

# The Treasury

## Budget 2022 Information Release

August 2022

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- [34] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions
- [35] 9(2)(g)(ii) - to maintain the effective conduct of public affairs through protecting ministers, members of government organisations, officers and employees from improper pressure or harassment;
- [36] 9(2)(h) - to maintain legal professional privilege
- [37] 9(2)(i) - to enable the Crown to carry out commercial activities without disadvantage or prejudice
- [38] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice
- [39] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage
- [40] Out of Scope
- [41] 18(c)(i) - that the making available of the information requested would be contrary to the provisions of a specified enactment
- [42] 18(d) - information is already publicly available or will be publicly available soon

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**Treasury Report:** Budget 2022 Bilateral: Hon Carmel Sepuloni (Disability Issues and Social Development and Employment Portfolios)

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<b>Date:</b>	18 February 2022	<b>Report No:</b>	T2022/299
		<b>File Number:</b>	SH-3-7-1

**Action sought**

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	<b>Action sought</b>	<b>Deadline</b>
Hon Grant Robertson <b>Minister of Finance</b>	<b>Discuss</b> the contents of this report at your meeting with Hon Carmel Sepuloni (Disability Issues and Social Development and Employment Portfolios) on 22 February 2022.	Tuesday 22 February 2022.

**Contact for telephone discussion (if required)**

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<b>Name</b>	<b>Position</b>	<b>Telephone</b>	<b>1st Contact</b>
Jane Bunworth	Graduate Analyst, Welfare and Oranga Tamariki	[39]	N/A (mob) ✓
Keiran Kennedy	Manager, Welfare and Oranga Tamariki	N/A (wk)	[35]

**Minister's Office actions (if required)**

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<b>Return</b> the signed report to Treasury.
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Note any feedback on the quality of the report

**Enclosure:** Yes (attached)

# Treasury Report: Bilateral Briefing Disability Issues and Social Development and Employment

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## Executive Summary

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This report provides you with advice ahead of your meeting with Hon Carmel Sepuloni (Disability Issues and Social Development and Employment portfolios) at 8.30am on Tuesday 22 February 2022 to discuss her Budget 2022 initiatives.

We recommend using this opportunity to discuss MSD's wider work programme (including MSD's role in the COVID-19 response), as any Budget 2022 investment needs to be prioritised and sequenced to ensure focus remains on the highest priority work streams, to ensure successful delivery. We suggest you use this meeting to ask Minister Sepuloni what her highest priorities are, as it is not possible to fund the whole package submitted due to fiscal and capacity constraints.

Budget 2021 saw substantial investment in Welfare Overhaul, including a pre-commitment against Budget 2022 allowances. The Minister for Social Development and Employment is seeking funding of [33] over the forecast period<sup>1</sup>. This does not include the two income support pre-commitments against Budget 2022 allowances<sup>2</sup>. We understand that Ministers may also agree to pre-commit funding for the Child Support Pass On (CSPO) initiative of \$354.266 million in an upcoming Cabinet decision.

The Treasury supports funding for \$1,967 million<sup>3</sup> (55% of funding requested). We recommend fully funding non-discretionary initiatives (i.e. where decisions have already been made such as Disability System Transformation), and providing some funding for initiatives that have the highest value for money. We have placed emphasis on implementation readiness of initiatives when making our assessment. We note there are further opportunities to scale the package.

Providing funding for only non-discretionary and implementation ready initiatives means not everything committed to in the Manifesto under the Social Development portfolio can be funded in this budget. However, we consider the proposed package [34] and enables the Government to meet other Manifesto commitments, cost pressures and long-term issues such as Health Reform and climate change (which the Budget Strategy paper identifies as priorities for this Budget).

The Disability Issues portfolio is likely to be the key focus for Budget 2022 in Vote Social Development due to the quantum of spend, the non-discretionary nature of two of the initiatives and the high-profile nature of the new Ministry. We consider the Ministry for Disabled People and Disability Support Services (DSS) Cost Pressures non-discretionary because Cabinet agreed to the new entity when it agreed to the Health Reforms. [33]

Both

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<sup>1</sup> This includes initiatives submitted under Vote Social Development, Vote Health, Vote Labour Markets and via the Joint Venture Business Unit.

<sup>2</sup> B21 Main Benefits – Second increase (\$2,071 million) and Working for Families (\$272.484 million)

<sup>3</sup> This does not include the \$354.266 million anticipated to be pre-committed for CSPO (nor the other two confirmed pre-commitments)

the Ministry and DSS cost pressure should be funded in full to ensure success of the new Ministry and what it delivers. We recommend deferring other discretionary initiatives in the Disability portfolio to mitigate delivery risk.

[34]

We understand one of Minister Sepuloni's priorities is the Communities portfolio. NGOs have and will continue to play an integral role in the COVID-19 response. This continued role means there are greater capacity and capability pressures than usual in the sector. [34]

Further, more work on the Social Sector Commissioning approach is needed ahead of any major investment. Therefore, we advise careful consideration of any additional Budget 2022 investment in the Communities portfolio. [34]

## **Recommended Action**

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We recommend that you:

- a **discuss** the contents of this report with Hon Carmel Sepuloni (Social Development and Employment) on 22 February 2022; and
- b [Not in scope]



Keiran Kennedy  
**Manager, Welfare and Oranga Tamariki**

Hon Grant Robertson  
**Minister of Finance**

## **Treasury Report: Budget 2022 Bilateral: Hon Carmel Sepuloni (Disability Issues and Social Development and Employment)**

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### **Purpose**

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1. You are meeting with the Minister of Social Development and Employment, Hon Carmel Sepuloni at 8.30am on 22 February 2022 regarding the initiatives she submitted for consideration through Budget 2022. This report provides you with advice and talking points to support your discussion.
2. Four annexes are attached to this report:
  - a Annex A provides an agenda.
  - b Annex B provides talking points for your bilateral discussion with the Minister for Social Development and Employment.
  - c Annex C provides a baseline summary for the Ministry of Social Development.
  - d Annex D provides a full list of initiatives submitted in the Social Development and Employment, Disability Issues, Seniors and Youth portfolios, the funding sought, and the Treasury recommendation.

