

In Confidence

Office of the Minister for Social Development and Employment
Cabinet Social Wellbeing Committee

Changes in Vote Social Development to be resolved before the end of the 2022/23 financial year

Proposal

- 1 This paper seeks agreement to:
 - 1.1 fund high-priority initiatives within Vote Social Development
 - 1.2 enable pooled funding for the Regional System Leadership Framework through agency contributions across the public sector
 - 1.3 transfer funding in-principle for the Food Secure Communities Programme.

Relation to government priorities

- 2 This paper relates to funding for the government's high priority initiatives within Vote Social Development.

Executive Summary

- 3 The Ministry of Social Development (MSD) is forecasting a \$92.364 million departmental underspend for this financial year (the underspend). The underspend has been mainly driven by savings in personnel costs because of challenges retaining and recruiting staff in current market conditions and less demand from employers for some contracted services.
- 4 MSD has received joint-Ministers in-principle approval to carry forward up to \$49.228 million from 2022/23 to 2023/24 and outyears. This leaves a residual underspend balance of \$43.136 million that can be used this financial year or returned to the centre.
- 5 I am seeking Cabinet's agreement to transfer in-principle up to \$23.041 million for the following high-priority initiatives across the forecast period from 2023/24 and outyears, funded from the underspend:
 - 5.1 Youth Crime cost pressure initiative – up to \$1.906 million in 2023/24 to ensure the success and sustainability of the cross-agency working arrangements and community resilience activities that have been put in place in four priority regions to help drive down youth crime;
 - 5.2 Regional System Leadership Framework (RSLF) – up to \$5.000 million to ensure that funding covers the \$16.450 million total cost of the RSLF for the 2023/24 financial year;

- 5.3 Social Workers Registration Board (SWRB) – up to \$0.809 million in 2023/24 to ensure that SWRB remains financially resilient ^{s 9(2)(f)(iv)}
- 5.4 Wage Supplement to replace Minimum Wage Exemption (MWE) – up to \$11.000 million from 2023/24 and outyears to deliver the supplement payment one year earlier;
- 5.5 Child Support Pass-on (CSPO) cost pressure initiative – up to \$4.326 million in 2023/24 to fund the additional costs of CSPO due to higher than expected letter volumes and operational demands;
- 6 As noted in paragraph above, I am seeking Cabinet’s agreement in-principle to other Ministries and departmental agencies contributing underspend funding of up to \$3.760 million in 2022/23 to meet the \$16.450 million cost of the RSLF in 2023/24.
- 7 This paper also seeks to transfer funding in-principle for the Food Secure Communities Programme of up to \$6.500 million from 2022/23 to 2023/24, to extend the period of transitional funding from three to six months of activity, due to impacts of cost of living and increased demand reported from the sector.
- 8 I am also bringing a separate proposal to Cabinet seeking an underspend transfer to fund a targeted Ministerial Welfare Programme to provide financial relief for clients unable to receive their Russian overseas pension due to military conflict.

Background

- 9 MSD’s departmental underspend position is forecast to be \$92.364 million for the year ending 30 June 2023.¹
- 10 The underspend has been mainly driven from:
- 10.1 personnel savings from higher than anticipated turnover in contact centres and challenges with retaining and recruiting staff in current market conditions, causing delays in filling vacancies, and
- 10.2 less demand for some contracted employment services as employers react to gathering economic headwinds.
- 11 MSD will work with the Treasury to provide more information about MSD’s forecast underspends and to show how these risks will be managed for Budget 2023 funding for service delivery cost pressures, including staff.
- 12 MSD has received joint-Ministers in-principle approval to carry forward funding from 2022/23 to 2023/24 and outyears of up to \$49.228 million, which leaves a residual underspend balance in 2022/23 of \$43.136 million available to fund priority initiatives or return to the centre.

¹ This figure excludes forecast underspends in functions that MSD hosts, such as Historical Claims and Whaikaha - Ministry of Disabled People.

- 13 This residual forecast underspend represents only 2.6 percent of MSD's net departmental baseline of \$1.645 billion (excluding hosted functions).

The 2022/23 underspend can be transferred to fund priority government initiatives in 2023/24 and outyears

- 14 I have identified a number of high-priority initiatives in 2023/24 and outyears that can be funded through a partial reallocation of funding from MSD's \$43.136 million forecast departmental residual underspend in 2022/23. The total cost of the initiatives is \$23.041 million.

