

# **Including Boards' Contributions in the Calculation of Housing Subsidies**

## **Supplementary Analysis Report**



**MINISTRY OF SOCIAL  
DEVELOPMENT**  
TE MANATŪ WHAKAHIATO ORA

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# Supplementary Analysis Report: Budget 2024 Cost-Savings Initiative: Including boarders' contributions in the calculation of housing subsidies

## Coversheet

### Purpose of Document

Decision sought/taken:	This analysis has been developed in response to the Government's agreement that the housing contributions from all boarders will be counted in the assessment of housing subsidies. <sup>1</sup> This will require amendments to primary and secondary legislation. The analysis assesses the impacts of the Government's agreed approach, including the savings and costs, benefits, trade-offs, and risks.
Advising agencies:	Ministry of Social Development
Proposing Ministers:	Minister for Social Development and Employment
Date finalised:	30 April 2025

### Problem Definition

Currently, housing contributions that a person receives from a first or second boarder are not counted when assessing that person's entitlement to housing subsidies. Housing contributions from the first and second boarder are also disregarded when assessing a person's income for the purpose of calculating entitlements to other assistance under the Social Security Act 2018. As a result, the same accommodation costs can be subsidised more than once by the Government and households with boarders are advantaged in the calculation of housing subsidies over households who do not have boarders.

### Executive Summary

#### Ministers have agreed to count the housing contributions from all boarders in the assessment of housing subsidies

As part of the 2024 Budget, in seeking more effective and sustainable public services, Cabinet agreed to progress an initiative that reduces expenditure on housing subsidies by changing the way accommodation costs are calculated when a person receives board payments [CAB-24-MIN-0148.74 refers]. In situations where there are two or more boarders, MSD currently disregards the board contributions of the first two boarders. This initiative will align the treatment of boarder contributions with rent contributions and address a current issue where accommodation costs can be counted more than once in the calculation of subsidies for the person receiving the board payments and their boarder(s).

This initiative will change the way the Ministry of Social Development (MSD) calculates the accommodation costs for people receiving payments from a boarder(s) and receiving housing subsidies, including the Accommodation Supplement (AS) and Temporary

<sup>1</sup> Housing subsidies refer to the Accommodation Supplement, Income-Related Rent Subsidy, Temporary Additional Support, grandparented Special Benefit, Away from Home Allowance and the Student Allowance Accommodation Benefit at a sole parent rate.

Additional Support and Special Benefit. It will also change how MSD calculates the Income Related Rent (IRR) for social housing tenants who receive payments from a boarder(s).

This cost saving initiative is expected to return \$150.96 million in net operating funding over four years. This includes a reduction of \$76.854 million in expenditure on the AS, \$21.416 million on the Income-Related Rent Subsidy (IRRS), and \$63.353 million on Temporary Additional Support and Special Benefit over the forecast period. Net savings from this initiative have been returned to the Crown.

### **Joint Ministers agreed to policy changes that will ensure more equitable treatment of board and rent payments when receiving housing subsidies**

In October 2024, Joint Ministers<sup>2</sup> agreed to the following policy changes to the treatment of boarder contributions:

- Recognise housing contributions from all boarders (i.e. 62 percent of payments received<sup>3</sup>) as reducing the allowable accommodation costs for the person receiving the board payment, for the purpose of receiving housing subsidies under the Social Security Act.
- Recognise all housing contributions from boarders in the IRR calculation.
- When housing contributions from boarders exceed the total allowable accommodation costs or the market rent applicable for the social housing property of the person receiving board payments, this excess (excess income)<sup>4</sup> will be included as income for any other income-tested assistance under the Social Security Act and/or any income-tested assistance that uses the Social Security Act definition of income.

Joint Ministers also agreed to the following to ensure effective implementation of the policy changes:

- Allow the use of Automated Decision-Making (ADM) in the administration of the Accommodation Supplement as part of enacting this policy change.
- Amend the Social Security Act<sup>5</sup> so that a grant of AS is no longer discretionary, which will allow the use of ADM in the administration of the AS.
- Describe boarders in the legislation for the purposes of AS, and if a person is not identified as a boarder, they will be treated as a renter (meaning 100 percent of their contribution towards accommodation will be treated as a contribution towards accommodation costs, instead of 62 percent).

In October 2024 Ministers agreed to these recommendations and to Budget night legislation for Budget 2025 as the legislative vehicle.

### **How will housing contributions from boarders be recognised for Social Security Act assistance?**

MSD will recognise housing contributions from all boarders (i.e. 62 percent of payments received) as reducing the allowable accommodation costs for the person receiving the

<sup>2</sup> Joint Ministers are the Minister of Housing, the Minister for Social Development and Employment, and the Associate Minister of Housing.

<sup>3</sup> 62 percent of their total payment is considered to be the boarder's housing contribution, and the remaining 38 percent is considered to cover costs incurred as part of the board arrangement (food and possibly other service costs). The figure of 62 percent has been used for calculating the rate of AS for a boarder since July 1997. Note that housing contributions from boarders include contributions paid on behalf of the boarder(s).

<sup>4</sup> For clarity within this document, the term "excess income" will be used to refer to housing contributions from boarders that exceed the total allowable accommodation costs, or the market rent applicable for the social housing property of the person receiving board payments.

<sup>5</sup> Section 65 of the Social Security Act.

board payment for housing subsidies under the Social Security Act. This will ensure that housing contributions are not subsidised twice.

### **How will housing contributions from boarders be recognised for social housing tenants?**

The calculation of IRR will be modified to ensure that the full housing contribution from all boarders (i.e. 62 percent of payments received) is included when determining the IRR a social housing tenant must pay. See the table in paragraph 25 for a description of the agreed modified IRR calculation and how the boarder contributions will be reflected.

When housing contributions from a boarder(s) exceed the total accommodation costs (for Social Security Act assistance) or the applicable market rent (for the social housing property) of the person receiving board payments, the excess income will be included as income for all income-tested assistance that uses the Social Security Act definition of income (e.g. main benefits), including when a client is not accessing a housing subsidy.

### **The number of impacted households and the scale of the impacts**

Of the 8,200 households who receive the AS and have a boarder(s), approximately 7,000 are expected to have a reduction in MSD support as a result of this change. The average loss per week for the AS client receiving board payments is \$100 per week.

Approximately 6,200 social housing households that are receiving board payments are expected to be impacted by this policy change at an average increase in IRR of \$132 per week.

Risks associated with the changes include a disproportionate impact on marginalised communities and impacts on social housing tenants.

*The policy change may prompt behavioural changes that reduce the utilisation of housing*

Reducing the amount of government support received by MSD clients who receive payments from a boarder(s) will make offering boarding arrangements less attractive for homeowners and renters. As a result, fewer households may take in a boarder(s) and some households that have a number of boarders may choose to have less. In cases where board arrangements reflect family responsibilities (e.g. boarders are adult children or an older parent) the impact may be less.

*Certain population groups may be disproportionately impacted*

For households that rely on government support and boarder income, these changes may make it harder to continue to afford their current accommodation arrangement. A number of cohorts are likely to be disproportionately impacted, including Māori, Pacific peoples, older people, disabled people and young people. The policy changes may also have negative implications for consistency with the Government's obligations related to housing under the Treaty of Waitangi.

*There may be flow-on impacts related to social housing*

The risks associated with the modified IRR calculation include:

- increased tenancy reviews as some social housing tenants may pay market rent due to this policy
- increased demand for temporary housing if social housing tenants choose not to take on boarders, or to evict current boarders, in response to this policy
- reduced savings from this initiative if some social housing tenants stop declaring board payments received.
- increased hardship among social housing tenants if their IRR increases.

There was limited stakeholder engagement undertaken after Budget 2024 decisions were made by Cabinet to progress this initiative. Stakeholders understood the Government had

already decided policy changes would take place, however, the feedback received from stakeholder groups was broadly critical.

### **The implementation of these policy changes will occur through a two-stage phase approach**

The first phase provides for information collection, and the second phase is the policy implementation.

The first phase will begin in mid-2025, upon the Bill being enacted, and will utilise existing client engagements (such as annual reviews) to gather boarder and renter information. This information will be collected from clients, stored, and maintained until payments are reassessed in early 2026. Household circumstances for boarders can frequently change, so staff will need to keep the records up to date as new information is received. During phase one, correspondence will be sent to clients who are most likely to be affected. Communications will also occur to raise general awareness of the changes, so that affected clients know to declare their household circumstances to MSD online, through MyMSD.

Phase two is to be implemented from when the legislation comes into effect on 2 March 2026. Phase two will include notifying the clients that are impacted by the changes prior to reassessing their payments, and completing any transitional arrangements, and annual housing reviews for social housing tenants will begin to include the housing contributions from all boarders when considering their eligibility for social housing.

Where a social housing tenant is receiving payments from a boarder(s), their IRR will be recalculated at the time of their annual review, or their next change in circumstances, whichever comes first. This is because a social housing tenant's IRR can only be increased when the tenant has a change in circumstances, or at their annual review (not when a policy change is implemented).<sup>6</sup>

### **Monitoring, reporting and measuring outcomes**

MSD will track the savings realised on housing subsidies and the impacts on affected population groups. MSD will also provide updates to relevant Ministers and report back to the Treasury on the outcomes of this initiative.

## **Limitations and Constraints on Analysis**

*Ministers have made decisions about the boarders' contributions initiative through Budget 2024*

- This policy change was a Budget 2024 cost savings initiative. This constrained the level of analysis officials were able to provide ahead of Cabinet decisions. It was not possible to provide a detailed impact analysis ahead of the overarching policy decisions.
- On 29 April 2024, Cabinet agreed to count the housing contribution from all boarders in the assessment of housing subsidies. Cabinet also authorised the Minister for Social Development and Employment, the Associate Minister of Housing, and other Ministers as appropriate to make final decisions on the details of the policy changes [CAB-24-MIN-0148.74 refers].

*Tight timeframes also constrained the development of policy advice, including consultation*

- The decision to fully implement the policy changes by early 2026 has meant that advice on the detailed policy design has been subject to tight time constraints. As a result, there has been limited time for the analysis of existing and potential new settings, international comparisons, as well as an analysis of operational impacts.

<sup>6</sup> Other MSD assistance under the Social Security Act could change at 2 March 2026 (i.e. if a social housing tenant also has Temporary Additional Support, then we would change the accommodation cost in the Temporary Additional Support calculation).



The relative complexity of this initiative has compounded the impact of this constraint.

- Timeline constraints have also meant that engagement on the changes was undertaken following Cabinet and Ministerial decisions, and as the legislative vehicle for enacting the policy changes will be Budget night legislation, there will be no opportunity for public feedback via the Select Committee process.

