

Office of the Minister for Social Development and Employment
Chair, Cabinet Legislation Committee

BUDGET 2021 MAIN BENEFIT RATE INCREASES AND RELATED REGULATORY CHANGES

Proposal

- 1 This paper seeks Cabinet approval to submit to the Executive Council the Social Security (Rates of Main Benefits) Order 2021 and Social Security Amendment Regulations (No 2) 2021, to give effect to the Budget 2021 main benefit rate increases and related complementary changes.

Policy

Main benefit rates will be increasing as part of the Budget 2021 package

- 2 In Budget 2021, to tackle inequality and child poverty, we are lifting weekly main benefit rates by between \$32 and \$55 per adult, to bring these rates in line with a key recommendation of the Welfare Expert Advisory Group (WEAG) and provide an additional boost to families with children [CAB-21-MIN-0116.33 refers]. This will be achieved through the following:
 - the increases will be implemented in two stages, with an immediate \$20 per adult per week increase on 1 July 2021.
 - the second increase will be on 1 April 2022 to lift rates to align with a key recommendation from WEAG. In addition, for families with children, we are increasing main benefit rates by a further \$15 per adult per week in order to continue to make progress towards our child poverty targets
 - we are also helping students by increasing student support by \$25 per week on 1 April 2022.
- 3 This is an important step forward in ensuring that families on the lowest incomes have more income to meet their everyday living costs and advancing this Government's ten-year child poverty targets.
- 4 As a result of this and previous changes¹, main benefit rates will be \$67 – \$86 per week, per adult higher from 1 April 2022 than they would have been under previous settings before these changes (i.e. CPI only).
- 5 When considering the wider suite of changes this Government has implemented since 2017, such as the Families Package and the 1 April 2021 benefit abatement thresholds increases:
 - in total, 109,000 families with children will be, on average, \$175 per week better off as a result of changes made by the Government since late 2017,

¹ Previous changes include the \$25 main benefit increase on 1 April 2020 and the wage indexation of main benefit rates.

- by 2022/23, the number of children in poverty will have reduced by between 31,000 and 85,000 children (a 3.4% to 8.2% point reduction) compared to the 2017/18 baseline year on the after-housing- cost measure.
- 6 Two complementary changes will also be implemented on 1 July 2021 to prevent people from being financially disadvantaged as an unintended consequence of further benefit increases.

Legislative changes are required to implement these changes

- 7 The attached Social Security (Rates of Main Benefits) Order 2021 and Social Security Amendment Regulations (No 2) 2021 give effect to the changes that will be implemented on 1 July 2021.
- 8 The Social Security (Rates of Main Benefits) Order 2021 will increase the after-tax weekly rates of the following payments by \$20, per adult, on 1 July 2021:
- Jobseeker support,
 - Sole parent support,
 - Supported living payment,
 - Youth payment, and
 - Young parent payment.
- 9 Note that the Order in Council will also increase the rates of two grand-parented payments (the former Widow's Benefit and former Domestic Purposes Benefit), which is in line with previous main benefit increases.
- 10 The attached Social Security Amendment Regulations (No 2) 2021 will give effect to the Budget 2021 complementary changes by:
- preventing some people from being unintentionally financially disadvantaged due to increases in income, by amending the Disability Exception Amount formula in the Temporary Additional Support (TAS) to:
 - prevent excess disability costs from being double counted, and
 - pay the first \$100 of excess costs in full and then 30% of any amount remaining.
 - ensuring recipients are not financially disadvantaged from the flow-on effects of future benefit rate increases, by amending the definition of chargeable income for Childcare Assistance to exclude supplementary benefit payments², and
 - preventing unintended circular flows between Transitional Assistance Payments (TAP)³ and Temporary Additional Support (TAS) payments, by exempting payments under the Benefit Rate Increase (Transitional Assistance) Programme 2021 from being considered chargeable income for TAS payments.

² These supplementary benefit payments include Accommodation Supplement, Temporary Additional Support, a Special Benefit, Disability Allowance, a Special Disability Allowance, and an incentive payment.

³ Cabinet agreed to provide a TAP to those who would be financially disadvantaged as an unintended consequence of the changes on 1 July 2021 [CAB-21-MIN-0116.33 refers].

- 11 To reflect the main benefit increase and Minimum Family Tax Credit (MFTC) formula amendment, Cabinet has also agreed to adjust the MFTC threshold which will ensure that sole parents are better off in-work rather than on a benefit, on an annual basis [CAB-21-MIN-0116.33 refers]. The Minister of Revenue will be progressing these changes.
- 12 Legislative changes required to implement the benefit increases on 1 April 2022 will be progressed alongside the Annual General Adjustment in early 2022.

