



**MINISTRY OF SOCIAL  
DEVELOPMENT**

TE MANATŪ WHAKAHIATO ORA

# **Families Package Monitoring Report - 2019**

**Trends in receipt of Families Package payments**

**September 2019**

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## **Disclaimer**

The views and interpretations in this report are based on the data provided to us (at a specific point of time) from both the MSD and Inland Revenue, and therefore may be subject to change due to revisions or new data becoming available.

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## Executive summary

From April 2018, the Families Package increased several social assistance payments delivered through the tax and benefit systems, introduced a Best Start tax credit for families with babies and toddlers, extended the length of paid parental leave available to families, and introduced the Winter Energy Payment.

By 2020/21, an estimated 385,000 families with children were expected to be made better off by an average \$75 a week.

This is a first monitoring report examining trends in receipt and expenditure for the different payments that comprised the Families Package. A companion report contains supplementary information.

### Trends to the end of June 2019

The package increased Family Tax Credit payment rates and raised the Working for Families abatement threshold with the aim of **boosting incomes of low- and middle-income families**. Trends to the end of June 2019 show:

- a rise in the number of people receiving a weekly or fortnightly Family Tax Credit payment from Inland Revenue from 149,849 in the final fortnight of June 2017, to 159,100 during the final fortnight of June 2019 (we are not yet able to report on trends in receipt of year-end payments)
- an increase in the average amount a recipient received from Inland Revenue from \$117 per week at the end of June 2017 to \$157 at the end of June 2019
- a fall in the number of people receiving a weekly Family Tax Credit payment from the Ministry of Social Development (MSD), from 64,858 in the last week of June 2017 to 61,509 in the last week of June 2019
- an increase in the average amount a recipient received from MSD from \$147 per week at the end of June 2017 to \$188 at the end of June 2019.

Introduction of the Best Start tax credit and increasing the length of paid parental leave to 26 weeks aimed to **help families with costs in a child's early years**. Trends to the end of June 2019 show:

- fairly steady growth in numbers of recipients of the Best Start tax credit as the number of families with children born after the 1 July 2018 implementation date has increased
- there were 29,023 recipients receiving a Best Start payment from Inland Revenue in the last fortnight of June 2019, and 7,454 recipients receiving a payment from MSD in the last week of June 2019
- there has been a rise in the number of people receiving paid parental leave at any point in time.

The Winter Energy Payment was introduced to **help older New Zealanders and people receiving a main benefit heat their homes**. Trends to the end of June 2019 show:

- There were 775,498 recipients at the end of June 2018, increasing to 796,050 at the end of June 2019 (in line with the increase in numbers of recipients of Jobseeker Support and New Zealand Superannuation over that period)

- taking into account the partners of recipients, there are over one million adults being helped by the Winter Energy Payment
- very few recipients have chosen to opt out of receiving the Winter Energy Payment.

The Families Package played a role in **increasing financial assistance for carers** by increasing the rate of the Orphan's Benefit, the Unsupported Child's Benefit and the Foster Care Allowance. Monitoring data shows that:

- at the end of June 2018, 271 carers received an Orphan's Benefit and 10,631 carers received an Unsupported Child's Benefit
- these numbers increased to 280 and 11,490 respectively by the end of June 2019
- combined monthly expenditure on the Orphan's Benefit and Unsupported Child's Benefit increased from \$13.7 million in June 2018 to \$17.1 million in July 2018, following the Families Package rate changes and the accompanying introduction of a Clothing Allowance for children.

The Families Package also had the aim of **increasing the Accommodation Supplement and Accommodation Benefit**, by implementing changes that had been announced in the 2017 Budget. Trends to date show:

- an increase in numbers of people receiving Accommodation Supplement from 284,572 at the end of June 2017 to 300,741 at the end of June 2019, in line with an increase in benefit numbers
- increased average weekly Accommodation Supplement payments from \$71 in June 2017 to \$98 in June 2019
- a large fall in the proportion of Accommodation Supplement recipients receiving the maximum available payment
- a drop-in recipient numbers and expenditure for Temporary Additional Support/Special Benefit directly after the Families Package changes to Accommodation Supplement
- a fall in numbers of students receiving Accommodation Benefit from 37,117 in the year to 30 June 2017, to 35,082 in the year to 30 June 2019.

### **Next steps**

Annual updates of this report will be prepared over the coming three years.

Other parts of our work programme will examine in more detail how the Families Package changed the payments families received, including families in different ethnic groups, and will be estimating the impacts parts of the package had on outcomes for families and children.

# Introduction

The Families Package was introduced in 2018 and provided targeted assistance to improve incomes for low- and middle-income families with children. The package was implemented as part of the Government's focus on reducing child poverty, and ensuring children get the best start in life.

Different components of the package had different roles. These included:

- **boosting incomes of low- and middle-income families** by increasing the Family Tax Credit and raising the Working for Families abatement threshold
- **helping families with costs in a child's early years** by introducing a Best Start tax credit (replacing the Parental Tax Credit) and increasing paid parental leave to 26 weeks
- **helping older New Zealanders and people receiving a main benefit heat their homes** by introducing a Winter Energy Payment
- **increasing financial assistance for carers** by increasing the rate of Orphan's Benefit, Unsupported Child's Benefit and Foster Care Allowance
- **increasing Accommodation Supplement and Accommodation Benefit**, by implementing changes that had been announced in the 2017 Budget.<sup>1</sup>

Funding for some parts of the package came from a repeal of tax cuts announced in Budget 2017. These had been due to be implemented in 2018 and never came into effect.

It was estimated that, relative to policy settings prior to its implementation, the Families Package would make 385,000 families with children better off by an average of \$75 a week once it was fully implemented in 2020/21.

## The purpose of this report

This report monitors trends in receipt and expenditure for the different payments that comprise the package.

Monitoring data allows us to track what happened with the introduction of the Families Package. But it does not allow us to say what difference the package itself made to payments received, family incomes, child poverty, children's outcomes, people's employment, or other measures of wellbeing. Going forward, our work programme will be estimating these impacts.

## Report contents

The sections that follow describe the Families Package payments and what changed, and present monitoring data on numbers of recipients and expenditure. We also present monitoring data for targeted assistance that was expected to be affected by increases in support through Families Package payments.

A supplementary report provides further detailed breakdowns of receipt.

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<sup>1</sup> *Fact Sheet – Families Package*. <https://www.beehive.govt.nz/sites/default/files/2017-12/Families%20Package%20Factsheet.pdf>

# Boosting incomes of low- and middle-income families

## Summary

The number of people receiving a weekly or fortnightly Family Tax Credit from Inland Revenue increased from 149,849 in the final fortnight of June 2017, to 159,100 during the final fortnight of June 2019. We are not yet able to report on trends in receipt of year-end payments.

The number of people receiving a weekly Family Tax Credit payment from MSD fell slightly.

There has been a rise in expenditure from both Inland Revenue and MSD on the Family Tax Credit since the Families Package changes, with:

- an increase in the average amount a recipient received from Inland Revenue from \$117 per week at the end of June 2017 to \$157 at the end of June 2019
- an increase in the average amount a recipient received from MSD from \$147 per week at the end of June 2017 to \$188 at the end of June 2019.

## Family Tax Credit

Family Tax Credit is an income-tested payment able to be claimed for each child in an eligible family. Families can choose to receive the payments either weekly, fortnightly, or as a lump sum after the end of the tax year. Payments are made by either MSD or Inland Revenue.

### What changed?

As a part of the Families Package, Family Tax Credit payment rates were increased and simplified from 1 July 2018. Five payment rates were collapsed to two, one for the eldest or only child (a maximum of \$113.04 per week), and one for all subsequent children (a maximum of \$91.25 per week) (Table 1 overleaf).

The abatement threshold at which Working for Families payments start to reduce (abate) was increased from \$36,350 to \$42,700, while the abatement rate increased from 22.5 percent to 25 percent.

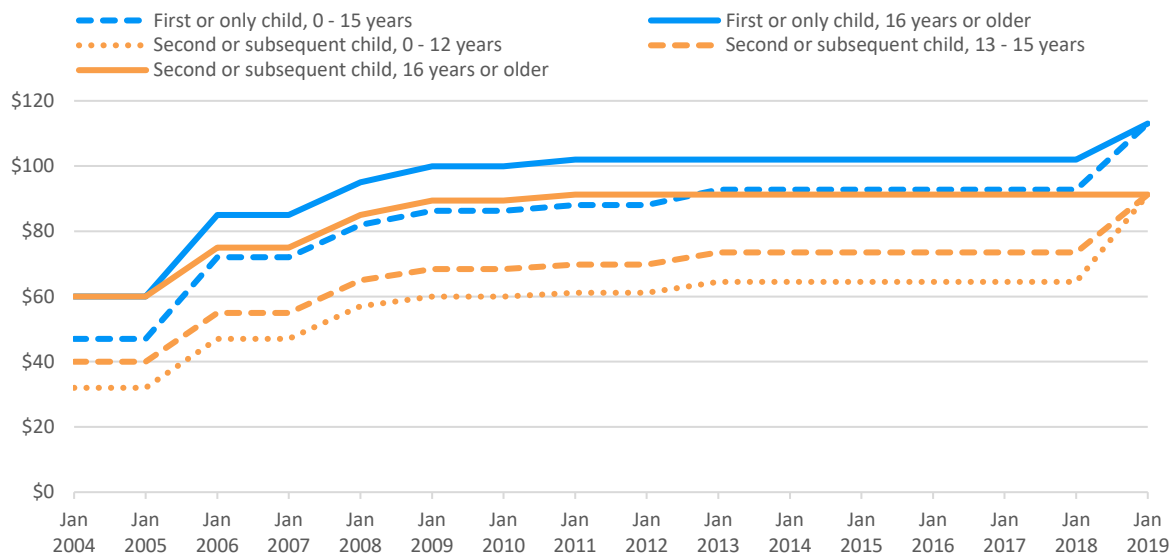


**Table 1: Change in the Family Tax Credit rates, by age of children.**

Age of children	Pre 1 July 2018	From 1 July 2018	Weekly increase
First or only child, 0-15 years	\$92.73	\$113.04	+\$20.31
First or only child, 16 years or older	\$101.98		+\$11.06
Second or subsequent child, 0-12 years	\$64.44	\$91.25	+\$26.81
Second or subsequent child, 13-15 years	\$73.50		+\$17.75
Second or subsequent child, 16 years or older	\$91.25		-

The increases in Family Tax Credit payment rates as part of the Families Package were substantial in historical context for most child age groupings (Figure 1).

**Figure 1: Family Tax Credit rates since 2004, by child age grouping.**



This section reports receipt and expenditure for front-end Family Tax Credit payments received weekly or fortnightly. Data on receipt of lump sum year-end payments is not yet available.

Additional information on the Families Package changes to the Minimum Family Tax Credit,<sup>2</sup> and the flow on impacts of the Families Package changes on the In-work Tax Credit, are contained in the companion supplementary report.

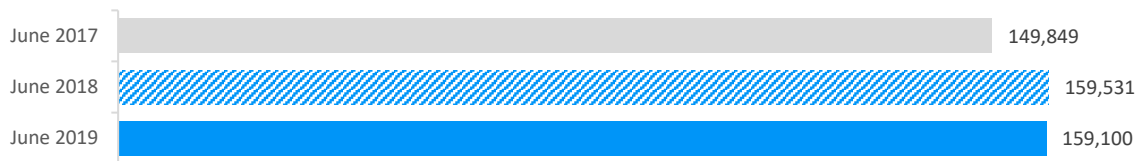
<sup>2</sup> The Families Package increased the income threshold for the Minimum Family Tax Credit.

## Receipt of Family Tax Credit

### Receipt of weekly and fortnightly payments from Inland Revenue

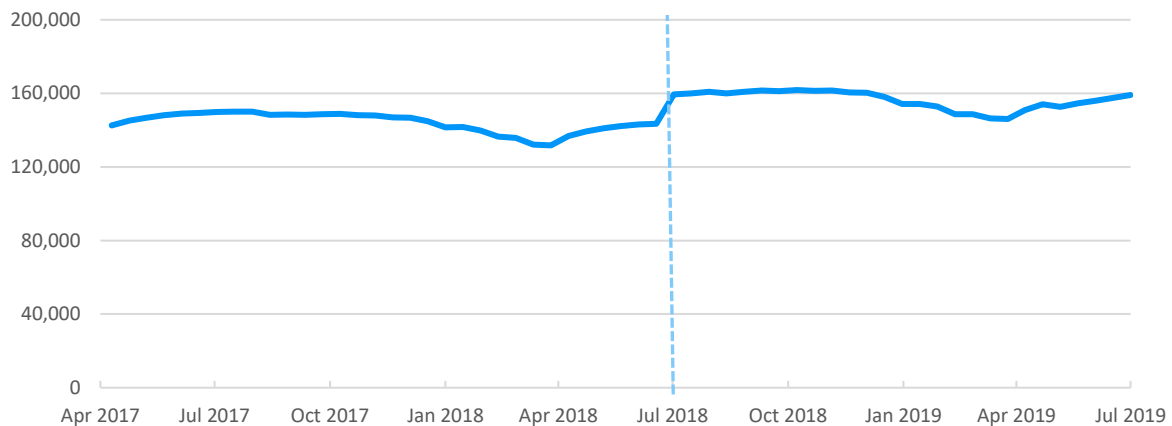
In the last reporting fortnight of June 2019, there were 159,100 people who received a weekly or fortnightly up-front Family Tax Credit payment from Inland Revenue. This is slightly less than the equivalent reporting period in 2018 (which included 12 days pre- and two days post- the 1 July 2018 implementation), but an increase from 149,849 in 2017 (Figure 2).

**Figure 2: Number of Family Tax Credit recipients paid weekly or fortnightly by Inland Revenue, end of last three June months.**



Looking at the fortnightly data (Figure 3), the average recipient count increased by 8.6 percent comparing the years to June 2018 and June 2019.

