Office of the Minister for Social Development and Employment

Cabinet Legislation Committee

Social Security (Modernisation) Amendment Bill 2026

Proposal

1 This paper seeks approval for the introduction of the Social Security (Modernisation) Amendment Bill (the **Bill**). This Bill gives effect to the Government's Budget 2025 Automated Decision-Making (**ADM**) package by providing clear legislative authority for the Ministry of Social Development (**MSD**) to use ADM to make decisions s 9(2)(h)

Government priorities

2 Increasing the use of ADM across MSD supports the Government's priority to be a fiscally responsible steward of public funds and plays a key role in delivering on the Government's target to have 50,000 fewer people on Jobseeker Support by 2030. This is because ADM increases efficiency in the welfare system and staff will have more time for high-value employment conversations and to focus on one-on-one support.

Policy

3 The use of ADM has increased in recent years to improve efficiency, free up resources and improve services, to enable the welfare system to be faster and more effective at meeting people's needs.

4 Business processes (or parts of processes) are automated when systems are used in lieu of humans to complete actions. These processes are ADM when those actions involve decisions made without substantial human involvement. The systems used for ADM can be direct implementations of business rules, or they can involve forms of Artificial Intelligence (**AI** - such as predictive models).[1] All the systems proposed to implement the processes in this Bill are rules-based.

5 This Bill is part of the ADM Budget 2025 package which, combined with the Social Security (Mandatory Reviews) Amendment Act 2025 from 2 March 2026, is expected to return $158m net in savings over five years.

6 The Bill forms a two-part policy solution to strengthen MSD's use of ADM, s 9(2)(h) and improving overall efficiency in the welfare system, which:

6.1 introduces a general authorising provision in the Social Security Act 2018 (the **Act**) that enables MSD to approve the use of an automated electronic system by a specified person to make any decision, exercise any power, comply with any obligation, or take any other related action under any specified provision or Cabinet authorisation, with appropriate safeguards;

[1] MSD does not use generative AI in business processes that are ADM.

6.2 s 9(2)(h) (mandatory reviews, medical reviews and the end of school year process) [SOU-25-SUB-0013 and SOU-25-SUB-0052 refer]. Changes to these processes largely codify operational practice.

7 Future uses of ADM will be be assessed against the ADM Standard as part of the MSD Privacy, Human Rights, and Ethics Framework (PHRaE), and other legislative and operational safeguards. These safeguards exist to protect the rights and interests of clients who interact with MSD. This is detailed further in Appendix Two.

Cabinet agreed to broaden the use of ADM and remediation of mandatory reviews, medical reviews, and the end of school year process [SOU-25-MIN-0013 and SOU-25-MIN-0052 refer]

8 Cabinet agreed to expand the legislative authority for MSD to approve the use of ADM as set out in paragraph 6.1.

9 The Social Security (Mandatory Reviews) Amendment Act 2025 introduced mandatory reviews for specified benefits at least every 52 weeks on 2 March 2026.[2] Cabinet agreed to the following changes to mandatory reviews for this Bill:

9.1 requiring MSD to undertake a mandatory review at least every 52 weeks for the following additional specified benefits that do not expire:

9.1.1 Special Benefit (**SpB**);

9.1.2 Childcare Subsidy (**CCS**);

9.1.3 Out of School Care and Recreation Subsidy (**OSCAR**);

9.1.4 Orphan's Benefit (**OB**);

9.1.5 Unsupported Child's Benefit (**UCB**); and

9.1.6 Benefits received while a beneficiary is residing overseas for more than 26 weeks, including New Zealand Superannuation (**NZS**), Veteran's Pension (**VP**), Widow's Benefit (**WB**), Orphan's Benefit (**OB**) and Supported Living Payment (**SLP**).

9.2 suspending a client's specified benefit using ADM if they do not respond to their review within a specified time or continuing the rate of a client's specified benefit if the client confirms no change in circumstances (for the benefits specified in 9.1 above, excluding SpB);

9.3 not processing a mandatory review using ADM in certain situations when the client has declared no change in specific circumstances for three consecutive years, when:

9.3.1 the client has been receiving Disability Allowance (**DA**) or Accommodation Supplement (**AS**) and has declared no change in their costs or income for three consecutive years

[2] Specified benefits are Supported Living Payment, Disability Allowance, Accommodation Supplement (except for Youth Payment or Young Parent Payment recipients), Emergency Benefit with an expiry longer than 52 weeks or no expiry, and New Zealand Superannuation with a Non-Qualified Partner. Exceptions from mandatory reviews are set out in the Social Security Regulations 2018.

