Appendix Two - Draft summary of the Budget 2025 and Budget 2026 invited initiatives

Note that this appendix contains the latest advice, and this information (including fiscal impacts) is still under development and subject to change. This material will be finalised in advice ahead of initiative submissions.

Note that estimated policy savings have not yet been reduced to account for IT and FTE costs.

s9(2)(f)(iv)

MoF Budget 2025 invitation		MSD Initiative	Fiscals (net, $m)						Client and staff impacts	Next steps for the initiative	Key points
Component	Conditions		2024/25	2025/26	2026/27	2027/28	2028/29	Total			
Savings											
Ministry of Social Development: Targeted Savings	*I invite you to identify multiple policy options from services that Ministry of Social Development (MSD) administers, which Budget Ministers could consider for savings in Budget 2025.* *These can be scalable, but each should be fiscally significant (for example, at least $100 million in savings each over the forecast period, although smaller savings could be considered if agreed with the Treasury ahead of submission).* *I am providing an open invitation to your ideas for savings.* *Please work with other Ministers (and the Ministry of Social Development to work with other agencies) as necessary to develop these options.*	s9(2)(f)(iv)									
		Jobseeker Support: tightening eligibility for 18-19-year-olds			(28.254)	(84.797)	(84.797)	(197.848)	Client: 11,728 impacted over five years. Staff TBC	For Budget 2026 MSD will prepare a submission based on this option and go through the usual process for finalising. Operational costs are not reflected in current fiscals - this will reduce overall savings. These will be included prior to submission.	Complexity of change: Very high This would add a Parental support eligibility test added for 18-19-year-olds applying for Jobseeker Support or Emergency Benefit - which is similar to the test used for Youth Payment. Timing/feasibility – from decisions: Approximately 36 months due to expected flow-on impacts and design complexity (hardship-tested assistance e.g. EB, grandparenting etc). This is assumed in the costings. Would need legislative vehicle. Impact – people or assistance: 18- and 19-year-olds – as only those with a parental support gap will be eligible for Jobseeker Support. Parents/caregivers with a child aged 18 or 19 years.

MoF Budget 2025 invitation		MSD Initiative	Fiscals (net, $m)						Client and staff impacts	Next steps for the initiative	Key points
Component	**Conditions**		**2024/25**	**2025/26**	**2026/27**	**2027/28**	**2028/29**	**Total**			
		Automated Decision-Making changes	BoRE: approximately ($163.118 m) over 5 years [($50.564m) from top 3 processes, and ($112.554m) from those requiring significant modification].						Staff Impact: All remediation options for the processes will also have a cumulative impact of increasing demand on frontline staff. Without additional investment, MSD will have to divert existing staff from priority work to mitigate the impact of these changes. Client Impact: The use of Automated Decision Making (ADM) helps ensure timely and more responsive support to clients for those types of assistance and improves the efficiency and consistency of decision-making in the welfare system.	For Budget 2025 MSD will prepare a submission based on the advice you have received advice to date. We are confirming the costings and savings for this proposal based on more recent data and detailed implementation plans. This will be included prior to submission.	Complexity of change: High Timing/feasibility – from decisions: Approximately 18 months+ from Cabinet decisions (noting that costings have not been adjusted to account for lead in). Cabinet process currently planned for March 2025. Requires Legislative change, this Bill has been signalled in the 2024 Legislation Programme. Impact – people or assistance: Assistance impacted: Hardship Assistance (Food and Dental) Temporary Additional Support; Disability Allowance (DA); Child Disability Allowance (CDA); Supported Living Payment including carers; Emergency Benefit and Emergency Maintenance Allowance with an expiry longer than 52 weeks; Accommodation Supplement; NZ Superannuation (NZS) or Veteran's Pension (VP) with a Non-Qualified Spouse; Orphan's Benefit (OB); Unsupported Child's Benefit (UCB); Widows Benefit Overseas; SLP Overseas and People who are overseas for longer than 26 weeks and are receive NZ Super or VP; Special Benefit; Childcare Subsidy and Out of School Care and Recreational Subsidy; Jobseeker Support and Supported Living Payment (SLP); Sole parent rate of benefit.
Ongoing review of housing supports	*The Minister for Housing has been invited to provide an update on the ongoing review of housing supports, and specific savings initiatives that Budget Ministers could consider for Budget 2025. Please work with him on this update, particularly ensuring that it contains options on the Accommodation Supplement* s9(2)(f)(iv) [redacted]*, including options that Budget Ministers deferred at Budget 2024.*	s9(2)(f)(iv) [redacted]									
		Increasing Accommodation Supplement entry threshold for Homeowners (from 30% to 40%) (excluding NZS/VP/SLP)			(4.628)	(18.454)	(17.521)	(40.603)	Client: reduction in the Accommodation Supplement (AS) amount received for 9,946 families (with an average reduction in AS received per week of $36.45) and reduce AS received to zero for 1,300 recipients	This initiative is for Budget 2025. This reflects the scaled option that was discussed in your meeting with Minister Bishop - excluding homeowners receiving the NZS, VP and SLP. Operational costs are not reflected in current fiscals - this will reduce overall savings. These will be included prior to submission.	Complexity of change: Low to Medium Timing/feasibility – from decisions: Estimated 12-18 months (sizing underway). Requires a primary legislative change Impact – people or assistance: Low-income homeowners. As at November 2024, the AS supported around 37,502 homeowners, including around 7,434 recipients of New Zealand Superannuation/Veteran's Pension and 4,880 recipients of the Supported Living Payment. The change is forecast to reduce the AS amount received for 9,946 families (with an average reduction in AS received per week of $36.45) and reduce AS received to zero for 1,300 recipients