*Assumptions, and the quality of data and evidence underpinning this analysis*

- 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 (see paragraphs 65, and 67-68):
  - Clients taking action to circumnavigate the change (i.e. some people may not comply and stop declaring boarders, to avoid reductions in housing subsidies or IRR increases).
  - People choosing to alter their housing arrangements, resulting in reduced instances of boarding or the amount of board charged.
- This means that the savings from households where both the person receiving board and the boarder(s) are receiving housing subsidies may be over-estimated.
- For the costings for this analysis, we have estimated that 8,200 households receiving the AS have a boarder(s) and that 7,000 of these households will be impacted by this change. To estimate the number of AS clients with a boarder(s), MSD identified a number of AS clients who were receiving board from another AS client. MSD then refined that number further using an approximation of the number of situations likely to be genuine boarding arrangements. This approach has limitations, as it does not count boarders who are not receiving the AS (i.e. boarders who are working and not eligible for the AS), as MSD data does not record who an AS client is paying board to. This means that some of the savings may also be underestimated.
- There is also a lack of accurate data, when the board recipient and board payer both receive housing subsidies from MSD. Since MSD currently disregards payments from the first and second boarders, it is difficult to accurately forecast the number of MSD clients that will be impacted by this policy change.
- Additionally, the assumptions do not include increased uptake of other assistance (e.g. hardship assistance and Housing Support Products) as a result of these changes. We cannot predict how many people will access hardship assistance and Housing Support Products as a result of the change.
- We note that some of the unintended consequences of this policy cannot be modelled. This is because we cannot reliably estimate the expected change, so any modelling would not be reliable.

**Responsible Manager(s) (completed by relevant manager)**

Alex McKenzie  
Policy Manager, Housing  
Ministry of Social Development



30 April 2025

**Quality Assurance (completed by QA panel)**

Reviewing Agency:	Ministry of Social Development and Ministry of Housing and Urban Development
Panel Assessment & Comment:	A panel of policy staff from the Ministry of Social Development and Ministry of Housing and Urban Development reviewed the Supplementary Analysis Report and concluded that it <b>partially meets</b> the quality assurance criteria. The panel considers that the assessment is generally clear, complete and convincing. However, there has been limited consultation with the public on the proposals, and the limitations on the data and evidence available and the modelling able to be undertaken means the impacts of the policy are not able to be fully quantified. The panel notes that MSD will monitor this initiative and provide updates to relevant Ministers and the Treasury.

**Section 1: Diagnosing the policy problem****What is the context behind the policy problem and how is the status quo expected to develop?**

1. The policy of disregarding contributions received from one or two boarders, when calculating a person's entitlement to housing subsidies and assistance under the Social Security Act (the boarders' contributions policy), was introduced around 1992.<sup>7</sup> It was intended to encourage better utilisation of state housing (i.e. occupation of empty rooms) and encourage beneficiary households, particularly sole parent beneficiaries living in larger state houses, to take on a boarder(s) to offset some of their costs. The wider context to the introduction of the policy was a reduction in rates of most main social security benefits in 1991 (and a two-year freeze in the rates of the pension), and the transition to market rents for social housing tenants from October 1992. While the boarders' contributions policy aimed to encourage better utilisation of state housing stock, it was applied to all income assessments for assistance under the Social Security Act at the time.
2. While regulation 12 of the Public and Community Housing Management (Prescribed Elements of Calculation Mechanism) Regulations 2018 authorises disregarding contributions from the first two boarders when calculating the IRR for social housing tenants, no clear or consistent legislative authority exists under the Social Security Act, which is silent on the treatment of boarder contributions when calculating eligibility for housing subsidies and other forms of financial assistance.
3. If a person receives payments from three or more boarders (and the arrangement is not considered to be a business venture, such as a boarding house), the amount received from the third and subsequent boarders is currently charged as income via the 'profit from boarders calculation'. This calculation is contained in the Ministry of Social Development's (MSD) operational guidelines and is not specified in legislation.
4. The current 'profit from boarders calculation' does not apply when calculating assessable income for social housing tenants. If a social housing tenant is receiving board payments from three or more boarders (and the contributions from boarders are not considered to be the tenant's main source of income), the housing contributions from the two boarders paying the highest amount of board are disregarded, and

<sup>7</sup> IRR and the Accommodation Benefit were the two main housing subsidies available at the time. The AS, a non-taxable weekly payment which helps people with their rent, board, or the cost of owning a home, was introduced in 1993. It replaced both IRR and the Accommodation Benefit as the primary housing subsidy for state housing tenants, private sector renters, boarders, and homeowners. IRR was reintroduced for state housing tenants in 2000.



contributions from any other boarders are included as assessable income when calculating IRR.

### **Cabinet agreed to count the housing contribution from all boarders in the assessment of housing subsidies**

5. On 29 April 2024, Cabinet agreed that the housing contributions from all boarders will be counted in the assessment of housing subsidies. This will require a change to existing policy, which disregards housing contributions received from one or two boarders when calculating a person's accommodation costs or income [CAB-24-MIN-0148.74 refers].

### **What is the policy problem or opportunity?**

#### **The current approach to the treatment of boarders' housing contributions means the Government can subsidise the same accommodation costs more than once**

6. Since the housing contributions from the first two boarders are disregarded, the Government can be subsidising the same accommodation costs twice when both the boarder and the person receiving board payments are both receiving AS payments or when a boarder is receiving the AS and the person receiving the board payments is receiving the IRRS. People who have accommodation costs (i.e. renters and owner-occupiers) and meet the eligibility criteria can claim the AS for their total accommodation costs, even when one or two boarders are offsetting some or all of their actual accommodation costs.

#### **The current approach to the treatment of boarders' housing contributions is inequitable**

##### *Comparison to the treatment of rent payments received*

7. The setting to disregard the housing contribution of the first two boarders increases inequity in the social security system between those with boarders and those with renters. Currently, all renters' contributions are taken into account when calculating the accommodation costs of the client (i.e. a tenant or an owner-occupier) who is renting out a room to another person. Their accommodation costs for the AS are assessed on the total accommodation cost of the premises less the rent they are receiving for the room(s).
8. The rent received for the room(s) is also considered income when it is more than the total accommodation costs for the property (see **Annex 2** for more details on the current treatment of renters). In this case, the client will not have any accommodation costs, and therefore, they would be ineligible for the AS. The excess income is then included as income when assessing their eligibility for any other assistance under the Social Security Act.
9. When a tenant or owner-occupier has three or more boarders, a 'profit from boarders calculation' is done, and the amount calculated is charged as income against the client's benefit or supplementary assistance. However, the existing 'profit from boarders calculation' that MSD uses is inconsistent with how payments received from renters are treated, and it does not accurately reflect the effect of contributions from boarders on the accommodation costs of those receiving board payments. The calculation is also unnecessarily complex and difficult to understand for both staff and clients.

##### *Comparison to the treatment of other forms of income*

10. The current approach to the treatment of contributions that boarders make to household housing costs is inequitable when compared to beneficiaries who have other income, as beneficiaries who receive other income may have their benefits reduced as a result of that income. When a household has one or two boarders, their contribution to the household's housing costs is not considered when calculating housing subsidies,

nor is it treated as income for the purposes of other financial assistance under the Social Security Act.

### **What objectives are sought in relation to the policy problem?**

11. The objective of the policy change is for more effective and sustainable public services. Counting the housing contributions from all boarders in the assessment of housing subsidies aims to:
  - a. address the double subsidisation of housing subsidies for the same accommodation costs
  - b. ensure that all households are treated more equitably when calculating housing subsidies and/or other assistance under the Social Security Act
  - c. return \$150.96 million in net operating funding over four years.

### **Section 2: Deciding upon an option to address the policy problem**

#### **What scope will options be considered within?**

12. The analysis in this Supplementary Analysis Report is focused on regulatory change to boarder contribution settings. This report focuses only on options that were considered by Cabinet or by the Minister of Housing, the Minister for Social Development and Employment, and the Associate Minister of Housing (Joint Ministers) under their delegated Cabinet authority. This approach is in line with the Ministry for Regulation's guidance for a Supplementary Analysis Report. Options considered by Cabinet were limited to those which resulted in cost-savings for the Government. As decisions were made as part of the 2024 Budget process, the development of options and advice were not able to be informed by stakeholder or cross-agency engagement.

#### *Options that have been ruled out*

13. The use of non-regulatory options in isolation (i.e. operational and practice changes) was ruled out, because legislative authority is necessary to make changes to the treatment of contributions from boarders for assistance provided under the Social Security Act. Currently, the rule of disregarding the housing contributions from the first and second boarder for the purposes of calculating IRR can be found in the Public and Community Housing Management (Prescribed Elements of Calculation Mechanism) Regulations, but there is no current provision in the Social Security Act. To implement the agreed policy changes, clear legislative authority on the treatment of contributions from boarders is required under the Social Security Act (which is silent on the treatment of boarder contributions) and the Public and Community Housing Management (Prescribed Elements of Calculation Mechanism) Regulations.
14. This includes the current 'profit from boarders calculation', which is an operational practice only; it does not currently appear in legislation.

#### **What options were considered by Cabinet?**

15. As part of the 2024 Budget, Cabinet agreed to count the housing contributions from all boarders in the assessment of housing subsidies from 1 April 2026. As this was part of the Budget 2024 process and subject to the limitations of the Budget template, advice to Cabinet only provided the proposed initiative, and a brief description of the status quo was provided. The Minister for Social Development and Employment, the Associate Minister of Housing and other Ministers, as appropriate, were authorised to make final decisions on the policy details of the change [CAB-24-MIN-0148.74 refers].
16. In February 2025, Cabinet agreed to amend the commencement date for the policy change from 1 April 2026 to 2 March 2026. Cabinet also agreed to expand the previously delegated authority, so that the Joint Ministers could make final decisions on the policy, including confirmation of the treatment of renters in the legislation and the

treatment of excess income (where housing contributions from a boarder or renter exceed a person's accommodation costs or market rent) [CAB-25-MIN-0014 refers].

17. At this time, Cabinet also made decisions around mandatory reviews of specified benefits and ADM, and a Regulatory Impact Statement covering these decisions was provided [CAB-25-MIN-0014 refers].<sup>8</sup>

### Decisions taken by Joint Ministers under their delegated authority from Cabinet

18. The following decisions have been taken by Joint Ministers on final details of the boarders' contributions policy:
  - a. Housing contributions from boarders will be recognised when calculating housing subsidies under the Social Security Act.
  - b. Housing contributions from boarders will be directly reflected in the IRR a social housing tenant must pay.
  - c. When housing contributions from boarders exceed the total allowable accommodation costs (for Social Security Act assistance) or the market rent applicable (for the social housing property) of the person receiving board payments, the excess income will be included as income for any other income-tested assistance<sup>9</sup>
  - d. Recognising housing contributions from boarders will have flow-on implications for Temporary Additional Support, the grandparented Special Benefit, The Away from Home Allowance and The Student Allowance Accommodation Benefit for a sole parent.
  - e. Broadening of existing authorising provisions for ADM in relation to the administration of AS, and the introduction of mandatory reviews of housing subsidies to test ongoing rate and eligibility for some payments.
  - f. Boarders will be defined in legislation for the purposes of AS and TAS, and if a person is not identified as a boarder, they will be treated as a renter.
  - g. When a person lives in a property that they also use to run a commercial boarding operation, the proportion of the premises used for their business will not be considered part of their accommodation costs.
  - h. When there is a discrepancy between the rate of board/rent provided by the person receiving the board/rent payment and the person paying the board/rent, MSD will resolve this through a three-step process that can include suspending and cancelling housing subsidies or increasing a social housing tenant's IRR to market rent, if the clients' have not provided sufficient information to allow MSD to determine the accommodation arrangement.
19. The following sections discuss the impacts of the decisions, alignment with the policy's objectives, stakeholder feedback, risks, and distributional impacts. A comparison of the agreed option with the counterfactual is at **Annex 1**.

