

# The Treasury

## Budget 2024 Information Release

### September 2024

This document has been proactively released and is available on:

- The Budget website from September 2024 to May 2025 only at: <https://budget.govt.nz/information-release/2024>, and on
- The Treasury website from later in 2024 at: <https://www.treasury.govt.nz/publications/information-release/budget-2024-information-release>

#### Information Withheld

Some parts of this information release would not be appropriate to release and, if requested, would be withheld under the Official Information Act 1982 (the Act).

Where this is the case, the relevant sections of the Act that would apply have been identified.

Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

Key to sections of the Act under which information has been withheld:

- [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
- [27] 9(2)(ba)(ii) - to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely otherwise to damage the public interest
- [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
- [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] 18(c)(i) - that the making available of the information requested would be contrary to the provisions of a specified enactment

Where information has been withheld, a numbered reference to the applicable section of the Act has been made, as listed above. For example, a [23] appearing where information has been withheld in a release document refers to section 9(2)(a).

## **Copyright and Licensing**

Cabinet material and advice to Ministers from the Treasury and other public service departments are © **Crown copyright** but are licensed for re-use under **Creative Commons Attribution 4.0 International (CC BY 4.0)** [<https://creativecommons.org/licenses/by/4.0/>].

For material created by other parties, copyright is held by them and they must be consulted on the licensing terms that they apply to their material.

## **Accessibility**

The Treasury can provide an alternate HTML version of this material if requested. Please cite this document's title or PDF file name when you email a request to [information@treasury.govt.nz](mailto:information@treasury.govt.nz).



22 April 2024

Hon Dr Shane Reti  
Minister of Health  
Parliament Buildings

Dear Shane

## **Budget 2024 decisions – Vote Health**

Following our discussions over the past week, this letter confirms our preliminary decisions made as part of Budget 2024 as attached to this letter. I would be grateful if you could direct your officials to work with the Treasury to complete the financial recommendations, as well as to prepare the necessary Estimates and Supplementary Estimates material for your sign off as soon as possible.

I also ask that you and the Associate Minister of Health (Pharmac) work with the Ministry of Health (as the monitoring department) to inform Pharmac in confidence of the Budget 2024 decisions that directly affect them.

I have also written separately to the Chief Executive of Health New Zealand, Te Whatu Ora (HNZ) to confirm their Budget 2024 decisions in confidence. I have used this letter to reiterate our shared expectations around performance, as well as provide further insight into the reasoning for our budget decisions, particularly on contingencies.

We have decided to retain the \$49.4 million total operating for the *Well Child Tamariki Ora – Strengthening Services* contingency and \$62.3 million total operating for the *National Bowel Screening Programme*. However, I would like to note that contingency funding is set aside indicatively, and I expect to receive further advice from you with respect to your priorities in these two areas. Further information on the status of tagged contingencies in Vote Health is outlined below.

## **Cost pressure funding and multi-year budgets for HNZ**

As you are aware, we have agreed to provide a multi-year cost pressure package to HNZ covering three Budgets of cost pressure funding to enable a multi-year planning mindset and maximise incentives for cost control. This covers all cost pressures for the full three years, including wage, price, and volume pressures after accounting for efficiencies and reprioritisation.

I would like to reiterate there will be a very high threshold for reopening the cost pressure arrangement throughout the three-year settlement, with such instances likely limited to extraordinary and significant pressures or events in terms of scale and unpredictability, for example a pandemic.

In our communications to HNZ, I want to make clear that providing multi-year cost pressure funding is a significant decision, particularly in the current constrained fiscal environment, and one we did not make lightly.

In return for the certainty provided by this arrangement, it is my firm expectation that Health New Zealand will manage its activities within the funding provided, show increasing fiscal discipline, and progress against the Government’s priorities. I also expect you, in your conversations with HNZ, to drive opportunities for further savings, reprioritisation, and invest to save approaches to ensure that health funding is providing increasing value for money.

