

The Treasury

Budget 2025 Information Release

September 2025

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- [34] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions
- [35] 9(2)(g)(ii) - to maintain the effective conduct of public affairs through protecting ministers, members of government organisations, officers and employees from improper pressure or harassment
- [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
- [40] Information out of scope – the material is not related to Budget 2025

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Treasury Report: Budget 2025: Social Development and Disability Issues Bilateral Briefing

Date:	27 February 2025	Report No:	T2025/335
		File Number:	SH-3-7-1-12-M115082

Action sought

	Action sought	Deadline
Hon Nicola Willis Minister of Finance	Discuss the contents of this report with Minister Upston at your Budget bilateral meeting	Wednesday 5 March

Contact for telephone discussion (if required)

Name	Position	Telephone	1st Contact
James Adams	Analyst, Welfare & Oranga Tamariki ^[39]		✓
Shelley Robertson	Manager, Welfare & Oranga Tamariki		

Minister's Office actions (if required)

Return the signed report to Treasury.

Note any feedback on the quality of the report

Enclosure: Yes (attached)

Treasury Report: Budget 2025: Social Development and Disability Issues Bilateral Briefing

Purpose

1. You are meeting with the Minister for Social Development & Employment and Disability Issues, Hon Louise Upston, at 3:15pm on Wednesday, 5 March to discuss the Budget 2025 package.
2. **Annex 1** provides you with a proposed agenda for the meeting and supporting Treasury advice and talking points. **This version will not be provided to portfolio Ministers ahead of the meeting.**
3. **Annex 2** is the agenda that has – with your office’s approval – also been sent to the office of the portfolio Minister and their agency. It is provided for your visibility only. **You don’t need to review it – there is no material in Annex 2 that is not already in Annex 1.**
4. **Annex 3** provides you with an annex of Treasury’s assessment of each initiative. **This will not be provided to portfolio Ministers ahead of the meeting.**
5. Major decisions taken at this meeting will be reflected in the draft Budget Ministers material we are providing you on Thursday, 6 March.

Recommended Action

We recommend that you:

- a **discuss** the contents of this report with Hon Louise Upston (Social Development & Employment, Disability Issues) on Wednesday, 5 March.

Agenda Item 1 – Social Development Savings Initiatives

- b **Emphasise** to the Minister the need for savings to offset cost pressures and new spending at Budget 2025.
- c **Ask** the Minister if she has further savings proposals that could be considered through Budget 2025 or Budget 2026.
- d **Inform** the Minister that the Treasury has raised risks with the proposal to restrict Jobseeker Support eligibility for 18-and-19-year-olds, and that you would like Treasury and MSD officials to work together on possible alternatives.

Agenda Item 2 – Social Development Reprioritisation

- e **Ask** the Minister to ensure that MSD reprioritises internally to fund the Food Secure Communities programme for at least one more year, as well as continuing the Government’s contribution to the KickStart Breakfast and KidsCan Jackets programmes.
- f **Inform** the Minister that the Budget 2025 package does not include new funding for the AS Boundary Changes, continuing the Ākonga Community Fund, or new parenting programmes.

Agenda Item 3 – Disability Support Services (DSS) cost pressures

g **Agree** to provide DSS cost pressure funding of either:

Option	Decision
\$250 million per year	Yes/No
\$200 million per year	Yes/No

h **Agree** to one of the following approaches for DSS 2024/25 underspends:

Option	Decision
Let MSD retain DSS underspends from 2024/25 to help meet cost pressures in 2025/26	Yes/No
Have any DSS underspends from 2024/25 return to the centre	Yes/No

Agenda Item 4 – Te Pae Tawhiti transformation programme

i **Ask** the Minister about her confidence in MSD’s governance of TPT, and MSD’s ability to deliver the programme’s significant savings: both the administrative savings in MSD, and the reductions in benefit payments.

j **Agree** to count the net costs of TPT over ten years rather than four, which factors in the net savings beyond the forecast period and apply a 30% discount to the benefit payment savings to take account of non-participant effects (e.g. while MSD may be successful in getting someone off benefit and into work, that may be at the expense of someone else getting that job, and they may end up on benefit instead). This would mean a charge of ^[37] against the Budget 2025 allowance.

Agenda Item 5 – Employment ‘invest-to-save’ initiative

k **Agree** to include the Employment ‘invest-to-save’ initiative in the package.

l **Note** officials from the Treasury and MSD are working together to finalise costings.

m **Agree** that a completed evaluation plan will be included in advice on this initiative ahead of BM 3.

Shelley Robertson
**Manager, Welfare and
Oranga Tamariki**

Hon Nicola Willis
Minister of Finance

Agenda Item 1 – Social Development Savings Initiatives

<p>Description of key issue</p>	<p>Overview of Savings Initiatives</p> <p>In her Budget 2025 submission letter, Minister Upston outlined five policy savings initiatives. According to the Ministry of Social Development (MSD), these would generate approximately \$500 million in total over the forecast period:</p> <table border="1" data-bbox="480 495 1394 701"> <tr> <td>Changes to Automated Decision-Making (ADM)</td> <td>(\$54.0 million)</td> </tr> <tr> <td>Restricting Jobseeker Support eligibility for 18-19-year-olds</td> <td>(\$43.3 million*)</td> </tr> <tr> <td>Raising the Accommodation Supplement entry threshold for homeowners</td> <td>(\$11.6 million)</td> </tr> </table> <p>[33]</p> <p>Total [33]</p> <p>* See advice on this initiative below.</p> <p>MSD has also developed an ‘invest-to-save’ initiative that would generate savings by investing in MSD’s frontline resources and contracted employment programmes. Officials are still refining this initiative, and further advice is set out at Agenda Item 5 below.</p> <p>Three further savings options are also being considered through the Budget 2025 Baseline Savings Process (which Minister Seymour is leading): [33] Income Charging, and savings from reducing the number of MSD FTEs.</p>	Changes to Automated Decision-Making (ADM)	(\$54.0 million)	Restricting Jobseeker Support eligibility for 18-19-year-olds	(\$43.3 million*)	Raising the Accommodation Supplement entry threshold for homeowners	(\$11.6 million)
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Restricting Jobseeker Support eligibility for 18-19-year-olds	(\$43.3 million*)						
Raising the Accommodation Supplement entry threshold for homeowners	(\$11.6 million)						
<p>Treasury recommended talking points</p>	<ul style="list-style-type: none"> • Emphasise to the Minister the need for savings to offset cost pressures and new spending at Budget 2025. • Ask the Minister if she has further savings proposals that could be considered through Budget 2025 or Budget 2026. • Inform the Minister that the Treasury has raised risks with the proposal to restrict Jobseeker Support eligibility for 18-and-19-year-olds, and that you would like Treasury and MSD officials to work together on possible alternatives. 						
<p>Treasury advice</p>	<p>Overview of savings options</p> <p>Further advice on MSD savings is set out in T2025/408. That report made the following key points:</p> <ul style="list-style-type: none"> • Of the MSD savings initiatives originally submitted for Budget 2025, the Treasury supports all but one: restricting Jobseeker Support eligibility for 18-and-19-year-olds. • MSD has submitted three additional initiatives through the Budget 2025 Baseline Savings process being run by Minister Seymour. [33] <p style="text-align: right;">Changes to income charging are technically complex, but could result in savings for Budget</p>						

