

Report



MINISTRY OF SOCIAL
DEVELOPMENT
TE MANATŪ WHAKAHIATO ORA

Date: 17 January 2025 **Security Level:** BUDGET SENSITIVE

To: Hon Louise Upston
Minister for Social Development and Employment

File Reference: REP/25/1/004

Budget 2025 – Process update and timeline

Purpose of the report

- 1 The purpose of this report is to provide you with an update regarding the general Budget 2025 process, as well as the Baseline Savings Programme led by Hon David Seymour, Associate Minister of Finance.

Recommended actions

It is recommended that you:

- 1 **note** that your office provided your Budget 2025 submission letter to the Minister of Finance on 19 December 2024, and the Ministry of Social Development (MSD) submitted Budget templates to the Treasury the following day
- 2 **note** that an updated Budget Strategy A3 is attached as Appendix One – which includes updated figures to reflect what was submitted to the Treasury in December
- 3 **note** that this report includes a proposed timeline of the next steps between now and mid-February for both the general Budget 2025 process, and the Baseline Savings Programme led by Minister Seymour
- 4 **note** you indicated that you would like MSD to provide further advice regarding the following four areas for the Baseline Savings Programme:
 - a) s9(2)(f)(iv) [REDACTED]
 - b) Emergency Benefit
 - c) aligning benefits for people aged 24 and under with other systems
 - d) s9(2)(f)(iv) [REDACTED]

- 5 **agree** to remove "aligning benefits for people aged 24 and under with other systems" (noted in recommendation 4c above), given you have submitted an initiative in Budget 2025 for "Jobseeker Support – tightening eligibility for 18-19-year-olds" which would overlap with this area

AGREE / DISAGREE

- 6 **agree** to remove Emergency Benefit (noted in recommendation 4b) as an area for consideration in the Baseline Savings Programme, given:

- relatively low expenditure per year – around \$120 million
- that Emergency Benefit will be impacted by the Budget 2025 initiatives for "Jobseeker Support – tightening eligibility for 18-19-year-olds" and s9(2)(f)(iv)

AGREE / DISAGREE

- 7 **agree** to include 'improvements to income charging' for consideration in the Baseline Savings Programme given the initial estimate of savings of around \$300 million per year

AGREE / DISAGREE

- 8 **discuss** the advice in this report at your Officials' meeting on Tuesday 21 January 2025.



Fleur McLaren
Acting Deputy Chief Executive
Strategy and Insights

17/01/2025

Date

Hon Louise Upston
Minister for Social Development and
Employment

Date

Process update and timeline

- 2 On 19 December 2024, your office provided your Budget 2025 submission letter to the Minister of Finance (attached for reference as Appendix Two). The following day, MSD submitted our Budget templates to the Treasury.
- 3 An updated Budget Strategy A3 is attached as Appendix One – which includes updated figures to reflect what was submitted to the Treasury in December.
- 4 The Treasury have now begun reviewing MSD's templates, and will meet with our officials over the coming weeks to discuss technical details of initiatives – to assist their understanding of the proposals.
- 5 A proposed timeline between now and mid-February is set out below. This includes key dates and deadlines in the general Budget 2025 process and the Baseline Savings Programme; and when you will receive advice.
- 6 Note that dates will be confirmed once your second Budget 2025 bilateral with the Minister of Finance (MoF) is scheduled.

Key:	Advice you will receive	Ministerial meeting	Specific deadline
Thursday 16 January	Final Abuse in Care Budget package distributed to Joint Ministers, and MSD provides advice regarding this (REP/25/1/010 refers)		
Tuesday 21 January	Joint Ministers' meeting to approve complete Abuse in Care Budget package		
Thursday 23 January	Final Abuse in Care Budget package due to be submitted to the Treasury		
Friday 24 January	Aide-memoire to support your initial discussion with Minister Seymour regarding the Baseline Savings Programme		
Tuesday 28 January	Initial discussion with Minister Seymour regarding the Baseline Savings Programme		
Friday 31 January (TBC)	<ul style="list-style-type: none"> - Advice to support your engagement with Ministerial colleagues about your Budget 2025 proposals, including talking points (see para 7) - Advice regarding Baseline Savings Programme initiatives, and a draft Ministerial submission letter for this process 		
Week beginning Monday 3 February (TBC)	Engagement with your Ministerial colleagues about your Budget 2025 proposals		
Wednesday 5 February (TBC)	<ul style="list-style-type: none"> - Advice to support your second Budget 2025 bilateral with MoF, including talking points - An updated Ministerial submission letter for the Baseline Savings Programme 		
Week beginning Monday 10 February (TBC)	Second Budget 2025 bilateral meeting with MoF		
Thursday 13 February	Ministerial submission letter due to Minister Seymour, and Baseline Savings Programme templates due to the Treasury		
Wednesday 19 February	MSD due to provide information regarding current year spending for Disability Support Services (actuals and forecasts), and the implications of current year spend for 2025/26 to the Treasury		

7 As indicated in the timeline above, it is recommended that you engage with your colleagues regarding initiatives with impacts on other portfolios before your second Budget 2025 bilateral meeting with MoF. Detailed advice to support this engagement will be provided on Friday 31 January (to be confirmed), however portfolios are likely to include:

- Housing
- Labour Market
- Children and Youth
- Immigration and Foreign Affairs, and
- Digital Government.

