



Budget: Sensitive

Cabinet

CAB Min (04) 13/4

Minute of Decision

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Minister of Finance
Minister of Revenue
Minister for Social Development and Employment
(MSD)
(Labour)

Reform of Social Assistance: Working for Families Package: Revised Recommendations

On 26 April 2004, following reference from the Cabinet Policy Committee (POL), Cabinet:

SECTION 1: OVERVIEW

Context

- 1 **noted** that the Working for Families package will assist working people, especially low and middle income families, to make the most of economic opportunities and share in our growing prosperity by improving the returns from paid work;
- 2 **noted** that the Working for Families package complements current government strategies to improve growth and innovation, invest in skills development, and maintain prudent macro-economic and fiscal management;

Objectives

- 3 **noted** that the key objectives of the Working for Families package are to:
 - 3.1 make work pay by supporting families with dependent children, so that they are rewarded for their work effort;
 - 3.2 ensure income adequacy, with a focus on low and middle income families with dependent children to address issues of poverty, especially child poverty;
 - 3.3 achieve a social assistance system that supports people into work, by making sure that people get the assistance they are entitled to, when they should, and with delivery that supports them into, and to remain in, employment;

Key Impacts

- 4 **noted** that the Working for Families package will have the following key impacts:

Impact on employment

- 4.1 the changes will help make work pay for low and middle-income families with dependent children in employment: about 60% of the new expenditure will be directed to families in work;
- 4.2 the In-Work Payment and the increases in the Family Tax Credit will provide improvements in work incentives, especially for sole-parents;
- 4.3 the Childcare Assistance changes will help reduce childcare costs, which can act as an important barrier to employment, particularly for women;
- 4.4 effective marginal tax rates (EMTRs) will be improved for low income working families earning between \$20,000 and \$27,500 a year, thereby improving work incentives. EMTRs will be higher for some middle and higher income families not previously eligible for assistance;
- 4.5 most of the employment incentive gains will occur in April 2006, with some gains from October 2004 and October 2005;

Impact on incomes

- 4.6 from 2007, around 61% of families with dependent children will get more Family Income Assistance – around 290,000 families will gain on average \$66 a week (with an estimated average of \$95 a week for families with annual incomes in the range \$25,000 to \$45,000) from the cumulative Family Income Assistance changes (ie excluding the Childcare Assistance, Accommodation Supplement and Special Benefit changes);
- 4.7 around 28,000 families (and 33,000 children) will gain from increases to Childcare Assistance with average gains of \$23 a week per child from 2005;
- 4.8 around 99,500 Accommodation Supplement recipients will get an average increase in accommodation assistance of \$19 a week from 2005/06;
- 4.9 using a constant value poverty measure of 60% of the median household income, there is expected to be a 30% reduction in child poverty by 2007/08, and using a 50% measure, the expected reduction is 70%;

Summary Financial Tables

5 **noted** that the tables below present the total financial impact of the Working for Families package on the Crown's operating balance and debt:

Operating Initiatives (Impact on Operating Balance)

Vote Revenue		All figures are \$m, GST inclusive where applicable				
Ref	Initiative	2003/04	2004/05	2005/06	2006/07	2007/08 & outyears
	Family Income Assistance	-	114.400	582.670	878.672	1,127.433
	Departmental changes	0.100	10.330	13.529	11.700	7.700
Total Vote Revenue		0.100	124.730	596.199	890.372	1,135.133

Vote Social Development		All figures are \$m, GST inclusive where applicable				
Ref	Initiative	2003/04	2004/05	2005/06	2006/07	2007/08 & outyears
	Family Income Assistance	-	(19.172)	(80.266)	(113.219)	(116.274)
	Housing Assistance	-	62.996	128.741	141.701	146.219
	Childcare Assistance	-	18.801	31.030	34.239	34.552
	Hardship Assistance	-	(7.364)	(44.943)	(75.760)	(91.177)
	Departmental changes	-	39.801	32.223	23.154	20.014
Total Vote Social Development		-	95.063	66.786	10.115	(6.666)

Vote Housing		All figures are \$m, GST inclusive where applicable				
Ref	Initiative	2003/04	2004/05	2005/06	2006/07	2007/08 & outyears
	Family Income Assistance	-	(0.240)	(5.035)	(7.078)	(10.271)
Total Vote Housing		-	(0.240)	(5.035)	(7.078)	(10.271)

Vote Child Youth and Family Services		All figures are \$m, GST inclusive where applicable				
Ref	Initiative	2003/04	2004/05	2005/06	2006/07	2007/08 & outyears
	Family Income Assistance	-	0.963	3.942	4.018	4.076
Total Vote Child Youth and Family Services		-	0.963	3.942	4.018	4.076

Vote Health		All figures are \$m, GST inclusive where applicable				
Ref	Initiative	2003/04	2004/05	2005/06	2006/07	2007/08 & outyears
	Family Income Assistance	-	0.350	1.400	1.400	1.400
Total Vote Health		-	0.350	1.400	1.400	1.400

Capital Initiatives (Impact on Debt)

Vote Revenue		All figures are \$m, GST inclusive where applicable				
Ref	Initiative	2003/04	2004/05	2005/06	2006/07	2007/08 & outyears
	Departmental changes	1.49	4.57	2.171	-	-
Total Vote Revenue		1.490	4.570	2.171	-	-

6 **noted** that the total estimated cost of the Working for Families package will be \$226 million in 2004/05, \$671 million in 2005/06, \$907 million in 2006/07 and \$1.13 billion in 2007/08 and outyears;

Contingency

7 **noted** that a contingency of \$5.833 million in 2004/05, \$8.562 million in 2005/06, \$8.056 million in 2006/07 and \$8.506 million in 2007/08 and outyears has been set aside for the Working for Families package to cover the following costs:

- 7.1 residual programme and delivery costs;
 - 7.2 development of an online In-Work Assistance service across the Inland Revenue Department (IRD) and the Ministry of Social Development (MSD);
 - 7.3 a monitoring and evaluation programme to measure the success of the Working for Families package;
 - 7.4 payment of assistance to families or individuals who might otherwise be unintentionally disadvantaged by the Working for Families changes, in the event that Cabinet decides to raise the Transitional Working for Families Supplement cap (see paragraphs 92 to 97);
- 8 **noted** that the contingency is subject to the following conditions:
- 8.1 access to the contingency will be subject to the approval of Cabinet;
 - 8.2 use of contingency funds is restricted to those issues directly related to the Working for Families package;
 - 8.3 any unspent contingency in each fiscal year will be returned to the Crown;

