

Budget Sensitive

Office of the Minister for Social Development and Employment

Chair, Cabinet Social Outcomes Committee

Decisions for implementing the Budget 2024 cost-savings initiative to recognise housing contributions from all boarders

Proposal

- 1 To implement the Budget 2024 initiative to recognise housing contributions from all boarders in the assessment of housing subsidies, this paper seeks:
 - 1.1 further policy decisions relating to mandatory reviews of some benefits
 - 1.2 authorisation to widen the existing delegated authority relating to this initiative, and to bring forward the implementation date for the policy.

Relation to government priorities

- 2 Regularly confirming client's circumstances helps ensure they remain eligible and are receiving the correct rate of benefit. Undertaking regular reviews assists in achieving this and maintaining fairness. The use of mandatory reviews in the welfare system will promote more frequent check-ins with clients. In addition to supporting the implementation of the Boarders' Contribution Initiative, this will also support the Government's target to reduce the number of Jobseeker Support benefit recipients.
- 3 These decisions relate to implementing a Budget 2024 cost-savings initiative. Anticipated savings from implementing that initiative have already been recognised and reflected in appropriations. Further savings from mandatory reviews will be recognised through Budget 2025.

Executive Summary

- 4 To implement the Budget 2024 initiative: treatment of housing contributions from boarders ("the Boarders' Contribution Initiative") there are some decisions which have been made or need to be made that may not fall within the existing delegated authority granted to myself, the Associate Minister of Housing, and other Ministers as appropriate. I now seek the following decisions to ensure that legislation can be finalised for enactment on Budget night:
 - 4.1 introducing mandatory reviews to test ongoing rate and eligibility for some benefits (this will enable the Ministry of Social Development (MSD) to confirm if a client is receiving contributions from boarders for relevant housing subsidies and all income-tested assistance)
 - 4.2 broadening the provisions in s363A of the Social Security Act 2018 to support the use of Automated Decision-Making (ADM) for mandatory reviews

- 4.3 moving the implementation date for the Boarders' Contribution Initiative forward to 2 March 2026
- 4.4 expanding the previously agreed delegated authority to authorise the Minister of Housing, the Minister for Social Development and Employment, and the Associate Minister of Housing to make final decisions on the policy details of implementing the policy to recognise the housing contributions from all boarders, including:
 - 4.4.1 confirming the treatment of renters in the legislation, so that it is clear when a person is treated as a boarder or a renter
 - 4.4.2 specifying the treatment of excess income where housing contributions from a boarder or renter exceed a person's accommodation costs or market rent
- 4.5 agreeing that the expanded delegated authority applies retrospectively to some Ministerial decisions, which are outlined in this paper
- 4.6 authorise the Minister for Social Development and Employment to make final decisions on the mandatory review policy.

Background

- 5 As part of Budget 2024, Cabinet agreed that the housing contributions from all boarders will be counted in the assessment of housing subsidies from 1 April 2026. This initiative was expected to return \$150.96 million in operating funding over four years. These savings have been returned to the Crown.
- 6 The Minister for Social Development and Employment, the Associate Minister of Housing, and other Ministers as appropriate were authorised by Cabinet to make final decisions on the policy details of this change [CAB-24-MIN-0148.74 refers]. During the detailed policy design process some decisions have been identified that may not fall within the existing delegated authority. I am accordingly seeking further Cabinet decisions in relation to:
 - 6.1 introducing mandatory reviews of client circumstances to test ongoing rate and eligibility for some payments (this will enable MSD to confirm if a client is receiving contributions from boarders for relevant housing subsidies and income-tested assistance)
 - 6.2 broadening the provisions in section 363A of the Social Security Act 2018 (the SSA) to support the use of ADM for mandatory reviews
 - 6.3 moving the implementation date forward to 2 March 2026
 - 6.4 authorising the Minister of Housing, the Minister for Social Development and Employment, and the Associate Minister of Housing to make final decisions on the policy details of implementing the policy to recognise the housing contributions from all boarders (expanding the previous authorisation).

- 7 Cabinet agreed to implement the Boarders' Contribution Initiative from 1 April 2026. However, this is the same time as the Annual General Adjustment (AGA) for MSD, and there will not be enough capacity to implement both these changes at the same time. I therefore propose to implement this policy from Monday, 2 March 2026.

