

Budget Sensitive

Office of the Minister for Social Development

Chair, Cabinet Social Wellbeing Committee

Temporary Accommodation Assistance (Canterbury Earthquake) and Transitional Assistance Payment for Budget 2019 Income Support Package

Proposal

1. This paper seeks agreement to two separate proposals:
 - 1.1. I am seeking approval to fund an amendment to the Temporary Accommodation Assistance (Canterbury Earthquake) Programme (TAA). The amendment will preserve entitlements to the programme for current recipients for up to 12 months.
 - 1.2. I am also seeking approval to fund a Transitional Assistance Payment (TAP) to protect people who will be financially disadvantaged by the flow-on impacts of the Budget 2019 Income Support Package (the Package).

Executive Summary

2. The two proposals considered in this paper are not directly related. They are considered as part of a single paper as both require decisions before the end of the year and require a small amount of funding from a pre-Budget Commitment. The between-Budget contingency established as part of Budget 2019 is already exhausted.

Temporary Accommodation Assistance (Canterbury Earthquake) Programme

3. The TAA was established following the 2010 and 2011 Canterbury earthquakes to assist homeowners who incurred temporary accommodation costs while waiting for repairs/rebuilds of their earthquake-damaged homes. Between 2011 and the end of August 2019, the Ministry of Social Development (MSD) paid \$62 million in assistance to around 3,400 households.
4. The TAA is currently set to expire on 31 December 2019, ceasing all payments to current recipients and preventing any future applications. I expect that by this expiration date there will be fewer than 15 recipients.
5. I intend to amend the TAA programme to preserve the entitlements of current recipients for up to 12 months. This is estimated to cost \$140,000 in operational costs to administer the payment and an additional \$130,000 in TAA payments over this period.

6. Upon the final closure of TAA on 31 December 2020, the database containing client records for this programme will need to be securely transferred to MSD from the external vendor who currently holds it. Detailed costings are currently being sought, however as they are not currently available, a contingency is sought. It is estimated that this will cost up to \$500,000, with the draw-down of these funds subject to detailed costings being provided to the Ministers of Finance and Social Development.
7. I am therefore seeking a pre-Budget commitment of \$770,000 to amend TAA in order to protect the eligibility of current recipients, and to securely transfer the client database to MSD on the closure of the programme on 31 December 2020.

Budget 2019 Income Support Package

8. The Package introduces three changes from 1 April 2020 (CAB-19-MIN-0174.36 refers). It will:
 - remove the section 192 sanction (formerly section 70A) on sole parents who do not identify the other parent of the child and apply for Child Support
 - increase the abatement thresholds of main benefits in line with planned increases in the minimum wage over the next four years only
 - index main benefits to wages each year, using the growth rate in net average wages
9. These changes are estimated to financially benefit 339,000 people; however, when combined with the Annual General Adjustment (AGA)¹ which also occurs on 1 April 2020, a small number of people will be financially disadvantaged. In particular, 141 people receiving Childcare Assistance (CCA) and Temporary Additional Support (TAS) are estimated to be financially disadvantaged by an average of \$21.58 and \$11.05 per week, respectively.
10. I am seeking a pre-Budget commitment of \$257,000 to implement a targeted TAP for people who will be financially disadvantaged by the Package's interactions with CCA and TAS when the Package is implemented on 1 April 2020.

Temporary Accommodation Assistance (Canterbury Earthquake) Programme

Background

11. The TAA was established following the 2010 and 2011 Canterbury earthquakes to assist homeowners who incurred temporary accommodation costs while waiting for repairs/rebuilds of their earthquake-damaged homes. It was part of a package of financial assistance for people affected by the Canterbury earthquakes and is the last remaining welfare programme in the package. The programme is not income- or asset-tested.

1 The Annual General Adjustment is the adjustment of most rates and thresholds to account for inflation based on the Consumers Price Index. From 1 April 2020, main benefits will instead be indexed to the net average ordinary time weekly earnings.

12. The TAA has been extended four times, most recently in Budget 2017, reflecting challenges faced in the Christchurch rebuild.