Timing and 28-day rule

- 13 The Orders and Amendment Regulations, if approved, will be submitted to the Executive Council for consideration on 24 May 2021. They will be published in the New Zealand Gazette by 1 June 2021 and will come into force on 1 July 2021. This timing is consistent with Rule 7.96 – 7.99 of the Cabinet Manual (the '28-day rule').

Compliance

- 14 The Orders and Amendment Regulations comply, where applicable, with the following:
 - the principles of the Treaty of Waitangi;
 - the rights and freedoms contained in the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993;
 - the principles and guidelines set out in the Privacy Act 1993;
 - relevant international standards and obligations; and
 - *Legislation Guidelines: 2018 Edition*, published by the Legislation Advisory Committee.

Regulations Review Committee

- 15 There are no grounds for the Regulations Review Committee to draw the Orders or Amendment Regulations to the attention of the House under Standing Order 327.

Certification by Parliamentary Counsel

- 16 The Orders and Amendment Regulations have been certified by the Parliamentary Counsel Office as being in order for submission to Cabinet.

Consultation

- 17 The Treasury have been consulted and the Department of the Prime Minister and Cabinet (Policy Advice Group) have been informed.

Proactive release

- 18 I intend to proactively release this Cabinet paper within standard timeframes.

Financial implications

- 19 The financial implications of the main benefit increase and complementary changes have been approved by Cabinet as part of the wider Budget 2021 package [CAB-21-MIN-0116.33 refers].

Human rights implications

20 This paper has no human rights implications.

Communications

- 21 As part of the legislative requirements, the Order in Council and Amendment Regulations will be notified in the New Zealand Gazette to ensure the 28-day rule is met.
- 22 Ministers will make announcements regarding the wider Budget 2021 Package on Budget Day.
- 23 The Ministry of Social Development is working with other agencies to advise those affected by the main benefit increases and complementary changes in line with the wider Budget 2021 announcements.

Regulatory impact and compliance cost statement

- 24 The Treasury concluded that a Regulatory Impact Statement would substantively duplicate documents which informed decisions, that are to be proactively released by joint agencies (including Ministry of Social Development, Inland Revenue and Treasury), including but not limited to reports covering policy options for increasing main benefits and changes to the MFTC.
- 25 Officials will work with relevant offices to proactively release these reports.

Recommendations

It is recommended that the Committee:

- 1 **note** that as part of Budget 2021, Cabinet agreed to [CAB-21-MIN-0116.33 refers]:
 - 1.1 increase main benefit rates on 1 July 2021 by \$20 net, per week, per adult, and on 1 April 2022 up to the Welfare Expert Advisory Group's recommended adult rates and a further \$15 for families with children
 - 1.2 amend the definition of chargeable income for Childcare Assistance and the formula for the Disability Exception Amount in Temporary Additional Support payments
- 2 **note** that the Social Security (Rates of Main Benefits) Order 2021 will give effect to the main benefit increase by adjusting main benefit rates by \$20 net, per week, per adult, on 1 July 2021
- 3 **note** that the Social Security Amendment Regulations (No 2) 2021 will:
 - 3.1 exempt supplementary benefit payments from being considered chargeable income for Childcare Assistance to ensure recipients are not financially disadvantaged from future income increases
 - 3.2 amend the Disability Exception Amount in the Temporary Additional Support formula to better reflect excess disability costs and prevent some people from losing their Disability Exception Amount due to marginal increases in income

- 3.3 exempt the Benefit Rate Increase (Transitional Assistance) Programme 2021 from being considered chargeable income for Temporary Additional Support payments, to prevent unintended circular flows between the two payments
- 4 **authorise** the submission to the Executive Council of the:
 - 4.1 Social Security (Rates of Main Benefits) Order 2021
 - 4.2 Social Security Amendment Regulations (No 2) 2021
- 5 **note** that the Social Security (Rates of Main Benefits) Order 2021, the Social Security Amendment Regulations (No 2) 2021, and the Benefit Rate Increase (Transitional Assistance) Programme 2021, will come into effect on 1 July 2021
- 6 **note** that the 1 April 2022 legislative changes will be implemented as part of the Annual General Adjustment in early 2022.

Authorised for lodgement

Hon Carmel Sepuloni
Minister for Social Development and Employment