	<p>2026, and MSD do not propose to make further FTE reductions than those that will be delivered through Te Pae Tawhiti.</p> <ul style="list-style-type: none"> • If you wish to generate significant additional savings, the largest areas of expenditure are NZ Super and main benefits, but this would require changes to eligibility criteria (which may require significant policy work) or rates (which we do not recommend as an option for Budget 2025). <p>Jobseeker Support for 18-and-19-year-olds</p> <p>One of MSD's initiatives would extend the 'Parental Support Gap Test' to 18-and-19-year-olds who would otherwise be eligible for Jobseeker Support. The Treasury has several reservations about this proposal, relating both to whether the estimated savings would be realised, and to the adverse impacts the initiative would have for affected young people. However, we recognise that there is merit in exploring savings options by reducing young Jobseekers' eligibility for support where young people could be adequately supported by their parents. For that reason, we propose working with MSD to explore whether there are alternative options that would achieve a similar effect without the concerns noted above.</p> <p>MSD's implementation ability</p> <p>MSD has noted its limited ability to implement multiple initiatives at the same time. For this reason, if alternative savings options are progressed, further consideration should be given to sequencing.</p>
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Agenda Item 2 – Social Development Reprioritisation

<p>Description of key issue</p>	<p>Overview of reprioritisation options</p> <p>MSD submitted the four new spending initiatives in the table below (excluding Te Pae Tawhiti and the employment ‘invest-to-save’ initiative discussed at Agenda Items 4 and 5 below), and Minister Upston proposed to meet the cost of these initiatives from the Budget 2025 savings initiatives. Of these, only the Akonga Fund initiative was invited (although Minister Upston indicated at your earlier bilateral meeting that the other initiatives would be submitted).</p> <table border="1" data-bbox="483 495 1401 913"> <tr> <td data-bbox="483 495 970 696">Implementing the Child & Youth Strategy (Kickstart, KidsCan and parenting programmes)</td> <td data-bbox="970 495 1401 696">\$10 million p.a. (\$2 million over two years for Kickstart and KidsCan, and \$38 million over the forecast period for parenting programmes)</td> </tr> <tr> <td data-bbox="483 696 970 763">Adjusting Accommodation Supplement (AS) Area Boundaries</td> <td data-bbox="970 696 1401 763">\$5.7 million p.a.</td> </tr> <tr> <td data-bbox="483 763 970 801">Extending the Ākonga Fund</td> <td data-bbox="970 763 1401 801">\$5.6 million p.a.</td> </tr> <tr> <td data-bbox="483 801 970 875">Continuing the Food Secure Communities programme</td> <td data-bbox="970 801 1401 875">\$15 million in 2024/25 only (\$3.8 million p.a.)</td> </tr> <tr> <td data-bbox="483 875 970 913">Total</td> <td data-bbox="970 875 1401 913">\$25.1 million p.a.</td> </tr> </table>	Implementing the Child & Youth Strategy (Kickstart, KidsCan and parenting programmes)	\$10 million p.a. (\$2 million over two years for Kickstart and KidsCan, and \$38 million over the forecast period for parenting programmes)	Adjusting Accommodation Supplement (AS) Area Boundaries	\$5.7 million p.a.	Extending the Ākonga Fund	\$5.6 million p.a.	Continuing the Food Secure Communities programme	\$15 million in 2024/25 only (\$3.8 million p.a.)	Total	\$25.1 million p.a.
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Total	\$25.1 million p.a.										
<p>Implementing the Child and Youth Strategy</p> <p>This initiative would continue the government’s contribution to two child hardship programmes, KickStart Breakfast and KidsCan jackets (\$2 million over two years), as well as setting aside \$38 million over the forecast period for parenting programmes.</p> <p>Adjusting Accommodation Supplement (AS) Area Boundaries</p> <p>This initiative seeks to adjust AS area boundaries to account for urban development and residential expansion (which would result in some applicants receiving higher AS payments), as well as introduce a legal requirement for MSD to review the boundaries every five years. AS area boundaries have not been updated since 2018, and subsequent urban development has led to inequities between AS recipients.</p> <p>Extending the Ākonga Community Fund (Youth portfolio)</p> <p>This initiative provides funding (\$5.6 million) for the continuation of youth development programmes delivered by local providers which currently support 2,750 young people with moderate needs (aged 12-21 years) annually. This initiative falls within the Youth portfolio.</p> <p>Continuing the Food Secure Communities programme</p> <p>The Food Secure Communities (FSC) programme was initially established with time-limited funding from Budget 2020, with additional funding provided in subsequent years. However, the programme’s funding is set to expire on 30 June 2025. This initiative seeks \$15 million to extend the programme for an additional year in response to sustained demand for food support services, which remains high due to current economic conditions.</p>											

<p>Treasury recommended talking points</p>	<ul style="list-style-type: none"> • Ask the Minister to ensure that MSD reprioritises internally to fund the Food Secure Communities programme for at least one more year, as well as continuing the Government’s contribution to the KickStart Breakfast and KidsCan Jackets programmes (as these programmes have a track record of effectively addressing material hardship). • Inform the Minister that the Budget 2025 package does not include new funding for the AS Boundary Changes, continuing the Ākonga Community Fund, or new parenting programmes.
<p>Treasury advice</p>	<p>Generally</p> <p>The Treasury advises that, as much as possible, new spending should be offset by internal reprioritisation, rather than from MSD’s savings initiatives (i.e. from savings or underspends other than those described above, but which do not require significant policy decisions). This will be more achievable if the quantum of spending is lower than currently proposed (for instance, continuing Food Secure Communities and the government’s contribution to KidsCan and KickStart, but not the Ākonga Fund). We are aware of possible reprioritisation options from the Growing Up in New Zealand study (currently included in the Budget 2025 package), as well as from ^[33] the Child & Young People’s Commission Tagged Contingency, which collectively could generate approximately \$10 million in saving in 2025/26.</p> <p>Child and Youth Strategy</p> <p>We recommend that MSD reprioritise existing funding to continue providing raincoats and breakfasts for school children (\$2 million over two years). Funding for KidsCan and KickStart is time-limited, with no allocation beyond the current financial year. These programmes effectively address material hardship and attract private investment. However, we do not recommend funding for parenting programmes (\$38 million over the forecast period). While some parenting programmes show positive outcomes, it is not yet clear which programmes MSD would fund. Additionally, a range of agencies fund other parenting support programmes (one of the two programmes that MSD points to as supported by strong evidence of effectiveness was previously funded by Oranga Tamariki, but funding was not continued due to financial pressures).</p> <p>Accommodation Supplement (AS) Boundary Changes</p> <p>The proposal would improve the equity of the AS system at a relatively small cost. However, this issue only affects around 3,500 clients, and there is no particular urgency to address this issue through Budget 2025 ^[33]</p> <p>Extending the Ākonga Community Fund (Youth portfolio)</p> <p>While the Fund aligns with Government priorities, such as supporting disengaged youth, the available evidence on its outcomes is of low quality. Discontinuing the Fund would likely end many of these programmes. However, if Ministers wish to maintain some level of support, there may be opportunities to better target funding and improve evaluation to determine what works effectively.</p>

