



Cabinet

Minute of Decision

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Establishment of the Ministry for Vulnerable Children, Oranga Tamariki: Transition Arrangements

Portfolio **Social Development**

On 25 October 2016, following reference from the Cabinet Social Policy Committee (SOC), Cabinet:

Background

- 1 **noted** that in July 2016, Cabinet agreed to the roles, responsibilities and functions that the Ministry for Vulnerable Children, Oranga Tamariki (MVCOT) and the Ministry of Social Development (MSD) will have from 1 April 2017, and agreed that MSD would provide some corporate services to MVCOT for at least the first two years of its operation [CAB-16-MIN-0039];

Allocation of capability to support the functions of each agency

- 2 **noted** that to implement the decisions referred to in paragraph 1 above, the Chief Executives of the MVCOT and MSD have identified the capability to be allocated to each agency to ensure each can support its functions, with a high level allocation of FTE staff numbers in line with key functions as follows:

MVCOT Function	FTE	MSD Function	FTE
Statutory Care and Protection	2,071	Social Housing, Welfare and Employment Support	4,816
Youth Justice Services	757	Office for Seniors and Services for Seniors	18
Adoptions and International	5	Office for Disability Issues	7
Children's Action Plan	59	Social Sector Policy	16
Policy	36	Policy	91
Community Investment	166	Community Investment	70
Other (including High and Complex needs, funding for services to support vulnerable children and young people)	91	Other (including Fraud/Overpayments, concession cards, contract management and Simplification)	757
Corporate Services	132	Corporate Services	332
		Shared Corporate Services	669
Total FTE	3,317	Total FTE	6,776

- 3 **agreed** that to minimise disruption to providers, all Community Investment funding associated with non-government organisations and community providers remain within existing appropriations in Vote Social Development until 30 June 2017 and be split into respective appropriations under each Vote effective 1 July 2017;
- 4 **agreed in principle** to the baselines for MVCOT and MSD for 1 April – 30 June 2017 based on the proposed allocation of functions and capability with actual splits to be approved in November 2016 by the Minister of Finance and the Minister for Social Development along with the use of Imprest Supply and confirmed in the 2017 March Baseline Update:

2016/17 Appropriations by Class	\$ Million			
	MVCOT (1 April – 30 June 2017)	MSD (1 July 2016 – 31 March 2017)	MSD (1 April- 30 June 2017)	Total
Departmental Output Expenses	146.5	580.2	43.0	769.7
Departmental Other Expenses	3.6	10.9	-	14.5
Multi-Category Appropriations				
<i>MCA – Departmental</i>	-	523.2	174.4	697.6
<i>MCA - Non -departmental Expenses</i>	-	639.0	213.9	852.9
Non-Departmental Output Expenses	-	274.1	57.4	331.5
Non-Departmental Other Expenses	-	73.1	23.6	96.7
Benefit or Related Expenses	-	15,116.2	5,135.7	20,251.9
Departmental Capital Expenses	-	62.5	41.1	103.6
Non- Departmental Capital Contributions	-	1,520.3	309.4	1,829.7
Total Baseline 2016/17	150.1	18,799.5	5,998.5	24,948.1

- 5 **agreed in principle** to the baselines for MVCOT and MSD from 1 July 2017, based on the proposed allocation of functions and capability with actual splits to be approved by the Minister of Finance and the Minister for Social Development in November 2016 and finalised in the 2017/18 Estimates of Appropriations:

2017/18 Appropriations by Class	\$ Million		
	MVCOT	MSD	Total
Departmental Output Expenses	590.3	171.7	762.0
Departmental Other Expenses	17.0	-	17.0
Multi-Category Appropriations (MCA)			
<i>MCA - Departmental</i>	-	672.9	672.9
<i>MCA - Non -departmental Expenses</i>	-	940.3	940.3
Non-Departmental Output Expenses	147.5	174.9	322.4
Non-Departmental Other Expenses	-	96.8	96.8
Benefit or Related Expenses	-	20,778.1	20,778.1
Departmental Capital Expenses	-	76.5	76.5
Non- Departmental Capital Contributions	-	1,865.3	1,865.3
Total Baseline 2017/18	754.8	24,776.5	25,531.3

- 6 **noted** that the appropriation allocations are based on the 2016/17 allocations to MSD through Budget 2016 and may be subject to change for the 2017/18 financial year, such as changes relating to the end of time-limited funding;

