

The Treasury and Office of the Minister of Finance

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Treasury Report: Bilateral Discussion: Associate Minister of Finance (Hon David Clark) and Minister for Community and Voluntary, Whānau Ora, Youth, and Associate Social Development

Date:	29 October 2018	Report No:	T2018/3052
		File Number:	SH-3-1

Action Sought

	Action Sought	Deadline
Minister of Finance (Hon Grant Robertson)	Note the contents of this report	Before 4:30pm, 31 October 2018
Associate Minister of Finance (Hon Dr David Clark)	Note the contents of this report	Before 4:30pm, 31 October 2018

Contact for Telephone Discussion (if required)

Name	Position	Telephone		1st Contact
Nicholas Drew-Crawshaw	Senior Analyst, Welfare and Oranga Tamariki	[39] (wk)	N/A (mob)	✓
Becky Prebble	Acting Manager, Welfare and Oranga Tamariki	[23] (wk)	[39] (mob)	

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

Return the signed report to Treasury.

Note any feedback on the quality of the report

Enclosure: No

Treasury Report: Bilateral Discussion: Associate Minister of Finance (Hon David Clark) and Minister for Community and Voluntary, Whānau Ora, Youth, and Associate Social Development

Executive Summary

This report provides you with information to support the Budget 2019 bilateral discussion Between Minister Clark and Minister Henare at 4:30pm on Wednesday 31 October. It provides a summary of the seven initiatives that have been submitted under the Minister's portfolios, some context on each portfolio, and it signals the degree of collaboration on these initiatives.

Minister Henare is seeking a total investment of nearly ^[33] across his Portfolio responsibilities in Budget 2019. These are all new, priority aligning initiatives, and scaling, phasing and deferral options should be able to be considered for most of them.

The majority of funding is being sought for Whānau Ora, with three initiatives seeking over ^[33]. We understand that this portfolio will be Minister Henare's priority for Budget 2019 funding. An independent review of Whānau Ora is currently underway, with a final report due on 5 November 2018.

Recommended Action

We recommend that you **note** the contents of this report in advance of the bilateral discussion with Minister Henare at 4:30pm on Wednesday 31 October 2018.

Becky Prebble
Acting Manager, Welfare and Oranga Tamariki

Hon Grant Robertson
Minister of Finance

Hon Dr David Clark
Associate Minister of Finance

Treasury Report: Bilateral Discussion: Associate Minister of Finance (Hon David Clark) and Minister for Community and Voluntary, Whānau Ora, Youth, and Associate Social Development

Purpose of Report

1. The purpose of this report is to provide background information and advice to support the Budget 2019 bilateral discussion Between Minister Clark and Minister Henare at 4:30 p.m. on Wednesday 31 October.
2. The report covers:
 - An indication of the baseline prioritisation for Minister Henare's portfolios
 - New initiatives for which funding is likely to be sought in Budget 2019
 - Cross-agency collaboration efforts
 - Further contextual information for the portfolio
 - Talking points for the discussion with Minister Henare.

Baseline Prioritisation

3. Following the prioritisation guidelines agreed to by Cabinet, there is a total of ^[33] across Minister Henare's portfolios over the period 2019/20 to 2022/23. This means that the ^[33]. Note that these figures may change following the completion of the October Baseline Update exercise.

Table 1: Baselines in scope for prioritisation by portfolio

Portfolio	Total in scope for prioritisation (\$ million)	1 % Target (\$ million)
Community and Voluntary	[33]	
Whanau Ora		
[33] (included in MSD Baseline review)	NA	NA
Total	[33]	

4. At this point, reprioritisation initiatives have not been signalled for either of these portfolios, but each portfolio contains a large non-departmental appropriation and a small departmental appropriation focussed on administering the non-departmental spend. We note that for the community and voluntary portfolio, the average year-end underspends over the last four years for the various community funding schemes was \$0.539 million.

New Initiatives Indicated for Budget 2019

- 5. Minister Henare, across the Community and Voluntary, Whānau Ora and Youth and Associate Social Development portfolios, may ^[33], as per the table below. Annex One provides a breakdown of indicated initiatives by portfolio and initiative type.
- 6. We understand that the Whānau Ora initiatives are Minister Henare’s priority (70% of the total funding sought across his portfolios).

