



1 July 2024

Tēnā koe

Official Information Act request

Thank you for your email of 30 May 2024, requesting two Cabinet documents from 2013 and information about the Employment Work Readiness and Assistance Programme.

I have considered your request under the Official Information Act 1982 (the Act). Please find my decision on your request set out below. For the sake of clarity, I will respond to your request in parts.

On your first request for the Cabinet documents please find attached:

- SOC (13) 117 -LATE PAPER- **Implementation of a Multi-Category Appropriation for the Investment Approach**
- SOC Min (13) 20_1 **Implementation of a Multi-Category Appropriation for the Investment Approach.**

On your second request for *Policy, memos and Aide memoirs relating to the Employment Work Readiness and Assistance Programme (EWRAP)*, we wrote to you on 14 June 2024 and noted that this part of your request is broad in scope and was likely to be refused under section 18(f) of the Act as substantial manual collation would be required to provide the information requested.

We advised that EWRAP is an umbrella for a host of Ministry programmes and policies and asked you to specify the specific policy you are interested in. We provided a link to our website to assist you to narrow your request: [MSD - Ministry of Social Development](#). On 17 June 2024, you responded and advised you were happy for your request to be modified as requested – but did not specify the policy you are interested in as requested.

In the interest of being helpful, we wrote to you again on 17 June 2024 and asked you to re-read the refinement request and specify the specific policy you are interested in. On 17 June 2024 you responded and re-confirmed you request “the most recent, from (2017-2023) policy/memos/aide memoires for the Employment Work Readiness and Assistance Program (EWRAP).”

This part of your request for all information about EWRAP remains very broad, and substantial manual collation would be required to locate and prepare all documents within scope of your request. As such, I refuse your request under section 18(f) of

the Act. The greater public interest is in the effective and efficient administration of the public service.

I have considered whether the Ministry would be able to respond to your request given extra time, or the ability to charge for the information requested. I have concluded that, in either case, the Ministry's ability to undertake its work would still be prejudiced.

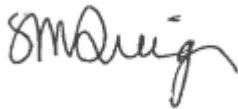
For your assistance, I include as an Appendix to this letter a list of the Ministry's employment/youth employment programmes. You are welcome to make a new request once you have identified which programme within EWRAP you are interested in.

I will be publishing this decision letter, with your personal details deleted, on the Ministry's website in due course.

If you wish to discuss this response with us, please feel free to contact OIA_Requests@msd.govt.nz.

If you are not satisfied with my decision on your request, you have the right to seek an investigation and review by the Ombudsman. Information about how to make a complaint is available at www.ombudsman.parliament.nz or 0800 802 602.

Ngā mihi nui

pp. 

Magnus O'Neill
General Manager
Ministerial and Executive Services

APPENDIX: List of EWRA programmes and services

- Client Self Help
- Limited-Service Volunteer
- Outward Bound
- Flexi-Wage
- Flexi-Wage Project in the community
- Mana in mahi
- Course Participation Assistance
- Targeted Training
- Enhanced Taskforce Green
- Skills for industry
- Transition to Work
- 5K to Work
- Providing Access to Health Solutions
- Targeted Health Interventions
- Training Support
- Job Support Funds
- Mainstream Employment Programme
- Mainstream Internship Programme
- Vocational Services for People with Disabilities
- Business Training and Advice Grant
- Self-Employment Start-up
- Transition to Work childcare
- Flexible Childcare Assistance
- Career Guidance.



Cabinet Social Policy Committee

SOC (13) 117

Copy No: 39

Summary of Paper

2 September 2013

This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.

LATE PAPER: This paper was submitted after the Cabinet deadline and has been accepted for the agenda by the Chair

Implementation of a Multi-Category Appropriation for the Investment Approach

Portfolio Finance / Social Development

Purpose This paper seeks agreement to the introduction of a multi-category appropriation (MCA) structure, with a phased implementation of the MCA, to provide the Ministry of Social Development (MSD) with increased funding flexibility.

Previous Consideration On 10 April 2013, Cabinet agreed in principle, subject to the passing of the State Sector Public Finance Reform legislation and the availability of Imprest Supply Authority, that a MCA be implemented for MSD from 2013/14 through the Baseline Update [SOC Min (13) 6/1].

Summary The introduction of a MCA is an opportunity to implement increased funding flexibility, which will allow MSD to make better investment decisions across benefit administration and employment-related Vote Social Development appropriations.

Increased funding flexibility will mean that MSD will be able to allocate funding to where it is most effective at improving long-term employment outcomes, and to manage the future cost of the benefit system. It is a key way of holding MSD accountable for results under the investment approach.

A MCA will provide increased accountability and transparency over outcomes that will assure Ministers and Parliament that funding is being directed to the appropriate outcomes. Ministers will set targets and hold MSD accountable for achieving them. Holding MSD accountable for reducing long-term welfare dependency ensures that transfers of operational funding are made in a way which is consistent with agreed targets and government priorities.

The proposed MCA structure is outlined in **Annex 1**. The appropriations recommended for inclusion in the MCA are outlined in **Annex 2**.

MSD, through a number of channels, will assure Ministers that funding is being used to target the correct investment decisions that will achieve the agreed targets.

Regulatory Impact Analysis Not required.

Baseline Implications	There are no direct financial implications associated with the proposal. However, the MCA will result in transfers from existing appropriations within Vote Social Development to the MCA, which will be fiscally neutral.
Legislative Implications	There are no legislative implications arising from this paper. However, it is possible that some legislative change may be required when funding is brought in through Budgets 2014 and 2015.
Timing Issues	It is proposed that all financial and technical changes be made to the MCA during the financial year 2013/14.
Announcement	The Minister for Social Development will take decisions around publicity for welfare reform in consultation with her colleagues.
Consultation	<p>Paper prepared by MSD. Treasury, MoE, MoH, SSC and the Tertiary Education Commission were consulted. DPMC was informed.</p> <p>The Prime Minister, the Minister for Tertiary Education, Skills and Employment, the Ministers of Education and Health and the Associate Ministers for Social Development (Hon Chester Borrows and Hon Tariana Turia) were consulted. The Minister for Social Development has indicated that the paper does not require discussion with the government caucus or with other parties represented in Parliament.</p>

The Minister of Finance and the Minister for Social Development recommend that the Committee:

- 1 agree to the introduction of a multi-category appropriation (MCA) structure in Vote Social Development to facilitate the implementation of the investment approach for working age benefits;
- 2 agree that the Overarching Purpose Statement for the MCA be:

"The single overarching purpose of the MCA is to operate the benefit system and associated interventions in such a way as to improve client outcomes (employment and social) to move them closer to independence, with a focus on those at risk of long term benefit receipt."
- 3 agree to the MCA structure as set out in Annex 1 of the paper under SOC (13) 117;
- 4 note that the appropriations that are intended to be transferred into the MCA and the timing of those transfers, are set out in Annex 2 of the paper under SOC (13) 117;
- 5 note that all proposed movements of appropriations into the MCA are fiscally neutral and require no new funding;

