

The Treasury

Budget 2022 Information Release

August 2022

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- [33] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials
- [34] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions
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- [36] 9(2)(h) - to maintain legal professional privilege
- [37] 9(2)(i) - to enable the Crown to carry out commercial activities without disadvantage or prejudice
- [38] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice
- [39] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage
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- [42] 18(d) - information is already publicly available or will be publicly available soon

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2022 Budget Package: Vote Social Development (Technical Initiatives)

Appropriation Administrator: Ministry of Social Development

It is recommended that the relevant Appropriation Minister and the Minister of Finance jointly:

- note** that Cabinet has approved the Budget initiative(s) for the above Vote for inclusion in the 2022 Budget package, as detailed in the summary table(s) below:

Summary of Technical Initiative(s) Agreed by Cabinet:

Operating Initiative(s) (Impact on Operating Balance)

Initiative ID	Initiative Name	\$m - increase/(decrease)				
		2021/22	2022/23	2023/24	2024/25	2025/26 & Outyears
14339	Accounting for Software as a Service (SaaS)	30.826	-	-	-	-
14330	Apprenticeship Support Programme	-	-	-	-	-
14326	Fiscally neutral adjustment for the MSD's departmental appropriations for changes in cost drivers in 2021/22	-	-	-	-	-
14337	Funding arrangements for the Community Connect Pilot	(0.561)	-	-	-	-
14430	Transfer of funding for the COVID-19 Leave Support Scheme	(50.000)	50.000	-	-	-
Total Operating		(19.735)	50.000	-	-	-

Capital Initiative(s) (Impact on Debt)

Initiative ID	Initiative Name	\$m - increase/(decrease)				
		2021/22	2022/23	2023/24	2024/25	2025/26 & Outyears
14339	Accounting for Software as a Service (SaaS)	(30.826)	-	-	-	-
14330	Apprenticeship Support Programme	-	-	-	-	-
14326	Fiscally neutral adjustment for the MSD's departmental appropriations for changes in cost drivers in 2021/22	-	-	-	-	-
14337	Funding arrangements for the Community Connect Pilot	0.561	-	-	-	-
14430	Transfer of funding for the COVID-19 Leave Support Scheme	-	-	-	-	-
Total Capital		(30.265)	-	-	-	-

2 **note** that Cabinet has:

- i. **authorised** the relevant Appropriation Minister and the Minister of Finance (Joint Ministers) jointly to agree to the changes to appropriations (including establishment of new appropriations if necessary) and/or capital injections and related recommendations necessary to give effect to the initiative(s) included in the 2022 Budget package for the above Vote, as detailed in the summary table(s) above;
- ii. **authorised** Joint Ministers jointly to agree that the proposed changes to appropriations and/or capital injections for 2021/22 approved by Joint Ministers as authorised above be included in the 2021/22 Supplementary Estimates and that, in the interim, the increases be met from Imprest Supply;
- iii. **agreed** that expenses or capital expenditure against appropriations and capital injection authorisations set out in the 2022/23 Estimates and being sought in the Appropriation (2022/23 Estimates) Bill may be met from Imprest Supply until that Bill is enacted and comes into force;
- iv. **authorised** Joint Ministers to approve jointly any technical adjustments to baselines necessary to remove any errors or inconsistencies identified while finalising the 2021/22 Supplementary Estimates, the 2022/23 Estimates and the fiscal forecasts;
- v. **authorised** the chief executives of departments that monitor Crown entities directly affected by Budget decisions taken by Cabinet or taken by Joint Ministers as authorised by Cabinet to inform the chair and/or chief executive of a Crown entity, on a Budget-in-confidence-until-Budget-day basis, of decisions that directly affect that Crown entity for the purpose of planning and preparation of their Statement of Intent and/or Statement of Performance Expectations;
- vi. **noted** that all communications relating to the 2022 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;

