The Treasury

Budget 2011 Information Release

Release Document

June 2011

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THE TREASURY
Kaitohutohu Kaupapa Rawa

Budget Report: Analysis of Possible Expenditure Savings in Budget 2011

Date:	25 November 2010	Report No:	BR2010/23

Action Sought

	Action Sought	Deadline
Prime Minister (Rt Hon John Key)	**Note** contents of report.	Prior to Budget Ministers meeting on 29 November 2010.
Minister of Finance (Hon Bill English)	**Indicate** in the table in the executive summary of this report those savings candidates that you want developed further. **Inform** Treasury of any other savings options that you want developed further.	Prior to Budget Ministers meeting on 29 November 2010.
Associate Minister of Finance (Hon Simon Power)	**Note** contents of report.	Prior to Budget Ministers meeting on 29 November 2010.
Associate Minister of Finance (Hon Steven Joyce)	**Note** contents of report.	Prior to Budget Ministers meeting on 29 November 2010.

Contact for Telephone Discussion (if required)

Name	Position	Telephone		1st Contact
[1]				
Colin Hall	Manager, Fiscal Management	04 917 6227 (wk)	[1]	

Minister of Finance's Office Actions (if required)

None.

Enclosure: **No**

Budget Report: Analysis of Possible Expenditure Savings in Budget 2011

Executive Summary

You asked us to identify some options to make expenditure savings of around $300m in Budget 2011. We consider the options in the table below to be the most promising areas for short term savings. These options have different impacts across different groups, which are discussed in more detail in the body of this report, but we consider that making the changes below would have little negative impact on economic growth, while also minimising the impact on vulnerable New Zealanders and young people.

As the need to reduce expenditure is likely to be an ongoing feature of Budgets in the foreseeable future, this report attempts to put the Budget 2011 savings options within the context of expenditure savings across a longer time period. The options provide scope for more savings than the target you are seeking for Budget 2011. If you do not wish to consider some of the options below as candidates for savings in Budget 2011, they could still be considered as options in the future.

Changing targeting or reducing the level of assistance	**$ per annum (approx)**	**Develop further**
• Changes to Working for Families. This report includes 5 options for Budget 2011 that provide a range of possible savings depending on Cabinet's desire to make changes to the system:		
○ Simplifying the Family Tax Credit (FTC) payment schedule.	$70m	Yes/No
○ Remove or better target the Parental Tax Credit.	$20m	Yes/No
○ Increase the abatement of the In-work Tax Credit.	$30m	Yes/No
○ Change In-work Tax Credit to single child rate of $15/week.	$370m	Yes/No
○ Defer indexation of FTC rates.	$215m-$590m over 4 years	Yes/No
[2]		
Remove or reduce programmes with low or uncertain value for money		
[2]		
• Tertiary Education: Decrease size of Industry Training Fund.	**[2]**	Yes/No
[2]		
Focusing New Zealand's efforts overseas on areas of highest return		
• Foreign Affairs: **[2]** targeted savings of policy and representation costs • Official Development Assistance (ODA): reduce or delay planned increases in ODA assistance.	**[2]**	
Total of all options		

On top of these options, savings are possible in ACC. The non-earners account (NEA) is currently running 6% under budget. If this is maintained to year end, an underspend of **[2]**

Treasury can begin working with the relevant agencies to develop your preferred savings options for consideration in February and March 2011. This will ensure that decisions feed into the finalisation of the Budget package during April.

We will be reporting to you in the New Year regarding options for Budget 2012, including looking at ways to manage the longer term sustainability of government spending.

Recommended Action

We recommend that you:

a **note** that the options identified in this paper for savings in Budget 2011 will be discussed at the meeting of Budget Ministers on Monday 29 November;

b **indicate** in the table above those savings candidates that you want developed further for consideration by Cabinet in 2011;

c **inform** Treasury of any other candidates for savings, including those in Annex 1, that you want developed further for consideration by Cabinet in 2011;

d **direct** Treasury to work with the relevant departments to develop the options for savings identified in recommendations (b) and (c) for consideration by Cabinet in February and March 2011; and

Agree/disagree.

f **note** that Treasury will be reporting to you early in 2011 to establish options for Budget 2012 and that decisions will be need to be made in the first half of 2011 to provide sufficient time to develop those options in time for Budget 2012.