- 6 note that the approval of the Minister of Finance is required to establish a MCA, and the Minister of Finance, jointly with the Minister responsible for the appropriation, can set conditions on the transfer of funding between the component parts of a MCA [CAB Min (12) 16/10];
- 7 note that, subject to any conditions set as per paragraph 6 above, the Minister for Social Development (the appropriation Minister) can delegate to the Chief Executive of the Ministry of Social Development (the appropriation administrator) the authority to make transfers between different categories of the MCA within the overall amount of the MCA;
- 8 authorise the Minister for Social Development and the Minister of Finance to make all financial and technical changes to the MCA during the financial year;
- 9 note that the Minister for Social Development intends to re-categorise the Transition to Work Grant and the Employment Related Training Assistance appropriation from the Benefit and Unrequired Expense appropriation to the Non-Departmental Other Expense appropriation, for inclusion in the MCA at Budget 2014;
- 10 note that the Ministry of Social Development will report back to Cabinet outlining any policy changes to give effect to paragraph 8 prior to Budget 2014.

Laurence Tyler
Committee Secretary

Distribution:

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State Services Commissioner
Secretary for Education
Chief Executive, MSD ✓

Chair
Cabinet Social Policy Committee

IMPLEMENTATION OF A MULTI-CATEGORY APPROPRIATION FOR THE INVESTMENT APPROACH

Proposal

- 1 This report seeks Cabinet agreement to introduce a multi-category appropriation (MCA) structure with a phased implementation of the MCA. The implementation of a MCA will provide the Ministry of Social Development (MSD) with increased funding flexibility, allowing MSD to make better investment decisions across benefit administration and employment-related Vote Social Development appropriations. This increased funding flexibility will mean MSD is able to allocate funding to where it is most effective at improving long-term employment outcomes and to manage the future cost of the benefit system, and is a key way of holding MSD accountable for results under the investment approach.
- 2 This paper notes that, subject to any financial restrictions and Ministerial oversight arrangements, the Minister for Social Development can delegate the ability to transfer expenditure between categories of the MCA. Ministerial oversight arrangements include the annual valuation, the Work and Income Board, Work and Income external monitor, new performance expectations linked to the valuation and the new integrated investment framework.

Executive summary

- 3 The Government is committed to reducing long-term welfare dependency, and by proxy reducing the life time cost of the welfare system, estimated at \$78 billion at 30 June 2011. Reducing long-term welfare dependency means improved economic and social outcomes for individuals, families and New Zealand.
- 4 To achieve these goals, the Government has implemented the investment approach to welfare. A successful implementation of the investment approach requires: i) a clear long-term outcome based on the external valuation and the factors over which MSD has influence, ii) strong accountability mechanisms where performance is measured transparently against the future liability, and iii) flexible funding so that resources can be allocated by MSD to where they are most effective at improving long-term employment outcomes. Increased flexibility entails the ability to stop, trial and expand programmes and services; and the ability to move funding to those programmes and services that improve client outcomes.
- 5 The introduction of a MCA is an opportunity to implement increased funding flexibility, allowing MSD to make better investment decisions across benefit administration and employment-related Vote Social Development appropriations. This increased funding flexibility will mean MSD is able to allocate funding to where it is most effective at improving long-term employment outcomes and to manage the future cost of the benefit system, and is a key way of holding MSD accountable for results under the investment approach.
- 6 A MCA will provide increased accountability and transparency over outcomes that will assure Ministers and Parliament that funding is being directed to the appropriate outcomes. Ministers will set targets and hold MSD accountable for achieving them. Holding MSD accountable for

reducing long-term welfare dependence ensures that transfers of operational funding are made in a way which is consistent with agreed targets and government priorities.

- 7 MSD, through a number of channels, will assure Ministers that funding is being used to target the correct investment decisions that will achieve the agreed targets.

Background

- 8 On 10 April 2013, Cabinet agreed in principle, subject to the passing of the State Sector Public Finance Reform Bill and the availability of Imprest Supply Authority, that a MCA be implemented for MSD from 2013/14 through the October Baseline Update (OBU) [SOC Min (13) 6/1 refers]. The Public Finance Amendment Act 2013 has been enacted, and imprest provisions for the MSD MCA have been included in the Imprest Supply (Second for 2013/14) Bill introduced and passed in August.
- 9 Social Sector Ministers met on 29 July 2013 to discuss the implications of the proposed MCA structure, where there was general agreement to the structure. MSD has worked with the Work and Income Board on the proposed MCA structure.

Rationale for implementing the MCA

- 10 The Government is committed to reducing long-term welfare dependency, and by proxy reducing the life time cost of the welfare system, estimated at \$78 billion at 30 June 2011. Reducing long-term welfare dependency means improved economic and social outcomes for individuals, families and New Zealand. One of the intermediate goals is the Better Public Services target of reducing the number of people who have been on a working age benefit for more than 12 months from 78,000 to 55,000 in 2017.
- 11 To achieve these goals, the Government has implemented the investment approach to welfare. The investment approach applies a long-term liability perspective to the cost of the benefit system, and takes a systematic approach to investing in support and services for clients where they will make the biggest difference to improve client outcomes and the overall liability.
- 12 Prior to the adoption of the investment approach, services were targeted mainly on short-term benefit outcomes, such as on Unemployment Benefit (UB) clients. In 2011/12, 78% of Employment Assistance spending was on the UB. However, based on the valuation, the average lifetime costs for these type of clients are at the bottom end of the range. Jobseekers who have been on benefit continuously less than a year (who tend to be younger in age, and may remain long-term without early intervention, or churn on and off benefit) have an average lifetime cost from around \$85,000, while young parents 18 and under's average lifetime costs is about \$260,000.
- 13 A new approach is required, where MSD can focus on those clients identified in the liability, and be innovative in targeting support and services to where they will achieve the best outcomes. This requires both operational and funding flexibility for MSD so that it can work with the Work and Income Board to direct funding to where it is most effective at improving employment outcomes and managing the future costs of the benefit system. Increased flexibility entails the ability to stop, trial and expand programmes and services, and the ability to move funding to those programmes and services that improve client outcomes.
- 14 Implementing this approach will be essential to achieving a reduction in the number of benefit recipients. In June 2012, Treasury and MSD estimated that implementing Welfare Reform could result in a reduction in the number of benefit recipients of between 28,000 and 44,000 (with an associated fiscal saving of between \$0.992 and \$1.609 billion over the four years to 2016/17). Amongst other policy settings, these results included the impacts of moving to a

long-term investment approach to welfare. Freed-up funding resources could be redirected back to the MSD, or towards other Government priorities as Cabinet decides.