	<p>Continuing the Food Secure Communities programme</p> <p>Community food services, such as foodbanks and distribution networks, were initially funded in response to COVID-19 and extended in Budget 2023. Demand remains high, and food support can be an effective means of addressing acute hardship. The New Zealand Food Network and others have established arrangements for the distribution of bulk surplus food at a low cost (~70 cents per kilo distributed), and other Government agencies have, at times, made use of this infrastructure (for example, for emergency response). MSD should ideally collaborate with the NZ Food Network and other government agencies to develop a long-term funding strategy.</p>
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Agenda Item 3 – Disability Support Services (DSS) cost pressures

<p>Description of key issue</p>	<p>Following the Independent Review and the establishment of the DSS taskforce, work is progressing on strengthening the long-term sustainability of DSS. While plans to implement the review recommendations are underway, it will take time for them to be implemented and to see the full impact.</p> <p>The Minister has submitted a DSS cost pressure initiative of \$255 million per year. This is less than the \$275 million average per year provided in Budget 2024 that was set as an upper limit for this initiative. That Budget 2024 funding included \$92 million that was time-limited for 2024/25.</p> <p>MSD has indicated that, if the cost pressure initiative is supported and Ministers agree to carry forward any underspends from 2024/25 into 2025/26, it is unlikely funding would be sought in Budget 2026.</p> <p>The DSS appropriation for 2024/25 is \$2.6 billion. The amount of funding needed to address cost pressures in 2025/26 is driven by price pressures, volume pressures, and how much is spent in 2024/25 (in other words, the bigger the underspend in 2024/25, the less funding is needed for a given level of volume and price growth in 2025/26). As such, there is uncertainty over the funding needed.</p> <p>As at 31 January, spending is tracking slightly under budget for Needs Assessment and Service Coordination providers and Enabling Good Lives demonstration sites, and MSD has not used any of the risk pool of \$133 million set aside in the 2024/25 appropriation. MSD has indicated that it expects it will need to use some of the risk pool by year-end.</p> <p>Assuming an underspend of \$50 million (1.9%) in 2024/25, funding of \$250 million per year would pay for:</p> <ul style="list-style-type: none"> • average price growth of 3.5% (a new pricing model for residential care with an average revenue increase of around 5.2% for providers, which is scheduled to be discussed at the 5 March Cabinet Social Outcomes Committee meeting, and 2% for other components); and • average volume growth of 4.3%, which is well below volume growth in recent years (8-10%).
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	<p>Funding could be reduced below \$250 million by assuming a larger 2024/25 underspend will eventuate (e.g. an underspend of \$100 million would mean funding of \$200 million would fund the same price and volume growth set out above), or by providing for lower price and/or volume growth.</p>												
<p>Treasury recommendations</p>	<ul style="list-style-type: none"> <p>Agree to provide DSS cost pressure funding of either:</p> <table border="1" data-bbox="528 367 1366 521"> <thead> <tr> <th>Option</th> <th>Decision</th> </tr> </thead> <tbody> <tr> <td>\$250 million per year</td> <td>Yes/No</td> </tr> <tr> <td>\$200 million per year</td> <td>Yes/No</td> </tr> </tbody> </table> <p>Agree to one of the following approaches for DSS 2024/25 underspends:</p> <table border="1" data-bbox="528 607 1366 862"> <thead> <tr> <th>Option</th> <th>Decision</th> </tr> </thead> <tbody> <tr> <td>Let MSD retain DSS underspends from 2024/25 to help meet cost pressures in 2025/26</td> <td>Yes/No</td> </tr> <tr> <td>Have any DSS underspends from 2024/25 return to the centre</td> <td>Yes/No</td> </tr> </tbody> </table> 	Option	Decision	\$250 million per year	Yes/No	\$200 million per year	Yes/No	Option	Decision	Let MSD retain DSS underspends from 2024/25 to help meet cost pressures in 2025/26	Yes/No	Have any DSS underspends from 2024/25 return to the centre	Yes/No
Option	Decision												
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<p>Treasury advice</p>	<p>We support the Minister’s focus on strengthening the long-term sustainability of DSS.</p> <p>We recommend funding of \$250 million per year, based on assumptions about volume growth, price growth, and 2024/25 underspends:</p> <ul style="list-style-type: none"> <p>We consider average price growth of 3.5% to be appropriate, particularly given the price freeze in place for 2024/25. Implementing the proposed banded rates pricing model for residential care (an average revenue increase of around 5.2% for providers at a cost of \$60 million, recognising current costs of service delivery in community group home settings and that existing contracted rates have not been reviewed since 2016) would be an important step in getting tighter fiscal control, as well as providing greater consistency for providers and equity for disabled people. Applying a 2% price uplift for other components of DSS spend at a cost of \$30 million would be in line with inflation forecasts, but Ministers could decide not to fund this price increase.</p> <p>We consider volume growth of 4.3% to be a credible assumption. Steps that are being taken in response to the Independent Review will help to reduce volume growth from the 8-10% of recent years (e.g. implementing budgets for Needs Assessment and Service Coordination providers and Enabling Good Lives demonstration sites, and reviewing flexible funding criteria and guidelines). But longer-term policy work on strengthening DSS settings is still needed to get tighter control of volumes (e.g. legislating to provide clarity on eligibility, rights and responsibilities – [33])</p> <p>Bearing in mind the experience in Budget 2024, we have conservatively assumed a \$50 million underspend in 2024/25. Based on January 2025 actuals, DSS is tracking towards a year-end underspend of closer to \$150 million, though this may</p> 												

	<p>reduce in the remaining months of 2024/25. Ministers could reduce the funding for this initiative by assuming a larger underspend will eventuate; this is partly a question of risk appetite.</p> <p>MSD’s indication that it may not need to return for cost pressure funding in Budget 2026 is positive. Allowing MSD to carry forward underspends from 2024/25 would help to achieve this, though it would go against standard practice of having underspends return to the centre.</p> <p>Given the pressure on the Budget 2025 operating allowance, Ministers could provide \$200 million instead of \$250 million (knowing this may lead to another cost pressure initiative in Budget 2026) and allow MSD to retain 2024/25 underspends to help manage cost pressures in 2025/26 ^[34]</p>
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Agenda Item 4 – Te Pae Tawhiti transformation programme

<p>Description of key issue</p>	<p>MSD has submitted a Budget 2025 initiative that seeks operating funding for its business transformation programme, Te Pae Tawhiti (TPT).</p> <p>The initiative involves programme costs ^[37] to deliver both operating model change and technology change. This is expected to deliver ongoing monetised benefits, including administrative savings within MSD, and reductions in benefit payments.</p> <p>While the programme would have net costs of ^[37] in the forecast period to 2028/29, it would deliver net benefits over the life of the programme, as there are significant net benefits beyond the forecast period.</p> <p>Cabinet considered and approved a Detailed Business Case for TPT in December 2024 and directed MSD to implement its preferred option (a re-sequenced transformation), subject to future funding decisions, which are to be taken through Budget 2025 (i.e. this initiative) [EXP-24-MIN-0079 refers].</p> <p>Ahead of the Detailed Business Case, the programme underwent a Gateway review in November 2024. The review was positive: it found that the programme was “well placed to progress,” with a “rock-solid case for change,” and delivery “tracking well” to date.</p> <p>The initiative proposes that funding for 2025/26 would be appropriated through Budget 2025, with funding for the remaining years placed in a tagged contingency with drawdowns at appropriate points. This would allow MSD to protect its commercial interests in negotiations with providers, as well as building in points to return to Ministers to provide updates on progress.</p>
<p>Treasury recommendation</p>	<ul style="list-style-type: none"> • Ask the Minister about her confidence in MSD’s governance of TPT, and MSD’s ability to deliver the programme’s significant savings: both the administrative savings in MSD, and the reductions in benefit payments.

