

# 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
- [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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Reference: T2024/962

Date: 10 April 2024

To: Minister of Finance (Hon Nicola Willis)

Deadline: None  
(if any)

## Aide Memoire: Whaikaha’s Budget 2024 cost pressure package

This Aide Memoire provides you an overview of the risks and implications associated with Whaikaha’s Budget 2024 package – as discussed at Budget Ministers 4 – and additional information about pressures on the Disability Support Services (DSS) system, including options to manage these in 2024/25.

On 8 April 2024, Budget Ministers discussed the following new funding (\$m) for Whaikaha in Budget 2024:

2023/24	2024/25	2025/26	2026/27	2027/28	Total	Avg. per annum
80.000	322.308	230.308	230.309	236.975	<b>1,099.900</b>	274.975

This funding reflects:

- \$80 million in 2023/24 already agreed as a pre-commitment against Budget 2024 [T2024/809 refers];
- \$927.9 million to address cost pressures between 2024/25 and 2027/28, based on initial Treasury advice;<sup>1</sup> and
- [33]

Budget 2024 funding will provide for a higher uplift than was provided at Budget 2023. However, Whaikaha’s projected cost growth is higher still:

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1 [33]

2

- at Budget 2023, Whaikaha was funded for 8.7% cost growth in 2023/24. Actual cost growth in 2023/24 has been 14.7%;<sup>3</sup>
- **Whaikaha’s proposed Budget 2024 package will fund a 9.9% uplift.** However, cost growth is currently projected to be <sup>[33]</sup> in 2024/25.

[33]

### **Risks and implications associated with Whaikaha’s current budget package**

[33]

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3 Elevated cost growth has been met by providing in-year funding, such as the \$80 million already agreed [T2024/809 refers].

4 [33]

5

6

[33]

[37]

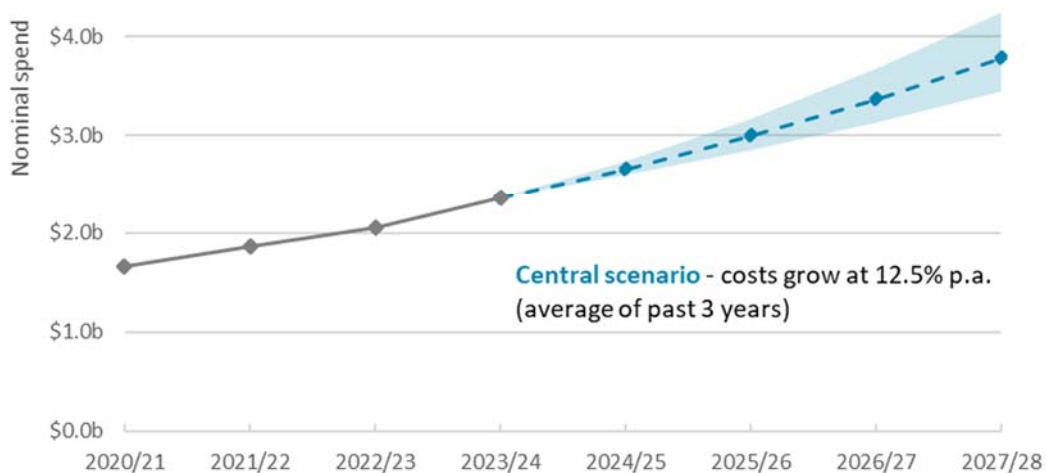
Whaikaha’s forecast costs contain uncertainty partly because the factors driving growth are inherently difficult forecast, and partly because Whaikaha is not well equipped to develop accurate forecasts. Year on year, cost growth has exceeded Whaikaha’s expectations – particularly in the past three years. We provided you advice about historical cost drivers for DSS in our Vote Social Development Background Briefing [T2024/426 refers].

Work is progressing on an independent review of Whaikaha, which we expect will inform forecasts of future growth and enable Ministers to take decisions about Whaikaha’s overall funding position. [33]

### DSS longer term cost trajectories

The following chart provides an initial estimate on the range of likely cost trajectory for Whaikaha over the next four years.

Indicative cost trajectory for Whaikaha based on different cost growth assumptions



The upper estimate is based on <sup>[33]</sup> and the lower estimate is based on the current Budget 2024 funding uplift (**+9.9% p.a.**). This provides a range of costs in 2027/28 between \$3.4 billion and \$4.2 billion. If costs continue to grow in the central scenario of **12.5% p.a.** (average over the past three years), Whaikaha will require funding of around \$3.8 billion in 2027/28.

### **Next steps**

[33]

We understand the paper seeking agreement to the review will go to Cabinet on 15 April.

[33]

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