

Chair

Cabinet Business Committee

North Island Weather Events and Nelson Floods: Income and cash asset exemptions

Proposal

- 1 I seek Cabinet's approval to exempt insurance pay-outs, donations, land buyouts and Kaupapa Māori Pathway payments for people affected by the North Island Weather Events (NIWE) and Nelson floods of August 2022 (Nelson floods) from income and cash asset tests for social security assistance.

Relation to government priorities

- 2 The proposals in this paper form part of the Government's response and recovery programme following the NIWE and Nelson floods, including the flooding in the Auckland region on 27 January 2023, and the impacts of Cyclone Gabrielle which resulted in the declaration of a National State of Emergency on 14 February 2023. The Nelson floods of August 2022 resulted in a State of Emergency for the Nelson region and affected Nelson, Tasman and Marlborough.

Executive Summary

- 3 Income and cash asset tests help the Ministry of Social Development (MSD) to determine if a person is using the resources available to them before applying for government support, so that social assistance is targeted to those most in need. Exemptions from these rules enable MSD to be responsive to different situations where it would be unfair, unreasonable or inequitable if certain payments made to a person prevented them from accessing social assistance. For example, exemptions were made for the Canterbury Earthquakes and the Christchurch Mosques Attacks.
- 4 Under the Social Security Act 2018 (the SSA), the Residential Care and Disability Support Services Act 2018 (the RCDSSA), and the Student Allowances Regulations 1998 (the SAR) MSD must consider a client's income and cash assets¹ when determining eligibility for government financial assistance. Exemptions from the income and cash asset tests can be made for payments specified in the Social Security Regulations 2018, the Residential Care and Disability Support Services Regulations 2018, and the SAR.

¹ As well as their partner's and in the case of students, parental income

- 5 One of the main considerations for creating any exemption is balancing the intent of the payment with the general principle of the welfare system that people use the resources available to them before seeking assistance from the state². Analysis of several payments (insurance pay-outs, donations, land buyouts and Kaupapa Māori Pathway payments) against the framework for income and cash asset exemptions demonstrated a rationale for creating these exemptions due to the exceptional nature of the NIWE and Nelson floods (see Appendix One). Implementing an exemption for the NIWE and Nelson floods may also create an expectation of doing the same for any future climate-related events, and potentially an expectation relating to receiving insurance and/or donations for any purpose. Exemptions would create some inequity compared to the treatment of payments for loss of assets in other circumstances³, even if these occur in a similar timeframe. On balance, I consider the exceptional nature of these events' circumstances justifies my proposed response.
- 6 I recommend exempting the above payments for people affected by the NIWE and Nelson floods from income and cash asset tests for social security assistance for a period of 12 months from receipt of payment. I consider that it would be unfair to include these types of payments when assessing the eligibility of people impacted by these events to receive assistance under the SSA, RCDSSA, and SAR as these payments have resulted from loss suffered during these events, and there are exceptional circumstances affecting the use of those payments.
- 7 Further, I recommend the exemptions be time-limited, reflecting that people should not expect to retain payments indefinitely, and payments should be used towards replacing assets or repairing damages caused by these weather events and are intended to help them recover from a loss. I also recommend that these exemptions apply nationally, for all of the NIWE (Cyclone Hale, the Auckland Anniversary rainfall event, and Cyclone Gabrielle), and for those affected by the Nelson floods (including Nelson, Tasman and Marlborough), and for all categories of payments (insurance, donations, land buyouts, and Kaupapa Māori Pathway payments). There is limited rationale to restrict exemptions within these categories. I do not recommend any retrospective application of any exemptions.
- 8 The earliest an exemption could be implemented is November 2023, subject to Cabinet approving regulations in early November.
- 9 The estimated cost for progressing the exemption work is \$69,000 over four years. There are no ongoing costs. I propose to fund this through a fiscally neutral adjustment from some of the funding in the Administering Income Support category of the Improved Employment and Social Outcomes Support Multi Category Appropriation.
- 10 While MSD is unaware of specific cases where insurance payments or donations are affecting people's assistance and considering the process for land buyouts is still

² Social Security Act 2018 S3(c)(i) - to ensure that the financial support... is provided to people taking into account (i) that, where appropriate, they should use the resources available to them before seeking financial support under this Act

³ Such as other insurance payments for loss of or destruction or damage to buildings or other property by fire or flood.

being developed, I recognise this situation is likely to arise in the near future as more certainty develops around the next stages of recovery for communities.

