

Reference: 20220235

12 August 2022

Dear [REDACTED]

Thank you for your Official Information Act request, received on 22 June 2022. You requested:

TSY advice regarding OT's strategic and finances / financial position since 1 July 2021 that provides a substantive overview of the strategic and financial position of Oranga Tamariki, the key issues it faces from a strategic and financial perspective, the options for addressing those issues, advice on those issues, and decisions made in regard to those issues

The time to respond was extended by 16 working days due to time needed for agency consultation.

Information being released

Please find enclosed the following documents:

Item	Date	Document Description	Decision
1.	6 October 2021	Email: Oranga Tamariki - bullets to assist MoF reviewing Cabinet Paper	Release in full (except phone numbers)
2.	14 October 2021	Treasury Report T2021-2551 Oranga Tamariki - Supporting Ministerial consultation for Budget 19 report back	Release in part
3.	16 December 2021	Treasury Report T2021-3056 Supplementary advice on Oranga Tamariki re-prioritisation options	Release in part
4.	18 March 2022	Treasury Report T2022-624 Supporting a response to Oranga Tamariki's CRRF funding request	Release in part

5.	4 August 2021	Social Wellbeing Committee Briefing	Release in full (except phone numbers)
6.	30 March 2022	Social Wellbeing Committee Briefing	Release in full (except phone numbers)
7.	6 April 2022	Social Wellbeing Committee Briefing	Release in full (except phone numbers)
8.	13 April 2022	Social Wellbeing Committee Briefing	Release in part

I have decided to release the documents listed above, subject to information being withheld under one or more of the following sections of the Official Information Act, as applicable:

- names and contact details of officials, under section 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,
- advice still under consideration, section 9(2)(f)(iv) – to maintain the current constitutional conventions protecting the confidentiality of advice tendered by Ministers and officials,
- certain sensitive advice, under section 9(2)(g)(i) – to maintain the effective conduct of public affairs through the free and frank expression of opinions,
- confidential information, under section 9(2)(j) – to enable the Crown to negotiate without prejudice or disadvantage, and
- direct dial phone numbers of officials, under section 9(2)(k) – to prevent the disclosure of information for improper gain or improper advantage.

Direct dial phone numbers of officials have been redacted under section 9(2)(k) in order to reduce the possibility of staff being exposed to phishing and other scams. This is because information released under the OIA may end up in the public domain, for example, on websites including Treasury's website.

Some information has been redacted because it is not covered by the scope of your request.

Information publicly available

The following information is also covered by your request and is publicly available on the Treasury and Oranga Tamariki websites:

Item	Date	Document Description	Website Address
9.	On letter	Budget 22 Invite letter – Oranga Tamariki	https://budget-staging/information-

			release/2022
10.	Late 2018	B19 Cabinet papers	https://www.orangatamariki.govt.nz/about-us/information-releases/cabinet-papers/implementing-the-operating-model/
11.	Throughout 2021	MAB Cab papers including agreement to FDP	https://www.orangatamariki.govt.nz/about-us/information-releases/cabinet-papers/oranga-tamariki-ministerial-advisory-board/

Accordingly, I have refused your request for the documents listed in the above table under section 18(d) of the Official Information Act:

- the information requested is or will soon be publicly available.

Some relevant information has been removed from documents listed in the above table and should continue to be withheld under the Official Information Act, on the grounds described in the documents.

In making my decision, I have considered the public interest considerations in section 9(1) of the Official Information Act.

Please note that this letter (with your personal details removed) and enclosed documents may be published on the Treasury website.

This reply addresses the information you requested. You have the right to ask the Ombudsman to investigate and review my decision.

Yours sincerely

Keiran Kennedy
Manager, Welfare & Oranga Tamariki

OIA 20220235

Information for release

1.	Oranga Tamariki - bullets to assist MoF reviewing Cabinet Paper	1
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3.	Treasury Report T2021-3056 Supplementary advice on Oranga Tamariki re-prioritisation options	12
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5.	Pre-Cabinet Briefings	29

From: Ivan Esler [TSY] <Ivan.Esler@treasury.govt.nz>
Sent: Wednesday, 6 October 2021 5:30 pm
To: ^Parliament: Claire McLellan <Claire.McLellan@parliament.govt.nz>
Cc: Keiran Kennedy [TSY] <Keiran.Kennedy@treasury.govt.nz>; Daniel White [TSY] <Daniel.White@treasury.govt.nz>; Nicholas Drew-Crawshaw [TSY] <Nicholas.Drew-Crawshaw@treasury.govt.nz>
Subject: Oranga Tamariki - bullets to assist MoF reviewing Cabinet Paper

Kia ora Claire,

As discussed, below are some high-level bullets for MoF to consider when he reviews the OT Cabinet paper “*REPORT BACK ON THE IMPLEMENTATION OF ORANGA TAMARIKI BUDGET 2019 INITIATIVES*” overnight.

Key messages

- Overall, we consider this report back provides a significantly improved account of the actual situation at Oranga Tamariki than the first report back Cabinet Paper on 28 April 2021 [SWC-21-SUB-0056]
- Notwithstanding the improvement the following table highlights the key areas of concern from Treasury’s point of view and shows the feedback that could be given to address these concerns.

Paragraph	Issue	Recommended feedback to Minister for Children
21	OT have not re-forecast demand (i.e. expectations of child numbers underpinning B19 funding) based on revised assumptions despite actual demand being lower than forecast.	OT should re-forecast demand to account for actuals and updated assumptions to date. This may not be possible ahead of the paper being lodged, but is essential looking forward to understand OT’s cost structures as it evolves to implement the Action Plan (refer related comment at Appendix B).
22 Recommendation b	A transformation has not occurred in part because B19 has been implemented as a disparate collection of ideas and not governed by a clear organisational strategy.	If OT’s way of working is to fundamentally shift, a clear vision and organisational strategy needs to be established. The Action Plan starts this but it needs to tie into something longer term and enduring i.e. a refreshed overarching organisational strategy.
26 Recommendation d	Loose fiscal controls within OT as evidenced by OT re-prioritising B19 underspends without Cabinet / JM authority, and created an ongoing cost pressure of \$20 million per year.	Reinforce your expectations that significant policy and funding decisions need to be confirmed by Cabinet.
30	OT do not have a Partnering Strategy (and no Workforce Strategy either)	Acknowledge this is part of the Action Plan but needs to be done promptly so other parts of the Action Plan are aligned.

39	The Action Plan is still being developed so Treasury cannot provide a view on its proposals. Action Plan is busy, and does not give a sense of relative priorities.	OT cannot do everything, so need to prioritise and sequence the critical work to ensure it is done well.
Appendix B	The cost per child has significantly increased, however the value of the greater investment per child cannot be explained.	This is a core driver of organisational cost and needs to be understood. The planned further work here is key, as needed to justify why this level of expenditure required.

Next Steps:

- More detailed advice will be provided on Thursday 14 October to assist you in providing feedback as part of formal Ministerial consultation with an official's request to brief you in person.
- This report back is then scheduled to go to SWC on 27 October and Cabinet on 1 November.
- Advice on the funding track for OT is due to joint Ministers by December 2021 which will seek to re-prioritise some of OT's baseline to implement the Action Plan and the new direction. This exercise will inform Budget 22 initiatives submitted.
- If you agree, the Vote team will include content in the Budget 22 invite letter to the Minister for Children outlining expectations for the Joint Ministers advice on funding the Action Plan due by December 2021. The expectation would be that a cost-neutral re-prioritisation option is explored in this advice, where additional funding could be sought through Budget 22 if Ministers wanted to extend what OT was funded to deliver.

Let me know if you need anything further on this!

