticated engineering.
- \$22 million over four years to preserve valuable New Zealand science collections.
- \$95 million of contingency capital funding is being made available to co-invest with tertiary institutions in new capital undertakings.

## **Student exchange with European Universities**

Budget 2008 provides \$600,000 over four years to fund an EU/NZ student and academic exchange programme. The funding will be matched by a similar amount from the European Commission.

The programme, expected to begin in 2009, will be administered by the Tertiary Education Commission and will support up to 30 New Zealanders and 30 Europeans to study abroad for between 5 and 10 months.

## **Skills training for workers**

Budget 2008 provides \$168 million of operational funding over four years to implement the Skills Strategy, a

partnership between the Government, Business New Zealand, NZCTU, and the Industry Training Federation to provide workers with the right skills.

## Environment

### Climate change

The Budget 2008 response to climate change includes:

- \$37.4 million over 5 years, plus \$5.6 million in capital funding between 2007-08 and 2008-09, goes towards delivering the Emissions Trading Scheme and linking it to international markets.
- \$1 million over 4 years to assist communities and local government to adapt to the physical impacts of climate change.
- \$4.8 million over 4 years to enhance weather forecasting for severe weather events.

### Energy efficiency

Budget 2008 allocates \$23.3 million operating and \$22.4 million capital funding over 4 years towards energy efficiency investments to assist businesses, households, motorists and consumers. The \$22.4 million goes towards insulation and clean heating retrofits for state houses. The \$23.3 million operating funding includes:

- \$9.3 million for energy saving programmes for businesses.
- \$6 million over four years for another 32,000 insulation retrofits for low-income families in homes.
- \$3 million for energy performance labelling on consumer appliances.
- \$1 million for the Vehicle Fuel Economy Labelling programme.
- \$4 million contingency is set aside for additional energy efficiency initiatives.
- \$5 million in 2008-09 (through the Electricity Commission) towards the interest-free loans programme, which provides insulation and clean heating retrofits for middle-income households.

## Health

Budget 2008 provides \$750 million per annum, or \$3 billion over four years, to the health sector. This includes:

- \$2 billion over four years to future proof health services for population growth and cost increases.
- An additional \$160 million over four years for electives.
- \$172.3 million over four years to strengthen collaboration between District Health Boards.
- \$40 million over four years for connected health Information Technology Systems.

- \$52 million over four years to fight obesity.
- An additional \$80 million over four years to continue the primary care strategy.
- \$164.2 million over four years for HPV vaccinations, to fight cervical cancer.
- \$79 million over four years for oral health services.
- \$40 million for the pneumococcal vaccine.
- \$8.8 million over four years to develop and maintain a national electronic medicines formulary, which is a pharmaceutical reference book containing a list of pharmaceutical products with details of their use, preparation, properties and formulas. This development is a key initiative identified in Actioning Medicines New Zealand.

## ACC

Budget 2008 provides an additional \$46.5 million over four years to support injured New Zealanders. The additional funding will go to non-agency providers of home-based support, and will see the hourly rates for these providers increase from \$11.28 to \$13.82 for home help, level 1 attendant care, and child care; and from \$13.54 to \$16.59 for level 2 attendant care. The increased rates will apply from 1 April 2008.

## Infrastructure

### Digital strategy

Budget 2008 is the Government's first 5-year down-payment for a 10-year plan which will take New Zealand towards the government's vision of a fast broadband future. An investment of \$500 million over the next 5 years, targeting high speed open access urban fibre networks, improved rural connectivity and improved international links.

The Budget 2008 broadband package includes an additional \$325 million of operating funding between 2008-09 and 2012-13 and \$15 million of capital funding in 2008-09 to support the roll-out of high-speed broadband.

The new Broadband Investment Fund will be used to accelerate broadband investment in 3 critical areas:

- Facilitating high speed broadband to businesses and entities such as municipalities, universities, schools and hospitals in urban centres;
- Extending the reach of broadband into underserved regions; and
- Improving the resilience of New Zealand's international connections.

In addition to the broadband package, other initiatives include:

- An extension of the Digital Strategy by the Community Partnership Fund of \$6 million in operating funding in 2008-09.

- \$500,000 in operating funding in 2008-09 to implement Digital Strategy 2.0.
- \$2.9 million in operating funding over the next five years to support the establishment of the new Digital Development Council and Forum.

This builds on original investments in the 2005 Digital Strategy of up to \$400 million, which included funding for the Broadband Challenge Fund, the Community Partnership Fund, and Digital Horizons for Schools

### **Housing**

Budget 2008 will invest \$35 million in capital over 2 years, in a shared equity pilot programme, to assist up to 700 households into starter homes. The pilot programme will be restricted to homes in Auckland, Wellington, Nelson, Christchurch, and Queenstown. Shared equity will see the government provide an interest-free loan on a house of between 5% to 30% of its value. The scheme will be limited to those with a household income up to \$85,000 and requires people to live in the home they purchase. A maximum house price cap, which will vary across the targeted regions will apply. A minimum 5% deposit will be required. The pilot scheme will be officially launched on 1 July 2008.

New capital spending of \$37.8 million over three years will be set aside for the first phase of the Hobsonville development. The development is expected to generate net revenue of \$4.7 million in 2011-12 from the sale of houses and land. The development, which will be undertaken in five phases, uses Crown land to create up to 500 affordable homes and up to 500 state houses, as part of a wider project setting a new benchmark for sustainable urban development. The project also gains operating funding of \$5.1 million over four years.

Budget 2008 also provides \$220 million in new operating funding over the next 10 to 15 years to the Wellington City Council for modernising its affordable rental housing stock.