Changes are required to allow for mandatory reviews and the use of ADM

- 8 To implement the Boarders' Contribution Initiative MSD must have the ability to confirm if a client is receiving contributions from boarders for housing subsidies and income-tested assistance. To achieve this, I propose introducing a mandatory review of circumstances for clients receiving these specified benefits every 52 weeks. This will impact a client's housing subsidies and other assistance they receive from MSD, if they have boarders.
- 9 Specified benefits are: Supported Living Payment; Emergency Benefit with an expiry date beyond 52 weeks or no expiry date; Accommodation Supplement; Disability Allowance; New Zealand Superannuation with a Non-Qualified Partner¹.
- 10 I propose using ADM as part of these reviews so that implementation of the Boarders' Contribution Initiative is possible without large impacts on MSD frontline staff. Introducing a mandatory review of circumstances that a client must respond to enables MSD to collect and update information on housing contributions received from boarders and renters to ensure clients are paid the right rate of benefit. This is necessary to meet the policy intent to avoid subsidising the same set of accommodation costs twice.
- 11 I intend to introduce legislation, as part of the Boarders' Contribution Initiative, that will outline detailed requirements for mandatory reviews. In addition, the provisions in section 363A of the SSA will also need to be broadened to support the use of ADM for these proposals.

Mandatory reviews settings

- 12 I propose that MSD must initiate a review of clients' circumstances every 52 weeks. A client's mandatory review date is 52 weeks since their last review was completed (or the client last confirmed their circumstances, as described below at paragraph 17), or when their benefit commenced for clients who have not yet had a review.
- 13 At least 20 working days before the client's review date MSD will automatically initiate the mandatory review and notify the client. Accommodation Supplement will be reviewed as part of a client's Supported Living Payment, or Emergency Benefit mandatory review. Disability Allowance will have its own mandatory review and review date. Where a client's benefit has stopped and is no longer being paid, MSD will not automatically notify clients of a mandatory review. If a benefit is to be resumed, the client would be notified that they are required to respond to the mandatory review, or to confirm the same circumstances as their mandatory review would have.
- 14 I note Jobseeker Support and Sole Parent Support entitlement expires and clients are

¹ Since 9 November 2020, non-qualifying partners are no longer able to be included in New Zealand Superannuation payments. Current recipients are grandparented.

required to reapply, and for these client's their mandatory review of Accommodation Supplement will happen at their main benefit reapplication.

- 15 The review will present a client with specific information that MSD holds about their circumstances and clients will be required to confirm if the information is correct. The information presented to each client will be tailored based on the client's benefit type. Appendix 1 outlines the mandatory review details for each type of assistance. The below table outlines the possible outcomes of the mandatory review.

Table 1 review outcomes

Client action	Outcome
Client confirms that the information MSD holds about their circumstances is correct.	The review will be fully automated. ² The client's benefit will continue at the same rate, and the review date will reset to 52 weeks in the future.
Client does not provide information required for MSD to complete the review.	Benefit will automatically stop on the review date. The client will be notified.
Client states the information presented to them is incorrect	A staff member processes the review and resets the review date or will stop the benefit if the client is not eligible.

- 16 If a client's benefit is stopped because they have not yet responded to their review, they will be notified. To restart their benefit the client must contact MSD and respond to the review. MSD will determine if their benefit should be backdated. If the client does not respond to the review within the eight weeks from when their benefit has stopped, they will have to reapply for benefit. New Zealand Superannuation with a Non-Qualified Partner clients will have two years to respond to the review before they have to reapply for assistance, as per current practice.

Ability to move review date based on other suitable client engagement

- 17 In some situations, engagements with clients will provide MSD with the information required to confirm their circumstances. I propose introducing the ability to move the mandatory review date 52 weeks into the future when a client confirms the same circumstances as required under a mandatory review. Emergency Benefit will be excluded from the ability to move the review, based on another suitable engagement, because there is too much discretion in the determination of continued entitlement for these benefits. Disability Allowance reviews will also operate differently. Clients will only be asked to confirm their disability-related costs. If a client's disability costs have not been reviewed in the previous 44 weeks from when the review notice is due to be sent, then then MSD would be required to complete a mandatory review.

