

# The Treasury

## Budget 2013 Information Release

### Release Document

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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.

# Report

**Date:** 8 March 2013

**To:** Hon Bill English, Minister of Finance  
Hon Judith Collins, Minister of Justice  
Hon Hekia Parata, Minister of Education  
Hon Paula Bennett, Minister for Social Development

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## **Costs to Vote Education and Vote Justice related to Welfare Reform and implementation plan for social obligations**

### **Purpose of the report**

- 1 As directed by Cabinet on 19 November 2012 [CAB Min (12) 41/12 refers] this report provides:
  - an outline of the proposed implementation plan for social obligations and update of costs to Vote Education
  - an update on the costs to Vote Justice and Vote Courts for the warrants to arrest policy.

## Recommended actions

It is recommended that you:

Minister of Finance, Minister of Education and Minister for Social Development

1 [6]

[7]

### *Costs of the early childhood education social obligation for Vote Education*

6 **note** that the following factors combine to reduce cost pressures on Vote Education resulting from the early childhood education social obligations policy:

- the decision by Cabinet that parenting and early childhood home education programmes be included as eligible programmes [CAB Min (13) 1/11 refers]

[7]

- the clarification that the 15 hour target for participation is aspirational and not a firm minimum number of hours

7 **note** that parenting and early childhood home education programmes are not subsidised by Vote Education funding and do not contribute to the Government's Better Public Services target that in 2016, 98 per cent of children starting school will have participated in quality early childhood education

8 **note** that the Ministry of Education will not seek any additional funding for social obligation costs as part of Budget 2013 because:

[6]

- it is not possible to identify what proportion of increases in subsidy or equity funding will result from the early childhood education social obligation because information is not collected on the employment status of parents

9 [6]

*Minister of Finance, Minister of Justice and Minister for Social Development*

10 **note** that from 15 July 2013 benefits will not be payable (or reduced where there are dependent children) to beneficiaries who have outstanding warrants to arrest for criminal proceedings that have not been resolved after 28 days from issue [CAB Min (12) 26/11.5 refers]

11 **note** that the Ministry of Justice will be able to provide the Ministry of Social Development with basic information matching of people with a warrant to arrest using current systems as a temporary measure

12 **note** that a "fit for purpose" system will need to be developed that can be built for an estimated cost of [9] (including the cost of the temporary measure) and the establishment cost of these processes will be absorbed through Ministry of Justice baselines

- 13 **note** that any on-going costs are likely to be small and able to be absorbed through business as usual, however, if significant changes that may have cost implications are identified, for example, a requirement for additional information through the information sharing agreement, the Ministry of Justice may need to seek additional funding if the cost cannot be met through reprioritisation within baseline funding.

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Date	Date	Date	Date
Hon Bill English Minister of Finance	Hon Judith Collins Minister of Justice	Hon Hekia Parata Minister of Education	Hon Paula Bennett Minister for Social Development
Date	Date	Date	Date

## Background

- 2 On 19 November 2012, Cabinet directed that in February 2013, officials from the Ministry of Social Development (MSD), the Treasury and:
  - the Ministry of Education (MoE), report back to the Minister for Social Development, Minister of Education, and Minister of Finance on the implementation plan and costs of implementing the early childhood education (ECE) social obligation policy related to Vote Education
  - the Ministry of Justice (MoJ) report back to the Minister for Social Development, Minister of Justice, and Minister of Finance on the costs of the warrants to arrest policy related to Vote Justice [CAB Min (12) 41/12 refers].
- 3 Outlined below is a two part discussion of the above:
  - **Part A** outlines the implementation plan for social obligations and discusses the costs of the ECE obligation for Vote Education
  - **Part B** provides an update on the costs to Vote Justice and Vote Courts for the warrants to arrest policy.

### **Part A: Social Obligations implementation plan and costs of the ECE obligation for Vote Education**

- 4 On 30 July 2012, Cabinet agreed that social obligations be introduced for beneficiary parents with dependent children, requiring that they take all reasonable steps to:
  - have their children enrolled in and attending ECE from age three until they start school
  - have their children enrolled in and attending school from age five (or six depending on when they start school)
  - have their children enrolled with a primary healthcare provider
  - keep their children up-to-date with core Well-Child checks [CAB Min (12) 26/11.5 refers].
- 5 The introduction of social obligations for beneficiary parents represents a fundamental shift in the benefit system to reinforce important social objectives relating to child education and health. Primary health care, ECE provision and education are important to improve outcomes for children and the benefits of these interventions are greatest for disadvantaged children. The four social obligations outlined above will help to ensure that vulnerable children in the benefit system have the same opportunities for positive outcomes most other New Zealand children and are consistent with Government's Key Result Areas including:
  - reducing long term benefit dependency
  - increasing participation in ECE, particularly among Māori and Pacific children
  - increasing infant immunisation rates and reducing the incidence of rheumatic fever
  - increasing the proportion of 18 year olds with NCEA level 2 or equivalent.