Colin Hall
Manager, Fiscal Management
for Secretary to the Treasury

Hon Bill English
Minister of Finance

Budget Report: Analysis of Possible Expenditure Savings in Budget 2011

Purpose of Report

1. Budget Ministers asked Treasury to develop some options for making expenditure savings of around $300 million in Budget 2011. This report assesses options for savings in Budget 2011, following on from the initial list of potential savings options we provided in our report entitled *Expenditure Savings in Budget 2011* [BR 2010/22].

Background

2. Fiscal deficits and future spending pressures mean that finding expenditure savings is likely to be an ongoing feature of future Budgets. For Budget 2011 you informed Cabinet of your intention to convene a group of Ministers to look at options to make savings of around $300 million to provide more flexibility around the Budget to meet other priorities, including reducing debt.

3. The options identified in this report are not a complete assessment of all possible areas of savings that could be considered in the future. In addition, options have not yet been fully costed or fully worked up into proposals for change. We have focused on options with significant fiscal impacts (ie. generally those above $10m-20m) where any negative impact on economic growth and outcomes for vulnerable people are minimised.

4. It is important to consider these savings in light of your longer term plans for managing pressures in each sector, including the various review processes that are already underway, such as the Welfare Working Group and Savings Working Group. We do not recommend savings options that cut across these established processes.

5. The savings options discussed in this report will also need to be considered in the context of the Four-Year Budget Plans currently being developed by Vote Ministers. In some cases Vote Ministers may propose the same options as covered in this report for reprioritisation within Votes. In these cases you will need to consider whether the funds should be retained within the Vote, or returned to the centre.

6. This report is divided into two sections. Section 1 provides an overview, by sector, of reviews currently underway and our views about longer term strategies for each sector. Section 2 provides a list of specific savings options for you to consider in Budget 2011.

Section 1: Reviews underway and long-term strategy by sector

Table 1: Opportunities for long-term savings by sector

Sector	Current state	Long term strategy
ACC	• Savings in the Non-Earners Account (NEA) are likely, **[2]**	**[2]**
Defence	• The Defence White Paper (2nd November) set out a reprioritisation target of $350-400m by 2014/15 shifting nearly 20% of operating baselines towards frontline capabilities. **[2]** • Advice to joint Ministers on financial arrangements in December 2010.	• Focus is on delivering targets in the White Paper. • The major challenge is to ensure that NZDF delivers on the value-for-money opportunities over the next five years and that the capability programme is sustainable longer term, giving Ministers replacement options post 2020. • Prioritise and phase the capability programme so that it is affordable. **[2]** • Expect NZDF to deliver savings first, and Ministers then reallocate to priority capabilities. **[2]**
Education	*ECE and compulsory* • Allocation of $350m in Budget 2011. • ECE Taskforce and **[2]**	*ECE and compulsory* • Several options for savings in Budget 2011 (see annex 1). • Policy changes needed in longer term to continue managing with approx. $350m increases each budget. **[2]**

Sector	Current state	Long term strategy
	Tertiary • No new funding in Budget 2011. • Student loans work programme underway looking at options to enhance management and reduce cost of student loans. **[2]**	*Tertiary* • Several options for finding savings in Budget 2011 (see annex). • There are some options available to make changes at the margins of the student loans scheme (bearing in mind the Government's position on interest). **[2]**
Foreign Affairs and Official Development Assistance	• No new funding in Budget 2011. • NZ Inc review of NZ's offshore presence recently completed and under implementation (focussing on administrative / back-office functions). • Ongoing organisational efficiency review, including review of property strategy. • These reviews have focussed on improving the efficiency of MFAT, but there is room to reassess the overall level of resources dedicated to policy advice and representation, both offshore and onshore.	• Scope for savings in Budget 2011 (see annex). • Longer term savings will require further consolidation of the offshore network by focussing on the Asia/Pacific region and economic objectives.
Health	• Allocation of $420 million Budget 2011. • The Ministers of Health and Finance have been delegated authority to give funding signals to DHBs for 2011 of no less than $350 million.	• We do not recommend identifying specific savings for Budget 2011. A longer lead time is required for the Ministry of Health to implement changes and we recommend focussing on options for changes as part of Budget 2012. **[2]**