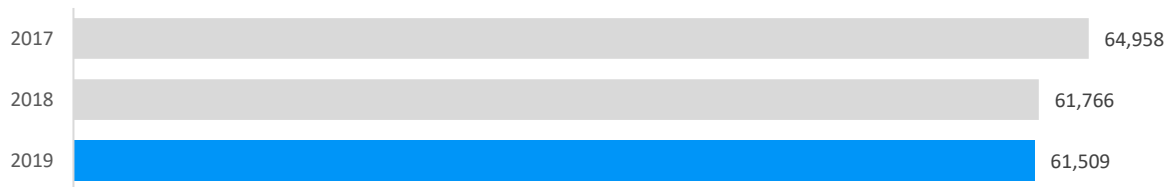
**Figure 3: Number of Family Tax Credit recipients paid weekly or fortnightly by Inland Revenue, early April 2017 to end of June 2019.**



## Receipt of payments from MSD

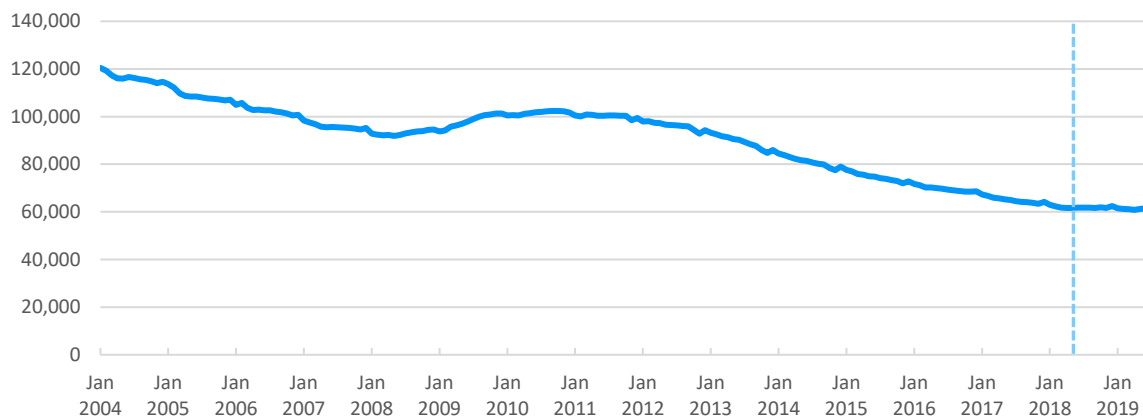
The number of people receiving a Family Tax Credit from MSD at the end of June 2019 has fallen compared to the ends of June 2017 and 2018 respectively (Figure 4).

**Figure 4: Number of Family Tax Credit recipients paid in the last week of June by MSD, last three years.**



The decrease in the number of recipients has slowed since the Families Package implementation (Figure 5). This is consistent with a slowdown in the rate of decline in numbers of benefit recipients with dependent children.

**Figure 5: Number of Family Tax Credit recipients paid in the last week of each month by MSD, since 2004.**

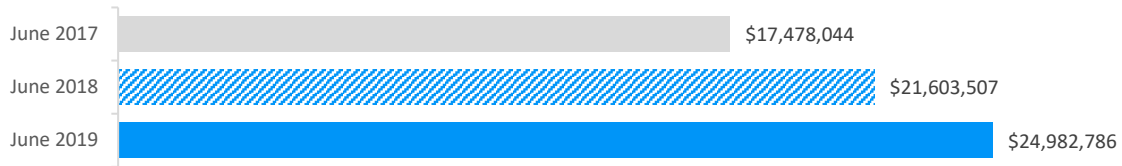


## Expenditure on Family Tax Credit

### Expenditure on weekly and fortnightly payments from Inland Revenue

There was a large increase of expenditure on weekly and fortnightly Family Tax Credits by Inland Revenue when comparing the last reporting fortnights of June 2017 and June 2019 (Figure 6). Due to the timing of the Families Package changes relative to reporting periods, the financial impacts were partially felt during the final fortnight of June 2018.

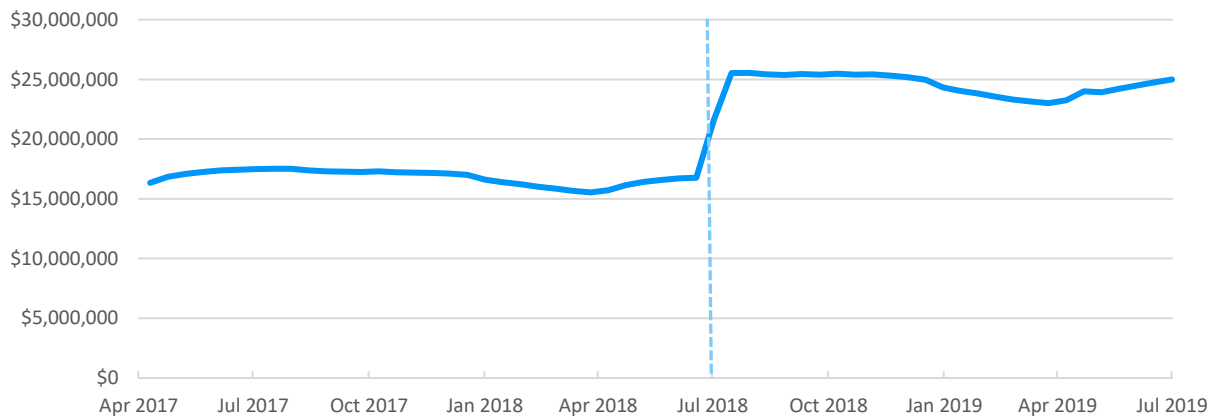
**Figure 6: Average weekly expenditure on Family Tax Credits in the last fortnight of June, last three years.**



The average amount that a recipient received from Inland Revenue increased from \$117 per week at the end of June 2017 to \$157 at the end of June 2019.

This is reflected in the increase of overall weekly expenditure on the Family Tax Credit (Figure 7). Average fortnightly expenditure increased by 45.4 percent comparing the years to June 2018 and June 2019.

**Figure 7: Weekly expenditure on Family Tax Credits, averaged across fortnights, from the start of April 2017 to the end of June 2019.**



## Expenditure on payments from MSD

As expected, there has been a sharp increase in the weekly expenditure on Family Tax Credits received from MSD since the Families Package changes (Figure 8).

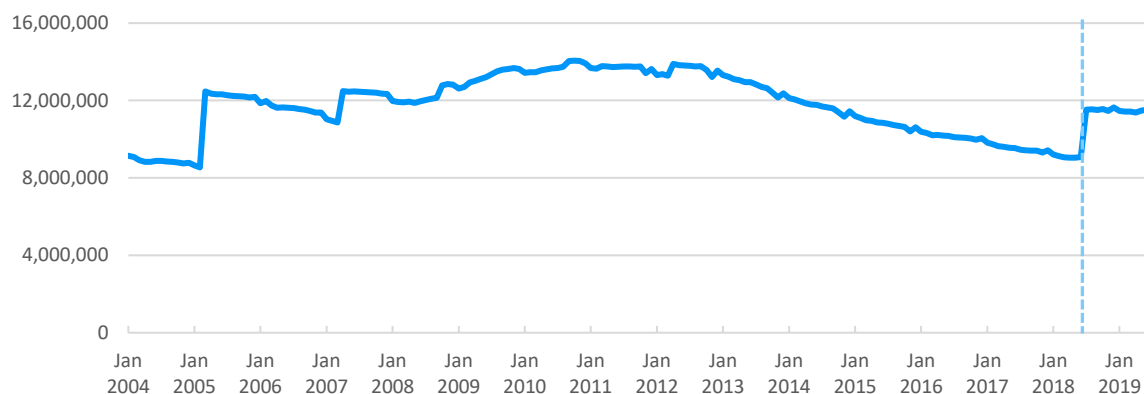
**Figure 8: Expenditure on Family Tax Credits by MSD during the final week of June, last three years.**



This increase saw the average amount a person received increase, from \$147 a week at the end of June 2017 and 2018 to \$188 at the end of June 2019.<sup>3</sup>

This increase brings expenditure of Family Tax Credits back to 2015 levels (Figure 9), where the number of recipients was much higher (Figure 5, page 11). The increase is the largest increase in Family Tax Credit expenditure since the 2005 Working for Families rate increases.

**Figure 9: Expenditure on Family Tax Credit by MSD during the final week of the month, since 2004.**

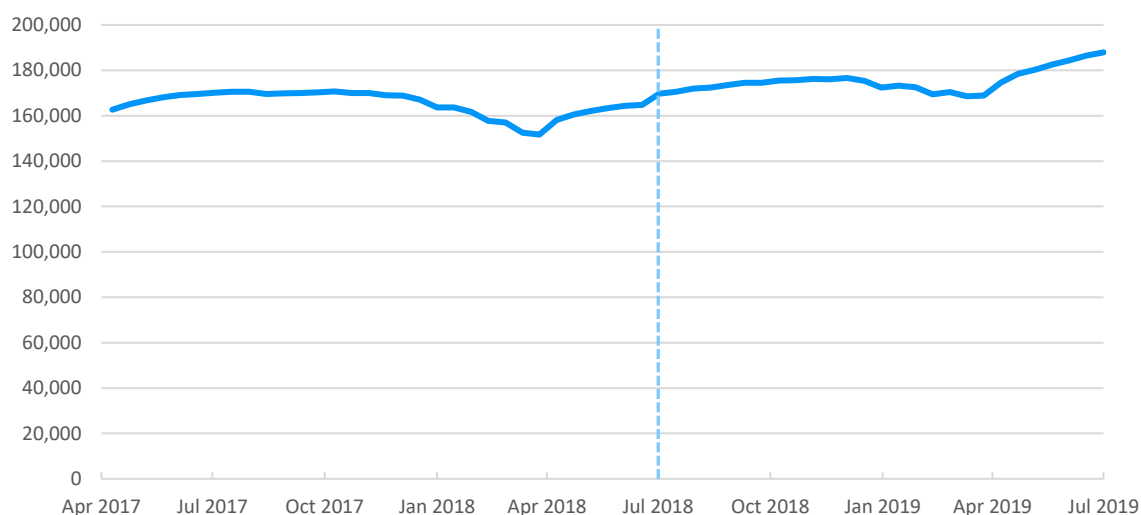


<sup>3</sup> The average rate per family is slightly higher because payments are usually divided equally between partners in couples.

## Receipt and expenditure across all Working for Families tax credits from Inland Revenue <sup>4</sup>

Looking at the impact of the Families Package across all tax credits (including Best Start discussed in the following section), we see that there was a small rise in the number of people receiving a Working for Families tax credit following the implementation of the Families Package (Figure 10). Since then, the number of recipients has increased, partly driven by the number of Best Start recipients.

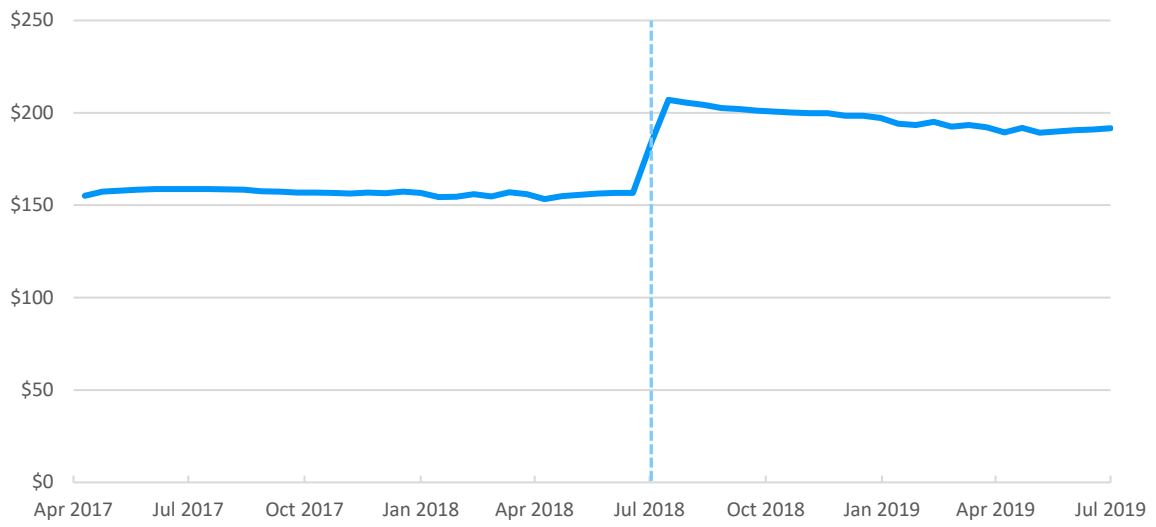
**Figure 10: Number of Working for Families tax credit recipients paid weekly or fortnightly by Inland Revenue, early April 2017 to end of June 2019**



The Families Package changes also saw the average amount a family was receiving weekly or fortnightly rise from \$159 in the last fortnight of June 2017, to \$192 by the final fortnight of June 2019 (Figure 11).

<sup>4</sup> Working for Families Tax Credits include: Family Tax Credit, Minimum Family Tax Credit, In-Work Tax Credit, Best Start Tax Credit (post-July 2018), Parental Tax Credit (pre-July 2018). For a full description, see <http://www.weag.govt.nz/assets/documents/WEAG-report/background-documents/757c27caff/Income-support-system-040319.pdf>.

**Figure 11: Average weekly amount received by Working for Families tax credit recipients, early April 2017 to end of June 2019**



# Helping families with costs in a child's early years

## Summary

Receipt of the Best Start tax credit has grown since its implementation as the number of families with eligible children has increased. There were 29,023 recipients receiving a payment from Inland Revenue in the last fortnight of June 2019, and 7,454 recipients receiving a payment from MSD in the last week of June 2019.

The increase in the maximum weeks for paid parental leave has seen a rise in the number of people receiving paid parental leave at any point in time during the quarter ended June 2019.

