MINISTRY OF SOCIAL DEVELOPMENT
TE MANATŪ WHAKAHIATO ORA

Families Package and 2020 Income Support Packages – 2020 Monitoring Report

Trends in receipt of payments

November 2020

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Executive summary

From April 2018, the Families Package increased several social assistance payments delivered through the tax and benefit systems, introduced a Best Start tax credit for families with babies and toddlers, extended the length of paid parental leave available to families, and introduced the Winter Energy Payment.

By 2020/21, an estimated 385,000 families with children were expected to be made better off by an average $75 a week as a result of the Families Package.

Additionally, from April 2020, the income support packages that formed parts of the 2019 Budget and the Government's initial response to COVID-19 increased payment amounts and changed eligibility requirements and abatement rates for some social assistance payments made through the tax and benefit system. Changes included an increase to main benefit rates, changes to the abatement of several main benefits, the temporary doubling of the Winter Energy Payment for 2020 and the removal of the hours test for the In-work Tax Credit. Section 192 (formerly 70A) deductions, which had reduced benefit payments for sole parents if the name of the other parent was not declared to the Government, were removed.

This monitoring report examines trends in receipt and expenditure for the different payments that comprised the Families Package and income support packages. A companion report contains supplementary information.

COVID-19 wage subsidies and the COVID-19 Income Relief Payment are not covered by this report. Monitoring data on these payments are contained in other reports and factsheets published on the Ministry of Social Developments website.

Trends to date

The Families Package increased Family Tax Credit payment rates and raised the Working for Families abatement threshold. Changes made in 2020 increased main benefit payment rates, raised main benefit abatement thresholds, removed section 192 deductions, and removed the hours test for the In-work Tax Credit. These changes were made with the aim of **boosting incomes of low- and middle-income families**. Trends to the end of June 2020 show:

- a rise in the number of people receiving a weekly or fortnightly Family Tax Credit payment from Inland Revenue from 149,849 in the final fortnight of June 2017, to 156,929 during the final fortnight of June 2020
- for the tax year ended March 2019, around 290,000 families received Family Tax Credits over the year from either Inland Revenue or MSD, with around 128,000 (44 percent) having recorded an income from a benefit during that year. Around 60 percent of the 290,000 families were sole parent families
- an increase in the average amount a recipient received from Inland Revenue (if receiving a payment weekly or fortnightly) from $117 per week at the end of June 2017 to $157 at the end of June 2020
- for the tax year ended March 2019, just under $2 billion was paid to families in Family Tax Credits through Inland Revenue and MSD, at an average of about $132 a week per family

- an increase in the number of people receiving a weekly Family Tax Credit payment from the Ministry of Social Development (MSD), from 64,958 in the last week of June 2017 to 65,640 in the last week of June 2020
- an increase in the average amount a recipient received from MSD from $147 per week at the end of June 2017 to $187 at the end of June 2020
- an increase in the number of people receiving a weekly or fortnightly In-work Tax Credit payment from Inland Revenue from 115,280 in the final fortnight of June 2020, to 125,440 during the first fortnight in July 2020
- that 7,269 sole parents receiving benefit had Section 192 (formerly 70A) deductions stopped from 1 April 2020.

Introduction of the Best Start tax credit and increasing the length of paid parental leave to 26 weeks aimed to **help families with costs in a child's early years**. Trends to the end of September 2020 show:

- steady growth in numbers of recipients of the Best Start tax credit as the number of families with children born after the 1 July 2018 implementation date has increased
- there were 51,834 recipients receiving a Best Start payment from Inland Revenue in the last fortnight of September 2020, and 17,662 recipients receiving a payment from MSD in the last week of September 2020
- there has been a rise in the number of people receiving paid parental leave at any point.

The Winter Energy Payment was introduced as part of the Families Package to **help older New Zealanders and people receiving a main benefit heat their homes.** The payment was doubled for 2020 as part of the initial income support response to COVID-19 to provide further support for these groups. Trends to the end of June 2020 show:

- there were 775,498 recipients at the end of June 2018, increasing to 885,193 at the end of June 2020 (in line with the increase in numbers of recipients on Jobseeker Support and New Zealand Superannuation over that period)
- taking into account the partners of recipients, in 2020 there were just under 1.2 million adults being helped by the Winter Energy Payment
- very few recipients have chosen to opt out of receiving the Winter Energy Payment
- there has been a large increase in expenditure (by approximately $100 to $110 million per month) during this year's Winter Energy Payment period compared to the previous year, mostly due to the doubling of the payment.

The Families Package and changes as part of the COVID-19 response played a role in **increasing financial assistance for carers** by increasing the rate of the Orphan's Benefit, Unsupported Child's Benefit and the Foster Care Allowance. Monitoring data shows that:

- at the end of June 2018, 271 carers received an Orphan's Benefit, 10,631 carers received an Unsupported Child's Benefit
- these numbers changed to 268 and 12,374 respectively by the end of June 2020

- at the end of June 2018, there were 5,038 children and young people that a carer received a Foster Care Allowance on behalf of, decreasing to 4,766 by the end of June 2020
- combined monthly expenditure on the Orphan's Benefit and Unsupported Child's Benefit increased from $13.7 million in June 2018 to $17.1 million in July 2018 following the Families Package rate changes and the accompanying introduction of a Clothing Allowance for children
- monthly expenditure on the Foster Care Allowance increased from $4.6 million in June 2018 to $5.2 million in July 2018 following the Families Package rate changes
- combined monthly expenditure on the Orphan's Benefit and Unsupported Child's Benefit increased from $20.6 million in June 2020 to $23.4 million in July 2020 following rate changes made as part of the COVID-19 response.

The Families Package also had the aim of **increasing the Accommodation Supplement and Accommodation Benefit**, by implementing changes that had been announced in the 2017 Budget. Trends to date show:

- an increase in numbers of people receiving Accommodation Supplement from 284,572 at the end of June 2017 to 348,754 at the end of June 2020, in line with an increase in numbers of benefit recipients
- increased average weekly Accommodation Supplement payments from $71 in June 2017 to $99 in June 2020
- a large fall in the proportion of Accommodation Supplement recipients receiving the maximum available payment
- since COVID-19 there has been a faster increase in the number of non-beneficiaries receiving the Accommodation Supplement, however, this increase has not seen the proportion of Accommodation Supplement recipients who are non-beneficiaries change
- a drop in recipient numbers and expenditure for Temporary Additional Support/Special Benefit directly after the Families Package changes to Accommodation Supplement
- a fall in numbers of students receiving Accommodation Benefit at any point in the year 1 January to 30 June, from 37,117 in 2017, to 33,682 in 2020.

Next steps

Annual updates of this report will be prepared over the coming two years.

Other parts of our work programme are examining in more detail how the Families Package changed the payments families received, including families in different ethnic groups, and estimating the impacts that different parts of the package had on outcomes for families and children.

Introduction

The Families Package was introduced in 2018 and provided targeted assistance to improve incomes for low- and middle-income families with children. The package was implemented as part of the Government's focus on reducing child poverty, and ensuring children get the best start in life.

Different components of the package had different roles. These included:

- **boosting incomes of low- and middle-income families** by increasing the Family Tax Credit and raising the Working for Families abatement threshold
- **helping families with costs in a child's early years** by introducing a Best Start tax credit (replacing the Parental Tax Credit) and increasing paid parental leave to 26 weeks
- **helping older New Zealanders and people receiving a main benefit heat their homes** by introducing a Winter Energy Payment
- **increasing financial assistance for carers** by increasing the rate of Orphan's Benefit, Unsupported Child's Benefit and Foster Care Allowance
- **increasing the Accommodation Supplement and Accommodation Benefit**, by implementing changes that had been announced in the 2017 Budget.[1]

Funding for some parts of the package came from a repeal of tax cuts announced in Budget 2017. These had been due to be implemented in 2018 and never came into effect.

It was estimated that, relative to policy settings prior to its implementation, the Families Package would make 385,000 families with children better off by an average of $75 a week once it was fully implemented in 2020/21.

As part of Budget 2019, a package of changes that aimed to support the Government's objectives for a significant and sustained reduction in child poverty and contribute to the achievement of the ten-year child poverty reduction targets was introduced.[2] These changes came into effect from 1 April 2020:

- **section 192 deductions (formerly section 70A) were removed** – these had applied to the benefits of sole parents who did not identify the other parent of their child when applying for child support
- **main benefits began to be indexed by adjusting rates annually in line with any upwards percentage movement in the net average wage**, rather than the consumers price index
- **abatement thresholds for main benefits were increased**.[3]

[1] Fact Sheet – Families Package. https://www.beehive.govt.nz/sites/default/files/2017-12/Families%20Package%20Factsheet.pdf
[2] Cabinet Paper - Social Assistance Legislation (Budget 2019 Welfare Package) Amendment Bill: Approval for Introduction. https://www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/information-releases/social-assistance-legislation-budget-2019/cabinet-paper-social-assistance-legislation-budget-2019-welfare-package-amendment-bill-approval-for-introduction.pdf
[3] These changes also applied to New Zealand Superannuation and Veteran's Pension recipients where they have a non-qualifying partner included, and to qualified Veteran's Pension recipients aged under 65.

Additionally, several changes were introduced in 2020, to provide immediate assistance to low- and middle-income families in the early stages of the COVID-19 outbreak in New Zealand.[4] These included:

- **increasing main benefit rates** by $25 on 1 April 2020
- **doubling the rate of the Winter Energy Payment** for 2020
- **removing the hours test** for the In-work Tax Credit from 1 July 2020.

The purpose of this report

This report monitors trends in receipt and expenditure for the different payments that comprise the Families Package and the 2020 income support packages. It updates and expands upon a first Families Package monitoring report released in 2019.[5]

The COVID-19 wage subsidies and COVID-19 Income Relief Payment are monitored separately.[6]

Monitoring data allows us to track what happened with the introduction of the Families Package and 2020 income support packages. However, the monitoring data does not allow us to say what difference the changes themselves made to payments received, family incomes, child poverty, children's outcomes, people's employment, or other measures of wellbeing. Going forward, our Families Package work programme will be estimating some of these impacts.

Report contents

The sections that follow describe the Families Package and the 2020 income support packages, and present monitoring data on numbers of recipients and expenditure for the affected payments. We also present monitoring data for targeted assistance that was expected to be affected by the increases in support provided.

Most comparisons in this report are made around June months for consistency. However, where extra monitoring data is available, time series are presented up to the end of September 2020 to allow for a fuller view of the impacts of the COVID-19 pandemic to date.

A supplementary report provides further detailed breakdowns of receipt.

Abbreviations used in graphs in this report

Table 1: Abbreviations used in this report

Abbreviation	Full meaning
FP	Families Package
C19	Covid-19
C19R	Covid-19 response
ISP	Income support package(s)

[4] Income Support Factsheet. https://www.beehive.govt.nz/sites/default/files/2020-03/Income%20support%20factsheet.pdf
[5] Families Package Monitoring and Evaluation. https://www.msd.govt.nz/about-msd-and-our-work/publications-resources/evaluation/families-package-reports/families-package.html
[6] COVID-19 Reporting. https://www.msd.govt.nz/about-msd-and-our-work/publications-resources/statistics/covid-19/index.html

Boosting incomes of low- and middle-income families

Summary

The number of recipients receiving a main benefit increased from 286,225 at the end of June 2017, to 361,788 at the end of June 2020. This increase has mostly come since March 2020, associated with the impacts of COVID-19.

On the last day of section 192 (formerly 70A) deductions being in place (31 March 2020), there were deductions in place relating to 9,651 children, affecting 7,269 carers.

The number of people receiving a weekly or fortnightly Family Tax Credit from Inland Revenue increased from 149,849 in the final fortnight of June 2017, to 156,929 during the final fortnight of June 2020.

Across the tax year ended 31 March 2019, just under 290,000 families were eligible for and received Family Tax Credits from Inland Revenue and MSD.

The number of people receiving a weekly Family Tax Credit payment from MSD increased between the end of June 2019 and the end of June 2020.

There has been a rise in expenditure from both Inland Revenue and MSD on the Family Tax Credit since the Families Package changes, with:

- an increase in the average amount a recipient received from Inland Revenue in weekly or fortnightly payments from $117 per week at the end of June 2017 to $157 at the end of June 2020
- an increase in the average amount a recipient received from MSD from $147 per week at the end of June 2017 to $187 at the end of June 2020.

The number of people receiving a weekly or fortnightly In-work Tax Credit from Inland Revenue increased from 115,280 in the final fortnight of June 2020, to 125,440 during the first fortnight in July 2020.

Main benefit assistance

A person can receive a benefit from MSD for a variety of reasons, including but not limited to: because they are unemployed and looking for work, because they are unable to work or restricted in their ability to work due to a health condition or disability, or are caring for someone with a health condition or disability, because they are a sole parent, or because they are unemployed and need financial assistance during study breaks.[7]

This section reports receipt and expenditure for main benefit payments overall. For additional demographic and administrative breakdowns of main benefit payments please refer to the Benefit Fact Sheets on the Ministry of Social Development website.[8]

What changed?

