

The Treasury

Budget 2013 Information Release

Release Document

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- [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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In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) of the Official Information Act.

Treasury Report: Advice on Outstanding Welfare Initiatives for Budget Ministers' Meeting

Date:	25 March 2013	Report No:	T2013/754
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Action Sought

	Action Sought	Deadline
Minister of Finance (Hon Bill English)	Note the contents of this report prior to the Budget Ministers' meeting.	26 March 2013
Associate Minister of Finance (Hon Steven Joyce)	Note the contents of this report prior to the Budget Ministers' meeting.	26 March 2013
Associate Minister of Finance (Hon Dr Jonathan Coleman)	Note the contents of this report prior to the Budget Ministers' meeting.	26 March 2013

Contact for Telephone Discussion (if required)

Name	Position	Telephone	1st Contact
[7]		[3]	✓
Fiona Carter-Giddings	Team Leader		

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

Return the signed report to Treasury.
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Enclosure: No

Treasury Report: Advice on Outstanding Welfare Initiatives for Budget Ministers' Meeting

Purpose

1. To provide advice on several outstanding welfare budget initiatives, prior to the Budget Ministers' discussion on 26 March 2013.

Background

2. MSD is seeking \$431.7 million between 2012/13 and 2016/17 in Budget 2013. [6]
3. Of the \$431.7 million, Ministers English and Bennett have previously agreed to fund \$389.0 million between 2012/13 and 2016/17. The majority of the agreed funding is for:
 - Welfare reform phase two (needed to maintain the work programme and help reduce the long-term cost of the benefit system).
 - Disability Allowance savings banked in Budgets 2011 and 2012 but not realised.
4. Advice on most of the remaining initiatives not previously agreed with Minister Bennett is provided in the following section. The majority of these initiatives were not discussed through the initial welfare budget meeting because the policies were still under development and the cost implications were unclear. Cabinet papers for three of the initiatives (poverty, housing needs assessment and [6] are expected in the next two weeks.
5. The following initiatives impacting Vote Social Development are being discussed through separate processes:
 - Maori Party initiatives [6]
 - Student loans and allowances initiatives [6]

Advice on outstanding welfare budget initiatives

Initiatives we recommend you agree at the Budget Ministers' meeting:

Poverty initiatives

6. The Vote Social Development Budget package seeks \$1.9 million p.a. for the Food in Schools initiative and \$1.5 million in 2013/14 for additional budgeting services. We understand that the cost of Food in Schools will be met from the Prime Minister's contingency fund, and that the cost of budgeting services will be met through underspends in Vote Social Development (detailed further below).

Welfare reform - pre-employment drug testing costs

7. Capital funding of \$0.402 million p.a. and operating funding of \$0.161 million p.a. is sought to reimburse employers for failed drug tests. It is expected that the capital cost will be recouped following the recovery of the debt from beneficiaries.
8. MSD have also sought funding for staff costs to implement the pre-employment drug testing policy. These costs formed part of the general welfare reform staff costs Ministers English and Bennett previously agreed.

Transfer of needs assessment for social housing

9. MSD is seeking \$1.450 million in 2012/13 and \$2.7 million in 2013/14. A small amount of this funding is to carry out a review of the housing needs assessment and related social housing functions. The majority of the cost incurred will be for designing the service MSD will use to deliver these functions and determining the actual cost of transfer and ongoing operating costs.
10. [6]

Initiatives we recommend you discuss at the Budget Ministers' meeting:

[6]

[6]

Expense transfer for Capability Investment Resource (CIR)

19. MSD proposes to transfer \$5.8 million in CIR funding from 2012/13 to 2013/14. The CIR fund totals \$31.65 million over four years and supports providers impacted by the Investing in Services for Outcomes (ISO) programme to deliver better results. [7]

20. As previously advised [Treasury report T2013/628 refers], we recommend that the \$5.8 million is not transferred to 2013/14, and instead the funding is used to help meet the costs of welfare reform, which is a higher priority. [7]

Vote Social Development underspend

21. MSD proposes using [6] in Vote Social Development underspends in 2012/13 to help meet the costs of their Budget package.

22. We understand that the breakdown of the [6] is:

- \$4 million underspend in Youth Support Services, driven by lower than forecast NEET clients, and lower levels of expenditure on provider success fees than expected. The underspend may be due to the service still being relatively new.
- [6]

23. [7]

[6]

Recommended Action

We recommend that you:

a. **agree** the following initiatives at the Budget Ministers' meeting on 26 March:

- Poverty initiatives
- Welfare reform – pre-employment drug testing costs
- Transfer of needs assessment for social housing

Agree/disagree.

b. **discuss** the following initiatives at the Budget Ministers' meeting on 26 March:

- [6]
-
- Expense transfer for Capability Investment Resource
- Vote Social Development underspend

Agree/disagree.

Fiona Carter-Giddings
Team Leader

Hon Bill English
Minister of Finance

Hon Steven Joyce
Associate Minister of Finance

Hon Dr Jonathan Coleman
Associate Minister of Finance