

The Treasury

Budget 2020 Information Release

July 2020

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Reference: T2019/4150

DH-3-19-1

Date: 9 January 2020

To: Minister of Finance (Hon Grant Robertson)

Deadline: None

Aide Memoire: NGO Cost Pressure Funding Budget 2020

This Aide Memoire provides you with additional information about the NGO cost pressure funding sought by the Ministry of Social Development (MSD) and Oranga Tamariki in Budget 2020. This report provides information on the current high cost pressure package and a variant package with 20% less funding. We have also provided some information on the wider social sector.

Big Picture – Social Sector NGO Funding

You met with Brenda Pilot and other representatives from the Social Service Providers Association (SSPA) on 04 December 2019 to discuss funding concerns in the social sector. The key messages from that meeting were:

- There is an understanding that the sector does not expect everything (i.e. full funding) at once, a sense of a longer term pipeline is preferred;
- Pressures have mounted for the sector, in particular on the wage pressure side rather than traditional cost pressures;
- This is particularly related to the gap in social worker pay with Oranga Tamariki, where pay scales now are not even overlapping;
- There is a general concern about social worker labour market and skills shortages.

MSD is currently working on the 'Future of Social Sector Commissioning' project which focuses on long term commissioning principles. The deliverable is a document that sets out the high-level direction for the future of social sector commissioning. Once finalised, the document will guide future work between social sector government agencies and providers.

When we met with you in December, you asked for information on the wider social sectors NGO funding, particularly Vote Health. Some Votes within the social sector have not been able to provide a more up-to-date picture of current NGO spend due to the complexities of appropriations and recent changes to services.

Many of the Health services and providers are currently funded at a higher rate (i.e. closer to full funding) than MSD and Oranga Tamariki service providers.

Vote Health

Vote Health spends approximately \$1.8 billion per annum on NGO services and provider development. This funds core services such as disability support, ambulances, maternity and child health, hospice care, and public health. It is difficult to provide a precise breakdown of funding flowing to NGOs from Vote Health due to the split purchasing arrangements between the Ministry of Health and District Health Boards (DHBs), and due to the evolving mix of NGO, for-profit and governmental providers funded through the same appropriations. Crown funding has increased faster than inflation in a number of appropriations predominantly used to purchase NGO services. For example, the funding appropriated to ambulance and child health services have respectively increased by 90% and 81% between 2009/10 and OBU 2019, compared to CPI inflation of 16.3% over the same period. Providers may also receive funding from DHBs, ACC, fundraising activities and fees for service.

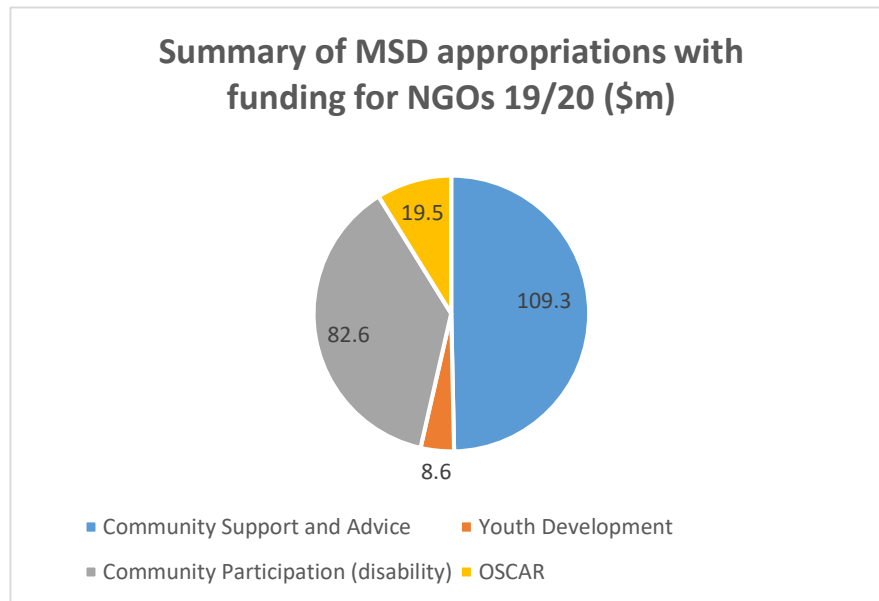
Minister Clark submitted [33] cost pressure initiatives relating predominantly to NGO non-profit providers, totalling [33] million per annum on average. These initiatives seek funding for providers of disability support, child health services, ambulances, population health and prevention services, and hospice care. The current high package includes support for five of these bids, totalling [33] per annum on average. The figures provided here exclude DHB cost pressure funding, which DHBs will use in part to purchase NGO services at their discretion, and also excludes for-profit non-government providers such as community midwives and primary care providers.