The following changes to main benefits were made as part of the 2019 Budget income support package and the income support package that formed part of the initial response to COVID-19. On 1 April 2020:

- rates of all main benefits were raised by $25 a week[9]
- main benefit rates were adjusted as part of the annual adjustment process by 3.09%, in line with changes to the average wage (previously the annual adjustment was based on the Consumers Price Index)
- abatement thresholds for several benefits were increased to allow recipients to earn more money each week before their benefit reduces (Table 2).

Table 2: Benefit abatement thresholds as at 1 April

Benefit	April 2019	April 2020
Jobseeker Support	$80	$90
NZS/VP with a non-qualifying partner	$100	$115
Sole parents and Supported Living Payment – threshold 1	$100	$115
Sole parents and Supported Living Payment – threshold 2	$200	$215

[7] Income Support System. http://www.weag.govt.nz/assets/documents/WEAG-report/background-documents/757c27caff/Income-support-system-040319.pdf

[8] The Benefit Fact Sheets only report working age recipients, however, the number of main benefit recipients that are not working aged is very low, and so the demographics presented in the Benefit Fact Sheets are not substantially altered by their exclusion. See: https://www.msd.govt.nz/about-msd-and-our-work/publications-resources/statistics/benefit/index.html

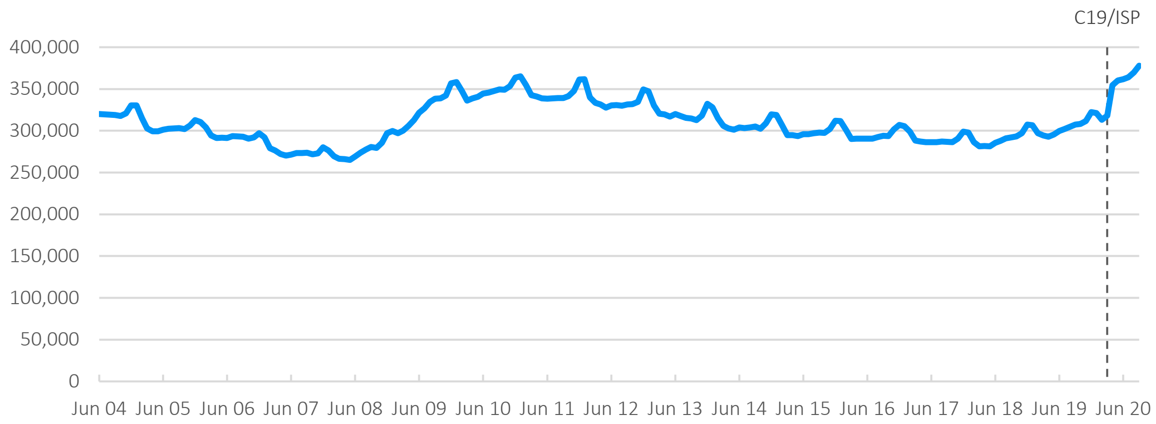
[9] For detailed rates, please refer to: https://www.workandincome.govt.nz/products/benefit-rates/benefit-rates-april-2020.html

Receipt of main benefits

There were 318,135 main benefit recipients of all ages as at the end of March 2020 (including 97,222 with dependent children), most of which would have been affected by the rate changes. After including the partners of benefit recipients, approximately 340,000 adults experienced an increase in their main benefit payments. Not all recipients would have benefitted by the full $25, for example recipients also receiving Temporary Additional Support could have received either a smaller or larger increase depending on their circumstances.

The number of people receiving a main benefit has been increasing since June 2018. The increase has picked up since March 2020, associated with the impacts of COVID-19 on the labour market in New Zealand (Figure 1). Since August 2020 the number of benefit recipients has exceeded the peak of in recipient numbers during the Global Financial Crisis, which was recorded in January 2011.[10]

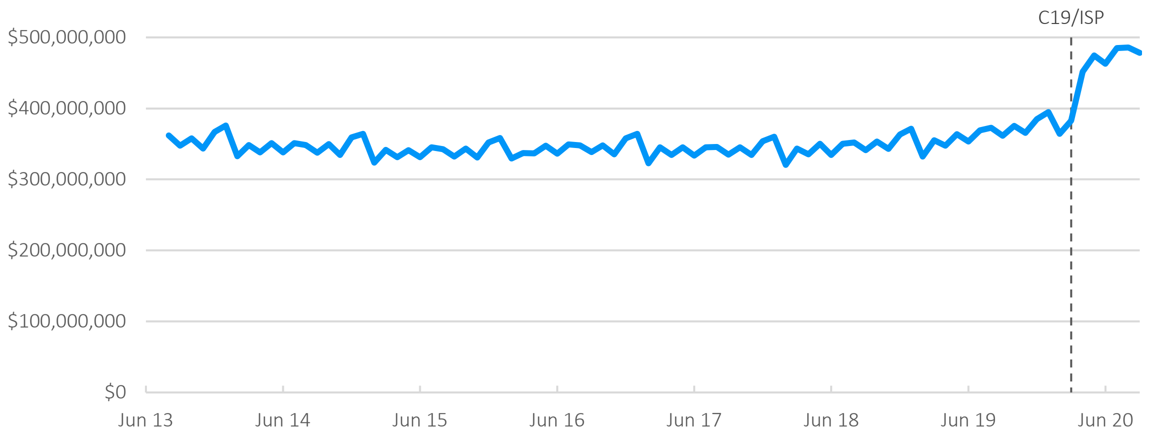
Figure 1: Number of main benefit recipients since June 2004.



Expenditure on main benefits

The amount of expenditure on main benefits increased notably during April 2020, in line with the increase in main benefit rates as well as the increase in recipients (Figure 2).

Figure 2: Monthly expenditure on main benefits since August 2013.



[10] This calculation includes seasonal Jobseeker Support Student Hardship numbers. If we exclude these recipients, then the Global Financial Crisis peak was in October 2010, and the number of benefit recipients exceeded that in April 2020

Section 192

In the New Zealand welfare benefit system, the benefit received by a sole parent was formerly reduced for each dependent child for whom they did not seek child support, subject to some exemptions. The benefit was reduced by between $22 and $28 per week for each such child. In 2018, the average affected family had a $34 reduction in benefit per week, equivalent to a loss of 10 percent of the net weekly rate of Sole Parent Support.[11] These reductions were set out in section 70A of the Social Security Act 1964, and then section 192 of the Social Security Act 2018.

What changed?

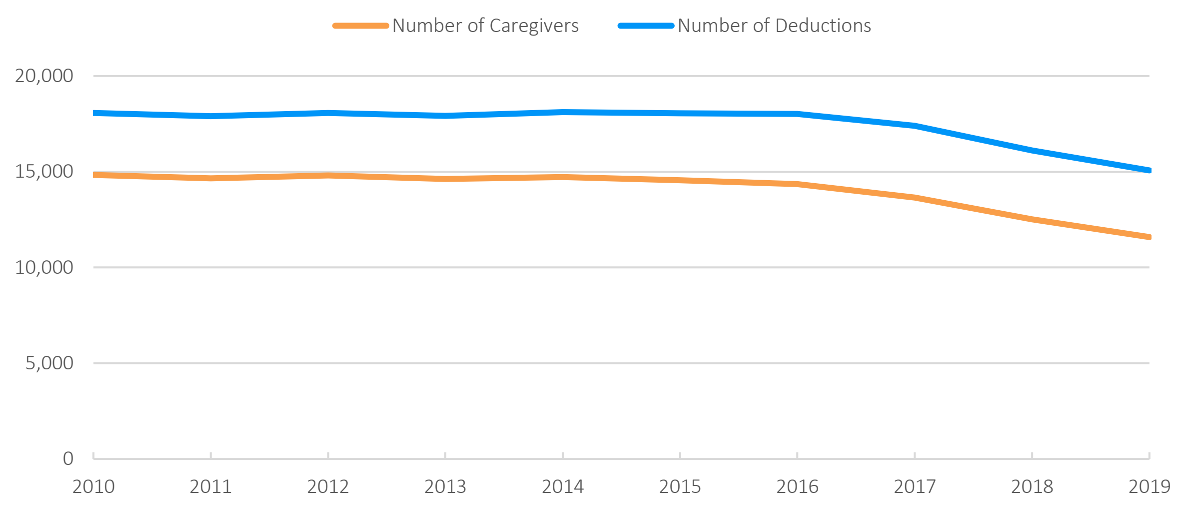
As a part of the Budget 2019 income support package, section 192 was removed, with effect from 1 April 2020.

Numbers affected

On the last day of section 192 deductions being in place (31 March 2020), there were deductions in place relating to 9,651 children, affecting 7,269 carers.

The number of carers with Section 192 deductions, and the number of deductions in place was stable between June 2010 and June 2016, before steadily falling in the years following (Figure 3). Drivers included both a reduction in numbers of sole parents receiving benefit and a reduction in the proportion for whom deductions were applied.[12]

Figure 3: Number of carers receiving a section 192 deduction and total number of section 192 deductions as at the end of June, since 2010.



[11] Section 70A and Children. https://www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/research/section-70a/section-70a-research-brief.pdf
[12] Ibid.

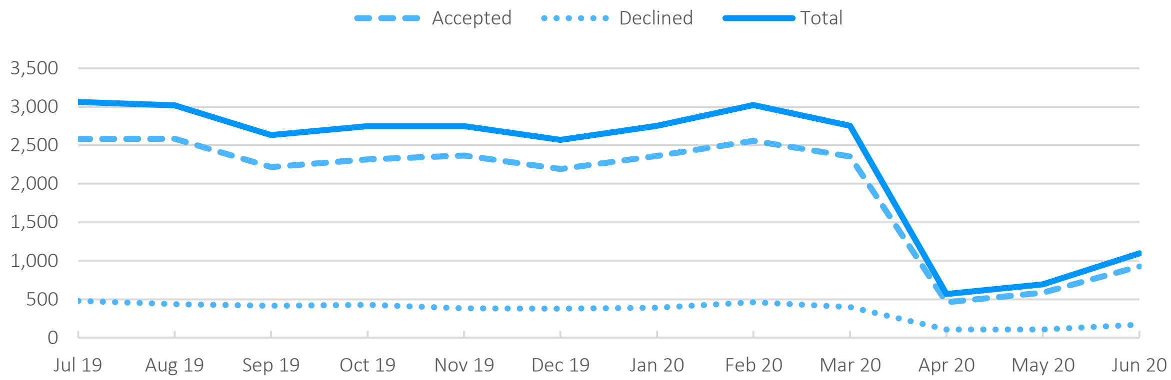
Trends in child support

One possible effect of the removal of section 192 deductions is to reduce the number of child support arrangements that are registered with Inland Revenue and reduce child support applications, particularly from parents who receive a benefit.

As at 30 June 2020 there were 114,537 liable parents who paid child support to 114,275 receiving carers for their children as part of a child support arrangement. Of liable parents, 37.1 percent had income from a benefit. Of receiving carers, 49.9 percent had income from a benefit.

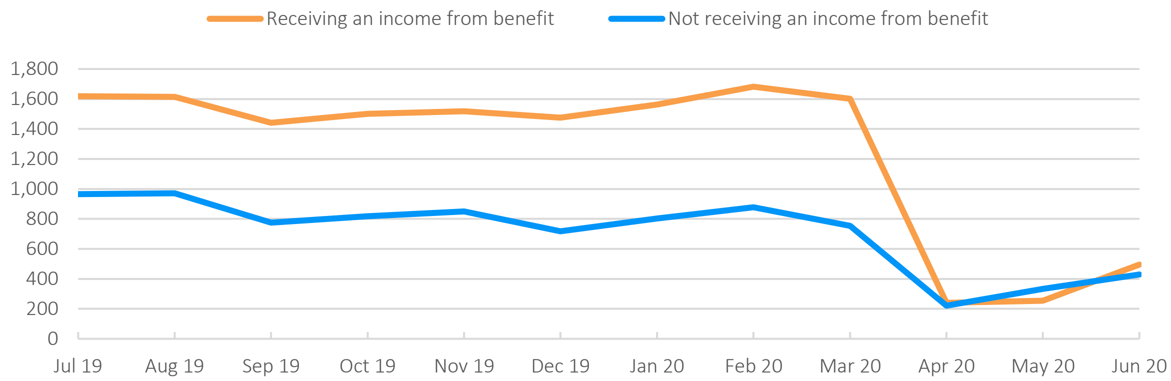
Figure 4 below shows that there was a fall in the number of applications for child support in April, with a slight rebound since. Due to the impacts of COVID-19 across the income support and taxation systems more generally, more time is needed to assess the impact of removing the section 192 deduction on child support applications and arrangements. This is because, for example, applications that were received during the level four lockdown (which occurred at the same time as the section 192 removal) would not have been able to be processed at the same rate as usual.

