



Cabinet Social Outcomes Committee

Minute of Decision

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Oranga Tamariki Social Service Contracting: Out of Cycle Funding Request

Portfolio **Children**

On 9 April 2025, the Cabinet Social Outcomes Committee:

- 1 **noted** that in January 2025, the Minister for Children announced that Oranga Tamariki would pause its review of social service contracts and extend existing service provider contracts until 31 December 2025, which has created a funding shortfall in the 2025/26 financial year of s9(2)(j) ;
- 2 **agreed** to reinstate contracted services expiring on or before 30 June 2025 at current service levels until 31 December 2025;
- 3 **agreed** to the extension of care and support services for children and prevention and early support programmes for at-risk children and young people through to 31 December 2025;
- 4 **noted** that the extension provides a short timeframe for Oranga Tamariki to decommission services in a way that minimises disruption for providers and communities and ensures the safe transition of children, young people, and families to other support, as necessary;
- 5 **noted** that Oranga Tamariki are developing a s9(2)(f)(iv) for 2025/26, s9(2)(f)(iv) ;
- 6 **approved** the following changes to appropriation within Vote Oranga Tamariki to give effective to the decision in paragraphs 2-3 above, with a corresponding impact on the operating balance and net core Crown debt;

	\$m - increase/(decrease)				
	2024/25	2025/26	2026/27	2027/28	2028/29 & Outyears
Multi- category appropriations					
Investing in Children and Young People					
MCA Departmental Output Expenses					
Prevention and Early Support (Funded by revenue crown)	-	9.462	-	-	-
Statutory intervention and transition (Funded by revenue crown)	-	14.193	-	-	-
Total Operating		23.655	-	-	-
Total Capital	-	-	-	-	-

7 **agreed** that the expenses incurred under paragraph 6 above be charged as a pre-commitment against the Budget 2025 operating allowance;

8 s9(2)(j) [Redacted]

9 s9(2)(j) [Redacted]

10 **agreed** that Oranga Tamariki will engage with providers and manage communications to mitigate the risk of provider dissatisfaction or service impacts;

11 s9(2)(j) [Redacted]

s9(2)(j) [Redacted]

12 s9(2)(j) [Redacted]

13 s9(2)(j) [Redacted]

s9(2)(j) [Redacted]

- 14 s9(2)(j) [REDACTED]
- 15 s9(2)(j) [REDACTED]
- s9(2)(j) [REDACTED]
- 16 s9(2)(j) [REDACTED]
- 17 **agreed in principle** to transfer up to \$10 million operating from 2024/25 to 2025/26 in the Investing in Children and Young People Multi-Category Appropriation in Vote Oranga Tamariki, subject to paragraph 18 below;
- 18 **authorised** the Minister of Finance and the Minister for Children jointly to agree the final amount to be transferred, following the completion of the 2024/25 audited financial statements with no impact on the operating balance and/or net core Crown debt across the forecast period;
- 19 **noted** that the funding in paragraph 6 covers the period up to 31 December 2025 only, and that there is no funding currently requested for the continuation of these services beyond that date (i.e. from 1 January 2026 onwards), meaning that without further decisions, services would need to be scaled down or terminated after 2025;
- 20 **agreed in principle** to an additional transfer of up to \$30 million from 2024/25 to 2025/26 in the 'Investing in Children and Young People' Multi-Category Appropriation in Vote Oranga Tamariki, subject to paragraph 21 below;
- 21 **authorised** the Minister of Finance and the Minister for Children jointly to agree the final amount to be transferred, following the completion of the 2024/25 audited financial statements, and subject to decisions by Cabinet about the continuation of contracts beyond December 2025, with no impact on the operating balance and/or net core Crown debt across the forecast period;
- 22 **invited** the Minister for Children to report back to the Cabinet Social Outcomes Committee by the end of August 2025 with a progress update on a new strategic approach to commissioning services for children, developed with the SIA, including any further funding requirements beyond 31 December 2025, any programmes or services that may transition to the SIA, and a detailed decommissioning plan for services that will see full or partial funding reductions in the financial year ending 30 June 2026;

- 23 **noted** that Oranga Tamariki is working jointly with the SIA to refine the commissioning and investment approach for children's services, with a view to improving services and potentially transferring responsibility for some services to the SIA in the future, consistent with the Government's social investment objectives.