SECTION 2: FAMILY INCOME ASSISTANCE

- 9 **noted** that the focus of the Family Income Assistance initiatives is to make work pay and to improve income adequacy for families with dependent children;
- 10 **noted** that the package of Family Income Assistance initiatives has four main elements:
- 10.1 increasing Family Support rates;
 - 10.2 introducing a new work tested In-Work Payment and phasing out the Child Tax Credit;
 - 10.3 introducing a new main benefit rate structure for families by removing the child component from main benefits and student allowances;
 - 10.4 increasing the Family Tax Credit;
- 11 **noted** that the estimated cost of the Family Income Assistance package is \$96 million in 2004/05, \$503 million in 2005/06, \$764 million in 2006/07 and \$1,007 million in 2007/08 and outyears;

Family Support

- 12 **agreed** to increase the first child rates of Family Support by \$25.00 per week, and the subsequent child rates by \$15.00 per child per week, from 1 April 2005, as set out in the table below:

Family Support Rates	First child rates		Subsequent child rates		
	0-15 yrs	16-18 yrs	0-12 yrs	13-15 yrs	16-18 yrs
Current	\$47	\$60	\$32	\$40	\$60
Family Support rates from 1 April 2005	\$72	\$85	\$47	\$55	\$75

- 13 **agreed** to increase each of the first and subsequent child rates of Family Support rates by \$10 per week from 1 April 2007, as set out in the table below:

Family Support Rates	First child rates		Subsequent child rates		
	0-15 yrs	16-18 yrs	0-12 yrs	13-15 yrs	16-18 yrs
Family Support rates from 1 April 2007	\$82	\$95	\$57	\$65	\$85

In-Work Payment

- 14 **noted** that the objective of the In-Work Payment is to help low income working families with dependent children move into and stay in work;
- 15 **agreed**, from 1 April 2006, to introduce an In-Work Payment for families with dependent children to be set at \$60.00 a week per family, plus an additional \$15.00 a week for the fourth and each subsequent child, as set out in the table below:

Number of dependent children	1	2	3	4	5	6	7	8 or more
Weekly rate	\$60	\$60	\$60	\$75	\$90	\$105	\$120	plus \$15 for each additional dependent child

- 16 **agreed** that from 1 April 2006 the Child Tax Credit be closed to new recipients concurrent with the introduction of the In-Work Payment;
- 17 **agreed** that when the In-Work Payment is introduced on 1 April 2006, all Child Tax Credit recipients, who are recipients as at 31 March 2006 and who are ineligible to receive the new In-Work Payment because they do not meet the work hours requirement, continue to be eligible for the Child Tax Credit under the current eligibility provisions, unless they become eligible for the In-Work Payment (ie they are “grandparented”);
- 18 **agreed** that once a grandparented recipient is no longer entitled to the Child Tax Credit they cannot become re-eligible for the Child Tax Credit at a later date;

Eligibility criteria

- 19 **agreed** that the eligibility criteria for the In-Work Payment be the same as for the Child Tax Credit (ie recipients must not be receiving a main income-tested social security benefit), but with the following changes:
- 19.1 couples with children must be in paid work of a combined total of at least 30 hours a week;
- 19.2 sole parents must be in paid work of at least 20 hours a week;
- 19.3 eligibility will be extended to include:
- 19.3.1 recipients of New Zealand Superannuation or the Veteran’s Pension;
- 19.3.2 people receiving compensation for loss of earnings under the Injury Prevention, Rehabilitation and Compensation Act 2001 and who would have been eligible at the time of their accident (including people

receiving Child Tax Credit whose injury occurred after 31 December 2005 and who met the In-Work Payment hours test at the time of their injury);

- 19.4 the definition of a family's dependent children will include those for whom Orphan's Benefit, Unsupported Child's Benefit or Foster Care Allowance is being paid;

Payment to principal carer

- 20 **agreed** that the In-Work Payment be paid to the principal carer of the dependent child/ren in the family, which is consistent with the payment of other Family Income Assistance;

Shared care

- 21 **agreed** that where a carer normally has care of a child for one-third or more of the entitlement period, that carer is eligible for the In-Work Payment in respect of that child for every week in the year in which the carer also meets the In-Work Payment hours test and other eligibility criteria;
- 22 **agreed** that those carers receiving the grandparented Child Tax Credit from 1 April 2006 must have care of a child for a least one-third of the income year to remain eligible for the full amount of the Child Tax Credit;

Abatement of Family Income Assistance

- 23 **agreed** that from 1 April 2006 the abatement rate for Family Support, the In-Work Payment, the Child Tax Credit (for grandparented recipients) and the Parental Tax Credit be set at 30% from a threshold of \$27,500 a year of gross family income (with abatement being consecutive, as is currently the case);

Regular Adjustment of Family Income Assistance

- 24 **noted** that maintaining the real value of Family Income Assistance payments over time is important to maintain income adequacy for low income families and the effectiveness of work incentive measures;
- 25 **noted** that the Speech from the Throne signalled the government's intention to "move towards annual review of Family Support and Family Tax Credit rates and thresholds";
- 26 **agreed** that the rates and thresholds of Family Support, and the Childcare Assistance thresholds (paragraph 49 below refers), be subject to a policy of regular adjustment from 1 April 2008;
- 27 **agreed** that the legislation provide for the Family Support rates and thresholds and Childcare Assistance thresholds to be regularly adjusted by Order in Council so that:
- 27.1 they are increased by movements in the Quarterly Consumers Price Index (CPI);
- 27.2 adjustments occur when cumulative CPI increases since the last CPI adjustment exceed 5% and that such adjustments will come into force on 1 April following that date;

- 27.3 increases are rounded up to the nearest whole dollar (but subsequent increases are calculated on the basis of actual increased amounts, not the rounded up amounts);
- 27.4 CPI adjustment periods will be counted from 1 April 2007 in the case of Family Support and from 4 October 2005 in the case of Childcare Assistance;
- 28 **agreed** that the legislation provides for the Minister of Revenue, in consultation with the Minister for Social Development and Employment, to review the rates of In-Work Payment and the Parental Tax Credit every three years;
- 29 **invited** the Minister of Revenue to report to the Cabinet Social Development Committee (SDC) in due course on the outcome of the review including making any recommendations on adjustments that may be made to those rates;
- 30 **agreed** that the legislation contain provision for the rates of the In-Work Payment and the Parental Tax Credit to be adjusted by Order in Council;

Family Tax Credit

- 31 **agreed** to increase the Family Tax Credit on 1 April each year by an amount sufficient to ensure that couples do not suffer a reduction in income when moving off benefit into 30 hours of paid work a week, from 1 April 2006 onwards;
- 32 **noted** that the estimated level of the Family Tax Credit on 1 April 2006 will be \$17,149 net a year, and \$17,490 net a year on 1 April 2007;

