# Aide-mémoire



# Meeting

Date: 26 April 2024 Security Level: BUDGET SENSITIVE

**For:** Hon Louise Upston, Minister for Social Development and

Employment

**File Reference:** REP/24/4/363

# **Vote Social Development – Budget 2024 information to support Cabinet discussions**

Meeting/visit details	Monday 29 April 2024 Cabinet meeting						
Purpose of meeting/visit	Cabinet will discuss and agree to the final Budget 2024 package, including Vote Social Development initiatives.						
Summary	This aide memoire includes high-level talking points to support your discussion at Cabinet. It also attaches the following documents.						
	<ul> <li>Appendix One – Draft Budget 2024 Package Summary</li> </ul>						
	<ul> <li>Appendix Two – Back pocket information</li> </ul>						
Achievement of Baseline Reduction	<ul> <li>Vote Social Development has a Baseline Reduction Target of \$119.4m per financial year, or \$477.6m over the forecast period.</li> </ul>						
Target	<ul> <li>The Vote Social Development budget package provides gross savings of \$900.692m and net total savings of \$792.227m over the forecast period, or</li> </ul>						

- \$778.276m in savings from Vote Social development after excluding cross-vote impacts.
- Savings will be realised across policy, community programmes, and departmental expenditure.
- The Policy savings will result from:
  - Tightening the gateway to emergency housing and extending scaled-down support services.
     Emergency Housing support services help assist people with moving into sustainable housing and addressing wider needs. This initiative is key to Government's ability to achieve the target of 75% fewer people in Emergency Housing by 2029.
  - Including boarders' contribution in the calculation of subsidies for private and social housing. This initiative reduces expenditure on housing subsidies by changing the way accommodation costs are recognised where a person has boarders. This addresses a current issue where accommodation costs can be counted more than once in the calculation of subsidies for a homeowner/primary tenant and their boarder. Expenditure will be reduced by recognising the contributions from boarders/additional adult residents towards accommodation costs for: Accommodation Supplement, Temporary Additional Support, and the grand-parented Special Benefit. This initiative also ensures boarder contributions are considered for all boarders when calculating the Income-Related Rent for social housing tenants.
- Community programme savings are mainly from discontinuation of the minimum wage supplement.
   This initiative returns funding for the wage supplement that replaces Minimum Wage Exemption permits. The wage supplement is a costly intervention that will not address the issue of

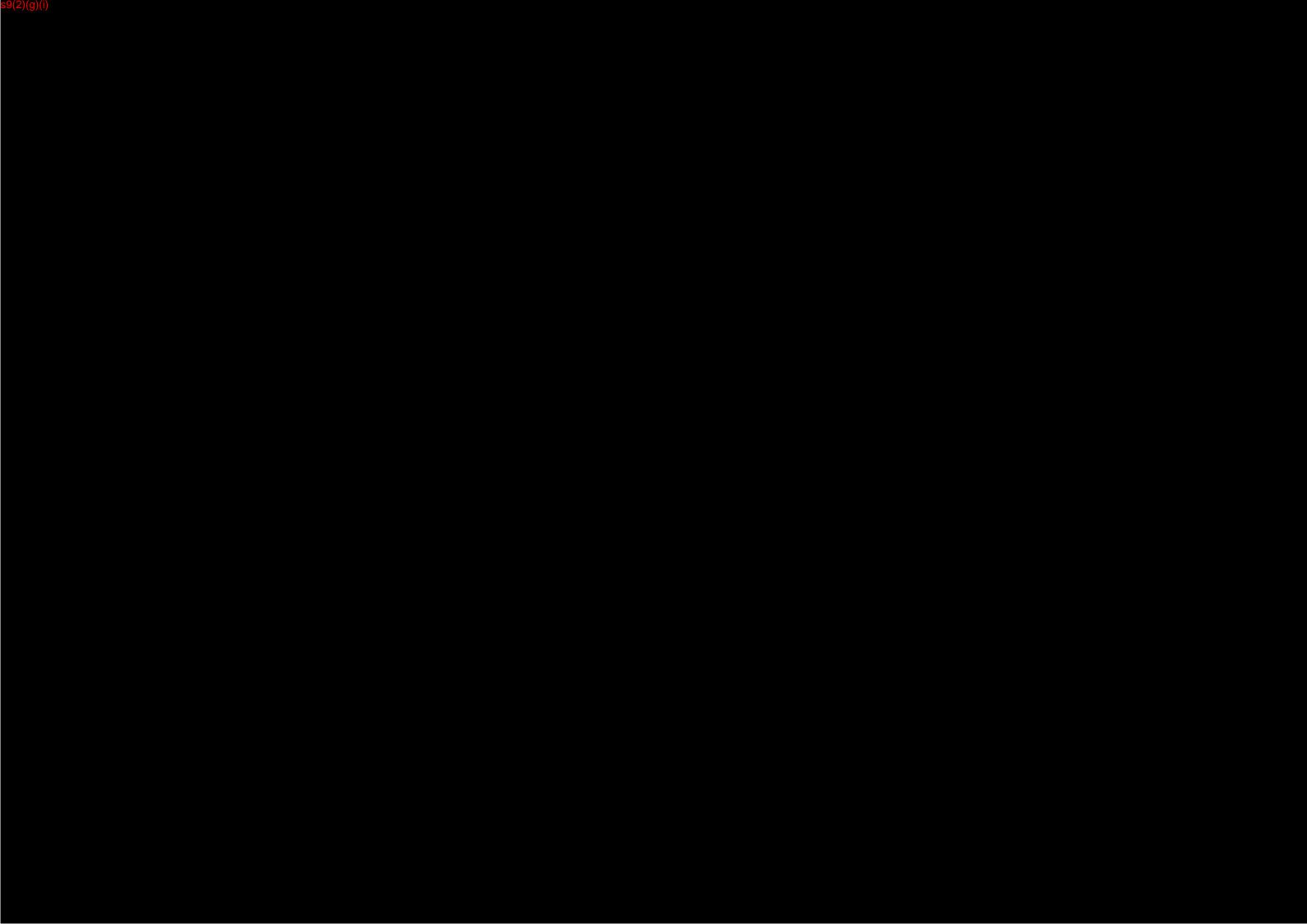
segregated employment or support employment of disabled people more broadly.

