



Date:	4 April 2024	Security Level:	BUDGET - SENSITIVE					
То:	Hon Louise Upston, Minister for Social Development and Employment							
Reference:	REP/24/4/298							

# Fiscal Sustainability - Budget 2024 impacts and Ministerial engagement

## Purpose

- 1 This report provides you with advice to support a sense check of the Social Development and Employment Budget 2024 package, including impacts on clients and staff, and alignment with Government priorities. We note that Ministers are still considering the components of the final package. As such, we have included details for all initiatives currently in the package, as per your bilateral meeting with the Minister of Finance. These are set out in:
  - Appendix One Housing savings information
  - Appendix Two Information regarding other savings initiatives
  - Appendix Three Information regarding new spending initiative.
- 2 <mark>\$9(2)</mark>

## Recommendations

It is recommended that you:

- 1 note that substantial advice regarding the Social Development and Employment Budget 2024 package was provided to you and the Minister of Finance following the Budget bilateral meeting (REP/24/3/291 refers)
- 2 s9(2)(f)(iv)

2

#### **BUDGET SENSITIVE**

3 **agree** to forward Appendix One to the Minister of Housing and the Associate Minister of Housing (Social Housing).

Agree / Disagree

Sacha O'Dea Deputy Chief Executive Strategy and Insights

Hon Louise Upston Minister for Social Development and Employment

Date

Date

## Background

- 3 Following the Social Development Budget 2024 bilateral meeting on Wednesday 20 March 2024, MSD and the Treasury provided joint advice to you and the Minister of Finance, seeking decisions to inform the fourth Budget Ministers' Meeting (BM 4) on 8 April 2024 and the Budget Cabinet paper on 29 April (REP/24/3/291).
- 4 You will also be receiving advice from the Independent Reviewer.
- 5 MSD understands that you are still considering this advice, and have requested further information to support a sense check of the final Budget 2024 package for Social Development and Employment. This report provides further information, including impacts on clients and staff, and alignment with Government priorities.

## **Revised implementation costs**



# Developments following MSD's joint advice with the Treasury

8 Following MSD's joint advice with the Treasury, we understand that the following savings may not be supported or progressed:



9 Advice regarding these initiatives is still included in Appendix Two for completeness.

### Next steps

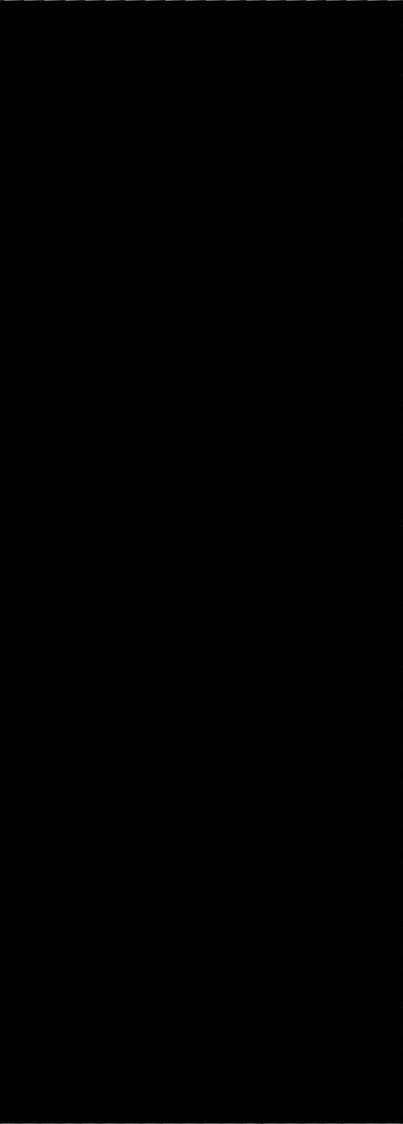
10 It is recommended that you agree to forward Appendix One to the Minister of Housing and the Associate Minister of Housing (Social Housing).

