

The Treasury

Budget 2017 Information Release

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[1]	to prevent prejudice to the security or defence of New Zealand or the international relations of the government	6(a)
[4]	to prevent prejudice to the maintenance of the law, including the prevention, investigation, and detection of offences, and the right to a fair trial	6(c)
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[36]	to maintain legal professional privilege	9(2)(h)
[37]	to enable the Crown to carry out commercial activities without disadvantages or prejudice	9(2)(i)
[38]	to enable the Crown to negotiate without disadvantage or prejudice	9(2)(j)
[39]	to prevent the disclosure of official information for improper gain or improper advantage	9(2)(k)
[40]	Not in scope	

In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) and section 18 of the Official Information Act.

From: John Marney [TSY]
Sent: Friday, 31 March 2017 3:48 p.m.
To: 'Sam Tendeter'; ^Parliament: David Kidson
Subject: RE: Terranova
Attachments: Terranova costings, chronology

Hello. The run rate as it stands today is per the attached spreadsheet (David – this hasn't changed since I sent it over yesterday). The 3 options at the bottom are the Crown's most recent offer within (ish) the November mandate (\$1.83bn), the unions' counter-offer (\$2.13bn), and Doug's counter-counter offer (\$1.93bn). The one-off costs (~30m) are additional and would apply in each case.

In terms of net debt, the unions' counter offer would add about \$300m over the forecast period, whereas Doug's \$1.93bn offer would add about \$150m. These numbers are very approximate and are likely to change (perhaps materially) once ACC re-runs its OCL model for the BEFU forecasts (this won't be until 11 April).

Doug met the unions last night and they discussed an alternative involving capped rates for people transitioning to level 4 (i.e. with 12+ years experience). This hasn't been costed yet: the model needs to be tweaked first (it doesn't currently allow for capped rates). I wouldn't have thought it will reduce the cost by all that much: the Ministry's guesstimate is \$2.1bn.

I'm not at my desk, so e-mail or call my mobile ^[23]

if you want to discuss / need more info.

John

From: Sam Tendeter ^[39]
Sent: Friday, 31 March 2017 2:45 p.m.
To: ^Parliament: David Kidson ^[39]
^[39]
Subject: Terreniva

John Marney [TSY]

Hi David

Minister has just asked for the run rate of terrenova as it stands today. Some time this afternoon.

Sam

Sent with BlackBerry Work (www.blackberry.com)

OPTION AND MODEL

WAGE MATRIX (including annual wage growth assumption)

TRANSITION (existing workers)

Costing of the union position at at November 2016 (discussed in the November Cabinet paper)

Costing in November Cabinet paper	2017/18	2018/19	2019/20	2020/21	2021/22	5 year
MOH and DHBs	364	417	475	540	612	2,408
ACC	40	44	49	55	61	249
Total Crown	404	461	524	595	673	2,657
Costs borne by aged-care residents	55	63	71	82	92	364
Costs borne by ACC levy payers	88	99	110	123	136	556
Crown cost plus private cost	547	623	706	800	901	3,577

Assumes [38]	annual wage growth				
	Year 1	Year 2	Year 3	Year 4	Year 5
Level 0	[38]				
Level 2					
Level 3					
Level 4					

No transitional rules
Pure qualifications-based pay regime

.... updated using new model	2017/18	2018/19	2019/20	2020/21	2021/22	5 year
MOH and DHBs	[38]					
ACC						
Total Crown						
Costs borne by aged-care residents						
Costs borne by ACC levy payers						
Crown cost plus private cost						

Assumes [38]	annual wage growth				
	Year 1	Year 2	Year 3	Year 4	Year 5
Level 0	[38]				
Level 2					
Level 3					
Level 4					

No transitional rules
Pure qualifications-based pay regime

... updated again to include transitional rules	2017/18	2018/19	2019/20	2020/21	2021/22	5 year
MOH and DHBs	440	493	550	614	684	2,781
ACC	48	52	57	62	68	287
Total Crown	488	545	606	676	752	3,067
Costs borne by aged-care residents	60	68	75	84	94	381
Costs borne by ACC levy payers	106	117	127	140	152	642
Crown cost plus private cost	654	729	809	900	997	4,089

Wage matrix as above

Years worked	Move to pay level
1	2
2	3
3	4

Effectively, a service-based pay regime. (Better reflects the unions' position.)

