

# The Treasury

## Budget 2011 Information Release

### Release Document

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- [1] 9(2)(a) - to protect the privacy of natural persons, including deceased people
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In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) of the Official Information Act.

**Vote Social Development and Vote Youth Development**

## Four-year Budget Plan

8 December 2010

Submitted by:

**Ministry of Social Development**

## Section 1: New Baseline and Summary of Changes

The Minister for Social Development and Employment and Youth Development has articulated her strategy and priorities over the four year Budget horizon to the Ministry within the context of a continuation of the wider government response to economic conditions and achieving the government priorities of:

- *An Unrelenting focus on work* – helping people find independence through work
- *A Fair system* – ensuring that state help reaches those who need it most
- *Protecting our children* – ensuring children have the opportunity to thrive and succeed
- *Opportunities for youth* – backing our young people to succeed
- *Communities – getting on with it* – supporting communities and NGOs to achieve better outcomes for families
- *Delivering our services better* – ensuring value for money and a smarter way of delivering services

Over the past two years this strategy has seen the Ministry redirecting resources into extra frontline service delivery to achieve these priorities and the Minister has indicated that this overarching strategy should continue.

The Ministry offers its advice in this Four Year Budget Plan accordingly.

### Operating Cost Plan

Over the next four years the Ministry will continue to direct resources toward frontline services that deliver to vulnerable families, children and youth and improve the impact of its programmes, while recognising the Government's wider fiscal position. In this context we expect the priorities over the period covered by the Plan to include implementing:

- the Government's response to the recommendations of the Welfare Working Group,
- the Minister's Youth Pipeline work
- the Government's response to the Housing Shareholder's Advisory Group (HSAG)

as well as implementing the Minister's thinking around new approaches to asset based welfare for children in care.

In addition, as reported to Cabinet in September 2010 [ECC Min (10) 14/2 refers], the Ministry has plans in place to manage known cost and volume pressures within its departmental baselines over the next four years.

Within this wider context, the Minister for Social Development and Employment has indicated that her priorities for Budget 2011 advance the Government's key priorities by:

- supporting better youth employment outcomes through developing a youth employment package that includes enhanced Job Ops aimed at addressing youth who are Not in Employment, Education or Training (NEET) (as highlighted in her Youth Pipeline submission to Cabinet) and an improved delivery of LSV
- supporting the protection and well-being of our most vulnerable children, particularly those in CYF care who are most at risk of moving into crime, as well as supporting other young people at risk.

These priorities are to be funded from reprioritisation within existing Social Development and Youth Development baselines. In this context, the Minister's approach to these priority areas is outlined below.

### ***Supporting Better Youth Employment Outcomes***

SOC is considering a paper on 15 December outlining the options that the Minister is proposing in relation to the Youth Pipeline, in particular how to address issues related to youth that are NEET, particularly those that are 16 and 17 years of age. The youth NEET issue has also been prominent in the consideration of the Welfare Working Group.

The Minister is seeking to improve the delivery of employment assistance to youth through:

- targeted delivery of the Job Ops programme to 3,000 youth on UB for 3-6 months

[2]

The Minister has also indicated that improving the delivery of LSV remains a priority as an option for youth, particularly in the Auckland region. The Ministry's advice to the Minister has been that LSV could deliver better cost effective employment outcomes if MSD processes were improved and costs were reduced (including the possibility of finding alternative providers for this service) and is currently working to achieve this.

Our advice has also been that demand for LSV is likely to reduce as the economy improves, [2]

### ***Supporting the Protection and Well-Being of our Most Vulnerable Children***

In Budget 2010 the Government set aside \$86.6 million over four years (2010/11 to 2013/14) from the uncommitted Pathway to Partnership funding to be used to purchase family and community services that supports the Government's social sector priorities. With the rollover of baselines out a further year (to 2014/15), the final year of this fund has also been rolled out, so that the funding within the ring-fenced fund totals \$122.3 million over the five years 2011/11 to 2014/15.