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<sup>8</sup> The ADM Regulatory Impact Statement will be available on the MSD website from 22 May 2025.

<sup>9</sup> And/or any income-tested assistance that uses the Social Security Act definition of income.

**Housing contributions from boarders will be recognised when calculating a person's entitlement to housing subsidies under the Social Security Act**

20. In October 2024, Joint Ministers agreed that MSD will recognise housing contributions from all boarders (i.e. 62 percent of payments received) by reducing a person's allowable accommodation costs by any housing contributions they receive from a boarder for housing subsidies under the Social Security Act. This aligns the treatment of housing contributions received from boarders with payments received from renters.
21. Ministers noted that the housing contribution component of board payments will continue to be calculated as 62 percent of the amount paid. The remaining 38 percent will be considered to pay for costs incurred as part of the board arrangement (including meals and utilities) and will be excluded from any assessment of income or accommodation costs for consistency with current legislation (see s65(2)(c) of the Social Security Act and cl 12 of the Public and Community Housing Management (Prescribed Elements of Calculation Mechanism) Regulations).
22. This approach will meet the objective of ensuring that housing contributions are not subsidised twice by reducing the amount of allowable accommodation costs a person receiving board payments can claim. This will result in better targeting of government expenditure on housing subsidies.

**Housing contributions from boarders will be directly reflected in the Income-Related Rent a social housing tenant must pay**

23. For the purposes of calculating IRR, Joint Ministers agreed that MSD will include housing contributions that a social housing tenant receives from boarders (i.e. 62 percent of the payment received from each boarder). It was agreed that the calculation of IRR will be modified to ensure that the housing contribution from boarders is directly reflected in the IRR that a social housing tenant must pay. See the table below for a description of the agreed modified IRR calculation and the alternative option for calculating IRR considered by Joint Ministers.

Income-Related Related Rent (IRR) Calculation	
Agreed modified IRR calculation	The alternative IRR calculation option
<p><b>Assessable income is:</b></p> <p>main benefit</p> <p><b>+</b></p> <p>other income</p>	<p><b>Assessable income is:</b></p> <p>main benefit</p> <p><b>+</b></p> <p>other income</p> <p><b>+</b></p> <p><b>(62% of the payment received from each boarder)</b></p>
<p>The rate of IRR calculated using the household income is the total of:</p> <p>25% of <b>assessable income</b>, at or below the income threshold</p> <p><b>+</b></p> <p>50% of <b>assessable income</b> above the income threshold</p> <p><b>+</b></p> <p>a portion of the tenant's and their partner's family tax credit entitlement</p> <p><b>+</b></p> <p><b>(62% of the payment received from each boarder)</b></p>	<p>The rate of IRR calculated using the household income is the total of:</p> <p>25% of <b>assessable income</b>, at or below the income threshold</p> <p><b>+</b></p> <p>50% of <b>assessable income</b> above the income threshold</p> <p><b>+</b></p> <p>a portion of the tenant's and their partner's family tax credit entitlement</p>

24. The agreed option will more tightly target the IRRS and reduce government spending on the IRRS. It will also achieve objectives by ensuring households are treated more equitably across housing subsidies - a boarder's housing contribution will be added to the tenant's IRR, as it is for a person's AS accommodation costs (i.e. boarder contributions will be treated as directly reducing accommodation costs for both).
25. If this option were not progressed, social housing tenants would only have 25 or 50 percent of their boarder housing contributions reflected in their IRR (depending on their other assessable income).

**Excess income from boarders will be included as income when assessing any other income-tested assistance**

26. Joint Ministers agreed that when housing contributions from boarders exceed the total allowable accommodation costs (for Social Security Act assistance) or the market rent applicable (for the social housing property), the excess income will be included as income for any other income-tested assistance under the Social Security Act and/or

any other income-tested assistance that uses the Social Security Act definition of income.

27. This will apply regardless of whether or not a client is accessing a housing subsidy. This will ensure that housing contributions from board payments are treated more consistently with rent payments across MSD assistance.
28. The excess income policy was not included in 2024 Budget costings, given the policy was agreed by Ministers as part of detailed design decisions made after the Budget. However costings have since been updated to reflect this policy decision.
29. This decision will bring the treatment of households with boarders and renters closer together when calculating Social Security Act assistance, so these households are treated more equitably. Currently, when calculating Social Security Act assistance, contributions from renters in the household are reflected in a reduction in accommodation costs and income from renters above the accommodation costs is recognised as income (alongside income from other sources). By contrast, contributions from the first two boarders are currently ignored and the housing contributions of the third and subsequent boarders are counted when calculating assistance under the Social Security Act.

#### **Recognising housing contributions from boarders will have an impact on entitlement to other assistance**

##### *Direct impacts of the policy*

30. Decisions that Joint Ministers have taken on the design of this policy will have flow-on implications for a person's eligibility for other subsidies. The subsidies affected are:
  - a. Temporary Additional Support
  - b. Grandparented Special Benefit
  - c. Away from Home Allowance
  - d. Student Allowance Accommodation Benefit at a sole parent rate.
31. In addition, the decision to include excess income from boarders as income for the purposes of assessing income-tested assistance under the Social Security Act (and assistance that uses the Social Security Act definition of income) will impact on the rate of other assistance that some people receive. However, this change will only impact the small number of households that have excess income from boarders (estimated to be 500 AS recipients, and an additional number of social housing tenants).

##### *Temporary Additional Support and Special Benefit*

32. Temporary Additional Support and Special Benefit help clients with their regular essential living costs that cannot be met from their income and other resources. The settings for both Temporary Additional Support and Special Benefit use the AS definition of accommodation costs. This means that housing contributions from boarders will reduce allowable accommodation costs for Temporary Additional Support and Special Benefit in the same way as the AS.
33. Temporary Additional Support is a means-tested weekly hardship payment that helps people when they do not have enough money to cover their essential living costs (not just housing). For a person who receives board payments, they will have a reduction in allowable accommodation costs, which could reduce the rate of Temporary Additional Support they receive.
34. Special Benefit is a grandparented subsidy, which is a means-tested weekly discretionary benefit that supports people whose circumstances are causing them



hardship (housing or otherwise).<sup>10</sup> Unlike Temporary Additional Support, the Special Benefit is a discretionary benefit, so the actual impact on recipients will depend on their individual circumstances.<sup>11</sup>

#### *Away from Home Allowance*

35. The Away from Home Allowance is assistance paid to the caregiver of a 16 or 17-year-old dependent child who is living away from home while participating in tertiary study or employment-related training. The Away from Home Allowance rate is the rate of AS the young person would get if they were a recipient of Jobseeker Support and with accommodation costs.
36. This means the Away from Home Allowance rate is calculated in the same way as the AS. Changing the way AS recognises housing contributions from boarders will also impact the way the Away from Home Allowance recognises housing contributions from boarders. This may result in reduced assistance if the young person were receiving contributions from boarders, but this scenario is unlikely.<sup>12</sup>

#### *Student Allowance Accommodation Benefit at a sole parent rate*

37. The Student Allowance Accommodation Benefit paid to a sole parent is an accommodation benefit for eligible sole parents receiving the Student Allowance.
38. The Student Allowance Accommodation Benefit paid to a sole parent is calculated in the same way as the AS is calculated for recipients of Sole Parent Support. This means changing the way the AS recognises housing contributions from boarders will also impact the way the sole parent rate of the Student Allowance Accommodation Benefit is calculated. Some sole parent students may receive a reduction in the rate of their Student Allowance Accommodation Benefit.

#### *Eligibility for social housing and priority rating on the Social Housing Register.*

39. The changes introduced by this initiative may impact some households' eligibility for social housing, as well as the priority rating of some social housing applicants who are on the Social Housing Register.
40. As MSD does not currently collect information on one or two boarders in a household as part of an assessment for eligibility for social housing (unless that boarder will be moving into social housing as part of the household), it is difficult to predict how many households will be affected by this change.
41. HUD and Kāinga Ora have raised concerns around contributions from boarders impacting social housing eligibility. Kāinga Ora noted that contributions from a boarder that is not part of the household is specific to the house the applicant is currently in, not to them as an individual. However, Kāinga Ora acknowledged that the income is relevant to the affordability calculations of their current housing situation and alternative housing options available. In addition, HUD noted the impact on eligibility and priority rating for social housing is a significant risk in the context of high rental costs in the private market. HUD noted that this could increase applications for, and time spent in emergency housing or transitional housing.

#### *Potential flow-on effects from the policy*

42. MSD may see an increase in requests for some hardship payments and other housing-related payments including Housing Support Products. Since the policy change will result in a decrease to the rate of assistance received (or an increase in rent payable

<sup>10</sup> Temporary Additional Support replaced the Special Benefit from 1 April 2006 and is not open to new applicants.

<sup>11</sup> As at the end of February 2025, there were 417 people remaining on the grandparented Special Benefit.

<sup>12</sup> There were nine recipients (or fewer) of the Away from Home Allowance at the end of each month in 2024.

through the IRR) for some people, MSD may see an increase in applications for hardship and housing supports as households adjust. This would likely be through Special Needs Grants, Recoverable Assistance Payments for Non-Beneficiaries, Advance Payment of Benefit and Housing Support Products (e.g. recoverable assistance for rent arrears).

43. Changes to how excess income from boarders is recognised may mean that some people (anticipated to be a small number) are pushed above the income limit for some types of assistance under the Social Security Act. This may impact eligibility for Special Needs Grants, Recoverable Assistance Payments and Advance Payment of Benefit. The impact on eligibility for Housing Support Products that have an income limit is likely to be minor, as the income limits for Housing Support Products are relatively high compared to other forms of assistance under the Social Security Act.
44. Changes to how excess income from boarders is recognised may also flow through to the assessment of parental income for Student Allowance. This is because the determination of parental income is determined in part from family scheme income, which itself is an adjusted form of net income and, as such, will change alongside rates of assistance from MSD (which may be reduced by any excess income from boarders).