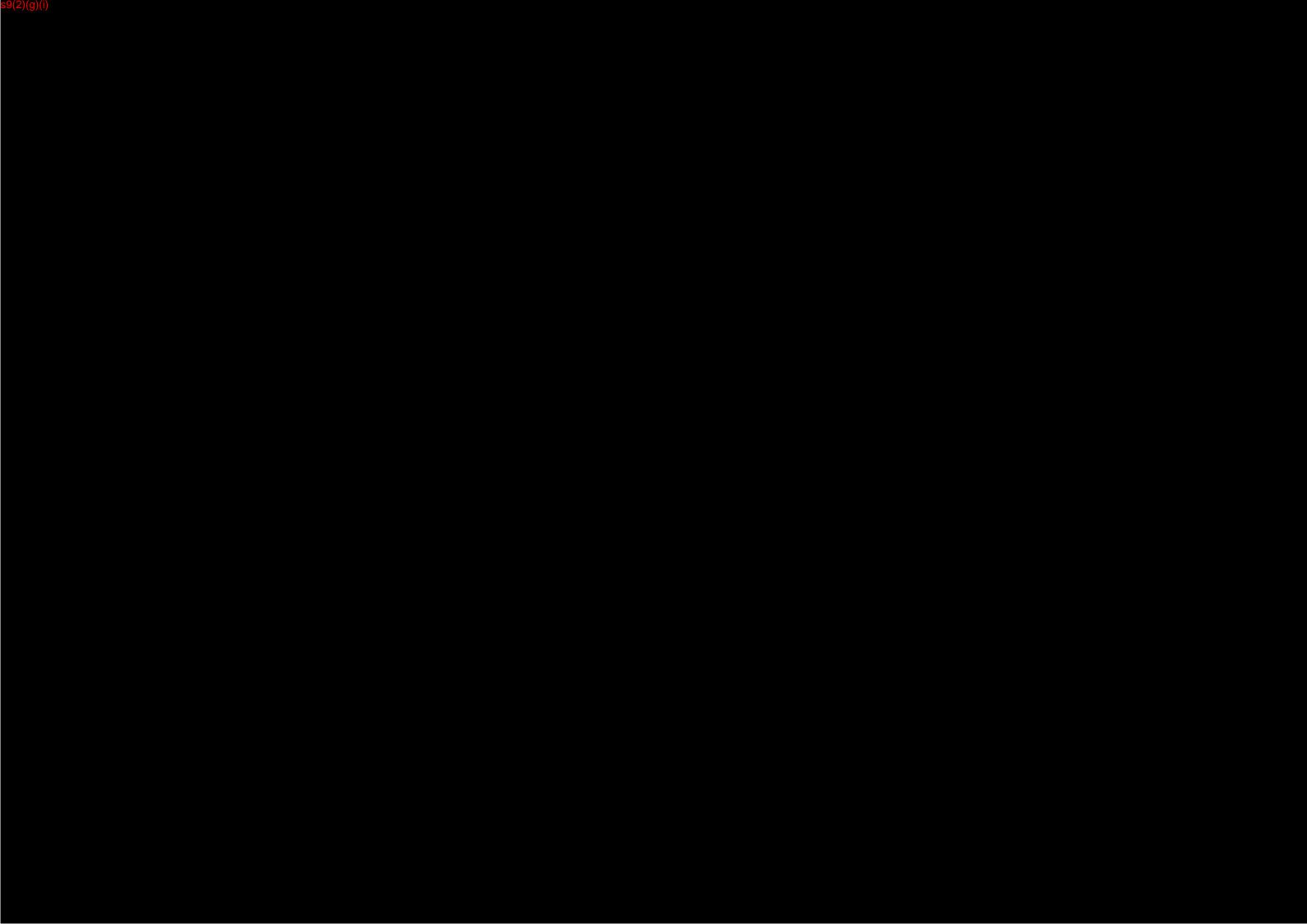
- Departmental savings from reducing MSD's nonessential back-office functions, including:
  - o contractors and consultants
  - discretionary expenditure <sup>\$9(2)(j)</sup>
  - o accommodation, and
  - o FTEs.
- Time-limited savings totalling \$87.264m are also being returned as part of the package.