## Best Start tax credit

The Best Start tax credit is a weekly payment of \$60 (up to \$3,120 per year) per child born, or due to be born on or after 1 July 2018. This payment is available to all families in the first year of a baby's life (including carers of children receiving Orphan's Benefit, the Unsupported Child's Benefit or the Foster Care Allowance). It is not payable during weeks the family is in receipt of paid parental leave.

For the second and third years, support continues for low- and middle-income families. In these years, Best Start is abated at 21 percent for family income above \$79,000 (Table 2).

**Table 2: Best Start tax credit for a child's second and third years.<sup>5</sup>**

Family income	Best Start tax credit
Less than \$80,000	\$3,120 (\$60 per week)
\$80,000	\$2,910 (\$56 per week)
\$85,000	\$1,860 (\$35.80 per week)
\$90,000	\$810 (\$15.60 per week)
\$93,858 and higher	\$0

People receiving main benefits can choose to receive their BSTC through MSD (along with their benefits and any other payments) or from Inland Revenue. New recipients can apply through the Government's SmartStart online service for expecting and new parents.

<sup>5</sup> For a full table of weekly and fortnightly rates, please see the Inland Revenue website: <https://www.ird.govt.nz/topics/working-for-families/about-best-start>



## What changed?

Best Start was introduced as a part of the Families Package.

The Parental Tax Credit ended at the same time. The Parental Tax Credit had provided eligible families with up to \$220 per week per child for the first 10 weeks of a child's life. This payment was not available to recipients of a benefit or the student allowance and could not be received by a family who received paid parental leave.

This section reports receipt and expenditure for front-end payments received weekly or fortnightly. Data on receipt of lump sum year-end payments is not yet available.

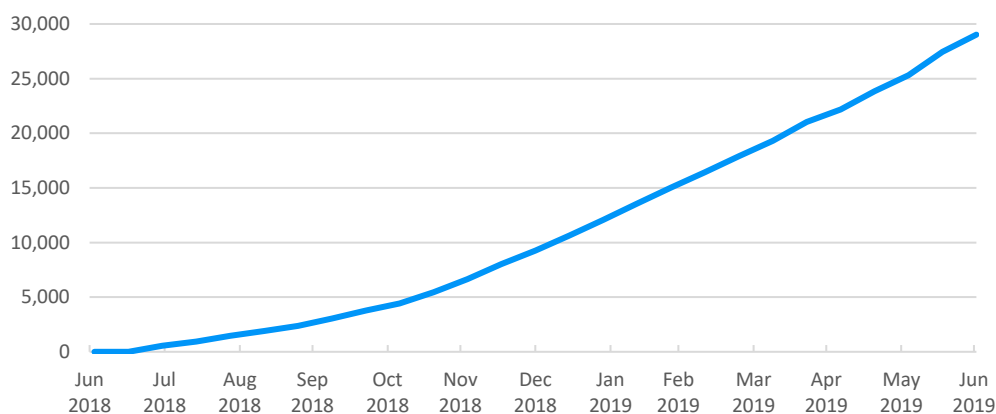
### Receipt of the Best Start tax credit

The interactions between paid parental leave and Best Start tax credit eligibility, together with the income testing in the second and third years of a child's life, means that the ramping up of Best Start receipt is expected to occur at varying rates over time, and not reach a steady state until after three years of operation.

#### Receipt of weekly or fortnightly payments from Inland Revenue

Since the implementation of Best Start, there has been fairly steady growth in the number of people who receive a weekly or fortnightly up-front Best Start payment from Inland Revenue. The slower rate of growth in the initial period reflects the fact that a proportion of the families newly eligible from 1 July 2018 had to wait until they finished receiving paid parental leave before they could claim Best Start. During the last fortnight of June 2019, 29,023 families received a payment in from Inland Revenue (Figure 12).

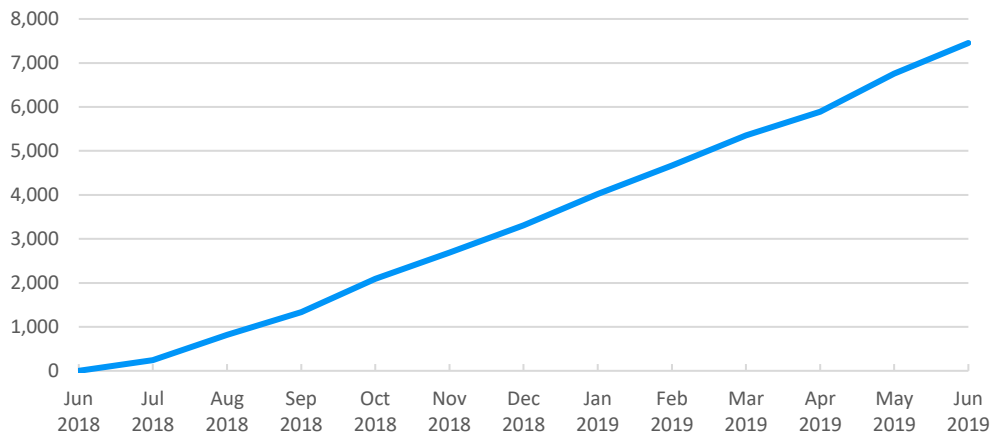
**Figure 12: Number of Best Start tax credit recipients paid weekly or fortnightly by Inland Revenue, from the start of July 2018 to the end of June 2019.**



## Receipt of payments from MSD

At the end of June 2019, there were 7,454 people receiving a Best Start payment from MSD (Figure 13).

**Figure 13: Number of Best Start tax credit recipients paid at the end of each month by MSD, July 2018 to the end of June 2019.**

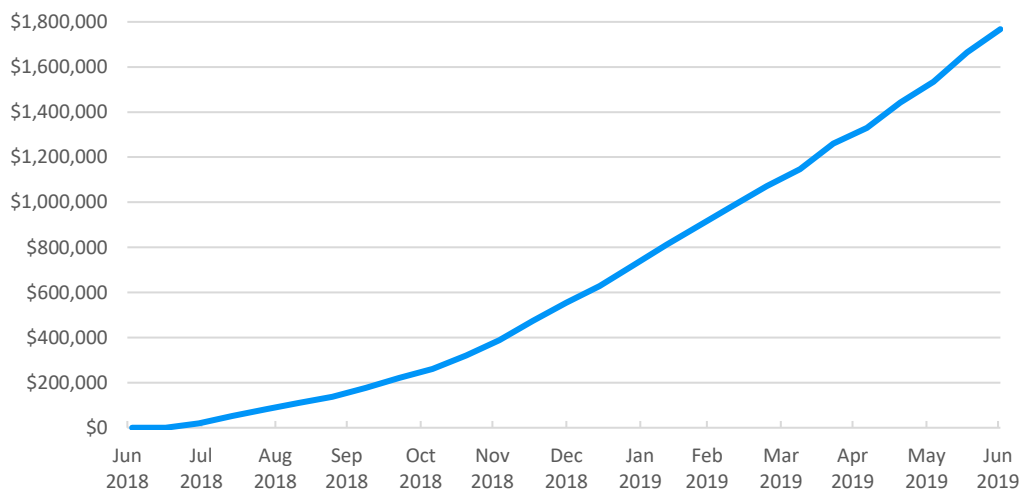


## Expenditure on the Best Start tax credit

Expenditure on weekly and fortnightly payments from Inland Revenue

The growth in receipt is reflected in the growth in expenditure, which averaged just under \$1.8 million per week during the final fortnight of June 2019 (Figure 14).

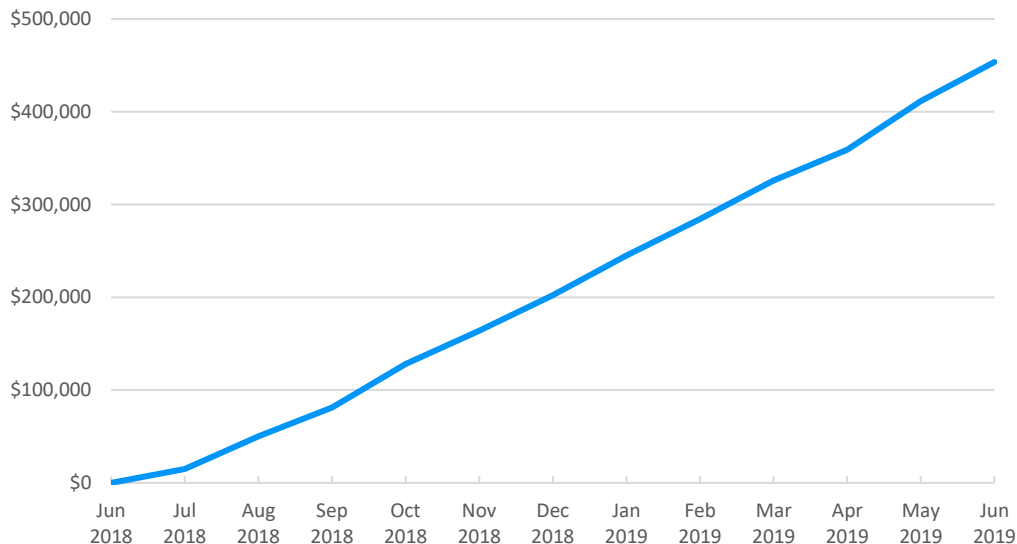
**Figure 14: Weekly expenditure on the Best Start tax credit by Inland Revenue, averaged across fortnights, from the last fortnight of June 2018 to the last fortnight of June 2019.**



## Expenditure on payments from MSD

A similar picture is seen with the growth in weekly expenditure at the end of each month by MSD, with \$453,574 being spent during the final week of June 2019 (Figure 15).

**Figure 15: Expenditure on the Best Start tax credit by MSD, during the final week of each month, June 2018 to the end of June 2019.**

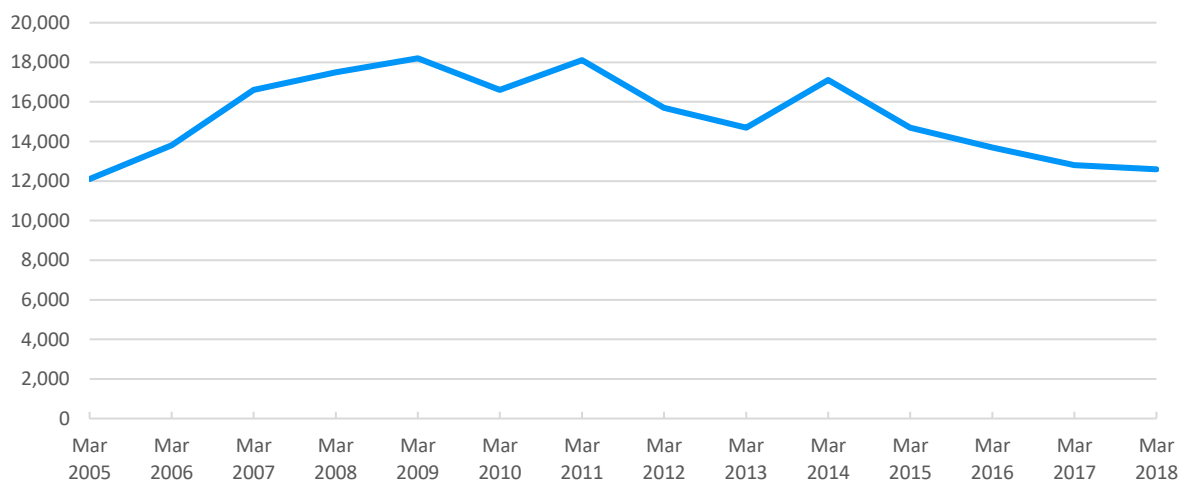


## Receipt and expenditure for the parental tax credit

For historical context, information on the discontinued parental tax credit is provided here. However, it's important to note that the parental tax credit had different criteria to Best Start and was paid by Inland Revenue only.

During the later years of the Working for Families Package implementation (2007 to 2009), the parental tax credit had a large increase in receipt, peaking in the year ended March 2009, before receipt gradually declined after that (Figure 16).

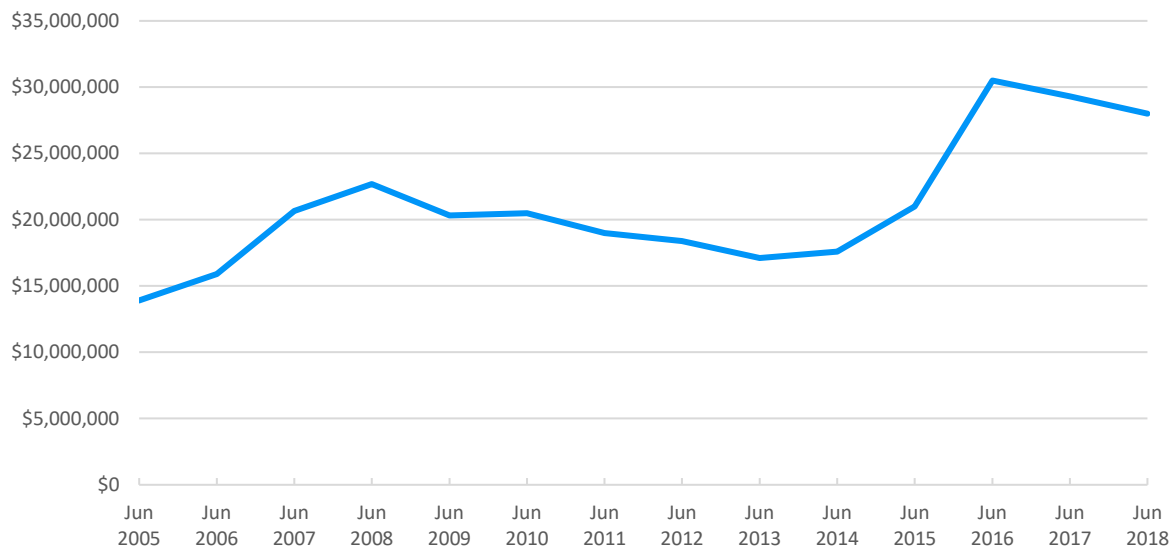
**Figure 16: Receipt of the parental tax credit, year ended March 2005 to 2018. <sup>6</sup>**



<sup>6</sup> Total numbers of recipients with an end of year entitlement to the parental tax credit (rounded to the nearest 100).

