

Impact Summary: Transforming financial assistance for caregivers of children whose parents are unable to care for them

Section 1: General information

Purpose

Oranga Tamariki—Ministry for Children is solely responsible for the analysis and advice set out in this Impact Summary, except as otherwise explicitly indicated. This analysis and advice has been produced for the purpose of informing final decisions to proceed with a policy change to be taken by or on behalf of Cabinet.

On 14 May 2020, as part of Budget 2020, the Government announced a suite of changes to caregiver payments which will be funded through the COVID-19 Response and Recovery Fund. These changes affect the Orphan's Benefit (OB), Unsupported Child's Benefit (UCB) and the Foster Care Allowance (FCA). Of those proposals, three require legislative change. This summary regulatory impact analysis (RIA) is intended to support final decisions to proceed with these legislative changes, which relate to the OB and UCB. Legislative change is not required to give effect to changes to the FCA.

The three proposals are:

- Increasing the base rate of the OB and UCB
- Providing OB and UCB caregivers with Birthday and Christmas Allowances
- Amending the eligibility criteria to enable short-term caregivers to access the OB and UCB.

While the OB and UCB are administered by the Ministry of Social Development (MSD), Oranga Tamariki holds policy responsibility for these payments.

This RIA provides the Impact Summary for the three legislative proposals.

Key Limitations or Constraints on Analysis

Oranga Tamariki undertook a review of financial assistance in 2019. This involved reviewing key payments caregivers receive, including the OB and UCB provided to caregivers caring for children outside of the State care system, and the FCA provided to caregivers caring for children in State care. To respond to the findings of the review, Cabinet agreed to a long-term work programme on system reform [SWC-19-MIN-0199; CAB-19-MIN-0672 refer]. It also agreed that some initial work could progress without constraining future work on system reform. This initial work is intended to focus on:

- reducing disparities in the financial assistance received by OB and UCB caregivers compared to FCA caregivers
- improving support for caregivers
- addressing some of the most significant and immediate issues affecting children and their caregivers, raised through consultation.

As this initial work has developed, it has needed to consider the immediate impacts of COVID-19 on caregivers in their role in providing safe and stable homes for children who are unable to be cared for by their parents.

As a consequence, the following limitations and constraints apply to the advice set out in the RIA:

- The RIA only includes policy advice progressed through the areas for initial work as agreed by Cabinet, noting that more significant work to reform the system will need to take place over the coming years.
- The analysis covers initiatives that have been funded through the COVID-19 Response and Recovery Fund and publicly announced as part of Budget 2020 on 14 May 2020. As Cabinet has already agreed to fund the proposals [CAB-19-MIN-0219.20 refers], the analysis is limited to initiatives that require legislative change. This covers changes to OB and UCB

payments as this requires amendment to the Social Security Act 2018. It excludes changes to the FCA – increasing the base rate and changes to how the FCA is paid when a child is in respite care – as the Oranga Tamariki Act 1989 provides sufficient scope to make these changes without further amendments.

These limitations are mitigated by the large body of policy work undertaken in 2019 as part of the review of financial assistance for caregivers, which informed Cabinet decisions. This work considered the full range of issues and options.

The development of policy options draws on a growing base of literature, largely from other countries, on the impact of financial assistance on outcomes for children. We have assumed that the evidence presented is applicable in Aotearoa New Zealand and that findings can be transferred to our policy settings and in our cultural context. If this is not so, there is a risk that improvements in wellbeing of children living with caregivers will not be realised. This is mitigated by the following factors:

- the evidence for positive impacts is strong across multiple studies
- there is some strong evidence from Aotearoa New Zealand
- there is direct causality between the proposed initiatives and the desired impacts – eg, an increase in payments will increase material wellbeing and reduce the level of poverty of children who live with caregivers
- extensive consultation has been undertaken with key stakeholders, including caregivers, as part of the review of financial assistance for caregivers which provided up to date information on the issues stakeholders are currently facing.

The final policy proposals have not been consulted on with a broad range of stakeholders as the final proposals were subject to Cabinet decisions on Budget proposals. However, the proposals are intended to address some of the most significant issues raised through consultation with stakeholders, and the proposals were consulted with an external Subject Matters Expert Group (SME Group), established as part of the review.

A set of assumptions underpin the costing, including on the uptake of payments (based on current demand). To calculate the cost of the proposal to remove the ‘12-month rule’ from the Social Security Act 2018, to enable short-term caregivers access to the OB and UCB, we used an assumption that this would result in a 5 percent increase in uptake of these payments as it is not known how many people will become eligible for these payments as a result of the change. This is a generous assumption based on feedback from the SME Group as well as MSD operational experts.

Responsible Manager (signature and date):

Phillipa Campbell

Policy Manager

Policy and Organisational Strategy

Oranga Tamariki—Ministry for Children

10 June 2020

To be completed by quality assurers:

Quality Assurance Reviewing Agency:

Oranga Tamariki—Ministry for Children

Quality Assurance Assessment:

The Summary Regulatory Impact Assessment has been reviewed by two Principal Analysts from Oranga Tamariki—Ministry for Children, neither of whom was involved in the policy process, who have both independently concluded that the Summary Regulatory Impact Assessment meets the Quality Assurance Criteria.

Reviewer Comments and Recommendations:

All comments and recommendations raised by the reviewers have been addressed.

Section 2: Problem definition and objectives

2.1 What is the policy problem or opportunity?

Caregivers have a vital role in caring for children who are unable to be cared for by their parents

The State has a role in ensuring children are cared for and have their wellbeing maintained. It would not be able to effectively carry out this role without the vital role that caregivers fulfil by caring for children who are unable to be cared for by their parents outside of the State care system.¹

These caregivers are primarily supported in their role through the following payments:

THE PAYMENT IS...	FCA	OB	UCB
GOVERNED BY THE:	Oranga Tamariki Act 1989	Social Security Act 2018	Social Security Act 2018
ADMINISTERED BY:	Oranga Tamariki	Ministry of Social Development	Ministry of Social Development
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 2,800 caregivers ³	around 300 caregivers	around 11,000 caregivers
PAID IN RELATION TO: ⁴	around 5,000 children and young people. ⁵	around 400 children and young people	around 17,000 children and young people

OB and UCB caregivers are mostly members of a child's whānau or extended family who have stepped up to care for a child who may otherwise be at-risk. The majority of children for whom these payments are made are Māori,⁶ and a significant proportion of their caregivers are also

¹ In this paper, 'caregivers' refers to both caregivers of children in State care, and caregivers (generally from a child's family, whānau, hapū, iwi or family group) providing care outside of the State care system, where an independent assessment has established that the parent(s) is unable to care for the child.

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 28 June 2019.

⁵ This includes children 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). It does not include children in return/remain home placements, independent living placements and residential placements who are not living with a caregiver.

⁶ Around 57%. Source: Stats NZ Integrated Data Infrastructure (IDI), as at 30 June 2018.

Māori.⁷ These caregivers have a critical role in reducing the need for children to enter or re-enter the State care system.

The way Government supports these caregivers is critical to reducing disparities for Māori and supports us to meet the Crown's Treaty of Waitangi obligations relating to actively protecting tamariki Māori and the right of Māori to exercise rangatiratanga within their whānau, hapū and iwi.

A review of financial assistance for caregivers was completed and Government has set a strategic direction for the system, it also agreed that initial work be progressed to start this transformation

Changes to caregiver payments have not always kept pace with societal changes and the payment system as a whole has never been reviewed. 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]. The work of the review was focused on the fundamental purposes and principles of caregiver payments, the types and levels of payments and the eligibility criteria for receiving these payments.

Extensive consultation was undertaken with a broad range of stakeholders, including caregivers, as part of the review. The review, including consultation feedback, identified and confirmed a number of fundamental issues with the system.

On 11 December 2019, Cabinet agreed to a set of objectives and principles for the system (see **Appendix A**). It also agreed to a long-term work programme to reform the caregiver financial assistance system, including exploring a simplified and more unified payment model for all caregivers.

Creating a system that works for caregivers will take time. To get progress underway, Cabinet agreed that initial work be progressed to begin moving the system towards the strategic direction, with a focus on:

- reducing disparities in the financial assistance received by OB and UCB caregivers compared to FCA caregivers
- improving support for caregivers
- addressing some of the most significant and immediate issues affecting children and their caregivers, raised through consultation.

Cabinet noted that the Minister for Children intended to submit initiatives for Budget 2020 [SWC-19-MIN-0199; CAB-19-MIN-0672 refer].

There is an opportunity for initial work to make significant progress in improving support for caregivers and reducing disparities in levels of assistance between caregivers

Following the direction by Cabinet on the scope of initial work, the review identified seven overarching key issues. Of those, initial changes could be made to help address three of these issues, which were particularly highlighted by stakeholders, without constraining future work on system reform.⁸ These issues are:

- the rates of payment are insufficient
- eligibility settings and processes pose barriers for caregivers
- the crucial role of whānau caregivers outside the State care system in reducing the need for children to enter State care is not well-recognised.

