

# The Treasury

## Budget 2018 Information Release

### Release Document August 2018

<https://treasury.govt.nz/publications/information-release/budget-2018-information-release>

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)
[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.

---

**From:** Ashleigh Brown [TSY]  
**Sent:** Wednesday, 6 December 2017 5:10 PM  
**To:** Sebastian Doelle  
**Cc:** Andrew Blazey [TSY]; Struan Little [TSY]; Carolyn Palmer [TSY]; Davin Hall [TSY]; Bevan Searancke [TSY]; Emily Irwin [TSY]  
**Subject:** Feedback on Ministry of Health budget scenarios

Hi Sebastian,

You have asked for our thoughts about the funding challenge in Vote Health in advance of a meeting to discuss this on Monday.

The table sent through by us this week was to illustrate that if decisions were taken to fully fund the Ministry's recommended package in this budget and DHB cost pressures in B19-21, the full \$8 billion would be allocated leaving no room for new initiatives or other cost pressures.

The scenarios provided by the Ministry of Health paint a more fiscally constrained picture, but there are assumptions included worth questioning.

- The manifesto commitment to fully fund DHB cost pressures has been extrapolated to include full funding of Ministry managed NDE pressures (MoH NDE). We would apply an additional level of scrutiny over these cost pressures. This includes disability support, primary care, and electives which have been (for the most part) fully funded in previous budgets.
- The new initiatives line for B18 includes initiatives additional to manifesto commitments. This means there are options around how and when to fund them, which may bring the number down.
- The placeholder for new initiatives for B19 onwards of [33] appears to be high – on average the Vote Health has received an increase of \$55m for new initiatives in each of the last four budgets. This placeholder will include remaining manifesto commitments, but we lack visibility over these. However, even with the [33] placeholder for these removed, the funding gap still sits at [33]

There are also cost implications of upcoming pay equity claims, which are not included in the MoH scenarios. These vary in scale, but include a nurse pay equity claim of which the baseline employment cost is \$1.8b. Even a 2% increase on this would have a significant cost impact on DHBs.

While the above factors may change the final size of the funding gap, it is still likely to be substantial and require decisions to be made ahead of B18.

There are various options available to help close the gap, these include:

1. Reprioritisation and savings within Vote Health. Potential savings are generally expected to be reasonably limited (e.g. PHARMAC has generated savings of \$160m over the last 5 years in hospital medicines and medical devices).
2. Phasing of manifesto commitments/new initiatives which would also allow these to be combined with any primary care reform
3. Not fully funding DHB cost pressures, although this would be counter to the manifesto commitment and may not be feasible given the current fiscal position of DHBs
4. Use unallocated funding outside the \$8b set aside for Health. This will require a trade-off against funding cost pressures in other sectors
5. Increasing budget allowances to fund the gap. This is likely to impact the debt target/the Government's fiscal strategy.

In addition, timing of the spend is important. If the funding amount exceeds the allocation in the fiscal plan in any given year, it will be drawing funding from other areas or will put pressure on the debt target.

Given the complexity of the trade-off decisions that will be required ahead of B18, we continue to advise against the provision of an early funding signal for DHBs.

Regards,

Ash

**Ashleigh Brown** | Analyst – Health & ACC Team  
**The Treasury - Kaitohutohu Kaupapa Rawa**  
[39]

My emails are often brief. [Here's why.](#)

CONFIDENTIALITY NOTICE

The information in this email is confidential to the Treasury, intended only for the addressee(s), and may also be legally privileged. If you are not an intended addressee:

- a. please immediately delete this email and notify the Treasury by return email or telephone (64 4 472 2733);
- b. any use, dissemination or copying of this email is strictly prohibited and may be unlawful.

**Ministry of Health Recommended Budget 18 Package**  
**Indicative DHB cost pressures for the remainder of the forecast period**

<b>\$m</b>	<b>2017/18 Es</b>	<b>2018/19 Estimate</b>	<b>2019/20 Estimate</b>	<b>2020/21 Estimate</b>	<b>2021/22 Estimate</b>	<b>Four years</b>
[33]						
<b>Fiscal Plan</b>	<b>21</b>	<b>\$846</b>	<b>\$1,535</b>	<b>\$2,361</b>	<b>\$3,157</b>	<b>\$7,920</b>
[33]						