The need for the Temporary Accommodation Assistance (Canterbury Earthquake) Programme has declined significantly

13. The TAA has now been available for eight years, during which significant progress on the Christchurch rebuild has been made.
14. At the time of the most recent extension of the TAA, in Budget 2017, there were approximately 250 households in receipt of TAA payments. Since this time, the number of households receiving them has declined significantly. MSD anticipates that there will be fewer than 15 recipients of TAA payments as at 31 December 2019.
15. Other forms of assistance are available to Canterbury homeowners, including the recently announced \$300 million on-sold home package fund and ex gratia payments made by the Earthquake Commission, including for temporary accommodation. Residents are also able to test their eligibility for other forms of assistance, such as the Accommodation Supplement (AS) or TAS, which are income- and asset-tested.

Preserving entitlements protects current recipients and is consistent with the policy intent

16. I propose to amend the TAA programme to grand-parent all current clients as at 31 December 2019 until 31 December 2020 if they continue to meet the qualifications. This will also cover people who have made an application by 31 December 2019 but whose application is not yet completed.² Entitlement will cease at the earlier of when the client no longer qualifies, or 31 December 2020.
17. This amendment would ensure that those households with completion dates in 2020 are supported through to the completion of their repairs/rebuilds.
18. Of the remaining recipients, approximately half have expected completion dates before the end of March 2020. The other half do not have expected completion dates at this time.
19. The grand-parenting of the payment with a 12-month limit will provide a clear end-date from which this form of assistance will not be available, and recipients will be able to plan accordingly.
20. This amendment will cost \$140,000 in operational costs for the continued administration of the programme and an additional \$130,000 in TAA payments to clients over the period.
21. Following the final expiration of the programme on 31 December 2020, the database containing TAA client information will need to be securely transferred to MSD from the external vendor who currently holds it. This is estimated to cost at least \$310,000, with the cost likely to be higher than \$310,000 because this figure does

² A 'grand-parented' client for TAA is a person who was in receipt of TAA as at 31 December 2019 and who continues to qualify for the payment following its closure for the purposes of new applications.

not include the costs associated with the vendor's activities to decommission the current service.

22. Detailed costings are currently being sought from the vendor. Due to the need for funding prior to the programme's expiration on 31 December 2019, a contingency of \$500,000 is sought at this time to meet these costs.
23. In total, a pre-Budget commitment of \$770,000 is required to preserve entitlements for 12 months and fully close the programme.

Budget 2019 Income Support Package

The Income Support Package will improve incomes for most people impacted by the changes

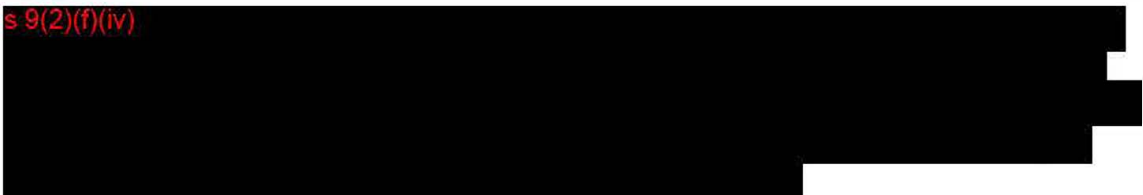
24. The Package introduces three changes from 1 April 2020. It will:
 - 24.1. remove the section 192 sanction (formerly section 70A) on sole parents who do not identify the other parent of the child and apply for Child Support
 - 24.2. increase the abatement thresholds of main benefits in line with planned increases in the minimum wage over the next four years
 - 24.3. index main benefits to wages each year, using the growth rate in net average wages.
25. Around 339,000 people are expected to gain an average of \$5 per week from the Package in 2020/21, increasing to around \$15 per week by 2023/24.

Some people will be financially disadvantaged due to flow-on impacts of indexation and abatement

26. Some people will be financially worse off due to the complexity and interdependencies of the social welfare system. Changes in one type of assistance often cause a change in entitlement to other assistance. While these flow-on impacts are often appropriate, they can create financial disadvantage for a small number of people. This situation occurs in almost every significant package of changes to the income support system.
27. The Package will be implemented alongside the usual AGA that occurs on 1 April each year. In some cases, the Package is estimated to compound the impacts of what would usually happen at AGA, while in others it will offset those impacts.
28. Officials estimate that 8,252 people will receive less financial assistance from MSD on 1 April 2020. For 8,111 people, the financial loss is small (around \$2.17 per week) and is an intended consequence because of targeting of the Accommodation Supplement for working people. While these people receive a reduction in their Accommodation Supplement, their overall incomes are likely to increase throughout the year due to increases in the minimum wage or general wage increases.
29. Recent income support packages have not generally compensated people in these circumstances and/or with small weekly losses. For these clients, MSD will manage the flow-on effects within existing process and payment options, including reviewing

impacted clients' payments on a case-by-case basis to ensure they are receiving their full and correct entitlement.

