

The Treasury

Budget 2017 Information Release

Release Document July 2017

www.treasury.govt.nz/publications/informationreleases/budget/2017

Key to sections of the Official Information Act 1982 under which information has been withheld.

Certain information in this document has been withheld under one or more of the following sections of the Official Information Act, as applicable:

[1]	to prevent prejudice to the security or defence of New Zealand or the international relations of the government	6(a)
[4]	to prevent prejudice to the maintenance of the law, including the prevention, investigation, and detection of offences, and the right to a fair trial	6(c)
[11]	to damage seriously the economy of New Zealand by disclosing prematurely decisions to change or continue government economic or financial policies relating to the entering into of overseas trade agreements.	6(e)(vi)
[23]	to protect the privacy of natural persons, including deceased people	9(2)(a)
[25]	to protect the commercial position of the person who supplied the information or who is the subject of the information	9(2)(b)(ii)
[26]	to prevent prejudice to the supply of similar information, or information from the same source, and it is in the public interest that such information should continue to be supplied	9(2)(ba)(i)
[27]	to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information - would be likely otherwise to damage the public interest	9(2)(ba)(ii)
[29]	to avoid prejudice to the substantial economic interests of New Zealand	9(2)(d)
[31]	to maintain the current constitutional conventions protecting collective and individual ministerial responsibility	9(2)(f)(ii)
[33]	to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials	9(2)(f)(iv)
[34]	to maintain the effective conduct of public affairs through the free and frank expression of opinions	9(2)(g)(i)
[36]	to maintain legal professional privilege	9(2)(h)
[37]	to enable the Crown to carry out commercial activities without disadvantages or prejudice	9(2)(i)
[38]	to enable the Crown to negotiate without disadvantage or prejudice	9(2)(j)
[39]	to prevent the disclosure of official information for improper gain or improper advantage	9(2)(k)
[40]	Not in scope	

In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) and section 18 of the Official Information Act.

Treasury Report: Budget 2017 Bilateral Briefing on Vote Vulnerable Children, Oranga Tamariki

Date:	15 March 2017	Report No:	T2017/532
		File Number:	SH-3-2-17-18

Action Sought

	Action Sought	Deadline
Minister of Finance (Hon Steven Joyce)	Note ahead of the Budget 2017 bilateral discussion with the Minister for Children	4.15pm, Tuesday 21 March 2017
Associate Minister of Finance (Hon Simon Bridges)	Note for your information	
Associate Minister of Finance (Hon Amy Adams)	Note for your information	

Contact for Telephone Discussion (if required)

Name	Position	Telephone	1st Contact
Carolyn Palmer	Principal Advisor, Labour Market and Welfare	[23]	N/A
Grace Campbell-Macdonald	Manager Education and Skills & Labour Market and Welfare	[23]	[23]

Actions for the Minister's Office Staff (if required)

Return the signed report to Treasury.

Note any feedback on the quality of the report

Enclosure: [Social Sector B17 package, 9 March, MVCOT - for CP \(Treasury:3682070\)](#)
[Caregiver Support Package \(Treasury:3682534\)](#)

Treasury Report: Budget 2017 Bilateral Briefing on Vote Vulnerable Children, Oranga Tamariki

Executive Summary

This report provides you with advice ahead of your second Budget 2017 bilateral with the Minister for Children at 4.15pm on Tuesday 21 March 2017. Specifically, this report:

- provides an overview of the draft package for Vote Vulnerable Children, Oranga Tamariki
- outlines the risks, trade-offs and implications associated with the draft package along
- with our advice on areas that could be considered for further investment if there is additional headroom, and
- indicates areas where the Minister for Children may seek additional investment.

The draft package for Vote Vulnerable Children, Oranga Tamariki includes one Track One bid of [33] and [33] per annum of Track Two bids. The total package assumes that the unused Budget 2016 contingency [33]

In order for the package to remain within the allowances, some tough calls were required around scaling significant cost pressures and limiting the number of new and discretionary initiatives. This creates significant risk with respect to how fast the new operating model for vulnerable children can be designed and implemented, and will result in potential unfunded future operating cost pressures and communication challenges with respect to the 2016/17 contingency.