MoF Budget 2025 invitation		MSD Initiative	Fiscals (net, $m)						Client and staff impacts	Next steps for the initiative	Key points
Component	**Conditions**		**2024/25**	**2025/26**	**2026/27**	**2027/28**	**2028/29**	**Total**			
Tagged Contingencies	*You have the following tagged contingencies in your portfolio, which should be reviewed for potential savings opportunities. If there are no such opportunities, a reasonable justification for why the funding is still needed should be provided.*	Children and Young People's Commission - Establishment of New Entity						TBC	TBC	This will be included in Budget 2025. In August, you and the Minister of Finance agreed to draw down from the Children and Young People's Commission (the Commission) tagged contingency for the 2024/25 financial year. The draw down was to fund:- the Commission's operating costs for 2024/25- transition costs to make the Independent Children's Monitor into an independent Crown entity- the costs of the reviews of the Oversight of the Oranga Tamariki Act and Children and Young People's Commission Act. We will deliver a second paper to drawdown ongoing costs for the Commission and any remaining transitional costs for the Commission and the Monitor in 2025, before the Budget 2025 moratorium and once we have greater certainty on the future state of the Oversight system.	
		Total:	TBC	TBC	TBC	TBC	TBC	TBC			

MoF Budget 2025 invitation		MSD Initiative	Fiscals (net, $m)						Client and staff impacts	Next steps for the initiative	Key points
Component	Conditions		2024/25	2025/26	2026/27	2027/28	2028/29	Total			
New spending											
Invest to Save initiatives	*In developing these initiatives, you should make use of the framework agreed recently by Ministers and engage closely with the Treasury. MSD should also address the extent to which these initiatives can help to meet the cost of higher demand for frontline services.*	Employment invest-to-save		s9(2)(g)(i)					This funding enables MSD's frontline employment services to continue to be delivered at current levels. It means that the increase in frontline employment related engagement, including Kōrero Mahi seminars will continue despite the higher demand for both income and employment services, as resourcing decisions require a trade-off between these elements of the business. The phone-based case management service supported through funding for case managers is expected to support over 32,000 clients per year. Face to face case management, which continue to be supported through this initiative, is expected to support 140,000 clients per year based off current operational data. Overall, the case management service will be able to maintain capacity for 70,000 clients at any one time. Without this funding, in order to meet the demand for income support, it is likely employment related case management services would need to be significantly reduced. The Welfare that Works – Community Job Coaches programme is intended to support 4,000 clients in the first year, 6,000 in the second, and 8,000 in years three and four. This programme and new approach will be monitored and evaluated to ensure it is it effective and delivers a return on investment. The employment programme funding is intended to be driven by the ministry's Employment Investment Strategy, which will be finalised before March 2025. Return on investment has been based on example programmes, to cover the range of approaches MSD takes	For Budget 2025, this bid is progressing through MSD's internal processes	MSD's high exit rate, along with the increase in client engagement, shows that programmes and services are remaining effective despite dramatically increased demand for income support and a tight labour market. Historically, increased demand for income support has put a strain on employment services, as delivering on people's income support needs in a timely fashion that meets service level agreements and public expectations will often take priority. Achieving a high exit rate has been possible only because MSD has been able to put frontline resources into engaging with clients on employment with interventions like Kōrero Mahi. By June 2026, MSD will have approximately $187m less per annum available for employment support as time limited funding ends. The invest to save initiative seeks to meet some of that decrease during a period of forecast high unemployment and enable MSD's employment services to be maintained at their current levels. These services are important for achieving the Jobseeker Reduction Target. To generate projected savings, MSD has taken robust evaluations of programmes and services, or close proxies to those services, and used them to forecast the number of people they are expected to support off benefit. This is monetised using projected average benefit costs per person. In addition, MSD has been examining the appropriate substitution effect (where a person entering employment comes at the cost of a theoretical jobseeker who would otherwise have been employed). The substitution effect assumption will be based on available evidence of programmes, cohorts, and the job market. The Employment Investment Strategy currently in development is a crucial influence on this bid. The flexibility of the MCA allows MSD to focus investment on where it will have the largest impact, both for the Jobseeker Reduction target as well as projected BoRE savings.

MoF Budget 2025 invitation		MSD Initiative	Fiscals (net, $m)						Client and staff impacts	Next steps for the initiative	Key points
Component	Conditions		2024/25	2025/26	2026/27	2027/28	2028/29	Total			
Abuse in Care portfolio	Refer to the MoF's Abuse in Care invitation letter for guidance and conditions	Redress initiatives: - Monetary payment for survivors of abuse in care - Supports and services for survivors of abuse in care - The administration of claims from survivors for monetary payments and supports and services	TBC	TBC	TBC	TBC	TBC	TBC	TBC	This initiative is for Budget 2025. A cross agency bid that is being coordinated by the Crown Response Unit on behalf of the Lead Minister. A series of joint briefings are being provided to Joint Ministers to confirm the costing assumptions to develop the bid. Cross agency working groups are in place to support the development of these briefings and the bids. A joint Ministers meeting was held on 3 December to confirm the planned approach to developing the budget package. A further joint Ministers meeting is planned for 17 December to consider the whole package and confirm the high level placeholder information to be submitted to Treasury by 23 December. The final budget package is currently due to be submitted by 18 January 2025 (Crown Response Unit are seeking an extension to 24 January 2025 – yet to be confirmed).	
		Future proofing the care system	TBC	TBC	TBC	TBC	TBC	TBC	TBC		
Capital investments - Te Pae Tawhiti Programme	*This investment should have a Detailed Business Case approved by Cabinet ahead of Budget 2025 submissions in December. A Gateway review should also take place, and its findings shared with Ministers and the Treasury.* *Your submission should, so far as possible, estimate the forecast savings that would result from the programme (thereby reducing its overall cost), and identify options to meet the remaining cost from reprioritisation or other savings. Further information on a 'minimum cost' option (i.e. that does not amount to a transformation programme) should also be included (for instance, as different scaling options).*	MSD's Business Transformation Te Pae Tawhiti Programme	s9(2)(f)(iv), s9(2)(j) [redacted]						By investing to improve the capability of MSD, alongside key policy enablers, the programme will deliver better public services. The programme will allow MSD staff to devote more time to helping clients find and retain paid employment, strengthening our economy and easing the cost-of-living burden faced by those who have lost their jobs.	This initiative is for Budget 2025. You are seeking approval of the Detailed Business Case from the Cabinet Expenditure and Regulatory Review Committee on 10 December 2024. You will advise the Committee of your intention to seek funding from Budget 2025 for the remaining period (7 years). s9(2)(j) [redacted]	Please see advice provided to you on 6 December to support you at Cabinet on 10 December as referenced in REP/24/12/1126.

