



Supplementary Analysis Report: Increasing the entry threshold for the Accommodation Supplement for some homeowners

Purpose	This document provides analysis for Cabinet decisions which were not accompanied by a relevant Regulatory Impact Statement at the time.
Decision sought	This analysis has been developed in response to the Government's decision to target the Accommodation Supplement more tightly to homeowners with higher accommodation costs. This will require amendments to the Social Security Act 2018.
Agency responsible	Ministry of Social Development (MSD)
Proposing Ministers	Minister for Social Development and Employment
Date finalised	24 March 2026

Description of the option Cabinet (or delegated Ministers) has chosen

As part of the 2025 Budget, Cabinet agreed to target the Accommodation Supplement (AS) more tightly to homeowners with higher accommodation costs, by increasing the entry threshold for homeowners from 30 percent to 40 percent of the relevant base rate [CAB-25-MIN-0126.61 refers].¹

The initiative will not apply where the client (or their partner) is receiving New Zealand Superannuation (NZS), Veteran's Pension (VP), Supported Living Payment (SLP)², or Emergency Benefit (EB)³ (SLP equivalent). This recognises that the circumstances of these people are unlikely to change, and they will be reliant on a benefit permanently or for an extended period.

¹ The entry threshold is the minimum amount homeowners must pay towards their weekly accommodation costs before being eligible for AS. The relevant base rate is an indicator of a person's income which is based on benefit rates (and the Family Tax Credit, if they have a child or children).

² SLP clients include clients who are not able to work because they are permanently and severely restricted in their capacity for work because of a health condition, injury, disability, or total blindness, or clients who are caring for a person who requires full-time care and attention at home. SLP carers are still more likely to be on SLP long-term compared to Jobseeker Support clients.

³ Emergency Benefit is assistance that may be paid to people who cannot support themselves and who do not qualify for any other main benefit.

Summary: Problem definition and options

What is the policy problem?

The AS was introduced to support people with high accommodation costs relative to their income and cash assets, regardless of their tenure type.⁴ At the time the AS was introduced it was intended to reduce housing-related stress for all low-income households and create incentives to keep accommodation costs down. However, over time, the proportion of a person's income commonly spent on accommodation costs has grown, meaning the cost to Government has also increased. Legislative settings have allowed this to happen, as the percentage of the relevant base rate for AS has not been adjusted since the AS was introduced in 1993.

Government expenditure on AS has continued to increase in a constrained fiscal environment. The AS currently accounts for the largest proportion of Government expenditure on private sector housing subsidies amounting to \$2.2 billion for the 2024/2025 financial year. Homeowners receiving the AS are subsidised in building a significant personal asset, while renters and boarders are not. There is an opportunity to narrow the spend on AS assistance to those who need it most by increasing the legislated entry threshold for some homeowners.

What is the policy objective?

The objectives of this proposal are to:

- ensure that assistance is targeted to homeowners with the greatest need and with higher accommodation costs relative to their income.
- support more effective and fiscally sustainable public services.
- ensure that the most vulnerable groups continue to be supported.⁵

The intended outcomes of the proposal are to reduce the amount of Government expenditure on AS and to align the current AS settings for homeowners with current expenditure patterns on accommodation costs.

What consultation has been undertaken?

- MSD consulted with the Ministry of Housing and Urban Development (HUD), the Ministry of Education, and The Treasury as part of the policy development process for developing the 2025 Budget proposal and during the development of this Supplementary Analysis Report (SAR).
- Following Cabinet decisions in April 2025, and the announcement of the Budget decision in May 2025, MSD carried out targeted engagement with stakeholders to inform them about the impacts of the proposal and to seek their views on the detailed

⁴ "Tenure type" refers to the legal arrangement of a household with respect to occupying a dwelling (house, apartment, etc.) or land. Put simply, it defines whether you own your home, are paying off a mortgage, renting, or boarding.

⁵ This refers to NZS, VP, SLP and EB (SLP equivalent) recipients who are likely to receive welfare assistance over the longer-term.

policy design.⁶ Due to tight timeframes, engagement was limited to stakeholders with close pre-existing relationships with MSD. There was not sufficient time to consult more widely, and no other external engagement was undertaken.

- Stakeholders understood the Government had already decided policy changes would take place. This meant the feedback received was focused on the impacts of the proposal.
- Common themes from stakeholder engagement included:
 - concerns about the impacts of the proposal on the cost-of-living-pressures on homeowners particularly when combined with the Budget 2024 cost-savings initiative – *Including Boarders’ Contributions in the Calculation of Subsidies for Private and Social Housing*.
 - concerns about the impacts on Māori and Pacific peoples including the wider issue of lower homeownership rates among these groups.
 - the importance of collaborating with community partners to target Māori and Pacific communities, to ensure the Government is improving the uptake of AS by homeowners.

Summary: Chosen option

Costs

Outline the key costs and where those costs fall

The proposal will predominantly impact lower-to-middle income working households

- From 1 April 2027, it is estimated that 9,300 households will be impacted by this change out of approximately 37,500 homeowners receiving AS.⁷
- Those impacted predominantly consist of non-beneficiaries (referred to as lower-to-middle income working households) (5,100), those on Jobseeker Support (JS) (2,500), and those receiving Sole Parent Support (1,500).
- The remaining 200 households impacted by the proposal include those receiving another main benefit such as the Emergency Benefit (EB) or Jobseeker Support Student Hardship (JSSH).
- We anticipate that some affected homeowners are likely to have options to meet their accommodation costs, such as by refinancing their mortgage, increasing their income, or

⁶ This included the National Beneficiary Advocate Consultative Group, MSD’s Housing Reference Group, MSD’s Māori Reference Group, Community Law Centres o Aotearoa, MSD’s Pacific Reference Group, and MSD’s Pacific Leaders Forum.

⁷ As of November 2025, the total AS Homeowner population was estimated to be around 37,500 recipients.

taking on additional occupants (renting out a room or taking in boarders).⁸ This partially mitigates the risk of housing insecurity and associated negative impacts.

The potential impacts of the proposal will vary across different populations

- The impacts of the proposal will vary depending on the individual circumstances of the household, ranging from an AS reduction of \$1 to a maximum AS reduction of \$59. The average reduction in AS for affected homeowners is approximately \$37 per week. More information about how the impacts were modelled is set out below.
- Of those impacted, 68.8 percent are families with children. For those families with children, the estimated average reduction in AS entitlement is \$42 per week.
- Of those impacted 14 percent are Māori. This is indicative of a broader issue of lower home ownership rates among Māori.⁹ The estimated average reduction in entitlement for Māori that are impacted is \$35 per week.
- Of those impacted, 5.4 percent are Pacific peoples.¹⁰ This likely reflects a broader issue of lower homeownership rates among Pacific peoples. The estimated average reduction in entitlement for Pacific peoples that are impacted is \$40 per week.

There will be flow-on impacts on other social assistance entitlements

- The detailed impacts of the proposal on homeowner sole parent tertiary students receiving a Student Allowance were not modelled in the time available. As an indication of those that may be impacted, approximately 130 homeowner sole parent students are receiving the Student Allowance Accommodation Benefit. This is because the entitlement to and rate of Accommodation Benefit for sole parent students is calculated based on the AS formula.¹¹ There is a risk that the proposal could increase financial stress for some of this group, as those that are studying full time may have fewer opportunities to meet their increased accommodation costs.
- Some lower-to-middle income working households who are no longer eligible for AS may also lose access to the Community Services Card.¹² There is a risk that this could have indirect impacts on wider health and social outcomes.

⁸ It is important to note that homeowners face other cost pressures, such as local authority rates and insurance costs.

⁹ Given that Māori make up around 18 percent of the general population, as at June 2025, the underrepresentation of Māori as AS homeowners reflects a broader issue of lower homeownership rates among Māori.

¹⁰ As a proportion of the total clients estimated to be impacted (9,300 clients) those identified as Pacific peoples (500) represent 5.4 percent. Pacific peoples are therefore not disproportionately represented among the impacted group.

¹¹ Under Regulation 24A of the Student Allowances Regulations 1998, the amount of Student Allowance Accommodation Benefit per week for a single student with a supported child is based on the appropriate equivalent rate of the AS a student would receive if they were a beneficiary who received a Sole Parent Support under the Social Security Act 2018 and was entitled to receive, and had been granted, an AS.

¹² The Community Services Card has an income test which makes sure it is targeted to lower-income middle income working households. The income of a person receiving AS is considered low enough to automatically meet the income test for a Community Services Card.

