

# The Treasury

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### September 2024

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# Briefing

## Multi-year cost pressure funding for Vote Health: additional measures to improve planning and budgeting

**Date due to MO:** 12 April 2024

**Action required by:** 15 April 2024

**Security level:**

**Health Report number:** H2024035028

T2024/994

**To:** Hon Nicola Willis, Minister of Finance  
Hon Dr Shane Reti, Minister of Health

**Consulted:** Health New Zealand:

### Contact for telephone discussion

Name	Position	Telephone
<b>Maree Roberts</b>	Deputy Director-General – Strategy, Policy and Legislation, Ministry of Health	[35]
<b>Jess Hewat</b>	Manager – Health, The Treasury	

### Minister's office to complete:

Approved

Decline

Noted

Needs change

Seen

Overtaken by events

See Minister's Notes

Withdrawn

Comment:

# Multi-year cost pressure funding for Vote Health: additional measures to improve planning and budgeting information

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**Security level:**

**Date:** 12 April 2024

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**To:** Hon Nicola Willis, Minister of Finance

Hon Dr Shane Reti, Minister of Health

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## Purpose of report

1. You have agreed to a 3-year multi-year cost pressure arrangement for Vote Health. This report recommends directing Health New Zealand | Te Whatu Ora (HNZ) to provide ex ante financial and activity information for the 3-year period, via the Budget 2024 financial recommendations, to provide assurance of the affordability and deliverability of HNZ's budget and activity plans. It also provides an overview of current system settings and notes where changes are underway to provide additional protections or controls.

## Summary

2. The transition to multi-year funding at Budget 2024 was predicated on significant improvements in key accountability documents and planning and financial capability. As noted in Treasury's advice on multi-year funding in December 2023, HNZ's systems and capability are still maturing, but multi-year cost pressure funding in Budget 2024 provides the best avenue for holding HNZ accountable for managing within a challenging but achievable funding path.
3. Health fiscal and delivery risks are high. This reflects the size and nature of health spending, HNZ maturity, its ability to overcome service performance challenges, and our growing concerns about HNZ's ability to deliver a break-even budget in 2023/24.
4. There have been practical challenges to HNZ providing quality information and reporting within Budget 2024 timeframes, given the legacy of significant data and information challenges from the prior District Health Board (DHB) model. While information and reporting are not currently of the quality or to the depth that the Ministry of Health (the Ministry) and the Treasury expect, the information provided through the Budget 2024 process represents improvements in terms of understanding and insight of HNZ's financial planning. HNZ is currently still undergoing its internal budgeting and planning process where allocative decisions will be made for the 2024/25 to 2026/27 funding period.

5. We recommend directing HNZ through the Budget 2024 financial recommendations to provide basic ex ante financial and activity information for 2024/25 – 2026/27 to the Ministry and Treasury, with increasing expectations over the three-year period. This is important to provide assurance of the affordability and deliverability of HNZ's budget and activity plans (including the New Zealand Health Plan) and to provide a good ex ante picture to support monitoring. Fulfilment of these requirements per se should not require additional work from HNZ. For 2024/25 they would reflect HNZ's current level of maturity and work it already has underway as part of internal budgeting and planning. Requirements are set out in Annex 2.
6. This report also notes the Ministry and Treasury's recommendation to use the Government Policy Statement on Health (GPS - Minister of Health's expectation setting document) to reinforce appropriation controls and expectations to manage within budget in areas of greatest financial risk, including the need for transparent reporting on risks and risk management. These are all expectations that exist in the current system but using the GPS to reinforce them will give them greater weight and prominence. Proposed wording will be included in upcoming advice on this workstream to the Minister of Health for his consideration.