Jenny Vickers
Committee Secretary

Present:

Rt Hon Winston Peters
Hon David Seymour
Hon Nicola Willis
Hon Simeon Brown
Hon Erica Stanford
Hon Paul Goldsmith
Hon Louise Upston (Chair)
Hon Dr Shane Reti
Hon Mark Mitchell
Hon Tama Potaka
Hon Matt Doocey
Hon Nicole McKee
Hon Casey Costello
Hon Penny Simmonds
Hon Karen Chhour
Hon Nicola Grigg
Hon Scott Simpson

Officials present from:

Office of the Prime Minister
Officials Committee for SOU

Out-of-cycle funding for continuation of social service contracting

To Hon Karen Chhour, Minister for Children			
Date	2 April 2025	Deadline	3 April 2025
Briefing number	B-0533	Priority	High
Key contact	Benesia Smith, MNZM Deputy Chief Executive, Commissioning & Investment	Contact number	s9(2)(g)(ii)
Security	Budget Sensitive		

Purpose

The purpose of this briefing is to provide you with an overview of the Cabinet paper titles *Out-of-cycle funding for continuation of social service contracting* and to seek your agreement to lodge by 3 April 2025, either for consideration by Cabinet on 7 April 2025 or the Cabinet Social Outcomes Committee on 9 April 2025.

Executive Summary

The Cabinet paper *Out-of-cycle funding for continuation of social service contracting* requests Cabinet's agreement to provide out-of-cycle funding of \$23.655 million for the first six months of the 2025/26 financial year. This out-of-cycle funding is necessary to ensure that Oranga Tamariki can continue to fund services for children through contracted community providers up to 31 December 2025.

This Cabinet paper must be lodged no later than 3 April 2025 and will either be considered by Cabinet on 7 April 2025 or (SOU) Cabinet Social Outcomes Committee on 9 April 2025 before the Budget 2025 moratorium date of 14 April 2025.

In response to media and provider concerns, Oranga Tamariki has paused its standard annual review of social service contracts until 31 December 2025. Without the requested funding, Oranga Tamariki would be required to reprioritise existing resources, potentially impacting frontline staffing and service continuity for children, young people, and families.

The Cabinet paper seeks agreement to:

- retain and use any 2024/25 financial year underspend (up to \$10 million) toward contract extensions.
- s9(2)(f)(iv)
-

While the proposal is limited to funding up to 31 December 2025, Cabinet is advised that further decisions and funding may be required if these contracts are to continue in full after that date. During 2025, Oranga Tamariki will collaborate with the Social Investment Agency to refine a social investment approach to commissioning children's services and provide future advice to Ministers.

IN-CONFIDENCE

Recommendations	
It is recommended that you:	
Note that Ministerial consultation occurred from 24 March – 1 April 2025	✓
Note that the final attached draft Cabinet paper has been updated to respond to feedback from the Minister for the Public Service around Oranga Tamariki's ability to fund wage and salary increases due to collective bargaining and ability to find further saving if required. These changes are covered in the Cabinet paper at paras 33 and 35 respectively.	✓
Note that you did not receive any other feedback from ministerial colleagues.	✓
Agree to lodge the attached Cabinet paper by 3 April 2025.	YES / NO

Sign-off Oranga Tamariki	Sign-off Minister for Children
 Benesia Smith, MNZM Deputy Chief Executive, Commissioning and Investment Date signed: 2 April 2025	 Hon Karen Chhour Minister for Children Date signed: 2/4/2025

Minister comments
Satisfaction
Please select your level of satisfaction with this briefing <div style="display: flex; justify-content: space-around;"> <input type="checkbox"/> Outstanding <input checked="" type="checkbox"/> Good <input type="checkbox"/> Acceptable <input type="checkbox"/> Poor <input type="checkbox"/> Unacceptable </div>

Budget Sensitive

Office of the Minister for Children

Cabinet

Out-of-cycle funding for continuation of social service contracting

Proposal

- 1 This paper seeks Cabinet's agreement to provide out-of-cycle funding of \$23.655 million for the first six months of the 2025/26 financial year.
- 2 This will ensure Oranga Tamariki can maintain current funding levels for all external providers for the provision of services for children until 31 December 2025. This is in response to a government expectation that Oranga Tamariki will defer its annual review of contracted services, and associated service adjustments, until 31 December 2025.
- 3 This will allow time for Oranga Tamariki to design and implement a refined commissioning approach in partnership with the Social Investment Agency (SIA).
- 4 The total cost pressure for Oranga Tamariki continuing these contracts and managing wider inflationary or wage impacts s9(2)(j) for the 2025/26 financial year.

