



Report

Date: 11 January 2024

**Security
Level:**

~~BUDGET SENSITIVE~~

To: Hon Louise Upston, Minister for Social Development and
Employment

Budget 2024 Process and Fiscal Sustainability Tranche Three Information

REP/24/1/010

Purpose

- 1 On 21 December 2023, you received a letter from the Minister of Finance on her expectations, the process and timing for the Fiscal Sustainability Programme and Budget 2024. This report summarises the core components of Budget 2024 and outlines the proposed process to submit your response letter and relevant information by 16 February 2024.
- 2 This report also provides the following information (tranche three of our initial advice):
 - Research and Evaluation Programmes (Appendix One)
 - Introduction to the MSD's new Data Warehouse Replacement (Te Haoroa Programme) (Appendix Two).
- 3 We will discuss this report with you at our officials' meeting on Monday 15 January 2024.

Executive summary

- 4 The Minister of Finance wrote to you on 21 December 2023 confirming that MSD has a saving target of \$119.4 million per annum from 2024/25 amounting to 6.5% of the base funding eligible for initial baseline savings.
- 5 MSD will work with the associated Crown Entities to develop credible savings options. MSD is tailoring letters to clarify savings expectations for the three Crown Entities (Children and Young People's Commission, New Zealand Artificial Limb Service, and Social Workers Registration Board New Zealand).
- 6 Funding has been provided through previous budgets for research and evaluation. Appendix One provides a summary of funded programmes.
- 7 MSD has previously provided you with information about Te Pae Tawhiti. Appendix Two provides information about Data Warehouse Replacement (Te Haoroa Programme) that has been funded through previous budgets. MSD will be seeking agreement to shift between \$900k to \$1.3 million of funding forward through the March Baseline Update 2024 (MBU) for this programme

due to completing work earlier than previously forecast. The lifetime costs remain in line with the approved business case funding.

Recommendations

It is recommended that you:

- 1 **note** that the Minister of Finance wrote to you on 21 December 2023 to outline her expectations, the process and timing for the Fiscal Sustainability Programme and Budget 2024
- 2 **note** that you will receive advice on the draft plan for the Initial Baseline Exercise on 19 January 2024
- 3 **discuss** the list of programme funding in Appendices One and Two with officials on 15 January 2023
- 4 **note** that MSD intends to seek your agreement to move forward between \$900k to \$1.3 million of funding for the Data Warehouse Replacement (Te Haoroa Programme) as part of the March Baseline Update 2024
- 5 **note** that MSD intends to write to the Crown Entities that we monitor (Children and Young People's Commission, New Zealand Artificial Limb Service, and Social Workers Registration Board New Zealand) during the week beginning 15 January 2024 regarding their savings expectations
- 6 **discuss** the proposed timeline for the process to the 16 February 2024 submission deadline.

Sacha O'Dea
Deputy Chief Executive, Strategy and
Insights

Date

Hon Louise Upston
Minister for Social Development and
Employment

Date

Process and timing for the Fiscal Sustainability Programme and Budget 2024

- 8 On 11 December 2023, Cabinet agreed to establish a fiscal sustainability programme to help achieve the Government's fiscal objectives across the term. Cabinet also agreed the strategy and design of Budget 2024. The Minister of Finance wrote to you on 21 December 2023 outlining the expected next steps to deliver the Fiscal Sustainability programme and Budget 2024.
- 9 The deadline for Budget 2024 Initial Baseline Exercise submissions is 16 February 2024. A high-level timeline for the process to 16 February 2024 is included below. We recommend you discuss the timeline with officials at the Fiscal Sustainability meeting on 15 January 2024.