## Recommendations

We recommend you:	Minister of Finance	Minister of Health
a) <b>Agree</b> that 2024/25, 2025/26 and 2026/27 cost pressure funding for Te Whatu Ora   Health New Zealand (HNZ) will be appropriated through the Budget 2024 Cabinet paper.	<b>Yes/No</b>	<b>Yes/No</b>
b) <b>Agree</b> that the financial recommendations of the Budget 2024 Cabinet paper should:	<b>Yes/No</b>	<b>Yes/No</b>
<ul style="list-style-type: none"> <li>• <b>direct</b> HNZ to report back to the Ministry of Health and Treasury on the requirements set out in Annex 2, on or before:               <ul style="list-style-type: none"> <li>○ <b>12 July 2024</b> (Tranche 1)</li> <li>○ <b>30 June 2025</b> (Tranche 2)</li> <li>○ <b>30 June 2026</b> (Tranche 3)</li> </ul> </li> <li>• <b>direct</b> the Ministry of Health in consultation with HNZ and the Treasury to report back to Joint Ministers on the extent to which HNZ has met the requirements set out in Annex 2 by:               <ul style="list-style-type: none"> <li>○ <b>31 July 2024</b> (following provision of Trance 1 by HNZ)</li> <li>○ <b>18 July 2025</b> (following provision of Tranche 2)</li> <li>○ <b>17 July 2026</b> (following provision of Tranche 3).</li> </ul> </li> </ul>		

- |  |              |              |
|--|--------------|--------------|
| c) <b>Note</b> that the full amount of 2024/25 to 2026/27 cost pressure funding would be publicly announced as part of Budget 2024.  | <b>Noted</b> | <b>Noted</b> |
| d) <b>Note</b> that the Ministry of Health and the Treasury recommend using the Government Policy Statement to reinforce expectations to manage within budget including in areas of greatest financial risk via tighter spending controls including: <ul style="list-style-type: none"> <li>• making it explicit that HNZ operate within financial plan and budget assumptions, including appropriated funding levels and that agreement from Joint Ministers must be sought to fund costs in Hospital and Specialist Services from underspends in other appropriations</li> <li>• making it explicit that HNZ needs to provide transparent reporting on financial risks and mitigations.</li> </ul> | <b>Noted</b> | <b>Noted</b> |
| e) <b>Note</b> that draft recommendations are included in Annex 2, column 2 for your reference.  | <b>Noted</b> | <b>Noted</b> |

Jess Hewat  
**Manager, Health**

**The Treasury**  
Date: 12 April 2024

Dr Diana Sarfati  
**Director-General of Health**  
**Te Tumu Whakarae mō te Hauora**  
**Ministry of Health**  
Date: 12 April 2024

Hon Nicola Willis  
**Minister of Finance**  
Date:

Hon Dr Shane Reti  
**Minister of Health**  
Date:

# Multi-year cost pressure funding for Vote Health: additional measures to improve planning and budgeting information

## Background

### Decisions already taken

1. You (the Minister of Health and the Minister of Finance) agreed to a multi-year funding arrangement for health cost pressures for Budget 2024 (refer T2023/2003, H2024034979). The decision to shift to cost pressure funding for HNZ across a 3-year period:
  - a) provides the best foundation for medium-longer term planning and investment; and
  - b) offers the strongest possibility of holding HNZ accountable for managing within a challenging but achievable funding path.
2. The Minister of Finance is likely to communicate Budget 2024 funding decisions to HNZ in the week commencing 15 April 2024. We understand this will include cost pressure decisions for HNZ and that it will reiterate the strong expectation that HNZ manages within this quantum. In the interim, the Minister of Health has indicated to HNZ that it should plan on the basis of receiving \* of the bottom-up cost pressures it submitted as part of the Budget 2024 process. Communication of your Budget 2024 decisions to HNZ at the earliest opportunity will be important to support its planning and budgeting, particularly for the 2024/25 financial year. \*[33] and [38]

### Quality of planning and budgeting information

3. There have been practical challenges to HNZ providing quality information and reporting within Budget 2024 timeframes, given the legacy of significant data and information challenges from the prior DHB model. While information and reporting are not currently of the quality or to the depth that we expect, the information provided through the Budget 2024 process represents improvements in terms of understanding of and insights into HNZ's financial planning.
4. In Budget 2022 a portion of 2022/23 cost pressure funding and all 2023/24 cost pressure funding was held in tagged contingencies (but publicly announced) for release only when HNZ had met a series of conditions focused on providing additional information about intended delivery and expenditure. The process of agreeing the drawdown was time-consuming but did afford Ministers and monitoring agencies some more detailed delivery and expenditure information than we might have otherwise had. Accessing information outside of this process has been more challenging (for example, it took many months and several requests to

access productivity information), although there are recent signs of improvements in information flows (for instance, HNZ is sharing Board papers with the Ministry).

