

Chair  
Cabinet

## **PAPER E – VULNERABLE CHILDREN'S BILL: PREPARING CHILDREN IN CARE FOR THE FUTURE**

### **Proposal**

- 1 In April 2013, Cabinet approved a number of changes that will improve the experiences of children<sup>1</sup> while they are in care and transitioning out of care including a new Strategy for Children and Young People in Care (the Care Strategy) [CAB Min (13)13/4 refers].
- 2 As part of this work, I wish to improve the long-term financial outcomes of children in care by giving them the opportunity to have a head-start in saving for their future. I plan to achieve this through the KiwiSaver programme. Ensuring all children in care can be enrolled in KiwiSaver requires an amendment to the KiwiSaver Act 2006.

### **Executive summary**

- 3 In September 2012, Cabinet agreed to a programme of reforms through the White Paper for Vulnerable Children (the White Paper) to better respond to children who have been abused or neglected, or are at high risk of being abused or neglected. One of the reforms Cabinet agreed to was the development of the new cross-agency Care Strategy [CAB Min (12) 34/9 refers].
- 4 One of the workstreams under the Care Strategy involves considering measures to improve the long-term outcomes of children in state care. This has included work to improve transitions from care to a Home for Life, and independent living. Cabinet agreed in April 2013 to specific care and protection legislation changes designed to improve outcomes for children in care, including those transitioning from care [CAB Min (13)13/4 refers].
- 5 To further support these changes, I want to improve the long-term financial outcomes of children leaving care. I propose to achieve this through the KiwiSaver programme. To ensure all children in care can benefit from KiwiSaver, I propose that the Chief Executive of the Ministry of Social Development (CE) or a contracted social service provider with guardianship of the child, have the ability to open and manage a KiwiSaver account for that child. This requires amendment to the KiwiSaver Act 2006.

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<sup>1</sup>The term children includes both children and young people

- 6 Supporting children in care to open, and later operate, a KiwiSaver account will:
- provide them with the same opportunities available to those whose parents enrol them in KiwiSaver
  - help children to develop an understanding of finance and banking
  - encourage an early understanding of the importance of saving for the future
  - give them a head-start with their saving
  - assist with financial security in later life
  - help to achieve the goal of home ownership in adulthood by providing funds toward a first home deposit.
- 7 I also propose that the public have the opportunity to contribute to the KiwiSaver accounts of children in care through payroll giving.

## **Background**

- 8 In September 2012, Cabinet agreed to a programme of reforms through the White Paper to better respond to children who have been abused or neglected, or are at high risk of being abused or neglected. Cabinet also agreed that the White Paper signal the Government's intention to introduce a Vulnerable Children's Bill [CAB Min (12) 34/9 refers].
- 9 The White Paper set out a clear action plan (the Children's Action Plan) to improve outcomes for vulnerable children, including:
- developing a cross-agency Care Strategy to improve life-outcomes for children in, and transitioning from, care
  - providing individuals, corporates and other groups with opportunities to play their part by helping vulnerable children.
- 10 One key area of the Children's Action Plan is the development and implementation of the new Care Strategy. Many young people who have been in long-term care move into adult life without adequate preparation or support.
- 11 The Care Strategy has been split into nine work-streams, one of which is transitions from care. This work is focused on improving multi-agency planning and support for children and young people moving into, or out of, care or between placements. I specifically want to ensure:
- carers are well supported when children come into their care
  - transition out of care is well managed and supported, including health, education and employment
  - children and young people in care receive the transition services they need from other agencies such as Work and Income, Housing New Zealand, the Ministry of Justice and other relevant services
  - transitions between placements and out of care are well managed and address all aspects of the child or young person's immediate or longer term care needs

- school transitions are kept to a minimum, and those that do take place are fully supported so children and young people can readily access and be engaged in education.
- 12 In April 2013, as a result of the work completed to date under the Care Strategy, Cabinet agreed to specific care and protection legislation changes that would improve the outcomes of vulnerable children, including children in care. These changes included:
- new guardianship provisions to provide increased security for children who leave out-of-home care to live permanently with Home for Life caregivers
  - better support, including financial support, for young people transitioning to independent living.
- 13 To support work on transitions, I asked officials to consider other ways of helping children who leave care to get a good and fair start to their independence including ways to give them a head-start with their savings, encourage an early understanding of saving, and assist with financial security in later life.
- 14 Another part of this work, which is still under development, is considering scholarships and grants for vulnerable children, which will have the potential to influence outcomes earlier in the life-course.

