

The Treasury

Budget 2014 Information Release

Release Document

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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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- [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.



Minute of Decision

This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.

Budget 2014: Vote Social Development Technical Initiatives

On 7 April 2014, Cabinet:

- 1 **approved** the Budget initiatives for the above Vote for inclusion in the 2014 Budget package, as listed in the summary below and detailed in the attached initiative documents;

Summary of initiatives included in the attached initiative documents:

Operating Initiatives (Impact on Operating Balance)

Initiative ID	Initiative Name	\$m - increase/(decrease)				
		2013/14	2014/15	2015/16	2016/17	2017/18 & Outyears
8336	Transfer From Vote Health For Enabling Good Lives Demonstration	0.160	-	-	-	-
8301	Transfer Vote Veterans' Affairs - Social Development to Vote Social Development	-	156.841	152.501	147.184	143.085
Total Operating		0.160	156.841	152.501	147.184	143.085

Capital Initiatives (Impact on Debt)

Initiative ID	Initiative Name	\$m - increase/(decrease)				
		2013/14	2014/15	2015/16	2016/17	2017/18 & Outyears
8391	Procurement of Optical Products	(0.090)	(5.253)	(5.305)	(5.356)	(5.456)
Total capital		(0.090)	(5.253)	(5.305)	(5.356)	(5.456)

- 2 **agreed** to establish new appropriations where required to implement these initiatives, as described in the attached initiative documents;
- 3 **approved** the changes to appropriations implement the initiatives, as set out in the attached initiative documents;
- 4 **approved** the additional recommendations to give effect to the initiatives, as set out in the attached initiative documents;

- 5 **agreed** that the changes to appropriations and projected balances of net assets for 2013/14 above be included in the 2013/14 Supplementary Estimates and that, in the interim, the increases be met from Imprest Supply;
- 6 **authorised** the Minister of Finance and the Vote Minister to approve jointly any technical adjustments to baselines necessary to remove any errors or inconsistencies identified while finalising the 2013/14 Supplementary Estimates, the 2014/15 Estimates and the fiscal forecasts;
- 7 **noted** that all communications relating to the 2014 Budget are co-ordinated by a Budget communications committee, and that any requests for early announcement will need to have both the written approval of the Minister of Finance and sign-off from the Prime Minister's office.

Secretary of the Cabinet

Reference: CAB (14) 160

Initiative No: 8356**Vote:** Social Development**Title:** Accelerated Settlement Process to Clear Backlog of Historical Claims**Description:** Funding for the accelerated two-path process to settle the backlog of historical claims in 2013/14.

	\$m - increase/(decrease)				
	2013/14	2014/15	2015/16	2016/17	2017/18 & Outyears
Departmental Output Expenses:					
Care and Protection Services (funded by revenue Crown)	0.770	-	-	-	-
Income Support and Assistance to Seniors (funded by revenue Crown)	(0.770)	-	-	-	-
Total Operating	-	-	-	-	-
Total Capital	-	-	-	-	-

Vote: Social Development

Title: Appropriation Changes to “Improved Employment and Social Outcomes Support” MCA

Description: Transfer of funding to Improved Employment and Social Outcomes Support multi-category appropriation from existing appropriations in Vote Social Development to enhance the Ministry of Social Development’s ability to direct its spend to supports and services that are most effective at improving clients’ employment outcomes.

	\$m - increase/(decrease)				
	2013/14	2014/15	2015/16	2016/17	2017/18 & Outyears
Non-Departmental Output Expenses:					
Youth Support Services (MCOA)					
Support for Youth Payment and Young Parent Payment recipients	-	(14.368)	(14.084)	(14.084)	(14.084)
Support to prevent disengaged young people from coming on to benefit at the age of 18	-	(19.420)	(19.420)	(19.420)	(19.420)
Benefits or Related Expenses:					
Employment Related Training Assistance	-	(15.262)	(15.262)	(15.262)	(15.262)
Transition to Work	-	(22.550)	(21.629)	(21.292)	(21.930)
Non-Departmental Other Expenses:					
Mainstream Supported Employment Programme	-	(3.546)	(3.546)	(3.546)	(3.546)
Multi-Category Expenses and Capital Expenditure					
Improved Employment and Social Outcomes Support					
Departmental Output Expenses:					
Improving Employment Outcomes - Service Provision (funded by revenue Crown)	-	3.546	3.546	3.546	3.546
Departmental Output Expenses:					
Improving Work Readiness - Service Provision (funded by revenue Crown)	-	33.788	33.504	33.504	33.504
Non-Departmental Other Expenses:					
Improving Employment Outcomes - Assistance	-	22.550	21.629	21.292	21.930
Non-Departmental Other Expenses:					
Improving Work Readiness - Assistance	-	15.262	15.262	15.262	15.262
Total Operating	-	-	-	-	-
Total Capital	-	-	-	-	-

Vote: Social Development

Title: Change to Services to Protect the Integrity of the Benefit System

Description: Title and scope change to the Departmental appropriation "Services to Protect the Integrity of the Benefit System."