9.3.2 a non-beneficiary client has declared no income at the time that their mandatory review was returned.[3]

9.4 that all specified benefits a client receives, except OB, UCB, and SpB, will be part of the same mandatory review (i.e. reviewed together at the same time).

10 Cabinet agreed to introduce medical reviews as a part of remediation, including:

10.1 where appropriate, requesting medical certificates, or other relevant medical evidence, and stopping a client's assistance in certain circumstances;

10.2 processing Work Capacity Medical Certificates using ADM if a client has not had any change in their health condition, injury or disability for clients receiving Jobseeker Support or Supported Living Payment on the grounds of a health condition**,** injury or disability (**JS-HCID** and **SLP-HCID**);[4]

10.3 that MSD will require all clients receiving JS-HCID, SLP-HCID, Supported Living Payment on the ground of caring for another person (**SLP-Carer**), Child Disability Allowance (**CDA**) or DA (together known as 'medical benefits') to provide a medical certificate, or other medical evidence (where appropriate). This is on application for assistance or when their medical coverage ends, for the purposes of determining eligibility;

10.4 that in some circumstances it may be appropriate to grant an extension to allow clients more time to obtain a medical certificate or other relevant medical evidence (extension and deferral settings set out in Appendix One).

11 For the end of school year remediation, Cabinet agreed that MSD will review a caregiver's benefit before an included child turns 18 and remove the child from the benefit if the caregiver does not complete the review within a specified period.

12 Cabinet authorised me to take final policy decisions to develop and implement all proposals outlined in paragraphs 9-11 and invited me to issue instructions to Parliamentary Counsel Office (**PCO**).

Additional policy decisions required in order to remediate processes using ADM

13 s 9(2)(h) [redacted] I seek Cabinet's agreement to these additional decisions.

Automated Decision-Making

14 MSD consulted with the Legislative Design and Advisory Committee (**LDAC**) on certain policy and legislative design elements of the Bill. LDAC provided feedback on ADM safeguards, recommending that ADM safeguards in the Act be strengthened, including embedding the entire ADM Standard in the Act. This would limit MSD's effectiveness and flexibility in responding to emerging issues which would undermine the intent of the general authorising provision.

Please note: The recommendation of 'embedding the entire ADM Standard in the Act' is not correct. LDAC provided advice that MSD could consider formalising the Standard through regulations.

15 I propose to respond to LDAC's feedback by requiring in statute (rather than in operation) that the ADM Standard must consider issues of bias and discrimination,

[3] A non-beneficiary is someone who does not receive a main benefit.
[4] SLP-HCID is referred to in the Act as Supported Living Payment on the grounds of restricted work capacity or total blindness.

legal and policy, fraud, transparency, human oversight and compliance and assurance. MSD will also be required to consult with the Human Rights Commission and any other suitable agencies or groups as identified by MSD to ensure the interests of vulnerable communities and other interested parties are taken into account. This is in addition to consultation with the Privacy Commissioner.

Mandatory reviews

16 For clarity, the Bill will define specified benefits introduced 2 March 2026 as 'universal review benefits' as they are grouped together for review, per Cabinet agreement [paragraph 9.4 refers]. The Bill will define specified benefits introduced through this Bill as 'independent review benefits,' as I propose these are not grouped together, as the eligibility criteria and administration of these benefits are unique to these types of assistance. This is except for OB and UCB, which when it is paid alongside Disability Allowance payable in respect of the UCB/OB child (and any other benefit or special assistance) will be reviewed together.[5] This means when UCB/OB is suspended, varied or cancelled due to the client not responding to, or as a result of, the mandatory review and DA or any other benefit or special assistance is paid alongside the UCB/OB, those other benefits/assistance are also affected.