Figure 4: Number of child support applications registered with Inland Revenue, by status.



Typically, a sizable majority of applications are made by people receiving an income from a main benefit. However, this has not been true since April 2020 (Figure 5).

Figure 5: Number of child support applications accepted by Inland Revenue, by whether the applicant is receiving income from a main benefit or not.



Family Tax Credit

Family Tax Credit is an income-tested payment able to be claimed for each child in an eligible family. Families can choose to receive the payments either weekly, fortnightly, or as a lump sum after the end of the tax year. Payments are made by either MSD or Inland Revenue.

Additional information on the Families Package changes to the Minimum Family Tax Credit is contained in the companion supplementary report. [13]

What changed?

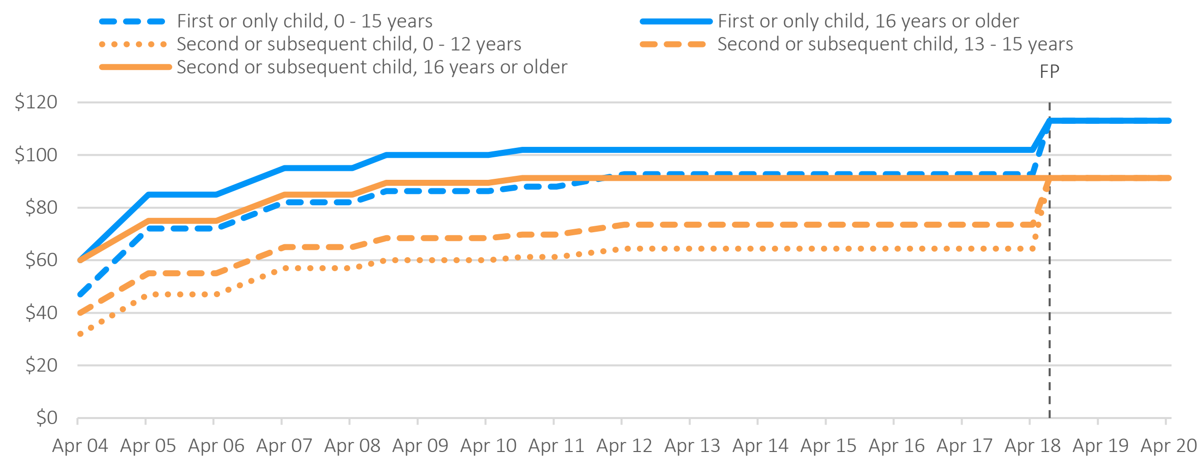
As a part of the Families Package, Family Tax Credit payment rates were increased and simplified from 1 July 2018. Five payment rates were collapsed to two, one for the eldest or only child (a maximum of $113.04 per week), and one for all subsequent children (a maximum of $91.25 per week) (Table 3). The abatement threshold at which Working for Families payments start to reduce (abate) was increased from $36,350 to $42,700, while the abatement rate increased from 22.5 percent to 25 percent.

Table 3: Change in the Family Tax Credit weekly rates, by age of children.

Age of children	Pre 1 July 2018	From 1 July 2018	Increase
First or only child, 0-15 years	$92.73	$113.04	+$20.31
First or only child, 16 years or older	$101.98		+$11.06
Second or subsequent child, 0-12 years	$64.44	$91.25	+$26.81
Second or subsequent child, 13-15 years	$73.50		+$17.75
Second or subsequent child, 16 years or older	$91.25		-

The increases in Family Tax Credit payment rates as part of the Families Package were substantial in historical context for most child age groupings (Figure 6).

Figure 6: Family Tax Credit rates since 2004, by child age grouping.



This section reports receipt and expenditure for front-end Family Tax Credit payments received weekly or fortnightly. Data on receipt of lump sum year-end payments is not yet available for 2020 but is able to be included for 2019.

[13] The Families Package increased the income threshold for the Minimum Family Tax Credit.

Receipt of Family Tax Credit

Receipt of weekly, fortnightly and yearly payments from Inland Revenue

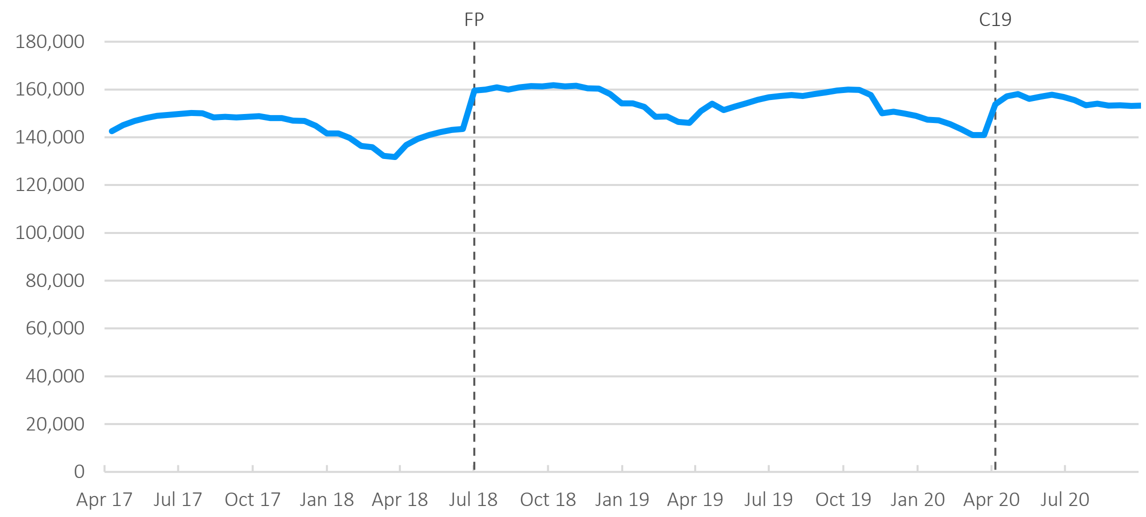
In the last reporting fortnight of June 2020, there were 156,929 people who received a weekly or fortnightly up-front Family Tax Credit payment from Inland Revenue.

This is slightly more than the equivalent reporting period in 2018 (which included 12 days pre- and two days post the 1 July 2018 implementation), similar to the equivalent reporting period in 2019, and an increase from 149,849 in 2017 (Figure 7).

Figure 7: Number of Family Tax Credit recipients paid weekly or fortnightly by Inland Revenue, end of last four June months.

In addition to the lift in recipient numbers due to the Families Package, there is a lift in the number of recipients in early April 2020, coinciding with COVID-19 (Figure 8). While there appears to be a seasonal increase each April (likely related to the tax year), the April increase was larger in 2020. This could be due to falls in families' incomes as a result of the level four lockdown, leading to an increase in the number of eligible families.

Figure 8: Number of Family Tax Credit recipients paid weekly or fortnightly by Inland Revenue, early April 2017 to end of September 2020.



For the tax year ended 31 March 2019, just under 229,000 families were eligible for (and received) Family Tax Credits over the year through Inland Revenue. Including MSD clients, just under 290,000 families were eligible for and received Family Tax Credits. Around 128,000 of the 290,000 families (around 44 percent) had recorded an income from a main benefit during that year. Out of the 290,000 families, 60 percent were sole parents.

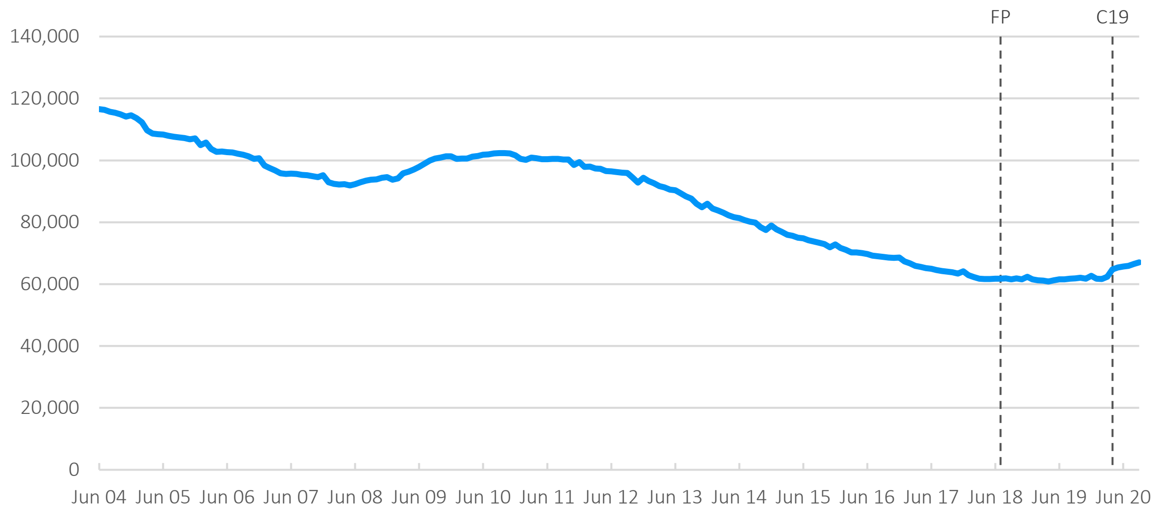
Receipt of payments from MSD

The number of people receiving a Family Tax Credit from MSD at the end of June 2020 was higher than at any point over the past three years (Figure 9).

Figure 9: Number of Family Tax Credit recipients paid in the last week of June by MSD, last three years.

The decrease in the number of recipients originally slowed since the Families Package implementation (Figure 10). This is consistent with a slowdown in the rate of decline in numbers of benefit recipients with dependent children. From March 2020 there has been an increase in the number of recipients, consistent with the increase in the number of benefit recipients with dependent children post COVID-19.

Figure 10: Number of Family Tax Credit recipients paid in the last week of each month by MSD, since June 2004.



Expenditure on Family Tax Credit

Expenditure on weekly, fortnightly and yearly payments from Inland Revenue

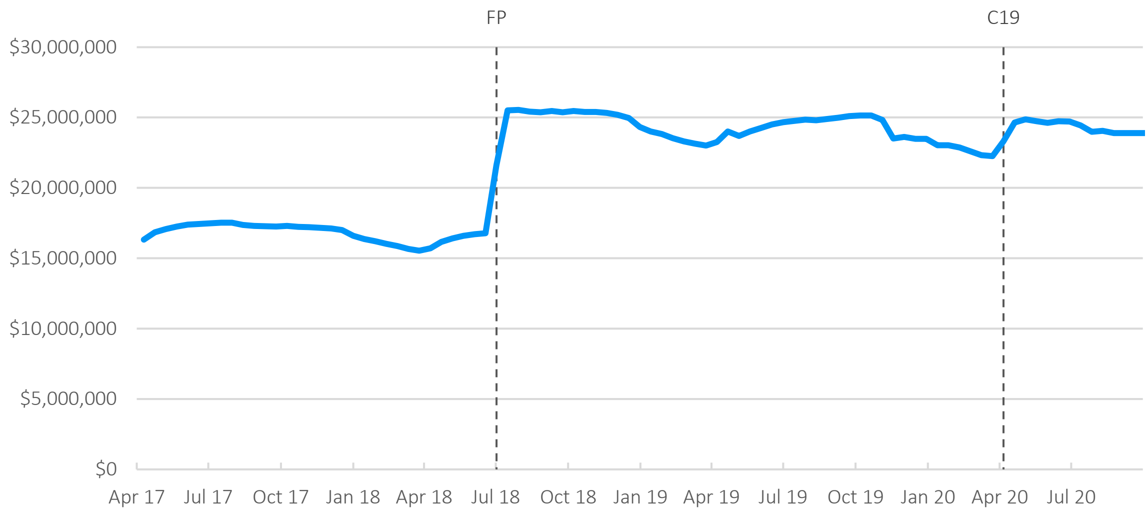
There was a large increase in expenditure on weekly and fortnightly Family Tax Credits by Inland Revenue when comparing the last reporting fortnights of June 2017 and June 2020 (Figure 11). Due to the timing of the Families Package changes relative to reporting periods, the financial impacts were partially felt during the final fortnight of June 2018.

Figure 11: Average weekly expenditure on Family Tax Credits in the last fortnight of June, last four years.

The average amount that a recipient received from Inland Revenue increased from $117 per week at the end of June 2017 to $157 at the end of June 2020.

This is reflected in the increase of overall weekly expenditure on the Family Tax Credit (Figure 12). A clear increase in expenditure can also be seen early in April 2020, coinciding with a lift of recipient numbers (see Figure 8 on page 16).

Figure 12: Weekly expenditure on Family Tax Credits, averaged across fortnights, from the start of April 2017 to the end of June 2020.