Other votes across the social sector spend approximately \$250-\$300 million per annum on NGO services.

MSD: Overall Picture of Current NGO Spend

Vote Social Development spends approximately \$430 million per annum on services delivered through contracts with NGO providers. MSD currently has four key appropriations (of which three are Multi-Category Appropriations (MCAs)) that fund NGOs to deliver services. Within the Community Support Services MCA, services include family and sexual violence, elder abuse response services, building financial capability, Heartlands and Information and Advice services and the KickStart breakfast programme. The table below shows current NGO funding across different services.

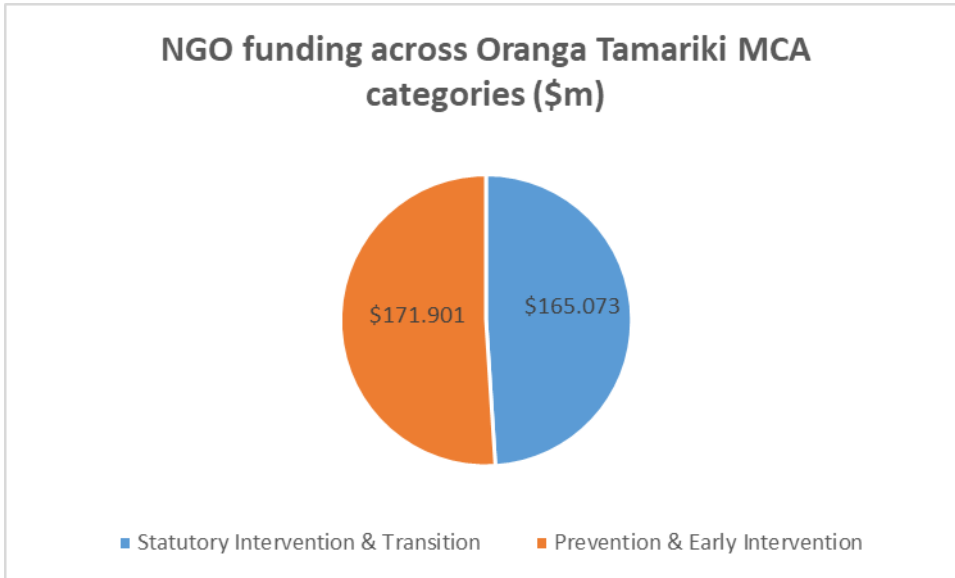
Summary of MSD appropriations with funding for NGOs 19/20 (\$m)



In addition, about \$210 million annually is used to fund external providers from the 'Improved Employment and Social Outcomes' MCA to deliver employment-related activities including Youth Services. Providers include larger NGOs such as the Salvation Army, Workbridge, and In-Work NZ. [33]

Oranga Tamariki: Overall Picture of Current NGO Spend

Vote Oranga Tamariki spends \$336.974 million per annum on services delivered through contracts with NGO providers. This funding sits within the Prevention and Early Intervention and Statutory Intervention and Transition categories of Oranga Tamariki's MCA, comprising 29% of the total MCA in 2019/20. Significant services include family support and wellbeing services (including Family Start), school-based services (including Social Workers in Schools), and Youth Justice support services.



Budget 2019 Uplift for NGO Providers

MSD and Oranga Tamariki received cost pressure funding for NGO providers in Budget 2019 (a combined \$12.9 million per annum). This funding provided a 3.75% uplift to the value of contracts, but did not address these significant pressures, or enable those services with high proportions of social workers to offer competitive wages, following the Oranga Tamariki social worker pay equity settlement in 2018.

Cost Pressure Analysis

Our overall assessment of the NGO cost pressure bids is that there are genuine cost pressures faced by these services. This is primarily due to the significant increases in the numbers of clients who are accessing the services and the increasing complexity of hardship faced by clients. Many of these services have received no (or very little) funding increases for around a decade.

Annex A gives an overview of the total amount sought by the agency, the amount currently in the high package and the percentage increase to the service baseline in 2023/24.

Some services are facing more significant cost pressures. In particular the Family Violence services and Disability services, Building Financial Capability, and Oranga Tamariki services heavily reliant on the social worker workforce:

Family Violence

The three family violence bids (**victim's services**, **voluntary perpetrator treatment services** (i.e. not mandated by the Court) and **elder abuse services**) have been treated as a package as they are facing similar pressures and the methodology MSD used to determine the pressure is consistent across these three bids. A significant proportion of the family violence workforce are either registered social workers or un-

registered but qualified social workers. [33]

In addition, for many years family violence agencies have been dealing with presenting demand by increasing caseloads (to what MSD considers unsafe levels), which reduces the support that can be provided to each client or through carrying waiting lists (which is highly unsatisfactory where there is actual harm occurring or high risk it will). Although demand is projected to continue to grow over the forecast period, the cost pressure bids do not seek funding to cover this.

