

# Aide-mémoire



MINISTRY OF SOCIAL  
DEVELOPMENT  
TE MANATŪ WHAKAHIATO ORA

## Meeting

**Date:** 26 April 2024      **Security Level:** ~~BUDGET SENSITIVE~~

**For:** Hon Louise Upston, Minister for Social Development and  
Employment

**File Reference:** REP/24/4/363

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## Vote Social Development – Budget 2024 information to support Cabinet discussions

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**Meeting/visit  
details**      Monday 29 April 2024  
Cabinet meeting

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**Purpose of  
meeting/visit**      Cabinet will discuss and agree to the final Budget 2024  
package, including Vote Social Development initiatives.

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**Summary**      This aide memoire includes high-level talking points to  
support your discussion at Cabinet. It also attaches the  
following documents.

- Appendix One – Draft Budget 2024 Package  
Summary
- Appendix Two – Back pocket information

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**Achievement  
of Baseline  
Reduction  
Target**      • Vote Social Development has a Baseline Reduction  
Target of \$119.4m per financial year, or \$477.6m  
over the forecast period.

- The Vote Social Development budget package  
provides gross savings of \$900.692m and net total  
savings of \$792.227m over the forecast period, or

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\$778.276m in savings from Vote Social development after excluding cross-vote impacts.

- Savings will be realised across policy, community programmes, and departmental expenditure.
- The Policy savings will result from:
  - Tightening the gateway to emergency housing and extending scaled-down support services. Emergency Housing support services help assist people with moving into sustainable housing and addressing wider needs. This initiative is key to Government's ability to achieve the target of 75% fewer people in Emergency Housing by 2029.
  - Including boarders' contribution in the calculation of subsidies for private and social housing. This initiative reduces expenditure on housing subsidies by changing the way accommodation costs are recognised where a person has boarders. This addresses a current issue where accommodation costs can be counted more than once in the calculation of subsidies for a homeowner/primary tenant and their boarder. Expenditure will be reduced by recognising the contributions from boarders/additional adult residents towards accommodation costs for: Accommodation Supplement, Temporary Additional Support, and the grand-parented Special Benefit. This initiative also ensures boarder contributions are considered for all boarders when calculating the Income-Related Rent for social housing tenants.
- Community programme savings are mainly from discontinuation of the minimum wage supplement. This initiative returns funding for the wage supplement that replaces Minimum Wage Exemption permits. The wage supplement is a costly intervention that will not address the issue of

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segregated employment or support employment of disabled people more broadly.

- Departmental savings from reducing MSD's non-essential back-office functions, including:
  - contractors and consultants
  - discretionary expenditure s9(2)(j) [REDACTED]
  - accommodation, and
  - FTEs.
- Time-limited savings totalling \$87.264m are also being returned as part of the package.

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**Talking points**

- I am aligning employment-related spending to achieve the Government Target of 50,000 fewer people on the Jobseeker Support Benefit by 2029.
- s9(2)(f)(iv) [REDACTED]









**BUDGET SENSITIVE**

Saving Initiatives	Savings (\$m)		Estimated timeframe (from decision)	Cost to implement (\$m)	Client and staff impacts	Alignment with Government priorities
	Per Year	Over forecast period				
<b>Departmental savings</b>						
<b>Social Workers Registration Board - Crown Funding reduction</b> Reducing current Crown funding provided to Social Workers Registration Board (SWRB) by 6.5%. This included funding for Crown activities and the SWRB Social Worker Workforce Lead function.	(0.053)	(0.212)	Savings can be realised from the beginning of the 2024/25 financial year.	There are no costs to implement this savings initiative.	<b>Clients:</b> Low risk as majority of SWRB funding comes from fees and levy charged to practising social workers.  <b>Staff:</b> Crown Accountability reporting and obligations related to SWRB's Crown Agent status may be prioritised over Workforce lead agency activity.	This initiative contributes to effective and fiscally sustainable public services by ensuring that SWRB operates in an efficient, effective and financially responsible manner.
<b>Contractor and Consultant Savings</b> This initiative returns departmental savings by reducing spending on contractors and consultants to below 11 percent of public sector workforce spending.	(15.650)	(62.600)	Savings can be realised from the beginning of the 2024/25 financial year.	There are no costs to implement this savings initiative.	s9(2)(g) (i) [Redacted text block]	This initiative links to delivering effective and fiscally sustainable public services and supports the government's commitment to reduce the use of contractors and consultants.



