



Report

Date: 15 June 2017

Security Level: IN CONFIDENCE

To: Hon Anne Tolley, Minister for Social Development

Cabinet Paper: Treatment of Special Benefit clients who may be better off on Temporary Additional Support and other technical matters requiring changes to social security legislation

Purpose of the report

- 1 This report outlines the changes made to the Cabinet paper following Ministerial consultation and further feedback from agencies. The final version of the Cabinet paper and the Regulatory Impact Statement is attached for submission to Cabinet office by 10 am on Thursday 15 June 2017, for consideration by the Cabinet Social Policy Committee on Wednesday 21 June 2017.

Recommended actions

- 2 It is recommended that you:

- i) **agree** to submit the attached Cabinet paper and Regulatory Impact Statement to Cabinet Office by 10 am on Thursday 15 June 2017

AGREE / DISAGREE

- ii) **note** the Ministry of Social Development will provide you with an aide-mémoire on 19 June 2017 to support your presentation of the Cabinet paper to the Cabinet Social Policy Committee on 21 June 2017.

YES / NO

James Poskitt
General Manager
Working Age Policy

Date

Hon Anne Tolley
Minister for Social Development

Date

Adjustments to the Cabinet paper since the 1 June version

- 3 Since the version provided to you for Ministerial consultation, some minor amendments have been made to the Cabinet paper to respond to late feedback from agencies.

Inland Revenue feedback

- 4 Inland Revenue have assessed the proposals to exempt certain payments from income and cash assets tests for assistance under the Social Security Act 1964 (Issues 1, 5 and 6) for possible flow-on effects for income tax and/or the other social policy products administered by Inland Revenue – Working for Families tax credits, Child Support and Student Loan repayments. The Cabinet paper has been amended to reflect their analysis (paragraph 101).
- 5 They have confirmed that the lump sum payments, being retrospective entitlements to Temporary Additional Support (Issue 1), and dividends from an energy (lines) trust (Issue 5) are not included in the calculation of family scheme income for the calculation of Working for Families tax credits; in taxable income for the purposes of the Child Support Act 1991; or in adjusted net income for the purposes of the Student Loan Scheme Act 2011.
- 6 In respect of Issue 6, Funded Family Care payments do not count as income of the disabled person, but wages paid to family or whānau carers are treated as income (which is consistent with the Social Security Act 1964). Inland Revenue is still assessing the implications of the Enabling Good Lives arrangements.

Ministry of Health feedback

- 7 The Ministry of Health (MoH) had minor feedback which has been addressed in the paper. Specifically:
- It has been further clarified that for existing clients, the decision to move to Temporary Additional Support could involve broader considerations than just financial. For example, reapplication for Special Benefit is less frequent and with Special Benefit there is more flexibility in the cost payable and discretion to pay a higher rate (above the formula calculation). On balance, it is expected that some clients will choose to remain on Special Benefit (paragraph 40)
 - It has been made clear that the proposed amendment for Issue 6 (to ensure payments made to purchase health services and disability support services where there is an employment relationship, are not treated as income or cash assets) is not a change in current practice (paragraph 88).
- 8 MoH asked what support will be available to people with cognitive disabilities to ensure they understand the decision to move to Temporary Additional Support. This is implementation detail, rather than for the paper itself. As with any interview process, clients are able to bring a support person with them or where required MSD can assist in arranging for specialist support to be made available. In addition, MSD is working with beneficiary advocates in the development of the implementation processes and has built in additional steps to ensure that a client has the opportunity to access independent advice prior to making the decision to move to Temporary Additional Support.

Minister of Finance

- 9 The Minister of Finance sought clarification on a few points in relation to the payment of back-dated Temporary Additional Support. Specifically the rationale for recommending that all back-dated payments, and any income derived from them, are exempt from being deemed income and/or cash assist for a period of 12 months after receipt.
- 10 Additional advice was provided to the Minister of Finance via your Office, but no changes were made to the Cabinet paper. Information to cover these points will be included in your aide-mémoire. In addition, the Regulatory Impact Statement addresses the implications of not exempting the back-payments for a period of 12 months (Option 1).
- 11 Further, the approach to exempt all back-payments is consistent with the approach taken for the Accommodation Supplement payment error [CAB-16-MIN-0460.01 refers].

Next steps

- 12 This Cabinet paper will trigger approvals being sought to validate the balance of unappropriated expenditure against the 2016/17 financial year in respect of correcting entitlements to Temporary Additional Support. To meet the deadlines associated with the Public Finance Act 1989, the following schedule is proposed:

Date	Action
21 June 2017	Cabinet Social Policy Committee consideration of <i>Treatment of Special Benefit clients who may be better off on Temporary Additional Support and other technical matters requiring changes to social security legislation</i>
26 June 2017	Cabinet consideration of <i>Treatment of Special Benefit clients who may be better off on Temporary Additional Support and other technical matters requiring changes to social security legislation</i>
14 September 2017	Report to the Minister for Social Development seeking certification of the application under section 26C of the Public Finance Act 1989 (decision required by 21 September 2017)
22 September 2017	Officials submit signed and certified section 26C application to the Treasury to form part of the Appropriation (2016/17 Confirmation and Validation) Bill

We recommend that you lodge the paper with Cabinet office

- 13 The final version of the paper is attached for lodgement with Cabinet Office by 10 am on Thursday 15 June 2017.
- 14 On Monday 19 June 2017 we will provide an aide-mémoire to support you to present the paper to Cabinet Social Policy Committee on Wednesday 21 June 2017.