### Fiscal and delivery risks

5. HNZ fiscal and delivery risks are high, notably:
  - a) cost control in health is ubiquitously and persistently difficult, particularly in hospital and specialist services (as observed both domestically and in international comparisons);
  - b) relatively small percentage changes have a significant impact on fiscal indicators, given that HNZ operating spending is ~13.5% of the Government's budget;
  - c) <sup>[34]</sup>
  - d)
  - e) Further work is still needed to achieve a coherent and detailed picture of funding and activity for 2024/25 to 2026/27.
6. Despite the significant fiscal and delivery risks, we still support a three-year cost pressure arrangement. In our view, this remains the best option to hold HNZ accountable and to enable it to grow capability in medium-term planning and budgeting. We consider that risks would not be mitigated by reverting to an annual arrangement and that system settings and the intervention framework are more effective levers for managing this. A key part of this is ensuring that HNZ provides ex ante planning and budgeting information of sufficient depth and quality to give assurance that its budget and activities are deliverable and to support monitoring throughout the three-year period.

### System settings

7. The framework below outlines the governance and accountability settings put in place to help enable officials and Ministers to manage fiscal and delivery risk in the health system as we moved towards a multi-year arrangement.



8. A fundamental principle underpinning this framework is that accountability remains with the HNZ Board to drive organisational improvement, manage within budget, and deliver on transformation, activity, and improvement expectations.



9. Officials have reviewed current performance within each element of the framework to assess effectiveness in mitigating risk and to develop recommendations for further strengthening. Key areas where the framework could be strengthened are set out in paragraphs 12 to 40 with a more detailed table in Annex 1.
10. Our recommendations focus on supporting improvements in the depth and quality of planning and budgeting information, ensuring appropriation controls work in practice, and ensuring the sufficiency of internal HNZ controls. The specific additional protections we are recommending in this paper include requirements for HNZ to provide full planning and budgeting information ahead of each financial year. The paper also notes our recommendation to use the GPS to reinforce expectations around the appropriation structure and the need for transparent reporting on risks and risk mitigations. Proposed wording will be included in upcoming GPS advice to the Minister of Health for his consideration.
11. These recommendations would apply irrespective of the length of the cost pressure arrangement (i.e., irrespective of whether it was multi-year or annual) because annual Budget funding would not address or mitigate underlying gaps in capability or maturity.

## Overview of key elements

### Setting direction and vision

#### *Current state*

12. The GPS 2024 – 2027 is a key lever for setting direction and vision over the next three years. A draft GPS was intended to be produced around 12 months ahead of the start of the Budget 2024 arrangement to support the development of a costed New Zealand Health Plan 2024-2027 (NHZP).
13. The Ministry notes that timelines for the GPS were adjusted to account for the change of Government. A draft GPS was produced in March 2024. The Ministry is progressing the GPS so that it provides a clearer sense of direction and focused set of expectations for the next 3-years, particularly on financial sustainability.
14. To ensure the expectations set out in the GPS (and the commitments in the NZHP) are achievable, health budget and delivery expectations need to be reasonable. The Ministry and the Treasury have already provided advice on what is a reasonable cost pressure uplift as part of our Budget advice. The Ministry is working with HNZ to agree reasonable annual milestones towards health targets and is expected to provide advice to the Minister of Health in mid-April.

#### *Further recommended actions*

15. **Officials propose that appropriation controls are reinforced in the GPS.** A key objective of health reform was rebalancing spending towards primary, community care, and prevention. To support this, separate appropriations for Delivering Hospital and Specialist Services (HSS), Delivering Primary, Community, Public and Population Health Services (PCPPH), and Delivering Hauora Māori Services were created. The intention of this was to reinforce the need for HNZ to manage these funding streams differently. It was a change from the previous DHB system where

each DHB had a single appropriation covering both parts of the system and a concern that this weakened incentives to manage cost growth in hospitals.

16. [34]

## Robust planning and budgeting

### *Current state*

17. HNZ is legislatively required to develop a costed NZHP. The adjusted timeline for the production of the GPS has flowed through to HNZ's development of a draft NZHP. We are expecting to see a draft NZHP in the week of 26 April 2024.

18. [34]

19. It is important that budgeting and planning expectations for HNZ take into account HNZ's current maturity. [33]

### *Recommended actions:*

20. [34]

21. The Ministry and the Treasury recommend that **cost pressures for 2024/25, 2025/26 and 2026/27 be appropriated through the Budget 2024 Cabinet paper, with requirements for HNZ to provide ex ante planning and budgeting information annually to the Ministry of Health and the Treasury to support monitoring.** We recommend the requirements are included in the Budget 2024 financial recommendations to give them greater authority. The Ministry will report annually to Joint Ministers on the extent to which HNZ has met the requirements.