#### **Changes to enable the use of mandatory reviews to confirm boarders' contributions**

45. To implement the boarders' contribution initiative, MSD must be able to confirm if a client is receiving contributions from boarders in order to assess housing subsidies and income-tested assistance. MSD's discretionary review powers do not currently allow for the regular review of all benefits relevant to this initiative. Therefore, Cabinet agreement was sought to introduce the mandatory review of specific benefits to test ongoing rate and eligibility for some payments,<sup>13</sup> as well as broadening the existing authorising provisions for the use of ADM.<sup>14</sup> Automating the reviews will avoid significant impacts on MSD's frontline capacity, as it will allow staff time to be used for higher value interactions (e.g. employment conversations).
46. A Regulatory Impact Statement for these proposals was provided alongside advice considered by the Cabinet Social Outcomes Committee on 29 January 2025 and confirmed by Cabinet on 3 February 2025.
47. In February 2025, Cabinet agreed to the necessary legislative changes to enable ADM in relation to implementing the boarders' contributions initiative [CAB-25-MIN-0014 refers]. The legislative amendments required to enact this change are included in the Bill.

#### **Removing discretion in granting the Accommodation Supplement (AS)**

48. To enable the use of ADM, changes to the way that the AS is granted are required. Joint Ministers therefore agreed to the following amendments to the Social Security Act:
  - a. a grant of AS is no longer discretionary, which will be consistent with current MSD practice for the granting of AS

<sup>13</sup> The specified payments for automated annual reviews include:

- Supported Living Payment (including for carers)
- Emergency Benefit and Emergency Maintenance Allowance with a review date of longer than 52 weeks
- All AS recipients, including those not on a benefit or receiving NZ Superannuation/Veteran's Pension
- All Disability Allowance recipients, including those not on a benefit or receiving NZ Superannuation/Veteran's Pension
- NZ Superannuation/Veteran's Pension with a Non-Qualified Spouse.

<sup>14</sup> ADM introduces an automated review every 52 weeks for all ongoing income-tested benefits which do not expire (specified benefits). By initiating a review that a client must respond to, MSD is able to collect and update information on boarders in a household to ensure MSD clients in that household are paid the correct rate. The policy intent is to introduce regular checks to ensure ongoing correct entitlement.

- b. AS is not granted for a specified time period (i.e. recipients remain eligible for AS until they are no longer eligible – grants will not expire).

**The treatment of boarders and renters will be clarified in legislation, and if a person is not identified as a boarder, they will be treated as a renter**

- 49. The changes aim to treat boarders and renters consistently.
- 50. The current determination as to whether a person is a boarder or a renter is described in MSD operational policy and is not included in the legislation.
- 51. Joint Ministers agreed that boarders will be defined in the legislation, for the purposes of AS, and if a person is not identified as a boarder, they will be treated as a renter (meaning 100 percent of their contribution towards accommodation will be treated as accommodation costs, instead of 62 percent). This would also be supplemented by operational guidance.
- 52. Joint Ministers also agreed that the legislation will confirm the current treatment of renters, alongside the changes describing the treatment of boarders. This will ensure the legislation will provide for the treatment of boarders and renters together. The draft Bill proposes to define a boarder in the legislation and treat all those who do not fall into the definition of a boarder (or homeowner) as a renter.
- 53. A boarder is defined as follows:
  - A boarder:
    - a) makes a regular payment for living at the premises, and
    - b) the regular payment is for their accommodation and food, and may include utilities and other service costs, and
    - c) is not named on the tenancy agreement, and
    - d) is not a flatmate with shared food costs that can be identified separately from their accommodation costs.

OR

- for those living in social housing properties, a boarder is a person who meets the definition of additional resident (under section 2 of the Public and Community Housing Management Act 1992).
- 54. A person will be a renter for the purposes of Social Security Act assistance if they do not meet the definition of a boarder above, and are not a homeowner.
- 55. Further details on the current treatment of renters for the purposes of Social Security Act assistance are provided in **Annex 2**. This option will ensure that who is a boarder and who is a renter is clear in the Social Security Act, to ensure consistency in how boarders and renters are treated. This will also ensure the treatment of renters is described in the legislation to ensure it is clear in the legislation how boarders and renters will be treated for the purposes of Social Security Act assistance.

#### **How business ventures will be treated**

- 56. **Where a person lives in a premises that they also use to run a commercial boarding operation or operates a boarder business out of their home**, the proportion of the premises used for their business will not be considered part of their accommodation costs (their accommodation costs will be limited to the portion of the premises they occupy as a home). Where board payments are made to a commercial boarding operation or boarder business, the board payments received will not reduce the person's assessed accommodation costs but will instead be treated under current MSD guidance as income from a business. The rationale for this approach is that a person does not have personal accommodation costs for the portion of the home run as a business, and it is consistent with the intent of the Social Security Act, which is not to provide support for businesses.

57. **Where a person operates a business from their home and has boarders in a private (non-business) capacity**, their accommodation costs will be calculated as follows:
- $((\text{Total accommodation costs} \times \text{percentage of home not used as business}) - 62 \text{ percent of any payments received from boarders}) = \text{accommodation costs that can be claimed for the AS.}$
58. To enable implementation of these policy changes, a technical amendment is required, relating to the definition of 'premises' under the Social Security Act. The Minister of Social Development and Employment's agreement will be sought in May 2025 to move the definition of 'premises' from section 66 of the Act, to ensure it applies to other relevant sections of the Act. This will allow a person's accommodation costs to be limited to the portion of the premises that they occupy as a home.
59. This approach will ensure that people using their home to operate a business are treated equitably when calculating housing subsidies and other MSD assistance, by ensuring it is clear how to treat a person with boarders who is running a business. This will ensure the treatment of people using their home to operate a business is consistent across MSD support.

**Confirming the rate of AS and IRR when there is a mismatch between information provided about the rate of board or rent paid and the rate of board or rent received**

60. MSD will link a household in its system to ensure the rate of board or rent received from the boarder/renter matches the information provided by the person receiving the board/rent payment. When this information does not match, MSD will resolve this mismatch through a three-step process (the detailed process is in **Annex 3**).
61. Step one involves attempting to resolve the mismatch, and if this fails, the process enters step two. At step two, both clients' AS payments<sup>15</sup> are suspended if the requested information is not provided or continues to be inconsistent after a period of 10 working days from notification.<sup>16</sup> At step three, a client's AS will be automatically cancelled if the mismatch cannot be resolved after an eight-week period of suspension, and each client would need to reapply for AS (or in the case of a social housing tenant, have their rent payment reassessed if they have been moved to market rent).<sup>17</sup>
62. This approach aligns with current processes for when MSD cannot verify a client's rate of payment. It would be inappropriate for MSD to knowingly pay a client an incorrect rate of housing subsidy (which would not be consistent with the policy intent).
63. The agreed approach will prevent double subsidisation of the same housing costs and will incentivise clients to provide MSD with correct information, which is required to accurately determine the correct rate of a housing subsidy payment or IRR.

## The impacts of the policy changes

64. 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. risks that have been identified
  - b. financial impacts of the policy changes
  - c. distributional impacts

<sup>15</sup> Or other support that relies on the definition of accommodation costs in s 65 of the Social Security Act.

<sup>16</sup> For social housing clients, at step two they will be notified at the end of the 10-day period that their IRR will be set at market rent (after 60 days), while the other client has their AS suspended.

<sup>17</sup> At this point, either the boarder or renter's AS will have been cancelled (meaning the board/rent recipient can reapply for assistance). If the boarder/renter reapplies for housing assistance the process of reconfirming the rate of payment recommences

- d. forecasted savings
- e. implications for consistency with the Government's Treaty of Waitangi obligations
- f. stakeholder feedback
- g. marginal costs and benefits of the policy changes.

## Risks of unintended consequences

***Risks include the potential for reduced utilisation of social housing, increased hardship, reduced savings realised, and negative public perception***

65. Modification of the IRR calculation will result in an increase in IRR (and a reduction in IRRS) for all social housing tenants with boarders who are not already paying market rent (note all additional residents<sup>18</sup> are considered boarders).
66. The risks introduced with this approach are as follows:
  - a. **Increased tenancy reviews:** more people may be eligible for tenancy reviews as more social housing tenants will be paying market rent. This will reduce tenure security for some households and could have flow-on impacts on MSD's ability to resource additional tenancy reviews.<sup>19</sup>
  - b. **Reduced utilisation of social housing:** there may be reduced utilisation of social housing properties, as the incentive to better utilise a social housing property will be reduced with all boarder housing contributions (i.e. 62 percent of payments from boarders) being fully reflected in a client's IRR. However, the remaining 38 percent of the boarder contributions would continue to be excluded from the IRR calculation, reflecting the contribution to other household costs as a result of having a boarder.
  - c. **Increased demand for temporary housing:** If social housing tenants choose not to take on boarders in response to this policy, there could be flow-on impacts for current boarders who may find it difficult to find suitable, affordable alternate accommodation (such as lower-income single people). This could put pressure on entry into temporary housing, including emergency housing and transitional housing, and the housing register. However, where boarding arrangements reflect family obligations, we expect these are likely to continue.
  - d. **Reduced savings recognised:** Some social housing tenants may stop charging the boarder(s) to live there. This will reduce IRRS savings, but the boarder(s) will not qualify for AS and the value of the free accommodation could be considered income when assessing eligibility for other support under the Social Security Act, which would mean some savings are still realised. However, since the IRRS generally provides more support than the AS, savings may be lower than if the IRRS savings themselves had been realised. This could significantly impact the estimated savings, which cannot be modelled as the behaviour change from clients is not able to be reliably estimated.
  - e. **Increased hardship:** Increases in IRR, in addition to recognising contributions from all boarders could create further cost pressures for vulnerable households<sup>20</sup> and could have flow-on implications of increasing the need for other hardship assistance (such as Temporary Additional Support). As households in social

<sup>18</sup> An additional resident in social housing means a person who is aged 16 or over, is financially independent (as defined in Schedule 2 of the Social Security Act), resides or is to reside in the housing, but is not a person to whom the social housing is or is to be let, nor their spouse or partner.

<sup>19</sup> Social housing tenancies that have been held for three years, or more and are paying market rent are subject to periodic tenancy reviews. Certain tenancies are exempt from periodic review (such as where the tenant or their partner receive a supported living payment, have dependent children, or are aged 65 or older).

<sup>20</sup> This policy change will impact households with additional residents who are carers or receiving care when those additional residents are paying board.



housing who receive contributions from a boarder(s) will have reduced financial support, this could result in increased rent arrears and debt to Kāinga Ora, as well as other operational impacts on Kāinga Ora (e.g. the policy changes could make it more difficult for Kāinga Ora to manage properties if their tenants are not become less transparent about boarders/additional occupants).

- f. **Impacts on other forms of income support:** For households that rely on government support and boarder contributions, these changes may make it harder to continue to afford their current accommodation arrangement. This may result in a higher number of applications for hardship assistance and applications for other forms of income support. For these households, the issue may be compounded by reduced eligibility for other assistance, including eligibility for social housing, as a result of contributions from a boarder(s).
  - g. **Impacts on homeownership:** For some households that have a boarder(s), this policy will reduce their ability to augment household income at a time when cost of living pressures are substantial. This could include some recent homeowners who are claiming the AS and supplement their income by taking in a boarder(s). Without boarder contributions and the AS, home ownership may no longer be viable for some people. Homeowners can, however, explore options with their bank around repayment arrangements for their mortgage.
  - h. **Public perception of MSD:** In some rare and unusual situations a person's financial loss from reduced housing subsidies could be relatively high compared to the average impact. There is a risk of these situations receiving adverse publicity, which could have a negative impact on MSD's reputation. However, this risk will be partly mitigated by early communication with impacted clients to ensure they understand the income changes and can plan accordingly.
67. MSD will monitor any unintended consequences of this policy change and provide further advice if issues arise.