	<ul style="list-style-type: none"> • Agree to count the net costs of TPT over ten years rather than four, which factors in the net savings beyond the forecast period and apply a 30% discount to the benefit payment savings to take account of non-participant effects (e.g. while MSD may be successful in getting someone off benefit and into work, that may be at the expense of someone else getting that job, and they may end up on benefit instead). This would mean a charge of ^[37] against the Budget 2025 allowance.
Treasury advice	<p>We recommend supporting funding for this initiative. In our view, there is a clear case for change: MSD’s existing processes are inefficient and fragmented, and critical systems are approaching end of life and will become increasingly unusable. The Detailed Business Case lays out an ambitious but achievable plan for transforming MSD’s systems and processes.</p> <p>As is natural for a programme of this nature and scale, delivery risks remain. But we have confidence in MSD’s approach to date, and we note the conclusions from the November 2024 Gateway review.</p> <p>Placing funding for 2026/27 onwards in a tagged contingency with draw-downs at appropriate points would give Ministers greater visibility and control over spending in coming years.</p> <p>The standard approach to counting the net costs of this initiative against the Budget 2025 operating allowance would be to charge ^[37]</p> <p style="text-align: right;">However, as was set out in our package advice of 14 February [T2025/119 refers], Ministers could instead choose to count ^[37] against the allowance, which factors in the significant net savings beyond the forecast period, while applying a 30% discount to the estimated benefit payment savings to take account of displacement effects.</p>

Agenda Item 5 – Employment ‘invest-to-save’ initiative

Description of key issue	<p>MSD has submitted a Budget 2025 initiative that requests new funding to invest in employment services, leading to savings over time (‘invest-to-save’). The investment in additional FTE and employment programmes, including Welfare that Works, are forecast to lead to savings over the forecast period.</p> <p>When calculating savings, a discount rate is applied to account for non-participant impacts. The discount rate is based on evaluations of employment programmes, including case management. MSD applied a 30% discount rate to the initiative.</p> <p>MSD is still finalising its model for calculating the savings from this initiative, and will provide updated costings to be considered ahead of BM 3.</p>
Treasury recommended talking points	<ul style="list-style-type: none"> • Agree to include this initiative in the package. • Note officials from the Treasury and MSD are working together to finalise costings. • Agree that a completed evaluation plan will be included in advice on this initiative ahead of BM 3.
Treasury advice	Overview of the Treasury’s advice

We recommend supporting this initiative. Savings of \$83.1 million were included in the Treasury's recommended Budget package. The savings are subject to change as we are still working with MSD on how to best calculate the savings to be recognised at Budget 2025.

Discount rate

We applied a 50% discount rate to forecast savings across all employment programmes included in the initiative for the recommended Budget package. MSD is now proposing to use a 50% discount rate for Flexi-wage only, and 30% for case management and other employment programmes. We agree that Flexi-wage should have a higher discount rate, as studies show that wage subsidies tend to have greater substitution and displacement effect than other employment interventions. The risk of non-participant effects from other employment programmes, including case management, is lower.

Components

Most of the savings are based on forecast decreases in Jobseeker numbers due to increased investment in employment programmes. The initiative is mostly based on employment programmes which have been evaluated as successful in the past, which increases confidence in the savings being realised. 'Welfare that Works' is one of the employment programmes in the initiative, which mainly focuses on jobs coaches for young people. As this is a new programme, it has not been evaluated and currently adds significant costs to the initiative, without providing much savings. If Welfare that Works was removed from the initiative, more savings would be generated with lower risk.

Evaluation

We have some concerns about MSD's evaluation plan. Rigorous evaluation will be crucial in determining whether any decrease in spending can be attributed to the employment programmes. MSD currently has a draft evaluation plan that is still high level. We are continuing to work with MSD to ensure evaluation of the programmes will produce the data required to determine whether the initiative was successful.

We are particularly interested in the evaluation of Welfare that Works. The initiative includes \$300,000 over four years for its evaluation, so we expect high quality monitoring and evaluation to determine effectiveness and to support future decisions on continuing funding.

Next steps

We will continue to work with MSD on what discount rate to apply to savings and on finalising costings. Updated costings will be included in the draft Budget Ministers material we are providing you ahead of BM 3.

Agenda

The proposed agenda for this meeting is set out below. Further details on each agenda item are set out in the tables below.

1. **Agenda Item 1 and 2: Social Development Savings and Reprioritisation Initiatives**
2. **Agenda Item 3: Disability Support Services (DSS) cost pressures**
3. **Agenda Item 4 and 5: Te Pae Tawhiti transformation programme and Employment ‘invest-to-save’ initiative (if time permits)**

Agenda Item 1 – Social Development Savings Initiatives

Description of key issue	Overview of Savings Initiatives	
	In her Budget 2025 submission letter, Minister Upston outlined five policy savings initiatives. According to the Ministry of Social Development (MSD), these would generate approximately \$500 million in total over the forecast period:	
	Changes to Automated Decision-Making (ADM)	(\$54.0 million)
	Restricting Jobseeker Support eligibility for 18-19-year-olds	(\$43.3 million*)
	Raising the Accommodation Supplement entry threshold for homeowners	(\$11.6 million)
	[33]	
	Total	[33]
	MSD has also developed an ‘invest-to-save’ initiative that would generate savings by investing in MSD’s frontline resources and contracted employment programmes. Officials are still refining this initiative.	
	Three further savings options are also being considered through the Budget 2025 Baseline Savings Process (which Minister Seymour is leading): [33], Income Charging, and savings from reducing the number of MSD FTEs.	

