

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
- [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

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22 April 2024

Dame Dr Karen Poutasi
Chair, Health New Zealand | Te Whatu Ora
WELLINGTON 6011

Kia ora Dame Karen,

Budget 2024 – funding decisions to support entity planning and budgeting

This letter shares Budget 2024 decisions as of 22 April for Health New Zealand (HNZ). This information has been provided to you ahead of final Cabinet decisions to support you to continue with the detailed planning and budgeting underpinning the fully costed three-year New Zealand Health Plan. Additionally, it will enable you to prepare for announcements we will make on budget day.

This information is BUDGET SENSITIVE, and we expect it to be held in strict confidence by the Chair and a small number of named officials, who will need to sign (or have already signed) confidentiality agreements relating to the information. In due course, this information can be shared with additional Board members to support Board discussions on the fully costed New Zealand Health Plan and internal budget, in strict confidence and only once signed confidentiality agreements are in place.

Cost pressure funding and multi-year budgets

We have agreed to provide a multi-year cost pressure package to HNZ covering three Budgets of cost pressure to enable multi-year planning 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.

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.

We want to make clear that providing multi-year cost pressure funding for HNZ 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 our firm expectation that HNZ will manage its activities within the funding provided, show increasing fiscal discipline, and progress the Government's priorities. We also expect you to continue to explore opportunities for further savings, reprioritisation, and invest to save approaches to ensure that health funding is providing increasing value for money. We will be seeking regular assessment from monitors on your progress towards this aim.

As such, we would also like to understand the nature and extent of any potential productivity improvements that could be achieved to free up resources and support ongoing priorities – including, but not limited to, making progress towards key health targets in 2024/25 and beyond.

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.

We have decided to fund HNZ cost pressures at this amount due to our public commitment to do so, and to support the planning processes that are underway. However, I note that the Treasury has advised that inflation and other price forecasts have eased since the parameters were set in HYEUFU 2022 and we could feasibly have provided a lower cost pressure amount. As a result of this, I want to emphasise that any headroom this creates should be directed towards delivering on our Government Targets for Health.

We look forward to receiving further advice from officials across April and May on the fully costed New Zealand Health Plan and internal HNZ budget process.

[34]

Decisions on contingencies

Through this Budget I have reviewed all contingencies in Vote Health in light of the constrained fiscal environment and made the following decisions:

Data and Digital investment

A significant amount has been set aside through Budgets 2021 and 2022 by the previous administration, of which \$346.1 million operating and \$60.1 million capital is yet to be allocated. Likewise, there does not appear to be any plans to utilise these funds, emphasised by your recent contingency extension request. As a result, we have decided to return the bulk of the funding to the centre. However, we have decided \$15.1 million operating and \$10.1 million capital will remain in the Budget 2021 - Data and Digital Infrastructure and Capability – Enabling Health System Transformation tagged contingency.

A priority for our Government is ensuring that HNZ payroll is stabilised. While your letter of 4 February 2024 is reassuring that you have budgeted for this in your baseline, we have left the remaining \$15m total operating and \$10m total capital available so you can access it for stabilising or planning works to address this risk. Once this has been clarified I welcome a business case to inform our next steps, including whether further investment is required.

I ask that you return to Cabinet before Budget 2025 with a Programme Business Case to set out your broader plans for digital investment, to inform future Budget decisions and support ongoing baseline investment.

I also expect data and digital investment to be incorporated into your Infrastructure Investment Plan, as the separation of these programmes to date appears concerning.

Capital investment

You will note we have decided to return the *Accelerating Health Infrastructure Unit Work Programme* contingency. Additionally, Minister Reti and I have decided not to invest in any new health capital projects until after the 10-year Infrastructure Investment Plan and National Asset Management Strategy has been considered by Cabinet. I understand this will be a very useful document and one that I think is necessary before any significant investment decisions in physical or human capital.

In the interim, we have set aside \$103.1 million total capital for a central risk contingency to support in-flight projects. I expect to be well informed of any material cost escalations well in advance of them occurring.