Costing of the Crown's position as at November 2016 (the basis of the mandate approved by Cabinet in November).

Costing behind the November mandate	2017/18	2018/19	2019/20	2020/21	2021/22	5 year
MOH and DHBs	232	281	335	395	461	1,703
ACC	25	30	35	40	46	176
Total Crown	257	311	369	435	507	1,879
Costs borne by aged-care residents	36	43	51	60	70	261
Costs borne by ACC levy payers	56	67	77	90	103	393
Crown cost plus private cost	349	421	498	585	680	2,532

Assumes [38]	annual wage growth				
	Year 1	Year 2	Year 3	Year 4	Year 5
Level 0	[38]				
Level 2					
Level 3					
Level 4					

No transitional rules
Pure qualifications-based pay regime

.... updated using new model	2017/18	2018/19	2019/20	2020/21	2021/22	5 year
MOH and DHBs	[38]					
ACC						
Total Crown						
Costs borne by aged-care residents						
Costs borne by ACC levy payers						
Crown cost plus private cost						

Assumes [38]	annual wage growth				
	Year 1	Year 2	Year 3	Year 4	Year 5
Level 0	[38]				
Level 2					
Level 3					
Level 4					

No transitional rules
Pure qualifications-based pay regime

The Crown's "final" settlement offer - March 2017

Costed using the new model	2017/18	2018/19	2019/20	2020/21	2021/22	5 year
MOH and DHBs	228	276	327	384	447	1,662
ACC	25	29	34	39	45	172
Total Crown	253	305	361	423	491	1,833
Costs borne by aged-care residents	32	39	46	53	62	231
Costs borne by ACC levy payers	55	65	76	87	99	383
Crown cost plus private cost	340	409	482	564	652	2,447

Assumes 1.7% annual wage growth	annual wage growth				
	Year 1	Year 2	Year 3	Year 4	Year 5
Level 0	18.00	18.81	19.65	20.51	21.40
Level 2	19.00	19.83	20.69	21.56	22.46
Level 3	21.00	21.87	22.75	23.67	24.60
Level 4	23.80	24.71	25.65	26.61	27.60

Years worked	Move to pay level
2	2
8	3
n/a	4

The unions "final" counter-offer - March 2017

Costed using the new model	2017/18	2018/19	2019/20	2020/21	2021/22	5 year
MOH and DHBs	294	365	398	381	495	1,933
ACC	32	39	41	39	49	200
Total Crown	326	404	439	420	545	2,134
Costs borne by aged-care residents	41	51	55	53	68	268
Costs borne by ACC levy payers	71	87	92	87	110	447
Crown cost plus private cost	438	541	586	559	723	2,847

Assumes 1.7% annual wage growth	annual wage growth				
	Year 1	Year 2	Year 3	Year 4	Year 5
Level 0	19.00	19.80	20.50	20.50	21.50
Level 2	20.00	21.00	21.50	21.50	23.00
Level 3	21.00	22.50	23.00	23.00	25.00
Level 4	24.50	25.50	26.50	26.50	27.50

Years worked	Move to pay level
3	2
8	3
12	4

Doug's proposed counter-offer (under \$2bn)

Costed using the new model	2017/18	2018/19	2019/20	2020/21	2021/22	5 year
MOH and DHBs	247	314	370	354	465	1,749
ACC	27	33	38	36	46	181
Total Crown	274	347	408	390	511	1,930
Costs borne by aged-care residents	34	44	51	49	64	243
Costs borne by ACC levy payers	60	75	86	80	103	404
Crown cost plus private cost	368	466	545	519	678	2,577

Assumes 1.7% annual wage growth	annual wage growth				
	Year 1	Year 2	Year 3	Year 4	Year 5
Level 0	18.50	19.00	19.50	19.50	20.00
Level 2	19.50	20.50	21.50	21.50	23.00
Level 3	20.50	22.00	23.00	23.00	25.00
Level 4	24.50	25.50	26.50	26.50	27.50

Years worked	Move to pay level
3	2
9	3
14	4

Plus one-off costs

[38]

sub-total: one-off costs	31.90
Total Crown cost of new proposal	1,962