Ngā mihi

Ivan Esler (he/him) | Analyst | Welfare and Oranga Tamariki

Te Tai Ōhanga - The Treasury

s9(2)(k) | s 9(2)(g)(ii)

ivan.esler@treasury.govt.nz



**TE TAI ŌHANGA
THE TREASURY**

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Treasury Report: Oranga Tamariki - Supporting Ministerial consultation on the Budget 2019 report back

Date:	14 October 2021	Report No:	T2021/2551
		File Number:	SH-3-7-2

Action sought

	Action sought	Deadline
Hon Grant Robertson Minister of Finance	Agree to provide feedback to the Minister for Children on the contents of this report.	19 October 2021

Contact for telephone discussion (if required)

Name	Position	Telephone	1st Contact
Ivan Esler	Analyst, Welfare and Oranga Tamariki	s9(2)(k) (wk)	N/A (mob) ✓
Keiran Kennedy	Manager, Welfare and Oranga Tamariki	N/A (wk)	s 9(2)(g)(ii) (mob)

Minister's Office actions (if required)

Return the signed report to Treasury.

Note any feedback on the quality of the report

Enclosure: No

Treasury Report: Oranga Tamariki - Supporting Ministerial consultation on the Budget 2019 report back

Executive Summary

The Minister for Children is scheduled to take a Cabinet paper *Report Back on the Implementation of Oranga Tamariki Budget 2019 Initiatives* to the Social Wellbeing Committee on 27 October 2021 and to Cabinet on 1 November 2021. We are currently scheduled to discuss this issue with you at the Weekly Agency Meeting on 18 October.

This report highlights key issues that are not addressed adequately in the current version of the Cabinet paper. The key issues are:

Limited evidence of appropriate fiscal controls and oversight.

- Limited evidence of effective and consistent fiscal controls.
- The cost per child has increased significantly in the past two years with no clear explanation.
- OT have not revised their demand forecasts despite lower demand than anticipated.

Weak organisational strategy and direction.

- The absence of appropriate strategic thinking and framework limits OT's ability to prioritise and sequence decisions effectively.
- Absence a Partnering Strategy and a Workforce Strategy which are essential support delivery of the new direction.
- The policy and funding implications of the Action Plan are under development.

We recommend you provide feedback to the Minister for Children highlighting your expectation that these issues are addressed as a priority. How these issues will be addressed could be included as part of the December advice to Joint Ministers on re-prioritising funding for the Action Plan.

We recommend setting expectations for the December advice as part of the Budget 22 invite letter. As well as addressing the key issues, we expect the December advice to include a number of cost neutral re-prioritisation options alongside options for further investment in Budget 22 if necessary.

Recommended Action

We recommend that you:

- note** that the second *Report Back on the Implementation of Budget 19 Initiatives* draft Cabinet paper is due to SWC on 27 October and to Cabinet on 1 November
- note** that the Treasury has identified the following key issues that are not addressed adequately in the report back:

Limited evidence of appropriate fiscal controls and oversight.

- Limited evidence of effective and consistent fiscal controls.
- The cost per child has increased significantly in the past two years with no clear explanation.
- OT have not revised their demand forecasts despite lower demand than

anticipated.

Weak organisational strategy and direction.

- The absence of appropriate strategic thinking and framework limits OT's ability to prioritise and sequence decisions effectively.
- Absence a Partnering Strategy and a Workforce Strategy which are essential support delivery of the new direction.
- The policy and funding implications of the Action Plan are under development.

c **note** that recommended feedback for Ministerial consultation is provided in Appendix A

d **agree** that a timeline to address the issues in recommendation b should be included in advice to Joint Ministers on re-prioritising funding for the Action Plan due in December 2021 (the December advice)

Agree / Disagree

e **agree** that the December advice to include a number of cost neutral re-prioritisation options alongside options for further investment in Budget 22 if necessary

Agree / Disagree

f **note** that responsibility for the final cost neutral options included in the December advice should sit with the Minister for Children and OT as they are best placed to form a view on the appropriate options and better ensure accountability for the decision.

g **indicate** the time period you wish the December advice on re-prioritisation to cover

I. Either short term (to 30 June 2023) [recommended]

II. Or long term (changes extending beyond 30 June 2023)

h **note** that you are scheduled to talk to Officials about this advice at the Weekly Agency Meeting (WAM) on 18 October, and

i **agree** that subsequent to this meeting, officials will reflect the discussion at WAM and your decisions in recommendation d and e in your Budget 22 invitation letter to the Minister for Children.

Agree / Disagree

j **agree** to refer a copy of this advice to the Minister for Children.

Agree / Disagree

Keiran Kennedy
Manager, Welfare & Oranga Tamariki

Hon Grant Robertson
Minister of Finance

Treasury Report: Oranga Tamariki – Supporting Ministerial consultation on the Budget 2019 report back

Purpose of Report

1. The purpose of this report is to highlight the key issues in the upcoming Oranga Tamariki (OT) Cabinet paper *Report Back on the Implementation of Oranga Tamariki Budget 2019 Initiatives* ahead of our discussion at WAM on 18 October. This report will assist you to provide feedback as part of Ministerial consultation and set expectations on work that needs to be done going forward.
2. The Minister for Children has already asked for your feedback on the draft Cabinet paper, and we have provided brief advice to your office to assist with this conversation. As signalled previously, this report is a fuller discussion of the issues we have already brought to your attention.
3. This report also seeks your agreement to expectations for the re-prioritisation exercise to fund the Action Plan due to joint Ministers in December 2021. These expectations will be expressed through your Budget 22 invite letter.

Background

4. Since OT's establishment in 2017, significant investment has been made to improve outcomes for children. The largest of these investments was made through Budget 2019 (B19) when \$1.1 billion was allocated over four years [*CAB-19-MIN-0174.28 refers*] to transform OT's operating model, and ensure it was well placed to meet new legislative requirements, such as the National Care Standards.
5. The operating model transformation focussed on those in State care or care-leavers, and children and young people in the youth justice system. This was driven by five key operating model initiatives (the B19 initiatives) of Care services, Youth Justice, Intensive Response, Transitions and Improving Outcomes for Māori.
6. Appendix 2 contains a high-level overview of the progress of each of the five initiatives.
7. At Budget 19 Cabinet invited the Minister for Children to report back on the implementation of the new operating model and the B19 initiatives every six months [*CAB-19-MIN-0174.28 refers*] in order to retain oversight of this investment. The first report back was completed in April 2021, and from the Treasury's perspective, the report back did not meet the expectations Cabinet set.
8. In August, Cabinet considered an Action Plan to address the recommendations of the final Ministerial Advisory Board report. At this point, Cabinet directed officials to provide advice on the funding implications of implementing the actions in the Action Plan by December 2021 (the December advice). Cabinet also invited the Minister for Children to report back to Cabinet on the implementation of the Action Plan in February 2022 (the February report back).
9. This will be the second report back Cabinet receives, and while it is a significant improvement on the first, some key issues remain which are discussed below. The Treasury has worked closely with OT as they have developed this report back, and the Treasury has seconded short-term resource to OT to provide financial expertise to the OT Chief Executive's Office.

Key issues

Limited evidence of effective and consistent fiscal controls

10. OT do not have effective fiscal controls, or the necessary reporting and accountability systems in place, to ensure spending is high value and within budget. Significant decisions are frequently made before funding is in place, such as raising expectations with partners regarding contracts for services, or hiring permanent staff without ongoing funding for those staff.
11. s9(2)(g)(i) fiscal controls within OT is best exemplified by the re-allocation of the B19 underspend of \$127.87 million in the past two years. Of the total underspend, \$84 million has been re-prioritised through baseline updates, and \$42 million has been internally reprioritised by OT's leadership team prior to February 2021. OT have not sought Cabinet or joint Ministerial approval to re-prioritise this \$42 million, and have created an on-going cost pressure of \$20 million into subsequent years directly attributable to these decisions.
12. The consequence of this approach is to increase the uncertainty around what OT will be doing from year to year as the necessary funding is not in place for the ongoing commitments that have been made. This means that either services need to be stopped, or the Government needs to step in and provide additional funding to OT for a situation that could have been avoided had the appropriate fiscal controls been in place.
13. Stopping services is often not palatable as expectations of external stakeholders may be set on the understanding that funding will materialise. s9(2)(j) , and it may be difficult to wind back expectations if funding is not provided.
14. s9(2)(g)(i)

The cost per child has increased significantly in the past two years with no clear explanation

15. OT divides the children coming into care into different tiers of need (General Support, Additional Support, Greater Support, High Support). Across all four tiers, the costs have increased with no clear explanation. OT assert that an increase in complexity of the cases they are dealing with is increasing costs. Additionally, OT have formed a view that a level of unmet need that has always been present is being uncovered due to more comprehensive intake assessments, which is also contributing to the increased costs.
16. While these may be the drivers of increased cost, OT are unable to quantify them in any meaningful way, and are unable to provide a view on whether this increased spend in interventions for children is leading to better outcomes. s9(2)(g)(i)
17. Given the gaps in OT's information, it is currently not possible to form a decisive view on the value for money of their interventions and supports for children in care. Without this information, Cabinet cannot make informed choices regarding the level of services the Government will provide, and subsequently the appropriate amount of funding for OT to provide those services.