Yearly expenditure on Parental Tax Credits rose in 2015 reflecting a policy change made at that time (Figure 17) – for babies born on or after 1 April 2015, Parental Tax Credit increased from \$150 a week to \$220 a week, and the payment period increased from eight weeks to ten weeks.

**Figure 17: Expenditure on the parental tax credit, year ended June from 2005 to 2018**



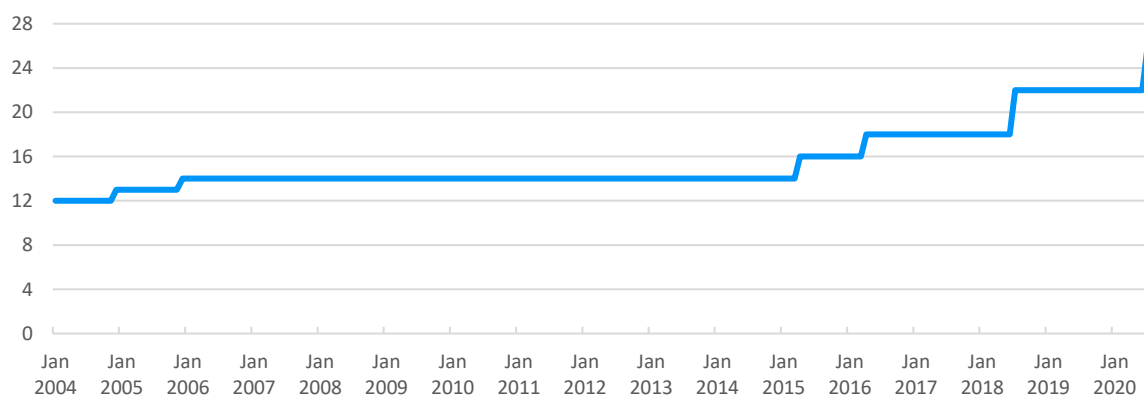
## Paid parental leave

Paid parental leave is available to parents and caregivers who take time off work to care for their baby or a child who has come into their care. It is available to parents and caregivers of children under six years old who are the primary caregivers of those children. The parent or caregiver needs to have worked an average of 10 hours a week in at least half of the year before the child was born or came into their care. Paid parental leave is paid by Inland Revenue.

### What changed?

As part of the Families Package, the maximum number of weeks of paid parental leave increased from 18 to 22, effective from 1 July 2018, and will increase from 22 weeks to 26 from 1 July 2020. Figure 18 shows the increase in the number of weeks a person can receive paid parental leave since 2004.

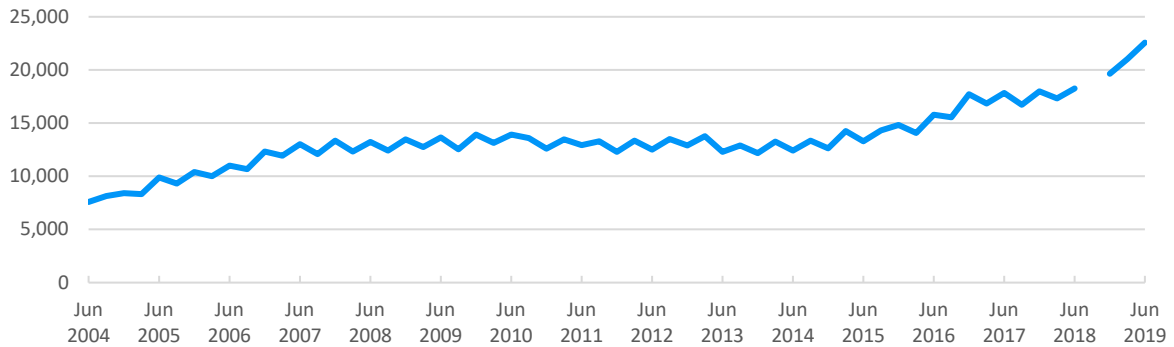
**Figure 18: Maximum weeks of paid parental leave since 2004.**



## Receipt of paid parental leave

During the quarter ended June 2018, 18,271 people received a paid parental leave payment. This increased to 22,570 people in the quarter ended June 2019. (Figure 19).

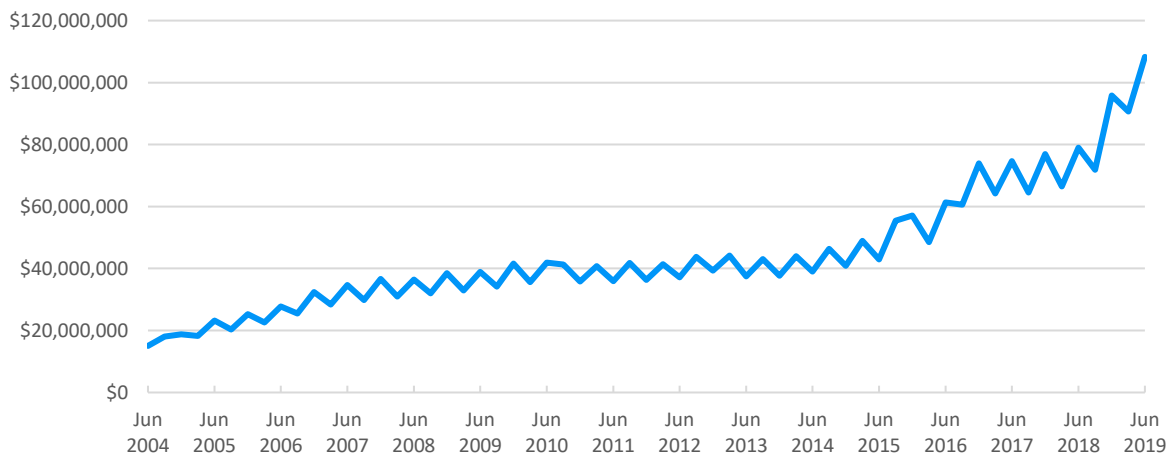
**Figure 19: Number of people receiving paid parental leave, quarterly since 2004.<sup>7</sup>**



## Expenditure on paid parental leave

There has been a steady increase in expenditure in paid parental leave over time, largely in line with wage inflation adjustments. Since 2016, expenditure has begun to increase more rapidly, in line with the increase of recipients due to the extension of paid parental leave weeks (Figure 20).

**Figure 20: Expenditure on paid parental leave, quarterly since 2004.**



<sup>7</sup> Data for the quarter ended September 2018 is excluded from this graph due to a large spike in the number of people paid over that quarter. This was due to Inland Revenue issuing corrective payments relating to a miscalculation of the 2017 maximum paid parental leave amounts. For information purposes, the number of people receiving a payment during this quarter was 43,179.

# Helping older New Zealanders and people receiving a main benefit heat their homes

## Summary

At the end of June 2018, when the first payment of Winter Energy Payment was made, 775,498 recipients received the payment.

The number of recipients increased by 20,552 to 796,050 as at the end of June 2019.

This is mainly due to increased numbers of people on Jobseeker Support and New Zealand Superannuation.

Once we include the partners of recipients, there are just under 1.07 million people receiving the Winter Energy Payment.

Very few recipients have chosen to opt out of receiving the Winter Energy Payment.

## Winter Energy Payment

The Winter Energy Payment is a non-taxable, non-income tested benefit paid with the client's main benefit, New Zealand Superannuation or Veteran's Pension to help eligible clients meet their household heating costs during the winter months.

Single people without dependent children eligible for the Winter Energy Payment are paid \$20.46 a week. People who are married, in a civil union or a de facto relationship (with or without dependent children), and sole parents receive \$31.82 a week. There has been no adjustment to the payment rate since its introduction.

In 2018 payments were made from 1 July until 29 September. In 2019 and subsequent years, payments are made from 1 May until 1 October.

Due to the way MSD administers payments and sets its reporting periods, the first payment in 2018 is registered as taking place in the final reporting week of June 2018, which includes 1 July.

## What changed?

The Winter Energy Payment was introduced as part of the Families Package.

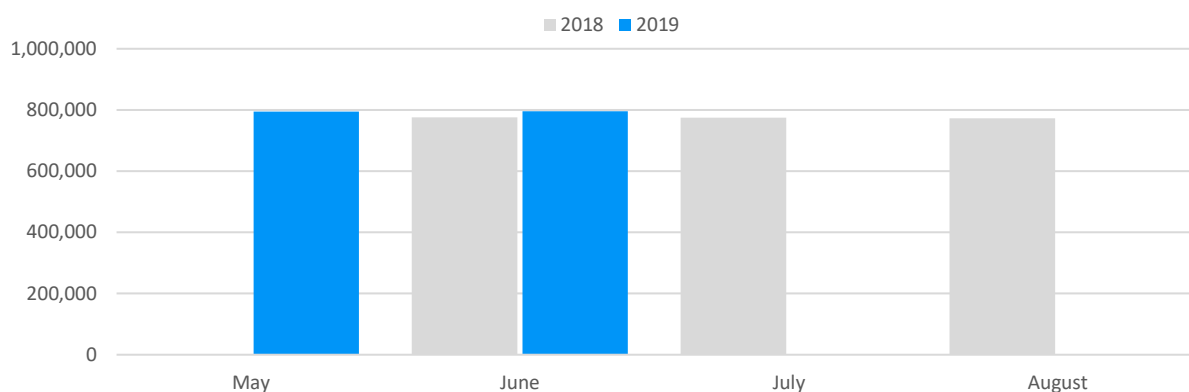
## Receipt of the Winter Energy Payment

### Overall

Nearly everyone on a main benefit or receiving a superannuation payment that meet the criteria for the Winter Energy Payment receive it, with approximately 774,000 recipients on average during the 2018 year.<sup>8</sup>

Figure 21 below shows that so far in 2019, the number of recipients of the Winter Energy Payment is higher than in 2018. Using the data available for this report, in the only month where we can directly compare receipt so far (June), there were 20,552 more recipients in 2019 compared to 2018.<sup>9</sup>

**Figure 21: Winter Energy Payment receipt, 2018 and 2019.**



Once we include the eligible partners of recipients, there are just under 1.07 million adults being helped by the Winter Energy Payment.<sup>10</sup>

Additionally, there were fewer than 1,000 potential recipients that have chosen to opt out of receiving the payment and have not reinstated it at a future date during the 2019 Winter Energy Payment period.

Further breakdowns of receipt of the Winter Energy Payment breakdowns by: benefit group, receipt of a health condition, disability or caring related payment, payment rate, family type, age group and ethnicity group is contained in a companion supplementary report.

<sup>8</sup> This figure does not include partners where the other partner is receiving the payment on their behalf (consistent with MSD's standard reporting).

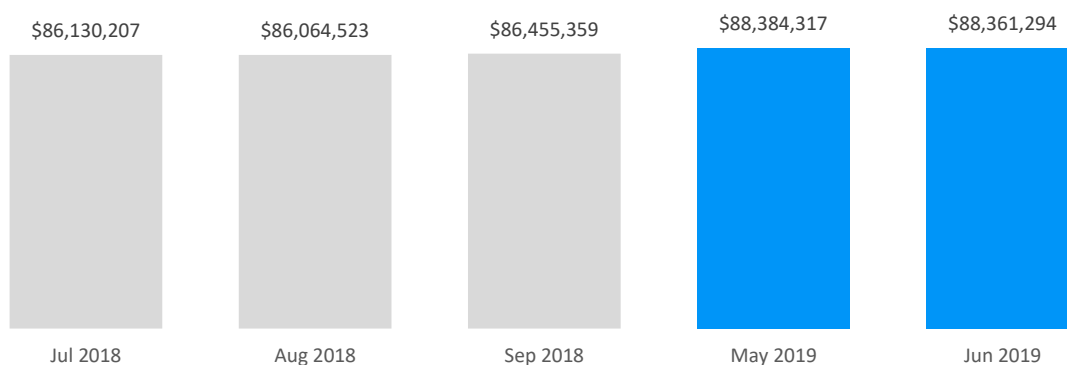
<sup>9</sup> The reason why we can compare between June ends is due to the timing of when the pay cycle of the first week of the Winter Energy Payment started. For the 2018 implementation, this pay cycle started just before the start of July and included 1 July.

<sup>10</sup> This calculation is based on the partnership status of recipients, and whether the recipients are getting paid the higher or lower payment rate. If they are partnered and receiving the lower rate, we assume that their partner is not eligible for the Winter Energy Payment, due to other circumstances (like being in hospital for an extended period of time).

## Expenditure on the Winter Energy Payment

Normalising expenditure to consider the number of days in each month, there has been an increase in expenditure during this year's Winter Energy Payment period compared to last year's period (Figure 22). The increase in expenditure is consistent with the increase in the number of Winter Energy Payment recipients.

**Figure 22: Expenditure on the Winter Energy Payment since its inception, normalised to account for length of months.**





# Increasing financial assistance for carers

## Summary

At the end of June 2018, 271 caregivers received an Orphan's Benefit and 10,631 carers received an Unsupported Child's Benefit for 365 and 16,000 children respectively. These numbers increased to 280 and 11,490 carers for 372 and 17,553 children respectively by the end of June 2019.

Monthly expenditure on the Orphan's Benefit and Unsupported Child's Benefit increased from \$13.7 million in June 2018 to \$17.1 million in July 2018, following the Families Package rate increases and the accompanying introduction of a new Clothing Allowance.

## Orphan's Benefit and Unsupported Child's Benefit

An Orphan's Benefit is a weekly payment which helps carers supporting a child or young person whose parents have died, can't be found or can't look after them because they have a long-term health condition or incapacity.

An Unsupported Child's Benefit is a weekly payment which helps carers supporting a child or young person whose parents can't care for them because of a family breakdown.