Additional recommendation

8 **agreed** to revise the title and scope of the current Departmental Output Expenses appropriation entitled "Services to Protect the Integrity of the Benefit System" to "Services to Protect the Integrity of the Benefit System and Income Related Rent Subsidies" with the following revised scope "This appropriation is limited to services to minimise errors, fraud and abuse of the benefit system and Income-related Rent Subsidies."

Vote: Social Development

Title: Changes to Vocational Services Programme Funding

Description: Provides for the transfer of Vocational Services funding into the Improved Employment and Social Outcomes Support multi-category appropriation, and amendment of the title and scope of the Vocational Services Non-Departmental Output Expenses appropriation.

Appropriation Changes

	\$m - increase/(decrease)				
	2013/14	2014/15	2015/16	2016/17	2017/18 & Outyears
Non-Departmental Output Expenses:					
Participation and Inclusion for Disabled People	-	(15.760)	(15.760)	(15.760)	(15.760)
Multi-Category Expenses and Capital Expenditure					
Improved Employment and Social Outcomes Support					
Departmental Output Expenses:					
Improving Employment Outcomes - Service Provision (funded by revenue Crown)	-	15.760	15.760	15.760	15.760
Total Operating	-	-	-	-	-
Total Capital	-	-	-	-	-

Additional recommendation

- 9 **agreed** that the scope of the amended Non-Departmental Output Expenses appropriation, formerly entitled “Vocational Services for People with Disabilities” and now entitled “Participation and Inclusion for Disabled People”, be "Provision of services and support to enable disabled people to participate in and contribute to their communities".

Vote: Social Development

Title: Establish Scope and Funding Changes for Work Assistance Appropriation

Description: Provides for the establishment of the Non-Departmental Benefits or Related Expenses appropriation Work Assistance, and the transfer of funding intended to assist people who have recently transitioned into employment.

New Appropriation Approval

Name	Period	Type	Category Name	Scope
Work Assistance	Annual	Benefits or Related Expenses	N/A	This appropriation is limited to the provision of payments to beneficiaries, low income earners, students and ex beneficiaries, who meet certain criteria set out in delegated legislation under the Social Security Act 1964, to assist them to obtain and maintain employment.

	\$m - increase/(decrease)				
	2013/14	2014/15	2015/16	2016/17	2017/18 & Outyears
Benefits or Related Expenses:					
Transition to Work	-	(4.737)	(4.898)	(5.000)	(5.012)
Work Assistance	-	4.737	4.898	5.000	5.012
Total Operating	-	-	-	-	-
Total Capital	-	-	-	-	-

Additional recommendation

10 **agreed** that:

- 10.1 the costs of these programmes, that include the Seasonal Work Assistance Programme, the Work Bonus, the New Employment Transition Grant, and the Employment Transition Payment, be updated in line with annual Consumers Price Index adjustments and via forecast adjustments;
- 10.2 the criteria for such forecast adjustments is limited to changes in demand for those programmes.

Vote: Social Development

Title: Establish Scope for Extraordinary Care Fund

Description: Provides for the scope of the new Non-Departmental Other Expenses "Extraordinary Care Fund".

Additional recommendation

11 **agreed** that the scope of the new Non-Departmental Other Expenses appropriation entitled "Extraordinary Care Fund" be "This appropriation is limited to providing financial assistance to carers receiving the Orphan's Benefit or Unsupported Child's Benefit to assist with costs for children in their care who are either experiencing difficulties that significantly impact on their development, or who are showing promise".

Initiative No: 8391

Vote: Social Development

Title: Procurement of Optical Products

Description: This initiative introduces preferred supplier arrangements for the purchase of quality, cost-effective optical products funded through hardship assistance.

Appropriation Changes

	\$m - increase/(decrease)				
	2013/14	2014/15	2015/16	2016/17	2017/18 & Outyears
Operating Balance Impact	-	-	-	-	-
Debt Impact	(0.090)	(5.253)	(5.305)	(5.356)	(5.456)
No Impact	-	-	-	-	-
Total	-	-	-	-	-

	\$m - increase/(decrease)				
	2013/14	2014/15	2015/16	2016/17	2017/18 & Outyears
Non-Departmental Capital Expenditure:					
Recoverable Assistance	(0.090)	(5.253)	(5.305)	(5.356)	(5.456)
Total Operating	-	-	-	-	-
Total Capital	(0.090)	(5.253)	(5.305)	(5.356)	(5.456)

Additional recommendations

- 12 **noted** that reductions in Crown expenditure arising from the procurement of optical products will be incorporated into the 2014 Budget forecasts;
- 13 **noted** the table above sets out forecast reductions in recoverable Crown expenditure arising from the government's procurement of optical products initiative;
- 14 **noted** that:
 - 14.1 the government has contracted preferred suppliers to provide optical products funded through hardship assistance to clients;
 - 14.2 this initiative will commence in May 2014, and is estimated to reduce Crown expenditure for Recoverable Assistance by a total of \$21.460 million over five years;
 - 14.3 this reduction does not equate to direct savings, as hardship assistance for optical products is generally recoverable;
- 15 **noted** that the full impact on the Benefits or Related Expenses appropriations from the above reductions in expenditure will be included in the 2014 Budget forecasts due in May 2014.