18. **Treasury's view is that this work is given priority, and an update should be included in the next B19 report back to Cabinet, expected by April 2022.** While work is underway at OT to understand why the cost per child is increasing, it is critical that the drivers and the value of the increased expenditure is understood as soon as possible.

OT have not revised their demand forecasts despite lower demand than anticipated.

19. For three of the five initiatives that were funded through B19, demand has fallen significantly short of the estimates on which the investment costing was based.

Initiative	From 1 July 2019 to 30 June 2021		
	Forecast	Actual	Variance
Care Services – <i>Children in the care of OT</i>	6,850	5,239	1,611 (-23%)
Youth Justice – <i>14-17 year olds in custody at YJ residences</i>	260-280	120	140-160 (-43%)
Transitions – <i>17-25 year olds utilising a Support Worker</i>	1,969	1,250	719 (-37%)

20. OT cannot directly attribute the decrease in the number of tamariki entering Care and Youth Justice to any particular cause. Factors such as practice and process changes at OT, practice changes at Police regarding Youth Justice cases, the impact of COVID, and slow uptake for Transition services due to limited awareness and referrals may have had an impact but it is unclear the extent to which they have influenced these changes.
21. OT have not provided an updated forecast of the demand they are expecting across these initiatives based on revised uptake assumptions. ^{s9(2)(g)(i)}
22. The lack of an up-to-date forecast is problematic as it means OT cannot effectively plan the appropriate level of service provision. It may also lead to greater than needed capacity established, or capacity set up in the wrong places. The lower demand has been offset to some degree by an increase in the cost per child which is outlined in the section above.
23. **Treasury's view is that a thorough re-forecast of demand for OT's services is done ahead of the December advice.** This will allow OT to set up appropriate capacity to respond to demand and re-prioritise or return funding that is no longer required.

The absence of appropriate strategic thinking and framework limits OT's ability to prioritise and sequence decisions effectively.

24. If OT's way of working is to fundamentally shift, a clear vision and organisational strategy needs to be established. The Action Plan the Minister for Children recently took to Cabinet is a good start, but it needs to be aligned to an overarching organisational strategy that will endure in the long term.
25. OT cannot prioritise and sequence effectively as they lack an overarching strategy and the necessary strategies that sit underneath¹. This has contributed towards B19 initiatives being implemented ^{s9(2)(g)(i)}, and not allowed focus to be on the areas of the highest value. OTs approach is to respond directly to an immediate need rather than consider how an issue might be best addressed by the organisation (or Government) as a whole.

¹ For example, the absence of a current overarching strategy is evidenced by OT failing to update its Statement of Intent as required by the Public Finance Act 1989.

26. **Treasury's view is that OT prioritise development of a new organisational strategy that is supported by the Action Plan.** As part of the Action Plan OT is looking to confirm their role, including how their vision will tie into their organisational strategy. We recommend a timeline for the development of this strategy is included in the December advice and an update on strategy development is provided in February 2022 as part of the update on the implementation of the Action Plan currently scheduled.

Absence of a Partnering Strategy and a Workforce Strategy which are essential to support delivery of the new direction.

27. OT currently do not have a Partnering Strategy or a Workforce Strategy which are fundamental to the successful delivery of the new direction. The three organisational priorities Cabinet agreed to in August for OT over the next two years (Making operational change and addressing organisational culture; Building relationships and partnering to enable better wellbeing outcomes for children and whanau; and Enhancing the mana of social work practice) will be difficult to implement effectively if these strategies are not in place to guide decisions.
28. The role that partners will play alongside OT to improve wellbeing outcomes for children and whanau is unclear. OT is continuing to enter into partnerships at present despite their partnering approach being:
- uncoordinated at the national level;
 - unclear of the impact on current service provision; and
 - unclear on the desired end state including what services may be devolved and what services will be delivered in partnership.
29. A Partnership Strategy is needed to give clarity to the challenges outlined above and ensure it is the quality of partnerships, not the quantity, that is focussed on. A Strategy will help mitigate the risk that partnerships established now, and the associated funding, will not align to the direction taken in future.
30. OT Social Workers have a very difficult but critical role. The challenges of their role are compounded by an influx of inexperienced recruits leading to an uneven distribution of cases, the impact of constant negative media attention, and change fatigue ^{s9(2)(g)(i)}. A Workforce Strategy is necessary to manage these challenges and ensure OTs focus remains on ensuring their frontline social worker workforce has the capacity and capability to deliver on the new direction.
31. **Treasury's view is that a timeline for the development of these strategies is included as part of the December advice.** OT are currently working on developing their Partnering and Workforce Strategies as part of the Action Plan however when they will be completed is unclear.

The policy and funding implications of the Action Plan are under development

32. The Action Plan was developed at pace to sit alongside the Ministerial Advisory Board (MAB) report and show how the MAB recommendations would be implemented. The speed at which the Action Plan was developed has meant that for many actions it is unclear what will actually be done, how this links into existing work underway, and how much it will cost.
33. Given the Action Plan is still under development, the Treasury is unable to form a view on its efficacy at this time due to the limited information available.
34. OT is actively working to operationalise the Action Plan, so further information will become available over time. Joint Ministers will receive agency advice by December

2021, which will outline how funding could be re-prioritised from within baselines to fund the Action Plan.

December Joint Ministers advice

35. In August 2021, Cabinet directed officials to report to the Minister of Finance and the Minister for Children by December 2021 on the funding implications of implementing the actions in the Action Plan, including clarifying the links between these actions and initiatives funded through Budget 2019 [CAB-21-MIN-0302 refers]. We suggest using the Budget 22 invite letter as an avenue to set expectations regarding what will be included in this advice.
36. We seek your agreement that the December advice includes a number of cost neutral re-prioritisation options alongside options for further investment in Budget 22 if necessary. We propose you seek cost neutral options prioritising: statutory interventions (Care and Youth Justice services); partnerships and early intervention; or developing the social worker workforce and organisational enablers. Choosing one option would not limit OT to only doing work in that area, but it would focus the organisation on a single priority in the near term.
37. The decision regarding the most appropriate cost neutral options for consideration in the December advice should be taken by the Minister for Children and OT. The above options are a starting point for your discussion, but ownership needs to clearly sit with the Minister for Children and OT as they are best placed to know what an appropriate focus should be and to better ensure accountability for the decisions.
38. Ministers have a choice whether the re-prioritisation should be short-term or long-term in nature. A short-term option would only make changes to baselines up to 30 June 2023 on the assumption that baselines would be revisited in the future. A long-term option would make changes beyond 30 June 2023, and would be assumed to be more permanent in nature.
39. The advantage of re-prioritising in the short term is it allows OT to pivot to the areas of greatest priority now while the necessary work is done to set OT up for success in the future in other areas. The disadvantage is that it creates an ongoing problem that will need to be addressed in future, and there is a risk it will take a number of years to develop a permanent solution.
40. The advantage of long-term re-prioritisation is that it gives OT funding certainty. However, this approach risks decisions needing to be revisited given the outstanding issues raised above and the limited information available at present.
41. On balance, we recommend a short-term re-prioritisation as we consider there is insufficient information to make good long-term decisions now.
42. We have time with you at the Weekly Agency Meeting on 18 October to talk through these choices with you. If you agree to the proposed approach, we suggest you include appropriate wording in the Budget 22 invite letter and suggest you meet with the Minister for Children to establish what cost neutral options are explored. Final decisions could then be included as a Budget 22 technical adjustment to ensure Cabinet oversight.