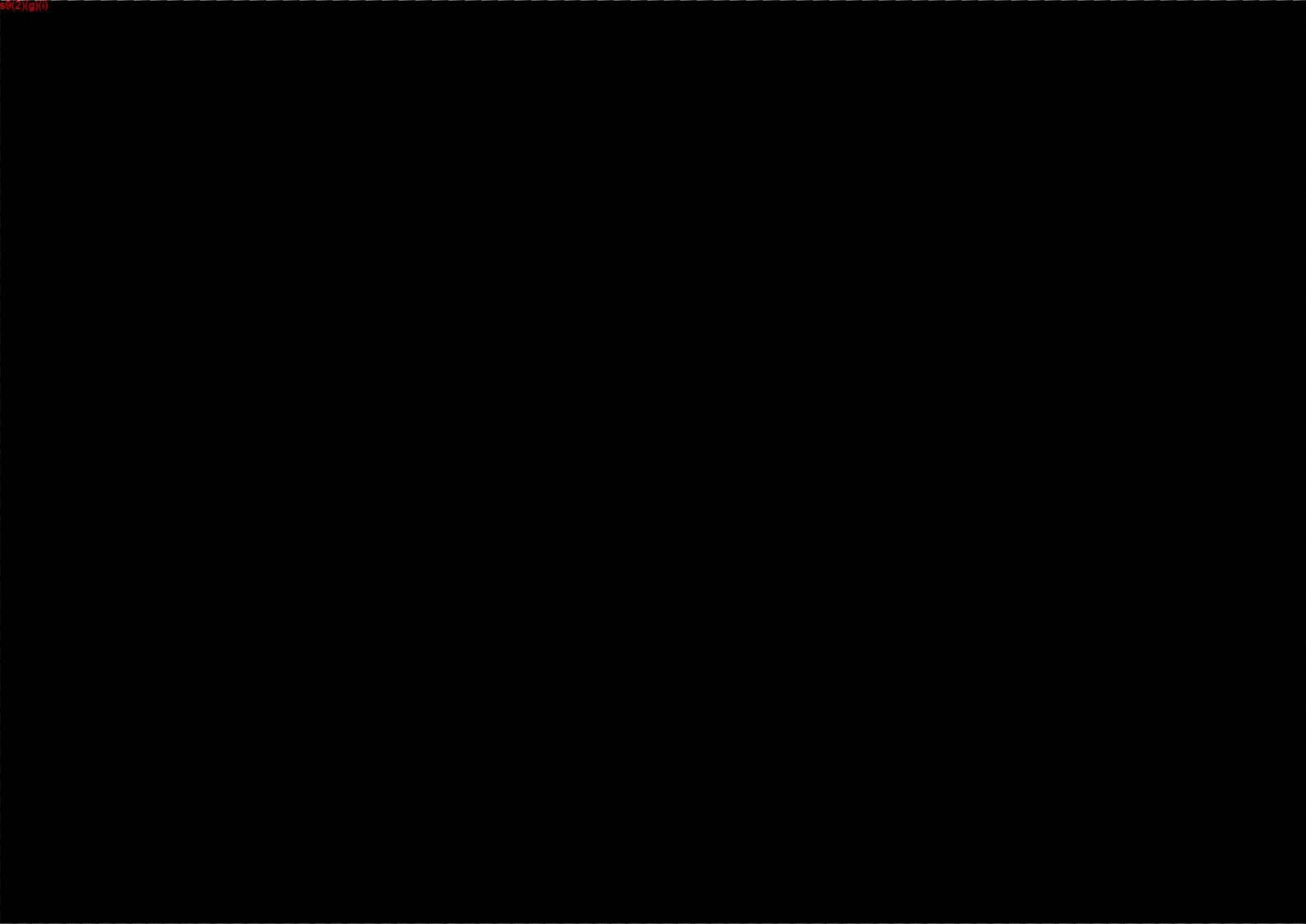
### **Talking points**

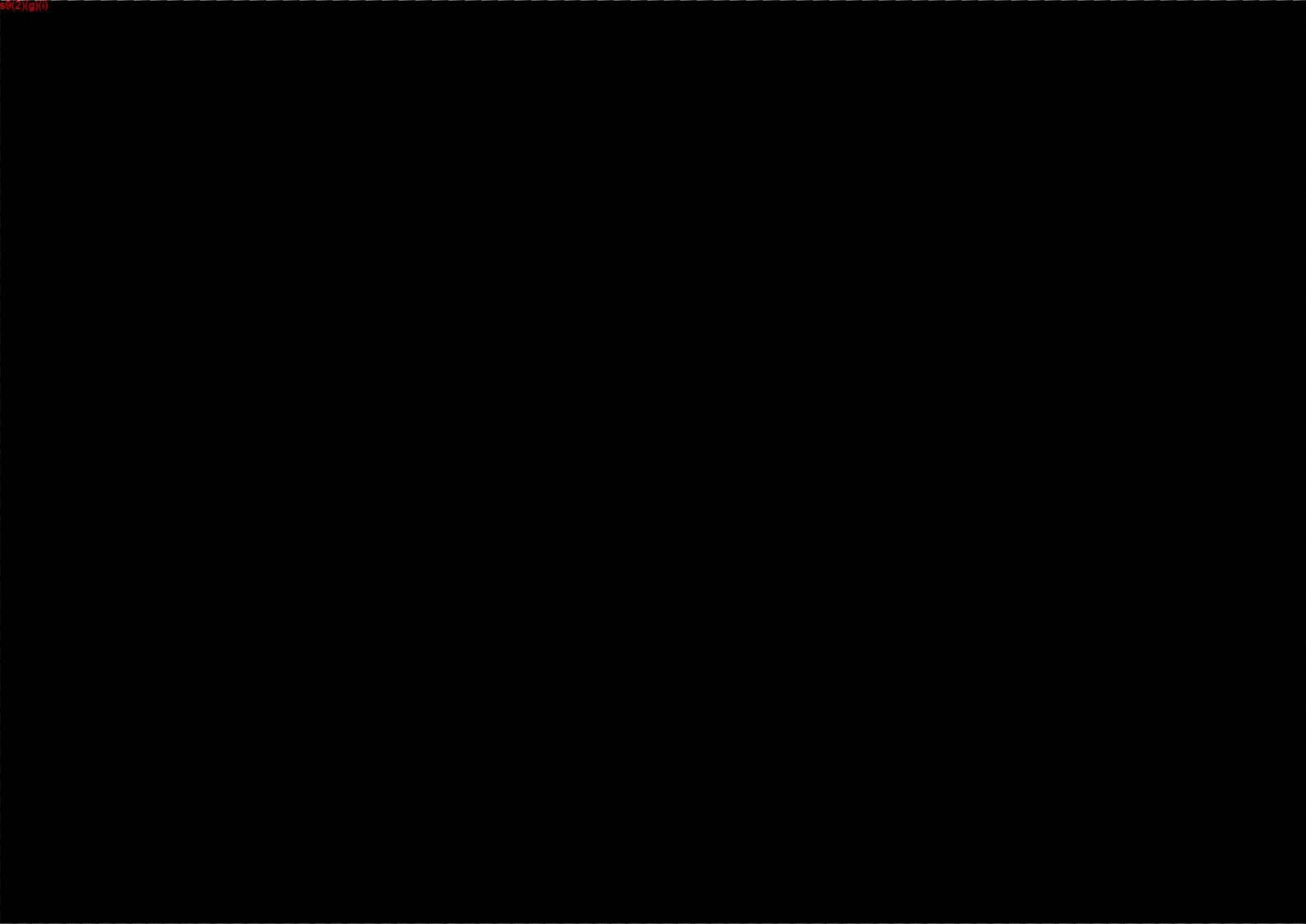
 I am aligning employment-related spending to achieve the Government Target of 50,000 fewer people on the Jobseeker Support Benefit by 2029.