**BUDGET SENSITIVE**

Saving Initiatives	Savings (\$m)		Estimated timeframe (from decision)	Cost to implement (\$m)	Client and staff impacts	Alignment with Government priorities
	Per Year	Over forecast period				
<p><b>Operational Savings</b></p> <p>This initiative returns departmental savings in:</p> <ul style="list-style-type: none"> <li>• Travel</li> <li>• Accommodation (National Office)</li> <li>• Venue, Catering and Equipment</li> <li>• Stationery and consumables</li> <li>• s9(2)(j)</li> <li>• Devices and Peripherals</li> <li>• Cleaning and Plant Hire</li> <li>• Vending Machines and Hygiene Optimisation</li> </ul>	(6.070)	(24.280)	Savings can be realised from the beginning of the 2024/25 financial year.	There are no costs to implement this savings initiative.	<p><b>Clients:</b></p> <p>These savings have a low impact on the Ministry’s work programme.</p> <p><b>Staff:</b></p> <p>Minimal risks of reducing discretionary expenditure. The Ministry will be more deliberate about when face-to-face meetings are required.</p>	This initiative links to delivering effective and fiscally sustainable public services through the implementation of several departmental savings initiatives.
<p><b>MSD Departmental Savings – FTE</b></p> <p>This initiative returns FTE savings across all business groups, with a focus on non-frontline positions. This initiative returns FTE savings across all business groups, with a focus on non-frontline positions.</p>	(16.943)	(67.772)	Savings can be realised from the beginning of the 2024/25 financial year.	<p>Savings will be delivered through FTE management and attrition initially and followed by targeted business group change processes.</p> <p>The Ministry has a highly unionised workforce. Employment agreements stipulate how change will be managed, as well as change related entitlements, such as outplacement support and redundancy compensation.</p>	<p>Preliminary analysis has identified that approximately 165 FTE savings will need to be made. These reductions are in addition to an already reducing FTE baseline.</p> <p>Reductions have been identified using the Select Committee clusters while further review and analysis of specific functions and positions is undertaken. The anticipated FTE reduction by cluster is:</p> <ul style="list-style-type: none"> <li>• s9(2)(ba)(ii)</li> </ul>	<p>This initiative returns operational savings in FTE, with a focus on non-frontline positions. The preliminary areas identified for FTE reduction have a lower impact on the delivery of frontline services, the Minister's priorities for the Social Development and Employment portfolio and proposed targets for reducing Jobseeker Support and Emergency Housing. Since the impact on direct-to-client services will be minimised, these savings represent value for money because existing frontline services can continue within communities across New Zealand.</p> <p>These savings can be reprioritised to fund the Government’s priorities and deliver enduring improvements to the operating balance before gains and losses (OBEGAL) position.</p>





