

Reference: 20190609

3 December 2019

s9(2)(a)

Dear s9(2)(a)

Thank you for your Official Information Act request, received on 1 September 2019. You requested the following:

*Aide Memoire T2019/1024: DHB Sustainability.*

The Treasury extended the timeframe for responding to your request by 20 working days to allow for the necessary consultations to take place.

On 24 October 2019 we informed you of our intention to release the requested document to you subject to redactions as applicable, but that we needed more time to process the document for release. I apologise for the delay in forwarding this information to you.

Please find enclosed the following document:

Item	Date	Document Description	Decision
1	5 April 2019	Aide Memoire T2019/1024: DHB Sustainability	Release in part

I have decided to release the document listed above, subject to information being withheld under the following sections of the Official Information Act:

- advice still under consideration, section 9(2)(f)(iv) – to maintain the current constitutional conventions protecting the confidentiality of advice tendered by Ministers and officials,
- direct dial phone numbers of officials, under section 9(2)(k) – to prevent the disclosure of information for improper gain or improper advantage.

We have redacted the direct dial phone numbers of officials under section 9(2)(k) in order to reduce the possibility of staff being exposed to phishing and other scams. This is because information released under the OIA may end up in the public domain, for example, on websites including Treasury's own website.

Please note that Cabinet has not yet agreed on the use of the \$23.6 million for improving the financial sustainability and performance of district health boards included in Budget 2019. This is anticipated to happen later this month.

In making my decision, I have considered the public interest considerations in section 9(1) of the Official Information Act.

Please note that this letter (with your personal details removed) and enclosed documents may be published on the Treasury website.

This reply addresses the information you requested. You have the right to ask the Ombudsman to investigate and review my decision.

Yours sincerely

Jess Hewat  
**Acting Manager, Health**

**BUDGET-SENSITIVE**

Reference: T2019/1024 DH-1-2-3-2-4-2019

Date: 5 April 2019

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

Deadline: 8 April 2019, 10:00 am

**Aide Memoire: DHB Sustainability**

The Treasury has worked with the Ministry of Health to develop an approach to enhancing the sustainability of district health boards (DHBs). s9(2)(f)(iv)

s9(2)(f)(iv)

s9(2)(f)(iv)

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Ministry of Health has been consulted in the preparation of this advice.

**DHB Funding in Budget 19**

In February 2019, the Ministry of Health sent indicative planning guidance to DHBs as a basis for the revenue assumptions in their draft 2019/20 annual plans. DHBs have been planning on the basis of a similar uplift to Budget 18 of \$549 million per annum to meet cost pressures. Draft plans are due on 5 April 2019, and at this level of indicative funding, our modelling suggests that the sector deficit would likely rise to approximately \$650 million. The outcome of these plans will be known next week.

The Minister of Health has bid for \$685 million per annum for DHB cost pressures. The Treasury vote team supported \$678 million along with an additional \$163 million of deficit support in 2019/20. We consider these levels of funding to be necessary to keep the sector solvent on a cash basis over the 2019/20 fiscal year. This is in addition to the \$142.75 million per annum pre-commitment for health wage settlements.

The key risk of funding DHBs at \$678 million rather than the signalled \$549 million is that DHB expenditure will increase in line with the additional funding provided, with no material impact on the sector deficit. To mitigate this risk, we think a new approach to DHB funding is needed that prioritizes system sustainability.

**BUDGET-SENSITIVE**

**Proposed approach**

s9(2)(f)(iv)

RELEASED UNDER THE  
OFFICIAL INFORMATION ACT

**BUDGET-SENSITIVE**

s9(2)(f)(iv)

**Capital Charge**

As previously noted, the Treasury also supports the establishment of a tagged contingency to provide funding for DHB capital charge increases related to Crown investments in new assets during 2019, consistent with the approach in departments. We recommend a Budget announcement of the policy change without disclosing the available funding. We think this will help maintain the focus of performance discussions on core operational performance rather than the impact of investment in the sector.

**Additional Ministerial Priorities**

To drive a system focus on sustainability, we do not recommend that additional Ministerial priorities that expand service levels (e.g., electives, bowel screening) are funded by offsetting notional DHB cost pressure funding (i.e., from the \$678 million). We cannot reconcile the expectation that service expansion can be funded from the amount sought to maintain current service levels, without the risk of further degrading system sustainability.

**Davin Hall**, Principal Advisor, Health, [REDACTED]

**Carolyn Palmer**, Manager, Health, s9(2)(k) [REDACTED]