Both payments are non-taxable and not income-tested.

A Clothing Allowance was introduced in July 2018, which provides weekly financial assistance to all carers receiving an Orphan's Benefit or Unsupported Child's Benefit so that these carers can provide a reasonable range of clothing, a travel bag, and replacement school clothing for children in their care.

## What changed?

As part of the Families Package, the rates for Orphan's Benefit and Unsupported Child's Benefit were increased on 1 July 2018. Family Tax Credit is not paid in respect of children for whom an Orphan's Benefit or Unsupported Child's Benefit is received. The increase of \$20.31 per week from 1 July 2018 was equivalent the Families Package increase to Family Tax Credit of the same amount from 1 July 2018 for first child aged under 16.

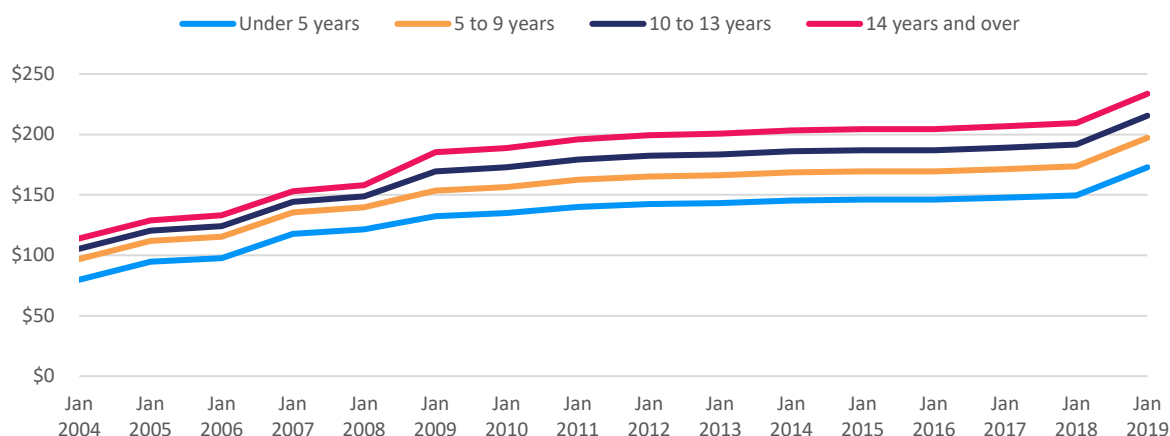
Table 3 below displays the changes that took place, and current rates after adjustment for inflation in April 2019.

**Table 3: Change in Orphan's Benefit and Unsupported Child's Benefit rates between 1 April 2018 and 1 April 2019.**

Age of child	1 April 2018	1 July 2018	1 April 2019
Under 5 years	\$149.66	\$169.97	\$172.84
5 to 9 years	\$173.68	\$193.99	\$197.27
10 to 13 years	\$191.64	\$211.95	\$215.53
14 years and older	\$209.52	\$229.83	\$233.71

Figure 23 below shows rate changes since 2004. The increases of 1 July 2018 were the largest since 2009.

**Figure 23: Change in Orphan's Benefit and Unsupported Child's Benefit rates since 2004, by age of child.**



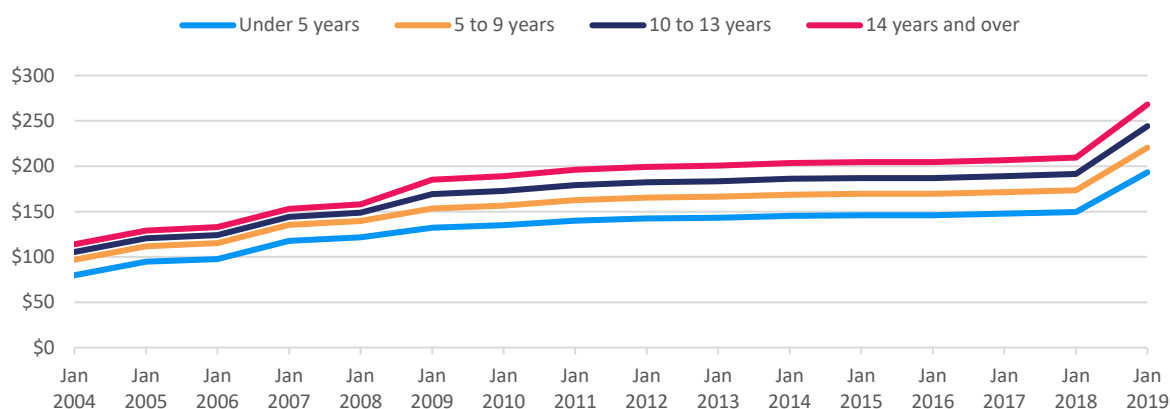
On top of these rate increases, the new Clothing Allowance introduced from 1 July 2018 further increased the support available to carers (Table 4). All recipients of an Orphan's Benefit or an Unsupported Child's Benefit receive this payment. It is adjusted for inflation every year and is the same rate as paid under Foster Care Allowance by Oranga Tamariki.

**Table 4: Clothing Allowance rates since its introduction.**

Age of child	1 July 2018	1 April 2019
Under 5 years	\$20.14	\$20.48
5 to 9 years	\$22.83	\$23.22
10 to 13 years	\$28.19	\$28.67
14 years and older	\$33.84	\$34.41

Factoring in the Clothing Allowance, Figure 24 below shows the maximum a caregiver receives per child per week.

**Figure 24: Change in Orphan's Benefit and Unsupported Child's Benefit rates since 2004 (including the Clothing Allowance), by age of child.**



## Receipt of Orphan’s Benefit and Unsupported Child’s Benefit

### Overall

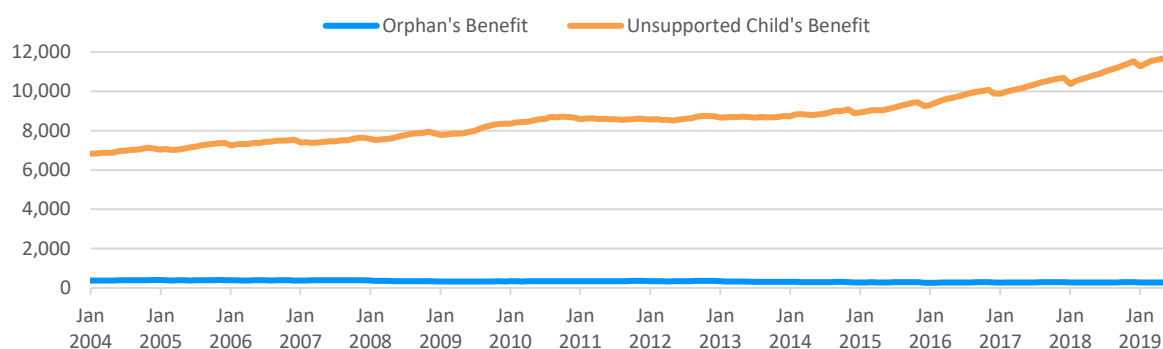
Table 5 below shows the number of carers receiving Orphan’s Benefit and Unsupported Child’s Benefit at the end of the past three June months.

**Table 5: Number of carers receiving the Orphan's Benefit or Unsupported Child's Benefit, as at the end of June, last three years.**

	End of June 2017	End of June 2018	End of June 2019
Orphan’s Benefit	276	271	280
Unsupported Child’s Benefit	10,001	10,631	11,490

Figure 25 below shows that the number of carers receiving an Orphan’s Benefit has been quite flat over time, if not gradually declining over time. The number of carers receiving an Unsupported Child’s Benefit has been increasing, particularly so since 2016.

**Figure 25: Number of carers receiving the Orphan's Benefit or Unsupported Child's Benefit, monthly since 2004.**



Based on year-on-year percentage change, the recent growth in carers receiving an Unsupported Child Benefit has picked up slightly from around mid-2018 (Figure 26). This coincides with the Families Package and Clothing Allowance rate changes. However, we cannot say whether it is the result of the Families Package. Other policy and operational changes that could affect demand for and delivery of the payment have also occurred.

**Figure 26: Year-on-year percentage change in the number of Unsupported Child's Benefit carers, since 2005.**



## Number of children included in payments

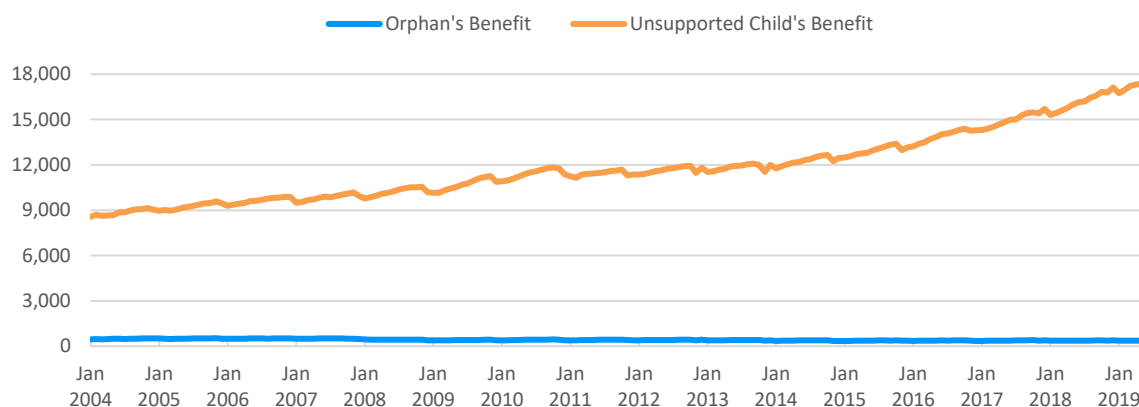
Table 6 below shows the number of children who are directly included within the Orphan's Benefit and Unsupported Child's Benefit.

**Table 6: Number of children whose carers receive an Orphan's Benefit or Unsupported Child's Benefit payment, as at the end of June, last three years.**

	30 June 2017	30 June 2018	30 June 2019
Orphan's Benefit	373	365	372
Unsupported Child's Benefit	14,993	16,157	17,553

The number of children covered directly by these payments has followed a similar trend to the number of carers (Figure 27). The seasonal dips happen every January and February during the summer school holidays. This mainly reflects end of year cancellations for children aged 16 to 18 who may cease to be dependent.

**Figure 27: Number of children whose carers receive an Orphan's Benefit or Unsupported Child's Benefit payment, monthly since 2004.**



Breakdowns of receipt of Unsupported Child's Benefit by family type, age group and the ethnicity group of the caregiver are contained in a companion supplementary report.

## Expenditure on Orphan's Benefit and Unsupported Child's Benefit

Over time, the expenditure on Orphan's Benefit and Unsupported Child's Benefit has been increasing (Figure 28). This is mainly due to the increased number of Unsupported Child's Benefit recipients, as well as the increase in the payment rate over time.

Because of the Families Package, a large increase in monthly expenditure can also be observed, jumping from \$13.7 million in June 2018 to \$17.1 million in July 2018. This was due to the increased rate of the core Orphan's Benefit and Unsupported Child's Benefit payments, as well as the introduction of the Clothing Allowance.

**Figure 28: Monthly expenditure on Orphan's Benefit and Unsupported Child's Benefit, since 2004.**



Additionally, we can see the impact of other policy changes to do with Orphan's Benefit and Unsupported Child's Benefit.

Every January from January 2014, we see an upwards spike in expenditure. This was due to the introduction of the 'School and Year Start-up Payment', which provides between \$250 and \$400 to eligible Orphan's Benefit and Unsupported Child's Benefit carers.

Prior to 2014, there are slight dips in expenditure during February. This is due to February being a shorter month, and not due to any known policy impacts.

## Foster Care Allowance

We intend to report on the Foster Care Allowance in the next iteration of this report.

# Increasing Accommodation Supplement and Accommodation Benefit

## Summary

At the end of June 2017, there were 284,572 recipients of the Accommodation Supplement. At the end of June 2019, the number had increased to 300,741.

The growth in receipt of an Accommodation Supplement partly reflected an increase in main benefit numbers.

Recipients who do not receive a main benefit or superannuation account for 19.8 percent of recipients receiving an Accommodation Supplement. While this percentage is little changed over the past two years, the actual count rose by 5.4% or over 3,000 recipients.

The average weekly Accommodation Supplement payment increased from \$71 in June 2017 to \$98 in June 2019.

There was a large fall in the proportion of Accommodation Supplement recipients receiving the maximum available payment immediately following the introduction of the Families Package changes.

Recipient numbers and expenditure for Temporary Additional Support/Special Benefit fell directly after the Families Package changes to Accommodation Supplement. There was also a fall of recipients receiving the maximum available payment of Temporary Additional Support.

There has been a fall in numbers of students receiving an Accommodation Benefit from 37,117 in the year to 30 June 2017, to 35,082 in the year to 30 June 2019.

## Accommodation Supplement

The Accommodation Supplement is a weekly payment to assist people with low incomes and at least moderate housing costs with their rent, board, or the cost of owning a home. It is not available to tenants in public housing and/or receiving an income-related rental subsidy, as well as Student Allowance recipients. The number of people receiving an Accommodation Supplement tends to follow trends in broader benefit numbers.

### What changed?

Effective from 1 April 2018, two changes were made to the Accommodation Supplement as part of the Families Package.

The first change was to the boundaries of the Accommodation Supplement areas. Several places were re-classified into different Accommodation Supplement areas depending on the state of the rental market in those localities.

Figures 29 and 30 on the overleaf pages show the Accommodation Supplement area boundaries before and after the Families Package changes. More areas were zoned as qualifying the highest possible maximum rate (Area/Zone 1).<sup>11</sup>

This was the first adjustment of Accommodation Supplement areas since changes implemented in April 2005 as part of the Working for Families reform (other changes introduced as part of Working for Families were removal of abatement of Accommodation Supplement for beneficiaries and an increase in Accommodation Supplement entry and abatement thresholds for non-beneficiaries, effective from October 2004).

