

## IN CONFIDENCE

Office of the Minister for Children

Chair, Cabinet Social Wellbeing Committee

## UPDATE ON WORK TO REFORM FINANCIAL ASSISTANCE AND SUPPORT FOR CAREGIVERS

### Proposal

- 1 In December 2019, Cabinet invited the Minister for Children to report to the Social Wellbeing Committee (SWC) with an update on a work programme to reform the system of financial assistance for caregivers. This paper provides an update on the work programme as well as initial work being progressed to address immediate issues, and outlines next steps.

### Relation to government priorities

- 2 The Government's vision is to make New Zealand the best place in the world to be a child or young person. Reforming the system of financial assistance and support for caregivers is an action under the Child and Youth Wellbeing Strategy, contributing towards the outcome: 'children and young people are loved, safe and nurtured'.
- 3 The Government is committed to reducing child poverty and improving outcomes for Māori. Reform of the system of financial assistance and support for caregivers would impact some families on the lowest incomes, and depending on the proposals, it is likely that individual families could be lifted out of poverty. Reform would also support tamariki Māori to thrive under the protection of their whānau.

### Background

- 4 Around 15,000 caregivers currently provide day-to-day care for around 24,000 tamariki who are unable to be cared for by their parents.
- 5 The government provides financial assistance to these caregivers through the Orphan's Benefit (OB) and Unsupported Child's Benefit (UCB), which support caregivers to care for tamariki outside of the State care system, and the Foster Care Allowance (FCA), which supports tamariki in State care. The OB and UCB are administered by the Ministry of Social Development and the FCA is administered by Oranga Tamariki—Ministry for Children (Oranga Tamariki).
- 6 Most caregivers are members of a child's family, whānau, hapū or iwi. They are often caring for tamariki in the most difficult circumstances and play a critical role in preventing the need for tamariki to enter or re-enter State care. An effective system supports tamariki to thrive under the protection of their family, whānau, hapū or iwi.
- 7 Detailed facts and figures on caregivers and tamariki are set out in **Appendix A**. Information on the assistance available to caregivers is set out in **Appendix B**.

- 8 On 6 May 2019, Cabinet agreed that officials undertake a ‘first principles’ review of the FCA, OB, UCB and related supplementary payments [SWC-19-MIN-0040; CAB-19-MIN-0023 refer].
- 9 The Minister for Children reported back to Cabinet on 11 December 2019 with a proposed response to the review [SWC-19-MIN-0199; CAB-19-MIN-0672 refer]. Cabinet agreed:
- 9.1 that the State should provide support to caregivers, in addition to the general support available to parents, where they have taken responsibility for providing the day-to-day care of a child due to the child’s natural or adoptive parents being unable to care for them
  - 9.2 to a set of objectives and principles for the caregiver financial assistance system
  - 9.3 to a work programme that includes exploring a simplified and unified payment model for all caregiver payments and considering discrete policy issues identified through the review
  - 9.4 that initial work be progressed to the caregiver financial assistance system to address immediate issues and to move towards the principles and objectives.
- 10 Cabinet invited the Minister for Children to report back to SWC in March 2021 with an update on the work programme.

**Reform is required to develop a simpler, fairer, more equitable and unified system of financial assistance and support**

- 11 Reform is needed to address fundamental issues still present in the system:
- 11.1 The system is not equitable for caregivers. The level of support provided to family and whānau caregivers outside of the State care system, who are predominately caring for tamariki Māori, does not adequately recognise the critical role they play in reducing the need for tamariki to enter or re-enter State care.
  - 11.2 The current split of agency accountabilities, powers, roles and functions across the FCA, OB and UCB is complex and fragmented, and does not support a responsive, effective and fair system for caregivers and tamariki.
  - 11.3 Caregivers consulted as part of the review generally consider the base rate of payments to only cover the basic costs of caring for a child (eg, food and clothing). While progress has been made to improve the base rate, further changes may be required to provide for reasonable costs.

