



Minister for the Community and Voluntary Sector  
Minister for Disability Issues  
Minister for Social Development and Employment  
Minister for Tourism and Hospitality  
Minister for Child Poverty Reduction  
Deputy Leader of the House

Hon David Seymour  
Associate Minister of Finance  
Parliament Buildings  
Wellington

Dear David

Thank you for the opportunity to discuss our contribution to your Baseline Savings Programme. I am committed to supporting the Government's fiscal sustainability objectives and ensuring New Zealanders get the best value from public funding.

As discussed at our meeting earlier this week, I have identified potential areas in Vote Social Development for you to consider as part of your Baseline Savings Programme. This letter contains additional information about the options you have indicated interest in. It also seeks your confirmation regarding which options you would like the Ministry of Social Development (MSD) to continue to develop for the submission to Treasury on 13 February 2025.

In addition, you asked for further information about MSD staff numbers.

s9(2)(f)(iv)

## Income charging

MSD can change the way that salary and wage information is captured and used for the purpose of benefit entitlement as an area for savings.

There is a challenge with people incorrectly or not declaring income from wages and salary to MSD. This manifests as overpayments or underpayments which has negative impacts for clients and the Government.

Inland Revenue's business transformation, provides an opportunity to harness its more detailed and timely PAYE wages and salary income information to improve the accuracy of income charging for clients.

We currently do not make full use of the information available from Inland Revenue due to system and policy constraints. 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.

To fully utilise PAYE information from Inland Revenue would require changes to policy, legislative, operational and IT system settings, to receive the information and to automate its use. Because income touches almost every part of MSD's system, there is operational and system complexity to implement changes which would require multiple years for implementation. This work is both a key policy and legislative enabler for MSD's Te Pae Tawhiti Programme, s9(2)(f)(iv)

s9(2)(f)(iv)

s9(2)(f)(iv)

Given this, it would not be possible to progress this option in Budget 2025 but, if agreed, work could start and can be factored into future Budget processes.

Officials are due to provide me with substantive advice on income charging in March 2025, which will cover next steps and timelines. MSD will provide the information it has to date by the submission deadline next month.

### Ministry of Social Development staff numbers

MSD currently has 8,993.65 full time equivalent staff (FTE), comprised of 8,495.54 permanent and 498.11 fixed term employees (as at 27 January 2025).

In June 2017, MSD had 6,799 FTE. The difference in FTE between June 2017 and June 2025 is approximately 1,960 FTE, made up of the following:

New funding or expanded functions established since 2017, including a decision arising from Treasury's baseline review to increase employment case management capacity (see Appendix 2)	1,162 FTE
Functions funded by other agencies and capital	132 FTE
Additional Service Delivery roles (time-limited funding ending October 2025)	490 FTE
<i>Remaining difference between June 2017 and October 2025</i>  This is a point in time. MSD will continue to actively manage FTE numbers, including reductions through attrition and vacancy management. MSD's numbers will also fluctuate due to the size of the organisation, seasonal demand and activities such as forward recruitment to minimise impact on clients.	+176 FTE

By June 2025, MSD is projected to further reduce to approximately 8,759 FTE. By October 2025, time-limited funding will expire resulting in a further reduction of 490 FTE.

s9(2)(f)(iv)

### Next steps

Once you have confirmed which policy options you would like MSD to continue working on, it will develop templates for these initiatives to be submitted to the Treasury for next month's deadline.

Yours sincerely



Hon Louise Upston  
Minister for Social Development and Employment