Changes to Main Benefits and Student Allowances

- 33 **noted** that main benefits and the Student Allowance currently contain a “child component” for sole parent and couple recipients with children;
- 34 **agreed** to remove the child component from main benefit and Student Allowance rates from 1 April 2005, at the same time as Family Support rates are increased;
- 35 **noted** that the removal of the child component from main benefit and Student Allowance rates at the same time as the 1 April 2005 Family Support rates increase will:
- 35.1 provide a net increase in assistance to families with children;
- 35.2 move towards a single programme of assistance for children through Family Support, with common rates, eligibility criteria and abatement rules;
- 35.3 help ensure that assistance for children will continue unchanged when people move from benefit to work, subject only to abatement based on annual income;
- 35.4 help to simplify the benefit system;
- 36 **agreed** that from 1 April 2005 rates of benefits and Student Allowance paid to sole parents be removed and replaced with a single sole parent rate to be set equal to the rates of benefits and Student Allowance paid to sole parents with one child;
- 37 **agreed** that from 1 April 2005 rates of benefits and Student Allowance paid to married couples with children be set equal to the rates of benefits and Student Allowance paid to married couples with no children;

- 38 **noted** that the changes in paragraph 36 above affect the Unemployment Benefit, Sickness Benefit, Invalid's Benefit, Widow's Benefit, Domestic Purposes Benefit (Sole Parent), Domestic Purposes Benefit (Care for Sick and Infirm) and Student Allowance;
- 39 **noted** that the changes in paragraph 37 above affect the Unemployment Benefit, Sickness Benefit and Student Allowance;
- 40 **noted** that further benefit simplification is envisaged under the next stage of Future Directions (see paragraphs 151 and 152 below);

Family Support for People in Receipt of Benefit

- 41 **noted** that, due to the different assessment periods used to calculate main benefit and Family Support entitlements, some families may not be entitled to maximum Family Support while on benefit, or conversely may face an end of year Family Support debt if full Family Support is paid while on benefit;
- 42 **noted** that the issues in paragraph 41 above raise income adequacy concerns for an estimated 2,450 families on benefit for part of the income tax year, which will be exacerbated by the transfer of the child component of main benefits to Family Support from 1 April 2005;
- 43 **agreed** that when a family is on benefit, and their expected annualised income (calculated on a month by month basis while on benefit) is below the Family Support abatement threshold, they be entitled to maximum Family Support irrespective of income derived in other parts of the income tax year;
- 44 **agreed** that those months on benefit where the situation in paragraph 43 applies are not subject to abatement in the end of year square-up and that a family's total annual income is used to calculate abatement in respect of the rest of the year;
- 45 **noted** that when a family's annualised income is expected to be above the Family Support abatement threshold IRD will assess entitlement using the tax year income basis that currently applies;

SECTION 3: CHILDCARE ASSISTANCE

46 **noted** that the objective of the Childcare Assistance initiatives is to improve outcomes for low and middle income families with childcare costs by reducing a barrier to work and making quality Early Childhood Education (ECE) and Out of School Care and Recreation more affordable;

47 **agreed** to increase the Childcare Assistance thresholds from 4 October 2004, to the levels in the table below:

	Rate 1	Rate 2	Rate 3
1 Child	\$40,040	\$44,200	\$48,360
2 Children	\$49,400	\$54,080	\$58,760
3 Children	\$57,720	\$63,440	\$69,160

48 **agreed** to increase Out of School Care and Recreation Subsidy (OSCAR) rates to match the Childcare Subsidy (CCS) rates from 4 October 2004,;

49 **agreed** to increase all Childcare Assistance (ie CSS and OSCAR subsidy) rates by 10% from 4 October 2004, and by a further 10% from 3 October 2005;

50 **noted** that the increases in paragraph 49 above will be in addition to annual rates adjustments in line with movements in the CPI;

51 **agreed** that the Childcare Assistance absence hours cap be removed and absence rules be aligned with proposed changes to the Ministry of Education's ECE absence rules once these are finalised in 2005 (or earlier if possible);

52 **agreed** that the Childcare Assistance provisions be moved into legislation, with a regulation-making power to allow for the details of the provisions to be set out in regulations;

53 **noted** that the different implementation dates for parts of the Childcare Assistance and Accommodation Supplement Packages may result in a small number of Childcare Assistance recipients becoming worse off on 1 April 2005;

54 **agreed** that Childcare Assistance recipients, who would otherwise be worse off because they would receive a lower rate of Childcare Assistance or lose their entitlement due to the Accommodation Supplement changes as at 1 April 2005, have their Childcare Assistance entitlement or rate grandparented;

Linkage between Childcare Assistance and Early Childhood Education

55 **noted** that an assessment of the impacts of the ECE funding proposals on Childcare Assistance expenditure, and of the Working for Families package on ECE expenditure, is not straightforward because:

55.1 any behavioural impacts of the policies are difficult to model, for example, some ECE services might increase fees despite additional ECE funding, and to the extent that participation declines as a result of increased fees, this might limit the take-up of Childcare Assistance;

55.2 ECE and Childcare Assistance expenditure are demand-driven;

- 55.3 to the extent that the Working for Families package increases labour market participation by parents with children under 6 years of age, ECE participation is likely to increase, with costs to Vote Education;
- 56 **directed** MSD, Treasury and the Ministry of Education to identify likely savings in Vote Social Development Childcare Assistance arising from the Vote Education ECE funding proposals, including limited free ECE for three and four year olds, and report to the Minister of Education, Minister of Finance and Minister for Social Development and Employment by 31 October 2004, to enable Ministers to make decisions on what savings are to be transferred from Vote Social Development to Vote Education [CAB Min (04) 11/4A];
- 57 **noted** that the estimated cost of the Childcare Assistance initiatives is \$19 million in 2004/05, \$31 million in 2005/06, \$34 million in 2006/07 and \$35 million in 2007/08 and outyears;

SECTION 4: ACCOMMODATION SUPPLEMENT

- 58 **noted** that the objectives of the Accommodation Supplement initiatives are to improve housing affordability for low income New Zealanders;
- 59 **agreed** to increase the number of Accommodation Supplement Areas from three to four from 1 April 2005 and revise the area definitions as set out in the table below:

Area 1
Northern Auckland urban zone, Central Auckland urban zone
Area 2
Western Auckland urban zone, Southern Auckland urban zone, Wellsford urban area, Snells Beach urban area, Warkworth urban area, Waiheke Island urban area, Waiuku urban area, Pukekohe urban area, Helensville urban area, Tauranga urban area, Wellington urban zone, Nelson urban area, Brightwater urban area, Wakefield urban area, Queenstown urban area, Wanaka urban area, Arrowtown urban area, Leigh area unit, Tauhoa-Puhoi area unit, Tahekeroa area unit, Cape Rodney area unit, Matheson Bay area unit, Kawau area unit, Islands-Motutapu, Rangitoto, Rakino area unit, Great Barrier Island area unit, Little Barrier Island area unit, Algies Bay-Mahurangi area unit, Parakai area unit, South Head area unit, Kaukapakapa area unit, Muriwai Beach area unit, Rewiti area unit, Riverhead area unit, Karekare area unit, Patumahoe area unit, Kingseat area unit, Pokeno area unit, Hunua area unit, Mangatawhiri area unit, Awhitu area unit, Glenbrook area unit, Otatau area unit, Bombay area unit, Clevedon area unit, Onewhero area unit, Maramarua area unit, Meremere area unit
Area 3
Taipa Bay-Mangonui urban area, Kaitaia urban area, Kerikeri urban area, Russell urban area, Paihia urban area, Whangarei urban area, Raglan urban area, Whitianga urban area, Whangamata urban area, Tairua urban area, Thames urban area, Waihi Beach urban area, Matamata urban area, Katikati Community urban area, Te Puke Community urban area, Hamilton urban zone, Cambridge urban zone, Te Awamutu urban zone, Rotorua urban area, Taupo urban area, Whakatane urban area, Napier urban zone, Hastings urban zone, Palmerston North urban area, New Plymouth urban area, Feilding urban area, Kapiti urban area, Otaki urban area, Upper Hutt urban zone, Lower Hutt urban zone, Porirua urban zone, Blenheim urban area, Motueka urban area, Takaka urban area, Hanmer Springs urban area, Woodend urban area, Rangiora urban area, Christchurch urban area, Darfield urban area, Lincoln urban area, Leeston urban area, Rolleston urban area, Dunedin urban area, Alexandra urban area, Cromwell urban area, Nabhra area unit, Pencarrow area unit, Kapiti Island area unit, Maungakotukutuku area unit, Cloustonville area unit, Mangaroa area unit, Mana Island area unit, Makara-Ohariu area unit, Opiki area unit, Tokomaru area unit
Area 4
Any part of New Zealand not included in Area 1, Area 2 or Area 3.

60 **agreed** to amend the Accommodation Supplement Areas referred to in paragraph 59 above to maintain a part of New Zealand in the same Accommodation Supplement Area if any of the definitions of urban areas, urban zones or area units are modified by Statistics New Zealand;

61 **noted** that Section 61I of the Social Security Act 1964 gives power through Order in Council to promote area units or urban areas to an Accommodation Supplement Area with a higher maxima but not to demote, but will need modification to accommodate the increased number of Accommodation Supplement Areas and their references to urban zones;

62 **agreed** to adjust the Accommodation Supplement maxima from 1 April 2005, as set out in the table below:

AS maxima	1 person h/hold	2 person h/hold	3 person h/hold
Area 1	\$145	\$160	\$225
Area 2	\$100 (no change)	\$125	\$165
Area 3	\$65 (no change)	\$75 (no change)	\$120
Area 4	\$45 (no change)	\$55 (no change)	\$75 (no change)

63 **direct** that MSD to re-examine the Accommodation Supplement maxima set out in paragraph 62 above and report to the Minister for Social Development and Employment by December 2004 to enable any refinements based on new tenancy bond data to be considered alongside other priorities in the 2005 Budget;

64 **agreed** to remove the abatement of the Accommodation Supplement for beneficiaries on the first \$80.00 per week of non-benefit gross income from 1 October 2004;

65 **noted** that paragraph 64 above will mean that the Accommodation Supplement is not abated until a recipient moves off benefit;

66 **agreed** to lower the Accommodation Supplement entry threshold for non-beneficiaries from 25% for renters and boarders, and 30% for mortgagors, of the relevant rate of Invalid's Benefit (plus first child under 16 rate of Family Support where there are children) to 25% for renters and boarders, and 30% for mortgagors, of the relevant rate of Unemployment Benefit (plus first child under 16 rate of Family Support where there are children from 1 October 2004);

67 **agreed** to increase the income thresholds for non-beneficiaries from the relevant Invalid's Benefit rate plus \$17.92 per week to the relevant Unemployment Benefit income cut-out points from 1 October 2004;

68 **noted** that for single Accommodation Supplement recipients under 25 years of age the "relevant rate of Unemployment Benefit" means the single over 25 rate of unemployment benefit;

69 **noted** that the estimated costs of the Accommodation Supplement changes are \$63 million in 2004/05, \$129 million in 2005/06, \$142 million in 2006/07 and \$146 million in 2007/08 and outyears;

SECTION 5: INVALID'S BENEFIT CHANGES

- 70 **noted** that the objective of the Invalid's Benefit changes are to encourage greater participation in paid employment by Invalid's Benefit recipients;
- 71 **noted** that some Invalid's Benefit recipients want to work for more than 15 hours a week but are reluctant to try because they:
- 71.1 are uncertain whether they can sustain more work given their disability;
 - 71.2 risk losing entitlement to the Invalid's Benefit if they regularly work 15 or more hours a week (known as the 15 hour rule);
- 72 **agreed** to introduce a provision to take effect from 1 December 2004, to allow Invalid's Benefit recipients, with the prior approval of the Chief Executive of MSD, a period of up to six months to establish whether they can sustain 15 or more hours per week in open employment before their entitlement must be reviewed;
- 73 **agreed** to amend the stand down provisions (effective from 1 December 2004), for Invalid's Benefit recipients so that they mirror the existing stand down provisions for Sickness Benefit recipients with chronic illnesses so that Invalid's Benefit recipients who undertake but then have to stop work will not, generally, face a stand down if they reapply for Invalid's Benefit for the same sickness, injury or disability;
- 74 **noted** that the Minister for Social Development and Employment has directed MSD to take steps towards changing the name of Invalid's Benefit, commencing with consultation with the disability sector and other relevant stakeholders;
- 75 **noted** that the changes to the 15 hour rule and stand-down for recipients of Invalid's Benefit are expected to be cost neutral or result in only a small increase in expenditure on Invalid's Benefit in the short-term;
- 76 **noted** that the estimated one-off cost of IT system changes to amend the 15 hour rule and re-name the Invalid's Benefit is \$0.5 million (GST exclusive) in 2004/05, which is factored into the departmental costs of the Working for Families package;
- 77 **direct** MSD to monitor and evaluate the changes to the 15 hour rule and the new stand-down provisions, and report on the outcomes to the Minister for Social Development and Employment by December 2006;

SECTION 6: SPECIAL BENEFIT

- 78 **noted** that the changes to Family Support from 1 April 2005 will improve income adequacy and therefore reduce the need for hardship assistance for those with dependent children;
- 79 **agreed** that:
- 79.1 Family Support be included as income in the assessment of Special Benefit;
 - 79.2 for recipients of Special Benefit with dependent children, the level of Standard Costs allowed in the assessment for basic living costs (food, power, etc) be set at 70% of the applicant's unabated main benefit and unabated Family Support combined;