**Progress has been made to address immediate issues faced by caregivers**

- 12 A package of support was delivered through the COVID-19 Response and Recovery Fund to address immediate issues tamariki and their caregivers experience in the current system and to move towards the strategic direction agreed by Cabinet.

- 13 Two of the four initiatives included in the support package were implemented in 2020:
- 13.1 A \$25 per week per child increase to the FCA, OB and UCB
  - 13.2 Changes to enable primary caregivers of tamariki in State care to continue to receive FCA payments while the child they care for is with a respite caregiver, for up to 20 days per year (previously payments ceased if the child was with a respite caregiver for more than two days).
- 14 The other two initiatives require amendments to the Social Security Act 2018 before they can take effect:
- 14.1 Addressing a key disparity in assistance available to caregivers outside of the State care system by extending Birthday and Christmas Allowances to tamariki who live with caregivers receiving the OB or UCB (currently only available for tamariki who live with caregivers receiving the FCA)
  - 14.2 Broadening the scope of eligibility for the OB and UCB to include caregivers who may provide care for less than 12 months.<sup>1</sup>
- 15 The Social Security (Financial Assistance for Caregivers) Amendment Bill proposes the legislative amendments necessary to give effect to the two initiatives set out above. The Bill had its first reading on 8 December 2020 and is currently at the select committee stage.

**Further change is underway to progress the work programme that will address the fundamental issues with the system**

- 16 The work programme is underway to develop a simplified and unified payment model for all caregiver payments and consider discrete policy areas. **Appendix C** provides an overview of my approach for this work programme.
- 17 My intention is to transform the caregiver financial assistance system so that it supports tamariki to thrive under the protection of their family, whānau, hapū or iwi, prevents the need for tamariki to enter or re-enter State care, and is more equitable for caregivers outside of the State care system. To do this, I am building a model that will address system, support (financial and non-financial) and delivery settings.
- 18 The model will be guided by a set of design principles that will ensure improvements give effect to the strategic direction agreed by Cabinet and align with the mana tamaiti objectives. The mana tamaiti objectives underpin how Oranga Tamariki will ensure all policies, practices and services have regard to mana tamaiti (tamariki), whakapapa and whanaungatanga, in line with section 7AA(2)(b) of the Oranga Tamariki Act 1989.
- 19 In order to ensure the model is developed with an understanding of the interests of Māori, and in partnership with Māori, officials will work collaboratively with the

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<sup>1</sup> Other legislative thresholds which need to be met in order to be eligible for these payments will remain. A child's parents must either be dead, missing, have a long-term serious disablement (for OB), or there must have been a breakdown in the child's family, which in practice is independently assessed as part of the application process (for UCB).

Subject Matter Expert Advisory Group<sup>2</sup> and test and refine the model through targeted engagement with Oranga Tamariki strategic partners, iwi and other Māori organisations. The model will also be tested and refined through targeted engagement with NGOs, Pacific peoples and caregivers (including carers of disabled tamariki).

- 20 The work will connect with other areas of Government. The work programme will consider the interface between the care and protection, welfare and tax systems and the broader social support system for all caregivers, families and whānau, as it is vital the systems work together cohesively.
- 21 As the work is developing it is becoming evident that some of the issues caregivers are facing and the support they require is wider than the scope of this work programme.<sup>3</sup> Opportunities will be taken to connect with related areas which are focused on support for people caring for others, eg, efforts to recognise and support carers under the cross-government Mahi Aroha Carers' Strategy Action Plan 2019-2023.
- 22 Work on many of the discrete policy areas will be dependent on the overall system settings and is expected to begin once the implementation of an improved model is underway.<sup>4</sup>
- 23 I note that the work programme is ambitious in scope and given the potential for transformative change, proposals could have significant operational, legislative and fiscal implications. For example, Cabinet agreed that as part of the work programme officials would explore replacing the three base rate payments with a single unified payment administered by a single agency. Officials will be considering this option alongside a range of other interventions to ensure that we find a solution that is appropriate, given the size and scale of the issues, and aligns with the strategic direction for the system.

