

# The Treasury

## Budget 2022 Information Release

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### Cabinet Document Details

Title: **Cabinet Minute: SWC-21-MIN-0157: Health and Disability System Reform: National Budget and Funding Settings**

Date: **20 October 2021**

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### Information Withheld

No information has been withheld.

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# Cabinet Social Wellbeing Committee

## Minute of Decision

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### Health and Disability System Reform: National Budget and Funding Settings

**Portfolios**                      **Finance / Health**

On 20 October 2021, the Cabinet Social Wellbeing Committee:

- 1        **noted** that in March 2021, Cabinet agreed to establish a funding framework for health that provides greater budget certainty for the health system and the Crown, and directed officials to provide further advice on funding and fiscal management settings ahead of Budget 2022, including the approach for a multi-year settlement [CAB-21-MIN-0092];

#### Multi-year health funding

- 2        **agreed** to establish a multi-year funding arrangement for Vote Health from Budget 2024 (at the earliest), to align with the delivery of the first full New Zealand Health Plan (NZHP);
- 3        **agreed** that the multi-year funding arrangement will comprise:
  - 3.1      a three-year funding commitment that covers all cost pressures and new investments in health over a three-year period; and
  - 3.2      a medium-term funding track from year four onwards to support health sector planning and drive investment prioritisation decisions with impacts beyond the three-year funding commitment;
- 4        **agreed** that the first multi-year funding arrangement should only be implemented once Cabinet has confidence that adequate system settings to support improved planning and financial control will be in place;
- 5        **agreed** that the multi-year funding arrangement should apply to all Vote Health funding covered by the NZHP, with an option to extend the arrangement to all of Vote Health including the Ministry of Health;
- 6        **agreed** that the funding track will be the basis on which each future NZHP is developed;
- 7        **noted** that that the approach set out above is consistent with the direction of the Public Finance System Modernisation (PFSM) reforms, which also proposes multi-year planning and funding, with the key difference being the ongoing medium-term funding track;

## Transitional funding package at Budget 2022

- 8 **agreed** to provide a transitional funding package at Budget 2022 that supports the health sector through to Budget 2024, providing funding certainty for the health sector for a two-year period;
- 9 **agreed** that the health system should be provided with sufficient medium-term funding certainty at Budget 2022 for the sector to start work on the first full NZHP;
- 10 **agreed** that at establishment, Health New Zealand should be provided with funding sufficient to establish a starting balance sheet with no deficits, meet its expected costs and should not be forecasting a deficit position on Day One;
- 11 **noted** that the above will require a significant uplift in ongoing operating funding to rebase the health system in Budget 2022;

## Vote Health appropriation structure

- 12 **agreed in principle**, subject to paragraph 13 below, the overall approach to the appropriation structure for Vote Health from 2022/23 including separate appropriations for:
- 12.1 Primary, community, public and population health services;
  - 12.2 Hospital and specialist services;
  - 12.3 Hauora Māori, with financial accountability and reporting sitting with the Māori Health Authority;
  - 12.4 Pharmaceuticals, with financial accountability and reporting sitting with Pharmac;
  - 12.5 National Response to COVID-19 multi-category appropriation;
  - 12.6 COVID-19 vaccine strategy multi-category appropriation;
  - 12.7 Disability support services (subject to outcome of the machinery of government review);
  - 12.8 A multi-category appropriation for the Ministry of Health departmental functions;
  - 12.9 Monitoring and protecting health and disability consumers interests (covers the functions of the independent Crown Entities);
  - 12.10 Health capital envelope;
  - 12.11 Any other appropriations as necessary for implementing the reformed system (e.g. to recognise the transfer of assets);
- 13 **authorised** the Minister of Finance and relevant appropriation Minister to jointly finalise the appropriation structure of Vote Health and establish new appropriations as required;
- 14 **authorised** the Minister of Finance and relevant appropriation Minister to jointly reallocate existing funding from the current Vote Health appropriations into the new appropriation structure with effect from 1 July 2022;
- 15 **noted** that the relevant associate Ministers of Health will be provided with visibility over the new appropriation structure and how funding is allocated among appropriations;

