

The Treasury

Budget 2013 Information Release

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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.

WELFARE PACKAGE BUDGET 2013

Purpose: The purpose of this note is to provide Ministers with a framework for thinking about the shape of a welfare package for Budget 2013. Further work is required to establish the feasibility and implications of the high level options set out below. In particular, options 3 and 4 may impact on the ability to deliver welfare reform and the associated savings.

1. Options for Funding MSD Budget Initiatives (including Māori Party Initiatives)

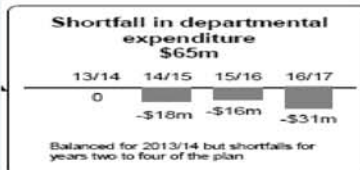
Summary: Based on the current Budget initiatives, MSD faces a significant funding shortfall. Savings and/or further new funding (in addition to the \$240 million welfare allocation) will be required to provide a balanced package without impacting on government priorities. If additional new funding is an option Ministers wish to consider, we will need to weigh up the impact on other priorities across government. The figures below are not final, due to amounts sought for budget initiatives still being worked through.

Treasury recommendation: Subject to further work on particular options, our preliminary advice is that we should investigate option 2 (scale Budget initiatives which don't directly contribute to BPS results). We recommend this is funded through the \$240 million welfare allocation and \$151 million in savings (savings options provided in section 4).

Ministers have differing degrees of discretion over the Budget initiatives. The Disability Allowance shortfall must be funded as it is an entitlement based BOUE. There is a limited level of discretion over welfare reform and vulnerable children costs. Remaining Budget initiatives have greater levels of discretion, but all involve impacts.

Option 1: Fully Fund Budget Initiatives	Option 2: Scale Budget Initiatives which don't directly contribute to BPS Results (Treasury's recommended option)	Option 3: Scale Budget Initiatives & Welfare Reform	Option 4: Only fund Disability Allowance Shortfall & some Welfare Reform costs
<p>Agree \$442m across five years (\$91.9m p.a. by 2016/17), as sought through current Budget initiatives.</p> <p style="text-align: right;">(9)</p> <p style="text-align: center;">\$202M OF NEW FUNDING/SAVINGS (\$31.9M P.A. BY 2016/17)</p> <p style="text-align: center;">\$240 ALLOCATION (\$60M P.A.)</p> <p style="text-align: center;">Cost: \$442 million over five years (exc flexible funding pool) (91.9m p.a. by 2016/17)</p>	<p>There are a range of options for scaling Budget initiatives. Treasury recommended Ministers scale the following initiatives:</p> <ul style="list-style-type: none"> Additional targeted assistance to carers receiving Unsupported Child's Benefit or Orphan's Benefit: from \$18.4m over four years (\$4.6m p.a.) Growing up in NZ Longitudinal Study: from \$18.4m over four years (\$4.6m p.a.) <p style="text-align: right;">(9)</p> <p style="text-align: center;">\$151M OF NEW FUNDING/SAVINGS (\$18.4M P.A. BY 2016/17)</p> <p style="text-align: center;">\$240 ALLOCATION (\$60M P.A.)</p> <p style="text-align: center;">Cost: \$391 million over five years (\$78.4m p.a. by 2016/17)</p>	<p>Scale Budget initiatives, as per option 2. Also reduce the costs of welfare reform by \$25m over four years (for example), through either:</p> <ul style="list-style-type: none"> Reducing external contracting (currently \$51.8m over 4 years); or Reducing staff costs (currently \$83m over 4 years). <p>Scaling welfare reform by \$25m will impact on the ability to deliver the \$0.992b-\$1.6b in savings, and may impact on MSD's ability to deliver welfare reform. For example, scaling contracting would limit MSD's ability to work successfully with Health and Disability clients. It would also limit the ability to assess whether contracted providers can deliver better results.</p> <p>Further information is required about the potential implications of this option.</p> <p style="text-align: right;">(9)</p> <p style="text-align: center;">\$126M OF NEW FUNDING/SAVINGS (\$12.2M P.A. BY 2016/17)</p> <p style="text-align: center;">\$240 ALLOCATION (\$60M P.A.)</p> <p style="text-align: center;">Cost: Approximately \$366 million over five years (\$72.2m p.a. by 2016/17)</p>	<p>Limit funding to \$240m welfare allocation (\$60m p.a.), by declining all Budget initiatives but the Disability Allowance shortfall and some welfare reform costs:</p> <ul style="list-style-type: none"> \$147m of the \$240m will be applied to fully address the Disability Allowance Shortfall. The remaining allocation funding \$93m, plus \$12.8m in savings options previously agreed mean Welfare Reform receives funding of \$105.8m over four years. <p>Scaling back welfare reform this much will significantly impact MSD's ability to deliver on welfare reform, and the \$0.992b-\$1.6b in savings.</p> <p>Further information is required about the potential implications of this option.</p> <p style="text-align: right;">(9)</p> <p style="text-align: center;">\$240 ALLOCATION (\$60M P.A.)</p> <p style="text-align: center;">Cost: \$240 million over five years (\$60m p.a.)</p>

2. Departmental Cost Pressures



- In addition to the Budget initiatives, MSD face departmental cost pressures of \$65 million over four years. Funding is not sought for these pressures.
- MSD is working through ways to meet these pressures, for example through business transformation.
- Savings options will need to be developed by Budget 2014.
- The welfare reform implementation plan may provide some lessons for delivering services cost effectively.

3. MSD Budget Initiatives

Initiative	2012/13 \$000	2013/14 \$000	2014/15 \$000	2015/16 \$000	2016/17 \$000	5 Year Total
Additional Targeted Assistance to Carers Receiving UCB/OB						
Confidential Listening and Assistance Service		1.0	1.0	0.0	0.0	2.0
Disability Allowance Shortfall in Budget 2011 and 2012	25.5	30.4	30.4	30.4	30.4	147.3
Enabling Good Lives in Christchurch and the Waikato – Demonstration (Maori Party initiative)						
Expand the E Tu Whanau programme (Maori Party initiative)						
Family Violence Response Coordination						
Growing Up in New Zealand Longitudinal Study						
Monitoring by Disabled People of their Rights (Maori Party initiative)		0.3	0.3	0.3	0.3	1.1
Promoting Lifetime Design in Housing (Maori Party initiative)		0.5	0.5	0.5	0.0	1.5
Resolution of Historic Claims of Abuse		4.0	4.0	4.0	4.0	16.0
Welfare Reform Phase Two		49.1	47.1	39.9	33.4	169.5*
White Paper for Vulnerable Children Start Up Costs		8.0	0.0	0.0	0.0	8.0**
Think Differently Campaign (Maori Party initiative)						

*Welfare reform costs will likely increase due to pre-employment drug testing costs which are still being worked through

**\$3m in capital funding will also be sought for Vulnerable Children

***Total funding sought will likely increase with the transfer of the Housing Needs Assessment function from HNZA to MSD