3 **agree** to establish new appropriations where required to implement the initiative(s) included in the summary table(s) above, as detailed in the attached initiative document(s);

4 **approve** changes to appropriations and/or the capital injections to the administering department (where applicable) to implement the initiative(s) included in the summary table(s) above, as set out in the attached initiative document(s);

5 **approve** the additional recommendation(s) to give effect to the initiative(s), as set out in the attached initiative document(s);

6 **agree** that the proposed change(s) to appropriations and/or capital injections for 2021/22 detailed in the attached initiative document(s) be included in the 2021/22 Supplementary Estimates and that, in the interim, the increase(s) be met from Imprest Supply;

Vote: Social Development

Appropriation Administrator: Ministry of Social Development

Title: Accounting for Software as a Service (SaaS)

Description: A change in the accounting treatment for certain implementation costs associated with Software as a Service arrangements that have been capitalised or are planned to be capitalised and reported as an intangible asset now need to be written-off from the Ministry of Social Development's balance sheet as an operating expense. The change in accounting policy was not finalised until after the March Baseline Update 2022 and is required to be adopted for the 2021/22 fiscal year.

Appropriation Changes

	\$m - increase/(decrease)				
	2021/22	2022/23	2023/24	2024/25	2025/26 & Outyears
Operating Balance Impact*	30.826	-	-	-	-
Net Core Crown Debt Impact Only	(30.826)	-	-	-	-
No Impact	50.342	-	-	-	-
Total	50.342	-	-	-	-

* Unless non-cash, will also impact net core Crown debt.

	\$m - increase/(decrease)				
	2021/22	2022/23	2023/24	2024/25	2025/26 & Outyears
Departmental Output Expenses:					
Establishing a Ministry for Disabled People (funded by revenue Crown)	1.500	-	-	-	-
Capital Injections:					
Ministry of Social Development - Capital Injection	(30.826)	-	-	-	-
Multi-Category Expenses and Capital Expenditure:					
Improved Employment and Social Outcomes Support (MCA)					
<i>Departmental Output Expenses:</i>					
Administering Income Support (funded by revenue Crown)	23.161	-	-	-	-
Administering Income Support	50.342	-	-	-	-
Improving Employment Outcomes (funded by revenue Crown)	6.165	-	-	-	-
Total Multi-Category Expenses and Capital Expenditure: Improved Employment and Social Outcomes Support (MCA)	79.668	-	-	-	-

Total Operating	81.168	-	-	-	-
Total Capital	(30.826)	-	-	-	-

Additional Recommendations

- 7 note that there has been a recent change in the accounting treatment for Software as a Service (SaaS) arrangements which will be applicable for financial reporting in the 2021/22 fiscal year.
- 8 note that the change in the accounting treatment for SaaS arrangements will require a retrospective adjustment to prior year financial information.
- 9 note that to adopt the accounting policy change is a current year decision and that an appropriation adjustment is required for a retrospective adjustment that results in a write off of intangible assets and work in progress from the Ministry of Social Development's balance sheet as at 30 June 2021.
- 10 note that the retrospective adjustment is a non-cash expense and does not impact on funding levels.
- 11 agree to a \$50.342 million appropriation increase to the Improved Employment and Social Outcomes Support MCA category, Administering Income Support to provide for the retrospective write off of relevant SaaS intangible assets and work in progress balances.
- 12 note that the Ministry of Social Development has incurred capital expenditure on SaaS projects in the 2021/22 financial year that under the change in the accounting treatment for SaaS arrangements need to be written off to operating expenditure.
- 13 agree to a fiscally neutral capital to operating swap of \$30.826 million to provide for the write off of relevant SaaS capital expenditure in the 2021/22 financial year, with an impact on the operating balance and net core Crown debt.

