

# The Treasury

## Budget 2015 Information Release

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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.

**From:** [9]  
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**Subject:** Further information for discussion of MSD's implementation costs  
**Date:** Wednesday, 1 April 2015 4:37:00 p.m.

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[SEEMAIL][SENSITIVE]

Hi Simon

Email as requested for you discussion with MoF this evening on MSD's implementation costs for the Material Hardship package, sorry that it's a bit long.

Call me if you have any questions on [9]

Cheers

[9]

## **MSD's implementation costs for the Material Hardship package**

### *Background*

This email outlines MSD's implementation costs in greater detail and sets out the implications of potentially halving the funding of these costs.

The total costs (provided to Budget Ministers yesterday) are currently estimated to be \$21.861m over the four years, including:

- IT costs of changes (one-off) in 2015/16: \$3.963m
- Unavoidable implementation costs (communications to beneficiaries, staff training etc, other than IT): \$3.233m over four years
- Ongoing staffing costs associated with administering:
  - o 52-week re-application process for sole parents - \$11.468m over four years
  - o Work search obligations for a wider group of beneficiaries - \$3.198m over four years

These costs reflect the scaled options for the ongoing staffing costs chosen by Joint Ministers, who were delegated the task of making detailed decisions on the Child Material Hardship package, on 11 March. This includes a scaled amount of funding for additional case management to increase the impact of the new obligations for re-application and work search.

### *Implications of halving the costs*

If these costs are required to be halved, this leaves around \$11m over four years. There are currently \$16.169m of unavoidable costs. This includes the IT costs and unavoidable implementation costs above (\$7.196m), plus the minimum level of ongoing staffing costs required to simply process the 52-week re-applications, with no additional active case management resource for either the re-application or the increased work search obligations (\$8.974m).

Asking MSD to meet the unavoidable costs to achieve the minimum level of funding specified would require MSD to reprioritise around \$5m over the four years. This is not a large amount, however MSD is already being asked to absorb a significant number of costs, particularly in 2015/16 [8] and MSD continues to face significant costs above funding levels across the forecast period. Given this, Treasury's view is that MSD has a very limited ability to meet

additional cost pressures from baselines.

Scaling these costs in half would also result in the loss of funding for the resources for more case management of the new obligations. Whilst discretionary, it is these costs which are most likely to be offset by a reduction in income support spending from people moving off-benefit, as the ongoing evaluation of the Work-Focused Case Management service shows. The re-application process for JobSeeker Support has also been shown to give a return of \$5.71 for each dollar spent administering the provision (the return from expanding this to sole parents is likely to be lower, but still positive). Funding for the re-application process also minimises the risk of unintentional hardship as a result of the new requirement.

#### *Treasury recommendation*

Treasury is supportive of retaining the funding of \$21.861m over four years for more case management resource for both the 52-week reapplication and the new work search obligations, particularly given the strong evidence of the effectiveness of these interventions. This funding also supports the new Better Public Services (BPS) Result 1 target. Reducing this funding will reduce MSD's ability to reach the BPS 1 target, and likely forego fiscal savings above the short-term cost.

#### *Breakdown of costs:*

Current implementation costs (recommended):

<b>\$m</b>	<b>Fiscal year</b>				<b>TOTAL</b>
	<b>15/16</b>	<b>16/17</b>	<b>17/18</b>	<b>18/19</b>	
<b>Component</b>					
52-week reapplication for sole parents	2.264	3.571	2.817	2.817	<b>11.469</b>
Work search obligations (5 years to 3 years)	0.995	0.734	0.734	0.734	<b>3.198</b>
Part-time work obligations (15hrs to 20hrs)	0.841	0.067	0.067	0.067	<b>1.042</b>
Childcare Assistance	0.727	-	-	-	<b>0.727</b>
Rate Change	0.809	1.327	-	-	<b>2.137</b>
Project team – 18 months	2.216	1.074	-	-	<b>3.290</b>
<b>TOTAL</b>	<b>7.851</b>	<b>6.773</b>	<b>3.618</b>	<b>3.618</b>	<b>21.861</b>

Minimum implementation costs:

<b>\$m</b>	<b>Fiscal year</b>				<b>TOTAL</b>
	<b>15/16</b>	<b>16/17</b>	<b>17/18</b>	<b>18/19</b>	
<b>Component</b>					
52-week reapplication - <b>minimum</b>	1.728	2.182	2.182	2.182	<b>8.274</b>
Work search obligations - <b>minimum</b>	0.700	-	-	-	<b>0.700</b>
Part-time work obligations (15hrs to 20hrs)	0.841	0.067	0.067	0.067	<b>1.042</b>
Childcare Assistance	0.727	-	-	-	<b>0.727</b>
Rate Change	0.809	1.327	-	-	<b>2.137</b>
Project team – 18 months	2.216	1.074	-	-	<b>3.290</b>
<b>Minimum implementation costs TOTAL</b>	<b>7.018</b>	<b>4.651</b>	<b>2.249</b>	<b>2.249</b>	<b>16.167</b>

Note that the IT costs of \$3.963 in 2015/16 are split across all components of the package.

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