



COVERSHEET

Minister	Hon Tracey Martin	Portfolio	Children
Name of package	Proactive release of the review of financial assistance for caregivers	Date of issue	11 June 2019

List of documents that have been proactively released		
Date	Title	Author
1 May 2019	Financial Assistance for Caregivers: Review of the Foster Care Allowance, Orphan's Benefit, Unsupported Child's Benefit and Related Payments – Cabinet paper	Office of the Minister for Children
1 May 2019	SWC-19-MIN-0042 – Cabinet Social Wellbeing Committee Minute	SWC Committee Secretary
6 May 2019	CAB-19-MIN-0203 – Cabinet Minute	Secretary of the Cabinet

Information withheld	
<p>Some parts of this information release would not be appropriate to release and, if requested, would be withheld under the Official Information Act 1982 (the Act). Where this is the case, the relevant sections of the Act that would apply have been identified. Where information has been withheld, no public interest in making the information available has been identified that would outweigh the reasons for withholding it.</p>	
Section of the Act	Reason for withholding
Section 9(2)(f)(iv)	Maintain constitutional conventions for the time being which protect the confidentiality of advice tendered by Ministers of the Crown and officials.

In confidence

Office of the Minister for Children

Chair, Cabinet Social Wellbeing Committee

FINANCIAL ASSISTANCE FOR CAREGIVERS:

REVIEW OF THE FOSTER CARE ALLOWANCE, ORPHAN'S BENEFIT, UNSUPPORTED CHILD'S BENEFIT AND RELATED PAYMENTS

Proposal

- 1 This paper seeks agreement to undertake a 'first principles' review of financial assistance for caregivers who are caring for children and young people who are unable to be cared for by their natural or adoptive parents. The review will include the Foster Care Allowance, the Orphan's Benefit and the Unsupported Child's Benefit, as well as related supplementary payments to caregivers in recognition of their role. This paper also outlines the approach for targeted consultation and engagement as part of that review.
- 2 I intend to report back to Cabinet by October 2019 with key policy proposals arising out of the review.

Executive summary

- 3 This Government is committed to reducing child poverty and improving the wellbeing of all children and young people in New Zealand. Some of our most at-risk children and young people are those who cannot be cared for by their natural or adoptive parents. Caregivers fulfil a vital role in ensuring these children and young people have stable alternative homes.
- 4 The government has, since the late nineteenth century, had a role in providing financial assistance to caregivers who are caring for children and young people in these situations.
- 5 At present, financial assistance for caregivers primarily consists of the Foster Care Allowance, administered by Oranga Tamariki—Ministry for Children (Oranga Tamariki), for those caring for a child in State care, and the Orphan's Benefit and the Unsupported Child's Benefit, administered by the Ministry of Social Development (MSD) for eligible caregivers outside of the statutory care system.
- 6 Changes to these payments have taken place over the years. These include aligning the base rates between the three payments and the introduction of supplementary payments for example, the clothing allowance and establishment/set up payments.
- 7 Changes have, however, occurred in a piecemeal manner and have not always kept pace with societal changes. Our understanding of the needs of children and young people who cannot live with their parents has evolved significantly. However, the financial assistance settings as a whole have never been reviewed to determine if they are still fit for purpose.
- 8 In 2015, the Modernising Child, Youth and Family Expert Panel (Expert Panel) in its Final Report recommended reform to the financial support available for caregivers (including the

Orphan's Benefit and Unsupported Child's Benefit) to ensure consistency and alignment with the Oranga Tamariki operating model.

- 9 There remain deep-seated issues with the financial assistance settings for caregivers, including the level and consistency of payments, transparency of payments and the appropriateness of the eligibility criteria. These issues raise fundamental questions about the purposes and principles underpinning the financial assistance settings.
- 10 I propose that a review of financial assistance for caregivers be undertaken, to clarify the government's role in providing support to caregivers caring for children and young people who cannot be cared for by their parents. I am committed to creating a system of financial assistance that is fair, equitable, transparent, and adequately supports caregivers who play a vital role in the lives of these at-risk children and young people.
- 11 The first Child and Youth Wellbeing Strategy is being developed. The Strategy will set the overarching outcomes the Government is seeking, and the policies it intends to implement to improve the wellbeing of all children and young people in New Zealand. [REDACTED]
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- 12 Oranga Tamariki is transforming the way it responds to children and young people at risk of harm. New legislative obligations, which come into force on 1 July 2019, significantly strengthen the quality of care provided to children and young people in State care and how Oranga Tamariki will support caregivers. Changes are underway to ensure family and whānau and other caregivers have the non-financial support they need to provide alternative stable homes. We need to ensure they also have the financial support they need to help meet the needs of these children and young people.
- 13 Financial assistance for caregivers intersects with the care and protection, welfare and tax systems and with the broader social support system for all caregivers, families and whānau. A review is timely as major reform is taking place across these systems arising from the Tax Working Group, the Welfare Expert Advisory Group, changes to the Oranga Tamariki operating model and the broader strategic direction that will be set through the Child and Youth Wellbeing Strategy. It is vital that these systems work together cohesively.
- 14 To ensure that solutions are able to address the deep-seated issues with the financial assistance settings, I propose the review take a 'first principles' approach. This will involve consideration of the fundamental purposes and principles underpinning the system, the types and levels of payments, and the eligibility criteria for receiving these payments.
- 15 I intend to bring a set of policy proposals arising out of the review for Cabinet consideration by October 2019. This will enable Cabinet to consider the financial support settings alongside wider changes taking place to the welfare system. The proposals will reflect input from stakeholders and subject matter experts, including from caregivers and care-experienced young people, to ensure we build a system that is fit for purpose.