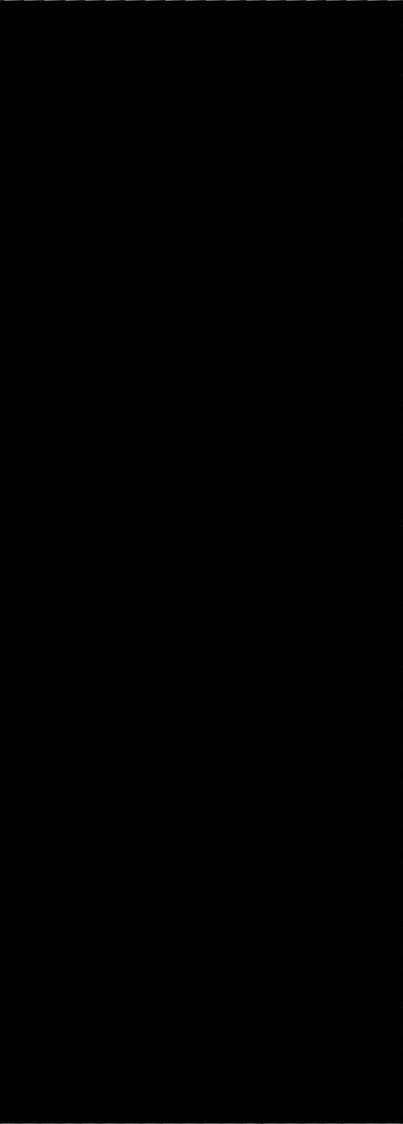
### Appendices:

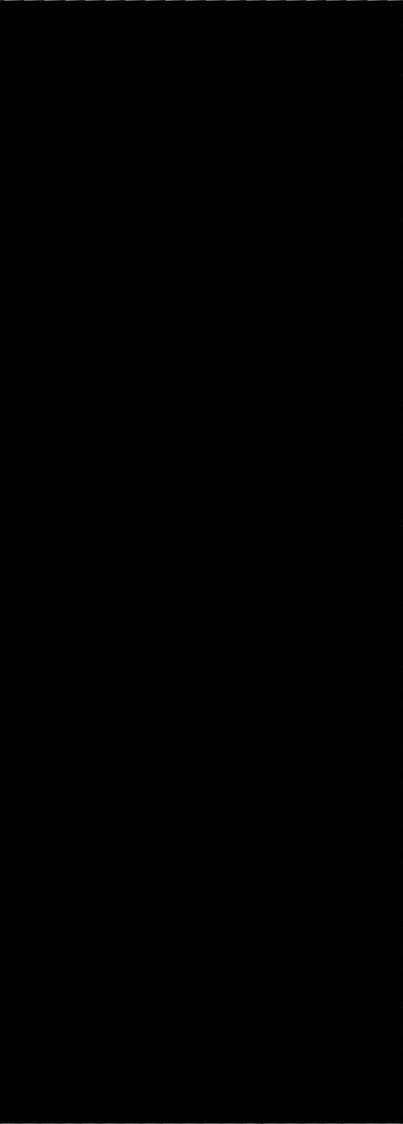
Appendix One: Housing savings information

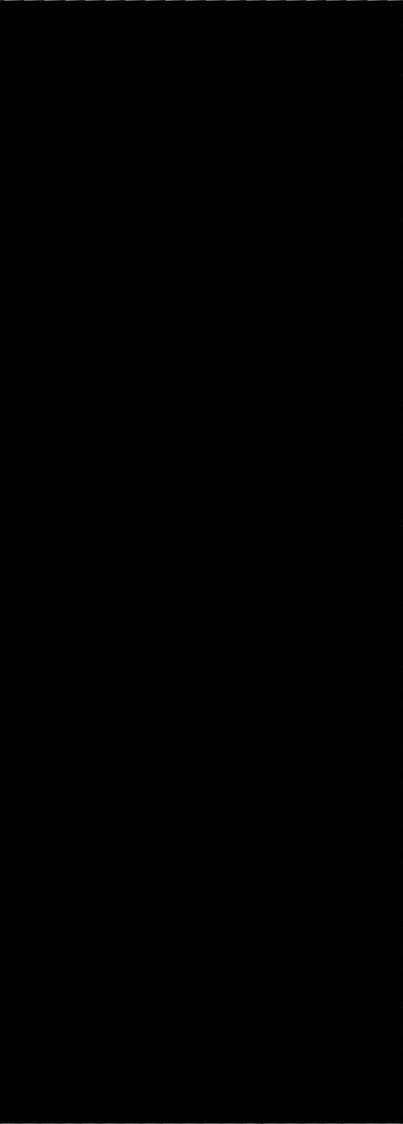
Appendix Two: Information regarding other savings initiatives

