

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.



Reference: T2017/2492 DH-1-2-3-2

Date: 16 November 2017

To: Minister of Finance (Hon Grant Robertson)
Minister of Health (Hon David Clark)

Deadline: None
(if any)

Vote Health Cost Pressures

As requested, this aide memoire is to provide additional information on the cost pressures and district health board (DHB) net deficit numbers in the advice provided on Vote Health’s fiscal position earlier this week (T2017/2400 refers).

Breakdown of Cost Pressure Estimates

In the advice on Vote Health’s fiscal position, the following table was included to demonstrate the impact on future health budget allocations if the preliminary budget package provided by the Ministry of Health (The Ministry) was funded at Budget 2018. These future budget allocation estimates have been calculated by Treasury.

Table 1: Implications of draft package on future allocations.

(\$m)	2017/18	2018/19	2019/20	2020/21	2021/22
MoH Signalled for Budget 18	95	1,260	1,270	1,274	1,261
Budget 19			[33]		
Budget 20					
Budget 21					

The preliminary costings signalled by the Ministry for a draft Budget 2018 package included:

Table 2: Ministry of Health draft budget

(\$m)	2017/18	2018/19	2019/20	2020/21	2021/22	
Manifesto commitments	[33]					
Ministry priorities						
Cost pressures						
Other						
Total	95	1260	1270	1274	1261	5160

We note that the Ministry's preliminary costings do not include a costing for every policy, and cost pressure numbers have been calculated using top down assumptions.

The Ministry's numbers also differ from Treasury cost pressure estimates provided in the slide pack included with the advice.

Table 3: Treasury cost pressure estimates

	2017/18	2018/19	2019/20	2020/21	2021/22
Vote Health operating expenditure (B17 estimates)	16,109				
Proposed increase in health funding	21	846	1,535	2,361	3,157
Operating cost pressures (top down estimates)		[33]			
Estimated demographic pressure		[33]			
Estimated wage/price pressure					
Other costs (bowel screening, HPV, air ambulances)		—			
Specific commitments (per manifesto costings)					
Primary care		259	259	259	259
[33]		[33]			
Mental health Canterbury kids		10	10	10	10
Extend SBHS		40	40	40	40
[33]		[33]			
		351	341	319	319
Implied efficiencies before other service expansions		[33]			

The estimated operating cost pressures above were calculated by Treasury using population forecasts, consumer's price index, and the labour cost index assumptions which is established practice. We are engaging with the Ministry to work through assumptions used in their modelling so as to develop a more consistent view of pressures.

The Treasury estimates also include only the more significant manifesto commitments, whereas the Ministry numbers include a more extensive list, and also include both operational commitments currently being implemented and coalition agreements. The table demonstrates that in order to fund full cost pressures and manifesto commitments, the health sector would need to find efficiency gains before additional services/initiatives could be funded, to remain within the \$8 billion envelope signalled in the fiscal plan.

Deficit Support Figure

The total forecast 2017/18 net result for DHBs is **\$145 million** deficit. The amount of \$94.2 million in paragraph 27 of the previous advice (TR2017/2400 refers) is the amount of deficit support requests included in DHBs' 2017/18 draft annual plans, and not the net result. The full \$145 million has not been requested in draft plans as this includes non-cash components of deficits (i.e. depreciation) which in general have not been funded to date.

Ashleigh Brown, Analyst, Health, [39]
Carolyn Palmer, Manager, Health, [39]