

# The Treasury

## Budget 2022 Information Release

August 2022

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Where this is the case, the relevant sections of the Act that would apply have been identified.

Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

Key to sections of the Act under which information has been withheld:

- [1] 6(a) - to avoid prejudice to the security or defence of New Zealand or the international relations of the government
- [23] 9(2)(a) - to protect the privacy of natural persons, including deceased people
- [25] 9(2)(b)(ii) - to protect the commercial position of the person who supplied the information or who is the subject of the information
- [27] 9(2)(ba)(ii) - 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
- [33] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials
- [34] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions
- [35] 9(2)(g)(ii) - to maintain the effective conduct of public affairs through protecting ministers, members of government organisations, officers and employees from improper pressure or harassment;
- [36] 9(2)(h) - to maintain legal professional privilege
- [37] 9(2)(i) - to enable the Crown to carry out commercial activities without disadvantage or prejudice
- [38] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice
- [39] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage
- [40] Out of Scope
- [41] 18(c)(i) - that the making available of the information requested would be contrary to the provisions of a specified enactment
- [42] 18(d) - information is already publicly available or will be publicly available soon

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## Hon Grant Robertson

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Minister of Finance  
Minister for Infrastructure  
Minister for Sport and Recreation  
Minister for Racing

## Hon Andrew Little

Minister of Health  
Minister Responsible for the GCSB  
Minister Responsible for the NZSIS  
Minister for Treaty of Waitangi Negotiations  
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Tēnā koutou Rob, Sharon and Tipa,

### ***Budget 2022 – Final Budget 2022 funding decisions to support entity planning and budgeting and work on communications strategies***

On Monday 11 April, Cabinet agreed to the Budget 2022 package, including two years' investment in a transitional funding arrangement for Vote Health. This investment covers a health system rebase and cost pressure funding, as well as significant investment in new initiatives. As previously indicated, the Budget 2022 package is intended to be sufficient to meet all costs across the first two years of the new system, and additional funding before Budget 2024 will only be considered for unforeseen or unavoidable events.

We are aware of the importance of information sharing to support the finalisation of your entities' budgets and service planning for 2022/23, including information on the appropriation impacts and further conditions that need to be fulfilled to access the total funding set aside. The full suite of agreed initiatives and Cabinet's additional recommendations will shortly be shared directly with you by the Ministry of Health via a password-protected encrypted file. Officials at the Treasury and the Ministry of Health will work closely with their contacts in your entities to ensure these decisions are clear, and that further questions are answered.

**This information is BUDGET SENSITIVE and we expect it to be held in strict confidence by Chairs and a small number of named officials in both entities, who will need to sign (or have already signed) confidentiality agreements relating to the information. In due course, this information can be shared with additional Board members to support Board discussions on internal entity budgets, in strict confidence and only once signed confidentiality agreements are in place.**

## **Cost pressures**

The two-year baseline cost pressure funding increase is consistent with the upper end of the initial planning parameters shared with you in March and is intended to be sufficient to cover the consolidated deficit position (through an operating revenue 'rebase') and to meet business-as-usual cost pressures for the 2022/23 and 2023/24 years, including volume, wage, and other price pressures. As you are aware, there remains risk around the final year-end position of District Health Boards, as well as in the assumptions underpinning current forecasts for 2022/23, and officials will work closely with your finance teams as you confirm the cost structures for the year ahead and understand how the inflation and employment relations environment will impact your budgets and service provision. While limited, there will be some scope for funding for unforeseen or unavoidable costs should they arise throughout the transitional period.

## **Funding in tagged contingencies**

A number of initiatives have been agreed with funding in contingency, with drawdown of the total amount set aside subject to the fulfilment of conditions. This is to reflect where further work is required to refine plans for spending the amounts allocated.

In particular, contingencies have been established for a portion of the cost pressure funding for 2022/23, as well as for the total cost pressure funding allocated for 2023/24. We expect that the health system will require all the funding allocated, but further information is required for assurance on the allocation of the spend across service lines, as reflected in the additional recommendations. We understand that this work is already underway, and that the upcoming Board papers to finalise budgets are likely to include the bulk of this information.

## **COVID-19 Funding**

Officials will also share further information on recent funding decisions taken on COVID-19 public health costs. This is consistent with and builds on the information that the Ministry of Health will provide to you on the broader COVID-19 funding environment. We expect that you work closely with the Ministry to understand the COVID-19 funding and expenditure you will be responsible for, with a focus on managing the expiration of short-term funding and moving towards an approach that sees COVID-19 costs managed in a sustainable manner and incorporated into business-as-usual health activity to the extent possible.

Earlier this month Cabinet agreed to wind down the COVID-19 Response and Recovery Fund (CRRF) as we look to transition COVID-19 funding requests back into normal Budget processes. We recognise there may be need for further funding to manage the transition out of COVID-19 activities into an ongoing sustainable financial picture. There is a small amount of funding that has been set aside for this purpose and which could be made available to Health New Zealand subject to Ministers' comfort with the plan for more sustainable COVID-19 expenditure. You will also see that funding has been provided through Budget 2022 for the establishment of the new public health entities. We will expect to understand the relationship between the transfer of existing COVID-19 functions to a steady state before agreeing the required amount of additional funding for the Public Health system.

## **Interim New Zealand Health Plan and Statements of Performance Expectations**

We understand that your teams are already working to meet entity accountability requirements under the Crown Entities Act by way of:

- an Establishment Plan for your entity which fulfils the expectations of a Statement of Intent; and

- the NZ Health Plan, which will include information on your Statement of Performance Expectations.

We recognise the importance of consultation on the NZ Health Plan and the timing of this. Our expectation is that the Ministry of Health and the Treasury will undertake a review of these draft Plans on joint Ministers' behalf. The Ministry's review will focus on your overall strategic priorities and approach, and the joint review will focus on the extent to which the information provided gives additional assurance for the release of contingency funding, as discussed above. The review will also seek input from the Transition Unit on your establishment arrangements and the extent to which Plans offer confidence on your entities meeting the intentions of our reform agenda. We anticipate this review will occur in two phases:

- The first phase will progress between late April to mid-May so that feedback can be the provided to you in a timely way to inform your final draft iteration.
- The second phase will progress post release of Budget decisions between late May and mid-June to support Ministerial approval of your plans.

Hon Grant Robertson

**Minister of Finance**

Hon Andrew Little

**Minister of Health**