- 79.3 subject to discretion, the rate of Special Benefit for those with dependent children, be fixed at the amount of deficiency between income and costs or at 25% of the applicant's allowable costs, whichever is the lower amount;
- 79.4 the changes in paragraphs 79.1 to 79.3 above be applied to all new applications for Special Benefit received on or after 1 April 2005 and to existing cases as they come up for their three or six monthly review after that date (or earlier review on a change in circumstances);
- 80 **noted** that the changes to Special Benefit referred to in paragraphs 79.1 to 79.3 above will reduce 78% of Special Benefits paid to 31,200 households with children by an average of \$13.43 a week, compared with the average increase in income from the Family Income Assistance changes for beneficiaries of \$27.51 a week, and that no household will have a greater reduction in their Special Benefit than the increase in their Family Income Assistance;
- 81 **noted** that in a small minority of cases (3% or 1,206 cases) Special Benefit discretion will be used to ensure that the reduction in Special Benefit does not exceed the increase in the household's Family Income Assistance from 1 April 2005;
- 82 **noted** that the changes to Special Benefit from 1 April 2005 will be implemented by way of changes to the existing Ministerial Direction and will not require legislative change;
- 83 **agreed** that from 1 April 2006 Special Benefit be replaced by a new benefit called Temporary Additional Support, with similar provisions to Special Benefit, but incorporating the following changes:
- 83.1 a rules-based approach to eligibility to replace the current highly discretionary provisions;
- 83.2 an accommodation loading of \$20 a week which will require applicants to pay the first \$20 a week of their net accommodation costs from their regular income;
- 83.3 an upper limit on the amount of Temporary Additional Support that can be paid equal to 30% of the applicant's unabated main benefit;
- 83.4 standardisation of the amount allowed for applicants without dependent children to cover basic living costs (food, power, etc) at 70% of their unabated main benefit;
- 83.5 a limit of \$50 a week (CPI adjusted) on the amount that can be allowed in the assessment of eligibility for car payments;
- 84 **agreed** to grandparent existing Special Benefits, entitlements and criteria, from 1 April 2006 to ensure that no recipient receives a reduction in their benefit as a result of the introduction of Temporary Additional Support referred to in paragraph 83 above;
- 85 **agreed** that the grandparenting arrangements referred to in paragraph 84 above be reviewed by the Ministers of Finance, Revenue and Social Development and Employment in February/March 2008;
- 86 **agreed** that the In-Work Payment and Child Tax Credit payments grandparented under paragraph 19 above, be included as income in the assessment of Temporary Additional Support applications received on or after 1 April 2006;

87 **noted** that the introduction of Temporary Additional Support and the change to a rules based approach from 1 April 2006 will require amendments to the Social Security Act 1964 to:

87.1 legislate for the principles of Temporary Additional Support;

87.2 make provision for Temporary Additional Support to be granted as prescribed by regulations;

87.3 grandparent existing entitlements to Special Benefit;

SECTION 7: CONSEQUENTIAL CHANGES TO OTHER SOCIAL ASSISTANCE

Accommodation Supplement

88 **noted** that increases in the first child rates of Family Support and adjustments to main benefits rates will result in a partial offsetting reduction in Accommodation Supplement for the families affected by the changes, but that families will be better off overall;

89 **agreed** that the increases to the first child rates of Family Support and adjustments to main benefit rates be allowed to flow on to Accommodation Supplement as described in paragraph 88 above;

Top-Up Provision

90 **noted** that although every effort has been made to ensure that the policy changes do not result in people becoming financially worse off, the complexity of the social assistance system, the wide variety of individual circumstances and the phased implementation of different components of the package make it difficult to anticipate and address every situation;

91 **noted** that a small group of Accommodation Supplement recipients, who gain overall from the Working for Families package relative to the status quo, are likely to be worse off on 1 April 2005 than they were on 31 March 2005 as a result of the Family Income Assistance changes introduced on 1 April 2005;

92 **agreed** that a Transitional Working for Families Supplement be available to assist Accommodation Supplement recipients and other people, not yet identified, who would otherwise be financially disadvantaged as a result of the Working for Families changes;

93 **agreed** that a provision for a Transitional Working for Families Supplement be included in legislation with associated entitlement criteria and other details set out in regulations;

94 **agreed** to establish a new Benefit and Other Unrequited Expenses "Transitional Working for Families Supplement" in Vote Social Development;

95 **agreed** that the Transitional Working for Families Supplement be capped at \$0.50 million per annum for each of the fiscal years 2005/06, 2006/07 and 2007/08;

Income Related Rents

96 **noted** that increases in the Family Tax Credit, first child rates of Family Support, and adjustments to main benefits rates will result in a partial offsetting reduction in Income Related Rents for the families affected by the changes, but that families will be better off overall;

- 97 **agreed** that the increases to the first child rates of Family Support, Family Tax Credit and adjustments to main benefit rates be allowed to flow on to Income Related Rents as described in paragraph 96 above;

Benefit Stand-Down

- 98 **agreed** to increase the per child add-on in the stand-down formula for main benefits from \$50.00 to \$80.00 per week to reflect the increases in Family Support rates;

Treatment of Family Income Assistance

- 99 **noted** that it is current policy and practice not to charge Family Income Assistance as income for assessing eligibility for, and rates of, social assistance but that this is not supported by legislation;
- 100 **agreed** to continue the current policy and practice of not charging Family Income Assistance as income for social assistance purposes and that this decision be reflected in the Future Directions (Working for Families) Bill;
- 101 **agreed** that a validating clause be included in the Future Directions (Working and Families) Bill to retrospectively confirm current practice;
- 102 **noted** that the current policy and practice of not charging Family Income Assistance as income would also apply to the proposed new In-Work Payment from 1 April 2006;
- 103 **noted** that for Special Benefit purposes, Family Support will be included as income to determine eligibility;

Use of Invalid's Benefit Rate Structure for Determining Eligibility for Some Social Assistance Payments

- 104 **noted** that currently, some social assistance payments use the Invalid's Benefit rates to determine entitlement but removal of the sole parent (2+ child) rate will result in a number of beneficiaries no longer being eligible for these payments;
- 105 **agreed** that the current Invalid's Benefit rate structure continue to be used to determine entitlement to specific second and third tier social assistance and a provision is included in the Social Security Act to allow this;
- 106 **agreed** that the new provision for determining entitlement to specific second and third tier benefits is annually adjusted in line with CPI movements;

Child Support

- 107 **noted** that the increases to Family Support under current policy would reduce the amount of Child Support to be paid by some liable parents under the current Child Support formula, which would result in some custodial parents receiving lower payments of Child Support and the Crown absorbing the cost of lower payments in respect of custodial parents who are beneficiaries;
- 108 **agreed** to retain the current levels of Family Support for the calculation of the living allowance in the Child Support payment formula and index these levels to annual increases in the CPI movements, to avoid the effect described in paragraph 107 above;