To help maintain momentum with the reforms, the following additional investment ready bids could be funded: *Child Centred Feedback, Insights and Complaints Mechanism (9715)* [33] [33] and [33]

[33] In addition, the proposed future contingency of [33] per annum could be increased [33]

To reduce risk from unfunded cost pressures, additional investment could be made to:

- cover the *Privacy and Official Information (POI) Services (9705)* [\$2.8 million per annum] cost pressure
- maintain current service levels for the Family Start programme (part of bid 9710) [33]
- cover the cost of [33] as this is a known cost impact of legislative change.

In addition to the potential areas that we have highlighted for further investment, we anticipate that the Minister for Children may raise the following areas for further investment:

- *Caregiver Support Package (9809)* [33]
- Children's Teams. [33] *Keeping the Children's Teams operating*
[33]
- increase in the proposed 2017 contingency.

In the longer-term, we remain concerned that there is not a strong imperative to reform baseline spending. To address this, we recommend that the Budget Cabinet paper direct the Ministry for Vulnerable Children, Oranga Tamariki to produce a fiscal strategy for inclusion in its first Four Year Plan ahead of any Budget 2018 investment decisions.

Recommended Action

We recommend that you:

- Note** the Treasury has prepared a minimum package which allows Ministers to remain within the current allowance settings.
- Note** this package reflects top-down adjustments, scaling down and deferral of initiatives which are high value-for-money and therefore involves real trade-offs.
- Note** the package is indicative only and is intended to be a starting point for discussion with portfolio Ministers around their key priority areas.
- Note** that draft Track Two package for Vote Vulnerable Children, Oranga Tamariki has been provided to the Minister for Children ahead of your Budget 2017 bilateral meeting at 4.15pm on Tuesday 21 March 2017.
- Note** that the Minister for Children has not seen any materials on Track One.
- Agree** that the Budget Cabinet paper direct the Ministry for Vulnerable Children, Oranga Tamariki to produce a fiscal strategy/investment strategy for inclusion in its first Four Year Plan ahead of any Budget 2018 investment decisions.

Agreed/Not agreed

Grace Campbell-Macdonald
Manager, Education and Skills & Labour Market and Welfare

Steven Joyce
Minister of Finance

Treasury Report: Budget 2017 Bilateral Briefing on Vote Vulnerable Children, Oranga Tamariki

Purpose of Report

1. This report provides you with advice ahead of your second Budget 2017 bilateral with the Minister for Children at 4.15pm on Tuesday 21 March 2017. Specifically, this report:
 - provides an overview of the draft package for Vote Vulnerable Children, Oranga Tamariki
 - outlines the risks, trade-offs and implications associated with the draft package, along with our advice on areas that could be considered for further investment if there is additional headroom, and
 - indicates areas where the Minister for Children may seek additional investment.

Background

2. Treasury Report: Budget 2017 Draft Packages and Risks [T2017/387] provided a draft Budget package for consideration. The draft package showed the minimum required to remain within the allowances signalled through the Budget Policy Statement (\$1.5 billion operating and \$3.0 billion capital) and reflected the transition from individual Treasury assessment of initiatives to cross sector prioritisation. The total social sector package within the draft Budget package [33]
3. The draft package primarily reflects cost pressures and commitments which are non-discretionary, with very little room for discretionary high value-for-money initiatives. As noted in T2017/387, there are significant trade-offs, risks and implications associated with initiatives that have been significantly scaled back or omitted from the package.
4. A second Treasury Report: Budget 2017 Track 1 Advice [T2017/547] provided advice on a draft Track One package.
5. Funding is also being sought in the Vote Social Development package for the Children's Commissioner statutory advice and monitoring function to cover the new Ministry for Vulnerable Children, Oranga Tamariki (9769). The draft minimum package for Vote Social Development includes a scaled amount of [33] for this function to allow the Office of the Children's Commissioner (OCC) to meet its statutory obligation to report on Child Youth and Family residences. The scaled amount recognises that it is important to ensure that the OCC is resourced to provide monitoring functions through the formation of the Ministry for Vulnerable Children, Oranga Tamariki, but also that a substantial review of the OCC arrangement is due to SOC in August 2017. Committing ongoing funding in Budget 2017 before the upcoming review would be premature.