22. In developing this briefing, we considered a range of options, including:

- a) placing all 3 years of cost pressure funding in tagged contingencies with requirements for HNZ to provide information as part of annual drawdown processes,

- b) appropriating cost pressures for 2024/25, and placing 2025/26 and 2026/27 in tagged contingencies with drawdown processes,
  - c) report-back mechanisms that build on existing system settings and monitoring arrangements but set additional requirements for the provision of information.
23. Our recommended approach is to appropriate all cost pressure funding and to use report-back mechanisms. This reflects that it is neither feasible nor credible to withhold health cost pressure funding, should HNZ not meet the requirements of a tagged contingency drawdown process.
  24. In the instance that requirements are not met, other interventions under the Crown Entities Act 2004 and the Pae Ora (Healthy Futures) Act 2022 would be better targeted to address the underlying issue of not meeting expectations. We therefore consider that including requirements for ex ante planning and budgeting information in the Budget 2024 financial recommendations provides just as much a lever in the drawdown process, without the additional administrative process and with the benefit of reinforcing existing expectations and arrangements for reporting, monitoring and intervention.
  25. To make the recommended approach a success it will be important for HNZ and monitoring agencies to work in an open and collaborative manner and to share material and thinking early. The Ministry will continue in its monitoring role to ensure HNZ is on track, information is provided in a timely way, any concerns are escalated early, and interventions are used as needed.

*Summary of budgeting and planning information requirements*

26. The proposed budgeting and planning information requirements for HNZ are set out in Annex 2. These are aligned with standard expectations around the provision of ex ante financial activity and performance information.
27. For 2024/25 the expectations reflect HNZ's current level of maturity and work it already has underway as part of its internal budgeting and planning. Fulfilment of the requirements per se should not require additional work from HNZ. The requirements include:
  - a) updates and improvements to the information provided through the 2024/25 budget process including to reflect allocative decisions through HNZ's internal budgeting process and costing of the NZHP 2024-2027; and
  - b) measures, milestones, and governance arrangements through which to track delivery of the 2024/25 budgeted plan.
28. Given current maturity of budgeting and planning information, we recommend that HNZ is also required to develop a budgeting and planning improvement roadmap for 2024/25 to 2026/27 by mid July 2024. This will lead to increasing expectations about the quality, depth and insights being used to inform budgeting and planning over time. The roadmap will include:
  - a) improvements to the depth and quality of information to inform and support budgeting and service planning e.g. data improvements

- b) performance improvement opportunities e.g., productivity improvement, reducing unwarranted financial variation, addressing high-cost growth areas, and using insights from the 2023 (and any subsequent) baseline reviews.
29. We are working through the proposed requirements with HNZ to ensure that they are achievable within the timeframes. Subject to HNZ's feedback, minor changes may be made to the requirements ahead of the finalisation of financial recommendations for the Budget 2024 Cabinet paper.

## Monitoring and reporting

### *Current state*

30. We currently receive monthly and quarterly reporting information from HNZ. However, further work is needed to improve the quality of information. This is important to ensure that Ministers and monitoring agencies can identify where performance concerns exist, and whether responses are adequate; and also to ensure that the Board has visibility of this.
31. We expect to see better quality information provided by HNZ over the 3-year period. This includes:
- a) regular reporting on risks and proposed risk mitigations
  - b) alignment of financial and non-financial information
  - c) active monthly and quarterly monitoring overseen by the HNZ Board and the Ministry
32. <sup>[34]</sup>
33. It is promising that HNZ is working to develop an internal performance framework for later in April 2024. We also expect the recent appointment of a Crown Observer and new Board member with health-specific financial expertise to help strengthen HNZ monitoring and reporting.