17 It was agreed by Cabinet that when a client returns their mandatory review and confirms the information on their mandatory review is correct, MSD will continue their benefit at the same rate, except for Emergency Benefit (EB) [ECO-25-MIN-002 refers]. This decision was rescinded in CAB-25-MIN-0050 because EB and SpB can be paid at a discretionary rate, it is inappropriate to use ADM. I propose that EB and SpB are excluded from the requirement to continue at the same rate so that a staff member can appropriately exercise their discretion.

18 Cabinet previously agreed that MSD will not notify a client of their mandatory review if their benefit is suspended [ECO-25-SUB-0002 refers]. I propose that MSD must notify clients of their mandatory review if their benefit is suspended (excluding those in prison/on remand or absent from New Zealand). This is so clients whose benefit is suspended with the intention of returning to benefit have the same time to respond.

19 Cabinet also agreed that Accommodation Supplement (**AS**) when the client is receiving a Youth Payment (**YP**) or Young Parent Payment (**YPP**) would be excluded from mandatory reviews [CAB-25-MIN-0050 refers]. This is because YP and YPP clients regularly confirm their changes in circumstances with their Youth Service Provider. I propose that YP and YPP clients are excluded from mandatory reviews of DA for the same reason from 1 July 2026.

20 For universal review benefits, Cabinet agreed that when the client does not respond to their review, their benefit will be automatically stopped on the review date [ECO-25-MIN-0002 refers]. However, if the benefit that is suspended or cancelled is a main benefit, all other benefits and special assistance will be automatically suspended or cancelled[6] except for those specified.[7] If the outcome of the review is that the client is no longer eligible for their main benefit due to a change in circumstances the benefit will be suspended or cancelled, and all other benefits, except those in footnote eight,

Please note: in paragraph 20, the reference to footnote eight is incorrect. This should read 'footnote seven'

[5] Combining reviews for OB/UCB and DA paid for a child enables MSD to check eligibility and rate payable for those benefits at the same time by confirming circumstances and costs.

[6] An automatic suspension means that ADM is used to suspend other benefits as a result of a main benefit suspending without substantial human involvement.

[7] OB, UCB, CCS, CDA, OSCAR, Guaranteed Childcare Assistance Payment (GCAP), Youth Payment, Young Parent Payment, New Zealand Superannuation or Veteran's Pension.

will be automatically suspended or cancelled. If the outcome of the review is that the main benefit is varied due a change in circumstances, and the rate of other benefits are affected by the change or the change results in no entitlement, those other benefits will automatically vary or suspend. Changes in circumstances are always reviewed by a human.

21 s 9(2)(h) [redacted]

However, when the main benefit is suspended, the rate payable for other assistance is unknown, so it is suspended pending a review. MSD may review on-going entitlement to other benefits and special assistance where appropriate.

22 I propose that the above operational practice in paragraph 20 is codified through the Bill to maintain the integrity and intent of mandatory reviews to ensure that clients are eligible for and receiving the right rate of assistance.

23 I propose that MSD is not required to undertake or complete a mandatory review when a beneficiary has died, to correct an oversight identified in the development of the Bill. This will also apply to medical reviews, and end of school year where relevant.

Medical reviews and end of school year

24 Cabinet previously agreed that MSD will require all clients receiving JS-HCID, SLP-HCID, SLP-Carer, CDA or DA (a medical benefit) to provide a medical certificate or other medical evidence (where appropriate) at application or medical review for the purposes of eligibility [SOU-25-MIN-0052 refers].

25 I propose that this agreement be amended so that providing a medical certificate or other medical evidence (where appropriate) is required for MSD to grant and continue a medical benefit. The period of medical coverage will be based on the evidence provided and will be used by MSD to determine if the client meets the medical qualifications for the benefit. Having medical certificates as a requirement, rather than a means of determining eligibility, will allow MSD to grant extensions and deferrals where appropriate.

26 A regulation-making power is required to enable deferring cohorts of clients when they are experiencing exceptional circumstances which would make it unreasonable for them to comply with the requirement to provide medical certificate or other evidence within the relevant timeframe or even with an extension. This power will allow the creation of regulations that describe cohorts of clients in exceptional circumstances up to a maximum of 52 weeks.