### Next Steps

- 24 Targeted engagement is expected to take place around July/August 2021. I intend to report back to Cabinet by December 2021 seeking agreement to proposals to support a new model. I expect that work to implement the model would begin in 2022.

### Financial Implications

- 25 This paper does not have financial implications, but proposals developed through the work programme are likely to. Financial implications of the policy proposals will be outlined at the time Cabinet agreement is sought to proposals.

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<sup>2</sup> The Subject Matter Expert Advisory Group was established as part of the review of financial assistance for caregivers to provide input and advice on policy proposals. The group includes Māori and Pacific members.

<sup>3</sup> The work programme will not solve all issues facing tamariki, families and their whānau, such as poverty and housing.

<sup>4</sup> Where relevant, some discrete policy areas are being addressed as part of the system reform work programme. For example, this includes reviewing the one-off payments caregivers are provided when a child comes into their care.

## Legislative and Human Rights Implications

- 26 This paper does not have legislative implications, but proposals developed through the work programme have the potential to. This paper does not have New Zealand Bill of Rights Act 1990 or Human Rights Act 1993 implications.

## Impact Analysis

### Population Implications

- 27 Any policy proposals developed will particularly impact:
- 27.1 Māori and Pacific: The majority of tamariki living with caregivers are Māori, but Pacific are also overrepresented. A significant proportion of caregivers are also Māori and Pacific
  - 27.2 Women: women are more likely than men to be the primary caregivers for tamariki in the OB, UCB and FCA cohorts
  - 27.3 Disabled people: tamariki in State care have higher needs or are more likely to have a disability, when compared to their peers.<sup>5</sup> This is likely to also be the case for tamariki in the care of OB and UCB caregivers.
- 28 Officials will consider the impacts that policy proposals are likely to have on these population groups during the policy development process.

### Consultation

- 29 This paper was prepared by Oranga Tamariki. The following agencies were consulted: the Ministries of Health, Education, Justice, Social Development and Youth Development, Business, Innovation and Employment, Housing and Urban Development, Pacific Peoples, and Women; Te Puni Kōkiri; the Department of Corrections; the New Zealand Police; the Office for Disability Issues; the Accident Compensation Corporation; Inland Revenue; the Joint Venture Family Violence and Sexual Violence; the Office of Māori Crown Relations – Te Arawhiti; the Treasury; the Policy Advisory Group, Child Wellbeing Unit and Child Poverty Unit at the Department of the Prime Minister and Cabinet. Te Kawa Mataaho Public Services Commission was informed.

### Communications

- 30 Any announcements will be co-ordinated with my office.

### Proactive Release

- 31 I propose to proactively release this Cabinet paper in full.

### Recommendations

The Minister for Children recommends that the Committee:

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<sup>5</sup> Oranga Tamariki—Ministry for Children. (2020). *Children and young people with impairments*. Wellington, New Zealand: Oranga Tamariki—Ministry for Children.

- 1 **note** that in December 2019 Cabinet invited the Minister for Children to report to Cabinet Social Wellbeing Committee (SWC) with an update on a work programme to reform the system of financial assistance for caregivers that includes exploring a simplified and unified payment model for all caregiver payments [SWC-19-MIN-0199; CAB-19-MIN-0672 refer]
- 2 **note** that an effective caregiver financial assistance system supports tamariki to thrive under the protection of their family, whānau, hapū or iwi and prevents the need for tamariki to enter or re-enter State care
- 3 **note** that progress has been made to address some of the most immediate issues tamariki and their caregivers experience in the current system, and to move towards the strategic direction
- 4 **note** that officials are exploring a simplified and unified payment model for all caregiver payments, and that this work may have significant operational, legislative and fiscal implications
- 5 **note** that officials will engage with strategic partners, iwi and Māori organisations, NGOs and caregivers to test and refine policy proposals
- 6 **invite** the Minister for Children to report back to SWC by the end of 2021 seeking agreement on the new model.