In addition, new funding of \$1.5 million over the next year through the Papakainga programme will give aspiring home owners access to finance to help buy or build houses on Maori land.

As announced in February 2008, the Government is investigating a range of additional measures to improve the affordable housing supply. The Government will focus on increasing flexibility and reducing cost for affordable home builders, and is considering initiatives to reduce compliance costs for simple starter homes, and low-risk areas of building work that could be exempt from requiring a building consent.

### **Rail transport**

\$690 million will be provided in capital funding in 2007-08 for the purchase of Toll New Zealand's rail business.

The Government will pay \$665 million to purchase the rail and ferry business with settlement on 30 June 2008.

Budget 2008 also provides \$28 million in operating funds to upgrade and maintain the rail network. \$65 million of capital funding will be provided between 2007-08 and 2008-09 for ONTRACK to renew tracks and meet land release costs.

### **Transport infrastructure**

\$15 million in capital will be provided to boost aviation passenger safety and security infrastructure at airports.

\$33.5 million of capital will be provided to contribute towards the ten year Canterbury Transport Regional Implementation Plan; and \$30 million of capital over three years for regional transport development initiatives in Northland and Tairāwhiti.

### **Justice**

Budget 2008 provides a range of initiatives across the wider justice sector to strengthen the justice system and ensure that New Zealanders live in safe and responsive communities.

Announcing the initiatives, the responsible Ministers stated that Budget 2008 enhances capability in policing, in the prison system, in courts, in the probation service, and in terms of legal aid provision and victims' rights.

The key features of Budget 2008 in relation to justice are as follows:

#### **Operating funding**

- \$180 million is to be provided in operating funding over four years. This includes \$17.4 million from the National Land Transport Fund, and \$9.5 million in capital funding in 2008-09 for the third and final tranche of the extra 1000 sworn police and 250 non-sworn (committed to in the Government's confidence and supply agreement with New Zealand First).

#### **Replacement of Mt Eden Prison**

- Over the next four years, capital expenditure of \$216.3 million and operating expenditure of \$35.6 million is planned for the replacement of the antiquated Mt Eden Prison. Of that, Budget 2008 provides \$110.3 million in capital funding between 2009-10 and 2011-12 and \$13.6 million in operating funding over four years. Corrections will contribute the remaining \$106 million capital and \$22 million operating from its own funds.
- Operating funding of \$67.9 million and capital funding of \$23.8 million will enable Corrections to recruit 89 additional Probation Officers and provide suitable infrastructure support.

#### **Greater Auckland region service delivery strategy**

Budget 2008 sets aside \$6.3 million over two years to fund a Greater Auckland Region Service Delivery Strategy.

## Other initiatives

- An extra \$4.7 million in operating funding will be provided over four years to meet the future requirements of the Independent Police Conduct Authority.
- 89 additional probation officers will be provided to manage offenders doing community-based sentences from \$23.8 million capital, and \$67.9 million operating funding will be allocated.
- \$5.8 million in operating funding will be provided over four years to establish a Sentencing Council which will produce inaugural Sentencing and Parole Guidelines in 2008-09.
- \$6 million will be provided in operating funding and \$4 million in capital over four years to provide enhanced security infrastructure to maintain the integrity and credibility of Police data.
- \$11.2 million will be provided in operating funding in 2008-09 for legal aid remuneration, with an accompanying review of innovative ways of developing the legal aid.
- \$14.9 million in operating funding (of which \$6.8 million including 2007-08 is funded through reprioritisation in Vote Maori Affairs), and \$2.3 million in capital funding, will be provided to ensure Maori Wardens are sufficiently resourced and trained to make a difference in their communities.

## Maori treaty initiatives

### Treaty settlements

Budget 2008 allocates \$5.3 million to help the Office of Treaty Settlements meet the 2020 settlement deadline.

### Maori Trustee

\$19.4 million and \$4.4 million capital has been allocated to increase the services of the Maori Trustee, which generates income for Maori land owners, and protects and manages the interests of Maori clients and their land or other resources.

### Primary industries

Budget 2008 provides \$700 million of capital funding to the New Zealand Fast Forward fund – a new research, development, and innovation plan for the pastoral and food

industries. Budget 2008 also provides \$10.1 million of capital funding to set up a national animal identification and tracing system and farm register, and \$13.2 million of operational funding over four years for the traceability system.

Budget 2008 also provides funding for:

- Extra trade training places for students intending to work in primary industries;
- Trade negotiations capability within the Agriculture and Forestry Ministry and Biosecurity New Zealand;
- More observers on fishing boats;
- Plan changes to promote aquaculture; and
- Programmes to assist companies exporting.

## Social Welfare

Budget 2008 provides an additional \$24.6 million to assist 7,500 caregivers caring for more than 10,000 children, and \$446.5 million to fully fund contracted essential services delivered by community organisations for vulnerable families, children and young people, and to make annual cost adjustments. This includes the elder abuse and neglect services.

Also, \$2 million over four years will be provided to support strong ethnic communities, to expand participation and capacity, and to support advice forums and events.

Budget 2008 also includes funding for the welfare of war veterans. \$1 million will be provided in 2008-09 for the Royal New Zealand Returned Services Association (RNZRSA) to support veterans' welfare, and \$368,000 for the newly established Vietnam Veterans and Their Families Trust.

## Superannuation

As a result of personal tax cuts announced in Budget 2008, net payments of NZ Superannuation will increase from 1 October 2008. As noted above, for a married couple, the increase will be \$45.88 per fortnight, and for a single superannuitant living alone, it will be \$23.84.

Further, \$72 million will be provided over four years for free off-peak travel for SuperGold cardholders on all public transport, and \$18 million over four years to fund the subsidy for hearing aids.

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