

Improving the accuracy and integrity of MSD payments

Initiative Sponsors: Ministry of Social Development and Inland Revenue

Description:

This programme will improve accuracy and integrity in the welfare system by helping to more accurately pay clients the right amount of assistance at the right time.

Clients are expected to regularly declare their wage or salary income to MSD so that MSD can pay them the correct entitlement. MSD currently manually checks a proportion of records received from Inland Revenue against payments made to clients, to ensure those payments are accurate.

This programme of work will involve a first phase that improves the integrity of MSD payments by increasing the number of manual checks we carry out each year, while we develop an automated process for the second phase that uses and applies PAYE salary and wage income information from Inland Revenue closer to real-time.

This programme is being implemented in two phases, which are each supported by a separate Budget 2025 initiative. The initiatives are:

- Income Charging – Phase 1 – Additional Integrity Checks of MSD Payments
- Income Charging – Phase 2 – Using Inland Revenue Data to Improve the Accuracy of MSD Payments.

Income Charging – Phase 1 – Additional Integrity Checks of MSD Payments

This initiative will fund 35 additional staff for three years from 1 July 2025 to increase the number of records that can be reviewed each year. This is a time-limited initiative which is due to end as phase 2 comes into effect.

This initiative will generate savings by increasing the number of checks on payments, which will identify overpayments which need to be repaid to MSD, as well as clients who are no longer eligible to receive a benefit due to their income. This will help ensure those receiving MSD payments are eligible and paid what they are entitled to.

Financial Impact:

The impacts each year are set out in the tables below:

Vote Social Development Opex:

(\$m)	2024/25	2025/26	2026/27	2027/28	2028/29 & outyears	Total
Cost	-	4.400	4.308	4.308	-	13.016
Savings	-	(14.858)	(14.858)	(14.858)	-	(44.574)
Total savings	-	(10.458)	(10.550)	(10.550)	-	(31.558)

Income Charging – Phase 2 – Using Inland Revenue Data to Improve the Accuracy of MSD Payments

From July 2028, MSD will use PAYE salary and wages income information shared by Inland Revenue to calculate how much income-tested financial assistance people can receive from MSD.

Currently, people who are receiving MSD assistance must regularly declare their income to MSD. This change will reduce the burden on people to declare their income by using data already provided to the government by employers.

Changes will be made to enable this information to be shared between Inland Revenue and MSD by amending the Approved Information Sharing Agreement between the agencies, alongside legislative changes to support the initiative, including the increased use of automatic income charging.

Financial Impact:

The impacts each year are set out in the tables below:

Vote Social Development Opex:

(\$m)	2024/25	2025/26	2026/27	2027/28	2028/29 & outyears	Total
Total costs and savings	-	3.735	4.085	4.168	(376.524)	(364.536)

Vote Social Development Capex:

(\$m)	2024/25	2025/26	2026/27	2027/28	2028/29 & outyears	Total
Total costs	-	3.021	6.000	6.992	-	16.013

Vote Revenue Opex:

(\$m)	2024/25	2025/26	2026/27	2027/28	2028/29 & outyears	Total
Total costs	0.100	0.800	0.600	0.600	1.900	4.000

Vote Revenue Capex:

(\$m)	2024/25	2025/26	2026/27	2027/28	2028/29 & outyears	Total
Total costs	-	-	2.900	0.400	-	3.300

Phase 2 FAQs and other information

Why are we making the change?

- MSD's current income declaration settings for income-tested financial assistance are manual.
- Using Inland Revenue's PAYE salary and wage income information will allow MSD to calculate assistance payable to people more accurately. This change will reduce the ongoing burden on people to regularly declare their income and more accurately assess and pay what they are entitled to receive.

What and who will this affect/impact?

- How much income a person receives can impact whether that person is eligible for assistance, and what rate of assistance they are entitled to be paid. Much of the assistance MSD administers is subject to an income test.
- Any person who receives PAYE salary and wages income and is either applying for, or receiving, income-tested assistance administered by MSD will have

their income information shared with MSD to assess eligibility for assistance and/or entitlement to the rate of assistance payable to them.

- This income information will be used to automatically calculate how much assistance is payable to a person, replacing the need for people to regularly declare this type of income to MSD.

How many people will be impacted?

- The number of clients impacted by this change from implementation will depend on the number of clients receiving income-tested assistance that also receive salary and wages income at that time.

When will changes be implemented?

- Subject to the passage of legislation in 2027, phase 2 of this programme will be implemented from July 2028.

What assurances do we have that the automation and automated decision-making used as part of these changes are fair, appropriate and have sufficient safeguards?

- MSD's position is that ADM is best utilised for simple rules-based decision-making. The proposed changes will not introduce the use of ADM for decisions involving discretion.
- MSD has an ADM Standard and a Privacy, Human Rights and Ethics (PHRaE) framework which provides appropriate safeguards to ensure safe use of ADM by MSD.
- Compliance with the ADM Standard together with other safeguarding provisions provides the public with transparency and confidence that MSD is taking appropriate measures to ensure responsible use of ADM. The ADM Standard was developed after consultation with the Privacy Commissioner, the Human Rights Commission and the University of Otago Centre for Artificial Intelligence and Public Policy.
- The ADM Standard applies to any new use of ADM. It requires that any automated decision is accurate, does not lead to any bias or discrimination, the use of ADM is transparent to clients, has human oversight and that a client

can challenge any decision made using automation and the review of this decision is made by a person.

- MSD will ensure new ADM is implemented in accordance with the Standard and is assessed under MSD's PHRaE framework. This will also involve testing the high-level design of new ADM in consultation with the Office of the Privacy Commissioner.
- For clarity, MSD's use of ADM does not include generative Artificial Intelligence (AI) and changes made through this initiative do not involve generative AI.

Why has this change not been made until now?

- The ability for MSD to feasibly access Inland Revenue's salary and wage income data has only become available because of the completion of Inland Revenue's transformation project. The new capabilities associated with this project now allow information to be shared in a manner that allows for responsive automatic charging.
- In addition to this, the previous implementation of Child Support Pass-On has shown that automated charging based on an information share with Inland Revenue is reliable and can be successful. This also means that both MSD and Inland Revenue have experience implementing similar initiatives and can deliver change across a wider cohort as is intended here.