Background

The government provides a range of financial assistance to caregivers caring for children who are unable to be cared for by their parents

- 16 Caregivers, in the context of this paper, are those providing day-to-day care for a child or young person who is unable to be cared for by their natural or adoptive parent(s), and who

are providing this care in their capacity as a private citizen and not as part of an employment relationship.

17 Caregivers require a comprehensive system of support to enable them to provide stable alternative homes for these children and young people. Financial assistance is a critical component of the overall support caregivers need to help meet the needs of a child or young person alongside training, access to respite care, advice and assistance, emotional support, crisis support, and access to specialist services.

18 Financial assistance for caregivers primarily consists of the following three payments:

- Foster Care Allowance (FCA)
- Orphan’s Benefit (OB)
- Unsupported Child’s Benefit (UCB).

19 Financial assistance for caregivers is, depending on the arrangement, governed by the Oranga Tamariki Act 1989 or the Social Security Act 2018.¹ The rates and types of assistance depend on the type of care arrangement as well as the age and to some extent, the needs of the child or young person.

20 The table below sets out what each payment is intended to cover and the number of caregivers and children and young people the payments are made in relation to:

THE PAYMENT IS...	FCA	OB	UCB
GOVERNED BY THE:	Oranga Tamariki Act 1989	Social Security Act 2018	Social Security Act 2018
AVAILABLE TO CAREGIVERS WHO ARE:	caring for a child or young person in State care ²	looking after a child or young person whose parents have died, are missing, or have a long-term serious disability	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 family breakdown
INTENDED TO:	meet the reasonable needs of a child or young person	assist with the cost of caring 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 cost of caring 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
PAID TO:	over 2,700 caregivers ³	around 300 caregivers	around 11,000 caregivers
PAID IN RELATION TO:⁴	around 5,000 children and young people	around 400 children and young people	around 17,000 children and young people

21 Over the past four years, the number of children and young people in the UCB cohort has grown by around 1,000 children per year.

¹ This includes the clothing allowance, establishment grant and school and year start up grant payable with OB and UCB. In addition to these payments, the extraordinary care fund is payable with OB and UCB under a non-departmental other expense.
² In the context of this paper “in State care” or “in care” in relation to a child or young person means being subject to an order for custody or sole guardianship or to a care agreement under the Oranga Tamariki Act 1989, in favour of (or naming as the carer) the chief executive of Oranga Tamariki, an iwi social service, a cultural social service, or the director of a child and family support service.
³ This number represents the number of caregivers approved by Oranga Tamariki, but does not include the number of caregivers that are supported through an approved care provider (ie iwi, social, cultural or child and family support services approved by the chief executive under section 396 of the Oranga Tamariki Act 1989).
⁴ FCA data as at December 2018, OB and UCB data as at February 2019.

- 22 There is also a range of related supplementary financial assistance that may be available to caregivers. A Higher Foster Care Allowance (HFCA) may be available to caregivers eligible for the FCA if they are caring for a child with additional or special needs. Appendix A sets out the range and rates of financial assistance available to caregivers eligible for the FCA and those eligible for the OB or UCB.
- 23 The FCA is administered by Oranga Tamariki. The OB and UCB are administered by MSD; however, Oranga Tamariki may have a role in relation to some of the children who are intended to benefit from these payments, as part of its function in protecting and responding to children at risk of harm. This was recognised in the transfer of responsibility for policy functions relating to OB and UCB to Oranga Tamariki when it was established as a new Ministry on 1 April 2017, with MSD retaining service delivery functions.
- 24 Currently, the payment base rates are the same for FCA, OB and UCB, ranging from \$172 to \$233 per child per week, depending on the age of the child. These payments are not taxable and the caregiver is not income tested. The OB and UCB are not affected by any money the child gets from working after school or in the holidays, but other income the child may receive for example, from a family trust, ACC, investments or their parents' estate, could affect eligibility or the amount of the payment.
- 25 In 2017/18 approximately \$57 million was spent on providing financial assistance to Oranga Tamariki caregivers for the cost of caring for a child or young person in care.⁵ The amount spent on paying the OB and UCB in 2017/18 was approximately \$165 million.⁶

To improve the wellbeing of children and young people who are unable to be cared for by their parents, we need to ensure the settings for financial assistance for caregivers are right