6 [6]

[7]

[7]

[7]



## Previous decisions that impact on costs to Vote Education

- 21 On 20 February 2012 Cabinet agreed that flow-on costs of welfare reform for Vote Education be funded through:
- Vote Social Development where children are aged two years and younger, and their participation in ECE does not contribute to the BPS ECE participation target
  - Vote Education where children are aged three and four years and their participation in ECE contributes to the BPS ECE participation target [CAB Min (12) 5/8 refers].
- 22 As the ECE social obligation applies to children aged three and over, this means that any additional costs due to increased participation in ECE for children in this age group that results from the welfare reforms will be met through Vote Education.
- 23 Subsequently, on 23 January 2013, Cabinet agreed that the ECE social obligation be extended to include additional programmes that will meet the obligation. These are:
- an ECE programme provided by a correspondence school approved under the Education Act 1989
  - when parents participate in a parenting and early childhood home education programme that is not required to be licensed or certificated under the Education Act 1989, but that meets quality criteria set by Ministerial Direction [CAB Min (13) 1/11 refers].
- 24 Participation in the Correspondence School ECE programme will contribute to the BPS ECE participation target and will receive funding through Vote Education. Parenting and early childhood home education programmes are not recognised as ECE services by MoE. Therefore, participation in these programmes will not contribute to the BPS ECE participation target and will not be subsidised through Vote Education.

### *Impact on Vote Education*

- 25 Behavioural impacts from allowing approved parenting and early childhood home education programmes are difficult to estimate and policy work is underway to determine programme criteria and requirements. Potential impacts on Government Votes over-all will not be clear until policy work is completed. However, officials consider that this addition will reduce cost pressures on Vote Education that may result from the ECE social obligation. A parenting and early childhood home education option may be attractive to a number of beneficiary parents (for example where children have behavioural problems or have English as a second language).
- 26 Other factors that combine to reduce cost pressures on Vote Education include:
- [7]
- the clarification that the 15 hour target is aspirational not a firm minimum number of hours.
- 27 The main cost to MoE for the ECE social obligation will be for increased demand for ECE subsidy funding. There are likely to also be flow on implications to increase demand for Equity Funding. Equity Funding is the only significant component of Vote Education ECE funding that is targeted and currently accounts for two per cent of Vote Education ECE expenditure. Equity Funding aims to:
- reduce educational disparities between different groups
  - reduce barriers to participation faced by groups under-represented in ECE services

- support ECE services to raise educational achievement levels.
- 28 The Ministry of Education does not collect information on the employment status of the parents of children enrolled in ECE and therefore is not able to identify what proportion of increases to ECE subsidy funding or any possible increased demand for Equity Funding is due to the implementation of the social obligation.
- 29 It is proposed that any increased costs to Vote Education for the implementation of the social obligation will be included into expected cost increases to meet the BPS ECE participation target. MoE will not be seeking any funding for specific ECE social obligations costs as part of Budget 2013.
- 30 [7]

## **Part B: Costs to Vote Justice and Vote Courts for warrants to arrest**

- 31 On 27 August 2012, Cabinet agreed to amend the Social Security Act 1964 so that benefits are not payable to beneficiaries (or reduced where there are dependent children) with outstanding warrants to arrest, issued in criminal proceedings that have not been resolved within 28 days from issue [Cab Min (12) 30/16 refers].
- 32 Enabling benefits to be stopped where a beneficiary has a warrant to arrest in criminal proceedings will require information matching between MSD and MoJ, which holds information on warrants to arrest.
- 33 MSD and MoJ have been working together to develop a joint process for information matching. Initially, from 15 July 2013 this will involve basic matching of people with a warrant to arrest using a manual process and current systems. This will be a temporary measure until a “fit for purpose” automated sharing process can be developed. Such a system will take longer to design, build and implement, and therefore will not be available by 15 July 2013.
- 34 The cost of the temporary manual process and the automated solution combined will be an estimated [9] . This cost will be absorbed within MoJ baselines.
- 35 Any on-going costs are likely to be small and able to be absorbed through business as usual (though if any significant changes are identified that may have cost implications, for example if a need for additional information is identified through the information sharing agreement, it may be necessary to seek additional funding if funding cannot be reprioritised within MoJ baselines).

### **Next steps**

- 36 The paper outlining Welfare Reform Phase Two Costs and Funding for Budget 2013 will be submitted to Cabinet on 2 April 2013.

37 [7]