These issues are not mutually exclusive and further details on how these issues can manifest for caregivers are set out below.

⁷ Around 40% of OB caregivers and around 46% of UCB caregivers. Source: Source: MSD, 30 June 2018, operational data – subject to change.

⁸ The other issues identified through the review will require more fundamental change and/or relate to operational issues. These are that: the funding model does not best support the State to meet the care, protection and wellbeing needs of children in State care, and ensure they are living in safe and stable homes; there is no single set of objectives and principles for the system; there may be insufficient consideration of any unmet care, protection and wellbeing needs of children in care arrangements supported by OB and UCB; and the system is difficult to navigate.

Addressing the issue that rates are insufficient will help improve support for caregivers and will have significant impacts on placement stability and security as well as overall child wellbeing

Currently the FCA, OB and UCB are paid at the same rate, ranging from \$175 to \$237 per child per week, depending on the child's age. These payments are non-taxable, and the caregiver is not income or asset tested.

The payments caregivers currently receive are not considered fit for purpose and are not adequate to cover the costs of caring for a child – the current levels of payments are incompatible with achieving the objectives and principles for the caregiver financial assistance system. In particular, the principle that financial assistance for caregivers should provide for the reasonable costs of caring for the child.

The literature points to inadequate financial assistance being a barrier to caregiving, both in terms of caregiver satisfaction and a caregiver's perceived ability to provide a loving, nurturing and enriching environment. An adequate base payment that covers the costs of caring for a child appears to be a critical factor in providing placement stability, particularly for kin carers.⁹ It also enables caregivers to better meet children's needs and subsequently improve child wellbeing. The level of financial assistance can be a significant factor in a caregiver's decision to continue to provide care.¹⁰

Many caregivers who were consulted as part of the review do not consider the payments they receive to be sufficient to cover the cost of caring for a child. At a minimum, they considered payments only covered the very basic costs associated with caring for a child (eg, food and clothing). Caregivers spoke of the challenges they face meeting other costs such as those that enable them to give a child the same experiences as other children or meeting the additional needs of a child (eg, relating to health and education). These views have been reinforced through feedback received from young people as well as other stakeholders.

Despite incremental changes to the payments over the years, they have not kept pace with the costs of raising a child in New Zealand. Eighty-four percent of caregivers who responded through the online questionnaire as part of the review reported needing to pay for things for the child out of their own pocket, and of those, 34 percent reported doing this at least weekly.

Research has demonstrated the risks of living in poverty and poor outcomes relating to health, education, employment and wellbeing. There are significant levels of benefit receipt in the caregiver population, particularly for the largely family and whānau caregivers who receive OB and UCB, at 41 percent and 44 percent respectively, and 21 percent of FCA caregivers supported by Oranga Tamariki. This suggests that caregivers may be looking after children as part of low-income households where resources are already stretched.

Reducing disparities in levels of assistance for caregivers outside of the State care system will improve support for these caregivers, supporting them to better meet children's needs and improve child wellbeing

The crucial role of OB and UCB caregivers in reducing the need for children to enter State care is not well-recognised, and this is reflected in the differing levels of assistance provided in comparison to FCA caregivers. **Appendix B** sets out the payments available to caregivers eligible for the FCA and the OB/UCB.

While the FCA, OB and UCB are paid at the same rate, once other supplementary regular standardised payments are factored in, FCA caregivers receive between \$10 to \$30 more per week per child than OB and UCB caregivers. UCB and OB caregivers do not have access to some standardised payments available to FCA caregivers, creating further disparities between the overall levels of financial assistance. In particular, the Birthday and Christmas Allowances (which range between \$87 to \$118, depending on the age of the child) are provided to FCA caregivers but not OB or UCB caregivers.¹¹ OB and UCB caregivers noted this discrepancy during consultation.

⁹ Pac, J. (2017). The effect of monthly stipend on the placement instability of youths in out-of-home care. *Children and Youth Services Review*, 72, 111-123. <http://dx.doi.org/10.1016/j.childyouth.2016.10.019>

¹⁰ Geiger, M. G., Hayes, M. J., & Lietz, C. A. (2013). Should I stay or should I go? A mixed methods study examining the factors influencing foster parents' decisions to continue or discontinue providing foster care. *Children and Youth Services Review*, 35, 1356-1365. <http://dx.doi.org/10.1016/j.childyouth.2013.05.003>

¹¹ Birthday and Christmas Allowances are made to FCA caregivers under section 363(1) of the Oranga Tamariki Act 1989.

Celebrating and enjoying significant events in a child's life is a core part of providing children living with caregivers the same experiences as other children and contributes to children's overall wellbeing and feeling of inclusion within a family.

Eligibility criteria for the OB and UCB pose barriers for short-term caregivers – better supporting short-term caregivers will enable more children to be cared for within their whānau and reduce the need for children to enter State care

One of the criteria for accessing eligibility for OB and UCB under the Social Security Act 2018 is that the caregiver must be likely to be the principal caregiver of the child for at least one year from the date of application for OB and UCB (the 12-month rule). This requirement creates inconsistencies when compared to the treatment of FCA caregivers, as there is no minimum placement duration for accessing FCA.

The 12-month rule does not reflect the reality of many caregiving situations that take place outside of the State care system, where the duration of the arrangement is often unknown or may be short-term. For example, when a parent is sentenced to a prison sentence of 12 months or less and the child will be cared for by an alternative caregiver for that period. It is also inconsistent with the objectives and principles for the caregiver financial assistance system. In particular, the principle that regular, standardised financial assistance payments should be available to, and accessible by, caregivers who provide day-to-day care of children whose parents are unable to care for them.

The current criteria means there are caregivers who are currently unable to access financial assistance to help them care for a child, even though, like other caregivers, they have taken on primary responsibility for the day-to-day care of the child who is unable to be cared for by their parents.

Issues and challenges faced by caregivers in the current system have been exacerbated as a result of COVID-19, driving the need to make immediate changes

Initial work has developed in the context of COVID-19. Caregivers are feeling acute pressure, both emotional and financial, and the ongoing impacts of COVID-19 will continue to place pressure on families and caregivers as New Zealand moves into the recovery phase.

Ensuring that children continue to have safe and stable homes both during the response and recovery stages has been an immediate priority. Key issues around the level of assistance and access to assistance outlined above have intensified as a result of COVID-19.

COVID-19 has placed additional financial pressure and hardship on caregiving households exacerbating the current issue that levels and rates of assistance are inadequate. Caregivers are facing additional or increased basic costs due to having more people at home as part of self-isolation and/or lockdown as well as some experiencing altered employment circumstances. Providing caregivers with adequate support to ensure they can better meet children's needs, including their wellbeing needs, is even more important during this difficult time.

International evidence indicates that amid containment and isolation measures, vulnerable children face increasing threats to their safety and wellbeing, and reports of family and domestic violence are increasing worldwide. Within New Zealand, the prevalence of family harm is expected to rise. Experts and practitioners continue to consider it likely that family violence will increase during the COVID-19 pandemic.

Based on emerging evidence, it may be likely that we see an increase in family breakdowns. We need to ensure we have better financial assistance in place for people who may need to take on the care of a child. Current eligibility criteria for the OB and UCB pose barriers for those that may need to take on the care of a child on a short-term basis because of a breakdown within the child's family amid the pandemic.

To respond to challenges faced by caregivers three key areas for change have been identified to improve support

Based on the problems outlined, there are discrete but significant changes that can be made to the eligibility criteria and rates of payments to begin addressing the most significant concerns raised by caregivers, which will respond to the immediate challenges exacerbated by COVID-19. These changes align with the direction from Cabinet for the focus of initial work and can progress without constraining longer term work to reform the system. The three areas of change are:

- Increasing the base rate of caregiver payments to help move the rates towards the strategic direction for the system
- Extending Birthday and Christmas Allowances to OB and UCB caregivers to help reduce disparities in levels of financial assistance between OB and UCB caregivers compared to FCA caregivers
- Enabling short-term caregivers to access OB and UCB payments where they have taken the day-to-day care of a child who is unable to be cared for by their parents.

These changes make progress towards:

- improving levels of financial assistance available to support child wellbeing
- reducing disparities in types and levels of assistance provided to caregivers inside and outside the State care system
- enabling whānau caregivers to access more support, without a child needing to enter State care.

