



Report

Date: 13 May 2021

Security Level: BUDGET SENSITIVE

To: Hon Carmel Sepuloni, Minister for Social Development and Employment

Establishing the Benefit Rate Increase (Transitional Assistance) Programme 2021 and related changes for Budget 2021

Purpose of the report

- 1 This report seeks your approval of the following legislative instruments, to give effect to the Budget 2021 initiatives on 1 July 2021:
 - 1.1 *Benefit Rate Increase (Transitional Assistance) Programme 2021* to provide Transitional Assistance Payments to those financially disadvantaged as an unintended consequence of the 1 July 2021 main benefit increases and complementary changes,
 - 1.2 *Abatement Threshold Increase (Transitional Assistance) Amendment 2021* to amend the *Abatement Threshold Increase (Transitional Assistance) Programme 2021*.

Recommended actions

It is recommended that you:

- 1 **note** that Cabinet has agreed to the following changes taking effect on 1 July 2021, as part of Budget 2021:
 - 1.1 increasing main benefit rates by \$20 net, per week, per adult,
 - 1.2 amending the Temporary Additional Support (TAS) formula to better reflect excess disability costs, and
 - 1.3 exempting supplementary payments from being considered chargeable income for Childcare Assistance [CAB-21-MIN-0116.33 refers]
- 2 **note** that Cabinet has agreed to provide Transitional Assistance Payments to those financially disadvantaged as an unintended consequence of the 1 July 2021 main benefit increases and complementary changes [CAB-21-MIN-0116.33 refers]
- 3 **approve** and **sign** the attached *Benefit Rate Increase (Transitional Assistance) Programme 2021*, which will commence on 1 July 2021
- 4 **note** the *Abatement Threshold Increase (Transitional Assistance) Programme 2021* will need to be amended to mitigate the unintended consequences of the 1 July 2021 changes

Agree/Disagree


- 5 **agree** to amend the *Abatement Threshold Increase (Transitional Assistance) Programme 2021* to mitigate the flow-on impacts of the 1 July 2021 changes **Agree/Disagree**
- 6 **approve** and **sign** the *Abatement Threshold Increase (Transitional Assistance) Amendment 2021*, which will commence on 28 June 2021 **Agree/Disagree**
- 7 **note** that your office will arrange for copies of the welfare programmes to be tabled in the House of Representatives
- 8 **note** that officials will arrange for publication of the welfare programmes in the *New Zealand Gazette* to ensure compliance with the 28-day rule.



Bede Hogan
Policy Manager
Welfare System and Income Support Policy

13-5-2021

Date



Hon Carmel Sepuloni
Minister for Social Development and Employment

23/5/21

Date

A Transitional Assistance Payment will be implemented to address the flow-on impacts of the 1 July 2021 changes

- 2 As part of Budget 2021, Cabinet has agreed to various initiatives to be implemented in two stages on 1 July 2021 and 1 April 2022. These initiatives aim to address income inadequacy for beneficiaries and prevent some people from being financially disadvantaged as an unintended consequence of future benefit increases [CAB-21-MIN-0116.33 refers].
- 3 The following changes will be implemented on 1 July 2021:
 - 3.1 main benefit rates will increase by \$20 net, per week, per adult,
 - 3.2 the Temporary Additional Support (TAS) formula will be amended to better reflect excess disability costs and prevent some people from being disproportionately financially disadvantaged due to marginal increases in income, and
 - 3.3 supplementary payments¹ will be excluded from being considered chargeable income for Childcare Assistance.
- 4 The Order in Council and amendments to the Social Security Regulations 2018 that give effect to the 1 July 2021 initiatives will be considered by the Cabinet Legislation Committee on 20 May 2021.
- 5 On 1 April 2022 student support and main benefit rates will increase further. The legislative changes that give effect to these initiatives will happen alongside the Annual General Adjustment changes in early 2022.
- 6 Due to complex interactions within the welfare system, some people may be financially disadvantaged as an unintended consequence of the flow-on impacts of the main benefit rate increases and complementary changes (1 July 2021 changes). Cabinet agreed to implement a Transitional Assistance Payment (TAP) to those financially disadvantaged by the flow-on effects of 1 July 2021 changes. TAP will give those affected by the 1 July 2021 changes time to adjust to the change in their level of assistance [CAB-21-MIN-0116.33 refers]. This is expected to benefit approximately 125 people.
- 7 The attached *Benefit Rate Increase (Transitional Assistance) Programme 2021* gives effect to Cabinet's decision by establishing the TAP for up to twelve months, beginning on 1 July 2021.
- 8 Note that the complementary changes being implemented on 1 July 2021 (ie changes to the TAS Disability Exception Amount formula and the definition of chargeable income for Childcare Assistance) will ensure that in the long-term, people are not financially disadvantaged by the flow-on effects of any future benefit or abatement threshold increases. This will remove the need for a TAP for future main benefit rate increases, including on 1 April 2022.