- The proposal may impact some homeowners receiving Temporary Additional Support (TAS) (and the grand-parented Special Benefit). It is estimated that 100 AS recipients out of 9,300 homeowners affected by this change are receiving TAS. Some of these homeowners may experience increased financial hardship which could result in increased demand for MSD's hardship assistance.

Non-monetised costs include impacts on some homeowners, the banking sector, and financial service providers. Some homeowners could experience an increased risk of housing insecurity and financial stress as they will be required to contribute more towards their accommodation costs. Some homeowners may also have less money available for spending on other necessities such as food, clothing, and transport.

Benefits

Outline the key benefits and where those benefits fall

- **AS recipients:** Creating a fairer and more equitable approach to AS payments ensures assistance is provided to those with the greatest need. These benefits are expected to be low.
- **MSD:** The proposal supports the delivery of effective and sustainable public services and provides financial assistance to those with the greatest need.
- **The wider public/taxpayer:** The proposal is predicted to achieve cost-savings amounting to \$36.593 million in Vote Social Development over four years (2025/26 to 2028/29). A portion of the expected savings will fund adjustments to the 2025 Budget initiative: *Accommodation Supplement- Adjusting Area Boundaries* which will benefit approximately 4,000 AS clients.¹³ This supports the delivery of effective and fiscally sustainable public services.

Balance of benefits and costs

Does the SAR indicate that the benefits of the chosen option are likely to outweigh the costs?

The benefits of the proposal (in particular the savings expected to be delivered amounting to \$36.593 million over four years) are expected to outweigh the costs of implementing the proposal (\$2.205 million). Some of these savings are being reprioritised to the 2025 Budget initiative: *Accommodation Supplement- Adjusting Area Boundaries*.

Implementation

How will the chosen option be implemented, who will implement it, and what are the risks?

The policy changes will come into effect on 1 April 2027

¹³ The Budget 2025 Initiative: Accommodation Supplement- Adjusting Area Boundaries refers to the proposed changes to the AS area boundaries. In 2025, Cabinet agreed to amend these boundaries to reflect changes in residential and urban development and more accurately account for people's location and housing costs.

- The Minister for Social Development and Employment (under delegated authority from Cabinet) agreed to [SOU-25-MIN-0126 refers]:
 - apply the increase in entry threshold (if applicable) to all existing and new clients from 1 April 2027.
 - introduce transitional provisions to the proposal which will mean that AS applications made, but not granted, before 1 April 2027 must be assessed based on previous legislation for the period the person was eligible for AS prior to 1 April 2027.

MSD will implement these changes largely using automatic processes

- MSD has existing processes in place for implementation which will be ready for the 'go live' date. Systems will be updated to automatically assess a client's applicable entry threshold on 1 April 2027.
- There will be implementation costs amounting to \$2.205 million covering the financial years of 2025/26 to 2028/29 because of this policy change.

Implementation risks

- There is a risk that affected homeowners may not be aware of the impact of the proposal on their AS entitlement. This risk can be mitigated by MSD notifying the affected cohort of the upcoming changes ahead of time, so they have time to prepare for the change and so that they are aware of the impacts of the change on their AS entitlement. MSD will be proactive about notifying the affected cohorts in advance of 1 April 2027.

Monitoring evaluation and review

Has a plan been developed for monitoring, evaluation and review?

- As part of internal reporting for this proposal, MSD will monitor:
 - expenditure on AS payments.
 - reporting to the Treasury on the realisation of the forecast savings of the proposal.
 - the number of affected homeowners identified.
 - the benefit status, ethnicity, gender and age of the group affected by this change.
- The implementation of these reporting requirements will allow MSD to analyse the impact of the changes on Māori and other cohorts. MSD is also considering how to gain a better picture of the outcomes for people who have their AS reduced based on MSD's administrative data.
- MSD will provide updates to the Minister for Social Development and Employment as necessary. MSD will also report back to the Treasury with progress on this proposal.

Limitations and Constraints on Analysis

Ministers and Cabinet have already made decisions about the AS

- As part of the 2025 Budget, Cabinet agreed to target the AS for homeowners more tightly by increasing the minimum amount of income that some homeowners must pay towards their housing costs before receiving the AS, from 30 percent to 40 percent, from 1 April 2027 [CAB-25-MIN-0126.61 refers].¹⁴
- Cabinet also agreed to not apply the change to clients receiving NZS, VP, or SLP, as these people are considered to require social assistance over the longer-term [CAB-25-MIN-0126.61 refers].
- The Minister for Social Development and Employment also made decisions on the detailed policy design of this proposal [CAB-25-MIN-0126.61 refers]. These decisions are outlined in more detail in Section 2.

Tight timeframes constrained the development of policy advice including consultation

- Due to tight timeframes, external engagement on the proposal prior to Cabinet decisions was limited to HUD, the Ministry of Education, and the Treasury. This may have limited the development of advice on the detailed policy design. More information about engagement is outlined in Section 2.

Assumptions underpinning the analysis

Policy assumptions

- This proposal assumes that affected homeowners may be able to leverage other financial options for meeting their accommodation costs, such as refinancing their mortgage or taking on additional occupants (renting out a room or taking in a boarder).
- There is a risk that this may not be realised. If this assumption is not met, some homeowners may choose to manage their accommodation costs by deciding to sell their home and move into rental accommodation.
- The ability of homeowners to manage their accommodation costs will vary depending on their individual circumstances. This could include factors such as their income, interest rates, council rates, insurance and mortgage payments.¹⁵ For example, if homeowners have high loan-to-value ratios¹⁶ or high rates/insurance they may find it more challenging to meet their accommodation costs.

¹⁴ The minimum amount of income refers to the relevant base rate. The relevant base rate is an indicator of a person's income which is based on benefit rates (and the Family Tax Credit, if they have a child or children).

¹⁵ Robinson, Mark; Scobie, Grant M.; Hallinan, Brian (2006): Affordability of Housing: Concepts, Measurement and Evidence, New Zealand Treasury Working Paper, No. 06/03, New Zealand Government, The Treasury, Wellington.

¹⁶ High loan-to-value ratios refers to situations where a person is borrowing a large percentage of a property's value. Borrowers with high loan-to-value ratios may face challenges with refinancing depending on their banks' lending requirements.

Assumptions related to forecasted savings and expenditure

- It is expected that the Government will achieve a net savings of \$36.593 million in Vote Social Development over four years (2025/26 to 2028/29). These assumptions are underpinned/informed by:
 - the Budget Economic and Fiscal Update 2025 preliminary forecasts
 - the date at which the policy and legislative changes come into effect as of 1 April 2027
 - no grandparenting of payments from current AS settings.
- The flow-on effects of this policy proposal have only modelled the increased expenditure on TAS. Other forms of hardship assistance (e.g. Special Needs Grants) have not been modelled as part of the forecasted savings.
- The savings forecast as part of this proposal was not able to account for behavioural responses that may result from the policy, as these cannot be accurately forecast. This includes situations where a person decides to sell their home and then receives the AS as a renter.
- This means that the savings from the proposal may be overestimated as we cannot predict how/whether they may access other MSD entitlements because of these changes.

Assumptions related to the forecasted impacts

- The impacts of this proposal will vary depending on individual circumstances. Modelling was done based on the individual circumstances of current MSD clients which has then been scaled to our forecasts. This includes factors such as client's allowable accommodation costs, benefit type, region, and income. The variance in individual circumstances will result in different averages across groups.
- The impacts forecast as part of this proposal were also not able to account for behavioural responses that may result from the policy. For instance, we have not been able to estimate the number of people who may decide to take on additional occupants (e.g. boarders) or sell their house in order to meet their accommodation costs.

Interactions with other cost savings Budget proposals

- The forecasted savings of this proposal do not account for the impact of the 2024 Budget initiative – Including the Boarders' Contributions in the Calculation of Subsidies for Private and Social Housing (implemented from 2 March 2026) or the 2025 Budget proposal: 'Accommodation Supplement - Adjusting Area Boundaries proposal.

Quality of data and evidence underpinning this analysis

- The impacts of this proposal are based on MSD administrative data and forecast data. These have been forecast to the best of MSD’s ability, however, are subject to change.

I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the chosen option.

**Responsible Manager(s)
signature:**



**Alex McKenzie
Housing Policy Manager,
MSD
24 March 2026**

Quality Assurance Statement

Reviewing Agency: Ministry of Social Development and Ministry of Housing and Urban Development

QA rating: Partially meets

Panel Comment:

Policy staff from MSD and HUD reviewed the Supplementary Analysis Report (SAR) and concluded that it partially meets the quality assurance requirements.

