

Changes to the Accommodation Supplement through Budget 2025

Housing Subsidies – Increasing the Accommodation Supplement Entry Threshold for Some Homeowners; and Accommodation Supplement – Adjusting Area Boundaries

Initiative Sponsors: Ministry of Social Development

Description:

The changes to the Accommodation Supplement include two initiatives – first, it makes a policy change to increase the minimum amount homeowners (not including New Zealand Superannuation, Veteran's Pension, and Supported Living Payment recipients) must pay towards their weekly housing costs (the entry threshold) from 30 percent to 40 percent of the relevant base rate.

This change means that some homeowners receiving the Accommodation Supplement will contribute more of their income to their homeownership costs before being able to receive Accommodation Supplement support. It also means that some homeowners with low housing costs relative to their income will no longer be eligible for the Accommodation Supplement.

The second initiative redirects a portion of the savings realised from increasing the entry threshold to fund updates to Accommodation Supplement area boundaries to reflect changes in residential and urban development and more accurately account for people's location and housing costs.

Currently, the Accommodation Supplement area boundaries are based on outdated area units determined by 2017 statistical boundaries and 2016 rental bond data from the Ministry of Business, Innovation, and Employment.

Updating the Accommodation Supplement area boundaries means some recipients will receive a higher Accommodation Supplement payment and more lower to middle income working households may become eligible for the Accommodation Supplement. Potential eligibility is more likely to increase in locations which move from Area 4 to Area 1 (e.g. parts of Queenstown).

The changes from this initiative seek to target the Accommodation Supplement payment more effectively to people with higher housing costs relative to their income.

Increasing the entry threshold for some homeowners will result in net savings of \$36.593 million in operating funding over the forecast period (2025/26 to 2028/29). A portion of these savings will fund updates to Accommodation Supplement area boundaries which has a cost of \$17.416 million over the forecast period (2025/26 to

2028/29). Overall, these initiatives are estimated to deliver total savings of \$19.177 million over the forecast period (2025/26 to 2028/29).

The changes from these initiatives will not impact those affected until April 2027. Further detailed policy design work is required for the new entry threshold settings, and to determine the final Accommodation Supplement area boundaries, including locations that will benefit from the boundary adjustments. Legislative amendments are also required to implement the changes in these initiatives. For the changes to the Accommodation Supplement entry thresholds, amendments to the Social Security Act 2018 will be required. Updating the Accommodation Supplement area boundaries will require changes to the Social Security Regulations 2018.

Financial Impact:

Housing Subsidies – Increasing the Entry Threshold for Some Homeowners

OPEX Savings

This component achieves net savings of \$36.593 million in Vote Social Development over the forecast period (2025/26 to 2028/29).

The impacts each year are set out in the tables below:

Vote Social Development Opex:

(\$m)	2024/25	2025/26	2026/27	2027/28	2028/29 & outyears	Total
Total	-	0.406	(2.677)	(17.669)	(16.653)	(36.593)

Accommodation Supplement – Adjusting Area Boundaries

OPEX Costs

This component has a cost of \$17.416 million over the forecast period (2025/26 to 2028/29) and \$7.875 million in outyears.

CAPEX Costs

This component has capital expenditure costs of \$1.481 million over the 2025/26 and 2026/27 financial years.

The impacts for each year are set out in the tables below:

Social Development OPEX:

(\$m)	2024/25	2025/26	2026/27	2027/28	2028/29 & outyears	Total
Total	-	0.151	2.208	7.182	7.875	17.416

Vote Social Development Capex:

(\$m)	2024/25	2025/26	2026/27	2027/28	2028/29 & outyears	Total
Total	-	0.148	1.333	-	-	1.481

Total net savings OPEX (across the two initiatives):

(\$m)	2024/25	2025/26	2026/27	2027/28	2028/29 & outyears	Total
Total	-	0.557	(0.469)	(10.487)	(8.778)	(19.177)

FAQs and other information**Why is the Government making changes to the Accommodation Supplement?**

- The first initiative recognises that the Accommodation Supplement supports homeowner recipients to accumulate a significant asset and these households often have more options to meet their homeownership costs such as refinancing their mortgage or taking on additional occupants (renting out a room or boarders).
- This initiative ensures fiscal sustainability by targeting the Accommodation Supplement more tightly to homeowners with higher housing costs relative to their income.
- The second initiative recognises that Accommodation Supplement boundaries are based on outdated area units determined by 2017 statistical boundaries and 2016 bond data from the Ministry of Business, Innovation and Employment. Without updates to Accommodation Supplement boundaries, inequities between recipients who pay similar housing costs and reside in the same urban region, would continue, and worsen over time.
- The updates to the Accommodation Supplement boundaries will ensure equitable Accommodation Supplement payments for people residing *within* the same urban region; and directly improve income adequacy for some low to middle income households, especially those with children.