Sector	Current state	Long term strategy
Housing	• No new funding in Budget 2011. • Housing Shareholders Advisory Group (HSAG) established. Ministers broadly agree with HSAG's view that substantial change is needed in delivery of social housing. Options to implement this will be reported to Cabinet over the next 6-12 months.	• Finding savings in Budget 2011 not recommended as this would cut across work already underway in response to the HSAG recommendations to put the sector on a sustainable footing. **[2]** • Maintaining current levels of expenditure will be challenging given forecast increased demand for housing assistance. Medium term focus should be on managing within baselines. Cost savings may be possible in the longer term.
Justice	• Allocation of $40m p.a. in Budget 2011. • STR session scheduled on 13 December to discuss a set of strategic objectives and priorities for the justice sector for 2011 and beyond.	• Few options available in Budget 2011 (see annex 1). Savings possible in the longer term but would involve substantial reform of the criminal justice system. • The STR session should identify priorities for the sector and set the context for policy reform to manage within current or reduced baselines. • Key areas for focus include preventative policing, improved prosecution decisions, **[2]** alternative punishments for low risk/low level offenders, better targeted rehabilitation programmes.
Natural Resources (including energy, conservation etc)	• No new funding in Budget 2011. • Agencies are proposing some reprioritisation to manage pressures. • Drop-offs in demand for cost-recovered services remain a risk. • Several agencies are or have been reviewing their services to make them more efficient and priorities-focussed.	• Focus on managing within baselines. Several agencies within this area already face falling baselines over the forecast period.
Retirement Income	*KiwiSaver* • KiwiSaver subsidies cost the Government around $1bn p.a. • Report of Savings Working Group (SWG) in January may include suggestions for changes to the scheme.	*KiwiSaver* • We do not recommend making decisions in advance of the SWG's report. • However, it may be possible to begin implementing the SWG's recommendations in Budget 2011.
	NZ Super • No reviews underway aside from usual policy work. • Any changes to policy settings are best made with early signalling (at least 10 years).	*NZ Super* • Not a candidate for savings given projected growth in the cost of the scheme, but policy change is needed to reduce the amount of growth e.g. by increasing age of eligibility or other options.

Sector	Current state	Long term strategy
Revenue	**[2]**	
	Crown • Tax policy work programme for 2010/11 recently announced.	*Crown* • Unlikely to be any significant savings available for Budget 2011 from the tax policy work programme.
[2]		
State Services	• Review of policy advice underway. • There are options to centralise funding for State Sector Retirement Savings Scheme (SSRSS) and require departments to cover future cost increases. This would not reduce current baselines but would limit future growth.	• Completed policy review will provide opportunity to consider medium term approach to change. • There are options that would generate bigger savings ($170m to $180m per annum) if present centralised funding was removed and departments were forced to fund the schemes. Treasury does not support this at present because of inconsistent treatment across retirement savings schemes and uneven impacts on different departments.
[2]		

Sector	Current state	Long term strategy
Working for Families	• The Treasury Report *Working for Families – Options for Reform* (T2010/2353) included a detailed discussion of Working for Families and possible changes.	• Several options for Budget 2011 (discussed in annex1). • Longer term options for reform of Working for Families (WFF) include: - Index WFF rates but only for lower income earners. - Abate all tax credits earlier. - Increase abatement rates. - Reduce payment levels. - Define income for WFF purposes. - Remove the In-work Tax Credit.
Other Welfare	• No new funding in Budget 2011. Some reprioritisation may be proposed (mainly from services provided to NGOs) to fund priorities. • The Welfare Working Group will report at the end of Feb 2011 with policy options and recommendations to reduce long-term welfare dependency. Unlikely Working Group will produce immediate savings options and may produce short-term spending proposals with long-term savings.	**[2]** • Implement further reforms of the welfare system in Budget 2012 to lower long-term dependency following from the Welfare Working Group report.
Other Sectors	• Other sectors are planning for flat nominal baselines for the next 4 years. • A number of savings options have been identified, most with small cost savings.	• Agree proposed savings for Budget 2011. • Signal intention for further savings in later budgets. • Savings could be spread over time or could contribute to faster fiscal consolidation in Budget 2012. • Seek a comprehensive assessment of options across other votes to inform Budget 2012 and subsequent budgets. • Across the board cuts remain an option for future Budgets.

7. We will be reporting to you in the New Year regarding expenditure reduction options for Budget 2012, including looking at ways to manage the longer term sustainability of government spending. Decisions about options for Budget 2012 will need to be made early enough to provide agencies enough time to develop options in full. This is likely to mean making decisions in the first half of 2011.