The Minister will discuss, with Social Sector Ministers and the Minister of Finance, applying this funding to the following:

#### *Drivers of Crime: Services for Children in Care*

SOC considered a paper on 22 September setting out a package of proposals to reduce the risk of chronic negative long-term outcomes for children entering into, and in, State care. The Ministry has advised our Minister that her proposals should include:

- Gateway health and education assessments for all 2,200 children entering or re-entering care (with cost to be shared equally between the Ministry and Health and Ministry of Social Development from within existing baselines)
- Child Mental Health Services – expanding the delivery of mental health services [2]
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- Early Childhood Education for children in care – payment of funding for 18 month to 3 year old children in care and additional support for 5-12 year olds

[2]

### *HIPPY*

Expanding the provision of Home Instruction for Parents of Preschool Youngsters (HIPPY) to fully fund the 19 sites that are not currently fully funded and expand HIPPY to an additional 13 sites.

### *Parents Inc.*

Funding Parents Inc. for the provision of parenting support services designed to help parents raise their children. Parents Inc. provides these services online, through the Auckland Parenting Place and at events in local communities nationwide.

### ***Historic Claims***

In addition to the Minister's key priorities summarised above, the Ministry is also seeking to proactively reduce the number of MSD's historical claims (and their liability) and allow claims that do go to court to be properly defended, thereby managing a \$60-70 million Crown liability[6]

Time limited funding of approximately \$4 million per annum runs out on 30 June 2011, and the Ministry proposes to fund the continuation of historic claims activity for the next two years through the conversion of \$8 million balance sheet cash into two years' operating funding at \$4 million per annum.

[2]

### ***Associate Minister's Priorities (Minister Turia)***

As required by the Treasury's guidance, the financial tables below and section 4 of this submission includes the financial implications of the Associate Minister's Budget 2011 proposals. [2]

They are detailed in a separate letter from the Associate Minister to the Minister of Finance.

## Capital Costs Plan

### *Capital-Operating Swap*

The Ministry is proposing to return \$8 million of cash from the MSD balance sheet, for conversion into two years' operating funding for Historic Claims. The Ministry is working with the Treasury on ways to improve cash management; one of the options being explored is for the Treasury to disburse cash to MSD on the first of the month (rather than the middle of the month), thereby reducing MSD's cash holding requirements.

[2]

## Overall Impact

Note that these figures do not make any allowance for the fiscal impact of BOUE forecast changes that will be made in April 2011.

Vote Social Development

Operating	Impact (\$000s)				
	2010/11	2011/12	2012/13	2013/14	2014/15
Current Baseline	19,291,631	19,871,291	20,526,698	21,314,560	22,190,034

[2]

<b>Capital</b>	<b>Impact (\$000s)</b>				
	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>
Capital proposals seeking new funding in Budget 2011.	-	(8,000)	-	-	-
Capital proposals seeking decisions in Budget 2011 funded within baselines.	-	-	-	-	-
Total capital intentions	-	(8,000)	-	-	-

Vote Youth Development

<b>Operating</b>	<b>Impact (\$000s)</b>				
	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>
Current Baseline	14,219	13,524	13,524	13,524	13,524
[2]					

## Section 2: Vote Priorities and Pressures

### Vote Priorities

As outlined in Section One, the Minister's priorities for Vote Social Development and Vote Youth Development over the next four years remain achieving the government's priorities of:

- *An Unrelenting focus on work* – helping people find independence through work
- *A Fair system* – ensuring that state help reaches those who need it most
- *Protecting our children* – ensuring children have the opportunity to thrive and succeed
- *Opportunities for youth* – backing our young people to succeed
- *Communities – getting on with it* – supporting communities and NGOs to achieve better outcomes for families
- *Delivering our services better* – ensuring value for money and a smarter way of delivering services

These priorities have been reinforced through the Minister's Priorities Letter to the Prime Minister and, as noted in Section One the Ministry is committed to achieving these and future emerging priorities within existing baselines.

Details of specific initiatives to deliver these priorities were summarised in Section One, and details of each initiative are provided in Section Three.