The *Benefit Rate Increase (Transitional Assistance) Programme 2021* reflects previous welfare programmes

- 9 The following paragraphs set out the key parameters of the *Benefit Rate Increase (Transitional Assistance) Programme 2021*, which largely reflects previous TAP welfare programmes.

¹ These supplementary benefit payments include Accommodation Supplement, Temporary Additional Support, a Special Benefit, Disability Allowance, a Special Disability Allowance, and an incentive payment (for purposes of Youth Payment or Young Parent Payment).

- 10 This TAP has been designed to account for the two-stage implementation of the Budget 2021 initiatives, in line with previous TAP welfare programmes such as the Families Package. For TAP recipients who experience gains due to the main benefit rate increase on 1 April 2022, these gains will be offset from their TAP.

Eligibility

- 11 TAP is available for those individuals or families who experience a reduction in, or loss of, TAS, and their net payment on 1 July 2021 is less compared to 30 June 2021 as a result of the 1 July 2021 changes.
- 12 TAP will also be available for recipients of the Christchurch Mosques Attack Assistance payments, who receive the equivalent rates of TAS and experience financial disadvantage due to the flow-on effects of the 1 July 2021 changes to this payment.

Amount of Transitional Assistance

- 13 The TAP amount will ensure that a client's net weekly payments, immediately after the 1 July 2021 changes, remain the same as they were before becoming financially disadvantaged from the 1 July 2021 changes.
- 14 For those financially disadvantaged on 1 July 2021, the amount of TAP will be the total reduction in their net payment on 1 July 2021 compared with 30 June 2021, resulting from a reduction in, or loss of, TAS or Christchurch Mosques Attack Assistance payments.
- 15 After 1 July 2021, if a client has a decrease in net income, the amount of TAP will remain the same ie it will not increase to reflect a reduction in their other income.

Ending transitional assistance

- 16 Parameters around how long someone is eligible for TAP have been designed to transition affected clients to their new rate of assistance as smoothly as possible, post-implementation of the 1 July 2021 changes.
- 17 There are a number of circumstances that could result in a client losing entitlement to TAP:
 - 17.1 a period of 12 months has passed from 1 July 2021 since the client was negatively affected by the 1 July 2021 changes (ie the welfare programme ends on 30 June 2022),
 - 17.2 any increase in net income from a change in circumstances, regardless of whether the increase in net income meets or exceeds the value of TAP, excluding increases in net income due to the 1 April 2022 main benefit rate increases,
 - 17.3 for clients experiencing an increase in net income due to the 1 April 2022 main benefit rate increases, they will only lose their TAP entitlement if the net income increase is equal to or exceeds the value of TAP. If the net income increase is less than the amount of TAP, TAP will reduce by the amount of the income increase.
- 18 In addition, where a client is no longer entitled to receive the payment that contributed to their initial entitlement to the TAP, eligibility will end. This reflects that:
 - 18.1 the circumstances that created the financial disadvantage no longer exist
 - 18.2 a client's circumstances and costs are likely to have changed significantly and no further TAP is likely required, or
 - 18.3 situations where TAP is the only support received by a client need to be prevented.