Action	Timing
MSD will contact Crown Entity Chairs and send letter about expectations for fiscal sustainability	Week beginning 15 January
MSD will provide Budget 24 and Fiscal Sustainability Programme (FSP) initial advice. This will cover: <ul style="list-style-type: none"> Initial advice on savings options and plan Initial advice on new spending initiatives 	Friday 19 January
MSD will provide Budget 24 and FSP Tranche 2 report. This will cover: <ul style="list-style-type: none"> Advice on scaling or stopping functions Content for new spending initiatives (to be confirmed) Talking points to support Ministerial engagement 	Friday 26 January
You engage with relevant Ministers about savings proposals	Week beginning 29 January ¹
MSD will provide summary of expected savings proposals to the Central Agency Assurance Panel	Wednesday 31 January
MSD will provide Budget 24 and FSP Tranche 3 report. This will cover: <ul style="list-style-type: none"> Draft Ministerial submission letter Revised draft savings plan Initial advice on reprioritisation plan 	Friday 2 February
MSD will provide Budget 24 and FSP Tranche 4 report. This will cover: <ul style="list-style-type: none"> Final Ministerial submission letter for your sign off Any supporting material 	Friday 9 February
Ministerial letter forwarded to the Minister of Finance	Friday 16 February
MSD loads templates into CFISnet: <ul style="list-style-type: none"> Initial Baseline Exercise summary template Savings templates Targeted policy savings templates Capital Pipeline review templates if applicable² New spending templates 	Friday 16 February

¹ Note that your priorities letter is also due to the Prime Minister on Monday 29 January, and we are providing separate advice to support this.

² Note that invitations for information required to support the Capital Pipeline Review will be issued sometime in January, and we will update you when further information is received.

Budget 2024 priorities

10 As you are aware, Cabinet agreed the following priorities for Budget 2024:

- **Addressing the rising cost of living:** deliver meaningful tax relief to working New Zealanders through changes to the tax system and cancellations of existing and planned taxes.
- **Delivering effective and fiscally sustainable public services:** introduce measures to improve value for money by focusing on results (in particular, in the areas of health, education, and law and order), and responsibly manage public finances.
- **Building for growth and enabling private enterprise:** deliver more housing, infrastructure and renewable energy through carefully prioritised investment, regulatory change that creates the conditions for investment, and developing a long-term pipeline of investments. Also improve regulatory settings to encourage skills growth, innovation, competition, and to attract investment and boost exports.

Core Components of Budget 2024

11 The core components of Budget 2024 are summarised below.

Savings

- 12 The Minister of Finance has asked MSD to find \$119.4 million a year from 2024/25, which includes the 2% savings target set by the previous government. Whaikaha is excluded from the baseline funding in scope, and agencies are not allowed to include coalition agreement policies towards the savings target.
- 13 As previously noted, MSD will provide you advice on 19 January with options and recommendations for policy changes, non-departmental programmes and departmental funding.

Targeted policy savings

- 14 As part of the fiscal sustainability programme, the Minister of Finance has also asked MSD to submit additional significant targeted policy savings or revenue options. The targeted savings and revenue options could help partially offset some of MSD's final baseline reduction target, subject to the nature and quantum of targeted policy savings and revenue options.
- 15 The Minister of Finance will consider the overall package of savings and spending initiatives and the trade-offs between baseline reduction savings, targeted policy savings and revenue options.

Assurance Process

- 16 The Minister of Finance has asked the Treasury to run an assurance process (focussed on savings) to ensure agreed baseline reductions are delivered. MSD met with the Assurance Panel (representatives from the Public Service Commission, the Department of the Prime Minister and Cabinet, and the Treasury) on 11 January 2024.
- 17 Agencies are required to submit an overview of expected savings proposals to the Assurance Panel by Wednesday 31 January 2024.

Plan for reprioritisation

- 18 As part of the Initial Baseline Exercise, the Minister of Finance has requested a plan for reprioritisation to manage pressures or take active choices to stop or scale programmes and to highlight service delivery risks and significant trade-offs.

Cost Pressures

- 19 Cabinet has not invited cost pressures related to MSD for Budget 2024. These pressures will need to be funded through MSD's internal reprioritisation, or by taking active choices to stop or scale programmes.

Invited new spending

- 20 MSD has been invited for four new spending initiatives including s9(2)(f)(iv) Apprenticeship Boost, Historic Claims, and Family Boost.
- 21 All submitted initiatives must be supported by a strong evidence base, robust policy logic, a clear delivery plan, and clearly articulate how they can deliver the highest value for money. The invitation by itself does not guarantee funding in Budget 2024.

Capital investment pipeline review

- 22 Capital Investments are in scope for the Initial Baseline Exercise. Cabinet has agreed to review the investment pipeline through Budget 2024 to ensure it is better aligned with the Government's priorities, is reduced to better match market capacity and has a strong focus on value for money.
- 23 The Minister of Finance has yet to confirm the capital investments that will be part of this review but our understanding is that Te Pae Tawhiti will be included. Decisions on savings and reprioritisation for capital investments will be made as part of the Budget 2024 process.

