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 Date: 30 January 2025
 To: Minister of Finance (Hon Nicola Willis)
 Deadline: None

Aide Memoire 2023: equity injections and Health New Zealand

Purpose and context

This aide memoire summarises equity injections, our understanding of Health New Zealand's (HNZ) current liquidity position, and considerations involved in the injection process.

This is further to your October 2024 Letter of Comfort to the HNZ Commissioner acknowledging that the Crown would provide equity support if necessary to maintain HNZ's financial viability. ^{s9(2)(f)(iv)}

This note provides additional detail ahead of further discussions.

Equity injections are capital investments that increase departments' net asset balance, either to enable investment or to ensure it can meet its liabilities

An equity injection is a capital investment by the Crown in a department (or an Office of Parliament), which increases the department's net asset balance, strengthening its balance sheet. This is regularly done to enable departmental capital investments (e.g. in infrastructure). It can also be used, when necessary, to ensure Crown entities with limited liquidity remain in a position to meet future liabilities. These liabilities can be short-term (a question of financial liquidity) or long-term (a question of solvency, or of 'going concern').


Equity injections and Letters of Comfort were common during the District Health Board (DHB) period. Treasury would often request additional reporting/improved Annual Plans but this was patchy, and the information lever was weak given the urgency of the capital injection requirements. T2020/3136 provides a good example of this; this sought Ministerial agreement in September 2020 to a \$180 million equity injection into Canterbury DHB, six months after an earlier \$130 million equity injection into the same DHB. A copy of this report (Annex A) and an example letter provided with it (Annex B) have been attached should you wish to see this previous advice.

While you can apply conditions to equity injections, the effectiveness of these levers has been limited in the past. For example, requests for additional reporting and detail about the breakdown of the equity injection either were not met or of a low quality. Given the urgency of the equity request, the injection would frequently be required before improved reporting could occur. A number of these injections occurred into DHBs that already had some form of a statutory governance intervention, such as a Crown Observer or Commissioner, and therefore additional levers were limited.


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Options for levers will also be time dependent, and will reflect broader progress on HNZ's financial and delivery turnaround. We will provide more advice if and when an injection is required, but consider that at this stage the most impactful thing Ministers can do is seek and then support the implementation of a clear and detailed plan for improving financial management and delivery at HNZ (including through regionalisation) throughout 2024/25 and 2025/26.

s9(2)(f)(iv), s9(2)(b)(ii)


Funding and process considerations***Any equity injection would typically be funded through your Budget capital allowance and requires Cabinet agreement***

If HNZ requires an equity injection this financial year, our first best advice will be to fund this through allowances, i.e. from the Budget capital allowance. s9(2)(f)(iv)



While you retain the option to fund an equity injection outside allowances, this would directly impact net core Crown debt. It would not directly impact OBEGALx (positively or negatively) if used to meet liabilities that are already recognised on HNZ's balance sheet, but would negatively impact OBEGALx if used to meet liabilities not yet recognised on the balance sheet. The Treasury generally does not recommend funding outside allowances.

In either scenario, Cabinet agreement to the injection would be required.

A new appropriation would be required to enable any injection


Any injection must be made into an appropriation that has sufficient scope for the injection's purpose (e.g. to meet cashflow requirements). At present there is no suitable appropriation in Vote Health; as such, any paper seeking an equity injection would need to establish a suitable new appropriation. This could be agreed through the Cabinet paper agreeing to the injection.

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Funding through (or outside) allowances is not possible during moratorium, but if necessary existing funding could potentially be reallocated as a stop-gap

Finally, funding an equity injection through (or outside) allowances could only happen outside the period of the Budget moratorium, as proposals for departmental capital injections and new appropriations cannot be submitted for consideration during the Budget moratorium. We have communicated to HNZ our expectation that if an injection is required this is requested in good time.

If funding is required during the moratorium, an alternative could be to reprioritise already-allocated health funding to ensure immediate liquidity, s9(2)(f)(iv)



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