### ***Behavioural changes***

68. Reducing the amount of government support received by MSD clients who receive payments from boarders will make offering boarding arrangements less attractive for some homeowners and renters. As a result, fewer households may take in boarders to avoid their financial assistance being reduced. This would reduce available housing options for those currently reliant on boarding. We cannot predict how many households may choose to no longer take on boarders, however, we think it is less likely for boarding arrangements to cease where these arrangements involve extended family living situations.
69. The policy could mean some households change their boarding arrangements as a result, for example, by reducing the number of boarders they have, reducing the amount of board they charge, or altering the information they declare to MSD (i.e. fraud). If these changes occur, there is a risk of reduced savings. However, these reduced savings could be offset by increased savings as a result of boarding arrangements we were not able to estimate savings for (for example, we were not able to estimate savings from households receiving the AS where the boarder is not also receiving the AS).

### ***There is a risk of potential suspension and cancellation of housing subsidies even when a client provides accurate boarding information***

70. Confirming the rate of AS and IRR will involve MSD matching information between clients in a household (where both are receiving a housing subsidy). If there is a mismatch in this information that cannot be resolved, there is potential for suspension and cancellation of housing subsidies for both clients, even when one may have provided accurate information. This creates some risks from an ethics and fairness perspective:



- a. A client who has provided correct information to MSD and complied with MSD's requests for further information or evidence may still find their payments suspended, cancelled or their rent remaining at market rent, due to the inaction of the other person. This is because without verification from the other party, MSD cannot be confident that the declared costs are the actual accommodation costs of that person. However, clients will have an opportunity to confirm or correct the information provided, so MSD will not be acting to the detriment of an individual solely based off third-party information. When MSD seeks verification from a client but does not receive a response from them, then the decision to suspend this client's entitlement is made under s305(2) of the Social Security Act.
  - b. Where payment of a subsidy is suspended, it is automatically cancelled after eight weeks. In most cases, this will be sufficient time for the clients to provide the correct information to MSD and for payments to be re-started. Clients would need to reapply for assistance with MSD if their payments have been cancelled, even if they have already provided MSD all the correct information.
71. MSD believes this process will incentivise clients to provide MSD with correct and consistent information, which is required for MSD to accurately determine a client's rate of AS and IRR. We have tested the proposed approach with the Office of the Privacy Commissioner, and it is their view that the process appears to be reasonable and appropriate.
72. To support these settings, both internal and publicly-available guidance will be used to clearly explain the responsibilities of clients involved in a boarding situation, and the process that can lead to suspension or cancellation of AS, or an increase in IRR to the market rent.

## The financial impacts of the policy changes

### ***Estimated loss of support for clients with boarders receiving Social Security Act assistance***

73. We have estimated that 8,200 households who receive the AS have boarders.<sup>21</sup> Of these, we expect 7,000 to have a reduction in their housing subsidy as a result of this change. The estimated average loss per week for a AS client receiving board payments, across any number of boarders is \$100.
74. The average loss per week<sup>22</sup> for AS clients receiving board payments with:
- a. one boarder is \$92 per week
  - b. two boarders is \$148 per week
  - c. three boarders is \$202 per week.

### ***Estimated loss of subsidy for social housing tenants with boarders under the agreed modified IRR calculation***

75. There are 6,200 affected households in social housing with at least one boarder and there is an average increase in their IRR of \$132 per week for affected social housing tenants receiving board payments.<sup>23</sup> Of the affected households, there would only be very small numbers of social housing tenants with excess income from boarders, so no impact on main benefits has been calculated for social housing tenants.

<sup>21</sup> See the Limitations and Constraints analysis section on page 6 for how we estimated that 8,200 households who receive the AS have boarders.

<sup>22</sup> This calculation includes the impact on the AS, Temporary Additional Support and main benefits. We have assumed for the calculations that these households will be affected from April 2026 – following the go-live date of 2 March 2026.

<sup>23</sup> We have assumed for the calculations that these households will be affected from April 2027 – to reflect that rents can only be increased once a year. In practice social housing tenants' rents will change between 2 May 2026 and 2 May 2027.

*For comparison: how clients in social housing would be affected under an alternative IRR calculation option*

76. There would be 6,100 affected households with at least one boarder in social housing.<sup>24</sup> Of those affected, there would be an average IRR increase of \$48 per week for the social housing tenants receiving board payments.<sup>25</sup> Since there would be only very small numbers of social housing tenants with excess income from boarders, no impact on main benefit was calculated for social housing tenants.
77. We assumed for the calculations that these households would be affected from April 2027 – to reflect that rents can only be increased once a year. In practice, affected social housing tenants' rents will increase between 2 May 2026 and 2 May 2027.

***Including excess income from boarders in assessment of income-tested assistance will impact some households***

78. The negative cost-of-living impact of this initiative may increase for some households, as a result of the decision to include excess income from boarders in the assessment of eligibility and rate for income-tested assistance. This change will have a higher negative impact on households with excess income from boarders.
79. Of the estimated 7,000 households receiving the AS who have boarders and will be impacted by this change (see the Limitations and Constraints section on page 6 for limitations of this assumption), we expect only 500 to have excess income from boarders.
80. Only very small numbers of social housing tenants have excess income from boarders, so the impact of this setting on social housing tenants is expected to be minimal.

***There may be a negative financial impact on some clients due to clarifying the treatment of boarders and renters***

81. There may be some financial impact on people currently treated as boarders or renters for the purposes of Social Security Act assistance, if, in practice, they change from being considered a renter to a boarder (or vice versa) under the proposed definition of boarder or renter.
82. As at the end of November 2024, the total number of renters receiving the AS is 268,746. The number of boarders receiving the AS is 70,683. Generally, these changes will align the legislation to how MSD currently treats boarders and renters.

***Confirming the rate of AS and IRR when there is a mismatch between information provided about the rate of board or rent paid, and the rate of board or rent received***

83. MSD believes this process will provide sufficient incentive for clients to provide MSD with correct and consistent information, which is required for MSD to accurately determine a client's correct rate of AS and IRR. We have tested this proposed approach with the Office of the Privacy Commissioner, and it is their view that these processes appear to be reasonable and appropriate.
84. To support these settings, both internal and publicly available guidance will be used to clearly explain the responsibilities of clients involved in a boarding situation, and the

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<sup>24</sup> Note: there are 100 fewer households affected when the alternative IRR calculation option is applied compared to the agreed modified IRR calculation because there is a minimum IRR amount to pay and under the agreed modified IRR calculation 100 more households will have their IRR increased above that minimum, and therefore be impacted.

<sup>25</sup> We have assumed for the calculations that these households would be affected from April 2027 – to reflect that rents can only be increased once a year. In practice social housing tenants' rents will change between 2 May 2026 and 2 May 2027

process that can lead to suspension or cancelation of AS, or an increase of IRR to market rent.

## Distributional impacts

85. The boarders' contributions policy will disproportionately affect a number of cohorts including Māori, Pacific peoples, older people, disabled people and young people.
86. Existing data on the number of households with boarders is limited. This is because MSD does not collect this information routinely, as there is no need for it under current processes (payments from one or two boarders are currently disregarded). Therefore, this section shows how various cohorts are overrepresented in housing subsidies receipt, and/or are more likely to be involved in boarding arrangements. All data presented below is as at 30 November 2024.

### ***Māori***

87. Māori are overrepresented in AS and Temporary Additional Support receipt. Of the 377,031 AS recipients, the total number of Māori who receive AS is 119,334 (31.65 percent of AS recipients). Of the 105,300 Temporary Additional Support recipients, the total number of Māori receiving Temporary Additional Support is 36,432 (34.60 percent of TAS recipients). This means that Māori may be disproportionately impacted by the reduction in financial support available to households with boarders.
88. As Māori are also overrepresented in social housing, they are likely to be disproportionately impacted by the proposed changes to how boarders' contributions impact IRR. Of the 82,200 social housing households, the total number of Māori households in social housing is 32,265 (39.25 percent of social housing households).

### ***Pacific peoples***

89. We heard from MSD's Pacific Reference Group that Pacific peoples tend to live in multi-generational households with boarding arrangements, so they are likely to be disproportionately impacted by the policy. This may reduce the amount of financial support available to those households, by reducing the amount of AS or Temporary Additional Support the person receiving board is eligible for.
90. The total number of Pacific peoples who receive AS is 39,492 (10.47 percent of AS recipients), and the total number of Pacific peoples who receive Temporary Additional Support is 10,221 (9.70 percent of TAS recipients). Pacific peoples are also overrepresented in social housing and therefore likely to be disproportionately impacted by the proposed changes. The total number of Pacific households in social housing is 21,078 (25.64 percent of social housing households).

### ***Older people***

91. We expect older people and their families to be disproportionately impacted by the policy changes due to the limited earning potential of many older people, which limits their housing options. More people are entering older age still paying a mortgage or renting. Around 14 percent of those aged 65 and over are paying a mortgage, and this trend of an increasing number of older homeowners still paying mortgages is expected to continue. The policy changes could affect older homeowners who have a boarder living with them, as the changes will make it less attractive for them to take on a boarder. It will also be less attractive for other households to take older people in as a boarder.
92. There are 51,729 AS recipients aged 65 or older (13.72 percent of AS recipients) and the total number of people 65 and over receiving Temporary Additional Support is 13,386 (12.71 percent of TAS recipients). The total number of social housing tenants who are aged 65 or older is 19,218 (23.38 percent of social housing households). If the policy results in fewer boarding arrangements, it could affect older AS recipients.

However, where the boarding arrangement is an extended family or caregiver arrangement, we do not expect the boarding arrangement to cease as a result, although the arrangement may be altered (see below).

### ***Disabled people***

93. Disabled people are likely to be disproportionately impacted by the proposed changes because many disabled people live with a support person who pays board. Due to the limited availability of accessible housing within the private housing market and social housing, disabled people often incur additional costs related to their housing as a result of their disability. Many disabled people also have less choice over whether they live with a support person or not.
94. The number of disabled people who receive housing subsidies is difficult to ascertain, however, 51,459 Supported Living Payment recipients also receive AS and 18,486 receive Temporary Additional Support. Furthermore, there are 15,624 Supported Living Payment recipients who are also social housing tenants.