Authorised for lodgement

Hon Kelvin Davis

Minister for Children

## Appendix A: detailed facts and figures on caregivers and tamariki<sup>6</sup>

1 The table below sets out the number of caregivers and tamariki the OB, UCB and FCA cover:

	FCA	OB	UCB
PAID TO	around 2,700 caregivers	around 250 caregivers	around 12,500 caregivers
PAID IN RELATION TO	around 4,500 tamariki	around 350 tamariki	around 19,000 tamariki

### Ethnicity of tamariki and caregivers

2 The majority of tamariki living with caregivers are Māori:

- Around 58 percent of tamariki living with caregivers receiving the FCA identify as Māori, 6 percent identify as Pacific, and 10 percent as Māori and Pacific.
- Around 57 percent of tamariki in the care of OB and UCB caregivers identify as Māori, 8 percent identify as Pacific, and a further 9 percent identify as both Māori and Pacific.

3 A significant proportion of caregivers are Māori:

- 43 percent of OB caregivers and 50 percent of UCB caregivers identify as Māori. Additionally, 14 percent of OB caregivers and 6 percent of UCB caregivers identify as Pacific.
- Around 40 percent of Oranga Tamariki caregivers identify as Māori (this includes those identifying as Māori and Pacific) and around 6 percent identify as Pacific.

### Relationship of tamariki to their caregiver

4 Most OB (92 percent) and UCB (87 percent) caregivers are related to the nominated child they are caring for through a whānau or family relationship.

5 71 percent of tamariki who the FCA is paid in relation to are living with family or whānau.

### Gender of tamariki

6 Around 52 percent of tamariki living with caregivers receiving the FCA identify as male and 47 percent identify as female.

7 The percentages are very similar for tamariki receiving the OB and UCB. Just over half of tamariki and young people living with OB (53 percent) and UCB (51 percent) caregivers identify as male and just under half, OB (47 percent) and UCB (49 percent), identify as female.

### Contact with Oranga Tamariki system

8 A significant proportion of the tamariki in OB or UCB arrangements have had experiences with the statutory care and protection system. Tamariki in UCB

<sup>6</sup> Data is predominately Oranga Tamariki and MSD operational data as at 26 or 30 June 2020. Additional data has been sourced from the Stats NZ Integrated Data Infrastructure (IDI), as at 30 June 2018 and Oranga Tamariki Evidence Centre. (2019): Caregivers raising children with the Orphan's Benefit and the Unsupported Child's Benefit - a survey of caregivers.

arrangements tend to have had greater levels of involvement than tamariki in OB arrangements:

- Around 80 percent of tamariki who are living with caregivers receiving UCB have had some level of interaction with Oranga Tamariki, with half of these tamariki having had significant interaction (FGC and/or State care) with the care and protection system.
- Over half of tamariki who are living with caregivers receiving OB (57 percent) have had some interaction with Oranga Tamariki in the past, with 11 percent having had significant interaction (FGC and/or State care).

### Income level and benefit receipt

- 9 Around half of OB and UCB caregivers earn less than \$43,000 per year (approximately 45 percent).
- 10 As at the end of June 2020, a large proportion of caregivers receiving the OB and UCB are also receiving a main benefit through MSD (57 percent and 52 percent respectively). This compares to figures from the end of June 2018, which showed a smaller number of OB and UCB caregivers receiving main benefits (41 percent and 44 percent respectively). The biggest changes seen were for New Zealand Superannuation or Veteran's Pension and Jobseeker Support. The table below provides a breakdown of the benefit type OB and UCB caregivers are receiving:

BENEFIT TYPE	OB%	UCB%
Emergency Benefit, Emergency Maintenance Allowance, Jobseeker Support Student Hardship, Sole Parent Support and Youth Payment and Young Parent Payment	12	8
Jobseeker Support	15	15
New Zealand Superannuation or Veteran's Pension	24	19
Supported Living Payment	6	9
<b>Overall percentage of caregivers receiving a main benefit</b>	<b>57</b>	<b>52</b>
<b>Caregivers not receiving a main benefit</b>	<b>43</b>	<b>48</b>

- 11 June 2020 figures for the proportion of caregivers receiving the FCA who are also receiving main benefit support through MSD are not able to be provided. However, as at the end of June 2018 around 21 percent of caregivers supported by Oranga Tamariki through the FCA also received a main benefit.