- 16 **authorised** the Minister of Health alone to approve fiscally neutral adjustments, and associated Imprest Supply changes, from the hospital and specialist services appropriation to the primary, community, population and public health appropriation;
- 17 **noted** that officials will develop a new set of reportable outputs for the purposes of the Crown Entities Act 2004 to provide ex ante and ex post reporting, and there is an opportunity to shift this to a more useful set of service-focused categories, such as public health, mental health, maternity and well child, and planned care, that support and align to the agreed appropriations and accompanying performance measures;
- 18 **noted** that officials will develop fuller advice on options for the mental health ring-fence in early 2022;

### **Budget holding responsibilities across health entities**

- 19 **noted** that further advice on detailed functional roles of future entities, and associated resource implications and funding transfers, will be provided to Ministers in the coming months and included as part of the Budget 2022 technical package, or earlier, as appropriate;
- 20 **agreed in principle**, subject to confirmation with the interim Māori Health Authority Board and advice on the overall implementation approach, that in addition to funding provided through Budget 2021 and any potential funding provided through Budget 2022, the Māori Health Authority will be responsible for managing funding and reporting against a hauora Māori appropriation containing:
- 20.1 Ministry of Health non-departmental funding currently managed by its Māori Services Directorate, for example, Māori Provider Development Scheme funding;
- 20.2 District Health Board kaupapa Māori services; and
- 20.3 non-departmental Vote Health non-devolved funding currently administered by the Ministry which has a Māori component (for example, mental health and workforce development);
- 21 **directed** the Transition Unit, working with the interim Māori Health Authority and Ministry of Health, to provide advice on the overall level implementation approach and associated resource implications to the Ministers of Finance and Health by November 2021;

### **Internal funding allocation mechanisms – funding design principles**

- 22 **noted** that Health New Zealand and the Māori Health Authority need to operate within an overall Budget constraint to deliver Te Tiriti o Waitangi obligations, and equitable, effective, sustainable, efficient and acceptable services for people, whānau, iwi, and communities;
- 23 **agreed** to a set of funding design principles to guide Health New Zealand and Māori Health Authority internal funding allocations and mechanisms:
- 23.1 Funding should follow allocative decisions made in planning and commissioning: the NZHP will set out key allocative decisions with respect to populations, services and enablers, and place, and funding allocations and mechanisms should support these decisions
- 23.2 Pro-equity: funding allocations and mechanisms should fairly distribute funding to enable effective culturally responsive services and use of enablers to address current and future inequities across populations, which should include Māori as tangata whenua, Pacific people, disabled people, children and young people, and other populations that experience inequities, as well as high deprivation geographic areas;

- 23.3 Consistent access: in addition to being pro-equity, funding allocations and mechanisms should fairly distribute funding to support consistent access to effective and quality service and care levels across populations in different geographic areas, recognising that different populations may need access to different services;
- 23.4 Efficiency: funding allocations and mechanisms should support value for money in service delivery and use of enablers, and where Health New Zealand is the provider, would expect funding allocations and mechanisms to support the efficient allocation of resources including, where appropriate, a shift towards efficient pricing and resource allocation generally.

Rachel Clarke  
Committee Secretary

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**Present:**

Hon Grant Robertson  
Hon Kelvin Davis  
Hon Carmel Sepuloni (Chair)  
Hon Andrew Little  
Hon Poto Williams  
Hon Damien O'Connor  
Hon Kris Faafoi  
Hon Peeni Henare  
Hon Willie Jackson  
Hon Jan Tinetti  
Hon Dr Ayesha Verrall  
Hon Meka Whaitiri  
Hon Aupito William Sio  
Hon Priyanca Radhakrishnan

**Officials present from:**

Office of the Prime Minister  
Office of the SWC Chair  
Officials Committee for SWC