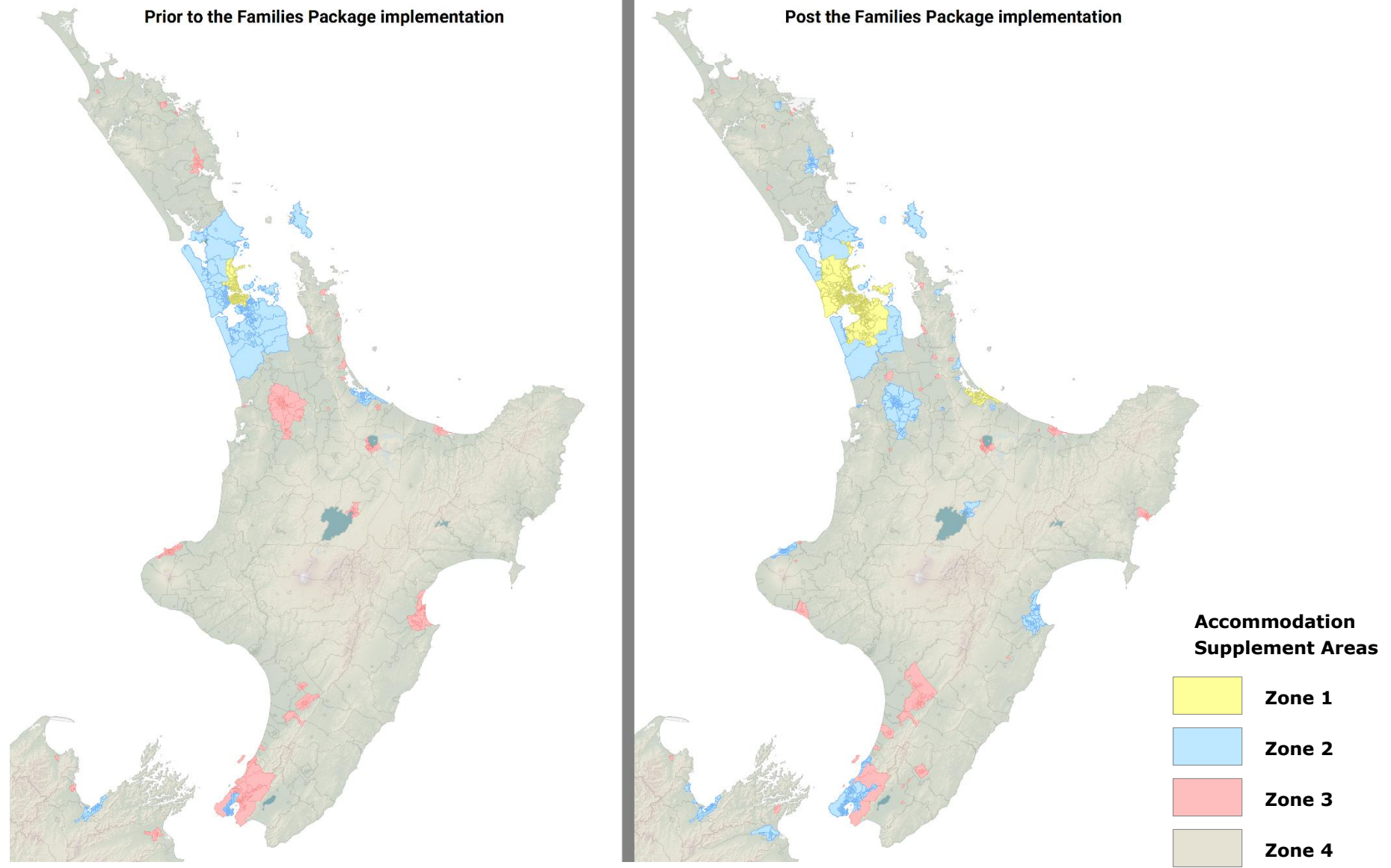
The second change was that the rates for Accommodation Supplement were increased significantly for the first time since rate increases introduced in April 2005 (Table 7).

**Table 7: Accommodation Supplement maximum rates (increase from previous).**

	Area 1	Area 2	Area 3	Area 4
<b>Single</b>	\$165 (+\$20)	\$105 (+\$5)	\$80 (+\$15)	\$70 (+\$25)
<b>Married without children, Sole parent with 1 child</b>	\$235 (+\$75)	\$155 (+\$30)	\$105 (+\$30)	\$80 (+\$25)
<b>Married with children, Sole parent with two or more children</b>	\$305 (+\$80)	\$220 (+\$55)	\$160 (+\$40)	\$120 (+\$45)

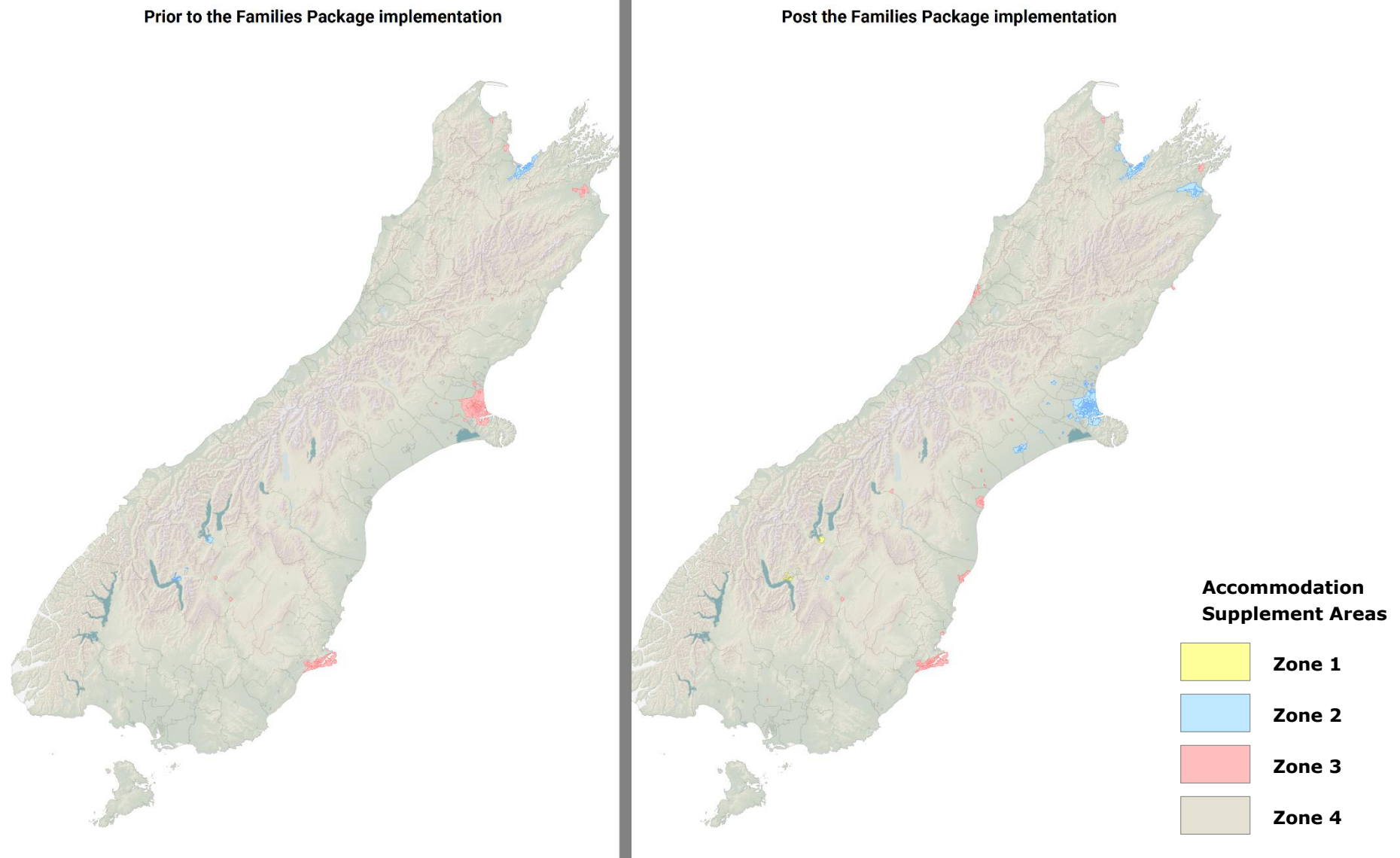
<sup>11</sup> For detailed tables showing the new Accommodation Supplement areas, which include area changes difficult to see in the maps below (eg: changes for Queenstown), please refer to: <https://www.msd.govt.nz/about-msd-and-our-work/newsroom/2017/budget-2017.html>

**Figure 29: North Island Accommodation Supplement boundaries before and after the Families Package changes.**





**Figure 30: South Island Accommodation Supplement boundaries before and after the Families Package changes.**



## Receipt of Accommodation Supplement

### Overall

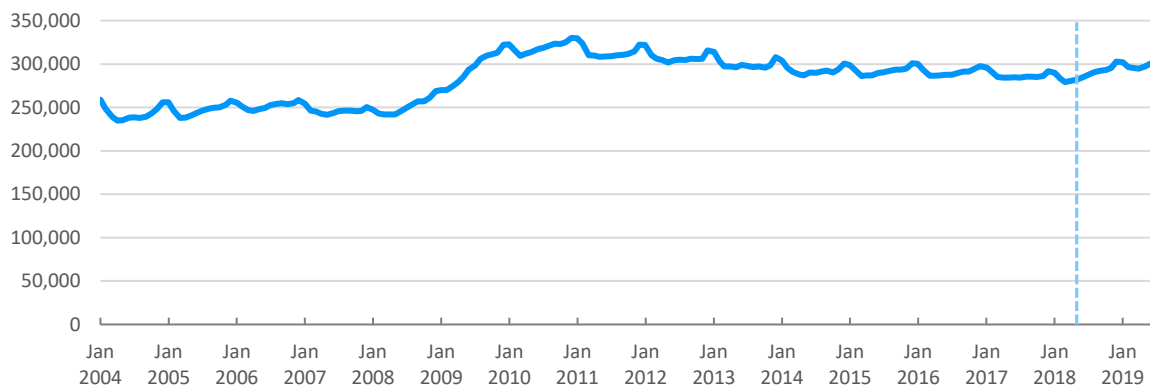
Figure 31 below shows the number of Accommodation Supplement recipients at the end of the past three June months.

**Figure 31: Number of Accommodation Supplement recipients as at the end of June over the last three years**



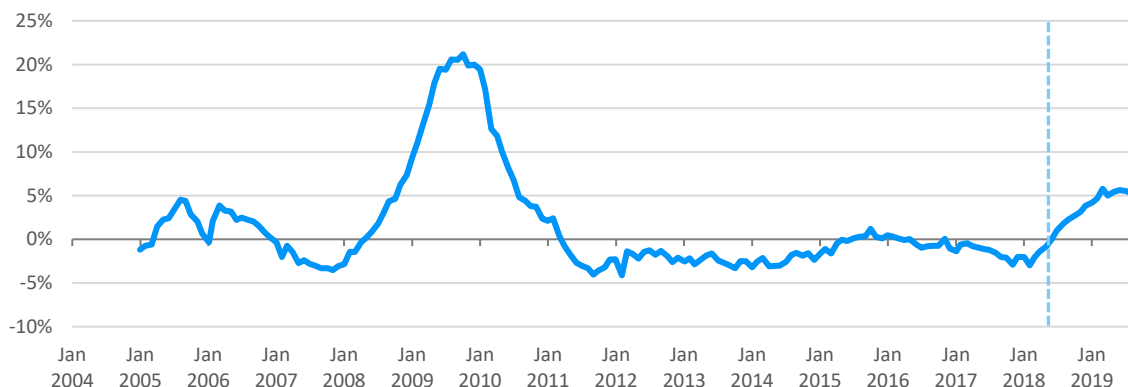
Figure 32 below shows that Accommodation Supplement figures were increasing slightly overall between 2004 and mid-2008, before increasing sharply during late 2008 and through 2009 during the Global Financial Crisis. Accommodation Supplement numbers peaked in late 2010, before gradually declining until June 2018, and have since begun to increase.

**Figure 32: Number of Accommodation Supplement recipients, monthly since 2004.**



Based on year-on-year percentage change, the current growth in Accommodation Supplement recipients is higher than during late 2005, and mid-2006, but not at levels seen during the global financial crisis (Figure 33).

**Figure 33: Year-on-year percentage change in Accommodation Supplement numbers.**

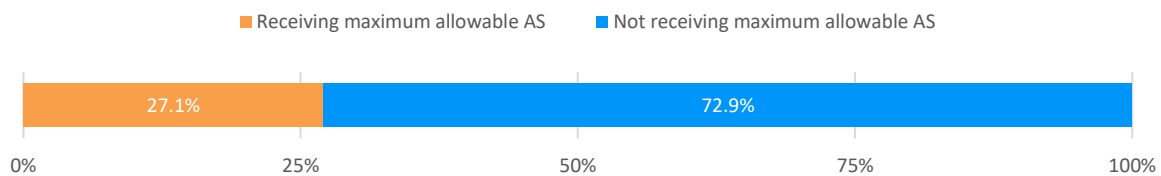


## Receipt by whether a recipient is receiving the maximum allowable amount

Depending on a recipient’s financial circumstances, they may or may not be able to claim the maximum amount of Accommodation Supplement based on their household composition, as outlined in the rates tables on page 31.

Figure 34 below shows that as at the end of June 2019, 27.1 percent of recipients were receiving the maximum allowable rate of Accommodation Supplement.