2.2 Who is affected and how?

The proposals in this paper affect the following groups:

- Caregivers caring for children who are unable to be cared for by their parents outside of the State care system. It is expected that caregivers will be enabled to better meet the reasonable costs of caring for a child in their care, reduce emotional and financial stress, and enable them to continue to provide safe and stable homes. It is also expected that proposals will enable more caregivers, including those who are part of a child's family, whānau, hapū, iwi or family group, to be supported to take on the day-to-day care of a child who is unable to be cared for by their parents and help prevent the need for children to enter State care.
- Children and young people for which the OB and UCB is paid in relation to. Children's day-to-day needs will be better met, including those living with caregivers for a short period of time or for an unknown duration. Enabling children to celebrate and enjoy significant events helps them to have the same experiences as other children and contributes to their overall wellbeing, identity and feeling of inclusion within a family.
- MSD case managers who process applications for OB and UCB payments will be required to assist caregivers with applying for assistance in relation to caring for a child, including understanding changes to eligibility criteria for the OB and UCB.
- Barnardos are currently contracted by MSD to undertake family breakdown assessments for access to the UCB. It is expected that removing the 12-month rule may result in an increase in applications for the UCB and subsequently, an increase in family breakdown assessments.
- Oranga Tamariki social workers who may assist some caregivers to access to the UCB if a child is placed in their care following a Family Group Conference (FGC), but where the child is not brought into State care. In these situations, it will be expected that Oranga Tamariki staff will assist caregivers to understand what financial assistance is available to them and provide evidence of the FGC to support their application for the UCB.
- Caregiver advocacy groups (eg, Grandparents Raising Grandchildren) will be affected as they have a role in helping to inform or assist caregivers of the support that is available to them.

The proposals in this paper are consistent with the views identified through consultation with stakeholders as part of the review of financial assistance for caregivers. Section 5.1 provides more details of stakeholder views.

2.3 What are the objectives sought in relation to the identified problem?

In response to the review of financial assistance for caregivers, Government has set a strategic direction for the system

In response to the review of financial assistance for caregivers, Cabinet agreed to a set of objectives and principles for the system [SWC-19-MIN-0199; CAB-19-MIN-0672 refer]. These have guided the development of options to address the identified problems. The full set of objectives and principles are set out at **Appendix A**.

Objectives

Cabinet agreed that the system of financial assistance for caregivers should seek to help achieve the following objectives, that are informed by the Oranga Tamariki outcomes framework, and intended to contribute to achieving the outcomes set in the Child and Youth Wellbeing Strategy:

- 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.

Principles

Cabinet also agreed that financial assistance for caregivers should be based on a set of principles, recognising that progress towards these must be balanced with the need for fiscal responsibility and other Government priorities. The principles relevant to developing options to address the identified problems are set out below:

- Financial assistance for caregivers should provide for the reasonable costs of caring for the child.
- Regular, standardised payments should be available to, and accessible by, caregivers who provide the day-to-day care of children whose parents are unable to care for them.
- There should be no disparity in the standardised payment rate provided to support a child in the State care system, and a child living with a caregiver outside the State care system whose parents are unable to care for them.

Section 3: Options identification

3.1 What options have been considered?

Options have been considered across the three proposals:

- Increasing the base rate of caregiver payments to help move the rates towards the strategic direction for the system
- Extending Birthday and Christmas Allowances to OB and UCB caregivers to help reduce disparities in levels of financial assistance between OB and UCB caregivers compared to FCA caregivers
- Enabling short-term caregivers to access OB and UCB payments where they have taken on the day-to-day care of a child who is unable to be cared for by their parents.

The following criteria has been used to assess the options:

- **Effectiveness** – the extent to which the option addresses the underlying problem and helps to make progress towards the objectives and principles for the financial assistance system (set out in section 2.3)
- **Operational impact** – the extent to which the option is achievable and can be easily implemented, including whether the option can be implemented in a timely manner to respond to the impacts of COVID-19¹²
- **Transparency and accountability** – the extent to which the option will create certainty for caregivers, and consistency in application across different groups of caregivers
- **Fiscal impact** – the extent to which the option impacts on the Crown’s finances, taking into account other Government priorities for spending to address the impacts of COVID-19.

To assess the options against the criteria, the following scale has been used:

xx	x	✓	✓✓
Strongly inconsistent with criteria	Inconsistent with criteria	Consistent with criteria	Strongly consistent with criteria

The criteria have been used to assess options within the proposal areas, they have not been used to compare proposals against each other.¹³

Options for increasing the base rate of the OB and UCB

Current rates of OB and UCB range from \$175 to \$237 per child per week, depending on the child’s age. Three options were identified for a revised rate of the OB and UCB:

- **Option 1:** an increase of \$25 per week per child to the base rate to help caregivers manage the immediate pressures caused by COVID-19 and make some progress towards the base rate better reflecting the costs generally incurred by any parent or caregiver raising a child. The rate of the increase is consistent with increases to other government assistance made as part of the COVID-19 response.
- **Option 2:** a significant base rate increase to reflect the costs generally incurred by any parent or caregiver raising a child. The rate of the increase could be scaled depending on cost assumptions used, but as an example this could represent an increase of around \$115 to \$140 per week per child, depending on the age of the child, compared to the status quo.

¹² The level of operational impact is important, in the context of the significant volume of operational changes being implemented by MSD to respond to COVID-19.

¹³ For example, options for increasing the base rate of the OB and UCB have far greater fiscal implications compared to other proposal areas. This means that the assessment of the fiscal impact for options to increase the base rate cannot be compared to the fiscal impact of the extending the Birthday and Christmas Allowances or to enable short-term caregivers to access the OB and UCB.

- **Option 3:** Option 2 plus a contribution towards connection with whānau and culture and a further contribution to babysitting costs to enable caregivers to take breaks. Costs could be scaled but as an example, this could represent an increase of around \$160 to \$180 per child per week, depending on the age of the child, compared to the status quo.

As the rates of OB and UCB are set out in the Social Security Act 2018, all options would require legislative change. The policy work applied the same options to the rate of the FCA, however, this has been excluded from the RIA as increasing the rate of the FCA does not require legislative change.

Advantages and disadvantages of options

	Advantages	Disadvantages
Option 1	<ul style="list-style-type: none"> • Contributes to addressing the underlying issue that the rates of payments are insufficient. • Responds to immediate issues faced by caregivers due to COVID-19 and makes some progress towards the principle that the payments should cover the reasonable costs of caring for a child. • Faster and easier to implement compared to Options 2 and 3 as it does not require any changes to other payments caregivers can receive. Does not require any new IT functionality. • Lower fiscal impact than Options 2 and 3 which have significantly higher fiscal implications. This option shows more probity, in the context of the extent of other government expenditure to address impacts of COVID-19. 	<ul style="list-style-type: none"> • Does not fully address the underlying issue reinforced by stakeholders that the rates of OB/UCB are insufficient. • Does not go as far as Options 2 and 3 towards the principle that financial assistance should cover the reasonable costs of caring for a child. • As the rate increase applies equally to OB, UCB and FCA, it does not make any progress towards reducing disparities in payments between these groups of caregivers.
Option 2	<ul style="list-style-type: none"> • Addresses the underlying issue that the rates are insufficient as the rate is based on itemising costs generally incurred by any parent/caregiver. • Goes further than Option 1 towards the principle that financial assistance should cover the reasonable costs of caring for a child, as well as reducing disparities in payments between FCA and OB/UCB caregivers. • Caregivers would have more clarity about what their payments are intended to cover as the base rate would be based on a range of itemised cost assumptions. • The SME Group supported this approach which would cover a wider range of reasonable costs than is reflected in current payments. 	<ul style="list-style-type: none"> • This option completely revises the OB and UCB to include some costs which are currently provided through supplementary payments caregivers receive. This would result in the removal of those supplementary payments. Removing supplementary payments requires more complex administrative changes. • High fiscal impact compared to Option 1.
Option 3	<ul style="list-style-type: none"> • Same as Option 2 in that it addresses the underlying issue that rates are insufficient. • Goes further than Option 2 towards the principle that financial assistance should cover the reasonable costs of caring for a child. It also goes further towards reducing disparities in payments between FCA and OB/UCB caregivers as FCA caregivers are currently supported to meet whānau connection needs of a child through the National 	<ul style="list-style-type: none"> • Would require more complex change as per Option 2. • Higher fiscal impact compared to Options 1 and 2. • Including costs associated with whānau connection or with taking a break in the base rate may risk that these costs are not used specifically for this purpose.

	<p>Care Standards, these requirements do not apply to OB and UCB caregivers.</p> <ul style="list-style-type: none"> It goes further than Option 2 as it includes other costs specific to caregiving situations, eg, supporting a child to connect with whānau. The same as under Option 2, it provides clarity for caregivers about what their payments are intended to cover. SME Group feedback as per Option 2. 	
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Assessment against criteria

Criteria	Option 1	Option 2	Option 3
Effectiveness	✓	✓✓	✓✓
Operational impact	✓✓	✗	✗
Transparency and accountability	✗	✓✓	✓✓
Fiscal impact	✓✓	✗	✗✗

Options for extending Birthday and Christmas Allowances to OB and UCB caregivers to reduce disparities in levels of assistance provided to different groups of caregivers

Currently the Birthday and Christmas Allowances are only available to FCA caregivers. They are paid at half the weekly base rate of the FCA. The Birthday Allowance is paid in the month of the child's birthday and the Christmas Allowance is paid in December.

Two options were considered for extending these allowances to OB and UCB caregivers:

- Option 1:** Birthday and Christmas Allowances are incorporated into the base rate of OB and UCB, ie, total amount of the allowances would be spread across a 12-month period
- Option 2:** Extend the Birthday Allowance (paid in month of child's birthday) and Christmas allowance (paid in December) to OB and UCB caregivers.

