



# Report

**Date:** 4 February 2021

**Security Level:** IN CONFIDENCE

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

## Establishing a Transitional Assistance Payment for those affected by the abatement threshold increases on 1 April 2021

### Purpose of the report

- 1 This report seeks your approval:
  - 1.1 of the key parameters of a Transitional Assistance Payment to be provided for those financially disadvantaged as a result of the abatement threshold increases on 1 April 2021; and
  - 1.2 to amend the Social Security Regulations 2018 to exempt the proposed Transitional Assistance Payment from being considered as chargeable income for Temporary Additional Support.

### Recommended actions

It is recommended that you:

- 1 **note** that Cabinet agreed to increase abatement thresholds on 1 April 2021 and to fund the provision of a Transitional Assistance Payment for 12 months to those who will be financially disadvantaged as a result of the abatement threshold increases [CAB-20-MIN-0512 refers]
- 2 **approve** the following key parameters for the Transitional Assistance Payment:
  - 2.1 the payment will be paid to people who experience a reduction in, or loss of eligibility to, Childcare Assistance and/or Temporary Additional Support disability exception amount and their net income on 1 April 2021 is less compared to 31 March 2021 as a result of the abatement threshold increases on 1 April 2021
  - 2.2 the payment will be available from 1 April 2021, until the earlier of:
    - change in circumstances that results in a positive net effect on the client's total income; or
    - financial assistance increasing because of other income support initiatives implemented after 1 April 2021 that exceed the amount of Transitional Assistance Payment being paid; or
    - a loss of entitlement to the payment that contributed to their initial entitlement to the Transitional Assistance Payment; or
    - 31 March 2022 (12 months)

**agree/disagree**

- 3 **note** that eligibility to the Transitional Assistance Payment for people who receive Childcare Assistance will be based on the Childcare Assistance rate payable on 28 March 2021 instead of 31 March 2021 due to system limitations
- 4 **note** that the Transitional Assistance Payment may be available to some recipients of the Christchurch Mosques Attack special assistance payment if they are receiving the equivalent rate of Temporary Additional Support including the disability exception amount and they lose entitlement to the disability exception amount due to abatement threshold increases
- 5 **agree** to exempt the Transitional Assistance Payment from being considered as chargeable income for Temporary Additional Support and Special Benefit to avoid creating unintended circular flows
- 6 **agree** to amend the Social Security Regulations 2018 and the Ministerial Direction in relation to Special Benefit to give effect to recommendation 5
- 7 **agree** to progress the required amendment to the Social Security Regulations 2018 alongside the Annual General Adjustment changes, which will be considered at the Cabinet Legislation Committee on 18 February 2021.

**agree/disagree**

**agree/disagree**

**agree/disagree**



Polly Vowles  
Policy Manager  
Income Support Policy

04/02/21

Date



Hon Carmel Sepuloni  
Minister for Social Development and  
Employment

8/2/21

Date

## **Main benefit abatement thresholds will increase on 1 April 2021**

- 2 Main benefit abatement thresholds will increase to \$160 and \$250 per week on 1 April 2021 following Cabinet agreement in December 2020 [CAB-20-MIN-0512 refers]. The changes will mean that beneficiaries will be able to work for longer (up to eight hours on minimum wage) before their benefit begins to reduce and enable working beneficiaries to keep more of what they earn.

*A small number of people may be financially disadvantaged as a result of the abatement threshold increases*

- 3 Changes to income support settings have various flow-on impacts due to the complexity and interdependencies of the system, including some people being financially disadvantaged.
- 4 Approximately 79 individuals and families are expected to lose an average of \$19 a week as a result of abatement threshold increases on 1 April 2021, either due to a reduction in, or a loss of eligibility to, their Childcare Assistance (CCA) payment or loss of eligibility to the Temporary Additional Support (TAS) disability exception amount.

*A Transitional Assistance Payment will be provided to the small number of people who may be financially disadvantaged on 1 April 2021*

- 5 A Transitional Assistance Payment (TAP) is a temporary non-taxable payment provided through a special assistance welfare programme approved and established by the Minister for Social Development and Employment under section 101 of the Social Security Act 2018. Cabinet agreed to fund the provision of a TAP for 12 months to those who will be financially disadvantaged as a result of the abatement threshold increases on 1 April 2021 [CAB-20-MIN-0512 refers].

## **Key parameters of the Transitional Assistance Payment will largely reflect previous programmes**

- 6 The key parameters of the proposed TAP will largely reflect parameters of previous TAP welfare programmes, including the *Income Support Package and COVID-19 Recovery Package (Transitional Assistance) Programme* which was established for the Income Support and COVID-19 Recovery Packages.
- 7 The parameters are:
  - TAP will be paid to people who experience a reduction in, or loss of eligibility to, CCA and/or TAS disability exception amount and their net income on 1 April 2021 is less compared to 31 March 2021 as a result of the abatement threshold increases on 1 April 2021.
    - Net income on 1 April 2021 takes into account the Annual General Adjustment (AGA) increases to social assistance payments and thresholds which occur on 1 April each year.
    - TAP is not available to people who may be financially disadvantaged as a result of the AGA changes only (eg, non-beneficiaries receiving Accommodation Supplement who may lose a small amount of their payment due to the AGA<sup>1</sup>).

