



Remuneration Authority

## Policy Paper

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### Childcare Allowance for Elected Members of Local Government

April 2019

## Executive Summary

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1. Over the past few years, the Remuneration Authority has received submissions from councils, groups of elected members and individuals requesting that there be an allowance for childcare for elected members in local government while they attend to local authority business. There were concerns that a lack of financial support for childcare created a barrier for people, in particular women, to enter into elected positions in local government. Research shows that a number of councils in similar jurisdictions (Australia and the United Kingdom) provide their elected members with allowances to cover costs associated with child and dependent care whilst the elected member is on council business. The Authority has decided to provide for councils to pay a childcare allowance if they wish. This paper contains details of the proposed policy as well as some background information.

## Background

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2. Under Schedule 7, Section 6 of the Local Government Act 2002, the Authority must determine the remuneration, allowances, and expenses payable to all elected members of local authorities. At present, the Authority determines allowances for vehicle mileage, travel time and communications. Each individual council considers its approach to the expenses and allowances and writes its own policies within the upper limits set by the Authority.
3. In its major review of local government remuneration in 2016-2019, the Authority received numerous comments on the difficulties of being in local government, in particular for mothers, due to the lack of financial support for childcare.
4. Of particular note was a submission from the Young Elected Members (YEM) Network. The YEM Network is an informal group comprising local government elected members aged under 40 years. This included representatives on city, district, regional and unitary councils, as well as on community boards and Auckland local boards. The submission said that its members struggle with balancing the challenges of local government commitments and raising children. Their main concern was that because council commitments are not structured or fixed, parents are forced to pay for full-time care or take the risk of being unable to obtain childcare when they require it. The YEMs called on the Authority to “break down the barrier” for younger people wanting to enter into local government. They believe that if childcare were claimable expense it will make serving in local government a realistic option for parents who are currently prevented from considering the role because of the costs of childcare. The YEMs also believe that failing to do so would see the sector continuing to miss out on the ideas, talent, skills, insights, contacts and passion that young parents could bring to local government.
5. In its information paper following the consultation, the Authority said *“another issue that appears to be of growing concern in local government is that caring for dependents may limit options for some people, particularly younger women who may have child care responsibilities. This is seen by many as a barrier to participation. The Authority is looking at the carer issue and*

*will make a decision prior to the 2019 election. We need to point out, however, that were we to approve councils providing reimbursement for carers, it would be up to each individual council to implement such a decision, as it is with all the allowances and reimbursements included in our local government determinations”.*

#### Dependent care

6. The Authority considered the issue of dependent care allowances. This broadened the scope of any potential allowances and after careful consideration the Authority decided that at this stage it would not take any further the issue of allowances for dependent care outside of child care. Allowances for dependent care raised complex issues that would have taken considerably more time in researching and which we felt would need to be the subject of an extended consultation. Also, and perhaps more importantly at this stage, the issue of a childcare allowance as a mechanism for encouraging more and younger women to enter local government politics was the main driver for this review and was cited more frequently than a general dependent care allowance in responses to our previous consultation. Many responses cited issues around childcare as a significant barrier to diversity on councils.

#### Childcare

7. In considering the issue of childcare the Authority looked at similar schemes in other jurisdictions and also at the current law around and financial provision of childcare and childcare allowances in New Zealand.
8. In New Zealand, from the age of 14 years, children are allowed to be left alone. They are also legally allowed to babysit other children from the age of 14 years.
9. The cost of childcare and subsidies vary from centre to centre and are not regulated. The cost of care also depends on the type of care.

Care Type	Average Cost per Hour (source: Huggies.co.nz)
Nanny	\$18
Long Day Care	\$6
Home Based Care	\$7

Location	Average Cost per Hour for Nannies in the location (source: Care.com)
Auckland	\$17.71
Wellington	\$16.71
Christchurch	\$16.20
Napier	\$15.38
Te Kuiti	\$13.57

10. Work and Income provide a Childcare Subsidy that helps families with the cost of pre-school childcare. To be eligible for the subsidy, a person must be the main carer of the dependent

child, a NZ citizen or permanent resident, and their family is on a low or middle income. The child must be under 5 years of age.

11. The subsidy payment is dependent on number of children and gross weekly income, however the maximum amount payable is \$5.13 per hour, per child (\$256.50 per week, per child for 50 hours).
12. The 20 Hour ECE subsidy was introduced in 2007 to reduce cost barriers in order to allow more children to participate in ECE. Under this subsidy, the government fully funds ECE for up to 6 hours a day and 20 hours per week for eligible children. It is not compulsory for childcare facilities to offer subsidy.
13. Children aged 3, 4 and 5 years old are eligible to the 20 Hours ECE if the facility offers it. This subsidy is regardless of family income, immigration status or any other reason.