- 26 The first Child and Youth Wellbeing Strategy is currently being developed. The strategy will set out the overarching outcomes the Government is seeking and the policies it intends to implement to improve the wellbeing of all children and young people in New Zealand.⁷ The government has also committed to an overhaul of the welfare system and to creating a fairer tax system. Major reform to the Oranga Tamariki operating model is already underway.
- 27 The FCA, OB and UCB cohorts together cover a substantial group of children and young people, with diverse wellbeing needs, who are unable to be cared for by their natural or adoptive parents. Their caregivers also have diverse wellbeing needs and require a range of support to meet the needs of these children and young people. Ensuring we get the financial assistance settings right is a core component of a balanced and sustainable system of support for caregivers, who fulfil a vital role in the lives of these children and young people.
- 28 In September 2018 Cabinet endorsed a short and medium-term work programme to help inform the first Child and Youth Wellbeing Strategy [CAB-18-MIN-0449-01 refers]. This programme includes a strong focus on reducing child poverty, ongoing implementation of the Oranga Tamariki operating model, and major system changes to better support children and their parents/caregivers and whānau in the early years.
- 29 Significant changes to the Oranga Tamariki operating model form a key part of the work programme to advance the first Strategy. In November 2018, I brought a suite of proposals to Cabinet setting out my direction for transforming the government's response to children

⁵ This includes FCA, HFCA and all other associated allowances and grants, but excludes ad hoc discretionary payments paid to Oranga Tamariki caregivers. This figure does not include contracted spend to approved care providers, a portion of which is provided to caregivers as financial assistance.

⁶ This includes all OB and UCB associated allowances and grants.

⁷ As required by the Children's Act 2014, the strategy must address: improving the wellbeing of all children; improving, as a particular focus, the wellbeing of children with greater needs; reducing child poverty and mitigating impacts of child poverty and of socio-economic disadvantage experienced by children; improving the wellbeing of the core populations of interest to Oranga Tamariki.

and young people at risk of harm [SWC-18-MIN-0148]. These proposals outlined how Oranga Tamariki intends to implement its operating model to meet legislative requirements taking effect by 1 July 2019. These include the new section 7AA which places obligations on Oranga Tamariki to improve the outcomes of Māori children and young people, and the Oranga Tamariki (National Care Standards and Related Matters) Regulations 2018 which, once implemented, will significantly increase the quality of care provided to children and young people in State care and the support their caregivers can expect.

- 30 Work is underway to improve the non-financial support provided to caregivers. Ensuring caregivers receive the right support, including financial support, is critical to the changes to the Oranga Tamariki operating model. This will be particularly important for the care and intensive intervention functions, which the FCA cohort and a proportion of the UCB cohort will have contact with.⁸

9(2)(f)(iv)

- 31 I note that MSD will be leading the development of a cross-government Carers' Strategy Action Plan which will set out the actions to support people who are looking after friends, family, or whānau members who have a disability, illness, injury, or health condition, and need help with day-to-day living. Caregivers receiving the FCA, OB or UCB who are looking after children or young people with a disability, illness, injury or health condition are likely to benefit from the action plan. Oranga Tamariki and MSD will work together to ensure the outcomes of the review and the action plan are aligned.

- 32 Financial assistance is a specialised area due to the intersection these payments have with the welfare, tax and the care and protection systems. The reforms to the Oranga Tamariki operating model, coupled with the development of the first Child and Youth Wellbeing Strategy and the review of the welfare and tax systems, comprise a significant resetting of the policy direction for children and families. It is essential for a review to progress now to ensure the settings for financial assistance complement any wider changes to these systems, and to ensure that the financial support available to caregivers looking after some of New Zealand's most at-risk children – those who cannot be cared for by their parents – will help achieve the Government's priorities.

The financial assistance settings have never been reviewed to ensure they are still fit for purpose

- 33 The introduction of the FCA, OB and UCB has taken place incrementally in response to societal needs at particular points in time (a brief history of financial assistance for caregivers is provided at Appendix B). Ad hoc changes include increasing the base rates, aligning rates across the three payments, and introducing supplementary payments (for example, the Establishment Grant and the Clothing Allowance).
- 34 Despite incremental changes, issues with the financial assistance settings are long-standing. In 2015 the Expert Panel, in its Final Report, identified that financial support provided to caregivers should better reflect the needs of the child they are caring for. It recommended reform to the financial support for caregivers (including OB and UCB) to ensure consistency and alignment with the Oranga Tamariki operating model.⁹

⁸ Financial assistance settings are needed to help achieve the goals of the Oranga Tamariki care function, which is intended to keep children in the custody of the chief executive safe and promote their wellbeing. The settings will also support the intensive intervention function, which is intended to support children at risk of harm and their whānau to keep these children safely at home. Some children and young people in the intensive intervention function may be supported through the UCB.

⁹ Modernising Child, Youth and Family Expert Panel. (2015). *Expert Panel final report: Investing in New Zealand's children and their families*. Wellington, New Zealand, Ministry of Social Development, p 25.

35 The settings for financial assistance as a whole have never been reviewed to determine if they are still fit for purpose and reflective of our current understanding of the State's role in supporting people to care for children or young people who are unable to be cared for by their parents.