Background

- 11 The NIWE (including Cyclone Hale, Auckland Anniversary Weekend rainfall event and Cyclone Gabrielle) of early 2023 caused widespread damage affecting several regions in the North Island, including: Northland, Gisborne, Bay of Plenty, Hawke's Bay, Waikato, Tararua District, and Auckland.
- 12 These weather events resulted in a National State of Emergency being declared on 14 February 2023, only the third in New Zealand's history. As a result of these extreme weather events, a large number of properties were severely damaged, some becoming uninhabitable with restricted access.
- 13 Alongside housing damage, the weather events have caused severe impacts on people, and existing income and asset testing may have an impact on MSD's ability to support those affected. There have also been additional stresses placed on disadvantaged communities which could have an ongoing impact of exacerbating social and economic inequalities.
- 14 The Auckland Anniversary rainfall event and Cyclone Gabrielle are separately the two largest insurance weather events in New Zealand's history, with an estimated cost of \$3.18 billion. As of 1 June 2023, the combined number of insurance claims for the Auckland event and Cyclone Gabrielle stand at 107,569 for private insurance claims (of which 37,326, or 35%, have been settled) and 6,805 for EQ Cover claims.
- 15 The Nelson region, including Tasman and Marlborough had similar impacts in August 2022. A state of emergency was declared on 17 August 2022 in the Nelson region due to heavy rain and flooding. At this stage, there are 26 property owners identified in Nelson that cannot reside in their properties due to the floods.

Affected people may be receiving payments from insurance, donations, land buyouts, and/or Kaupapa Māori Pathway payments

- 16 People affected by the weather events may receive any the following:
 - 16.1 insurance payments, including lump sum payments, payments for repairs and payments covering temporary accommodation costs
 - 16.2 donations from various sources, including pay-outs from charitable organisations, NGOs, businesses and GoFundMe fundraisers
 - 16.3 land buyouts, including future large cash payments for land, from Government and Council buyouts
 - 16.4 Kaupapa Māori Pathway payments, including grants allowing people to retain ownership of their land.
- 17 Insurance pay-outs, donations, land buyouts, and Kaupapa Māori Pathway payments mean that some people will, or already have, acquired money through one, or several,

IN CONFIDENCE

of these means. As regulation stands, these sources would be included in income and cash asset tests, impacting on residents' eligibility for support under the SSA, the RCSSA, and the SAR.

Insurance Payments

- 18 There are several types of insurance payments:
 - 18.1 lump sum payments when the insurance company decides that the house is uneconomic to repair
 - 18.2 payments of claims for repairs to the property
 - 18.3 payments to cover temporary accommodation costs, which can be paid as periodic payments over the eligible period or, in some cases, as a lump sum if the insurer thinks the whole allowance will be needed.
- 19 Affected residents may be receiving insurance pay-outs for property but may not yet be able to repair or be in a position to buy new property. Additionally, these processes may take a long period of time to resolve.

Donations

- 20 Funds have been raised to donate to affected communities across various sources, including the New Zealand Disaster Fund (Red Cross), Cyclone Appeal, and the New Zealand Lotteries Commission. Most of the relief funds have not yet been dispersed and it is not yet clear where all the donations are being dispersed to. The total sum of donations raised for communities are on a much smaller scale than insurance pay-outs or future land buyouts.
- 21 Affected residents may use donations for various purposes such as replacing lost belongings or repairing property. Donations may be used quickly or kept back to contribute toward later expenses.