Recommended Action

43. We recommend that you provide feedback to the Minister for Children as outlined in Appendix A ahead of the Ministerial consultation deadline of 19 October.
44. We recommend that you set expectations with the Minister for Children that a timeline to address these issues will be included as part of the December advice.
45. We recommend you set expectations for the December advice with the Minister for Children regarding cost neutral re-prioritisation options, time period, and links to Budget 22. This can be provided as part of your feedback on the Cabinet paper and more formally through your Budget 22 invitation letter.

Next Steps

46. The Treasury will brief you on these issues at the Weekly Agency Meeting on 18 October.
47. Subject to this discussion, your expectations for the December advice will be included in the Budget 22 invitation letter to the Minister for Children.

Appendix A + B have been withheld as they are out of scope of your request



Treasury Report: Supplementary advice on Oranga Tamariki re-prioritisation options

Date:	16 December	Report No:	T2021/3056
		File Number:	SH-3-7-2

Action sought

	Action sought	Deadline
Hon Grant Robertson Minister of Finance	<p>Read this report ahead of your meeting with the Minister for Children on 14 December.</p> <p>Refer this report to the Minister for Children</p>	20 December 2021

Contact for telephone discussion (if required)

Name	Position	Telephone	1st Contact
Ivan Esler	Analyst, Welfare & Oranga Tamariki	s9(2)(k)	N/A (mob) ✓
Keiran Kennedy	Manager, Welfare & Oranga Tamariki		N/A (mob)

Minister's Office actions (if required)

Refer the report to the Minister for Children after the Ministerial meeting on 20 December.
Return the report once signed by the Minister for Finance and the Minister for Children to the Treasury.

Note any feedback on the quality of the report

Enclosure: No

Treasury Report: Supplementary advice on Oranga Tamariki re-prioritisation options

Executive Summary

Cabinet agreed that a new direction for Oranga Tamariki (OT) in August 2021. This will be implemented via 36 actions outlined in a Future Direction Plan (FDP). As the scope and funding arrangements of the FDP were not established in August, Cabinet directed officials to provide advice to you and the Minister for Children on these arrangements by December 2021. Subsequently, you sent a letter to the Minister for Children outlining your expectations for the December advice, and stating that you would consider inviting Budget 2022 initiatives once this advice has been received.

You are meeting with the Minister for Children on 20 December at 5pm to discuss whether the advice OT have prepared meets the Cabinet requirements and your expectations. At this discussion, you may wish to invite him to submit Budget 2022 initiatives. Talking points for this meeting have been provided in Appendix 1.

OT's advice broadly meets your expectations. However, it does not provide an indication of the Minister for Children's near-term priorities. Also, whilst OT's advice provides an initial view of the Cabinet direction to outline the cost of the FDP, it does not outline how FDP actions align with OT's Budget 2019 initiatives as Cabinet requested. We recommend you ask the Minister for Children to include this information as part of his next Cabinet engagement.

At this point, the Treasury does not recommend inviting any Budget 2022 initiatives for the following reasons:

- OT's financial management capability is weak (but improving).
- The scope and cost of the FDP has not been finalised.
- OT is undergoing an organisational restructure which will impact delivery.
- OT do not have a final organisational strategy (but may be agreed by October next year).
- Implementation of most Budget 19 initiatives has been slower than anticipated.

If you decide you do want to invite the Minister for Children to submit an initiative, a pathway to do this has been outlined in the body of the report.

Finally, OT want to extend the expiry date for a Budget 2022 tagged contingency but did not include a recommendation in their advice to do this. The Treasury recommends you agree to extend the expiry date of the contingency. Therefore, we are seeking to confirm your decision, and recommend this report is referred to the Minister for Children so he can countersign his approval of this decision.

Recommended Action

We recommend that you:

- a **note** you have a meeting with the Minister for Children on 20 December to discuss whether the advice provided by OT meets your and Cabinet's expectations regarding the re-prioritisation of OT's baseline.

- b **note** that OT's advice broadly meets the expectations set down by Cabinet and outlined in your Budget 2022 letter, but does not provide an indication of the Minister for Children's priorities for investment in the near term.
- c **note** that OT's advice provides a high-level view of the cost of the Future Direction Plan, but does not meet the Cabinet direction to outline how the Future Direction Plan links to OT's Budget 2019 initiatives.
- d **request** that the Minister for Children prepares a more detailed breakdown of the costs of the Future Direction Plan and how the baseline spend aligns to the actions by March 2022, and that this information is attached to the planned March Cabinet paper.
- e **note** that the Treasury does not recommend inviting the Minister for Children to submit any Budget 22 initiatives.
- f **indicate** whether you wish to invite the Minister for Children to submit any initiatives through Budget 2022.

Invite / Do Not Invite
Minister of Finance

- g if you invite an initiative: **agree** to invite the Minister for Children to submit a contingency initiative for s9(2)(f)(iv) in line with the medium progression of FDP option provided.

Agree / Disagree
Minister of Finance

- h If you agree to invite an initiative: **note** that the Treasury will draft a letter for you to send to the Minister for Children to formalise what has been invited.
- i **agree** to extend the expiry date of the tagged contingency "Enabling Partners and Supporting the Wellbeing of Tamariki and Whānau in Greatest Need" to 30 June 2022.

Agree / Disagree
Minister of Finance.

Agree / Disagree
Minister for Children

- j **refer** this report to the Minister for Children.

Refer / not referred.

Keiran Kennedy
Manager, Welfare & Oranga Tamariki

Hon Grant Robertson
Minister of Finance

Treasury Report: Supplementary advice on Oranga Tamariki re-prioritisation options

Purpose of Report

1. This report is intended to support your conversation with the Minister for Children on Monday 20 December 2021 to:
 - a outline whether the OT advice meets the requirements set by Cabinet and the expectations you set in your Budget 2022 letter; and
 - b make a decision on whether you invite the Minister for Children to submit any Budget 2022 initiatives at your meeting with him on 14 December 2021.
2. This report supplements the advice you have received from Oranga Tamariki (OT) regarding implementation of their Future Direction Plan (FDP), what funding has been made available from baselines, and the options developed for further investment in Budget 2022.

Context


3. On 9 August 2021, the Minister for Children took the FDP to Cabinet as part of the new *Direction for Oranga Tamariki* [CAB-21-MIN-0302 refers]. The FDP intends to make OT more responsive to the needs of tamariki and whanau, and accountable to key stakeholders. The FDP includes 36 actions which responded to the recommendations outlined in the Ministerial Advisory Group report *Te Kahu Aroha*.
4. These actions were not fully developed or costed when Cabinet agreed to the FDP in August 2021. To mitigate this, Cabinet directed officials to report back in December 2021 on the funding implications of the actions in the FDP, and to clarify the links between these actions and initiatives funded in Budget 2019. Furthermore, indicative details of what could be re-prioritised from baselines to implement the FDP were to be provided through the next Budget 2019 report back OT was required to complete by 31 October 2021.
5. As the Budget 2019 report back was developed [SWC-21-MIN-0172 refers] it became apparent that there are a number of issues with how OT have managed their funding and delivery. The key concerns identified were limited evidence of appropriate fiscal controls and oversight within OT, and a weak organisational strategy [T2021/2551 refers].
6. Subsequently you wrote to the Minister for Children, as part of the Budget 2022 invitation process, stating you were not inviting any OT initiatives at that time. In the letter you outlined your expectations that the December 2021 advice directed by Cabinet would provide:
 - a cost neutral re-prioritisation options to progress the FDP including the risks and trade-offs of this approach;
 - b options for further investment through Budget 2022;
 - c an indication of the Minister for Children's priority for investment in the near term (i.e. Statutory Care, Partnering, Workforce)

- d timelines to complete work on understanding children's costs and a re-forecasting demand for OT's services; and
 - e timelines to finalise the Organisational, Partnering, and Workforce strategies.
7. This letter set an expectation that, should you be satisfied with the advice OT provided you, you would consider inviting the Minister for Children to make late initiative submissions in Budget 2022.

