



# Report

**Date:** 3 April 2019

**Security Level:** In-Confidence

**To:** Hon Carmel Sepuloni, Minister for Social Development

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## **Draft Cabinet Paper: Changes to Income and Cash Assets Tests – Methamphetamine Contamination Recovery**

### **Purpose of the report**

- 1 Your agreement is sought to submit the attached draft Cabinet paper by 10:00am on 4 April 2019 to the Cabinet Office for the Cabinet Social Wellbeing Committee meeting of Wednesday 10 April 2019, subject to any changes you may require. This will allow the following Amendment Regulations to be progressed:
  - Social Security (Cash Assets and Income Exemptions – Refunds of Specified Debt Repayments) Amendment Regulations 2019
  - Residential Care and Disability Support Services (Exempt Assets – Refunds of Specified Debt Repayments) Amendment Regulations 2019.
- 2 The proposed Amendment Regulations will exempt refund payments related to methamphetamine contamination recovery made by the Ministry of Social Development (MSD) from being treated as income or cash assets for social assistance and long-term residential care.
- 3 We also seek your agreement to specific changes to the Direction in relation to Special Benefit.

### **Recommended actions**

It is recommended that you:

- 1 **agree** to submit, subject to any changes you require, the draft Cabinet paper "Changes to Income and Cash Assets Tests – Methamphetamine Contamination Recovery" by 10:00am on 4 April 2019 to the Cabinet Office for the Cabinet Social Wellbeing Committee meeting of Wednesday 10 April 2019

**Agree / Disagree**

- 2 **agree** to amend the Direction in relation to Special Benefit to ensure that:
  - 2.1 financial donations and gifts related to the Christchurch Mosques attack of 15 March 2019 will not be considered as chargeable income for Special Benefit purposes

**Agree / Disagree**

2.2 Accommodation Supplement area boundaries lump sum payments are not considered as chargeable income for Special Benefit purposes

**Agree / Disagree**

2.3 refund payments related to methamphetamine contamination recovery debt not be considered as chargeable income for Special Benefit purposes

**Agree / Disagree**

3 **agree** to proactively release the Cabinet paper "Changes to Income and Cash Assets Tests - Methamphetamine Contamination Recovery" within the standard 30-day timeframe following its consideration by Cabinet.

**Agree / Disagree**

  
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Justine Cornwall  
General Manager  
Seniors and International Policy

3 April 2019  
Date

\_\_\_\_\_  
Hon Carmel Sepuloni  
Minister for Social Development

\_\_\_\_\_  
Date

**We advised you earlier in March on writing off debt relating to Methamphetamine Contamination recovery and the impact of paying refunds on people’s entitlements to financial assistance**

- 4 You and the Minister of Finance previously agreed to write off debts for recoverable assistance incurred by main tenants, additional signatories and other occupants of Housing New Zealand (HNZ) properties who had their tenancies ended due to zero-tolerance methamphetamine contamination policies [REP/19/2/129 refers]. This debt write off occurred through a written authorisation that established a class of debt to be written off under the Social Security Act 2018 (SSA).
- 5 The report noted that MSD would be providing you advice on exempting these refunds from income and cash assets tests for social assistance. Some clients have made debt repayments from their income and officials consider that it would be appropriate to refund them in this situation. MSD is currently planning to begin making refund payments in mid to late April 2019. However, substantial refunds that clients may receive could impact on people’s current and on-going entitlement to some financial assistance, particularly Accommodation Supplement (AS) and Temporary Additional Support.

**The attached draft Cabinet paper proposes Amendment Regulations to exempt refund payments in relation to methamphetamine contamination recovery**

- 6 The attached draft Cabinet paper seeks approval to make changes to income and cash assets tests. It is proposed that refund payments related to methamphetamine contamination recovery debt be exempted from income and cash asset tests for social assistance. This will be achieved through the proposed Amendment Regulations:
  - Social Security (Cash Assets and Income Exemptions – Refunds of Specified Debt Repayments) Amendment Regulations 2019
  - Residential Care and Disability Support Services (Exempt Assets – Refunds of Specified Debt Repayments) Amendment Regulations 2019.
- 7 The Amendment Regulations will also enable refund payments made to affected people in need of Public Housing to be made exempt from the cash assets test, as the SSA definition for cash assets (and subsequent exemptions) is also used to assess Public Housing eligibility.