Land Buyouts

- 22 On 1 June 2023 the Government announced it will enter into a funding arrangement with Councils in cyclone and flood affected regions to support them to offer a voluntary buyout for owners of Category 3 designated properties. Hawke's Bay council recently considered an agreement with the Government on cost-sharing, while councils in Tairāwhiti and Auckland are expecting to complete funding arrangements in coming weeks.
- 23 Potentially affected residents may receive large cash payments for their land and will need to retain this until they are in a position to purchase new land.

Kaupapa Māori Pathway payments

- 24 There has also been progress towards developing the Kaupapa Māori Pathway, established for Māori land and communities as part of work on the Future of Severely Affected Locations (FOSAL) following the NIWE. This pathway is being progressed

in parallel with the wider FOSAL programme, including the Category 3 buyout scheme led by councils [CAB-23-MIN-0414]. These are payments similar to Government buy-outs (to allow people to move from category 3 land), but without the purchase component (recognising different ownership structures and Treaty considerations). Therefore, they are intended to be grants, allowing people to retain ownership of their land.

Payments may impact affected people's access to social security assistance

- 25 Income and cash asset tests help the Ministry of Social Development (MSD) to ensure that social assistance is targeted to those most in need. Exemptions from these rules enable MSD to be responsive to different situations where it would be unfair, unreasonable or inequitable if certain payments made to a person prevented them from accessing social assistance.
- 26 Under the SSA, SAR and the RCDSSA, MSD must consider aspects of a client's income and cash assets when determining what support a person may be eligible for. A one-off payment, such as the provision of an insurance pay-out, may affect people's eligibility to social security assistance.
- 27 Exemptions for certain types of income and cash assets are specified in the Social Security Regulations 2018, the Residential Care and Disability Support Services Regulations 2018, and the SAR. Payments such as insurance pay-outs, donations, land buyouts and Kaupapa Māori Pathway payments related to the NIWE and Nelson floods are not currently exempt under these regulations, so these payments will be treated as income or cash assets when determining someone's eligibility to social security assistance. ^{s 9(2)(h)} [REDACTED]
- 28 This may disadvantage people affected by the NIWE and Nelson floods as these payments could be considered as income and/or cash assets under the Social Security Act 2018 and other legislation. For example, increased cash assets (because of a land buyout, donation, or insurance pay-out) could mean people are ineligible for certain assistance, or a person's benefit rate could be abated due to interest earned on a payment that is retained in savings. Any related interest from these payments will also likely be included in calculations and could reduce means tested eligibility. Without an exemption the payment would also still be treated as a cash asset and would affect assistance that includes an asset test, for example Special Needs Grants, Accommodation Supplement or Temporary Additional Support.

The scale of the impact remains uncertain

- 29 It remains unclear at this stage when this issue may arise and to what extent, including the distribution of those impacts. I have been informed that there is currently no evidence of specific cases where clients have become ineligible for MSD assistance solely due to any of these payments. However, we know that there is the potential for this to occur given some homeowners receive assistance such as the Accommodation Supplement.

- 30 Insurance payments are yet to be made in many cases, and land buyouts are unlikely to begin for several months. I also expect that the numbers ultimately affected are likely to be relatively small. For example, only a small proportion of homeowners receive Accommodation Supplement.
- 31 I do know that there are people struggling with temporary accommodation costs following the NIWE and Nelson floods, but my understanding of these cases is that the current difficulties are predominantly due to double accommodation costs rather than insurance payments affecting eligibility for MSD assistance. People with double accommodation costs will be supported by the new Severe Weather Events Temporary Accommodation Assistance (SWE TAA) which I announced on 19 July 2023.