36 A range of issues have consistently been raised with the current settings for financial assistance for caregivers. These issues pose fundamental questions around transparency, fairness and appropriateness of incentives in the current settings. The key issues are outlined below:

- **Financial assistance for caregivers may be inadequate:** Many caregivers who spoke to the Expert Panel reported requiring extra support to fully meet the needs of children in their care. Caregivers were clear that financial support arrangements should be aimed at supporting them to meet the needs of children and young people in their care.¹⁰ Children and young people who were interviewed as part of the development of the Child and Youth Wellbeing Strategy frequently identified the importance of their parents or caregivers having enough money for basic items such as food, clothes and a good house to live in.¹¹
- **The funding mechanisms are complex:** While the FCA, OB and UCB are paid at the same rate, the funding mechanisms are complex. UCB and OB are funded in the same way as other benefits within the welfare system.¹² For example, appropriations are based on forecasts; however, payments are demand driven with uncapped costs, meaning that extra demand will automatically be met with extra provision. On the other hand, the FCA is funded as part of a capped departmental appropriation. This means that if demand for payments exceeds expectations, sites will go over budget.
- **The amount of assistance can differ significantly:** Additional financial assistance is available to caregivers in receipt of the FCA on a discretionary basis, which is not available to OB or UCB caregivers. This reflects the different level of obligations the State has towards children in care. This means there is significant variation in the total level of financial assistance provided to those on the FCA, OB and UCB. For example, a higher rate of FCA can be paid through the HFCA to caregivers caring for a child with additional or special needs, which can be double or triple the standard base rate; however the ability to pay a higher rate does not extend to OB or UCB.
- **The current eligibility criteria may not be operating in a way that places the needs of the child at the centre of decision-making:** The assessment for UCB is strongly focused on the reasons and length of time a child cannot be supported by their parents and has limited regard for the appropriateness of the new care arrangement or what further support the caregiver or child may need.

¹⁰ Expert Panel (2015). Final Report, pp 90-91.

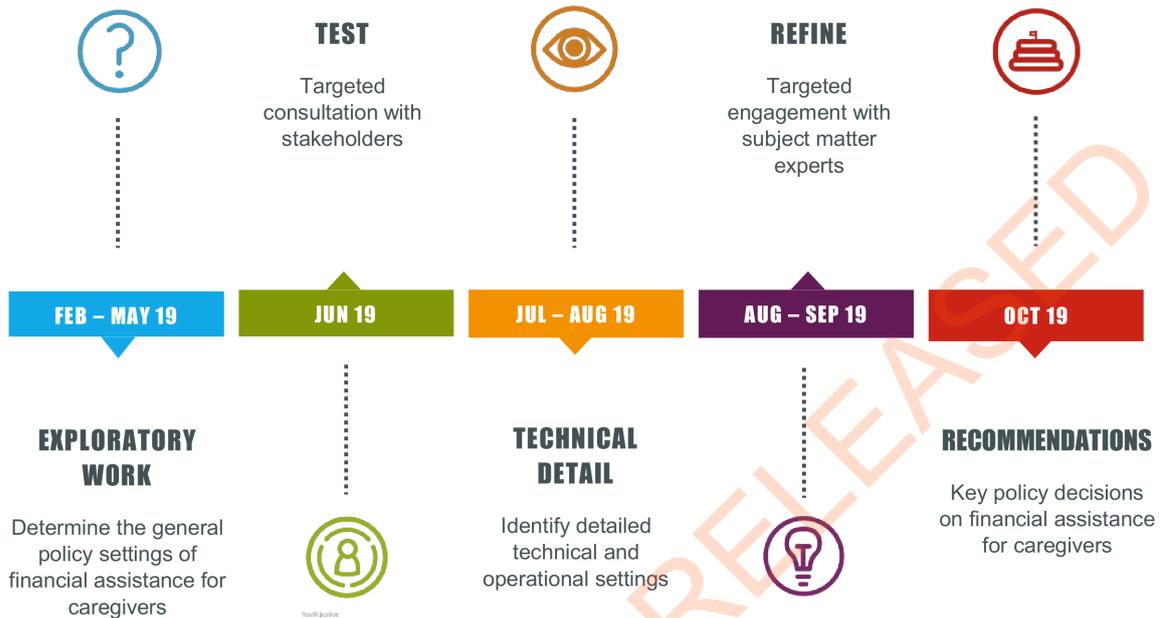
¹¹ Office of the Children's Commissioner & Oranga Tamariki—Ministry for Children. (2019). *What makes a good life? Children and young people's views on wellbeing*. Wellington, New Zealand, p 5.

¹² This includes all supplementary payments made with the OB and UCB, but excludes the extraordinary care fund which is funded in a similar way to the FCA. The extraordinary care fund is paid as a as part of a capped non-departmental appropriation.

The scope of the review

Key policy decisions arising out of the review will be sought in October 2019

37 The indicative timeline below provides a high-level view of the review up to October 2019:



38 I intend to report back to Cabinet by October 2019 with a set of key policy proposals arising out of the review. This will allow time to ensure the proposals align with the response to the Welfare Expert Advisory Group's advice on the welfare system. I expect that further work out of the review will extend beyond October 2019 as the technical and operational settings are refined.

