

Hon Louise Upston

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 Nicola Willis
Minister of Finance
Parliament Buildings
Wellington

Dear Nicola

Thank you for your letter on 4 March 2025. As you know, I am committed to supporting the Government's fiscal sustainability objectives and I understand the need to find additional savings to support our economic growth agenda.

In December, I proposed to save \$707m and spend \$100m in Budget 2025 which would provide you with \$607m net savings. This is on top of the additional reduction of \$703.639m in Emergency Housing following the Budget 2024 initiative.

I am also seeking operating funding of s9(2)(i) for MSD – services for the future programme. This will deliver net benefits over the life of the programme via greater efficiencies in one of the largest Votes and improve the effectiveness of services delivered to New Zealanders.

As discussed at our bilateral meeting on 5 March and in light of the need to find additional savings, I have reconsidered my Budget package and sought further savings.

Income Charging was identified as part of the Baseline Savings Programme, but MSD has now found a way to implement this in two phases so savings can be realised earlier. This will enable us to realise significant savings from phase two in 2028/29, with phase one starting in 2025/26. Phase one will realise a small amount of savings in the short term and help to encourage behaviour change in clients by identifying more incorrect payments before widespread automated income charging is established.

s9(2)(f)(iv)

By prioritising Income Charging we can save \$396m in the forecast period, bringing the total to \$1.009b (\$974m net savings), which provides you with an additional \$367m in savings compared to the net savings proposed in December.

MSD submitted detailed information for Income Charging phases one and two to the Treasury on 18 March.

Yours sincerely

Hon Louise Upston
Minister for Social Development and Employment

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