### **Context for Social Development and Employment Portfolio**

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#### **MSD Baseline**

3. The total for Vote Social Development for 2021/22 is \$36,064 million<sup>4</sup>.
  - a Departmental: \$1,696 million.
  - b Non-departmental: \$34,368 million.
4. The majority of this funding goes to payments of superannuation (\$17,691 million) and \$7,638 million goes to payments for working age benefits – Jobseeker Support, Sole Parent Support and Supported Living. \$1,241 million is allocated to the Improving Employment and Social Outcomes MCA.
5. The Vote Social Development baseline has increased substantially since 2018/19. This increase is mainly attributable to:
  - a COVID-19, in particular on the Wage Subsidy.
  - b Welfare Overhaul, including several increases to benefit rates and an increased investment in employment programmes.
  - c Forecast changes:
    - i Increasing number of superannuitants and the indexation increases of superannuation payments.
    - ii Benefit numbers increased in response to COVID-19. These will eventually decrease.

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<sup>4</sup> From Vote Social Development 2021/22 Estimates (including multiyear appropriations).

6. FTE count at MSD has increased 40% since 2018; from 6,567 in 2018 to 9,172 in 2021<sup>5</sup>.

### **Budget 2022 overview for the Social Development and Employment portfolio**

7. The Minister for Social Development and Employment is seeking funding for 33 initiatives totalling [33] over the forecast period<sup>6</sup>. Initiatives within the Social Development and Employment portfolio encompass appropriations found in both Vote Social Development and Vote Labour Markets, which are administered by MSD and MBIE respectively.
8. The Treasury supports funding for 18 initiatives of \$1,967 million, which equates to 55% of the funding sought. The amount supported is primarily driven by initiatives in the Disability portfolio, of which we support [33]
9. We understand that you have agreed in-principle to a Budget 2022 pre-commitment to implement the Child Support Pass-On (CSPO) initiative, subject to Cabinet approval. This will pre-commit another \$354.266 million to Budget 2022 allowances, however we note it is not included in the \$1,967 million as the Treasury does not recommend funding this initiative through Budget 2022 due to delivery risk.
10. The totals sought and supported also do not include the two income support pre-commitments against Budget 2022 allowances:
  - a As part of Budget 2021, Cabinet agreed to increase weekly main benefits rates by between \$32 and \$55 per adult, to bring the rates in line with a key recommendation of the Welfare Advisory Group. This included a pre-commitment of \$2,071 million against Budget 2022 allowances.
  - b On 5 November 2021 date, Cabinet agreed to pre-commit \$272.484 million for Phase 1 of the Working for Families review.
11. When developing the Social Development and Employment package, MSD's overall capacity to deliver across multiple portfolios needs to be considered. A number of other portfolios (Youth, Seniors, Disability Issues) have impacts on Vote Social Development and MSD. The Disability portfolio sees the biggest proportion of Budget 2022 spend, and will have the biggest impact on capacity.

## **Constraints, trade-offs and risks**

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### **Delivery Risks**

12. Minister Sepuloni's Budget 2022 package should be considered in the context of MSD's existing demanding business as usual (BAU) work programme, MSD's role in the COVID-19 response, and the volume of work underway across the public sector more broadly. Further, the requirements of MSD's role as the host of the Ministry for Disabled People (MDP), such as shared service arrangements, place further pressure on MSD's capacity. Careful consideration of priorities and sequencing should steer Budget 2022 investment.
13. The Treasury advises fully funding non-discretionary initiatives to ensure successful delivery (i.e. Disability Services), as well as funding those initiatives that have strong value for money and alignment scores, complemented by low

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<sup>5</sup> Public Service Workforce Composition (February 2022), by the Public Service Commission.

<sup>6</sup> This includes initiatives submitted under Vote Social Development, Vote Health, Vote Labour Markets and via the Joint Venture Business Unit.

delivery risk. Initiatives which fall in the latter category could be scaled further if required.

14. As you know, there are labour constraints at present which increases the delivery risk of new initiatives. The below table outlines the FTE requested across all initiatives put forward. These FTE are greater than what is current in the proposed package. These numbers provided by MSD exclude the **National Implementation of the Enabling Good Lives approach** initiative FTE, which are expected to be an [33] by 2026/27.

	2021/22	2022/23	2023/24	2024/25	2025/26
Total requested FTEs across all initiatives	[33]				

15. We understand there is limited capacity within MSD to deliver the proposed Budget 2022 package without re-prioritising MSD’s work programme further. MSD has an ongoing role in the COVID-19 response as it is responsible for delivering the COVID-19 Leave Support Schemes and the Care in the Community welfare approach. Pressures on these programmes are likely to increase in the near term, and may persist for some time. Having already reprioritised to deliver these programmes, MSD has little residual capacity to implement new investments and deliver COVID-19 supports should these come under strain. The more invested in Budget 2022 Manifesto initiatives, the greater the risk to the delivery of BAU. Ministers may need to consider trade-offs.

**Resource for MSD policy function**

[33]

**Other considerations**

18. Funding only non-discretionary and implementation ready initiatives means not everything committed to in the Manifesto can be funded in this Budget. There are some initiatives that have either Ministerial or sector support, but which we do not consider to be implementation ready. The Treasury recommends deferring funding for these initiatives. However, we have prepared scaled options should Ministers wish to signal their support for these initiatives. We will refer to these initiatives in the next section.