- 15 The introduction of a new type of appropriation, the MCA, is an opportunity to implement funding flexibility required as part of the investment approach. This new appropriation type was introduced as part of this Government's legislative changes to improve the management of the State sector system to support more innovative and efficient State services. It is intended to direct focus towards achieving results and facilitate the movement of resources towards effective initiatives whilst preserving Parliamentary control and scrutiny.
- 16 Agreeing to implement a MCA will give MSD strong incentives to ensure interventions are efficient and effective, and thereby encourage continuous improvement in the quality of existing spend. Failure to provide MSD with funding flexibility through the MCA will compromise results from Welfare Reform and weaken incentives on MSD to improve long-term employment outcomes. Annex 4 sets out how investment decisions will differ under the MCA compared to the current practice.

Parallels with other government funding mechanisms

- 17 Other government services use flexible funding frameworks. District Health Boards (DHBs), for example, are allocated funding on a capitated basis (with allowances for demographics, rural status, etc.) and use funding to plan, purchase and provide health services, including public hospitals and the majority of public health services, within their areas. DHBs are held accountable for this expenditure by the Crown Funding Agreement that is set between the Minister for Health and individual DHBs. DHBs are required to deliver the outputs and other obligations under this agreement.

Ministerial Oversight over MSD's Investment Decisions

- 18 Increased flexibility will be accompanied by greater accountability for outcomes. Ministers will set targets and hold MSD accountable for achieving them. Holding MSD accountable for reducing long-term welfare dependence ensures that transfers of operational funding are made in a way which is consistent with their achievement and government priorities.
- 19 MSD, through a number of channels, will assure Ministers that funding is being used to target the correct investment decisions that will achieve the agreed targets.

New Accountability Arrangements

- 20 As part of implementing Welfare Reform, the Government agreed to the components of the new accountability framework for the investment approach [SOC Min (11) 21/1 refers]. These included:

Annual actuarial valuation of the liability, and public reporting of the long-term liability

- 21 The actuarial valuation provides high-level transparency around the lifetime cost of the welfare system. The valuation will be released publicly each year, telling a performance story about how Work and Income is managing the liability.

Appointment of the Work and Income Board

- 22 The Work and Income Board was appointed to oversee the implementation of the investment approach, by providing advice and support to the Chief Executive to help ensure that investment into getting people back into work targets long-term benefit dependency.

External Monitoring of MSD with respect to its performance against the future liability

23 The Treasury has been appointed as the External Monitor to comment to the Minister of Finance and the Minister for Social Development :

- (at the start of the year) on the appropriateness of targets proposed by MSD and the Board and whether these are the right measures to report against to capture performance under the investment approach;
- (at the start of the year) on whether the output plan is likely to achieve a reduction in the long-term liability and other performance targets for the coming year;
- (quarterly) on whether the output plan appears to be on track and whether planned responses seem likely to be sufficient to address any emerging issues; and
- (at the end of the year) on MSD's achievement of agreed targets to provide independent assurance to the Minister of Finance and the Minister for Social Development (joint Ministers) on MSD's performance under the investment approach.

New performance expectations for MSD based on the impact that MSD has on the future liability

24 The Cabinet Social Policy Committee agreed "[The Ministry's] ... performance will be measured through increasing the impact that [the Ministry] has on future liability. This will be achieved through increasing the number of people moving off benefit into employment and reducing the numbers moving onto benefit" [SOC Min (11) 21/1 refers].

25 Moving away from the past, where performance was primarily focused on how well MSD worked with UB clients, the 2013/14 KPI framework demonstrates how resources are directed towards those areas that most contribute to reducing welfare dependency and the future liability. It is a first step in linking MSD's service delivery and strategic direction to the key drivers of the long-term benefit valuation. The framework is based on:

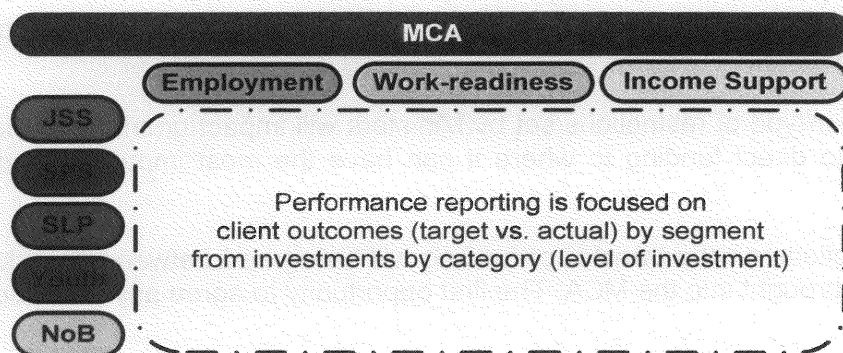
- new benefit categories and associated work obligations;
- MSD's 2013/14 high-level strategic outcomes; and
- the "Reducing long-term welfare dependence" Better Public Service target.

26 Whilst the KPI framework is based on the first actuarial valuation, performance in 2013/14 will be measured against MSD's impact on actuals compared to forecast BEFU 2012 client numbers. The framework builds the foundation for future external measurement of the liability by focusing on indicators relating to work obligations, exits by duration and client type as a proxy of the impact on future liability. MSD has received the draft report of the 2012 valuation, which will be used to understand trends that will enable MSD to set appropriate liability targets.

27 The KPI framework will form the basis for targeted internal performance measures that will allow higher degrees of client segmentation and the flexibility and agility to respond to new approaches.

28 External performance expectations will cascade down to regional and site level, providing a clear line of sight between core service delivery and high-level outcomes. There will be a critical shift in performance expectations for the frontline - caseloads will be driven by the overall liability and amenability of specific client groups.

29 The KPI framework is attached as Annex 3, and the performance measures under it have been matched to the MCA.



An Integrated Investment Framework

- 30 To achieve the targets set by government, MSD is currently developing an investment management framework to guide investment decisions under the MCA. This will involve rigorously evaluating Return on Investment (ROI) for individual interventions.
- 31 PricewaterhouseCoopers has been engaged to provide advice on an approach to understanding ROI that identifies the expected fiscal and liability savings associated with initiatives, and monitors performance against these outcomes. Consideration is also given to the timing of benefits realisation and the level of risk across the portfolio. ROI allows MSD to look at its investments over the short-term horizon while considering their impact on the long-term liability.
- 32 When in place, this will see MSD managing the MCA as an investment portfolio, in consultation with the Work and Income Board. The focus would be on continual improvement in managing client outcomes and the liability, and disciplined management of a change programme. A portfolio view will help us to identify key cohorts of interest that have a significant impact on the liability, such as clients who entered the benefit system under-18, and long-term Jobseekers displaced during the recession/recovery, and develop customised responses.
- 33 As MSD works with new cohorts of clients with different needs, different types of investment decisions and delivery mechanisms will be required. Interventions that do not perform well against these measures will be assessed and their funding may be reprioritised towards better performing interventions or to new services that have the potential to provide a positive ROI.
- 34 Decisions to invest, divest, scale up or scale down interventions would be made on the basis of a robust business case (including strong intervention logic and ROI evidence).
- 35 In the short-term (January to June 2014), it is not expected there will be many changes to expenditure. However, over time expenditure is expected to change as MSD trials different interventions and assesses the results; and MSD discusses investment decisions with Ministers in the context of the annual Budget cycle. This will begin in November 2013 when MSD reports back to Cabinet on its cross-portfolio investment decisions. This will provide Ministers with an opportunity to have oversight over MSD's proposed expenditure for 2014 onwards.

