



## Proactive Release

The following document has been proactively released by the Department of the Prime Minister and Cabinet (DPMC), and the Child Wellbeing and Poverty Reduction Group (CWPRG) on behalf of Hon Jan Tinetti, Minister for Child Poverty Reduction:

### **Advice to Ministers about gaps and opportunities to make progress towards the second intermediate targets**

The following document has been included in this release:

**Title of paper:** Briefing DPMC-2022/23-256: Advice to Ministers about gaps and opportunities to make progress towards the second intermediate targets.

Some parts of this information release would not be appropriate to release and, if requested, would be withheld under the Official Information Act 1982 (the Act). Where this is the case, the relevant section of the Act that would apply has been identified. Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

#### **Key to redaction codes:**

- S9(2)(a) protect the privacy of natural persons, including that of deceased natural persons;
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## Coversheet

### Briefing: Advice to Ministers about gaps and opportunities to make progress towards the second intermediate targets

Date:	21/09/2022	Report No:	DPMC-2022/23-256
		Security Level:	<del>BUDGET-SENSITIVE</del>
		Priority level:	Medium

	Action sought	Deadline
Rt Hon Jacinda Ardern Minister for Child Poverty Reduction	Consider the recommendations and <b>discuss</b> at the Officials Meeting on at 12pm on 28 September 2022	28/09/2022

Name	Position	Telephone		1 <sup>st</sup> Contact
Clare Ward	Executive Director, Child Wellbeing and Poverty Reduction Group	9(2)(a)	Yes	✓
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#### Minister's Office

Status:

Signed

Withdrawn

Comment for agency

Attachments: No

# Briefing

## Advice to Ministers about gaps and opportunities to make progress towards the second intermediate targets

To: Rt Hon Jacinda Ardern  
Minister for Child Poverty Reduction

Date	21/09/2022	Security Level	[BUDGET-SENSITIVE]
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### Purpose

1. This paper seeks your preferred approach to informing Ministers about the progress that has been made towards the second intermediate child poverty reduction targets and opportunities for further investments to reduce child poverty as part of Budget 2023.

### Recommendations

We recommend you:

1. **agree** to discuss the advice in this briefing at the next officials meeting **YES / NO**
2. **indicate** your preferred option for informing Ministers about the progress towards the second intermediate child poverty reduction targets and opportunities for further investments in Budget 2023:

#### EITHER

- 2.1. Option A – a noting paper for consideration by the Social Wellbeing Committee of Cabinet (SWC) **YES / NO**

#### OR

- 2.2. Option B – a noting paper for consideration at the next Child and Youth Wellbeing Strategy Ministers meeting, which the Minister of Finance could be invited to attend. **YES / NO**

<b>9(2)(a)</b>
<b>Clare Ward</b> <b>Executive Director</b> <b>Child Wellbeing and Poverty</b> <b>Reduction Group</b>
21 September 2022

<b>Rt Hon Jacinda Ardern</b> <b>Minister for Child Poverty Reduction</b>
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## Background

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2. In June this year we updated you on progress towards the second intermediate child poverty targets in 2023/24, based on the forecasting and modelling set out in the 2022 Child Poverty Budget Report [DPMC-2021/22-2267 refers].
3. We noted that Treasury's most recent Tax and Welfare Analysis (TAWA) modelling shows that, because of various economic headwinds, child poverty rates are expected to be about 2.9ppt above the second intermediate BHC50<sup>1</sup> target rate of 10% and 1.4ppt above the AHC50<sup>2</sup> target rate of 15%. We can't model material hardship rates, but there is also a risk that the downward trajectory in material hardship rates in recent years may not continue.
4. While recognising the uncertainty in these forecasts, and the global outlook more generally, 9(2)(f)(iv) [REDACTED]
5. Now is a good time to ensure Ministers have an up-to-date picture of how progress on reducing child poverty is tracking ahead of further Budget 2023 decisions. We also note that child poverty reduction directly aligns with the recently agreed strategy and design for Budget 2023 [CAB-22MIN-0368 refers].

## We recommend a short paper to Ministers outlining progress to date and opportunities for further initiatives through Budget 2023

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### Overview of the context

6. To ensure key Ministers are aware of the progress that has already been made towards the second intermediate targets and the opportunities for further action, we recommend that we prepare a paper:
  - outlining the current plan to achieve the second intermediate child poverty targets, agreed at the time that the second intermediate targets were set [SWC-21-SUB-0095 refers]
  - summarising the impacts of the investments already delivered through Budget 2021 and Budget 2022 and their impacts on rates in the 2023/24 target year
  - noting the economic “headwinds” impacting forecast child poverty rates, including the lingering impacts of COVID-19, high global inflation and the war in Ukraine
  - highlighting selected initiatives being considered for Budget 2023 and the expected scale and timing of these impacts
  - identifying any remaining gaps or short-term opportunities that could be considered through Budget 2023 to make progress against the second intermediate targets, and
  - noting the further work underway to develop a plan to achieve the 10-year child poverty reduction targets in 2027/28.

### The importance of scale and timing

7. Although Ministers are likely to be aware of the impacts of the economic outlook on child poverty rates, there may be less understanding about the scale and timing of initiatives needed to make progress against the second intermediate targets.

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<sup>1</sup> Before-housing-costs, moving-line primary measure

<sup>2</sup> After-housing-costs, fixed-line primary measure

8. As you know, a key issue for Ministers to be aware of is that because child poverty rates in a given year are based on a two-year rolling average, any impacts of policy initiatives on measured rates are lagged. This means that, for example, only about half of the impact of an income support initiative that is fully implemented in June 2023 will be reflected in measured rates in the 2023/24 target year.
9. One opportunity to reduce child poverty rates in 2023/24 could be to “top-up” the planned Consumer Price Index (CPI) increase to the Family Tax Credit and Best Start Tax Credit scheduled for 1 April 2023. An additional increase to the tax credits would have the advantage of providing a timely and direct, albeit still only partial, impact on progress towards the second intermediate targets.
10. We note that Income Support Ministers will be considering the CPI adjustment on 5 October. Should Ministers wish to provide a “top-up” to the CPI adjustment, a paper about how we are tracking towards the second intermediate targets could provide useful context for informing further decisions about this adjustment.

### **Update about the plan to achieve the ten-year targets**

11. A paper could also be a good opportunity to inform Ministers about the advice we are preparing outlining the high-level approach needed to achieve the 10-year targets and which could provide the basis for a public-facing plan.
12. We expect to deliver this advice sometime between March and June 2023, depending in part on the timing of the delivery of the research we are commissioning to support this work.

### **Form and timing of the advice**

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13. The advice to Ministers could take a number of forms. One approach could be a Cabinet paper for consideration through the Social Wellbeing Committee (SWC) in early November.
14. Alternatively, we could prepare a paper for consideration by Child and Youth Wellbeing Strategy Ministers. Although the Minister of Finance is not part of this Ministerial group he could potentially be invited to attend for a discussion of this item. This latter approach may be preferable given that there are no substantive recommendations in the paper.

### **Next steps**

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15. We would appreciate the opportunity to discuss this briefing at the next officials meeting, including the proposed scope of the advice set out in paragraph 6, your preferred form for the advice, and the timing of the ten-year child poverty plan.