### Expenditure on the OB, UCB and FCA

- 12 Monthly expenditure on the OB and UCB was \$20.6 million in June 2020. From 6 July 2020, the rates for OB and UCB were increased by \$25 as part of the COVID-19 response. This contributed to monthly expenditure increasing to \$23.4 million in July 2020.<sup>7</sup>
- 13 Monthly expenditure on the FCA was \$4.4 million in June 2020. The rates for the FCA were also increased by \$25 as part of the COVID-19 response which contributed to monthly expenditure increasing to \$4.7 million in July 2020.<sup>8</sup>

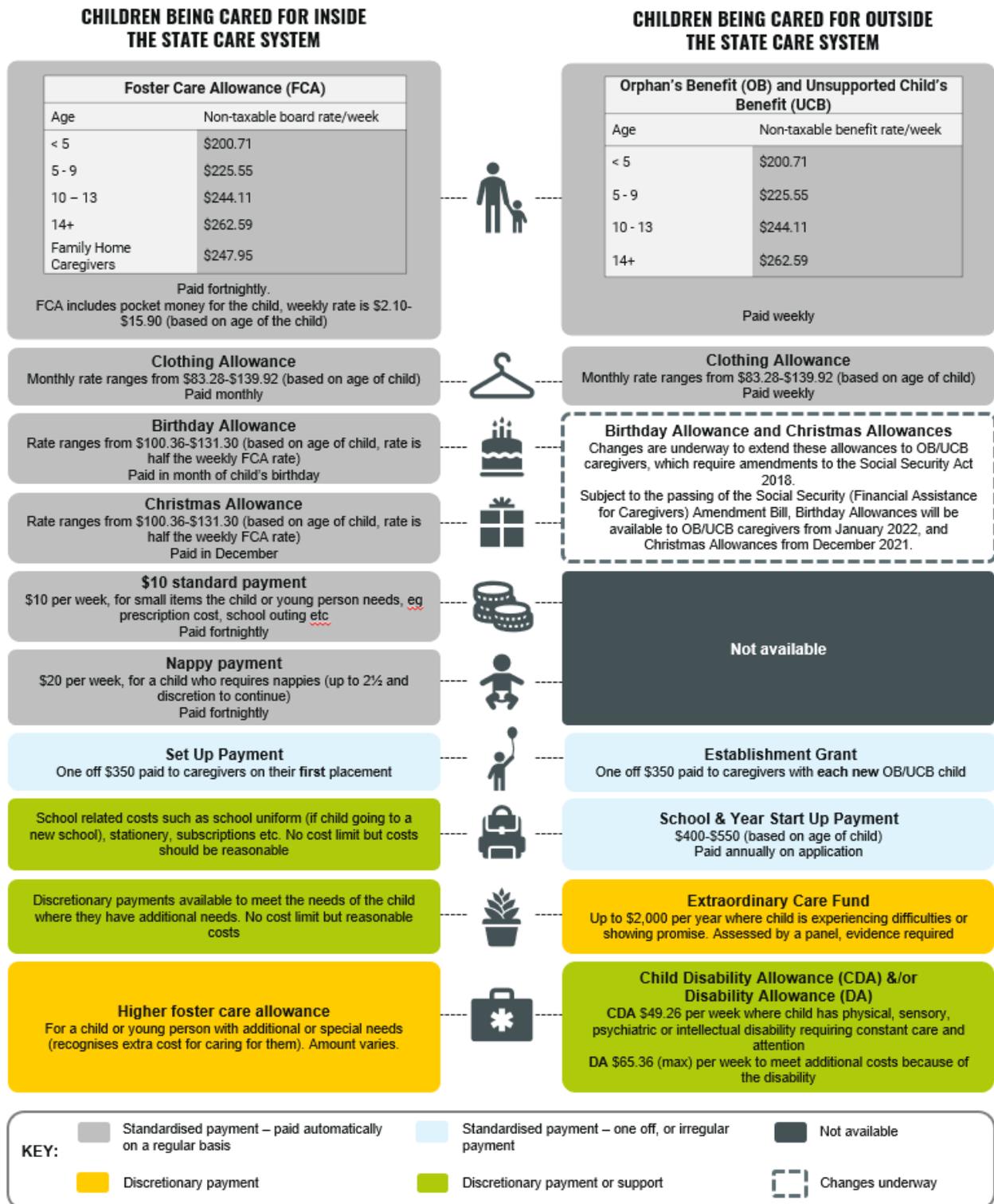
<sup>7</sup> Includes OB/UCB benefit payment, clothing allowance, school start up payment, establishment grant and ad hoc payments.