Youth Crime cost pressure

- 15 Funding is required to ensure the success and sustainability of the cross-agency working arrangements and community resilience activities that have been put in place for the four priority regions for youth crime (Auckland, Waikato, Te Tai Tokerau and Bay of Plenty). These arrangements are currently reliant on time limited funding, and agencies have not been able to identify sufficient funding from baselines to cover all regions.
- 16 The funding I am seeking will align with the work the Minister for Children has outlined in the 'Proposal to strengthen the response to offending behaviour in children and young people' Cabinet paper. This includes the expansion of Fast Track and local coordination teams (and possible enhancement) to support children with serious and/or persistent offending behaviour.² This will help ensure that there is sustainable support for children and young people (and their whānau) from those who are first-time offenders through to those that persistently offend.
- 17 I seek agreement to a regionally-directed early intervention and prevention model with three elements as follows:

Cross-agency teams - \$0.496 million

- 17.1 I am proposing to continue to support regional cross-agency teams (similar to Kotahi te Whakaaro) that work directly with child and youth offenders and their whānau, in partnership with community providers.
- 17.2 These teams would work together with Fast Track teams where appropriate (and there would be cross-over of personnel), but they would have a greater emphasis on early intervention (for example, with first time ram-raid offenders and their siblings).

² 'Fast Track' is a response protocol for Oranga Tamariki and the New Zealand Police that ensures an immediate and joined up response (within 24-48 hours) to children aged 10-13 years when they are apprehended for a serious offence. Children are referred on to local coordination teams from Fast Track, which may include regionally-directed early intervention and prevention models.

- 17.3 Across the four priority regions, officials estimate that 15 non-government organisations (NGO) FTE are required to support the work of these teams.

Community resilience - \$0.910 million

- 17.4 I am proposing to continue or resume a range of community resilience initiatives tailored to the needs of communities with high numbers of children and young people with high or very high needs.
- 17.5 Where appropriate, this would mean the continuation or resumption of initiatives funded in the current financial year through the Proceeds of Crime Fund. Contracts for some of these initiatives currently expire at the end of the current financial year; in other cases, contracts run to the end of December 2023.
- 17.6 Decisions on which initiatives to fund would be taken by Regional Public Service Commissioners based on an up to date understanding of the needs of their region and the achievements of initiatives funded through the Proceeds of Crime Fund.

Flexible funding - \$0.500 million

- 17.7 Connecting children and young people who offend with opportunities to participate in activities or programmes that fit their needs and interests has the potential to act as a circuit breaker for offending (for example, holiday programmes, after school curricular activities such as: sports teams, culture, drama, and dance). However, many of these children and young people lack the financial resources to participate in prosocial activities that are engaging for them. Activities funded by government or by local communities are not necessarily suitable or engaging for these young people, and the social security system is not designed to fund these activities.
- 17.8 I propose to establish a discretionary fund, split between the four regions, to enable cross-agency teams or community resilience initiatives to connect young offenders, and children and young people at high-risk of offending, with supports they would not otherwise be eligible for through the social security system or current Oranga Tamariki funding streams.
- 18 The full annual cost of the proposed model is estimated at \$3.000 million, including a contribution for research and evaluation. For the 2023/24 financial year, I seek a transfer of up to \$1.906m from Vote Social Development underspends in 2022/23 to ensure that the youth crime work across the target regions can be sustained. The balance of the cost of the model is expected to

be met through a contribution from baseline for research and evaluation, and from the shared use of resources with local coordination teams' work with serious and persistent offenders.

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s 9(2)(f)(iv)

Regional System Leadership Framework

- 20 This initiative seeks funding to continue the implementation of the RSLF. It costs \$16.450 million per year to fully fund the RSLF, including funding FTE who support the work of the Regional Public Service Commissioners, resourcing for iwi participation capacity in Regional Leadership Groups, and operational costs such as travel and convening hui.
- 21 The RSLF gives effect to the Public Service Act 2020 and supports the mandate of the System Leader for Regional Public Services (appointed under s56 of the Act) and Regional Public Service Commissioners to deliver greater joined up regional priority planning and aims to embed regional partnerships with iwi, local government and communities for greater wellbeing resilience. It provides additional benefits of reducing cross agency duplication, finding efficiencies and ensuring strategic cross agency investment is delivered to where it is most needed.
- 22 In October 2022 the RSLF was invited into the Budget 2023 process and the approach was adjusted to be a split between Budget 2023 (\$8.000 million) and agency contributions, seeking \$16.450 million per annum baseline funding. Chief Executives in the Caring for Communities Chief Executives Group agreed to support club funding the RSLF through agency contributions for the 23/24 financial year. The agency contributions would be secured through a 'pooled' funding approach, allowing agencies to identify one year funding to continue the RSLF operating model. The RSLF received \$4.120 million in funding for 2023/24 under Budget 2023 as part of the North Island Weather Events package. This funding was limited to the scaled baseline costs of weather-impacted regions only.
- 23 To address the shortfall, MSD is proposing to increase its contribution to the cost of continuing the Regional Public Service model for one year to \$5.000 million, funded from 2022/23 underspends. Contributing agencies are also seeking to utilise underspends under the pooled funding approach to ensure sufficient funding is secured for 23/24. The total contributing agency underspend funding identified to date is \$3.760 million.
- 24 The total transfer of up to \$8.760 million (Vote Social Development and contributing agency underspends) will ensure the RSLF for the 2023/24 financial year meets the required \$16.450 million when adding in the agency contributions and North Island Weather Event funding for 2023/2024. This funding (\$8.760 million) will fund the following key allocations for the framework: \$5.260 million FTE; \$1.000 million operational (travel/hui); and \$2.500 million iwi capacity fund.

