

## Cabinet Paper material

### Proactive release

Minister & portfolio Hon Chris Hipkins, Minister of Education, Hon Carmel Sepuloni, Minister of Social Development  
Name of package COVID-19: Funding of childcare for essential workers  
Date considered 3 April 2020  
Date of release

#### **These documents have been proactively released:**

##### **Advice paper: Funding of childcare for essential workers**

Date considered: 3 April 2020

##### **Decision minute: Funding of childcare for essential workers**

Date considered: 3 April 2020

#### **Material redacted**

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<http://legislation.govt.nz/act/public/1982/0156/latest/DLM64785.html>

# Decision paper:

## FUNDING OF CHILDCARE FOR ESSENTIAL WORKERS

To	Cabinet Committee on COVID-19 Response		
From	Ministry of Education, Ministry of Social Development	Date	2/04/2020

### Purpose

1. This paper follows up decisions made on 25 March 2020 by the COVID-19 Ministerial Group [CAB-20-MIN-0130]. Those decisions confirmed an approach to ensuring the availability of childcare for the children of essential workers during the 4-week lock-down period from midnight Wednesday 25 March 2020.
2. This paper seeks Ministerial decisions to confirm the mechanism and quantum of direct funding to OSCAR providers and home-based ECE providers to enable childcare for essential workers.

### Background

3. On 25 March 2020, the group of Ministers with Power to Act on COVID-19 matters noted the need for childcare of children of essential workers during the four-week lockdown period [CAB-20-MIN-0130]. This is in the context of schools and early childhood education providers not being classified as essential services during the lockdown.
4. Self-management of childcare by families is the Government's preference. However, where children of essential workers are unable to do so, the Ministerial Group agreed that individual childcare providers be classified as essential workers, where they are working solely for one family as part of the family's self-isolation unit.
5. The Ministerial Group also agreed to direct funding of government-subsidised providers via government agencies for childcare provision but noted that the numbers, and therefore the costs, would be clarified as soon as possible.

### Proposals

6. Potential providers are asking how funding will work for children of essential workers, so there is an urgent need to confirm these arrangements. Delay may rule out providers and stop essential workers from being able to play their part in managing the risk from COVID-19.
7. As signalled in the Cabinet paper agreeing the broad approach, only Out of School Care and Recreation (OSCAR) providers funded by the Ministry of Social Development and home-based early childhood education (ECE) providers funded by the Ministry of Education would be eligible for the childcare scheme.
8. It is uncertain how many essential workers require childcare. On Wednesday 25 March, when only the children of essential workers were meant to attend school and early learning services,

the Ministry of Education estimates there were around 10,000 children attending. This is an upper limit on the number of children needing supervision and care, as many parents will have made private arrangements already.

9. Grants to providers for essential worker childcare provision will not impact their eligibility under the COVID-19 wage subsidy scheme, in order to ensure there is certainty for providers and no disincentive for them to participate in this proposal. Where providers are claiming the wage subsidy, they must ensure that it will be passed on to employees as intended. Any grants for childcare support that provide extra cash should be used to meet the obligations under the wage subsidy to pay staff at least 80% of their usual income. The extent of any perceived double dipping is limited by the time limited nature of the childcare grants.

#### **Funding mechanism and quantum for OSCAR providers**

10. The Ministry of Social Development (MSD) does not have funding available to pay OSCAR providers for the new service. MSD grant funding for OSCAR providers has been prepaid through to 30 June 2020 and no claw back has been sought for programme closure due to COVID-19. The MSD grant funding to OSCAR providers is only a contribution to ensure providers maintain the required accreditation standards, primarily based on child safety.<sup>1</sup> The majority of revenue for OSCAR providers comes from parent fees and an individual child based subsidy for low income parents. Both of these revenue sources have ceased due to programme closure over this period.
11. Based on expressed interest from OSCAR providers, we estimate 1,000 caregivers are available to provide childcare. OSCAR in-home care will only be available to essential workers with school-aged children and no children aged under 5.
12. The service will be funded at \$30 per hour, with employees providing the care expected to be paid around \$24 per hour. There will also be claimable costs for providers of \$0.40 per kilometre of travel (excluding the first 20 km per carer, per day) and \$30 per hour of travel (excluding the first 60 minutes per carer, per day). We expect these costs to be passed on to employees providing the care.
13. In-home care via OSCAR providers is expected to cost an additional \$6.760 million over the four-week lock down period. This is based on 1,000 carers working up to 50 hours per week for four weeks (\$6 million), 20,000 travel hours over the four week period (\$600,000), and 20 kilometres of travel per day per caregiver (\$160,000).