## Initiatives submitted for Budget 2022

### Disability

- **Careful consideration needs to be given to the sequencing of disability initiatives with a focus on managing delivery risk and supporting the establishment of the Ministry for Disabled People.**
- **Disability Support Services expenditure presents significant fiscal risk with work needed to develop levers to improve fiscal management.**

Support or Support scaled	<i>Funding Recommended (million)</i>
<ul style="list-style-type: none"> <li>• Establishing the new Ministry for Disabled People</li> <li>• Disability Support Services - Cost Pressure</li> </ul>	\$107.859 [33]
<b>Recommended Total Disability</b>	
<i>Defer</i>	<i>Funding Sought</i>
<ul style="list-style-type: none"> <li>• Disability Support System Transformation – National Implementation of the Enabling Good Lives approach</li> <li>• [33]</li> </ul>	[33]
<b>Defer Total Disability</b>	

### Context

19. We consider the Disability Issues portfolio as the primary area of investment for Minister Sepuloni and MSD in Budget 2022. This is because the disability initiatives sought represent the vast majority of spend and present significant delivery and fiscal risk (both individually and as a package). There is also strong disability community expectation as a result of recent public announcements by Ministers. Four initiatives that directly relate to the Disability Issues portfolio have been submitted (two under Vote Social Development and two under Vote Health). **We recommend funding [33] sought.**
20. In October 2021, Cabinet agreed to several matters with fiscal implications contingent on Budget 2022 funding [CAB-21-MIN-0395 refers] including:
- establishing a Ministry for Disabled People (MDP),
  - transferring Disability Support Services (DSS) functions to MDP from 1 July 2022,
  - implementing the Enabling Good Lives approach to DSS nationally, and
- [33]

### Initiatives

21. We support funding **Establishing the new Ministry for Disabled People** in full. The cost represents the draft upper limit for the establishment and ongoing operating costs for the Ministry. There is likely some discretion to scale this initiative. However, we recommend that the initiative be supported in full with a large proportion held in contingency to manage the current uncertainties around costs and avoid where possible repeated requests for funding through future Budgets.
22. We recommend funding **Disability Support Services - Cost Pressure** in full. DSS faces genuine price and volume pressures in 2022/23 and 2023/24. DSS has presented challenges for fiscal management leading to cost pressures being managed on an annual basis since 2004. [33]
23. We recommend deferring **Disability Support System Transformation – National Implementation of the Enabling Good Lives approach** because of its high delivery risk. Progressing the transformation while the Ministry is still establishing itself greatly increases risk to the successful establishment of MDP. While the three existing EGL pilots have been proven to achieve positive outcomes and provide strong evidence for commencing a national transformation, the scale and pace of transformation is ambitious. This transformation requires substantial FTE ([33]) and organisational capacity and capability about which there is currently little to no information. These cumulative risks make the initiative a good candidate for deferral.

[33]

#### *Risks/Mitigations*

25. The size, number and connections between initiatives mean sequencing is important to reduce delivery risk. National implementation of EGL (which sees a fundamental change to how DSS is delivered) while transferring the host of DSS from MOH to MDP greatly increases risk to the new Ministry. Additionally, current challenges to fiscal management of DSS are likely to be exacerbated by transformation, and levers for fiscal management should be developed before continuing to transform.
26. Ministers have announced the Government’s intention to implement the EGL approach nationally and introduce stand-alone accessibility legislation. While no specific timelines have been publicly announced, there is an expectation within the disabled community that there will be Budget 2022 investment.
27. Our “first best” package focuses on managing capacity constraints and delivery risk while also prioritising to manage within existing allowances. However, should you wish to provide additional support for this portfolio we recommend a scaled version of the Accelerating Accessibility initiative. Funding this initiative will have a manageable impact on delivery capacity while enabling the Government to support progress of a Manifesto commitment.

28. We strongly recommend deferring EGL to Budget 2023. Nevertheless, if you wish to signal support for transformation beyond what is currently in the package, we recommend that the full amount be held in contingency subject to the development of mitigations for key delivery risks and that rollout be slowed from five years to at least seven years.

### Income Support and Welfare Overhaul

- **CSPO presents a significant delivery risk to MSD and will impact their ability to deliver on BAU, COVID-19 response and other Budget 2022 investment.**
- **If CSPO is a pre-commitment, you may wish to invite Minister Sepuloni to take other initiatives off the table.**
- **Budget 2022 has over \$2 billion in Income Support pre-commitments.**

<i>Pre - commitments</i>	<i>Funding Recommended (million)</i>
<ul style="list-style-type: none"> <li>• Budget 2021 Main Benefits</li> <li>• Working for Families</li> </ul>	\$2,070.910 \$272.484
<i>Support or Support scaled</i>	
<ul style="list-style-type: none"> <li>• Permanently increasing hardship assistance income limits</li> <li>• Improving support for dental treatment for low income New Zealanders</li> </ul>	\$55.981 \$125.804
<b>Total Income Support/WO package (new initiatives only)</b>	<b>\$181.785</b>
<b>Total Income Support/WO package (incl pre-commitments)</b>	<b>\$2,525.179</b>
<i>Defer</i>	
<ul style="list-style-type: none"> <li>• Child Support Pass On</li> </ul>	\$354.266

### Context

29. While Welfare Overhaul remains Minister Sepuloni's priority, there has been considerable investment in income support in previous Budgets, COVID Response and Recovery Fund (CRRF) rounds and there are two confirmed pre-commitments. Further, we understand that there is an appetite to pre-commit **Child Support Pass On (CSPO)**, which we do not recommend due to delivery risk and targeting. The income support package should be considered in the context of overall capacity constraints, prior investment in income support and the need for Ministers to prioritise. **We recommend funding \$181.785 million of the** [33] **sought.**

### Initiatives

30. As noted, we do not recommend that **CSPO** be supported. While not a Manifesto commitment, we understand CSPO is a priority for Minister Sepuloni and this Government. CSPO has some positive child poverty impacts and addresses equity impacts, however, it presents a significant delivery risk. The timeframes to implement CSPO by July 2023 are extremely tight and the project is highly complex and will place large operational demands on MSD. CSPO is also tightly targeted in its distributional impact. If Ministers' policy intent with CSPO is to address child poverty, there may be options which could provide a broader impact with the same level of funding.
31. Income limits for hardship assistance were temporarily increased in November 2021 in response to Ministers' request to provide additional support to low income households following prolonged Alert Level 4 settings. The temporary increase was extended to 1 July 2022 to coincide with Budget 2022 decisions. While not a Manifesto commitment or a cost pressure, we recommend scaled funding for **Permanently increasing hardship income limits**. Increasing limits aligns with the policy intent, that a person working 40 hours a week on minimum wage could access hardship assistance, subject to asset tests. Scaled funding is recommended as we do not support the individualisation of rates as proposed. The couple rate should be 1.6x the single rate (similar to Jobseeker) to ensure coherency in the wider welfare system.
32. The Manifesto committed to increasing the Special Need Grants limits for Emergency Dental Treatment from \$300 to \$1,000. **Improving support for dental treatment for low income New Zealanders** could be deferred until Budget 2023, however, we recommend funding this in full as this initiative strongly supports health and wellbeing outcomes. It also aligns with Government's debt-to-government work, as the grant maxima have not increased since 1996 and lifting the threshold will help prevent people getting into debt for necessary dental care. Changes include increasing the threshold, amending entitlement from 'emergency' to 'necessary' treatment and enabling access to the grant maxima across multiple instances (up to \$1000 in one year).