#### Other jurisdictions

14. The following overseas council policies were analysed to look for comparisons and options:
  - a. Australia
    - i. City of Belmont, WA
    - ii. District Council of Robe, SA
    - iii. City of Burnside, SA
  - b. United Kingdom
    - i. Lambeth Council, London
    - ii. Bracknell Forest Borough Council, London
    - iii. Malvern Hills District Council
    - iv. Middlesbrough
    - v. Scotland
  - c. Ireland
    - i. Newry, Mourne and Down Council
15. The main themes that arose from these policy documents were:
  - a. Provisions of allowances and/or reimbursements for dependant care whilst councillors attended meetings of council, committees, or other council business
  - b. Costs covered actual and reasonable costs
  - c. Children aged 15 years or younger
  - d. Carers must not ordinarily reside with the councillors and must not be an immediate member of the family
  - e. Carers must be registered, either with the councils or to a recognised professional facility
  - f. It is up to the discretion of the council as to whether allowances are incorporated into their policy documents

## Tax Consequences

16. We have sought advice from Inland Revenue on whether there are any tax consequences associated with the introduction of a childcare allowance. Inland Revenue are currently considering whether the proposed childcare allowance is tax-free or not. Childcare costs are usually seen as private or of a domestic nature and the proposed allowance could be taxable at source, if the allowance is viewed as employment income. Our view is that the proposed allowance is no different to the other allowances currently provided to local government elected members - that is, the childcare allowance is a contribution towards the expenses incurred by a member for childcare provided while the member is engaged on local authority business. We hope to receive Inland Revenue's advice towards the end of April.

## **Proposed Approach**

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17. The Remuneration Authority is proposing that the following be inserted in the next Local Government Determination:

x. ***Childcare allowance***

- (1) *A local authority may pay a childcare allowance, in accordance with subclauses (2) and (3), to an eligible member as a contribution towards expenses incurred by the member for childcare provided while the member is engaged on local authority business.*
- (2) *A member is eligible to be paid a childcare allowance in respect of childcare provided for a child only if-*
- (a) *the member is a parent or guardian of the child, or is a person who usually has responsibility for the day-to-day care of the child (other than on a temporary basis); and*
  - (b) *the child is aged under 14 years of age; and*
  - (c) *the childcare is provided by a person who-*
    - (i) *is not a family member of the member; and*
    - (ii) *does not ordinarily reside with the member; and*
  - (d) *the member provides evidence satisfactory to the local authority of the amount paid for childcare.*
- (3) *A local authority may not make childcare allowance payments to a member-*
- (a) *at a rate greater than \$15 per hour; or*
  - (b) *that exceed the amount that the member paid to the childcare provider; or*

- (c) *in respect of childcare provided for more than 8 hours in any 24-hour period;  
or*
  - (d) *that total more than \$6,000 per annum.*
  - (4) *In this regulation, **family member of the member** means-*
    - (a) *a spouse, civil union partner, or de facto partner:*
    - (b) *a relative, that is, another person connected with the person within 2 degrees of a relationship, whether by blood relationship or by adoption.*
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## Appendix A – Work and Income Childcare Subsidy

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Extract from Work and Income Website: <https://www.workandincome.govt.nz/products/a-z-benefits/childcare-subsidy.html>

### Who can get it:

You may get a Childcare Subsidy if:

- you're the main carer of a dependent child
- you're a New Zealand citizen or permanent resident
- your family is on a low or middle income.

You should also normally live in New Zealand and intend to stay here.

It also depends on how much you and your partner earn.

The child must be:

- aged either:
  - under 5, or
  - over 5 if the school has advised they can't start until the beginning of the term straight after their 5th birthday, or
  - under 6 if you get a Child Disability Allowance for them
- attending an approved early childhood programme for 3 or more hours a week.

Approved programmes include early childhood education and care services, eg:

- kindergartens and preschools
- childcare centres and creches
- playcentres and playgroups
- Kohanga Reo, Punanga Reo, Aoga and other programmes with a language and culture focus
- approved home-based care.

### Childcare Subsidy (current)

Below are the [Childcare Subsidy](#) income thresholds and maximum rates at 1 April 2018.

Number of children	Gross weekly income	Childcare Subsidy (per hour, per child)	Childcare Subsidy (per week, per child for 50 hours)
<b>1</b>	Less than \$800.00	\$5.13	\$256.50
	\$800.00 to \$1,199.99	\$4.09	\$204.50
	\$1,200.00 to \$1,299.99	\$2.86	\$143.00
	\$1,300.00 to \$1,399.99	\$1.59	\$79.50
	\$1,400.00 or more	nil	nil
<b>2</b>	Less than \$920.00	\$5.13	\$256.50
	\$920.00 to \$1,379.99	\$4.09	\$204.50
	\$1,380.00 to \$1,489.99	\$2.86	\$143.00
	\$1,490.00 to \$1,599.99	\$1.59	\$79.50
	\$1,600.00 or more	nil	nil
<b>3 or more</b>	Less than \$1,030.00	\$5.13	\$256.50
	\$1,030.00 to \$1,539.99	\$4.09	\$204.50
	\$1,540.00 to \$1,669.99	\$2.86	\$143.00
	\$1,670.00 to \$1,799.99	\$1.59	\$79.50
	\$1,800.00 or more	nil	nil