Oranga Tamariki's report

8. In our view, OT's advice does broadly meet the expectations you set with a few exceptions. OT's advice does not indicate how the FDP ties into initiatives funded by Budget 2019, as requested by Cabinet [CAB-21-MIN-0302 refers]. It does provide a high-level view of the funding implications of the FDP, but no detailed breakdown of FDP costs. The Treasury cannot comment at this stage on the costing approach that OT have taken with the FDP as we have insufficient information to form a view. We do note at this point, we have little confidence in the costings given where OT is at with Budget 2019 costing work.
9. We recommend you ask the Minister for Children to include a detailed breakdown of the costs and links to baseline spending for each FDP action ahead of the March Cabinet paper.
10. OT have included viable cost neutral options, outlined the risk associated with this re-prioritisation, and provided options for investment through Budget 2022. Work has begun on understanding children's costs and re-forecasting demand, and a timeline has been prepared for the organisational strategy. There is useful information on these points in the additional appendices to OT's report that your office has provided to you. However, Budget 2022 options have not focussed on a single priority as you requested, rather propose a slow / medium / fast progression of the FDP.
11. OT want to extend the expiry date of the Budget 2021 tagged contingency "*Enabling Partners and Supporting the Wellbeing of Tamariki and Whānau in Greatest Need*". This is because it expires in February 2022, and the drawdown will now be done via the March 2022 Cabinet paper to align decisions.
12. We recommend agreeing to extend the contingency expiry date to 30 June 2022. OT have not formally sought this decision in their report. To ensure the decision is made and recorded properly, we have included a recommendation to extend in our advice. We ask that you refer this report to the Minister for Children so he can confirm the decision.
13. There are a number of additional points to highlight to you from OT's advice, many of which will require Cabinet confirmation in March 2022.
- a **The cost of implementing the FDP in full has been estimated as** s9(2)(f)(iv) **(opex and capex) over four years.** This cost is a high-level estimate and may increase once further development work is completed. s9(2)(f)(iv) of the required funding is earmarked to come from within baselines, however OT would still require s9(2)(f)(iv) to fully implement the FDP, much of which would likely need to come from future Budget allowances.
 - b **It is unclear if the baseline spending is on the highest priority FDP actions.** The FDP is still not fully defined so OT may not be able to provide a view on relative priority of baseline spending yet. However, thought needs to be given to

how the baseline spend will continue to adjust into the future to support FDP delivery.

- c **OT's baseline will decrease by \$14 million between 2022/23 and 23/24.** OT need to plan now for how they will manage this decrease in baseline in the absence of further funding being provided.
- d **OT are proposing to bring forward \$9 million from 24/25 to 22/23.** There is a risk that future funding will be required to cover the amount transferred, but given OT's baseline from 23/24 will incrementally increase¹, this risk is low. Bringing forward this funding will help to ease the baseline reduction between 21/22 and 22/23 due to the consistent rolling forward of underspends that has occurred.
- e s9(2)(f)(iv) 
Furthermore, we recommend you ask the Minister for Children to include a complete, action by action breakdown of the costs of the FDP as part of this Cabinet paper to meet the initial Cabinet requirement.

Level of confidence in OT's capability and ability to deliver

14. If you consider that OT's report meets your expectations, you may wish to invite the Minister for Children to submit Budget 2022 initiatives. The key factor to consider when deciding to invite any Budget 2022 initiatives or not is your confidence in OT's capability as an organisation and how this impacts on OT's ability to deliver effectively if further funding is provided. When considering the level of confidence you may have in OT, the following linked and interdependent factors should be accounted for:

OT's financial management capability is weak (but improving).

15. OT are beginning to take steps to understand children's costs (this is not included in OT's paper), and this work shows the financial capability of OT is improving from a low base. However, our current assessment is that OT struggle to articulate the value for money of their spending, which means there is a risk that OT cannot effectively allocate resources to where it will make the biggest difference.
16. Implementing system changes to manage children costs (and other improvements) needs to be the short-term focus to ensure better financial management going forward. This will help avoid the issues with underspends outlined in the recent Budget 2019 report back [SWC-21-MIN-0172 refers] and give greater confidence in OT's ability to effectively allocate resources to deliver value for money. The weak financial management shown to date also reduces confidence in OT's ability to cost new spending initiatives accurately.

The scope and cost of the FDP has not been finalised

17. Indicative costings and scope for FDP actions have been provided by OT, however these are indicative only and will be refined as further work is done. Table 1 in OT's report of estimated costs of the FDP is caveated by the fact that further funding may be required once development work is complete. Action 1.7 on page 24 of OT's report indicates that OT do not know the full opex and capex required for their capital build programme.

¹ See Table 2 in OT's advice
T2021/3056 Supplementary advice on Oranga Tamariki re-prioritisation options

18. This lack of certainty will impact on OT's ability to deliver. If funding is allocated to progress FDP actions, it may be insufficient to fully implement the action, and further funding will be required at a later date. It may also mean that OT are unable to spend allocated funding if the FDP is delayed, likely resulting in a continuation of the significant expense transfers OT have made to date [SWC-21-MIN-0172].

OT is undergoing an organisational restructure which will impact delivery

19. The current acting CE arrangements have been extended for a further year, this may mean there will be further change once a permanent CE is appointed. A review of the leadership team is currently underway with permanent appointments expected to be made in April 2022. ^{s9(2)(f)(iv)}
20. These leadership changes impact on OT's ability to deliver as it will take time to settle on the new leadership team's roles and priorities. OT have paused a number of FDP actions until the new leadership team are in place. ^{s9(2)(f)(iv)}

OT do not have a final organisational strategy (but may be agreed by October next year)

21. We understand the organisational strategy may be completed ahead of the March 2022 Cabinet engagement, however the timeline provided indicates it may be approved as late as October next year because this is linked to the organisational reset.
22. The absence of a current organisational strategy means it cannot inform decisions now, leading to the risk of work being completed that is not aligned to the new direction. The FDP informs the new direction, but the scope of the FDP has not been finalised so ambiguity remains. Not having a final strategy is also partially mitigated by the interim prioritisation framework, but the answers to fundamental questions, such as whether OT will partner with providers or devolve service provision to them, remain unclear.

Implementation of most Budget 2019 initiatives has been slower than anticipated

23. The recent experience of Budget 2019 delivery highlights that it takes time to develop effective partnerships and implement changes to organisational practice. A lot of preparatory work has been required to get Budget 2019 initiatives to the implementation stage, and the greater the shift from past practice, the more time it will take to set up new ways of working.
24. It is unlikely OT have done all the necessary planning to implement the FDP in the near term. This is due to the pace at which it was developed and the ambiguity that remains regarding the scope. OT is better placed than in 2019 to progress the FDP, but if the new direction is a fundamental shift, it will impact OT's ability to leverage off past work and deliver quickly now. As work to understand the links between the FDP and Budget 2019 initiatives continues, further insight will be able to be drawn on OT's ability to deliver.

These factors further inform the Treasury's recommendation not to invite any Budget 2022 initiatives.

25. These factors indicate that OT has limited capability, and limited ability to deliver further initiatives effectively in the near term.

Options for invitation of Budget 2022 initiatives

26. If you decide you do want to invite the Minister for Children to submit an initiative, a pathway to do this has been outlined below. OT has developed two options for further investment through Budget 2022 which are outlined in an appendix to OT's report. The Minister for Children has presented the options as slow, medium, or fast progression of the FDP. The cost of these options are:
- a Slow – cost neutral: includes \$12.8 million of re-prioritised funds and \$23.5 million from the Budget 2021 contingency
 - b Medium – cost neutral option + s9(2)(f)(iv) of new funding
 - c Fast – cost neutral option s9(2)(f)(iv)
27. A number of actions in both the medium and fast option cannot be progressed until the new leadership team is in place. These have been highlighted in blue, and a number of these actions are seeking new funding.
28. s9(2)(f)(iv)
29. s9(2)(f)(iv)
30. Responses to the Minister for Children's request for inclusion in the Budget 2022 process are proposed below, alongside high-level analysis of the pros and cons of each approach. Mitigations to the risks the different options are discussed below the table.