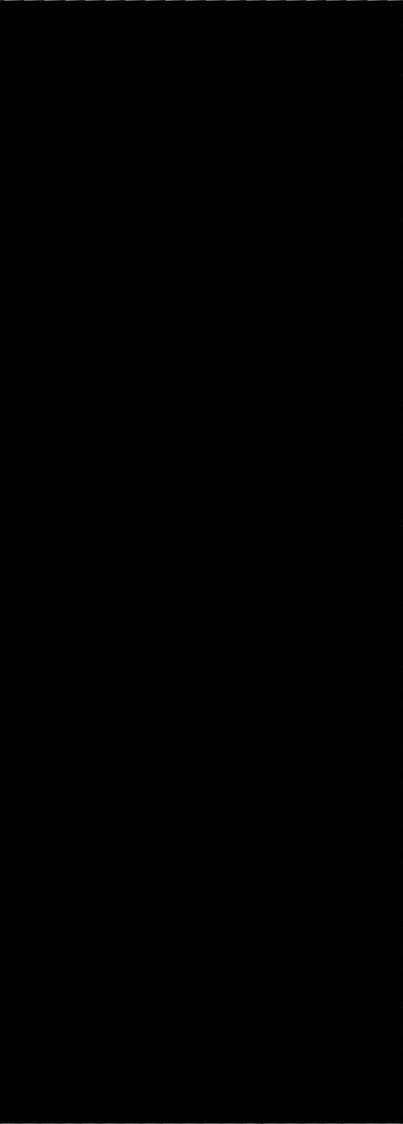
Appendix Three: Information regarding new spending initiative

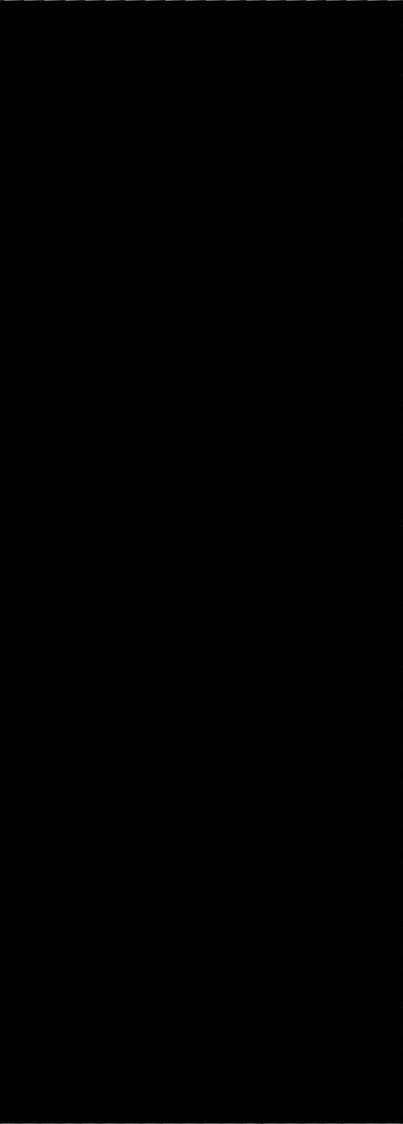












Proposal	Sav	<b>/ings</b> (\$m)	Estimated timeframe	Cost to implement	Client and staff impacts
	Per Year	Over forecast period	(from decision)	(\$m)	

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.

Alignment with Government priorities

Proposal	Savings	(\$m)	Estimated timeframe	Cost to implement	Client and staff impacts
	Per Year	Over forecast period	(from decision)	(\$m)	
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.	
<ul> <li>Operational Savings</li> <li>This initiative returns departmental savings in: <ul> <li>Travel</li> <li>Accommodation (National Office)</li> <li>Venue, Catering and Equipment</li> <li>Stationery and consumables</li> <li>\$9(2)(j)</li> </ul> </li> <li>Devices and Peripherals</li> <li>Cleaning and Plant Hire</li> <li>Vending Machines and Hygiene Optimisation</li> </ul>	(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.	<b>Clients:</b> These savings have a low impact on the Ministry's work programme. <b>Staff:</b> Minimal risks of reducing discretionary expenditure. The Ministry will be more deliberate about when face-to-face meet are required.



