



Report

Date: 20 March 2020

Security Level: IN CONFIDENCE

To: Hon Carmel Sepuloni, Minister for Social Development

Regulatory changes for the COVID-19 Recovery Package and other remedial matters

Purpose of the report

- 1 This paper supports the Cabinet paper that seeks approval to submit the Social Security (Rates of Benefits and Allowances) (COVID-19 Recovery Package) Amendment Order 2020 to the Executive Council on 23 March 2020. This Amendment Order gives effect to Cabinet's decision to increase main benefits and double the rate of the Winter Energy Payment in response to the economic impacts of COVID-19 [CAB-20-MIN-0108 refers].
- 2 The report also seeks your approval and signature of the attached instrument; Income Support Package (Transitional Assistance) Amendment 2020. This programme will give effect to Cabinet's decision to compensate those who are unintentionally financially disadvantaged as a result of the COVID-19 Recovery Package.

Recommended actions

It is recommended that you:

- 1 **note** an economic response package has been developed in response to the economic impacts of COVID-19 [CAB-20-MIN-0108 refers]. This package has three immediate components:
 - support to the public health system
 - a business and worker support package
 - phase one of a Recovery Package to support household incomes
- 2 **note** we have provided a Cabinet paper for your office to lodge, so that it can be considered by Cabinet on 23 March 2020
- 3 **note** the Cabinet paper progresses legislative changes to give effect to the Recovery Package, including:
 - a one-off increase to the net weekly rates of main benefits by \$25
 - doubling the rate of the Winter Energy Payment for the 2020 winter period (1 May – 1 October 2020) only
- 4 **note** there are a number of consequential adjustments that will occur when main benefits are increased as some other social assistance is linked to these rates, but these changes do not require specific regulatory amendments to be given effect
- 5 **note** the Cabinet paper also makes technical corrections to errors that were made as part of the Annual General Adjustment

- 6 **note** although the legislative change takes effect from 1 April 2020, the changes cannot be applied immediately for a relatively small number of clients due to the time it takes to manually process changes, but any impacted clients will be paid arrears
- 7 **note** transitional assistance will prevent unintentional financial disadvantage from the changes and this can be paid under an existing welfare programme, if proposed amendments are approved
- 8 **note** that although you have authority to approve amendments to the welfare programme, the Cabinet paper seeks Cabinet approval to use the existing funding appropriation for this purpose
- 9 **agree** to a waiver of the 28-day rule for the Income Support Package (Transitional Assistance) Amendment 2020

Agree / Disagree

- 10 **approve** and sign the attached Income Support Package (Transitional Assistance) Amendment 2020, which will be effective the day after

Agree / Disagree

- 11 **direct** your office to table a copy of the Income Support Package (Transitional Assistance) Amendment 2020 in the House of Representatives, as required by section 41 of the Legislation Act 2012
- 12 **direct** officials to arrange for publication of the instrument on the Ministry of Social Development's external website and notify the making of the Income Support Package (Transitional Assistance) Amendment 2020 in the New Zealand Gazette.

s 9(2)(a)

Policy Manager
Income Support Policy

Date

Hon Carmel Sepuloni
Minister for Social Development

Date

The Government's economic response to COVID-19 includes changes to social assistance

- 3 An economic response package has been developed in response to the economic impacts of COVID-19 [CAB-20-MIN-0108 refers]. This package has three immediate components:
 - support to the public health system
 - a business and worker support package
 - phase one of a Recovery package to support household incomes.
- 3 Phase one of the Recovery package includes the following changes:
 - a one-off increase to the net weekly rates of main benefits by \$25
 - doubling the rate of the Winter Energy Payment for the 2020 winter period (1 May – 1 October 2020) only.

The detailed design is consistent with Cabinet's decisions

Main benefits are increasing

- 4 From 1 April 2020, there will be a one-off net \$25 increase to rates of the following main benefits:
 - Jobseeker Support
 - Sole Parent Support
 - Supported Living Payment
 - Young Parent Payment
 - Youth Payment
 - Emergency Benefit¹.
- 5 Couples will receive an increase of \$12.50 each per week (ie a total of \$25). For couples where one adult is not included in the benefit the couple will only receive an increase of \$12.50 per week.
- 6 The increase is in addition to the net average wage increases made as part of the Annual General Adjustment (AGA) of rates and thresholds.

There are a number of consequential adjustments that will occur

- 7 The design of the social assistance system includes a number of links between the rates and thresholds for different types of assistance. This means that the main benefit increases will also increase the rates or thresholds for other types of assistance.
- 8 A small number of the Ministry of Social Development's (MSD) clients are on a grand-parented rate of Widows Benefit or Domestic Purposes Benefit². As these are intended to be main benefits, the weekly rates of these two payments will also be increased by \$25 respectively from 1 April 2020.
- 9 The rates and thresholds for several other MSD payments are tied to main benefits in some way. Given these links, consequential amendments will be made to these rates

¹ The rate of Emergency Benefit is at the discretion of MSD so there is no set Emergency Benefit rate to increase as such. However, since in practice Emergency Benefit is generally set at the same rate as Jobseeker Support, Emergency Benefit recipients are likely to effectively receive the increase.