### Funding Strategy

The Ministry has worked closely with the Minister to develop funding proposals sufficient to meet the cost of the Budget 2011 priorities. The strategy includes the following elements:

#### **Supporting Better Youth Employment Outcomes**

Two approaches have been developed by the Ministry in consultation with the Minister:

- To fund the proposals to extend and improve the delivery of the Job Ops programme to youth through a reprioritisation of Employment Assistance funding within the non-departmental baseline
- [2]

This fund was established in 2009 from *Pathway to Partnership* funding to support NGOs under pressure from the impacts of the recession. The baseline for the Fund is \$104 million over 2009/10 and 2010/11, [2]

It is proposed that this be applied to fund the extension of LSV for another four years [2]



### ***Supporting the Protection and Well-Being of our Most Vulnerable Children***

- Reprioritising existing [2] Ministry of Social Development baselines to equally share the costs of the Gateway health and education assessments for all 2,200 children entering or re-entering care
- Using the ring-fenced fund (created in Budget 2010 within Vote Social Development to purchase family and community services that support's the Government's social sector priorities) to fund the remaining initiatives identified in Section One to protect the well-being of the most vulnerable children. The Minister will be discussing this approach with her Social Sector Ministerial colleagues shortly.

### ***Historic Claims***

- Using better balance sheet and cash management techniques to return \$8 million of cash from the MSD balance sheet to meet the costs of Historic Claims for a further two years at an annual cost of \$4 million per annum.

### ***Managing Cost and Volume Pressures***

Consistent with the Government's requirements for fiscal control, the Ministry has developed a comprehensive value for money plan covering all aspects of its Votes, with a particular focus on meeting known cost and volume pressures within baselines over the next four years.

### ***Departmental Pressures***

The Ministry is committed to managing its departmental cost pressures within its existing departmental baseline – without compromising the quality of service to clients. In addition, the Ministry will seek to manage known volume pressures over the next four years within its departmental baseline, but may not be able to manage unexpected volume pressures (such as another economic downturn) with existing resources.

The Ministry has had a VfM programme in place since 2006, in order to manage its departmental cost pressures through productivity and efficiency gains while improving the quality of services to clients. It was forecast in 2008 that cumulative cost pressures for the next four years would have resulted in extra departmental spending of \$254m on top of the Ministry's approved baseline if unaddressed over this period.

In the four years 2010/11 to 2013/14, the Ministry faces total cost pressures relative to its departmental baseline of just over \$211m as set out in the chart below:

### Composition of Total Cost Pressures



These pressures include forecast volume increases in main service lines, such as Child, Youth and Family, and in the Seniors Service Line (where client volumes are increasing significantly every year). To meet the commitment to manage these costs and known volume pressures, the Ministry will find productivity and efficiency gains of 2-3% per annum within a nominally declining baseline, from which easier gains have already been realised.

The Ministry has seven strategies to meet the cost and anticipated volume pressures outlined above over the next four years. These plans are ambitious and challenging, and will require strong leadership and change management right across all areas of the Ministry. These seven strategies are:

1. **Online Services.** Displacing manual and paper-based processes in favour of self-servicing online options, and reducing the costs of service delivery while improving reach and convenience for customers.
2. **Improving Business Processes.** Streamlining processes, reducing waste, and developing a culture of continuous improvement. Lean Six Sigma programmes have been implemented in the main service lines, and are being scoped for the corporate areas.
3. **[3]**
4. **Reprioritisation of Resources.** Reducing staff numbers over the last two years, particularly in the corporate services and policy areas, and continuing to look at staffing levels across all parts of the Ministry in the future.
5. **Lower Operating Costs.** Reducing expenditure on such items as travel, office consumables, and motor vehicles. Procurement policies are being reviewed, along with travel – both domestic and international. In addition, a project on

outsourcing is underway to determine the optimum in-house / outsourced balance for the Ministry.

6. **Shared Services.** Working with other agencies to identify and develop opportunities to reduce costs for both MSD and other Government agencies.
7. **Reducing Client Numbers and Duration.** Enabling the Ministry's clients to be able to achieve independence within the community. To support the move to independence, the Ministry has a range of strategies, including reducing working age benefit numbers, and increasing the number of children in permanent homes.