### ***Young people***

95. Young people are more likely to be boarding compared to the general population. The impact on this cohort is worsened because of the difficulties faced by young people in the private rental market (i.e. discrimination in the private rental market and challenges faced in making tenancy agreements legally binding for 16 and 17-year-olds).<sup>26</sup>
96. The total number of 16-to 24-year-olds who receive AS is 54,693 (14.51 percent of AS recipients), and the total number of 16- to 24-year-olds who receive Temporary Additional Support is 9,642 (9.16 percent of TAS recipients).

### ***If the boarding arrangement is an extended family living situation, we expect the boarding arrangement is more likely to continue***

97. For cohorts that disproportionately receive housing subsidies and/or are more likely to be part of a boarding arrangement, the policy changes may make it harder for them to continue to afford their current accommodation. However, where the boarding arrangement is an extended family living situation, we expect these boarding arrangements will be more likely to continue, despite the changes to how boarders' contributions are treated.
98. There are currently 70,683 boarders receiving the AS. Many are assumed to be adult children living with their families (25,026 boarders are under the age of 25 years (35.41 percent)). There also appears to be a growing number of older parent(s) living with their adult children (7,821 boarders are aged 60 years or over (11.06 percent)). It is possible in these cases that households may reconsider the household arrangement, or the arrangement they declare to MSD, in order to minimise any reduction in government support for their household. (See the "Boarders that are family" text box below.)

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<sup>26</sup> For a tenancy agreement with a 16 or 17-year-old to be legally binding the tenants must be married, or in a civil union, or be approved by the Tenancy Tribunal or a District Court.

### Boarders that are family

When modelling the expected savings as part of Budget 2024, we took a small sample of 40 clients to identify how many genuine boarder situations could be identified.<sup>27</sup>

We then attempted to identify family boarding arrangements for 24 households with boarders. Of the 24 households, at least 15 (62.5 percent) appear to include one or more boarders in the household who are a family member of the homeowner or tenant. This includes situations of adult children living with their parents, grandparents, siblings and cousins.

### Forecasted savings

99. As part of Budget 2024 decisions, this initiative is expected to return \$150.96 million in operating funding over four years. This includes a reduction of \$76.854 million in expenditure on the AS, \$21.416 million on the IRR Subsidy, and \$63.353 million on Temporary Additional Support and Special Benefit over the forecast period. Net savings from this initiative using these figures have been returned to the Crown.
100. Following policy decisions, we have updated the modelling used to inform the expected savings. This updated costing has resulted in a drop in the expected benefits or related expenses savings under Vote Social Development over the forecast period, which is expected to be offset by a modelled increase in savings within Vote Housing.
101. With the agreed changes to recognise excess income received from boarders as assessable income for assistance under the Social Security Act, we have also recognised some additional savings in Supported Living Payment, Sole Parent Support and Jobseeker Support and Emergency Benefit. These come from a reduction in \$0.689 million in expenditure on Jobseeker Support and Emergency Benefit, a reduction in \$0.159 million on Sole Parent Support and a reduction in \$0.160 million in expenditure on the Supported Living Payment over the forecast period.
102. In addition, some impacts of this change cannot be estimated with the information we hold, particularly for households receiving Social Security Act assistance (as they are currently not required to provide information to MSD on boarding arrangements in a household unless they have three or more boarders). To allow for the level of uncertainty, we have applied a 20 percent reduction to the savings estimated under Vote Social Development over the forecast period.
103. The expected drop in savings under Vote Social Development is estimated to be offset by an increase with savings in Vote Housing. Updated modelling for the modified IRR calculation forecasts the savings under Vote Housing to increase to \$70.355 million as a result of reduced expenditure on the IRRS.
104. Overall, it is possible that the net savings may be higher for this initiative by \$5.330 million over the forecast period (to \$156.286 million over the forecast period). However, given the risks with the policy, these additional savings have not been recognised, or any appropriation changes made. If MSD identifies any material changes to the fiscal forecast as part of these changes, it will be reflected as a forecast change in future economic and fiscal updates.

<sup>27</sup> This resulted in 75 percent of the sample of 40 clients appearing to be boarding arrangements. We therefore took 75 percent of our final estimated figure.



## The changes may have negative implications for consistency with the Government's Treaty of Waitangi obligations

105. As Māori have not been consulted on this proposed change, this initiative risks breaching the Crown's obligation under Article One of the Treaty of Waitangi to act in good faith, including consulting with Māori where there are Māori interests involved.
106. The Waitangi Tribunal has established an inquiry (WAI 2750) to hear claims concerning the Crown's housing policies and services that affect Māori. The 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'.
107. Article 3 of the Treaty of Waitangi has an important significance in assuring that rights are enjoyed equally by Māori with all New Zealanders of whatever origin. As Māori are already overrepresented in social housing, and as recipients of the AS and Temporary Additional Support, they are likely to be disproportionately impacted by the proposed changes. As at June 2024, Māori make up an estimated 17.1 percent of the national population.<sup>28</sup>
  - a. Of the 377,031 AS recipients, the total number of Māori who receive the AS is 119,334 (31.65 percent of AS recipients).
  - b. Of the 105,300 Temporary Additional Support recipients, the total number of Māori who receive Temporary Additional Support is 36,432 (34.60 percent of TAS recipients).
  - c. The total number of Māori households in social housing is 32,265 (39.25 percent of social housing households).<sup>29</sup>
108. This proposal may risk breaching the Crown's principle of equity by disproportionately reducing Māori access to financial assistance for their accommodation costs.

## Stakeholder feedback

### *There has been limited engagement with community stakeholder groups*

109. There was limited stakeholder engagement undertaken after Budget 2024 decisions were made by Cabinet to progress this initiative. The savings from this initiative had already been returned to the Crown at this time, so engagement was limited to feedback recognising the overarching policy decisions had already been made. This initiative was discussed with the National Beneficiary Advocate Consultative Group, Community Law, MSD's Housing Reference Group, MSD's Pacific Reference Group, and MSD's Pacific Leaders Forum.
110. These groups understood the Government had already decided policy changes would take place, however, the feedback received was broadly critical.
111. These groups raised concerns on the financial impact for their communities, specifically on their ability to afford accommodation. They also considered the change might result in people no longer offering accommodation to boarders, reducing the housing options available to many people, particularly young people, and potentially leading to increased levels of homelessness.

<sup>28</sup> [Māori population estimates: At 30 June 2024 | Stats NZ](#)

<sup>29</sup> The AS, Temporary Additional Support and the total number of Māori households in social housing is at the end of November 2024.



112. MSD's Pacific Reference Group noted that Pacific peoples generally live in multi-generational households and those arrangements are recognised as boarding arrangements by MSD, so there is likely to be a large impact on these households as their financial support is reduced.
113. No other external engagement on these settings was undertaken as these decisions related to how an already agreed Cabinet decision will be implemented. However, there has been general engagement on the boarders' contribution initiative following decisions in the 2024 Budget.

***Government agencies were consulted on the policy changes, and their feedback focused on the agreed modified IRR calculation and distributional impacts***

*HUD and Kāinga Ora have raised concerns on how boarders' contributions will impact IRR*

114. HUD and Kāinga Ora have raised concerns with the agreed modified IRR calculation. They did not support the proposal to apply a boarder's full housing contribution to a social housing tenant's IRR.
115. HUD believed that the IRR calculation, which would add a boarder's housing contribution to a social housing tenant's IRR, would be unworkable in practice. This is due to significant risk of non-compliance, risks of non-compliance jeopardising savings, higher monitoring and audit costs for Kāinga Ora, and adverse outcomes from deterring people from taking on boarders. As an alternative, HUD suggested a maximum of 70 percent of the payment from boarders should be applied to the IRR, to reduce the adverse effects described above.
116. Kāinga Ora noted that the agreed modified IRR calculation will create a risk of increased rent arrears and debt to them and other social housing providers, because the tenants' rents will be higher, and tenants will face a much greater affordability issue if their boarder misses one or more payments under the proposed IRR calculation. This could also result in an increase in requests for Rent Arrears Grants, or increased demand for temporary housing, depending on what action is taken by Kāinga Ora if increased rent arrears and debt occur.
117. Kāinga Ora was also concerned that tenants will stop declaring boarders to avoid rent increases, which may result in Kāinga Ora losing visibility on who is in their homes. This would negatively impact their ability to make accurate and informed tenancy management decisions.

*Te Puni Kōkiri and The Ministry of Disabled People – Whaikaha highlighted distributional impacts*

118. Te Puni Kōkiri noted the cost of living concerns, and considers the policy may result in people on low incomes having less discretionary income. Te Puni Kōkiri also noted that the policy is likely to disproportionately affect Māori, who account for approximately one third of AS recipients.
119. The Ministry of Disabled People – Whaikaha highlighted the disproportionate impact of the excess income proposal on many disabled people, who often have limited housing options and rely on boarding arrangements with caregivers.

**What are the marginal costs and benefits of the policy changes**

120. The analysis below recognises high-level costs, benefits and savings from changing the treatment of boarders' contributions. A qualitative assessment has been made for some of these costs and benefits. We have provided indicative monetised costs and savings based on MSD's forecasting model using BEFU24 data, but these are estimates only.

121. Costings in the medium to long term can be very uncertain, as they rely on external factors outside the model's parameters, such as behavioural changes in response to the policy change, migration, availability of private and social housing, and rental prices.

Affected groups	<b>Comment</b> <i>Nature of cost or benefit (e.g., ongoing, one-off), evidence and assumption (e.g., compliance rates), risks.</i>	<b>Impact</b> <i>\$m present value where appropriate, for monetised impacts; high, medium or low for non-monetised impacts.</i>	<b>Evidence Certainty</b> <i>High, medium, or low, and explain reasoning in comment column.</i>
<b>Additional costs of the preferred option compared to taking no action</b>			
Regulated groups	<p>Ongoing financial costs are expected for owner-occupiers and renters who receive housing subsidies from government and receive payments from boarders.</p> <p>There will also be increased financial costs for social housing tenants who pay IRR and receive payments from boarders. Some social housing tenants may end up paying market rent, then may be subject to periodic tenancy reviews and could be deemed ineligible for social housing.</p> <p>People who are currently considered a renter but will be considered a boarder under the proposed definition of boarder may receive a lower amount of AS and other housing subsidies.</p> <p>There is potential for non-financial costs to some boarders, such as an increased chance of housing insecurity, homelessness, as well as health and other social impacts.</p> <p>Households with family members who are boarders may be impacted should they need to change their housing arrangements due to the financial impact of the policy changes (for example, ceasing a caregiving arrangement).</p>	<p><b>Medium</b></p> <p>MSD expects that most clients who receive payments from boarders (i.e. owner-occupiers and renters) and who receive housing subsidies from government will be financially impacted. They are likely to see a reduction in MSD support (7,000 households will see an average loss of \$100) and in some cases may become ineligible for housing subsidies.</p> <p>For affected social housing households receiving board payments, the average increase in their rent per week is expected to be \$132.</p> <p>We expect that few boarders will be impacted non-financially, as many boarding situations appear to be family arrangements that we would expect to continue.</p>	<p><b>Low</b></p> <p>Many boarding situations appear to be family arrangements (of the 70,683 boarders receiving the AS, 25,026 boarders are under the age of 25 years and are assumed to be adult children. There are also 7,821 boarders aged 60 years or over, many of which appear to be older parents living with their adult children). See paragraph 97.</p>