#### **Funding mechanism and quantum for home-based ECE providers**

14. Three home-based providers with national networks have agreed to take part. Other smaller providers have also indicated interest.
15. The Ministry of Education (MoE) does not have funding available to pay in-home carers and home-based providers for this service. This cannot be funded from the ECE baseline – the Minister of Education announced on Monday 23 March that MoE) funding to providers would not be clawed back due to COVID-19 non-attendance.<sup>2</sup> Therefore we are not anticipating an underspend that could be used for this initiative.

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<sup>1</sup> Grant funding varies based on factors such as socio-economic status of the community, isolation and size of the organisation, but on average OSCAR providers receive around \$18,000 in grant funding.

<sup>2</sup> On 1 March, ECE providers received 75% of their funding based on estimated attendance for the four month period 1 February to 31 May 2020. The three home-based providers that have agreed to take part in this initiative received \$9,200 million (PORSE), \$9,200 million (Barnardos) and \$9,200 million (Edubase) for home-based ECE as part of the March advance funding. This funding will not

16. We propose that this initiative operate outside the ECE funding system and instead be funded via specific contracts for service. It is important the home-based educators undertaking this work are paid a similar amount to OSCAR caregivers. However, we are proposing a different payment amount for home-based providers to recognise that home-based educators are contracted rather than directly employed by the home-based providers. In contrast, OSCAR caregivers are directly employed by the OSCAR provider.
17. We propose that:
- a. Contracts be offered to home-based providers currently funded by the Ministry of Education that fit the criteria for the scheme and wish to engage. Funding via a contract model is distinct from ECE Subsidy funding approach, which is paid as a legally required grant to licensed services that deliver ECE.
  - b. The contracts be paid on the basis of hours of childcare provided by carers over the lockdown period.
  - c. Each carer be funded at \$25/hour excluding GST. This is consistent with the rate likely to be paid to OSCAR in-home carers. It is common for educators to charge a per child per hour fee to parents varying from \$5 to \$10, depending on the ability of parents to pay. This is likely to be uneconomic where educators are restricted to a single family. Home-based educators that usually work with single families (also known as nannies) are on average paid \$25-\$30 per hour by parents.
  - d. Home-based providers be paid a flat rate per carer of \$60 as an administration fee. This is a lower rate than for OSCAR providers<sup>3</sup> to reflect that home-based educators are contracted by home-based providers. OSCAR providers employ carers, and therefore face costs such as ACC levies, sick leave, annual leave and superannuation contributions. Home-based providers do not pay these costs for educators.
  - e. Funding would not be available where the carer normally lives at the same address as the essential worker/s.
  - f. MoE ECE subsidies (including 20 Hours ECE) cannot be claimed for these hours. This will avoid double funding these hours of childcare. This would rule out paying for arrangements that existed prior to this week.
  - g. In-home carers would not be able to charge parents additional fees.
  - h. The provision would be available to essential workers with children of any age under 14 years. The essential worker would need to attest that there are no other adults in the household able to undertake childcare.
18. Agreement is also sought for new funding of \$20.240 million to cover the cost of the childcare provision over four weeks. This is based on 4000 educators. While the exact hours required per day are uncertain, it is advisable that funding levels be set at 50 hours per week per carer.

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be clawed back, and the remaining 25% is likely to be paid out as part of the wash up in July. This funding primarily pays for qualified ECE teachers that must oversee home-based educators and the providers' systems and processes. Home-based educators receive a portion of the 20 Hours ECE subsidy, but otherwise are generally not paid by the home-based provider. Instead they derive their income from parental fees.

<sup>3</sup> MSD expects OSCAR providers will retain \$5-\$6 of the \$30 per hour to cover their costs.

