



# Report

**Date:** 5 November 2020

**Security Level:** BUDGET SENSITIVE

**To:** Hon Carmel Sepuloni, Minister for Social Development and Employment

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## Budget 2021 – Initial View

### Purpose

1. This report provides you with an overview of the emerging Budget 2021 package for Vote Social Development, for discussion at your meeting with officials on 9 November 2020.

### Initial view of the Budget 2021 package for Vote Social Development

2. MSD is working to develop new initiatives for the Budget 2021 package. The draft Budget Package brings together significant MSD and cross-agency work, such as the Welfare Overhaul work programme, support for the Joint Venture, and employment early intervention and prevention. The package also includes a significant cost pressure component.
3. The attached A3 sets out the emerging package and includes visibility of new initiatives and cost pressures. These bids in the emerging package have been categorised as follows:
  - **Manifesto Commitments**—funding committed to delivering against this Government's stated intention in the manifesto
  - **Continuing Welfare Overhaul**—funding to continue delivering changes to ensure a fairer welfare system for New Zealanders
  - **Commitment to deliver**—funding to support a publicly committed plan
  - **Enabling the organisation to deliver**—ensuring MSD can continue providing its current level of service to New Zealanders
  - **Recommended initiatives that target improved client outcomes**
  - **Vote Social Development and Crown Entity bids**
  - **Cross-agency initiatives with impacts on Social Development.**
4. At this meeting we will talk you through these proposed packages.
5. We will provide scaling options at both individual bid and package level for your consideration in due course.

### Budget 2021 Process

6. We are expecting to receive the Budget 2021 Strategy and Guidance from Treasury in December 2020.

7. We expect that the funding priorities for Budget 2021 are likely to be manifesto initiatives, COVID-19 related pressures, as well as general cost pressures.
8. We will continue to work with you to further develop and refine the package. We will have further conversations with you in December, once we have received Treasury guidance. There will also be bids in the Vote Social Development Budget 2021 package that will include the portfolios of other Ministers, such as Youth and Seniors.

### **Next steps**

9. We will continue to develop bids and packages, including scaling options, in preparation for further discussion and submission to the Treasury.

### **Appendix 1: Budget 2021 A3**

#### Budget 2021 Bid Descriptions

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OFFICIAL INFORMATION ACT

**Summary of potential Budget 2021 Investment Package**

Bid name	Bid description
<b>Manifesto Commitments</b>	
<b>Reinstating the Training Incentive Allowance</b>	<p>Funding will reinstate TIA eligibility to support study at levels 7 and below on the New Zealand Qualifications Framework (degree-level study and below, excluding post-graduate qualifications). The level of study able to be undertaken through the TIA was restricted in Budget 2009 by the previous Government from levels 7 and below to levels 3 and below. Study at this level is also called 'foundation education' and is aligned with study at secondary school level.</p> <p>The TIA provides assistance for eligible clients studying at NZQF levels 3 and below with the following costs, at an annual entitlement of \$4,515.60 and payable at a maximum weekly rate of \$112,89:</p> <ul style="list-style-type: none"> <li>• Fees – for education and employment-related training</li> <li>• Childcare and care costs – assistance to access informal childcare, care for people with sickness, injury or disabilities, or care of elderly people.</li> </ul> <p>Additional costs associated with employment, study, or employment-related training (e.g. books, transport).</p>
<b>Expanding Flexi-wage</b>	<p>Expanding Flexi-wage to support up to 40,000 more people into work, or to help them start their own business.</p> <p>The Flexi-wage programme supports people who may face barriers finding work, or who are at risk of long-term unemployment. For example, they may have limited skills or work experience, require on-the-job training, have low confidence, or face age or other discrimination.</p> <p>This initiative will expand the criteria so more New Zealand businesses can take advantage of the scheme. The scheme is designed to support those most impacted by the recession to find work again.</p>
9(2)(f)(iv)	9(2)(f)(iv)
9(2)(f)(iv)	9(2)(f)(iv)
9(2)(f)(iv)	9(2)(f)(iv)
<b>Commitment to Deliver</b>	
9(2)(f)(iv)	9(2)(f)(iv)
<b>Disability Issues – Growing Disability and Accessibility Leadership and Advice</b>	<p>9(2)(f)(iv)</p> <ul style="list-style-type: none"> <li>• 9(2)(f)(iv)</li> <li>• increased FTE in the Office for Disability Issues to respond to increased demand for advice and support to grow disabled people in leadership</li> <li>• ensuring that disabled people have access to printed communications and information from government</li> <li>• supporting disabled people to participate in international leadership opportunities, including supporting Sir Robert Martin's participation and contribution to the UN Committee on the Rights of Disabled People</li> </ul> <p>9(2)(f)(iv)</p>