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<sup>1</sup> Non-beneficiaries who receive Accommodation Supplement (AS) can have their AS reduced as a result of the AGA, as main benefit increases flow through to AS.

- TAP will be available from 1 April 2021, until the earlier of:
  - change in circumstances that results in a positive net effect on the client's total income; or
  - financial assistance increasing because of other income support initiatives implemented after 1 April 2021 that exceed the amount of Transitional Assistance being paid; or
  - a loss of entitlement to the payment that contributed to their initial entitlement to TAP; or
  - 31 March 2022 (12 months).

*Assessment of TAP eligibility will be based on CCA rate payable on 28 March 2021 instead of 31 March 2021*

- 8 CCA payments are currently 'Mondayised' due to system limitations. This means any changes to CCA settings take effect on the closest Monday, rather than the actual day of change. For example, if a rate change occurred on a Wednesday, this change would be applied for that whole week, including Monday and Tuesday.
- 9 Because of this, where a client experiences a loss in CCA due to abatement threshold increases, eligibility for TAP will be assessed based on the rate of CCA payable on 1 April 2021 compared with the rate payable on 28 March 2021 (29 March 2021 being the closest Monday to 1 April 2021).
- 10 This is in line with the approach taken in the *Income Support Package and COVID-19 Recovery Package (Transitional Assistance) Programme*.

*TAP may be available for some Christchurch Mosques Attack special assistance payment recipients*

- 11 The Christchurch Mosques Attack special assistance payment is paid to people with temporary visas who are affected by the Mosque attacks and who do not have enough income to support themselves and their dependents, and do not qualify for other financial assistance under the Social Security Act 2018, except for Emergency Benefit (EB).
- 12 The special assistance payment is modelled on the EB, and the rate of payment includes an equivalent amount of EB and where appropriate, equivalent rates of TAS, Winter Energy Payment, and family and best start tax credits.
- 13 Some clients may be financially worse off after the abatement threshold increases on 1 April 2021 if they are receiving the equivalent rate of TAS including the disability exception amount, and they lose entitlement to the disability exception amount.
- 14 Therefore, TAP will be available for clients who are receiving the Christchurch Mosque Attack special assistance payments including the equivalent TAS disability exception amount and they become financially worse-off due to the abatement threshold increases on 1 April 2021. This was also the approach taken in the *Income Support Package and COVID-19 Recovery Package (Transitional Assistance) Programme*.

### **An amendment to the Social Security Regulations 2018 is required to exempt TAP payments from being considered as income for TAS purposes**

- 15 Payments made under welfare programmes are considered as chargeable income for the purposes of TAS and Special Benefit (SB). However, previous TAP payments have been exempted from being considered income for TAS and SB purposes to avoid creating any unintended circular flows.
- 16 For example, without the exemption, a TAP payment paid to cover the loss of a client's TAS disability exception amount could then lead to the client's TAS payments being reduced (as the TAP payment itself would be considered as additional income).

- 17 The proposed exemption will require amendments to two separate instruments. For the exemption for SB purposes, an amendment to the Ministerial Direction in relation to Special Benefit will be required, which can be progressed alongside the drafting of the TAP welfare programme.
- 18 For the exemption for TAS purposes, an amendment to the Social Security Regulations 2018 is required as TAS settings, including the definition of chargeable income, are set out in the Regulations. To ensure that this exemption is in place for 1 April 2021, we proposed that the required Cabinet agreement to the exemption and approval of the associated Amendment Regulations be sought alongside the AGA changes that are currently being progressed.

### **Next steps**

- 19 The Cabinet paper for the AGA changes is due to be lodged on Thursday 11 February 2021 for consideration at the Cabinet Legislation (LEG) Committee on Thursday 18 February 2021.
- 20 Should you agree to the proposed approach for progressing the regulation amendment required for exempting TAP payments from being considered chargeable income for TAS purposes, we will incorporate the required changes to the AGA Cabinet paper and provide a copy to you by Wednesday 10 February 2021.
- 21 We will also work with the Parliamentary Counsel Office to draft the required amendment to be ready for approval at the LEG committee on 18 February 2021.
- 22 Once you agree to the key parameters of the proposed TAP, officials will also progress the drafting of a welfare programme to give effect to the TAP and the required amendment to the Ministerial Direction in relation to Special Benefit.
- 23 Further detail on the design of the TAP, along with the welfare programme and the amendment to the Ministerial Direction in relation to Special Benefit will be provided to you by 19 February 2021 for your approval. These instruments will need to be approved by 26 February 2021 and gazetted by 3 March to meet the 28-day rule.

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