Clients with partners

- 18 If a client has a partner included in their benefit, the client's mandatory review will include their partner's details. The client will be responsible for confirming all of the information in the review, including the parts that relate to their partner.

² Emergency Benefit will not have a fully automated review. A person will action the review even if the client says they have no change in circumstances.

Exceptions where MSD would not be required to review a group of clients

- 19 MSD would not be required to review a group of clients and/or a group of clients would not be required to respond to a review when, either on the notification date of the review:
- 19.1 the client is in hospital for more than 13 weeks
 - 19.2 the client is in residential disability care or rest home care
 - 19.3 a major system outage that prevents MSD and/or clients from meeting the review requirements
 - 19.4 the client resides in, or is present in, and cannot reasonably leave, an area in respect of which a state of local or national emergency is in force
 - 19.5 an outbreak of a quarantinable disease in respect of which an epidemic notice has been given and is in force in the area that the client resides in, or is present in and cannot reasonably leave.

Situations where clients would be exempt from the review on an individual basis

- 20 I propose when MSD is satisfied that a client's circumstances prevent them from responding to the review, for example if they are in hospital, MSD can exempt a client from the upcoming mandatory review. An exemption will only apply if a client notifies MSD they are not able to respond the review. This would occur after the client has been notified about the review and prior to their benefit stopping.

Situations where a review date could be extended

- 21 A small number of clients may not be able to respond to their mandatory review by the required date but could if their review date was extended. I propose introducing the ability to extend the review date. A client's mandatory review date could be extended for no more than 20 working days from the date the review is due. MSD would determine if a review date should be extended after contact from the client.
- 22 If Cabinet agrees to delegate authority to me to make final policy decisions, I will make further detailed decisions before the introduction of the Bill on exactly when the exceptions, exemptions, and extensions will apply. This will likely include introducing a regulation-making power so that MSD can implement these.

Automation of the flow-on effects of this change to Temporary Additional Support

- 23 To support the implementation of this policy, MSD will collect information from the head tenant about any contributions from boarders before 2 March 2026. On the day of the implementation, any changes to clients' Accommodation Supplement from including contributions from boarders will be applied automatically. These changes will have flow-on impacts for any Temporary Additional Support that they receive.

Delegated authority to make final decisions

- 24 I propose that Cabinet agrees to expand the previous authority granted to myself, the Associate Minister of Housing, and other Ministers as appropriate, to make final decisions on the policy [CAB-24-MIN-0148.74 refers]. I propose that this expansion authorises the Minister of Housing, the Minister for Social Development and Employment, and the Associate Minister of Housing to make final decisions on the policy details of implementing the recognition of housing contributions from all boarders in housing subsidies, other assistance under the SSA, and assistance that uses the SSA definition of income. I also propose that this authorisation allows for decisions relating to the confirmation of treatment of renters in the legislation, so that this, and the treatment of boarders, are specified alongside each other in the legislation. I propose this broader delegation operates retrospectively, to ensure any decisions taken previously do not require reconfirmation by Cabinet or joint Ministers. The relevant retrospective decisions are outlined in Appendix 2.
- 25 I further propose that Cabinet authorises the Minister for Social Development and Employment to make final policy decisions to implement mandatory reviews.

Cost-of-living Implications

- 26 This proposal is unlikely to have any direct impacts on the cost of living beyond those already noted in the Budget 2024 advice.

Financial Implications

- 27 Decisions relating to mandatory reviews are expected to generate significant Benefits or Related Expenditure (BoRE) savings (expected total \$247.013m over 5 years). These savings are in addition to those recognised through the Boarders initiative in Budget 2024 (\$150.96 million). I propose to transfer a portion of the associated BoRE funds to MSD to offset the impacts these changes will have on frontline staff. This will enable MSD to invest in frontline FTE to manage increased client demand, as well as investment in IT system changes to implement the policy changes. All decisions sought in this paper are in principle and subject to the allocation of this funding, which is subject to Budget 2025 decisions.

Legislative Implications

- 28 These decisions will inform drafting instructions to the Parliamentary Counsel Office, for inclusion in the Bill to progress the Boarders' Contribution Initiative due for consideration by Cabinet Legislation Committee (LEG) in March 2025. The Bill will be passed on Budget night 2025. Subject to your agreement, the Bill will commence on 2 March 2026.