Letters to Crown Entities

- 24 As part of the savings exercise, MSD will work with associated Crown Entities, on your behalf, to develop credible savings options. Accordingly, MSD is preparing letters for the three Crown Entities (Children and Young People's Commission, New Zealand Artificial Limb Service, and Social Workers Registration Board New Zealand), to send during the week beginning 15 January 2024.
- 25 The letters outline the saving requirements for Government's fiscal strategy and the need for savings from Crown Entities. Specifically, MSD will be including an expectation that Crown Entities will manage any cost pressures within existing funding and find 6.5% in baseline savings from their portion of Crown funding per financial year.
- 26 We will provide your office with a copy of the letters for your information when they are sent out to the Crown Entities.

Tranche Three of information about Vote Social Development

Research and Evaluation Programmes

- 27 Advice regarding MSD's current research and evaluation programmes for employment, communities, and income is provided in Appendix One. This includes advice regarding the alignment with government's directions, effectiveness and value for money, and risks associated with stopping initiatives.

- 28 We seek your feedback on areas of interest or concern across Research and Evaluation Programmes in Appendix One. This will feed into the advice on the draft plan.

Data Warehouse Replacement (Te Haoroa Programme)

- 29 MSD has previously provided you with information about Te Pae Tawhiti. Appendix Two provides information about Te Haoroa Programme that has been funded through previous budgets. Te Haoroa Programme is MSD's new data platform, being delivered as part of a multi-year programme to modernise the Ministry's data capability.
- 30 Te Haoroa Programme was expected to provide a report back to Cabinet in December 2022. Te Haoroa Programme, as at December 2022, was implementing technical aspects e.g. provisioning and security assessment of the new cloud data platform. As a result, it was agreed to defer the Cabinet report back for twelve months, where the programme will provide a more substantive update on progress beyond the technical build activities. We will draft the Cabinet report back paper at your convenience in the coming weeks and months.
- 31 We seek your feedback on areas of interest or concern across the opportunities listed in Appendix Two.

Next steps

- 32 MSD officials will be available to discuss this report with you at our meeting on Monday 15 January 2024. Following this discussion, we will provide you with initial advice on the draft plan for the Initial Baseline Exercise by Friday 19 January 2024. This will include options and MSD's recommendations.

Appendices

Appendix One – Research and Evaluation Programmes

Appendix Two – Data Warehouse Replacement (Te Haoroa Programme)

Appendix One - Research and Evaluation Programmes

Title	High level description	Budget (\$m)				2024/25	2025/26	2026/27	2027/28	s9(2)(g)(i)	s9(2)(g)(i)
		2024/25	2025/26	2026/27	2027/28						
Employment											
Driver licence support - equitable access to driver licences to improve employment, wellbeing and safety outcomes	Evaluation of the effectiveness of driver licence support and training - to inform decisions on the continued funding of this type of assistance, following increased funding in 2022.	0.258	0.125	0.125	0.125	s9(2)(g)(i)					
Employment Programmes - Oranga Mahi (various trials)	A series of outcomes-focused evaluations to inform key decisions about the Oranga Mahi programme, including various participants' experience of the services.	0.4	-	-	-	s9(2)(g)(i)					
Employment Programmes - Direct Career Guidance Service	Evaluation to understand service outcomes.	0.15	-	-	-	s9(2)(g)(i)					
Training Incentive Allowance - Supporting Eligible MSD Clients to Study at NZQF Levels 1-7	Evaluation of the impact of policy changes in 2021. evaluation will look at whether increasing the level of study TIA from 1-3 to 1-7 increase the rate of study at levels 4-7 among those who are eligible for the TIA Evaluation will include IDI analysis of eligible and comparative ineligible groups.	-	0.073	0.073	0.073	s9(2)(g)(i)					