Restrictions on transferring funding between categories of expenditure

- 36 The MCA will contain categories of expenditure. The transfer of funding between these categories may be subject to restrictions. For a single category these could be either monetary limits (e.g. MSD must seek agreement from Joint Ministers for transfers between categories of over \$10 million), or on types of programmes/interventions (e.g. MSD must seek agreement

from Joint Ministers on any transfer that would reduce services available to Sole Parent Support clients).

- 37 The number/type of restrictions set by Ministers will impact upon the amount of flexibility MSD will have to direct funding to where it can have the most impact on reducing the long-term liability.
- 38 Any restrictions on the transfer of funding will be agreed between Joint Ministers, at the time funding is brought into the MCA. The first opportunity to agree any restrictions will be at OBU.

The Proposed MCA Structure

- 39 Investments made under the MCA are intended to improve outcomes that reduce the need for benefits, and to administer income support. The attached A3 (as Annex 1) outlines the proposed structure of the MCA. The structure, at the highest level, is about operating the benefit system in such a way as to improve client outcomes (employment and social) to move clients closer to independence, with a focus on those at risk of long term benefit receipt. This will reduce long-term welfare dependency.
- 40 The proposed Overarching Purpose Statement for the MCA is:

“The single overarching purpose of the MCA is to operate the benefit system and associated interventions in such a way as to improve client outcomes (employment and social) to move them closer to independence, with a focus on those at risk of long term benefit receipt.”

Expenditure under the MCA

- 41 Officials have applied the following criteria in identifying appropriations for inclusion in the MCA:
 - expenditure that will achieve the agreed objective (to improve employment and social outcomes, as measured by the valuation, by focusing resources to help those at risk of long-term benefit receipt and by operating the benefit system well); and
 - assurance over the accountability in terms of achieving the stated outcomes.
- 42 Essentially, Cabinet agreement is sought to the inclusion of benefit administration and employment-related appropriations and interventions that contribute to reducing long-term benefit receipt and, consequently, impact on the reduction of the liability. Attached as Annex 2, is a list of appropriations proposed to be transferred into the MCA and the suggested phasing.
- 43 An MCA is the responsibility of one Minister (the appropriation Minister) and must be administered by one department (the appropriation administrator). The Minister of Finance must approve any MCA.

Re-categorisation of Benefit and Other Unrequited Expense appropriations

- 44 The Public Finance Act does not allow the inclusion of Benefit and Other Unrequited Expense appropriations (BOUEs) within a MCA. However, Officials identified interventions that sit under two BOUEs, Transition to Work (TTW) and Employment Related Training Assistance (ERTA) that fit the criteria outlined in paragraph 41 above.
- 45 The nature of the identified interventions is more akin to employment interventions than benefits, as these interventions are not entitlements (as are most BOUEs). Further, there is a reasonable amount of discretion in how assistance is provided to beneficiaries. As such, this

paper recommends re-categorising the Transition to Work Grant (under TTW) and the ERTA appropriation into Non-Departmental Other Expense (NDOE) appropriations.

- 46 There are five programmes under the TTW appropriation, of which we only recommend re-categorising the Transition to Work Grant (\$19 million). The other four programmes (Employment Transition Programme - \$0.200 million; New Employment Transition Grants - \$0.100 million, Seasonal Work Assistance - \$0.300 million, and Work Bonus -\$3.800 million) should continue as BOUEs. We recommend they be retained in the Transition to Work BOUE appropriation, which continues to align with these functions.
- 47 NDOE appropriations, unlike most BOUEs, are capped. The ERTA appropriation is already capped, so placing an upper expenditure amount should not be difficult. However, the TTW Grant is uncapped, so it is important to work out an adequate cap to ensure sufficient funding to meet forecast demand.
- 48 Re-categorisation of these BOUEs requires Cabinet approval, as there are legislative and policy changes associated with this. Therefore, we recommend that re-categorisation of these BOUEs should occur through the Budget 2014 process.

Phasing of MCA Implementation

- 49 We recommend that the appropriations and interventions proposed for inclusion in the MCA should be gradually phased in. This will allow time to make the necessary legislative and regulatory changes and build experience with the new investment decision process that will operate under the MCA. A phased approach also allows alignment with the Budget process and future investment decisions.
- 50 Outlined in Annex 2 is our recommended phased implementation, which includes the proposed date for including appropriations and any changes to legislation, regulation or policy that will be required to include these appropriations in the MCA. The first tranche will be approved at OBU 2013 to come into effect at the beginning of 2014. We intend to have all funding transferred by Budget 2015.

Steps for developing a future funding mechanism

- 51 The MCA is an interim funding mechanism for the investment approach. In time, it is expected that future funding arrangements will need to be developed. This could mean further reallocation of employment-related and benefit administration appropriations and potentially reinvesting savings from reduced benefit payments into new initiatives.
- 52 MSD and Treasury officials are jointly tasked with developing these future funding arrangements. SSC will be reporting back to Cabinet in May 2014 on governance arrangements for the investment approach. At the same time, MSD and Treasury will report back on a related funding mechanism [SOC Min (13) 6/1 refers].
- 53 The future funding mechanism needs to link into the wider Budget process. Ministers, on the basis of experience with the investment approach, could choose to invest a portion of the Budget allocation for new funding into the MSD MCA. Such investments would be supported by long-term valuation results and historical return on investment information. Treasury and MSD are currently developing an allocation method which could be used for this purpose.

Consultation

- 54 MSD and Treasury officials have jointly developed the proposed MCA structure. As part of the MCA development process, MSD and Treasury contracted the services of a public

management consultant to provide independent quality assurance on the process and the proposed MCA. The feedback from the consultant has been incorporated in the development of the MCA.

- 55 Audit New Zealand was consulted on the technical accuracy of the MCA structure and their views have been reflected in the final structure.
- 56 The Ministry of Education, the Ministry of Health, the Tertiary Education Commission and the State Services Commission have been consulted on the proposals in this paper. The Department of Prime Minister and Cabinet was informed.
- 57 The Treasury, in its capacity as External Monitor of Work and Income, was informed.
- 58 On 29 July 2013, the Minister of Finance and the Minister for Social Development met with Social Sector Ministers (Hon Joyce, Hon Ryall, Hon Parata, Hon Coleman, Hon Borrows and Hon Turia) to discuss the proposed MCA structure. The Work and Income Board was consulted on the proposed MCA structure.