**BUDGET SENSITIVE**

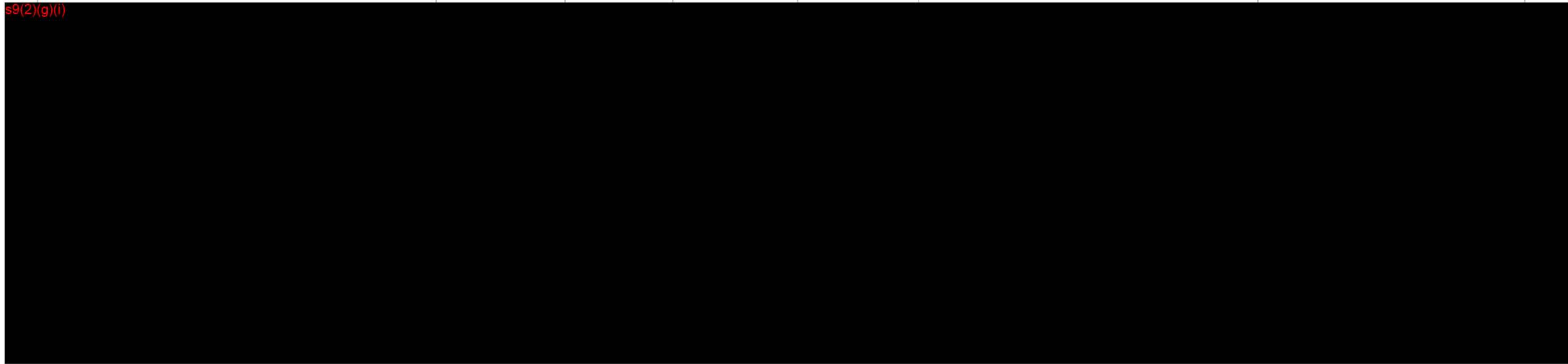
Saving Initiatives	Savings (\$m)		Estimated timeframe (from decision)	Cost to implement (\$m)	Client and staff impacts	Alignment with Government priorities
	Per Year	Over forecast period				
<b>Additional time-limited savings</b>						
<p><b>COVID-19 departmental funding</b></p> <p>This funding was appropriated in the early months of the COVID-19 pandemic, primarily to support MSD to meet additional demand. \$40 million that had been appropriated in 2023/24 and 2024/25 was returned in late 2021.</p>	25/26: (20.000) 26/27: (20.000) 27/28: (20.000)	(60.000)	Savings can be realised from the beginning of the 2025/26 financial year.	There are no costs to implement this savings initiative.	Returning this funding would have no impacts for clients or staff.	This initiative delivers effective and fiscally sustainable public services.

**BUDGET SENSITIVE**

Saving Initiatives	Savings (\$m)		Estimated timeframe (from decision)	Cost to implement (\$m)	Client and staff impacts	Alignment with Government priorities
	Per Year	Over forecast period				
<p><b>Growing the Capability of the Social Sector Fund</b></p> <p>This funding was appropriated at Budget 2022 to support the establishment and strengthening of Māori and Pacific collectives to engage more proactively and participate in the Social Sector Commissioning work programme via a Social Sector Capability Fund.</p>	2023/24: (5.800)	(5.800)	Savings can be realised from the 2023/24 financial year.	MSD will absorb any costs to implement this savings initiative.	<p><b>Clients:</b></p> <p>These initiatives have ended and decisions communicated.</p> <p>There could be future impacts on wider government work programmes (e.g. Te Pae Tawhiti), due to loss of input from underserved cohorts. MSD will explore other mechanisms to ensure that the voice of these under-served cohorts can be captured and reflected in wider government work programmes.</p> <p><b>Staff:</b></p>	These initiatives deliver effective and fiscally sustainable public services, consistent with the direction you provided in December 2023 (REP/23/12/987 refers).
<p><b>Growing a Diverse and Resilient Social Sector</b></p> <p>This funding was appropriated at Budget 2023 to help strengthen the capability, resilience and diversity of the social sector by funding community, provider, and sector groups, especially those that work with Māori, Pacific and Ethnic communities.</p>	2023/24: (4.400) 2024/25: (0.900)	(5.300)	Savings can be realised from the 2023/24 financial year.	There are no costs to implement this savings initiative.	Returning this funding would have no impacts for staff.	

