

The Treasury

Budget 2017 Information Release

Release Document July 2017

www.treasury.govt.nz/publications/informationreleases/budget/2017

Key to sections of the Official Information Act 1982 under which information has been withheld.

Certain information in this document has been withheld under one or more of the following sections of the Official Information Act, as applicable:

[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)
[11]	to damage seriously the economy of New Zealand by disclosing prematurely decisions to change or continue government economic or financial policies relating to the entering into of overseas trade agreements.	6(e)(vi)
[23]	to protect the privacy of natural persons, including deceased people	9(2)(a)
[25]	to protect the commercial position of the person who supplied the information or who is the subject of the information	9(2)(b)(ii)
[26]	to prevent prejudice to the supply of similar information, or information from the same source, and it is in the public interest that such information should continue to be supplied	9(2)(ba)(i)
[27]	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	9(2)(ba)(ii)
[29]	to avoid prejudice to the substantial economic interests of New Zealand	9(2)(d)
[31]	to maintain the current constitutional conventions protecting collective and individual ministerial responsibility	9(2)(f)(ii)
[33]	to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials	9(2)(f)(iv)
[34]	to maintain the effective conduct of public affairs through the free and frank expression of opinions	9(2)(g)(i)
[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.

TerraNova – Follow up from 9 November 2016 SEC meeting

Existing workforce

The TerraNova case is made up of three sub-sectors:

- Aged Residential Care (ARC)
- Home and Community Support Services (HCSS)
- Community Residential Living (CRL).

Further detail on the makeup of each of these workforces can be found in **Appendix A** of the Cabinet paper.

Wage Rate changes

Pre-settlement –

Current average wage rate and average imputed salary for 2017/18 (excludes ACC and on costs e.g. Kiwisaver). The pre-settlement rates have been adjusted to include a [38] average annual wage rate growth.

	No. of workers	Average Wage Rate	Average imputed salary*
Aged Residential Care	22,000	\$17.92	\$37,000
Home and Community Support Services	24,000	\$16.59	\$35,000
Community Residential Living	9,000	\$18.09	\$38,000

*Excludes any payments on top of base rate e.g. overtime, penal rates etc.

Note that the wage rates in **Appendix E** of the Cabinet paper are in 2016 dollars. The post settlement costs assumed wage rate growth is [38]. Ministers should note that the costing model captures the [38] average annual assumed wage rate growth.

Post-settlement

Post-settlement average wage rate and average imputed salary for 2017/18 (excludes ACC and on costs e.g. Kiwisaver). The pre-settlement rates have been adjusted to include a [38] average annual wage rate growth.

	No. of workers	Average Wage Rate	Average imputed salary*
Aged Residential Care	22,000	[38]	
Home and Community Support Services	24,000		
Community Residential Living	9,000		

Appendix E of the Cabinet paper provides details of the proposed wage rates post settlement. This provides a **matrix** of wage rates that individual workers will receive, with the rate paid depending on level of qualification.

For completeness, below are the rates adjusted for ^[38] average annual wage rate growth.

Settlement scenario - including Growth	At 1 July 2017	At 1 July 2018	At 1 July 2019	At 1 July 2020	At 1 July 2021
No qualification	[38]				
Level 2 qualification					
Level 3 qualification					
Level 4+ qualification					

Specific examples of how people will be impacted by proposed changes to rates

- Any care and support worker on the minimum wage with no qualifications will receive a 16% increase in 2017/18. From 1 July 2017 they will move from \$15.75 to [38] (this rate includes a base rate of \$17.85 plus [38] growth).
- Any care and support worker on the minimum wage and holds a level 3 qualification will receive a 40% increase. From 1 July 2017 they will move from \$15.75 to [38] (this rates includes a base rate of \$21.54 plus [38] growth).

Note, that the proposed settlement assumes a qualification based framework. This means that the length of service a person holds will not determine their placement on the rates rather it will be the qualifications they hold.

Implementation of TerraNova

The proposed settlement enables new wage rates to come into effect from 1 July 2017. It will take time to roll out the settlement as the Ministry (for Disability Residential and Home and Community Support Services) and DHBs (for Aged Residential Services) will need to work with and agree with each provider the average wage cost and expected proportion of workers on each of the new qualification based wages scale. The Ministry has started work on determining what the average prices may look like. This means a structured implementation plan will be developed with a working group and steering group involving; Ministry, DHBs, Providers, Unions and Treasury to ensure effective delivery including backdating the agreement to 1 July 2017.

The working group will be working with **646 entities and 2370 premises**. This is made up of over 400 providers (with 4 different service categories) in ARC and 150 providers in DSS with 10 different delivery pricing models. This settlement will need to be dealt with on a provider by provider basis and will take a number of years to implement.

ACC impact on levies and accounts

As described in the Cabinet paper, levy rates and appropriation impacts are actuarially determined based on the combination of:

- the change in costs relating to the life time costs of new claims (i.e. future claims);
- the funding adjustment for the increased Outstanding Claims Liability in accordance with the current funding policy, which recovers from appropriations over a 3-year period and from levies over a 10-year period

The table below sets out the marginal levy impacts in any individual year as a result of the TerraNova settlement. The increases in the table below would be added to the agreed levy rate for that year. These impacts are annual and are not cumulative.

Accounts	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Earners (\$Levy Rate)	\$0.025	\$0.025	\$0.024	\$0.023	\$0.023
Motor Vehicle (\$ Levy Rate)	\$18.847	\$18.871	\$18.910	\$18.958	\$19.061
Work (\$ Levy Rate)	\$0.011	\$0.010	\$0.010	\$0.010	\$0.010
Non Earners Appropriation impact (\$million)	\$142.41	\$143.22	\$144.10	\$22.62	\$23.57

Why the union wants to link to the Nurses MECA

The unions wish to link to care and support wage rates to the Nurses MECA to ensure wage rates maintain currency. [38]