Analysis

There is rationale for an exemption for these payments

- 32 In 2019, I agreed to a draft framework for determining whether an income or cash asset exemption is required. Assessing insurance pay-outs, donations and land buyouts against that framework (summarised in Appendix One) demonstrates that there is a rationale in all cases for exempting these payments from affecting means-tested welfare system supports. As the Kaupapa Māori Pathway payments are similar to the land buyouts, these payments also meet the rationale to be exempted.
- 33 The main consideration in this situation is the alignment with legislative intent, i.e. whether this situation justifies a different treatment. The means-testing of the welfare system reflects the legislative requirement that people should use resources available to them before calling on the government for assistance.
- 34 MSD officials recommended exemptions for the NIWE and Nelson floods should be broadly applied across the types of assistance specified above in paragraph 16. They did not recommend retrospective application given the requirement for primary legislation and that there is no evidence of people being impacted to date. I support this and recommend these changes.
- 35 Exempting payments for those affected by the Nelson floods creates a stronger risk of creating a precedent for these types of events in the future, particularly as the numbers of those affected in the Nelson, Tasman and Marlborough regions are smaller than those affected by the NIWE. As with the NIWE, the scale of impact remains uncertain and there remains no evidence of where clients have become ineligible for MSD assistance. However, in an announcement on 1 September 2023, the Government determined that for a small number of Nelson homeowners, the impacts from the August 2022 floods have been similar to those affected by the NIWE. When applying the policy framework (Appendix One) there is rationale to include those affected by the Nelson floods in the exemptions.

Unique events have been treated differently in the past and these events have some exceptional characteristics

- 36 In 2011, the Government determined that it was appropriate to protect the payments that people received following the Canterbury earthquake to ensure they could be

used for their intended purpose. An exemption was created to avoid people needing to use these payments for their ongoing expenses, given the exceptional nature of the event.

- 37 Large-scale or national events have less community support than singular isolated events, as the effects hit the whole community at once so resources and community support are more thinly spread. Some affected people may also be holding cash assets for an extended period of time, given the scale of these events and demand for common resources from, for example, the building and construction industry.
- 38 The severity of the NIWE and Nelson floods, and the uncertainty regarding the ability to use payments given ongoing insurance and government buyout processes, presents a rationale for treating payments for these events differently to payments in ordinary circumstances.
- 39 The exceptional nature of these weather events is demonstrated by, for example, the passage of the Severe Weather Emergency Recovery Legislation Act 2023, the land buyout process being progressed by central and local government, and my decision to create the bespoke TAA payment.

A special treatment can therefore be justified, but it has equity and precedent considerations

- 40 Creating exemptions for the NIWE and Nelson floods will create an inequity, benefiting those who receive these payments compared to those who receive similar insurance or donation payments in other situations – such as for fire or flood damage unrelated to the weather events. This could be perceived as unfair.
- 41 There is a risk that creating exemptions in this instance sets a precedent for future events of a similar nature. With the potential for the frequency of similar events to increase, exemptions such as these could become more common. The Government’s approach to managed retreat is also under development, and decisions for the NIWE and Nelson floods may create an expectation that future climate-related events result in an exemption for similar payments.

Income and cash asset tests should be amended to ensure that affected people’s social security assistance is not negatively impacted

- 42 I propose that an exemption be applied to insurance pay-outs, financial donations received, and land buyout payments related to the NIWE and Nelson floods. I consider this exemption should also include any Kaupapa Māori Pathway payments received. I consider that it would be unfair to include these types of payments when assessing the eligibility of people impacted by these events to receive assistance under the SSA, RCDSSA, and the SAR as payments received have resulted in them being significantly disadvantaged compared to others in the community.