Vote: Social Development

Appropriation Administrator: Ministry of Social Development

Title: Apprenticeship Support Programme

Description: In June 2020, Cabinet agreed to the Apprenticeship Support Programme with funding of \$412 million over three financial years to ensure that employers retain existing and bring on new apprentices throughout any economic downturn caused by COVID-19 [CAB-20-MIN-0280]. A four-month extension of the programme was agreed in March 2021 by joint Ministers with additional funding of \$56.500 million. In December 2021, Cabinet agreed to a further \$127.500 million to meet additional demand for the programme [CAB-21-MIN-0548]. Due to uncertainty of the volumes of uptake for this initiative, an in-principle expense transfer is required to carry forward any underspends from 2021/22 to 2022/23.

Additional Recommendations

- 14 agree in principle that any underspends with the Apprenticeship Boost initiative in 2021/22 be transferred to the 2022/23 financial year.
- 15 authorise the Minister of Finance and the Minister for Social Development and Employment jointly to agree the final amount(s) to be transferred for the above in principle decision, following completion of the 2021/22 financial statements of the Ministry of Social Development or beforehand if necessary, with no impact on the operating balance and/or net core Crown debt across the forecast period.

Vote: Social Development

Appropriation Administrator: Ministry of Social Development

Title: Fiscally neutral adjustment for the MSD's departmental appropriations for changes in cost drivers in 2021/22

Description: The Ministry of Social Development allocates costs to appropriations based on various cost drivers such as time spent on activities, volume data and demand driven services. The information required to allocate the costs to appropriations is not available to be confirmed for the March Baseline Update. A fiscally neutral adjustment is sought to reflect changes in cost drivers during 2021/22 with the flow-on impact on a number of appropriations.

Appropriation Changes

	\$m - increase/(decrease)				
	2021/22	2022/23	2023/24	2024/25	2025/26 & Outyears
Operating Balance Impact*	-	-	-	-	-
Net Core Crown Debt Impact Only	-	-	-	-	-
No Impact	-	-	-	-	-
Total	-	-	-	-	-

* Unless non-cash, will also impact net core Crown debt.

	\$m - increase/(decrease)				
	2021/22	2022/23	2023/24	2024/25	2025/26 & Outyears
Departmental Output Expenses:					
Administration of Service Cards (funded by revenue Crown)	1.000	-	-	-	-
Income Support and Assistance to Seniors (funded by revenue Crown)	(8.300)	-	-	-	-
Investigation of Overpayments and Fraudulent Payments and Collection of Overpayments (funded by revenue Crown)	(5.200)	-	-	-	-
Management of Student Loans (funded by revenue Crown)	4.500	-	-	-	-
Management of Student Support (funded by revenue Crown)	4.500	-	-	-	-
Planning, Correspondence and Monitoring (funded by revenue Crown)	(0.500)	-	-	-	-
Policy Advice (funded by revenue Crown)	0.500	-	-	-	-

Processing of Veterans' Pensions (funded by revenue Crown)	0.050	-	-	-	-
Promoting Positive Outcomes for Disabled People (funded by revenue Crown)	(0.500)	-	-	-	-
Promoting Positive Outcomes for Seniors (funded by revenue Crown)	0.500	-	-	-	-
Services to Support People to Access Accommodation (funded by revenue Crown)	(3.000)	-	-	-	-
Multi-Category Expenses and Capital Expenditure:					
Community Support Services (MCA)					
<i>Departmental Output Expenses:</i>					
Developing and Managing Community Services (funded by revenue Crown)	(6.900)	-	-	-	-
Total Multi-Category Expenses and Capital Expenditure: Community Support Services (MCA)	(6.900)	-	-	-	-
Improved Employment and Social Outcomes Support (MCA)					
<i>Departmental Output Expenses:</i>					
Administering Income Support (funded by revenue Crown)	(10.600)	-	-	-	-
Improving Employment Outcomes (funded by revenue Crown)	42.050	-	-	-	-
Improving Work Readiness Outcomes (funded by revenue Crown)	(13.100)	-	-	-	-
Jobs and Skills Hubs (funded by revenue Crown)	(5.000)	-	-	-	-
Total Multi-Category Expenses and Capital Expenditure: Improved Employment and Social Outcomes Support (MCA)	13.350	-	-	-	-
Total Operating	-	-	-	-	-
Total Capital	-	-	-	-	-