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s 9(2)(f)(iv)

Social Worker Registration Board

26 The Social Workers Registration Board (SWRB) is the regulator for social workers in New Zealand, with two main sources of revenue. For their Crown Agent requirements, such as Ministerial servicing and provision of policy advice (non-regulatory), the SWRB currently receives approximately \$0.114 million of baseline funding per financial year from the Crown. For regulatory activities with a public safety focus, the SWRB raises most of its funding from fees and a disciplinary levy charged to social workers, which is made on a full cost recovery basis.

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s 9(2)(f)(iv)

the SWRB is faced with an unaddressed cost pressure of \$0.809 million in the 2023/24 financial year, including:

27.1 \$0.647 million for SWRB's Crown Agent requirements to meet increased demand for policy advice and to address emergent Crown Agent compliance requirements (such as gender equity and carbon neutral plans)

27.2 \$0.162 million to implement the Public Sector Pay Adjustment (PSPA), enabling SWRB to retain staff and therefore maintain their existing Regulatory and Crown activities.

28 As a small entity operating on a cost recovery model, the SWRB's cash reserves are too low to address these cost pressures without undermining the organisation's financial resilience and creating unnecessary risk for the Crown.

29 For the 2023/24 financial year, I seek agreement for an in-principle transfer of up to \$0.809 million from Vote Social Development underspends in 2022/23 to ensure that SWRB remains financially resilient s 9(2)(f)(iv)

Wage Supplement to replace Minimum Wage Exemption

30 The Minimum Wage Exemption (MWE) scheme has been in place since 2007, following the repeal of the Disabled Persons Employment Promotion Act. Section 8 of the Minimum Wage Act 1983 allows Labour Inspectors to issue MWE permits to individual employees. This means the employer can pay those employees less than the minimum wage if the inspector is satisfied that the employee is "significantly and demonstrably limited by a disability" in carrying out their work. There are approximately 927 MWE permits in place.

31 In 2014 and 2022, the United Nations Convention on the Rights of Persons with Disabilities recommended New Zealand explore alternatives to the MWE

practice. Replacing MWE permits with a wage supplement is also a Labour Party 2020 Election Manifesto commitment and an action in the Disability Action Plan 2019-2023.

- 32 Through consultation with the disability sector, a wage supplement was identified as the only feasible option to replace MWE permits and increase disabled employees' wages to at least minimum wage, without affecting disabled people's jobs or the financial viability of their employers. The wage supplement is a government funded subsidy that will 'top up' the wages of disabled employees that are named in MWE permits, so that they can be paid the minimum wage. The supplement will be paid by MSD to employers, and employers will be responsible for passing the supplement onto their eligible disabled employees as part of their regular wages.
- 33 The Associate Minister for Social Development and Employment is responsible for all policy matters surrounding the wage supplement to replace MWE permits. Cabinet agreement and funding for MWE were secured through Budget 2023.
- 34 However, on 17 May 2023, I agreed with the Minister of Finance and the Associate Minister for Social Development and Employment to bring implementation of the wage supplement forward by one financial year. This means the supplement will now be implemented by late 2024.
- 35 To deliver the supplement earlier, additional funding of up to \$11.000 million will be needed to cover the increased costs associated with the supplement being active for an additional year.
- 36 The additional costs include:
- 36.1 an extra year of funding for the supplement (\$9.253 million):
 - 36.2 costs for FTEs (\$1.747 million) for the following reasons:
 - 36.2.1 with the condensed timeframe system development may not be completed to the full extent, which will require more manual actions to be undertaken until the system can be fully implemented and more staff to perform them; and
 - 36.2.2 staff to administer the fund are required earlier than originally expected.
- 37 For the forecast period from 2023/24 and outyears, I am seeking an in-principle transfer of up to \$11.000 million from Vote Social Development underspends in 2022/23 to deliver the supplement earlier with the supplement being active for an additional year that was not forecasted. This includes administration costs of \$1.747 million in the 2023/24 financial year
- 38 The costings identified in paragraph 36, do not include provision for collaborative design and consultation with stakeholders in the 2023/2024 year. MSD will endeavour to resource this work through business as usual,

but it should be noted that this could present some implementation risks that will need to be addressed as they are identified.