*Risks/Mitigations*

33. Should Ministers wish to proceed with CSPO, we recommend careful sequencing of the project. Policy and legislative work should be completed before any IT build or operational implementation. This will avoid large amounts of re-work and will lower the overall demands on MSD operational capacity.

**Employment – MSD (and MBIE)**

- **There is not a compelling need for further investment in employment services given the strong labour market, however providing further funding could help address existing inequities.**
- **There are opportunities to re-prioritise funding from existing initiatives such as Flexi-wage to Budget initiatives if desired.**

<i>Support or Support scaled</i>	<i>Funding Recommended (million)</i>
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<ul style="list-style-type: none"> <li>• Driver Licence Support – Equitable access to driver licences to improve employment, wellbeing and safety outcomes.</li> </ul>	\$86.486
<ul style="list-style-type: none"> <li>• Continuing to support Māori entities delivering employment training for Māori through the Māori Trades and Training Fund Mana in Mahi.</li> </ul>	\$54.867
<ul style="list-style-type: none"> <li>• Continuing employment support linked to industry training for at-risk job seekers through Mana in Mahi.</li> </ul>	\$10.908
<b>Recommended Total Employment Package</b>	<b>\$152.261</b>
<i>Defer</i>	<i>Funding Sought</i>
<ul style="list-style-type: none"> <li>• [33]</li> <li>•</li> </ul>	

### Context

34. MSD has an important role in providing employment services which has expanded as part of the COVID-19 response. Significant funding has been provided in the past two budgets and through the CRRF. MSD are currently preparing a Cabinet paper for April to confirm an ongoing role with the expanded cohort MSD now serves, which will also signal areas MSD could expand to if the Government saw a need to invest (i.e. Unemployment Insurance ALMP provision).
35. The labour market has performed better than expected when previous funding was allocated, and it is unclear how a higher level of employment service provision fits within this context. While some of the funding provided is time limited, the baseline spend in the Improving Employment and Social Outcomes MCA will remain significantly higher than it was pre-COVID-19.
36. We do not consider there is an urgent need for the Government to provide further employment funding now given the baseline increases to date and historically low unemployment across age, ethnicity, skill level, and regions. However, historic inequities remain within the labour market and there is a stronger case for targeted investment to address these inequities. If you do wish to provide employment funding, some of the initiatives put forward are worth considering in this context as they are appropriately targeted and represent good value for money. **We recommend funding of \$152.261 million of the [33] million sought.**

### Initiatives

37. The **Driver Licence Support – Equitable access to driver licences to improve employment, wellbeing and safety outcomes** represents the best value proposition of all the employment initiatives submitted across the various portfolios. Policy development has been rigorous through EET Ministers, and it proposes a discrete intervention that is proven to improve employment and social outcomes.

38. The Māori Trades and Training Fund (MTTF) received time-limited funding as part of the COVID-19 response. The **Continuing to support Māori entities delivering employment training for Māori through the Māori Trades and Training Fund** initiative seeks to build on this pilot and continues to provide support [33]. This initiative is closely aligned with the Māori Employment Action Plan, therefore we support scaled funding to continue the trial [33].
39. Mana in Mahi was expanded as part of the COVID-19 response through the Apprenticeship Support Programme. **Continuing employment support linked to industry training for at-risk job seekers through Mana in Mahi** seeks funding to pay for the second-year contract component of many of these additional placements. This was not accounted for when appropriating the funding due to urgent implementation timeframes, and should be funded in full. MSD can also increase the number of places offered from 650-800 under the budget package recommended option.
40. [33]
- 41.

#### *Risks / mitigations*

42. Compared to other initiatives, there is relatively lower risk in not funding these initiatives, and they could be further scaled from the draft Budget package. While numbers on benefit are higher than the pre-COVID-19 environment, we would expect the low unemployment rate and upwards pressure on wages to incentivise more people into the labour market without the need for further investment.
43. In addition, there is the possibility to re-prioritise from previous funding to higher value and / or more urgent initiatives. For example, in December 2021 Ministers re-prioritised \$21.8 million of the forecast \$38 million underspend in Flexi-wage in 2021/22 towards Mana in Mahi [SWC-21-MIN-0225 *refers*]. We expect there to be large Flexi-wage underspends in 2022/23, which could also be re-prioritised to fund other employment initiatives if desired.

#### **Housing**

- **We support fully funding the Housing Support Products initiative, however, note there is further work to be done to identify and mitigate risks.**
- **Investment in public housing should be targeted toward increasing New Zealand's supply of housing.**

<i>Support or Support scaled</i>	<i>Funding Recommended (million)</i>
<ul style="list-style-type: none"> <li>Improving MSD's Housing Support Products (HSP) to Better Support Homeless, Housing Insecure, and Low-income New Zealanders</li> </ul>	\$42.003
<i>Do Not Support</i>	<i>Funding Sought</i>
<ul style="list-style-type: none"> <li>Supporting Clients on the Public Housing Register</li> </ul>	\$12.578

44. MSD submitted two housing initiatives. **We recommend funding \$42.003 million of the \$54.581 million sought.**
45. We support fully funding **Improving MSD's Housing Support Products (HSP) to Better Support Homeless, Housing Insecure, and Low-income New Zealanders**. While we agree improvements need to be made to MSD's housing-related assistance in regard to equity, simplicity, accessibility and adequacy, there are some risks around delivery as final policy settings are still being considered by Ministers Woods and Sepuloni.

[33]

47. We do not support funding for **Supporting Clients on the Public Housing Register**. While there may be a case for providing wrap around support for people on the public housing register, a priority should be to first house people. Funding would be better channelled into increasing the New Zealand's supply of housing.