IN CONFIDENCE

- 43 I propose that these payments are exempted as both income and cash assets under the Social Security Regulations 2018; as income under the SAR; and as income and assets under the Residential Care and Disability Support Services Regulations 2018⁴.
- 44 I also propose that the exemptions include any related interest made from these payments (insurance pay-outs, donations, land buyouts and Kaupapa Māori Pathway payments). The decision to exempt related interest, rather than derived income, is to ensure that, in the unlikely event, people cannot apply for an exemption with the intent to use the funds to make money through investments.
- 45 This proposal will exempt these payments from assistance under the Social Security Act 2018, including Accommodation Supplement and Temporary Additional Support. Without further policy changes, exemptions under the Social Security Act 2018 will also flow through to:
- 45.1 Working for Families Assistance under the Income Tax Act 2007 (except for related interest on payments, which will continue to be charged as income)
 - 45.2 Income-related rent calculations under the Public and Community Housing Act 1992
 - 45.3 Community Services Card eligibility under the Health Entitlement Cards Regulations 1993.
- 46 Income exemptions will also flow through to the income definitions for regulations under the RCDSSA.
- 47 Amendment regulations to the SSA, RDCSSA regulations, and SAR will ensure that those affected by the NIWE and Nelson floods who receive insurance pay-outs, donations, land buyouts and/or Kaupapa Māori Pathway payments, that fall within the definition of the exemptions will not have their eligibility for social security assistance affected.
- 48 Recipients may take time to decide how they use their payments and I consider that this is appropriate. For example, people who receive an insurance pay-out may not be in a position to buy a new property for a while, so the cash assets will remain in the bank. I propose that the exemption period apply for 12 months from the receipt of payment for all payments, as this approach is consistent with other exemption periods in the welfare system. This approach to an exemption was used during the Canterbury earthquakes for similar types of payments. Also, given the uncertainty around the impacts of the NIWE and Nelson floods on the ability for people to use these payments, I recommend that 12 months is most appropriate in the first instance.
- 49 I also propose the exemption applies nationally. I do not consider there is any distinction between the various regions of New Zealand that have been impacted by the NIWE and Nelson floods that would cause the analysis of the framework to be applied differently. This avoids any potential inequity that could arise on the basis of applying exemptions based on someone's current geographic location.

⁴ The asset test under the RCDSSA is broader than cash assets, but this exemption would prevent NIWE and Nelson floods payments from being included cash assets.

- 50 Because of this, I also propose that exemptions for all payments (insurance pay-outs, donations, land buyouts, and Kaupapa Māori Pathway payments) applies to those affected by the Nelson floods of August 2022 in the Nelson region. With regard to the Nelson floods, I intend for the exemption to cover the same weather event(s) for which someone would be eligible for the SWE TAA in the region(s). This extends to also include Tasman and Marlborough. I also intend this to align with the announcement of the Nelson land buyouts which were announced on 1 September 2023.
- 51 Regardless of these exemptions, some people may still be ineligible for particular assistance depending on their circumstances. For example, Special Needs Grants require MSD to consider the applicant's ability to meet the need from their own resources. This discretionary consideration is over and above the income and cash asset requirements for which I would be implementing exemptions, and therefore would not be exempt through this proposed change.

Implementation

- 52 I am informed by MSD that the quickest an exemption could be implemented would be November 2023. To be implemented in November, without a waiver of the 28-day rule, the regulations would need to be made by Order in Council and notified in the New Zealand Gazette by 2 November. Work to operationalise the exemptions can be completed with minor system changes and limited resources with a timeframe of 10 weeks.

Cost-of-living Implications

- 53 The NIWE and Nelson floods exemptions for insurance pay-outs, donations, land buyouts and/or Kaupapa Māori Pathway payments will enable residents affected by these events to maintain their standard of living as they will be able to continue to receive the same level of support provided to them under the SSA, RCDSSA, and SAR when they receive an insurance pay-out, donation, land buyout and/or Kaupapa Māori Pathway payment.

Financial Implications

- 54 The Treasury has advised that it considers implementing the exemptions would have a financial impact. This is because if exemptions are not put in place, the cost to the Crown would go down, as people lose eligibility for MSD support. Therefore, if the exemptions are put in place, there would be a new cost to the Crown as people do not lose their MSD support.
- 55 MSD officials have estimated the cost for progressing the exemption work as \$69,000 from the 2023/24 to 2026/27 financial year(s). There are no ongoing costs. This estimation is relatively uncertain due to the difficulties of accurately costing this change, but MSD expect that final fiscal implications will be very small. The scale of impact is still unclear and there remains no evidence of people being impacted by the existing rules applying to insurance pay-outs, donations, or land buyouts from the NIWE and Nelson floods. The impact on any single appropriation is not expected to be material. However, this paper seeks to make a nominal increase in the

Accommodation Assistance appropriation, which is where most of the cost is expected to fall.