These options propose to continue the approach for calculating the Birthday and Christmas Allowances, at half of the weekly base rate payment. The cost of presents will vary for different children and across different age groups. As the rates of the FCA, OB and UCB are currently subject to annual CPI adjustments, we consider that continuing the current policy of tying the rate of these allowances to the base rate payment will ensure that the allowances reflect changes in the cost of living. Note that this means the fiscal costs are the same for both options. Legislative change would be required under both options, to ensure these allowances are provided in the same manner as for FCA caregivers.

Advantages and disadvantages of options

	Advantages	Disadvantages
Option 1	<ul style="list-style-type: none"> Does go some way to address the underlying issue to reduce the disparity in levels of assistance between OB and UCB caregivers compared to FCA caregivers and enable caregivers to meet wider wellbeing needs of a child. Easy to implement as it would be implemented the same as a base rate increase. It would not require new IT functionality. 	<ul style="list-style-type: none"> May create new issues as this option is inconsistent with the way these allowances are treated for FCA caregivers, creating a disparity in the way they are paid between the two groups of caregivers. Is weaker at addressing the underlying issue compared to Option 2, as incorporating the amount in the base rate makes this payment less visible for caregivers, and the contribution is more

		<ul style="list-style-type: none"> likely to be absorbed within wider household expenditure.
Option 2	<ul style="list-style-type: none"> Addresses the issue that OB/UCB caregivers do not have access to these allowances. Makes significant progress towards the principle that there should be no disparity in the standardised payment rate provided to support a child in State care, compared to those being supported outside of the State care system. Alleviates financial burden on caregivers, at the point in time that it is required, as they will know that they will receive the allowance close to the event (birthday or Christmas). Caregivers will clearly understand what the payment is intended for. Payment in the same way as for FCA recipients would be more consistent with views expressed by stakeholders during consultation, with OB/UCB caregivers indicating they wanted these allowances in order to address the disparity. 	<ul style="list-style-type: none"> As birthdays and Christmas take place once a year, this option would require the caregiver to put aside a portion of their base rate payment over the course of the year. This may create a financial burden if the child's birthday or Christmas comes up shortly after the child comes into their care. Difficult to implement compared to Option 1 as it requires new IT functionality for MSD as the agency who will be administering these allowances.¹⁴ MSD advise that making payments in the month of a child's birthday will be particularly complex as children's birthdays vary across the year, and no other payments are made in this way in the welfare system.

Assessment against criteria

Criteria	Option 1	Option 2
Effectiveness	xx	✓✓
Operational impact	✓✓	x
Transparency and accountability	xx	✓✓
Fiscal impact	✓	✓

Options for enabling short-term caregivers to access OB and UCB payments where they have taken the day-to-day care of a child who is unable to be cared for by their parents

The Social Security Act 2018 requires that a caregiver must be likely to be the principal caregiver of a child for at least one year from the date of application for OB and UCB. Three options were identified for allowing short-term caregivers to access the OB and UCB:

- **Option 1:** create a legislative discretion for frontline staff to approve OB and UCB payments for short-term caregivers in certain circumstances

¹⁴ Birthday and Christmas Allowances provided to FCA caregivers are administered by an Oranga Tamariki system. MSD would administer these allowances to OB and UCB caregivers. The MSD system does not currently have functionality to administer periodic payments triggered by dates which will vary across different clients.

- **Option 2:** lower the minimum time period for placement to qualify (eg, to three months)
- **Option 3:** remove the minimum time period for placement to qualify altogether.

Under all options, other existing eligibility requirements will still apply. In particular, the requirement that there has been a family breakdown in the child's family to be able to access the UCB will still apply. For OB this means that the child's parents must either be dead, missing or have a long-term serious disability.

Advantages and disadvantages of options

	Advantages	Disadvantages
Option 1	<ul style="list-style-type: none"> • Would enable short-term caregivers to take the care of a child, in circumstances set out in guidance. • Helps to contribute to the principle that regular, standardised payments should be available to, and accessible by, caregivers who provide day-to-day care of children whose parents are unable to care for them. • Enables rules and policies relating to the duration of the placement to be updated more easily to adapt to changing societal needs. 	<ul style="list-style-type: none"> • Provides less certainty for caregivers about their entitlement to support compared to Options 2 and 3. • Delegating discretion to frontline staff may make it more difficult to scrutinise decisions and ensure the payment is being correctly provided. This can create the potential for inconsistent treatment across regions. • Case Manager interview time will increase due to the discretionary nature of the decision, which will mean the assessment will potentially be longer. • Some fiscal risk, as it is not clear how many additional people would be eligible.
Option 2	<ul style="list-style-type: none"> • Would enable a larger group of caregivers to access the OB and UCB compared to the status quo. • Helps to contribute to the principle that regular, standardised payments should be available to, and accessible by, caregivers who provide day-to-day care of children whose parents are unable to care for them. • Provides clarity on the duration of an arrangement to qualify for the payment. 	<ul style="list-style-type: none"> • Does not fully address the underlying problem as it does not address caregiving situations where the duration of the arrangement may not be clear. This means some caregivers who should be able to access financial assistance would continue to miss out. • Some fiscal risk, as it is not clear how many additional people would be eligible.
Option 3	<ul style="list-style-type: none"> • Addresses the underlying problem as it would enable short-term caregivers and those caring for an unknown duration to access the OB and UCB. • Goes further than Options 2 and 3 to achieve the principle that regular, standardised payments should be available to, and accessible by, caregivers who provide day-to-day care of children whose parents are unable to care for them. • Compared to Options 1 and 2, this option extends OB and UCB to the largest proportion of caregivers who we consider should be able to access financial assistance under the above principle. • Retaining the requirement that there is either a family breakdown (UCB) or that the parent is dead, missing or long-term serious disablement (OB) would ensure that payments are only going to those who are providing primary day-to-day care. It still provides some ability to 	<ul style="list-style-type: none"> • Some fiscal risk, as it is not clear how many additional people would be eligible. • Likely to have the highest fiscal cost compared to Options 1 and 2 as the largest number of people would become eligible.

	<p>scrutinise the individual circumstances and determine whether the situation is a change in primary day-to-day care arrangements due to parents' ability to provide care being in question.</p> <ul style="list-style-type: none"> • Consistent with the views from stakeholders and the SME Group. 	
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Assessment against criteria

Criteria	Option 1	Option 2	Option 3
Effectiveness	✓	✗	✓✓
Operational impact	✗	✓	✓
Transparency and accountability	✗✗	✓	✓✓
Fiscal impact	✓	✓	✗

3.2 Which of these options is the proposed approach?

Preferred option for increasing the base rate for the OB and UCB

Option 1 (increase the base rate to help caregivers manage the immediate pressures caused by COVID-19 and make some progress towards better reflecting the costs generally incurred by any parent or caregiver raising a child) is the preferred option. While it would not completely achieve the strategic direction of the financial assistance system, it would help:

- to ensure caregivers are better equipped to manage the impacts of COVID-19, and in particular to enable them to better meet the reasonable costs of caring for a child, including safety equipment, and support greater placement stability
- address the significant underlying issue that the rates of OB/UCB/FCA are insufficient to enable caregivers to cover the cost of caring for a child who is unable to be cared for by their parents.

Option 2 (increase base rate to reflect the costs generally incurred) and Option 3 (Option 2 plus contributions toward connection babysitting costs) make significantly more progress towards the objectives and principles, however, have greater fiscal impact. The cost of Option 1 is \$143.1m over four years. The indicative cost over four years of Option 2 is \$419 – \$555.7m and of Option 3 is \$647m – \$823.4m. Options 2 and 3 would also require substantially more complex administrative changes.

Options 2 and 3 would fully address the issue that the rates of payments caregivers receive are insufficient and not considered fit for purpose to meet the costs of caring for a child. Option 3 would better enable children's care, protection and wellbeing needs to be met, by enabling caregivers to take breaks and to help build cultural connection.

Option 3, and to a lesser extent Option 2, would be the preferred options in the longer-term. However, at this stage Option 1 is the preferred approach as it is more fiscally appropriate in the context of the extent of other government expenditure to address impacts of COVID-19, recognising that progress towards the strategic direction for the system must be balanced with the need for fiscal responsibility and other Government priorities.

Preferred option for extending the Birthday and Christmas Allowances to OB and UCB caregivers to reduce disparities in levels of assistance provided to different groups of caregivers

Option 2 (extend the Birthday and Christmas Allowances to OB and UCB caregivers) is the preferred option as it would help make progress towards the principle that there should be no disparity in regular, standardised payments provided to support a child in State care, and a child living with a caregiver outside the State care system. It would also enable caregivers to give children in their care the same experiences as other children by providing gifts to the child at two

points in the year. Option 2 is preferred over Option 1 as it maintains consistency with how these allowances are treated for FCA caregivers and it would alleviate the financial impact on caregivers of celebrating important events in the year with a child, at the point in time that it is required.

