

# The Treasury

## Ministry of Social Development Baseline Review Information Release

June 2019

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## Treasury Report: Update on Areas of Focus for MSD Baseline Review

<b>Date:</b>	30 October 2018	<b>Report No:</b>	T2018/3040
		<b>File Number:</b>	BM-2-7-2018

### Action Sought

	<b>Action Sought</b>	<b>Deadline</b>
Minister of Finance (Hon Grant Robertson)	<b>Note</b> the contents of the report and agree to forward to Vote Social Development appropriation Ministers	Wednesday 7 November 2018
Minister for Social Development (Hon Carmel Sepuloni)	<b>Note</b> the contents of the report and agree to forward to Vote Social Development appropriation Ministers	Wednesday 7 November 2018

### Contact for Telephone Discussion (if required)

<b>Name</b>	<b>Position</b>	<b>Telephone</b>	<b>1st Contact</b>
Emily Fulford	Senior Advisor, Baseline Review	[7]	N/A (mob) ✓
James Messent	Team Leader, Baseline Review		N/A (mob)

### Actions for the Minister's Office Staff (if required)

**Return** the signed report to Treasury.

**Minister of Finance's Office to Refer** the report to the Minister of Housing and Urban Development, the Minister of Revenue, the Minister for Youth, the Minister for Seniors, the Minister for Veterans, and the Minister of Employment.

Note any feedback on the quality of the report

**Enclosure:** No

## Treasury Report: Update on Areas of Focus for MSD Baseline Review

### Purpose of Report

1. The Treasury and the Ministry of Social Development (MSD) are jointly undertaking a baseline review of MSD. The review will provide an interim report in late November and a final report by 31 January 2019. The review is governed by a Steering Group comprising equal representation of MSD and Treasury managers.
2. This report provides an update on the areas of focus for the MSD baseline review, including areas where potential reprioritisation may be identified. We have recommended that you refer this to other Vote Social Development Ministers to ensure they are aware of this before receiving the interim report in late November.

### Overview of Baseline Review

3. You have previously agreed terms of reference for the baseline review jointly (T2018/1956 refers). The terms of reference set objectives, scope and governance arrangements.
4. The objectives of the baseline review are to understand current spending, develop a picture of the future baseline requirements for MSD and to enable it to have adequate resources, in the right places, to deliver on its strategy and the Government's wellbeing priorities. The review will advise on:
  - a. value for money and the effectiveness of expenditure (including services both delivered by the Ministry and contracted out to third party providers)
  - b. alignment of baseline expenditure to MSD's strategy and the Government's wellbeing priorities
  - c. cost pressures over the next few years and their alignment to strategy and priorities (including workforce issues, ICT functions and general overheads), and
  - d. options to manage within different funding paths.
5. The scope of the review is \$1.4 billion of Vote Social Development, which includes MSD's departmental and non-departmental operating expenditure and departmental capital expenditure. Benefit expenditure is out of scope. While \$1.4 billion is within scope of the review, areas of focus have been identified, which means not all appropriations that make up the \$1.4 billion will undergo deep analysis or be considered for reprioritisation.
6. Due to the link between the baseline review and the Budget 2019 prioritisation exercise, the Minister of Finance previously agreed that prioritisation options for portfolios in scope of the review will be considered through the baseline review process (T2018/2535 refers).

### Areas of Focus

7. In order to maximise the value of the review within the available timeframe, areas of focus have been identified. The review team followed three steps to identify the areas of focus:

- a. using an 'activity-view' of the baseline, and choosing a dimension of analysis best suited for the drivers of each activity
  - b. removing appropriations that are subject to an existing review, or unlikely to warrant deep analysis, and
  - c. applying a materiality threshold of \$1.5 million to appropriations.
8. The two key dimensions of analysis are efficiency and effectiveness:
- a. **Efficiency:** The appropriations that administer the benefit system will be mainly assessed for their efficiency.
  - b. **Effectiveness:** The appropriations that provide services to achieve employment and community outcomes will be mainly assessed for their effectiveness in delivering those outcomes.
9. The review team will also focus on two cross-cutting themes:
- c. **Remuneration and overheads:** Recent cost pressure bids have been chiefly driven by remuneration and overheads.
  - d. **IT and capital:** MSD's medium-term strategy and ability to efficiently administer the benefit system are likely to have significant capital implications.
10. The Steering Group endorsed these areas of focus on 5 October.
11. Appendix A outlines the appropriations that the review team will and will not focus on, and how the appropriations map to the 'activity view' and the dimension of analysis. Appendix B outlines the appropriation Ministers and whether their appropriation is an area of focus or not.

## Next Steps

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12. The review team are now undertaking more detailed analysis on each of the areas of focus. This analysis will inform the November 2018 report back to Ministers.