² Former recipients of both these payments (granted before 15/7/2013), and who were then transferred to Jobseeker Support, had their higher rate of benefit grand-parented until their circumstances changed. Consequently, some clients still receive the grand-parented rate of Widows Benefit or Domestic Purposes Benefit.

and thresholds in accordance to their existing relationship with a main benefit rate. For example, Special Assistance to the Rural Sector is paid at a rate equivalent to the Jobseeker Support rate. As a consequence of the \$25 increase to the rate of Jobseeker Support, the rate of Special Assistance to the Rural Sector will also increase by \$25 in addition to the AGA increase.

10 The following rates and thresholds will change because of their relationship to main benefit rates:

- Accommodation Supplement (AS) entry thresholds
- AS income abatement thresholds for non-beneficiaries
- Civil Defence payments
- maximum rate of Employment Transition Assistance
- Housekeeper Allowance
- Rural Assistance Payments
- Student Allowance Transfer Grant
- Work Bonus

The Winter Energy Payment is being doubled

11 For the winter period this year (1 May to 1 October 2020 inclusive), the weekly rate of WEP will be doubled, equating to \$40.91 for single people and \$63.64 for couples.

Legislative changes are required to enact the changes

12 The Cabinet paper progresses the changes to the Social Security Act 2018 that are required to increase main benefit rates from 1 April 2020 and double the rate of the WEP for the 2020 winter period. The rate of WEP will be decreased back to its current levels before the 2021 period which requires a change to the Social Security Act that will be progressed separately.

The Amendment Order in Council will increase main benefits and double the rate of WEP

13 Usually these changes could be achieved by way of an Order in Council and it would come into force from 1 April 2020. However, an Order in Council to increase main benefit rates as part of the AGA has already been approved to come into force from 1 April 2020 [CAB-20-MIN-0050 refers]. Therefore, the changes made as part of the COVID-19 Recovery Packages are being progressed in an Amendment Order to that original AGA Order.

14 Specifically, the Social Security (Rates of Benefits and Allowances) (COVID-19 Recovery Package) Amendment Order 2020, when submitted to Executive Council, will amend the Social Security (Rates of Benefits and Allowances) Order 2020.

15 The Amendment Order comes into force on 27 March 2020. This is to ensure the correct sequencing of the original Order and the Amendment Order and means that a complete set of changes will take effect from 1 April 2020.

16 The consequential adjustments to other assistance that is linked to main benefit rates do not require specific regulatory changes to be given effect.

The Amendment Order also makes technical corrections of errors made during the 2020 AGA

17 The proposed Amendment Order, if approved, will also make two technical corrections of errors that were made in the Social Security (Rates of Benefits and Allowances) Amendment Order 2020 for the AGA [CAB-20-MIN-0050]. It will:

- update the abatement thresholds and income limits for assistance for Youth Payment and Young Parent Payment, as is done each year but was omitted from the original Order; and
- shift the adjustments of the additional subsidy paid on earnings of a blind beneficiary to the correct Schedule of the Order to reflect that it is a mandatory

rather than discretionary adjustment, as had been inaccurately represented in the original Order.

- 18 A previous Amendment Order, the Social Security (Rates of Benefits and Allowances) Amendment Order 2020, had sought to fix these errors but was withdrawn before being submitted to Executive Council on 16 March 2020.
- 19 The changes have therefore been included in the proposed Social Security (Rates of Benefits and Allowances) (COVID-19 Recovery Package) Amendment Order 2020 for efficiency and to ensure the technical corrections are in place from 1 April 2020 which is consistent with other AGA decisions and changes.

Decreases to the WEP for future winter periods must be done through a separate amendment to the Social Security Act

- 20 Although the rate of WEP can be increased through an Order in Council only, it cannot be decreased for future winter periods (ie from 1 May 2021) through an Order in Council. Instead the Social Security Act 2018 itself must be amended. The rate of WEP will be decreased back to its current levels before the start of the winter period next year (1 May 2021). We are working with Inland Revenue on the legislative changes required to return WEP rates to their current settings and this will be done through an urgent bill that Inland Revenue is leading. This bill is planned to complete all House stages under urgency on 7 April 2020. We will provide you with a report about the bill next week.

The Cabinet paper requests a waiver of the 28-day rule

- 21 The Amendment Order in Council, if approved, will be submitted to the Executive Council for consideration on 23 March 2020, published in the New Zealand Gazette on the next available date for gazetting, and will come into force on 27 March 2020.
- 22 A waiver to the 28-day rule is sought on the grounds that the Amendment Order confers only benefits for those affected by them. Waiving the 28-day rule will ensure that the timing of the technical corrections of errors made as part of the AGA is consistent with the rest of the 2020 AGA changes.