Agenda Item 2 – Social Development Reprioritisation

<p>Description of key issue</p>	<p>Overview of reprioritisation options</p> <p>MSD submitted the four new spending initiatives in the table below (excluding Te Pae Tawhiti and the employment ‘invest-to-save’ initiative discussed at Agenda Items 4 and 5 below), and Minister Upston proposed to meet the cost of these initiatives from the Budget 2025 savings initiatives. Of these, only the Akonga Fund initiative was invited (although Minister Upston indicated at your earlier bilateral meeting that the other initiatives would be submitted).</p> <table border="1" data-bbox="483 495 1401 913"> <tr> <td data-bbox="483 495 970 696">Implementing the Child & Youth Strategy (Kickstart, KidsCan and parenting programmes)</td> <td data-bbox="970 495 1401 696">\$10 million p.a. (\$2 million over two years for Kickstart and KidsCan, and \$38 million over the forecast period for parenting programmes)</td> </tr> <tr> <td data-bbox="483 696 970 763">Adjusting Accommodation Supplement (AS) Area Boundaries</td> <td data-bbox="970 696 1401 763">\$5.7 million p.a.</td> </tr> <tr> <td data-bbox="483 763 970 801">Extending the Ākonga Fund</td> <td data-bbox="970 763 1401 801">\$5.6 million p.a.</td> </tr> <tr> <td data-bbox="483 801 970 875">Continuing the Food Secure Communities programme</td> <td data-bbox="970 801 1401 875">\$15 million in 2024/25 only (\$3.8 million p.a.)</td> </tr> <tr> <td data-bbox="483 875 970 913">Total</td> <td data-bbox="970 875 1401 913">\$25.1 million p.a.</td> </tr> </table>	Implementing the Child & Youth Strategy (Kickstart, KidsCan and parenting programmes)	\$10 million p.a. (\$2 million over two years for Kickstart and KidsCan, and \$38 million over the forecast period for parenting programmes)	Adjusting Accommodation Supplement (AS) Area Boundaries	\$5.7 million p.a.	Extending the Ākonga Fund	\$5.6 million p.a.	Continuing the Food Secure Communities programme	\$15 million in 2024/25 only (\$3.8 million p.a.)	Total	\$25.1 million p.a.
	Implementing the Child & Youth Strategy (Kickstart, KidsCan and parenting programmes)	\$10 million p.a. (\$2 million over two years for Kickstart and KidsCan, and \$38 million over the forecast period for parenting programmes)									
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Continuing the Food Secure Communities programme	\$15 million in 2024/25 only (\$3.8 million p.a.)										
Total	\$25.1 million p.a.										
<p>Implementing the Child and Youth Strategy</p> <p>This initiative would continue the government’s contribution to two child hardship programmes, KickStart Breakfast and KidsCan jackets (\$2 million over two years), as well as setting aside \$38 million over the forecast period for parenting programmes.</p> <p>Adjusting Accommodation Supplement (AS) Area Boundaries</p> <p>This initiative seeks to adjust AS area boundaries to account for urban development and residential expansion (which would result in some applicants receiving higher AS payments), as well as introduce a legal requirement for MSD to review the boundaries every five years. AS area boundaries have not been updated since 2018, and subsequent urban development has led to inequities between AS recipients.</p> <p>Extending the Ākonga Community Fund (Youth portfolio)</p> <p>This initiative provides funding (\$5.6 million) for the continuation of youth development programmes delivered by local providers which currently support 2,750 young people with moderate needs (aged 12-21 years) annually. This initiative falls within the Youth portfolio.</p> <p>Continuing the Food Secure Communities programme</p> <p>The Food Secure Communities (FSC) programme was initially established with time-limited funding from Budget 2020, with additional funding provided in subsequent years. However, the programme’s funding is set to expire on 30 June 2025. This initiative seeks \$15 million to extend the programme for an additional year in response to sustained demand for food support services, which remains high due to current economic conditions.</p>											

Agenda Item 3 – Disability Support Services (DSS) cost pressures

<p>Description of key issue</p>	<p>Following the Independent Review and the establishment of the DSS taskforce, work is progressing on strengthening the long-term sustainability of DSS. While plans to implement the review recommendations are underway, it will take time for them to be implemented and to see the full impact.</p> <p>The Minister has submitted a DSS cost pressure initiative of \$255 million per year. This is less than the \$275 million average per year provided in Budget 2024 that was set as an upper limit for this initiative. That Budget 2024 funding included \$92 million that was time-limited for 2024/25.</p> <p>MSD has indicated that, if the cost pressure initiative is supported and Ministers agree to carry forward any underspends from 2024/25 into 2025/26, it is unlikely funding would be sought in Budget 2026.</p> <p>The DSS appropriation for 2024/25 is \$2.6 billion. The amount of funding needed to address cost pressures in 2025/26 is driven by price pressures, volume pressures, and how much is spent in 2024/25 (in other words, the bigger the underspend in 2024/25, the less funding is needed for a given level of volume and price growth in 2025/26). As such, there is uncertainty over the funding needed.</p> <p>As at 31 January, spending is tracking slightly under budget for Needs Assessment and Service Coordination providers and Enabling Good Lives demonstration sites, and MSD has not used any of the risk pool of \$133 million set aside in the 2024/25 appropriation. MSD has indicated that it expects it will need to use some of the risk pool by year-end.</p> <p>Assuming an underspend of \$50 million (1.9%) in 2024/25, funding of \$250 million per year would pay for:</p> <ul style="list-style-type: none"> • average price growth of 3.5% (a new pricing model for residential care with an average revenue increase of around 5.2% for providers, which is scheduled to be discussed at the 5 March Cabinet Social Outcomes Committee meeting, and 2% for other components); and • average volume growth of 4.3%, which is well below volume growth in recent years (8-10%). <p>Funding could be reduced below \$250 million by assuming a larger 2024/25 underspend will eventuate (e.g. an underspend of \$100 million would mean funding of \$200 million would fund the same price and volume growth set out above), or by providing for lower price and/or volume growth.</p>
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Agenda Item 4 – Te Pae Tawhiti transformation programme

<p>Description of key issue</p>	<p>MSD has submitted a Budget 2025 initiative that seeks operating funding for its business transformation programme, Te Pae Tawhiti (TPT).</p> <p>The initiative involves programme costs of [37] to deliver both operating model change and technology change. This is expected to deliver ongoing monetised benefits, including administrative savings within MSD, and reductions in benefit payments.</p> <p>While the programme would have net costs of [37] it would deliver net benefits over the life of the programme, as there are significant net benefits beyond the forecast period.</p> <p>Cabinet considered and approved a Detailed Business Case for TPT in December 2024 and directed MSD to implement its preferred option (a re-sequenced transformation), subject to future funding decisions, which are to be taken through Budget 2025 (i.e. this initiative) [EXP-24-MIN-0079 refers].</p> <p>Ahead of the Detailed Business Case, the programme underwent a Gateway review in November 2024. The review was positive: it found that the programme was “well placed to progress,” with a “rock-solid case for change,” and delivery “tracking well” to date.</p> <p>The initiative proposes that funding for 2025/26 would be appropriated through Budget 2025, with funding for the remaining years placed in a tagged contingency with drawdowns at appropriate points. This would allow MSD to protect its commercial interests in negotiations with providers, as well as building in points to return to Ministers to provide updates on progress.</p>
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Agenda Item 5 – Employment ‘invest-to-save’ initiative

<p>Description of key issue</p>	<p>MSD has submitted a Budget 2025 initiative that requests new funding to invest in employment services, leading to savings over time (‘invest-to-save’). The investment in additional FTE and employment programmes, including Welfare that Works, are forecast to lead to savings over the forecast period.</p> <p>When calculating savings, a discount rate is applied to account for non-participant impacts. The discount rate is based on evaluations of employment programmes, including case management. MSD applied a 30% discount rate to the initiative.</p> <p>MSD is still finalising its model for calculating the savings from this initiative, and will provide updated costings to be considered ahead of BM 3.</p>
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Annex 3 – Treasury recommendations on Social Development submissions

Annex 3 - Current Budget 2025 Social Development Package

Notes

1. Some initiatives, such as those with a Public Private Partnership (PPP) component, have significant out year components. This alters the way operating averages are calculated and may result in misalignment between Total Opex and Opex P.A. in the Treasury Package.
2. Treasury's VAD framework quantifies the value (weighted through benefits and costs), alignment to Government Budget 2025 priorities, and delivery feasibility of an initiative, rated from 1 (low) to 4 (high).