Saving Initiatives	Savings (\$m)		Estimated timeframe	Cost to implement	Client and staff impacts	Alignment with Government priorities	
	Per Year	Over forecast period	(from decision)	(\$m)			
Departmental savings							
Social Workers Registration Board - Crown Funding reduction  Reducing current Crown funding provided to Social Workers Registration Board (SWRB) by 6.5%. This included funding for Crown activities and the SWRB Social Worker Workforce Lead function.	(0.053)	(0.212)	Savings can be realised from the beginning of the 2024/25 financial year.	There are no costs to implement this savings initiative.	Clients:  Low risk as majority of SWRB funding comes from fees and levy charged to practising social workers.  Staff:  Crown Accountability reporting and obligations related to SWRB's Crown Agent status may be prioritised over Workforce lead agency activity.	This initiative contributes to effective and fiscally sustainable public services by ensuring that SWRB operates in an efficient, effective and financially responsible manner.	
Contractor and Consultant Savings  This initiative returns departmental savings by reducing spending on contractors and consultants to below 11 percent of public sector workforce spending.	(15.650)	(62.600)	Savings can be realised from the beginning of the 2024/25 financial year.	There are no costs to implement this savings initiative.	\$9(2)(g) (i)	This initiative links to delivering effective and fiscally sustainable public services and supports the government's commitment to reduce the use of contractors and consultants.	

Saving Initiatives	Savings (\$m)		Estimated timeframe	Cost to implement	Client and staff impacts	Alignment with Government priorities
	Per Year	Over forecast period	(from decision)	(\$m)		priorities
Operational Savings  This initiative returns departmental savings in:  Travel  Accommodation (National Office)  Venue, Catering and Equipment  Stationery and consumables  S9(2)(j)  Devices and Peripherals  Cleaning and Plant Hire  Vending Machines and Hygiene Optimisation	(6.070)	(24.280)	Savings can be realised from the beginning of the 2024/25 financial year.	There are no costs to implement this savings initiative.	Clients: These savings have a low impact on the Ministry's work programme.  Staff: Minimal risks of reducing discretionary expenditure. The Ministry will be more deliberate about when face-to-face meetings are required.	This initiative links to delivering effective and fiscally sustainable public services through the implementation of several departmental savings initiatives.
MSD Departmental Savings – FTE  This initiative returns FTE savings across all business groups, with a focus on non-frontline positions. This initiative returns FTE savings across all business groups, with a focus on non-frontline positions.	(16.943)	(67.772)	Savings can be realised from the beginning of the 2024/25 financial year.	Savings will be delivered through FTE management and attrition initially and followed by targeted business group change processes.  The Ministry has a highly unionised workforce. Employment agreements stipulate how change will be managed, as well as change related entitlements, such as outplacement support and redundancy compensation.	Preliminary analysis has identified that approximately 165 FTE savings will need to be made. These reductions are in addition to an already reducing FTE baseline.  Reductions have been identified using the Select Committee clusters while further review and analysis of specific functions and positions is undertaken. The anticipated FTE reduction by cluster is:  • \$9(2)(ba)(ii)	This initiative returns operational savings in FTE, with a focus on nonfrontline positions. The preliminary areas identified for FTE reduction have a lower impact on the delivery of frontline services, the Minister's priorities for the Social Development and Employment portfolio and proposed targets for reducing Jobseeker Support and Emergency Housing. Since the impact on direct-to-client services will be minimised, these savings represent value for money because existing frontline services can continue within communities across New Zealand.  These savings can be reprioritised to fund the Government's priorities and deliver enduring improvements to the operating balance before gains and losses (OBEGAL) position.