### *Further recommended actions*

34. <sup>[34]</sup>

**beneficial to use the GPS to reinforce existing expectations to manage within budget in areas of greatest financial risk including transparent reporting on financial risks and mitigations.** This would include explicit requirements for HNZ to provide transparent reporting to monitors and the Minister of Health if there are risks to exceeding appropriation, for example if:

- a) HNZ wishes to offer a wage settlement higher than budgeted for,
- b) FTE growth in a given month at a national or regional level would not be financially sustainable on an ongoing basis, and

- c) HNZ wishes to take decisions around expanding service coverage or scope that cannot be sustainably funded on an ongoing basis.
35. It is important that any emerging financial or performance concerns are communicated early by HNZ to monitoring agencies. **Annex 3** sets out the Ministry's monitoring framework, including the points of engagement between the Ministry, the Minister of Health and HNZ to monitor performance, request further clarity or raise any concerns.

### **Governance and interventions**

36. The optimum safeguard to fiscal and delivery risk in the health system is a capable Board that is meaningfully monitoring and controlling HNZ's performance, based on good information that it can understand, probe and challenge, to hold management to account.

#### *Current state*

37. <sup>[34]</sup>
38. In December 2023, a Crown observer was appointed to the HNZ Board. In March 2024, an additional Board member with health-specific financial expertise was appointed to help strengthen financial governance and we expect this to support the improvement of the maturity of information flowing to the Board.

#### *Further recommended actions*

39. In addition to the broader information used by the HNZ Board to monitor performance, we understand that there is work underway to strengthen its monitoring activities.
40. The Ministry and the Treasury will continue to provide you with regular advice on HNZ performance. **Annex 4** outlines the range of interventions available in the event of significant concerns about the direction of the health system over the 3-year period.

### **Next steps**

41. Should you agree to use the Budget 2024 financial recommendations to set expectations for the provision of ex ante planning and budgeting from HNZ, the requirements in Annex 2 will be reflected in the Budget 2024 financial recommendations (draft wording is included in Annex 2, column 2). Financial recommendations for the Budget Cabinet paper 2024 are due for submission to the Treasury on Tuesday 16 April, and the paper will be lodged on Thursday 18 April.
42. Officials' key focus over the coming weeks will be agreeing with HNZ further detail on the information to be provided to comply with the requirements and expectations laid out for the 2024/25 year in Annex 2.

