

Security classification: Sensitive-Budget

Ministry of Health

- 4 OCT 2018

DISPATCHED

## Health Report: Update on Budget 2019

Date:	4 October 2018	Report No:	HR20182143
		File Number:	AD62-14-2018

## Action Sought

	Action Sought	Deadline
Minister Clark	Agree	16 October 2018

## Contact for Telephone Discussion (if required)

Name	Position	Telephone	Contact Order
Fergus Welsh	Acting Chief Financial Officer, Finance & Performance	s 9(2)(a)	1st Contact
Kiriama Stevens	Manager Strategic Investment Planning, Finance & Performance		2nd Contact

## Actions for the Minister's Office Staff

<b>Return</b> the signed report to Ministry of Health
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Note any feedback on the quality of the report

## Update on Budget 2019

To: Hon Dr David Clark, Minister of Health

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### Purpose

This report follows up from a meeting you had with Ministry officials on Monday 24 September and provides you with options to consider further in shaping your Budget Package for Budget 2019.

### Key points

Ministry officials met with you on Monday 24 September 2018 to discuss your priorities from Budget 2019 [HR20182032 refers]. Following this meeting the Ministry agreed to provide you with additional information on "out-of-scope" proposals to help inform your decision on which proposals you support to be further developed. A list of "out-of-scope" proposals is attached in s 9(2)(f)(iv) for your decision to include in the 2019 Budget Package.

The Ministry has identified proposals where it can support the Government's priorities in Budget 2019, including proposals requested by Associate Ministers of Health, and recommended services to prioritise for seeking cost pressure funding as part of Budget 2019

The Ministry expects DHB cost pressure funding to be the main focus at your first bilateral meeting on 1 November 2018, and will provide you with additional information to support you during that meeting.

Once out-of-scope proposals to include in the 2019 Budget package have been agreed, the Ministry can provide you with a draft Budget Package ahead of the initial Budget submissions to the Treasury on 23 October 2018. In finalising the package, this could include options of scaling and timing can include options for you to consider given ranges of assumed funding available.