Child Support Pass-on cost pressure

- 39 From 1 July 2023 Child Support Pass-on (CSPO) will be introduced. This means that Child Support (CS) payments administered by Inland Revenue will be passed on, in full, to clients getting a sole parent rate of main benefit instead of being kept by the Government to offset the cost of their benefit. MSD will automatically charge these CS payments as income when working out clients' benefits and most other payments from MSD. The first CS payments will be passed on from Inland Revenue to sole parent clients on 22 August 2023.
- 40 Funding of \$54.900 million (\$37.400 million operating and \$17.500 million capital) was allocated to the full design of CSPO in Budget 22. Funding for frontline roles and letters was split over four years; project and implementation costs over two years; and capital charge over six years. The funding was based on high-level analysis of the design and assumptions around letter volumes and operational demand.
- 41 As MSD has worked through the design of CSPO, the level of complexity has meant that the forecasted expenditure for the package is higher than initially anticipated. The additional cost in 2023/24 is \$4.326 million and is driven by higher than anticipated letter volumes and FTE required to respond to operational demand as a result of the implementation of the CSPO changes.
- 42 The increase in both FTE and letters is because MSD initially projected that it would receive 58,000 CS income charges from Inland Revenue via the information share per month based on early information from Inland Revenue, which only included regular payments. MSD did not know how many liable parents paid late (irregular payments). Including irregular payments in the projections, and having completed testing using real-life data, MSD now expects letter volumes to be 70,000 per month.

Increase in letter volumes

- 42.1 Letter volumes have increased from 805,000 per annum to 1,600,000 per annum at an additional cost of \$1.000 million. Clients will receive a letter every time an income charge is added and removed from their benefit – receiving two letters every 4 -5 weeks. MSD has online correspondence functionality available, and clients can opt into this service. For clients who have not opted to receive their letters online, a hard copy letter is sent.
- 42.2 The increased volume of letters is also expected to result in an increase in calls to MSD's Contact Centre. Further, while most of the CS income charges will be automated, a number of them will exception out for staff to process, resulting in a larger than expected business process impact. An example of this is when a client is receiving a non-

standard rate of benefit, the CS income charge cannot be automatically added, requiring MSD staff to manually complete the income charge.

Increase in FTE

- 42.3 Based on the original analysis, MSD officials assumed new funding of 36.1 FTE in 2023/24 would be required to respond to the new demand resulting from the CSPO package. This has now been revised to 86.1 FTE in 2023/24, reducing to 71.1 FTE in outyears. FTE costs in 2023/24 have been based on additional funding for 38.25 FTE.
- 42.4 FTE volumes are based on assumed client behaviour and the number of CS monthly charges. Client behaviour includes the number of calls in response to letters and the uptake of Temporary Additional Support. Following the introduction of CSPO on 1 July 2023, MSD will closely monitor actual activity and if they see lower than assumed volumes, this may mean that less FTE is required to manage the demand over time.
- 43 The additional costs outlined above are for 2023/24 only. ^{s 9(2)(f)(iv)} [REDACTED]
- 44 I seek agreement in-principle to transfer up to \$4.326 million from Vote Social Development underspends in 2022/23 to fund the additional costs of CSPO in 2023/24.

Food Secure Communities cost pressure

- 45 MSD invested in the community food sector to respond to increased demand for food support driven by the COVID-19 pandemic. \$150+ million has been provided since 1 July 2021. Investment in this sector helped enable the Government's Care in the Community package, which supported people and whānau isolating at home with COVID-19. This investment was also a critical enabler for the response to the North Island weather events.
- 46 Reporting indicates that since December 2021, the programme has supported the delivery of more than 1.25 million parcels to people in need: 750,000-plus self-isolation parcels and more than 500,000 hardship parcels.
- 47 Budget 2023 provided \$24.800 million over two years for a scaled Food Secure Communities Programme. The programme focuses on three interconnected areas:
- 47.1 maintaining the community food distribution infrastructure to collect and deliver high volumes of surplus and wholesale food – \$15.000 million over two years