Overall, the SAR meets some of the required criteria. It is well structured, but some parts, such as the modelling assumptions and the effects on specific groups, would benefit from more detailed explanation, particularly behavioural changes and wider social effects. The analysis is generally sound and uses available data, fiscal forecasts, and relevant evidence to support its findings. The SAR includes some consultation with agencies and stakeholders, but this was limited due to time constraints.

Section 1: Diagnosing the policy problem

What is the context behind the policy problem?

1. The AS is a demand-driven supplementary benefit that provides financial assistance to people with high accommodation costs relative to their income and cash assets.
2. When the AS was introduced in 1993, it was intended to support people with high accommodation costs relative to their income and cash assets, regardless of their tenure type (i.e. regardless of whether they were a renter (including state housing tenants), boarder, or homeowner).
3. The higher entry threshold for homeowners recognises that homeownership provides multiple benefits such as improved wellbeing, financial security, and improved education outcomes compared to renting.¹⁷ The growth of an asset also has long term benefits for households.
4. The current AS settings mean the Government subsidises homeowners to build a significant personal asset, at a cost.
5. Over time, the proportion of a person's income commonly spent on accommodation costs has grown, meaning the cost to Government has also increased.¹⁸
6. Legislative settings have allowed this to happen, as the percentage of the relevant base rate for AS has not been adjusted since the AS was introduced in 1993.
7. Government expenditure on AS has continued to increase in a constrained fiscal environment. The AS currently accounts for the largest proportion of government expenditure on housing subsidies.¹⁹
8. For the 2024/2025 financial year, the Government spent \$2.2 billion on the AS (see Figure 1, page 11). As of the end of November 2025, there was a total of 386,895 clients receiving the AS.²⁰ Of these, 37,500 were homeowners.

¹⁷ Housing Foundation (2017). From social renting to housing independence – the social and economic impacts of housing tenure. www.treasury.govt.nz/sites/default/files/2024-05/pc-inq-fcfa-sub-027-housing-foundation.pdf

¹⁸ The proportion of low-income households spending a large proportion of their income on housing costs has trended upwards for three decades. MSD (January 2022), New findings on Accommodation Supplement and housing costs.

¹⁹ Housing subsidies refer to AS, Income-Related Rent Subsidy, TAS, grand-parented Special Benefit, Away from Home Allowance and the Student Allowance Accommodation Benefit.

²⁰ MSD, Monthly Benefits Update- November 2025. <https://www.msd.govt.nz/about-msd-and-our-work/publications-resources/statistics/monthly-reporting/>

Figure 1: Accommodation Supplement Fiscal Year Expenditure

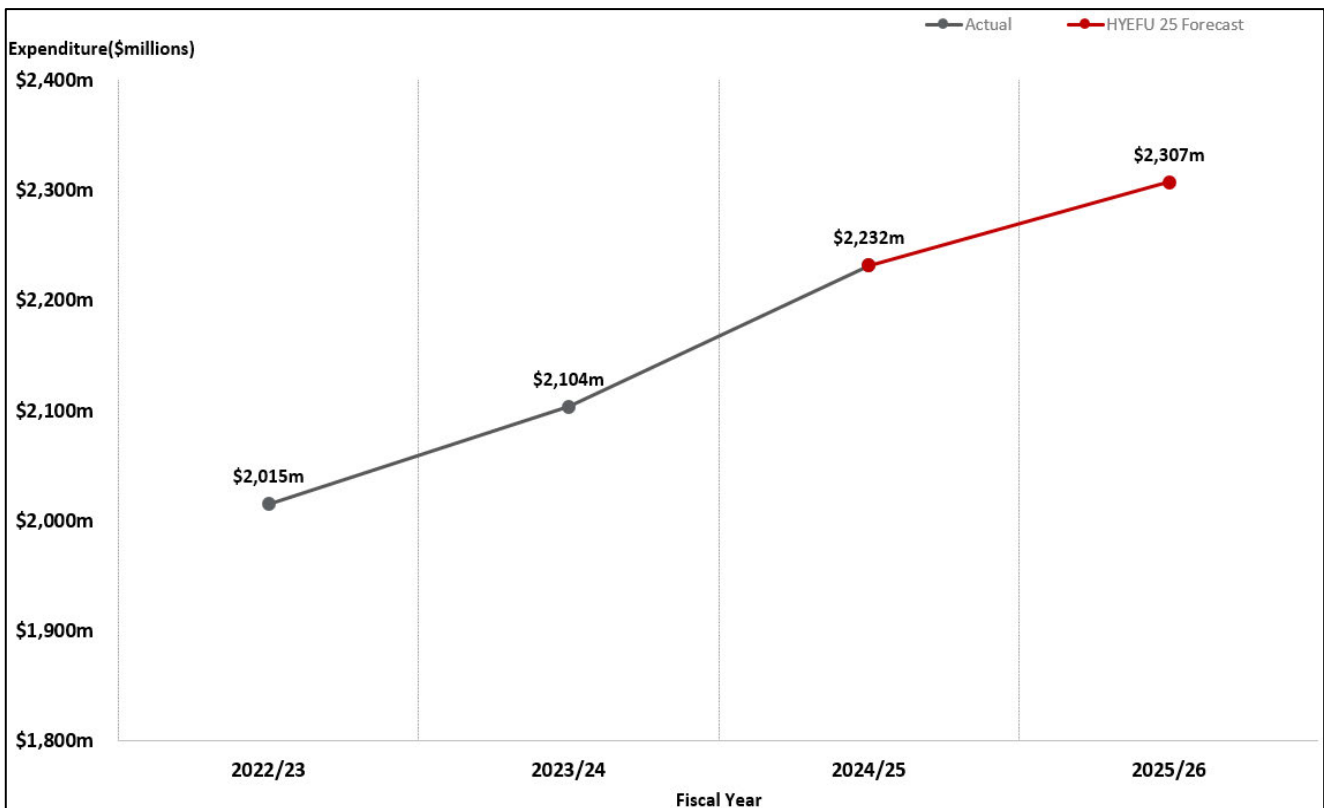


Figure 1 shows the historic and forecast expenditure for the Accommodation Supplement at the Half Year Economic and Fiscal Update 2025.

9. In the current fiscally constrained environment, the Government has decided to target the AS more tightly to homeowners with higher accommodation costs relative to their income.
10. Targeting the AS more tightly for homeowners helps deliver the Government’s priority of providing more effective and fiscally sustainable public services.
11. Targeting the AS more tightly for homeowners will help reduce Government’s expenditure on the AS and deliver on the Government’s priority of providing more effective and fiscally sustainable public services.
12. A portion of the savings realised from this proposal is being reprioritised to fund adjustments to the AS area boundaries, through a separate new spending Budget 2025 proposal: *Accommodation Supplement - Adjusting Area Boundaries*.
13. Additionally, wider market trends have resulted in decreases to the Official Cash Rate since mid- 2024, which has led to lower interest rates over time and less housing pressure for some homeowners.
14. However, homeowners face other housing-related costs such as local authority rates and property insurance premiums that have increased well above the level of general inflation in recent years.²¹

²¹ The Treasury, February 2026. [ECO-26-SUB-0003](#): Insurance affordability and the review of Natural Hazards Insurance Act financial settings and levy settings.

15. The Official Cash Rate (OCR) is expected to start increasing again within the next 12 months, although this remains subject to economic conditions.

How is the status quo expected to develop?

16. If no action is taken, the Government would continue to subsidise a wider cohort of households to build a significant personal asset. Subsidising accommodation costs for some homeowners may not be considered an effective use of public funds.
17. This is because these homeowners are viewed as having more options to meet their accommodation costs, such as refinancing their mortgage or taking on additional occupants (renting out a room or taking in boarders) to help meet their accommodation costs.²²
18. Continuing to subsidise some homeowners to build a significant personal asset is unlikely to deliver on the Government's priority of providing more effective and fiscally sustainable public services.

What is the policy problem or opportunity?

AS settings were reviewed to help facilitate the Government's priority of exercising fiscal discipline for longer-term fiscal sustainability

19. As part of the 2025 Budget process, Ministers directed officials to review the AS settings to help identify opportunities to target the AS more tightly to homeowners with higher accommodation costs given the significant expenditure on housing subsidies.