Community Services Card Thresholds

- 109 **noted** that the proposed increases to Family Support and the introduction of the In-Work Payment will increase the incomes of low income households with the potential to cause an estimated 29,000 existing Community Services Card holders to lose eligibility for the Community Services Card;
- 110 **agreed** that the thresholds for the Community Services Card be increased from 1 April 2005, 1 April 2006 and 1 April 2007 to ensure all current recipients remain eligible for the Community Services Card;
- 111 **agreed** that the In-Work Payment, as well as Family Support, Child Tax Credit (where applicable), Family Tax Credit and Parental Tax Credit, be treated as income when assessing eligibility for the Community Services Card;

Foster Care Allowance, Orphan's Benefit and Unsupported Child's Benefit

- 112 **noted** that recipients of the Foster Care Allowance, Orphan's Benefit and Unsupported Child's Benefit cannot receive Family Support for the child that allowance or benefit is paid in respect of, so will not benefit from increases to Family Support rates on 1 April 2005;
- 113 **agreed** to a one-off increase of \$15 a week to the rates of Orphan's Benefit, Unsupported Child's Benefit and Foster Care Allowance (and including pro-rata increases to Foster Care Allowance clothing, Christmas and birthday allowances, and Higher Foster Care Allowance) on 1 April 2005;
- 114 **agreed** that the one-off increase referred to in paragraph 113 above replace the general inflation adjustment that would otherwise occur on 1 April 2005, but does not replace the general inflation adjustments that will occur from 1 April 2006 onwards;
- 115 **noted** that Vote Child, Youth and Family Services funding for the Foster Care Allowance is based upon projected placements as at 30 June 2004 and any variation to this amount will be funded in the short-term from the demand linked funding initiative of the Baseline Review Project, and in the longer term through the re-costing of the Child, Youth and Family Baseline to inform Budget 2006;
- 116 **noted** that a full review of the payments to children for whom Foster Care Allowance, Orphan's Benefit and Unsupported Child's Benefit is paid will form part of the future work programme on social assistance beyond the 2004 Budget;
- 117 **noted** that terms of reference for a full review of the payments to children for whom Foster Care Allowance, Orphan's Benefit and Unsupported Child's Benefit is paid is being prepared for the Minister for Social Development and Employment and the Associate Minister for Social Development (Child, Youth and Family Services) by 30 April 2004;

Student Loan Repayment Thresholds

- 118 **noted** that the student loan repayment threshold and the part-time, part-year student full interest write-off threshold are based on the cut out point and rate respectively of Domestic Purposes Benefit for two or more children;

- 119 **noted** that the introduction of a single sole parent rate of benefit in paragraph 36 above will have the unintended consequence of reducing the levels of the student loan repayment and write-off thresholds if the current way of setting them is maintained, and will result in higher loan repayments being required of people with income over the repayment threshold and fewer people being eligible for interest write-offs;
- 120 **agreed** that the student loan repayment threshold and part-time, part year full interest write-off thresholds be set at the current levels and be adjusted annually in line with CPI movements to avoid the unintended consequence in paragraph 119 above of the proposed rate changes on student loan repayment and interest write-off thresholds;

SECTION 8: DELIVERY ENHANCEMENTS

- 121 **noted** that Cabinet agreed in December 2003 to the following enhancements to the current Family Income Assistance delivery system to be introduced by 1 April 2005:
- 121.1 automated exchange of information between MSD and IRD, for the purpose of identifying entitlement to family income assistance and to avoid double-payment;
- 121.2 weekly payments of family income assistance by IRD;
- 121.3 monitoring and responding to claimants' changing income and circumstances;
- [EXG Min (03) 14/2]
- 122 **noted** that in relation to the decisions in paragraph 121 above, Cabinet also approved the following changes to appropriations, with a corresponding impact on the Crown operating balance and debt:

	\$m - increase/(decrease)					
	2003/04	2004/05	2005/06	2006/07	2007/08 & outyears	GST
Vote Revenue						
Department Output Class:						
Information Services (funded by revenue Crown)	0.100	1.010	0.700	0.700	0.700	incl.
Capital Contributions to the Department:						
Capital Investment	1.490	0.990	-	-	-	n/a
Vote Social Development						
Department Output Class:						
Services to Provide Benefit Entitlements and Obligations to Working Age Beneficiaries and to Promote Self-Sufficiency (funded by revenue Crown)	-	0.550	0.080	0.080	0.080	incl.
Total Operating	0.100	1.560	0.780	0.780	0.780	
Total Capital	1.490	0.990	-	-	-	

- 123 **agreed** to the proposed delivery strategy to implement the Working for Families package consisting of the following key integrated initiatives:
- 123.1 electronic transfers of data between the MSD and IRD, to facilitate better access to Family Income Assistance and to reduce end of year debt;
 - 123.2 enhancing connections between the MSD and IRD Call Centres;
 - 123.3 a weekly payment option for Family Income Assistance;
 - 123.4 coordinating information for clients;
 - 123.5 developing a seamless online In-Work Assistance service across MSD and IRD;
 - 123.6 overarching joint promotion and marketing to new and existing clients;
 - 123.7 new MSD “Working Families Teams” that will focus on delivering face to face service to low to middle income working families, including actively marketing products and services to priority groups;
 - 123.8 new MSD “Childcare Coordinator” positions to work with individual clients and priority population groups to assist them in arranging their childcare assistance;
- 124 **noted** that in December 2003 Cabinet agreed that legislation should be enacted by 1 October 2004 to allow certain enhancements to the delivery of Family Income Assistance to take effect, including the transfer of information from MSD to IRD [EXG Min (03) 14/2];
- 125 **agreed** that the Future Directions (Working for Families) Bill include a provision allowing IRD to give notice to the recipient of Family Income Assistance of the taking of an “adverse action”, at the same time as it stops payment of Family Income Assistance to a client;
- 126 **noted** that this provision is necessary in order to facilitate better access to Family Income Assistance and to reduce year-end debt, and that the purpose of the information match would be largely defeated if payments could not be ceased immediately and without giving the prior notice required under the Privacy Act 1993;
- 127 **noted** that this provision will override the prior notice requirement in section 103 of the Privacy Act, and that the Office of the Privacy Commissioner has indicated that it is opposed to the proposal;
- 128 **noted** that the estimated cost of the delivery strategy to implement the Working for Families package is \$50 million in 2004/05, \$46 million in 2005/06, \$35 million in 2006/07 and \$28 million in 2007/08 and outyears;