Section 2: Savings options for Budget 2011

8. Options for savings in Budget 2011 have been assessed against how they fit with the following criteria:

- **Consistency with priorities:**
  i. enabling economic growth;
  ii. protecting the most vulnerable;
  iii. investing in young New Zealanders.

- **The size of the fiscal impact**: this includes identifying the amount of funding involved, the time period the savings would cover and whether the savings are permanent, one-off, or only defer costs. The focus of this paper is options that release significant savings (of at least $10m-$20m per annum).

- **Impacts**: identifying the winners and losers associated with possible changes and the impact on incentives.

- **Risks of service failure** if savings are made.

9. The options focus on operating expenses to ensure that the savings are on-going, rather than one-off. A similar exercise could be conducted across capital spending to identify further one-off savings candidates. In addition, the options focus on areas where savings could be made in time for Budget 2011 and seek to avoid cutting across any other processes underway to find savings.

10. Annex 1 provides a detailed range of possible savings that could be implemented in Budget 2011. The table below groups these options into the following categories:

    - Savings that change the targeting of Government assistance.

    - Savings that remove or reduce the size of programmes of low or uncertain value for money.

    - Savings that focus New Zealand's efforts overseas into the areas of highest return.

11. Within these categories we have identified three different groups of options:

    - Savings we recommend making in Budget 2011.

    - Options we do not recommend at present as there are opportunities to realise bigger savings options in the future.

    - Savings that we do not recommend at present because of negative impacts on economic growth or vulnerable groups.

12. If you wish to proceed with any of these options they can be fully developed with the input of the relevant agency, and drafted for presentation to Cabinet for decisions in February and March 2011.

Table 2: Options for savings in Budget 2011

Changing the targeting of assistance

Options for savings that reduce the assistance provided to people in the middle and higher parts of the income distribution, and/or reduce the level of assistance available to some groups.

For Budget 2011 we recommend the following changes:

- Changes to Working for Families. Annex 1 includes 5 options that provide a range of possible savings depending on Cabinet's desire to make changes to the system:
  - Simplifying the Family Tax Credit (FTC) payment schedule (approx $70m pa).
  - Remove or better target the Parental Tax Credit (approx $20m pa).
  - Increase abatement of the In-work Tax Credit (approx $30m pa).
  - Change In-work Tax Credit to single child rate of $15/week (approx $370m pa).
  - Defer indexation of rates (savings of $215m-$590m over 4 years).

[2]

We do not recommend these savings at present as there are opportunities to realise bigger savings later:

- Student loans: further changes to the eligibility, **[2]**

- KiwiSaver.

[2]

Removing programmes with low or uncertain value for money

For Budget 2011 we recommend the following changes:

[2]

- Tertiary Education: Decrease size of Industry Training Fund **[2]**

[2]

These options have been considered but we do not recommend at present as there are opportunities to realise bigger savings later:

[2]

- Student loans: further changes to the eligibility, **[2]**

- Public Health interventions: some of these have limited evidence of value for money.

These options have been considered but we do not recommend making them at this stage because of potentially detrimental impacts:

[2]

Focusing New Zealand's efforts overseas on areas of highest return

We recommend the following savings:

- Foreign Affairs: **[2]**
- Official Development Assistance: reduce or delay planned increases in ODA assistance **[2]**

13. On top of these options, there is a further saving is p account (NEA) is currently running 6% under budget. **[2]**

14. ACC will update its funding requirements in February 2011, based on a full review of its liabilities, current funding position and actuarial projections of its upcoming claims cost. This will confirm the actual level of saving. **[2]**

Assessment of the Impacts of Savings in Table One

15. The recommended options in table 2 provide a range of possible savings that exceed the target of $300m. Our overall assessment is that making the recommended savings would have little negative impact on economic growth and may be positive in the longer term through its effect on reducing government spending and helping rebalance the economy. The options also minimise any detrimental impact on vulnerable New Zealanders and young people. Annex 1 provides a more detailed assessment of each of the savings options.

Changing the targeting of assistance

16. Implementing the savings, or a selection of them, would affect some groups more than others. In particular, the impacts of the Working for Families and welfare options vary depending on the areas that you would prefer to focus on. For example, deferring the indexation of WFF would result in no nominal reductions in income, but real earnings would fall as the cost of living rises. Other options, such as changes to the In-work Tax credit would reduce income for some groups and have a negative impact on incentives to work.