There is an opportunity to narrow the spend on AS assistance to those who need it most

20. Over the last three decades the proportion of low-income households spending large shares of their income on housing costs has grown.
21. As of the year ending June 2024, one third of lower to middle income working households spent over 40 percent of their income on accommodation costs.²³
22. With increasing accommodation costs, it is likely that more households will have reached the maximum AS payable.²⁴ This means that any further increases in housing costs for these groups will not be subsidised by the AS.
23. There is an opportunity to narrow the spend on AS assistance to those who need it most by increasing the entry threshold for some homeowners. This ensures the AS remains targeted to supporting homeowners with high housing costs relative to their income and assets.
24. Increasing the entry threshold to 40 percent aligns with one of the Organisation for Economic Co-operation and Development (OECD) measure for housing affordability (the

²² It is important to note that the ability of homeowners to meet their accommodation costs will depend on several factors such as their income, interest rates, council rates, and mortgage payments. This will vary depending on individual circumstances.

²³ Stats NZ. (2025). Household income and housing-cost statistics: Year ended June 2024.

²⁴ As of 28 February 2025, 53 percent of AS homeowners receiving the AS out of 37,500 AS homeowners reached the maximum AS payable.

overburden rate). This is where households are spending more than 40 percent of their disposable income on accommodation costs.

25. Targeting the AS more tightly for some homeowners delivers on the Government's priority of achieving fiscally sustainable public services.

Consideration should be given to protect some vulnerable groups from the homeowner entry threshold increase

26. While an increase to the entry threshold could be considered for all homeowners, we consider that people receiving New Zealand Superannuation (NZS), Veteran's Pension (VP), Supported Living Payment (SLP) and Emergency Benefit (EB) (SLP equivalent) would be negatively impacted by decreases to their income after housing costs.
27. This is because the circumstances of these people are unlikely to change, and they are likely to require welfare assistance over the longer term.
28. For instance, people who receive SLP may not be able to work because they are permanently or severely restricted in their ability to work because of a health condition, injury, or disability. The long-term nature of conditions for people on SLP mean that very few people move into paid work or to another benefit.
29. Older people and disabled people are also more likely to require modifications to their property and would therefore gain additional benefit from retaining their own home.

What objectives are sought in relation to the policy problem?

30. The objectives of this proposal are to:
- a. ensure that assistance is targeted to homeowners with the greatest need and with higher accommodation costs relative to their income.
 - b. support more effective and fiscally sustainable public services.
 - c. ensure that the most vulnerable groups continue to be supported.²⁵
31. The intended outcomes of the proposal are to reduce the amount of Government expenditure on AS and to align the current AS settings with the recent growth in accommodation costs.

What consultation had been undertaken?

32. MSD has consulted the following agencies on the proposal:
- a. The Ministry of Housing and Urban Development (HUD) as part of the policy development process for developing the '*Budget 2025 proposal – Increasing the entry threshold for some homeowners*' and during development of this supplementary analysis report (SAR).
 - b. The Ministry of Education as part of the policy development process and the development of this SAR. This includes informing them of the changes and the possible impact on a small number of homeowner sole parent students receiving the Student Allowance Accommodation Benefit.

²⁵ This refers to NZS, VP, SLP and EB (SLP equivalent) recipients who are likely to welfare assistance over the longer-term.

- c. The Treasury during the development of this SAR as the changes are expected to help deliver savings under Vote Social Development.
33. The agencies MSD engaged with during the development of the policy and this SAR hold important connections with key stakeholders and share perspectives on related Government initiatives.
34. Following Cabinet decisions in April 2025 and the announcement of the decision in May 2025, MSD carried out targeted engagement with stakeholders to inform them about the impacts of the proposal and to seek their views on the detailed policy design. This included engagement with:
- a. MSD's National Beneficiary Advocate Consultative Group [two sessions].
 - b. MSD's Pacific Reference Group [two sessions].
 - c. MSD's Pacific Leaders Forum [two sessions].
 - d. MSD's Housing Reference Group [two sessions].
 - e. MSD's Māori Reference Group [one session].
 - f. Community Law Centres O Aotearoa [one session].
35. Due to tight timeframes, external engagement on the proposal prior to Cabinet decisions was limited to HUD, the Ministry of Education, the Treasury. This may have limited the advice on the policy design.

Section 2: Assessing the option chosen to address the policy problem

What scope was the chosen option considered within?

36. The analysis in this SAR is focused on legislative changes to increase the entry threshold for homeowners receiving the AS. This report focuses only on options that were considered by Cabinet or the Minister for Social Development and Employment, under their delegated Cabinet authority. This approach is in line with the Ministry for Regulation's guidance for a SAR.
37. Options considered by Cabinet were limited to those which resulted in cost-savings for the Government. As decisions were made as part of the Budget 2025 process, the development of the main proposals was not able to be informed by stakeholder engagement and there was limited engagement with other Government agencies.
38. Following Cabinet decisions in April 2025, MSD carried out targeted engagement with several reference groups (refer to pages 21-22 for more information).

Options that were ruled out

39. Officials considered applying the increase in entry threshold to all homeowners receiving the AS. While this would deliver more savings and would be less complex to legislate and

operationalise, this was likely to negatively impact clients receiving NZS, VP and SLP. As a result, this option was ruled out.²⁶

What options were considered by Cabinet?

40. As part of the 2025 Budget, Cabinet agreed to target the AS for homeowners more tightly by increasing the minimum amount of income (the relevant base rate) that homeowners must pay towards their accommodation costs before receiving the AS, from 30 percent to 40 percent, from 1 April 2027 [CAB-25-MIN-0126.61 refers].
41. Cabinet agreed that the entry threshold increase would not apply to recipients of NZS, VP or SLP [CAB-25-MIN-0126.61 refers]. This ensures that welfare assistance continues to be provided to vulnerable groups, while reducing overall reliance on AS support.
42. People receiving NZS/VP and SLP are exempt from this change as they are considered to require social assistance over the longer-term. For example, clients receiving SLP are unlikely to move into paid work or another benefit type as they have a health condition, injury, or disability which limits their ability to work over the longer-term.
43. People receiving NZS/VP are considered to more likely to require social assistance over the long-term as their circumstances are unlikely to change.

Decisions taken by the Minister for Social Development and Employment under delegated authority from Cabinet

44. The Minister for Social Development and Employment, and other Ministers, as appropriate, were delegated to make final decisions on the detailed policy design of this proposal [CAB-25-MIN-0126.61 refers].
45. In October 2025, the Minister for Social Development agreed to the following details of the proposal:
 - a. **the increase in entry threshold will not apply to homeowners receiving Emergency Benefit (EB) where the equivalent benefit is SLP**
 - i. EB may be paid to people who cannot support themselves and who do not qualify for any other payments
 - ii. for example, MSD may approve an EB equivalent to SLP in situations where a client is permanently and severely restricted in their capacity to work because of a health condition, an injury or a disability or totally blind but does not meet the residential requirements for SLP
 - iii. the circumstances of these clients are similar to those receiving SLP. This decision is consistent with Cabinet's direction to protect vulnerable groups who are considered to require social assistance over the longer-term [CAB-25-MIN-0126.61 refers].

²⁶ Compared to other beneficiaries and non-beneficiaries, NZS, VP and SLP clients are unlikely to see increases to their market income, more likely to require welfare assistance over the longer-term, and more likely to have specific housing needs (such as accessibility needs) that may be more difficult to meet in other housing.

- b. **the increase in entry threshold will not apply to couples where at least one person in the relationship is receiving NZS, VP, SLP, or EB (equivalent to SLP)**
 - iv. this decision aligns with the policy of treating a couple as a household unit for the purpose of assessing the AS and is consistent with Cabinet's direction to protect vulnerable groups who are considered to require social assistance over the longer-term
- c. **that from 1 April 2027, the new entry threshold percentage (if applicable) applies to all existing clients**
- d. **the proposal includes transitional provisions** which will mean that AS applications made but not granted, before 1 April 2027 must be assessed based on the previous legislation that applied, for the period the person was eligible for AS.

Is the chosen option likely to address the problem, meet the policy objectives, and deliver a positive net benefit?

The legislative proposal to target the AS more tightly for homeowners will help facilitate more effective use of public funds

- 46. MSD considers that the proposal is more effective at addressing the policy problem (discussed above) and objectives compared to taking no action.
- 47. This proposal increases the minimum amount that homeowners (excluding clients receiving NZS, VP, SLP or EB (SLP equivalent)) must pay towards their accommodation costs, from 30 percent to 40 percent of the relevant base rate before receiving the AS. Amendments to the Social Security Act 2018 are required to give effect to this proposal.
- 48. The proposal will help achieve the Government's priority of delivering effective and sustainable public services, by targeting the AS more tightly to lower to middle income working households with higher accommodation costs.
- 49. The above policy and legislative will achieve net savings of \$36.593 million over four years (2025/26 to 2028/29) thereby helping to facilitate the fiscal sustainability of housing subsidies.