39 Details of the proposed work are set out below.

The review will examine the fundamental purposes and principles of the financial assistance settings for caregivers

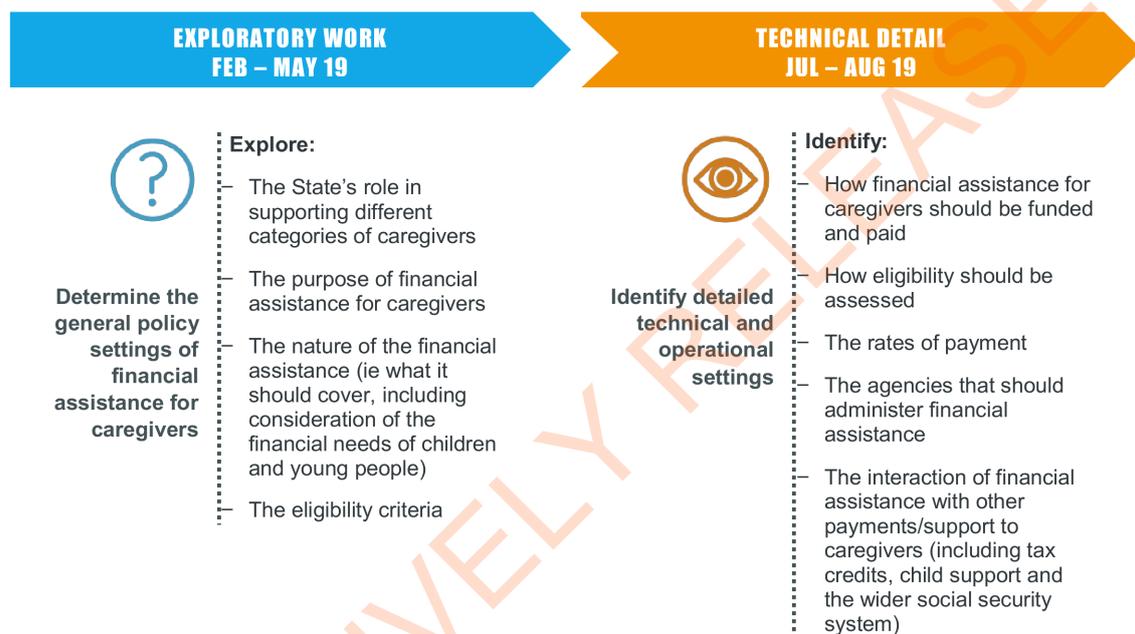
40 Solutions to the long-standing issues raised about financial assistance for caregivers cannot be developed without answering fundamental questions about the purpose of the payments. Piecemeal changes have not achieved the level of transparency and equity that caregivers need and deserve, and the issues underpinning the settings for financial assistance persist.

41 I propose that the review of financial assistance for caregivers include the FCA (including the HFCA), OB and UCB as well as the related supplementary payments provided to caregivers in recognition of their role, as set out in Appendix A.

42 To ensure the review is comprehensive, I propose the review take a 'first principles' approach. This will include, but not be limited to, the following matters:

- the fundamental purposes of, and principles underpinning, these payments
- the types and levels of payment
- the eligibility criteria for receiving these payments.

- 43 Taking a first principles approach is key to building a modern, sustainable system that is transparent, equitable and fair, and aligns with broader strategic changes within the care and protection and welfare systems as well as aligning with this Government's strategic direction to improve the wellbeing of children and young people in New Zealand.
- 44 The development of financial assistance settings should take into account the diversity of backgrounds, needs and circumstances experienced by children and young people and their caregivers. For example, 68 percent of children and young people in care identify as Māori and 15 percent identify as Pacific peoples. Around 40 percent of Oranga Tamariki caregivers identify as Māori,¹³ and 49 percent of OB and UCB caregivers identify as Māori.¹⁴
- 45 The work will progress in two stages:



- 46 The review may result in recommendations and consequential implications that may need to be considered for wider forms of financial and non-financial support, particularly in the context of reviewing eligibility settings. This includes:
- interaction with the broader system of social support and assistance for which such caregivers may also be eligible (for example Working for Families Tax Credits, child support payments and benefit payments)
 - other forms of financial assistance where the caregiver has no discretion as to how it is spent, and other forms of non-financial assistance and support provided to help caregivers fulfil their role (for example, payments for incidental costs to meet the needs of the child and training provided to caregivers to help them fulfil their role)
 - financial assistance for young people in the Oranga Tamariki transition support service
 - financial assistance for children and young people with disability and health issues.

¹³ Based on operational data as at 31 December 2018, of the around 3000 caregivers approved by Oranga Tamariki with children in their care, ethnicity data is held for around 2000 of those caregivers.

¹⁴ As at December 2018.

47

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[REDACTED]
[REDACTED]
[REDACTED] 9(2)(f)(iv)

48 I note that changes arising out of the review to the FCA, OB and UCB may affect people's decision-making on whether to take up OB or UCB or other benefits within the welfare system.

The review may have implications for other agencies

49 Oranga Tamariki will work closely with MSD, which administers the OB and UCB and other financial assistance for caregivers, throughout the review. Oranga Tamariki will also work closely with The Treasury and Inland Revenue as the review is likely to have financial implications and may overlap with the tax system by way of Working for Families tax credits and the tax treatment of payments caregivers receive in recognition of their role.

