



Report

Date: 8 December 2023

Security Level: BUDGET - SENSITIVE

To: Hon Louise Upston, Minister for Social Development and Employment

Fiscal Sustainability

Purpose

- 1 During this week's agenda item (for the week beginning 11 December), we would like to:
 - test our proposed approach to working with you to develop the February plan to deliver savings, including an iterative process to work through MSD's funding in tranches
 - seek your feedback on whether you would like to stop implementation or reprioritise some decisions for initiatives where the Ministry of Social Development (MSD) has not yet committed to procurement or started implementation (Appendix One)
 - work through our time-limited funding to understand any areas where you are concerned about funding ending and would like further advice (Appendix Two).

Recommended actions

It is recommended that you:

- 1 **discuss** the Ministry's proposed approach for working with you to develop the plan to deliver savings
- 2 **discuss** the list of initiatives in Appendix One with the officials and provide feedback on whether you would like to continue, reprioritise funding or stop implementation

- 3 **note** the list of time-limited funding in Appendix Two with officials and provide feedback on any areas of concern.

Sacha O'Dea
Deputy Chief Executive, Strategy and
Insights

Date

Hon Louise Upston
Minister for Social Development and
Employment

Date

Context

- 2 We have been advised that a paper is going to Cabinet on Monday 11 December seeking decisions on the process for an initial baseline savings exercise. Our understanding is that Ministers will be asked to report to the Minister of Finance in February on their plan to deliver savings.

Proposed approach to develop plan to deliver savings

- 3 As discussed with you, we would like to provide you with advice on savings options in three areas:
- Policy decisions (relating primarily to Benefits or related expenditure (BORE)).
 - Programmes (relating primarily to non-departmental expenditure).
 - Departmental expenditure (including FTEs).
- 4 MSD proposes working with you to develop the February plan to deliver savings through an iterative weekly process, working through MSD's funding in tranches, as set out below:
- **Tranche One:** immediate procurement and funding decisions, and advice on time-limited funding.
 - **Tranche Two:** employment and community MCA programmes (excluding activity already addressed in tranche one), any retendering decisions due in the next 6 months, and information on potential policy options to deliver savings.
 - **Tranche Three:** any programme expenditure relating to:
 - research and evaluation costs.
 - corporate costs (not covered by time-limited funding).
 - any opportunities identified within capital programmes (eg Data warehouse).
 - **Draft Savings Plan:** we will then prepare a draft plan for savings across policy choices, programmes, and departmental expenditure (including FTEs) for your consideration in late January.
- 5 You will have the opportunity to discuss MSD's advice at your weekly meeting with officials. We will then provide additional advice post discussions to support formal decisions.

Tranche One

Immediate procurement and funding decisions

- 6 The table in Appendix One sets out a list of initiatives where MSD has not yet committed to procurement or started implementation of initiatives. The table provides descriptions of initiatives and recommendations for you to consider in deciding whether you would like to stop implementation or reprioritise funding awaiting procurement decisions.

Time-limited funding

- 7 In previous advice¹ MSD has highlighted where time-limited funding has been approved for three key activities, including Te Pae Tawhiti, Historic Claims, and Emergency Housing Support Services, along with associated risks. The information included in the Appendix Two sets out the full list of time-limited initiatives across Vote Social Development, where funding is coming to an end within the forecast period, including commentary on associated risks (key risks are summarised in paras 11 and 12 below).
- 8 The programmes which have received time-limited funding include some programmes that were expected to be enduring, and other programmes which were always intended to be temporary (e.g. North Island Weather Events or establishing the Ministry for Disabled People/Whaikaha). MSD has provided advice for each initiative in the table including risk indication and flow-on impacts.
- 9 Note that Appendix Two includes the time-limited funding for MSD's employment programme under the multi-category appropriation (MCA) for Improved Employment and Social Outcomes support. The specific initiatives include:
- Oranga Mahi
 - Mayors Taskforce for Jobs and Ngā Puna Pūkenga
 - Vocational Rehabilitation Services for Musculoskeletal Pain
 - Māori Trades and Training Fund
 - Early Response Redeployment Support and Rapid Return to Work
 - Direct Career Guidance Service Improvements.
- 10 The time-limited funding for employment programmes also includes \$35.2m over two years for Employment Recovery Response, as part of the North Island Weather Events package; of which the final \$11.0m in funding will expire in 2024/25.
- 11 It is also worth noting that \$27.440m in savings from the previous Government's Rapid Savings Exercise was obtained through changes to the Improved Employment and Social Outcomes Support MCA.
- 12 There are also significant risks associated with the expiry on 30 June 2025 of time-limited funding for *Continuing the expansion of Flexi-wage initiative*. This initiative is MSDs most effective employment product in providing targeted support for people in need into work.
- 13 It will be important to maintain a sufficient quantum of funding across this MCA to give effect your employment priorities. If further reductions in the funding available for employment support are sought, it will create a cumulative risk during a time when benefit numbers are forecast to increase.
- 14 We would also note that there is a significant risk associated with the expiry on 30 June 2024 of *Funding for Care and /or Support Workers Pay Uplift* initiative. The payment to support the interim pay uplift for care and support

¹ Refer REP/23/11/897 - Operating within fiscal constraints

workers employed by MSD providers has been delayed, and the pay scale for these workers effectively remains under minimum wage. The process for a pay equity claim is underway, however an additional claim from the same group has been lodged, as eligible claim timelines have been extended. We seek your feedback on whether you would like to implement the interim agreement while the pay equity claim is underway.

- 15 MSD will provide detail assessment reports to you on the risks and flow-on impacts for any initiatives you identify as being areas of concern.

Appendices

Appendix One – Immediate procurement and funding decisions (page 6)

Appendix Two – Time-limited funding (page 11)

