

The Treasury

Budget 2018 Information Release

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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:

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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) |
| [2] | to avoid prejudice the entrusting of information to the Government of New Zealand on a basis of confidence by the Government of any other country or any agency of such a Government | 6(b)(i) |
| [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 | |
| [41] | that the making available of the information requested would be contrary to the provisions of a specified enactment | 18(c)(i) |
| [42] | information is already publicly available or will be publicly available soon | 18(d) |

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.

Note for Andy on ACC Budget Bids

Non-Earners Account cost pressure bid

ACC has submitted a cost pressure budget bid for the next four years of:

2018/19	2019/20	2020/21	2021/22
[33]			

This bid is clearly costed with splits between volume, price and a management response which offsets these drivers. We would challenge the assumptions due to recent performance, uncertainty about future volumes and a further efficiency challenge, and believe a more appropriate increase would be:

2018/19	2019/20	2020/21	2021/22
[33]			

However, given the tight fiscal environment, we have recommended:

2018/19	2019/20	2020/21	2021/22
[33]			

\$31m was chosen as this amount will maintain ACC's current solvency level in the next year, and the intention is to recommend making up the funding gap in later years.

Current policy is to fully fund ACC in a 'save-as-you-go' scheme. The Non-Earners Account is below target solvency as cost pressures have not been fully funded in previous years, and the annual funding requests intend to bring the account back to target solvency over a period of ~10 years. The government does not have to fund ACC in any given year, and ACC holds sufficient funds to maintain service levels even without any extra funding. However this is always true, and if the government wishes to maintain the policy of fully funding ACC, cost pressures must be funded at some point. Allowing ACC's solvency to significantly drop is essentially moving towards a more 'pay-as-you-go' scheme, which is a significant policy shift.

This recommendation has the potential to be seen by ACC as a lack of commitment to fully funding the scheme. This is an example of the more general issue of ACC's performance and funding decisions not being linked in the manner of other sectors. If ACC were to interpret the funding decision in this way, they could begin to restrict services, which doesn't align with the current government's priorities. The recent limiting of funding has already been noted in ACC's latest Financial Condition Report, increasing the possibility of this response.

One way of managing this is for MoF to write a letter to ACC explaining the rational for the final funding decision, allowing links to be drawn between performance and what 'would have been funded' in a less pressured fiscal environment, and affirming the commitment to fully funding the scheme. We will provide advice in support of this in later Ministerial meetings.

Sexual Assault Assessment and Treatment Services cost pressure bid

ACC has submitted a cost pressure budget bid for the next four years of:

2018/19	2019/20	2020/21	2021/22
\$3.300m	\$3.800m	\$4.900m	\$5.300m

This is a joint bid with Health and Police, who currently contribute to funding this service alongside ACC. It is made up of two components:

- Funding for the portion that Police currently pay (\$1.5m per year)
- Funding for additional cost pressures

We do not recommend funding the portion that Police currently pay, as we have seen no evidence that Police can no longer fund it.

We partially support the additional cost pressures. We believe ACC can fund their portion from baselines, per our statement in reviewing cost pressure assumptions, we consider that ACC should take an overall efficiency challenge. We recommend only funding the extra two thirds that would have come from Health and Police:

2018/19	2019/20	2020/21	2021/22
\$1.200m	\$1.533m	\$2.267m	\$2.533m

Although this bid is largely volume driven, there is some commentary about expanding services to meet unmet demand and making services sustainable, which implies it may not strictly be a cost pressure bid. However the numbers are small, the bid has a strong alignment with current priorities and has high value.

Air Ambulances

Health is leading a joint bid with ACC to negotiate new air ambulance contracts with providers, a service which is currently jointly funded. The two agencies have jointly written a Cabinet paper with a recommendation to pre-commit funding to this initiative, which we support. This is due to the very high safety, financial and legal risks involved in not replacing current contracts which end in October.

However at the bilateral meeting between MoF and Minister Clark this week, officials were directed to have another look at these bids and the assumptions involved.