Affected groups	<b>Comment</b> <i>Nature of cost or benefit (e.g., ongoing, one-off), evidence and assumption (e.g., compliance rates), risks.</i>	<b>Impact</b> <i>\$m present value where appropriate, for monetised impacts; high, medium or low for non-monetised impacts.</i>	<b>Evidence Certainty</b> <i>High, medium, or low, and explain reasoning in comment column.</i>
MSD	<p>One-off costs (and opportunity costs) - associated with making changes to legislation, IT, and guidance to frontline staff, as well as communication costs involved with implementing the policy changes.</p> <p>There will also be ongoing costs to MSD relating to depreciation, capital charges and ongoing operations.</p>	<p><b>Medium</b></p> <p>One-off costs (excluding ongoing costs and depreciation) cover two financial years: \$2.922m in FY24/25 and \$6.403m in FY25/26. This is a mix of Opex and Capex. MSD will also look to transfer a portion of these costs to the latter financial year.</p> <p>Ongoing costs cover four financial years (2024/25 to 2027/28) and total \$8.234m in ongoing costs (Opex only).</p>	<p><b>Medium</b></p> <p>Despite reasonably high confidence in expected implementation costs of the policy changes (both operational and legislative) there may be potential technology issues relating to ADM impacts, and collecting, storing, and retrieving data about boarders.</p>
Social housing providers	<p>Potential for increased cost to Kāinga Ora and community housing providers, should there be increased tenant rent arrears and debt resulting from tenants' rents being higher.</p> <p>One-off costs - to make social housing providers aware of the policy changes that may impact some social housing tenants.</p> <p>An indirect cost may result should it become more difficult for social housing providers to manage properties if their tenants are not being transparent about boarders.</p>	<p><b>Low</b></p> <p>The one-off costs are not expected to be material, as this is likely to only involve official communications and updates to operational guidance.</p> <p>The risk of increased rent arrears from this policy change is likely to be offset by Kāinga Ora's new approach to rent arrears and debt management.</p>	<p><b>Medium</b></p> <p>MSD is reasonably confident costs to social housing providers will be low, because rent arrears costs attributed to this policy change are likely to be relatively small compared to other factors, with such costs being more likely to result from cost of living pressures and/or other factors.</p>

Affected groups	<b>Comment</b> <i>Nature of cost or benefit (e.g., ongoing, one-off), evidence and assumption (e.g., compliance rates), risks.</i>	<b>Impact</b> <i>\$m present value where appropriate, for monetised impacts; high, medium or low for non-monetised impacts.</i>	<b>Evidence Certainty</b> <i>High, medium, or low, and explain reasoning in comment column.</i>
<b>Total monetised costs</b>	There will be initial financial costs to implement the changes to how boarder payments are treated and there will be ongoing costs for frontline delivery.	There will be a total cost of \$17.559 million over four financial years, comprised of one-off and ongoing costs, to implement the changes to how boarder payments are treated: <ul style="list-style-type: none"> <li>• \$8.234m in ongoing costs (Opex only)</li> <li>• \$9.325m in one-off costs (a mix of Opex and Capex in 2024/25 and 2025/26).</li> </ul>	<b>High</b>  Using costing information from previous experience of implementing legislative changes, there is high confidence in expected costs and savings expected from changes compared to the status quo.
<b>Non-monetised costs to wider government agencies and social service agencies</b>	There will be ongoing costs to wider government agencies and social service agencies (such as HUD, Police, Health and Oranga Tamariki), should there be flow-on impacts resulting from any increase in housing insecurity, such as health and other social impacts.	<b>Low</b>  These non-monetised costs are expected to be low.	<b>High</b>  MSD is confident the non-monetised costs to wider government agencies and social service agencies will be low, because the policy change is not expected to substantially increase homelessness and housing insecurity.
<b>Additional benefits of the preferred option compared to taking no action</b>			
Regulated groups	A direct benefit of this policy change is that payments from renters and boarders will be treated more equitably when calculating housing subsidies.	<b>Low</b>	<b>High</b>  MSD is confident the policy changes will create more

Affected groups	<b>Comment</b> <i>Nature of cost or benefit (e.g., ongoing, one-off), evidence and assumption (e.g., compliance rates), risks.</i>	<b>Impact</b> <i>\$m present value where appropriate, for monetised impacts; high, medium or low for non-monetised impacts.</i>	<b>Evidence Certainty</b> <i>High, medium, or low, and explain reasoning in comment column.</i>
	Creating a fairer and more equitable approach makes it easier for applicants to understand what they are entitled to and what is expected from them.		consistency and address issues of inequity.
MSD	Ongoing benefits – there will be clearer legal and operational guidance for the treatment of boarder payments. This will make it easier for frontline staff to calculate housing subsidies and other forms of economic support.	<b>Low</b>  These benefits are likely to be minor.	<b>High</b>  MSD is confident the policy changes will create more consistency and address issues of inequity.
Wider public/taxpayer	By addressing the issue of double subsidisation of the same accommodation costs and improving targeting of housing subsidies, government will be able to better utilise taxpayers' money to address other issues. The initiative is expected to return \$150.96 million in operating funding over four years.	<b>Medium</b>	<b>High</b>  MSD is confident in expected savings from a reduction in expenditure on housing subsidies over the forecast period because of legislative and operational changes. These have been forecast to the best of MSD's ability; however, they are subject to change.
<b>Total monetised benefits</b>	The financial savings will occur by ensuring boarder contributions are included in the calculation of housing subsidies for the person receiving the board payments.	These policy changes are expected to deliver savings of \$156.286 million over the four-year forecast period.	<b>Medium</b>  The expected savings from a reduction in expenditure on housing subsidies have been



Affected groups	<b>Comment</b> <i>Nature of cost or benefit (e.g., ongoing, one-off), evidence and assumption (e.g., compliance rates), risks.</i>	<b>Impact</b> <i>\$m present value where appropriate, for monetised impacts; high, medium or low for non-monetised impacts.</i>	<b>Evidence Certainty</b> <i>High, medium, or low, and explain reasoning in comment column.</i>
			forecast to the best of MSD's ability.

## Section 3: Delivering an option

### How will the new arrangements be implemented?

Pre - Phase One – 22 May 2025	Phase One – from mid-2025
<p><i>Legislative amendments</i></p> <ul style="list-style-type: none"> <li>Key legislative amendments include: <ul style="list-style-type: none"> <li>changes to support the use of ADM for mandatory reviews of benefits and to remove discretion from AS</li> <li>regulation-making power to enable greater flexibility to update the specified benefits which MSD would be required to review and make changes to exception reasons</li> <li>ensuring the calculation of the AS, Temporary Additional Support and grandparented Special Benefit is modified to recognise contributions from a boarder(s) in a person's accommodation costs, as well as including 'excess income' as income for all other Social Security Act assistance (which relies on the definition of income under the Social Security Act)</li> <li>changes to the Public and Community Housing Management Act 1992 and the Public and Community Housing Management (Prescribed Elements of Calculation Mechanism) Regulations 2018, for calculating IRR.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Phase One will begin upon the Bill being enacted, prior to policy changes coming into effect.</li> </ul> <p><i>MSD will utilise existing client engagements to gather boarder and renter information</i></p> <ul style="list-style-type: none"> <li>Following enactment, MSD will: <ul style="list-style-type: none"> <li>send correspondence to clients who are most likely to be affected by this policy change</li> <li>send out general communications to raise awareness of the changes</li> <li>enable clients to declare their board payments through our online and paper channels</li> <li>link those receiving board with those paying board within the same household, in the system, to prevent double subsidisation.</li> </ul> </li> <li>Information may be collected from clients, stored, and maintained until payments are reassessed in early 2026<sup>30</sup> as MSD does not currently require all this information to be collected. MSD cannot require this information, but can explain to clients that it may be beneficial to them to provide this information.</li> <li>MSD will carry out the detailed design, build and implementation activities required for phase two.<sup>31</sup></li> </ul>
Phase Two – from 2 March 2026	
<ul style="list-style-type: none"> <li>2 March 2026 is the commencement date upon which the policy comes into effect.</li> <li>IRR reviews for social housing tenants will begin to include the housing contributions from boarders from 2 March 2026.</li> <li>If a social housing tenant has boarders, their IRR will change at the time of their annual review (or their next change in circumstances, whichever comes first).</li> <li>The implementation ensures IRR clients do not receive multiple rent increases in 12 months, and other changes are implemented as soon as possible.</li> </ul> <p><i>MSD will link clients in a private household to ensure it is not subsidising the same costs twice</i></p> <ul style="list-style-type: none"> <li>For Social Security Act assistance, there is a risk that people will try to arrange their circumstances so that they receive the maximum support by incorrectly declaring their housing arrangements. MSD will work to mitigate this risk through the linking of household information in the MSD system.</li> <li>MSD will link clients living in the same household within the MSD system, using information provided in their application or review forms, where both the payer and recipient of housing contributions are current recipients of ongoing MSD assistance.</li> <li>Where the housing contribution information provided by one client does not match the existing information provided by the other client, the other client will be contacted to confirm the correct details. Once the correct information has been confirmed with the other client, their record will be updated accordingly.<sup>32</sup></li> </ul>	<p><i>Safeguards will be in place to ensure MSD only provides housing subsidies based on correct information</i></p> <ul style="list-style-type: none"> <li>Decisions that change a person's subsidy will not be automated due to the: <ul style="list-style-type: none"> <li>inherent risk this poses of MSD acting on unverified information provided by a client to make decisions about the entitlement of another client which may lead to incorrect payments, possibly on a large scale</li> <li>impact on MSD frontline to address any incorrect information acted on (including reviews and appeals)</li> <li>risk to MSD and the Government if assessments were made using incorrect information.</li> </ul> </li> <li>We have tested this proposed approach to implementation with the Office of the Privacy Commissioner and it is their view that MSD's approach appears to be reasonable with appropriate safeguards built in.</li> </ul> <p><i>Increased frontline capacity</i></p> <ul style="list-style-type: none"> <li>There will be additional resource requirements for the frontline because a reassessment of assistance for both clients is likely to be required as arrangements begin, end or vary.<sup>33</sup> In addition, where information provided by the boarder and the person they pay board to does not match, MSD frontline will need to follow up to resolve.</li> <li>MSD will increase its frontline resource to update boarder information prior to the beginning of Phase Two. Some additional resource will also be required on an ongoing basis for the administration of the policy.</li> <li>There is also a risk that people will not be timely in informing MSD of the commencement of a board arrangement, which could result in overpayments of the AS, Temporary Additional Support and Special Benefit, or underpayments of the IRR, which would need to be manually corrected.</li> </ul>

<sup>30</sup> Household circumstances for boarders can frequently change, and will need to be kept up to date as new information is received.