The table below shares Budget 2024 to Budget 2026 cost pressure decisions:

**Budget 2024 to 2026 decisions:**

Budget	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
Budget 24	860	860	860	531	531	531	39	39	39
Budget 25		825	825		507	507		38	38
Budget 26			826			507			37
Total	860	1,685	2,511	531	1,038	1,545	39	77	114

Under the three-year cost pressure funding arrangement, the Budget 2025 and Budget 2026 components would be pre-commitments against future allowances. This means that \$1.43 billion per annum will be charged against the Budget 2024 allowance, and \$1.37 billion per annum will be charged against both the Budget 2025 and Budget 2026 allowances.

I am also concerned about the current state of productivity. Significant productivity improvements in health will be needed to maintain existing services to patients over time and support achievement of our priorities – including, but not limited to, making progress towards key health targets in 2024/25 and beyond.

**Funding expectations**

I also would like to emphasise to you that all Crown entities need to use any funding they receive via appropriations in line with the scope and purposes of that appropriation. <sup>[34]</sup>

To ensure transparency about alignment with appropriations, I suggest you include a clear requirement, in the forthcoming Government Policy Statement on Health, that HNZ’s expenditure from appropriations align with its appropriation revenue. <sup>[34]</sup>

A reminder that these decisions remain Budget Sensitive and should only be shared on a need-to-know basis. My office will provide further advice on the approach to Budget communications. Thank you again for your support towards the successful delivery of Budget 2024.

Yours sincerely,



Hon Nicola Willis  
**Minister of Finance**

Cc Hon David Seymour, Associate Minister of Health (Pharmac)  
Hon Matt Doocey, Minister for Mental Health, Associate Minister of Health  
Hon Casey Costello, Associate Minister of Health  
Dr Diana Sarfati, Director-General of Health, Ministry of Health

# Vote Health (Total)

## Budget 2024 Package as at 15 April

All operating values are in average per annum (across the forecast period). All capital values are total capital. Figures may not sum to totals due to rounding.

New Spending	Savings and Revenue
<p><b>Pre-commitments</b></p> <ul style="list-style-type: none"> <li> <b>Pharmac – Time limited funding</b>  <i>Total Operating: \$1,773.7m. \$443.4m avg p.a.</i> </li> </ul> <p><b>Cost Pressures</b></p> <ul style="list-style-type: none"> <li> <b>ID 15816: Health cost pressures funding for Te Whatu Ora – Budget 2024 tranche</b>  <i>Total Operating: \$5,720.0m. \$1,430.0m avg p.a.</i>  <i>(see letter to Te Whatu Ora for multi-year funding breakdown)</i> </li> </ul> <p><b>Government Policy Commitments</b></p> <ul style="list-style-type: none"> <li> <b>ID 15804: Breast screening extension of eligibility to include 70–74-year-olds as part of the free national programme*.</b>  <i>Total Operating: \$24.0m. \$6.0m avg p.a. Total Capital: \$7.2m</i> </li> <li> <b>ID 15800: Emergency department security - service expansion*.</b>  <i>Total Operating: \$30.8m. \$7.7m avg p.a.</i> </li> <li> <b>ID 15801: Gumboot Friday – funding to deliver free youth mental health counselling services.</b>  <i>Total Operating \$24.0m. \$6.0m p.a.</i> </li> <li> <b>ID 15813: Health Workforce – Training 25 more doctors *.</b>  <i>Total Operating: \$8.5m. \$2.1m avg p.a. Total Capital: \$13.2m</i> </li> <li> <b>ID 15797: Timely access to COVID-19 vaccine and therapeutics and ongoing cost-effective management of COVID-19.</b>  <i>Total Operating: \$232.2m. \$58.0m avg p.a.</i> </li> </ul>	<p><b>Baseline Savings</b></p> <ul style="list-style-type: none"> <li> <b>ID 15812: Ministry of Health – Baseline Savings</b>  <i>Total Operating (\$50.4m). (\$12.6m) p.a.</i> </li> </ul> <p><b>Targeted Policy Savings</b>  <i>Total Operating: (\$151.6m). (\$37.9m) p.a.</i>  <b>Total Capital: -</b></p> <ul style="list-style-type: none"> <li> <b>ID 15796: Disestablishment of the Māori Health Authority – return of funding</b>  <i>Total Operating (\$35.5m). (\$8.9m) avg p.a.</i> </li> <li> <b>ID 15792 &amp; ID 15795: Prescription co-payment – reinstating the \$5 prescription co-payment with targeted exemptions</b>  <i>Total Operating (\$116.1m). (\$29.0m) avg p.a.</i> </li> </ul> <p><b>Tagged Contingencies</b>  <i>Total Operating: (\$339.4m). (\$84.9m) avg p.a.</i>  <b>Total Capital: (\$123.6m)</b></p> <ul style="list-style-type: none"> <li> <b>Accelerating Health Infrastructure Unit Work Programme</b>  <i>Total Operating: (\$8.4m). (\$2.1m) avg p.a.</i> </li> <li> <b>Data and Digital Foundations and Innovation Contingency</b>  <i>Total Operating: (\$186.8m). (\$46.7m) avg p.a. Total Capital: (\$50.0m)</i> </li> <li> <b>Data and Digital Infrastructure and Capability – Enabling Health System Transformation</b>  <i>Total Operating: (\$144.2m). (\$36.1m) avg p.a.</i> </li> <li> <b>DHB equity support capital contingency</b>  <i>Total Capital: (\$73.6m)</i> </li> </ul>