Consultation

Stakeholders and subject matter experts will be involved in the review

50 The outcomes will affect a specific group of New Zealanders given the subject matter of this review. To build a system of financial assistance for caregivers that is fit for purpose, the perspectives of caregivers caring for children and young people in State care or supported by the OB or UCB as well as care-experienced young people will be critical to formulating policy options.

51 I want to ensure that the decision-making process involves greater involvement of caregivers and other interested parties, and specifically the voices of:

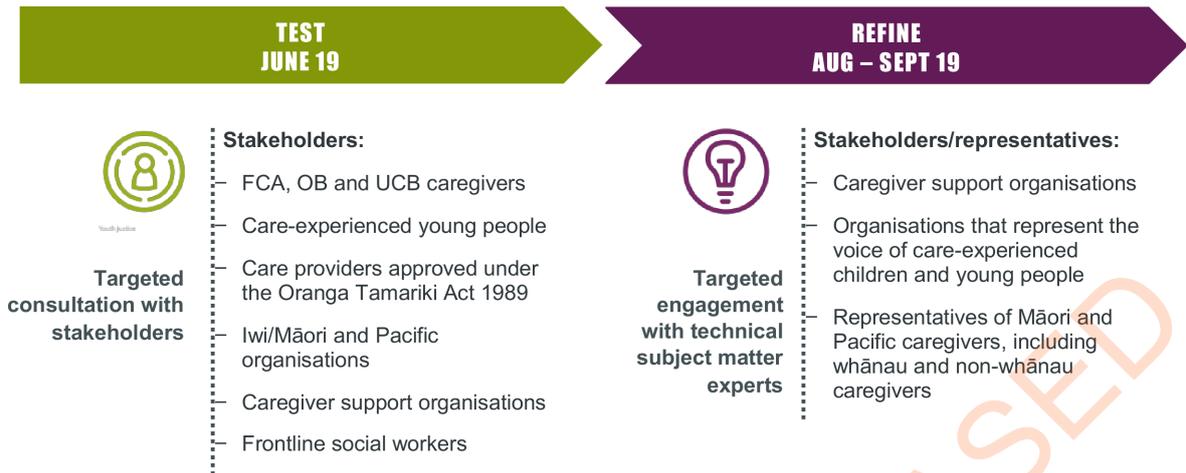
- care-experienced young people
- Māori and Pacific caregivers
- those caring for children and young people with high needs, including disabilities.

52 I note that Oranga Tamariki is currently undertaking two caregiver surveys, one with Oranga Tamariki caregivers and the other with a representative sample of OB and UCB caregivers. These surveys will provide early insights for the review, including caregivers' experiences, their views on the financial support they receive and how this could be improved.

53 The review of financial assistance will use a combination of engagement approaches:

- targeted consultation with stakeholders to test the exploratory work on the general policy settings of financial assistance for caregivers
- targeted engagement with a smaller group of technical and subject matter experts to refine the detailed and operational settings needed to give effect to the policy.

54 The categories of stakeholders across these two engagement approaches are set out below:



55 I note that engagement with stakeholders could raise expectations about the outcomes of the review. The consultation will have clearly defined objectives and parameters, and an approach to communications, to manage the risk of raised expectations of stakeholders.

Agencies consulted as part of the development of this Cabinet paper

56 The following agencies were consulted: the Ministries of Health, Education, Justice, Social Development, and Youth Development; the Ministry of Business, Innovation and Employment; the Ministry of Housing and Urban Development; the Ministry for Pacific Peoples; the Ministry for Women; Te Puni Kōkiri; the Department of Corrections; the New Zealand Police; the Offices for Seniors and Disability Issues; the Accident Compensation Corporation; Inland Revenue; the Joint Venture Family Violence and Sexual Violence; 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. The State Services Commission has been informed.

Financial implications

57 [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] 9(2)(f)(iv)

Legislative implications

58 This paper does not have legislative implications. Legislative implications may be identified as part of the review and will be taken to Cabinet at the appropriate time for consideration.

Impact analysis

59 At this stage, the impact analysis requirements do not apply.

Human rights

- 60 The proposal to undertake a review does not have New Zealand Bill of Rights Act 1990 or Human Rights Act 1993 implications. Any human rights implications will be considered as part of the development of policy proposals arising out of the review.

Gender implications

- 61 The gender implications of any proposals arising out of the review will be assessed and details included when the policy proposals are submitted to Cabinet for consideration.
- 62 I note, however, that women are more likely than men to be the primary caregivers for children and young people in the FCA cohort. The majority of caregivers in the OB and UCB cohort are women. Therefore, any proposals that aim to create settings for financial assistance that are equitable, transparent and fair will benefit women and their families and whānau.

Disability perspective

- 63 There is an overrepresentation of disability needs, including learning challenges, in the care population. International research indicates that abuse and disability often coexist in the lives of children and young people. Children and young people who are abused are at a higher risk of developing a disability, and children with a disability are at a higher risk of being abused and neglected.
- 64 To ensure that the review considers the needs of children and young people in the FCA, OB and UCB cohort with disabilities and learning challenges, Oranga Tamariki is looking at how it can ensure that the engagement process has input from caregivers who are caring for children and young people with high needs, this will include those caring for children and young people with disabilities. In line with taking a 'first principles' approach, exploring the nature of the payments (ie what they should cover) will include consideration of the needs of children and young people with disabilities. The review may also result in recommendations and consequential implications that may need to be considered in relation to other forms of financial assistance for children and young people with disability and health issues.

