

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.



Cabinet Social Policy Committee

SOC Min (13) 6/1

Copy No: 28

Minute of Decision

11 APR 2013

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Welfare Reform Phase Two: Funding Flexibility and Accountability

Portfolios: Finance / Social Development

On 10 April 2013, the Cabinet Social Policy Committee (SOC):

Background

1 **noted** that in November 2012, Cabinet:

1.1 **noted** that known welfare reform costs of \$199.072 million between 2013/14 and 2016/17 were to be sought as part of Budget 2013 and be charged against any welfare reform allocation, subject to:

1.1.1 Cabinet's agreement to the Budget 2013 operating allowance;

1.1.2 Cabinet's agreement to key performance indicators for the Ministry of Social Development (MSD) in mid-March 2013;

1.1.3 Budget Ministers' decisions on the Budget 2013 welfare reform package;

1.1.4 any additional savings initiatives;

1.1.5 other pressures faced by Vote Social Development which may require funding within the limited allocation of funding in the above paragraph;

1.2 **invited** the Minister of Finance, the Minister for Social Development, and the Minister of State Services to report to SOC by mid-March 2013 to note the new key performance indicators and to agree to the new flexible funding arrangements;

[CAB Min (12) 41/12]

Funding and accountability arrangements under the Investment Approach

2 **noted** that MSD, the Treasury, and the State Services Commission reported to the Minister of Finance, the Minister for Social Development, and the Minister of State Services in February 2013 on funding, accountability, and transparency arrangements for the Investment Approach with:

2.1 the details of appropriations to be reallocated;

- 2.2 the process for introducing a Multi-Category Appropriation (MCA) to give MSD the ability to reprioritise expenditure across appropriations;
- 2.3 the details of the new key performance indicators;
- 2.4 the process for considering longer term options around the reinvestment of savings against the future liability;
- 3 **noted** that evidence of the effectiveness of programmes and services delivered under existing appropriations and the adequacy of existing funding will be considered as part of MSD's review of employment services;
- 4 **agreed** in principle, subject to the passing of the proposed State Sector Public Finance Reform Bill (the Bill), and the availability of Imprest Supply Authority, that a MCA be implemented from 2013/14 through the 2013 October Baseline Update;
- 5 **noted** that should the Bill not pass by the end of July 2013, the MCA cannot be implemented in 2013/14 unless a Third Imprest Supply Bill is enacted;
- 6 **directed** MSD and the Treasury to report to the Minister of Finance and the Minister for Social Development by August 2013 with:
- [6]
- 6.2 the proposed MCA structure;
- 6.3 the associated performance measures;
- 6.4 the steps required to transfer appropriations;
- 7 **invited** the Minister of Finance and the Minister for Social Development, subject to the passing of the Bill, to report to Cabinet on the final MCA structure and arrangements by early September 2013;
- 8 **directed** MSD and the Treasury to report to Cabinet on longer term funding options for welfare reform in May 2014, for potential incorporation of any process in Budget 2015;
- 9 **noted** that the key performance indicators for MSD were approved by the Minister for Social Development in mid-March 2013;
- 10 [6]

Final cost of welfare reform phase two

- 11 **noted** that the total cost of welfare reform phase two has been reduced by \$16.109 million, from \$199.072 million to \$182.963 million over the four year period;
- 12 **noted** that no additional funding, above the \$51.812 million between 2013/14 and 2016/17 discussed in the November 2012 Cabinet paper [CAB (12) 654], is being sought for external contracting at this time;
- 13 **noted** that MSD may need to seek additional employment services funding in the future to be able to provide an adequate level of support to the higher volume and broader range of higher risk beneficiaries that it will be working with;

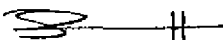
- 14 **noted** that MSD reported on progress with the health and disability work ability assessment to (SOC) in April 2013 [SOC Min (13) 5/10], and that costs have been finalised at \$5.875 million between 2013/14 and 2016/17 for consideration in Budget 2013;
- 15 **noted** that additional costs associated with increased early childhood education (ECE) participation will be met from within the indicative Vote Education Budget 2013 allocation;
- 16 **noted** that the Ministry of Education may need to seek new funding should targeting of the ECE social obligation change to focus on increasing hours of participation of children already in ECE;
- 17 **noted** that funding under the pre-employment drug testing policy for the procurement of a phone helpline service and additional treatment services for people with mild drug disorders will be funded from the Vote Health indicative allocation for Budget 2013;
- 18 **noted** that the establishment cost and ongoing cost to Vote Justice of implementing the warrants to arrest policy will be absorbed through the Ministry of Justice's baseline, subject to significant changes in information sharing that may have cost implications that have not been identified;

Savings initiatives to fund welfare reform

- 19 **noted** that Cabinet has previously agreed to the overseas pension collection initiative which generated net savings of \$17.772 million between 2012/13 and 2016/17 [CAB Min (12) 41/12];
- 20 **noted** that \$6.091 million in net savings from the overseas pensions collection initiative referred to in paragraph 19 above remained to be applied to 2016/17 welfare reform phase two costs;
- 21 **noted** that \$6.700 million in savings from changes to benefit rates for eligible widows and women alone post-15 July 2013 will be applied to welfare reform costs between 2013/14 and 2016/17;

Financial implications of phase two of welfare reform

- 22 **noted** that the net costs of the second phase of welfare reform, expected to total \$170.172 million between 2013/14 and 2016/17, will be sought from the Budget 2013 welfare reform allocation.


Saphron Powell
Committee Secretary

Reference: SOC (13) 34