### Communities

<ul style="list-style-type: none"> <li><b>The communities portfolio, and NGOs system-wide, face capacity constraints due to their continued role in the COVID-19 response.</b></li> <li><b>There has been limited monitoring and reporting over investment to date.</b></li> <li><b>There is a need to invest in this area, however, the initiatives submitted have insufficient detail to determine whether they represent value for money.</b></li> </ul>
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Support or Support scaled	<i>Funding Recommended (million)</i>
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<ul style="list-style-type: none"> <li>• Sustainable Funding for Community Services - Building Financial Capability.</li> <li>• Sustainable Funding for Community Services - Disability Services.</li> <li>• Kāinga Whānau Ora.</li> <li>• Preventing Family Violence and Sexual Violence: Actioning Te Aorerekura Prevention Shift.</li> </ul>	<p>[33]</p> <p>[33]</p> <p>\$2.400</p> <p>\$37.625</p>
<b>Recommended Total Communities Package</b>	[33]
<i>Defer or Do not Support</i>	<i>Funding Sought (million)</i>
<ul style="list-style-type: none"> <li>• Growing sector, community and provider capability - Growing Community and Provider Capability.</li> <li>• Growing sector, community and provider capability - One-off fund to lift social sector capability.</li> <li>• Growing sector, community and provider capability – Technical Hub.</li> <li>• [33]</li> <li>• Relational approach and building partnership with Māori - Implementation of iwi relationship agreements.</li> <li>• Relational approach and building partnership with Māori - Te Hiku o te Ika Social Accord.</li> <li>• Relational approach and building partnership with Māori - He Tapuae: Tūhoe Service Management Plan.</li> </ul>	<p>[33]</p> <p>\$3.000</p>

### Context

48. It is necessary to make trade-offs between MSD's continued role in the COVID-19 response and Budget 2022 investment. We understand that Minister Sepuloni may wish to talk about this portfolio in your meeting. We caution against more investment in this area for two reasons. Firstly, there is limited capacity among NGOs sector wide as they continue to provide welfare support to vulnerable communities (in response to COVID-19). [34]

**We recommend funding [33] million of the [33] million sought.**

49. Minister Sepuloni submitted a package of 10 initiatives which come under three areas:
- a Sustainable Funding for Community Services (2).
  - b Relational approach and building partnership with Māori (4).
  - c Growing Community and Provider Capability (4).

50. The Joint Venture Business Submitted a package of Family Violence and Sexual Violence initiatives. **Preventing Family Violence and Sexual Violence: Actioning Te Aorerekura Prevention Shift** is led by MSD and we recommend scaled funding of \$37.625 million.

*Initiatives*

51. We recommend scaled funding for both **Sustainable Funding for Community Services** initiatives: Building Financial Capability (BFC) and Disability Community Services (DCS). However, both initiatives are discretionary and could be removed from the package.
- a BFC: The BFC sector received increased CRRF time-limited funding to align with expected demand due to COVID-19. Whilst the programme was intended to wind down, we recommend time-limited funding as demand remains high.
  - b DCS: scaled funding meets unmet demand.
52. There are four initiatives submitted under **Relational approach and building partnership with Māori**. We do not support:
- a Te Hiku o te Ika Social Accord.
  - b He Tapuae: Tūhoe Service Management Plan.
  - c Implementation of iwi relationship agreements.

[34]

54. We recommend funding the fourth initiative, Kāinga Whānau Ora, for one year to continue the programme. It provides a good example of a government/iwi partnered approach to providing housing and wrap around services to a target Māori population in the Whanganui and Manawatu region. Outyear funding is likely to be requested following review of the final evaluation report.
55. There is a compelling case for improving wellbeing outcomes through changes in social sector commissioning practice, however the four initiatives submitted under **Growing sector, community and provider capability** need further development. Therefore, we recommend deferring all four: Growing Community and Provider Capability, Technical Hub, One-off fund to lift social sector capability and [33]
56. We recommend scaled funding for **Preventing Family Violence and Sexual Violence: Actioning Te Aorerekura Prevention Shift**, subject to recommendations from JVBU and the Minister for Family and Sexual Violence. While there has been considerable investment in FVSV in recent years, this has predominantly been in the response function. Providing three years scaled funding signals support for Te Aorerekura, the National Strategy to Eliminate Family Violence and Sexual Violence, which sees a shift toward prevention and community leadership to achieve intergenerational change.

*Risks / mitigations*

57. The community’s portfolio raises fiscal and capability risks as highlighted by our recent engagement on Care in the Community. We have limited insight or oversight of where funding goes, and there are insufficient reporting and monitoring systems in place. The capability of NGO’s is varied, and we do not know whether those NGO’s with the greatest capability and capacity to deliver targeted support are those receiving funding from MSD. We will continue to work with MSD to get greater clarity of where the funding is going, what outputs are purchased and the outcomes from funding previously provided. In the meantime, we caution that we cannot provide a view on value for money for investment in this area.
58. We understand Minister Sepuloni is supportive of the community’s sector, with an emphasis on relational approach and building partnership with Māori. We have advised against funding three of four relational communities bids, as previously outlined. Not funding two of these bids may present some reputational risk as the Government has signed up to Accords with Te Hiku and Tūhoe, therefore not providing funding may risk appearances that the Government is not meeting its commitments. Should Ministers wish to signal their support for this area, we can provide scaling options.

**Te Pae Tawhiti (TPT)**

- **Ministers have choices about when and how quickly MSD begins transformation.**
- **MSD has limited delivery capacity and capability, greatly increasing the risk of TPT.**

<i>Support Scaled</i>	<i>Funding Recommended (million)</i>
<ul style="list-style-type: none"> <li>• Te Pae Tawhiti – Designing the Ministry of Social Development’s future operating model</li> </ul>	[33]

*Initiative*

59. **Te Pae Tawhiti – Designing the Ministry of Social Development’s Future Operating Model** seeks one year of funding to enable TPT to be investment ready by 1 July 2023 subject to approved business cases [33]  
 The majority of funding is for [33] FTE. Currently, 214 FTE are in place working on Te Pae Tawhiti. The draft package includes a scaled version of [33] FTE, which we consider to be a more realistic timeframes and current market constraints.
60. Treasury will provide you with more detailed analysis and advice on the programme in mid-March (including how many FTE are required). This timing aims to support your feedback to Minister Sepuloni as part of ministerial consultation of the Programme Business Case ahead of Cabinet decisions.