17. **[2]**

Removing programmes with low or uncertain value for money

18. **[2]**

19. The tertiary education options would decrease the available places in tertiary education and industry training. **[2]**

20.

Focusing New Zealand's efforts overseas on areas of highest return

21. Staffing levels in MFAT would fall, as would New Zealand's offshore representation. We recommend that such changes should focus on areas with the least connection to New Zealand's economic objectives in the Asia and Pacific regions. This would ensure that any economic impact from such changes would be small.

22. The potential Official Development Assistance (ODA) changes would not affect growth or outcomes for vulnerable groups in New Zealand. However, they would have reputational effects for New Zealand, as well as negative impacts on people in developing countries, with the impacts most likely to be felt in the Pacific region.

ANNEX 1: Detailed assessment of savings options

Potential saving	Amount of saving	Criteria			Treasury Assessment
		Alignment with Priorities	*Impacts (including on incentives)*	*Risks*	

[2]

Potential saving	Amount of saving	Criteria			Treasury Assessment
		Alignment with Priorities	*Impacts (including on incentives)*	*Risks*	
					[2]
		[3]		[3]	[2]

Potential saving	Amount of saving	Criteria			Treasury Assessment
		Alignment with Priorities	*Impacts (including on incentives)*	*Risks*	
					[2]

Potential saving	Amount of saving	Criteria			Treasury Assessment
		Alignment with Priorities	*Impacts (including on incentives)*	*Risks*	

[2]

Potential saving	Amount of saving	Criteria			Treasury Assessment
		Alignment with Priorities	*Impacts (including on incentives)*	*Risks*	
Foreign Affairs: [2] *savings target in Policy and representation.*	[2] per annum.	This would encourage further offshore alignment and prioritisation of spending towards trade and economic objectives and the Asia and Pacific region.	A target at the low end of the range is unlikely to have a significant impact on meeting trade and economic objectives. There would be a reduction in the number of people and/or size of the offshore network. Reduction in policy advice and representation in lower priority areas.	Less representation and policy advocacy in some areas/forums, with associated risk. Some reduction in locations offering consular services. Past reviews (NZ Inc, PIF, Efficiency Review) put MFAT in a position to manage these changes.	NZ Inc review of offshore alignment did not go as far as Treasury recommended. Review of Expenditure on Policy Advice may provide further useful information for decisions about these savings.

[2]

Potential saving	Amount of saving	Criteria			Treasury Assessment
		Alignment with Priorities	*Impacts (including on incentives)*	*Risks*	
					[2]

Potential saving	Amount of saving	Criteria			Treasury Assessment
		Alignment with Priorities	*Impacts (including on incentives)*	*Risks*	
Official Development Assistance: *Reduce or delay planned increases in ODA assistance.*	[2]	Could encourage further focus on the Pacific.	Some of the planned increases in funding are already earmarked for areas that would be difficult to cancel now (eg: $90m over 3 years for climate change). So all options are likely to require cutting some existing programmes. Likely to be further prioritisation of funding towards highest priority areas.	Potential reputational damage (e.g. moving further from international goals such as MDG 0.7% GNI spend – NZ already faces this problem to a certain extent). However, the lower-end options are unlikely to have major impact on GNI portion and international ranking. Time lags for ODA programming may limit speed at which changes could be implemented.	First two options are the most likely to release savings without a significant impact on ODA. Risks are mainly reputation/foreign policy related. Savings at the higher end of the range would be difficult to find for Budget 2011.
Official Development Assistance: [2] *savings target for management of ODA programme and strategic policy and advice.*	[2] per annum	Aligns with priority for greater efficiency in management. Could encourage further focus on Pacific (at expense of other countries). May reduce MFAT International Development Group's (IDG) capability to ensure that aid is targeted at priority areas.	Potential reduction in staff numbers.	MFAT IDG has already been under pressure to improve performance here, may be little capacity to absorb further reductions well.	No large savings likely to be made in this area.