Relation to government priorities

- 5 This proposal supports the Government's priority of delivering effective and fiscally sustainable public services, especially services that protect vulnerable children. The approach also aligns with the Government's broader social investment focus by maintaining support for at-risk populations now, pending an improved commissioning approach for children's services.

Executive Summary

- 6 On 30 January 2025, I requested Oranga Tamariki pause its contract review and extend s9(2)(j) on current terms to 31 December 2025 while it works with the SIA to improve its approach to commissioning children's services. This approach comes with additional costs for Oranga Tamariki, as it removes its ability to realise savings through annual contract adjustments and limits its ability to redirect investment to the emerging needs of children.
- 7 Additional funding of \$23.655 million is required after reprioritising existing resources and savings. Cabinet is asked to note that additional cost pressures will likely arise beyond 31 December 2025 (through to 30 June 2026) if these services are continued at current levels for the full 2025/26 year. Further advice will be provided in due course, subject to any decisions on the future commissioning and investment approach developed with the SIA. Additional funding sought through to 31 December 2025 will enable:

- 7.1 Oranga Tamariki to work closely with providers over a longer period to adjust service levels to best meet the needs of New Zealand’s most vulnerable children.
- 7.2 Oranga Tamariki to provide certainty to providers and give effect to the request to pause the review and extend contracts.
- 8 The paper also seeks Cabinet approval to further mitigate cost pressures where possible s9(2)(f)(iv) and “in principle” approval to transfer any 2024/25 underspend in the Vote Oranga Tamariki to 2025/26.

Background

- 9 In 2023/24, Oranga Tamariki undertook a comprehensive review of all areas of expenditure to look for efficiencies and options to reprioritise expenditure. Part of this included a review of social services and contracts which considered service utilisation, regional needs, evidence of impacts for children and communities, and alignment to the core purpose of Oranga Tamariki.
- 10 While not the primary intention of the review, which was to ensure the right services were being delivered effectively it did result in funding of some service provider contracts being reduced or discontinued in 2024/25.
- 11 The review received considerable media coverage, with providers expressing concern about the impact of service and funding reductions on the delivery of prevention and support services.
- 12 In January 2025, I asked Oranga Tamariki to pause its review and extend existing contracts for providers who did not have a current contract, or had a contract expiring by 30 June 2025, until 31 December 2025. This pause allows time for Oranga Tamariki to design and implement a refined commissioning approach in partnership with the SIA.
- 13 Through careful fiscal management Oranga Tamariki can absorb the estimated s9(2)(j) cost of resuming current funding levels for the remainder of the financial year for s9(2)(j) that were in contractual negotiations at the time, and whose service levels s9(2)(j)
- 14 s9(2)(j) that expire on or before 30 June 2025. The standard process of contract review and service adjustment is an important opportunity for Oranga Tamariki to align services to the needs of children and realise cost savings in support of its performance plan with the Treasury. Oranga Tamariki cannot absorb the cost of extending these contracts at current service levels without impacting its frontline services.

Analysis of cost pressures funding requirements to implement this decision

Oranga Tamariki has identified potential mitigations to reduce the estimated total cost of this initiative

15 The cost of extending the affected s9(2)(j) at current levels for six months from 1 July 2025 to 31 December 2025 is estimated at s9(2)(j) (see Appendix 1 for a full breakdown). Without additional funding, this cost would translate into a deficit for Oranga Tamariki or require equivalent cuts elsewhere, potentially impacting negatively on the ability of Oranga Tamariki to deliver services to children.