Publicity

- 65 Any announcements will be co-ordinated with the Office of the Minister for Children.

Proactive release

- 66 I propose to proactively release this Cabinet paper, subject to redactions as appropriate under the Official Information Act 1982.

Recommendations

- 67 The Minister for Children recommends that the Committee:
- 1 **note** that there are a significant number of caregivers caring for some of New Zealand's most at-risk children and young people – those who cannot be cared for by their natural or adoptive parents
 - 2 **note** that the State has, since the late nineteenth century, had a role in providing financial assistance to caregivers

3 **note** that financial assistance is a critical component of the overall support (financial and non-financial) caregivers need to provide stable alternative homes and to help meet the needs of children and young people who are unable to be cared for by their parents

4 [REDACTED]
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5 **note** that the financial assistance settings for caregivers have evolved in a piecemeal fashion and there are deep-seated issues with the settings such as the level and transparency of payments and the appropriateness of the eligibility criteria

6 **note** that the settings as a whole have not been reviewed to determine if they are still fit for purpose

7 **note** that, as the settings for financial assistance for caregivers intersect with the care and protection, welfare and tax systems, effective and appropriate financial assistance is needed to ensure alignment with major reform currently underway to these systems

8 **agree** that officials undertake a review of financial assistance for caregivers, which will include:

- 8.1. the Foster Care Allowance (FCA), including the Higher Foster Care Allowance
- 8.2. the Orphan's Benefit (OB)
- 8.3. the Unsupported Child's Benefit (UCB)
- 8.4. related supplementary payments for those eligible for the FCA, OB and UCB and in recognition of their role

9 **agree** that the review take a 'first principles' approach that comprehensively considers the payments set out in paragraph 8 above, including, but not limited to, the following matters:

- 9.1. fundamental purposes and principles underpinning these payments
- 9.2. types and levels of payment
- 9.3. eligibility criteria for receiving these payments

10 **agree** that the review consider the interaction with the broader system of social support and assistance for which such caregivers may also be eligible (for example Working for Families Tax Credits, child support payments and benefit payments)

11 **note** that, as part of the review, the following engagement with stakeholders will be undertaken:

- 11.1. targeted consultation with stakeholders to test exploratory work on the general policy settings of financial assistance for caregivers
- 11.2. targeted engagement with technical subject matter experts to refine the detailed and operational settings needed to give effect to the policy settings

- 12 **invite** the Minister for Children to report back to Cabinet Social Wellbeing Committee by October 2019 with key policy proposals arising out of the review.

