

**[In Confidence]**

Office of the Minister for Social Development and Employment  
Cabinet Social Wellbeing Committee

**Establishing the financial arrangements of the Independent Children's Monitor within Vote Education Review Office**

**Proposal**

- 1 This paper seeks agreement to transfer departmental funding from Vote Social Development to Vote Education Review Office for 2022/23 and outyears, including the transfer of the assets and liabilities related to the new departmental agency, Aroturuki Tamariki - Independent Children's Monitor (the Monitor), between the Ministry of Social Development (MSD) and the Education Review Office (ERO) as of 1 May 2023.

**Relation to government priorities**

- 2 The establishment of the appropriation and funding of the Monitor aligns with the Government's priority of improving child wellbeing and laying the foundations for the future.

**Background**

*Cabinet Decisions*

- 3 On 19 December 2022, Cabinet agreed that the date of commencement for the Oversight of Oranga Tamariki System Act 2022 and related regulations should be 1 May 2023 [CAB-22-MIN-0589 refers].
- 4 When the legislation commences, the Monitor will monitor the wider Oranga Tamariki system as well as continuing to monitor the NCS Regulations. The Monitor, MSD, and ERO are progressing a joint work programme to ensure:
  - 4.1 ERO is ready and has the necessary capability to host the new departmental agency by 1 May 2023; and
  - 4.2 MSD can smoothly transition the Monitor into the departmental agency for ERO to host by 1 May 2023.

*Financial background*

- 5 In Budget 2020, MSD received departmental funding of \$10.5m per year from 2021/22 onwards in Vote Social Development to establish and operate the Monitor. This was reduced by \$0.132m per year (to \$10.368m) as a result of a Capital to Operating swap approved by joint Ministers in the 2021 October Baseline Update.

6 In August 2022, the Minister of Finance, the Minister of Education, and I agreed to establish an appropriation within Vote Education Review Office for costs relating to the establishment of the Monitor within ERO.

s 9(2)(f)(iv)

These costs are predominantly for the setup of the information technology infrastructure and services of the Monitor and alignment of ERO, including moving both agencies to the cloud.

### Purpose

*Funding changes are required to establish the Monitor as a departmental agency*

7 In preparation for the establishment of the Monitor as a departmental agency hosted by the Education Review Office [CAB 21-0153.01 refers], I am seeking agreement to the following:

- 7.1 establishing the ongoing appropriation of the Monitor within Vote Education Review Office; and
- 7.2 matters associated with the transfer of departmental funding from Vote Social Development to Vote Education Review Office for 2022/23 and outyears, including the authority to finalise the transfer of the assets and liabilities related to the new departmental agency between MSD and ERO as of 1 May 2023.

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s 9(2)(f)(iv)


10 I am also seeking a capital transfer between MSD and ERO for:

- 10.1 the transfer of the Monitor's estimated assets and liabilities (including employee-related provisions such as annual leave liabilities) on 1 May 2023.
- 10.2 a capital injection/withdrawal for:
  - i. the purchases already undertaken by ERO of equipment for the Monitor; and

- ii. the Monitor's future capital requirements for information technology and property costs.

11 I propose that authority is delegated to the Minister of Finance, and responsible Ministers for the relevant departments, to approve the finalisation of the capital transfers and, if required, a capital to operating swap or return of capital to the Crown.


12 s 9(2)(f)(iv)



### Financial Implications

13 The transfers of funding between Vote Social Development and Vote Education Review Office that are sought in this paper are fiscally neutral.

14 s 9(2)(f)(iv)



### Population Implications

15 The proposals in this paper are designed to prepare the Monitor for effective monitoring of the Oranga Tamariki system, ensuring it meets the needs of children and young people within the care and protection and youth justice systems. The implications of this change on population groups were provided to Cabinet in December 2022 (SWC-22-MIN-0255 refers).

### Consultation

16 Treasury, Department of Prime Minister and Cabinet, and the Public Service Commission were consulted on this paper. No additional consultation was required as this paper gives effect to decisions already made in the Oversight of the Oranga Tamariki System and the Children and Young People's Commission Acts 2022.