- 47.2 continuing to invest in long-term approaches food security such as co-ops, social enterprises and māra kai on a pathway to self-sustainability – \$4.000 million in 2023/24 and \$3.500 million in 2024/25.
- 47.3 \$2.300 million transitional funding in 2023/24 to support community food providers to meet current increased demand and transition out of reliance on government funding. This is the equivalent of supporting around three months of food support activity.
- 48 The ongoing investment signalled in this package is a clear step back from funding the delivery of food parcels, while maintaining the core community food distribution infrastructure, and pivoting towards more investment in food security.
- 49 While many key indicators demonstrate an improving trend, reporting from the sector demonstrates an ongoing high demand for support, due to impacts of COVID-19, the recent weather events and cost of living increases. Additionally, recent economic data suggests this demand may continue in the short-term. There remains a risk that the \$2.300 million transitional funding support for community food providers will be insufficient to support the sector to step down and transition away from funding emergency food parcels.
- 50 MSD has identified up to \$6.000 million in underspend in the Care in Communities self-isolation food funding, which ends on 30 June 2023. Due to forecasts that included potential spikes in demand in the lead-up to winter being lower than forecast.
- 51 This paper seeks to extend the transitional period for community food support up to six months, utilising the remaining Care in the Community underspend.
- 52 Any additional funding will be clearly targeted and monitored to ensure MSD maintains a step down in the number of providers operating, as well as ensuring use of funding is supported by robust assessment and connection to other services.
- 53 Communications with the sector will continue to reiterate the intention to support the sector to step down and transition away from funding of emergency food parcels. This funding acknowledges that demand may continue in the short-term and the lead-in time needed to connect with other services for long-term support, as this funding will not extend beyond the six-month period.
- 54 To support continued monitoring of a longer transition period, this paper also seeks to fund the administration costs of the programme in 2023/24 of up to \$0.500 million from general underspends in the Community Support Services MCA category, Developing and Managing Community Services.
- 55 I seek agreement to transfer funding in-principle for the Food Secure Communities Programme of up to \$6.500 million from 2022/23 to 2023/24.

Additional underspend transfers

- 56 I am also bringing a separate proposal to Cabinet seeking an underspend transfer to fund a targeted Ministerial Welfare Programme to provide financial relief for clients unable to receive their Russian overseas pension due to military conflict.

Financial Implications

- 57 The funding required for the five high-priority initiatives within Vote Social Development is \$23.041 million over the forecast period from 2023/24 and outyears. This is made up of the following:
- 57.1 Youth Crime cost pressure initiative – \$1.906 million in the 2023/24 financial year;
 - 57.2 Regional System Leadership Framework – \$5.000 million in the 2023/24 financial year;
 - 57.3 Social Workers Registration Board – \$0.809 million in the 2023/24 financial year;
 - 57.4 Wage Supplement to replace Minimum Wage Exemption to deliver the supplement payment one year earlier – \$11.000 million from 2023/24 and outyears;
 - 57.5 Child Support Pass-on cost pressure initiative – \$4.326 million in the 2023/24 financial year;
- 58 Subject to Cabinet's agreement, this paper seeks agreement in-principle to transfer up to \$23.041 million from 2022/23 to 2023/24 and outyears for the above initiatives across the forecast period, funded from underspends from MSD's departmental forecast residual underspend in 2022/23 of \$43.136 million.
- 59 This paper seeks to use underspend funding of up to \$3.760 million in 2022/23 from other Ministries and departmental agencies to allocate in-principle to meet the required \$16.450 million total cost of the RSLF within Vote Social Development in 2023/24.
- 60 This paper also seeks to transfer funding in-principle for the Food Secure Communities Programme of up to \$6.500 million 2022/23 to 2023/24.
- 61 I propose that delegated authority be provided to joint Ministers (Minister for Social Development and Employment and the Minister of Finance) to jointly agree the final amounts to be transferred, following completion of the relevant Ministries or departmental agencies 2022/23 audited financial statements or earlier confirmation if required.

Legislative Implications

- 62 There are no direct legislative implications arising from this paper.

Impact Analysis

Regulatory Impact Statement

63 There are no regulatory proposals in this paper, and therefore Cabinet’s impact analysis requirements do not apply.

Climate Implications of Policy Assessment

64 The Climate Implications of Policy Assessment (CIPA) team has been consulted and confirms that the CIPA requirements do not apply to this proposal as the threshold for significance is not met.

Population Implications

65 Population implications for the initiatives proposed, where relevant, are summarised in the table below:

Population group	How the proposal may affect this group
Māori	<ul style="list-style-type: none"> • Positive impacts for tamariki and rangatahi by reducing their further engagement with the youth justice or justice systems (<i>Youth Crime</i>). • Improved Iwi engagement and input across the delivery of a wide range of policies from a variety of agencies (<i>RSLF</i>). • Ensuring that all tangata whaikaha Māori named in an MWE permit are paid at least the minimum wage (<i>MWE</i>). • Nearly half of all sole parent families positively impacted by passing on child support will be Māori (<i>CSPO</i>). • Positive impacts for Māori, who are disproportionately impacted by pressures of COVID-19 and cost of living increases (<i>Food Secure Communities</i>).
Pacific peoples	<ul style="list-style-type: none"> • Pacific children and young people will likely benefit from continuing and enhancing prevention and early intervention (<i>Youth Crime</i>). • Pacific people are likely to benefit from services delivered more efficiently and with more regional and local input, as well as greater diversity of input into government actions (<i>RSLF</i>). • All tagata sa’ilimalo named in an MWE permit are paid at least the minimum wage (<i>MWE</i>). • Nearly 10 percent of all sole parent families positively impacted by passing on child support will be Pacific peoples (<i>CSPO</i>). • Positive impacts for Pacific peoples, who are disproportionately impacted by pressures of COVID-19 and cost of living increases (<i>Food Secure Communities</i>).
Women	<ul style="list-style-type: none"> • All women named in an MWE permit will be paid at least the minimum wage (<i>MWE</i>). • Women make up over three-quarters of all sole parent beneficiaries and are positively impacted by this initiative (<i>CSPO</i>). • Positive impacts for sole parents, who disproportionately bear the burden of impacts on household income due to impacts of COVID-19 and cost of living increases (<i>Food Secure Communities</i>).
Disabled people	<ul style="list-style-type: none"> • Disabled children are over-represented in populations of