The impacts of the policy changes

- 50. The following sections present an overview of the impacts of the policy changes, as well as the limited engagement that was undertaken. This includes:
 - a. the impacts of the proposal based on benefit type.
 - b. the financial impacts of the policy changes on different benefit types and population groups.
 - c. interactions with other social assistance entitlements.
 - d. implications for consistency with the Government's Treaty of Waitangi obligations.
 - e. human rights implications.
 - f. stakeholder feedback.
 - g. the risks of unintended consequences and behavioural changes.
 - h. forecasted savings.

- i. the marginal costs and benefits of the policy changes.

Impacts of the proposal based on benefit type

- 51. From 1 April 2027, it is estimated that 9,300 clients will be impacted by this change out of the total AS Homeowner population (around 37,500 recipients). The changes will mean that some homeowners will contribute more of their income to their own accommodation costs.
- 52. Those impacted predominantly consist of lower to middle income working households (5,100), those on Jobseeker Support (JS) (2,500) and Sole Parent Support (SPS) clients (1,500).²⁷
- 53. The remaining 200 clients impacted by the proposal include those receiving another main benefit such as EB or Jobseeker Support Student Hardship (JSSH).²⁸
- 54. An overview of the number of clients impacted based on benefit type is outlined in Figure 2.

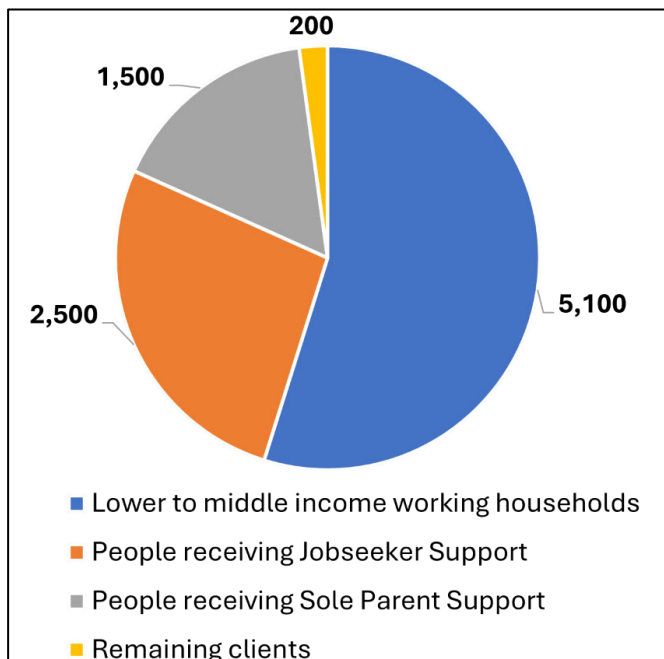


Figure 2 shows the number of AS clients that are impacted by the proposal (9,300) based on benefit type as of 1 April 2027. This includes lower to middle income working households (5,100), clients receiving Jobseeker Support (2,500), Sole Parent Support clients (1,500), and 200 remaining clients.

The financial impacts of the policy changes on different benefit types and population groups

- 55. The forecasted financial impacts of the proposal will vary depending on the population type and individual circumstances, ranging from an AS reduction of \$1 to a maximum AS reduction of \$59. The average reduction in AS homeowners impacted is approximately \$37 per week.

²⁷ Note that this includes those receiving Jobseeker Support (JS) that have a health condition, injury, or disability. Lower to middle income households refers to non-beneficiaries.

²⁸ The initial modelling also included NZS VP and SLP clients who are not impacted by the proposal.

56. The scale of forecasted impacts will vary depending on individual circumstances including factors such as a client's allowable accommodation costs, benefit type, region, and income. The variance in individual circumstances will result in averages to be different across groups. More examples of the impacts of the proposal on different homeowners is provided in Annex 2 of this document.
57. The forecasted impacts do not account for behavioural responses that may result from the policy. For instance, we have not been able to estimate the number of people who may decide to take on additional occupants (e.g. boarders) to meet their accommodation costs.
58. 1,300 AS clients out of 37,500 homeowners receiving AS were forecast to have their AS reduced to zero.²⁹ As a result of this reduction, these clients will need to contribute more of their income to their accommodation costs. This may put pressure on other areas of household expenditure such as food and heating.

Families with children are disproportionately impacted by this proposal

59. Families with children (including sole parent students and children in sole parent families) are likely to be disproportionately impacted by this proposal.
60. Of those impacted, 68.8 percent are families with children.³⁰ For those families with children, the estimated average reduction in AS entitlement is \$42 per week. This is higher than the average reduction of AS per week (\$37 per week).
61. There is a risk that this proposal combined with other budget initiatives (such as the changes to *Jobseeker Support – tightening eligibility for 18- and 19-year-olds*) could increase the likelihood of financial stress for families supporting their adult children.³¹

Impacts on Māori

62. Of those impacted 14 percent are Māori.³² This is indicative of a broader issue of lower home ownership rates among Māori.³³
63. The estimated average reduction in entitlement for Māori that are impacted is \$35 per week, which is lower than the average reduction for all of those impacted (\$37 per week).
64. A reduction in AS might mean these groups have less money to spend on other necessities such as food, clothing, and transport.

²⁹ This excludes households receiving NZS, VP, SLP and EB (equivalent to SLP). It is estimated that 1,300 clients would have their AS payment reduced to zero. This is because, if the new entry threshold is higher than the homeowner's weekly accommodation costs, they would not be eligible for the AS.

³⁰ As a proportion of the total clients estimated to be impacted (9,300 clients) those identified as families with children (6,400) represent 68.8 percent.

³¹ The Government has announced changes to Jobseeker Support. From November 2026, young people, aged 18 and 19, will need to meet a Parental Assistance Test before they can get Jobseeker Support or Emergency Benefit.

³² As a proportion of the total clients estimated to be impacted (9,300 clients) those identified as Māori (1,300) represent 14 percent.

³³ Given that Māori make up around 18 percent of the general population, as at June 2025, the underrepresentation of Māori as AS homeowners reflects a broader issue of lower homeownership rates among Māori.

65. Out of the total population of Māori AS homeowners (5,000), 1,300 of Māori recipients are expected to be impacted by the proposal.³⁴ We consider that the impact of this proposal disproportionately affects Māori by a small margin.
66. There is a risk that this proposal could be viewed as reinforcing lower homeownership rates among Māori. This is because a reduction of AS payment for some homeowners may make it more difficult to obtain and sustain homeownership.
67. This risk can partially be mitigated by the continued provision of broader support services. This includes whānau-centred approaches and Māori-led housing solutions which will provide an opportunity for Māori to exercise tino rangatiratanga at a system level.

Impacts on Pacific peoples

68. Of those impacted, 5.4 percent are Pacific peoples.³⁵ This likely reflects a broader issue of lower homeownership rates among Pacific peoples.³⁶
69. The estimated average reduction in entitlement for Pacific peoples that are impacted is \$40 per week, which is higher than the average reduction for all of those impacted (\$37 per week).
70. This proposal may mean that these groups will contribute more of their income to their own accommodation costs. This may put pressure on weekly budgets and might mean there is less money available for spending on other necessities.

Interactions with other social assistance entitlements

This proposal will have flow-on impacts on other social assistance entitlements

Homeowner sole parent students

71. The proposal could impact some homeowner sole parent students receiving the Student Allowance Accommodation Benefit (SPAB) by reducing the rate of Accommodation Benefit (AB). This is because the entitlement to and rate of AB for sole parent students is calculated based on the AS formula.³⁷ This means any changes to the AS homeowner entry threshold will impact on some sole parent students.
72. Some homeowner sole parent students may also no longer being eligible for AB.

³⁴ As a proportion of the total number of recipients receiving the AS (37,500), 5,000 identify as Māori. 1,300 of these recipients are expected to be impacted by the proposal.

³⁵ As a proportion of the total clients estimated to be impacted (9,300 clients) those identified as Pacific peoples (500) represent 5.4 percent. Pacific peoples are therefore not disproportionately represented among the impacted group.