<b>Capital</b>	
<ul style="list-style-type: none"> <li>ID 15823: <b>National Cost Pressure contingency for the health capital portfolio.</b> <i>Total Capital: \$103.1m</i></li> </ul>	
<b>Total New Spending Initiatives</b> Total Operating: \$7,813.2m. \$1,953.2m avg p.a. Total Capital: \$123.5m	<b>Total Savings and Revenue Initiatives</b> Total Operating: (\$541.4m). (\$135.4m) avg p.a. Total Capital: (\$123.6m)
<b>Net Total: Total Operating \$7,271.8m. \$1,817.8m avg p.a. Total Capital: -</b>	

\*Officials will provide you with the 10-year forecast for these initiatives

\*\* denotes no outyears funding (time-limited)

<b>Funded from reprioritisation</b>
<ul style="list-style-type: none"> <li>ID 15808: <b>Waikato New Medical School business case</b></li> <li>ID 15803: <b>Mental Health and Addiction Community Sector Innovation Fund</b></li> <li>Annex 5: Capital Pipeline Review. All reprioritisation in Annex 5 is approved.</li> </ul>

#### Tagged Contingency funds to be returned as part of Budget 2024:

Tagged Contingency	Total Operating (\$m)	Total Capital (\$m)
Accelerating Health Infrastructure Unit Work Programme	(8.4)	-
Data and Digital Foundations and Innovation – Contingency	(186.8)	(50.0)
Data and Digital Infrastructure and Capability – Enabling Health System Transformation	(144.2)	-
DHB Equity Support Capital Contingency	-	(73.6)

#### Remaining Tagged Contingencies (excluding sensitive contingencies):

Tagged Contingency	Total Operating (\$m)	Total Capital (\$m)
Data and Digital Infrastructure and Capability – Enabling Health System Transformation	15.1	10.1
Well Child Tamariki Ora – Strengthening Services	49.4	-
Southern Health System Digital Transformation Programme – Contingency	52.2	101.4
National Bowel Screening Programme – Lowering the Screening Age for Māori and Pacific Peoples – Contingency	62.3	-
New Dunedin Hospital – tagged capital contingency	-	[38]
District Health Boards - Capital Charge Contingency	[33]	-