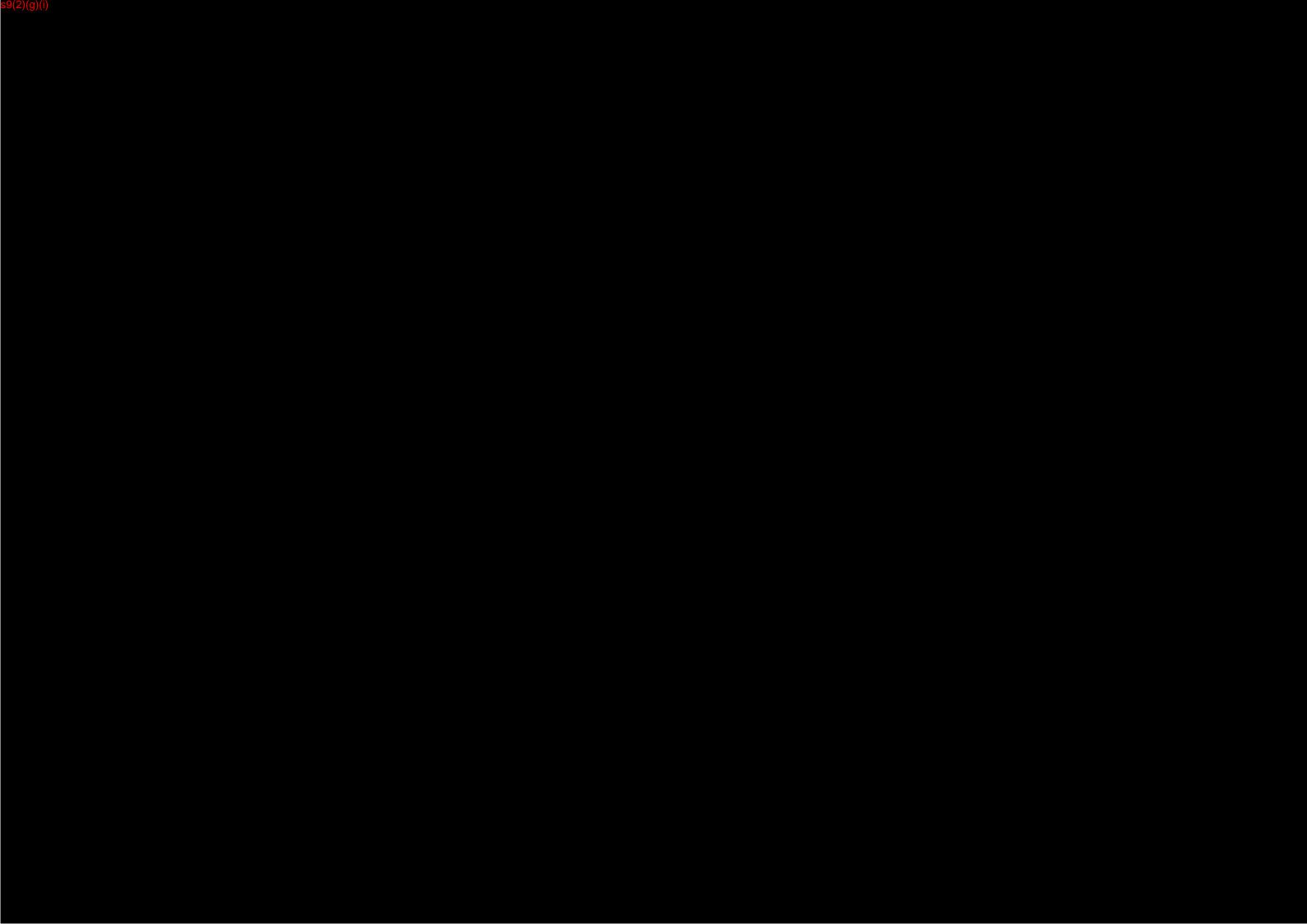
Saving Initiatives			Estimated timeframe	Cost to implement	Client and staff impacts	Alignment with Government priorities
	Per Year	Over forecast period	(from decision)	(\$m)		priorities
					The preliminary areas identified for FTE reduction have a lower impact on the delivery of frontline services, Ministerial priorities and proposed targets for reducing Jobseeker Support and Emergency Housing. With any change process there is a risk of disruption and decreased productivity as people go through the change and new ways of working are established to support the wider business with reduced capacity. Any change processes will be managed in accordance with legislative and employment agreement requirements and sequenced to ensure any impacts on the delivery of services are minimised.  With a reduced FTE the Ministry will need to reprioritise the functions and work programme of the organisation.	

Savings (\$m)		Estimated	Cost to	Client and staff impacts	Alignment with Government priorities
Per Year	Over forecast period	(from decision)	(\$m)		priorities
40 M CONT.		Savings can be realised from the beginning of the 2025/26 financial year.	There are no costs to implement this savings initiative.	Returning this funding would have no impacts for clients or staff.	This initiative delivers effective and fiscally sustainable public services.
	Per Year 25/26: (20.000) 26/27: (20.000)	Per Year Over forecast period  25/26: (20.000) (60.000) 26/27: (20.000)	Per Year Over forecast period (from decision)  25/26: (20.000) (60.000) Savings can be realised from the beginning of the 2025/26	Per Year  Over forecast period  Savings can be realised from the beginning of the 2025/26 savings  implement (\$m)  There are no costs to implement this savings	Per Year  Over forecast period  Savings can be realised from the beginning of the 2025/26  timeframe (from decision)  implement (\$m)  There are no costs to implement this savings  Returning this funding would have no impacts for clients or staff.

Saving Initiatives	Savings (\$m)		Estimated Cost to implement		Client and staff impacts	Alignment with Government priorities	
	Per Year	Over forecast period	(from decision)	(\$m)		priorities	
Growing the Capability of the Social Sector Fund This funding was appropriated at Budget 2022 to support the establishment and strengthening of Māori and pacific collectives to engage more proactively and participate in the Social Sector Commissioning work programme via a Social Sector Capability Fund.	2023/24: (5.800)	(5.800)	Savings can be realised from the 2023/24 financial year.	MSD will absorb any costs to implement this savings initiative.	Clients:  These initiatives have ended and decisions communicated.  There could be future impacts on wider government work programmes (e.g. Te Pae Tawhiti), due to loss of input from underserved cohorts. MSD will explore other mechanisms to ensure that the voice of these under-served cohorts can be captured and reflected in wider government work programmes.  Staff:	These initiatives deliver effective and fiscally sustainable public services, consistent with the direction you provided in December 2023 (REP/23/12/987 refers).	
Growing a Diverse and Resilient Social Sector  This funding was appropriated at Budget 2023 to help strengthen the capability, resilience and diversity of the social sector by funding community, provider, and sector groups, especially those that work with Māori, Pacific and Ethnic communities.	2023/24: (4.400) 2024/25: (0.900)	(5.300)	Savings can be realised from the 2023/24 financial year.	There are no costs to implement this savings initiative.	Returning this funding would have no impacts for staff.		

