

The Treasury

Budget 2015 Information Release

Release Document July 2015

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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] 6(e)(iv) - to damage seriously the economy of New Zealand by disclosing prematurely decisions to change or continue government economic or financial policies relating to the entering into of overseas trade agreements.
- [4] 9(2)(a) - to protect the privacy of natural persons, including deceased people
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- [6a] 9(2)(ba)(ii) - to protect information, where the making available of the information would be likely otherwise to damage the public interest
- [7] 9(2)(d) - to avoid prejudice to the substantial economic interests of New Zealand
- [8] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials
- [8a] 9(2)(f)(ii) - to maintain the current constitutional conventions protecting the collective and individual ministerial responsibility
- [9] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions
- [10] 9(2)(h) - to maintain legal professional privilege
- [11] 9(2)(i) - to enable the Crown to carry out commercial activities without disadvantage or prejudice
- [12] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice
- [13] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage
- [14] Not in scope

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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.

Reference: T2015/160

SH-3-2-4-11-2



Date: 9 February 2015

To: Minister of Finance (Hon Bill English)

Deadline: 11 February 2015

Children in material hardship package

1. You are meeting with the Prime Minister and Ministers Tolley, Bennett and Joyce on Wednesday 11 February 2015 to discuss the children in material hardship package for Budget 2015. This aide memoire has been written to accompany the report that you have received from the Department of Prime Minister and Cabinet (DPMC) for this meeting.
2. We have been involved in the preparation of the report and we are broadly comfortable with the overall package. The package provides an increase in incomes for those most likely to be in severe material hardship with other changes focused on maintaining or improving the incentive to work. The special needs grant for newborn has been dropped from the package. We consider that this measure was more tightly targeted to alleviating material hardship than some of the other elements of the package.
3. The cost of the package is now \$874 million over the forecast period. Costs are \$69 million in 2015/16 rising to around \$270 million per annum in subsequent years. Whilst this is within the four year \$1 billion envelope indicated by Ministers previously, there are significant pressures on the Budget 2015 allocation, so further scaling options might need to be considered. There will be opportunities to consider the relative size of the material hardship and other Budget packages through the Budget process, including the first Budget Ministers meeting on 23 February 2015.
4. The DPMC report includes a number of possible scaling options. If further scaling is needed we would recommend:
 - reducing the In-Work Tax Credit to \$10 per week as this makes a relatively sizeable fiscal saving (\$20 million) for a small decrease in support of \$2.50 per week. While increasing benefits is relatively well-targeted to a group who are likely to be in material hardship, increasing support to low-income working families is very difficult with the current system of tax credits, and

the In-Work Tax Credit is poorly targeted to those on low incomes, so any increases are very expensive.

- not increasing the rate paid for childcare for school-aged children (Out of School Care and Recreation – OSCAR) or providing a smaller increase. We have a poor understanding of the actual costs paid for these services and there is a wide distribution of costs, making it more difficult to set a rate that fairly reflects the costs of these services. Not increasing the OSCAR rate would reduce costs by around \$8.7 million per year.
5. The current four year estimate of the implementation costs of the package is \$43.7 million, including \$14.4 million for work obligations and \$15.9 million for reapplication of benefits. We are working with MSD to test these costings for the technical paper to be provided to you and the Ministers of Social Development and Revenue in late February/early March, particularly the basis for the additional case management costs.
 6. Whilst the package will have an impact for some families in material hardship, long lasting change will require a multi-pronged approach to helping families and children in material hardship, including improving the way social services are provided and through the social investment (Population Approach) Budget .

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