Option 1 (Birthday and Christmas Allowances are incorporated into the base rate) would be an improvement on the status quo. It would help to reduce disparities in the levels of assistance available to OB and UCB caregivers compared to FCA caregivers. However, it is not recommended because costs included in a base rate payment should be regular and ongoing otherwise there is a risk that payments to cover one-off or irregular costs are absorbed within wider household expenditure. As birthdays and Christmas take place once a year, this option would require the caregiver to put aside a portion of their base rate payment over the course of the year. This may create a financial burden if the child's birthday or Christmas comes up shortly after the child comes into their care. It may also mean the amount for birthday and Christmas presents/celebrations are not set aside for these occasions.

Paying these allowances in a different manner to OB and UCB caregivers compared to FCA caregivers also introduces further complexity in the caregiver payment system, which is contrary to the simplified and more unified approach we are aiming for in the future.

Preferred option enabling short-term caregivers to access the OB and UCB

Option 3 (remove the minimum time period for placement to qualify altogether) is the preferred option because, compared to the other options, it would extend eligibility to OB and UCB to the largest proportion of caregivers who we consider should be able to access financial assistance, and is most consistent with the proposed policy intent of the payment.

Option 1 (create a legislative discretion for frontline staff) is not recommended because it would provide less certainty for caregivers about their entitlement to support and creates the potential for inconsistent treatment across regions.

Option 2 (lower the minimum time period for placement to qualify) is not recommended as it would not address situations where the likely duration of the placement was not clear. This means that some caregivers who we consider in principle should be able to access financial assistance would continue to miss out under this policy.

Together the preferred options create a comprehensive package to respond to the immediate pressures of COVID-19 as well as addressing significant issues arising from the review

The review identified significant issues with the caregiver payment system, while some will require longer-term work, there are key changes which can be made now to address the most pressing issues raised by stakeholders and which have been exacerbated as a result of COVID-19. These key issues relate to the sufficiency of their payments and access to assistance.

The impacts of COVID-19 have highlighted the need to ensure that children continue to be cared for in safe and stable homes. Options which increase the adequacy of payments will help to alleviate the acute pressure placed on caregivers and better enable them to meet the needs of children they are caring for. If a child's family situation does breakdown due to the ongoing impacts of COVID-19, enabling a wider range of caregivers to care for children outside of the State care system will support more safe and stable arrangements for children without the need for State intervention.

Ensuring adequate financial assistance that also assists with wider wellbeing needs, such as celebrating birthdays and Christmas, will also help ensure children are able to have normal experiences, contributing to wider child wellbeing during a time of uncertainty for many children and their caregivers.

The combined package balances achieving the outcomes sought with fiscal probity.

Section 4: Impact Analysis (Proposed approach)

4.1 Summary table of costs and benefits

Affected parties (identify)	Comment: nature of cost or benefit (eg, ongoing, one-off), evidence and assumption (eg, compliance rates), risks	Impact <i>\$m present value where appropriate, for monetised impacts; high, medium or low for non-monetised impacts</i>
Additional costs of proposed approach, compared to taking no action		
Regulated party (All caregivers and children who are (or would be under proposed eligibility criteria) in receipt of the OB or UCB).	Some additional administrative costs for caregivers to apply for financial assistance if they are caring for a child for less than twelve months (costs related to time taken, and measures taken, such as travel, to make an application).	Low
Regulators (MSD and Oranga Tamariki)	<p>The full costs for the \$209.91m package of caregiver support initiatives over four years are provided in the table in Appendix C, including:</p> <ul style="list-style-type: none"> — \$114.498 over four years to Vote Social Development for the increase to the OB and UCB base rate by \$25 per week per child — \$46.668m to Vote Social Development over four years (from 2020/21 to 2023/24 and then ongoing) for the extension of OB and UCB eligibility to short-term or temporary caregivers — \$16.931m to Vote Social Development over four years for the extension of the Birthday and Christmas Allowances to OB and UCB caregivers. 	\$209,914,000 for whole caregiver support package (2019/20 – 2023/24 and outyears)
Wider Government	No additional cost.	Nil
Other parties	No additional cost.	Nil
Total Monetised Cost	As summarised above.	As above
Non-monetised costs	No additional cost.	Nil
Expected benefits of proposed approach, compared to taking no action		
Regulated party (All caregivers and children who are (or would be under proposed eligibility criteria) in receipt of the OB, or UCB.	<p>These initiatives would benefit around 11,300 OB and UCB caregivers (of which around 40% and 46% respectively identify as Māori) and 17,400 children (of which around 57% identify as Māori) who are supported by these caregivers will benefit. Appendix D provides an Intervention Logic Model and Appendix E provides evidence to support the below summary of the expected impact of the initiatives.</p> <p>Impact for caregivers</p> <p>The proposals are expected to assist with the recruitment and retention of caregivers. The proposals are also expected to assist with placement stability and reduce caregivers' emotional and financial stress.</p>	Medium

	<p>Impact for children</p> <p>Around half of OB and UCB caregivers earn less than \$43,000 per year (approximately 45 percent). A large proportion of caregivers receiving the OB and UCB are receiving main benefit support through MSD (41 percent and 44 percent respectively). This suggests that caregivers may be looking after children as part of low-income households where resources are already stretched. Evidence indicates that increasing the financial resources of low-income households has benefits for the children in those households. In the short-term, benefits expected include decreased rates of maltreatment, decreased likelihood of a care and protection placement, and greater placement stability. The proposals are also expected to help better ensure children's needs are met.</p> <p>Impact for Māori</p> <p>The way Government supports caregivers is critical for helping to reduce disparities for Māori children and their whānau and ensuring tamariki Māori are thriving under the protection of whānau, hapū and iwi. The proposals are expected to contribute to this by reducing the disparities in financial assistance available to OB and UCB caregivers compared to FCA caregivers and increasing total levels of financial assistance. This is expected to enable more whānau, hapū, iwi and family groups to be able to care for children without the need for statutory intervention. Operational issues relating to access to payments need to be addressed in order to fully realise these benefits.</p> <p>Risks</p> <p>Based on the review of financial assistance for caregivers, we know that many caregivers were struggling financially to meet the costs of caring for a child in their care before the onset of the COVID-19 pandemic. There is a risk that the financial support provided as part of this package will not cover the compounding financial impacts of the pandemic and associated recession on caregivers. This risk may be mitigated by wider government measures to support those impacted, including the Wage Subsidy Scheme and the Income Relief Payment as well as the longer-term work to respond to the findings of the review of financial assistance for caregivers.</p>	
Regulators (Oranga Tamariki)	As discussed above, evidence indicates that in the short-term we would expect to see a decreased likelihood of children needing to enter or re-enter State care. This may result in some decrease in the demand for care and protection services.	Low
Wider Government (Ministries of Social Development, Health, Education, Justice and Corrections)	Evidence indicates that, in the long-term, the initiatives are expected to benefit wider government through improved educational attainment, health, and better employment outcomes for children. We also expect to see reduced future offending for children who have had a stable living arrangement with a caregiver.	Low
Other parties		
Total Monetised Benefit		Nil
Non-monetised benefits	As summarised above.	High

4.2 What other impacts is this approach likely to have?

See the below section on stakeholder views.

Section 5: Stakeholder views

5.1 What do stakeholders think about the problem and the proposed solution?

Summary of Engagement

From June through to August 2019, Oranga Tamariki carried out targeted engagement to better understand the experiences, difficulties, and concerns of key stakeholders. A mixed methodology, including quantitative and qualitative methods, was used to collect information. Engagement was tailored to meet the particular needs of the group and to ensure that stakeholders were given the opportunity to share their views.

The table below provides a summary of the stakeholders who took part in the engagement:

Stakeholder	Summary of Engagement
Caregivers	<ul style="list-style-type: none">met face-to-face with 154 caregivers at eight hui, fono, or drop-in consultation sessions in six locations around the country1,762 caregivers provided feedback through an online questionnairereceived feedback from 48 caregivers via a dedicated caregiver payment review email inbox.
Advocacy groups	<ul style="list-style-type: none">met face-to-face with:<ul style="list-style-type: none">the Youth Advisory Groupthe Children's CommissionerGrandparents Raising GrandchildrenFostering Kids.
Oranga Tamariki staff	<ul style="list-style-type: none">engaged with 167 Oranga Tamariki staff members via a short (10 question) Survey Monkey surveythe majority were frontline social workers (54%) and based at Oranga Tamariki operational sites (89%).
NGO providers	<ul style="list-style-type: none">engaged with five NGO providers through a questionnairemet face-to-face with 11 providers.

As part of the second stage of engagement, a Subject Matter Expert (SME) Group was established to test draft policy proposals under consideration. This included caregivers and representatives from care providers, advocacy groups, Māori and Pacific organisations.

Views on base rate increase and the proposed approach

Many caregivers who were consulted as part of this review do not consider the payments they receive to be sufficient to cover the cost of caring for a child. Generally caregivers considered that the base rate of payments, at a minimum, only covered the very basic costs associated with caring for a child (eg, food and clothing). Caregivers spoke of the challenges they face meeting other costs such as those that enable them to give a child the same experiences as other children or meeting the additional needs of a child (eg, relating to health and education).