Financial implications

- 59 There are no direct financial implications associated with this proposal. However, the MCA will result in transfers from existing appropriations within Vote Social Development to the MCA, which will be fiscally neutral. The changes to appropriations for 2013/14 will be included in OBU 2013. In the OBU letter, the Minister for Social Development will seek approval from the Minister of Finance to make the fiscally neutral adjustments to the appropriations listed in Table 1 below to implement the first phase of appropriations that will sit under the MCA.
- 60 The MCA will take effect from 1 January 2014, which allows Officials enough time to make the necessary systems changes and ensure there is no breach of the existing appropriations. Table 1 below outlines the appropriations that will be included in the MCA through OBU 2013.

Table 1: Appropriations to be included in the MCA at OBU 2013 – indicative amounts to be finalised in OBU 2013

in \$millions					
Appropriation	Type	2013/14	2014/15	2015/16	2016/17
Tailored Sets of Services (Including Limited Services Volunteers programme)	DOE	214	430	420	420
Employment Assistance	NDOE (Other)	69	87	87	87
Total		\$283	\$517	\$507	\$507

- 61 The appropriation changes for 2014/15 and outyears will be completed in Budget 2014.
- 62 To enable these and all other changes to the MCA during the financial year, we seek delegated authority from Cabinet for Joint Ministers (Minister for Social Development and the Minister of Finance) to make any technical changes to the MCA.

Human rights implications

63 The proposals in this paper do not raise any issues under the New Zealand Bill of Rights Act 1990 or the Human Rights Act 1993.

Legislative implications

64 There are no legislative implications arising from this paper. However, it is possible that some legislative change may be required when funding is brought in through Budgets 2014 and 2015.

65 For example, childcare assistance is a benefit which people are entitled to receive if they meet the qualifying criteria set out in regulations under the Social Security Act 1964. Including this appropriation under the MCA would require a re-categorisation into a Non-Departmental Other Expense appropriation, meaning it would no longer be a benefit to which people are entitled under the Social Security Act. Instead, it would be a benefit granted under the Chief Executive's discretion. This would require Cabinet agreement to the change, a specific Bill for this purpose and likely change to regulations.

Regulatory impact and compliance cost statement

66 A regulatory impact statement is not required as there are no regulatory changes arising out of this paper. Regulatory Impact Statements will be prepared should Cabinet agreement be sought for any changes requiring legislative amendments.

Gender implications

67 There are no gender implications arising from this paper.

Disability perspective

68 Some funding for people with disabilities (the Vocational Services for People with Disabilities appropriation) is being proposed for inclusion as part of establishing the MCA.

Publicity

69 The Minister for Social Development will take decisions around publicity for welfare reform in consultation with her colleagues.

Recommendations

70 It is recommended that the Committee:

- 1 **agree** to the introduction of a multi-category appropriation (MCA) structure in Vote Social Development to facilitate the implementation of the investment approach for working age benefits;
- 2 **agree** that the Overarching Purpose Statement for the MCA be:


"The single overarching purpose of the MCA is to operate the benefit system and associated interventions in such a way as to improve client outcomes (employment and

social) to move them closer to independence, with a focus on those at risk of long term benefit receipt.”;

- 3 **agree** to the MCA structure as set out in Annex 1;
- 4 **note** which appropriations are intended to be transferred into the MCA and when, as set out in Annex 2;
- 5 **note** that all proposed movements of appropriations into the MCA are fiscally neutral and require no new funding;
- 6 **note** that as per CAB Min (12) 16/10, recommendation 59.6, the approval of the Minister of Finance is required to establish a MCA, and the Minister of Finance jointly with the Minister responsible for the appropriation, can set conditions on the transfer of funding between the component parts of a MCA;
- 7 **note** that subject to any conditions set as per recommendation 6 above, the Minister for Social Development (the appropriation Minister) can delegate to the Chief Executive of the Ministry of Social Development (the appropriation administrator) the authority to make transfers between different categories of the MCA within the overall amount of the MCA;
- 8 **authorise** the Minister for Social Development and the Minister of Finance to make all financial and technical changes to the MCA during the financial year;
- 9 **note** that the Minister for Social Development intends to re-categorisation the Transition to Work Grant and the Employment Related Training Assistance appropriation from Benefit and Unrequired Expense appropriation to Non-Departmental Other Expense appropriation, for inclusion into the MCA at Budget 2014;
- 10 **note** that the Ministry of Social Development will report back to Cabinet outlining any policy changes to give effect to recommendation 8 prior to Budget 2014.



Hon Bill English
Minister of Finance



Hon Paula Bennett
Minister for Social Development

29 / 8 / 2013

29 / 08 / 2013

Annex 1

Proposed MCA Structure

Title of MCA	Improved Employment and Social Outcomes Support	Overarching Purpose Statement	The single overarching purpose of the MCA is to operate the benefit system and associated interventions in such a way as to improve client outcomes (employment and social) to move them closer to independence, with a focus on those at risk of long-term benefit receipt.
What is intended to be achieved	Reduction in long-term valuation and achievement of BPS result area 1		
2013/14 Performance measures for MCA as a whole	<ul style="list-style-type: none"> BPS result area 1: reduce the number of people continuously receiving these working-age benefits, which will become the new JS, for more than 12 months by 30%, from 78,000 in April 2012 to 55,000 by 2017. Using the future benefit valuation to track the key drivers of the valuation, identify variances in trends projected from the valuation and show how MSD's management of the benefit system is influencing movements in the future valuation. 		

Improving Work Readiness

Category Title Improving Work Readiness – Service Provision

Appropriation Type Departmental Output Expense

Scope This category is limited to providing services to address barriers to employment (such as literacy, numeracy, health, skills, confidence and motivation) for people who are receiving or likely to receive working age benefits so that they become work ready.

Statement of what is intended to be achieved Substantial reduction in barriers to employment so that people who are receiving or likely to receive working age benefits can become work ready.

2013/14 Performance measures

- The proportion of Sole Parent Support clients who have work obligations and who are working part-time.
- The proportion of payments to third-party providers that are made in accordance with their contracts will be no less than 100%.
- The proportion of Jobseeker Support clients who undertake a comprehensive work assessment will be no less than 100%.
- The proportion of Sole Parent Support clients with pre-employment obligations (with a youngest child aged under 5 years) who will be engaged with will be between 40-45%.

Improving Employment Outcomes

Category Title Improving Employment Outcomes – Service Provision

Appropriation Type Departmental Output Expense

Scope This category is limited to providing services to facilitate transitions to work for people who are receiving or likely to receive working age benefits and are work ready so that they move into sustainable employment.

Statement of what is intended to be achieved Increase the number of people (from those who are currently receiving or likely to receive working age benefits and are work ready) moving into sustainable employment.

