

The Treasury

Budget 2022 Information Release

August 2022

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- [1] 6(a) - to avoid prejudice to the security or defence of New Zealand or the international relations of the government
- [23] 9(2)(a) - to protect the privacy of natural persons, including deceased people
- [25] 9(2)(b)(ii) - to protect the commercial position of the person who supplied the information or who is the subject of the information
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- [33] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials
- [34] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions
- [35] 9(2)(g)(ii) - to maintain the effective conduct of public affairs through protecting ministers, members of government organisations, officers and employees from improper pressure or harassment;
- [36] 9(2)(h) - to maintain legal professional privilege
- [37] 9(2)(i) - to enable the Crown to carry out commercial activities without disadvantage or prejudice
- [38] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice
- [39] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage
- [40] Out of Scope
- [41] 18(c)(i) - that the making available of the information requested would be contrary to the provisions of a specified enactment
- [42] 18(d) - information is already publicly available or will be publicly available soon

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Hon Grant Robertson

MP for Wellington Central

Deputy Prime Minister

Minister of Finance

Minister for Infrastructure

Minister for Sport and Recreation

Minister for Racing



Hon Andrew Little
Minister of Health
Parliament Buildings
Wellington

Dear Andrew,

Thank you for your recent engagement on Budget 2022. As you will be aware, we have set a very high bar for the initiatives that will be invited for submission. I have considered the proposals that you outlined in your letter for Vote Health and encourage the following process to prepare a Budget submission for 10 December.

Your letter demonstrates strong ambitions for the future of New Zealand's health system. I share your ambition for what we can achieve for New Zealanders through this reform. I also note that considering current pressures on the health system, particularly in the changing COVID-19 context, will be essential to ensure our investment has the desired impact on improving health outcomes.

I am focused on making sure that the initiatives included in the final Budget 2022 package are investment-ready and can be translated into improved living standards for New Zealanders. In health, I am especially concerned about the system-level implications of:

- the ongoing and uncertain impact of Covid-19 and associated health system demand;
- workforce shortages across a range of domains including clinical, IT, and operational expertise; and
- construction sector capacity.

I would like to see the following items considered as the main priorities for Vote Health in Budget 2022:

- resourcing cost pressures in the health system to sustain health services through reform;
- resourcing critical reform enablers to establish and embed the new health system operating model; and
- progressing some manifesto commitments to achieve the Government's ambitions for the health of New Zealanders.

Transitional package for the health sector

In order to address these goals within the constraints outlined above, I am taking a different approach to the invitation process for Vote Health compared to other Votes. Instead of inviting particular initiatives from your submission letter through Vote Health for Budget 2022, I invite you to submit a package with three components:

1) Cost pressures and health system rebase

Meeting the true cost of our existing system is vital to support the desired planning refresh and ensure that current provision of health services is maintained for New Zealanders throughout reform.

This component should include an operating uplift sufficient to meet core cost pressures for Vote Health across 2022/23 and 2023/24, and a cash injection to establish Health New Zealand's balance sheet. My officials will continue to support the development of strong analysis for the component quantum. While significant investment in the health system in Budget 2022 will support reform, affordability and the Government's fiscal strategy will necessarily remain a central consideration.

Your submission does not need to include funding for the Government's ongoing COVID-19 public health response and immunisation programme. This will continue to be prioritised and I will work with you and the Minister for COVID-19 Response on funding requirements on an as-needed basis.

The Treasury will provide a modified initiative template for initiatives submitted under this component of the health package, reflecting differences in the information required to assess them.

2) Critical reform enablers and manifesto commitments

For new operating investment in critical reform enablers and manifesto commitments, given known delivery constraints and the changing fiscal environment, I invite you to submit a high, medium, and low package of initiatives within the following amounts.