MSD Departmental Savings – FTE (16.943) (65.972) Savings can be Savings will be Preliminary analysis has identified	
Lesses This initiative returns FTE savings across all business groups, with a focus on non-frontine positions. This initiative returns FTE savings across all business groups, with a focus on non-frontine positions. The Minimum STE savings across all business groups, with a focus on non-frontine positions. The Minimum STE savings across all business groups, with a focus on non-frontine positions. The Minimum STE savings across all business groups, with a focus on non-frontine positions. The Minimum STE savings across all business groups, with a focus on non-frontine positions. The Minimum STE savings across all business group change across all business group in analysis of specific functions support and the saving across all business group change across all business group in analysis of specific functions and across across all business group in analysis of specific functions well as change related The Minimum STE savings across all business group in analysis of specific functions and across across all business group in analysis of specific functions and process there is a staving across all business well as change related The preliminary areas identified for a group across there is a rak of and decreased productivity as pre- struction have a lower impact on of frontine services, Ministerial po- monted across across and business and encreased productivity as pre- sequenced to assure any impact delivery of services are minimase. With a cloced fire the Ministry is not accordance with the managed in accordance with and decreased productivity as pre- sequenced to assure any impact delivery of services are minimase. With a cloced fire the Ministry is not the organisation.	will need addition i using th further is and posi- TE reduce TE reduce for FTE in the de priorities obseeker g. With a f disrupti eople go vys of wo vider busi- nge proc with legis juirement ts on the ed. will need

n to an

the review ositions uction



delivery es and er any otion jo vorking isiness ocesses

gislative ents and ne

ed to gramme

This initiative returns operational ed to be 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 directto-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.

Proposal	Savings (\$m)		Estimated timeframe	Cost to implement	Client and staff impacts	Alignment with Government priorities
	Per YearOver forecast periodtimeframe (from decision)implement (\$m)		(\$m)			
Additional time-limited savings						
COVID-19 departmental funding This funding was appropriated in the early months of the COVID-19 pandemic, primarily to support MSD to meet additional demand. \$40 million that had been appropriated in 2023/24 and 2024/25 was returned in late 2021.	25/26: (20.000) 26/27: (20.000) 27/28: (20.000)	(60.000)	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.

Proposal	Savings (\$m)		Estimated Cost to timeframe 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.	

Proposal	Savings	: (\$m)	Estimated timeframe	Cost to implement	Client and staff impacts	
	Per Year	Over forecast period	(from decision)	(\$m)		
Food Secure Communities This funding was appropriated at Budget 2023 to enable MSD to support community food distribution initiatives. Realising savings from this initiative has the potential to result in adverse impacts for low-income New Zealanders.	2023/24: (4.000) 2024/25: (3.500)	(7.500)	Savings can be realised from the 2023/24 financial year.	There are no costs to implement this savings initiative.	Clients: Cancelling funding for food secure initiat has potential to increase food insecurity communities. Budget 2023 announceme may have created some expectation with community food sector for this funding. However, the funding round has yet to of for applications, so this can be managed through planned communications with the sector. Staff: Returning this funding would have no im for staff.	
<b>Community Connectors – scaling to 50 FTEs</b> 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 m impacted by the North Island Weather E (NIWE) – including Northland, Auckland, Coast, Hawke's Bay and Coromandel – 5 the 100 Community Connector FTEs will remain focussed on providing continued support. For clients served by the 50 FTE that will exiting, advice will be provided on how b transition out of service delivery and sup their clients' referral to alternative service Staff: There are 50 FTE already in NIWE region with two-year contracts which would cor and require no further recruitment. S9(2)(g)(i)	

	Alignment with Government priorities
atives y in ients ithin the open ed the	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).
mpacts	
most Events d, East 50 of II d	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).
rill be best to upport vices.	
ons, ontinue	

Proposal	Savings (\$m)		Estimated timeframe	Cost to implement	Client and staff impacts	Alignment with Government priorities
	Per Year	Over forecast period	(from decision)	(\$m)		priorities
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)	(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).

# Appendix Three: Information regarding new spending initiative

Proposal	Costs (\$m)		Estimated timeframe	Cost to implement	Client and staff impacts	Alignme
	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: 49.830 2025/26: 49.036 <b>\$9(2)(g)(i)</b>	Total cost: 98.866	This is the continuation of an existing initiative.	See costs column.	<ul> <li>Continuing to provide access to redress through the Historic Claims process has direct benefits including:</li> <li>claimants having a sense of justice, validation and empowerment</li> <li>support to help claimants to address adverse outcomes – increasing resilience, health, employment, training, housing, education and/or their connectedness with whānau, hapu and iwi</li> <li>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.</li> <li>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.</li> </ul>	This initia deliver ef services. The Crow have been process is approach care. The through t costs due system.

### nent with Government priorities

itiative aligns with the Government's priority to effective and fiscally sustainable public es.

own is liable to provide redress to people who een abused in its care. MSD's Historic claims is a cost effective and human-centred ch to responding to claims of abuse in State the alternative being that claims are resolved in the Courts at significant financial and human lue to the adversarial nature of the Court