### ***Non-Departmental Programme Costs***

On 14 December ECC will consider a paper on the value for money of non-departmental and contracted services expenditure within the departmental baseline. This paper notes that the forecast expenditure is \$677 million in the 2010/11 financial year, reducing to a total of \$645 million in the 2013/14 financial year.

This funding is within capped appropriations. The Ministry has reviewed, or is currently reviewing, the value for money for all aspects of Vote Social Development, including this spending. The ECC paper also outlines the strategies employed by the Ministry to improve the quality and effectiveness of this spending.

### ***Managing BOUE and Crown Capital Expenditure***

Appropriations for Benefits and Other Unrequited Expenses and for Crown Capital Expenditure items in this Vote are forecast on a mid-point basis. This means it is to be expected that actual expenditure on some of the forecast items will be more than the mid-point forecast and on other forecast items less than the mid-point forecast. As an appropriation is a legal upper limit on expenditure, using a mid-point forecast to determine the amount of the appropriation inevitably means that there will be unappropriated expenditure for some forecast items, requiring separate ministerial approval and parliamentary confirmation, or parliamentary validation.

However, to reduce the likelihood of unappropriated expenditure on forecast items in this Vote, the cumulative appropriation for each forecast item in this Vote in the annual Supplementary Estimates includes not the mid-point forecast but a reasonable upper bound of the forecast range.

The Ministry's forecasting performance is strong, with a recent Treasury analysis of forecasting variances on both operating and capital forecast items showing the Ministry to be in the four top ranking<sup>1</sup> departments on each measure (*letter from Treasury to the Ministry dated 6 October 2010*).

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<sup>1</sup> Measured by absolute forecast variance relative to baseline.

### **Section 3: Proposed Changes for Budget 2011 (Reprioritisation)**

This section outlines the changes proposed by the department to meet the Minister's priorities.

The changes are organised as follows:

- Proposals to support better youth employment outcomes
- Proposals to support the protection and well-being of our most vulnerable children
- Historic Claims.

*Note that this section does not include proposals from the Associate Minister (Minister Turia) as these are detailed in a separate letter from the Associate Minister to the Minister of Finance. However, as required by the Treasury's guidance, the financial tables in section 4 of this submission include the financial implications of the Associate Minister's Budget 2011 proposals.*

#### **A Supporting Better Youth Employment Outcomes**

##### ***Youth Employment Package***

The Youth Employment Package builds on the success of Job Ops and focuses it on Youth unlikely to be reached by Youth Guarantee. There are two components to the package:

- targeted delivery of the Job Ops programme to 3,000 youth on UB for 3-6 months

[2]

##### *Why is it a priority?*

Funding for Job Ops and Comm. Max is time limited, yet youth unemployment levels remain high and we need to do more to help young people find work. There is a significant risk of adverse long-term labour market and benefit receipt outcomes if youth remain disengaged from the labour market for long periods of time.

##### *What will be new or different?*

The package will include improve the targeting of Job Ops to those more likely to have long term benefit receipt (those on UB for three to six months) and improved front-end early assessments for young people. The package also aims to expand the range of employers participating in the programme, including larger employers.

##### *Fiscal impacts*

[2]

## **Limited Service Volunteers (LSV)**

### *Why is it a priority?*

Funding for LSV was expanded from 700 to 2000 places across three sites (Burnham, Trentham and Hobsonville) per annum as part of the Youth Opportunities Package, but this funding was time limited and ends in December 2011.

LSV has been effective in improving attitudes and behaviours of young people who are not engaged in education, employment and training (NEET), particularly those that have been disengaged for some time. Work and Income is currently streamlining its processes to improve employment outcomes from LSV by joining up appropriate employment interventions in the timely manner to LSV graduates and engaging with employers early in the LSV programme to improve connections.

Continuing the LSV programme option in Auckland and the central North Island for disengaged youth is also a priority.

### *What will be new or different?*

LSV will become a part of the Minister for Social Development and Employment's focus on youth (including 16 and 17 years olds). It is proposed that LSV will continue in the same locations for at least 2011/12 and 2012/13.