Remaining contingencies

I have decided to retain the \$49.4 million total operating funding for the Well Child Tamariki Ora – Strengthening Services contingency and \$62.3 million total operating for the National Bowel Screening Programme. However, I want to note that contingency funding is set aside indicatively, and I expect to receive further advice from the Minister of Health with respect to his priorities in these two areas.

Officials at the Ministry of Health and Treasury are available to discuss any questions of clarification on these decisions.

Yours sincerely,



Hon Nicola Willis
Minister of Finance

Cc Hon Dr Shane Reti, Minister of Health
Dr Diana Sarfati, Director-General of Health, Ministry of Health
Fepulea'i Margie Apa Chief Executive, Health New Zealand

Vote Health (Health New Zealand)

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>Cost Pressures</p> <ul style="list-style-type: none"> ID 15816: Health cost pressures funding for Te Whatu Ora <i>Total Operating: \$5,720.0m. \$1,430.0m avg p.a. – Budget 2024 component (see table 1 for multi-year funding package)</i> <p>Government Policy Commitments</p> <ul style="list-style-type: none"> ID 15804: Breast screening extension of eligibility to include 70–74-year-olds as part of the free national programme*. <i>Total Operating: \$24.0m. \$6.0m p.a. Total Capital: \$7.2m</i> ID 15800: Emergency department security - service expansion*. <i>Total Operating: \$30.8m. \$7.7m avg p.a.</i> ID 15801: Gumboot Friday – funding to deliver free youth mental health counselling services. <i>Total Operating \$24.0m. \$6.0m p.a.</i> ID 15797: Timely access to COVID-19 vaccine and therapeutics and ongoing cost-effective management of COVID-19. <i>Total Operating: \$232.2m. \$58.0m avg p.a.</i> <p>Capital</p> <ul style="list-style-type: none"> ID 15823: National Cost Pressure contingency for the health capital portfolio. <i>Total Capital: \$103.1m</i> 	<p>Targeted Policy Savings</p> <p><i>Total Operating: (\$116.1m). (\$29.0m) avg p.a.</i> <i>Total Capital: -</i></p> <ul style="list-style-type: none"> ID 15792 & ID 15795: Prescription co-payment – reinstating the \$5 prescription co-payment with targeted exemptions <i>Total Operating (\$116.1m). (\$29.0m) avg p.a.</i> <p>Tagged Contingencies</p> <p><i>Total Operating: (\$339.4m). (\$84.9m) avg p.a.</i> <i>Total Capital: (\$50m)</i></p> <ul style="list-style-type: none"> Accelerating Health Infrastructure Unit Work Programme <i>Total Operating: (\$8.4m). (\$2.1m) p.a.</i> Data and Digital Foundations and Innovation – Contingency <i>Total Operating: (\$186.8m). (\$46.7m) avg p.a.</i> <i>Total Capital: (\$50.0m)</i> Data and Digital Infrastructure and Capability – Enabling Health System Transformation <i>Total Operating: (\$144.2m). (\$36.1m) avg p.a.</i>
<p>Total New Spending Initiatives</p> <p><i>Total Operating: \$6,031.0m. \$1,507.7m avg p.a.</i> <i>Total Capital: \$110.3m</i></p>	<p>Total Savings and Revenue Initiatives</p> <p><i>Total Operating: (\$455.5m). (\$113.9m) avg p.a.</i> <i>Total Capital: (\$50.0m)</i></p>
<p>Net Total: Total Operating \$5,575.5m \$1,393.8m avg p.a. Total Capital \$60.3m</p>	

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

**denotes no outyears funding (time-limited)

Funded from reprioritisation
<ul style="list-style-type: none"> ID 15803: Mental Health and Addiction Community Sector Innovation Fund Annex 5: Capital Pipeline Review. All reprioritisation in Annex 5 is approved.

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

Tagged Contingency	Operating (\$m)	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)	-

Remaining Tagged Contingencies (excluding sensitive contingencies):

Tagged Contingency	Operating (\$m)	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	-	[33]