**Annex 1: Assessment of key elements of governance and accountability framework including recommended actions**

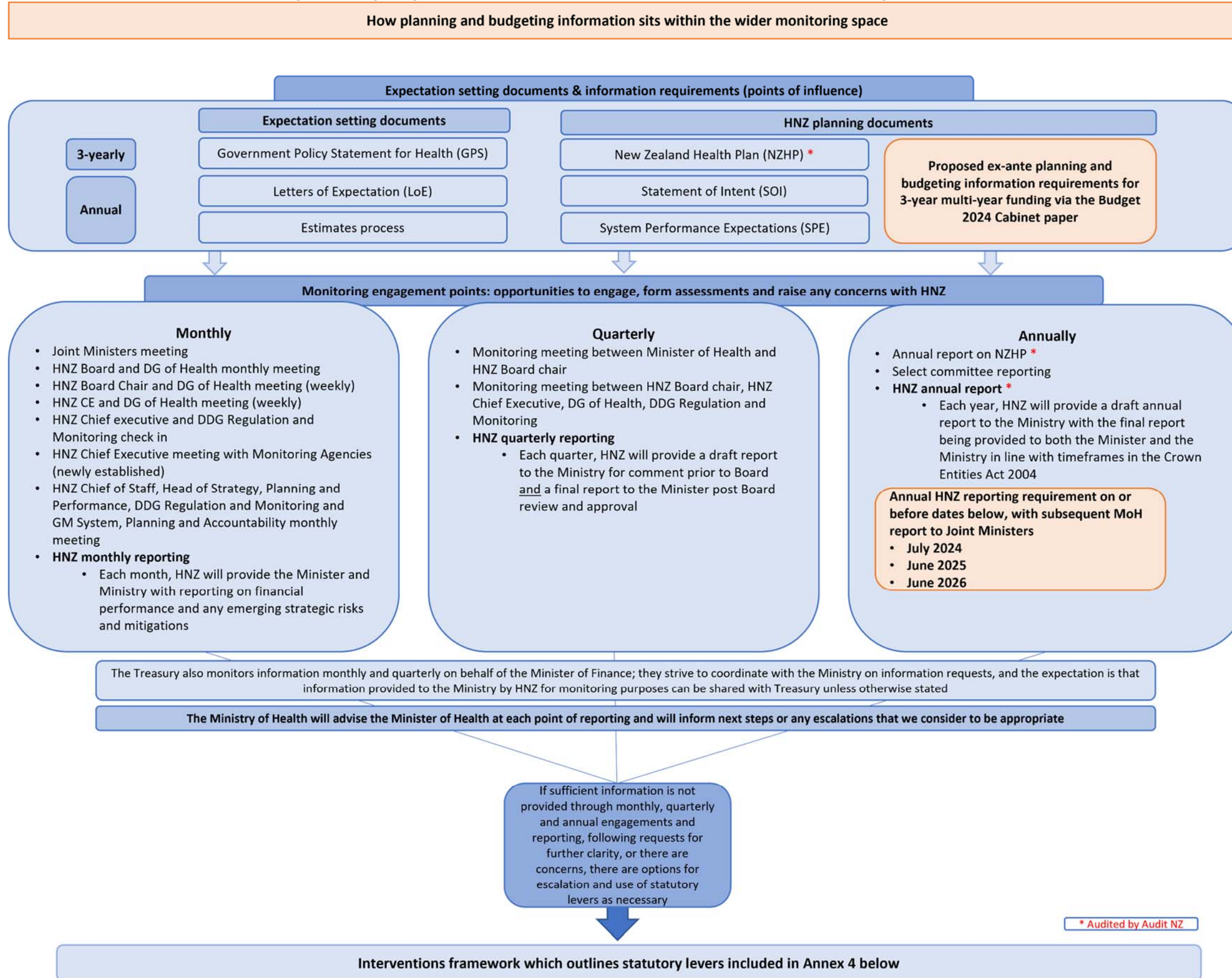
Element	Current state	Extra actions underway	Further recommended actions for B24 design
<p><b>Direction setting</b> (Government Policy Statement, Letters of Expectation)</p>	<p>[34]</p>	<ul style="list-style-type: none"> <li>• Draft Government Policy Statement currently being updated to provide a clearer sense of direction for the next three years, particularly on financial sustainability</li> </ul>	<ul style="list-style-type: none"> <li>• Making it explicit in the GPS that HNZ operate within financial plan and budget assumptions, including appropriated funding levels and that agreement from Joint Ministers must be sought to fund costs in Hospital and Specialist Services from underspends in other appropriations</li> <li>• Ensure that any future Letters of Expectation include deadlines and consequences for non-response</li> </ul>
<p><b>Planning and budgeting</b> (New Zealand Health Plan, internal HNZ budget, funding flows / allocative mechanisms)</p>		<ul style="list-style-type: none"> <li>• The recent appointment of new Board member with health-specific financial expertise is expected to help strengthen quality of planning and budgeting.</li> <li>• Ministry and Treasury feedback to HNZ on key products provided by HNZ</li> <li>• Where there are gaps that are unable to be filled in the time remaining, the NZHP will include clear next steps for addressing these.</li> <li>• HNZ is progressing work on HNZ internal allocation mechanisms for Hospital and Specialist Services and Primary, Community, Public and Population Health Services.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Basic requirements and expectations relating to depth and improvements in ex ante budgets and plans.</b> In addition to expectation setting in Government Policy Statement, use Budget 2024 financial recommendations to set clear expectations for ex ante budget and planning information required by HNZ (refer Annex 2)</li> <li>• <b>Minister of Health does not approve NZHP until he is confident that it does not generate additional risk</b> e.g. via unfunded performance improvement actions, lack of clear path / expectations for improvement and transformation</li> </ul>
<p><b>Monitoring and reporting</b></p>		<ul style="list-style-type: none"> <li>• Expect recent appointment of Crown Observer and new Board member with health-specific financial expertise to help strengthen monitoring and reporting.</li> <li>• HNZ internal performance framework due in April 2024.</li> <li>• Work on HNZ's ex ante budget, service plan and measurement framework for 2024/25 to 2026/27 critical enablers to effective monitoring.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Reinforce expectations to manage within budget in areas of greatest financial risk via including transparent reporting on financial risks and mitigations.</b> This would include explicit requirements for HNZ to provide transparent reporting to monitors and the Minister of Health if: <ul style="list-style-type: none"> <li>- HNZ wants to offer a wage settlement higher than budgeted for</li> <li>- actual FTE growth in a given month at a national or regional level would not be financially sustainable on an ongoing basis</li> <li>- HNZ takes a decision to expand service coverage or scope that cannot be sustainability funded on an ongoing basis</li> </ul> </li> </ul>
<p><b>Governance</b></p>		<ul style="list-style-type: none"> <li>• Regular Joint Ministers' meetings with HNZ that are governance-level discussions</li> <li>• Recent appointment of Crown Observer and appointment of new Board member with health-specific financial expertise are expected to strengthen financial governance.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>No further action at this point.</b></li> </ul>