27 When a second opinion is needed as indicated by the prescribed health practitioner or when eligibility for the relevant benefit is unclear, MSD can require a person receiving JS-HCID or SLP-HCID to undergo a medical examination. I propose extending this discretion to all medical benefits, thereby allowing MSD to require clients receiving SLP-Carer, CDA or DA to undergo a medical examination when appropriate at any time. This will ensure consistency in the Act.

28 In current operational practice, when a person receives JS-HCID or SLP-HCID as well as receiving Residential Care Subsidy (**RCS**), Residential Support Subsidy

(**RSS**) or a hospital rate of payment,[8] they are not required by MSD to provide subsequent medical evidence if their current medical coverage ends while in a residential facility or hospital. This is because their need for residential care, support or hospitalisation is taken as a proxy for medical coverage.

29 A client will be required to provide new evidence to continue receiving a medical benefit after they leave their residential facility or hospital. Their benefit will be suspended on the Monday after they leave their residential facility or hospital, unless they provide the medical evidence before that date.[9] Currently, MSD can resume the client's payments during the suspension period and extend the medical review due date if there is a good and sufficient reason for the delay in providing new evidence – this is to support the client to re-enter the community.

30 I propose the above operational practice is codified in the Act to provide clarity for this cohort to continue receiving their medical benefit while in care.

31 When a client does not respond to their medical review before the due date (the day after their medical coverage ends), the medical benefit will be automatically suspended. If the client responds to the medical review, and the outcome is that the client is no longer eligible for the medical benefit, the benefit is suspended. If the benefit is a main benefit most of the client's other benefits and special assistance will also be automatically suspended.[10] If the benefit is DA or CDA, and the client also receives Temporary Additional Support (TAS), the TAS will be automatically suspended.

32 The above process also applies to the end of school year (EOSY), when a main benefit is suspended in the EOSY process, most of the client's other benefits and special assistance will be automatically suspended. If the benefit suspended through the EOSY process is DA, CDA or AS, and the client receives TAS, the TAS will also be suspended. This also applies if DA is cancelled.

33 s 9(2)(h) [redacted] This would require MSD to reach out to the client again to request information MSD had previously requested about their current circumstances and complete a manual review on a case-by-case basis. This would create a high administrative burden for staff.

34 s 9(2)(h) [redacted] If a client's DA or CDA (and AS for the EOSY process) is suspended or cancelled during a medical review or in the EOSY process, and they receive TAS, their TAS must also be suspended. This allows for consistency across mandatory reviews, medical reviews and the EOSY process. Clients will be notified and can contact MSD to review their entitlements while they are suspended.

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[8] Residential Care Subsidy is a subsidy paid through Health New Zealand – Te Whatu Ora (HNZ) for long-term residential care, Residential Support Subsidy is for payments made by HNZ or Disability Support Services for residential supports. Clients in public hospital for 13 weeks or more have their main benefit reduced to the hospital rate of payment.

[9] The benefit will stay suspended for a period of eight weeks, before being cancelled.

[10] This does not include the benefits specified in footnote eight. CDA will be suspended if that benefit is the one currently subject to a medical review and the client does not respond to the review before the due date.

Please note: in footnote 10, the reference to footnote eight is incorrect. This should read 'footnote seven'

Contentious items

35 The Bill expands MSD's use of ADM in the administration of the welfare system, which has recently been the subject of scrutiny, and the new uses of ADM could be misunderstood. I expect MSD to clearly explain the changes within this Bill to affected clients, including how ADM is being used, the safeguards in place for the use of ADM, and how clients can exercise their review rights.

Associated regulations

36 The Bill amends section 438A of the Act, which is a regulation-making power to operationalise the mandatory reviews scheme, to expand on the regulation-making powers and functions.

37 The Bill also introduces a new regulation-making power to make regulations for prescribing the circumstances and timeframes for deferring a cohort of client's requirement to provide a medical certificate (or other evidence) for up to 52 weeks.

38 The Bill will amend the Social Security Regulations 2018 (the Regulations) to bring the Bill into operation.

39 The Bill will introduce a transitional regulation-making power that enables transitional and savings provisions concerning amendments made by the Bill to address any unintended outcomes from implementation. This will have a sunset clause to revoke this power after three years.