### **Rationale for this proposal**

- 15 Children requiring care and protection from the state are our most vulnerable. They often have had unstable living arrangements, chaotic family lives and experienced very poor parenting. They need support to recover and get the best from life. The CE or contracted service provider who is appointed as child's guardian while they are in care has similar responsibilities as a parent, including promoting their longer term financial wellbeing.
- 16 Assisting children in care to save for the future will ensure they receive the benefits that are available to children whose parent(s) encourage and support savings. It will also promote an understanding of finance and banking and the importance of saving for the future, assist with financial security in later life, and help to achieve the goal of home ownership in adulthood.
- 17 One of the ways of assisting children in care to have the same financial opportunities as a child who lives with its parents is by ensuring each child in care has a KiwiSaver account. This will provide a vehicle for the child's financial learning, the basis for financial security in later life, and will also provide a process for the public to contribute.
- 18 Making sure that children in care are given these opportunities supports, and links to, the Care Strategy and care and protection changes to improve outcomes for children in care, and support children transitioning from care. It also has the potential to contribute to two broader objectives underpinning the Children's Action Plan:
- mitigation of the poor life outcomes frequently experienced by vulnerable children
  - individuals, businesses and communities recognising that the wellbeing of children is everyone's responsibility, and taking action to support vulnerable children.

## **Opportunity for the public to contribute**

- 19 I want to give the public the opportunity to contribute to the savings of children in care in the same way that a parent might. This can occur primarily through payroll giving. Payroll giving allows individuals to make donations directly from their pay to a chosen 'donee organisation' and receive instant tax credits. These contributions will allow the full benefit of compounding interest for the child's long-term benefit.
- 20 A non-government organisation (NGO) would act as a 'donee organisation' and would solicit the public for donations, receive the money, and make arrangements for the distribution of funding across the eligible savings accounts. Inland Revenue (IRD) would distribute monies to individual accounts, on the basis of information provided to them by the administering NGO.
- 21 Any costs of an administering NGO will be brought to the Vulnerable Children's Board for its consideration.

## **Proposed amendments to legislation to assist children in care to save**

- 22 Currently, the KiwiSaver Act requires the consent of all guardians to enrol a child under the age of 16 years in KiwiSaver. Almost all children and young people under the guardianship of the CE or contracted social service providers continue to have other legal guardians. Gaining the consent of all guardians for this group is likely to be problematic as guardians may be difficult to locate, or reluctant to engage with Child, Youth and Family or to otherwise give consent.
- 23 To ensure that the CE or contracted service provider who has been appointed as guardian is able to provide the same access to KiwiSaver as is available to other children, I propose that the KiwiSaver Act 2006 is amended to:
  - provide the CE or contracted social service provider with the authority to solely enrol all child under 16 years of age in a KiwiSaver provider scheme who have been in its sole or additional guardianship for 12 months or longer
  - specify that while the CE or contracted social service provider acts as a guardian, no other guardian can make decisions about the management of the child's KiwiSaver account, until the child is discharged from guardianship
  - transfer responsibility for maintaining the KiwiSaver account to the new guardians when guardianship to the CE or contracted social service provider is discharged.
- 24 If the KiwiSaver proposal were to be implemented within the next 12 months, approximately 2,400 children would be eligible to be enrolled in KiwiSaver immediately. An estimated additional 380 children would become eligible each year thereafter.

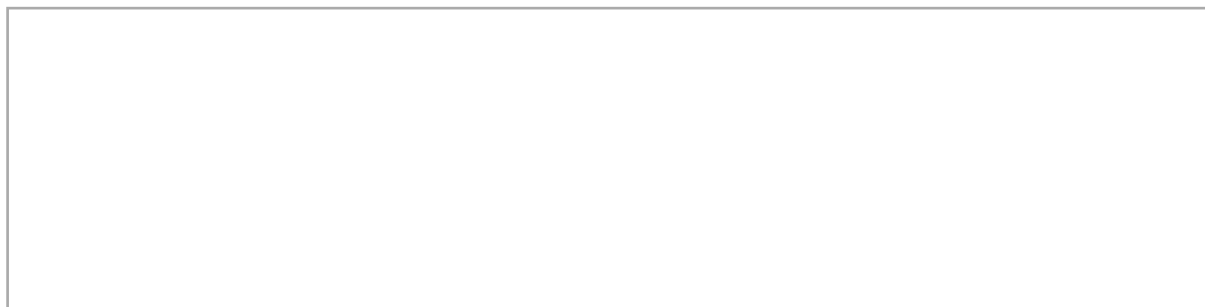
## **Risks**

- 25 The proposal essentially commits children who are enrolled in KiwiSaver to a long-term investment scheme that requires compulsory contributions once an individual starts employment, until the age of 65 years. The minimum KiwiSaver contribution requirements could potentially cause hardship for some individuals, particularly those managing debt.