Why are homeowners receiving the New Zealand Superannuation, Veteran's Pension, or the Supported Living Payment exempt from the initiative of increasing the Accommodation Supplement entry threshold?

- Homeowners that are receiving New Zealand Superannuation (NZS), Veteran's Pension (VP) or the Supported Living Payment (SLP) will be excluded from this change and will retain the current entry threshold of 30 percent.
- NZS, VP and SLP recipients are more likely to be disproportionately negatively impacted by decreases to their after-housing cost income. These recipients are less likely to have opportunities to increase their overall income and are likely to require social assistance over the longer-term.
- Older people and disabled people are also more likely to require modifications to their property and benefit from support to retain their own home.

How many people will be impacted by the initiative of increasing the Accommodation Supplement entry threshold for some homeowners?

- It is estimated that 9,300 clients will be impacted. For context, there are approximately 25,100 homeowners receiving the Accommodation Supplement (not including New Zealand Superannuation/Veteran's Pension and Supported Living Payment recipients).
- Most of the recipients that will be impacted are non-beneficiaries (5,100), Jobseeker Support (2,500) and Sole Parent Support recipients (1,500).

How much will the Accommodation Supplement be reduced for those impacted by increasing the Accommodation Supplement entry threshold?

- From April 2027, it is estimated that the average reduction in Accommodation Supplement for affected homeowners will be \$37 per week. The estimated minimum reduction in Accommodation Supplement is \$1 and the maximum reduction is \$59.
- Additionally, approximately 1,300 clients would no longer receive the Accommodation Supplement. This will occur if the client's weekly accommodation costs are less than the new entry threshold. For non-beneficiaries, abatement based on income may also reduce the revised lower rate of the Accommodation Supplement to \$0. This aligns with the intent of the initiative to target support more tightly for homeowners. For this group, the estimated average reduction is \$25 per week, with a minimum reduction of \$1 and maximum reduction of \$59.

How many people will benefit from updating the Accommodation Supplement area boundaries?

- It is estimated that after offsetting reductions to other supports, 4,000 people will be better off by an average of approximately \$35 a week from April 2027. This figure does not include people who could become eligible after updating boundaries. These are likely to be some low to middle income working households.

Which locations will be impacted by updating the Accommodation Supplement area boundaries?

- Territorial Authorities including Auckland, the Western Bay of Plenty District, the Far North District, Waikato District, Queenstown-Lakes District, and the Selwyn District will be impacted the most. However, locations within a total of 45 Territorial Authorities may be affected.
- For Queenstown, this initiative means that people currently living in Accommodation Supplement Area 4 locations being promoted to Area 1 (parts of Frankton, Jack's Point, Lake Hayes Estate, Quail Rise, Shotover Country, and Sunshine Bay-Fernhill) will be better off on average by approximately \$93 per week.
- Further policy development and design is required before determining the final Accommodation Supplement area boundaries. The final boundaries, including locations that will benefit from the Accommodation Supplement area boundary updates, will be determined in 2026, and implemented in April 2027.

Will updating Accommodation Supplement boundaries impact all recipients?

- No, this initiative is adjusting the boundaries of some Accommodation Supplement areas only, it will not be reallocating whole Accommodation Supplement areas or changing the maximum weekly rate for each Accommodation Supplement area. This means that locations in Area 4 with no surrounding urban or residential area, for example, Whanganui, will remain as Area 4.

Will anyone be negatively impacted by updating the Accommodation Supplement area boundaries?

- No. Areas will not be demoted as part of this initiative (e.g. shifts of Accommodation Supplement Area 3 to Area 4), and no payments will decrease.

When will these changes to the Accommodation Supplement come into effect?

- Changes to both increase the Accommodation Supplement entry threshold and adjust the Accommodation Supplement area boundaries will be implemented from 1 April 2027, in line with MSD's Annual General Adjustment to rates of benefits and allowances.

- For the initiative which increases the Accommodation Supplement entry threshold, some homeowners (excluding people receiving the New Zealand Superannuation, Veteran's Pension, and Supported Living Payment) must pay a higher minimum amount towards their weekly housing costs before being able to receive the Accommodation Supplement from April 2027. This also means that some homeowners will no longer be eligible for the Accommodation Supplement payment.
- From April 2027, some recipients of the Accommodation Supplement may see an increase in their payment from adjusting the Accommodation Supplement boundaries. Additionally, some people not currently eligible for the Accommodation Supplement could apply for the Accommodation Supplement and may become eligible if their Accommodation Supplement area changes, particularly in places where there is a change from Area 4 to Area 1.