Impact analysis

40 A regulatory impact statement was prepared in February 2025 for this Bill which received a 'partially meets' rating through internal quality assessment (Appendix Four). The panel noted the limited public consultation and modelling. This was submitted to Cabinet in March 2025 [SOU-25-SUB-0013 refers]. An addendum to this impact statement has been prepared for consideration of this paper.MSD's Assurance Panel has reviewed the addendum (Appendix Five) and considers that it partially meets the Quality Assurance criteria. The addendum is concise and makes a clear case, on balance, for the preferred options. It clearly identifies the constraints on the analysis, but it does not meet the consultation criteria.

Compliance

41 The Bill complies with each of the following:

- 41.1 the principles of the Treaty of Waitangi;
- 41.2 the disclosure statement requirements;
- 41.3 the principles and guidelines set out in the Privacy Act 2020;
- 41.4 relevant international standards and obligations;
- 41.5 the Legislation Guidelines (2021 edition), which are maintained by the Legislation Design and Advisory Committee (LDAC);

42 I note that the Ministry of Justice will complete vetting of the Bill with respect to its consistency with the rights and freedoms contained in the New Zealand Bill of Rights Act 1990.

Consultation

43 The following departments were consulted: the Ministries for Ethnic Communities, Pacific Peoples, Primary Industries, Regulation, and Women; Ministries of Business, Innovation and Employment, Education, Health, Housing and Urban Development, Justice, Youth Development and the Ministry of Disabled People – Whaikaha; Departments of Internal Affairs and Inland Revenue; Oranga Tamariki; Te Puni Kōkiri; the Public Service Commission; the Social Investment Agency; Te Tari Whakatau; the Treasury; the Office of the Privacy Commissioner; Veteran's Affairs; the Child Welfare and Poverty Reduction Group, and Statistics New Zealand. The Department of the Prime Minister and Cabinet was informed.

44 Officials consulted with LDAC in October 2025 on specific provisions in the Bill and incorporated feedback from LDAC to more closely align the Bill with the Guidelines.

Creating new agencies or amending law relating to existing agencies

45 This legislation will not create a new agency or amend law relating to existing agencies. The legislation will not amend the existing coverage of the Ombudsman Act 1975, the Official Information Act 1982, or the Local Government Official Information and Meetings Act 1987.

Allocation of decision-making powers

46 The Bill does not allocate decision-making powers between the executive, the courts, and tribunals.

Binding on the Crown

47 The Act is binding on the Crown.

Definition of Minister/department

48 The Bill does not contain a definition of minister, department or equivalent government agency, or chief executive of a department or equivalent position.

Commencement of legislation

49 The Bill will come into force on 1 July 2026 with staggered commencement dates to reduce the impact on frontline services.

Parliamentary stages

50 The Bill is proposed to be passed under Budget night urgency (all stages).

Proactive Release

51 I intend to proactively release this paper, and associated decisions, with any appropriate redactions within 30 working days of the Bill's introduction to the House.

Recommendations

I recommend that the Legislation Cabinet Committee:

1 **note** that the Social Security (Modernisation) Amendment Bill (the Bill) is proposed to be passed under Budget night urgency (all stages);

Automated Decision-Making

2 **note** that future uses of ADM will be assessed against the ADM Standard as part of the MSD's Privacy Human Rights and Ethics Framework;

3 **agree** to amend the Act to include what the ADM Standard should consider (i.e. bias and discrimination, legal and policy considerations, fraud considerations; transparency, human oversight, and compliance and assurance);

4 **agree** that the Act require MSD to consult on the ADM Standard with the Human Rights Commission and any other suitable agencies or groups as identified by MSD to ensure the interests of vulnerable communities and other interested parties, in addition to the requirement to consult with the Privacy Commissioner;

Mandatory reviews

5 **agree** that independent review benefits are reviewed on separate cycles (i.e., not grouped together with other specified benefits) except for Unsupported Child's Benefit (UCB) and Orphan's Benefit (OB) which will be reviewed alongside Disability Allowance (DA) paid in respect of or for the UCB/OB child;