Title	High level description	Budget (\$m)				2024/25	2025/26	2026/27	2027/28	s9(2)(g)(i)	s9(2)(g)(i)
		2024/25	2025/26	2026/27	2027/28						
Employment Programmes - Vocational rehabilitation services for musculoskeletal pain	Monitoring framework and rapid evaluations to inform service design and perceived impact of a new service for those with musculo-skeletal conditions (who are not eligible for ACC funding).	0.225	-	-	-	s9(2)(g)(i)					
Employment Programmes - Early Response Redeployment Support and Rapid Return to Work	Evaluation to understand outcomes for displaced workers and how early employment interventions work for supporting people to return to work quickly.	0.15	-	-	-	s9(2)(g)(i)					
Pacific Employment Action Fund	Monitoring framework and rapid evaluations to inform the development of the Pacific Employment Action Fund. Developed in partnership with Ministry of Pacific Peoples to assess the effectiveness of the Fund.	0.150	0.150	-	-	s9(2)(g)(i)					
Communities											
Sexual Violence Services - Developing Kaupapa Māori Services for Victims/Survivors, Perpetrators and their Whanau	Research and evaluation of Kaupapa Māori sexual violence prevention programmes and services. The new evidence will inform future decisions on respective services.	0.1	0.1	0.1	0.1	s9(2)(g)(i)					
Family Violence Prevention (Pasefika Proud)	Research and evaluation of sexual violence prevention programmes and services targeting Pasefika Proud communities. There are several evaluations planned to improve the evidence base to support existing and new services.	0.028	0.028	0.028	0.028	s9(2)(g)(i)					

Title	High level description	Budget (\$m)				2024/25	2025/26	2026/27	2027/28	s9(2)(g)(i)	s9(2)(g)(i)
		2024/25	2025/26	2026/27	2027/28						
Stabilising and Strengthening the Delivery of Family Violence Services	Research and evaluation support for family violence related support including Women's refuge and service for victims of elder abuse. The evidence will help make decisions on continuing existing and new services.	0.22	0.22	0.22	0.22	s9(2)(g)(i)					
Preventing Family Violence and Sexual Violence: Actioning Te Aorerekura's prevention shift (Actions 21 and 23)	Insights from ethnic communities violence prevention programmes and abuse of older people to support for all-of-government approach through Te Puna Aonui's approach to reducing family and sexual violence. The information will be used to inform the outcome framework and measures on reducing sexual and family violence.	0.15	-	-	-	s9(2)(g)(i)					
Sexual Violence Services	This is a package of funding through Budget 2019 that includes focus areas such as: the wellbeing of male victims/survivors; access to crisis support services for victims/survivors; support for victims/survivors of sexual violence going through the Criminal Justice System; support services for adults experiencing concerning sexual ideation; and, support services for non-mandated adults with harmful sexual behaviours	0.239	0.239	0.239	0.239	s9(2)(g)(i)					
Improving Access to Support Services for Communities in Regional New Zealand (Heartlands)	Monitoring and evaluation of the Heartlands regional service. This service is for people in rural and remote areas who cannot readily access government services.	0.050	0.050	0.050	0.050	s9(2)(g)(i)					

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Title	High level description	Budget (\$m)				s9(2)(g)(i)	s9(2)(g)(i)	s9(2)(g)(i)	s9(2)(g)(i)
		2024/25	2025/26	2026/27	2027/28				
Youth Health and Wellbeing Survey (YHWS)	A national survey of youth health and wellbeing implemented every three years. This survey updates the insights we have on youth health and wellbeing to inform services to address the issues faced by youth.	1.0	1.0	1.0	1.0	s9(2)(g)(i)	s9(2)(g)(i)	s9(2)(g)(i)	s9(2)(g)(i)
Family Violence Prevention (Campaign for Action)	R&E FTE support for Abuse of Older People work programme	0.034	0.034	0.034	0.034	s9(2)(g)(i)	s9(2)(g)(i)	s9(2)(g)(i)	s9(2)(g)(i)
Family Violence Prevention (E Tu Whanau)	E Tu Whanau operates as a Māori Crown partnership to empower whanau, refugees and migrants be safe and strong. The research and evaluation will collect data and evidence to support a collective whanau-centred approach to empower whanau, refugees and migrant communities be safe and strong, maintain cultural identity and be self-determining.	0.089	0.089	0.089	0.089	s9(2)(g)(i)	s9(2)(g)(i)	s9(2)(g)(i)	s9(2)(g)(i)
Children & Families Research Fund (Growing up in New Zealand)	A contestable funding round to support research using the GUiNZ data	0.750	0.750	0.750	0.750	s9(2)(g)(i)	s9(2)(g)(i)	s9(2)(g)(i)	s9(2)(g)(i)

