

The Treasury

Budget 2015 Information Release

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Key to sections of the Official Information Act 1982 under which information has been withheld.

Certain information in this document has been withheld under one or more of the following sections of the Official Information Act, as applicable:

- [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
- [5] 9(2)(b)(ii) - to protect the commercial position of the person who supplied the information or who is the subject of the information
- [6] 9(2)(ba)(i) - to prevent prejudice to the supply of similar information, or information from the same source, and it is in the public interest that such information should continue to be supplied.
- [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

Where information has been withheld, a numbered reference to the applicable section of the Official Information Act has been made, as listed above. For example, a [4] appearing where information has been withheld in a release document refers to section 9(2)(a).

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

Budget 2015: Kiwi saver changes
(Complete removal of Kick start pay-out)

Estimated implementation costs

Cost Type	Indicative Costs (\$m)	Contingency		Total (\$m)
		Level %	Amount (\$m)	
Project implementation cost & one off transition				
Project Management/Delivery Cost	0.080	25%	0.020	0.100
ICT Cost	0.030	50%	0.020	0.050
* one-off transition cost	0.090	25%	0.030	0.120
Total Cost	0.200		0.070	0.270

* includes cost for 2014/15 & 2015/16 for customer contacts asking about their kickstart payments.

Project Details

All new Kiwi Saver members qualify for a one-off \$1000 kick-start payment when they first join Kiwi Saver. The payment is a tax free contribution made by the Government to encourage Kiwi Saver membership. The proposal considered for costing is to remove the kick-start payment completely.

It is proposed that the changes would **come into effect from Budget night, assumed 21st May 2015.**

The transitional process must run under both scenarios to ensure that a kick-start payment can still be paid out to Kiwi Saver applicants who are in the provisional phase or who have applied for Kiwi Saver membership (either via their employer or through a Scheme Provider), before the date of the Kick-start announcement.

From the date of announcement the ability for new Kiwi Saver members to receive a \$1000 kick-start payment will be removed - unless the applicant's KS1 / NoM is dated prior to the announcement. A manual process will be available. The kick-start payment is paid to the member's scheme account 3 months after Inland Revenue (IR) either receives the member's first contribution, or the scheme provider notifies IR of a new member by a *Notification of Membership* (NoM).

It is estimated that approximately 80,000 customers will be impacted. (This is based on the total annual population # for 2013/14)

Enterprise Architecture has been consulted and has indicated that they do not consider this work to be architecturally significant.

No Changes within Mainframe are required.

Systems impacted will be in SAP – to remove the \$1,000 KS kick start entitlement and FIRST- very low/minor changed.

Assumptions for costing estimates

- Project Start date: - 01/04/2015
- Project end date: - 30/06/2015
- **Project go live date – Budget night – 21st of May 2015**
- The estimated total project cost is **\$0.200 m to \$0.270 m**. This is all operating cost. No capital cost is estimated as the changes are minimal and to the existing “code tables”. This is to cover the implementation cost and admn cost for a period from Budget night to 30/06/2016. No additional on-going cost after 30/06/2016 is expected.
- IT cost mainly includes SAP consultant and testing services cost.
- Customer Services/ Service Delivery: - The additional work and hence the additional cost for customer services team is estimated for a period between Budget night to 30th Jun 2016. This needs to be reviewed once the detailed planning work is done and the impact assessment is reviewed.
- Customer services cost is split across 2014/15 & 2015/16. Post June 15 cost is to advise employers who are not aware of the Kiwisaver changes.
- Communication will be a part of BAU activity and no additional funding is needed.

Changes to the Costing details provided in March 15

- Workforce planning/ Service delivery cost: - The option considered is – from May 15 onwards, no opt-in employees will receive the kickstart unless the evidence is provided by the employer that the employees opted in prior to 21st May. Under this option, 3 difference scenarios for manual work are considered for contacting employers proactively to confirm that the employees have opted in prior to 21st May for May EMS and June EMS, so that the cases that should be paid the kickstart will be uploaded and the payments made.
- Communication cost: -
 - Additional cost of \$10,000 for the design and printing of 100,000 inserts, to be used to communicate with employers via the EMS run
 - \$10,000 for 25,000 stickers to be placed on investor statements informing applicants that the kickstart has been removed is added to the previous costing.
 - \$ 10,000 for the destruction and reprinting of forms and guides.

Funding Recommendation

Inland Revenue will be seeking funding for the estimated implementation cost for this initiative.

Approve the following changes to appropriations to fund the implementation costs to the Inland Revenue’s baseline.

	\$m increase/(decrease)				
Vote Revenue	2014/15	2015/16	2016/17	2017/18	2018/19 & outyears
Departmental Output Expense:					
Services to Process Obligations and Entitlements (funded by revenue Crown)	0.057	0.024	0.000	0.000	0.000
Services to Inform the Public About Entitlements and Meeting Obligations (funded by revenue Crown)	0.133	0.056	0.000	0.000	0.000
Total Operating	0.190	0.080	0.000	0.000	0.000
Total Capital	-	-	-	-	-

Departmental operational costs

Inland Revenue has completed a high level impact assessment of the proposal and is confident it can be implemented within proposed timelines. Overall, the impact across the Portfolio is expected to be between \$ 0.200m to \$0.270m

Table for Cabinet Paper Rec

	\$ M increase/decrease						
Details	2014/15	2015/16	2016/17	2017/18	2018/19	Five Year Total	2019/20 & Outer Years
Estimated Cost	0.140	0.060	0.000	0.000	0.000	0.200	0.000
Contingency	0.050	0.020	0.000	0.000	0.000	0.070	0.000
Total Appropriation	0.190	0.080	0.000	0.000	0.000	0.270	0.000

Detailed table

Operating	2014/15 (\$m)	2015/16 (\$m)	2016/17 (\$m)	2017/18 (\$m)	2018/19 (\$m)	Total (\$m)	2019/20 & Outer Years (\$m)
Project Management/Delive	0.080					0.080	
ICT Cost	0.030	0.000				0.030	
one-off transition cost	0.030	0.060				0.090	
Implementation cost estimate	0.140	0.060	0.000	0.000	0.000	0.200	0.000
Contingency	0.050	0.020				0.070	
Total	0.190	0.080	0.000	0.000	0.000	0.270	0.000

Tables for Fei for Operating Statement Impact

Operating	2014/15 (\$m)	2015/16 (\$m)	2016/17 (\$m)	2017/18 (\$m)	2018/19 (\$m)	Total (\$m)	2019/20 & Outer Years
Personnel cost - combination of Internal & External resources	0.190	0.080	0.000	0.000	0.000	0.270	0.000
Consultants							
Hardware/Software							
Third party Supplier							
Depreciation							
Capital Charge							
Grand total	0.190	0.080	0.000	0.000	0.000	0.270	0.000

Tables for Crown Impacts/ Fiscal Cost- details are provided by Policy Revenue Forecasting Team - Sandra Watson

	\$m increase/(decrease)						
Vote Social Development	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
* KiwiSaver fiscals relate to the kick-start	(17.000)	(175.000)	(126.000)	(106.000)	(107.000)	(108.000)	(109.000)
TOTAL	(17.000)	(175.000)	(126.000)	(106.000)	(107.000)	(108.000)	(109.000)

* These figures are subject to change because they depend on KiwiSaver forecasts, which in turn depend on Treasury macro estimates of population and employment growth. The forecasts, and the fiscal costing exercise will be finalised after we receive final macro figures on 15 April.