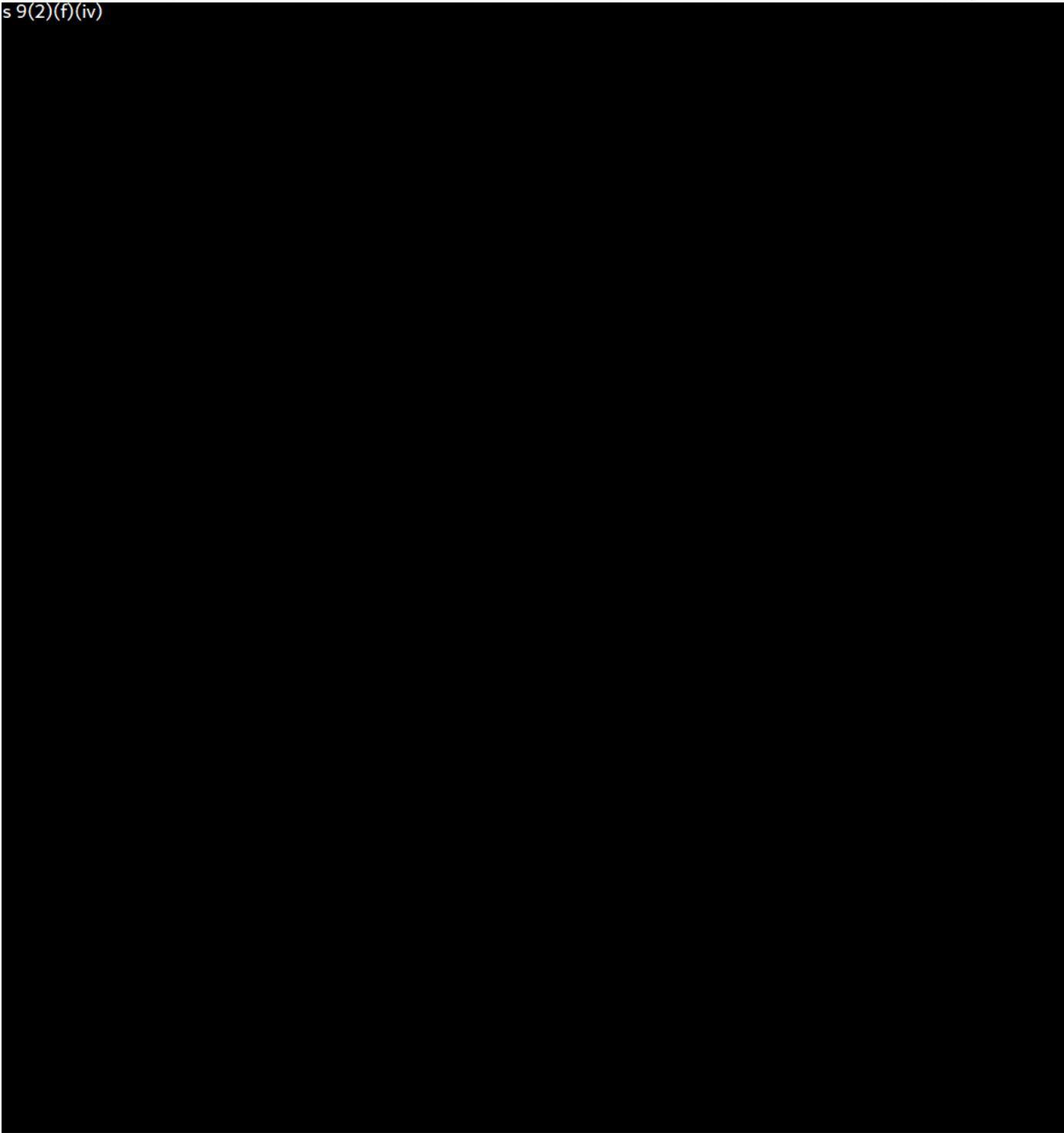
### Recommendations

#### The Ministry recommends that you:

- a) **note** the Ministry has followed the Government's strategy in developing a 2019 Budget Package for you to consider
- b) **note** that Vote Health has received or is likely to receive pre-committed funding from the Budget 2019 allowance to settle NZNO, PSA and MERA's pay negotiations
- c) **agree** that the Ministry develop proposals to support the government's Budget 2019 priorities as shown in [REDACTED] Yes/No
- d) **agree** that the Ministry develop proposals to inform cost pressure funding to sustain Vote Health services as shown in s 9(2)(f)(iv) [REDACTED] Yes/No
- e) **note** that the Ministry has applied the Treasury's review criteria for out-of-scope proposals and provided a green, amber or red rating to each proposal
- f) **note** that initiatives arising from the Speech from the Throne, confidence and supply agreement, and coalition agreements may be considered out of scope for Budget 2019 if they do not fall within the Budget 2019 priorities
- g) **note** that further details on out-of-scope proposals is included in Appendix G

- h) **advise** the Ministry which of the following out of scope proposals you would like to be further developed for inclusion in the Budget Package, noting the Ministry's assessment rating, and items which are either referred to in the speech from the throne or coalition agreements.

s 9(2)(f)(iv)



- i) **Note** Ministry officials will confirm with you the proposed Budget Package ahead of the 23 October 2018 submission to Treasury

  
Fergus Welsh  
Acting Chief Financial Officer  
Finance and Performance

Minister's signature:  
Date



## Aligning your Budget Package to the Budget Strategy

1. The 2019 Budget Strategy, agreed by Cabinet on 3 September 2018 set the scope for seeking funding aligned to Budget 2019 priority areas and for non-discretionary cost pressures. The priorities for funding in Budget 2019:
    - Creating opportunities for productive businesses, regions, iwi and others to transition to a sustainable and low-emissions economy.
    - Supporting a thriving nation in the digital age through innovation, social and economic opportunities.
    - Lifting Māori and Pacific incomes, skills and opportunities.
    - Reducing child poverty and improving child wellbeing, including addressing family violence.
    - Supporting mental wellbeing for all New Zealanders, with a special focus on under 24s.
  2. As previously advised, the Ministry has identified proposals where it can support the Government's priorities in Budget 2019, including proposals requested by the Associate Ministers of Health, and recommended services for seeking cost pressure funding as part of Budget 2019 [HR20182032 refers].
  3. Ministry officials met with you to discuss this report and it was agreed that the Ministry's approach to supporting the Government's priorities for Budget 2019 and the cost pressures identified were to be included in your draft Budget 2019 Package.
  4. The Ministry has since updated its estimate of cost pressures which have now been submitted to the Treasury. The funding required to offset cost pressures seeking funding as part of Budget 2019 is included in s 9(2)(f)(iv)
  5. The Ministry expects DHB cost pressure funding to be the main focus at your first bilateral meeting on 1 November 2018 and will provide you with additional information to support you during that meeting.
  6. The New Zealand Nurses Organisation (NZNO) settlement and any resulting flow on impacts being funded from pre-commitments will be an early call against the Vote Health Budget allocation. The NZNO settlement will also have flow on impacts such as costs associated s 9(2)(f)(iv)
- s 9(2)(f)(iv)
- s 9(2)(f)(iv)
7. Indicative funding required for the Ministry's proposals to support Budget 2019 priorities, non-discretionary cost pressures and pre-committed funding from the Budget allowance is shown below:

Priority	2019/2020 \$M	Total cost over 4 Years \$M
In Scope Cost Pressures	s 9(2)(f)(iv)	
Lifting Maori & Pacific Incomes, etc		
Mental Wellbeing		
Child Wellbeing		
Digital Innovation		
Total		

8. Cost estimates to support the initiatives within these areas will be further refined as the initiatives are further developed. The Ministry will provide you with a prioritised list of proposals for investment within these areas ahead of the formal submission of Budget initiatives to the Minister of Finance on 14 December 2018.
9. While funding indicated in the table below is only indicative it does show that there is likely to be a significant call on the Budget allowance for Vote Health. With that in mind, the Ministry is reluctant to develop any proposals considered out-of-scope without first confirming that the proposals are priorities for you to progress as part of Budget 2019.
10. The Ministry agreed, at your meeting with officials to provide you with more information on out-of-scope proposals to inform your decision on which proposals to progress further in the Budget 2019 process. This is explained in more detail in the next section.

## Out-of-scope proposals

11. The Budget 2019 Strategy is clear that any out-of-scope initiatives will face a high level of scrutiny in order for funding to be approved. The initiatives will need to demonstrate alignment with the Government's overall priorities, present a strong intervention logic and evidence, show detailed cost understandings and provide a strong narrative on how the assumed outcomes of the initiative will impact on wellbeing domains. Where applicable, the initiatives should also demonstrate cross-agency and/or cross-portfolio collaboration, a high-level summary of how the initiative affects the four capitals, and how the initiative responds to risk and/or maintains or builds resilience.
12. As outlined in the Treasury's Budget 2019 guidance, a number of initiatives arising from the Speech from the Throne, Confidence and Supply Agreement, and Coalition Agreements do not meet the criteria for inclusion within the five Government priorities from Budget 2019. These initiatives have been included in the list of out-of-scope proposals s 9(2)(f)(iv) and for your information these bids are listed below including their costs over four years:

s 9(2)(f)(iv)

13. [REDACTED] has full details of all out-of-scope proposals including title, description, rationale, Ministry RAG rating, Associate Minister or joint agency interest, Speech from the Throne or other Government formation commitments and indicative funding required.
14. This list of proposals requires your decision on which to include in your Budget Package. The Ministry has applied the same criteria that the Treasury will apply to out-of-scope proposals and outlines which proposals are likely to be rated Green, Amber or Red (RAG rating). The Ministry has also included notes as to why each proposal has received its rating. The Treasury's criteria is attached (refer Annex One)
15. Only Green rated out-of-scope proposals would be supported for Budget 2019 as per the Treasury's Budget guidance.
16. The proposals included in [REDACTED] are ranked with Green proposals first, then Amber, then Red.



17. All of the Red rated proposals relate to Speech from the Throne or coalition commitments. These initiatives have been given a Red rating based on initial assessments, the Ministry believes better outcomes could be delivered from investing in other proposals.
18. The Ministry will not continue to develop any out-of-scope initiatives until you have confirmed which proposals you wish to progress and which to defer.

## **Next steps**

19. The Ministry will begin to develop initiatives that support the Government's priorities for Budget 2019 and for non-discretionary cost pressures.
20. Out-of-scope initiatives will be developed following your advice prior to an intended meeting with you on the 17 October on which proposals to progress in the Budget process.
21. The Ministry will provide you with an updated Budget Package by 16 October 2018. You are meeting with Ministry officials on 17 October 2018 to discuss this draft package ahead of the submission to Treasury on 23 October 2018 and your first bilateral meeting on 1 November 2018.
22. Options for prioritising initiatives within ranges of assumed funding can also be developed for your consideration. This will be provided to you once the initiatives are further developed with refined costings.
23. Ministry officials will continue to engage with your office and the Treasury to ensure your Budget Package is well supported.

**END.**