Operating model for the provision of corporate services

- 7 **noted** that the Chief Executives of MVCOT and MSD have agreed an operating model for the delivery of corporate services that ensures MVCOT has direct access to the levers it needs to drive the level of internal and system change required to achieve the government's objectives;
- 6 **endorsed** the model for corporate services and the provision of services through two approaches:
- 6.1 services that are embedded in each agency;
- 6.2 services that will be provided by MSD to MVCOT through shared services arrangements tailored to the nature of the function provided;
- 7 **noted** that additional funding will be required to ensure both agencies have sufficient capability to support the delivery of corporate services;
- 8 **noted** that these costs are driven by the need to establish organisational management and governance support within MVCOT, the costs associated with the provision of shared services, and the additional capability required to support MVCOT to achieve the government's transformation objectives for the vulnerable children's system;
- 9 **agreed** to set aside the following amounts from the Budget 2017 operating allowance for the provision of corporate services from 1 July 2017, with a corresponding impact on the operating balance:

Initiative Name	\$m - increase/(decrease)				
	2016/17	2017/18	2018/19	2019/20	2020/21 & Outyears
Provision of Corporate Services for the Ministry for Vulnerable Children, Oranga Tamariki	-	17.824	22.059	22.133	22.133

- 10 **noted** that in April 2016, Cabinet agreed to a tagged operating contingency of \$141.50 million for 'Investing in New Zealand's Children and their families' as part of Budget 2016 to enable the design and implementation of a system-wide reform of services provided to vulnerable children, young people, and their families [CAB-16-MIN-0189.27];
- 11 **noted** that the funding required for the provision of corporate services from 1 April to 30 June 2017 of \$2.4 million will be met from within MSD baselines and the Investing in Children contingency established in Budget 2016;
- 12 **authorised** the Minister of Finance and the Minister for Social Development and Minister for Vulnerable Children (to be established from 1 April 2017) to draw down from the 'Provision of Corporate Services for the Ministry for Vulnerable Children, Oranga Tamariki' contingency to the new appropriation structure up to the amount of \$17.824 million per annum, with the remaining \$4.309 million to be held in contingency pending the outcome of the review of corporate services arrangements;

- 13 **noted** that in May 2016, SOC agreed that the Chief Executives of MSD and MVCOT will jointly commission an independent review of the corporate services arrangements no later than 1 April 2019 [SOC-16-MIN-0053];
- 14 **noted** that the Chief Executives of MSD and MVCOT will consult with the State Services Commission and the Treasury on the terms of reference for the review of corporate services arrangements to ensure that the machinery of government implications and opportunities are addressed, and that the review supports an assessment of the effectiveness and efficiency of the corporate services arrangements for the two agencies;

Implementation Requirements

- 15 **noted** that the transfer of functions and capability to MVCOT requires the creation of a new Vote in line with the requirements of the Public Finance Act 1989;
- 16 **agreed** to establish a new Vote, to be named Vote Vulnerable Children Oranga Tamariki, to be administered by MVCOT with effect from 1 April 2017, and that the Minister responsible for the appropriations within the Vote be the Minister for Vulnerable Children;
- 17 **authorised** the Minister of Finance and the Minister for Social Development (joint Ministers) to:
- 17.1 approve the structure of appropriations within Vote Vulnerable Children Oranga Tamariki;
 - 17.2 approve how performance will be assessed for each appropriation, and Imprest Supply to incur expenses against appropriations from 1 April 2017 within Vote Vulnerable Children Oranga Tamariki;
 - 17.3 make fiscally neutral adjustments from Vote Social Development to Vote Vulnerable Children Oranga Tamariki;
- 18 **directed** officials (from the Treasury, the State Services Commission, and MSD) to report to joint Ministers by 30 November 2016 on the details of the Vote Vulnerable Children Oranga Tamariki appropriation structure, and the new appropriations to be established in Vote Social Development resulting from the change, including titles, purpose, scope and achievement statements, and performance measures;
- 19 **noted** that the allocation of existing MSD properties, assets, liabilities (including employee related provisions), and equity between MSD and MVCOT will be made through the March Baseline Update process with a final reconciliation through the 2016/17 Supplementary Estimates of Appropriations once the results for the period ended 31 March 2017 are available;
- 20 **noted** that MVCOT will receive sufficient funds to manage its expenditure from 1 April 2017, and that this may include an early drawdown of Crown funding to ensure sufficient funds are available for any payments from 1 April 2017;

- 21 **noted** that a people transition process has been developed and will form part of the consultation process with staff and unions, and has been prepared on the basis that staff will be informed of the outcome of the process by early December 2016.

Secretary of the Cabinet

***Secretary's note:** This minute has been amended to correct the title of the contingency referred to in paragraph 14.*

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