2013/14 Performance measures

- The proportion of clients who get work before requiring a benefit.
- The proportion of Jobseeker Support clients who do not remain on the benefit for longer than: 26 weeks; 52 weeks; 104 weeks.
- The number of full-time-work-obligated clients continuously receiving a benefit for more than 12 months.
- The proportion of Supported Living Payment clients who choose to work and are in full or part-time employment.
- The proportion of Jobseeker Support clients (aged 18-24) who do not remain on the benefit for longer than: 13 weeks; 26 weeks; 52 weeks.
- The proportion of payments to third-party providers that are made in accordance with their contracts will be no less than 100%. (*Continued below*)

Administering Income Support

Category Title Administering Income Support

Appropriation Type Departmental Output Expense

Scope This category is limited to assessing, paying, reviewing and collecting debts in respect of working age benefits, supplementary benefits, grants and allowances, and ensuring people meet their social and other obligations.

Statement of what is intended to be achieved This category is intended to achieve accurate and efficient operation of the benefit system so that the correct amount is paid to the correct people on time.

2013/14 Performance measures

- The number of people who offend (as related to benefits).
- The amount of money recovered from fraud overpayments (as related to benefits).
- The average value of fraud overpayments (as related to benefits).
- The proportion of payments to third party providers that are made in accordance with their contracts will be no less than 100%.
- The proportion of benefit entitlement assessments completed accurately will be no less than 90%.
- The proportion of benefit entitlement assessments completed within five working days will be no less than 90%.

Category Title Improving Work Readiness – Assistance

Appropriation Type Non-Departmental Other Expense

Scope This category is limited to providing specified assistance to address barriers to employment (such as literacy, health, skills, confidence and motivation) for people who are receiving or likely to receive working age benefits so that they become work ready.

Statement of what is intended to be achieved Substantial reduction in barriers to employment so that people who are receiving or likely to receive working age benefits can become work ready.

2013/14 Performance measures Being developed for the October Baseline Update.

Category Title Improving Employment Outcomes – Assistance

Appropriation Type Non-Departmental Other Expense

Scope This category is limited to providing specified assistance to facilitate transitions to work to help people who are receiving or likely to receive working age benefits and are work ready to move into sustainable employment.

Statement of what is intended to be achieved Increase the number of people who are currently receiving or likely to receive working age benefits and are work ready to move into sustainable employment.

2013/14 Performance measures Being developed for the October Baseline Update.

Key for Category Performance Measures:

Underlined: MSD 2013/16 Statement of Intent indicators

Not underlined: MSD 2013/14 Information Supporting the Estimates of Appropriations performance measures

(Continued from above) **Full-time** • The proportion of clients who participate in a triage service and do not require a benefit within 28 days will be between 35-40% of Jobseeker Support clients with less than 52 weeks benefit duration who participate in a work-focused intervention will be between 70-75%. • The proportion of Jobseeker Support clients with less than 52 weeks benefit duration who do not return to benefit within 91 days of exit will be between 80-85%. • The proportion of Jobseeker Support clients with more than 52 weeks benefit duration who do not return to benefit within 91 days of exit will be between 70-75%. • The proportion of Jobseeker Support clients aged 18-24 years with less than 52 weeks benefit duration who do not return to benefit within 91 days of exit will be between 65-70%. • The proportion of participants in the Mainstream Supported Employment Programme who have days of exit will be between 80-85%. • The proportion of Jobseeker Support clients aged 18-24 years with more than 52 weeks benefit duration will be between 250-275 **Part-time** • The proportion of Sole Parent Support clients with part-time work obligations (with a youngest child aged between 5-13 years) and a duration of more than 52 weeks who participate in a work-focused intervention will be between 55-60%. • The proportion of Sole Parent Support clients with part-time work obligations (with a youngest child aged between 5-13 years) and a duration of less than 52 weeks who participate in a work-focused intervention will be between 55-60%. • The proportion of Sole Parent Support clients with a cumulative benefit duration of less than 52 weeks spend in part-time employment will be between 30-35 weeks. • The number of clients who are provided with a Flex-Wage will be between 4,800-5,000. • The proportion of clients who are provided with a Flex-Wage who retain employment after eight weeks of expiry of the subsidy will be between 75-80%.

Annex 2

Appropriations recommended for inclusion in the MCA - using a phased approach					
Appropriation	Type	2014/15 \$M	Other Ministers	Proposed Phasing	Key issues
Tailored Sets of Services to Help People into Work or Achieve Independence (TSS) – Work Focused Case Management TSS – Work Brokerage TSS – Benefit Admin TSS – Limited Service Volunteers (LSV)	DOE	430		Include at OBU 2013 – implementation in January 2014	Any substantial changes to the LSV programme would require Ministerial authorisation.
Employment Assistance	NDOE (Other)	87		Include at OBU 2013 – implementation in January 2014	Some contracts with providers committed to 14/15 – Cabinet & Ministerial guidelines for Employment & Training Assistance would need amendment/revoking
Total October 2013		\$517 mil			
Vocational Services for People with Disabilities (proportion of funding that is employment-focused)	NDOE (Output)	30	Minister for Disability Issues	Budget 2014	Funding is split between employment-focused and community participation interventions. Funding allocated solely for employment purposes would need to be identified. Funding for health & disability beneficiaries would sit alongside interventions for other beneficiary groups. Cabinet & Ministerial guidelines for Employment & Training Assistance would need amendment/revoking
Mainstream Supported Employment Programme	NDOE (Other)	4	Minister for Disability Issues	Budget 2014	Funding for health & disability would sit alongside interventions for other beneficiary groups
Transition To Work	BOUE	24		Budget 2014 – dependent on legislative process	Proposing to include in the MCA by re-categorising into Non-Departmental Other Expense - re-categorising means determining an appropriate capped amount – cannot control increases in demand. Cabinet approval required for this change
Employment Related Training Assistance	BOUE	15		Budget 2014 – dependent on legislative process	Proposing to include in the MCA by re-categorising into Non-Departmental Other Expense - re-categorising means having to cap it – difficult to calculate the exact cap amount – cannot control increases in demand
Youth Support Service MCOA	NDOE (Output)	34		Budget 2014	Tight Cabinet & legislative control
Total Budget 2014		\$167 mil			
Collection of Balances Owed by Former Clients and Non-Beneficiaries (Work and Income portion)	DOE	11	Minister of Revenue	Budget 2015	Work and Income portion of the appropriation included in the MCA
Services to protect the Integrity of the Benefit System	DOE	33	Minister of Revenue	Budget 2015	Work and Income portion of the appropriation included in the MCA
Out of School Care Programmes (OSCAR)	NDOE (Other)	17		Budget 2015	Cabinet recently agreed a new funding system for OSCAR providers from 1 July 2013 with contracts in place for up to 3 years. The funding is currently focussed on ensuring a network of OSCAR services in places where parents need them rather than just for beneficiaries – although some funding is targeted to priority areas such as low socio-economic areas where there are higher number of beneficiaries
Childcare Assistance	BOUE	183	Minister of Education	Budget 2015	Assistance is non-discretionary – funding provided and ongoing if eligibility criteria is met. Inclusion in the MCA would require a move to a capped approach (NDOE) with grants made at the CE's discretion, which would require policy changes and legislative amendments. Interfaces with Early Childhood Education policy
Total Budget 2015		\$248 mil			
Total recommended for inclusion in MCA		\$812 mil			