*Risks/Mitigations*

61. [33], [34]

[33], [34]

## Seniors

- |  |
|--|
| <ul style="list-style-type: none"> <li>• <b>The initiatives submitted represent low value for money.</b></li> <li>• <b>There may be other initiatives that can signal Ministers’ support for Seniors.</b></li> </ul> |
|--|

<i>Support scaled</i>	<i>Funding Recommended (million)</i>
<ul style="list-style-type: none"> <li>• Implementing the Better Later Life Strategy: Employment, Housing and Age Friendly.</li> </ul>	\$0.290
<i>Defer</i>	<i>Funding sought</i>
<ul style="list-style-type: none"> <li>• [33]</li> </ul>	[33]

62. We understand Minister Sepuloni has a focus on the Seniors portfolio and advancing the Better Later Life Strategy and Action Plan. It may be useful to consider Budget 2022 investment in the context of nearly 6% increase in superannuation through the AGA, and the discretionary nature of the initiatives submitted. **We recommend funding \$0.290 million of the [33] million sought.**

63. [33]

We recommend scaled funding for **Implementing the Better Later Life Strategy: Employment, Housing and Age Friendly**, to provide funding for the Seniors Entrepreneurship pilot only. MSD employment services are not available to people over 65 who receive superannuation which may justify investment.

64. [34]

65. Should Ministers wish to signal further support for Seniors, we recommend providing two years funding for all three components of the **Implementing the Better Later Life Strategy: Employment, Housing and Age Friendly**. Alternatively, there may be other initiatives submitted by MSD or other agencies that may provide support to Seniors, while presenting a better value for money proposition. For example, **Preventing Family Violence and Sexual Violence: Actioning Te Aorerekura Prevention Shift** creates an Older Persons work stream, and investment in the disability portfolio will have positive impacts for older people who represent about 10% of those who receive DSS.

## Corporate systems and other initiatives

- **This section covers smaller initiatives that we do not think warrant discussion at the meeting.**
- **We support full funding for the Crown Entities and for Corporate Platform.**
- **We support scaled funding for Ministry of Youth initiative.**
- **We do not support funding for Social Cohesion as it's not implementation ready.**

<i>Support or Support scaled</i>	<i>Funding Recommended (millions)</i>
<ul style="list-style-type: none"> <li>• Increasing the sustainability of youth development providers and quality of services for young people.</li> </ul>	[33]
<ul style="list-style-type: none"> <li>• Continuing investment in the Ministry of Social Development (MSD) financial management and payroll system replacement.</li> </ul>	\$28.518
<ul style="list-style-type: none"> <li>• Office of the Children's Commissioner (OCC) – Transition to new Children's and Young People's Commission.</li> </ul>	\$1.640
<ul style="list-style-type: none"> <li>• Social Workers Registration Board supporting Oranga Tamariki to implement the Future Direction Action Plan.</li> </ul>	\$1.528
<b>Recommended Total Other Package</b>	<b>\$51.686</b>
<i>Do Not Support</i>	<i>Funding Sought</i>
<ul style="list-style-type: none"> <li>• Social Cohesion.</li> </ul>	[33]

66. We support scaled funding for **Increasing the sustainability of youth development providers and quality of services for young people**. This initiative sees a fundamental change in how the Ministry for Youth Development (MYD) delivers services. We see merit in the proposed more intensive intervention however we encourage MYD to evaluate the service and make a compelling case for baseline funding.
67. We support full funding for the **Continuing investment in the Ministry of Social Development (MSD) financial management and payroll system replacement** initiative. This is because scaled funding was provided for these projects in Budget 2021, and the further funding is required to ensure the projects are fully completed.
68. We support full funding for the **Office of the Children's Commissioner (OCC) – Transition to new Children's and Young People's Commission**. This is critical cost pressure. We also support full funding for **Social Workers Registration Board supporting Oranga Tamariki to implement the Future Direction Action Plan**.
69. We do not support funding **Social Cohesion**. This is not implementation ready. However, we understand that Ministers may wish to signal their support for this initiative in which case we recommend providing one-years funding to be held in contingency.

## **Annex A: Agenda**

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### **Previous Investment and Budget 2022 Scene setting (8 min)**

- Vote Social Development Budget 2021 investment and pre-commitments
- Allowances and Public Sector Constraints
- Minister Sepuloni's priorities for Budget 2022

### **MSD Delivery Risk and Prioritisation (5 min)**

- Continued role in COVID-19 response
- Resource for the Ministry of Social Development's policy function

### **Disability Portfolio (10 min)**

- Ministry for Disabled People
- Disability Support Services Cost Pressures
- Deferring Enabling Good Lives and Accelerating Accessibility

### **Child Support Pass On (3 min)**

- Pre-commitment
- Addressing delivery risk

### **Communities (2 min)**

- *COVID-19*
- *Constraints*

### **TPT (2 min)**

- Priorities and delivery risk

## **Annex B: Talking Points and possible questions**

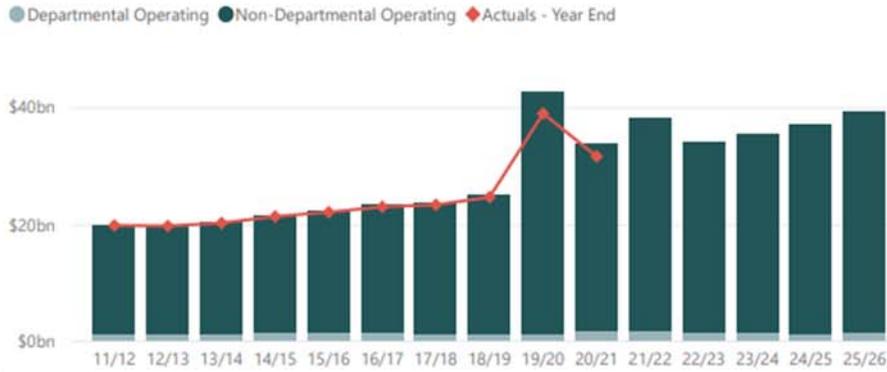
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[34]