MoF Budget 2025 invitation		MSD Initiative	Fiscals (net, $m)						Client and staff impacts	Next steps for the initiative	Key points
Component	Conditions		2024/25	2025/26	2026/27	2027/28	2028/29	Total			
Capital investments - High and Complex Framework	*This investment should have a Detailed Business Case approved by Cabinet ahead of Budget 2025 submissions.*	High and Complex Framework - capital investment for secure services	TBC	TBC	TBC	TBC	TBC	TBC	TBC	This initiative is for Budget 2025.	TBC
Cost pressures - High and Complex Framework	(No conditions were noted in the invitation letter)	High and Complex Framework – Service Improvement	TBC	TBC	TBC	TBC	TBC	TBC	TBC	This initiative is for Budget 2025.	TBC

MoF Budget 2025 invitation		MSD Initiative	Fiscals (net, $m)						Client and staff impacts	Next steps for the initiative	Key points
Component	Conditions		2024/25	2025/26	2026/27	2027/28	2028/29	Total			
Cost pressures - Disability Support Services	*I invite your submission to include the following components, with clearly stated assumptions (including for 2024/25 spend) for each:* *- inflationary pressures,* *- volume pressures due to population growth and increased demand for services, and* *- impact of policy and operational changes.* *Please ensure the total funding sought for invited cost pressures not to exceed the cost pressure funding that Disability Support Services received at Budget 2024.* *I ask that the submission includes scenarios for a range of growth forecasts. These should provide clear pathways for Ministerial decision-making on necessary policy changes. It should also outline how time-limited funding in 2024/25 is being used.* *I also invite your officials to provide information to Treasury around current year spending (actuals and forecasts), and the implications of current year spend for 2025/26 by 19 February 2025 (incorporating January actuals).*	Disability Support Services cost pressures – supporting tāngata whaikaha Māori and disabled people		255	255	255	255	1020	This funding bids supports stabilising Disability Support Services (DSS) and provides a pathway off the price freeze in 2024/25. There is a 2.1% inflationary pressure for the 2025/26 financial year on services excluding residential care. This is in the middle of the target inflationary band of 1-3% per annum. This funds increases to prices for providers, supporting them with the inflationary pressures in the economy, including the cost of labour and the costs of the equipment, others goods, and services purchased as part of delivering disability support services, Providers have had no uplift in 2024/25. Without this increase, providers would need to find ways to absorb cost increases within their baselines; this would like create sustainability challenges. A settlement negotiated by Health New Zealand with support workers for pay equity will likely create a pressure over and above the 2.1% (about $50M per annum for every $1 increase to support worker wages). Inflationary cost pressure in residential care is likely to be up to 6% as providers' banded rates have not been updated since 2015/16. Urgent work to review contract and pricing rates will provide options to reduce cost (phasing, reducing current negotiated 'over-band' rates). With a move to increase use f banded rates, we will have greater ability to manage costs compared to the current prevalence of individually negotiated rates. There is volume pressure across the disability support system, driven mainly by the increasing numbers of people who receive care each year. The core DSS system currently supports about 50,000 people; this is growing at about 4000 people per annum (roughly 9-10%). The population supported by DSS has increased at a rate faster than the general population growth of 1.4%, with a notable increase in younger age groups, particularly those aged 0-17, which is the fastest-growing segment. There has been a rapid increase in the number of individuals, especially younger age groups and those with Autism, accessing services.	For Budget 2025, this initiative will be submitted as part of the Budget 25 process and is dependent on Budget Ministers' decisions	Growth rates differ across different categories of support, for our main areas of expenditure, we are broadly assuming: •Residential Care - growth is about 1% on a base of about 7500 people; this rate aligns with population growth and observed changes in the numbers of people supported. •Community Care - growth is about 5% on a base of about 45,000 people; this rate is a midpoint between population of about 1% and observed increases in the number of people supported (10%) •Environmental Supports - growth is about 3% on a base of about 50,000 people who receive equipment; this is based on population growth weighted towards older people, who are the largest segment of the population receiving equipment. The funding baseline has increased from $1.36 billion in 2018/19 to a forecast of $2.5 billion in 2024/25, driven by volume, inflation, and pay equity settlements, particularly in residential care. Residential care remains the largest expenditure, with high average costs per person. The number of individuals with very high support needs has grown significantly, increasing by 7.9% per annum between 2019 and 2024. This cohort now represents 36% of all disability service recipients. Financially, this group incurs the highest average cost per person, with an annual spend of $71,339 per individual in 2024. The total expenditure for this group has grown at an annualised rate of 11.4%, reaching $1.16 billion in 2024. This substantial increase in both the number of individuals and the average cost per person has major financial implications, driving up the overall expenditure for DSS. Flexible funding arrangements, such as Individualised Funding (IF) and Personal Budget Services (PBS), have seen the greatest proportional increase, leading to a significant shift away from the Carer Support Subsidy (CSS). While the number of individuals using CSS has grown, the proportion of people opting for CSS has decreased as more individuals choose the more flexible but costlier IF and PBS options. This shift has resulted in higher overall costs, as IF supports are, on average, almost nine times more expensive per person than CSS. Consequently, expenditure has increased substantially ($176 million in 2019 to $547 million in 2024), reflecting the higher costs associated with providing more personalised and flexible care options. The work on the recommendations made by the Independent Review (5 & 6) may reduce some volume growth but it is not expected to be significant and comes with some risk (e.g. judicial review). More substantial growth management will be possible through work on believed cost shifting from other parts of Government and possibly legislation providing a clearer and stronger legal basis for access to DSS. This initiative aligns with the Government's priority of delivering effective and fiscally sustainable public services. The proposal is for this to be managed as part of MSD's reprioritisation and invest to save multi-year savings strategy.