Eighty-four percent of caregivers who responded through the online questionnaire as part of the review reported needing to pay for things for the child out of their own pocket, and of those, 34 percent reported doing this at least weekly.

The SME Group supported the approach to cover a further range of reasonable costs than is currently reflected in the base rate payments caregivers receive, and itemising the costs as it would provide more transparency for caregivers about what the payments are intended to cover (Options 2 and 3).

Views on issues relating to Birthday and Christmas Allowances

Caregivers and NGO providers raised concerns that those who receive the UCB are entitled to less financial, emotional and social support and training than caregivers who receive the FCA. The Birthday and Christmas Allowances were specifically identified by some OB and UCB caregivers, who questioned the rationale for these payments not being extended to them.

Stakeholders considered the lack of equity was discriminatory and unfair. For example, NGO providers told us that the discrepancy in support makes it feel as though caregivers who receive the UCB or OB are being punished for taking initiative to prevent children ending up in care. One caregiver said that while caregivers are all different, they are all the same – they have all given up their lives for other people's children.

Views on extending eligibility for OB and UCB to short-term caregivers

Many stakeholders, including caregivers, NGO providers and advocacy groups raised issues with eligibility criteria which requires the caregiver to prove they were likely to care for the child for 12 months or more. They felt that this was a barrier for many caregivers to access support, and it was difficult for caregivers to demonstrate that they met the 12-month rule. Many NGO and advocacy groups considered that it should be removed.

Some stakeholders also told us that there were exceptional circumstances that do not fit into the current policy settings, and that there needs to be a way to cater to this. For example, where parents are imprisoned for several months, or have illness or mental health issues which may resolve within the year, the children still need support while in the care of someone else.

Option 3 (remove the minimum time period for placement to qualify altogether) was the preferred option of the SME group.

Section 6: Implementation and operation

6.1 How will the new arrangements be given effect?

MSD is responsible for implementation/delivery and operation of the initiatives in this RIA. Oranga Tamariki has worked with MSD on development of the initiatives, operational considerations, and timeframes for delivery. Due to the resource required to operationalise the initiatives, and competing priorities for MSD to implement other initiatives to respond to COVID-19, implementation will not be able to begin immediately. The initiatives will start (payments will begin) from July 2021, December 2021, and January 2022, as set out below.

Legislative vehicle

In order to implement the initiatives, amendments to the Social Security Act 2018 are required. Increasing the base rate of OB and UCB requires changes to the Social Security Act 2018 via Order in Council. The remaining two initiatives require a Bill to make changes to the primary legislation (also the Social Security Act 2018) in order to remove the 12-month rule and allow for Birthday and Christmas Allowances to be paid for OB/UCB caregivers.

A Financial Assistance for Caregivers Bill is intended to be introduced to Parliament in 2020. Note that the base rate is also increasing for FCA, but legislative change is not required for this initiative.

Communications

The initiatives were announced as part of Budget 2020 announcements. Further communications to the public will take place when a Bill is introduced to Parliament, and when the initiatives start. Direct communication (such as letters and/or emails and texts) with the relevant caregivers will occur shortly before new payments begin. MSD will develop guidance for frontline staff on the changes. MSD will also ensure there is appropriate information on their website so that current and new caregivers are aware of their eligibility.

Implementation

System changes are required before the initiatives start. Agencies have agreed start dates for the initiatives that allow sufficient time for MSD's implementation work to take place. These implementation dates were chosen to ensure MSD had enough time to prepare to implement the initiatives and ensure any risks are identified with enough time to mitigate them. The table below sets out start dates and implementation details (including transitional arrangements) for the initiatives. MSD will develop implementation plans for the initiatives that identify risks and mitigations.

Start date	Initiative	Implementation details
6 July 2020	Base rate increase for OB/UCB (and FCA) comes into effect	<p>The base rate will increase from 6 July 2020. Clients will not have to do anything to receive the higher rate as the change will happen automatically (like AGA).</p> <p>Clients will begin to see the increased amount in their bank account the week beginning 13 July 2020 (as MSD pays a week in arrears).</p> <p>Comms are being developed including letter templates to clients, website content, heads up emails/texts to clients and internal comms to staff.</p> <p>MSD will also test the IT changes before going live, and work on processing exceptions and transitional arrangements.</p>
1 July 2021	Short-term caregivers initiative (removal of the 12-month rule), to take effect for all new applications from this date	This change will take effect for all new applications for OB and UCB, and applications that have been made, but for which no decision has been made, from 1 July 2021. Existing OB and UCB caregivers who meet the revised eligibility criteria will be able to apply for children in their care as at 1 July 2021 but will not be able to receive

		payments in arrears (back-dated payments). Any further transition issues will be identified and addressed by MSD as part of the implementation process.
December 2021	Christmas Allowance	Paid in December 2021, with first payments to children cared for by OB and UCB caregivers provided for Christmas 2021.
January 2022	Birthday Allowance	The Birthday Allowance will be paid in the month of the child's birthday from January 2022.

Section 7: Monitoring, evaluation and review

7.1 How will the impact of the new arrangements be monitored?

The investment will be supported by a multi-year programme to evaluate the changes to eligibility settings and rates of payments. This will assess whether the proposals are implemented as expected and have the impacts anticipated, and build the evidence base. The evaluation will be conducted with the support of MSD. Consultation with key groups, particularly Māori whānau and caregivers, will ensure that their voices can be heard.

The evaluation activities include:

- **Process evaluation (first report back – September 2021)**
- **Impact evaluation – short-term outcomes (first report back – March 2022)**
- **Impact evaluation – medium-term outcomes (first report back June 2024)**
- **Synthesis of findings across the evaluations, including monitoring data for uptake and costs (first report back June 2024).**

We do not anticipate that the evaluation will require additional data to be collected, on top of that already being collected by MSD and Oranga Tamariki.

7.2 When and how will the new arrangements be reviewed?

Analysis undertaken as part of the review, informed by stakeholder feedback, has confirmed that a long-term work programme is required to address the wide range of systemic and fundamental issues with the current system of financial assistance for caregivers. In particular, the review highlighted the complex and fragmented nature of the system of assistance, which involves different payments, agencies and funding models. Addressing these issues comprehensively would require fundamental system reform to develop a simpler and more unified system of caregiver financial assistance. The interaction of the payments with the welfare and tax systems is also complex, and any changes need to be aligned with wider work on the welfare system.

Further work on the rates of payments to caregivers will be undertaken as part of the long-term work programme, and findings from the evaluation will feed into this process as well as the wider work to reform the system of financial assistance for caregivers.

Appendix B: Objectives and principles of the caregiver financial assistance system

On 16 December 2019 Cabinet considered the proposed response to the review of financial assistance for caregivers [SWC-19-MIN-0199; CAB-19-MIN-0672 refer]. It noted that currently there is no set of purpose and principles for the system of financial assistance for caregivers as a whole. It confirmed the role the State has in relation to caregivers and agreed to a set of objectives and principles which set a strategic framework for the system of financial assistance for caregivers. These key decisions are set out below. Budget 2020 funded initiatives are the first step to transforming the system in line with this strategic direction.

The role of the State

The State has a role in providing 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.

Objectives for financial assistance for caregivers

Financial assistance for caregivers should seek to help achieve the following objectives, that are informed by the Oranga Tamariki outcomes framework, and intended to contribute to achieving the outcomes set in the Child and Youth Wellbeing Strategy:

- 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.