Response	Pros	Cons
<p>Option 1: Do not invite OT to seek further funding through Budget 22</p> <p>[Recommended]</p>	<p>Sends strong message to OT to manage within their baseline.</p> <p>Sets expectation for OT to increase financial capability before further funding allocated.</p> <p>OT have certainty of the decision.</p> <p>Allows time for further work to occur ahead of allocating more funding.</p>	<p>FDP will not be progressed as quickly</p> <p>Lose potential lever to influence OT to create system level change (Budget 2022 process – such as conditions for funding)</p> <p>Risk Government is perceived as not supportive of OT changing direction</p>
<p>Option 2: Invite OT to submit a s9(2)(f)(iv) <i>medium FDP</i></p>	<p>Faster implementation of the FDP.</p>	<p>Unlikely to be significantly better information ahead of Budget decisions.</p>

<p><i>progression</i> contingency initiative</p>	<p>Can outline specific requirements to access funding</p> <p>Allows more time for work to be done ahead of decisions.</p> <p>Clearly signals the Government's support of the new direction.</p> <p>Gives flexibility by keeping options open.</p>	<p>Weakens message that OT needs to manage their baseline effectively.</p> <p>Risk OT will not be able to deliver given change they are undergoing.</p> <p>Distracts attention away from OT's organisational reset</p>
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31. As above, the Treasury recommends not inviting any OT initiatives through Budget 2022 (Option 1). ^{s9(2)(g)(i)} [REDACTED]. OT have told us they are implementing measures to bring costs under control; focus needs to remain on successfully implementing these measures instead of delivery of new initiatives.
32. There are a number of risks to not inviting any initiatives that are outlined in the table above. This approach will not enable the FDP to be progressed as quickly, and could be perceived as the Government not being supportive of the changes OT is undergoing. These risks are mitigated by the approximately \$300 million of baseline funding (opex and capex) in 21/22 and 22/23 OT have identified as contributing towards the FDP. This funding will allow progress on 27 of the FDP's 36 actions.
33. If you wish to invite the Minister for Children to submit Budget 2022 initiatives, the Treasury recommends inviting him to submit a contingency initiative for up to ^{s9(2)(f)(iv)} [REDACTED] to implement the medium option. Inviting a contingency initiative will mean it is difficult to trade this initiative off against other priorities as what the funding will cover is still under development.
34. Risks to this approach can be mitigated by the fact that conditions can be put on access to the contingency, and these can be informed by the March Cabinet paper. You could consider setting access conditions such as: the publishing of the new organisational strategy, confirmation the new leadership team is in place, satisfaction with measures to control and understand children's costs. What conditions to place on the funding will be explored in future advice and through the Budget process.
35. The Treasury will draft a letter for you to send to the Minister for Children after your meeting, to ensure the decisions you make are captured appropriately. This initiative needs to be submitted to the Treasury ahead of 28 January 2022, when package development begins.

Next Steps

36. You have a meeting with Minister Davis on 20 December at 5pm to discuss the advice OT have provided and decide whether to invite him to submit Budget 22 initiatives. Once you have decided whether to invite initiatives or not, officials will incorporate your decision into the Budget 2022 process.
37. Following on from this discussion, the Minister for Children will seek to confirm the decisions for re-prioritising OT's baseline at Cabinet in March 2022. This Cabinet paper will cover:

- a how OT will re-prioritise their baseline;
 - b a report back on FDP implementation to date (previously anticipated in February 2022);
 - c a report back on Budget 19 delivery (previously anticipated in April 2022); and
 - d propose new reporting requirements to replace the six-monthly Budget 19 report backs OT have been required to do thus far.
38. The Treasury will provide further advice to you ahead of this Cabinet paper. It will be important to ensure that Cabinet retains an appropriate level of oversight of OT and the ability to support their pivot to their new direction.

Appendix 1 has been withheld as it is out of scope of your request



Treasury Report: Supporting a response to Oranga Tamariki's CRRF funding request

Date:	18 March 2022	Report No:	T2022/624
		File Number:	SH-3-7-2

Action sought

	Action sought	Deadline
Hon Grant Robertson Minister of Finance	Indicate whether you are supportive of OT seeking CRRF funding	18 March 2022

Contact for telephone discussion (if required)

Name	Position	Telephone	1st Contact
Ivan Esler	Analyst, Welfare & Oranga Tamariki	s9(2)(k) (wk)	N/A (mob) ✓
Keiran Kennedy	Manager, Welfare & Oranga Tamariki	N/A (wk)	s 9(2)(g)(ii) (mob)

Minister's Office actions (if required)

Return the signed report to Treasury.

Note any feedback on the quality of the report

Enclosure: Yes

Treasury Report: Supporting a response to Oranga Tamariki's CRRF funding request

Executive Summary

Oranga Tamariki (OT) have sought your approval to seek up to \$35.314 million of funding from the COVID-19 Response and Recovery Fund (CRRF) (REP-OT/22/02/0463). This request should be considered in the context of OT being at risk of going unappropriated this year.

We do not recommend allowing OT to seek CRRF funding as their request does not meet the criteria. Instead we recommend that funding is freed up by repurposing some or all of the Budget 2022 initiative *Enabling Partners and Communities*, and slowing the delivery of the Future Direction Plan (FDP) in the 2021/22 year.

In addition, we recommend that changes are made to ensure that OT improve on their current continued weak financial management. If improvement is not forthcoming, we recommend indicating to Minister Davis that you will be less inclined to consider future budget initiatives.

Recommended Action

We recommend that you:

- a **note** that OT are at risk of going unappropriated
- b **agree** to discuss your preferred option at the Weekly Agency Meeting agenda on 21 March and how you intend to respond to OT's CRRF request.

Keiran Kennedy
Manager, Welfare & Oranga Tamariki

Hon Grant Robertson
Minister of Finance

Treasury Report: Supporting a response to Oranga Tamariki's CRRF funding request

Purpose of Report

1. The purpose of this report is to help you respond to a request by OT for your approval to seek funding from the COVID-19 Response and Recovery Fund (CRRF). OT request your approval to go to Cabinet to seek \$17.343 million for costs already incurred, and ask you to note that there may be additional COVID related costs of up to \$17.971 million this financial year.
2. Decisions are required promptly as any funding allocated this financial year needs to be confirmed ahead of the Budget moratorium on 11 April.

Background

OT do not have strong financial management capability...

3. We remain concerned about OT's weak financial management despite recent efforts by OT to address this issue. OT continue to make operational decisions without having a funding track to support these decisions. Recent examples include:
 - a Limited understanding of the drivers of Children's costs and no ability to control regional spending on children in care.
 - b Seeking Budget 2021 contingency funding in March 2022 for an iwi agreement with Ngai Tahu that was entered into in September 2021.
 - c Difficulty in meeting Budget 2019 Cabinet report back requirements.

4. s9(2)(g)(i) Our assessment is that OT's practice has been to respond to additional costs by re-prioritising proportionally from all categories of the MCA and assuming the remainder will be sufficient to meet BAU costs. This approach has not previously resulted in unappropriated expenditure because OT have been able to use significant underspends in Budget 2019 funding, which were channelled within the MCA to other priorities.

...and there is a risk that they will go unappropriated this year.

5. OT have indicated to us that they are concerned that they may go unappropriated this year in the *Investing in Children and Young People MCA*. They are forecasting that they need to find additional funding of \$38 million plus costs relating to the Omicron outbreak. OT's CRRF request notes up to \$17.971 million may be needed for Omicron costs. The \$38 million is primarily due to leave balances not being reduced as much as planned (\$16m), and children's costs (\$18m).
6. OT's current plan to meet the gap of funding is:

Funding Source	Amount
Budget 21 contingency drawdown	\$9m
CRRF funding for Delta outbreak	\$17m
OT internal cost reduction measures	\$13m
Anticipated costs for Omicron outbreak	\$18m

Total	\$57m
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7. The risk of OT going unappropriated appears genuine. Even if all the CRRF funding is allocated, it is unclear if OT will be able to free up the anticipated \$13 million required.
8. You will receive more detail about the drivers of these costs and the level of risk in a separate Joint Ministers paper we expect will be with you by 25 March. This paper also seeks to drawdown Budget 2021 contingency funding (\$23.426 million total), and provides greater detail of the drivers of children's costs.
9. We recommend you consider the separate CRRF funding request within this context.