## Recommended Action

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We recommend that you:

a **note** the contents of this report

*Agree/disagree.*

b **refer** to (via the Minister of Finance's office):

i. the Minister for Housing and Urban Development (Hon Phil Twyford)

*Refer/not referred.*

ii. the Minister for Revenue (Hon Stuart Nash)

*Refer/not referred.*

iii. the Minister for Veterans (Hon Ron Mark)

*Refer/not referred.*

iv. the Minister for Seniors (Hon Tracey Martin)

*Refer/not referred.*

v. the Minister for Youth and Associate Minister for Social Development  
(Hon Peeni Henare)

*Refer/not referred.*

vi. the Minister of Employment (Hon Willie Jackson)

*Refer/not referred.*

James Messent  
**Team Leader, Baseline Review**

Hon Grant Robertson  
**Minister of Finance**

Hon Carmel Sepuloni  
**Minister for Social Development**

## Appendix A – Areas of Focus by Activity and Dimension of Analysis

	Efficiency	Effectiveness		Not in focus	
Relevant Activity	Administrative & delivery	Investing in employment and community outcomes	Data/Policy/Ministerial Servicing	Other appropriations	<\$1.5m
<b>Appropriations</b>	<ul style="list-style-type: none"> <li>Investigation of Overpayments and Fraudulent Payments, and Collection of Overpayments</li> <li>Administering Income Support</li> <li>Management of student Support</li> <li>Management of student Loans</li> <li>Developing and Managing Community Services</li> <li>Administering Youth Development</li> <li>Income Support and Assistance to Seniors</li> <li>Management of Service Cards</li> <li>Services to support people to access accommodation</li> </ul>	<ul style="list-style-type: none"> <li>Improving Employment Outcomes</li> <li>Improving Work Readiness Outcomes</li> <li>Supporting Victims and Perpetrators of Family and Sexual Violence</li> <li>Community Support and Advice</li> <li>Participation and Support Services for Seniors</li> <li>Improving Children’s Participation in Education;</li> <li>Increasing Youth Development Opportunities</li> <li>Out of School Care and Recreation Programmes;</li> <li>Community Participation Services</li> <li>Supporting Equitable Pay for Care and Support Workers</li> <li>Student Placement Services</li> <li>Promoting Positive Outcomes for Disabled People</li> </ul>	<ul style="list-style-type: none"> <li>Data, Analytics and Evidence Services</li> <li>Policy Advice</li> <li>Planning, Correspondence and Monitoring</li> <li>Independent Advice on Government Priority Areas</li> <li>Management of Residual Obligations Arising from the Disestablishment of Superu</li> <li>Corporate Shared Services</li> </ul>	<ul style="list-style-type: none"> <li>Children’s Commissioner</li> <li>Debt Write-downs</li> <li>Extraordinary Care Fund</li> <li>Claims Resolution MYA</li> <li>Reimbursement of Income Related Rent Overpayments</li> <li>Mental Health and Employment Social Bond Pilot</li> </ul>	<ul style="list-style-type: none"> <li>Place-based Initiatives – Tairawhiti Local Leadership</li> <li>Administering Support for the Mental Health and Employment Social Bond Pilot</li> <li>Processing of Veterans’ Pensions</li> <li>Housing support package</li> <li>Promoting Positive Outcomes for Seniors</li> </ul>
<b>Value</b>	\$488.8m	\$616.4m	\$118.1m	\$99.9m	\$3.7m

## Appendix B – Areas of Focus by Appropriation Minister

Appropriation Minister	Appropriation	Area of Focus?
Minister for Social Development	• Income Support and Assistance to Seniors	Yes
	• Investigation of Overpayments and Fraudulent Payments, and Collection of Overpayments	Yes
	• Management of student support	Yes
	• Management of Service Cards	Yes
	• Developing and Managing Community Services category in Community Support Services MCA	Yes
	• Administering Income Support category in Improved Employment and Social Outcomes Support MCA	Yes
	• Corporate Shared Services	Yes
	• Data, Analytics and Evidence Services	Yes
	• Planning, Correspondence and Monitoring	Yes
	• Policy Advice	Yes
	• Improving Employment Outcomes category in Improved Employment and Social Outcomes Support MCA	Yes
	• Improving Work Readiness Outcomes category in Improved Employment and Social Outcomes Support MCA	Yes
	• Supporting Victims and Perpetrators of Family and Sexual Violence in Community Support Services MCA	Yes
	• Community Support and Advice in Community Support Services MCA	Yes
	• Participation and Support Services for Seniors in Community Support Services MCA	Yes
	• Improving Children's Participation in Education in Community Support Services MCA	Yes
	• Out of School Care and Recreation Programmes	Yes
	• Community Participation Services	Yes

	• Supporting Equitable Pay for Care and Support Workers	Yes
	• Student Placement Services	Yes
	• Claims Resolution MYA	No, as a discrete appropriation, where the review is unlikely to add value
	• Children's Commissioner	No, as there is a separate review of the children's system currently underway
	• Debt Write-downs	No, as this is a technical appropriation
	• Extraordinary Care Fund	No, as deep analysis is unlikely to add value
	• Place-based Initiatives – Tairāwhiti Local Leadership	No, appropriation is below \$1.5m
	• Administering Support for the Mental Health and Employment Social Bond Pilot MYA	No, appropriation is below \$1.5m
	• Mental Health and Employment Social Bond Pilot	No, separate process to look at the Social Bond Pilot
Minister for Disability Issues	• Promoting Positive Outcomes for Disabled People	Yes
Minister of Housing and Urban Development	• Services to Support People to Access Accommodation	Yes
	• Reimbursement of Income Related Rent Overpayments	No, as deep analysis is unlikely to add value
	• Housing Support Package	No, appropriation is below \$1.5m
Minister for Seniors	• Promoting Positive Outcomes for Seniors	No, appropriation is below \$1.5m
Minister for Revenue	• Management of Student Loans	Yes
Minister for Veterans	• Processing of Veterans' Pensions	No, appropriation is below \$1.5m
Minister for Youth	• Administering Youth Development in Partnering for Youth Development MCA	Yes
	• Increasing Youth Development Opportunities in Partnering for Youth Development MCA	Yes