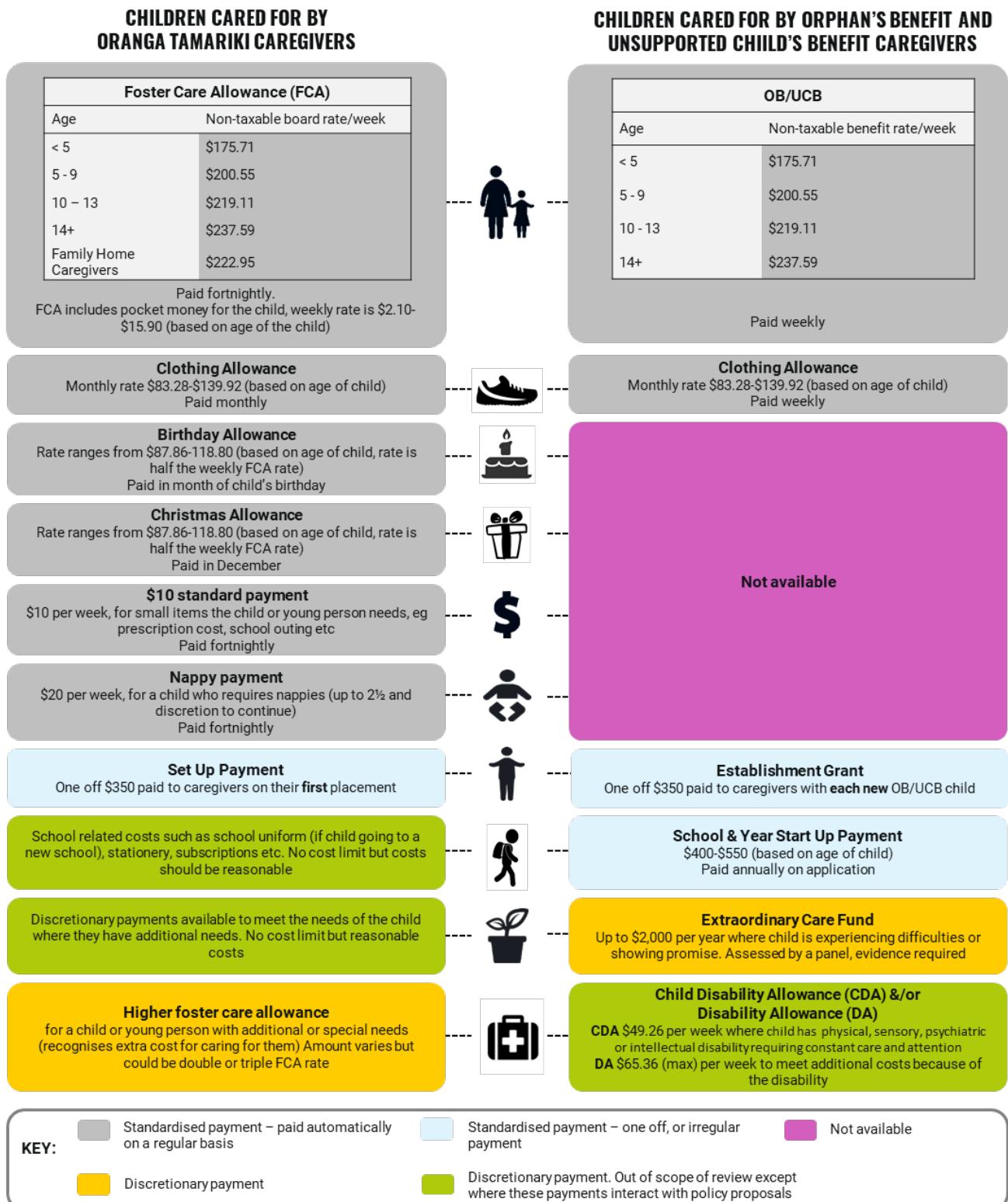
Principles of financial assistance for caregivers

Financial assistance for caregivers should be based on the following principles, recognising that progress towards these must be balanced with the need for fiscal responsibility and other Government priorities:

- Financial assistance for caregivers should provide for the reasonable costs of caring for the child.
- Regular, standardised payments should be available to, and accessible by, caregivers who provide the day-to-day care of children whose parents are unable to care for them.
- There should be no disparity in the standardised payment rate provided to support a child in the State care system, and a child living with a caregiver outside the State care system whose parents are unable to care for them.
- Additional needs-based financial support should be available to, and accessible by, caregivers who provide the day-to-day care of children whose parents are unable to care for them.
- Financial assistance for caregivers should not duplicate other social assistance.
- Financial assistance for caregivers should be accompanied by wider, non-financial support for caregivers.

Appendix B: Financial assistance available to caregivers

The diagram below sets out the range of payments available to FCA caregivers caring for children in State care, and OB and UCB caregivers who are caring for children outside of the statutory system. Rates are effective from 1 April 2020.



Appendix C: Full costs of initiatives ('000s)

		2019/20	2020/21	2021/22	2022/23	2023/24	Outyears	TOTAL
Base rate	Benefit Spend - OT	-	7,096	7,096	7,096	7,096	7,096	28,383
	Benefit Spend - MSD	-	25,899	27,512	29,264	31,111	31,111	113,786
	Operational - MSD	-	712	-	-	-	-	712
	Operational - OT	-	-	-	-	-	-	-
	Evaluation	-	30	83	-	73	-	185
	Other	-	-	-	-	-	-	-
	TOTAL	-	33,736	34,690	36,360	38,280	38,207	143,066
Extend Bday/Xmas	Benefit Spend - MSD	-	543	4,539	4,858	5,180	5,180	15,120
	Operational - MSD	-	1,611	31	31	31	31	1,704
	Operational - OT	-	-	-	-	-	-	-
	Evaluation	-	30	41	-	36	-	108
	Other	-	-	-	-	-	-	-
	TOTAL	-	2,183	4,611	4,889	5,248	5,212	16,931
No 12 month rule	Benefit Spend - MSD	-	-	8,578	16,720	17,787	17,787	43,085
	Operational - MSD	-	447	735	914	1,083	1,077	3,178
	Operational - OT	-	-	-	-	-	-	-
	Evaluation	-	30	41	-	36	-	108
	Other	-	-	99	99	99	-	297
	TOTAL	-	477	9,453	17,733	19,005	18,864	46,668
Respite	Benefit Spend - OT	-	3,086	-	-	-	-	3,086
	Operational - MSD	-	-	-	-	-	-	-
	Operational - OT	132	-	-	-	-	-	132
	Evaluation	-	30	-	-	-	-	30
	Other	-	-	-	-	-	-	-
	TOTAL	132	3,116	-	-	-	-	3,248
TOTAL	Benefit Spend - MSD	-	26,442	40,628	50,843	54,079	54,079	171,991
	Benefit Spend - OT	-	10,182	7,096	7,096	7,096	7,096	31,469
	Operational - MSD	-	2,769	766	945	1,114	1,108	5,594
	Operational - OT	132	-	-	-	-	-	132
	Evaluation	-	120	165	-	145	-	430
	Other	-	-	99	99	99	-	297
	TOTAL	132	39,513	48,754	58,983	62,532	62,282	209,914

Appendix D: Intervention Logic Model

Problem or opportunity: The review of financial assistance for caregivers confirmed that the current financial assistance system is not fit-for-purpose. In particular, the financial assistance caregivers receive does not adequately cover the costs of caring for children or enable caregivers to provide children with the same experiences as other children and meet their additional needs. The eligibility settings and processes also pose barriers for caregivers and may mean that some children are in care arrangements where caregivers are not financially supported to provide quality care. Inadequate financial assistance can contribute to: children's full range of needs not being met; additional stress for families which is heightened for those with low-incomes; placement breakdown; child poverty; poor child wellbeing outcomes in health and education. Current financial settings may disadvantage non-statutory caregivers (for which a significant proportion are Māori), in some cases a child's needs may be better met in State care, primarily because the financial support available outside of the statutory system could be inadequate to meet the nature of the assessed needs a child in care is likely to have.

INPUTS/ACTIVITIES

What will we do to address the problem or opportunity described?

Revise the base rate of the Foster Care Allowance (FCA), Orphans Benefit (OB) and Unsupported Child's Benefit (UCB), which would be an interim step towards a base rate that better covers the costs generally incurred by any parent or caregiver caring for a child.

Extend Birthday and Christmas Allowances to OB and UCB caregivers

Extend eligibility for OB and UCB to short-term and temporary caregivers

OUTPUTS

What outputs will we see as a result of our activities?

Children's day-to-day needs are better met (eg relating to housing, food and clothing), including those living with caregivers for a short period of time or for an unknown duration

Children can celebrate birthdays and Christmas' like their peers

Caregivers, including short-term caregivers, are less likely to have to pay for day-to-day costs of caring for the child out of their own pocket and are better able to manage costs

SHORT-MEDIUM TERM OUTCOMES

What improvements to wellbeing will we see in the short-medium term?

TAMARIKI MĀORI ARE THRIVING UNDER THE PROTECTION OF WHĀNAU, HĀPU AND IWİ

- More whānau, hapū and iwi are able to care for children outside of the State care system
- Increased parity in the financial assistance available between OB and UCB caregivers, and FCA caregivers

CHILDREN ARE LIVING IN SAFE AND STABLE HOMES

- Children have more safe and stable home environments
- Caregivers have reduced emotional and financial stress
- Caregivers have improved financial stability
- Increased caregiver satisfaction and sense of value
- Increased caregiver recruitment and retention

CHILDREN'S CARE, PROTECTION AND WELLBEING NEEDS ARE MET

- Children's full range of needs are better met, including recovering from trauma
- Caregivers provide loving, nurturing and enriched home environments, improving child wellbeing

THE NEED TO ENTER STATE CARE IS REDUCED

- Increased use of care arrangements outside of the State care system
- More children are in safe and stable arrangements with their family, whānau, hapū, iwi or family group

LONG TERM OUTCOMES

What improvements to wellbeing will we see in the longer term?

IMPROVED:

- Child educational attainment and participation
- Child health
- Child future employment
- Availability of appropriate placements for children

REDUCED:

- Child and household poverty
- Disparities in outcomes for children who have been living with a caregiver (including living with statutory and non-statutory caregivers)
- Future offending

Alignment with 7AA and mana tamaiti: This initiative will support achievement of the following mana tamaiti objectives: (1) we support, strengthen and assist whānau Māori to care for their tamaiti/tamariki to prevent their removal from home into care or a YJ response; (2) we place tamariki Māori (including their siblings) with members of their wider whānau, hapū or family group, and ensure support and assistance is provided to meet their needs; (3) we support tamariki Māori to establish, maintain or strengthen their sense of belonging through cultural identity and connections to whānau, hapū and iwi.