6 **agree** that when UCB or OB is suspended, varied or cancelled in the mandatory reviews process, MSD must suspend or cancel, continue or vary (where applicable) any other benefit or special assistance paid in respect of or for the UCB/OB child including DA (except for Childcare Subsidy (CCS) Out of School Care and Recreation Subsidy (OSCAR), Child Disability Allowance (CDA), Guaranteed Childcare Assistance Payment (GCAP), or any main benefit);

7 **agree** that MSD must notify clients of their mandatory review if their benefit is suspended in the same way they would be if their benefit was not suspended, except if the client is in custody, in prison or on remand, or absent from New Zealand;

8 **agree** that clients receiving Youth Payment (YP) or Young Parent Payment (YPP) will no longer be subject to mandatory reviews for DA from 1 July 2026;

9 **agree** that when a universal review benefit that is a main benefit is suspended, varied or cancelled in the mandatory reviews process, MSD must suspend or cancel, continue or vary (where applicable), all other benefits and special assistance (excluding OB, UCB, CCS, OSCAR, CDA, GCAP, New Zealand Superannuation (NZS) other than at a Non-Qualifying Partner rate, or Veteran's Pension (VP));

10 **agree** to exclude EB and Special Benefit (SpB) from the requirement to automatically continue a specified benefit at the same rate when a client returns their mandatory review and confirms the information is correct;

11 **agree** that MSD is not required to undertake or complete a mandatory or medical review or the end of school year process where relevant if the beneficiary has died;

Medical reviews and end of school year (EOSY)

12 **agree** that clients will be required to provide a medical certificate (for clients receiving Jobseeker Support – Health Condition, Injury or Disability (JS-HCID), DA, or Supported Living Payment – Caring (SLP-Carer)) or other medical evidence (where appropriate) before MSD can grant or continue a medical benefit. The evidence will determine the period of medical coverage. This amends Cabinet's previous decision [recommendations 9 and 12 in SOU-25-MIN-0052 refer];

13 **agree** to introduce a regulation-making power that allows the Governor-General, through Order in Council, to make regulations which specify circumstances and periods for a deferral when a cohort of clients will be deferred from the requirement to provide a medical certificate or medical evidence for a period up to 52 weeks;

14 **agree** to allow MSD to require a person applying for or receiving any medical benefit to undergo a medical examination, at any time, for the purpose of establishing or reviewing their eligibility;

15 **agree** that clients receiving JS-HCID or SLP-HCID as well as Residential Care Subsidy (RCS), Residential Support Subsidy (RSS), or the hospital rate of payment are not required to provide a medical certificate or other medical evidence until the Monday after they leave their residential facility or hospital;

16 **agree** that when a client receiving RCS, RSS, or the hospital rate of payment leaves their residential facility or hospital, and their medical benefit is suspended, MSD can resume their payments from the suspension date to provide an extension of up to 40 working days from the suspension date if the client contacts MSD during the suspension period, and MSD is satisfied that the client has a good and sufficient reason for the delay;

17 **agree** that if a main benefit is suspended as a part of the medical review or EOSY process, MSD must suspend all other benefits excluding OB, UCB, CCS, OSCAR, CDA, GCAP, or any other main benefit (unless that benefit itself is affected by the medical review or EOSY);

18 **agree** that that when DA, CDA or Accommodation Supplement is suspended or cancelled as a part of the medical review or EOSY process, if the client also receives Temporary Additional Support (TAS), MSD must also suspend TAS;

Introduction

19 **agree** to the inclusion of regulation-making powers in the Bill that enable transitional and savings provisions concerning amendments made by the Bill to address any unintended outcomes from implementation, with a sunset provision to revoke this power after three years;

20 **authorise** the Parliamentary Counsel Office to make editorial corrections, or other non-substantive (policy neutral) drafting changes, to the Bill in preparation for introduction to the House of Representatives;

21 **approve** the Social Security (Modernisation) Amendment Bill for introduction, subject to the final approval of the Government caucus and sufficient support in the House of Representatives;

22 **agree** that the Government propose that the Bill be enacted by 1 July 2026 with a staggered implementation.

Authorised for lodgement

Hon Louise Upston

Minister for Social Development and Employment