Disability

[25]

Building Financial Capability

The cost pressures arise from the increasing depth and complexity of hardship experienced by clients, which means providers are required to spend more time with each client than contracted for by the current service model. This is compounded by an expected increase in the number of clients referred to services as a result of legislative changes² [25] The sector also employs some social workers. [25]

After discussion with MSD, we are of the understanding that targeting specific providers within BFC for funding will be difficult and therefore agree that any funding provided should be provided as a universal uplift to all providers as they are all facing similar pressures. We have taken a consistent approach with the OSCAR bid.

1 [25]

2. Through the proposed Credit Contracts and Consumer Finance Act Amendment Bill 2019.

Social worker pay relativity

The pay equity settlement for Oranga Tamariki social workers in late 2018 has altered the pay relativity between statutory and NGO social workers (historically about a 20% differential). The Oranga Tamariki cost pressure bid, and elements of the three MSD Family Violence bids, would restore the relativity in pay to historic levels over four years if funded at the current high package level. Without funding, NGOs' employing social workers will continue to struggle to deliver services because of increasing personnel costs resulting from the increased demand (and salary expectations) of social workers.

[33]

Options for Reducing Current High Package

There are options to reduce the current high package set out in Annex A if necessary. **The current high package totals [33] over four years** for Oranga Tamariki and MSD NGO provider funding. This would provide a significant funding increase which will address the historical underfunding of many services and, in addition, provide an uplift to some services such as family violence, disability and heartlands.

If you were to reduce this package by \$50m to [33] **over four years** we would recommend scaling the bids detailed in the table below. There are risks with significantly reducing the current package including likely service failure, higher caseloads for family violence services and not restoring the 20% pay differential between Oranga Tamariki social workers and NGO social workers. These risks are detailed below.

Bid Title	Current High Package total (\$m)	\$50m reduction package total	Risks
Community Services: Ensuring timely access for victims of family violence (FVSV)	142.000	118.181	<ul style="list-style-type: none"> Less direct and indirect costs and overheads (office, management, professional development, accounts, client costs) Higher, but acceptable caseload per FTE Keep salary component of FTE to \$60k (will not restore/maintain 20% differential between Oranga Tamariki and NGO social workers)
Community Services: Addressing demand for response services for victims of elder abuse (FVSV)	25.000	19.711	
Community Services: Funding for under-serviced communities in regional New Zealand	18.100	10.952	<ul style="list-style-type: none"> Targeting funding to Heartlands sites only Possible closure of some information and advice providers

Community Services: Keeping community-based services open for disabled people	43.300	29.000	<ul style="list-style-type: none"> Increases additional per annum investment by 10% from Year 1 onwards to reduce gap between cost to service and current MSD funding by 30%. Risk of service failure (charges or closure) for some providers with lower level of funding [25] Disability services will need additional funding through subsequent budgets.
Community Services: Strengthening capability of social sector providers	1.920	0	<ul style="list-style-type: none"> Social service providers will be very disappointed in not receiving any funding uplift through Budget 20.
TOTAL	230.320	177.844	

If you were to go further than 20% we can provide further advice.

Evidence of Effectiveness for Services Seeking B20 Funding

When we met with you on 9 December 2019, you asked about evidence of effectiveness across services delivered by NGOs.

Please refer to Annex A for information about each of the bids and what we know about service effectiveness. Annex A also provides RAG ratings for the individual bids' alignment with government priorities and the scale of the cost pressure.

[34]

Sam Tendeter, Manager, Welfare and Oranga Tamariki, [39]

[39]



