



# Cabinet

## Minute of Decision

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### Initial Income Stand-Downs: Policy Settings and Options for Change

**Portfolio**                      **Social Development**

On 9 March 2020, following reference from the Ad Hoc Cabinet Committee on COVID-19 Response (CVD), Cabinet:

#### Options to remove stand-downs

- 1 **noted** that it is clear that COVID-19 will have a substantial and prolonged impact on the New Zealand economy;
- 2 **noted** that on 4 March 2019, CVD invited the Minister for Social Development to provide further advice on the following options to remove stand-downs in response to the economic impacts of COVID-19:
  - 2.1 removing the stand-down period on a general basis for eight months;
  - 2.2 removing initial income stand-downs for a defined period for those affected by the economic impacts of COVID-19;

[CVD-20-MIN-0003]
- 3 **noted** that based on the discussions at CVD, the following three options to remove stand-downs are proposed:
  - 3.1 Option 1 - remove the stand-down period on a general basis for 8 months;
  - 3.2 Option 2a – provide narrow discretion to MSD for 8 months to waive the stand-down where a person is applying for a benefit directly because of COVID-19;
  - 3.3 Option 2b - provide broader discretion to MSD for 8 months to waive the stand-down where a person is applying for a benefit directly and/or indirectly because of COVID-19;
- 4 **agreed** to Option 1, to remove initial income stand-downs temporarily for 8 months;
- 5 **noted** that officials will monitor the impact of removing stand-downs, including within the context of the wider economic landscape;

**Amendment regulations**

- 6 **authorised** the submission to the Executive Council of the Social Security (Exemption from Stand Down—Coronavirus Covid-19) Amendment Regulations 2020 [PCO 22791/4.0] which give effect to the decision in paragraph 4;
- 7 **agreed** to a waiver of the 28-day rule on the grounds that the changes in the Amendment Regulations only confer benefits to the public;

**Financial implications**

- 8 **agreed** that costs of the proposal be updated in line with benefit forecasts at BEFU, with the full cost of the policy reflected as a policy change (rather than a forecasting adjustment), with the additional cost charged as a pre-commitment against Budget 2021;
- 9 **agreed** to increase spending to provide for costs associated with the policy decision to remove initial income stand-downs temporarily for 8 months, with the following impacts on the operating balance and net core Crown debt:

|  | \$m – increase/(decrease) |               |         |         |                    |
|--|---------------------------|---------------|---------|---------|--------------------|
|  | 2019/20                   | 2020/21       | 2021/22 | 2022/23 | 2023/24 & Outyears |
| Operating Balance and Net Core Crown Debt Impact | 8.004                     | 13.866        | -       | -       | -                  |
| Operating Balance Impact Only                    | -                         | -             | -       | -       | -                  |
| Net Core Crown Debt Impact Only                  | (1.325)                   | (2.209)       | -       | -       | -                  |
| No Impact  | 0.846                     | 1.462         | -       | -       | -                  |
| <b>Total</b>                                     | <b>7.525</b>              | <b>13.119</b> | -       | -       | -                  |

- 10 **approved** the following changes to appropriations to give effect to the decision in paragraph 4:

|  | \$m – increase/(decrease) |                |         |         |                    |
|--|---------------------------|----------------|---------|---------|--------------------|
|  | 2019/20                   | 2020/21        | 2021/22 | 2022/23 | 2023/24 & Outyears |
| <b>Vote Social Development<br/>Minister for Social Development</b> |                           |                |         |         |                    |
| <b>Benefits or Related Expenses:</b>                               |                           |                |         |         |                    |
| Disability Assistance  | 0.032                     | 0.054          | -       | -       | -                  |
| Hardship Assistance  | (0.498)                   | (0.814)        | -       | -       | -                  |
| Jobseeker Support and<br>Emergency Benefit                         | 5.886                     | 10.216         | -       | -       | -                  |
| Sole Parent Support  | 1.408                     | 2.384          | -       | -       | -                  |
| Supported Living Payment   | 0.284                     | 0.479          | -       | -       | -                  |
| Winter Energy Payment  | -                         | -              | -       | -       | -                  |
| Youth Payment and Young Parent<br>payment                          | 0.083                     | 0.149          | -       | -       | -                  |
| <b>Non-departmental Capital<br/>Expenditure Expenses:</b>          |                           |                |         |         |                    |
| Recoverable Assistance   | (1.325)                   | (2.209)        | -       | -       | -                  |
| <b>Minister of Housing</b>   |                           |                |         |         |                    |
| Accommodation Assistance   | 1.655                     | 2.860          | -       | -       | -                  |
| <b>Total Operating</b>   | <b>8.850</b>              | <b>15.328</b>  | -       | -       | -                  |
| <b>Total Capital</b>   | <b>(1.325)</b>            | <b>(2.209)</b> | -       | -       | -                  |

- 11 **agreed** that the changes to appropriations for 2019/20 above be included in the 2019/20 Supplementary Estimates and that, in the interim, the increases be met from imprest Supply;
- 11 **agreed** that the operating balance and net core Crown debt impact in paragraph 9 above of expenses incurred under paragraph 10 above be charged against the between budget contingency established as part of Budget 2019;
- 12 **noted** that relevant portfolio joint Ministers and the Minister of Finance will approve subsequent forecasting changes to Benefit or Related Expenses and Non-departmental capital expenditure as a result of the economic impact of the COVID-19 outbreak.

Michael Webster  
Secretary of the Cabinet

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**Hard-copy distribution:**

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