Work and Income is working with Defence to both reduce the costs of LSV and improve the employment outcomes it achieves. The number of places required will also reduce over time as the economy improves and demand for employment programmes such as LSV reduces.

### *Fiscal impacts*

[2]

## **B Supporting the Protection and Well-Being of our Most Vulnerable Children**

The Minister of Social Development and Employment will be proposing to her Social Sector colleagues the following mix of programmes to deliver the government's priority of Supporting the Protection and Well-Being of our Most Vulnerable Children.

The proposals are in three parts:

- *Drivers of Crime: Services for Children in Care:* a package of proposals to reduce the risk of chronic negative long-term outcomes for children entering into, and in, State care

[2]

## 1 Drivers of Crime: Services for Children in Care

These proposals consist of the following.

### ***Expansion of Gateway Health and Education Assessments***

Gateway Health and Education Assessments ensure that all children entering State care have their health and education needs identified. The assessments involve collating existing information, administering screening tools and identifying those children who warrant a specialist health or education assessment.

#### *Why is it a priority?*

Children in State care are likely to:

- have high levels of unmet health and mental health needs
- be persistent truants or have behaviour problems at school
- not be engaged with health and/or education
- have families and whānau with unmet mental health and drug and alcohol addiction problems.

The expansion in assessments builds on existing pilots. The pilots have been established in 16 CYF sites, covering four DHBs (District Health Boards) as well as local schools. The pilots found that 88 per cent of children had previously unidentified health needs, and 25 per cent had three or four health needs.

Better outcomes for our most vulnerable children cannot be achieved without robust information on health, education achievement, and social and developmental wellbeing. Gateway Assessments are fundamental as they provide a platform of information required to:

- understand the full picture of needs
- agree on what services are required, and who should provide them
- develop a collective approach to ensure the correct services are available and gaps are filled.

The expansion in assessments will improve health, educational, social and development outcomes for children and young people who enter care. It will also reduce the likelihood of chronic negative long-term outcomes including poor physical and mental health, lack of education achievement, unemployment, welfare dependency, offending and prison.

*What will be new or different?*

Around 2,200 children or young people per year will have access to Gateway assessments as they enter or re-enter State care. This will result in improved identification of health and education needs and a better understanding of all interrelated risk factors for these children. It will enable these children to receive the right services to address their needs.

It will ensure a stronger interagency response is provided to children entering and in State care. We will intensify our work with the Ministries of Health and Education to provide the best care for children and young people who need these services.

*Fiscal impacts*

The cost of implementing the national rollout of health assessments for all 2,200 children entering or re-entering care is estimated to be \$3.8 million annually. [2]

***Early Childhood Education for Children in State Care***

To meet the costs of 20 hours a week ECE (Early Childhood Education) for all children in State care who are aged 18 to 36 months old. Eligibility for this support will continue if children progress to a permanent “Home for Life”.

*Why is it a priority?*

Children in State care are often not accessing enough ECE to receive the level of benefits that could improve their educational and life outcomes. Participation in quality ECE helps prepare children for achievement at school by teaching social skills and appropriate behaviour, and enhancing their ability to learn. It makes a continuing contribution to cognitive and social/attitudinal competencies through to teenage years.

There is a financial barrier for caregivers of children aged 18 to 36 months in the care of the State to access ECE. Children who are in care, or have been in care, are currently not eligible for ELP (Early Learning Payment) unless they are in Family Start or Early Start. ELP pays the full amount of early childhood education fees for up to 20 hours per week.

*What will be new or different?*

Three-hundred and forty-eight children, aged between 18-36 months old, in State care will receive 20 hours ECE per week. This will allow more parents and caregivers the opportunity to seek employment while their children are engaging in ECE.

### ***Increasing Access to Mental Health Services for Children in Care***

To enable us to purchase specialist mental health services directly for children in State care who do not meet the current criteria for access to Ministry of Health funded specialist mental health services. Children can continue to access service if they progress to a “Home for Life”.