Appendix E: Evidence to support impacts of initiatives

Evidence supporting impact for caregivers	
Caregivers have reduced emotional and financial stress	Research highlights clear links between increased income and reduced emotional and financial stress (MSD and Oranga Tamariki, 2019).
Caregivers have improved financial stability	Increased financial stability will be achieved through increases to the base rate of the OB and UCB.
Increased caregiver satisfaction and sense of value	A range of research highlights the link between increased financial support and improved caregiver satisfaction and sense of value. A recent literature review completed by the Oranga Tamariki Evidence Centre (2019) noted a consensus in the literature, that while financial support is not the core motivator to become a caregiver, financial reimbursement is a key contributor to caregiver satisfaction. This finding is also reflected in a recent survey of Oranga Tamariki caregivers that received 1,283 responses, which noted that a caregiver's perception of whether financial support is adequate significantly contributes to overall satisfaction (Oranga Tamariki Evidence Centre, 2019: Caregiver satisfaction survey; regression analysis).
Increased caregiver recruitment and retention	<p>International evidence demonstrates a strong link between financial assistance and caregiver retention. Literature identifies a well-established relationship between increases in financial assistance and the decision to remain a caregiver. Studies suggest increased financial assistance has the potential to improve caregiver retention by up to 30%. For example:</p> <ul style="list-style-type: none"> — in the US, a study involving survey responses from 1,094 caregivers found that the overall allowance amount paid to caregivers significantly predicted whether they continued to be active foster parents, with caregivers receiving the highest allowance three times more likely to continue actively fostering than those who received the lowest allowance, which was around 50% of the highest allowance rate (Campbell & Downs, 1987 cited in Oranga Tamariki Evidence Centre, 2019: professionalisation of caregivers evidence brief). — A randomised control trial conducted in the US found caregivers who received a \$70 month stipend in addition to their regular reimbursement ceased caregiving at a rate two-thirds less than a control group who did not receive a stipend (noting that values are in 1992 dollars) (Chamberlain, Moreland, & Reid, 1992 cited in Oranga Tamariki Evidence Centre, 2019: professionalisation of caregivers evidence brief). <p>The relationship between caregiver retention and financial support may reflect an improved ability to cover child-related costs incurred through fostering, compensation for hours lost through reduced employment, and more financial freedom. In particular, studies draw a link between levels of financial assistance that enable caregivers to stay out of the paid workforce, and increased retention (see Oranga Tamariki Evidence Centre, 2019: professionalisation of caregivers evidence brief). However, as previously noted, studies also typically acknowledge that financial assistance is not the core motivator for initial recruitment.</p> <p>Evidence also suggests that increasing caregiver's satisfaction and sense of value is also likely to result in improved retention and recruitment. For example, several studies have identified overall satisfaction as a key factor associated with foster carer retention (Denby, Rindfleisch, & Bean, 1999; Sinclair, Gibbs, & Wilson, 2004; Eaton and Caltabiano, 2009 cited in Randle, Miller, & Dolnicar, 2018).</p> <p>Research shows the most effective means of attracting and recruiting new caregivers is through 'word of mouth' – ie, knowing or meeting a caregiver (McGuinness & Arney, 2012, cited in Oranga Tamariki Evidence Centre,</p>

2018: care services benefits realisation). However, for this form of recruitment to be effective, caregivers must be satisfied in their roles. Given evidence highlights a link between financial support and caregiver satisfaction, providing increased financial assistance is likely to result in caregivers becoming more effective recruiters.

While a number of these studies relate to caregivers of children in state care, we anticipate the same results among caregivers in receipt of the OB, or UCB.

Evidence supporting impact for children

Children have more stable home environments	<p>A study by Pac (2017) found that a 1% increase in a stipend to cover necessities decreased the likelihood of placement disruption by 27%. This effect is moderately significant for children living with kinship caregivers and insignificant for children living with nonrelative foster caregivers.</p> <p>Research undertaken in the US by Duncan and Argys (2007) found a \$100 increase in the basic monthly foster care payment reduced the number of times a child was moved from one foster placement to another by 20%. At the time the data was collected in 1998 the basic foster care payment in US states observed ranged from a low of just over \$200 per month to over \$700 per month.</p> <p>Doyle and Peters cited in Oranga Tamariki Evidence Centre, 2019: Professionalisation of caregivers evidence brief also found a link between increased financial assistance and placement stability.</p> <p>The strength of the relationship between financial support and placement stability suggested by these studies may not necessarily directly translate to a NZ context. These studies suggest we are likely to see a positive impact, but we cannot precisely quantify this.</p>
Children have more safe home environments	<p>There is a large body of international research that demonstrates a causal link between increased income and improved outcomes for children. For example, several experimental and quasi-experimental studies have found a significant relationship between income increases and reduced incidence of child maltreatment. These studies suggest even modest increases in income can reduce maltreatment by a significant margin, for example:</p> <ul style="list-style-type: none">— a 10% increase in the maximum benefit was predicted to reduce the foster care population by nearly 20% (Paxson & Waldfogel, 2002, cited in Oranga Tamariki Evidence Centre, 2019)— a 16% increase in the minimum wage implies a 9.6% decline in neglect reports, particularly for young and school-age children (Raissian and Bullinger, 2016)— a 30% reduction in income can increase the risk of children entering an out-of-home placement by 25% (Oranga Tamariki Evidence Centre, 2019). <p>These benefits are particularly pronounced for parents supported by a benefit or with low incomes (Rostad, Rogers and Chaffin, 2017). These studies provide a strong empirical basis for the link between increased income and reduced risk of child welfare involvement, which may be associated with an increased ability to meet children's basic needs and reduced parental stress.</p>
Improved child educational attainment and participation Improved child health Improved child future employment	<p>There is strong evidence to suggest the short-term outcomes anticipated through this initiative can translate to improved long-term wellbeing across a range of domains. For example:</p> <ul style="list-style-type: none">— There is a large body of research highlighting the link between family poverty and poor long-term outcomes relating to health, psycho-social development, housing, education, and involvement with the care, protection and youth justice systems (for a recent review, see MSD, 2018, <i>Rapid evidence review: The impact of poverty on life course outcomes for children, and the likely effect of increasing the adequacy of welfare benefits</i>). Research also provides some evidence that increases in household income from cash transfers positively affects child and adult outcomes (MSD, 2018). Therefore,

Reduced child and household poverty	we expect that increases in the financial assistance payment settings will result in improved long-term outcomes.
Reduced future offending	<p>— Research highlights a link between supporting children to recover from trauma and improved long-term wellbeing. Children affected by trauma are more likely to disengage from education, have substance abuse issues, be unemployed as adults, offend, and experience physical, mental, and developmental challenges (Klain & White, 2013, cited in Oranga Tamariki Evidence Centre, 2018: Care Services benefit realisation). Therefore, we expect that meeting children's full range of needs, including supporting them to recover from trauma, can contribute to mitigating these negative outcomes.</p> <p>There is a range of evidence linking placement stability with improved wellbeing outcomes. For example, research suggests children in stable placements require fewer mental health services, and have less severe behavioural problems, better educational outcomes, and improved psychosocial development (see Randle, Miller & Dolnicar, 2018). Conversely, research has also found failing to provide children safe and stable homes can lead to attachment disorders, growth delays, criminal offending, and unemployment (Prior and Glaser, 2006 cited in Hayduk, 2014; Kaye and White, 2008; Currie and Tekin, 2012; Currie and Widom, 2010).</p>
Reduced disparities in outcomes for children who have been living with a caregiver (including living with statutory and non-statutory caregivers)	This initiative will target children living with caregivers (including living with statutory and non-statutory caregivers) and will result in the benefits outlined above. Therefore, it will reduce the disparities in outcomes for these children, compared to children in the general population.
Improved availability of appropriate placements for children	Increasing caregiver recruitment and retention in the short-term will lead to improved long-term outcomes for children. A care system which has more caregiver options available for children in care, is better able to ensure the successful matching of a child with a caregiver option that can meet the needs of that child. The match between a child and the caregiver, with whom they are placed, is one of the most significant predictors of positive outcomes for children in foster care (Schofield, Beek, & Ward, 2012; Southerland, Mustillo, Farmer, Stambaugh, & Murray, 2009; Winokur, Holtan, & Batchelder, 2014, cited in Oranga Tamariki Evidence Centre (December 2018): Care Services benefit realisation)
Evidence supporting impact for Māori	
Increased use of care arrangements outside of the State care system	There is some evidence to suggest higher levels of financial support will increase the likelihood that children are placed with family members, or in placements outside the State care system. Several studies have identified a supply-demand relationship between stipend amounts, and the willingness of families to provide care, finding almost universally that an increase in stipend increases a family's willingness to do so (see Pac, 2016). Family placements typically involve lower income families, therefore research suggests kinship placements may be more sensitive to changes in stipend than foster families (Pac, 2016).
More children are in safe and stable arrangements with their family, whānau, hapū, iwi or family group	
More whānau, hapū and iwi are able to care for children outside of the State care system	