SECTION 9: EVALUATION

- 129 **noted** that officials propose to undertake an extensive programme of monitoring and evaluation to measure the success of the Working for Families package over a period of five years at an initial estimated cost of around \$7.8 million (GST exclusive) over the estimates period, and that provision has been made for this cost in the Working for Families package contingency (see paragraph 7 above);

- 130 **directed** MSD and Treasury, in consultation with IRD, Housing New Zealand Corporation and other relevant departments, to report to the Ministers of Finance, Revenue and Social Development and Employment by 30 June 2004 setting out the proposed evaluation and monitoring strategy, including a timetable and governance structure;

SECTION 10: COMMUNICATIONS STRATEGY

- 131 **noted** that the Working for Families package will be announced as part of the 2004 Budget;
- 132 **noted** that MSD and IRD will implement a joint communication strategy to raise public awareness about the Working for Families package, using television, radio, internet and print media to target all eligible New Zealanders and their families;
- 133 **noted** that the estimated cost of the public awareness campaign (which is included in delivery strategy appropriations in paragraph 143 below) is \$11.588 million in 2004/05, \$6.188 million in 2005/06 and \$3.375 million in 2006/07;

SECTION 11: FINANCIAL IMPLICATIONS

Family Income Assistance

- 134 **agreed** to establish a new Benefit and Other Unrequited Expense “In-Work Payment” in Vote Revenue from 2005/06 onwards;
- 135 **agreed** to increase funding to meet the costs of the Family Income Assistance initiatives, including changes to main benefit and Student Allowance rates and the consequential impacts on other social assistance:

	All figures are \$m, GST inclusive where applicable				
	2003/04	2004/05	2005/06	2006/07	2007/08 & outyears
Operating Balance Impact	-	96.301	502.761	763.993	1006.564
No Impact (tax on benefits)	-	(5.273)	(21.632)	(28.596)	(29.537)
Total	-	91.028	481.129	735.397	977.027

- 136 approve the following changes to appropriations to fund the Family Income Assistance initiatives, with a corresponding impact on the operating balance:

	\$m - increase/(decrease)					
	2003/04	2004/05	2005/06	2006/07	2007/08 & Outyears	GST
Vote Revenue						
Benefits and Other Unrequited Expenses:						
Family Support Tax Credit	-	108.000	520.920	677.860	888.620	n/a
Family Tax Credit	-	-	1.250	6.536	6.567	n/a
Parental Tax Credit	-	0.400	2.200	4.000	4.900	n/a
Child Tax Credit	-	6.000	2.000	(98.000)	(122.000)	n/a
In-Work Payment	-	-	56.300	288.276	349.346	n/a
Sub Total Operating	-	114.400	582.670	878.672	1,127.433	

Vote Social Development						
Benefits and Other Unrequited Expenses:						
Domestic Purposes Benefit	-	(19.820)	(81.146)	(119.834)	(123.290)	n/a
Unemployment Benefit	-	(3.455)	(14.446)	(15.198)	(15.597)	n/a
Sickness Benefit	-	(1.462)	(6.060)	(6.439)	(6.839)	n/a
Invalid's Benefit	-	(0.543)	(2.289)	(2.512)	(2.673)	n/a
Widow's Benefit	-	(0.336)	(1.304)	(1.559)	(1.523)	n/a
Student Allowances	-	(0.917)	(3.690)	(3.740)	(3.796)	n/a
Orphan's/Unsupported Child's Benefit	-	1.614	6.644	7.075	7.516	n/a
Transition to Work	-	(0.026)	(0.106)	(0.107)	(0.108)	n/a
Transitional Working for Families Supplement	-	0.500	0.500	0.500	0.500	n/a
Sub Total Operating	-	(24.445)	(101.898)	(141.815)	(145.811)	
Vote Housing						
Benefits and Other Unrequited Expenses:						
Income Related Rental Subsidy	-	(0.240)	(5.035)	(7.078)	(10.271)	n/a
Sub Total Operating	-	(0.240)	(5.035)	(7.078)	(10.271)	
Vote Child Youth and Family Services						
Non Departmental Output Class:						
Family Wellbeing Services	-	0.090	0.370	0.377	0.382	incl.
Departmental Output Classes:						
Care and Protection Services (funded by revenue Crown)	-	0.861	3.523	3.591	3.643	incl.
Youth Justice Services (funded by revenue Crown)	-	0.012	0.049	0.050	0.051	incl.
Sub Total Operating	-	0.963	3.942	4.018	4.076	
Vote Health						
Non Departmental Output Class:						
National Services	-	0.350	1.400	1.400	1.400	incl.
Sub Total Operating	-	0.350	1.400	1.400	1.400	
Total Operating	-	91.028	481.079	735.197	976.827	

Child Support

137 **noted** that legislating for the current Family Support levels in the Child Support formula and indexing these to the CPI results in the following reduction in revenue through lower Child Support collections, with a corresponding impact on the operating balance:

Vote Revenue	\$m - increase/(decrease)				
	2003/04	2004/05	2005/06	2006/07	2007/08 & outyears
Child Support Collections	-	-	0.050	0.200	0.200

Childcare Assistance

138 **approved** the following changes to appropriations to fund the Childcare Assistance initiatives, with a corresponding impact on the operating balance:

Vote Social Development	\$m - increase/(decrease)					GST
	2003/04	2004/05	2005/06	2006/07	2007/08 & outyears	
Benefits and Other Unrequited Expenses:						
Childcare Assistance	-	18.801	31.030	34.239	34.552	n/a

Accommodation Supplement

139 **agreed** to increase funding to meet the costs of the Accommodation Supplement initiatives:

	All figures are \$m, GST-inclusive where applicable				
	2003/04	2004/05	2005/06	2006/07	2007/08 & outyears
Operating Balance Impact	-	62.996	128.741	141.701	146.219
No Impact (tax on benefits)	-	0.489	0.652	0.652	0.652
Total	-	63.485	129.393	142.353	146.871

140 **approved** the following changes to appropriations to fund the Accommodation Supplement initiatives, with a corresponding impact on the operating balance:

Vote Social Development	\$m - increase/(decrease)					GST
	2003/04	2004/05	2005/06	2006/07	2007/08 & outyears	
Benefits and Other Unrequited Expenses:						
Accommodation Supplement	-	60.410	125.293	138.253	142.771	n/a
Unemployment Benefit	-	1.619	2.158	2.158	2.158	n/a
Domestic Purposes Benefit	-	0.728	0.970	0.970	0.970	n/a
Sickness Benefit	-	0.462	0.617	0.617	0.617	n/a
Invalid's Benefit	-	0.210	0.280	0.280	0.280	n/a
Independent Youth Benefit	-	0.024	0.032	0.032	0.032	n/a
Widow's Benefit	-	0.017	0.022	0.022	0.022	n/a
New Zealand Superannuation	-	0.015	0.020	0.020	0.020	n/a
Total Operating	-	63.485	129.393	142.353	146.871	