CRRF funding request

OT have indicated they may need a total of \$35.314 million of CRRF funding...

10. OT request your approval to seek \$17.343 million of costs incurred due to the August (Delta) outbreak in August 2021. This would require Cabinet approval prior to the budget moratorium. While some of these additional costs may be genuine, ^{s9(2)(g)(i)} [REDACTED]
[REDACTED] It is unclear how robust this figure is, however it is likely more certain than the funding requested for the Omicron outbreak.
11. OT have also indicated they may need to seek an additional \$17.971 million due to the Omicron outbreak. We note that the OT paper is only seeking your approval for the \$17.343 million from the CRRF. We have not been able to interrogate the costing model but based off the information in OT's report it seems that further work is required to refine these costs. We are working with OT to understand these costs but are unable to provide a view at present of how accurate they are.

...however the Treasury does not support funding being provided from the CRRF.

12. As you are aware, the CRRF criteria were tightened as part of the Budget 2022 Strategy paper in August 2021 [CAB-21-MIN-0349 refers]. The Treasury has taken a strict interpretation of these criteria since then. As OT's request is not related to the Government's direct COVID-19 response (Health, MIQ, etc...) we consider it falls outside of the scope of CRRF funding. We also consider that if OT had flagged this additional expenditure in August, a pathway to resolve this would have been easier.
13. If you choose to support the CRRF request, we recommend further work is done to refine the costs ahead of any Cabinet decisions. The Omicron costs estimates especially need to be tested for their robustness. We have begun work with OT to get a better understanding of the costs proposed ahead of potential decisions.
14. Whilst not Treasury's recommended approach as OT does not meet a strict interpretation of the current CRRF criteria, approving OT's request to seek CRRF funding would address the risk of OT going unappropriated. However this broader interpretation may create risks that other agencies will seek CRRF funding for the same purposes.
15. If CRRF funding is to be allocated, decisions are required before the budget moratorium on 11 April. This is because any decisions with financial implications this year need to be included in the 2021/22 Supplementary Estimates. For this reason it would not be possible to allocate funding in contingency subject to better information being provided later.

Alternatives to reduce the risk of OT going unappropriated

16. There are a number of options available to you to reduce risk of OT going unappropriated.

Repurpose the Budget 2022 initiative – Enabling Partners and Communities

17. Some or all of the \$23 million Budget 2022 initiative Enabling Communities could be repurposed to help address the immediate risk of going unappropriated; the \$23 million could be allocated into 2021/22 instead of in years 1 and 2 as currently planned. We understand this initiative is a priority of Minister Davis' however we consider the risk of going unappropriated is a more pressing issue to address.
18. Our view is that it would be very difficult to include a late Budget 2022 initiative for new funding given the advanced stage of the package development process and the considerable pressure on allowances.

FDP Implementation could be slowed down this financial year

19. Minister Davis is taking a Cabinet paper to SWC on 30 March outlining the progress made to date on the FDP. An appendix to this paper outlines that \$81.683 million of baseline funding is allocated to FDP actions this financial year.
20. You could request that Minister Davis stops or delays any FDP related expenditure possible this financial year. It is likely the majority of this funding is spent or committed already, but some funding may be able to be freed up in 2021/22 if expenditure is pushed into the 2022/23 financial year.
21. The risk to this approach is that it creates pressure in the next financial year to progress these actions. However, it would mean that there is more time to undertake a thorough evaluation of the state of play and Minister Davis could provide you with options of what OT would need to stop to make room for these additional costs. This option would allow OT to seek funding in the 2022/23 financial year to make up the shortfall if you were supportive of further funding being allocated.

These two options combined could be a starting point to address the funding shortfall

22. These two measures could free up the \$17 million OT requested for Delta outbreak costs. We recommend you ask Minister Davis to outline in the upcoming joint Ministers paper what the implications of this approach would be and how much funding could be made available.

While not recommended, a third option could be a hybrid approach of the other two.

23. While the Treasury does not recommend this option, some funding could be made available by slowing the FDP and reducing the Budget 22 initiative, and some CRRF funding could be allocated. This would mean OT do not bear the full cost of going unappropriated, but it could enable Minister Davis to give greater weight to financial matters so that he can deliver on OT's future direction.
24. If this approach were taken, the costs already incurred due to the Delta outbreak are more likely to be correct than the projected costs for Omicron. We are not confident in the cost modelling for Omicron, and there is greater certainty in the Delta costs as these have already been incurred. We could provide you further detail on the accuracy of what is being sought ahead of any Cabinet decision to allocate funding.

If OT go unappropriated, there are relevant PFA provisions

25. Minister Davis could write to you and seek your approval to go unappropriated under section 26B of the Public Finance Act (PFA). This letter would need to include, the

reasons for the additional spend, and why it was not included in the Supplementary Estimates. This approval would need to be sought in advance of any overspend of the MCA.

26. While not a recommended option, it allows you to approve expenditure of up to 2% in excess of an appropriation in the event the appropriation it is in excess of the budgeted amount. This would equate to \$27 million in the context of the \$1.35 billion MCA.
27. If OT were to breach their appropriation limits by more than \$27 million, all of the unappropriated expenditure would need to be considered under section 26C of the PFA. This would involve greater parliamentary scrutiny of OT's unappropriated expenditure. OT will need to report to the Treasury based on the guidance set out in Treasury Circular 2021(3).

OT's financial practice needs to improve

28. s9(2)(g)(i)

29. Looking forward, you have a number of levers to improve OT's financial practice.

Future budget invites could be reduced or withheld until practice improves


30. To provide a better overview of OT's financial performance, you could request that the Ministerial Advisory Board (MAB) quarterly assurance reports explicitly include greater information on financial performance. You could request these reports are forwarded to you and the Treasury to give an external view on how OT are performing financially.
31. We recommend indicating to the Minister for Children that you will be less inclined to invite future Budget initiatives if you do not see demonstrable improvement in OT's financial practice.

Conditions on future funding

32. If the Budget 22 initiative *Enabling Partners and Communities* is not repurposed, this could be allocated in contingency with conditions. If these conditions were not met in a reasonable timeframe then the contingency could be allowed to expire and funding to return to the centre. More stringent conditions could be added to access this funding to ensure you have another lever to encourage an improvement in financial practice.
33. Further advice on this option can be provided via the usual budget process if the initiative is progressed.

s9(2)(f)(iv)

35. s9(2)(f)(iv)



Next Steps

36. We have requested some time at the Weekly Agency Meeting on 21 March to discuss this issue and your preferred way forward.
37. You will receive a joint Ministers paper, anticipated by 25 March, seeking to drawdown from the Budget 2021 contingency, and outlining what work OT have undertaken to improve their understanding of children's costs and implement financial controls.
38. Minister Davis is also taking two Cabinet papers to SWC on 30 March. Both are at Ministerial consultation and we will provide you advice on them via the usual channels. The papers are:
 - a Report back on progressing the implementation of a new direction for Oranga Tamariki
 - b The Oranga Tamariki Action Plan

Social Wellbeing Committee 4 August 2021

Direction for Oranga Tamariki

Hon Kelvin Davis, Minister for Children

Treasury contact: Ivan Esler s 9(2)(g)(ii)

Sign out contact: Keiran Kennedy s 9(2)(g)(ii)

Description: This paper proposes a new direction for Oranga Tamariki (OT) to move the organisation to being 'truly children and family centred'. This paper outlines a two-year Action Plan to implement the new direction which is informed by the findings of the Ministerial Advisory Board (MAB) and the recent Waitangi Tribunal report.

Comments: The Treasury is supportive of the Minister's intent to make OT more responsive to the needs of tamariki and whānau, and accountable to key stakeholders.

The paper does not indicate how the Action Plan will affect OT's functions, provide an implementation plan, or an indicative funding track for the Action Plan, despite Cabinet being asked to agree OT's priorities over the next two years. The starting point for funding the Action Plan will be re-prioritising within the baseline, however it is unclear whether further funding will be required to fully implement the Action Plan.

