

The Treasury

Budget 2017 Information Release

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In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) and section 18 of the Official Information Act.

From: [23]
Sent: Monday, 13 February 2017 1:52 p.m.
To: Francis van der Krogt [TSY]; ^Parliament: David Kidson; [34]
Cc: @Labour Market & Welfare [TSY]; Struan Little [TSY]; Andrew Blazey [TSY]; David Mackay [TSY]; Gwen Rashbrooke [TSY]
Subject: RE: Vote Social Development and Vote Oranga Tamariki budget discussions: Suggesting talking points, questions, and additional information for the Minister of Finance
Attachments: OT initiatives - table for Bilateral 1

Hi David and [34]

The Oranga Tamariki spreadsheet is now attached.

Kind regards,
[23]

From: Francis van der Krogt [TSY]
Sent: Monday, 13 February 2017 1:32 p.m.
To: ^Parliament: David Kidson <David.Kidson@parliament.govt.nz>; [34]

Cc: @Labour Market & Welfare [TSY] <LabourMarketAndWelfare@treasury.govt.nz>; Struan Little [TSY] <Struan.Little@treasury.govt.nz>; Andrew Blazey [TSY] <Andrew.Blazey@treasury.govt.nz>; David Mackay [TSY] <David.Mackay@treasury.govt.nz>; Gwen Rashbrooke [TSY] <Gwen.Rashbrooke@treasury.govt.nz>
Subject: Vote Social Development and Vote Oranga Tamariki budget discussions: Suggesting talking points, questions, and additional information for the Minister of Finance

Hi David and [34]

For the 4pm meeting tonight with MoF re Social Development and Oranga Tamariki, the following notes provide suggesting talking points, questions, and additional information for Finance Ministers.

The attached spreadsheet shows the Vote SD Team's initial unmoderated budget advice has been provided to the Ministry of Social Development. We understand they will provide the spreadsheet to their Minister's Office.

The Oranga Tamariki spreadsheet will follow shortly.

The text below has not been shared has not been shared with the agencies.

VOTE ORANGA TAMARIKI

Messages/questions for engagement with Minister Tolley and the Investing in Children Programme:

- reiterate the need for there to be a strong investment case for any additional funding. Before agreeing to any additional funding need to be confident that existing systems have been tested and are adaptable to new ways of working.

- clarity around use of 16/17 contingency
- clear prioritization of what needs to be done when with a picture/fiscal strategy for managing the full cost of the reforms.

Budget 17

- We recommend that you continue to reinforce key messages about the need for Budget initiatives arising from the reforms to demonstrate rigour and investment readiness.
- While the valuation will be indicative of performance it is not a substitute for detailed evaluation. Need to see a similar level of effort going into programme level evaluation so that there is a growing understanding of the effectiveness of baseline spend.
- Key investment choices in Budget 2017 will be funding for: including 17 year olds in the Youth Justice jurisdiction, prototype/pilots to inform service design, and costs associated with establishing and transforming the new Ministry (eg ICT, workforce development).
- Attached is a table summarising the Budget 17 initiatives and preliminary Vote Team assessment.

Use of contingency

- Over the next six months, Ministers can expect to be asked to make further decisions about the allocation of the existing reform contingency (approximately \$159 million over five years).
- Need clarity around how the contingency will be used. Options are: Use existing contingency to offset costs of initiatives which are committed to and investment ready and defer all other initiatives to Budget 18, fund committed to and investment ready initiatives from Budget 17 and roll over Budget 16 contingency to fund Business Cases as these are ready, or use existing contingency to offset costs of committed to and investment ready initiatives and establish a new Budget 17 contingency.

Fiscal Strategy

- Need to develop a fiscal strategy for the reforms – possibly using a matched funding approach where there are clear capability/investment options set out for government and where future investment is dependent on demonstrating improved effectiveness of baseline spending. The strategy should also include reference to international benchmarks of costs of like systems.
- Both the transformation team and wider social sector need to take a more active approach in considering how they intend to implement the reforms across the social sector and the potential practical and fiscal impacts of doing so. Treasury considers that the main cross-government fiscal risks are likely to arise from choices around the design and implementation of: National Care Standards and Practice Framework for children’s workers. Advice on any new regulations needs to include advice on fiscal implications

VOTE SOCIAL DEVELOPMENT

Additional notes and Talking Points

Better Public Services Result 1 - The Ministry is seeking Budget 2017 funding for a number of trials and baseline spending to reach the most “complex clients”. The trials provide services that are more tailored and more intensive (more case manager time), with extra client support (such as education or health services), and more outsourced case management. The trials target the priority client groups identified in the 2016/17 Employment Outcomes Strategy

[33]

MSD is developing the 2017/18 Strategy, but this is behind schedule. The Strategy is due next month, and we have not yet seen a draft. The Treasury is encouraging MSD to connect more with other agencies and providers, make transparent use of return-on-investment information, show the work-plan sitting under the Strategy, and identify innovative (more risky) approaches. We think these suggestions for the strategy are the key things MSD can do make faster progress on BPS 1. Key questions:

- if the new trials are supported, and are successful, has the Ministry considered the potential cost of baselining the trials, and is this an indication of what is necessary to make more rapid progress towards BPS 1?