### Proactive Release

17 I intend to release this paper subject to redactions consistent with the Official Information Act 1991.

### Recommendations

The Minister for Social Development and Employment recommends that the Committee:

*Oversight of Oranga Tamariki System Act 2022 will come into effect on 1 May 2023*

**IN CONFIDENCE**

- 1 **note** that on 19 December 2022, Cabinet agreed that the date of commencement for the Oversight of Oranga Tamariki System Act 2022 and related regulations should be 1 May 2023, and that an Order in Council be drafted to give effect to this (CAB-22-MIN-0589 refers).
- 2 **note** this is consistent with section 2 of the Oversight of Oranga Tamariki System Act 2022, where the commencement date of 1 July 2023 can be brought forward by an Order in Council.
- 3 **note** two separate papers will be provided to the Cabinet Legislation Committee on Thursday, 9 March 2023 seeking agreement to submit an Order in Council to the Executive Council to:
  - 3.1 bring forward the date of commencement of the Oversight of Oranga Tamariki System Act 2022 from 1 July 2023 to 1 May 2023; and
  - 3.2 establish the Independent Children’s Monitor as a departmental agency within the Education Review Office. This Cabinet Paper will come from the Minister for the Public Service.


*Establishing the Monitor’s appropriation and fiscally neutral transfers of appropriations*

- 4 **agree** to establish the following new appropriation to provide for the establishment of the Independent Children’s Monitor as a departmental agency hosted by the Education Review Office, with effect from 1 May 2023:


<b>Vote</b>	<b>Appropriation Minister</b>	<b>Appropriation Administrator</b>	<b>Title</b>	<b>Type</b>	<b>Scope</b>
Education Review Office	Minister for Social Development and Employment	Education Review Office	Independent Monitoring and Assurance of the Oranga Tamariki System	Departmental Output Expense	This appropriation is limited to independent monitoring of compliance with, and delivery of, the Oranga Tamariki system and related regulations and standards.

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s 9(2)(f)(iv)



s 9(2)(f)(iv)




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**note** that to minimise the risk of unappropriated spending, funding has been prorated between Vote Social Development and Vote Education Review Office in 2022/23 to ensure the Ministry of Social Development and Education Review Office have sufficient funding, and there may be funding remaining within both Votes at the end of 2022/23.

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s 9(2)(f)(iv)



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*Capital withdrawals and injections*

9 **note** that Cabinet (through Budget 2019 and Budget 2020) had approved \$9.165 million capital funding for the Independent Children’s Monitor for a new IT system, Motor Vehicles, and a property fitout.

10 **note** that via an October Baseline Update in 2021, the Minister of Finance and I approved capital to operating swaps of \$2.645 million to provide for the costs of establishing the monitoring function as an independent departmental agency.


11 s 9(2)(f)(iv) 

s 9(2)(f)(iv) 

12 **note** that the transfer of employee related provisions including annual leave is required as part of the establishment of Independent Children’s Monitor as a departmental agency hosted by the Education Review Office.

- 13 **approve** the following capital funding transfer between Vote Social Development and Vote Education Review Office for employee related provisions to give effect to the establishment of the Independent Children's Monitor as a departmental agency hosted by the Education Review Office, with no impact on net debt:

s 9(2)(f)(iv)



- 14 **note** that further withdrawals and injections may be required by the Ministry of Social Development and Education Review Office in 2023/24 once the assets and liabilities (including employee-related provisions) balance as of 1 May 2023 is confirmed.


- 15 **note** that of the remaining capital:

15.1 some of the capital may at a later date need to be classified as operating expense to fund information technology or property provision as a service, and if so, will require a fiscally neutral capital to operating swap; and

15.2 some of the capital may not be required by the Independent Children's Monitor and will accordingly be returned to the Crown.

- 16 **authorise** the Minister of Finance, the Minister of Education, and I to approve capital withdrawals and injections or any necessary capital to operating swap as described in recommendations 14 and 15 above, with no impact on net debt across the forecast period.

17 s 9(2)(f)(iv)



*Other related matters*

18 s 9(2)(f)(iv)



s 9(2)(f)(iv)

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s 9(2)(f)(iv)

- 20 **authorise** the Minister of Finance, the Minister of Education, and I to jointly agree the final amount of the transfers in recommendation 19 following the completion of the 2022/23 audited financial statements, with no impact on the operating balance and/or net debt across the forecast period.

Authorised for lodgement

Hon Carmel Sepuloni

Minister for Social Development and Employment