Vote: Social Development

Title: Reprioritisation of Baselines to Meet Changes in Cost Drivers in 2013/14

Description: This initiative provides for technical changes to reflect the reprioritisation of 2013/14 baselines to meet cost pressures in Child, Youth and Family due to the increases in the cost of children in care, and volume changes in the services provided by Studylink for students.

	\$m - increase/(decrease)				
	2013/14	2014/15	2015/16	2016/17	2017/18 & Outyears
Departmental Output Expenses:					
Adoption Services (funded by revenue Crown)	(0.300)	-	-	-	-
Care and Protection Services (funded by revenue Crown)	2.950	-	-	-	-
Income Support and Assistance to Seniors (funded by revenue Crown)	(0.400)	-	-	-	-
Management of Student Loans (funded by revenue Crown)	0.830	-	-	-	-
Management of Student Support, Excluding Student Loans (funded by revenue Crown)	0.280	-	-	-	-
Youth Justice Services (funded by revenue Crown)	(2.350)	-	-	-	-
Collection of Balances Owed by Former Clients and Non-beneficiaries (funded by revenue Crown)	(0.300)	-	-	-	-
Multi-Category Expenses and Capital Expenditure					
Improved Employment and Social Outcomes Support					
Departmental Output Expenses:					
Administering Income Support (funded by revenue Crown)	(0.710)	-	-	-	-
Total Operating	-	-	-	-	-
Total Capital	-	-	-	-	-

Additional recommendation

- 16 **noted** that changes in cost drivers such as the number of children in care for Child, Youth and Family, and application and call centre volumes for student services provided by Studylink, have an impact on the cost allocated to departmental appropriations in Vote Social Development.

Initiative No: 8311

Vote: Social Development

Title: Revise Scope of Benefits Paid in Australia

Description: Provides for the revised scope of the Non-Departmental Benefits or Related Expenses appropriation "Benefits Paid in Australia".

Additional recommendation

17 **agreed** to revise the scope of the current Non-Departmental Benefits or Related Expenses appropriation entitled Benefits Paid in Australia to "This appropriation is limited to reimbursement to the Australian Government for income support assistance provided to New Zealanders eligible under the 1994 Reciprocal Agreement pursuant to the Social Welfare (Reciprocity with Australia) Order 2002."

Vote: Social Development

Title: Scope of Collection of Balances Owed by Former Clients and Non-Beneficiaries

Description: Provides for the revised scope of the Departmental appropriation "Collection of Balances Owed by Former Clients and Non-beneficiaries".

Additional recommendation

18 **agreed** to revise the scope of the current Departmental Expenses appropriation entitled "Collection of Balances Owed by Former Clients and Non-beneficiaries" to "This appropriation is limited to providing services to manage the collection of overpayments and recoverable assistance loans from former clients and other balances owed comprising of Student Allowance and Income-related Rent Subsidy overpayments, Liable Parent Contributions, and Court-ordered Maintenance".

Vote: Social Development

Title: Transfer from Vote Health for Enabling Good Lives Demonstration

Description: Provides for the transfer from Vote Education for the operating costs of the Enabling Good Lives demonstration for 2013/14.

Appropriation Changes

	\$m - increase/(decrease)				
	2013/14	2014/15	2015/16	2016/17	2017/18 & Outyears
Operating Balance Impact	0.160	-	-	-	-
Debt Impact	-	-	-	-	-
No Impact	-	-	-	-	-
Total	0.160	-	-	-	-

	\$m - increase/(decrease)				
	2013/14	2014/15	2015/16	2016/17	2017/18 & Outyears
Departmental Output Expenses:					
Promoting Positive Outcomes for Disabled People (funded by revenue Crown)	0.300	-	-	-	-
Non-Departmental Output Expenses:					
Participation and Inclusion for Disabled People	(0.140)	-	-	-	-
Total Operating	0.160	-	-	-	-
Total Capital	-	-	-	-	-

Initiative No: 8301

Vote: Social Development

Title: Transfer Vote Veterans' Affairs - Social Development to Vote Social Development

Description: This transfer is a result of Vote Veterans' Affairs – Social Development being disestablished and merged with Vote Social Development, to align with the Budget 2013 decision to merge Vote Veterans' Affairs Defence Force with Vote Defence Force.

Appropriation Changes

	\$m - increase/(decrease)				
	2013/14	2014/15	2015/16	2016/17	2017/18 & Outyears
Operating Balance Impact	-	156.841	152.501	147.184	143.085
Debt Impact	-	-	-	-	-
No Impact	-	-	-	-	-
Total	-	156.841	152.501	147.184	143.085

	\$m - increase/(decrease)				
	2013/14	2014/15	2015/16	2016/17	2017/18 & Outyears
Departmental Output Expenses:					
Processing and Payment of Veterans' Pensions (funded by revenue Crown)	-	0.438	0.438	0.438	0.438
Benefits or Related Expenses:					
Veterans' Pension	-	156.403	152.063	146.746	142.647
Total Operating	-	156.841	152.501	147.184	143.085
Total Capital	-	-	-	-	-