<sup>8</sup> This analysis utilises financial data from CYRAS, the Oranga Tamariki case management system, and is not audited. It is based on placement costs made to Oranga Tamariki caregivers as recorded in CYRAS. This includes payments made on the FCA, HFCA, Birthday Allowance, Christmas Allowance, Nappy Payments, and Pocket Money. This figure does not include contracted spend to approved care providers (s396 providers), a portion of which is provided to caregivers as financial assistance.

## Appendix B: Information on the payments caregivers can receive

- 1 The diagram below sets out the different payments available to caregivers based on whether they are caring for a child inside the State care system or are supporting a child outside the State care system.

### Financial assistance available to caregivers, effective from 6 July 2020



The table below sets out other arrangements relating to the OB, UCB and FCA:

	FOSTER CARE ALLOWANCE (FCA)	ORPHAN'S BENEFIT (OB)	UNSUPPORTED CHILD'S BENEFIT (UCB)
AUTHORISING LEGISLATION	Oranga Tamariki Act 1989	Social Security Act 2018	Social Security Act 2018
CAREGIVERS WHO CAN ACCESS THE PAYMENT	caring for a child or young person in <b>State care</b>	looking after a child or young person whose <b>parents have died, are missing, or have a long-term serious disability</b>	looking after a child or young person whose parents are unable to care for them or provide fully for that child or young person's support and where there has been a <b>family breakdown</b>
INTENT OF PAYMENTS	meet the <b>reasonable needs</b> of a child or young person	assist with the <b>cost of caring</b> for a child who is not the caregiver's own. It must be used to the benefit of the child, including their maintenance and education	assist with the <b>cost of caring</b> for a child who is not the caregiver's own. It must be used to the benefit of the child, including their maintenance and education
AGENCY WITH POLICY RESPONSIBILITY	Oranga Tamariki	Oranga Tamariki	Oranga Tamariki
AGENCY THAT ADMINISTERS PAYMENTS	Oranga Tamariki	Ministry of Social Development	Ministry of Social Development
SYSTEM PAYMENTS ARE MADE THROUGH	Care and protection system	Welfare system	Welfare system
FUNDED FROM	Vote Oranga Tamariki	Vote Social Development	Vote Social Development
TYPE OF APPROPRIATION	Capped appropriation	Demand driven	Demand driven

# Reforming financial assistance and support for caregivers

## Appendix C – approach to the work



### MOVING TOWARDS THE STRATEGIC DIRECTION

In December 2019, Cabinet agreed to a response to the review of financial assistance for caregivers. This included setting the strategic direction through a set of objectives and a work programme to reform the system

The **OBJECTIVES** set out what the system should seek to achieve:

Tamariki Māori are thriving under the protection of whānau, hapū and iwi

Children are living in safe and stable homes

Children's care, protection and wellbeing needs are met

The need for children to enter State care is reduced

The **WORK PROGRAMME** will need to address fundamental issues:

The system is not equitable for caregivers. The level of support provided to the mainly whānau caregivers outside of the State care system does not adequately recognise the critical role they play in reducing the need for tamariki to enter or re-enter State care.

