

The Treasury

Budget 2016 Information Release

Release Document July 2016

www.treasury.govt.nz/publications/informationreleases/budget/2016

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)
[s18(c)(i)]	that the making available of the information requested would be contrary to the provisions of a specified enactment	
[40]	Not in scope	

Where information has been withheld, a numbered reference to the applicable section of the Official Information Act has been made, as listed above. For example, a [23] appearing where information has been withheld in a release document refers to section 9(2)(a).

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.

Joint Report: Vote Health and Budget 16

Date:	29 September 2015	Report No:	T2015/1960
		File Number:	SH-1-6

Action Sought

	Action Sought	Deadline
Minister of Finance (Hon Bill English)	Agree to meet with officials to discuss how Vote Health should operate for Budget 16.	9 October 2015
Minister of Health (Hon Dr Jonathan Coleman)	Agree to meet with officials to discuss how Vote Health should operate for Budget 16.	9 October 2015

Contact for Telephone Discussion (if required)

Name	Position	Telephone	1st Contact
Bevan Searancke	Senior Analyst, Treasury	04 890 7264 (wk) N/A (mob)	
Therese Egan	Acting Group Manager Strategy, Ministry of Health	[23]	✓
Ben McBride	Manager, Health, Treasury	04 917 6184 (wk) [23]	✓

Actions for the Minister's Office Staff (if required)

Return the signed report to Treasury/Ministry of Health.

Enclosure: No

Executive Summary

This report discusses the approach to the next funding signal for DHBs and recommends that Ministers meet with officials to discuss the approach to Vote Health in Budget 16.

In Budget 16, Health will primarily be considered under two tracks: cost pressures and social investment (which will be focused around priority populations). Social Sector Ministers will prioritise savings and investment options across the sector Votes and provide a recommended package to Budget Ministers.

Cost pressures are a significant focus for any Health budget. DHBs have traditionally received a funding signal for planning purposes towards the end of the calendar year. Joint Ministers have decided that they do not want to give DHBs a formal funding signal endorsed by Cabinet ahead of Budget 16. You have indicated that the DHB sector should plan on receiving a similar quantum to last year (\$300 million) but be prepared for more or less funding depending on budget decisions. The distribution of funding between DHBs under the population-based funding formula will change from last year even if the overall quantum remains the same, so it will still be necessary to provide DHBs with specific (albeit informal) forward guidance. Officials will provide further advice on this prior to issuing an informal funding signal later in the year.

Social Sector agencies are exploring ways to integrate social services to improve outcomes for priority populations: Youth (ages 15-24) and 0-5s (in terms of childhood development). The Ministry of Health has been leading advice around the 0-5 population.

A number of options for innovation in social investment funding have been raised, both in the funding review by Murray Horn and by Ministers. The paper outlines three of these options and seeks direction from Ministers on which option/s, if any, you are interested in developing further.

You have signalled that you wish to make changes to improve the targeting of the Very Low Cost Access scheme for primary care. The independent primary care working group will report to the Minister of Health in October. We suggest that you direct officials to report on potential changes to the Very Low Cost Access scheme by the end of November, allowing time to include changes as part of Budget 16 should you wish.

Recommended Action

We recommend that you:

a **agree** to meet with officials to discuss:

- how Vote Health should operate for Budget 16,
- funding signals for District Health Boards, and
- options that officials could develop for consideration in the social investment track:
 - i. Setting up a health investment fund in Vote Health to advance the proposals in the Health Strategy refresh,
 - ii. Setting up a social investment fund for cross-sector outcomes that would include health initiatives, and
 - iii. Options to provide health funding directly to another social sector agency (in the first instance, to the Ministry for Social Development for BPS-1)

Agree/disagree.
Minister of Finance

Agree/disagree.
Minister of Health

b **note** that the primary care working group will report to the Minister of Health by the end of October 2015, and

c **direct** officials to report back to the Ministers of Finance and Health by the end of November 2015 on options for improved targeting of Very Low Cost Access funding.

Yes/no.
Minister of Finance

Yes/no.
Minister of Health

Ben McBride
Manager, Health, Treasury

Teresa Wall
Deputy Director-General, Ministry of Health

Hon Bill English
Minister of Finance

Hon Dr Jonathan Coleman
Minister of Health

Purpose of Report

1. This report seeks Ministerial clarification on a number of specific matters and recommends that you meet with officials to discuss the approach to Vote Health in Budget 16.