There appears to be overlap between what the Action Plan aims to achieve and the purpose for which parts of the Budget 19 funding were provided. The paper does not outline how the Action Plan will link into, and build on, the Budget 19 investment, and does not reflect the experience of the implementation of the Budget 19 (B19) investment.

A Treasury Comment (paragraph 40) has been included in the Cabinet paper outlining the above concerns.

The paper includes recommendations that officials from OT and the Treasury will work together to form a view on the current baseline, to develop an indicative funding track by the end of October 2021, and to have the funding track agreed by the Minister of Finance and the Minister for Children by December 2021 (rec e). This work has begun.

In considering the implementation of the Action Plan, careful thought will need to be given to:

- Timing – at present the timeframes to implement change and develop partnerships with iwi/Māori seem optimistic.
- OT's capacity for change – It may not be possible to implement significant change across broad swathes of the organisation in the timeframes indicated.
- What OT will stop doing – the paper does not provide a view of what could be stopped to make funding available to implement the Action Plan.
- Level of Cabinet oversight – it is unclear how Cabinet will maintain ongoing oversight of OT's new direction, and the implications on the currently mandated B19 six-monthly report backs.

Finally, the paper seeks agreement to expand the scope of the MAB to establish a new permanent governance arrangement for OT, and to monitor the implementation of the Action Plan (rec f). This new model of agency governance may have system wide implications and the paper does not provide much detail to support this decision.

Given the MAB will establish permanent governance arrangements, the Minister for Children will not be implementing the Waitangi Tribunal report's recommendation to establish a Māori Transition Authority at this time. This decision may be of high public interest.

Treasury Recommendation: Support, subject to the outcome of the next Budget 19 report back in October, and the development of an appropriate implementation plan and funding path.

Fiscal Implications: There are no direct fiscal implications from this paper, however funding may be required through future Budgets to fully implement the Action Plan.

The Treasury and Oranga Tamariki will work together to provide joint Ministers a view of how these proposals can be funded by December 2021.

Social Wellbeing Committee 30 March 2022

The Oranga Tamariki Action Plan

Hon Kelvin Davis, Minister for Children

Treasury contact: Ivan Esler s9(2)(k)

Sign out contact: Daniel White s 9(2)(g)(ii)

Description: This paper seeks Cabinet's endorsement of the Oranga Tamariki Action Plan (OTAP). OTAP indicates how chief executives of children's agencies will work together to improve the wellbeing of children and young people who are in, are at risk of entering, or have been involved in the care or youth justice system (priority populations)

Comments: We are supportive of OTAP's direction to children's agencies to prioritise services to priority populations however we have two main concerns. Firstly, implementing OTAP now at the same time as implementing its Future Direction Plan (FDP) is likely to put strain on OT's organisational resources and may put the successful delivery of both key organisational programmes at risk. Therefore, we recommend careful consideration is given to the prioritising and sequencing of the programmes, and that OT be conservative with OTAP timelines to mitigate delivery and expectation risk.

Secondly, in the absence of further funding being provided, seeking children agencies to focus services on priority populations may mean other groups experience a lower level of service provision. This is alluded to in the paper as a possibility but is not presented as an explicit trade-off. This increases the likelihood of future funding being requested if service provision to current recipients remains the same.

Action 2 of the OTAP asks agencies to identify 'high impact' actions to improve services to priority populations. The costs are not clear for these actions and it is likely some of them will seek Budget funding in future. You may have limited flexibility in funding these initiatives if OTAP is agreed now.

Treasury Recommendation: Support, but suggest you recommend OT coordinates OTAP and FDP to mitigate delivery and expectation risks and indicate whether you are supportive of future funding being sought to maintain services for current recipients and for the high impact actions children's agencies will develop.

Fiscal Implications: None in this paper, however OTAP should in the medium- to long-term reduce the amount OT spends on some services for children as they will be provided by other children's agencies (i.e. teacher aides). This should free up some of OT's baseline which could be spent on other services / priorities. It is unclear how much OTAP may shift costs, and it is unclear if there will be any efficiencies gained or lost.

Future funding may be required to meet the costs of some of OTAP's proposals.

Social Wellbeing Committee – 6 April 2022

Funding Oranga Tamariki from the COVID-19 Response and Recovery fund

Hon Kelvin Davis, Minister for Children

Treasury contact: Ivan Esler s 9(2)(g)(ii)

Sign out contact: Keiran Kennedy s 9(2)(g)(ii)

Description: This paper seeks Cabinet approval to recover additional costs that Oranga Tamariki has and is incurring as a result of the pandemic from the COVID-19 Response and Recovery Fund (CRRF). Some costs have already been incurred and cannot be met from within baselines.

Comments:

The amounts sought for Delta and Omicron seem to be proportionate to the costs that have been / will be incurred. We are satisfied with the model used to forecast Omicron costs is adequate given the limited time to develop the model. We note that the paper does not clearly explain why certain actions (therefore costs) were necessary to respond to the COVID-19 outbreaks, rather it highlights what the costs of each action were.

We recommend you direct that costs OT incurs responding to COVID-19 in the 22/23 year should be met within baselines in the first instance. If further funding is required, we recommend that you be clear OT need to seek it before decisions finalised and implemented.

Treasury Recommendation: Support as OT cannot meet costs already incurred from baseline funding. We recommend directing OT that any COVID related costs from 1 July 2022 are to be met within baselines in the first instance.

Fiscal Implications: This paper seeks to charge \$25.037 million in 2021/22 against the CRRF.

Funding source		COVID-19 Response and Recovery Fund							
Operating (\$m)					Capital (\$m)				
20/21	21/22	22/23	23/24	24/25 & outyears	20/21	21/22	22/23	23/24	24/25
-	\$25.037	-	-	-	-	-	-	-	-

Social Wellbeing Committee 13 April 2022

Report back on progressing the implementation of a new direction for Oranga Tamariki

Hon Kelvin Davis, Minister for Children

Treasury contact: Ivan Esler s 9(2)(g)(ii)

Sign out contact: Keiran Kennedy s 9(2)(g)(ii)

Description: This paper provides an update on the implementation of the new direction for Oranga Tamariki as indicated when the Future Direction Plan (FDP) was approved in August 2021 [CAB-21-MIN-0302 refers]. The paper reports back on the implementation of the Action Plan, options for a permanent governance board for Oranga Tamariki, the development of a workforce strategy, and regional funding and decision making.

Comments: This paper broadly meets the Cabinet report back requirements outlined in August 2021 however there are a number of matters that are not completely covered off.

Regional funding and decision making

It is important to progress this work as it will inform potentially significant implications for OT's operating model, who delivers services, and how much funding is required. If work is not progressed there is a risk that separate decisions will continue to be made, resulting in initiatives that do not align to the final regional funding and decision making framework. This work should be underpinned by OT's Partnership strategy.

s9(2)(f)(iv)

. OT need to develop a clear narrative of how the
s9(2)(f)(iv) / new operating model, new workforce strategy, transition of baseline spend to partners (Appendix B), and the Enabling Partners and Communities approach fit together. All these pieces of work will impact on regional funding and decision making and it is not clear how they are collectively driving OT towards a locally led, regionally enabled, and nationally supported operating model.

We recommend that you seek an update on how these workstreams fit together in the Cabinet paper proposed for June. While it is unlikely work will be finalised by then, an update could give some confidence that a coherent path forward is being laid out for the re-prioritised Budget 2019 funding. A further update could then be provided in November at the next report back on FDP implementation.

s9(2)(f)(iv)

s9(2)(f)(iv)

Treasury Recommendation: Support subject to Minister Davis and/or OT providing Cabinet or the Minister of Finance with:

- s9(2)(f)(iv)
-
-

If you want additional recommendations covering these points for tabling at SWC, Treasury can prepare these for you.

Fiscal Implications: No direct fiscal implications s9(2)(f)(iv)

We note the pressure put on OT's baselines by FDP implementation has meant that CRRF funding and a partial drawdown of a Budget 21 contingency have been necessary to ensure sufficient funding is available this financial year.