

The Treasury

Budget 2024 Information Release

September 2024

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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
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- [31] 9(2)(f)(ii) - to maintain the current constitutional conventions protecting collective and individual ministerial responsibility
- [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
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- [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] 18(c)(i) - that the making available of the information requested would be contrary to the provisions of a specified enactment

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Naomi Ferguson
Interim Chair, Te Whatu Ora

27 MAR 2023

Tipa Mahuta
Chair, Te Aka Whai Ora

Tēnā kōrua Naomi and Tipa,

Budget 2024: Cost Pressure Planning Parameters to support entity planning and budgeting

As you will be aware, Cabinet has agreed to establish a multi-year funding arrangement for Vote Health from Budget 2024, subject to Ministers having confidence that adequate system settings to support improved financial control and planning are in place. Multi-year funding supports long-term planning and budgeting and will help us to achieve better outcomes from the reformed health system. However, it is a departure from standard annual budgeting – and it is important that the right settings are in place. This funding package is intended to cover three-years of fixed funding to cover all cost pressures and new investments in the health system.

This letter provides you with draft Budget 2024 planning parameters for the core cost pressure portion of the multi-year settlement. The purpose of the planning parameters is to give an early indication of the potential quantum of funding that might be available to meet health cost pressures in Budget 2024. This is not a formal allocation and should not be treated as such; it is an estimate to support Te Whatu Ora and Te Aka Whai Ora in the development of the New Zealand Health Plan (NZHP) leading into Budget 2024.

Final Budget allocations will be decided by Cabinet as part of the Budget 2024 process and will be informed by the Government’s broader Budget 2024 strategy and the detailed planning and budgeting work Te Whatu Ora and Te Aka Whai Ora will be undertaking as part of the development of the NZHP.

This information is Budget Sensitive, and we expect it to be held in strict confidence by Chairs and a small number of officials in both entities that are responsible for working on the NZHP and budgets that have signed budget confidentiality agreements. In due course this information can be shared with Board members to support Board discussions on the NZHP and internal entity budgets, but it must be held in strict confidence.

The Budget planning parameters for Te Whatu Ora and Te Aka Whai Ora for the three-year period 2024/25 – 2026/27 are as follows:

Appropriation	Delivering Hospital and Specialist Services (\$m)			Delivering Primary, Community, Public and Population Health Services (\$m)			Delivering Hauora Māori Services (\$m)		
	24/25	25/26	26/27	24/25	25/26	26/27	24/25	25/26	26/27
Baseline	13,656	13,670	13,686	8,834	8,789	8,780	235	235	235
2024/25	859	859	859	555	555	555	15	15	15
2025/26		826	826		531	531		14	14
2026/27			823			528			14
Planning parameters	859	1,685	2,507	555	1,087	1,615	15	29	43

(potential cost pressure uplift)									
Entities receiving funding from this appropriation	Te Whatu Ora			Te Whatu Ora, Te Aka Whai Ora			Te Aka Whai Ora		

These parameters have been calculated relative to the baselines for each year assumed at July 2024. A number of assumptions have been made about funding that will be appropriated before July 2024; a detailed explanation has been provided to the finance teams in each of the entities.

We recognise that there is significant uncertainty about future inflation trends and how these will affect the health sector. Given this uncertainty, we expect entities to clearly articulate the impacts of higher or lower inflation as part of the development of the fully costed 2024 NZHP. This information will be used when Budget 2024 decisions are taken, should inflation forecasts change significantly over the course of 2023.

Requirements that need to be in place in order to shift to multi-year funding in Budget 2024

To be successful, a multi-year funding settlement for Te Whatu Ora and Te Aka Whai Ora at Budget 2024 needs to be accompanied by comprehensive accountability measures that reflect system priorities and outcomes, and link long-term strategic direction with service, capacity planning and resourcing.

As you are aware, Manatū Hauora and the Treasury will provide Ministers with advice on a series of progress checks on system readiness for the transition to a multi-year funding arrangement, the first of which will be completed in April 2023.

The progress checks are based on a set of conditions that were agreed in early 2023 and which Te Whatu Ora and Te Aka Whai Ora officials and Boards were consulted on. The conditions are designed to allow a robust assessment of the system’s progress towards a mature accountability framework and establish minimum requirements for the GPS, NZHP and other elements of the multi-year settlement.

The conditions include the following and are documented more fulsomely in ‘Multi-year funding for Vote Health – conditions for implementation’:

- The GPS meets minimum standards and provides expectations that are sufficient to guide the development of the NZHP
- the NZHP is a fully costed spending plan that responds to the GPS and provides Ministers with a coherent representation of planned activity
- Processes and plans are in place to respond to performance and financial risks during the multi-year period
- There are clear and commonly understood governance structures and financial delegations that enable funding to be allocated in line with the GPS and the NZHP
- The health system demonstrates capability to manage a multi-year funding settlement in the transition period to July 2024

As part of producing a fully costed NZHP we expect you to meet the requirements set out in H2022015429. This includes transparently setting out key assumptions around volumes, price and wage increases, and efficiencies across appropriations, output classes and regions. Testing the feasibility of efficiency assumptions and setting out evidence for how efficiency gains will be realised in practice should be part of this work. Please also consider and provide evidence for any increases in utilisation.

As you will be aware a draft of the NZHP and three years of supporting financial information is due in October 2023 to enable a robust assessment of progress after the 2023 general election. We will be

looking for assurance in officials' upcoming mid-April Budget 24 progress check that the analytical work needed to produce the NZHP has been scoped and commissioned and will be produced in time to support a draft NZHP for October.

The table below sets out the timeline for the remaining progress checks before Budget 2024. Each progress check will require information to be provided by Te Whatu Ora and Te Aka Whai Ora.

Progress checks	Key inputs
Mid-April 2023 progress check	Adequacy of programme and resourcing arrangements, progress on early development of the GPS, progress on analytical inputs to the NZHP, detailed plan and milestones for the funding flows work, key information on entity performance (including quality of 2023/2024 cost pressure drawdown, improvements in monitoring and reporting, achieving financial balance)
June 2023 progress check	First draft GPS, finalised Pae Ora strategies, progress on analytical inputs to the NZHP, and key information on entity performance (including achieving financial balance, updated output classes, single financial management system in place, and further improvements in monitoring and reporting)
Post-election progress check	Substantive draft of the NZHP, assessment of the quality of information available to support a Budget 2024 submission, quality of draft GPS, funding flows decisions, and key information on entity performance
March 2024 progress check	Final pre-Budget check-in; confirming approach and any additional conditions

Nā māua noa, nā



21 March 2023

Hon Grant Robertson
Minister of Finance



27 March 2023

Hon Dr Ayesha Verrall
Minister of Health