Analysis

Role of Social Sector Ministers in Budget 16

2. In Budget 16, Health will primarily be considered under two tracks: cost pressures, and social investment (which will be focused around priority populations). All new Budget initiatives (i.e. excluding non-current policy cost pressures) are to be considered through the social investment track; this includes election commitments and priority initiatives. This process will require agencies to present a clear case for funding, including CBAX analysis. Proposals are to be assessed and evaluated against government priorities by the new Social Investment Panel. Social Sector Ministers will then prioritise savings and investment options across the sector Votes and provide a recommended package to Budget Ministers.
3. It will be important to ensure your colleagues are aware of the issues and pressures within the Vote in order to have context in which to prioritise spending against other Votes during the Budget process.

Cost pressures/DHB funding signal

4. We expect that cost pressures in Health will continue to be a significant focus in Budget 16. This includes funding for DHBs, Ministry-managed appropriations, and [38] Agencies will be submitting cost pressure information to the Treasury by 30 October 2015. The Minister of Finance will bring a report on cost pressures to SEC on 2 December 2015.
5. DHBs have traditionally received a funding signal for planning purposes towards the end of the calendar year. Joint Ministers have decided that they do not want to seek Cabinet approval for a DHB funding signal ahead of Budget 16. Instead, the DHB sector will be told to plan on receiving a similar quantum to last year (\$300 million), but to be prepared for more or less funding depending on budget decisions.
6. The distribution of a given amount of funding between DHBs depends on the population-based funding formula. Demographic factors and the unwinding of transitional arrangements means the funding for individual DHBs will change even if sector funding overall remains the same. We do not want individual DHBs attempting to model the distribution for themselves as this would be inefficient and result in inaccuracies and disputes. Therefore, even under an informal funding signal, we think it will still be necessary to provide DHBs with specific forward guidance. Officials will provide further advice to Joint Ministers, prior to issuing an informal funding signal later in the year based on a \$300 million envelope. Once DHBs have been given a planning assumption, we think it will prove difficult in practice to announce a lower figure in the Budget.

Social investment in priority populations

7. Social Sector agencies are exploring two priority populations to focus efforts to integrate social services in a way that improves outcomes for New Zealanders that are in need, or at risk of being in need. The populations are Youth (ages 15-24) and 0-5s (in terms of childhood development).
8. The Ministry of Health has been leading the cross-agency work stream on 0-5s as part of the wider Social Sector Investment Change Programme. The work around the 0-5 priority population is focused on the following:
 - Outcomes – identification of desired outcomes for the population and shared measures of success
 - Target population – using integrated data to identify the characteristics and predicted outcomes of those most at risk of poor outcomes
 - Services and funding – identification of services and funding for the target population, including gaps and overlaps
 - Effectiveness – assessment of the relative effectiveness of services for the target population
9. Officials are due to brief Social Sector Priorities Ministers on characteristics of the target population along with service effectiveness on 12 October 2015.
10. There may be opportunities for taking a ‘place based’ or community-led approach to the 0-5s workstream focusing on 1-2 DHBs in the first instance. South Auckland would seem to have all the pre-conditions of success, with strong leadership and social sector infrastructure now provided through the Auckland Social Sector Leaders Group, Counties-Manukau DHB (CMDHB), schools and universities and the Auckland Co-Lab. There are already economic advantages and a commitment from the largest employers (CMDHB and the Auckland Airport Company) to grow local workforce. A number of innovative approaches to social services are already underway, such as with pre-school education and healthy housing services.

Options for innovation in social investment funding

11. There are a number of other potential social investment options for Health which could be advanced in Budget 16. You recently discussed with Murray Horn the option of establishing a relatively small pool of potential Vote Health funding (say, \$50 million) that could be administered through the application of social investment principles.
12. In considering any new funding pool it will be important to be clear at the outset on Ministers’ objectives for such a fund as this will drive the key design features.

Option	Objectives / function	Type of fund
1	Improve the long-term sustainability of the health system	Set up a health investment fund in Vote Health (as proposed by Murray Horn)
2	Greater focus on health and other issues that cut across social sector agencies	Create a social investment pot for cross sector outcomes (also proposed by Murray Horn)
3	Encourage the health sector to engage more on broader government priorities, such as the BPS-1 result	Investigate options for channelling health funding through another social sector agency.

13. Any or all of the three proposals could be developed as bids that would be considered under the social investment Budget track alongside all other social sector agency bids. We outline below how these options could work and how they align to Ministers' objectives, noting issues we think would need to be considered further and potential solutions to address these.

[33]

¹ The Social Sector Board is due to report back to Social Sector Priority Ministers on 9 November 2015 with proposals for cross-agency approaches for meeting the BPS 1 target to inform Budget 2016, including on three health/welfare focused areas: early intervention to support people with illness or disability to remain in or return to work, further developing sexual health services, and increasing effectiveness of primary mental health care services. The expectation is that BPS 1 proposals will be considered as part of the social investment track for Budget 16.

² [33]