- when does the Ministry expect to start using its return-on-investment model to inform its investment choices. That is, when will the Ministry be able to use the model to redirect additional spending from lower value to higher value interventions, and are there any barriers to doing this?

[33]

Departmental capital/near capital initiatives – The Ministry proposes significant new funding for departmental information technology, and the Long-Term Investment Plan indicates a series of capital injections over the coming decade. There is a particularly large initiative to improve the routine availability and [33] of the Ministry's IT systems ([33])

- is the Ministry directing its available cash reserves to meet its most pressing priorities before seeking new funding through the Budget?

[33]

Additional background information

Budget numbers by year for the 4 years, including initiative descriptions, and TSY advice.

See attachment (XL spreadsheet).

[33]

Simplification benefits and Administration costs

The Simplification programme aims to improve customer service, refocus Work & Income on higher value clients services, and produce savings:

Simplification is reducing the large share of Work & Income spending devoted to administration, and we can see a shift in spending towards services that directly support clients moving to independence. However, the administration share will remain large. Understanding the reasons for this is a priority for the Treasury Vote Team. Note that the 43% figure is a share of the Employment Outcomes Multi-Category Appropriation, not as a share of the much larger total benefit spend.

Trends past and future for funding

Note also tables on pages 6 and 10 the Treasury Report for this meeting.

Budget 2016 Summary

For Budget 2016, new spending on Vote Social Development initiatives was \$792.601m operating over four years, plus an additional 12.5m in capital spending. Whilst this overall figure includes social housing, the key Social Development initiatives were an extension to the youth service to include 19 year old teen parents, costing \$41.4m over four years. This does not include the extension to 18 and 19 year old beneficiaries which Minister Tolley is seeking to implement in later years. \$15.3m was approved to support offenders into employment through a trial with Corrections. Further funding was provided to achieve BPS 1, including additional case management resource and the \$3k to anywhere grant, costing \$10.5m and \$9m over three years respectively. Funding was supported (in contingency) for specialist sexual violence services with a view improving crisis response and male survivor support services. This funding was \$46m over four years, with a portion in contingency to allow for the further development of evaluation plans. In Budget 2016 MSD received \$6m of Capital per year for 2016/17 and 2017/18 along with the associated depreciation and capital charge costs. In 2016/17 this has been allocated to hardware and associated infrastructure costs.

Budget 2015 Summary

For Budget 2015, spending on new initiatives within Vote Social Development was \$753.598 million over four years. \$556.883 million of this was for the Child Material Hardship package (totalling \$790 million across Votes), with a \$25 per week increase to benefit rates for recipients with children being the largest component. This package included an expansion of Children's Teams to an additional 6 locations (\$35.8m), funding to for the CYF external review and to meet cost pressures (\$22.8m), additional places in the Very High Needs scheme (\$16.3m), funding for additional case managers and a range of employment interventions (including LSV) (\$23.9m), and \$11m to meet the costs of additional security in 2015/16. Other new initiatives totalled \$167.393 million over four years, with a further \$9 million reprioritized for the Social Sector Trials, and \$20.285 million held in contingency for the Growing Up in New Zealand longitudinal study. Offsetting this was \$100.7 million over four years as a flow-on of the Simplification programme, due to the net impact of the reduced effort to transact with MSD and better use of data to reduce overpayments and debt establishment.

Budget 2014 Summary

For Budget 2014, spending on new initiatives within Vote Social Development was \$339.758 million over four years. All of this was new funding, save for \$1.500 million of underspend from the Children's Action Plan in 2013/14 (some small initiatives were funded within baselines, but not captured as part of the Budget process - e.g. Microfinance). Of this, \$100 million was for the Investment Approach to continue a focus on improving outcomes and reducing the liability.

This also allowed MSD to set up a number of trials to test new concepts and interventions. Taking into account numerous changes (savings already incorporated into baselines and the reprioritization of Foundation Focussed Training Opportunities), this funding kept the MCA roughly at the same level as in 2013/14. Other significant initiatives included \$13.659 million in 2014/15 for Child, Youth and Family to meet increased demand, develop proof of concept trials and the Modernisation work. The Children's Action Plan received \$16.350 million in 2014/15 to roll out additional Children's Teams, and \$37.472 over three years was set aside in contingency for agencies to implement the Vulnerable Children's Bill.