Vote: Social Development

Appropriation Administrator: Ministry of Social Development

Title: Funding arrangements for the Community Connect Pilot

Description: The Community Connect pilot in Auckland was announced in March 2021 as part of the Auckland Transport Alignment Project 2021-31 investment package. It is a three-year pilot of a 50 percent public transport concession for Community Services Card (CSC) holders, starting July 2022. In November 2021, joint Ministers agreed to provide \$0.760 million operating funding to Vote Social Development for its share of set-up costs for the pilot. The set-up costs are partly capital in nature and the Ministry is seeking to convert a portion of that operating funding to capital for this project. The information required to complete this adjustment was not sufficiently complete to be included in MSD's March Baseline Update

Appropriation Changes

	\$m - increase/(decrease)				
	2021/22	2022/23	2023/24	2024/25	2025/26 & Outyears
Operating Balance Impact*	(0.561)	-	-	-	-
Net Core Crown Debt Impact Only	0.561	-	-	-	-
No Impact	-	-	-	-	-
Total	-	-	-	-	-

* Unless non-cash, will also impact net core Crown debt.

	\$m - increase/(decrease)				
	2021/22	2022/23	2023/24	2024/25	2025/26 & Outyears
Departmental Output Expenses:					
Administration of Service Cards (funded by revenue Crown)	(0.561)	-	-	-	-
Capital Injections:					
Ministry of Social Development - Capital Injection	0.561	-	-	-	-
Total Operating	(0.561)	-	-	-	-
Total Capital	0.561	-	-	-	-

Additional Recommendation

16 agree to a fiscally neutral operating to capital swap to provide for the Community Connect Pilot, with the above impacts on the operating balance and net core Crown debt.

Vote: Social Development

Appropriation Administrator: Ministry of Social Development

Title: Transfer of funding for the COVID-19 Leave Support Scheme

Description: An expense transfer for the COVID-19 Leave Support Scheme is required to ensure that funding is appropriated and made available for the 2022/23 financial year. This will ensure that the Leave Support Scheme payments can continue to be made where required from 1 July 2022.

Appropriation Changes

	\$m - increase/(decrease)				
	2021/22	2022/23	2023/24	2024/25	2025/26 & Outyears
Operating Balance Impact*	(50.000)	50.000	-	-	-
Net Core Crown Debt Impact Only	-	-	-	-	-
No Impact	-	-	-	-	-
Total	(50.000)	50.000	-	-	-

* Unless non-cash, will also impact net core Crown debt.

	\$m - increase/(decrease)				
	2021/22	2022/23	2023/24	2024/25	2025/26 & Outyears
Non-Departmental Other Expenses:					
COVID-19 Leave Support Scheme	(50.000)	50.000	-	-	-
Total Operating	(50.000)	50.000	-	-	-
Total Capital	-	-	-	-	-

Additional Recommendations

- 17 note that in addition to the above expense transfer of \$50 million, an in principle expense transfer of operating funding from 2021/22 to 2022/23 is required due to the high uncertainty in the spending profile of the COVID 19 Leave Support Scheme.
- 18 agree in principle that any underspends in the COVID 19 Leave Support Scheme appropriation as at 30 June 2022 be transferred to the 2022/23 financial year to ensure that funding is available for that scheme.
- 19 authorise the Minister of Finance and the Minister for Social Development and Employment jointly to agree the final amount to be transferred for the above in principle decision, following completion of the 2021/22 audited financial statements of the Ministry of Social Development or earlier if necessary, with no impact on the operating balance and/or net core Crown debt across the forecast period.