³⁶ Given that Pacific peoples make up around 9 percent of the general population (as at June 2023), the underrepresentation of Pacific peoples as homeowners receiving the AS reflects a broader issue of lower homeownership rates among Pacific peoples.

³⁷ Under Regulation 24A of the Student Allowances Regulations 1998, the amount of Student Allowance Accommodation Benefit per week for a single student with a supported child is based on the appropriate equivalent rate of the AS a student would receive if they were a beneficiary who received a Sole Parent Support under the Social Security Act 2018 and was entitled to receive, and had been granted, an AS.

73. The detailed impacts of the proposal on homeowner sole parent students were not modelled in the time available. As an indication of those that may be impacted, approximately 130 homeowner sole parent students are receiving SPAB.
74. There is a risk that the proposal could create a more challenging financial environment for homeowner sole parent students, as those that are studying full time may have fewer opportunities to meet their increased accommodation costs.

Community Services Card

75. Additionally, some lower to middle income working households who are no longer entitled to receive the AS will also lose access to the Community Services Card (CSC).
76. A person who receives the AS is eligible for a CSC without having to meet the specified income test for a CSC.

Temporary Additional Support

77. The proposal may impact some homeowners receiving Temporary Additional Support (and the grand-parented Special Benefit). It is estimated that 100 AS recipients out of 9,300 homeowners affected by this change are receiving Temporary Additional Support. Some of these homeowners may experience increased financial hardship which could result in increased demand for MSD's hardship assistance.
78. The savings for this proposal factored in increased spending of \$2.042m on hardship assistance over the forecast period (e.g. the flow on impacts to Temporary Additional Support).³⁸ However, the analysis did not model the number of clients who are likely to take up other types of hardship assistance (e.g. Special Needs Grants) because of the proposal.
79. This means that the savings from the proposal may be overestimated as we cannot predict how/whether people will access other types of hardship assistance (e.g. Special Need Grants) because of these changes.

Implications for consistency with the Government's treaty of Waitangi obligations

80. As Māori are impacted by this proposal, the Crown has an obligation under Article One of the Treaty of Waitangi to act in good faith, including consulting with Māori where there are Māori interests involved.
81. WAI 2750 Kāinga Kore: Stage One Report on Māori Homelessness, released in May 2023, found that Crown consultation with Māori has been relatively narrow. In submissions to WAI 2750, the Crown accepted it has a partnership duty to engage with Māori in the development of housing policy and services. It acknowledged that its partnership with Māori to improve housing outcomes could be strengthened, especially in relation to "models that improve the experiences of individuals and whānau when they seek Crown support".

³⁸ Hardship assistance is the third tier of New Zealand's social security system. First and second-tier assistance, such as main benefits and the AS, are entitlements that provide a prescribed level of ongoing support depending on a client's employment, family type, and on-going needs. Third tier assistance consists of more targeted hardship assistance, generally in the form of one-off grants or short-term payments.

82. Due to budget sensitivity MSD did not have the opportunity to engage with Māori during the development of this proposal or the detailed design process. Officials engaged with MSD’s internal Māori Reference Group to inform them about the impacts of this proposal on Māori.
83. A summary of feedback received from MSD’s Māori Reference Group is outlined in the stakeholder feedback section below.

Human rights implications (contains legally privileged information)

84. s 9(2)(h) [Redacted]
85. s 9(2)(h) [Redacted]
86. s 9(2)(h) [Redacted]
87. s 9(2)(h) [Redacted]
88. s 9(2)(h) [Redacted]

89. The policy is intended to protect homeowner households receiving NZS, VP, SLP or EB (SLP equivalent) from the entry threshold change as they are likely to be disproportionately affected from the entry threshold increase. This is because they are more likely to require welfare assistance over the longer-term and because their market income is less likely to change.

Stakeholder feedback

Feedback was limited to the impacts of the proposal

90. During engagement, stakeholders understood the Government had already decided policy changes would take place. This meant the feedback received was focused on the impacts of the proposal on different population groups.
91. Feedback from targeted engagement with stakeholders³⁹ included the following themes:

³⁹ MSD carried out targeted engagement with the following groups on the proposal: the National Beneficiary Advocate Consultative Group, MSD’s Housing Reference Group, MSD’s Māori Reference Group, Community Law Centres O Aotearoa, MSD’s Pacific Reference Group, and MSD’s Pacific Leaders Forum.

- a. concerns about the impacts on cost-of-living pressures for homeowners particularly when combined with the Budget 2024 cost-savings initiative – *Including Boarders’ Contributions in the Calculation of Subsidies for Private and Social Housing*.
- b. support for protecting certain homeowners from the increase to the entry threshold, where at least one person in the couple receives NZS, VP, SLP, or EB (SLP equivalent).
- c. concerns about the impacts on Māori and Pacific peoples including the wider issue of lower homeownership rates among these groups.
- d. the importance of collaborating with community partners to target Māori and Pacific communities, to ensure the Government is improving uptake of AS by homeowners.

Risks of unintended consequences and behavioural changes

Risks include the potential for increased chance of housing insecurity, fiscal, and public perception risks

Increased chance of housing insecurity and associated negative impacts

92. This proposal could result in some homeowners experiencing an increased chance of housing insecurity, as well as associated negative impacts, such as poorer health, poorer education outcomes for children, and finding it harder to get a job.
93. A reduction in the AS, alongside continuing cost of living pressures, such as increased costs of insurance and local authority rates may, for some, make continued home ownership unsustainable. Some homeowners may also have less money available for spending on other necessities such as food, heating and education.⁴⁰
94. We anticipate that affected homeowners may be able to leverage on other financial options for meeting their accommodation costs (such as refinancing or taking on additional occupants).
95. However, there is a risk that some homeowners may decide to sell their property if they are struggling to meet their accommodation costs. For example, if homeowners have high loan-to-value ratios or high local authority rates, they may find it more challenging to manage their accommodation costs.
96. Stakeholders also raised the concern of affected homeowners facing higher debt and cost of living pressures.⁴¹ Mitigation strategies include MSD notifying the affected cohort of the upcoming changes in advance, including the impact on their AS entitlement and where they can find more information about the change. This will ensure homeowners have enough time to consider how they can manage accommodation costs that will no longer be subsidised by the AS.

⁴⁰ Tunstall, R., Bevan, M., Bradshaw, J., & Croucher, K. (2013). The links between housing and poverty: An evidence review. Retrieved from <https://www.jrf.org.uk/report/links-betweenhousing-and-poverty>

⁴¹ Of the 9,300 clients affected by the proposal, it is estimated that 1,300 clients would have their AS payment reduced to zero. This is because, if the new entry threshold is higher than the homeowner’s weekly accommodation costs, they would not be eligible for the AS.

Fiscal risks

- 97. While the expected savings associated with the proposal have been forecast to the best of MSD’s ability, there is a risk that the modelling may be subject to change and that the actual savings are lower than expected.
- 98. There could also be flow-on impacts for other financial supports, such as Temporary Additional Support and other hardship assistance, which contribute to the fiscal risks associated with this proposal. MSD will continue to monitor the impact of the entry threshold increase and fiscal implications.

Public perception risks

- 99. There may be a risk of the proposal creating negative public reaction to the potential impact on homelessness, and on MSD clients. There could also be negative public reaction resulting from the cumulative impact of other Budget cost-savings initiatives. This could be mitigated through clear communication to the public about the rationale for the proposal, when the legislation is going through Parliament in 2026, ahead of implementation on 1 April 2027.

Forecasted savings

- 100. Through this proposal, the Government is predicted to achieve net savings of \$36.593 million in Vote Social Development over four years (2025/26 to 2028/29).
- 101. The assumptions for estimating the forecasted savings are:
 - a. Budget Economic and Fiscal Update 2025 preliminary forecasts.
 - b. policy and legislative changes commencing on 1 April 2027.
 - c. no grandparenting of payments from current AS settings.
 - d. modelling the increased expenditure on Temporary Additional Support. Other forms of hardship assistance have not been modelled as part of the forecasted savings. This means the costs of the proposal on other forms of hardship assistance may be underestimated.
- 102. The savings forecast as part of this proposal was not able to account for behavioural responses that may result from the policy, as these cannot be accurately forecast. This includes situations where a person decides to sell their home and then qualifies for AS as a renter.

