The Treasury

Budget 2014 Information Release

Release Document

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Key to sections of the Official Information Act 1982 under which information has been withheld.

Certain information in this document has been withheld under one or more of the following sections of the Official Information Act, as applicable:

[1] 6(a) - to prevent prejudice to the security or defence of New Zealand or the international relations of the government

[2] 6(c) - to prevent prejudice to the maintenance of the law, including the prevention, investigation, and detection of offences, and the right to a fair trial

[3] 9(2)(a) - to protect the privacy of natural persons, including deceased people

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[6] 9(2)(d) - to avoid prejudice to the substantial economic interests of New Zealand

[7] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials

[8] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions

[9] 9(2)(h) - to maintain legal professional privilege

[10] 9(2)(i) - to enable the Crown to carry out commercial activities without disadvantage or prejudice

[11] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice

[12] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage

[13] Not in scope

[14] 6(e)(iv) - to damage seriously the economy of New Zealand by disclosing prematurely decisions to change or continue government economic or financial policies relating to the entering into of overseas trade agreements.

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In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) of the Official Information Act.

THE TREASURY
Kaitohutohu Kaupapa Rawa

Reference: T2014/328 SH-3-2

Date: 27 February 2014

To: Minister of Finance (Hon Bill English)

Deadline: Prior to Social Sector Ministers' meeting Monday 3 February

Aide Memoire: Social Development Budget 2014: Package to Maintain Liability Reduction

The Minister for Social Development is seeking [7]
for the Multi Category Appropriation (MCA). [7]

allowing MSD to trial new interventions.

This Aide Memoire provides our view on what this funding is intended to purchase, and its likely impact on both the fiscal forecasts and performance of MSD.

Table 1: Impact of investment on fiscal forecast and liability

Level of investment at Budget	Net impact on MCA baseline	Impact on fiscal forecast	Impact on the liability
[7]			
$25 million (Treasury Recommend)	$(5 million)	Negligible, but positive impact on HYEFU forecast, funding able to continue to be allocated toward high liability clients	Similar reduction in the liability compared to current performance
[7]			

Our view is that MSD can maintain the performance factored into the fiscal forecasts with its current MCA allocation, including the Budget 2012 decision to increase case manager numbers.[1] This acknowledges that there is a reduction in overall Employment Assistance spend, which in isolation could have a negative impact on results.

However, this would require MSD to reallocate its funding and may encourage targeting to a different spread of clients.[2] For example, clients with a higher liability may on average require a more expensive service. This means that, while a similar number of exits may be achieved, those exits will on average be associated with a smaller reduction in the liability.

We therefore support investing $25 million per annum, which would allow MSD to continue to achieve decreasing benefit numbers, as well as achieve a larger reduction in the liability. It also gives MSD flexibility to trial new approaches to assist high liability clients into work.

<u>MSD's view and recent trends in the funding available for Employment Assistance</u>

[7]

While it is true that funding for Employment Assistance falls by $30.540 million from 2013/14 to 2014/15, it is important to consider that this appropriation has moved significantly from year to year. The figure below tracks the Employment Assistance appropriation over a five year period, showing that it reached a high at the 2013 October Baseline Update.

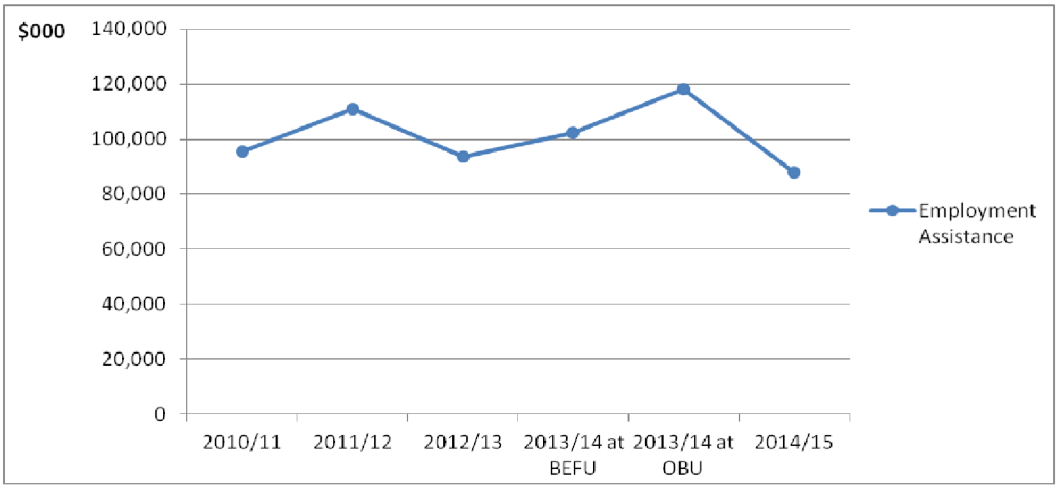

Figure 1: variations in the Employment Assistance appropriation over a five year period

[8]

Fiona Carter-Giddings, Manager, Labour Market & Welfare, 04 917 7021

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[1] Cabinet agreed to reduce funding for Employment Assistance and Vocation Skills Training by $49.600 million in 2014/15, and $46.800 million in outyears to partially pay for Welfare Reform (CAB Min (12) 13/3(31) refers).

[2] The current BPS target encourages targeting of resources at less than 20% of the liability