**BUDGET SENSITIVE**

5 November 2020

9(2)(f)(iv)	9(2)(f)(iv)
9(2)(f)(iv)	Increased capacity in the Office for Seniors to be able to advocate for and deliver in line with the <i>Better Later Life - He Oranga Kaumātua Strategy</i> , endorsed by Cabinet in 2019 and referenced as a commitment in the 2020 Labour Party manifesto. 9(2)(f)(iv) Total Seniors population up from 563,500 in 2010 to 791,000 in 2020.
<b>Continuing Welfare Overhaul</b>	
<b>Main Benefit Rate Increase</b>	This initiative would increase the rates of all main benefits. One option is a flat rate increase across benefit types, on a per adult basis. Another option could consider different increases for different benefit rates (to improve relativities in the system and reduce partnering disincentives) alongside 9(2)(f)(iv) A \$25 per adult increase was indicatively estimated to cost around \$600m p.a. Other options have not been modelled at this stage.
9(2)(f)(iv)	9(2)(f)(iv)
<b>Permanently Adjusting Our Settings: Improving Subsequent Work Capacity Medical Certificate Requirements</b>	9(2)(f)(iv) The previous approach required all JS-HCD clients to provide subsequent work capacity medical certificates at fixed intervals (4 weeks, another 4 weeks and then every 13 weeks). This approach has been suspended due to the impacts of COVID-19 until 31 July 2021. The new approach would base the individual's review period on a qualified health practitioner's recommendation regarding the expected duration of reduced work capacity. It would also include a 4-week 'grace period' of continued benefit payments at the end of the client's review period, in order to allow time to provide another work capacity medical certificate. The initiative involves either: <ul style="list-style-type: none"><li>• approving a pre-Budget commitment to enable implementation from 1 August 2021; or</li></ul> extending current medical deferrals from 31 July 2021 to 31 December 2021 and funding the implementation of tailored review periods from 1 January 2022 onwards.

**BUDGET SENSITIVE**

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9(2)(f)(iv)	
<b>Enabling the Organisation to Deliver COST PRESSURES</b>	
<b>Remuneration</b>	Funding cliff – two years of remuneration increases were received through Budget 19. It is proposed that staff transfer to new Performance and Remuneration framework (PaRF) on 1 April 2021
<b>Non-Discretionary Cost Pressures</b>	MHUD economies of scale Policy Occupancy IT (Digital Workplace Programme and Inflationary)
<b>Site Safety and Security (guards)</b>	Addressing funding cliff (from Baseline Review) for security guards. <i>MSD funding year 1, need outyear funding.</i> Funding for the restoration of baseline and guard costs increases – updated for FY 21
<b>MSD Staff (FTE)</b>	Funding required to continue to meet increased sustained demand.
<b>Employment Services</b>	Funding required to continue to meet increased sustained demand.
<b>Housing Demand</b>	FTE required to meet increased emergency housing numbers.
<b>Corporate Services Separation from Oranga Tamariki</b>	Costs of separating Oranga Tamariki and the effects on our corporate function.
9(2)(f)(iv)	
9(2)(b)(ii)	
<b>Recommended Initiatives that Target Improved Client Outcomes COST PRESSURES</b>	
<b>Increase and Expand the KidsCan Programme</b>	This initiative will provide continued funding for the KidsCan programme from 2020/21 onwards to support approx. 9(2)(f)(iv)
<b>Expanding the KickStart Breakfast Programme</b>	This initiative will provide continued funding for the KickStart Breakfast programme from 2020/21 9(2)(f)(iv) This programme is funded in partnership with Fonterra and Sanitarium.
<b>Continuation of Kāinga Whānau Ora (Te Tihi contract)</b>	Kāinga Whānau Ora (KWO) is a collective impact initiative delivered by Te Tihi o Ruahine Whānau Ora Alliance (Te Tihi) comprising nine iwi /Māori providers in partnership with local NGOs and Government agencies, which is due to expire on 30 June 2021.  Kainga Whānau Ora supports whānau to live in safe, warm, dry homes within flourishing communities in Palmerston North and Whanganui. This is done in conjunction with Kainga Ora and currently KWO supports 109 whanau. A key aspect of the programme is the provision of Whānau Ora Navigation services that start from an aspirational base and then identify available wrap-around support services. This service has provided support to participating whānau to maintain and grow resilience throughout the COVID-19 period and will continue play an important role in supporting whānau who may be impacted in the short-to-medium term. Te Ara Whānau Ora (aspirational process of engagement) has been essential in supporting whānau to cope with the effects of lockdown.

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The local level working groups in place in both locations, led by Te Tihi and Te Oranganui respectively, include: the Ministry of Social Development (MSD), Oranga Tamariki (OT), Ministry of Education (MoE), Kainga Ora (formerly Housing New Zealand), Te Puni Kōkiri (TPK), NZ Police, Department of Corrections and the Social Wellbeing Agency (SWA); and depending on location, Palmerston North City Council, Whanganui District Council, Universal College of Learning, Central Primary Health Organisation, Whanganui Central Health Network, MidCentral District Health Board, and Whanganui District Health Board.