	<p>children and young people who offend. Providing wrap around support through cross-agency teams, and having the ability to provide discretionary funding, are particularly important for these children and young people (<i>Youth Crime</i>).</p> <ul style="list-style-type: none"> • All disabled people named in an MWE permit are paid at least the minimum wage. Most, if not all, disabled people will be better off financially under the wage supplement approach (<i>MWE</i>). • Making it simple for CSPO payments to be assessed reduces barriers for disabled people (<i>CSPO</i>). • Positive impacts for disabled people, who are disproportionately impacted by impacts on household income due to impacts of COVID-19 and cost of living increases (<i>Food Secure Communities</i>).
Children	<ul style="list-style-type: none"> • Cross-agency early intervention directed specifically to 10-13 year old first time offenders has seen low rates of reoffending. Addressing offending behaviours amongst children is particularly important because people who offend at younger ages are more likely to go on to become repeat or serious offenders (<i>Youth Crime</i>).

Human Rights

66 The proposals in this paper are consistent with the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993.

Consultation

67 The following agencies have been consulted on the initiatives in this paper: Oranga Tamariki, Ministry of Justice, Te Kawa Mataaho | Public Service Commission, Manatū Hauora | Ministry of Health, Ministry of Education, Te Puni Kokiri, Ministry for Pacific Peoples, Ministry of Housing and Urban Development, Ministry of Business, Innovation and Employment, Whaikaha and Inland Revenue.

Communications

68 The youth crime initiative will likely be announced alongside the *Proposals to strengthen the response to serious offending behaviour in children and young people and improve court and system performance*.

69 The Minister for Social Development and Employment or the Ministry of Social Development will announce other changes, as appropriate.

Proactive Release

70 I intend this Cabinet Paper to be proactively released within standard timeframes.

Recommendations

It is recommended that the Cabinet Social Wellbeing Committee:

1 **note** that the Ministry of Social Development (MSD) is anticipating departmental output expense underspends in 2022/23 as follows:

I N C O N F I D E N C E

Vote Social Development Minister for Social Development and Employment	\$m – increase/(decrease)				
	2022/23	2023/24	2024/25	2025/26	2026/27 & Outyears
Multi-Category Expenses and Capital Expenditure Improved Employment and Social Outcomes Support					
Departmental Output Expenses: Improving Employment Outcomes (funded by revenue Crown)	(21.000)	-	-	-	-
Improving Work Readiness Outcomes (funded by revenue Crown)	(2.041)	-	-	-	-
Total Operating	(23.041)	-	-	-	-

- 2 **authorise**, for each of the below in-principle expense transfers, the Minister for Social Development and Employment and the Minister of Finance jointly to agree the final amount to be transferred, following completion of the relevant Ministries or departmental agencies 2022/23 audited financial statements or earlier confirmation if required, with no impact on the operating balance and/or net debt across the forecast period;
- 3 **note** that the transfers sought in principle through this paper total \$33.301 million. This is made of \$23.041 million from MSD departmental underspends, \$3.760 million from other Ministries and departmental agencies, and \$6.000 million from the Food Secure Programmes and \$0.500 million from Community Support Services departmental underspends;

Youth Crime Cost Pressure

- 4 **agree in-principle** to transfer MSD underspends of up to \$1.906 million for initiatives to address Youth Crime, as shown below:

Vote Social Development Minister for Social Development and Employment	\$m – increase/(decrease)				
	2023/24	2024/25	2025/26	2026/27	2027/28 & Outyears
Multi-Category Expenses and Capital Expenditure Community Support Services MCA					
Non-Departmental Output Expense: Community Support and Advice	1.906	-	-	-	-
Total Operating	1.906	-	-	-	-

Regional System Leadership Framework

- 5 **note** to increase transparency of funding for the Regional System Leadership Framework initiative in Vote Social Development it is recommended that a

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new category within the Community Support Services MCA is established from 1 July 2023;

- 6 **agree** to add the following category to the multi-category appropriation “Community Support Services”:

Title	Type	Scope
Regional System Leadership Framework	Departmental Output Expense	This category is limited to co-ordinating and delivering public services at a regional level.