Across the tax year ended 31 March 2019, just over $1.5 billion (or around $127 a week on average across all recipients) was spent on Family Tax Credits (for weekly, fortnightly and yearly payments) by Inland Revenue. In total, $2 billion was spent when including MSD expenditure.

Expenditure on payments from MSD

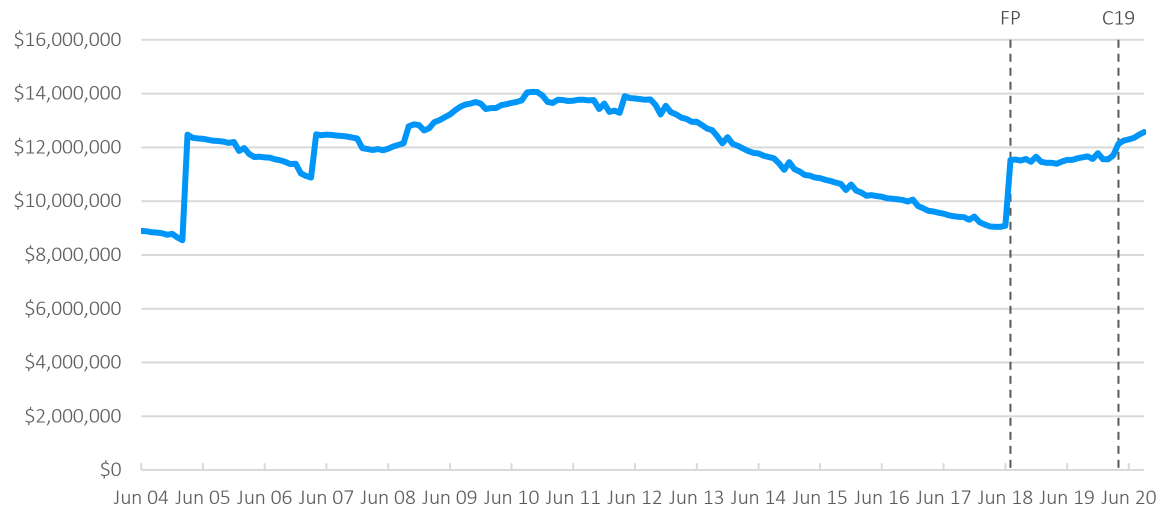
As expected given the payment rate changes, there has been a sharp increase in the weekly expenditure on Family Tax Credits received from MSD since the Families Package changes (Figure 13). The recent increase between 2019 and 2020 can be attributed to there being more recipients (Figure 9, page 17).

Figure 13: Expenditure on Family Tax Credits by MSD during the final week of June, last four years.

This increase saw the average amount a person received increase, from $147 a week at the end of June 2017 and 2018 to $187 at the end of June 2020.[14]

This increase combined with the increased number of recipients since March 2020 brings expenditure of Family Tax Credits back to 2013 levels (Figure 14), where the number of recipients was much higher (Figure 10, page 17). The increase in expenditure due to the Families Package changes was the largest increase in Family Tax Credit expenditure since the 2005 Working for Families rate increases.

Figure 14: Expenditure on Family Tax Credit by MSD during the final week of the month, since 2004.



[14] The average rate per family is slightly higher because payments are usually divided equally between partners in couples.

In-work Tax Credit

The In-work Tax Credit is for families in paid work and not receiving a main benefit or a Student Allowance. Prior to July 2020, couples needed to work at least a combined 30 hours per week. Single parents needed to work at least 20 hours per week. This payment is solely paid by Inland Revenue.

Working families with one, two or three dependent children may be eligible for up to $72.50 a week. Working families with four or more dependent children may be eligible for an extra $15 per child a week (on top of the $72.50 a week).

For people not on a benefit, the In-work Tax Credit abates after other Working for Families payments have abated. This means the rate payable was influenced by the increases in the Family Tax Credit payment rates, as well as the Families Package Working for Families abatement changes.

What changed?

As part of the income support package that formed part of the initial response to COVID-19, the hours test for the In-work Tax Credit was removed. This was to help families that may have faced a reduction in hours, or variable hours, in the wake of COVID-19.

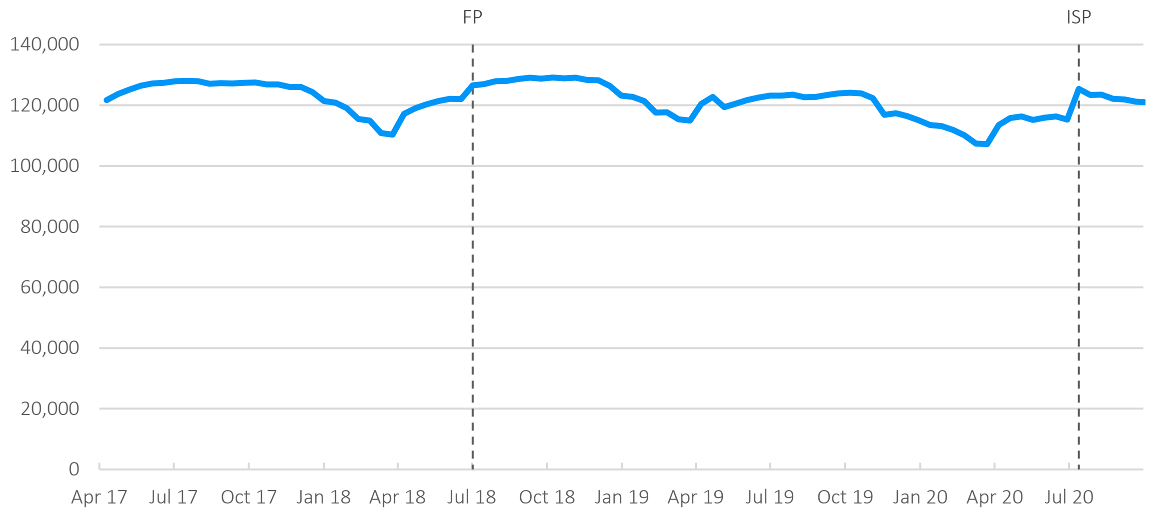
Receipt for the In-work Tax Credit

Figure 15 below shows that there had been a decreasing number of In-work Tax Credit weekly or fortnightly recipients prior to the 1 July 2020 changes. These 1 July 2020 changes increased the number of recipients to levels just below what was recorded around the time of the Families Package in June 2018.

Figure 15: Number of people receiving the In-work Tax Credit during the final fortnight of June (last four years) and the fortnight ended 13 July 2020.

Figure 16 below shows that there had been a gradual decline in the number of In-work Tax Credit recipients over time, outside of seasonal trends.

Figure 16: Number of In-work Tax Credit recipients paid weekly or fortnightly by Inland Revenue, early April 2017 to end of September 2020.



For the tax year ended 31 March 2019, just over 203,000 families were eligible for (and received) In-work Tax Credit over the year through either weekly, fortnightly, or lump-sum end of year payments. Around 120,000 of these families were partnered.

Expenditure for the In-work Tax Credit

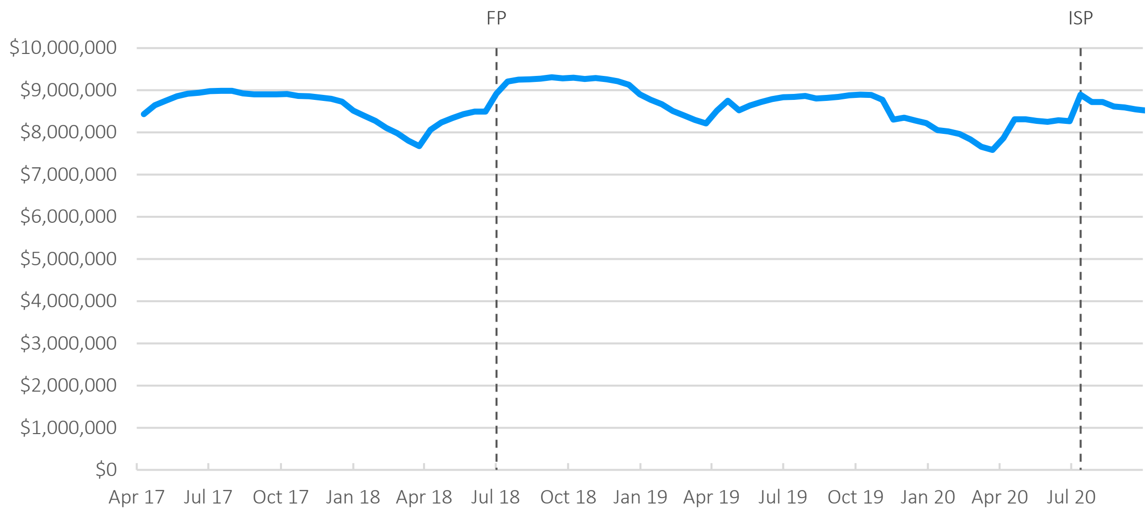
There was a clear increase in weekly expenditure from the income support changes that took effect on 1 July 2020 (Figure 17).

Figure 17: Weekly expenditure on In-work Tax Credit, averaged across fortnights, in the last fortnight of June (last four years) and the fortnight ended 13 July 2020.

Since the Families Package, families receiving the payment weekly or fortnightly have received slightly more from the In-work Tax Credit, generally between $71-72 a week compared to $69-$70 beforehand.

Looking at the data over time, it is also possible to pick out a small increase associated with the Families Package changes in July 2018 (Figure 18).

Figure 18: Weekly expenditure on In-work Tax Credits, averaged across fortnights, from the start of April 2017 to the end of June 2020.

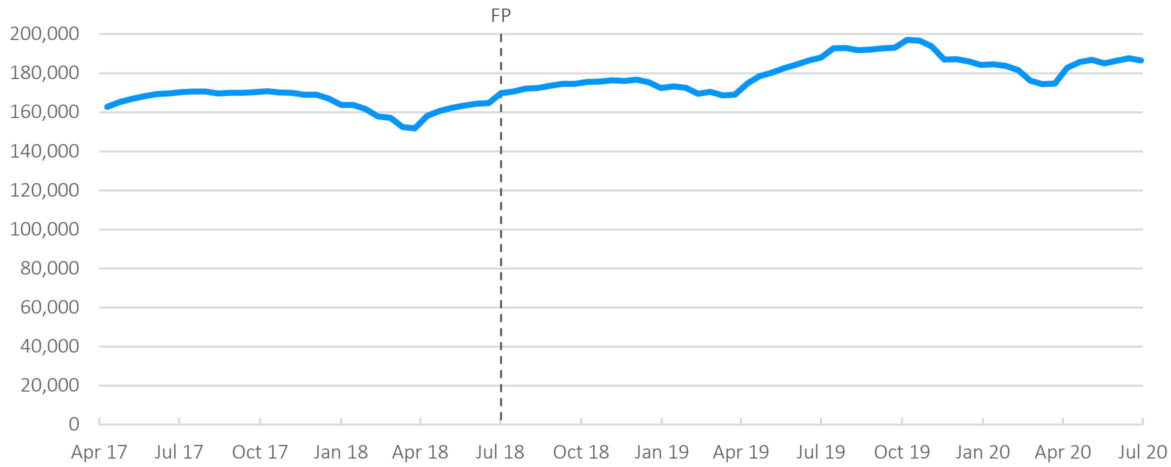


Across the tax year ended 31 March 2019, just over $600 million (or around $57 a week on average across all recipients) was spent on In-work Tax Credits by Inland Revenue.

Receipt and expenditure across all Working for Families tax credits from Inland Revenue

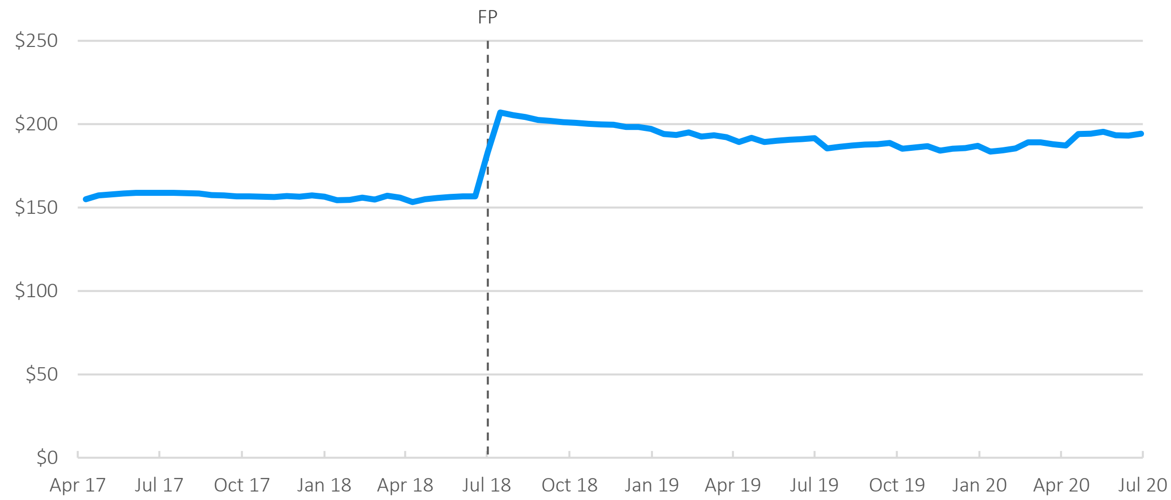
Looking at the trends across all tax credits (including Best Start discussed in the following section), we see that there was a small rise in the number of people receiving a Working for Families tax credit following the implementation of the Families Package (Figure 19). Since then, the number of recipients has generally increased, partly driven by the number of Best Start recipients.

