

The Treasury

Budget 2014 Information Release

Release Document

July 2014

www.treasury.govt.nz/publications/informationreleases/budget/2014

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] 9(2)(a) - to protect the privacy of natural persons, including deceased people
- [4] 9(2)(b)(ii) - to protect the commercial position of the person who supplied the information or who is the subject of the information
- [5] 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.
- [6] 9(2)(d) - to avoid prejudice to the substantial economic interests of New Zealand
- [7] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials
- [8] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions
- [9] 9(2)(h) - to maintain legal professional privilege
- [10] 9(2)(i) - to enable the Crown to carry out commercial activities without disadvantage or prejudice
- [11] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice
- [12] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage
- [13] Not in scope
- [14] 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.

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 [3] 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.

Reference: T2014/263

DH-3-2-3-9



Date: 21 February 2014

To: Minister of Finance (Hon Bill English)

Deadline: Prior to 3:00 pm, Monday 24 February

Aide Memoire: Vote Social Development Budget 2014 Package

You are meeting with the Minister for Social Development at 3:00 pm on Monday 24 February for a further discussion on two parts of her 2014 Budget package: the Investment Approach and Vulnerable Children.

Additional background information on these two Budget initiatives is available in the advice we gave you prior to your meeting with the Minister for Social Development on 4 February (T2014/143 refers).

A week after this meeting, on 3 March, the Social Sector Ministers will meet to discuss the priorities across the sector. This meeting is therefore an opportunity to build up a picture of how the Social Development Budget package contributes to the social sector story.

Investment Approach

The Minister is seeking [7] per annum to invest in reducing the liability (the future lifetime cost of beneficiaries). This investment is a single Budget initiative, [7]

[7]

2. seed funding within the MCA to trial new approaches to assist high liability clients into work. The client cohorts have been identified as having a high liability by the 2012 external actuarial valuation.

Consistent with the funding flexibility established as part of the Investment Approach, we think that Ministers should determine the amount of funding to allocate to the MCA as a whole. Work and Income will then have the flexibility to direct funding where it is likely to see the greatest return, based on its Investment Strategy.

In order to determine the appropriate level of investment, we need to understand the likely impact of the baseline reduction on Work and Income's performance. As discussed in the table below, the HYEUFU forecasts did not take the baseline reduction into account. [7]

A key part of Welfare Reform gave flexibility to regional offices to purchase the services and supports that achieve better outcomes, rather than locking them into specific quantities of services and supports (some of which were ineffective). This flexibility could, to some extent, mitigate the negative impact of the baseline reduction. **You may wish to ask the Minister what level of expenditure would be required to achieve savings over and above what is already built into the fiscal forecasts?**

Determining the impact of the proposals on the fiscal forecasts

- [7]
- The existing HYEUFU forecasts did not take this baseline reduction into account. Therefore, the investment to maintain the current level of funding might not generate additional savings, but only secure what has already been built into the forecasts.
- The trials will be additional investment to the status quo. However, as the trials are experimental, the financial return in the short term is uncertain as Work and Income determine what works and what doesn't. That is, the return on investment is at this stage a hypothesis for success to be measured against. Once the trials have been tested there may be sufficient evidence to incorporate future impacts into the forecasts. [7]

Vulnerable Children

Minister Bennett may take the opportunity to take you through what the Vulnerable Children's Action Plan (CAP) Budget bid comprises, as this is the first time any level of detail has been provided. It comprises three elements: a contingency for costs associated with rolling out more Children's Teams, appropriating funds for the costs associated with the passage of the Vulnerable Children's Bill, and CYF's Strategy for Children in Care. Each of these areas is briefly elaborated on below.

The total quantum of funding sought in 2014/15 is approximately [7]

Children's Team Contingency

[7] operating in 2014/15 is sought to fund the continuation of the current Children's Team sites in Rotorua and Whangarei, and roll out another eight teams in 2014/15. We note that the number of Children's Teams is entirely discretionary and, given the untested nature of the model, that rolling out more slowly could be considered.

[7]

We have agreed with the CAP Directorate that they will develop a longer term funding plan ahead of Budget 2015.

Costs of the Vulnerable Children's Bill

[7] is sought for costs associated with the implementation of the Vulnerable Children's Bill.¹ This funding is sought for appropriation in Votes Justice and Police from 2014/15. The Bill will place a range of additional costs on Justice and Police in particular, as they will have to implement the changes around guardianship and ensuring the safety of children born in to families with a history of abuse.

Child, Youth and Family Strategy for Children in Care

The Minister for Social Development is also seeking^[7] to address problems and support changes within CYF, [7]

We have recently received two draft A3s for an STR meeting in March, which provide a real sense of understanding about the CYF business as it stands. We are using this to look further into the investment readiness of this area, and in particular how the Budget initiatives build on this understanding. Two areas we are most interested in are:

1. [8]

2. [7]

We will provide further advice on this as well as the CAP package.

[8]

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

¹ Note that these annual figures are based on an average of the four-year total. We have not yet seen the profile of expenditure.

² Based on segmentation work done in 2004.