# Annex C: Baseline Summary for Vote Social Development <sup>7</sup>

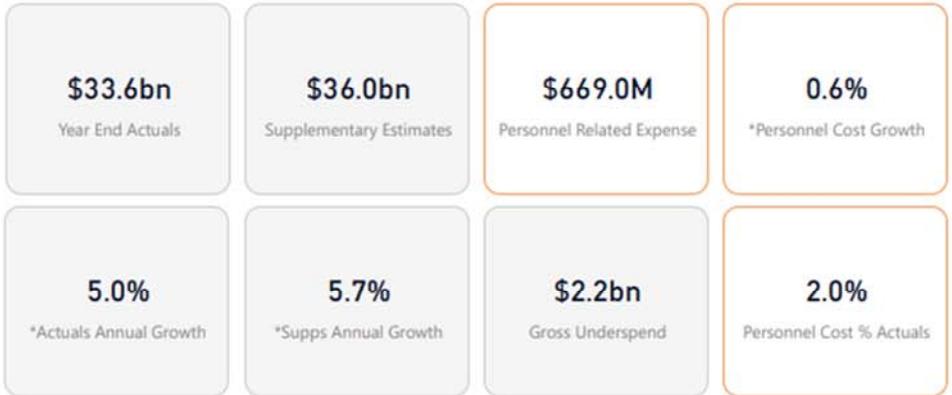
2011/2012 - 2020/2021

Operating Spending & Forecasts (Excluding Borrowing Expense)



\* Compound annual growth rate over the period 2011/2012 - 2020/2021

2020/2021 Key Figures



Capital Spending & Forecasts



Confirmed Expense Transfers



<sup>7</sup> Note that 20/21 and 21/22 ECT's are outliers due to Business Support Subsidy (i.e. Wage Subsidy) roll overs.

## **Annex D: Submitted Initiatives**

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Attached separately

# BUDGET 2022 – Proposed Vote Social Development investment package

## Manifesto – Disability Initiatives

This package includes initiatives developed by MSD as well as the Ministry of Health, which may be transferred to Vote Social Development.

Initiative name	Funding amount	Funding duration	MSD Comment	TSY recommendations
<b>Disability System Transformation</b> - new Ministry for Disabled People	\$107.859m	4 years and outyears	Includes Budget contingency of \$5.0m from B21 – March 2022 Cab paper to confirm the final arrangements for the new ministry	Support in full
<b>Disability System Transformation – National implementation of EGL approach</b> - led by MoH	[33]	4 years and outyears	May sit under Vote Social Development – exact arrangements TBC	Defer
[33]				Defer
<b>Cost Pressures for Disability Support Services</b> – led by MoH	[33]	[33]	May sit under Vote Social Development –exact arrangements TBC	Support in full
<b>Total</b>			[33]	

## Manifesto – Welfare Overhaul initiatives

Welfare Overhaul initiatives that advance the ongoing work programme, including Child Support Pass On. Some initiatives previously considered for inclusion in Budget 2022 have been deferred for consideration in Budget 2023 and beyond.

Initiative name	Funding amount	Funding duration	MSD comment	Recommendations
<b>Main Benefit Increase and increase in student support</b>	\$2.071b	Baselined	Pre-commitment against Budget 2022 from Budget 2021	N/A
<b>Child Support Pass-on</b>	\$354.266m	5 years and outyears	Includes \$20.200m for capital costs for MSD and IRD over 2 years. Possible pre-commitment for work has been discussed with MoF	Not supported
<b>Improving support for dental treatment for low-income New Zealanders</b>	\$125.804m	4 years and outyears	Named manifesto commitment. Based on a 1 December 2022 implementation date.	Support in full
<b>Permanently increasing hardship assistance income limits</b>	[33] OPEX and \$152.253m CAPEX*	4 years and outyears	Includes <b>permanent income limit</b> increases. [33] Includes \$152.253m of capital funding netting to zero over 10 years.	Support scaled to \$55.981m over 4 years and outyears (TSY scaling option)
<b>Total</b>			[33]	

\*Hardship Assistance CAPEX will not be charged against capital allowance

## Enabling MSD's delivery of services

Funding is required to enable MSD and Crown Entities to implement key changes to its services in a client-centric way. This supports, for example, the welfare overhaul work programme. This is expected to include a Digital Employment Platform which also supports Employment-focused initiatives.

Initiative name	Funding amount	Funding duration	MSD comment	Recommendations
<b>Te Pae Tawhiti</b> – Programme	[33]	1 year	Includes funding for 1221 FTEs, the capability needed to develop the programme (1 year of OPEX for digital employment, experience layer, enabling platforms as a service, and Transformation Management Office, Business Case Design, and Future Service Model Design)	Support scaled [33]
<b>Te Pae Tawhiti</b> – Corporate Platform	\$28.518m	1 year	Funds the remainder of the capital costs and associated operating for the investment in the financial management (FMIS) and payroll systems.	Support in full
<b>Transition to new Children and Young People's Commission</b>	\$1.640m	1 year	To meet critical cost pressures in 2022/23 arising from the delay in the establishment of the CYPC, now expected to be in January 2023.	Support in full
<b>Social Worker Registration Board</b> – supporting Oranga Tamariki (13764)	\$1.528m	2 years	Funds SWRB readiness to engage and work with Oranga Tamariki on how to improve regulatory compliance, training and education of social workers. Includes a small number of policy staff and resources to work with Oranga Tamariki on possible solutions.	Support in full
<b>Total</b>			[33]	

## Employment initiatives

Includes the EAP initiative, which is led by MBIE.