Figure 19: Number of Working for Families tax credit recipients paid weekly or fortnightly by Inland Revenue, from the start of April 2017 to the end of June 2020.



The period following the Families Package changes also saw the average weekly amount a family was receiving (if they were paid weekly or fortnightly) rise from $159 in the last fortnight of June 2017, to $194 by the final fortnight of June 2020 (Figure 20).

Figure 20: Average weekly amount received by Working for Families tax credit recipients paid weekly or fortnightly by Inland Revenue, from the start of April 2017 to the end of June 2020.



Across the tax year ended 31 March 2019, just under $2.2 billion was spent on all Working for Families tax credits (for weekly, fortnightly and yearly payments) by Inland Revenue across a total of around 272,000 families. In total, $2.6 billion was spent across Inland Revenue and MSD across a total of around 333,000 families.

Helping families with costs in a child’s early years

Summary

Receipt of the Best Start tax credit has grown since its implementation as the number of families with eligible children has increased. There were 51,834 recipients receiving a payment from Inland Revenue in the last fortnight of September 2020, and 17,662 recipients receiving a payment from MSD in the last week of September 2020.

The increase in the maximum weeks for paid parental leave to 22 weeks in the quarter ended September 2018 has seen a rise in the number of people receiving paid parental leave at any point in time since then.

Best Start tax credit

The Best Start tax credit is a weekly payment of $60 (up to $3,120 per year) per child born, or due to be born, on or after 1 July 2018. This payment is available to all families in the first year of a baby’s life during weeks the family is not in receipt of paid parental leave. For the second and third years, support continues for low- and middle-income families. In these years, Best Start is abated at 21 percent for family income above $79,000 (Table 4).

Table 4: Best Start tax credit for a child's second and third years.[15]

Family income	Best Start tax credit
Less than $80,000	$3,120 ($60 per week)
$80,000	$2,910 ($56 per week)
$85,000	$1,860 ($35.80 per week)
$90,000	$810 ($15.60 per week)
$93,858 and higher	$0

What changed?

Best Start was introduced as a part of the Families Package.

The Parental Tax Credit ended at the same time. The Parental Tax Credit had provided eligible families with up to $220 per week for the first 10 weeks of a child’s life. This payment was not available to recipients of a benefit or the Student Allowance and could not be received by a family who received paid parental leave.

This section reports receipt and expenditure for front-end payments received weekly or fortnightly when comparing between years. Data on receipt of lump sum year-end payments is only available for the first year of Best Start.

[15] For a full table of weekly and fortnightly rates, please refer to this document from the Inland Revenue website: https://www.ird.govt.nz/-/media/project/ir/home/documents/forms-and-guides/ir200---ir299/ir271/ir271-2021.pdf

Receipt of the Best Start tax credit

The interactions between paid parental leave and Best Start tax credit eligibility, together with the income testing in the second and third years of a child's life, means that the ramping up of Best Start receipt is expected to occur at varying rates over time, and not reach a steady state until after three years of operation.

Receipt of weekly, fortnightly and yearly payments from Inland Revenue

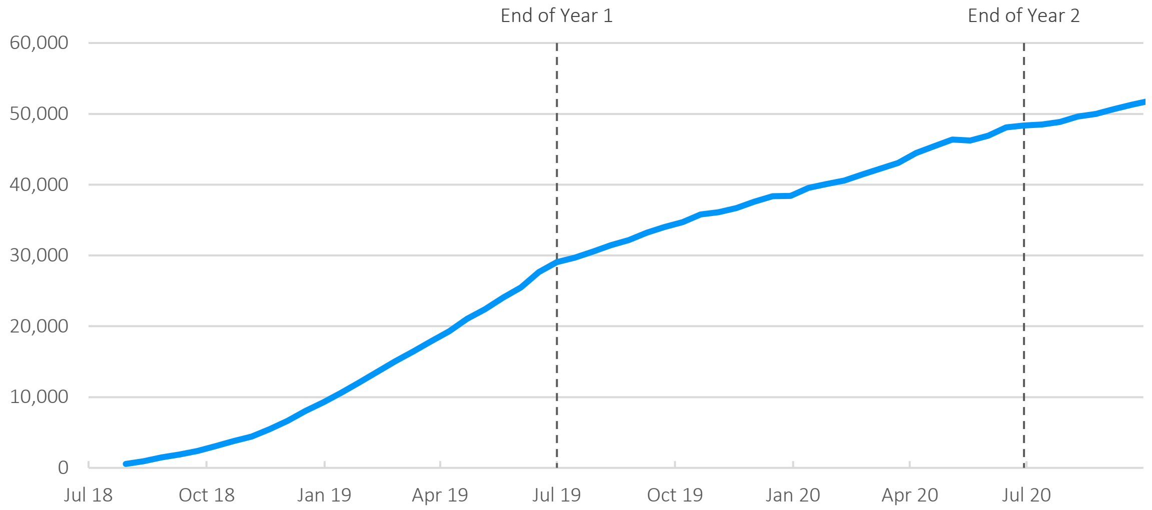
Since the implementation of Best Start, there has been fairly steady growth in the number of people who receive a weekly or fortnightly up-front Best Start payment from Inland Revenue.

The slower rate of growth in the initial few months reflects the fact that a proportion of the families newly eligible from 1 July 2018 had to wait until they finished receiving paid parental leave before they could claim Best Start.

Through the second year, growth was relatively linear, and at a slower rate than growth in the second half of year one. This was in part due to some families no longer being eligible after their child turned one due to the income testing of the payment.

During the last fortnight of September 2020, 51,834 families received a weekly or fortnightly Best Start payment from Inland Revenue (Figure 21).

Figure 21: Number of Best Start tax credit recipients paid weekly or fortnightly by Inland Revenue, from the start of July 2018 to the end of September 2020.

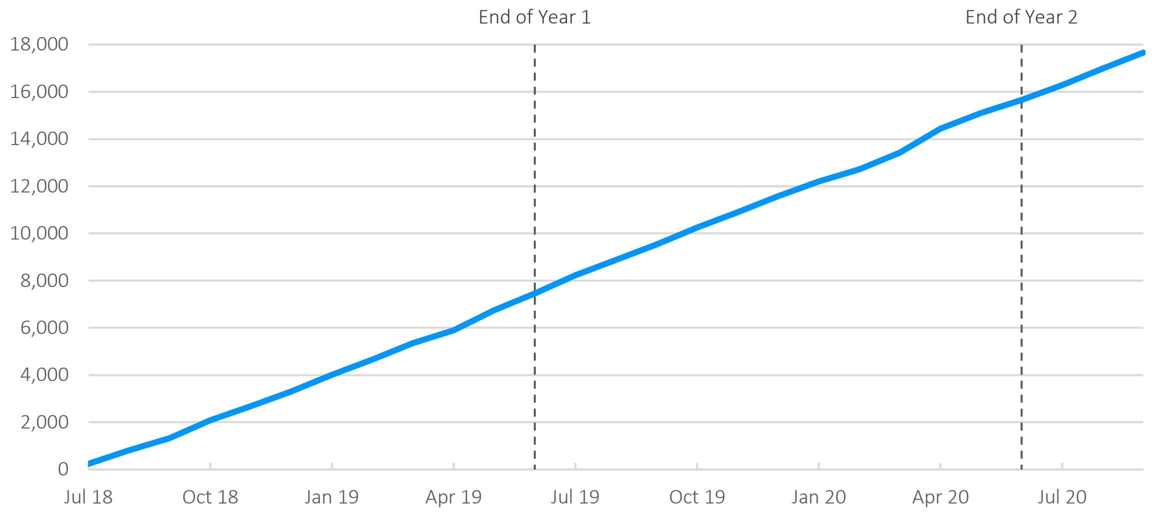


Across the nine relevant months of the tax year ended 31 March 2019, 27,100 families were entitled to (and received) the Best Start Tax Credit through Inland Revenue, either weekly, fortnightly or as a lump sum payment at the end of the year. Just over 82 percent of recipients did not record receiving an income from a benefit during the year, and just under 86 percent of recipients were partnered.

Receipt of weekly payments from MSD

At the end of September 2020, there were 17,662 people receiving a Best Start payment from MSD (Figure 22). This is an increase from 7,454 as at the end of June 2019.

Figure 22: Number of Best Start tax credit recipients paid at the end of each month by MSD, July 2018 to the end of September 2020.

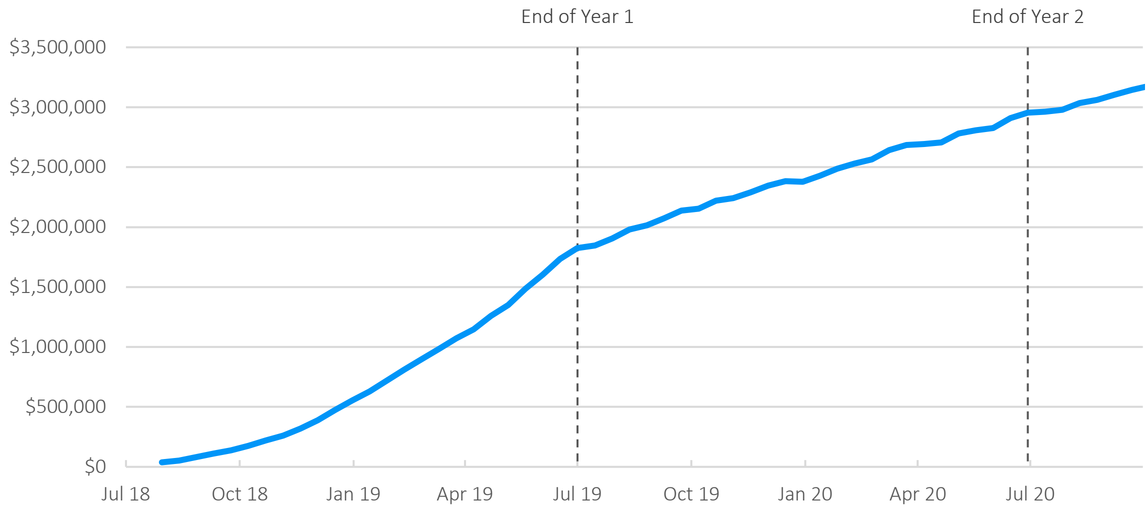


Expenditure on the Best Start tax credit

Expenditure on weekly, fortnightly and yearly payments from Inland Revenue

The growth in receipt is reflected in the growth in expenditure, which averaged just under $3.2 million per week during the final fortnight of September 2020 (Figure 23).

Figure 23: Weekly expenditure on the Best Start tax credit by Inland Revenue, averaged across fortnights, from July 2018 to the last fortnight of September 2020.

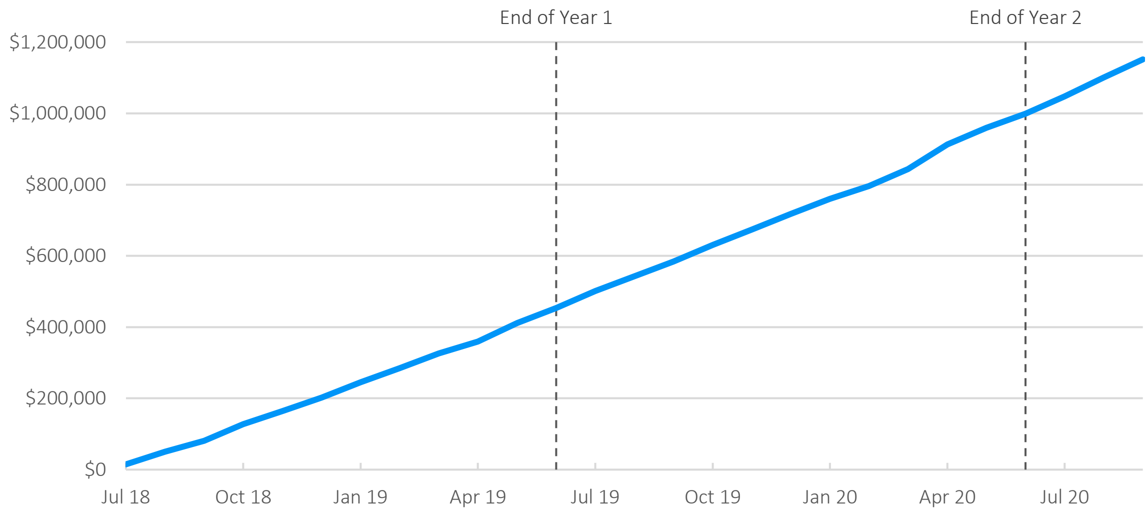


Across the relevant nine months of the tax year ended 31 March 2019, just over $23 million was spent on Best Start tax credits by Inland Revenue.

