

# The Treasury

## Budget 2013 Information Release

### Release Document

July 2013

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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.

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**From:** [7]  
**Sent:** Tuesday, 29 January 2013 2:44 p.m.  
**To:** ^MOF: Andrew Craig  
**Cc:** Hayley Hamilton; Fiona Carter-Giddings; [7] ; Carolyn Palmer; [7]  
**Subject:** Advice for PM/MoF/Minister Joyce/Minister Bennett meeting 30 January on welfare

Hi AC,

MoF is meeting with the PM, Minister Joyce and Minister Bennett tomorrow to discuss MSD's financial position. Our advice for this meeting is provided below.

**Funding Shortfall:**

MSD have signalled a funding shortfall of at least \$246 million over five years (\$25m in 12/13, \$55m in 13/14, \$61m in 14/15, \$48m in 15/16 and \$56m in 16/17), once their 'value for money' savings and Budget 2013 allocation (\$240m over five years) have been applied to costs. There are other, potentially substantial, costs not included in this estimate of the shortfall. For example:

- Employment assistance (additional funding to support welfare reform), currently unquantified.
- Pre-employment drug testing, likely to be between \$4m-\$40m over four years (\$1m-\$10m p.a).
- Minister Turia's initiatives, \$27.15m over four years.

The \$246m (5yr figure) shortfall is currently driven largely by:

- Disability Allowance savings which have been 'banked' but not yet realised, \$147.3m over five years.
- Departmental cost pressures, \$65m over five years.

[6]

**Options for scaling or phasing may be necessary:**

We may also need to consider scaling or phasing programmes to meet cost pressures (particularly if further savings initiatives aren't feasible). For example, we may need to invest less in welfare reform (impacting on the ability to deliver the \$1-\$1.6 billion in savings). If lowering the amount of funding invested in welfare reform is an option Ministers wish to investigate further, we suggest MoF asks MSD for advice on the likely impact on welfare reform savings.

**An action plan to deliver savings is required:**

Looking forward, MSD will also need to develop a robust action plan for delivering savings in the future. At this point their Four-year Plan only provides a broad overview of three areas MSD may look to find savings:

- Information technology
- Process elimination
- Property strategy

Savings in these areas are unlikely to meet the shortfall, particularly as savings need to be achieved reasonably quickly to avoid MSD going unappropriated this year. We suggest MoF emphasises that MSD will need to develop a robust plan to deliver savings going forward.

Happy to discuss.

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