#### *Why is it a priority?*

The level and severity of mental health need in children and young people in care is under-recognised and under-treated. Approximately 65 per cent of children in care will have mental health or behavioural problems and 40 per cent are likely to have a mental health disorder that requires specialist mental health services. Only seven per cent of children in care currently receive specialist Child and Adolescent Mental Health Services (CAMHS).

Children with mental health and behavioural problems that are not adequately addressed are likely to experience failure in school, become adult mental health clients and/or offenders in adulthood. Providing services to children in care with mental health disorders will enhance placement stability, prevent caregiver burnout and assist in long-term recovery and wellbeing of the child.

#### *What will be new or different?*

[2]

Mental health problems identified through the Gateway Health and Education Assessment pilots include: attachment disorders, depression, eating disorder, post-traumatic distress disorders and self-harming behaviours.

[2]



[2]

[2]

[2]

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[2]

### ***Increase in HIPPY (Home Instruction Programme for Preschool and Youngsters)***

HIPPY (Home Instruction Programme for Preschool and Youngsters) is a home-based child development programme that helps parents build the learning skills of their four and five-year-old children in preparation for school. HIPPY encourages ECE (early childhood education) participation.

#### *Why is it a priority?*

Evaluations show children receiving HIPPY have improved language development and mathematics, reduced levels of aggression and better classroom behaviour.

A recent Ministry review found that HIPPY fully or mostly meets most good practice design principles for intervention in the early years, that its retention rates are in line with international retention rates for parenting programmes, and that Māori and Pasifika children are the main recipients of HIPPY.

The main provider of HIPPY, Great Potentials, notes that raising funds in areas where HIPPY is delivered as stand-alone programmes has become increasingly difficult. They have suggested the requirement to raise these funds is inequitable when compared with the full funding we provide for HIPPY in Family Services Centres and Early Years Service Hubs.

*What will be new or different?*

The Ministry has been advised by the Minister that her preferred option for the increase in HIPPY is to fully fund the 19 sites that are not currently fully funded and expand HIPPY to an additional 13 sites.

***Parents Inc.,***

This initiative provides funding to Parents Inc. for the provision of parenting support services.

*Why is it a priority?*

A review of parenting programmes by the Families Commission indicated a high demand for universally available parenting programmes, particularly for those targeted to parents of school-aged children. Of the universally available programmes considered in the review, those run by Parents Inc. demonstrated the greatest spread of services across different age groups, including services for parents of teenagers.

This initiative also supports the government priority of communities – getting on with it, by supporting non-government organisations to respond to community needs and issues.

*What will be new or different?*

Parents Inc. offer a range of programmes and services designed to help parents raise their children. Parents Inc. provides these services online, through the Auckland Parenting Place and at events in local communities nationwide. Parents Inc. vision is to “positively impact every family.”

Services provided by Parents Inc. include:

- Toolbox parenting course – six-week course to equip parents with practical skills, strategies and parenting principles
- seminars and community events
- Family Coach providing email consultations, as well as on-one-one consultation in their Auckland office
- “No Sweat Parenting” events for Māori and Pacific parents.

## **C Child, Youth and Family Historic Abuse Claims**

The Ministry has nearly 700 claims and direct applications, covering 50 years, which seek about half a billion dollars in compensation. While the claimants make up less than one per cent of former State wards, their claims are the Crown's largest block of civil litigation.

[6]

*Fiscal impacts*

The initiative will reduce the estimated \$60m - \$70m contingent liability associated with the historic claims. It will also reduce the financial, legal and reputational risks to the Crown.

The Ministry is working with the Treasury on ways to improve cash management; one of the options being explored is for the Treasury to disburse cash to MSD on the first of the month (rather than the middle of the month), thereby reducing MSD's cash holding requirements. If agreed with the Treasury, the Ministry proposes to fund the continuation of Historic Claims for a further two years, at \$4 million per annum, through the conversion of \$8 million balance sheet cash, which is freed up, to operating expenditure.



## **Section 4: Summary of Financial Movements**

This section details the changes to appropriations (including new appropriations) which are required to implement all of the proposed changes in section 3.