

# The Treasury

## Budget 2023 Information Release

July 2023

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- [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
- [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

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# Hon Grant Robertson

MP for Wellington Central  
Deputy Prime Minister  
Minister of Finance  
Minister for Infrastructure  
Minister for Sport and Recreation



6 September 2022

Hon Andrew Little  
Minister of Health  
Parliament Buildings

Dear Andrew

On Monday 5 September 2022, Cabinet agreed to the strategy and design of Budget 2023. A copy of the minute recording Cabinet's decisions is attached to this letter for your information.

## *Context*

Due to a combination of the Government's responsible investment, the success of New Zealand's COVID-19 health response, and the hard work of New Zealanders during the pandemic, our economy is larger than its pre-COVID-19 level. This strong position is providing New Zealanders with greater security from increasing global volatility as the economic implications of ongoing COVID-19 responses around the world and the war in Ukraine contribute to heightened uncertainty.

This, coupled with our responsible fiscal management, has also allowed us to continue making good progress on the priorities set out in the 2020 Speech from the Throne, including manifesto commitments and emerging priorities, as well as on delivering our economic strategy.

However, we are all conscious of the current challenges that New Zealanders are facing due to increased global volatility and high global inflation, particularly the impact on the cost of living. With demand continuing to outstrip supply and further monetary tightening and weaker economic growth expected in the medium-term, we need to maintain our strong fiscal discipline to ensure we continue to deliver on our priorities without exacerbating expenditure pressures and to remain on track to achieve our surplus target for 2024/25.

Our objective with Budget 2023 is to strike a balance with our fiscal strategy that puts downward pressure on inflation, while continuing to support and take pressure off New Zealand families by investing in critical services, supporting Kiwis into jobs, and lifting wages and living standards. Under our economic strategy, we will look to do this in a way that contributes to a more secure economy in the future which is low-emissions and provides high-wage jobs.

I am proud of the historic multi-year investment into Vote Health announced in Budget 2022 to ensure that health reforms were set up for success. This two-year settlement meant that, on top of the \$2,062 million per annum on average committed through the Budget 2022 allowance (which included 'rebasings' the health system to ameliorate DHB deficits), a further \$1,563 million per annum on average was allocated from the Budget 2023 allowance to assist the system in taking a longer-term view.

### *Cost pressure drawdown for Budget 2022 funding*

I would like to acknowledge the work that your officials have been doing to meet conditions for accessing the cost pressure funding set aside in Budget 2022. This is a key piece of work to ensure that Ministers have the necessary visibility of allocation of this investment. My expectation is for the cost pressure drawdown of the 2023/24 and beyond component to be underway in early 2023, and that this process demonstrates increasing maturity in decisions around funding allocations and trade-offs.

### *Overview of Budget 2023*

Budget 2023 will be the second and final year of the transitional funding package for Vote Health. Vote Health will therefore not be part of the Budget 2023 process. I think it is important to stick to our commitment to a multi-year funding approach which will also support the transition to a three-year funding commitment from Budget 2024 onwards. I remain confident that this multi-year approach will help us manage growth in health spending sustainably while at the same time ensuring consistency, quality, and equity in health outcomes.

Budget Ministers (the Prime Minister, Associate Minister of Finance Hon Dr Megan Woods, and myself) will remain the key decision-makers throughout the development of Budget 2023 and will be responsible for recommending a final Budget 2023 package to Cabinet.

### *Out-of-cycle funding requests*

Given our stricter Budget process this year, there will be a high bar for any out-of-cycle funding requests between now and Budget 2023. Any proposal that asks for out-of-cycle funding will require my approval to proceed to Cabinet and will need to strongly demonstrate why funding is urgently required, what high risks or trade-offs would eventuate if not funded early, and what steps have been taken to meet these costs within existing baselines. For Vote Health, the continued expectation will be that these requests are met from its existing Budget 2023 allocation (except for any pay parity response).

### *COVID-19 health funding*

The Government has also invested over \$10 billion to fund the COVID-19 health system response, including \$1.78 billion to continue the response through to the end of the 2022 calendar year. Given this significant investment, the current and forecasted reduction in cases, and the change in our COVID-19 strategy, I expect health agencies to make a concerted effort to transition COVID-19 functions into business-as-usual activity. Any ongoing expenditure should reflect policy changes, be increasingly managed within baselines, and not exceed the funding provided. The deep dive exercise should assist this transition process and inform upcoming report backs to Ministers.

Thank you for your continued support in achieving our fiscal and wellbeing objectives. With your help, I look forward to delivering a successful Budget 2023.

Yours sincerely



Hon Grant Robertson  
**Minister of Finance**

Cc: Hon Peeni Henare, Hon Dr Ayesha Verrall, Hon Aupito William Sio,  
Fepulea'i Margie Apa, Riana Manuel, Dr Diana Sarfati, Rob Campbell, Tipa Mahuta