Table 2: Overview of funding sought by Minister Henare for Budget 2019:

Portfolio	Operating (Total over forecast period - \$ million)
Community and Voluntary	[33]
Whānau Ora	
Youth	
Associate Social Development (SIA)	
Total	

- 7. Below we provide a brief outline of each of the initiatives submitted through the October check-in for Budget 2019 (by portfolio) with total costs over the forecast period. We do not yet have sufficient information to provide a view on the investment case, but will continue to work with the relevant agencies as they develop the detail on these initiatives.

Community and Voluntary

- 8. Community Led Development Programme – Start Up Fund and building new partnerships – ^[33] : This initiative seeks to extend an existing programme ^([33]) both through growing its reach and enhancing the support it provides to existing partnerships. While the Treasury views the Community Led Development approach as promising, we are yet to see any clear evidence about the impact or effectiveness of the current spend.
- 9. Increased funding to the Community Organisation Grants Scheme - ^[33] : This initiative would increase the annual allocation through this scheme from \$12.5 million per annum to ^[33] per annum with the aim of increasing both the size and number of grants. The Treasury has not received any evidence to date about the effectiveness of the current spend and would expect this to be included in the initiative when it is submitted.

Whānau Ora:

- 10. Treasury notes the ongoing challenge with demonstrating the effectiveness of Whānau Ora spending (due to the differentiated and locally determined nature of the outputs and the intent to achieve intergenerational change). Anecdotally however, this approach is achieving good outcomes and aligns with current thinking around how to improve outcomes for the most disadvantaged (for example in the Productivity Commission’s More Effective Social Services Report 2015).

11. Expanding Whānau Ora Commissioning - \$86 million: This initiative seeks an annual increase to the Whānau Ora investment of ^[33] (from a base of about \$76 million) to increase the funding invested by the Whānau Ora commissioning agencies and the resourcing within TPK to administer this funding and assess its effectiveness in achieving the Whānau Ora Outcomes. TPK have indicated that the funding will likely increase the number of Whānau Ora navigators by around 100 FTEs, as well as building capability around working with whānau with children at risk of coming into care and helping whānau to build financial capability.
12. ^[33] : This initiative seeks ring-fenced funding (ie it wont be able to be used for general Whānau Ora commissioning activities) to develop a new service that provides wrap-around support to whānau with members in prison and supports the whānau through the release and reintegration process ^[34]
^[34]
13. Integrating towards better health outcomes - ^[33] : This funding will support a trial in two primary health services that introduces a whānau ora approach for clients and seeks to reduce Avoidable Hospitalisation rates for tamariki and their whānau. It ^[33]

Youth:

14. Increasing effective rangitahi engagement and wellbeing - ^[33] : This initiative seeks a general resourcing increase across the Youth portfolio to extend its impact and influence. The increase sought is ^[33]
^[33] . The Treasury has not received any evidence to date about the effectiveness of the current spend and would expect this to be included in the initiative when it is submitted.

Associate Social Development:

15. Expansion of community-based collective impact programme to improve social outcomes of families and whanau (SIA, Vote State Services) - ^[33] : This initiative is being submitted on behalf of a multi-agency group to expand and extend a pilot called Kāinga Whānau Ora which seeks to deliver a whānau ora approach to families living in state housing. The expansion would increase the number of whānau involved and extend its reach from Palmerston North to include Whanganui as well.

Cross-agency Collaboration Efforts

16. The Minister of Finance has indicated that collaboration will be a central feature of Budget 2019. Most of Minister Henare's proposed initiatives appear to be collaborative in some way:
 - a Community and Voluntary: **No collaboration** - these initiatives are community based and led. The agency has indicated that they do not view these initiatives as requiring collaboration. From a Treasury perspective, having support from other social sector agencies to validate the investment proposal (ie. that other agencies expect that this investment will help to improve community and social outcomes) would add strength to these initiatives.

- b Whānau Ora: **Cross-agency collaboration** - these initiatives all have support from at least one other government agency. Oranga Tamariki and the Ministry of Social Development (MSD) support the expansion initiative, which includes elements of capability building specific to each of these agencies' target populations. ^[33]
[33]
- c Youth: **Multi-agency collaboration** - this initiative is being led by the Ministry of Youth Development (within MSD), in collaboration with the wider MSD, the Child Wellbeing Unit, and Corrections. Other potential partners (not yet engaged) are identified (the Office of the Children's Commissioner, and NZ Blue Light Ventures (a charity that partners with the NZ Police).
- d Associate Social Development: **Multi-agency collaboration** – this initiative has been put forward by the Social Investment Agency (under Minister Henare's Associate Social Development portfolio). It has been submitted on behalf of a cross agency group including MBIE, MSD, Housing NZ, TPK, OT, NZ Police, Mid-Central DHB, and the local council (along with some non-government organisations) to extend and expand an existing pilot.
17. None of these initiatives have been clearly linked with any of the anticipated packages (e.g. the joint venture for sexual and family violence), but most support the Budget priorities of lifting Māori and Pacific incomes, skills and opportunities, and/or reducing child poverty and improving child wellbeing, including addressing family violence.