103. The forecasted savings for each financial year are set out in the table below:

Vote Social Development Opex:

	(\$m) 2024/25	2025/26	2026/27	2027/28	2028/29 and outyears	Total
Total	-	0.406	(2,677)	(17.669)	(16.653)	(36.593)

Redistribution effects of the proposal

104. Of the savings generated over the forecast period, \$17.416 million are being reprioritised to fund the 2025 Budget initiative: *Accommodation Supplement – Adjusting Area Boundaries*.
105. The 2025 Budget initiative: *Accommodation Supplement – Adjusting Area Boundaries* is intended to achieve more equitable AS payments for people residing within the same urban and residential region; and directly improve income adequacy for some lower-to-middle income working households, especially homeowners with children.

On balance, this proposal is more effective for addressing the policy problem and objectives compared to taking no action

106. In a fiscally constrained environment with cost-of-living pressures, the chosen option helps the Government deliver effective and sustainable housing assistance, by targeting AS more tightly to those with the greatest need.
107. For affected homeowners who receive a reduced rate of AS or who are no longer eligible for AS, they could look at other options to manage their accommodation costs (e.g. taking on a boarder) rather than relying on Government assistance to finance a significant personal asset.
108. Because accommodation costs of affected homeowners are lower compared to those who are unaffected, government assistance is being prioritised for homeowners who have higher accommodation costs.
109. The proposal protects vulnerable groups, such as NZS, VP, SLP and EB (SLP equivalent) households from the increase in entry threshold as it recognises that they require welfare assistance over the longer-term and that their market income is less likely to change compared to other beneficiaries/working homeowners.
110. The redistribution effects of reprioritising savings from the proposal to fund adjustments to the AS area boundaries also helps ensure the AS remains fit for purpose compared to taking no action.

What are the marginal costs and benefits of the chosen option?

Affected groups (identify)	Comment <i>nature of cost or benefit (eg, ongoing, one-off), evidence and assumption (eg, compliance rates), risks.</i>	Impact <i>\$m present value where appropriate, for monetised impacts; high, medium or low for non-monetised impacts.</i>	Evidence Certainty <i>High, medium, or low, and explain reasoning in comment column.</i>
Additional costs of the chosen option compared to taking no action			
Some homeowners receiving the AS (excluding NZS, VP, SLP and EB (SLP equivalent) clients).	<p>There are likely to be increased costs for some homeowners receiving the AS (excluding NZS, VP, SLP and EB (SLP equivalent) clients) as these homeowners will receive a reduced rate of AS.</p> <p>Some homeowners with lower accommodation costs relative to their income will also no longer be eligible for the AS.</p> <p>There will be indirect flow on impacts on entitlement to other social assistance, such as Temporary Additional Support and the Accommodation Benefit (for homeowner sole parent students).⁴²</p> <p>The policy change could also have non-financial impacts on homeowners, as some homeowners could experience an increased chance of housing insecurity, as well as associated negative social impacts (such as health impacts).</p> <p>A reduction in the AS, alongside continuing cost of living pressures, such as increases in the cost of insurance, local authority rates may, for some, make continued home ownership unsustainable.</p>	<p>Medium</p> <p>For affected homeowners (9,300 clients out of an approximate 37,500 total AS homeowner population), the average reduction to their AS payment is approximately \$37 per week. It is estimated that 1,300 clients would no longer receive the AS.</p>	<p>Medium</p> <p>MSD is confident in expected savings from increasing the AS entry threshold for homeowners (excluding NZS, VP, SLP and EB (SLP equivalent) clients) based on the modelling carried out. These have been forecast to the best of MSD's ability; however, may be subject to change.</p>
MSD	<p>One-off costs – associated with making changes to primary legislation and implementing the increase to the AS entry threshold for homeowners (excluding NZS, VP, SLP and EB (SLP equivalent) clients).</p> <p>Note that not applying the change to NZS, VP, SLP and EB (SLP equivalent) clients introduces complexity to the benefit system, compared to the status quo.</p>	<p>Low</p> <p>One-off costs cover two financial years of OPEX costs – covering FTE demand to manage the change at implementation, project delivery, communication and IT costs: \$0.406 million in FY25/26 and \$1.757 million in FY26/27.</p> <p>Ongoing OPEX costs of \$0.042 cover two financial years (2027/28 to 2028/29).</p>	<p>High</p> <p>Using costing information from previous experience of implementing changes to supplementary assistance, there is high confidence in expected implementation costs of increasing the AS entry threshold for homeowners (excluding NZS, VP, SLP and EB (SLP equivalent) clients).</p>
Banks & other financial service providers	<p>The banking sector and other financial service providers could face additional costs due to increased demand for their services as clients who receive a reduced rate of AS may seek advice on how to manage their ongoing mortgage costs.</p>	<p>Low</p> <p>These potential flow-on costs are not expected to be material, as the expected increase in demand for services is likely to be very low.</p>	<p>Low</p> <p>The detailed impacts of the proposal on the banking sector and other financial service providers were not modelled in the time available.</p>
Total monetised costs	<p>There are implementation costs amounting to \$2.205 million covering the financial years of 2025/26 to 2028/29 as a result of this policy change.</p>	<p>Low</p> <p>Implementation costs are considered low, as they are relative to the savings that the proposal achieves.</p>	<p>High</p> <p>MSD is confident in the expected costs for implementing this proposal, as these estimates are based on previous experience of implementing changes to MSD's welfare system.</p>
Non-monetised costs	<p>Non-monetised costs include impacts on some homeowners the banking sector, and other financial service providers. Some homeowners could experience an increased chance of housing insecurity.</p>	<p>Low</p> <p>These non-monetised costs are expected to be low.</p>	<p>Low</p> <p>The potential negative impacts on homeowners and banks are only a qualitative assessment and cannot be forecasted to give actual figures.</p>

⁴² The amount a person can receive through the AS depends on their actual weekly accommodation costs, as well as their AS region and family type. For a person receiving a main social security benefit, the AS is 70 percent of their weekly accommodation costs above an entry threshold up to the specified maximum amount (as set out in Schedule 4, Part 7, Social Security Act 2018).

Affected groups (identify)	Comment nature of cost or benefit (eg, ongoing, one-off), evidence and assumption (eg, compliance rates), risks.	Impact \$m present value where appropriate, for monetised impacts; high, medium or low for non-monetised impacts.	Evidence Certainty High, medium, or low, and explain reasoning in comment column.
Additional benefits of the chosen option compared to taking no action			
AS recipients	Creating a fairer and more equitable approach to AS payments ensures assistance is provided to those with the greatest need.	Low The benefits are likely to be low.	High MSD is reasonably confident the proposal will ensure that assistance is targeted to those with the greatest need.
MSD	The proposal supports the delivery of effective and sustainable public services and provides financial assistance to those with the greatest need.	Low The benefits are likely to be minor for frontline staff.	Medium MSD is reasonably confident the proposal will deliver effective and sustainable public services.
Wider public/taxpayer	Targeting the AS more tightly to homeowners with higher accommodation costs, benefits the wider public and taxpayer by: <ul style="list-style-type: none"> delivering cost-savings amounting to \$36.593 million in Vote Social Development over four years (2025/26 to 2028/29) ensuring that a portion of these savings can be used to fund adjustments to the AS area boundaries. This supports the delivery of effective and fiscally sustainable public services.	Medium The proposal is expected to return \$36.593 million over the forecast period. \$17.416 million of these savings is being reprioritised to fund adjustments to the AS area boundaries through a separate new spending Budget 2025 proposal: <i>Accommodation Supplement - Adjusting Area Boundaries</i> .	Medium MSD is confident in expected forecasted savings from this proposal. The forecasted costs and savings have been estimated to the best of MSD's ability; however, they are subject to change.
Total monetised benefits	The financial savings will be achieved by targeting the AS more tightly for homeowners. This is because the proposal increases the minimum amount homeowners (excluding NZS, VP, SLP and EB (SLP equivalent)) must pay towards their accommodation costs before receiving the AS (from 30 percent to 40 percent of the relevant base rate). A portion of the savings realised from this proposal (\$17.416 million) is being reprioritised to fund adjustments to the AS area boundaries through a separate new initiative in the 2025 Budget: <i>Accommodation Supplement - Adjusting Area Boundaries</i> .	Medium This proposal is expected to return \$36.593 million over the forecast period.	High The expected savings from a reduction in expenditure on the AS have been forecast to the best of MSD's ability.
Non-monetised benefits	This proposal supports the Government's priority of delivering effective and fiscally sustainable public services. These benefits are realised by the wider public.	Low These non-monetised benefits are expected to be low.	Medium MSD is reasonably confident that these non-monetised benefits are expected to be low.

Section 3: Delivering the chosen option

How will the proposal be implemented?