Saving Initiatives			The state of the s	Cost to implement	Client and staff impacts	Alignment with Government priorities
	Per Year	Over forecast period	(from decision)	(\$m)		
Community Connectors – scaling to 50 FTEs  Community Connectors were originally funded as a COVID-19 response, allowing providers to respond flexibly to the needs of their communities. This funding was appropriated at Budget 2023 to extend the programme for a smaller number of connectors, who would support New Zealanders with other sorts of need, in addition to those impacted by COVID-19. The proposed savings initiative would reduce the number of connectors from 100 FTEs to 50 FTEs in the 2024/25 financial year.	2024/25: (7.400)	(7.400)	Savings can be realised from the 2024/25 financial year.	There are no costs to implement this savings initiative.	Clients:  For clients who reside in those regions most impacted by the North Island Weather Events (NIWE) – including Northland, Auckland, East Coast, Hawke's Bay and Coromandel – 50 of the 100 Community Connector FTEs will remain focussed on providing continued support.  For clients served by the 50 FTE that will be exiting, advice will be provided on how best to transition out of service delivery and support their clients' referral to alternative services.  Staff:  There are 50 FTE already in NIWE regions, with two-year contracts which would continue and require no further recruitment.  \$9(2)(g)(i)	This initiative delivers effective and fiscally sustainable public services, and is consistent with the direction you provided in February 2024 (REP/24/2/160 refers).

s9(2)(g)(i)



Saving Initiatives	Savings (\$m)		Estimated timeframe	Cost to implement	Client and staff impacts	Alignment with Government priorities	
	Per Year	Over forecast period	(from decision)	(\$m)		<b>p</b> .11.11.10.0	
Early Learning 20 Hours – departmental funding This funding was appropriated at Budget 2023 to support MSD to implement the extension of the 20 Hours Free programme to two-year-olds.	2023/24: (1.079)		Savings can be realised from the 2023/24 financial year.	There are no costs to implement this savings initiative.	Vote Social Development was appropriated \$1.629m for IT and other operational costs associated with expanding 20 hours ECE. As at December 2023, \$0.550m of funding had been spent, leaving \$1.079m unspent from the overall \$1.629m budget (REP/23/12/965 refers).	This initiative delivers effective and fiscally sustainable public services, and is consistent with the direction you provided in December 2023 (REP/23/12/965 refers).	

New Spending Initiative	New Funding (\$m)		Estimated timeframe	Cost to implement	Client and staff impacts	Alignment with Government priorities
	Per Year	Over forecast period	(from decision)	(\$m)		
Historic Claims of Abuse in Care This initiative provides funding to enable MSD to continue resolving claims of historic abuse of people while in care of Child, Youth and Family, or its predecessors (without them having to resort to civil litigation) – for a further two years.	2024/25: 32.833 2025/26: 49.036	Total cost: 81.869	This is the continuation of an existing initiative.	See costs column.	Continuing to provide access to redress through the Historic Claims process has direct benefits including:  • claimants having a sense of justice, validation and empowerment  • support to help claimants to address adverse outcomes –increasing resilience, health, employment, training, housing, education and/or their connectedness with whānau, hapu and iwi  • learning from Claims is available for providers of State care – to build on the work of the Royal Commission of Inquiry into Historical Abuse in State Care.  MSD is currently working through the impacts on staff and clients. Further advice will be provided once work has been completed on the number of claims that could be settled with this funding, and any impacts this may have on current FTE. Note that the Ministry has already reduced its FTE by approximately 10 FTE from original establishment.	This initiative aligns with the Government's priority to deliver effective and fiscally sustainable public services.  The Crown is liable to provide redress to people who have been abused in its care. MSD's Historic claims process is a cost effective and human-centred approach to responding to claims of abuse in State care. The alternative being that claims are resolved through the Courts at significant financial and human costs due to the adversarial nature of the Court system.