Overview of draft package for Vote Vulnerable Children, Oranga Tamariki

6. The draft package for Vote Vulnerable Children, Oranga Tamariki (summarised in the attached A3) includes one Track One bid of [33] for expanding the Family Start programme to provide national coverage and [33] of [33]. The total package assumes that the unused Budget 2016 contingency [33] is returned to the centre. Table 1 compares the draft package with the funding received for care and protection in the previous two Budgets.

Table 1 – Funding for Care and Protection (average per annum)¹

	Budget 2015	Budget 2016	Draft Package for Budget 2017
Child material hardship package	\$139 million		
Child Youth and Family review and cost pressures	\$6 million	\$36 million	
Expansion of Children's Teams and Children's Action Plan financing plan	\$9 million		
Design and delivery of a new operating model for vulnerable children (contingency funding of which \$38.7 million is assumed returned to the centre)		\$50 million	
Track One			[33]
Track Two			[33]
Total	\$154 million	\$86 million	[33]

7. This minimum package for Vote Vulnerable Children, Oranga Tamariki provides for legislative and Cabinet commitments in the short-term only. It defers as much as possible to Budget 2018 and sets time limits for funding status-quo services that could be impacted by future changes. This risks creating a baseline hole that will need to be funded in future Budgets in order to meet known legislative costs and other commitments (for example, including 17 year olds in the youth justice system), without which the reforms will be at risk. This risk, and options for minimising it, are discussed as part of the risk and trade-off section in this report.

Cost Pressures

8. The draft package includes funding for two significant cost pressures:
- *Business as usual pressures for Ministry for Vulnerable Children, Oranga Tamariki (9710).* This addresses wage pressures from existing collective agreements, along with current demand for out-of-home placements. It does not currently include cost pressure funding for the Family Start programme.

¹ Budget 2015 and 2016 figures are for care and protection only and exclude any corporate overhead funding sought by the Ministry of Social Development.

- *Raising the age of care and protection to 18 (9699)*. The modelled pressure assumes 500 additional young people remaining in care beyond their seventeenth birthdays. This has been [33] in the draft package [33]. As such, there is a fiscal risk if numbers are above this level.

9. The draft package also includes two years of funding [33] for *Additional Youth Justice Residential Beds (9696)* while new community-based delivery solutions are developed, and [33] for a new child-centred complaints mechanism (9715). [33] is included to keep existing Children's Teams operating (9702) pending a review of the approach.

New Initiatives

10. New initiative funding will enable the Vulnerable Children reforms to continue. The draft package includes a proposed new Budget 2017 contingency [33] for initiatives that are not yet investment ready, but will be important to the reform programme. There are five bids that are likely candidates for eventual funding from this contingency. These are [33]

11. The package also includes new funding for a digital workplace (9694) [33] plus associated short-term capital] and [33]

Initiatives not Included in the Package

12. [33]

Risks, trade-offs and implications with the current package

13. In order for the package to remain within the allowances, some tough calls were required around scaling significant cost pressures and limiting the number of new and discretionary initiatives. This creates significant risk with respect to how fast the new operating model for vulnerable children can be designed and implemented to achieve the Government's investment objectives, potential unfunded future operating cost pressures, and communication challenges with respect to the 2016/17 contingency.

14. *Achieving the Government's investment objectives.* The initiatives intended to achieve significant improvements in outcomes for vulnerable children are only partially covered by the proposed contingency [33]
This risk relates to the following bids: [33]

15. *Unfunded future operating cost pressures.* Known cost impacts of legislative changes to include 17 year olds and non-imprisonable traffic offences in the Youth Justice system (9713) [33] are not fully covered in the draft package. This pre-commits future budgets. Similarly, the draft package provides short-term/partial funding for some existing services because long-term solutions are unknown but ignores that there will be a long-term cost to be funded from future budgets. Long-term solutions may cost at least as much as current services, given the focus is on improving quality. Technology will also be a consideration for future Budgets, and the current package funds a single year only. This risk relates to the following bids: *Additional Youth Justice Residential Beds (9696)*; *Supporting legislative amendments to the Youth Justice system (9709)*; *Keeping the Children's Teams operating (9702)*; and *Investment in the first technology enhancements and future technology designs for MVCOT (9693)*.