## Annex 2: Proposed budgeting and planning information requirements for Te Whatu Ora | Health New Zealand

Tranche of cost pressure funding	Budget 2024 financial recommendation requirement	Key expectations
1. 2024/25 cost pressures	<p><b>Direct</b> HNZ to provide <b>final budgeting and service planning information for 2024/25</b> to the Ministry of Health and Treasury on or before 12 July 2024 for the 2024/25 year including:</p> <ul style="list-style-type: none"> <li>• Updates to the information provided through the Budget 2024 process to reflect all decisions made through HNZ’s internal budgeting process and costing of the NZHP 2024-2027, noting that this would demonstrate incremental improvements in HNZ’s budgeting and planning since submission of the Budget 2024 financial annexes in February 2024</li> <li>• <b>Measures, milestones, and governance arrangements through which to track delivery of the 2024/25 budget and service plan</b> <ul style="list-style-type: none"> <li>- Key operational, delivery, and financial metrics and phased budgets which will be used to monitor in year variance and performance against budgeted plan</li> <li>- An approach to tracking progress of planned savings and / or efficiencies</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Key price / volume assumptions aligned to the updated revenue signal once Budget decisions have been communicated (and a mechanism for assurance of the accuracy of these assumptions).</li> <li>• Explicit linkages between key objectives in the GPS, the NZHP, and an overview of the extent to which these things are currently shaping budget decisions.</li> <li>• (To the extent that they are) an explanation of which key choices are being made as part of the internal budget process, why these decisions have been made, and the rationales underpinning these decisions (e.g., what trade-offs have been made and what other options are not being chosen as a result).</li> <li>• Scrutiny of cost drivers with a focus on identifying and delivering financial efficiencies in high quantum and / or growth areas</li> <li>• Expenditure and activity volume information for different functional segments of the organisation. Minimum expectations include the three appropriations, output classes, regions, and any other key segments being used / considered as part of business planning (e.g. information derived from hospital production planning, service areas within the Primary and Community, Public and Population health services appropriation, or any relevant segments in the Haoura Māori appropriation).</li> <li>• A detailed understanding of underpinning workforce requirements, assumptions, and implied productivity trends [38]</li> <li>• Consideration of implications of HNZ’s end structural financial position for 2023/24.</li> <li>• Comprehensive information relating to size and nature of financial and service delivery risks, mitigations, residual risk, and size and nature of any financial risk buffers.</li> </ul>
	<p><b>Direct</b> HNZ to develop an <b>improvement roadmap</b> on or before 12 July 2024, in consultation with the Ministry of Health and Treasury, for years 2024/25 to 2026/27 covering:</p> <ul style="list-style-type: none"> <li>• plans including milestones to improve the depth or quality of information to inform and support budgeting and service planning</li> <li>• plans including milestones to identify, prioritise, and deliver on opportunities for longer-term performance improvement</li> </ul>	<p>This should include information pertaining to which key strategic issues will be prioritised over the 3-year funding period and what plans are in place to understand or address them, e.g.:</p> <ul style="list-style-type: none"> <li>• improving the depth and breadth of data availability across the system and the degree to which strategic insights can be drawn from this data (at both national and regional levels);</li> <li>• plans to capture and deploy insights derived from key baseline reviews;</li> <li>• improving understanding of specific cause and effect linkages between dollar inputs and activity outputs;</li> <li>• improvements to understanding of tangible trade-offs and associated opportunity costs of allocative decisions;</li> <li>• reducing financial, operational, and clinical variation across regions and service areas;</li> <li>• containing unwarranted price growth of key system input costs (e.g., addressing high rate of price growth in outsourced services);</li> <li>• improving measurement, understanding, and standard of productivity across the system; and</li> <li>• changes to allocative funding mechanisms that govern the flow of funding from HNZ’s three appropriations</li> </ul>
2. 2025/26 cost pressures	<p><b>Direct</b> HNZ to develop:</p> <ul style="list-style-type: none"> <li>• a <b>draft overall internal budget and service plan</b> covering at least the 2025/26 year which aligns to the expectations in HNZ’s July 2024 roadmap, on or before <b>13 December 2024</b>, in consultation with the Ministry of Health and Treasury</li> <li>• <b>final budgeting and service planning information</b> covering at least the 2025/26 year which aligns to the expectations in HNZ’s July 2024 roadmap, on or before <b>30 June 2025</b>, in consultation with the Ministry of Health and Treasury</li> <li>• <b>Measures, milestones, and governance arrangements through which to track delivery of the budget and service plan</b> <ul style="list-style-type: none"> <li>- Key operational, delivery, and financial metrics and phased forecasts which will be used to monitor in year variance and performance against budgeted plan</li> </ul> </li> </ul> <p>An approach to tracking progress of planned savings and / or efficiencies</p>	<ul style="list-style-type: none"> <li>• Inclusive of all key expectations outlined for the 2024/25 financial year budget requirements.</li> <li>• Incorporation of additional improvements in line with the roadmap provided in July 2024. <ul style="list-style-type: none"> <li>— It should be clear how work programmes aimed at identifying, prioritising, and delivering on opportunities for longer-term performance improvement are shaping budget decisions.</li> </ul> </li> </ul>
3. 2026/27 cost pressures	<p><b>Direct</b> HNZ to develop:</p> <ul style="list-style-type: none"> <li>• a <b>draft overall internal budget and service plan</b> covering at least the 2026/27 year which aligns to the expectations in HNZ’s July 2024 roadmap, on or before <b>12 December 2025</b>, in consultation with the Ministry of Health and Treasury</li> <li>• <b>final budgeting and service planning information</b> covering at least the 2026/27 year which aligns to the expectations in HNZ’s July 2024 roadmap, on or before <b>30 June 2026</b>, in consultation with the Ministry of Health and Treasury</li> <li>• <b>Measures, milestones, and governance arrangements through which to track delivery of the budget and service plan</b> <ul style="list-style-type: none"> <li>- Key operational, delivery, and financial metrics and phased forecasts which will be used to monitor in year variance and performance against budgeted plan</li> <li>- An approach to tracking progress of planned savings and / or efficiencies</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Inclusive of all key expectations outlined for the 2024/25 financial year budget requirements.</li> <li>• Incorporation of additional improvements in line with the roadmap provided in July 2024. <ul style="list-style-type: none"> <li>— It should be clear how work programmes aimed at identifying, prioritising, and delivering on opportunities for longer-term performance improvement are shaping budget decisions</li> </ul> </li> </ul>



