

The Treasury

Budget 2013 Information Release

Release Document

July 2013

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- [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)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials
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- [12] Not in scope
- [13] 7(b) - to prevent prejudice to relations between any of the Governments of New Zealand, the Cook Islands or Niue
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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.

Treasury Report: Vote Social Development: Outstanding Budget decisions

Date:	18 March 2013	Report No:	T2013/628
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Action Sought

	Action Sought	Deadline
Minister of Finance (Hon Bill English)	Agree to discuss your intention to consider the transfer of CIR funding as part of Budget 2013 with the Minister for Social Development.	26 March 2013

Contact for Telephone Discussion (if required)

Name	Position	Telephone	1st Contact
Hayley Hamilton	Senior Analyst, Labour Market and Skills	[3]	✓
Fiona Carter-Giddings	Team Leader, Labour Market and Skills		

Actions for the Minister's Office Staff (if required)

Return the signed report to Treasury.
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Enclosure: No

Treasury Report: Vote Social Development: Outstanding Budget decisions

Recommended Action

We recommend that you:

- a **note** that the March Baseline Update (MBU) letter advises the Minister for Social Development that the transfer of \$5.8m in Capability Investment Resource (CIR) funding to 2013/14 will be considered as part of Budget 2013, with a view to using this underspend to help fund the costs of some of the priorities signalled through the Budget process, for example welfare reform

[7]

- c **agree** to discuss this with the Minister for Social Development before the 26 March Budget Ministers meeting.

Agree/disagree.

Fiona Carter-Giddings
Team Leader, Labour Market and Skills

Hon Bill English
Minister of Finance

Treasury Report: Vote Social Development: Outstanding Budget decisions

Purpose of Report

1. As part of the March Baseline Update (MBU) submission process, the Ministry of Social Development (MSD) sought agreement to transfer \$5.8m in Capability Investment Resource (CIR) funding to 2013/14. We recommended that this be considered as part of the Budget process. Ministers may wish to consider using this underspend to fund some of the priorities signalled through the Budget process, for example welfare reform. Vote Social Development is currently facing a funding shortfall of \$191.7m over five years.
2. The MBU letter to Minister Bennett, which you will receive next week for signing, has been drafted to reflect this. The next opportunity to discuss this proposal will be at Budget Ministers on 26 March. Given the sensitivities with the sector, you may wish to discuss this with Minister Bennett before then.
3. This report also updates you on the state of play of the Welfare Budget as at 15 March 2013.

Expense Transfer: Capability Investment Resource

4. The CIR was announced in June 2012 as part of MSD's Investing in Services for Outcomes (ISO) programme. The fund provides \$31.65m over four years to support providers to deliver results. The CIR is a component of the capability framework developed through ISO. Other components are a self-assessment guide and capability mentoring service.
5. The current and MSD proposed funding allocation for CIR across 4 years is as follows:

Year	Current allocation (\$m)	MSD Proposed (\$m)
2012/13	14.4	8.6
2013/14	8.6	14.4
2014/15	4.3	4.3
2015/16	4.3	4.3

6. The reasons that MSD has provided for seeking the transfer are that:
 - [7]
 - CIR spending is most needed in year two as this is when the vast majority of MSD-funded providers will be impacted by changes through ISOs' phased implementation. This also represents a better investment of government funding as it builds capability in the sector in a more sustained and pragmatic manner to ultimately improve the quality of social services delivered.

7. [6]

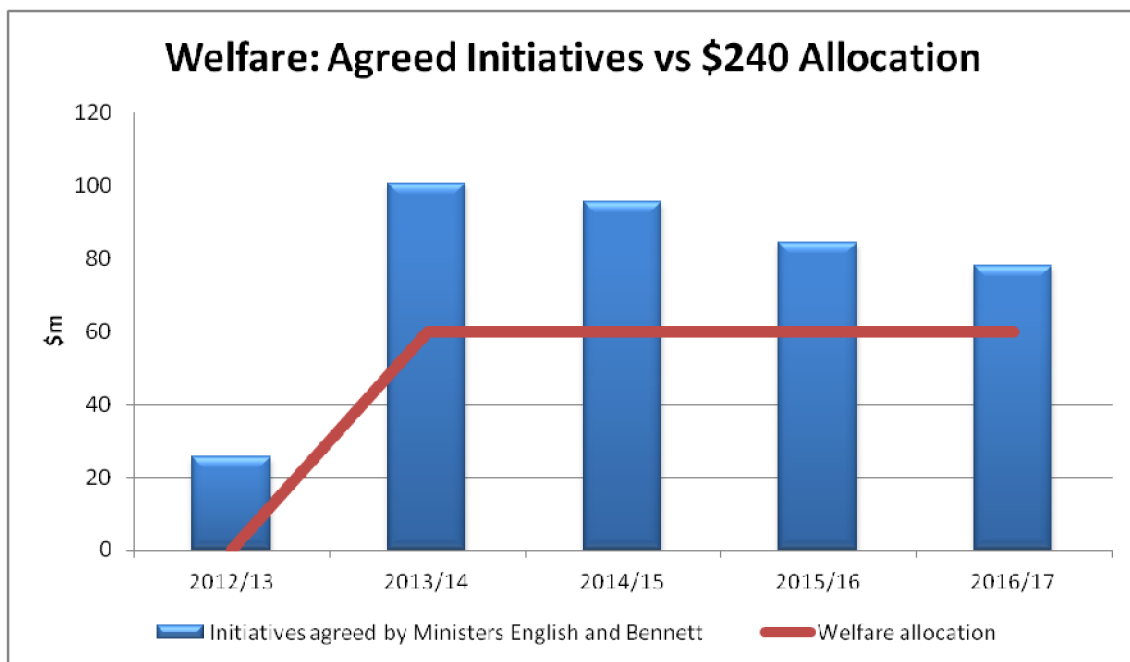
8. We agree that MSD's proposed Expense Transfer through MBU would meet the criteria in the Cabinet Office Circular CO(11)6. However, we consider that a better use of this money would be to fund other priorities in the Vote.

9. [7]

State of Play: Welfare Budget 2013 as at 15 March 2013

10. You recently agreed to a range of welfare budget initiatives totalling \$389.0 million over five years with Minister Bennett, subject to Budget Ministers' decisions on 26 March (this includes the Growing Up in New Zealand study, which you made a decision on this week).

11. As you are aware, the current welfare allocation is \$240 million over four years:



12. While the decisions made cover the majority of the initiatives in welfare, some initiatives still need to be worked through, including:

- [6]

- **Maori Party initiatives:** [6]

- [6]

- **Transfer of housing needs assessment from HNZN to MSD:** [6]
- [6]
- **Welfare reform – pre-employment drug testing:** cost of \$5.9 million over four years, part of which may be funded through Vote Health.

13. There are vehicles for seeking decisions over the above initiatives.

- Maori Party initiatives will be discussed on Tuesday 19 March.
- [6]
- You will shortly be receiving a joint report on pre-employment drug testing.