56 I propose to fund this through a fiscally neutral adjustment from some of the funding in the Administering Income Support category of the Improved Employment and Social Outcomes Support Multi Category Appropriation. This reprioritisation is supported by the Treasury. As a result of this reprioritisation, this paper is fiscally neutral overall.

57 It is not solely Vote Social Development assistance that will be affected (i.e. a small number of people will not lose eligibility to other assistance). For example, people retaining their eligibility for the Community Services Card (CSC) could have flow-on costs in Vote Health (i.e. subsidy for general practices to offer lower-cost appointments to CSC holders), but this cost is likely to be immaterial.

Legislative Implications

58 Exempting financial payments from insurance pay-outs, donations, land buyouts and Kaupapa Māori Pathway payments will, subject to Cabinet agreement, require amendments to the Social Security Regulations 2018, Residential Care and Disability Support Services Regulations 2018 and the Student Allowances Regulations 1998. If Cabinet agree to these amendments, the Parliamentary Counsel Office will be instructed to draft changes to these regulations.

59 A paper will need to be submitted to Cabinet seeking agreement to the amendment regulations in early November 2023.

Impact Analysis

Regulatory Impact Statement

60 The Treasury's Regulatory Impact Analysis team has determined that this proposal to exempt insurance pay-outs, donations, land buyouts and Kaupapa Māori Pathway payments for people affected by the NIWE and Nelson floods from income and cash asset tests for social security assistance is exempt from the requirement to provide a Regulatory Impact Statement on the grounds that it has no or only minor impacts on businesses, individuals, and not-for-profit entities.

Climate Implications of Policy Assessment

61 The Climate Implications of Policy Assessment (CIPA) team has been consulted and confirms that the CIPA requirements do not apply to this proposal as the threshold for significance is not met.

Population Implications

62 It is unclear the scale of this problem and the population cohort that is specifically affected by this issue, however the number of people affected is expected to be very small meaning population implications are expected to be only minor. There are no specific gender, ethnicity, or disability-related considerations in the proposals in this paper. Although, it is noted the potential negative impact on some people due to a

short time-limited exemption. Due to the unknown impact and scale of this issue, I consider a time-limited exemption is appropriate.

- 63 This exemption is expected to largely benefit homeowners rather than renters, meaning we would expect whānau Māori to benefit proportionately less than other New Zealanders given the lower rates of Māori home ownership (i.e. in 2018 owner occupied dwellings consisted of 47.2% by Māori, compared to 70.6% by European). However, I note that this assistance for renters is being provided through the new SWE TAA. MSD officials have advised me that they would be unable to track the number of exemptions applied for the NIWE and Nelson floods due to the time constraints, so the scale of this problem is likely to remain unclear.

Treaty Analysis

- 64 The NIWE and Nelson floods exemptions support clients to continue to receive their full and correct entitlements and is compliant with a Tiriti response to extreme weather events. This also supports Article 3 of the Treaty regarding rights to citizenship. The proposed exemptions ensure people affected by the NIWE and Nelson floods aren't disadvantaged in terms of eligibility for MSD assistance if receiving related insurance pay-outs, donations, land buyouts and/or Kaupapa Māori Pathway payments. However, due to significant time constraints, this proposal has not been designed with Māori, does not deliver Tiriti-based outcomes and has not been confirmed to be responsive to tikanga values. It is noted that the proposals in this paper have minor impacts, so are not expected to impact Māori significantly.

Human Rights

- 65 The proposals in this paper are not in any way inconsistent with the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993.
- 66 The proposals in this paper are also compliant with Article 11 of the United Nations Convention on the Rights of Persons with Disabilities (CRPD).

Consultation

- 67 The Ministry of Education, the Treasury, Inland Revenue, the Ministry of Health, Whaikaha – Ministry of Disabled People, Te Piki Oranga, the Ministry of Business, Innovation and Employment, the Ministry of Housing and Urban Development, the Ministry for Pacific Peoples, the Ministry for Women, the Office for Seniors, the National Emergency Management Agency and the Ministry for Ethnic Communities have been consulted. The Department of the Prime Minister and Cabinet has been informed.
- 68 The Minister of Education and the Minister of Health agreed to progress the recommendations relating to the Student Allowances Regulations 1998 and the Residential Care and Disability Support Services Regulations and Act 2018.