Potential saving	Amount of saving	Criteria			Treasury Assessment
		Alignment with Priorities	*Impacts (including on incentives)*	*Risks*	
					[2]

Potential saving	Amount of saving	Criteria			Treasury Assessment
		Alignment with Priorities	*Impacts (including on incentives)*	*Risks*	
					[2]

Potential saving	Amount of saving	Criteria			Treasury Assessment
		Alignment with Priorities	*Impacts (including on incentives)*	*Risks*	

[2]

Potential saving	Amount of saving	Criteria			Treasury Assessment
		Alignment with Priorities	*Impacts (including on incentives)*	*Risks*	
Tertiary education: *Student loans.* Further work around eligibility [2]	[2]	Unlikely to have an impact on economic growth. [2]	The current scheme is generous and creates perverse incentives to borrow more than required and repay as slowly as possible. As such, the cost of the scheme has increased over time. Those made ineligible [2] would lose from changes made. [2]	This may reduce access to tertiary education and therefore reduce the skill acquisition of the population.	Given the government's position on reintroducing interest, further changes around the edges of student loans offer some potential for savings. [2] Most of the 'easy' changes have already been made in this area.

Potential saving	Amount of saving	Criteria			Treasury Assessment
		Alignment with Priorities	*Impacts (including on incentives)*	*Risks*	
Tertiary education*: Industry Training Fund.* Decreasing the size of the Industry Training Fund (the fund supports skill acquisition within the workforce by allowing people to gain practical skills while employed). [2]	[2]	The one-off removal was partly made in response to the recession reducing demand for this training. However, we consider that this could become permanent savings as we have identified this spending to be poor value for money. Recent audits of the sector have revealed poor completion rates and indications of poor practice (i.e. claiming funding for students who are no longer participating in courses). Decreasing the funding is therefore unlikely to affect economic growth or outcomes for vulnerable people.	There is potential for some people who would have entered industry training to miss out, however given the drop-off in demand and the low quality of provision this would not appear to be a significant downside. [2]	[2] If the economy picks up faster than expected there could be un-met demand.	Poor value for money and a good candidate for savings.

Potential saving	Amount of saving	Criteria			Treasury Assessment
		Alignment with Priorities	*Impacts (including on incentives)*	*Risks*	
					[2]

Potential saving	Amount of saving	Criteria			Treasury Assessment
		Alignment with Priorities	*Impacts (including on incentives)*	*Risks*	
					[2]
Working for Families: *Simplifying the Family Tax Credit (FTC) payment schedule (e.g. one rate for the first child and one rate for subsequent children).*	Savings of approximately $70m in 2011/12. Savings would be less and would take longer to realise if current recipients are grandparented.	The WFF evaluation concluded that assistance is best targeted at younger children, this change is consistent with that finding.	If current recipients are grandparented there will be no direct financial losers. Simplifies administrative systems.	Could see increases in child poverty.	Good candidate for savings, is worth exploring further.
Working for Families: *Remove or better target the Parental Tax Credit (PTC).*	Savings of approximately $20m per annum, less if eligibility restricted to higher income earners.	Better targeting would focus assistance on those most in need.	No impact on incentives – payment is only for 8 weeks.	Decreases assistance available to parents with new born children. There will be financial losers.	Good candidate for savings, is worth exploring further.

Potential saving	Amount of saving	Criteria			Treasury Assessment
		Alignment with Priorities	*Impacts (including on incentives)*	*Risks*	
Working for Families: *Increase the abatement of the In-work Tax Credit.*	Savings of approximately $30m in 2011/12. More savings are possible (up to $180m) if the order of abatement is changed, i.e. abate the IWTC and then the FTC.	Abating the IWTC at a higher rate only affects those on higher incomes and would better target assistance to those most in need.	Has a negative impact on incentives to work through higher EMTRs. Also sends mixed signals about the benefits of paid work.	There will be financial losers.	Good candidate for savings, is worth exploring further.
Working for Families: *Change the In-work Tax Credit to a single child rate of $15 per week.*	Savings of approximately $370m in 2011/12, less if current recipients grandparented.	Goes against 'making work pay' objective. Simplifies administrative system	Significantly decreases incentives to work as working families receive less. Also sends mixed signals about the benefits of paid work.	Financial losers, especially those working parents with one or two children. Sole parent beneficiaries possible no better off in work than on benefit.	Worth exploring with the option of grandparenting current recipients.
Working for Families: *Defer the indexation of WFF rates.*	Savings of anywhere between $215m and $590m over the 4 years to 2014/15 depending on the method of deferral.	There will be no nominal financial losers.	Effectively removes indexation of part of the benefit system as child component of benefits was transferred to FTC in 2005. No measurable impact on incentives. Decreases assistance to low income families over time.	Significant decrease in assistance to low income families over time.	Good candidate for savings with no nominal financial losers, is worth exploring further.

ANNEX 2: Science Research Funding

[2]

Annex 3: ACC

[2]

[2]