MoF Budget 2025 invitation		MSD Initiative	Fiscals (net, $m)						Client and staff impacts	Next steps for the initiative	Key points
Component	**Conditions**		**2024/25**	**2025/26**	**2026/27**	**2027/28**	**2028/29**	**Total**			
Cost pressures - Improvement, Systems and Technology (IST); including Digital and Data initiatives	*I invite you to identify options to meet this cost from reprioritisation or other savings initiatives. Any interactions with Te Pae Tawhiti should also be clearly set out (for instance, as different scaling options).*	IST; including Digital and Data initiatives (Note that numbers reflect MSD's full price cost pressure, which also includes accommodation - eg inflation on committed leases)	s9(2)(f)(iv)							This initiative is for Budget 2025.	
Other	N/A	Adjusting Accommodation Supplement Boundaries and Introducing a Mechanism for Urban Expansion			1.652	6.799	6.799	15.25	As at 1 April 2027, 6,300 clients will be affected because their AS region would have changed, and we estimate 4000 clients will gain by receiving an average increased AS payments of $36 per week (after flow-on impacts to TAS is accounted for) Staff: TBC.	This initiative is for Budget 2025. Costing for this proposal are being refined, and operational costs are not reflected in current fiscals. These will be included prior to submission.	Complexity of change: Medium Timing/feasibility – from decisions: TBC Requires secondary legislative change to update the boundaries, and primary legislative change to implement a mechanism which regularly updates the boundaries (5 yearly) in line with StatsNZ updates. Impact – people or assistance: Low-middle income households. As at August 2024, MSD provides the Accommodation Supplememt to 370,365 households. Updating the AS boundaries will affect a total of 6,300 clients. The changes will immediately benefit 4,000 clients (after taking account of TAS/SB). Suggest packaging wuth the AS homeowners initiative for submission.
		Total:	TBC	TBC	TBC	TBC	TBC	TBC			

MoF Budget 2025 invitation		MSD Initiative	Fiscals (net, $m)						Client and staff impacts	Next steps for the initiative	Key points
Component	Conditions		2024/25	2025/26	2026/27	2027/28	2028/29	Total			

s9(2)(f)(iv)

[redacted]