Authorised for lodgement

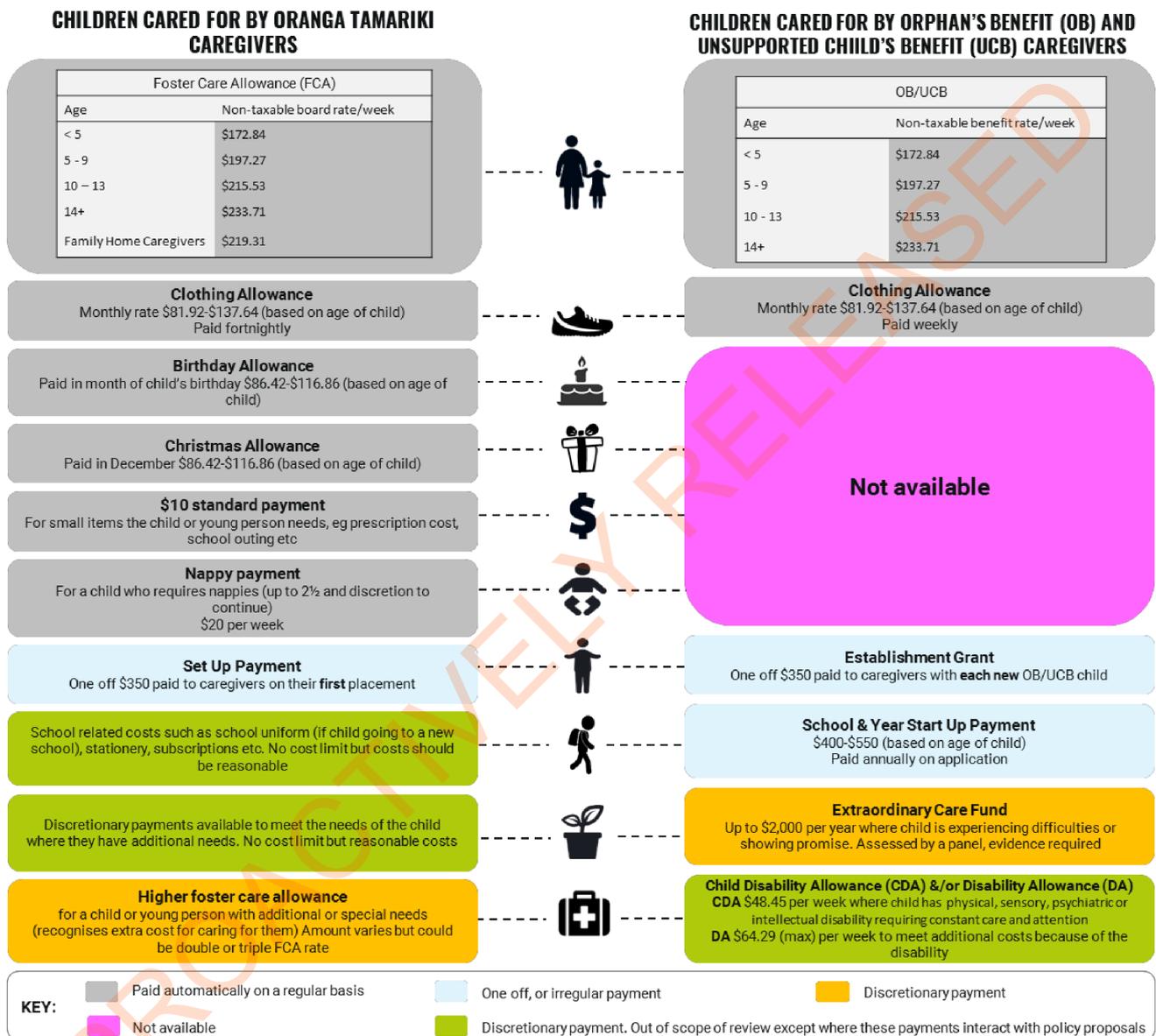
Hon Tracey Martin

Minister for Children

PROACTIVELY RELEASED

Appendix A

The chart below compares the financial assistance paid to Oranga Tamariki caregivers caring for children and young people in State care and caregivers caring for children and young people in the OB and UCB cohort:



Appendix B

Summary of the history of the provision of financial assistance for caregivers

- 68 From the late nineteenth century, children and young people in New Zealand who were unable to live with their parents either due to neglect, destitution or delinquency were sent to industrial schools. The forerunner to the existing FCA was set in the Industrial Schools Act 1882, where children and young people living in industrial schools were able to be boarded with a family in return for a weekly rate or payment to clothe and feed the child and send them to school. The rationale for these arrangements was that being cared for in a family was better for the child than being cared for in an institution. This approach was also considered more cost effective.
- 69 Payments were raised several times during the post war period and payments for pocket money, education and medical expenses, higher rates for children with challenging needs and graduated rates for older children were added. The basis on which the general rate was calculated however was never examined. Prior to 2010, rates lagged behind increases in wages and benefits.
- 70 Financial assistance has been provided for orphans since 1912 through the Widows Pension Amendment Act 1912. This initial assistance was very limited. The mother needed to be receiving a Widows' Pension at the time of her death and the child needed to be younger than 14 years of age.
- 71 More comprehensive assistance for orphans came about under the Social Security Act 1938 with the introduction of the OB.¹⁵ The OB was available for caregivers of children (who were not living in orphanages) for the child's maintenance, education or welfare.
- 72 From 1938 onwards there were various changes made including, notably, expanding the OB to include situations where the remaining parent was incapacitated. In 1986 eligibility was extended to caregivers where their parent(s) would not or could not care for them. This change allowed some children who had been receiving the FCA to transfer to the OB.
- 73 The UCB was introduced in 1990 following the Māori Perspective Advisory Committee's 1988 recommendation (published in *Puao-Te-Ata-Tu*) that eligibility to the OB provisions be extended so payment can be made to whānau members looking after unsupported children.¹⁶ UCB was designed to improve equity in providing assistance to whānau/kin caring for unsupported children.
- 74 In recent times there have been increases to rates of FCA, OB and UCB:
- In September 2010 FCA rates were required to be increased by the percentage movement in the Consumers Price Index (CPI) from 1 April each year. Rates of OB and UCB had been increased by CPI from 1 April 1988.
 - From 1 April 2009 the rates of OB and UCB were increased to align with rates of FCA. In 2014, further financial assistance was introduced to help align OB and UCB assistance with that provided to FCA caregivers (the Establishment Grant, School and Year Start Up Payment and Extraordinary Care Fund). From 1 July 2018, the Clothing Allowance, which had previously only been available for children in State care, was also made available to children in OB or UCB care.

¹⁵ The underlying principle of the Act was that every citizen had a right to a reasonable standard of living and that it was a community responsibility to ensure that its members were safeguarded against the economic ills from which they could not protect themselves.

¹⁶ The Māori Perspective Advisory Committee. (1988). *Puao-Te-Ata-Tu: the report of the Ministerial Advisory Committee on a Māori perspective for the Department of Social Welfare*. Wellington, New Zealand.

- The Family Tax Credit is not available to FCA, OB or UCB caregivers, however in 2005, 2007 and 2018 the amount of increase of the Family Tax Credit was passed on to rates of FCA, OB and UCB to keep parity with payments available for children and young people who are living with their parents.

PROACTIVELY RELEASED