- 26 However, this risk is mitigated by the ability to take contribution holidays of up to five years, once the individual has been a member for 12 months. Early contribution holidays before 12 months of membership are also available in some circumstances. There are no financial compliance costs associated with contribution holidays, and no limit to the number of holidays that can be taken. The situation is no different to that experienced by other children enrolled in KiwiSaver by their parents, and ultimately reflects the nature of retirement savings schemes.
- 27 Overall, I consider the potential benefits of early enrolment in KiwiSaver outweigh the risks, and the proposal seeks to provide a pragmatic and administratively simple approach.

### **Consultation**

- 28 This paper was prepared by the Ministries of Health and Social Development.
- 29 The following agencies have been consulted: the Ministries of Justice, Education, Pacific Island Affairs, Business, Innovation and Employment (MBIE), IRD, New Zealand Police and Treasury. The Department of Prime Minister and Cabinet has been informed.
- 30 IRD and MBIE note that, from a technical perspective, the proposed amendment will not undermine the KiwiSaver scheme, and can be relatively easily implemented by IRD and by providers within existing processes and protocols. Agencies have raised no substantive objections.



### **Human rights implications**

- 32 There are no apparent inconsistencies with the New Zealand Bill of Rights Act 1990 in relation to the proposed amendments.

### **Legislative implications**

- 33 The proposals in this paper will be included in the Vulnerable Children's Bill, which is proposed for introduction in August 2013.
- 34 Drafting instructions will be issued to the Parliamentary Counsel Office based on Cabinet decisions.
- 35 I am also seeking authorisation to make any minor technical and administrative changes required to finalise draft legislation, in consultation with other Ministers as appropriate. Any

substantive policy decisions required to finalise draft legislation for inclusion in the Vulnerable Children's Bill will be submitted to Cabinet for decisions.

### **Regulatory impact and compliance cost statement**

- 36 Discussion with the Treasury indicates that a Regulatory Impact Statement will not be required for the KiwiSaver proposal.

### **Gender implications**

- 37 There are no specific gender implications of the proposals in this paper.

### **Disability perspective**

- 38 One of the characteristics of children in long-term care is that they are likely to have more disabilities than children who remain living with parents. This proposal has the potential to directly benefit those disabled children.

### **Publicity**

- 39 Public announcements about the introduction of the Vulnerable Children's Bill will be co-ordinated by the Office of the Minister for Social Development.

### **Recommendations**

- 40 It is recommended that Cabinet:
- 1 **note** that on 24 September 2012, Cabinet considered the White Paper for Vulnerable Children and agreed to a programme of reforms, including the development and implementation of a new, multi-agency Strategy to ensure children and young people in State care get the services and support they need [CAB Min (12) 34/9 refers]
  - 2 **note** that in April 2013, Cabinet agreed to a number of changes to support children in care and transitioning from care, including better support, including financial support, for young people transitioning to independent living [SOC Min (13) 7/7 refers]
  - 3 **note** that to support these changes, and to provide opportunities for children in care to develop financial literacy and assist with financial security in later life, I intend to make provision for the Chief Executive of the Ministry of Social Development or a contracted social service provider to establish KiwiSaver accounts for children who are in their guardianship for 12 months or longer
  - 4 **note** that the public will be given the opportunity to make donations into the KiwiSaver accounts through payroll giving
  - 5 **note** that the requirement in the KiwiSaver Act 2006 for all guardians of a child under 16 years to sign a KiwiSaver provider contract is a potential barrier to enrolling children and young people under guardianship of the CE or contracted social service

provider in KiwiSaver, due to the administrative burden of locating and obtaining the agreement of the child's parents and any other guardians

- 6 **agree** that the KiwiSaver Act 2006 be amended to provide the Chief Executive of the Ministry of Social Development or contracted social service provider with the authority to solely enrol a child or young person under 16 years in its guardianship in a KiwiSaver provider scheme
- 7 **agree** that the KiwiSaver Act 2006 be amended to specify that while the Chief Executive of the Ministry of Social Development or contracted social service provider acts as a guardian to enrol a child or young person in KiwiSaver, no other guardian can make decisions about the management of the child's KiwiSaver account, until the child or young person is discharged from that guardianship



- 9 **note** that any future costs for a non-government organisation to administer public donations to KiwiSaver will be brought back to the Vulnerable Children's Board for further consideration
- 10 **invite** the Minister for Social Development to issue drafting instructions for the Parliamentary Counsel Office to draft sections for inclusion in the Vulnerable Children's Bill, that will give effect to the decisions in the recommendations in this paper
- 11 **authorise** the Minister for Social Development to make the minor technical and administrative changes required to finalise draft legislation giving effect to the proposals in this paper, in keeping with the overall policy aims of the proposals, in consultation with other Ministers as appropriate
- 12 **note** that any substantive policy decisions required to finalise draft legislation for inclusion in the Vulnerable Children's Bill will be submitted to Cabinet for decisions.

Hon Paula Bennett  
Chair  
Ministerial Oversight Group

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