# Budget 2024 Package



The top priority for the Social Development and Employment portfolio is getting people into employment and lifting employment outcomes. Together, the priorities are intended to make an intergenerational difference for New Zealand:

#### **Priority One:**

Getting people into employment and lifting economic outcomes – including implementing a cohesive cross-agency plan to meet the skills needs of employers and work with business to create opportunities for New Zealanders.

#### > Priority Two:

Welfare that Works and Reducing Benefit Dependency – focusing on getting young people off welfare and into work, as well as providing enhanced support for jobseekers (and clear consequences when they do not fulfil their obligations to prepare for or find work).

#### > Priority Three:

Making work pay by ensuring appropriate incentives to work – focusing on aligning incentives across the welfare, tax, housing, education, and other systems.

#### > Priority Four:

Reducing child poverty – including a focus on reducing the number of children in benefit dependent households.

#### > Priority Five:

Fiscal sustainability – which is a focus in and of itself, but the other priorities are expected to support this.

# Key actions to reflect this Government's strong focus on employment include:

- setting a target to have 50,000 fewer people on the Jobseeker Support benefits by 2030
- setting expectations around the use of benefit sanctions and MSD beginning work check-ins for job seekers after six months (with further work being undertaken on mandatory reapplication for Jobseeker support every six months, community-provided job coaching, new non-financial sanctions, and a traffic light system to help job seekers comply with their work obligations)
- Refocussing MSD's employment investment strategy on achieving the Jobseeker reduction target with a longterm focus on reducing intergenerational benefit dependency.

#### **New initiatives**

#### Historic Claims

In addition to the employment focus this budget focuses on survivors of abuse in state care by providing timely resolution of abuse claims which helps them have a sense of justice. This initiative provides funding to enable MSD to resolve a further 2,000 claims of historic abuse in care, without them having to resort to civil litigation. This budget provides \$81.869 million in funding for historic claims over two years.

#### Welfare that works

Youth focused employment supports: Aligning employment-related spending to the priority target and focus on intergenerational difference, progressing the Welfare that Works manifesto commitment through internal reprioritisation. This aims to support young jobseekers into employment and off benefit using community providers, individual assessments and plans, and sanctions and incentives.

#### Policy changes

## \$595.643 million saving over the forecast period

housing and extending scaled-down support services

Options to progress this year	Total Over Forecast Period
Housing subsidies – including boarders' contribution in the calculation of subsidies for private and social housing	Total savings: \$161.622m
	Including cross-vote impact
Emergency Housing – Tightening the gateway to emergency	Total savings: \$434.091m

Housing subsidies – This initiative includes boarders' contribution in the calculation o private and social housing making the assistanc inable where a on costs can be counted more thouce in the calc for subsidiary is saving inition of the calculation o on costs can be counted more thouce in the calculation o inable where a on costs can be counted more thouce in the calculation o in the calculation o in the calculation o on costs can be counted more thouce in the calculation o in the calculation or costs can be counted more thouce in the calculation of the calculation or costs can be counted more though the calculation of the calculation of the calculation or costs can be counted more though the calculation of the calculation of the calculation or costs can be counted more though the calculation of the calculation of

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#### **Savings from Community programmes**

#### \$62.922 million saving over the forecast period

			Total Over Forecast Period
	num Wage Exemption – discontir ement	nuation of the wage	\$58.922m
			Including cross-vote impact
Comr	nuni on F	funding	\$4.000m
M a se	um Wage Exemption - The with the Government's prio s.		ostly intervention, and returning funding ive and fiscally sustainable public
Co pri (OB	on Fund: Thes and deliver enduring imp ) position.		oritised to fund the Government's rating balance before gains and losses

#### Time limited s

# \$87.264 million saving over the forecast period

Programmes	Total Over Forecast Period
COVID-19 departmental funding	\$60m
Growing the Capability of the Social Sector Fund	\$5.800m
Growing a Diverse and Resilient Social Sector	\$5.300m
Community Connectors – scaling to 50 FTEs	\$7.400m
Russian Pensions Programme	\$6.53m
Equitable Transitions Programme	\$1.155m
Early Learning 20 Hours – departmental funding	\$1.079m

# Dep ment Savings

FTE

### \$154.864 million saving over the forecast period

8	
	Total Over Forecast Period
Social Workers Registration Board – Crown Funding reduction	\$0.212m
Contractors and Consultants	\$62.600m
Operational Savings	\$24.280m
Covering departmental savings in:	
· Travel	
· Accommodation National Office	
Stationery & Consumables	
Venue Catering & Equipment	
Devices and Peripherals	
Plant Hire and Cleaning Costs	
Printing & Photocopying	
<ul> <li>Vending machines &amp; hygiene optimisation</li> </ul>	

These initiatives link to delivering effective and fiscally sustainable public services and support the government's commitment to reduce the use of contractors and consultants, back-office spending and achieving more fiscally sustainable workforce.

\$67.772m