

Report



MINISTRY OF SOCIAL
DEVELOPMENT
TE MANATŪ WHAKAHIATO ORA

Date: 4 April 2024

**Security
Level:**

~~BUDGET SENSITIVE~~

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

Reference: REP/24/4/298

Fiscal Sustainability - Budget 2024 impacts and Ministerial engagement

Purpose

- 1 This report provides you with advice to support a sense check of the Social Development and Employment Budget 2024 package, including impacts on clients and staff, and alignment with Government priorities. We note that Ministers are still considering the components of the final package. As such, we have included details for all initiatives currently in the package, as per your bilateral meeting with the Minister of Finance. These are set out in:
 - Appendix One – Housing savings information
 - Appendix Two – Information regarding other savings initiatives
 - Appendix Three – Information regarding new spending initiative.

2 s9(2)(f)(iv)

Recommendations

It is recommended that you:

- 1 **note** that substantial advice regarding the Social Development and Employment Budget 2024 package was provided to you and the Minister of Finance following the Budget bilateral meeting (REP/24/3/291 refers)

2 s9(2)(f)(iv)

- 3 **agree** to forward Appendix One to the Minister of Housing and the Associate Minister of Housing (Social Housing).

Agree / Disagree

Sacha O'Dea
Deputy Chief Executive
Strategy and Insights

Date

Hon Louise Upston
Minister for Social Development and
Employment

Date

Background

- 3 Following the Social Development Budget 2024 bilateral meeting on Wednesday 20 March 2024, MSD and the Treasury provided joint advice to you and the Minister of Finance, seeking decisions to inform the fourth Budget Ministers' Meeting (BM 4) on 8 April 2024 and the Budget Cabinet paper on 29 April (REP/24/3/291).
- 4 You will also be receiving advice from the Independent Reviewer.
- 5 MSD understands that you are still considering this advice, and have requested further information to support a sense check of the final Budget 2024 package for Social Development and Employment. This report provides further information, including impacts on clients and staff, and alignment with Government priorities.

Revised implementation costs

- 6 s9(2)(f)(iv) [Redacted]
- [Redacted]

Developments following MSD's joint advice with the Treasury

- 8 Following MSD's joint advice with the Treasury, we understand that the following savings may not be supported or progressed:
 - s9(2)(f)(iv) [Redacted]
 - [Redacted]
 - [Redacted]
 - [Redacted]
 - [Redacted]
- 9 Advice regarding these initiatives is still included in Appendix Two for completeness.

Next steps

- 10 It is recommended that you agree to forward Appendix One to the Minister of Housing and the Associate Minister of Housing (Social Housing).

Appendices:

Appendix One: Housing savings information

Appendix Two: Information regarding other savings initiatives

Appendix Three: Information regarding new spending initiative

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Proposal	Savings (\$m)		Estimated timeframe (from decision)	Cost to implement (\$m)	Client and staff impacts	Alignment with Government priorities
	Per Year	Over forecast period				

s9(2)(g)(i)



Departmental savings						
<p>Social Workers Registration Board - Crown Funding reduction</p> <p>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.</p>	(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.	<p>Clients:</p> <p>Low risk as majority of SWRB funding comes from fees and levy charged to practising social workers.</p> <p>Staff:</p> <p>Crown Accountability reporting and obligations related to SWRB's Crown Agent status may be prioritised over Workforce lead agency activity.</p>	This initiative contributes to effective and fiscally sustainable public services by ensuring that SWRB operates in an efficient, effective and financially responsible manner.

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<p>MSD Departmental Savings – FTE</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>	<p>(16.943)</p>	<p>(65.972)</p>	<p>Savings can be realised from the beginning of the 2024/25 financial year.</p>	<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"> • s9(2)(ba)(ii) [REDACTED] <p>The preliminary areas identified for FTE reduction have a lower impact on the delivery of frontline services, Ministerial priorities and proposed targets for reducing Jobseeker Support and Emergency Housing. With any change process there is a risk of disruption and decreased productivity as people go through the change and new ways of working are established to support the wider business with reduced capacity. Any change processes will be managed in accordance with legislative and employment agreement requirements and sequenced to ensure any impacts on the delivery of services are minimised.</p> <p>With a reduced FTE the Ministry will need to reprioritise the functions and work programme of the organisation.</p>	<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>
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Proposal	Savings (\$m)		Estimated timeframe (from decision)	Cost to implement (\$m)	Client and staff impacts	Alignment with Government priorities
	Per Year	Over forecast period				
Additional time-limited savings						
<p>COVID-19 departmental funding</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.

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Proposal	Savings (\$m)		Estimated timeframe (from decision)	Cost to implement (\$m)	Client and staff impacts	Alignment with Government priorities
	Per Year	Over forecast period				
<p>Growing the Capability of the Social Sector Fund</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>Clients:</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>Staff:</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>Growing a Diverse and Resilient Social Sector</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.	

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Proposal	Savings (\$m)		Estimated timeframe (from decision)	Cost to implement (\$m)	Client and staff impacts	Alignment with Government priorities
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<p>Food Secure Communities</p> <p>This funding was appropriated at Budget 2023 to enable MSD to support community food distribution initiatives. Realising savings from this initiative has the potential to result in adverse impacts for low-income New Zealanders.</p>	<p>2023/24: (4.000)</p> <p>2024/25: (3.500)</p>	(7.500)	Savings can be realised from the 2023/24 financial year.	There are no costs to implement this savings initiative.	<p>Clients:</p> <p>Cancelling funding for food secure initiatives has potential to increase food insecurity in communities. Budget 2023 announcements may have created some expectation within the community food sector for this funding. However, the funding round has yet to open for applications, so this can be managed through planned communications with the sector.</p> <p>Staff:</p> <p>Returning this funding would have no impacts for staff.</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).</p> <p>s9(2)(g)(i)</p>
<p>Community Connectors – scaling to 50 FTEs</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>	<p>2024/25: (7.400)</p>	(7.400)	Savings can be realised from the 2024/25 financial year.	There are no costs to implement this savings initiative.	<p>Clients:</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>Staff:</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>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).</p>

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Proposal	Savings (\$m)		Estimated timeframe (from decision)	Cost to implement (\$m)	Client and staff impacts	Alignment with Government priorities
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<p>Early Learning 20 Hours – departmental funding</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).

Appendix Three: Information regarding new spending initiative

Proposal	Costs (\$m)		Estimated timeframe (from decision)	Cost to implement (\$m)	Client and staff impacts	Alignment with Government priorities
	Per Year	Over forecast period				
<p>Historic Claims of Abuse in Care 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: 49.830 2025/26: 49.036 s9(2)(g)(i) [Redacted] [Redacted] [Redacted] [Redacted] [Redacted] [Redacted] [Redacted] [Redacted] [Redacted] [Redacted]	Total cost: 98.866	This is the continuation of an existing initiative.	See costs column.	Continuing to provide access to redress through the Historic Claims process has direct benefits including: <ul style="list-style-type: none"> claimants having a sense of justice, validation and empowerment support to help claimants to address adverse outcomes –increasing resilience, health, employment, training, housing, education and/or their connectedness with whānau, hapu and iwi 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. 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.	This initiative aligns with the Government’s priority to deliver effective and fiscally sustainable public services. 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.