16 s9(2)(f)(iv)

17 Oranga Tamariki has identified potential mitigations which will reduce the cost impact to \$23.655 million. These comprise a combination of reprioritisation and cost-saving measures, including:

17.5 s9(2)(j)

17.6 retaining any underspend realised by Oranga Tamariki in 2024/25; and

17.7 s9(2)(j).

18 Appendix 2 provides a full breakdown of initiatives proposed by Oranga Tamariki to offset costs.

19 Table 1 summarises the full cost pressure and possible mitigations.

Table 1: Cost pressures and possible mitigations

Cost pressure and possible mitigation summary	\$ million
Expected shortfall from Contract Extension	s9(2)(j)
Other Risks and Impacts from Decision	s9(2)(j)
Retain underspends from 2024/25	10.000
Agree not to fund inflationary pressure in contracted services	s9(2)(j)
Use remuneration tagged contingency for all remuneration cost pressures	s9(2)(j)
Shortfall remaining	(23.655)

Oranga Tamariki is unable to extend all services at current levels without reducing frontline staff and detrimentally impacting its core service delivery to children

- 20 Without this out-of-cycle funding, Oranga Tamariki will not be able to extend contracts in line with Government decisions except through reductions to frontline services. Without additional funding, Oranga Tamariki will need to make immediate and significant reductions in frontline staff. This will have a detrimental impact on service continuity and the continued ability for Oranga Tamariki to undertake its core youth justice and child protection work.¹

Decisions will be needed about funding of services beyond December 2025

- 21 The scope of this immediate funding request is limited to the 2025 calendar year. Many providers, however, may have an expectation that their services will be funded beyond 31 December 2025. These decisions are not sought in this paper and will be subject to my agreement to a commissioning plan that Oranga Tamariki will develop with support from the SIA. The expected commissioning plan for 2025/26 was based on a funding envelope of s9(2)(j) [REDACTED]. The extension of contracts to December 2025 is higher than anticipated, by s9(2)(j) [REDACTED].

Additional funding will allow time to develop a more strategic approach to future service commissioning and investment

- 22 Oranga Tamariki is collaborating with the SIA to apply a social investment lens to how social services are commissioned and delivered in the future.
- 23 The goal is to ensure that from January 2026 onwards, funding for community-based services for at-risk children is kept within the social investment approach. The SIAs expertise in data-driven investment approaches and cross-sector coordination will help inform which services should continue, how they should be funded, and which might be transformed or transitioned.
- 24 Over 2025, Oranga Tamariki with support from the SIA will review the performance and impact of extended services, engage with providers about future expectations, and develop advice for Cabinet on future commissioning and investment decisions to best support vulnerable children.

Next Steps

- 25 To support Oranga Tamariki in refinement of its commissioning approach and any transitional work with the SIA, I propose a report-back to Cabinet on this matter by August 2025.
- 26 Between now and the report back in August 2025, Oranga Tamariki will engage with the SIA on improving its commissioning approach for implementation. This will also provide opportunity for Ministers to engage all relevant stakeholders on future commissioning and investment plans and timelines.

¹ Significant reductions to back-office staff and administration costs have already been implemented through the Budget 24 savings process.

Implementation of contract extensions

- 27 Subject to Cabinet’s decisions, Oranga Tamariki will move quickly to implement the extension of contracts. A detailed implementation plan is in place. Oranga Tamariki will work closely with providers to ensure variations for extensions to contracts are in place as quickly as practicable.
- 28 Should additional funding be approved, Oranga Tamariki proposes to implement contract extensions through variations to the term of the contracts but otherwise retain all current terms and conditions including existing funding levels up to 31 December 2025.
- 29 A communications plan has been developed to support timely and co-ordinated engagement with affected providers.
- 30 The SIA and Oranga Tamariki are working together to ensure that its future service commissioning takes a social investment approach.