- 7 **agree in-principle** to transfer MSD underspends up to \$5 million for the Regional System Leadership Framework initiative, as shown below:

Vote Social Development Minister for Social Development and Employment	\$m – increase/(decrease)				
	2023/24	2024/25	2025/26	2026/27	2027/28 & Outyears
Multi-Category Expenses and Capital Expenditure Community Support Services MCA Departmental Output Expense: Regional System Leadership Framework (funded by revenue Crown)	5.000	-	-	-	-
Total Operating	5.000	-	-	-	-

- 8 **note** that early confirmation of the full amount of the available expense transfer is required to avoid risk of unappropriated expenditure;

- 9 **agree** an expense transfer of \$5 million from 2022/23 to 2023/24;

- 10 **approve** the following changes to appropriations to provide for the decision in recommendation 9 above, with no impact on the operating balance and/or net debt across the forecast period:

Vote Social Development Minister for Social Development and Employment	\$m – increase/(decrease)				
	2023/24	2024/25	2025/26	2026/27	2027/28 & Outyears
Multi-Category Expenses and Capital Expenditure Community Support Services MCA Departmental Output Expense: Regional System Leadership Framework (funded by revenue Crown)	5.000	-	-	-	-
Total Operating	5.000	-	-	-	-

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- 11 **agree** that the proposed change to appropriations for 2023/24 above be included in the 2023/24 Supplementary Estimates and that, in the interim, the increases be met from Imprest Supply;
- 12 **note** the following Ministries and departmental agencies are likewise anticipating operating expense underspends in 2022/23, as shown below:

	\$m – increase/(decrease)				
	2022/23	2023/24	2024/25	2025/26	2026/27 & Outyears
Vote Health					
Minister of Health					
Non-Departmental Output Expenses:					
Delivering hauora Māori services	(0.150)	-	-	-	-
Non-Departmental Output Expenses:					
Delivering Primary, Community, Public and Population Health Services	(0.630)				
Multi-Category Expenses and Capital Expenditure					
Stewardship of the New Zealand health system					
Departmental Output Expenses:					
Public health and population health leadership (funded by revenue Crown)	(0.250)				
Vote Education					
Minister of Education					
Multi-Category Expenses and Capital Expenditure					
Primary and Secondary Education					
Non-Departmental Output Expenses:					
Secondary Education	(1.500)	-	-	-	-
Vote Māori Development					
Minister for Māori Development					
Departmental Output Expenses:					
Te whakatinanatanga o ngā wawata ā-pāpori, ā-ōhanga, ā-whakawhanaketanga ahurea o te iwi Māori Realising the social, economic and cultural development aspirations of Māori (funded by revenue Crown)	(0.300)	-	-	-	-
Vote Social Development					
Minister for Disabled Issues					
Multi-Category Expenses and Capital Expenditure					
Supporting tangata whaikaha Māori and disabled people					
Departmental Output Expenses:					
Stewardship of the Disability System (funded by revenue Crown)	(0.090)	-	-	-	-
Vote Pacific Peoples					
Minister for Pacific Peoples					
Multi-Year Multi-Category Expenses and Capital Expenditure					

IN CONFIDENCE


Policy Advice and Ministerial Servicing					
Departmental Output Expenses:					
Communications, Projects and Relationships (funded by revenue Crown)	(0.090)	-	-	-	-
Vote Te Arawhiti					
Minister of Justice					
Multi-Category Expenses and Capital Expenditure					
Māori Crown Relations					
Departmental Output Expenses:					
Strengthening Crown Capability (funded by revenue Crown)	(0.350)	-	-	-	-
Vote Housing and Urban Development					
Minister of Housing					
Multi-Category Expenses and Capital Expenditure					
Public Housing					
Non-Departmental Output Expenses:					
Services Related to the Provision of Public Housing	(0.400)	-	-	-	-
Total Operating	(3.760)	-	-	-	-

13 **agree in-principle** to transfer up to \$3.760 million for the Regional System Leadership Framework initiative, as shown below:

Vote Social Development Minister for Social Development and Employment	\$m – increase/(decrease)				
	2023/24	2024/25	2025/26	2026/27	2027/28 & Outyears
Multi-Category Expenses and Capital Expenditure					
Community Support Services MCA					
Departmental Output Expense:					
Regional System Leadership Framework (funded by revenue Crown)	3.760	-	-	-	-
Total Operating	3.760	-	-	-	-

Social Workers Registration Board

14 **§ 9(2)(f)(iv)** 

15 **agree in-principle**, **§ 9(2)(f)(iv)**  to transfer MSD underspends of up to \$0.809 million to meet an expected shortfall in 2023/24, as shown below:

I N C O N F I D E N C E

Vote Social Development Minister for Social Development and Employment	\$m – increase/(decrease)				
	2023/24	2024/25	2025/26	2026/27	2027/28 & Outyears
Non-Departmental Output Expenses: Social Workers Registration Board	0.809	-	-	-	-
Total Operating	0.809	-	-	-	-

Wage Supplement to Replace the Minimum Wage Exemption

- 16 **note** that Ministers agreed to the “Wage Supplement to Replace the Minimum Wage Exemption” initiative at Budget 2023;
- 17 **agree** to bring forward the implementation of this initiative by one year (from late 2025 to late 2024);
- 18 **note** that bringing forward the implementation of this initiative has the following net impact on tax revenue, as shown below:

Vote Revenue Minister of Revenue	\$m – increase/(decrease)				
	2023/24	2024/25	2025/26	2026/27	2027/28 & Outyears
Tax Revenue Source Deductions	-	1.632	-	-	-
Total Operating	-	(1.632)	-	-	-

- 19 **agree in-principle** to transfer MSD underspends of up to \$11.000 million across the forecast period and to make the following changes to appropriations to give effect to the decision in recommendation 17 above, as shown below:

Vote Social Development Minister for Social Development and Employment	\$m – increase/(decrease)				
	2023/24	2024/25	2025/26	2026/27	2027/28 & Outyears
Departmental Output Expenses: Data, Analytics and Evidence Services (funded by revenue Crown)	0.050	0.050	-	(0.100)	-
Non-Departmental Output Expenses: Wage Supplement to Replace Minimum Wage Exemption	-	10.301	(1.879)	0.831	-
Capital Injections: Ministry of Social Development – Capital Injection	6.667	(5.000)	(1.667)	-	-
Multi-Category Expenses and Capital Expenditure Improved Employment and Social Outcomes Support					
Departmental Output Expenses: Administering Income Support (funded by revenue Crown)	1.747	-	-	-	-

I N C O N F I D E N C E

Total Operating	1.797	10.351	(1.879)	0.731	-
Total Capital	6.667	(5.000)	(1.667)	-	-

Child Support Pass-on

- 20 **note** that Ministers agreed to deliver the “Child Support Pass-on” initiative at Budget 2022, but this is now expected to be more costly than previously advised;
- 21 **agree in-principle** to transfer MSD underspends of up to \$4.326 million to address additional costs relating to the delivery of Child Support Pass-on, as shown below:

Vote Social Development Minister for Social Development and Employment	\$m – increase/(decrease)				
	2023/24	2024/25	2025/26	2026/27	2027/28 & Outyears
Multi-Category Expenses and Capital Expenditure Improved Employment and Social Outcomes Support					
Departmental Output Expenses: Administering Income Support (funded by revenue Crown)	4.326	-	-	-	-
Total Operating	4.326	-	-	-	-

Food Secure Communities cost pressure

- 22 **note** that Ministers agreed to funding for “Food Secure Communities” at Budget 2023, to continue some elements of the existing Food Secure Communities programme and in response to the North Island Weather Events (funding in 2023/24 \$17.800 million and 2024/25 \$11 million). The demand for the programme in 2023/24 is now expected to exceed the allocated funding level;
- 23 **note** that MSD is anticipating underspends in 2022/23 for the Food Secure Communities programmes of \$6 million and \$0.500 million from general underspends in the Community Support Services MCA as follows:

Vote Social Development Minister for Social Development and Employment	\$m – increase/(decrease)				
	2022/23	2023/24	2024/25	2025/26	2026/27 & Outyears
Multi-Category Expenses and Capital Expenditure Community Support Services					
Departmental Output Expenses: Developing and Managing Community Services (funded by revenue Crown)	(0.500)	-	-	-	-
Non-Departmental Other Expenses: Community Response to Adverse or Emergency Events	(6.000)	-	-	-	-

I N C O N F I D E N C E

Total Operating	(6.500)	-	-	-	-
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24 **agree in-principle** to transfer underspends of up to \$6.500 million for the delivery and administration of the Food Secure Communities programme initiative as shown below:

Vote Social Development Minister for Social Development and Employment	\$m – increase/(decrease)				
	2023/24	2024/25	2025/26	2026/27	2027/28 & Outyears
Multi-Category Expenses and Capital Expenditure Community Support Services					
Departmental Output Expenses: Developing and Managing Community Services (funded by revenue Crown)	0.500	-	-	-	-
Non-Departmental Other Expenses: Community Response to Adverse or Emergency Events	6.000	-	-	-	-
Total Operating	6.500	-	-	-	-

Authorised for lodgement

Hon Carmel Sepuloni

Minister for Social Development and Employment