16. *Utilisation of 2016/17 Contingency.* Budget 2016 announced a \$200 million (average of \$50 million per annum) investment to implement a system-wide reform of services and support for vulnerable children and young people. The majority of this was in the form of contingency funding. However, the current package assumes that the unused Budget 2016 contingency [33]

17. The following section discussed potential areas that could be considered for further investment in Budget 2017 which may help mitigate the above risks.

Potential areas that could be considered for further investment

18. Treasury Report: Budget 2017 Draft Packages and Risks [T2017/387] included a set of initiatives for you to consider as additions to the recommended package, across all Votes. Initiatives for Vote Vulnerable Children, Oranga Tamariki were not included in this additional package. However, you may wish to consider the following investments to mitigate the risks identified above.

19. To help maintain momentum with the reforms, the following additional investment ready bids could be funded:
 - *Child Centred Feedback, Insights and Complaints Mechanism (9715)* [33]
[33] as current funding levels are insufficient to achieve an appropriate level of service to inform design of the new operating model.
 - *Supporting legislative amendments to the Youth Justice system (9709)* [33]
[33] as this funding will accelerate the design of the new operating model.

20. In addition, the proposed future contingency of [33] could be increased by [33]. This would provide some additional funding towards the [33] *Caregiver Support Package (9809)*; and It would also help manage communication challenges around the utilisation of 2016/17 contingency.
21. To reduce risk from unfunded cost pressures, additional investment could be made to cover known cost pressures. In particular, we would recommend funding bids to:
- cover the *Privacy and Official Information (POI) Services (9705)* cost pressure. The department has provided good information to demonstrate that current funding levels are insufficient to maintain an appropriate level of service and meet legislative requirements [33]
 - maintain current service levels for the Family Start programme (part of bid 9710) as there is a good evidence base to support an additional \$800 per family [33]
 - [33]

Areas where the Minister for Children may seek additional investment

22. In addition to the potential areas that we have highlighted for further investment, we anticipate that the Minister for Children may raise the following areas for further investment.
23. *Caregiver Support Package (9809)* [33] While we broadly agree with the overall direction of this bid, we do not consider that all of the components are investment ready. Specifically, we have concerns about:
- the capacity to roll out the full training package at the speed envisaged
 - the need to trial and evaluate some of the new components before committing to full funding
 - the need to understand how additional social worker roles fit with the new operating model
 - the costings for the discretionary payment card, as we would expect the streamlining of processing to result in administrative savings
 - the lack of a business case for the IT recruitment and retention tool component, and
 - the need for further policy work with respect to the enhanced establishment support payment (a 'paid leave' payment at the start of each new placement) and additional financial support payments for higher needs children, as these would create additional entitlements for caregivers and high needs children.
24. To support your discussions with the Minister for Children, we attach a second A3 indicating those components of the *Caregiver Support Package (9809)* that could be investment ready for Budget 2017 [33]

25. *Keeping the Children's Teams operating (9702)*, [33] total additional investment of [33]
and [33]
26. Further increase in the proposed 2017 contingency to fully cover initiatives intended to achieve significant improvements in outcomes for vulnerable children [33]

Strategy for future investment

27. While we have identified some additional areas for investment, including the possibility of increasing the proposed contingency [33] a key consideration in weighing up further Budget 2017 funding over and above these amounts is the investment readiness of the overall reform programme. [33]
28. The Vulnerable Children's reforms are a multi-year change programme. To date investment has been made in Budgets 2015 and 2016, and is proposed for Budget 2017. However, many of the components of the new operating model are in the early design phase. Therefore, Treasury considers a multi-year fiscal strategy for the reforms is required that provides greater clarity around:
- the expected costs of developing each component of the new operating model
 - the expected benefits of each component of the new operating model, and
 - plans for reinvesting current baseline expenditure in the new operating model in order to achieve the Government's investment objectives.
29. To expedite preparation, we recommend that the Budget Cabinet paper direct the Ministry for Vulnerable Children, Oranga Tamariki to produce a fiscal strategy/investment strategy for inclusion in its first Four Year Plan ahead of any Budget 2018 investment decisions.