

The Treasury

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Date: 21 March 2011

DH-3-2-3-9-1-2011

To: Minister of Finance

AIDE MEMOIRE: SOCIAL DEVELOPMENT BUDGET PACKAGE

Purpose

Budget Ministers are meeting at 5pm on 22 March. The Social Development Budget package is one of the agenda items for this meeting. On 23 March Cabinet Social Policy Committee (SOC) is considering papers seeking in-principle agreement to Minister Bennett's Vote Social Development Budget 2011 package and Minister Turia's Vote Social Development Budget 2011 priorities and Whanau Ora. This aide memoire provides Treasury's advice for these meetings.

Vote Social Development Budget package overview

Appendix 1 provides an overview of the Social Development Budget package as at 21 March.

[2]

The package includes a mixture of time-limited and ongoing spending. [2]

Minister Bennett's Social Development priorities for Budget 2011

In Treasury's view there are options around funding priorities in the Social Development package that could be considered. In particular there are options around the level of service delivered for Limited Service Volunteers (LSV), Employment Assistance for earthquake related unemployment, [2] and Canterbury Social Support. We have included a Treasury comment in the SOC paper to this effect. There is more detailed analysis of the individual proposals in Appendix 2.

We are unclear whether some of the proposals in the Social Development Budget package are of high priority, given funding required for the Earthquake Support Subsidy in 2011 and welfare reform in 2012.

The Ministry of Social Development (MSD) estimates that the Earthquake Support Subsidy agreed in late February will cost approximately \$150m which is at the upper end of the cost advised to Cabinet. A limited extension of the Earthquake Support Subsidy is also likely, which MSD estimates is likely to cost between \$35m and \$60m.

[2]

The SOC paper is unclear about the relative priority of the proposals within the package. [2]

[2]

We understand that the size of the target group for LSV is likely to be closer to 1,000 than 2,000 [2]

However we would also be comfortable with the number of places being flexible depending on the availability of sites for the programme.

[2]

The government has also established a trust, administered by the Chief Executives of the Department of Internal Affairs and Treasury, to administer Christchurch Earthquake Appeal funds that will provide support for NGO services, as well as individual and business support. We therefore have questions about whether a separate fund [2] for NGO services is necessary.

[2]

\$5m is also proposed for a dedicated Employment Assistance fund for Canterbury reconstruction in 2011/12. [2]

Minister Turia's priorities for Budget 2011

Treasury is broadly comfortable with Minister Turia's proposals. The SOC paper notes that Treasury was consulted, but we had insufficient time to comment on the paper. Treasury's view is that it would be preferable to await evaluation of the initial tranche of Whanau Ora before decisions on expanding the programme are taken, given that the efficacy and value for money of the concept is still as yet untested. However, if Ministers wish to fund a partial expansion of Whanau Ora, we recommend agreeing to this proposal.

Reprioritisation, savings and underspends

The funding sources proposed make up most of the readily available savings and reprioritisation in Vote Social Development. [2]

The current paper proposes that the Minister for Social Development and Employment report back to Cabinet by 4 April with further information on savings [2] proposals [2]

We note that these savings are required for the package to balance and for funding to be available to be returned to the centre. Treasury agrees with the proposals. [2]
[2]

The package proposes using underspends (e.g. \$4.7m Employment Assistance, \$13m Crown underspend, \$32m Community Response Fund) to fund priorities and be returned to the centre as savings. We are not necessarily opposed to the use of underspends for high-priority pressures (e.g. earthquake-related spending), but we note that as a matter of course these underspends would return to the centre (i.e. they are not savings).

[2]

[2], Workforce Attachment and Skills, [2]

Simon MacPherson, Manager, Workforce Attachment and Skills, [2]

Appendix 1: Package overview

VOTE SOCIAL DEVELOPMENT BUDGET 2011 PROPOSALS						
Reprioritisation, Savings and Underspends in Votes SD						
	\$ million					
	2010/11	2011/12	2012/13	2013/14	2014/15	4 Yr total
Ring Fenced Fund	-	(23.667)	(27.294)	(35.673)	(35.673)	(122.307)
	[2]					
Preferred supplier arrangements for medical alarms						
Remove unsubsidised pharmaceuticals from DA						
Remove unproven alternative medical treatments from DA						
Crown Underspend (W&I and FACS)	(13.000)	-	-	-	-	(13.000)
Balance sheet cash	(8.000)	-	-	-	-	(8.000)
Community Response Fund underspend	(32.000)	-	-	-	-	(32.000)
Employment Assistance (Job Ops) underspend	(4.700)	-	-	-	-	(4.700)
Employment Assistance reprioritisation	-	(12.600)	(4.300)	(4.300)	(4.300)	(25.500)
Total funding identified in Votes Social Dev	[2]					
Calls against savings/reprioritisation						
	\$ million					
	2010/11	2011/12	2012/13	2013/14	2014/15	4 Yr total
Agreed						
Historic Claims	-	4.000	4.000	-	-	8.000
Subtotal agreed	-	4.000	4.000	-	-	8.000
Not yet agreed						
Canterbury earthquake support						
Canterbury Social Support	[2]					
Employment Assistance	-					
Canterbury Reconstruction Employment Assistance Fund	-	5.000	-	-	-	5.000
Youth Employment						
Limited Service Volunteers	[2]					
Job Ops with Training	-	13.000	-	-	-	13.000
Skills for Growth	-	4.300	4.300	4.300	4.300	17.200
[2]						
Protecting Our Children						
Parenting Support Services (Parents Inc.)	-	0.600	0.600	0.600	0.600	2.400
Mental Health Services for Children in Care	-	1.938	3.330	4.245	5.000	14.513
Expansion of Gateway Assessments	-	3.831	3.831	3.831	3.831	15.324
Minister Turia Priorities						
Whanau Ora	-	5.000	5.000	5.000	5.000	20.000
Be Accessible	-	1.000	1.000	1.000	1.000	4.000
Family Violence	-	-	-	-	-	-
Other priorities						
[2]						
Sleepovers	-	2.400	2.400	2.400	2.400	9.600
Children's Action Plan	-	0.800	0.800	-	-	1.600
Subtotal not agreed	[2]					
Total call against funding available						
Unallocated Surplus over 4 years						[2]
Proposals to be funded from Vote Education						
	\$ million					
	2010/11	2011/12	2012/13	2013/14	2014/15	4 Yr total
ECE for Children in State Care	-	2.789	2.852	2.913	2.913	11.467
Home Instruction Programme for Preschool and Youngsters	-	1.141	1.871	2.731	3.131	8.874
Total call against Vote Education funding		3.930	4.723	5.644	6.044	20.341
Notes						
[2]						