**To ensure that we can begin making refund payments to affected people by mid-April 2019, Cabinet and consultation processes have been truncated**

- 8 MSD is implementing an operational process for the debt write off to occur for all affected parties. This process will involve checking their circumstances and writing off their debt. Some affected parties will have refund payments due to them and MSD considers that it is important to provide these as promptly as possible. Therefore, we are proposing to truncate the usual Cabinet paper process (separate policy and legislative decisions) and instead submit one combined paper to the Cabinet Social Wellbeing Committee seeking decisions for both policy and Amendment Regulations simultaneously.
- 9 § 9(2)(f)(v)  
§ 9(2)(f)(v) The Amendment Regulations will be ready in time for Cabinet Social Wellbeing Committee consideration of the final Cabinet paper on 10 April 2019.

## **Amendments are needed to the Direction in relation to Special Benefit to ensure that particular payments are not considered as chargeable income**

- 10 The Direction in relation to Special Benefit needs to be amended to ensure that particular payments are not considered as chargeable income for Special Benefit purposes.

*The draft Cabinet paper notes that changes will need to be made for the Direction in relation to Special Benefit for Methamphetamine Contamination Recovery*

- 11 The draft Cabinet paper notes that you will be making a change to the Direction in relation to Special Benefit for refund payments related to methamphetamine contamination recovery. As a matter of practice, changes to the Direction for Special Benefit generally occur after the regulations relating to them have been approved by Cabinet and are in force.
- 12 This change can be made after the Amendment Regulations have been considered by Cabinet. Therefore, we seek your agreement to amend the Direction in relation to Special Benefit to ensure that refund payments related to methamphetamine contamination recovery debt not be considered as chargeable income for Special Benefit purposes.

*There is also now the opportunity to make previously agreed changes to the Direction in relation to Special Benefit for the Christchurch Mosques attack and Accommodation Supplement area boundaries lump sum payments*

- 13 An instrument amending the Direction in relation to Special Benefit is currently being prepared and will be provided to your office for your approval.
- 14 There are two changes that can now be progressed, which you have previously noted to Cabinet that would you make.
- 15 The first change relates to financial donations and gifts received by people in relation to the Christchurch Mosques attack of 15 March 2019. The previous Cabinet paper on changing income and cash assets tests for donations for people affected by the attack noted that you would be changing the Direction in relation to Special Benefit.
- 16 The second change is to exclude AS area boundaries lump sum payments as chargeable income. Several remedial matters were amended alongside the 2019 Annual General Adjustment [LEG-19-MIN-0014 refers]. One of these matters was exempting the back payments made for the AS boundaries issue from income and cash asset tests for social assistance.
- 17 The Social Security Regulations 2018 and the Residential Care and Disability Support Services Regulations 2018 were amended to specifically exempt these back payments. However, the Direction in relation to Special Benefit was not amended to exempt these back payments from being considered as chargeable income for Special Benefit purposes.
- 18 Specifically we seek your agreement to amend the Direction in relation to Special Benefit to ensure:
- that the financial donations and gifts received by people in relation to the Christchurch Mosques attack of 15 March 2019 are not considered as chargeable income for Special Benefit purposes
  - that AS area boundaries lump sum payments are not considered as chargeable income.
- 19 We will provide you a further report with the changes to the Direction in Relation to Special Benefit by, or before, 16 April 2019.

## Next steps

- 20 The proposed timeline for this Cabinet paper is set out below. Subject to any feedback you may have, we propose that the Cabinet paper be finalised and lodged by 10:00am 4 April 2019. This timeframe will enable Amendment Regulations to be in place by 16 April 2019.

Timeframe	Date
Provide you with a draft Cabinet paper, combining agreement for policy changes and Amendment Regulations, and seeking a waiver of the 28-day rule for Regulations	3 April 2019
Update final Cabinet paper with any comment you may have, if required	4 April 2019
Cabinet paper lodged once agreed	By 10:00 am on 4 April 2019
Proposals considered by Cabinet Social Wellbeing Committee	10 April 2019
Proposals considered by Cabinet and Executive Council	15 April 2019
Regulations Gazetted	16 April 2019
Regulations come into force	16 April 2019

*We seek your agreement to proactively release the Cabinet paper following final Cabinet consideration*

- 21 The draft Cabinet paper also includes a statement recommending a proactive release. MSD seeks your agreement to releasing the Cabinet paper within the standard 30-day timeframe.

REP/19/3/228

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