This would minimise the risk of essential worker parents not having full childcare cover each week.

19. There is uncertainty on how many educators will be available for this work. There are around 9000 home-based educators. The costings assume just under half may be deployed to provide care for children of essential workers. This is likely to be an upper limit.

#### **Health and safety matters**

20. The contractual arrangement needs to be clear that this is restricted to carers who have been police-vetted and safety checked already by the contracted provider. Existing OSCAR carers and home-based educators meet these requirements.
21. OSCAR in-home care will only be provided in children's own homes. Where a home-based provider has already police vetted all members of an educator's household aged 17 and over and has assessed the educator's home as meeting health and safety requirements, home-based educators may provide in-home care from their own home.
22. The contract will also stipulate that each educator may only work with one family and must follow public health rules relating to COVID-19.

#### **Legal mandate for home-based ECE services to undertake provision**

23. The Secretary for Education has the power to direct institutions in relation to COVID-19 measures (s 476C of the Education Act 1989). This power includes the ability to direct service providers of early childhood services to open or close and to comply with any specified requirements in relation to its control, operation or management.
24. The provision of supervision and care outlined in this paper is not early childhood education as provided for in Part 26 of the Education Act 1989 and it is not intended that the requirements of the Education (Early Childhood Services) Regulations 2008 made under section 317 of that Act would apply. Instead, the requirements would be stipulated in a contract for services, which would mirror only particular regulatory requirements such as safety checking and police vetting. It will be necessary for the Secretary to issue a direction under section 476C to set the boundaries between the usual regulated service and supervision and care as outlined in this paper.
25. For purpose of enabling this service to be put in place it will also be necessary for the specific home-based service providers taking part to be deemed essential services and their home-based educators as essential workers.

#### **Reporting uptake and ability to extend**

26. MSD and MoE will report uptake to the Ministers of Social Development, Education and Finance before the end of the lockdown period. Unspent funding will be returned to the centre.
27. The lockdown may need to be extended past 22 April. Should this occur, we will seek agreement to extend funding arrangements.
28. These arrangements will not extend if the country moves to Alert Level 3 after 22 April. At Alert Level 3, the physical premises of schools and early learning services should be open so the children of essential workers can attend. Essential workers could resume their previous care arrangements.

## Risks

29. This initiative fully funds childcare for essential workers, which provides an incentive for these workers to shift from existing arrangements where they may be paying fees. This initiative may also be perceived as unfair because it funds childcare at a significantly higher rate than early childhood education and the hourly rate of pay is higher than the minimum hourly rate of qualified ECE teachers.
30. Grants to providers or individuals for essential worker childcare provision will not impact their eligibility under the COVID-19 wage subsidy scheme, in order to ensure there is certainty for providers and no disincentive for them to participate in this proposal or the wage subsidy.
31. This exemption means some organisations or individuals may receive both payments which risks a perception of 'double dipping'.
32. However, where providers are claiming the wage subsidy, they are required to use best endeavours to pay named staff 80% of their usual income and must at least pass on the subsidy rate. If they also receive a childcare grant, this grant money could be used to support meeting the 80% obligations, which will help to ensure staff receive as close to their normal income as possible. The extent of any perceived double dipping is also limited by the time limited nature of the childcare grants. It will be up to providers to choose whether they need to apply for both the wage subsidy and the childcare grants – the exemption provides them with flexibility.
33. There is a risk that this exemption is seen as a precedent where the government is providing funding for businesses to provide services, who would then seek an exemption so that they can be eligible for the wage subsidy. However, these risks are balanced by the need to encourage providers to offer immediate childcare to those essential workers who need it.

## Communications

34. The Ministry of Education will publish details of this initiative in the Early Learning Bulletin, which is sent to all ECE providers. The Ministry of Social Development will provide all OSCAR providers with details of this initiative.