Expenditure on weekly payments from MSD

A similar picture is seen with the growth in weekly expenditure at the end of each month on Best Start payments made by MSD, with $1,152,000 being spent during the final week of September 2020 (Figure 24).

Figure 24: Expenditure on the Best Start tax credit by MSD, during the final week of each month, July 2018 to the end of September 2020.

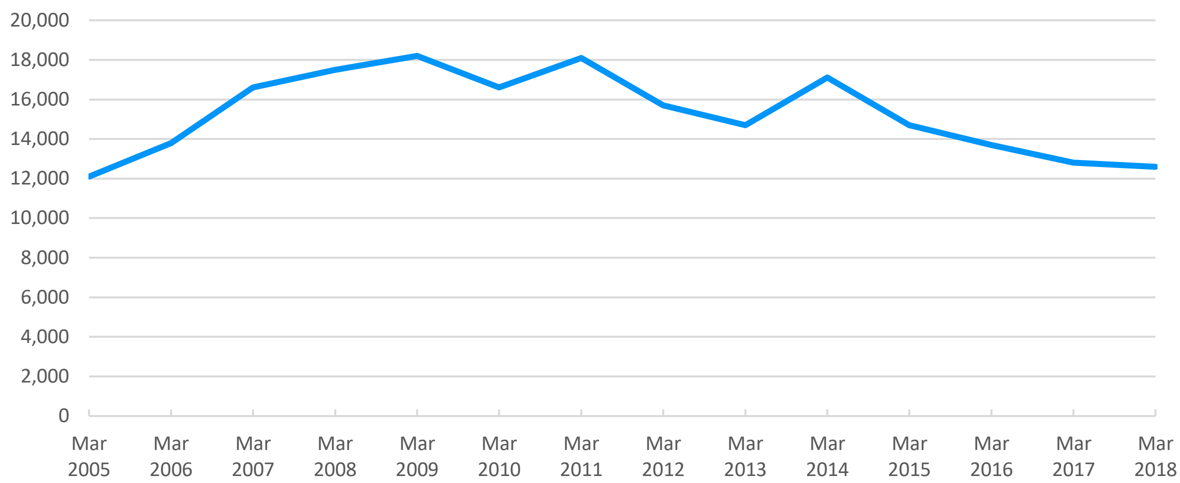


Receipt and expenditure for the parental tax credit

For historical context, information on the discontinued parental tax credit is provided here. However, it's important to note that the parental tax credit had different criteria to Best Start and was paid by Inland Revenue only.

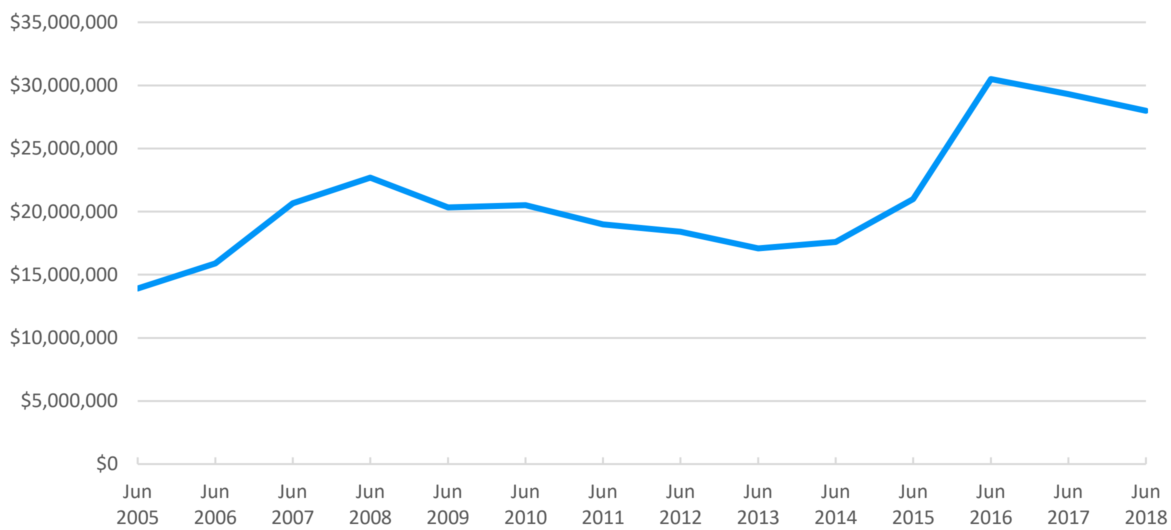
During the later years of the Working for Families Package implementation (2007 to 2009), the parental tax credit had a large increase in receipt, peaking in the year ended March 2009, before receipt gradually declined after that (Figure 25).

Figure 25: Receipt of the parental tax credit, year ended March 2005 to 2018.[16]



Yearly expenditure on Parental Tax Credits rose in 2015 reflecting a policy change made at that time (Figure 26) – for babies born on or after 1 April 2015, Parental Tax Credit increased from $150 a week to $220 a week, and the payment period increased from eight weeks to ten weeks.

Figure 26: Expenditure on the parental tax credit, year ended June from 2005 to 2018.[17]



[16] Total numbers of recipients with an end of year entitlement to the parental tax credit (rounded to the nearest 100).
[17] Figures reported are based on fiscal year accrual basis as opposed to cash/return basis, which results in different figures compared to March year data published on the Inland Revenue website.

Paid parental leave

Paid parental leave is available to parents and carers who take time off work to care for their baby or a child who has come into their care. It was originally introduced in July 2002, at which point eligible parents could receive a maximum of 12 weeks of paid parental leave.

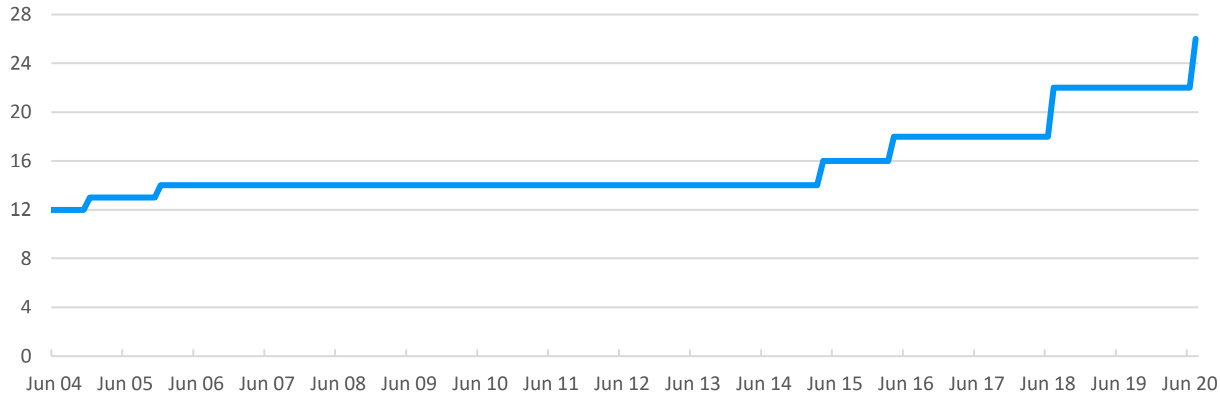
It is available to parents and carers of children under six years old who are the primary carers of those children. The parent or carer needs to have worked an average of 10 hours a week in at least half of the year before the child was born or came into their care. Paid parental leave is paid by Inland Revenue.

What changed?

As part of the Families Package, the maximum number of weeks of paid parental leave increased from 18 to 22, effective from 1 July 2018, and from 22 weeks to 26 weeks, effective from 1 July 2020.

Figure 27 shows the increase in the number of weeks a person can receive paid parental leave since 2004.

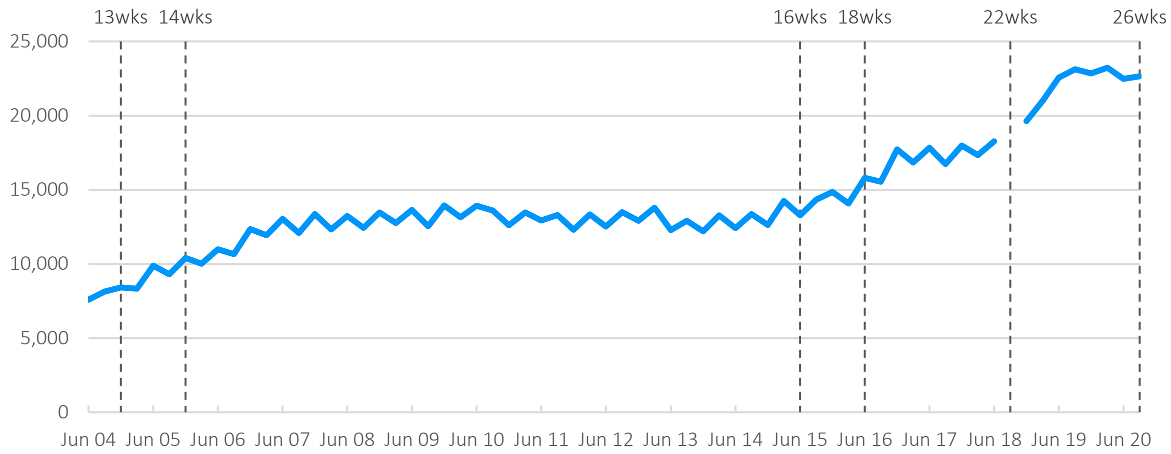
Figure 27: Maximum weeks of paid parental leave since 2004.



Receipt of paid parental leave

Before the extension of paid parental leave to 22 weeks, during the quarter ended June 2018, 18,271 people received a paid parental leave payment. This increased to 22,651 people in the quarter ended September 2020. (Figure 28).

Figure 28: Number of people receiving paid parental leave, since quarter ended June 2004.[18]

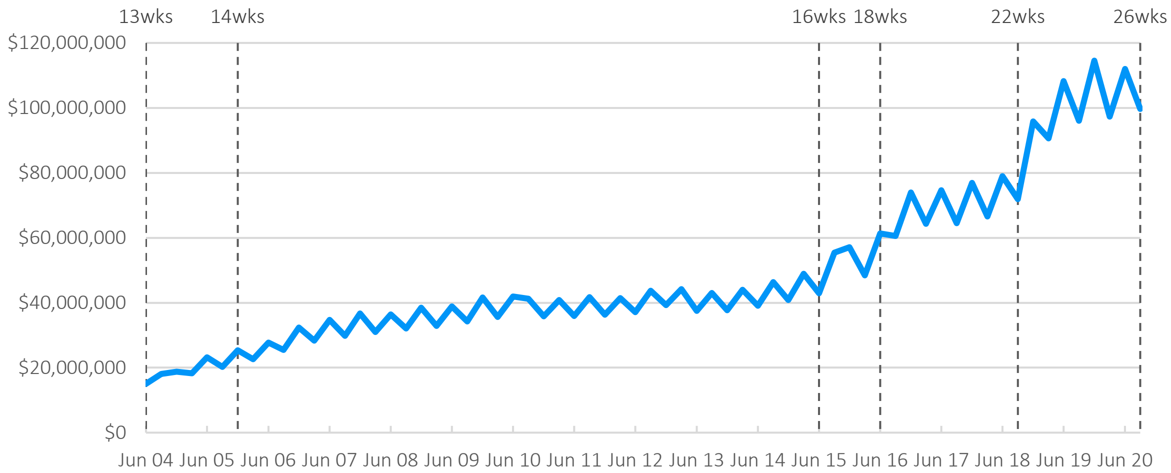


Note: Dashed lines mark the quarter in which the change occurred. So, if there was a change on 1 April, the change is marked on that June.

Expenditure on paid parental leave

There has been a steady increase in expenditure in paid parental leave over time, in line with wage inflation adjustments and increases to the maximum number of paid parental leave weeks. Since 2016, expenditure has begun to increase more rapidly, in line with the increase of recipients due to the extensions of paid parental leave weeks (Figure 29).

Figure 29: Expenditure on paid parental leave, since quarter ended June 2004.



Note: Dashed lines mark the quarter in which the change occurred. So, if there was a change on 1 April, the change is marked on that June.

[18] Data for the quarter ended September 2018 is excluded from this graph due to a large spike in the number of people paid over that quarter. This was due to Inland Revenue issuing corrective payments relating to a miscalculation of the 2017 maximum paid parental leave amounts. For information purposes, the number of people receiving a payment during this quarter was 43,179.