Further Contextual Information for these Portfolios

Community and Voluntary

18. In the Community and Voluntary Sector portfolio the Minister is responsible for spending of around \$24 million per annum (through departmental and non-departmental appropriations in Vote Internal Affairs). Policy and Ministerial support services for this portfolio are provided by the Department of Internal Affairs, funded through appropriations for which the Minister of Internal Affairs is responsible. A cost pressure initiative has been submitted in relation to policy advice.

Whānau Ora

19. The government's investment in Whānau Ora is currently undergoing an independent review, with the final report due to the Minister on 5 November 2018. This review should inform the approach and detailed planning of the proposed Whānau Ora initiatives. The Terms of Reference for the review articulated three key foci:
- Scope the applicability of a whānau-centred approach as a useful exemplar for improving outcomes for whānau across government with an emphasis on the social sector.
 - Assess the ability of the Whānau Ora commissioning approach to effect sustainable change in the wellbeing and development potential of whānau.
 - Explore the extent to which the Whānau Ora service delivery model and commissioning approach is accountable and transparent in the achievement of outcomes for whānau.

20. Total ongoing committed funding (in Vote Māori Development - both departmental and non-departmental) is currently \$76.2 million per annum. Since the establishment of the Whānau Ora commissioning model, the approach has received two moderate increases to baseline funding through Budgets (\$10 million per annum in Budget 2016 and \$2.5 million per annum in Budget 2017). It has also increased by around \$12.5 million per annum of funding that was reprioritised (over a number of years) from MSD baselines (where it was appropriated for purchasing community and social development services).

Youth

21. In the Youth portfolio the Minister is currently responsible for funding of just under \$13 million per annum (in Vote Social Development – departmental and non-departmental). The portfolio received \$6 million (\$1.5 million per annum) in Budget 2017 for an expansion of Youth Enterprise Initiatives and \$4 million through Budget 2018 to fund a Youth Health and Wellbeing survey.
22. The entire Youth portfolio is within scope for the Treasury-led baseline review of the Ministry of Social Development which is currently underway (report due 31 January 2019), and as such is not being considered for reprioritisation. A general cost pressure initiative has been submitted for MSD (covering Policy and service delivery/administration of funding) which (although not specified) will cover all outputs in the Youth portfolio.

Talking Points for the Discussion with Minister Henare

23. In the discussion with Minister Henare, in addition to the general discussion points set out in Annex Two, you may wish to cover the follow points
- Confirming that you are expecting 1% prioritisation initiatives for the Whānau Ora and Community and Voluntary portfolios, and seeking to understand the Minister's approach to these
 - The role of the Independent Review into Whānau Ora in informing his Whānau Ora initiatives
 - Discussing if there are particular portfolios or initiatives that are of higher priority for him
 - What options he is considering for scaling or phasing his initiatives.

Annex One: Funding Sought and Prioritisation Review by Minister Henare by Portfolio

Community and Voluntary Portfolio

Initiative type	Initiative	\$ millions		Initial comment on initiative.
		Operating funding (total over forecast period)	Capital funding (10 year total)	
Priority-aligning (Lifting Māori and Pacific incomes, skills and opportunities)	Community Led Development Programme – Start Up Fund and building new partnerships	[33]	0	Scalable and deferrable. Supporting business case needs to show evidence of effectiveness of existing spending.
Priority-aligning (Lifting Māori and Pacific incomes, skills and opportunities)	Increased funding to the Community Organisation Grant Scheme (COGS)		0	Scalable and deferrable. Supporting business case needs to show evidence of effectiveness of existing spending.
Total for Community and Voluntary			0	

Prioritisation:

No possible reprioritisation initiatives have been submitted yet for this portfolio.