30. There are two groups of people financially disadvantaged for other reasons, where the estimated combined financial losses are likely to be greater:
 - 30.1. people financially disadvantaged by interactions with CCA
 - 30.2. people financially disadvantaged by interactions with TAS

31. s 9(2)(f)(iv) 

People financially disadvantaged by interactions with Childcare Assistance

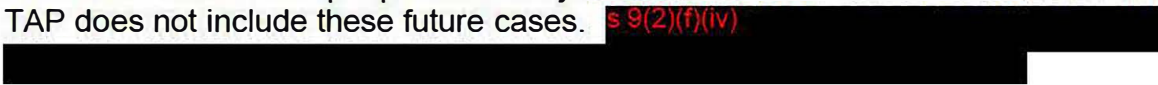
32. CCA, consisting of Childcare Subsidy and Out of School Care and Recreation Subsidy, are non-taxable income-tested payments that subsidise childcare costs to support people to undertake and remain in employment, education or training. They can also be used for families where family members have severe ill health or disabilities.
33. The Package will result in flow-impacts to supplementary assistance, including Accommodation Supplement and TAS, which can have further flow-on implications for people also receiving CCA since these benefits are included in the definition of income when assessing eligibility for CCA.
34. CCA has tiered abatement thresholds and when a person's income exceeds one of them, they lose a portion of the payment. This can result in people being worse off overall after an increase in incomes.
35. The people affected in this scenario would have had a level of income that was already close to the income thresholds for CCA.
36. When the implementation of the package is combined with the AGA, officials estimate that 53 people will be financially disadvantaged because of the flow-on impacts described in this scenario, by an average of \$21.58 per week.

People financially disadvantaged by interactions with Temporary Additional Support

37. TAS is a non-taxable supplementary payment that can be paid for a maximum of 13 weeks at a time. It is paid as a last resort to help people with their regular essential living costs that cannot be met from their income and other resources. TAS is regularly paid for periods longer than 13 weeks and essentially provides for a guaranteed minimum level of income after regular essential costs are considered.
38. A TAS disability exception provides for additional support with disability costs through TAS for those receiving the upper limit rate of TAS.

39. The group of TAS recipients who are expected to be the most disadvantaged from the flow-on impacts of these changes are those for whom the increases in the Package result in them no longer receiving the upper limit of TAS. The disability exception amount can result in a cliff-face abatement for some clients, meaning that the whole disability exception amount is lost when a client no longer receives the upper limit of TAS.
40. When the implementation of the package is combined with the AGA on 1 April 2020, officials estimate that 88 people will be financially disadvantaged because of the flow-on impacts described in this scenario, by an average of \$11.05 per week.

The financial disadvantage in these scenarios could be addressed by establishing a Transitional Assistance Payment (TAP) special assistance welfare programme

41. Under section 101 of the Social Security Act 2018, the Minister for Social Development has the authority to approve and establish welfare programmes for the purpose of granting special assistance.
42. I propose to implement a TAP to protect the entitlements of clients receiving CCA and TAS. The TAP will be available for up to 12 months for people who are financially disadvantaged due to the flow-on effects from the Package coming into effect on 1 April 2020. This will allow for more time and information for families to transition to their new rate of payment.
43. This approach is consistent with TAPs from other recent packages of changes to the income support system (e.g. the Families Package).
44. The changes to benefit abatement thresholds and indexation are on-going, and as such there will also be people financially disadvantaged in subsequent years. This TAP does not include these future cases. s 9(2)(f)(iv)

45. The TAP would be paid to people who experience a reduction of CCA and/or TAS and their total social assistance payments are less than what they would be immediately before the Package is implemented.
46. It would be payable until the earlier of:
 - their circumstances changing which results in a positive net effect on their total income; or
 - financial assistance increasing because of other income support initiatives implemented after 1 April 2020 that exceed the amount of transitional assistance being paid; or
 - 12 months.
47. The TAP would cost \$257,000 to implement and pay, including \$182,000 in operational costs, and \$75,000 in TAP payments. An additional IT cost of \$57,800 can be met from within MSD's IT budget.