Helping older New Zealanders and people receiving a main benefit heat their homes

Summary

At the end of June 2018, when the first Winter Energy Payments were made, 775,498 recipients received the payment.

A year later the number of recipients had increased by 20,552 to 796,050. It has since increased further by 89,143 to 885,193 as at the end of June 2020.

This is mainly due to increased numbers of people on Jobseeker Support and New Zealand Superannuation.

Once we include the partners of recipients, there were just under 1.2 million people receiving the Winter Energy Payment as at the end of June 2020.

Very few recipients have chosen to opt out of receiving the Winter Energy Payment.

The doubling of the Winter Energy Payment for 2020 as part of the initial income support response to COVID-19 has seen the average monthly expenditure increase from approximately $90.4 million during 2019 to approximately $198.8 million during 2020.

Winter Energy Payment

The Winter Energy Payment is a non-taxable, non-income tested benefit paid with the client's main benefit, New Zealand Superannuation or Veteran's Pension to help eligible clients meet their household heating costs during the winter months.

In 2018, payments were made from 1 July until 29 September. In 2019 and subsequent years, payments are made from 1 May until 1 October (inclusive).

Due to the way MSD administers payments and sets its reporting periods, the first payment in 2018 is registered as taking place in the final reporting week of June 2018, which includes 1 July.

Further breakdowns of receipt of the Winter Energy Payment are contained in a companion supplementary report.

What changed?

The Winter Energy Payment was introduced as part of the Families Package.

During the first two years of the Winter Energy Payment, single people without dependent children eligible for the Winter Energy Payment were paid $20.46 a week. People who were married, in a civil union or a de facto relationship (with or without dependent children), and sole parents received $31.82 a week.

As part of the initial response to COVID-19, Winter Energy Payment rates were doubled for 2020.

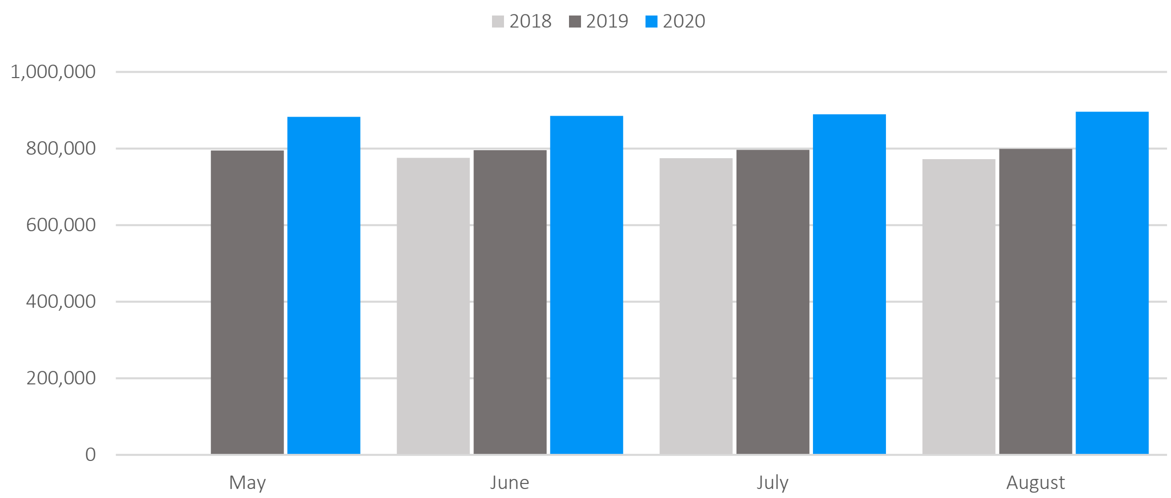
Receipt of the Winter Energy Payment

Overall

Nearly everyone on a main benefit or receiving a superannuation payment that meets the criteria for the Winter Energy Payment receives it, with approximately 774,000 recipients on average during the 2018 year and approximately 797,000 recipients on average during the 2019 year. This figure counts primary benefit recipients and does not count partners included in a benefit (consistent with MSD's standard reporting).

Figure 30 below shows that in 2020, the number of recipients of the Winter Energy Payment is higher than in both 2018 and 2019. Using the data available for this report, across the months ending May to August, there were approximately 888,000 recipients on average in 2020, or around 91,500 more recipients on average when compared to 2019).

Figure 30: Winter Energy Payment receipt, 2018 to 2020.



Once we include the eligible partners of recipients, there were just under 1.2 million adults being helped by the Winter Energy Payment during any point in 2020.[19]

Additionally, very few recipients have chosen to opt out of receiving the payment and have not reinstated it at a future date during the 2020 Winter Energy Payment period (Table 5).

Table 5: Number of people who opted out of the Winter Energy Payment and did not opt back in or be regranted it during that year, since 2018.[20]

Year	Number
2018	1,815
2019	719
2020	915

[19] This calculation is based on the partnership status of recipients and rounded to the nearest 100,000.

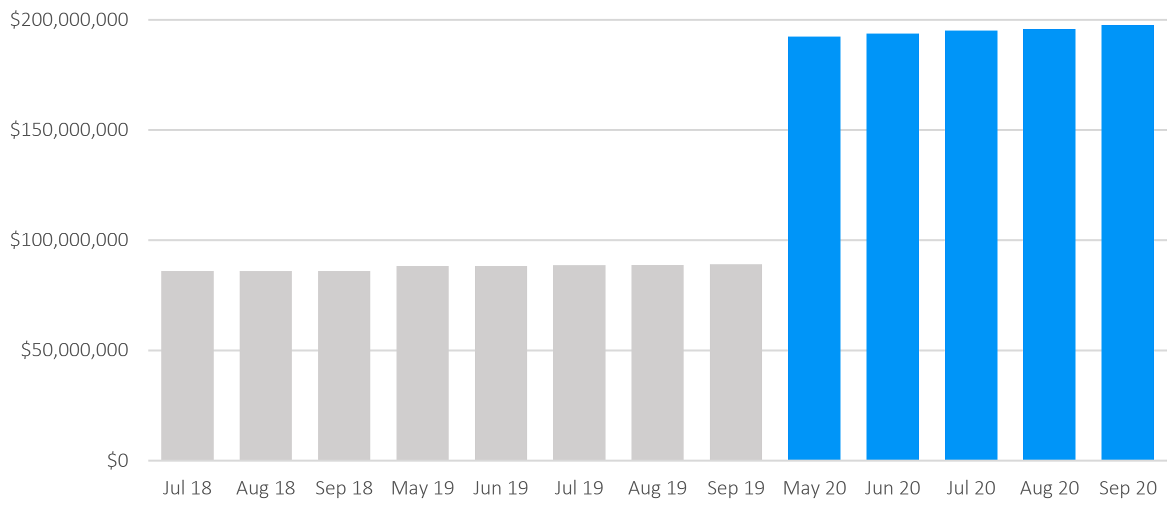
[20] A recipient can 'opt out' of the payment at any time during the payment period for various reasons. This table shows the number of people who have 'opted out' and not been regranted the payment (or opted back in). 2018 comprises all the opt outs from 25 June 2018 to the end of December 2018. 2019 comprises all the opt outs from 01 January 2019 to the end of December 2019. 2020 comprises all the opt outs from 01 January 2020 to the end of September 2020.

Expenditure on the Winter Energy Payment

Normalising expenditure to consider the number of days in each month, there has been a large increase in expenditure (of approximately $100 to $110 million per month) during this year's Winter Energy Payment period compared to the previous two years (Figure 31).

The increase in expenditure is predominantly due to the doubling of the Winter Energy Payment. A small part of the increase is due to the increased number of people receiving either a main benefit or a superannuation payment.

Figure 31: Expenditure on the Winter Energy Payment since its inception, normalised to account for length of months.[21]



[21] Months are adjusted to be thirty days long for the purpose of this comparison.

Increasing financial assistance for carers

Summary

At the end of June 2018, 271 carers received an Orphan's Benefit and 10,631 carers received an Unsupported Child's Benefit for 365 and 16,157 children respectively. These numbers changed to 268 and 12,374 carers for 364 and 18,985 children respectively by the end of June 2020.

Monthly expenditure on the Orphan's Benefit and Unsupported Child's Benefit increased from $13.7 million in June 2018 to $17.1 million in July 2018, following the Families Package rate increases and the accompanying introduction of a new Clothing Allowance. Following the COVID-19 response rate increases, monthly expenditure increased from $20.6 million in June 2020 to $23.4 million in July 2020.

At the end of June 2018, there were 5,038 children and young people that a carer received a Foster Care Allowance on behalf of. This decreased to 4,766 by the end of June 2020.

Monthly expenditure on the Foster Care Allowance increased from $4.6 million in June 2018 to $5.2 million in July 2018, following the Families Package rate increases.

The rate changes introduced as part of the COVID-19 response were larger than the rate changes (excluding Clothing Allowance) introduced as part of the Families Package.

Orphan's Benefit and Unsupported Child's Benefit

An Orphan's Benefit is a weekly payment that helps carers supporting a child or young person whose parents have died, can't be found or can't look after them because they have a long-term health condition or incapacity.

An Unsupported Child's Benefit is a weekly payment that helps carers supporting a child or young person whose parents can't care for them because of a family breakdown.

Both payments are non-taxable and not income tested.

A Clothing Allowance was introduced in July 2018, which provides weekly financial assistance to all carers receiving an Orphan's Benefit or Unsupported Child's Benefit so that these carers can provide a reasonable range of clothing, a travel bag, and replacement school clothing for children in their care.

Further breakdowns of receipt of Unsupported Child's Benefit and Orphan's Benefit are contained in a companion supplementary report.

What changed?

As part of the Families Package, the rates for Orphan's Benefit and Unsupported Child's Benefit were increased on 1 July 2018. Family Tax Credit is not paid in respect of children for whom an Orphan's Benefit or Unsupported Child's Benefit is received. The increase of $20.31 per week from 1 July 2018 was equivalent to the Families Package increase to Family Tax Credit of the same amount from 1 July 2018 for first child aged under 16.

Additionally, from 6 July 2020, the rates for Orphan's Benefit and Unsupported Child's Benefit were increased by $25 as part of the COVID-19 response.

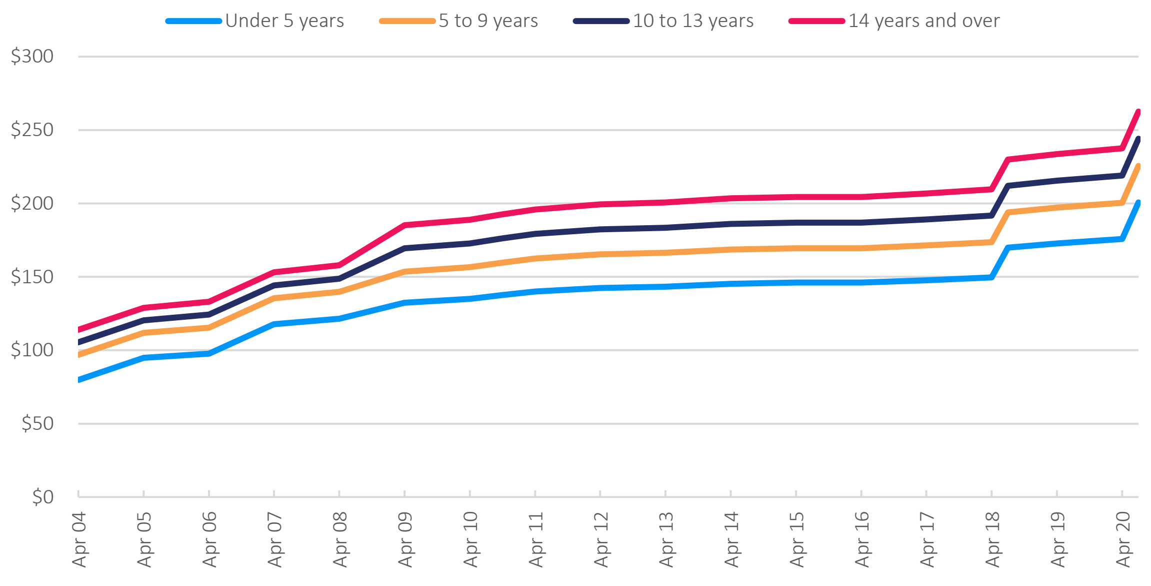
Table 6 displays the changes that took place, and current rates after the COVID-19 response changes on 6 July 2020.

Table 6: Change in Orphan's Benefit and Unsupported Child's Benefit rates between 1 April 2018 and 6 July 2020.