Financial Implications

- 31 The proposals in this paper have fiscal implications, and an out-of-cycle initiative proposal was approved prior to the drafting of this paper. In summary, an additional \$23.655 million in operating funding for 2025/26 is sought, as a pre-commitment against Budget 2025 allowances.
- 32 Underspend transfer: An *in-principle* approval is sought to transfer up to \$10 million of 2024/25 underspent funding in relevant Oranga Tamariki appropriations into 2025/26. This would be given effect through the October Baseline Update process. By agreeing in principle now, Cabinet signals support for Oranga Tamariki retaining those funds to put toward the contract extensions, rather than returning them to the centre.
- 33 s9(2)(j)
- 34 The funding sought allows for the extension of contracts to 31 December only and reduces the ability for Oranga Tamariki to contract for additional services based on the needs of children. s9(2)(f)(iv)
- 35 Oranga Tamariki will continue to closely monitor actual spend and provide further advice on any trade-offs that may be required to achieve to any future savings by the end of August 2025. If any of the funding sought through this Cabinet paper is not

required to meet the cost pressures arising through contract extensions, this funding will be returned to the Crown or used, subject to Cabinet's agreement, to meet any contracting pressures post 31 December 2025.

Legislative Implications

36 There is no new or amended legislation proposed in this paper.

Impact Analysis

Regulatory Impact Statement

37 A regulatory impact analysis does not apply to the proposals in this paper.

Climate Implications of Policy Assessment

38 CIPA requirements do not apply to this proposal as the threshold for significance is not met.

Population Implications

39 The proposed funding extension may have positive implications for key population groups. Māori communities will benefit by avoiding service cuts. Women, who are often primary caregivers and rely heavily on these services, will experience continued support. Disabled children and young people, who may have been disproportionately affected by funding gaps, will maintain access to crucial services. By preventing service disruptions, this approach upholds equity and ensures continuity of care for New Zealand's most vulnerable children and families.

Human Rights

40 The proposals in this paper are consistent with the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993.

Consultation

41 The following agencies and offices have been consulted in the preparation of this paper: The Treasury, Public Service Commission (PSC), Department of Prime Minister and Cabinet (DPMC) and the Social Investment Agency (SIA).

42 Oranga Tamariki will consult with the social services' sector while working with the SIA to design a social investment approach to future commissioning and ensure that the sector's views are taken into account.

Communications

43 A public communications plan has been prepared to accompany the Cabinet decision (subject to approval). Since the extension of contracts was already announced in principle in January, the communication now will focus on confirming that funding has been secured to back up that promise.

- 44 Oranga Tamariki will communicate directly with each provider as soon as a Cabinet decision is made. A letter from the Chief Executive of Oranga Tamariki (or delegate) will thank them for their continued partnership, confirm the contract extension to 31 December 2025, and acknowledge that while funding levels remain unchanged, this extension gives everyone certainty and time to plan for the future.
- 45 Key messages:
- 45.1 **Funding for Essential Services:** Oranga Tamariki is requesting \$23.655 million in out-of-cycle funding to ensure the continued delivery of s9([REDACTED] until 31 December 2025. This funding is necessary to maintain existing provider contracts and prevent disruption to critical care, prevention, and early support programmes.
 - 45.2 **Ensuring Continuity of Services for Vulnerable Children and Families:** The extension of the [REDACTED] allows Oranga Tamariki to maintain stability in care and protection services while avoiding service interruptions that could negatively impact children, young people, and their families.
 - 45.3 **Providing Certainty to Social Service Providers and Communities:** The decision to extend contracts until the end of 2025 offers certainty to providers, enabling them to continue delivering services without the uncertainty of immediate funding cuts.
 - 45.4 **Minimising Operational and Fiscal Risks for Oranga Tamariki:** Without this funding, Oranga Tamariki would need to make reductions in frontline staffing and social worker capacity, impacting its ability to meet statutory obligations and deliver core services.
 - 45.5 **Aligning with Government Priorities on Social Investment and Service Delivery:** This funding request aligns with the government's broader commitment to a social investment approach by maintaining vital services in the short term while allowing for Oranga Tamariki to develop a new commissioning model in collaboration with the SIA. This collaboration will ensure that from 2026 onwards, funding for children's services is targeted, more effective, and financially sustainable.
 - 45.6 **No Guarantee of Further Funding:** There should be no expectation of further funding for contracted services beyond 31 December 2025. Any future decisions on service delivery will be made as part of any commissioning approach developed with the SIA.

Proactive Release

- 46 I do not intend to proactively release this paper in whole or in part, given it deals with matters that are Budget Sensitive.