The current split of agency accountabilities, powers, roles and functions across the FCA, OB and UCB is complex and fragmented, and does not support a responsive, effective and fair system for caregivers and tamariki. This has contributed to a system that caregivers find difficult to navigate and access their entitlements and support.

Progress has been made to improve the base rate, further changes may be required to provide for reasonable costs of caring for a child



### DEVELOPING A MODEL FOR CHANGE

Foundational changes are being approached at three interrelated levels to build a model for a simple, fairer, more equitable and unified system of financial assistance and support in line with the strategic direction

#### SYSTEM SETTINGS



Determining the accountability, powers, roles and functions of agencies needed to support a unified financial assistance and support model. Currently the roles and functions are split between Oranga Tamariki and MSD.

Exploring how the payments should be made (ie, through the care and protection, welfare or tax systems).

Exploring the appropriate funding model (eg, demand driven or capped appropriation).

#### SUPPORT SETTINGS



Determining the level and types of support caregivers and children should receive (financial and other support and assistance). This includes the best way to provide/enable access to that support.

Considering whether any further changes are required to the base rate payments (FCA, OB, UCB) so they better reflect the reasonable costs of caring for a child and to simplify the payment structure.

#### DELIVERY SETTINGS



Determining how changes to the system will be implemented. This includes considering options for phasing in changes to the system. Depending on the preferred options this would also involve identifying what may be required to deliver the preferred options (eg, the required systems (eg IT), resourcing, skills and expertise, and infrastructure to support implementation).