<sup>31</sup> MSD will need to implement an approach that allows this change to be rolled out consistently and equitably across the AS, Temporary Additional Support, Special Benefit, Sole Parent Student Allowance, Accommodation Benefit and other affected assistance.

<sup>32</sup> The client's record and assistance will only be updated based on the information confirmed by the client. Both the board recipient and the boarder need to be current clients in order for MSD to match this information.

<sup>33</sup> For the assessment of IRR, if the boarder arrangement is temporary and likely to last less than 8-weeks, a reassessment of assistance may not be required.

*Automated Decision-Making will be used in some parts of the process*

- On the day of implementation, any changes to clients' AS from information collection about boarder contributions will be applied automatically. These changes will have flow-on impacts for a client's rate of Temporary Additional Support. We therefore propose the recalculation of Temporary Additional Support using ADM on the day of implementation, so the change is applied automatically and those receiving Temporary Additional Support at the beginning of Phase Two are paid at the right rate. If a client has a boarder(s), this means that when their AS is recalculated, their rate of Temporary Additional Support will automatically update as well.
- ADM will be used in confirming a client's circumstances and confirming any information on boarders, and in the confirmation of rate and entitlement, if no changes are made and no boarder(s) declared. Automated Decisions will:
  - trigger a review, periodically, for specific benefits that do not expire
  - stop a client's benefit if they do not complete the review
  - process the reviews automatically (i.e. decide to continue a client's entitlement) if the client has no change in circumstances that affects their eligibility, or the rate payable.

*Transitional Arrangements*

- MSD will need to complete transitional arrangements around the beginning of Phase Two.
- Transitional arrangements will apply where an application, assessment or review has commenced immediately before, on, or after the in-force date of the policy change. These transitional arrangements ensure clients and applicants for assistance are treated equitably and there is clarity about the effects of the change occurring on 2 March 2026, for applications underway.
- Generally, the rule will be that applications received, assessments of a change in circumstances, or reviews that commenced prior to 2 March 2026 will be assessed based on the rules that applied at that time. This means that regardless of when MSD assesses entitlement, entitlement for a period before 2 March 2026 will be assessed under the earlier legislation and practice, while entitlement on or after 2 March 2026 will be assessed under the new legislation and practice.

## Information collection, use and retention

### Collection

122. The information MSD collects will differ slightly, depending upon whether the client receives the housing contribution or pays it.
123. Where a client receives income-tested Social Security Act assistance, the following housing contribution information will be collected from the recipient:
  - a. payment type (board/rent)
  - b. board/rent amount
  - c. board/rent payment frequency
  - d. payment start or amount change date
  - e. full name, contact details, and date of birth where known by the client (for the purposes of information matching) of the board/rent payment recipient (if the boarder is applying), or the payer (if the recipient of the board payments is applying).

### Use

124. The housing contribution information collected will be used to link clients through a household view in the contribution recipient's record. The household view will be used to validate information where the recipient and payer both currently receive ongoing Social Security Act assistance.
125. Housing contribution information received in phase one will be used to begin work to link clients together and validate information, where the information provided by the board/rent payer and receiver does not match. This will also be used to assess and communicate the phase two effects of those housing contributions on a client's Social Security Act assistance in advance of phase two's commencement.

### Retention





126. If the boarder or renter is an MSD client, their information will be retained and linked to the household view.
127. If the boarder or renter is not an MSD client, only their first name, initial of their last name and details of their board or rent payment will be retained on the MSD client's household view.
128. If the boarder or renter stops being an MSD client, their details will be updated in the household view to only include their first name, initial of their last name and the amount of board they pay.
129. Other identifying information will be retained in the applicable individual's historical information, in line with MSD's current policies to support reviews as required.

## How will the new arrangements be monitored, evaluated, and reviewed?

130. As part of internal reporting for this initiative, MSD will monitor:
  - a. the number of boarders or renters identified
  - b. the number of households with increased IRR, reduced AS and reduced Temporary Additional Support
  - c. the amount of savings made from the IRR subsidy, AS and Temporary Additional Support
  - d. the forecast number of households no longer eligible for the AS, Temporary Additional Support or IRR (i.e. they are on market rent), including those who MSD will no longer have visibility over (such as non-beneficiary AS clients)

- e. the average amount of board and rent charged
  - f. hardship assistance – to see if it is increasing more than forecasted prior to this change
  - g. the ethnicity, gender and age of those affected by this change.
131. MSD will provide updates to the Minister of Housing, Minister for Social Development and Employment and the Associate Minister of Housing as part of its regular reporting. MSD will also report back to the Treasury with progress on this initiative.
132. If MSD identifies significant changes that may require further investigation (such as significant increases in hardship assistance, above what had been forecasted), MSD will investigate those further and provide advice to Ministers.

## Annex 1 - How does the option compare to the counterfactual?

	Option A – Status Quo / Counterfactual	Option B – Changes to ensure housing contributions from all boarders are counted in the assessment of housing subsidies
<b>Strategic alignment with Government objectives</b>	Option A settings do not ensure housing contributions from all boarders are counted in the assessment of housing subsidies. This creates inequities between how rent and board payments are treated, and the double subsidisation of accommodation costs by the Government will continue. <b>0</b>	Option B settings will ensure housing contributions from all boarders are counted in the assessment of housing subsidies. This will bring the treatment of board payments in line with how rent payments are treated, and it will prevent the government double subsidising the same accommodation costs. 
<b>Distributional (equity) impacts</b>	Marginalised communities are disproportionately likely to benefit from Option A settings because they are more likely to be boarding compared to the general population. <b>0</b>	Option B settings are likely to have a disproportionately negative impact on marginalised communities since they are more likely to be in a boarding situation. Māori, Pacific peoples, young people, disabled people and older people are among groups likely to experience worsened housing security when Option B is implemented. 
<b>Fiscal sustainability</b>	Option A does not help to ensure fiscal sustainability because under this option the same accommodation costs can be subsidised twice by the government. <b>0</b>	Option B helps to deliver effective and fiscally sustainable public services by reducing the amount the government pays in housing subsidies to those who are receiving board payments. 
<b>Feasibility</b>	Continuation of Option A settings is operationally feasible as the processes for the treatment of board payments is already well established. <b>0</b>	The new settings under Option B will be implemented in early 2026. A tight timeframe and the narrow scope of the boarders' contributions initiative constrained the level of changes that were feasible to implement. For example, reconsidering the 62 percent housing contribution setting was outside the scope of this initiative. The risks associated with Option B have been considered and accepted. 



	Option A – Status Quo / Counterfactual	Option B – Changes to ensure housing contributions from all boarders are counted in the assessment of housing subsidies
<b>Alignment with broader government changes</b>	Option A does not align with the Government's broad aim of realising savings. Current settings can result in housing subsidies being paid more than once for the same housing costs. <b>0</b>	Option B aligns with the Government's broad aim of realising savings. Modelling suggests this could result in an estimated savings of \$150.96 million over the four-year forecast period. ✓✓
<b>Alignment with Te Tiriti</b>	There is no record of targeted consultation with Māori or the Waitangi Tribunal in the original development of the existing boarder contributions settings. <b>0</b>	As Māori have not been consulted on Option B settings, this initiative risks breaching the Crown's obligation under Article One of the Treaty of Waitangi to act in good faith, including consulting with Māori where there are Māori interests involved. Option B may have a disproportionate impact on Māori. ✗
<b>Overall assessment</b>	<b>0</b>	✓

**Key for qualitative assessment**

- ✓✓ much better than doing nothing/the status quo/counterfactual
- ✓ better than doing nothing/the status quo/counterfactual
- 0** about the same as doing nothing/the status quo/counterfactual
- ✗ worse than doing nothing/the status quo/counterfactual
- ✗✗ much worse than doing nothing/the status quo/counterfactual

## Annex 2 - Current treatment of renters

### *Rent received counts towards the accommodation costs for Accommodation Supplement*

- 1 A person renting accommodation can rent out a room in that accommodation to another person. The accommodation costs of the person receiving the rent payment are calculated as the rental cost of the premises, less the rent they are receiving for the room.
- 2 Where a homeowner is renting out a room in the house they live in to another person, to determine their eligibility for AS their accommodation costs are assessed on the total accommodation costs of the premises (including mortgage interest and principal repayments), less the rent they are receiving for the room.
- 3 This treatment of rent received prevents the double subsidisation of accommodation costs that can currently occur with board payments.

### *Rent received counts towards income if the rent received exceeds the total accommodation costs*

- 4 For renters, if the rent received exceeds the total rent for the property, the person receiving the rent payments will not have any accommodation costs and they will be ineligible for the AS. Any amount of rent received in excess of the total amount of rent for the property is charged as income to calculate assistance under the Social Security Act and/or other assistance that uses the Social Security Act definition.
- 5 Similarly, for homeowners renting out a room in the house they live in, the rent received for the room rented out is not considered income unless it is more than the total accommodation costs for the property. If the rent received exceeds the total accommodation costs for the homeowner, they will not have any accommodation costs, and they would be ineligible for the AS. Any amount received that is in excess of the total accommodation costs for the homeowner is charged as income to calculate assistance under the Social Security Act and/or other assistance that uses the Social Security Act definition.

### *Treatment of rent where part of the home is being rented out*

- 6 Where a person who owns their own home is renting out part of a property (for example, another house on the same section or a self-contained flat that is a part of the home) the person's AS is assessed on the proportion of the property they live in.
- 7 In this case, accommodation costs are treated as the total costs for the property multiplied by the proportion of the floor area that the person receiving rent lives in. Income (if any) would then be calculated as rent received less total accommodation costs for property.

**Note:** Rent received by a social housing tenant is treated as a board payment for the purposes of calculating IRR. When calculating IRR for social housing tenants who have an additional resident paying a contribution towards accommodation costs, those contributions are considered board payments.

### **Annex 3 - Three step process for resolving a mismatch between information provided about the rate of board or rent paid, and the rate of board or rent received**

**Step one:** MSD will attempt to contact both clients to confirm the accuracy of the information. If the two clients continue to claim different rent/board payment amounts, or one client does not respond, then MSD cannot be certain of the correct rate to pay either client. Both clients will be given 10 working days from the date of notification for both to confirm a consistent rent or board amount.

**Step two:** If the information is not provided within 10 working days, or continues to be inconsistent, both clients' AS payments will be suspended, or for social housing tenants, they will be notified that their IRR will move to market rent after 60 days (while the other client has their AS suspended). This suspension/notice of shift to market rent will apply even if one person has complied with MSD's request for further information, and the other person has been non-contactable or has refused to provide evidence.

**Step three:** After a client's AS has been suspended for eight weeks, MSD's system will automatically cancel their AS payment. Each client will need to reapply for AS (or other housing support) after this if they wish to receive it again. For social housing tenants, their payment will remain at market rent, but will be reassessed at the eight-week mark. At this point, either the boarder or renter's AS will have been cancelled, removing the mismatch between information provided, or the boarder/renter has reapplied for housing assistance and the process of reconfirming the rate of payment recommences.