Although the legislative change takes effect from 1 April 2020, the changes cannot be processed for all clients immediately

- 23 Every year on 1 April, when main benefits are adjusted as part of the AGA, MSD's IT system automatically applies the increase for most people. There are generally between 8,000 and 18,000 records where the automatic update does not take effect and must be manual updates are required. It is expected that this scenario will also occur when main benefits are increased as part of the COVID-19 Recovery Package. It is estimated to take 3-4 weeks to complete the manual adjustments and MSD will pay any arrears that are due to impacted clients.

Transitional assistance will prevent unintentional financial disadvantage from the changes

- 24 Some people will be financially worse off when main benefits are increased as part of the COVID-19 Recovery Package. This is due to the complexity and interdependencies of the social welfare system. Cabinet agreed to establish transitional assistance to compensate those who are unintentionally financially disadvantaged as a result of the COVID-19 Recovery Package [CAB-20-MIN-0108 refers].
- 25 The main benefit increases are being made in addition to the increases of various rates and thresholds of social assistance that have been agreed as part of the AGA and the Budget 2019 Income Support Package. You have already established a welfare programme for people who will be financially disadvantaged by the flow-on impacts of other changes; the Income Support Package (Transitional Assistance) Programme. This programme could be amended to also include those who are unintentionally financially disadvantaged due to the flow-on impacts of the main benefit increases introduced through the COVID-19 Recovery Package.

- 26 Extending the existing welfare programme, rather than establishing a separate one, will mitigate the operational impacts because it means that existing systems and processes can be used.
- 27 This approach is efficient from a regulatory perspective. This is because changes have already been made to other legislative instruments in order to exempt the existing welfare programme from being treated as income for Temporary Additional Support and Special Benefit. Without those changes, there would be an unintended circular flow between the transitional assistance and those hardship payments.
- 28 The attached Income Support Package (Transitional Assistance) Amendment 2020, once it is signed, will come into force on the day after the date it is signed. It will amend the Income Support Package (Transitional Assistance) Programme consistent with the Cabinet decision described at paragraph 24.
- 29 The amendments will ensure that assistance is available for people who experience a reduction of Childcare Assistance or Temporary Additional Support and whose total social assistance payments are less than what they would be immediately prior to the introduction of the Income Support Package and COVID-19 Recovery Package.
- 30 The programme includes provisions to ensure that the assistance is also available for recipients of special assistance provided under the Christchurch Mosques Attack Welfare Programme (ie a payment equivalent to Temporary Additional Support) if they would otherwise meet the requirements.
- 31 People who receive non-beneficiary Accommodation Supplement are not included in the programme as the financial disadvantage that they experience due to flow-on effects to the AS entry threshold and the abatement threshold are intended impacts [REP-19/11/1083 refers]. This ensures assistance is appropriately targeted based on income and housing costs. This also reflects an implicit assumption that the incomes of those in work are likely to increase each year, so people are likely to be better off overall after any wage increases.
- 32 The following table summarises the estimated client impacts:

Scenario	Measure of client impact	Childcare Assistance	Temporary Additional Support	Non-beneficiary Accommodation Supplement
Without COVID-19 Recovery Package increases	Number of clients	53	88	8,111
	Average reduction per week	\$21.58	\$11.05	\$2.17
With COVID-19 Recovery Package increases	Number of clients	113	52	13,416
	Average reduction per week	\$19.71	\$6.72	\$5.67
Difference between the scenarios	Number of clients	+60	-36	+5,305
	Average reduction per week	-\$1.87	-\$4.33	+\$3.50

- 33 The WEP, including changes introduced as part of the COVID-19 Recovery Package, does not affect entitlement to assistance under the welfare programme.
- 34 A waiver to the 28-day rule is sought on the grounds that the amendments to the welfare programme confers only benefits for those affected by them. Without the amendments, the unintentional financial disadvantage from the COVID-19 Recovery Package will not be avoided.
- 35 Although you have authority to approve amendments to the welfare programme, Cabinet approval is required to use the existing funding appropriation for this purpose. The Cabinet paper therefore seeks approval for funding to be met from the existing Transitional Assistance appropriation as there is sufficient funding available.

Next steps

Main benefit and WEP changes

- 36 We have provided a Cabinet paper for your office to lodge, so that it can be considered by Cabinet on 23 March 2020.
- 37 You will be provided with an aide-memoire for this meeting by 20 March 2020.
- 38 You will be provided with a report next week about the approach to decreasing WEP for future winter periods.

Transitional assistance

- 39 We seek your approval of, and signature to, the attached instrument, Income Support Package (Transitional Assistance) Amendment 2020 by 23 March 2020.
- 40 Officials will arrange for this to be notified in the New Zealand Gazette once signed.
- 41 The Income Support Package (Transitional Assistance) Amendment 2020 and a copy of the welfare programme incorporating all amendments will be published on the Ministry of Social Development's external website, as required by sections 7 and 101 of the Social Security Act 2018.
- 42 You should direct your office to arrange for the instrument and welfare programme to be tabled in the House of Representatives as required by section 41 of the Legislation Act 2012.

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Appendix

Income Support Package (Transitional Assistance) Amendment 2020

Proactively Released