9(2)(f)(iv)  
[Redacted]

**Recommended Initiatives that Target Improved Client Outcomes NEW INITIATIVES**

**Ensuring continued availability of Out of School Care and Recreation services**

This initiative seeks on-going funding to address the changes and increase in demand for OSCAR services that have occurred over the last seven years. These services allow parents to gain and maintain meaningful employment or undertake further education and training, whilst supporting children's wellbeing and educational attainment. 9(2)(f)(iv) on current levels of approx. 50,000. Volumes are based on the number of children in programmes to support their parents to undertake employment, education and training.

9(2)(f)(iv)  
[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

**Cross agency Initiative with impacts on Vote Social Development**

**JVBU - Sustainable Funding for Integrated Safety Response and Whangaia Nga Pa Harakeke (FV)**

Address funding ending 2021. Joint initiative across Police, MSD, MoH, MoJ, Ara Poutama, OT.



# BUDGET 2021 INVESTMENT PACKAGE

COSTS ARE INDICATIVE AND ARE BEING REFINED  
BUDGET SENSITIVE

As at 5 November 2020

## Manifesto Commitments

Funding committed to delivering against Government's stated intentions in their manifesto

Bid name	Funding amount	Funding years
<b>Reinstating the Training Incentive Allowance</b> (Imp. date Jul 21)	\$431m	4 years
9(2)(f)(iv)		
<b>TOTAL</b>	<b>TBC</b>	

## Enabling the Organisation to Deliver

Ensuring MSD is funded to continue providing its current level of service to New Zealanders

Bid name	Funding amount	Funding years
<b>COST PRESSURES</b>		
9(2)(f)(iv)		
<b>Non-discretionary cost pressures:</b>	9(2)(f)(iv)	
- MHUD economies of scale		
- Policy		
- Occupancy		
- IT (Digital Workplace Programme and Inflationary)		
Site Safety and Security (guards)	9(2)(f)(iv)	
<b>MSD Staff (FTE)</b> – to continue to meet increased sustained demand	9(2)(f)(iv)	
<b>Employment Services</b> – to continue to meet increased sustained demand	9(2)(f)(iv)	
<b>Housing Demand</b> – FTE to meet increased emergency housing numbers	9(2)(f)(iv)	
<b>Corporate Services Separation from Oranga Tamariki</b>	9(2)(f)(iv)	
9(2)(f)(iv)		
§ 9(2)(f)(iv)		

## Commitment to Deliver

Funding to support a publicly committed plan

Bid name	Funding amount	Funding years
9(2)(f)(iv)		
<b>Disability Issues: Growing Disability and Accessibility Leadership and Advice</b>	\$6.7m	4yrs
9(2)(f)(iv)		
<b>TOTAL</b>	<b>TBC</b>	

## Recommended Initiatives That Target Improved Client Outcomes

Bid name	Funding amount	Funding years
<b>COST PRESSURES</b>	<b>\$TBC</b>	
<b>*Increase and Expand the KidsCan Programme</b>	\$4m	4yrs
<b>*Expanding the KickStart Breakfast Programme</b>	\$7m	4yrs
<b>*Continuation of Kāinga Whānau Ora/Te Tihi contract</b>	\$9.6m	4yrs
9(2)(f)(iv)		
<b>Ensuring Continued Availability of OSCAR Services</b>	\$30m	5yrs
<b>NEW INITIATIVES</b>		
9(2)(f)(iv)		
<b>TOTAL</b>	<b>TBC</b>	

**Key:**  
\* Cost pressures

Bids led by:  
Ω Minister for Seniors, Ayesha Verrall  
Δ Minister for Youth, Priyanca Radhakrishnan  
Θ Minister for Prevention of Family and Sexual Violence, Marama Davidson

## Continuing Welfare Overhaul

Funding to continue delivering changes to ensure a fairer welfare system for New Zealanders

Bid name	Funding amount	Funding years
<b>Main Benefit Rate Increase</b> (Investigating Imp. date Apr 21)	\$600m per annum	TBC
9(2)(f)(iv)		
<b>*Permanently Adjusting Our Settings – Improving Subsequent Work Capacity Medical Certificate Requirements</b>	\$4.7m + \$78.5m (BoRE)	1yr 4yrs
9(2)(f)(iv)		
<b>TOTAL</b>	<b>TBC</b>	

## Cross-agency Initiatives with Impacts on Vote Social Development

Bid name	Funding amount	Funding years
Θ <b>JVBU – Sustainable Funding for Integrated Safety Response, Whangaia Nga Pa Harakeke (FV)</b> – address funding ending 2021 (Police, MSD, MoH, MoJ, Ara Poutama, OT)	TBC	TBC
<b>TOTAL</b>	<b>TBC</b>	

## Crown Entity Bids

Bid name	Funding amount	Funding years
<b>NEW INITIATIVES</b>	<b>TBC</b>	
<b>PLACEHOLDER: OCC Bid</b> – 9(2)(f)(iv)	TBC	TBC
9(2)(f)(iv)		