Vote	ID	Budget Track	Title	Description	Current Status	Treasury Recommendation and Commentary	Dept. Submissions \$(m)			Current Package \$(m)			VFM Values		
							Total Opex	Opex P.A.	Total Capex	Total Opex	Opex P.A.	Total Capex	V	A	D
Social Development	16430	Savings	Housing Subsidies – Increasing the entry threshold for homeowners receiving the Accommodation Supplement	This initiative reduces the expenditure on housing subsidies by more tightly targeting the Accommodation Supplement for homeowners. The change increases the proportion of income (from 30 percent to 40 percent) that homeowners (not including New Zealand Superannuation/Veteran's Pension (NZS/VP) and Supported Living Payment (SLP) recipients) must pay towards their weekly housing costs (the entry threshold) before being able to receive the Accommodation Supplement. A portion of the savings generated are intended to be reprioritised for the Adjusting Accommodation Supplement Area Boundaries and Introducing a Mechanism to Recognise Future Urban Expansion initiative	Included	We recommend supporting this initiative. It proposes making savings in Accommodation Supplement (AS) spending by increasing from 30% to 40% the proportion of income that homeowners (excluding NZ Superannuation/Veteran's Pension and Supported Living Payment recipients) must pay before receiving AS. The savings are achievable and align with the Government priority of delivering effective and fiscally sustainable public services. The initiative would see around 9,900 households getting reduced AS, with 1,300 of those having it reducing to zero. Some of the savings are proposed to fund a separate initiative to adjust AS Area boundaries. The review of AS/IRRS is tracking towards Budget 2026 decisions. Further AS savings could be possible for Budget 2025 if this were brought forward.	(46.4)	(11.6)	-	(46.4)	(11.6)	-	3	2	3
	16432	Savings	[33]												
	16433	Savings													
	16434	Savings	Jobseeker Support – tightening eligibility for 18-19-year-olds	This initiative adds a parental support gap test to Jobseeker Support and Emergency Benefit for 18-19-year-olds. This replicates the parental support gap test currently used for people applying for Youth Payment or Young Parent Payment, which often requires external providers to assess whether: the young person's parents are unable to support them financially, or there has been a family breakdown, or the young person cannot be reasonably expected to rely on their parents for financial support. This targets welfare assistance to those who need it most by ensuring that 18-19-year-olds rely on their family to financially support them in the first instance. This means 18-19-year-olds who do not meet the parental support gap test would not be eligible for Jobseeker Support or Emergency Benefit.	Excluded	We recommend deferring this initiative to Budget 2026. The proposed savings are from introducing a parental support gap test to Jobseeker Support (JS) and the Emergency Benefit (EB) for 18 and 19 year olds. If their parents can support them, they will not be eligible for JS or EB. The estimated savings from this initiative are highly uncertain, as there is little data on the number of young people who may be affected. The change would also have several perverse incentives as currently designed. MSD has noted that due to capacity issues, it is not able to implement all savings initiatives submitted for Budget 2025. We consider that there may be alternative options for progressing savings that would achieve similar policy objectives, but these alternatives are not yet developed.	(173.4)	(43.3)	161.0	-	-	-	2	3	1

Dept. Submissions \$(m)			Current Package \$(m)			VFM Values		
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Vote	ID	Budget Track	Title	Description	Current Status	Treasury Recommendation and Commentary	Total Opex	Opex P.A.	Total Capex	Total Opex	Opex P.A.	Total Capex	V	A	D	
Social Development	16435	Savings	Automated Decision-Making (ADM) remediation – implementation of remediation options	This initiative will implement several Automated Decision-Making processes to help deliver modern and efficient Work and Income services at scale and remove Automatic Decision-Making from the processing of some hardship assistance ^[36] . These changes are necessary to support peoples' timely access to public services, ^[36] . It will require legislative amendments alongside system and operational changes.	Included	We recommend supporting this initiative. The saving relates to introducing automated decision-making to various MSD processes and administrative functions, which would allow MSD to deliver services more efficiently, and which is expected to lead to savings in benefits and supplementary assistance. It also involves removing automated decision-making from some current processes (including assessing food and dental Special Needs Grants) ^[36] . The initiative would improve the efficiency of MSD's processes and ^[36] .	(216.2)	(54.0)	6.7	(216.2)	(54.0)	6.7	3	3	3	
	16436	New Spending	Akongong Community Fund - Delivering Outcomes Through Positive Youth Development Programmes	This initiative provides funding for the continuation of high value youth development programmes delivered by local providers which currently support 2,750 young people with moderate needs (aged 12-21 years) annually. Moderate need is defined as having one or more of the following risk factors: (1) at risk of disengaging or already disengaged from education (e.g., history of truancy, school stand-downs, suspensions, or experience of alternative education), (2) lack of a pathway into further training and/or employment, (3) limited family support and/or connection to a positive role model, (4) struggles with acceptance or isolation from peers. Outcomes sought include improvements in education, training, employment, and positive community connections.	Excluded	We do not support this initiative, which would continue funding the Akongong Community Fund. The Fund supports approximately 30 iwi and community organisations to deliver youth development initiatives. Although the Fund is well aligned to Government priorities (for example, supporting young people who are disengaged from education), the evidence available to assess the outcomes achieved by the Fund to date is of low quality. Not supporting this initiative would, however, mean that the Fund would cease to operate, and many of the funded programmes are likely to end. If Ministers wish to continue the Fund in some form, there may be opportunities to better target support and to evaluate more rigorously what works.	22.3	5.6	-	-	-	-	2	3	3	
	16438	Cost Pressures	Improvement, Systems and Technology; including Digital and Data initiatives	[33]												
	16439	Savings	Age friendly fund community grants programme	Grants provided to local communities to support their Age friendly initiatives, through the Office for Seniors Age friendly programme. The grants (max. \$15,000 each) are awarded annually to community organisations or Councils to support the development or implementation of local Age friendly plans or specific initiatives to support older people in the community.	Excluded	We do not support this initiative, which would recognising savings by closing or scaling this fund, which supports communities to become age-friendly. We agree with the Minister for Social Development & Employment that the grants and funds savings target can be better achieved by other means, as the grants and funds identified in the Minister of Finance's Budget invitation letter are well aligned to priorities in Seniors portfolio.	-	-	-	-	-	-	-	3	3	3
	16440	Cost Pressures	High-Complex Framework (HCF) – funding pressures	This initiative seeks increased funding to address cost pressures faced in the HCF, namely to address critical workforce training initiatives and essential infrastructure, which includes repairs and maintenance upgrades to essential security features.	Included	We recommend supporting this initiative. This funding provides a two-year extension to sustain minimum functionality required for statutory compliance with the obligations under the Intellectual Disability (Compulsory Care and Rehabilitation) Act 2003. MSD is developing a Programme Business Case for infrastructure upgrades for the High and Complex Framework in 2025 following criticism from the Ombudsman in 2021 (a current Specific Fiscal Risk). While there are not detailed costings, this funding will support providers to meet contractually required security standards. Examples include upgrades to security doors, boundary fences, and workforce training. There is a risk to both public safety and human rights if minimum functionality is not maintained.	10.0	2.5	-	10.0	2.5	-	3	3	4	
	16441	Cost Pressures	Disability Support Services cost pressures – supporting tangata whaikaha Maori and disabled people	This initiative seeks funding to enable the delivery of Disability Support Services (DSS) to provide the necessary supports and services that disabled people need. The funding will address the growth in the cost of delivering DSS, in addition to inflationary pressures.	Included	We recommend scaled funding for this initiative, which seeks funding for price and volume cost pressures in Disability Support Services (DSS). The amount of funding needed depends on the scale of DSS price and volume growth in 25/26, and how much of the 24/25 funding is ultimately spent. \$250 million per year would fund growth of 8%, assuming an underspend of \$50 million in 24/25. This would cover a new pricing model for residential care (as directed by Cabinet following the funding freeze in 2024/25); a 2% price uplift for non-residential supports, following a price freeze in 2024/25; and volume growth of ~4.3%, reflecting the impact of measures introduced since the Independent Review. We can adjust this assessment in late February when there is more certainty around 24/25 spending.	1,020.0	255.0	-	1,000.0	250.0	-	3	3	3	