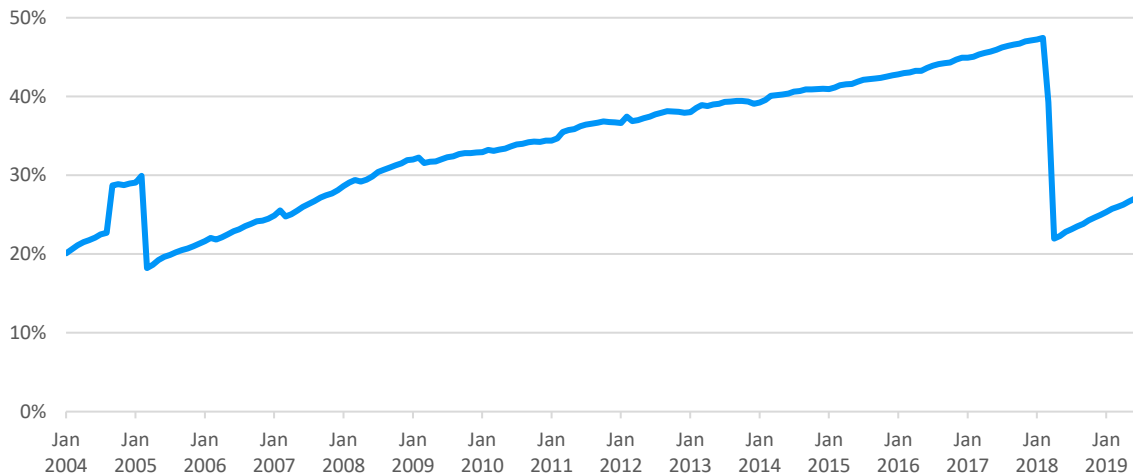
**Figure 34: Percentage of Accommodation Supplement recipients receiving the maximum allowable amount, as at the end of June 2019.**



Note: Totals may not add to 100 percent due to rounding

Historically, this percentage is quite low and was last observed in 2005-06 following the Working for Families changes. Figure 35 shows that just prior to the Families Package, approximately 47 percent of Accommodation Supplement recipients were receiving the maximum allowable rate for their circumstances.

**Figure 35: Percentage of Accommodation Supplement recipients receiving the maximum allowable amount, monthly since 2004.**



Breakdowns of receipt of the Accommodation Supplement by: benefit group, receipt of a health condition, disability or caring related payment, family type, age group and ethnicity group is contained in a companion supplementary report.

## Expenditure on Accommodation Supplement

### Overall

Over time, expenditure on Accommodation Supplement has followed a broadly similar trend to the number of people receiving it. However, as more people required the maximum amount, this created an upwards pressure on expenditure, meaning that following the Global Financial Crisis, expenditure did not fall at the same rate as the number of recipients.

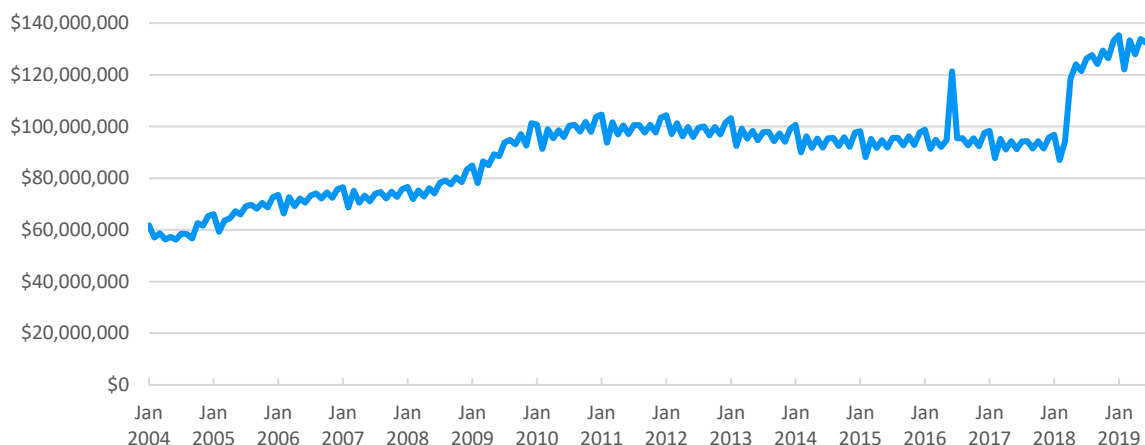
Figure 36 below shows that the immediate impact on expenditure of the Families Package was large, especially when compared to typical March and April changes.

**Figure 36: Change in Accommodation Supplement expenditure between March and April over the last three years.**



Because of the Families Package, the average amount received by a recipient increased from \$71 per week at the end of June 2017 to \$95 per week by the end of June 2018. This had a noticeable impact on overall expenditure, as shown in Figure 37. It shows the historical trend of the Accommodation Supplement, including the monthly seasonality of the payment. The one-off spike in expenditure in June 2016 came from expenditure to address the historical Accommodation Supplement alignment issues.<sup>12</sup>

**Figure 37: Expenditure on Accommodation Supplement, monthly since 2004.**



Since the April 2018 increase, expenditure on Accommodation Supplement has been increasing. Possible drivers include: more recipients, current recipients being able to receive more over time as they are less likely to be constrained by the maximum, and rental costs continuing to increase.

<sup>12</sup> For more information: <https://www.msd.govt.nz/about-msd-and-our-work/newsroom/2016/accommodation-supplement-error.html>

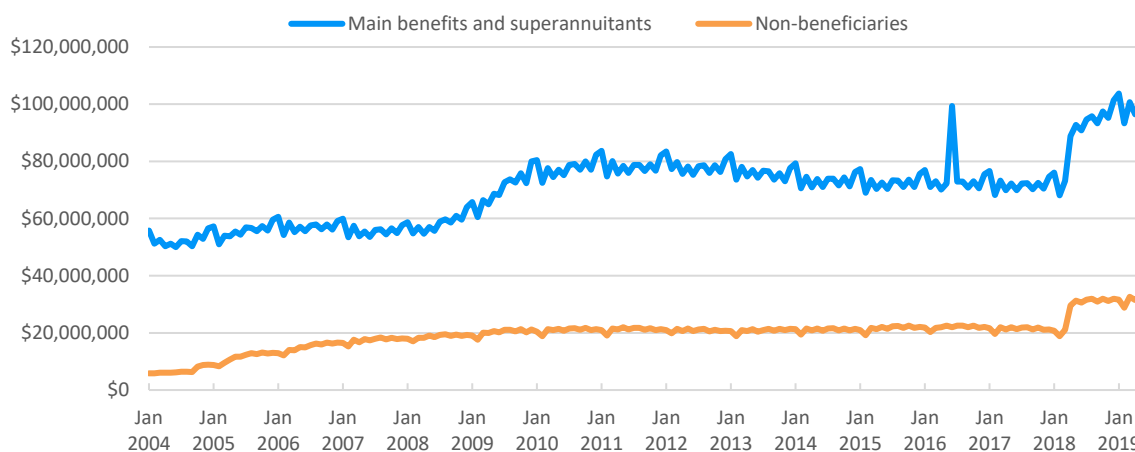
## Expenditure by beneficiary/non-beneficiary status

With Accommodation Supplement data, it is possible to break it down further to compare expenditure between those receiving a main benefit or New Zealand Superannuation/Veteran’s Pension, and non-beneficiaries.

Non-beneficiaries had the largest rise in average payment due to the Families Package, with the average weekly payment increasing from \$85 at the end of June 2017, to \$121 by the end of June 2018. This compares to a smaller rise from \$68 per week to \$88 per week for beneficiaries and superannuitants over the same period.

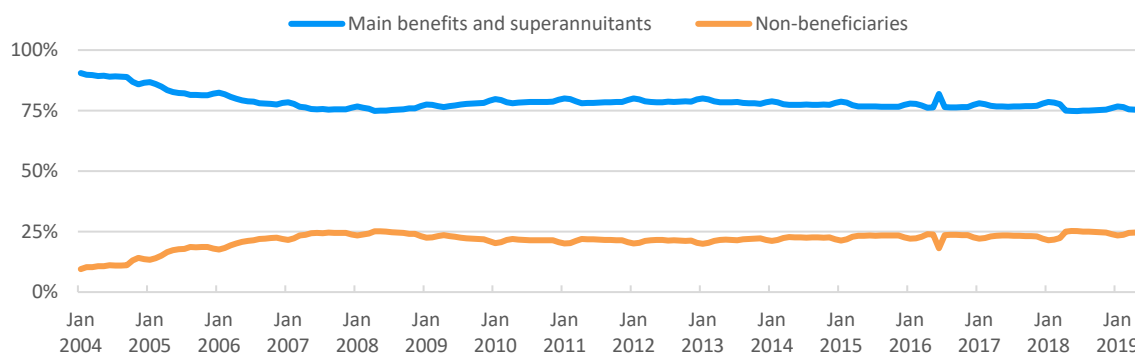
Figure 38 below shows that most of the Accommodation Supplement expenditure is received by people who receive either a main benefit, or New Zealand Superannuation/Veteran’s Pension.

**Figure 38: Expenditure on Accommodation Supplement, monthly since 2004, by benefit group.**



Prior to the start of the Working for Families package, non-beneficiary recipients accounted for 10 percent of Accommodation Supplement expenditure. This increased to 25 percent prior to the Global Financial Crisis, before hovering between 20 and 25 percent for most of the time after that. These proportions have shifted slightly since the introduction of the Families Package, with the proportion of total expenditure on non-beneficiaries increasing slightly relative to the trend due to this group financially benefiting more from the package (Figure 39).

**Figure 39: Share of Accommodation Supplement expenditure, monthly since 2004, by benefit group.**



## Interactions with Temporary Additional Support/Special Benefit

When a client has living expenses that are sufficiently high, (eg, high outgoings for rent), Temporary Additional Support can be used to assist recipients of the Accommodation Supplement.

Temporary Additional Support is a weekly payment that helps people cover essential living costs that cannot be met from their income and through other resources. A person does not need to be receiving a main benefit to qualify for Temporary Additional Support.

The Special Benefit existed for a similar purpose before being replaced by Temporary Additional Support from April 2006. Some clients are still able to receive a Special Benefit, depending on their circumstances prior to April 2006. A client may only receive one: Temporary Additional Support or Special Benefit.

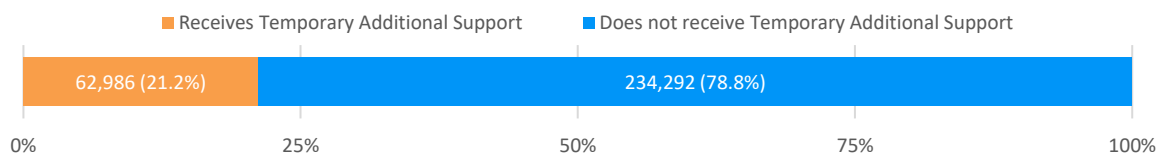
In this section these benefits are counted together and referred to as 'Temporary Additional Support' unless otherwise stated.

An expected outcome of the Families Package was that the number and proportion of Accommodation Supplement recipients who also received Temporary Additional Support would decrease.

### Impacts on receipt

Typically, Accommodation Supplement recipients do not require Temporary Additional Support. As of the end of June 2019, 21.2 percent of Accommodation Supplement recipients also received Temporary Additional Support (Figure 40).

**Figure 40: Number of Accommodation Supplement recipients as at the end of June 2019, by receipt of Temporary Additional Support.**



Note: Totals may not add to 100 percent due to rounding

Figure 41 overleaf shows the change in combined Accommodation Supplement and Temporary Additional Support usage compared to historical trends.

**Figure 41: Number of Accommodation Supplement recipients, monthly since 2004, by if they receive Temporary Additional Support or not.**

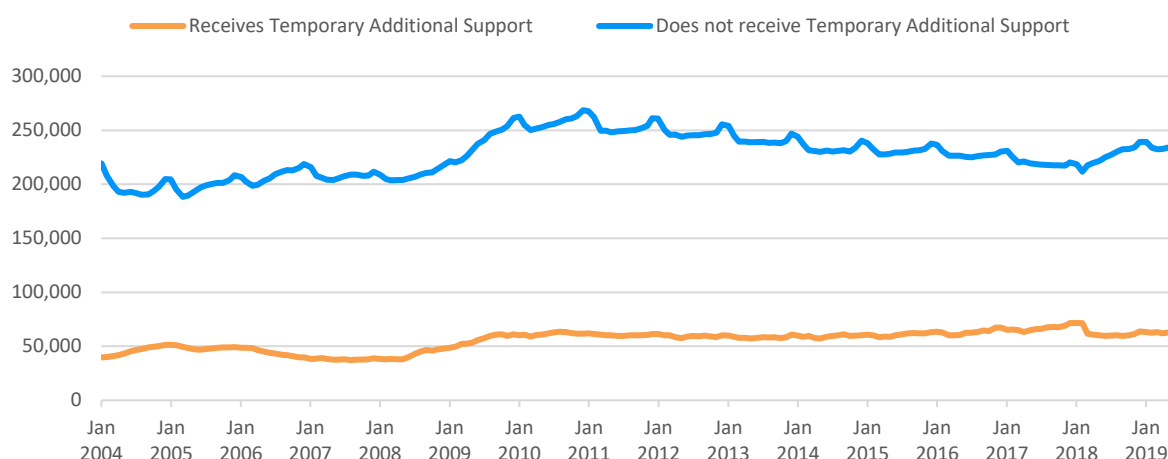


Table 8 shows the number of Temporary Additional Support recipients, and the number of those that were on an Accommodation Supplement, immediately before and after the Families Package changes.

Virtually all recipients of Temporary Additional Support also receive the Accommodation Supplement. Most of were in receipt of a main benefit or were a superannuitant (Figure 42).