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Title	High level description	Budget (\$m)				2024/25	2025/26	2026/27	2027/28	s9(2)(g)(i)	s9(2)(g)(i)
		2024/25	2025/26	2026/27	2027/28						
Growing Up in New Zealand Research	Growing Up in New Zealand is Aotearoa's largest longitudinal study of child health and wellbeing, following the lives of more than 6000 rangatahi and their families.	7.083	11.739	0.344	-	s9(2)(g)(i)					
Income											
Research & Evaluation of Changes for New Zealanders Receiving a Main Benefit	Evaluation of the impacts of the increases to main benefit payments, as well as changes to abatement settings from 2021. A significant portion of this funding was allocated to the New Zealand Income Support Survey.	0.1	0.1	0.1	0.1	s9(2)(g)(i)					
Child Support Pass On	[Outcomes Evaluation] Evaluation of the Child Support Pass On policy change: its impact on sole parents. This evaluation will tell us about any process issues encountered while implementing the policy change, as well as provide us with information about the impacts of the policy.	0.25	-	-	-	s9(2)(g)(i)					

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Title	High level description	Budget (\$m)				[Redacted]	[Redacted]	s9(2)(g)(i)	s9(2)(g)(i)
		2024/25	2025/26	2026/27	2027/28				
Families Package (through Income Support MCA category)	<p>Evaluation of the impact of the Families Package. Upon the completion of the main evaluation, we have focused on the Health & Disability studies to understand the higher child poverty rates for households impacted by disability.</p> <p>This work has allowed us to assess the impacts of the Families Package changes, including: changes to the Accommodation Supplement, the early-years changes (PPL, Best Start), the Winter Energy Payment, and changes to Family Tax Credit abatement thresholds and rates.</p> <p>Health and disability studies currently included within this budget line seek to understand what could be driving higher rates of child poverty in households that have a disabled family member.</p>	0.3	0.3	0.3	0.3	[Redacted]	[Redacted]	[Redacted]	[Redacted]

Appendix Two - Introduction to MSD's new Data Warehouse Replacement (Te Haoroa Programme)

Title	High level description	Budget (\$m)				2024/25	2025/26	2026/27	2027/28	s9(2)(f)(iv)	s9(2)(f)(iv)
		2024/25	2025/26	2026/27	2027/28						
Te Haoroa Programme (Data Warehouse Replacement Programme)	<p>Programme Overview Te Haoroa is MSD's new data platform, being delivered as part of a multi-year programme to modernise the Ministry's data capability. Te Haoroa will replace the Ministry's existing data warehouse which is now prone to regular outages that directly impact frontline staff and the services clients receive, creates risks to client privacy, lacks the resilience needed to respond to inevitable disruptions and new service demands.</p> <p>Funding Overview Te Haoroa Programme received appropriation of \$11.259m in Operating and \$15.318m in Capital.</p> <p>Including full year forecasted spend in 2023/24 financial year the programme has spent since funding was approved in December 2021; - Operating - \$7.9m or 70% of appropriated spend - Capital - \$13.051m or 85% of appropriated spend.</p> <p>The Programme was allocated out year funding of \$2.296m per annum from the 2025/26 financial year. We have classified this as baseline funding due to the programme reaching its conclusion and the new data platform integrated into core business delivery. Note - funding is provisioned for ongoing vendor licencing costs etc.</p> <p>Programme Status - what has been achieved to date Te Haoroa Programme has achieved several significant milestones since its inception in January 2022; - Designed and built new Cloud Data Platform (full security certification obtained). - New data architecture designed and build well advanced to support the future needs of the Ministry. - Significant investment in people capability, targeting new ways of working and tooling. - Implementation of new Data Governance Framework completed. - Decommissioning of existing Data Warehouse commenced. - Designed and built Data Laboratories to support Leaders and Analysts across the Ministry. - Implemented cloud Data Cataloguing, including Data Quality and Data Management. This is new capability for the Ministry. - New Operating model(s) designed and implementation in progress - designed to significantly improve time to market for design and build of data products that underpin core delivery of services and support of external providers.</p> <p>Te Haoroa Data Platform will be integrated into core business delivery in June 24. This date also sees a significant reduction in the use of our delivery partner, who have brought the technical expertise to support the delivery of the programme.</p>										
		Programme Capital - \$2.267m	Outyear Funding	Outyear Funding	Outyear Funding						
		Programme Opex - \$5.024m (excludes propose MBU Transfer)	Opex - \$2.296m	Opex - \$2.296m	Opex - \$2.296m						