Dept. Submissions \$(m)	Current Package \$(m)	VFM Values
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Vote	ID	Budget Track	Title	Description	Current Status	Treasury Recommendation and Commentary	Total Opex	Opex P.A.	Total Capex	Total Opex	Opex P.A.	Total Capex	V	A	D	
Social Development	16443	Savings	Services for People with Disabilities and Health Conditions fund saving options	The Services for People with Disabilities and Health Conditions fund is open for MSD-funded providers of Community Participation services for disabled people. Its purpose is to provide grants that enable providers to shift their services to become more flexible and client-centred by establishing new practices, processes, and reporting that will deliver better experiences and outcomes for disabled people. No savings have been identified from this fund as supporting disabled people is a key Ministerial priority.	Included	We support this initiative, which would return funding from the Services for People with Disabilities and Health Conditions fund (the fund). There may be value in the initiatives supported by the fund; however, we recommend prioritising B25 funding towards core disability support services (DSS). While DSS is under pressure for its performance and sustainability, we do not consider initiatives to incentivise innovative service delivery by DSS providers a high enough priority to warrant funding.	-	-	-	(12.0)	(3.0)	-	2	4	4	
	16444	Savings	Annual Carers' Strategy Budget	This initiative recommends no funding be returned from the Annual Carers' Strategy Budget (the Budget) in line with Minister Upston's priority to continue funding that targets disabled people and carers. The New Zealand Carers' Strategy (the Strategy) is a whole-of-government initiative designed to make New Zealand a society that values the over 500,000 family, whanau, aiga, and individual New Zealand carers who support someone who needs additional assistance with their everyday living because of a disability, health condition or injury. The annual Budget of \$80,000 supports the administration, stewardship and advancement of the Strategy and associated Action Plans. Budget funding for remaining FY2024/25 and FY2025/26 is intended to progress the Strategy and develop a new Action Plan.	Included	We recommend returning funding for the Annual Carers' Strategy Budget. While MSD has indicated Associate Minister for Social Development Hon Simmonds' intention to use the funding to develop a Carers' Strategy in 2025, we do not yet have a good understanding of the value of a new Carers' Strategy. If Hon Simmonds remains committed to developing a Strategy, we recommend she return to a subsequent Budget with a plan that outlines the initiative's value for money, including its impact on New Zealanders' outcomes.	-	-	-	(0.4)	(0.1)	-	3	4	4	
	16445	Savings	Investing in employment services to achieve the Jobseeker Reduction Target and gain welfare savings.	MSD has a challenging Jobseeker Reduction Target and while Jobseeker numbers were forecast to rise until January 2025, the peak is higher than anticipated. This invest to save initiative seeks funding for: <ul style="list-style-type: none"> Implementing Welfare that works that targets young jobseekers (this was a manifesto commitment and a relatively new and unproven initiative) 490 FTE to focus on getting people into employment (extending funding to meet additional demand approved in Budget 23) Effective evidence-based employment programmes. Over four years, this initiative is estimated to deliver approximately \$817m in savings to BoRE costs, with a net saving of approximately \$374m over the forecast period.	Included	We support a scaled version of this initiative. One component of the initiative seeks to retain 490 frontline FTEs, for whom MSD currently has time-limited funding, expiring in September 2025. This component would likely generate substantial savings (although rigorous evaluation may be difficult) and would help to maintain existing service levels. The other components would expand or extend various employment programmes, which could also generate savings and could be rigorously evaluated (depending on design decisions). The savings are still subject to change, as we continue to work with MSD on how best to calculate the savings to recognise at Budget 2025. Our scaled figures correct a calculation error and apply a 50% discount for non-participant effects rather than MSD's proposed 30%.	(373.7)	(93.4)	2.5	(83.1)	(20.8)	2.5	3	4	3	
	16446	New Spending	Food Secure Communities – short term funding to manage demand for food as economy recovers	Funding will be reprioritised for one year to continue the Food Secure Communities programme to meet high demand for community-based food support services while the economy recovers. The funding will enable established national and regional food distribution infrastructure to continue to source and distribute bulk food at a low cost, support the development of local food security initiatives and fund community food providers and foodbanks to meet local demand.	Excluded	We do not recommend supporting this initiative, which would continue time-limited funding for community food services for one year. However, MSD should reprioritise internally to enable the programme to continue (ideally, for more than one year). Funding for community food services (such as foodbanks and distribution networks) began in 2020 in response to COVID-19 and was extended at Budget 2023. Demand remains high, and food support may be an effective means to address acute hardship. For example, there are few administration costs associated with providing food support, and the New Zealand Food Network and others have established arrangement for the distribution of bulk surplus food at a low cost (~70 cents per kilo distributed). There are options for scaling this initiative, however.	15.0	3.8	-	-	-	-	-	3	3	4
	16448	New Spending	Adjusting Accommodation Supplement Area Boundaries and Introducing a Mechanism for Reflecting Urban Expansion	This would provide funding to: <ul style="list-style-type: none"> adjust Accommodation Supplement (AS) Area boundaries to account for urban development and residential expansion introduce a legal requirement for MSD to review the boundaries every five years and adjust if appropriate cover additional costs from higher AS payments for eligible clients. This initiative would provide more equitable levels of AS assistance as 3,500 clients (after offsetting Temporary Additional Support (TAS) and Special Benefit (SB)) would gain from increases in their AS payments to better reflect their actual circumstances. This initiative would be funded from a portion of the savings realised from the 'Housing Subsidies – Increasing the entry threshold for homeowners receiving the Accommodation Supplement' Budget 2025 initiative.	Excluded	We recommend not supporting this initiative. It would update Accommodation Supplement (AS) Area boundaries to take account of urban development and introduce regular reviews and adjustments. It would be funded from a related MSD AS savings initiative. The proposal would improve the equity of the AS system at a relatively small cost. AS Area boundaries have not been updated since 2018, and subsequent urban development has led to inequities between AS recipients. However this issue only affects around 3,500 clients, and there is no particular urgency to address this issue through Budget 2025 ^[33]	22.8	5.7	1.5	-	-	-	-	2	2	3