Communications

- 69 MSD will work to develop a communications strategy for communicating the changes to those affected.

Proactive Release

- 70 I intend to proactively release this Cabinet paper within standard timeframes, with redactions made consistent with the Official Information Act 1982.

Recommendations:

It is recommended that the Committee:

- 1 **note** that following the North Island Weather Events (NIWE) between January and February 2023 and the Nelson floods of August 2022 (including Nelson, Tasman and Marlborough), affected individuals may be receiving financial payments from insurance pay-outs, donations, land buyouts and/or Kaupapa Māori Pathway payments;
- 2 **note** that some of the people affected by the above weather events will be receiving social security assistance of some kind;
- 3 **note** that the financial payments from insurance pay-outs, donations, land buyouts and/or Kaupapa Māori Pathway payments would currently be treated as cash asset or income when determining eligibility for other government assistance and may impact:
 - 3.1 eligibility to financial assistance from MSD
 - 3.2 access to long-term residential care
 - 3.3 eligibility to Public Housing and Income Related Rent;
- 4 **agree** to the Social Security Regulations 2018, the Residential Care and Disability Support Services Regulations 2018, and the Student Allowances Regulations 1998 being amended to exempt payments of insurance pay-outs, donations, and land buyouts by Government or Councils made in relation to the NIWE and Nelson floods, and any related interest from them, from asset, cash asset and income tests for financial assistance for a period of 12 months from receipt of payment;
- 5 **agree** that any NIWE related payments received from the Kaupapa Māori Pathway are also exempted, and any related interest from them;
- 6 **agree** that for Student Allowances this exemption will apply to personal income, spouse or partner income, and parental income tests;
- 7 **invite** the Minister for Social Development and Employment to instruct the Parliamentary Counsel Office to give effect to recommendations 4, 5 and 6;
- 8 **note** Ministers' preference that out-of-cycle changes be funded from reprioritisation;
- 9 **note** that the Ministry of Social Development has identified that funding could be reprioritised from the Improved Employment and Social Outcomes Support Multi Category Appropriation;
- 10 **note** that the exemptions would apply to main benefits, hardship assistance and supplementary assistance under Vote Social Development, as well as some

IN CONFIDENCE

appropriations in other Votes such as Vote Health and Vote Revenue, but the change is unlikely to have a material impact for most appropriations, except for Accommodation Assistance in Vote Social Development;

- 11 **approve** the following fiscally neutral adjustment to provide for recommendations 4, 5 and 6 with no impact on the operating balance or net debt:

Vote Social Development	\$m – increase / (decrease)				
	2023/24	2024/25	2025/26	2026/27	2027/28 & Outyears
Minister for Social Development and Employment Multi-category Expenses and Capital Expenditure					
Improved Employment and Social Outcomes Support					
Departmental Output Expense:					
<i>Administering Income Support (funded by revenue Crown)</i>	(0.069)	-	-	-	-
Minister of Housing Benefits or Related Expenses:					
<i>Accommodation Assistance</i>	0.019	0.019	0.019	0.012	-
Total Operating	(0.050)	0.019	0.019	0.012	

- 12 **agree** that the proposed changes to appropriations for 2023/24 above be included in the 2023/24 Supplementary Estimates and that, in the interim, the increase(s) be met from Imprest Supply;
- 13 **note** that the earliest an exemption could be implemented is November 2023, subject to Cabinet approving regulations in early November and a potential waiver of the 28-day rule;
- 14 **invite** the Minister for Social Development and Employment to report back to Cabinet with the final regulations and provide an update on timing.

Authorised for lodgement

Hon Carmel Sepuloni

Minister for Social Development and Employment and Minister for Auckland

Appendices

Appendix 1: Analysis of the North Island Weather Events and Nelson floods against the income and cash assets exemption framework