Whānau Ora Portfolio

Initiative type	Initiative	\$ millions		Initial comment on initiative.
		Operating funding (total over forecast period)	Capital funding (10 year total)	
Priority-aligning (Lifting Māori and Pacific incomes, skills and opportunities)	Expanding Whānau Ora Commissioning	[33]		
Priority-aligning (Lifting Māori and Pacific incomes, skills and opportunities)	[33]		0	Outcome of Independent Review should inform this initiative. Scalable and deferrable.
Priority-aligning (Lifting Māori and Pacific incomes, skills and opportunities)	[33]			
[33]			0	

Prioritisation:

No possible reprioritisation initiatives have been submitted yet for this portfolio

Youth Portfolio

		\$ millions		
Initiative type	Initiative	Operating funding (total over forecast period)	Capital funding (10 year total)	Initial comment on initiative.
Priority-aligning (Lifting Māori and Pacific incomes, skills and opportunities)	Increasing effective rangitahi engagement and wellbeing	[33]		Scalable and deferrable. Supporting business case needs to show evidence of effectiveness of existing spending.
Total for Community and Voluntary				

Prioritisation:

All funding included in this portfolio is included in the MSD baseline review. As such the Minister of Finance has agreed that this portfolio is excluded from the prioritisation exercise.

Associate Social Development Portfolio (SIA)

		\$ millions		
Initiative type	Initiative	Operating funding (total over forecast period)	Capital funding (10 year total)	Initial comment on initiative.
Priority-aligning (Reducing child poverty and improving child wellbeing, including addressing family violence)	Expansion of community-based collective impact programme to improve social outcomes of families and whanau (SIA, Vote State Services)	[33]		Treasury has not been provided with a clear approach to assessing the impact of this initiative (to date or through the proposed expansion). This should be included in the initiative submission
Total for Associate Social Development				

Annex Two: Talking Points for Budget 2019 Bilateral Meetings

Purpose

The purpose of each bilateral meeting is to:

- Go over some of the key requirements for Budget 2019;
- Understand your priorities, what initiatives you are planning on submitting for Budget 2019, how these relate to Budget priorities, and how you are working across portfolios and agencies on the initiatives; and
- Understand how you are approaching the prioritisation exercise for Budget 2019.

Expectations and Requirements for Budget 2019

Budget 2019 is our first Wellbeing Budget. For it to be successful, there are a number of changes for us as Ministers and for our agencies.

- Budget 2019 will be anchored around five priorities, which were established based on analysis from the Living Standards Framework, sector understanding and engagement across the public sector. These will drive the development of initiatives and decision making, and ensure a wellbeing focus is embedded at the heart of the Budget.
- While priority-aligned initiatives will be the main focus, non-aligned cost pressures where the Government has little discretion will also be within scope. A high bar will be set for any initiatives outside of these two areas. This high bar means that initiatives will need to achieve a strong assessment from the Treasury in the following areas:
 - Government direction and priority-alignment
 - Wellbeing analysis and intervention logic
 - Cost understanding
 - Collaboration
- We can't achieve any of the priorities without working across portfolios and agencies. As a result, collaboration between Ministers and across agencies is expected and will be a component of how Finance Ministers and the Treasury will look at and assess initiatives and Budget packages.
- All initiatives will also be required to present a wellbeing analysis – something your agencies will be working on. This involves identifying the impacts of initiatives on the 12 wellbeing domains, the four capitals and whether the initiative adapts to or absorbs risk and builds resilience. This wellbeing analysis will also play a role in how we consider packages and make decisions through the Budget process.

Budget 2019 allowances are tight.

- It is important that we continue to stick to the Budget Responsibility Rules. But doing so, while also achieving our objectives for the Wellbeing Budget, will require considerable effort.
- After pre-commitments, we have under \$2 billion operating per annum available for Budget 2019 (as at 15 October). On the capital side, our shift to a multi-year capital allowance will provide greater flexibility, but it won't increase the total amount of funding available. There have already been significant calls on the capital allowance as well.
- The tight allowances are another reason why the prioritisation exercise of identifying low-value and non-priority aligning expenditure is important. We want to ensure that our focus is not just on marginal expenditure but also on ensuring existing expenditure supports this Government's direction and priorities.
- I also want to re-enforce that pre-commitments against these allowances only further reduce the amount that we have to spend for the Wellbeing Budget. These should only be considered where there is an urgent need for funding in 2018/19 and the BBC has been exhausted.

Understanding each Minister's Approach to their Initiatives for Budget 2019

- The rest of this meeting is about you and your portfolios.
- I'm keen to understand your priorities, what is most important to you, and what initiatives you're developing with your agencies and other Ministers for Budget 2019.
- I'm also interested in how you're approaching the prioritisation exercise, and any high level areas you're considering with this.
- Finally, I'd like to understand how you have found the Budget process so far, and confirm that you have the information and support you need.