Impact Analysis

Regulatory Impact Assessment (RIS)

- 29 A Regulatory Impact Statement has been prepared for the proposals in this paper and is attached. The Regulatory Impact Statement was reviewed by a panel of representatives from the Ministry of Social Development. It received a 'partially

meets' rating against the quality assurance criteria for the purpose of informing Cabinet decisions. This assessment recognised that the analysis could have been strengthened in some areas, and consultation would have been useful.

Population Implications

- 30 Reviewing specific benefits may have a greater impact on those populations who are overly represented in the welfare system. However, as part of this change, we intend to make it easy for all clients to engage with MSD and confirm that the information MSD holds about them is correct. This enables MSD to ensure clients are receiving the right benefit at the right rate.

Population group	How the proposal may affect this group
Māori	Of the 385,026 AS recipients, the total number of Māori who receive Accommodation Supplement (AS) is 122,568 (as at December 2024).
Pacific people	The total number of Pacific people who receive AS is 40,128 (as at December 2024).
Older people	There were 51,810 AS recipients aged 65 or older (as at December 2024). The number of older AS recipients has been increasing. With an aging population it is likely that the total number of older boarders who receive AS will continue to increase.

Human Rights

- 31 This proposal is unlikely to have any direct implications for human rights. MSD will assess the mandatory review process against the ADM Standard as part of assurance against MSD's Security, Privacy, Human Rights and Ethics framework. The ADM Standard requires that any automated decision is accurate, does not lead to any bias or discrimination, the use of ADM is transparent to clients, has human oversight and that a client can challenge any decision made using automation and the review of this decision is by a person. There are examples from overseas jurisdictions about harm caused to citizens through improper, inappropriate, or unethical uses of automation and ADM. MSD has been mindful of these examples in recognising the need for safeguards and applying a high standard to our own use of these tools to protect our clients.

Use of external Resources

- 32 No external resources (contractors or consultants) were involved in the policy development of these proposals, or the preparation of this Cabinet paper.

Consultation

- 33 This paper was provided for agency consultation to the Department of Internal Affairs, Department of the Prime Minister and Cabinet, Health New Zealand, Inland Revenue, Ministry of Business, Innovation and Employment, Ministry of Defence, Ministry of Education, Ministry for Ethnic Communities, Ministry of Health, Ministry of Housing and Urban Development, Kainga Ora, the Office of the Privacy Commissioner, Office for Seniors, Ministry of Justice, Ministry for Pacific Peoples, Ministry for Women, Ministry of Youth Development, Oranga Tamariki, Public Service Commission, Social Investment Agency, Te Arawhiti, Te Puni Kōkiri, the Treasury, Stats NZ and Ministry of Disabled People - Whaikaha.

Proactive Release

- 34 This paper will be proactively released within 30 business days of decisions being confirmed by Cabinet.

Recommendations

The Minister for Social Development and Employment recommends that the Committee:

Commencement date

- 1 **agree** to count the housing contribution from all boarders in the assessment of housing subsidies and income-tested assistance under the Social Security Act 2018 and assistance that uses the Social Security Act 2018 definition of income, from 2 March 2026 instead of April 2026

Allowing for mandatory reviews and the use of Automated Decision-Making

- 2 **agree** to broadening the provisions in section 363A of the SSA to support the use of Automated Decision-Making for this proposal
- 3 **note** the use of Automated Decision-Making in this process will be assessed against the Automated Decision-Making Standard as part of MSD's Privacy Human Rights and Ethics Framework
- 4 **agree** to introduce a mandatory review for all clients who receive the following specified benefits as part of delivering the Boarders' Contributions Initiative, so information on boarders in a household is kept up to date and regularly reviewed: Supported Living Payment – Health Condition or Disability; Supported Living Payment – Caring Emergency Benefit with an expiry date beyond 52 weeks or no expiry date at all; Accommodation Supplement; Disability Allowance; New Zealand Superannuation with a Non-Qualified Partner
- 5 **agree** that the mandatory review of specified benefits will occur every 52 weeks unless the client qualifies for an exception, exemption, or extension
- 6 **agree** that the mandatory review settings will include the following key features:
- 6.1 the client's review date will be every 52 weeks since their last review was completed, or 52 weeks from when their benefit commenced for clients who have not yet had a review
- 6.2 Accommodation Supplement will be reviewed as part of a client's Supported Living Payment, or Emergency Benefit mandatory review
- 6.3 Disability Allowance will have its own mandatory review and review date
- 6.4 Jobseeker Support or Sole Parent Support, clients review of their Accommodation Supplement will happen at their main benefit reapplication
- 6.5 clients will be notified about their mandatory review at least 20 working days before their review date