Recommendations

The Minister for Children recommends that the Committee:

- 1 **note** that in January 2025 I announced that Oranga Tamariki would pause its review of social service contracts and extend existing service provider contracts until 31 December 2025, which has created a funding shortfall in the 2025/26 financial year of s9(2)(j)
- 2 **agree** to reinstate contracted services expiring on or before 30 June 2025 at current service levels until 31 December 2025;
- 3 **agree** to the extension of care and support services for children and prevention and early support programmes for at-risk children and young people through to 31 December 2025;
- 4 **note** that the extension provides a short timeframe for Oranga Tamariki to decommission services in a way that minimises disruption for providers and communities and ensures the safe transition of children, young people, and families to other support, as necessary;
- 5 **Note** that Oranga Tamariki are developing a s9(2)(f)(iv) for 2025/26 s9(2)(f)(iv)
- 6 **approve** the following changes to appropriation within Vote Oranga Tamariki to give effective to the decision in recommendations 2 - 3 above, with a corresponding impact on the operating balance and net core Crown debt;

	\$m - increase/(decrease)				
	2024/25	2025/26	2026/27	2027/28	2028/29 & Outyears
Multi- category appropriations					
Investing in Children and Young People MCA					
Departmental Output Expenses					
Prevention and Early Support (Funded by revenue crown)	-	9.462	-	-	-
Statutory intervention and transition (Funded by revenue crown)	-	14.193	-	-	-
Total Operating		23.655	-	-	-
Total Capital	-	-	-	-	-

- 7 **agree** that the expenses incurred under recommendation 4 above be charged as a pre-commitment against the Budget 2025 operating allowance;
- 8 s9(2)(j)
- 9 s9(2)(j)
- 10 **agree** that Oranga Tamariki will engage with providers and manage communications to mitigate the risk of provider dissatisfaction or service impacts;

11 s9(2)(j) [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED];

s9(2)(j) [REDACTED]

12 s9(2)(j) [REDACTED]
[REDACTED]
[REDACTED]

13 s9(2)(j) [REDACTED]
[REDACTED]
[REDACTED]

s9(2)(j) [REDACTED]

14 s9(2)(j) [REDACTED]
[REDACTED]
[REDACTED]

15 s9(2)(j) [REDACTED]
[REDACTED]
[REDACTED]

s9(2)(j) [REDACTED]

16 s9(2)(j) [REDACTED]
[REDACTED]

17 **agree** in principle to transfer up to \$10 million operating from 2024/25 to 2025/26 in the Investing in Children and Young People MCA Multi-Category Appropriation in Vote Oranga Tamariki;

18 **authorise** the Minister of Finance and the Minister for Children jointly to agree the final amount to be transferred following the completion of the 2024/25 audited financial statements with no impact on the operating balance and/or net core Crown debt across the forecast period;

19 **note** that the funding approved in recommendation 2 covers the period up to 31 December 2025 only, and that no funding is currently requested for the continuation of these services beyond that date (i.e. from 1 January 2026 onwards), meaning that without further decisions services would need to be scaled down or terminated after 2025;

20 **agree** in principle to an additional transfer of up to \$30 million from 2024/25 to 2025/26 in the Investing in Children and Young People Multi-Category Appropriation in Vote Oranga Tamariki;

21 **authorise** the Minister of Finance and the Minister for Children jointly to agree the final amount to be transferred following the completion of the 2024/25 audited financial statements and subject to decisions by Cabinet about the continuation of contracts beyond December 2025, with no impact on the operating balance and/or net core Crown debt across the forecast period;

22 **invite** the Minister for Children to report back to Cabinet Social Outcomes Committee by the end of August 2025 with a progress update on a new strategic approach to commissioning services for children developed with the SIA, including any further funding requirements beyond 31 December 2025, any programmes or services that may transition to the SIA, and a detailed decommissioning plan for services that will see full or partial funding reductions in the financial year ending 30 June 2026;

23 **note** that Oranga Tamariki is working jointly with the SIA to refine the commissioning and investment approach for children's services, with a view to

improving services and potentially transferring responsibility for some services to the SIA in the future, consistent with the Government's social investment objectives;