Special Benefit

141 **agreed** to establish a new Benefit and Other Unrequited Expense "Temporary Additional Support" in Vote Social Development from 2005/06 onwards;

142 **approved** the following changes to appropriations to introduce the Special Benefit changes, with a corresponding impact on the operating balance:

Vote Social Development	\$m - increase/(decrease)					GST
	2003/04	2004/05	2005/06	2006/07	2007/08 & outyears	
Benefits and Other Unrequited Expenses:						
Special Benefit	-	(7.364)	(44.943)	(75.760)	(91.177)	n/a

Delivery and Communications Strategies

143 **approved** the following changes to appropriations to implement the Working for Families package, with a corresponding impact on the operating balance:

	\$m - increase/(decrease)					GST
	2003/04	2004/05	2005/06	2006/07	2007/08 & outyears	
Vote Revenue						
Departmental Output Classes:						
Information Services (funded by revenue Crown)	-	7.456	10.263	8.250	5.250	incl.
Revenue Assessment and Collection	-	1.864	2.566	2.750	1.750	incl.
Sub Total Operating	-	9.320	12.829	11.000	7.000	
Vote Revenue						
Capital Contribution to the Department						
Capital Investment	-	3.580	2.171	-	-	n/a
Sub Total Capital	-	3.580	2.171	-	-	
Vote Social Development						
Departmental Output Classes:						
Services to Provide Benefit Entitlements and Obligations to Working Age Beneficiaries and to Promote Self-Sufficiency (funded by revenue Crown)	-	38.835	31.727	23.074	19.934	incl.
Policy and Purchase Advice (funded by revenue Crown)	-	0.416	0.416	-	-	incl.
Sub Total Operating	-	39.251	32.143	23.074	19.934	
Total Operating	-	48.571	44.972	34.074	26.934	
Total Capital	-	3.580	2.171	-	-	

144 **noted** that included in the costs in paragraph 143 above are the following costs for the delivery strategy for Vote Revenue:

All figures are GST inclusive where applicable					
Vote Revenue	2003/04	2004/05	2005/06	2006/07	2007/08 & outyears
Operating	-	5.382	9.454	9.875	7.000
Capital	-	3.580	2.171	-	-

145 145.1 **agreed** that the drawdown of the Vote Revenue delivery strategy costs as set out in paragraph 144 above for 2005/06 and outyears be contingent on the report referred to in paragraph 145.2;

145.2 **directed** IRD, in consultation with Treasury, to report to joint Ministers by December 2004 with detailed implementation plans for systems changes required in 2005/06 and onwards with a view to adjusting funding levels if required as a result of the report;

146 **noted** that included in the costs in paragraph 143 above are the following costs for the delivery strategy for Vote Social Development:

All figures are GST inclusive where applicable					
Vote Social Development	2003/04	2004/05	2005/06	2006/07	2007/08 & outyears
Operating	-	31.601	29.330	20.824	19.934
Capital	-	-	-	-	-

147 147.1 **agreed** that the drawdown of the Vote Social Development delivery costs as set out in paragraph 146 above for 2006/07 and outyears be contingent on the report referred to in paragraph 147.2;

147.2 **directed** MSD, in consultation with Treasury, to report to joint Ministers by December 2005 on the observed take up of non-beneficiary assistance and call centre volumes with a view to adjusting funding levels in 2006/07 and outyears if required as a result of this report;

148 **noted** that included in the costs in paragraph 143 above are the following costs for the communications strategy:

Communications Strategy	\$ millions, GST inclusive		
	2004/05	2005/06	2006/07
Ministry of Social Development	7.650	2.813	2.250
Inland Revenue	3.938	3.375	1.125
Total	11.588	6.188	3.375

- 149 **agreed** that a Future Directions contingency be set aside, subject to the conditions in paragraph 8 above for policy and delivery changes and for the costs of evaluation and monitoring, as set out below:

	All figures are GST inclusive where applicable				
	2003/04	2004/05	2005/06	2006/07	2007/08 & outyears
Future Directions contingency	-	5.833	8.562	8.056	8.506

- 150 150.1 **noted** that the contingency amount provides for the joint on-line application;
- 150.2 **directed** MSD, IRD and Treasury to report to Ministers by December 2004 on the funding required for the joint on-line application;

SECTION 12: FURTHER REFORM

- 151 151.1 **noted** that, beyond the Working for Families package, the following streams of work need to be progressed in order to ensure that the social assistance system is able to meet its objectives and outcomes:

- 151.1.1 reform of basic benefits;
- 151.1.2 reform of Sickness and Invalid's Benefits;
- 151.1.3 further reform of housing assistance;
- 151.1.4 reform of hardship programmes;
- 151.1.5 reform of Crown debt policies and practices;

- 151.2 **noted** that the Minister for Social Development and Employment, in consultation with the Minister of Finance, will submit a brief paper to Cabinet on Monday 3 May 2004 outlining the indicative benefit structure that is intended to result from the work to be carried out under paragraph 151.1;

- 152 **directed** MSD, Treasury and relevant departments to report back by 30 July 2004 to the Ministers of Finance, Revenue, Social Development and Employment, and Housing with a detailed scoping exercise for reform of basic benefits, Sickness and Invalid's Benefits, hardship programmes, Crown debt policies and practices and further reform of housing assistance as identified in paragraph 151.1 above;

SECTION 13: OTHER IMPLICATIONS

Human Rights Implications

- 153 **noted** that the Working for Families package raises a number of issues of inconsistency with the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993;
- 154 **noted** that MSD and IRD will work closely with the Ministry of Justice to provide justifications for any continuing or new discriminatory provisions that may be contained in the Working for Families package;

Legislation

- 155 **invited** the Ministers of Finance, Revenue and Social Development and Employment to issue drafting instructions to Parliamentary Counsel and the Inland Revenue Department Drafting Unit to draft the necessary legislative amendments to give effect to the above decisions for inclusion in the Future Directions (Working for Families) Bill;
- 156 **noted** that the Future Directions (Working for Families) Bill has a priority 2 (must be passed in 2004) on the 2004 Legislation Programme;
- 157 **noted** that the Future Directions (Working for Families) Bill is planned for introduction on 27 May 2004 and that the Leader of the House intends to assign a high priority to this legislation;
- 158 **authorised** the Ministers of Finance, Revenue and Social Development and Employment, in consultation with other Ministers as appropriate, to make decisions on policy clarifications that arise during the drafting of the legislation;
- 159 **noted** that the Minister for Social Development and Employment indicates that the proposals will be the subject of consultation with the government caucuses, and that consultation with other parties represented in Parliament is not required.

Secretary of the Cabinet

Reference: CAB (04) 162; POL Min (04) 8/2