**Annex 3: Proposed additional planning and budgeting information requirements in the context of wider monitoring activities**





## Annex 4: Intervention framework

Power	Held by	Basis	Constraints and limitations
<i>Levers designed to help Ministers address organisational performance issues:</i>			
Require a Performance Improvement Plan	Minister of Health	Pae Ora Act s.64	
Appoint a Crown Observer to the Board	Minister of Health	Pae Ora Act s.61	
Appoint a Crown Manager to the Board	Minister of Health	Pae Ora Act s.63	
Remove the Board and replace it with a Commissioner	Minister of Health	Pae Ora Act s.62	
<i>Other levers that can be used for this purpose (alongside other purposes):</i>			
Require information	Minister of Health	CEA s.133(1)	
	Director-General of Health	Pae Ora Act s.97	"For the purpose of monitoring the performance of any health entity or the health system in general"
	Minister of Finance	Pae Ora Act s.65	"provide economic or financial forecasts or other economic or financial information"
	Minister of Finance; Minister for the Public Service	CEA s.133(2-2B)	Can request information relating to their CEA responsibilities.
Appoint and remove Board members	Minister of Health	CEA s.36; Pae Ora Act s.22	
Issue a Ministerial Direction	Minister of Health	CEA s.103	
Give feedback on / direct changes to SOI or SPE	Minister of Health	CEA s.139A, s.145, s.147	
Give directions about and approve New Zealand Health Plan	Minister of Health	Pae Ora Act s.51(i), s.53	

Undertake a review of a Crown entity's operations and performance	Minister of Health	CEA s.132	The Minister must consult with the entity on the purpose and nature of the review, and consider any submissions made by the entity on the proposed review.
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