## Recommendations

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35. We recommend that you:
- note** that on 25 March, the COVID-19 Ministerial Group agreed to fund in-home childcare for essential workers through providers already contracted by the Ministry of Social Development (OSCAR providers) and the Ministry of Education (home-based ECE providers), with the numbers of people involved and the costs to be clarified as soon as possible
  - approve** the following changes to Vote Social Development and Vote Education to give effect to providing childcare to essential workers, with a corresponding impact on the operating balance and net core Crown debt:

\$m – increase/(decrease)
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**IN CONFIDENCE**

	2019/20	2020/21	2021/22	2022/23	2023/24 & Outyears
<b>Vote Social Development</b>					
<b>Minister for Social Development</b>					
Non-departmental Other Expense: Out of School Care and Recreation Programmes	6.760	-	-	-	-
<b>Vote Education</b>					
<b>Minister of Education</b>					
Non-departmental Output Expense: Supporting Parenting	20.240	-	-	-	-
<b>Total Operating</b>	<b>27.000</b>	-	-	-	-

- c. **agree** that the proposed changes to appropriations above be included in the 2019/20 Supplementary Estimates and that, in the interim, the increases be met from Imprest Supply
- d. **agree** that the expenses incurred under recommendation b) above be charged against the COVID-19 Response and Recovery Fund, established as part of Budget 2020
- e. **note** that the funding above is based on 1000 OSCAR caregivers and 4000 home-based educators providing care for the children of essential workers for the four week lockdown period
- f. **agree** that all underspends resulting from lower than expected uptake will be returned to the centre
- g. **agree** that grants to providers for essential services childcare provision will not impact eligibility under the COVID-19 wage subsidy scheme
- h. **direct** the Ministries of Social Development and Education to report to the Ministers of Social Development, Education and Finance before the end of the Level 4 lockdown on the uptake and expected expenditure
- i. **note** that should the lockdown be extended or amended past 22 April, approval to extend or amend these arrangements will be sought.



# Meeting of the COVID-19 Ministerial Group

## Minute of Decision

*This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.*

### Funding of Childcare for Essential Workers

The group of Ministers with Power to Act on COVID-19 matters [CAB-20-MIN-0130] convened on 3 April 2020 at 10.30am, and in accordance with their Power to Act:

- 1 **noted** that on 25 March 2020, the COVID-19 Ministerial group agreed to fund in-home childcare for essential workers through providers already contracted by the Ministry of Social Development (OSCAR providers) and the Ministry of Education (home-based ECE providers), with the numbers of people involved and the costs to be clarified as soon as possible;
- 2 **approved** the following changes to Vote Social Development and Vote Education to give effect to providing childcare to essential workers, with a corresponding impact on the operating balance and net core Crown debt:

	\$m – increase/(decrease)				
	2019/20	2020/21	2021/22	2022/23	2023/24 & Outyears
<b>Vote Social Development</b> <b>Minister for Social Development</b> Non-departmental Other Expense: Out of School Care and Recreation Programmes	6.760	-	-	-	-
<b>Vote Education</b> <b>Minister of Education</b> Non-departmental Output Expense: Supporting Parenting	20.240	-	-	-	-
<b>Total Operating</b>	<b>27.000</b>	-	-	-	-

- 3 **agreed** that the proposed changes to appropriations above be included in the 2019/20 Supplementary Estimates and that, in the interim, the increases be met from Imprest Supply;
- 4 **agreed** that the expenses incurred under paragraph 2 above be charged against the COVID-19 Response and Recovery Fund, to be established as part of Budget 2020;
- 5 **noted** that the funding approved in paragraph 2 above is based on 1000 OSCAR caregivers and 4000 home-based educators providing care for the children of essential workers for the four week level 4 lockdown period;



- 6 **agreed** that all underspends resulting from lower than expected uptake will be returned to the centre;
- 7 **agreed** that grants to providers for essential services childcare provision will not impact eligibility under the COVID-19 wage subsidy scheme;
- 8 **directed** officials from the Ministries of Education and Social Development to monitor the uptake and estimated costs of the essential services childcare service (the service) and report back to the COVID-19 Ministerial Group by 9 April 2020;
- 9 **directed** officials to undertake modelling on provision of the service at alert level 3 and report back to the COVID-19 Ministers before 22 April 2020;
- 10 **noted** that should the level 4 lockdown be extended or amended past 22 April 2020, approval to extend or amend these arrangements will be sought.

Michael Webster  
Secretary of the Cabinet

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**Distribution:**

The Cabinet  
Hon James Shaw

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