Appropriations not recommended for inclusion in the MCA				
Appropriation	Type	2014/15 \$M	Other Ministers	Key issues
New Approaches to Social Sector Change	DOE	1		Not aligned to overarching purpose
Collection of Balances Owed by Former Clients & Non-beneficiaries (part)	DOE	3	Minister of Revenue	Portion of seniors debt collection funding is not included in the MCA
Services to protect the Integrity of the Benefit System (part)	DOE	1	Minister of Revenue	Portion of seniors debt collection funding is not included in the MCA
Other Seniors/Students and Corporate	DOE	86		Not aligned to overarching purpose
Child, Youth and Family related	DOE	496		Not aligned to overarching purpose
Family and Community Services related	DOE	38		Not aligned to overarching purpose
Social Policy and Knowledge related (CSRE)	DOE	32		Not aligned to overarching purpose
Assistance to Disadvantaged Persons	NDOE (Output)	1		Not aligned to overarching purpose
Child, Youth and Family related	NDOE (Output)	114		Not aligned to overarching purpose
Family and Community Services related	NDOE (Output)	142		Not aligned to overarching purpose
Seniors/Students and Corporate related	NDOE (Output)	13		Not aligned to overarching purpose
Social Policy and Knowledge related (MYD)	NDOE (Output)	9		Not aligned to overarching purpose
Debt Write Downs	NDOE (Other)	81		Not aligned to overarching purpose
Non – W&I BOUE (i.e. Superannuation)	BOUE	11,495		Not aligned to overarching purpose
Main and Supplementary benefits	BOUE	6,267		BOUEs cannot be included in the MCA. These are demand-driven entitlements
Jobseeker Support and Emergency Benefit	BOUE			
Sole Parent Support	BOUE			
Supported Living Payment	BOUE			
Youth Payment and Young Parent Payment	BOUE			
Disability Assistance	BOUE			
Accommodation Assistance	BOUE			
<i>Income Related Rents</i>	BOUE			This is not a current SD appropriation but is likely to be one
Departmental Capital		63		The Public Finance Act does not allow this appropriation type in a MCA
Non-Departmental		1,826		Not aligned to overarching purpose
Total amount not recommended for inclusion in MCA		\$20.7 bil		

Annex 3

Supporting more New Zealanders into work

Outcomes	Fewer people start welfare		Fewer clients are reliant on welfare					More young people are engaged in education, training or employment without needing a benefit			Service excellence		
Key Performance Indicators	45% (39%)* get work before requiring a benefit	58% (53%)* leave before 52 weeks	74,583 (69,500)* clients with 12 months duration BPS	20% (5%) in part-time work	20% (9%)* in part-time work	30% (23%)* in part-time work	30% (23%)* in part-time work	15% (10%)* voluntarily participating in work	64% (59%)* leave before 52 weeks	41% (36%)* do not require a main benefit	85% (83%)* client satisfaction with services		
Performance Measures	45% (39%)* participating in triage don't require a benefit	75% (67%)* engaged in full-time work intervention	75% (58%)* engaged in full-time work intervention	75% (42%)* engaged in part-time work intervention	75% (48%)* engaged in part-time work intervention	65% (57%)* engaged in part-time work interventions	65% (58%)* engaged in part-time work intervention	60% (43%)* engaged in work preparation intervention	20,000 receiving vocational services	85% (79%)* stay in work for at least 91 days	70% (67%)* stay in work for at least 91 days	60% (60%)* Youth Payment clients in education training or work-based learning	90% (90%)* timeliness and accuracy of entitlement assessments
Contracted Services	20% of Skills for industry places at 60% outcomes	40% of Skills for industry places at 60% outcomes	10% of Skills for industry places at 60% outcomes	30% Skills for industry places at 60% outcomes	100% achieve Mainstream Employment outcomes	8.7% (8.7%)* rolling turnover and (%) turnover under 2 years							
Client Segments	20% of Flexi-wage subsidy at 80% outcomes	40% of Flexi-wage subsidies at 80% outcomes	10% of Flexi-wage subsidies at 80% outcomes	30% Flexi-wage subsidies at 80% outcomes	4.4% unplanned sick and 13.2 days annual leave								
Client Segments	Full-time work (<52 weeks)	Full-time work (> 52 weeks)	Part-time or work preparation (< 52 weeks)	Part-time or work preparation (> 52 weeks)	Part-time work (< 52 weeks)	Part-time work (> 52 weeks)	Work preparation	Voluntary work participation	Full-time work (< 52 weeks)	Full-time work (> 52 weeks)	In training, education or work-based learning		
Client Segments	Jobseeker Support 129,975		Sole Parent Support 82,099			Supported Living 94,911	Jobseeker Support (18-24)	Youth Services 2,424					

How we'll get there –

1 year goals

Grow our people
'Be our best everyday'
 Develop and coach our staff to be their best
 Provide the tools to help our staff make good decisions and use discretion well
 Support all managers to be great leaders
 Reward and celebrate success
 Hire for attitude and training for skill

Client-centred approach
'In the client's shoes'

Think about the client experience first and our processes second
 Use everyday language
 For those for whom work isn't possible, support will always be there
 Ensure we're easy to access – location and technology
 Focus on quality and honour our service expectations

Invest for outcomes
'Right service, right clients, right result'

Use sound information to know what works for whom
 Make good investment decisions to ensure the right services and supports enable clients to achieve independence
 Reduce the lifetime liability for clients by improving outcomes
 Free up our staff to spend more time with clients and less time processing

Work matters
'Connections that count'

Tailor services to the employer locally and nationally
 Work with clients to get jobs and stay in them
 More accessible through multiple channels
 Investing in client skill to improve employment outcomes

Critical areas of focus

Annex 4

How welfare investment decisions are currently made

As part of the annual budget round, funding is sought for individual welfare programmes. Services are targeted mainly on short-term benefit outcomes, such as on Unemployment Benefit (UB) clients. In 2011/12, 78% of Employment Assistance spending was on the UB.

How investment decisions will be made under the MCA

Ministers will set targets and hold MSD accountable for achieving them.

Based on the valuation and Government targets, MSD in conjunction of the Work and Income Board will develop an annual investment strategy, directing funding to where it is most effective at improving employment outcomes and managing the future costs of the benefit system. This investment strategy will be reported to Ministers in November each year and flow into the four year plan and accountability documents.