- 6.6 MSD will not automatically notify clients of a mandatory review where a client's benefit has stopped and is not being paid
- 6.7 clients will be presented with information about each of their circumstances that impact their benefit eligibility and rate, and will be required to confirm whether the information is correct or not
- 6.8 if the client confirms the information MSD presented is correct, their benefit will automatically continue, and their review date is reset (except for Emergency Benefit)
- 6.9 if the client does not respond to their review, their benefit will be automatically stopped on their review date
- 6.10 if a benefit is stopped due to the review not being completed, the client will have eight weeks to respond to the review otherwise they will have to reapply for benefit except for clients receiving New Zealand Superannuation with a Non-Qualified Partner who will have 2 years
- 6.11 MSD will process the review if a client confirms they have a change in circumstances
- 7 **agree** that when a client has an engagement with MSD that confirms all of the same circumstances as their mandatory review, their review date will move to 52 weeks from that engagement (except for Emergency Benefit and Disability Allowance)
- 8 **agree** if a client's disability costs have not been reviewed in the previous 44 weeks when the relevant review notice is due to be sent then MSD would be required to complete a mandatory review of the client's Disability Allowance
- 9 **agree** that if a client is the primary client, their mandatory review will include their partner and it will be the primary client's responsibility to confirm all the information in the review
- 10 **agree** to the exceptions where MSD would not be required to review a group of clients and/or a group of clients would not be required to respond to a review if they fall into one of these situations or circumstances:
 - 10.1 a client is in hospital for more than 13 weeks
 - 10.2 a client is getting residential disability care or rest home care
 - 10.3 there is a major system outage that prevents MSD and/or the clients from meeting the review requirements
 - 10.4 the client resides in, or is present in, and cannot reasonably leave, an area in respect of which a state of local or national emergency is in force
 - 10.5 the client resides in, or is present in, and cannot reasonably leave, an area that is or may be affected by an outbreak of a quarantinable disease in respect of which an epidemic notice has been given and is in force

- 11 **agree** that MSD could exempt an individual client from a mandatory review for that review period when a client contacts MSD and MSD is satisfied that their circumstances mean the client is not able to respond to the review in time
- 12 **agree** that a review date can be extended by up to 20 working days if MSD determines a client needs more time to respond to the review
- 13 **agree** that on the implementation date, automation will be used to apply any changes to Accommodation Supplement and Temporary Additional Support as a result of information collection about boarder contributions
- 14 **agree** that the decisions in recommendations 2 to 13 will be in principle until a funding source has been confirmed through Budget 2025

Delegated authority

- 15 **authorise** the Minister of Housing, the Minister for Social Development and Employment, and the Associate Minister of Housing to make final decisions on the policy, including:
 - 15.1 confirming the treatment of renters in the legislation, so that it is clear when a person is treated as a boarder or a renter, and how contributions for each will be treated
 - 15.2 the treatment of excess income where housing contributions from a boarder or renter exceed a person's accommodation costs (for SSA assistance) or market rent (for Social Housing tenants), and their impact on housing subsidies, other assistance under the SSA, and assistance that uses the SSA definition of income
- 16 **agree** that this delegation operates retrospectively to authorise joint Ministers' previous decisions on the treatment of excess income from boarders and the treatment of payments from renters, without requiring reconfirmation of these decisions
- 17 **authorise** the Minister for Social Development and Employment to make final decisions on the mandatory review policy

Drafting instructions

- 18 **invite** the Minister for Social Development and Employment to issue drafting instructions to the Parliamentary Counsel Office to give effect to the decisions above.

Authorised for lodgement

Hon Louise Upston
Minister for Social Development and Employment