Authorised for lodgement

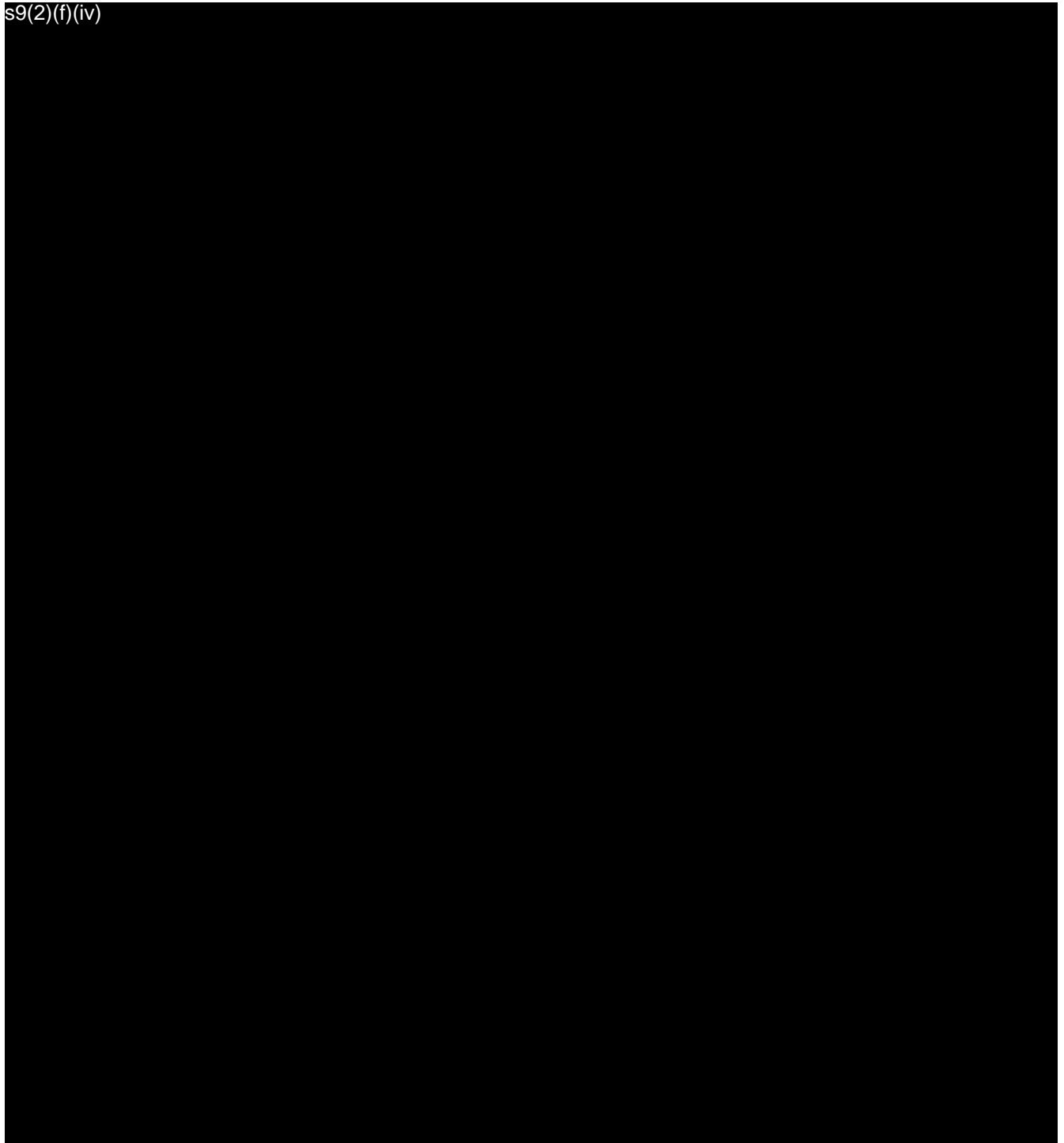
Hon Karen Chhour

Minister for Children

Appendices

Appendix One: Cost Breakdown

s9(2)(f)(iv)



Appendix Two: Options to Reduce Funding Required

s9(2)(f)(iv)

