

# The Treasury

## Budget 2014 Information Release

### Release Document

### July 2014

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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
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- [6] 9(2)(d) - to avoid prejudice to the substantial economic interests of New Zealand
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- [8] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions
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- [11] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice
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- [13] 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: T2014/143

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THE TREASURY

Kaitohutohu Kaupapa Rawa

Date: 3 February 2014

To: Minister of Finance (Hon Bill English)

Deadline: Prior to 9:00 am, Tuesday 4 February

## **Aide Memoire: Meeting with Minister Bennett for early discussion of Budget 2014**

You are meeting with the Minister for Social Development at 9:00 am on Tuesday 4 February for an early discussion about Budget 2014. The meeting is intended to cover key parts of the Minister's emerging Budget package, prior to the Social Sector Ministers' meeting on 3 March. This is not a bilateral decision making meeting.

This Aide Memoire provides you with context and talking points for two of the key components of the Social Development Budget package for 2014: the Investment Approach and Vulnerable Children.

### Investment Approach

The Minister for Social Development is seeking funding for <sup>[7]</sup>

[7]

At Budget 2012 Cabinet agreed to reduce Work and Income's programme spend by \$49.600 million in 2014/15 and \$46.800 million in outyears in order to partially fund Welfare Reform (CAB Min (12) 13/3(31) refers).

The reduction in baseline largely comes from Vocational Skills Training and Employment Assistance, which is currently used to support the Welfare Reform changes, including by directing employment services toward clients with higher liabilities.

We understand these services have shown success, and therefore ceasing them would likely have a negative impact on Work and Income's performance. However, we need more information before we can make a proper assessment.

In particular, we would like to see:

- information on the success of these services
- how Work and Income is reprioritising its products and services internally to ensure the liability reduction is maintained, and
- what impact the additional investment would have on fiscal forecasts and the liability (i.e. would it maintain the status quo or achieve greater savings?).

Given this, you may wish to ask the Minister for Social Development:

**Acknowledging that it may take some time before funding within the Multi-Category Appropriation is truly flexible, what steps have been taken to mitigate the impact of the 2014/15 baselines reduction?**

**Did the HYEFU forecasts take this baseline reduction into account? If not, what is the likely impact?**

2. [7] **to undertake trial interventions aimed at reducing the liability**

This bid is seeking seed funding for Work and Income to trial new approaches to assist high liability clients into work. The client cohorts have been identified as having a high liability by the external actuarial valuations.

We support using the valuation to identify cohorts of clients with high liabilities, and trialling new approaches to achieve employment outcomes.

Monitoring and evaluation will be required before any successful trial is rolled out nationwide.

**You may wish to ask the Minister how and when this evaluation will occur, and how decisions will be made to stop or incorporate trials into business as usual.**

**It will be important to determine the relative priority between the two initiatives above**

The first initiative would allow Work and Income to continue to invest in their 'business as usual'. The second would allow for greater innovation and may potentially have a

greater impact on the liability over time. However, given these trials are experimental, results will not be guaranteed and may take longer to be realised.

As they are currently framed, it is not clear how these initiatives would be prioritised against each other.

**Given the different risk profiles, you may wish to ask the Minister whether she would still prioritise the trialled interventions if the ‘business as usual’ was not fully funded.**

#### Vulnerable Children

It is likely that the discussion will focus on the Budget initiative related to Child, Youth and Family, rather than the Children’s Action Plan.

At this stage we have not received any information on this Budget initiative, and cannot comment on its priority against the Children’s Action Plan or other social sector pressures.

**You may wish to ask the Minister for Social Development how these initiatives relate to the Vulnerable Children’s Bill, and whether it is necessary to invest prior to the Bill’s implementation.**

#### Other Budget initiatives

[7]

The remaining Budget package covers a range of priorities, including Families into Work, Housing, Youth and the Rebuild of Canterbury.

We will provide you with advice on these initiatives and the entire Budget package prior to the Social Sector Ministers’ meeting on 3 March.

[8]

**Fiona Carter-Giddings**, Manager, Labour Market & Welfare, 04 917 7021