The proposal will come into force on 1 April 2027

111. Delivery and ongoing operation of AS settings under the new arrangements will be led by MSD. Primary legislative changes and operational changes come into effect on 1 April 2027 (alongside other Annual General Adjustment changes to benefit rates and thresholds).

Implementation of the proposal will involve transitional provisions

112. Minor transitional provisions have been approved by the Minister for Social Development and Employment to ensure an efficient transition from the previous AS entry threshold settings to the new settings from 1 April 2027.

113. The Minister agreed that that on 1 April 2027 the new AS entry threshold will be in effect for all homeowners (excluding clients receiving NZS, VP, SLP and EB (SLP equivalent)).

114. The Minister also agreed that transitional provisions will mean AS applications made, but not processed before 1 April 2027, must be assessed based on previous legislation for any period the person was eligible for AS before 1 April 2027.

Implementation will involve automatic processes

115. MSD has existing processes in place for implementation which will be ready for the 'go live' date. Systems will be updated to automatically assess a client's applicable entry threshold on 1 April 2027. Some records will require additional checks and exceptions in some circumstances (for example, couples receiving different benefits or Temporary Additional Support) and potentially additional demand for hardship assistance

Applicant notification

116. MSD will work through a specific communications approach to ensure existing clients receive information about the entry threshold change and potential impact to their entitlement. Where MSD has decreased a person's rate of AS, or they no longer qualify, then this decision will be notified to the client in accordance with the requirements under the Social Security Act 2018.

117. This communications approach will build on the approach taken to notify clients about the Budget 2024 Boarder Contributions changes.

118. Additionally, the wider public can provide feedback on the homeowner entry threshold changes through making a public submission, as part of the legislative process required to bring the proposal into effect.

Implementation risks

119. Excluding clients receiving NZS, VP, SLP, and EB (SLP equivalent) from the increased homeowner entry threshold is likely to increase the risk of creating complexity in MSD's system and processes.
120. Clear communications for staff ahead of implementation on 1 April 2027 will ensure staff are supported for a smooth implementation process.

How will the proposal be monitored, evaluated, and reviewed?

121. As part of internal reporting for this proposal, MSD will monitor:
 - a. expenditure on AS payments.
 - b. reporting to the Treasury on the realisation of the forecast savings of the proposal.
 - c. the number of affected homeowners identified.
 - d. the benefit status, ethnicity, gender and age of the group affected by this change.
122. The implementation of these reporting requirements will allow MSD to analyse the impact of the changes on Māori and other cohorts. MSD is also considering how to gain a better picture of the outcomes for people who have their AS reduced based on MSD's administrative data.
123. MSD will provide updates to the Minister for Social Development and Employment as necessary. MSD will also report back to the Treasury with progress on this initiative.
124. If MSD identifies significant changes that may require further investigation, such as significant increases in Temporary Additional Support, above what had been forecasted, MSD will inform the Minister for Social Development and Employment.

Annex 1 -Glossary

Term	Description
Accommodation Supplement (AS)	The AS is a demand-driven supplementary benefit that provides financial assistance to people with high accommodation costs, relative to their income and cash assets.
Emergency Benefit (EB)	Emergency Benefit is assistance that may be paid to people who cannot support themselves and who do not qualify for another main benefit and who are facing financial hardship.
Entry threshold	The entry threshold is the minimum amount homeowners must pay towards their weekly accommodation costs before being eligible for AS.
Relevant base rate	The relevant base rate is an indicator of a person's income which is based on benefit rates (and the Family Tax Credit, for those with a child or children). The base rate is defined in Regulation 17 of the Social Security Regulations 2018.
Supported Living Payment (SLP)	SLP recipients are not able to work because they are permanently and severely restricted in their capacity for work because of a health condition, injury, disability, or total blindness, or clients who are caring for a person who requires full-time care and attention at home. However, SLP carers are still more likely to be on SLP long-term compared to Jobseeker Support clients.
Temporary Additional Support (TAS)	TAS is a temporary weekly payment made as a last resort, to alleviate financial hardship for those whose allowable costs cannot be met from their chargeable income and other resources. ⁴³
Tenure type	Tenure type refers to the legal arrangement of a household with respect to occupying a dwelling (house, apartment, etc.) or land. Put simply, it defines whether you own your home, are paying off a mortgage, renting, or boarding.

⁴³ Section 95 Social Security Act 2018

Annex 2 -Scenarios showing the impacts of the entry threshold changes

Figure 1: Examples of the potential impacts of the proposal on the Accommodation Supplement (AS)

Scenario	Current AS payments (\$ per week)	AS received after the change (\$ per week)	Description of change
Scenario 1: A single person in Auckland living in their own home receiving Jobseeker Support	\$165	\$165	The person will continue to receive the maximum rate of AS per week (\$165).
Scenario 2: A single person in Wellington living in their own home receiving Jobseeker Support	\$20	\$0	↓ The person will no longer be eligible for AS.
Scenario 3: A working family with two children living in their own home in Christchurch	\$128	\$45	↓ The family with children will receive \$56 per week less AS.
Scenario 4: A couple on different benefits live in their own house in Waikato	\$155	\$155	The amount of AS does not change as the entry threshold will not apply to people receiving New Zealand Superannuation (NZS), Veteran's Pension (VP), Supported Living Payment (SLP) or Emergency Benefit (Supported Living Payment equivalent) and their partners.

The table above shows the potential impacts of the proposal on the amount of Accommodation Supplement (AS) received by different homeowners. The figures are based on examples of different types of clients and are for illustrative purposes only.⁴⁴ More information about each scenario is outlined in the paragraphs further below.

Scenario 1: Single person in Auckland living in their own home receiving Jobseeker Support

1. A single person in their late thirties receives Jobseeker Support and lives in their own house in Auckland. Their accommodation costs are \$677 per week, and they earn \$150 per week from part time work.

⁴⁴ The actual amount of AS a person receives at the time of implementation may be slightly different depending on future adjustments to the rates of main benefits, New Zealand Superannuation (NZS) and Veteran's Pension (VP) as of April 2026.

2. Currently they are required to contribute 30 percent of the relevant base rate to their accommodation costs.⁴⁵ This means they are receiving \$165 of AS per week (this is the maximum rate of AS a single person on Jobseeker Support in Auckland can receive).
3. After the change they will be required to contribute 40 percent of the relevant base rate to their accommodation costs. Because of their high accommodation costs, they will continue to receive the maximum rate of AS - \$165 per week.

Scenario 2: A single person in Wellington living in their own home receiving Jobseeker Support

4. A single person in their early sixties receiving Jobseeker Support lives in their own house in Wellington. Having paid off a good sum of their mortgage, their accommodation costs are \$140 per week.
5. Currently they are required to contribute 30 percent of the relevant base rate to their accommodation costs. This means they are receiving \$20 per week of AS.
6. After the change, they will be required to contribute 40 percent of the base rate to their accommodation costs. Because their accommodations costs are relatively low compared to the entry threshold, they would no longer be eligible for AS.⁴⁶

Scenario 3: A working family with two children living in their own home in Christchurch

7. A family with two children lives in their own house in Christchurch. They have an income of \$1,300 per week and pay weekly accommodation costs of \$457.
8. Currently they are required to contribute 30 percent of the relevant base rate to their accommodation costs. Considering income abatement, the family receives \$101 per week in AS.⁴⁷
9. After the change, they will be required to contribute 40 percent of the base rate to their accommodation costs. This means their AS rate will be reduced to \$45 per week.

Scenario 4: A couple on different benefits live in their own house in Waikato

10. A couple on different benefits live in their own house in Waikato. One person is receiving Job Seeker Support, and the other is receiving NZS.
11. Currently they are required to contribute 30 percent of the relevant base rate to their accommodation costs. This means they are receiving \$155 of AS per week.
12. After the change, the couple will still be required to contribute 30 percent of the relevant base rate to their accommodation costs. This means they will continue to receive \$155 of AS per week.

⁴⁵ The relevant base rate is an indicator of a person's income which is based on benefit rates (and the family tax credit, if applicable).

⁴⁶ The maximum rate of AS for a single person 18+ years of age receiving Jobseeker Support in Wellington is \$105 per week.

⁴⁷ The AS they receive is abated based on their income being above the income threshold.

13. The amount of AS does not change as the entry threshold will not apply to clients receiving NZS, VP, SLP or EB (equivalent to SLP) and their partners. This recognises that the circumstances of these people are unlikely to change, and they will be reliant on a benefit permanently or for an extended period.