The investment strategy will focus on those clients groups identified by the external valuation, and be innovative in targeting support and services to where they will achieve the best outcomes. This increased flexibility that can be provided through the MCA entails the ability to stop, trial and expand programmes and services, and the ability to move funding to those programmes and services that improve client outcomes.

MSD, through a number of channels, will assure Ministers that funding is being used to target the correct investment decisions that will achieve the agreed targets.

The choices over investment decisions could be subject to financial restrictions (i.e. MSD must seek agreement from the Minister of Finance and Minister for Social Development for transfers between categories of over \$10 million) and Ministerial oversight arrangements. These arrangements include the annual valuation, Work and Income Board, Work and Income external monitor, new performance expectations linked to the valuation and new integrated investment framework.

The impact of the investment decisions taken will be reported each year through the external valuation. In this way, Ministers will be able to hold MSD accountable for results under the investment approach.

Consultation on Cabinet and Cabinet Committee Submissions

Certification by Department:

Guidance on consultation requirements for Cabinet/Cabinet committee papers is provided in the CabGuide (see Procedures: Consultation): <http://www.cabguide.cabinetoffice.govt.nz/procedures/consultation>

Departments/agencies consulted: The attached submission has implications for the following departments/agencies whose views have been sought and are accurately reflected in the submission:
Treasury, Ministry of Education, Ministry of Health, the State Services Commission and Tertiary Education Commission.

Departments/agencies informed: In addition to those listed above, the following departments/agencies have an interest in the submission and have been informed:
Department of Prime Minister and Cabinet

Others consulted: Other interested groups have been consulted as follows:

Name, Title, Department: Iona Holsted, Deputy Chief Executive, Ministry of Social Development

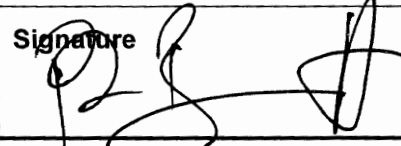
Date: 29/8/2013 **Signature:** 

Certification by Minister:

Ministers should be prepared to update and amplify the advice below when the submission is discussed at Cabinet/Cabinet committee.

The attached proposal:

<i>Consultation at Ministerial level</i>	<input checked="" type="checkbox"/> has been consulted with the Minister of Finance [required for all submissions seeking new funding] <input checked="" type="checkbox"/> has been consulted with the following portfolio Ministers: <input type="checkbox"/> did not need consultation with other Ministers	- Assoc. Social Development (Hon Borrow) (Tania) - Assoc. Social Development (Tania) - Tertiary Education, Skills & Employment - Education - Health - Prime Minister
<i>Discussion with National caucus</i>	<input type="checkbox"/> has been or <input type="checkbox"/> will be discussed with the government caucus <input checked="" type="checkbox"/> does not need discussion with the government caucus	
<i>Discussion with other parties</i>	<input type="checkbox"/> has been discussed with the following other parties represented in Parliament: <input type="checkbox"/> Act Party <input type="checkbox"/> Maori Party <input type="checkbox"/> United Future Party <input type="checkbox"/> Other [specify] <input type="checkbox"/> will be discussed with the following other parties represented in Parliament: <input type="checkbox"/> Act Party <input type="checkbox"/> Maori Party <input type="checkbox"/> United Future Party <input type="checkbox"/> Other [specify] <input checked="" type="checkbox"/> does not need discussion with other parties represented in Parliament	

Portfolio: FINANCE / SOCIAL DEVELOPMENT **Date:** 29 / 08 / 2013 **Signature:** 



Cabinet Social Policy Committee

SOC Min (13) 20/1

Copy No: 38

Minute of Decision

This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.

Implementation of a Multi-Category Appropriation for the Investment Approach

Portfolios: Finance / Social Development

On 4 September 2013, the Cabinet Social Policy Committee:

- 1 **agreed** to the introduction of a multi-category appropriation (MCA) structure in Vote Social Development to facilitate the implementation of the investment approach for working age benefits;
- 2 **agreed** that the Overarching Purpose Statement for the MCA be:

"The single overarching purpose of the MCA is to operate the benefit system and associated interventions in such a way as to improve client outcomes (employment and social) to move them closer to independence, with a focus on those at risk of long term benefit receipt."
- 3 **agreed** to the MCA structure as set out in Annex 1 of the paper under SOC (13) 117;
- 4 **noted** that the appropriations that are intended to be transferred into the MCA and the timing of those transfers, are set out in Annex 2 of the paper under SOC (13) 117¹;
- 5 **noted** that all proposed movements of appropriations into the MCA are fiscally neutral and require no new funding;
- 6 **noted** that the approval of the Minister of Finance is required to establish a MCA, and the Minister of Finance, jointly with the Minister responsible for the appropriation, can set conditions on the transfer of funding between the component parts of a MCA [CAB Min (12) 16/10];
- 7 **noted** that, subject to any conditions set as per paragraph 6 above, the Minister for Social Development (the appropriation Minister) can delegate to the Chief Executive of the Ministry of Social Development (the appropriation administrator) the authority to make transfers between different categories of the MCA within the overall amount of the MCA;
- 8 **authorised** the Minister for Social Development and the Minister of Finance to make all financial and technical changes to the MCA during the financial year;

¹ As discussed at the meeting, Annex 2 of the paper will be amended to provide that "Any changes to the LSV programme would require Ministerial authorisation."

- 9 **noted** that the Minister for Social Development intends to re-categorise the Transition to Work Grant and the Employment Related Training Assistance appropriation from the Benefit and Unrequired Expense appropriation to the Non-Departmental Other Expense appropriation, for inclusion in the MCA at Budget 2014;
- 10 **noted** that the Ministry of Social Development will report back to Cabinet outlining any policy changes to give effect to paragraph 8 prior to Budget 2014.



Laurence Tyler
Committee Secretary

Reference: SOC (13) 117

Present:

Hon Bill English
Hon Judith Collins
Hon Tony Ryall (Chair)
Hon Hekia Parata
Hon Christopher Finlayson
Hon Paula Bennett
Hon Anne Tolley
Hon Dr Nick Smith
Hon Craig Foss
Hon Nikki Kaye
Hon Chester Borrows
Hon Tariana Turia

Officials present from:

Office of the Prime Minister
Officials Social Policy Committee
The Treasury
Ministry of Education
Ministry of Social Development

Distribution:

Cabinet Social Policy Committee
Office of the Prime Minister
Chief Executive, DPMC
Director, PAG, DPMC
Claire Douglas, PAG, DPMC
PAG Subject Advisor, DPMC
Secretary to the Treasury
Nic Blakeley, Treasury
Chief Executive, Tertiary Education Commission
Secretary for Education (Tertiary)
Sarah Turner, Ministry of Justice
Director-General of Health
Don Gray, Ministry of Health
Minister of State Services
State Services Commissioner
Secretary for Education
Chief Executive, MSD ✓