Appendix 2: Proposal Analysis

	Proposal	Description	Treasury comment	Treasury Recommendation
Earthquake related priorities				
1	Canterbury Social Support	Further support package for victims of 22 February aftershock	Not clear that a separate fund for NGO services is needed, given that the government has also established a trust to administer Christchurch Earthquake Appeal funds.	
2	Employment Assistance	Increased funding for employment assistance to respond to the impact of the Canterbury earthquake on unemployment.	The SOC paper includes very little detail about what the funding will be spent on,	
3	Canterbury Reconstruction Employment Assistance Fund	\$5m in 2011/12 for Employment Assistance for Canterbury reconstruction.	The SOC paper includes very little detail about what the funding will be spent on and why a separate fund for reconstruction is required.	Scale (in line with other EA funding)
Youth Employment package				
4	Limited Service Volunteers			Scale
5	Job Ops with Training	3,000 Job Ops places + training for 2011/12 only.	We are broadly supportive of this proposal	Support
6	Skills for Growth	1,000 places for subsidised work placement and industry-specific training for broadly work-ready young beneficiaries.	We are broadly supportive of this proposal	Support
7				
Protecting Our Children package				
8	Parenting Support Services (Parents Inc.)	Specialised parenting support services for family and whanau carers.	We suspect there may be scope to change the mix of existing family support contracts to provide extra funding for Parents Inc. without the need for funding from the ring-fenced fund. Not directly targeted at children in state care.	Do not support. Fund within existing baselines
9	Mental Health Services for Children in Care	Increased mental health services for children in state care who do not meet current Ministry of Health thresholds.	Unclear what the Ministry of Health's (MoH) view is on the proposal. The SOC paper is silent on MoH's capacity to provide increased services.	Support provided MoH has sufficient capacity to deliver services
10	Expansion of Gateway Assessments	Comprehensive screening (health, education, other screening) and facilitating interagency response for children in state care.	We are broadly supportive of this proposal	Support
Minister Turia priorities				
11	Whanau Ora	\$20m over four years to expand Whanau Ora to more geographical areas.	It would be preferable to await evaluation of the initial tranche of Whanau Ora before decisions on expanding the programme are taken, given that the efficacy and value for money of the concept is still as yet untested. However, if Ministers wish to fund a partial expansion of Whanau Ora, we recommend agreeing to this proposal.	Support if wish to partially expand
12	Be Accessible	Information, tools and training for businesses to improve how accessible they are for disabled people, especially ahead of the Rugby World Cup.	We are broadly comfortable with this proposal	Support
13	Family Violence	Five family violence initiatives totalling \$44m over 4 years funded from reprioritisation of existing family violence expenditure.	We are broadly comfortable with this proposal. We note that the tradeoffs associated with reprioritisation are not clear from the SOC paper.	Support
Other priorities				
14	Sleepovers	Increased costs of maximum \$2.4m per annum for forward liabilities relating to the Court of Appeal decision in <i>Dickson v Idea Services</i> .	The outcome of negotiations with unions, any legislative change and consequently the size of the forward and backdated liability is not yet known. We recommend contingency funding for the forward liability.	Support contingency funding
15	ECE for Children in State Care (Vote Education funded)	Funding to meet most, if not all costs of ECE for children aged 18 months to 3 years old in state care.	We support this proposal	Support
16	HIPPY (Vote Education funded)	Increased coverage of HIPPY in existing locations and expanded to new locations (\$8.9m over 4 years).	We do not support this proposal. The rationale for increasing government funding from 75% to 85% is unclear. An MSD evaluation of HIPPY concluded that it was of unknown/mixed effectiveness.	Do not support
17	Children's Action Plan	\$1.6m over 2 years for development of a long-term strategy for children in New Zealand.	This proposal emerged late in the process and the SOC paper includes little detail about the proposal.	Do not support without more information.
18				