

# 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  
Minister Responsible for the GCSB  
Minister Responsible for the NZSIS  
Minister for Treaty of Waitangi Negotiations  
Minister Responsible for Pike River Re-entry



Rob Campbell  
Chair, interim Health New Zealand

Sharon Shea  
Co-Chair, interim Māori Health Authority

Tipa Mahuta  
Co-Chair, interim Māori Health Authority

Tēnā koutou Rob, Sharon and Tipa,

### ***Budget 2022 – Financial Planning Assumptions to support entity planning and budgeting***

As you know, Cabinet has agreed to set a two-year Budget 2022 funding package for Vote Health to support and provide stability during the implementation of reforms, and to set the stage for a move to three-year budgeting periods from Budget 2024. The Budget 2022 package is intended to be sufficient to meet all costs across the first two years of the new system, and additional funding before Budget 2024 will only be considered for exceptional unforeseen events.

The Appendix to this letter shares Budget 2022 financial planning parameters for baseline funding increases for business-as-usual health services for 2022/23 and 2023/24. This information has been provided to help you understand and inform us about the implications and trade-offs of different funding increases to meet pressures across the system. It is also intended to support you to develop internal budgets, the interim New Zealand Health Plan and Statements of Performance Expectations in time for Day One of the new system.

**This information is BUDGET SENSITIVE and we expect it to be held in strict confidence by Chairs and a small number of responsible officials in both entities, who will need to sign confidentiality agreements relating to the information. In due course this information can be shared with Board members to support Board discussions on internal entity budgets, in strict confidence and only once signed confidentiality agreements are in place.**

This is not a formal allocation; it represents a range within which your entities should apply assumptions to assist you with planning for the first two years of the reformed system. It is based on various assumptions including work to date on functional and funding splits across entities. Final Budget allocations will be decided by Cabinet as part of the Budget process and will be informed by the work of your entities on internal budgets and the interim New Zealand Health Plan. We intend to share a firmer set of Budget planning parameters in mid-April once Cabinet has had a chance to consider and agree the Government's full Budget 2022 package.

The baseline funding increase is intended to be sufficient to cover the consolidated deficit position (through an operating revenue 'rebase') and to meet business-as-usual cost

pressures for the 2022/23 and 2023/24 years, including volume, wage, and other price pressures. These planning parameters do not include funding for new priorities or initiatives. As in previous years, investment in new initiatives will be considered and funded through the Budget 2022 process and agreed by Cabinet in April, ahead of public announcement in May. Funding for the direct costs of the COVID-19 public health response is also not included, with funding for these being considered through a separate process.

Over the next month we expect the information around business-as-usual health funding requirements generated through your budgeting and planning process to be a key input into the Government's Budget 2022 process and final funding decisions.

In particular, our officials are keen to understand the implications of funding at either the upper and lower ends of the parameters signalled, including information on any rationing choices or risks associated with funding at each end. We understand that in the coming weeks interim Health New Zealand will have an articulation of the key assumptions underpinning the initial Health New Zealand budget, based on individual DHB inputs, as well as the consolidated picture. Please provide this to the Ministry of Health when possible, and by mid-March at the latest, as well as outlining risks and the approach to risk reserves or contingencies. This will be an important input into ongoing budget advice and Ministerial budget discussions.

### ***Financial management expectations in the reformed system***

The Government's expectations for financial management in the new system will be formally set out in the upcoming interim Government Policy Statement and associated documents.

The financial planning parameters set out in this letter are intended to rebase the system to cover accrued financial deficits and to meet all business-as-usual cost pressures over the coming two fiscal years. We expect entities to deliver better health equity and health outcomes for New Zealanders within the funding provided to them, and not run financial deficits in the new system. In the short term, in time for Day One of the new system, you will need to deliver an interim New Zealand Health Plan and budgets that articulate what is possible in the first two years of reform.

Over the first two years of the new system Health New Zealand and the Māori Health Authority will have an opportunity to build an understanding of the value of current health spending and where there are opportunities for improvement (including reducing waste and investing in productivity) to inform the full New Zealand Health Plan in 2024. This includes developing a better understanding of the interface between business-as-usual and COVID-19 funding.

We look forward to our upcoming meeting with you on 16 March, as well as receiving advice from officials on the initial budgets of the interim Health New Zealand and interim Māori Health Authority, and on the interim New Zealand Health Plan, in due course.



Hon Grant Robertson  
**Minister of Finance**

Hon Andrew Little  
**Minister of Health**

**Appendix: draft Budget Planning parameters**

The table below sets out draft Budget planning parameters for Health New Zealand and the Māori Health Authority for the 2022/23 and 2023/24 financial years. The indicative starting baselines are based on work to date by Ministry of Health, interim Health New Zealand and interim Māori Health Authority officials on functional and funding splits. This work on functional and funding splits is still ongoing and so the baselines are subject to change; key finance staff in interim entities will continue to be involved in this work so will have visibility over changes.

The planning assumptions are based on an indicative increase to business-as-usual funding for Health New Zealand and the Māori Health Authority. Final decisions on increases will be made through the Budget 2022 process. The baselines will also depend on final decisions to be made on the functional and funding splits across entities.

The planning assumptions **do not include** funding for:

- **the direct costs of the COVID-19 public health response**, as ongoing funding for this area is being considered through a separate process.
- **decisions post-September 2021**, [38] as the figures presented below are based on the October Baseline Update. Decisions made since October will be picked up in the final baseline splits based on the March Baseline Update (MBU) and factored in when deciding upon the final cost pressure level. Updated assumptions based on MBU will be provided when available.
- **investment in new initiatives**, as funding of these initiatives is being considered through Budget 2022. Final decisions on new initiatives will be factored in when deciding upon the final cost pressure level, and decisions will be communicated in due course.
- **pharmaceuticals expenditure** (the Combined Pharmaceutical Budget) which will be funded via a separate appropriation and will receive cost pressure funding through a different process.
- **disability support services** which are transferring to the Ministry for Disabled People.

While the planning assumptions are based on an entity view, funding for the Māori Health Authority will sit across two appropriations; a Hauora Māori appropriation which will fund the Māori Health Authority’s running costs and direct commissioning budget, and a shared Primary and Community appropriation through which Health New Zealand and the Māori Health Authority will both be funded for co-commissioned services. Within the primary and community appropriation the Māori Health Authority will hold funding for services co-commissioned to Māori providers<sup>1</sup> and Health New Zealand will hold all remaining funding for co-commissioned services.

Year	Draft planning assumption for base funding increases for business-as-usual <b>Health New Zealand</b> funding		Draft planning assumption for base funding increases for business-as-usual <b>Māori health Authority</b> funding	
	2022/23	2023/24	2022/23	2023/24
Indicative starting baseline	17,455	17,415	437	446
2022/23*	1,564 – 1,755		23 – 28	
2023/24 (in addition to 2022/23 cost pressures)		1,034 – 1,227		26 – 30

\*2022/23 cost pressure uplift includes a [33] ongoing to enable the health system to operate without deficits

<sup>1</sup> Other than where Māori providers subscribe to demand-driven nationally consistent contracts