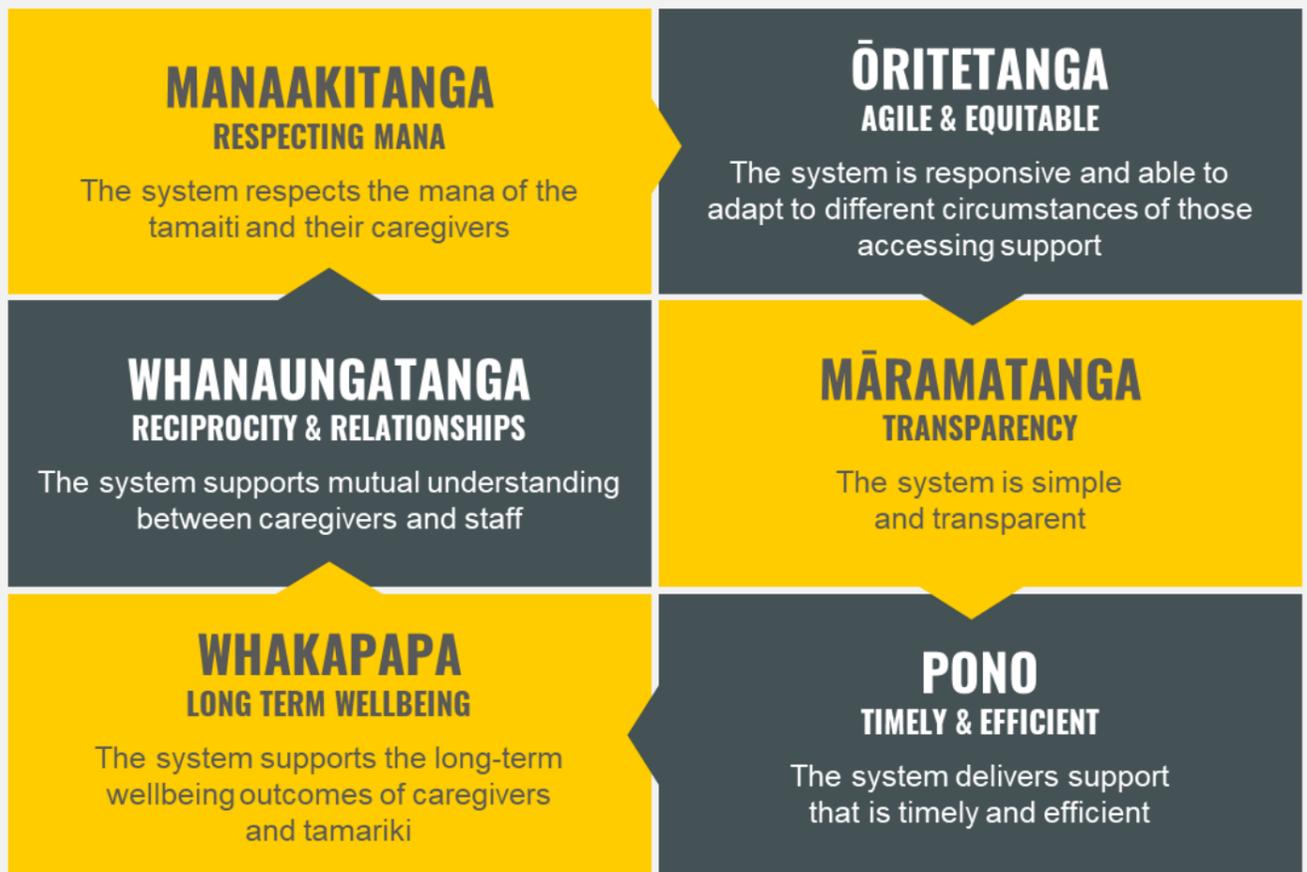


# EMBEDDING THE STRATEGIC DIRECTION IN THE DESIGN



A set of design principles will guide the development of an improved system

These **DESIGN PRINCIPLES** are aspirational and give life to the strategic objectives. They will also ensure improvements align with the mana tamaiti objectives, which underpin how Oranga Tamariki will ensure all policies, practices and services have regard to mana tamaiti (tamariki), whakapapa and whanaungatanga (section 7AA(2)(b) of the Oranga Tamariki Act 1989). These design principles may evolve as the work progresses to ensure the needs and interests of caregivers and tamariki remain at the centre of any proposed improvements.



## POLICY PROPOSALS WILL BE TESTED WITH STAKEHOLDERS



Policy proposals could have significant operational, legislative and fiscal implications. Expertise from stakeholders will ensure an improved system is fit for purpose

Direction of the model has been guided by the expertise of a **Subject Matter Expert Advisory Group** established as part of the review to provide input and advice on policy proposals.

Proposals will be tested and refined through **targeted engagement** with strategic partners, iwi and Māori organisations, NGOs and caregivers.

### NEXT STEPS

- **Around July/August 2021** – proposals will be tested and refined through targeted engagement.
- **By December 2021** – policy proposals will be brought back to SWC for consideration.
- **From 2022** – subject to Cabinet decisions, work to implement an improved model would begin.

## DISCRETE POLICY AREAS

Cabinet agreed to consider discrete policy areas to respond to specific issues identified through the review

Work on many of the discrete policy areas will be dependent on the overall system settings – these affected areas are set out on the right. Work is expected to begin once the implementation of the improved model is underway.



Exploring eligibility for paid parental leave for FCA caregivers. Currently OB/UCB caregivers qualify if they are caring for tamariki under 6 years and have taken permanent responsibility for their care, development and upbringing.



Exploring how the concept of reciprocity between caregivers and the State could be reflected in caregiver payments, including through the concept of koha, which is important in tikanga Māori.



Considering the support needs of rangatahi once they turn 18, who have been cared for by OB/UCB caregivers and are not eligible for special assistance or support under the Oranga Tamariki Act 1989.



Exploring professional models of caregiving to support highly skilled caregivers caring for tamariki in State care with high or complex needs.



Exploring higher rates of payment for all caregivers where there is special need. Currently higher rates are only available for tamariki in State care, ie, the Higher Foster Care Allowance.



Considering eligibility of the UCB for step-parents if other criteria is met. Currently eligible step-parents may be granted the OB.