Areas of consideration for the Baseline Savings Programme led by Hon David Seymour

8 You met with MSD officials in December 2024, and indicated that you would like MSD to provide further advice regarding the following four areas for the Baseline Savings Programme:

- s9(2)(f)(iv) [REDACTED]
- Emergency Benefit
- aligning benefits for people aged 24 and under with other systems
- s9(2)(f)(iv) [REDACTED]

9 We note that the Treasury guidance for the Baseline Savings Programme frames the process as being savings “proposed” by Ministers and agencies (i.e. yourself and MSD). You may wish to discuss who would be considered the proposer of any significant changes (e.g. changes to the parameters of New Zealand Superannuation) with Minister Seymour on 28 January.

We have taken another look across Vote Social Development Appropriations

10 In order to ascertain whether MSD would recommend adding or removing any areas from consideration for the Baseline Savings Programme, we have taken another look across Vote Social Development Appropriations – using the following factors:

- targeting large appropriations – where the Budget for 2024/25 is over \$400 million
- that savings in the area would not conflict with your priorities – including the Jobseeker Support target, Child Material Hardship and Disability
- that these areas are not part of the general Budget 2025 process, or previous baseline savings processes.

11 s9(2)(f)(iv) [REDACTED]

s9(2)(f)(iv)

12 s9(2)(f)(iv)

13 s9(2)(f)(iv)

Adding “improvements to income charging” as a new area

- 14 Instead, we recommend including “improvements to income charging settings”, which was raised with you in July 2024 (REP/24/7/665 refers). Following Inland Revenue’s Business Transformation, we have an opportunity to harness their more detailed and timely PAYE wages and salary income information to improve the accuracy of income charging for people working and receiving an abated benefit or supplementary assistance payment.
- 15 To facilitate this, changes would be required to a range of policy, legislative, and operational settings, to allow the automated use of this information. This area has not previously been canvassed in savings processes and would be an enduring change as we would capture more information about salary and wages. An initial estimate of savings for Benefits or Related Expenses (BoRE) is around \$300 million per year once fully implemented.

Other appropriations canvassed but not recommended for inclusion

- 16 The other large appropriations we do not recommend including in the process

s9(2)(f)(iv)

include:

- Hardship Assistance
- Disability Allowance
- Sole Parent Support
- Supported Living Payment
- Accommodation Assistance.

- 17 The rationale is that some changes:

- will be impacted by Budget 2025 initiatives (e.g. from the initiatives related to Automated Decision-Making and Accommodation Supplement)
- were subject to previous baseline savings exercises (e.g. Accommodation Supplement)
- were previously canvassed and represent very minor savings (e.g. for Supported Living Payment), or
- may not align with your priorities stated above

- are subject to a separate process (e.g. review of housing subsidies).
- 18 As indicated in our previous advice, and given your focus on supporting people into employment and achieving the Jobseeker target, we have not considered savings from the Improved Employment and Social Outcomes Support MCA. We will include talking points in our advice on Friday 24 January, to support you to discuss your employment priorities with Minister Seymour.

Implementation of policy changes

- 19 As outlined in our previous advice regarding the general Budget 2025 process, there is a limit on MSD's capacity to implement policy initiatives through Budget 2025, and Ministers will need to make choices about the phasing of savings agreed through Budget 2025 (including savings that could be considered for Budget 2026).
- 20 The phasing of any policy savings initiatives considered as part of the Baseline Savings Programme led by Minister Seymour will need to be considered alongside initiatives that are part of the general Budget 2025 process.
- 21 As outlined in the Treasury's guidance, the focus of the Baseline Savings Programme is on identifying enduring baseline savings. This means that agencies and Ministers can consider and propose savings that can't be delivered until after (or can only be partly delivered by) 2025/26.

Next steps

- 22 MSD will work with other agencies to finalise the Abuse in Care Budget package for submission on Thursday 23 January 2025.
- 23 As indicated in the timeline above, we will provide advice on Friday 24 January 2025, to support your initial discussion with Minister Seymour regarding the Baseline Savings Programme on Tuesday 28 January.
- 24 The information to support this meeting will include options against each of the areas and indicate:
- potential size of savings (small, medium or large)
 - potential timing to implement (where known)
 - impact on incomes
 - international, particularly OECD, comparators
 - whether it would create flow-ons to any other parts of Government.
- 25 It will also include talking points, and background information regarding Vote Social Development expenditure over time.

Appendices

Appendix One – Budget Strategy A3

Appendix Two – Budget 2025 Social Development Ministerial Submission Letter

Responsible manager: Sacha O'Dea, Deputy Chief Executive, Strategy and Insights