TE TAI ŌHANGA
THE TREASURY
Comment

KEY
Green – High
Orange – Relatively high
Red - Low

MSD and OT Cost Pressure Bids

Bid Title	Current baseline (\$m)	Amount sought total (\$m)	high package total (\$m)	% increase in baseline by 2023/24	RAG Rating Scale of cost pressure	RAG Rating Evidence of Service effectiveness	Comment
Community Services: Reduce waitlists for family violence perpetrators to access specialist services (FVSV)	2.271	[33]	16.000	220.1%	Green	Orange	These services aim to provide support to perpetrators of family violence. A 2018 evaluation of similar Ministry of Justice-funded perpetrator programmes found that those who attend a programme were: 1. Significantly less likely to commit a further family violence offence or a non-family violence offence in the following 12 months 2. Committed up to 46% fewer family violence offences in the following 12 months.
Community Services: Ensuring timely access for victims of family violence (FVSV)	27.884		142.000	175.7%	Green	Orange	These services aim to provide support to victims of family violence. There has been some evaluation into the impacts of refuges for those experiencing violence. MSD has indicated that refuges have a positive impact on women's likelihood and ability to leave abusive relationships. Refuges may reduce trauma-related symptoms and depression and increase self-esteem. Refuges help women heal from the recent trauma and can be instrumental in helping women regain control over their lives. Survivors reported they felt safer, more hopeful, and had more safety strategies at their disposal post-shelter, as well as a significant decrease in trauma-related symptoms. In New Zealand, research has found that women are generally satisfied with their experience with refuges and that they met their needs. Over 24,000 victims / survivors and their family/whānau currently benefit from these services.
Community Services: Addressing demand for response services for victims of elder abuse (FVSV)	2.665		25.000	375.2%	Green	Orange	Following a redesign of the service in 2017, it now aims to provide direct support to victims. Over 4,000 clients currently receive the EARS service each year, provided by approximately 32 FTE (a very high 132 referrals per FTE). Evidence shows that interventions including teaching empowerment strategies and coping skills to older people is effective in reducing the frequency of abuse. Raising public awareness by providing workshops for the elderly improves awareness about responses to elder abuse and increases the number of identified cases.
Community Services: Funding for under-served communities in regional New Zealand	1.548		18.100	396.5%	Orange	Green	This initiative aims to support services in rural communities to ensure clients in these areas can access a broad range of government and non-government services. There are no recent formal evaluations. However, the Heartlands Client Satisfaction surveys (2014) show that 95% of respondents agreed or strongly agreed that it had improved their access to government and non-government services. There are currently 28 Heartland sites and 32 Information and Advice sites.
Community Services: Keeping community-based services open for disabled people	72.552		43.300	22.9%	Green	Orange	This initiative aims to provide community participation services for disabled people, including Very High Needs, High Needs, Transition from School and Business Enterprise Services for approximately 9,500 at any time. No formal evaluation has been undertaken. [25]
Community Services: Strengthening capability of social sector providers	3.608		1.920	43.9%	Red	Orange	The social sector peak organisations support community sector providers through training, quality assurance, capability building activities, and the development and dissemination of policies and procedures. They also represent the community sector in their engagement with government agencies. No formal evaluation has been undertaken. However, members of umbrella organisations are satisfied with training provided (100%) and are better able to deliver their services as a result of the support offered by these umbrella organisations (between 83% - 100%).
Community Services: Addressing Demand and Funding Pressures for Building Financial Capability	13.173		9.700	28.8%	Orange	Orange	This service aims to support key vulnerable groups such as Maori and Pacific people and sole parents (often women) experiencing hardship. The service model helps people (approx. 35,000 per year) build their financial capability and resilience. BFC takes a strengths-based approach to empower people to get control of their money, set goals and achieve long-term, sustainable change. There is an existing formal evaluation of this service (2017-2022). The BFC's interim evaluation (2018) shows that because of the service clients feel more in control of debt (56%), have more confidence to manage their finances (43%) and are on track to achieve their financial goals (48%).
OSCAR	19.500		9.600	19.5%	Orange	Orange	The OSCAR initiative has been ongoing since 2002 and currently MSD funds 51,100 contracted places for children and young people per year through 527 OSCAR providers at 876 venues. These grants are distributed across the country and are a universal service available for all families in New Zealand. International evidence demonstrates quality early interventions during childhood can provide significant social, economic and cognitive benefits for children. OSCAR provides a means for children to access a range of pro-social activities, increasing the likelihood of improved socio-economic outcomes, in addition to supporting parents to gain and maintain employment.
Supporting Social Service Delivery (Oranga Tamariki bid)	250.255	[33]		23.05%	Green	Orange	This initiative seeks cost pressure funding to stabilise and maintain capability across a range of services delivered by NGO providers. Oranga Tamariki has been able to provide some evidence of effectiveness for some services. A quasi-experimental impact study of Family Start in 2017 found that the service reduced post neonatal infant mortality; had positive impacts on families' utilisation of some health services; and increased children's engagement with ECE. A quasi-experimental impact study of SWiS in 2017 using the IDI found some evidence of reduction in non-enrolment days; some evidence of increase in NCEA L1 attainment; and reductions in Youth Justice referrals.
Total	393.456	481.568					