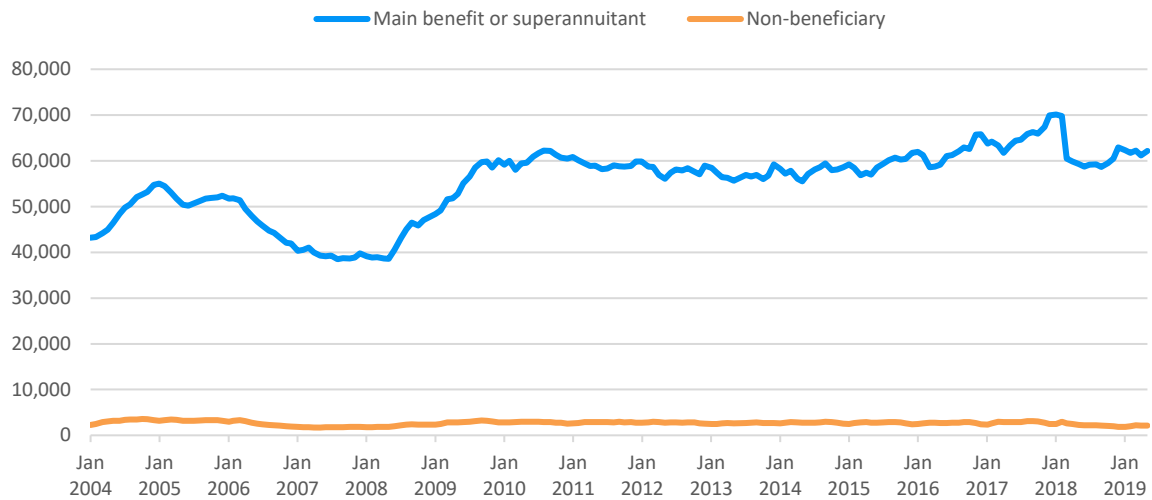
**Table 8: Temporary Additional Support recipients as at selected dates.**

	Receiving Temporary Additional Support	Receiving Temporary Additional Support and an Accommodation Supplement
End of February 2018	72,749	71,427
End of March 2018	63,067	61,632

Note: While the changes took place from 1 April, administratively the systems captured this change in the March 2018 end of month snapshot.

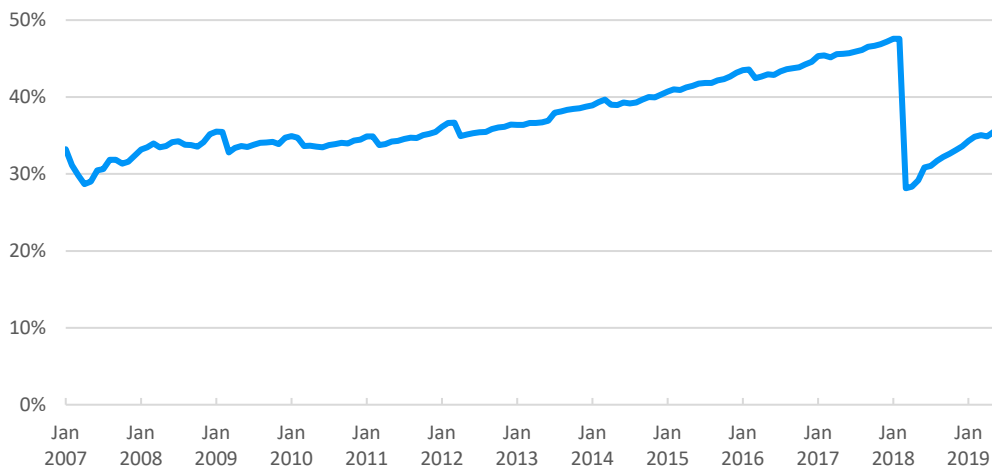
Consequently, the impact of the Families Package changes to Accommodation Supplement had a larger numerical impact on this group, compared to non-beneficiaries.

**Figure 42: Temporary Additional Support recipients, monthly since 2004, by benefit group.**



Finally, there are fewer Temporary Additional Support recipients receiving the maximum possible rate of Temporary Additional Support given their circumstances following the Families Package changes (Figure 43).

**Figure 43: Proportion of Temporary Additional Support recipients being paid the maximum allowable amount, monthly since 2007. <sup>13</sup>**



<sup>13</sup> Special Benefit not included in this measure

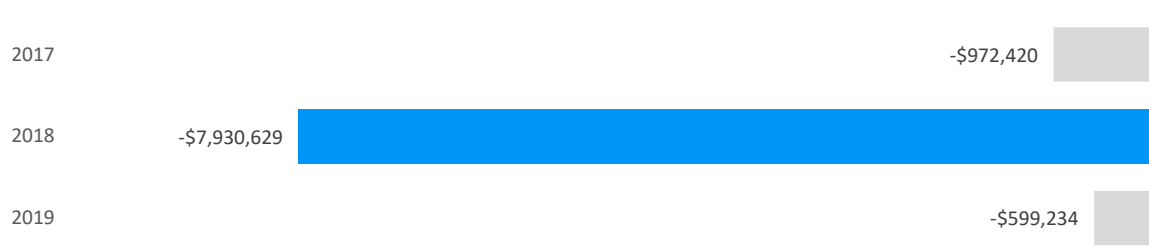


## Expenditure on Temporary Additional Support

Due to the increase of Accommodation Supplement payments, and the reduction of Temporary Additional Support recipients, we also expect a fall in the expenditure on Temporary Additional Support.

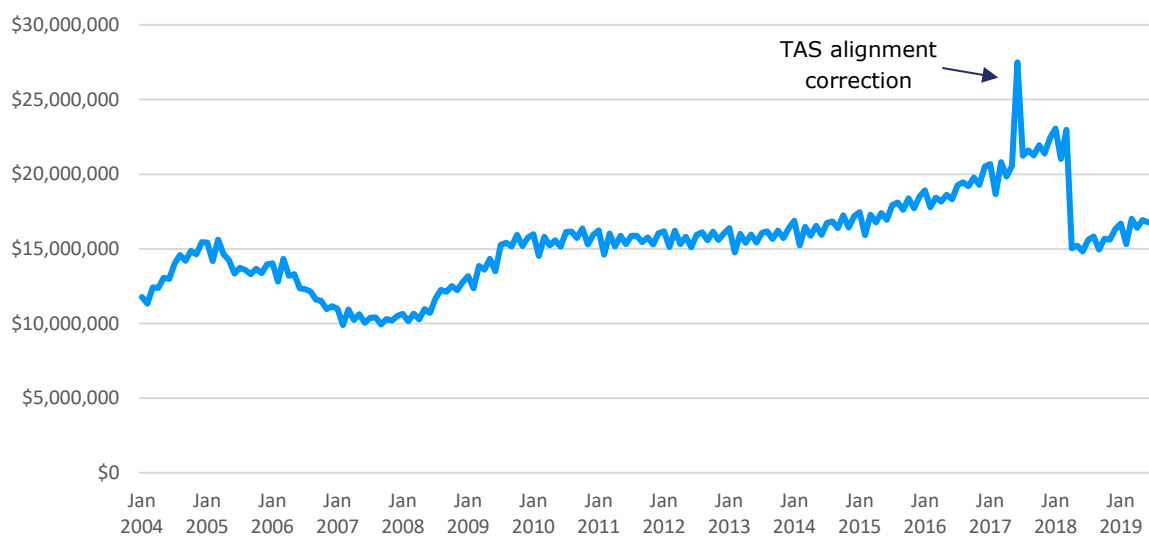
Figure 44 below shows that the direct impact on Temporary Additional Support expenditure of the Families Package was noticeable, especially when compared to typical March and April changes.

**Figure 44: Change in Temporary Additional Support expenditure between March and April over the last three years.**



Expenditure on Temporary Additional Support fell to levels last consistently seen between 2010 and 2014 (Figure 45).

**Figure 45: Expenditure on Temporary Additional Support, monthly since 2004**



The spike in Temporary Additional Support expenditure in June 2017 can be attributed to the "Better off on TAS" findings, which found that many Special Benefit clients would have been better off receiving Temporary Additional Support in the past.<sup>14</sup>

<sup>14</sup> For more information: <https://www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/information-releases/alignment/treatment-of-special-benefit-clients-who-may-be-better-off-on-temporary-additional-support-15-february-2017-.pdf> (Report REP/17/2/115)

## Accommodation Benefit

The Accommodation Benefit is a payment to assist students who are receiving a Student Allowance with their accommodation costs. Therefore, the number of people receiving the Accommodation Benefit over time follows the same trends as the number of people receiving the Student Allowance.

### What changed?

The Families Package increased the maximum rate of Accommodation Benefit from \$40 to \$60 for everyone who was not a sole parent, effective from 1 April 2018. The actual amount of Accommodation Benefit someone would receive depends on their location, and the residential bond rate for that location based on data from the Ministry of Business, Innovation and Employment.

### Receipt of Accommodation Benefit

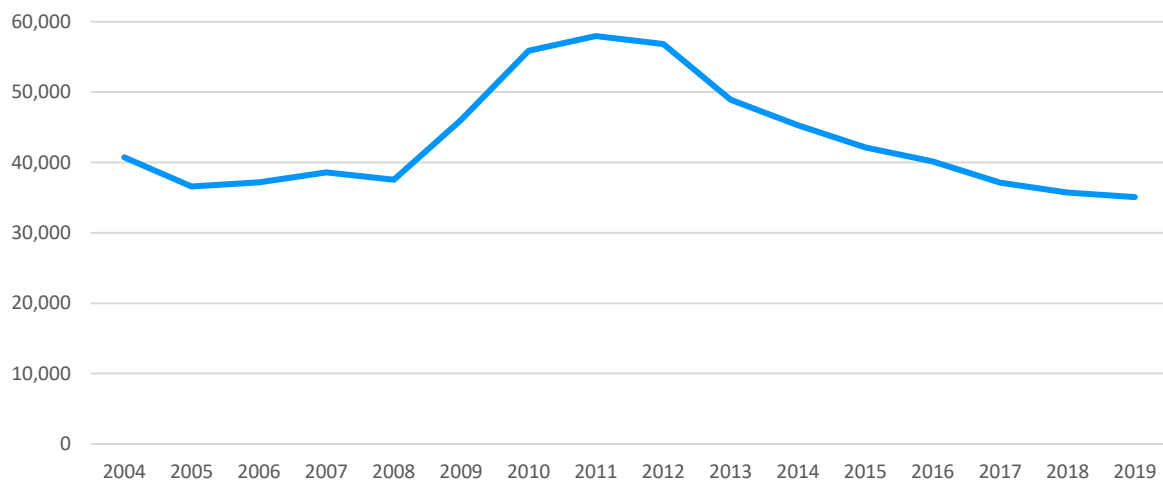
The number of people receiving an Accommodation Benefit during the year to 30 June has decreased slightly over the past three years (Figure 46).

**Figure 46: Total number of people receiving an Accommodation Benefit in the year to 30 June, last three years**



The number of people receiving an Accommodation Benefit has fallen away since its peak in 2011 (Figure 47).

**Figure 47: Total number of people receiving an Accommodation Benefit in the year to 30 June, since 2004.**



During the Global Financial Crisis, student numbers started to rise substantially. This was due in part to education being a relatively good option due to the lack of jobs available in many industries, and the availability of study assistance to study at a postgraduate level.

In 2012, announcements were made which introduced new limitations on the amount of lifetime Student Allowance a student could receive, what programmes of study a student allowance could be granted for, as well as the parental income thresholds being frozen. This meant that over time, fewer students were eligible for a Student Allowance.<sup>15</sup>

Additionally, changes were announced as part of Budget 2013 which further tightened lifetime study limits, and available assistance for some cohorts of students.<sup>16</sup>

The freeze to parental income thresholds announced in Budget 2012 were extended further until March 2019 as part of Budget 2015.<sup>17</sup> The parental income threshold is no longer frozen and rose for the first time since 2012 this year.

### Expenditure on Accommodation Benefit

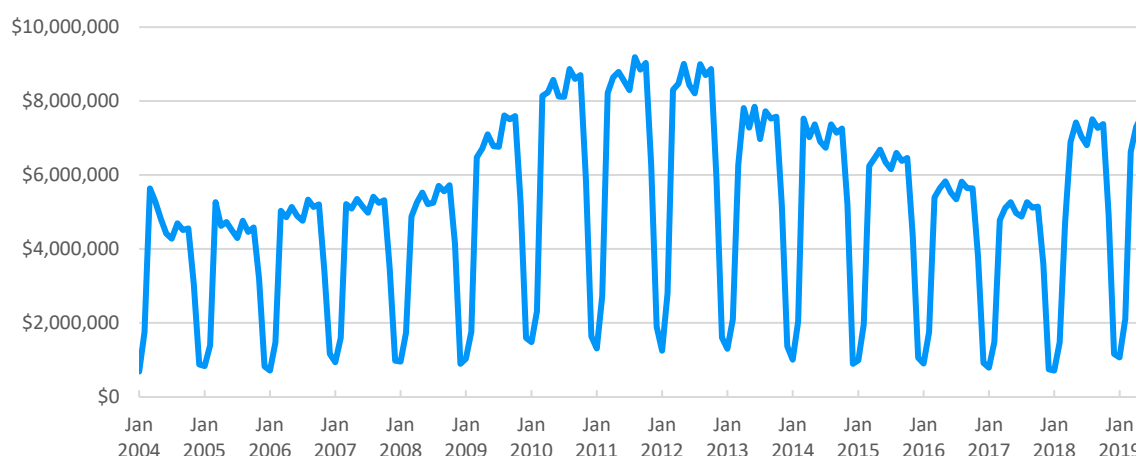
Figure 48 below looks at expenditure in the last three June months. It shows that there was a substantial increase in expenditure following the Families Package changes.

**Figure 48: Expenditure on the Accommodation Benefit during the month of June, last three years.**



The increase in expenditure on Accommodation Benefit returns expenditure to levels last seen in 2014 (Figure 49).

**Figure 49: Expenditure on the Accommodation Benefit, monthly since 2004.**



<sup>15</sup> <https://www.studylink.govt.nz/about-studylink/news/2012/budget-2012-changes-to-student-loans-and-allowances.html>

<sup>16</sup> <https://www.studylink.govt.nz/about-studylink/news/2013/budget-2013-changes-to-student-allowances-and-loans.html>

<sup>17</sup> <https://www.studylink.govt.nz/about-studylink/news/2015/budget-2015.html#null>