Vote	ID	Budget Track	Title	Description	Current Status	Treasury Recommendation and Commentary	Total Opex			Total Capex			V	A	D
							Opex	P.A.	Total	Opex	P.A.	Total			
Social Development	16450	New Spending	Child and Youth Strategy: Delivering on our priorities	Reprioritisation of funding or savings within Vote Social Development to: continue two programmes (KickStart Breakfast and provision of jackets by KidsCan) that mitigate the impacts of child material hardship and contribute to the Government's targets in this area; and fund evidence-based initiatives that develop positive parenting practices in the first 2000 days of children's lives and reduce child harm. These initiatives support the priorities in the Government's new Child and Youth Strategy. Reprioritising funding in Budget 2025 for these initiatives demonstrates the Government's commitment to delivering on the Strategy priorities and will be followed by work across Ministerial portfolios to identify further reprioritisation opportunities to support Strategy implementation.	Excluded	We do not recommend you support this initiative, but instead, that MSD reprioritise existing funding to continue providing raincoats and breakfasts to school children (approximately \$2 million over two years), but not funding for unspecified parenting programmes (approximately \$38 million over the forecast period). Funding for raincoats and breakfasts ('KidsCan' and 'KidStart' respectively) is currently time-limited, with no funding agreed beyond the end of the current financial year. These programmes directly address material hardship and crowd-in private investment. By contrast, although there is evidence that some parenting programmes meaningfully improve outcomes for children, this component of the initiative is less well-developed.	40.0	10.0	-	-	-	-	4	4	4
	16587	Savings	Out of School Care and Recreation (OSCAR) Grant	This grant provides funding to assist with the establishment and/or operating costs of OSCAR programmes. These grants support the availability and provision of before and after school care and holiday programmes enabling parents and caregivers to participate in the workforce, training and community activities. There is additional funding available to support providers in isolated and deprived areas and areas with highly seasonal workforces.	Excluded	We do not recommend recognising savings by closing or scaling this fund, which supports costs associated with before- and after-school care and holiday programmes. We agree with the Minister for Social Development & Employment that the grants and funds savings target can be better achieved by other means, as the grants and funds identified in the Minister of Finance's Budget invitation letter are well aligned to priorities in the Social Development & Employment portfolio.	-	-	-	-	-	-	2	2	2
	16588	Savings	E Tu Whanau	This fund provides funding to deliver community-based services, supports and activity that prevent and address violence within whanau, build protective factors, and respond to identified local issues and to develop community and provider capability, and provides targeted advice and support for vulnerable families and individuals.	Excluded	We do not recommend recognising savings by closing or scaling this fund, which provides funding to deliver community-based activities that prevent and address violence within whanau. We agree with the Minister for Social Development & Employment that the grants and funds savings target can be better achieved by other means, as the grants and funds identified in the Minister of Finance's Budget invitation letter are well aligned to priorities in the Social Development & Employment portfolio.	-	-	-	-	-	-	3	4	2
	16590	Savings	Pasefika Proud	This fund enhances the effectiveness and efficiency of social services by working closely with partners to improve outcomes for New Zealanders by building meaningful, productive, relationships with shared goals, risks, and accountabilities.	Excluded	We do not recommend recognising savings by closing or scaling this fund, which aims to improve outcomes by working closely with partners. We agree with the Minister for Social Development & Employment that the grants and funds savings target can be better achieved by other means, as the grants and funds identified in the Minister of Finance's Budget invitation letter are well aligned to priorities in the Social Development & Employment portfolio.	-	-	-	-	-	-	3	4	2
	16592	Savings	The Campaign for Action on Family Violence (It's Not Okay)	This fund provides funding to enhance the effectiveness and efficiency of social services by working closely with partners to improve outcomes for New Zealanders by building meaningful, productive, relationships with shared goals, risks, and accountabilities.	Excluded	We do not recommend recognising savings by closing or scaling this fund, which aims to reduce family and sexual violence. We agree with the Minister for Social Development & Employment that the grants and funds savings target can be better achieved by other means, as the grants and funds identified in the Minister of Finance's Budget invitation letter are well aligned to priorities in the Social Development & Employment portfolio.	-	-	-	-	-	-	3	2	2
	16593	Savings	Post Settlement Support Services for Refugee and Migrant Communities	This fund progresses and supports refugee and migrant community-led projects to build protective factors that strengthen and support family and community wellbeing.	Excluded	We do not recommend recognising savings by closing or scaling this fund, which supports refugee- and migrant-led projects to support family and community wellbeing. We agree with the Minister for Social Development & Employment that the grants and funds savings target can be better achieved by other means, as the grants and funds identified in the Minister of Finance's Budget invitation letter are well aligned to priorities in the Social Development & Employment portfolio.	-	-	-	-	-	-	3	3	2
	16594	Savings	Family violence sector capability and support	This funding supports the family violence sector by supporting a more integrated response to family violence at a regional level. It funds non-governmental organisations (NGOs) and Iwi representation at Regional Family Violence Governance Boards, which is distributed through a grants process, with applications reviewed twice a year.	Excluded	We do not recommend recognising savings by closing or scaling this fund, which supports a more integrated response to family violence at a regional level. We agree with the Minister for Social Development & Employment that the grants and funds savings target can be better achieved by other means, as the grants and funds identified in the Minister of Finance's Budget invitation letter are well aligned to priorities in the Social Development & Employment portfolio.	-	-	-	-	-	-	3	2	2
	16627	Savings	Growing Up in New Zealand (GUINZ) study savings	This initiative is the savings post the contract having been negotiated for the Growing Up in New Zealand (GUINZ) study.	Included	We support this initiative, which would return savings from the Growing Up in New Zealand study. The study has been funded by MSD to date, and, at Budget 2024, Ministers agreed that MSD should negotiate to pay only a contribution of the study's costs in the current financial year. Agreement has now been reached between the University of Auckland (who runs the study) and MSD, and \$6.82 million can now be returned through Budget 2025.	(6.8)	(1.7)	-	(6.8)	(1.7)	-	4	4	4
	16647	New Spending	Te Pae Tawhiti Programme – Continuing the Ministry of Social Development's business transformation	This initiative will fund years three to six of the Ministry of Social Development's business transformation programme, which began in July 2023. Funding is a combination of new expenditure and departmental and non-departmental savings. The programme will change the way the Ministry operates, modernise its technology and business processes to support new and more efficient ways of working, and reduce costs and risk. This will deliver benefits to government via greater efficiencies in one of the largest Votes and improve the effectiveness of services delivered to New Zealanders.	Included	We recommend supporting this initiative. It seeks funding for the remainder of MSD's transformation programme, Te Pae Tawhiti, for which Cabinet approved a Detailed Business Case in December 2024. The benefits include reductions in benefit payments (to which we have applied a 30% discount to account for non-participant effects) and administrative savings within MSD. There is a clear case for change: MSD's processes are inefficient and fragmented, and critical systems are approaching end of life and will become increasingly unusable. The DBC lays out an ambitious but achievable plan for transforming MSD's systems and processes. Delivery risks remain, but we note the positive Gateway review from November 2024 which concluded MSD was well-placed to deliver the next stage of the programme.	[37]								
16762	Savings	[Placeholder] Emergency Housing Savings	[Placeholder] Emergency Housing Savings	Included	(blank)	-	-	-	(850.3)	(212.6)	-				