Consultation

48. The Treasury and the Department of the Prime Minister and Cabinet were consulted on this Cabinet paper.

Financial Implications

Temporary Accommodation Assistance (Canterbury Earthquake) Programme

49. This paper seeks funding for a total of \$770,000 from a pre-Budget Commitment to amend the TAA programme. This includes:
- \$140,000 in operational costs for the continued administration of the programme
 - \$130,000 in TAA payments over the period
 - Contingency funding of \$500,000 for the secure transfer of the TAA database to MSD following the programme's final closure on 31 December 2020. I am seeking agreement from Cabinet to authorise the Minister for Social Development and the Minister of Finance jointly to draw down the tagged operating contingency, subject to detailed costings being provided by MSD.

Transitional Assistance Payment

50. This paper seeks funding for a total of \$257,000 from a pre-Budget Commitment to implement a targeted TAP. This includes:
- \$182,000 in operational costs for the continued administration of the programme
 - \$75,000 in TAP payments over the period.

Legislative Implications

Temporary Accommodation Assistance (Canterbury Earthquake) Programme

51. Subject to Cabinet approval, I intend to amend the *Temporary Accommodation Assistance (Canterbury Earthquake) Programme* to preserve TAA entitlements for up to 12 months for current recipients and current eligible applicants as at 31 December 2019.

Transitional Assistance Payment

52. Subject to Cabinet approval, I intend to approve and establish a welfare programme pursuant to section 101 of the Social Security Act 2018 to protect people who will be financially disadvantaged by the flow-on impacts of the Package on 1 April 2020.
53. I also intend to amend the Social Security Regulation 2018 and the Direction in relation to Special Benefit to exempt TAP payments as income for the purposes of TAS and Special Benefit. Without these amendments, there would be an unintended circular flow between TAP and on-going hardship assistance.

54. I will report back separately to the Cabinet Legislation Committee to progress this legislative change in early 2020.

Regulatory Impact Analysis

Temporary Accommodation Assistance (Canterbury Earthquake) Programme

55. A Regulatory Impact Analysis (RIA) is not required at this time, as this amendment does not include a government regulatory proposal.

Transitional Assistance Payment

56. The Treasury agrees that no RIA is required for regulatory change to exempt TAP payments as income for the purposes of TAS, since it is expected to have only minor impacts on businesses, individuals or not-for-profit entities.

Human Rights

57. This paper has no human rights implications.

Gender Implications

58. This paper has no gender implications.

Disability Perspective

Temporary Accommodation Assistance (Canterbury Earthquake) Programme

59. The TAA proposal has no disability implications.

Transitional Assistance Payment

60. The TAP proposal has positive disability implications as it protects the entitlements of people who would otherwise lose additional support for disability costs (by way of the TAS disability exception) for up to 12 months.

Publicity

Temporary Accommodation Assistance (Canterbury Earthquake) Programme

61. MSD will contact all the current recipients to inform them of the amendment to the TAA to preserve their entitlements for up to 12 months.
62. The amendment notifications will be notified in the New Zealand Gazette.

Transitional Assistance Payment

63. The amendment notifications in relation to the implementation of a TAP will be notified in the New Zealand Gazette at least 28 days before commencement, consistent with Rule 7.96 - 7.99 of the Cabinet Manual.

Proactive Release

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

Recommendations

The Minister for Social Development recommends that the Committee:

Temporary Accommodation Assistance (Canterbury Earthquake) Programme:

1. **note** that the Temporary Accommodation Assistance Programme (TAA) is due to expire on 31 December 2019
2. **note** other forms of assistance are available to Canterbury homeowners, including the recently announced \$300 million on-sold home package fund, ex gratia payments made by the Earthquake Commission, and means-tested support from Work and Income
3. **agree** to preserve TAA entitlements for up to 12 months for current recipients and current eligible applicants as at 31 December 2019
4. **invite** the Minister for Social Development to amend the Temporary Accommodation Assistance (Canterbury Earthquake) Programme to give effect to the decisions referred to in paragraph 3 above
5. **note** that the expiration of TAA requires funding that cannot be met out of the Ministry of Social Development's baseline
6. **note** that upon the final closure of the TAA on 31 December 2020, the database containing client records for this programme will need to be securely transferred to MSD from the external vendor
7. **note** that the detailed costs associated with the secure transfer of the TAA database are currently being sought by the vendor and it is proposed that a contingency of \$500,000 is set up at this time to meet these costs
8. **agree** to establish tagged operating contingencies of up to the amounts as follows in Vote Social Development, to provide for the secure transfer of the TAA database:

	\$m – increase/(decrease)				
	2019/20	2020/21	2021/22	2022/23	2023/24 & Outyears
Secure transfer of Temporary Accommodation Assistance database – Tagged Operating Contingency	-	0.500	-	-	-

9. **authorise** the Minister for Social Development and the Minister of Finance jointly to draw down the tagged operating contingency funding in recommendation 8 above, subject to detailed costings being provided to joint Ministers
10. **note** that the between-Budget contingency established as part of Budget 2019 is already exhausted
11. **agree** that the tagged operating contingency in recommendation 8 above be charged as a pre-commitment against the Budget 2020 operating allowance
12. **approve** the following changes to appropriations to give effect to the policy decision in recommendation 3 above, with a corresponding impact on the operating balance and net core Crown debt:

Vote Social Development Minister for Social Development	\$m – increase/(decrease)				
	2019/20	2020/21	2021/22	2022/23	2023/24 & Outyears
Multi-category Expenses and Capital Expenditure					
Improved Employment and Social Outcomes Support					
Departmental Output Expense:					
Administering Income Support (funded by revenue Crown)	0.070	0.070	-	-	-
Benefits or Related Expenses:					
Hardship Assistance	0.074	0.056	-	-	-
Total Operating	0.144	0.126	-	-	-

13. **agree** that the proposed change to the appropriations for 2019/20 above be included in the 2019/20 Supplementary Estimates and that, in the interim, the increase be met from imprest supply
14. **agree** that the expenses incurred under recommendation 12 above be charged as a pre-commitment against the Budget 2020 operating allowance

Impacts of the Budget 2019 Income Support Package:

15. **note** the Budget 2019 Income Support Package is estimated to financially advantage 339,000 people, however a small number will be financially disadvantaged (CAB-19-MIN-0174.36 refers)
16. **note** that recipients of Childcare Assistance (CCA) and Temporary Additional Support (TAS) are likely to experience the most significant unintended financial disadvantage

17. **agree** to implement a Transitional Assistance Payment (TAP), to allow clients to transition to the new payment settings, with the following parameters:
 - limited to recipients who experience a reduction of CCA or TAS and whose total social assistance payments are less than what they would be immediately prior to the Package's introduction; and
 - payable until the earlier of:
 - their circumstances changing in a way which results in a positive net effect on their total income; or
 - financial assistance increasing because of other income support initiatives implemented after 1 April 2020 that exceed the amount of transitional assistance being paid; or
 - 12 months from the introduction of the TAP
18. **authorise** the Minister for Social Development to establish a Ministerial Welfare Programme to give effect to paragraph 17 above
19. **agree** to exempt TAP payments for the purposes of TAS and Special Benefit to avoid creating an unintended circular flow
20. **invite** the Minister for Social Development to issue drafting instructions to the Parliamentary Counsel Office for amendments to the Social Security Regulations 2018 to give effect to the decision above to exempt TAP payments as income for TAS
21. **authorise** the Minister for Social Development to amend the Ministerial Direction on Special Benefits to exempt TAP payments as income for Special Benefit

22. **approve** the following changes to appropriations to give effect to the policy decision in recommendation 17, with a corresponding impact on the operating balance and net core Crown debt:

Vote Social Development Minister for Social Development	\$m – increase/(decrease)				
	2019/20	2020/21	2021/22	2022/23	2023/24 & Outyears
Multi-category Expenses and Capital Expenditure Improved Employment and Social Outcomes Support					
Departmental Output Expense:					
Administering Income Support (funded by revenue Crown)	0.064	0.118	-	-	-
Benefits or Related Expenses:					
Hardship Assistance	0.019	0.056	-	-	-
Total Operating	0.083	0.174	-	-	-

23. **agree** that the proposed change to the appropriations for 2019/20 above be included in the 2019/20 Supplementary Estimates and that, in the interim, the increase be met from imprest supply
24. **agree** that the expenses incurred under recommendation 22 above be charged as a pre-commitment against the Budget 2020 operating allowance

Other matters

25. **authorise** the Minister for Social Development to make minor technical and/or administrative decisions consistent with the policy intent in this paper.

Authorised for lodgement

Hon Carmel Sepuloni

Minister for Social Development