	<i>Average operating per annum</i>	<i>Total operating over forecast period</i>
High	\$900 million	\$3,600 million
Medium	\$600 million	\$2,400 million
Low	\$300 million	\$1,200 million

These packages will act as a prioritisation tool to work through the next stage of Budget 2022 preparation and achieve a cohesive package of investments that is consistent with our strategy for health reform and reflects capacity constraints. It is not a guarantee of a minimum level of funding. There is not an allocation for any capital associated with these initiatives, but I note that any significant capital investment should be managed through the Health Capital Envelope.

I would consider the following initiatives to be included as critical reform enablers:

- Digital and IT infrastructure, prioritised and sequenced by factoring in capacity constraints.
- The Ministry of Health's capability as a steward of the health system.
- Workforce development, particularly to increase supply.

I invite you to describe in detail the trade-offs made in arriving at your prioritised initiative list to fit within each package scenario, including why the initiatives included are priorities, and what is not included in the package compared to the other scenarios. I also encourage alignment with the initial Government Policy Statement for health, as priorities for the health system over the interim period are refined.

At this stage in the process and reform work programme, I ask that you retain the Ministry of Health departmental capability initiative in your package development to allow further work to occur on the new departmental arrangement for the Ministry of Health from 1 July 2022.

The value-for-money information and analysis requirements outlined in the generic initiative submission template due 10 December apply to the initiatives submitted under this component of the Health package. The Treasury will advise your officials of the best way to streamline the presentation of this information across initiatives.

3) Other capital investment in Health infrastructure projects

I also invite you to include a top up to the Health Capital Envelope in your Budget 2022 submission to address pressures from existing and planned projects. I invite you to consider specific bids for the next major hospital rebuilds, especially Whangārei and Nelson, as part of this top up and, therefore, expect that the remaining top-up sought only reflects prioritised development work, cost escalations, and a select number of other high priority projects. The only capital initiatives I invite outside of a Health Capital Envelope top up are for the Southern Digital Transformation Programme and for any additional capital funding needed to support data and digital investments. Operating funding for data and digital investments should be included as part of the new investment package scenarios described at 2) above.

My invitation to submit initiatives does not guarantee that they will receive funding. The Treasury will assess the value-for-money and relative priority of all initiatives, and its advice will help to inform the shape of the final Budget 2022 package to be decided by Budget Ministers. I expect all initiatives to be supported by a robust case for funding and a strong evidence base, as well as scaling and reprioritisation options.

In order to develop packages of new initiatives within the amounts specified above, many proposals included in your letter will not be able to be submitted as Budget 2022 initiatives in December. These may be addressed through future Budgets (from 2024) or through other levers such as reprioritisation of baseline funding as Health New Zealand and the Māori Health Authority further develop their strategy and priorities for the health system. As per the expectations I have previously outlined around fiscal management and the multi-year funding approach for Health, I will not support any out-of-cycle funding requests for these initiatives.

As agreed, this two-year funding package will carry an expectation that the sector will not seek new funding through Budget 2023, unless funding is required to accommodate significant unknown and uncontrollable financial risks that materialise through the two-year transition period. I look forward to discussing options for funding initiatives through Budget 2024 at a later stage.

Disability Initiatives

You submitted five bids relating to the disability system. I invite the following two initiatives to progress through the cost pressure track for the next stage of the Budget process:

- 13986 – Disability Support Services - Cost Pressures
- 14021 – Disability Support System Transformation

In addition, the initiative *Disability Support System Transformation* should provide a variety of scaling options including implementation phasing.

In line with Cabinet's recent decision to establish a new Ministry for Disabled People as a departmental agency within the Ministry of Social Development, I expect you to engage with the Minister for Social Development and Employment and for your agencies to determine the appropriate Vote (Social Development or Health) under which to submit these initiatives. Regardless of the Vote the initiatives are submitted under, they will be considered outside of the envelope process outlined in this letter and, given these functions are shifting outside of the health system, will not be part of its transition to multi-year funding through this Budget.

Thank you for your ongoing work.

Yours sincerely

Hon Grant Robertson
Minister of Finance