Definition of net payment and net income

- 19 Net payment is used for determining eligibility to TAP on 1 July 2021. It is the sum of all financial assistance payable by the Ministry of Social Development (MSD) excluding any special assistance payment made under a welfare programme (except the Christchurch Mosques Attack Programme).
- 20 Net income is used for determining on-going eligibility for TAP and will largely align with the definition of chargeable income used for TAS. TAS and Childcare Assistance (CCA) are included in this definition.

TAP will be made exempt from being considered income for TAS

- 21 Some TAS recipients who are also eligible for TAP on 1 July 2021, will experience a reduction of their TAS by the amount of their TAP payment, reducing the impact of the TAP payment. Cabinet has agreed to exempt TAP from being considered chargeable income for TAS payments to prevent these circular flows [CAB-21-MIN-0116.33 refers].
- 22 The amendments to the Social Security Regulations 2018 to exempt TAP from being considered chargeable income for TAS will be going to the Cabinet Legislation Committee on 20 May 2021.

The 1 July 2021 changes will have flow-on impacts to recipients of the *Abatement Threshold Increase (Transitional Assistance) Programme 2021*

- 23 The *Abatement Threshold Increase (Transitional Assistance) Programme 2021* (the April TAP) is currently in place for people who have been financially disadvantaged as an unintended consequence of the 1 April 2021 abatement threshold increases. There are approximately 89 people receiving the April TAP.
- 24 Some recipients of the April TAP may experience an increase in their net income as a result of the 1 July 2021 changes, resulting in losing their entitlement to the April TAP.
- 25 The attached Abatement Threshold Increase (Transitional Assistance) Amendment 2021 will amend the April TAP to ensure recipients will only lose their entitlement to this TAP if their net income increase on 1 July 2021 is equal to or greater than their total April TAP amount. If their payment increase on 1 July 2021 is smaller than their April TAP amount, their April TAP amount will be reduced by the amount of the increase only.
- 26 The April TAP will also be amended so that these payments will be accounted for when offsetting overseas pensions against existing benefit payments. There are currently no April TAP recipients also receiving overseas pensions. However, this change ensures that if April TAP is granted to overseas pension recipients due to any retrospective entitlement reviews in the future, its treatment relative to overseas pensions will align with previous TAP welfare programmes and the 1 July 2021 welfare programme.
- 27 Note that although the main benefit increase and complementary changes will take legislative effect from 1 July 2021, due to the 'Mondayisation'² of CCA, changes to CCA rates resulting from the CCA income definition amendments will be implemented from Monday 28 June 2021. To align with this implementation date, the April TAP amendments will also come into effect on the 28 June 2021. This will ensure that any

² CCA payments are currently 'Mondayised' due to system limitations. This means that changes to CCA settings take effect on the closest Monday, when CCA payments are made, rather than the actual day of change.

reduction in, or loss of, a client's 1 April 2021 TAP, resulting from the impacts of the 1 July 2021 changes on their CCA entitlements is accurately captured from the date of implementation.

Next steps

- 28 To meet the 28-day rule, we seek your approval of, and signature to, the following legislative instruments by 24 May 2021:
 - 28.1 Benefit Rate Increase (Transitional Assistance) Programme 2021,
 - 28.2 Abatement Threshold Increase (Transitional Assistance) Amendment 2021.
- 29 Officials will arrange for these to be notified in the *New Zealand Gazette* to ensure they meet the 28-day rule.
- 30 A copy of the legislative instruments will be published on MSD's external website, as required by sections 7 and 101 of the Social Security Act 2018.
- 31 You should direct your office to arrange for the welfare programmes to be tabled in the House of Representatives as required by section 41 of the Legislation Act 2012.

Appendices

- Benefit Rate Increase (Transitional Assistance) Programme 2021
- Abatement Threshold Increase (Transitional Assistance) Amendment 2021

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