**BUDGET SENSITIVE**

Saving Initiatives	Savings (\$m)		Estimated timeframe (from decision)	Cost to implement (\$m)	Client and staff impacts	Alignment with Government priorities
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<p><b>Community Connectors – scaling to 50 FTEs</b></p> <p>Community Connectors were originally funded as a COVID-19 response, allowing providers to respond flexibly to the needs of their communities. This funding was appropriated at Budget 2023 to extend the programme for a smaller number of connectors, who would support New Zealanders with other sorts of need, in addition to those impacted by COVID-19. The proposed savings initiative would reduce the number of connectors from 100 FTEs to 50 FTEs in the 2024/25 financial year.</p>	2024/25: (7.400)	(7.400)	Savings can be realised from the 2024/25 financial year.	There are no costs to implement this savings initiative.	<p><b>Clients:</b></p> <p>For clients who reside in those regions most impacted by the North Island Weather Events (NIWE) – including Northland, Auckland, East Coast, Hawke’s Bay and Coromandel – 50 of the 100 Community Connector FTEs will remain focussed on providing continued support.</p> <p>For clients served by the 50 FTE that will be exiting, advice will be provided on how best to transition out of service delivery and support their clients’ referral to alternative services.</p> <p><b>Staff:</b></p> <p>There are 50 FTE already in NIWE regions, with two-year contracts which would continue and require no further recruitment.</p> <p>s9(2)(g)(i)</p> <p>_____</p> <p>_____</p> <p>_____</p>	This initiative delivers effective and fiscally sustainable public services, and is consistent with the direction you provided in February 2024 (REP/24/2/160 refers).



s9(2)(g)(i)





**BUDGET SENSITIVE**

Saving Initiatives	Savings (\$m)		Estimated timeframe (from decision)	Cost to implement (\$m)	Client and staff impacts	Alignment with Government priorities
	Per Year	Over forecast period				
<p><b>Early Learning 20 Hours – departmental funding</b></p> <p>This funding was appropriated at Budget 2023 to support MSD to implement the extension of the 20 Hours Free programme to two-year-olds.</p>	2023/24: (1.079)	(1.079)	Savings can be realised from the 2023/24 financial year.	There are no costs to implement this savings initiative.	Vote Social Development was appropriated \$1.629m for IT and other operational costs associated with expanding 20 hours ECE. As at December 2023, \$0.550m of funding had been spent, leaving \$1.079m unspent from the overall \$1.629m budget (REP/23/12/965 refers).	This initiative delivers effective and fiscally sustainable public services, and is consistent with the direction you provided in December 2023 (REP/23/12/965 refers).

**BUDGET SENSITIVE**

New Spending Initiative	New Funding (\$m)		Estimated timeframe (from decision)	Cost to implement (\$m)	Client and staff impacts	Alignment with Government priorities
	Per Year	Over forecast period				
<p><b>Historic Claims of Abuse in Care</b>                      This initiative provides funding to enable MSD to continue resolving claims of historic abuse of people while in care of Child, Youth and Family, or its predecessors (without them having to resort to civil litigation) – for a further two years.</p>	2024/25: 32.833 2025/26: 49.036	Total cost: 81.869	This is the continuation of an existing initiative.	See costs column.	<p>Continuing to provide access to redress through the Historic Claims process has direct benefits including:</p> <ul style="list-style-type: none"> <li>claimants having a sense of justice, validation and empowerment</li> <li>support to help claimants to address adverse outcomes –increasing resilience, health, employment, training, housing, education and/or their connectedness with whānau, hapu and iwi</li> <li>learning from Claims is available for providers of State care – to build on the work of the Royal Commission of Inquiry into Historical Abuse in State Care.</li> </ul> <p>MSD is currently working through the impacts on staff and clients. Further advice will be provided once work has been completed on the number of claims that could be settled with this funding, and any impacts this may have on current FTE. Note that the Ministry has already reduced its FTE by approximately 10 FTE from original establishment.</p>	<p>This initiative aligns with the Government’s priority to deliver effective and fiscally sustainable public services.</p> <p>The Crown is liable to provide redress to people who have been abused in its care. MSD’s Historic claims process is a cost effective and human-centred approach to responding to claims of abuse in State care. The alternative being that claims are resolved through the Courts at significant financial and human costs due to the adversarial nature of the Court system.</p>