Initiative name	Funding amount	Funding duration	MSD comment	Recommendations
<b>Continuing Mana in Mahi expansion</b>	[33]		Funding for the continuation of the current level of Mana in Mahi supports into outyears, including for an additional [33] per year (total of [33])	Support scaled to 800 places (\$10.908m over 2 years)
<b>Māori Trades and Training Programme continuation</b>	\$66.202m	4 years and outyears	Continues programme which was transferred from MBIE with time-limited funding (ends June 2022) for 3 years to guarantee delivery of contracts	Support scaled to \$54.867m
<b>Equitable access to driver licences</b>	\$86.486m	4 years	Stabilise and expand the existing sector covering 64,000 clients over 4 years. Includes programme costs for Vote Education and Vote Transport.	Support in full
[33]				
[33]				Defer
<b>Total</b>			[33]	

## Manifesto - Social Sector Commissioning

Initiative name	Funding amount	Funding duration	Recommendations
<b>Sustainable funding for community services</b>	[33]		BFC – support 2 year funding at proposed level [33]
Building Financial Capability (increase funding rate) - [33]			Disability Services – support scaled option of [33]
Disability Community Services - [33]			
<b>Partnerships with Māori</b>	[33]	1-4 years and outyears	KWO – supported in full
Te Hiku Social Accord – [33] 4 years and outyears			Tūhoe SMP/Te Hiku Social Accord/Implementation of iwi relationship agreements – not supported
Tūhoe SMP - \$3m/3 years			
Kāinga Whānau Ora (KWO)– \$2.4m/1 year			
Implementation of iwi relationship agreements - [33]			
<b>Growing community and provider capability</b>	[33]		Not supported
Growing provider and community capability - [33]			
One off fund to lift social sector capability - [33]			
Central hub to monitor and evaluate SSC work programme - [33]			
[33]			
<b>Total</b>			[33]

\* Please note that this initiative previously included additional funding for Community Connectors and Food Security to address time-limited funding for these interventions. These initiatives have now received additional funding from the CRRF to support the welfare response for the introduction of the COVID Protection Framework (CAB 21 – MIN – 0493 refers).

## Manifesto -Housing

Initiative name	Funding amount	Funding duration	MSD comment	Recommendations
<b>Improving MSD's housing support products</b>	\$42.003m OPEX and \$358.628m CAPEX*	4 years and outyears	Joint responsibility with Minister Woods. Cabinet has noted a bid has been submitted	Support in full
<b>Supporting people on the public housing register</b>	[33]	4 years and outyears	Funding for up to 40 FTE and IT changes (\$0.900m of Capex). Supported by Minister Williams	Not supported
<b>Total</b>			[33]	

\*Housing Support Products CAPEX will not be charged against capital allowance

## Youth initiatives (Minister Radhakrishnan)

Initiative name	Funding amount	Funding duration	MSD comment	Recommendations
<b>Sustainable funding for MYD funded Youth providers</b>	[33]	4 years and outyears	Aligns strongly with Social Sector Commissioning work programme	Support scaled at [33] over 4 years and outyears
<b>Total</b>			[33]	

Note: These initiatives sit in Vote Social Development.

## Seniors initiatives (Minister Verrall)

Initiative name	Funding amount	Funding duration	MSD comment	Recommendations
<b>Implementing Better Later Life action plan</b> - Age Friendly Communities, Entrepreneurship, Home Sharing	[33]	4 years and outyears	Linked to manifesto commitment	Support scaled to \$0.290m (Seniors Entrepreneurship pilot only)
[33]				Not supported - defer
<b>Total</b>			[33]	

Note: These initiatives sit in Vote Social Development.

**Cross-agency work programmes with MSD involvement or expected impact on Vote Social Development**

Initiative name	Funding amount	Funding duration	MSD Comment	Recommendations
<p><b>Joint Venture for Family and Sexual Violence. (Minister Davidson) MSD-proposed initiatives:</b></p> <ul style="list-style-type: none"> <li>FV package of prevention initiatives, incl. E Tū Whānau, Pasefika Proud, It's Not OK, Seniors, Disability, Ethnic Communities - [33] over 4 years and outyears</li> <li>Family Violence Response Coordination services continuation to support ICR approach - [33] over 4 years and outyears</li> </ul>	[33]	4 years and outyears	<p>Led by Minister Davidson and the Joint Venture Business Unit, includes initiatives for Associate Minister for Social Development and Employment.</p> <p>The two proposed MSD initiatives can be scaled to [33]</p>	<p>FV package of prevention initiatives –support scaled to \$37.625m over 3 years</p> <p>Family Violence Response Coordination services continuation to support ICR approach – support scaled (amount TBC)</p>
<p><b>Social Cohesion work programme (Minister Radhakrishnan)</b></p>	[33]		<p>Seeks tagged contingency funding of [33] for:</p> <ul style="list-style-type: none"> <li>[33]</li> <li>The establishment of a fund for community based initiatives that promote social cohesion.</li> </ul>	Not supported
<p><b>Contracted Emergency Housing – Rotorua Housing (HUD-led)</b></p>	[33] (MSD component \$15.668m)	4 years	<p>Extend funding beyond 2021/22 to continue emergency housing in Rotorua only (for contracted motels, wraparound support services, onsite management and the operation of Te Pokapū), [33]</p>	Supported
<p><b>Allowing payment to family members for support services</b> - led by MoH (linked to disability sector reforms)</p>	[33]	4 years and outyears	<p>This cost/volume pressure initiative will enable disabled people to pay a family member to provide support that would otherwise be provided by a support worker through MoH-funded disability support services and District Health Board-funded support services. [33] <b>would be allocated to the new Ministry for Disabled People as part its budget for services in the community.</b></p>	Support scaled
[33]	\$TBC	TBC		Withdrawn
	\$TBC	TBC	Office for Disability Issues is MSD contact	-
<p><b>Expanding Community Connect nationwide</b></p>	\$TBC	TBC	Led by the Ministry of Transport but expected to have an impact on Vote Social Development.	-
[33]	\$TBC	TBC	[33] - Led by Minister Clark	Not supported
<p><b>Homeless Action Plan (HAP) – HUD-led</b></p>	[33]	TBC	<ul style="list-style-type: none"> <li>Support for rangatahi youth experiencing, or at risk of homelessness</li> <li>Homelessness outreach services</li> </ul>	Support scaled
<p><b>Emergency Housing Review (HUD-led)</b></p>		TBC	Includes changes to EH SNGs (\$280m over 4 years), increasing accommodation options for key cohorts, and changes to support services.	Scaled in contingency
[33]				
<p><b>Social Unemployment Insurance</b></p>	[33]	1-4 years	Up to [33] million for MSD and Inland Revenue to establish the necessary administrative infrastructure to support the scheme's operation, with the bulk of this funding in the 2022/23; this component is essentially a contingency at this point, recognising that the agencies will need to establish information sharing interfaces, service arrangements (e.g. for relevant Active Labour Market Policies) and case handover protocols	Support in full
[33]				