

The Treasury

Ministry of Social Development Baseline Review Information Release

June 2019

This document has been proactively released by the **Treasury** on the Treasury website at <https://treasury.govt.nz/publications/information-release/msd-baseline-review>.

Information Withheld

Some parts of this information release would not be appropriate to release and, if requested, would be withheld under the Official Information Act 1982 (the Act).

Where this is the case, the relevant sections of the Act that would apply have been identified.

Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

Key to sections of the Act under which information has been withheld:

- [1] 9(2)(a) - to protect the privacy of natural persons, including deceased people
- [2] 9(2)(c) - to avoid prejudice to health and safety measures
- [3] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials
- [4] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions
- [5] 9(2)(g)(ii) - to maintain the effective conduct of public affairs through protecting ministers, members of government organisations, officers and employees from improper pressure or harassment;
- [6] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice
- [7] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage
- [8] Out of scope for this release.

Where information has been withheld, a numbered reference to the applicable section of the Act has been made, as listed above. For example, a [1] appearing where information has been withheld in a release document refers to section 9(2)(a).

Copyright and Licensing

Cabinet material and advice to Ministers from the Treasury and other public service departments are © **Crown copyright** but are licensed for re-use under **Creative Commons Attribution 4.0 International (CC BY 4.0)** [<https://creativecommons.org/licenses/by/4.0/>].

For material created by other parties, copyright is held by them and they must be consulted on the licensing terms that they apply to their material.

Accessibility

The Treasury can provide an alternate HTML version of this material if requested. Please cite this document's title or PDF file name when you email a request to information@treasury.govt.nz.

MSD Baseline Review: Terms of Reference

The Minister of Finance and the Minister of Social Development have decided that parts of the Ministry of Social Development's operating baseline be reviewed, involving a "deep dive" into some areas of current spending looking at the effectiveness of that spend.

The review will be jointly conducted by the Treasury and the Ministry of Social Development.

Context

This review is taking place at a time when MSD has gone through a number of changes in recent years, including the splitting off of Oranga Tamariki, the Welfare Expert Advisory Group, changes to MSD's role in social housing, an internal review of their Corporate Services and a review of its shared services arrangement with Oranga Tamariki.

As exemplified by the Budget 2018 reprioritisation exercise, the Government seeks best value for money from current spending, and is prepared to reallocate funding to achieve better outcomes. At the same time, the Government wants agencies to be properly funded to achieve those outcomes. This baseline review supports both of those purposes, by seeking to understand better the returns from current spending, and assessing future funding needs.

It is envisaged that a baseline review will address issues of value for money, cost pressures and reprioritisation to feed into the following budget. In MSD's case with this review, the aim is that the resulting Ministerial decisions will form part of Budget 2019 and provide Ministers with options for an agreed funding path for the department's operations over the short to medium term.

Objective

The review's primary objectives 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. In the past, cost pressure bids have generally been assessed on their individual merit and on a case by case basis, with the starting point that pressures should be managed within fixed nominal baselines. The review will build a base level of information from which better judgements can be drawn on:

- the efficiency and effectiveness of current spend and therefore the extent to which:
 - cost pressures can realistically be absorbed or whether additional spend is needed to address these;
 - current spend is effective in achieving client outcomes.
- an understanding of coming cost pressures, identifying the drivers of those costs, with the view to building the future picture of the Ministry's funding;

- risks including policy decisions or key areas of uncertainty that may have an impact on the future baseline; and
- potential innovations that may have an impact on the future baseline.

A key task is to identify those areas of current spending which are of low value and not achieving the outcomes intended. If any funding is freed up from this, it would be available to address cost pressures and alternative, more effective, interventions to lift the wellbeing of New Zealanders. A guiding principle is that before increased funding will be considered, the review must first have demonstrated that MSD has reallocated/will reallocate funding from within its current baseline and exhausted other options.

The review team has several policy tools available (MCA, CUA, CEA, financial CBA, CBAX) and will apply the appropriate one(s) to the evidence according to the circumstance and issue under analysis.

In Scope

The review is to focus on the core operational activity of MSD. The review will focus on approximately \$1.4 billion of appropriations across Votes Social Development and Social Housing (excluding BOREs, non-departmental capital expenditure and those appropriations transferring to the new Ministry of Housing and Urban Development). The review will advise on:

- Value for money and the effectiveness of expenditure (including services both delivered by the Ministry and contracted out to third party providers)
- Alignment of baseline expenditure to MSD's strategy (and ability to deliver on it) and the Government's wellbeing priorities. Have the right interventions been adopted and are the intended outcomes being achieved?
- Cost pressures over the next years and alignment of those to the above strategy and priorities. (includes workforce issues, ICT functions, and general overheads)
- Options to manage within different funding paths.

Out of Scope

The following are out of scope:

- a) Social assistance payments, income adequacy, and matters captured by the Welfare Expert Advisory Group (acknowledging there may be a little overlap with WEAG).
- b) Public housing appropriations transferring to Vote Housing and Urban Development.
- c) Revisiting MSD's strategic direction (2018)

Governance

The Minister of Finance and the Minister of Social Development will receive the findings of the review and, in consultation with other relevant Ministers, will make decisions based on the advice from that review. Decisions will be actioned in, and form part of, Budget 2019.

A steering committee, chaired by a Treasury senior manager and comprising an equal representation from the Treasury and MSD, shall oversee the work of the review team.

The review team will be drawn from the Treasury and Ministry as appropriate. The Ministry shall in addition make available its staff on a as needs basis to help inform the review team. External expert advice may also be engaged, if necessary, to advise on technical or specific areas.

The review team will assess and draw conclusions from the available evidence and data. The steering committee will collectively resolve any differences of interpretation which the review team is unable to.

Each department will bear its own costs, with the costs of any external advice commissioned shared equally between the departments.

Deliverables and Milestones

A final report is due with the two Ministers on 31 January 2019. Provision should also be made for a possible mid-review briefing for Ministers as conclusions and recommendations are about to be drawn. The review will occur in four phases.

Phase	Responsible	Milestone
Information gathering: agency overview; full financial data set; 4 year plan; historic pattern of cost pressures and forecast of future cost pressures; evaluation and evidence of programmes' effectiveness.	MSD	31 August 2018
Analysis: Data interrogation and follow up across four dimensions: <ul style="list-style-type: none">• Effectiveness• Efficiency• Durability and resilience• Accountability Testing of findings;	Review Team	By 15 October 2018

Phase	Responsible	Milestone
Review team tests findings with steering group	Review team/steering group	By 15 October 2018
Options development. recommended option tested	Review team; tested with Steering Group	By 30 November 2018
Draft findings / advice to joint Ministers	Review team draft; steering group sign off; discussion with Ministers	30 November 2018
Recommendations and Reporting: Final conclusions drawn;; report writing.	Review Team drafting; Steering Group sign off	31 January 2019
Decision making	Joint Ministers	February 2019, as part of Budget 2019

Postscript: An evaluation plan of the effectiveness and success of the solution should be agreed following ministerial decisions	MSD and Treasury	To be conducted over the succeeding 12-24 months.
--	------------------	---