Age of child	1 April 2018	1 July 2018	1 April 2019	1 April 2020	6 July 2020
Under 5 years	$149.66	$169.97	$172.84	$175.71	$200.71
5 to 9 years	$173.68	$193.99	$197.27	$200.55	$225.55
10 to 13 years	$191.64	$211.95	$215.53	$219.11	$244.11
14 years and older	$209.52	$229.83	$233.71	$237.59	$262.59

Figure 32 below shows rate changes since 2004. The increases of 6 July 2020 as part of the COVID-19 response were the largest for most groups during the period monitored. Figure 32 also shows that prior to those changes, the Families Package increase was the largest since April 2009.

Figure 32: Change in Orphan's Benefit and Unsupported Child's Benefit rates since 2004, by age of child.



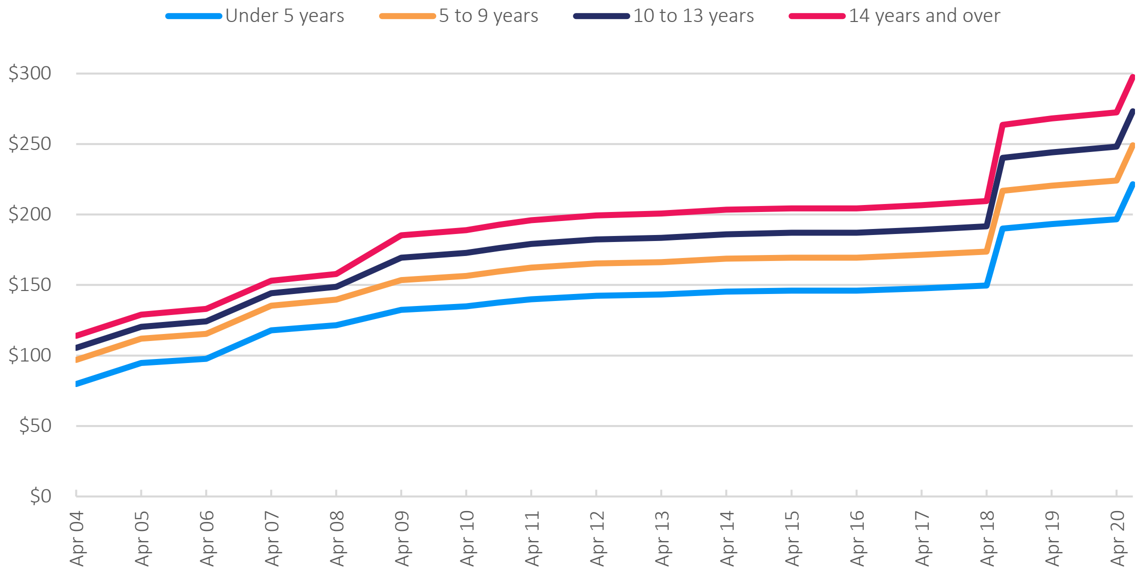
On top of these rate increases, the new Clothing Allowance introduced from 1 July 2018 further increased the support available to carers (Table 7 overleaf). All recipients of an Orphan's Benefit or an Unsupported Child's Benefit receive this payment. It is adjusted for inflation every year and is the same rate as paid under Foster Care Allowance by Oranga Tamariki.

Table 7: Clothing Allowance rates since its introduction.

Age of child	1 July 2018	1 April 2019	1 April 2020
Under 5 years	$20.14	$20.48	$20.82
5 to 9 years	$22.83	$23.22	$23.61
10 to 13 years	$28.19	$28.67	$29.15
14 years and older	$33.84	$34.41	$34.98

Factoring in the Clothing Allowance, Figure 33 below shows the maximum a carer receives per child per week.

Figure 33: Change in Orphan's Benefit and Unsupported Child's Benefit rates since 2004 (including the Clothing Allowance), by age of child.



Receipt of Orphan's Benefit and Unsupported Child's Benefit

Overall

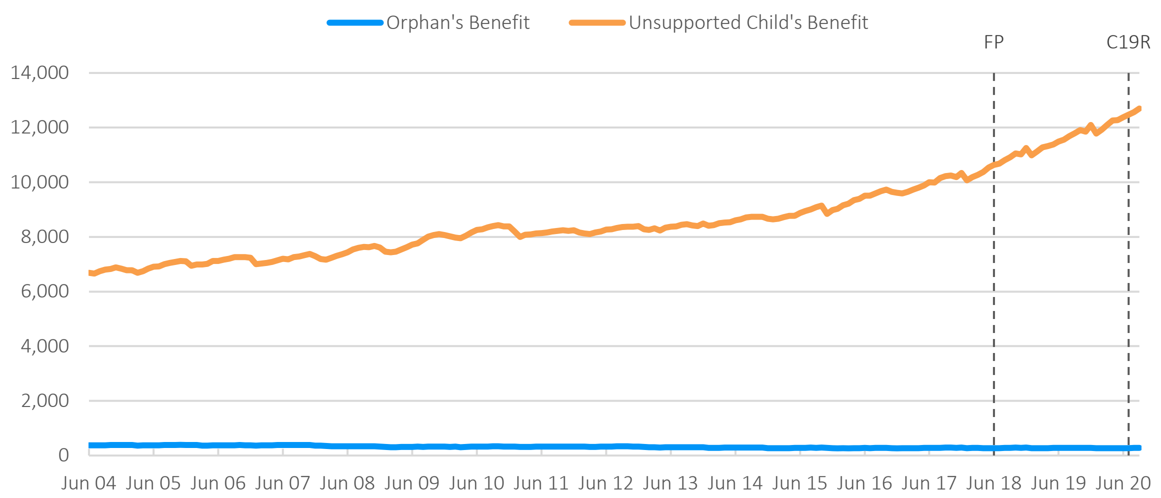
Table 8 below shows the number of carers receiving an Orphan's Benefit or an Unsupported Child's Benefit at the end of the past four June months.

Table 8: Number of carers receiving an Orphan's Benefit or an Unsupported Child's Benefit, as at the end of June, last four years.

	End of June 2017	End of June 2018	End of June 2019	End of June 2020
Orphan's Benefit	276	271	280	268
Unsupported Child's Benefit	10,001	10,631	11,490	12,374

Figure 34 below shows that the number of carers receiving an Orphan's Benefit has been quite flat over time, if not gradually declining over time. The number of carers receiving an Unsupported Child's Benefit has been increasing, particularly so since 2016. There do not appear to be any obvious impacts of COVID-19 or changes made as part of the COVID-19 response on the number of carers receiving either an Orphan's Benefit or Unsupported Child's Benefit so far.

Figure 34: Number of carers receiving an Orphan's Benefit or an Unsupported Child's Benefit, monthly since June 2004.



Number of children included in payments

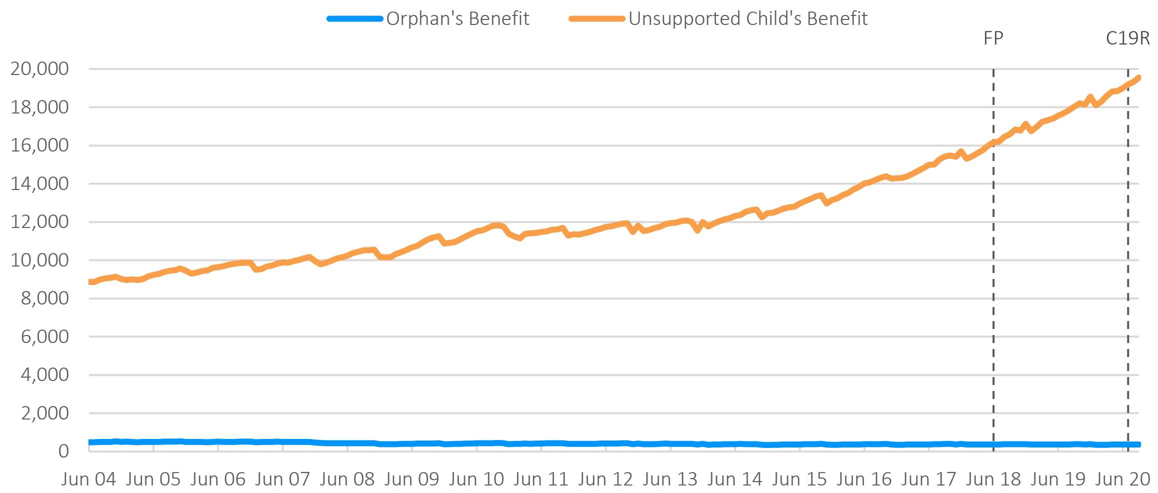
Table 9 below shows the number of children who are directly included within the Orphan's Benefit and Unsupported Child's Benefit.

Table 9: Number of children whose carers receive an Orphan's Benefit or an Unsupported Child's Benefit payment, as at the end of June, last four years.

	End of June 2017	End of June 2018	End of June 2019	End of June 2020
Orphan's Benefit	373	365	372	364
Unsupported Child's Benefit	14,993	16,157	17,553	18,985

The number of children covered directly by these payments has followed a similar trend to the number of carers (Figure 35). The seasonal dips happen every January and February during the summer school holidays. This mainly reflects end of year cancellations for children aged 16 to 18 who may cease to be dependent.

Figure 35: Number of children whose carers receive an Orphan's Benefit or an Unsupported Child's Benefit payment, monthly since June 2004.



Expenditure on Orphan's Benefit and Unsupported Child's Benefit

Over time, the expenditure on Orphan's Benefit and Unsupported Child's Benefit has been increasing (Figure 36). This is mainly due to the increased number of Unsupported Child's Benefit recipients, as well as the increase in the payment rates over time.

Because of the Families Package, a large increase in monthly expenditure can also be observed, jumping from $13.7 million in June 2018 to $17.1 million in July 2018. This was due to the increased rate of the core Orphan's Benefit and Unsupported Child's Benefit payments, as well as the introduction of the Clothing Allowance.

Because of the COVID-19 response, a second increase in monthly expenditure can be observed, jumping from $20.6 million in June 2020 to $23.4 million in July 2020. This was due to the increased rate of the core Orphan's Benefit and Unsupported Child's Benefit payments.

Figure 36: Monthly expenditure on Orphan's Benefit and Unsupported Child's Benefit, since 2004.

Additionally, we can see the impact of other policy changes to do with Orphan's Benefit and Unsupported Child's Benefit.

Every January since January 2014, we see an upwards spike in expenditure. This was due to the introduction of the 'School and Year Start-up Payment', which initially provided between $250 and $400 to eligible Orphan's Benefit and Unsupported Child's Benefit carers and was increased to $400 to $550 from January 2015.

Also starting from January 2014 is a $350 per child one-off establishment grant, which has raised the overall level of spending on Orphan's Benefit and Unsupported Child's Benefit each month.

There are slight dips in expenditure during February compared to other months. This is due to February being a shorter month, and not due to any known policy impacts.

Foster Care Allowance

The Foster Care Allowance (also known as a care allowance) is a payment to help cover the costs of caring for a child. This payment is provided to carers by Oranga Tamariki, and currently the base payment has the same rates as the Orphan's Benefit and Unsupported Child's Benefit.

Foster Care Allowance also includes birthday and Christmas gift allowances per child as well as nappy and 'small cost payment' allowances. These allowances are currently not available to Orphan's Benefit/Unsupported Child's Benefit recipients. However, the birthday and Christmas gift allowances will become available to Orphan's Benefit/Unsupported Child's Benefit recipients from December 2021 for Christmas allowances, and January 2022 for birthday allowances, subject to legislation being passed.[22,23]

What changed?

As part of the Families Package, the rates for the Foster Care Allowance were increased on 1 July 2018. Family Tax Credit is not paid in respect of children for whom a Foster Care Allowance is received. The increase of $20.31 per week from 1 July 2018 was equivalent to the Families Package increase to Family Tax Credit of the same amount from 1 July 2018 for first child aged under 16.

Additionally, from 6 July 2020, the rates for the Foster Care Allowance were increased by $25 per week as part of the COVID-19 response.

Table 10 displays the changes that took place, and current rates after the COVID-19 Response changes on 6 July 2020.

Table 10: Change in Foster Care Allowance rates between 1 April 2018 and 6 July 2020.

Age of child	1 April 2018	1 July 2018	1 April 2019	1 April 2020	6 July 2020
Under 5 years	$149.66	$169.97	$172.84	$175.71	$200.71
5 to 9 years	$173.68	$193.99	$197.27	$200.55	$225.55
10 to 13 years	$191.64	$211.95	$215.53	$219.11	$244.11
14 years and older	$209.52	$229.83	$233.71	$237.59	$262.59
Family home	$195.36	$215.67	$219.31	$222.95	$247.95

Carers receiving the Foster Care Allowance also receive a clothing allowance, the same as what is paid to Orphan's Benefit and Unsupported Child's Benefit recipients. The difference is that they receive the payment every four weeks instead of weekly.

[22] Major boost in support for caregivers and children. https://www.beehive.govt.nz/release/major-boost-support-caregivers-and-children

[23] Social Security (Financial Assistance for Caregivers) Amendment Bill. http://legislation.govt.nz/bill/government/2020/0308/latest/whole.html#LMS376690

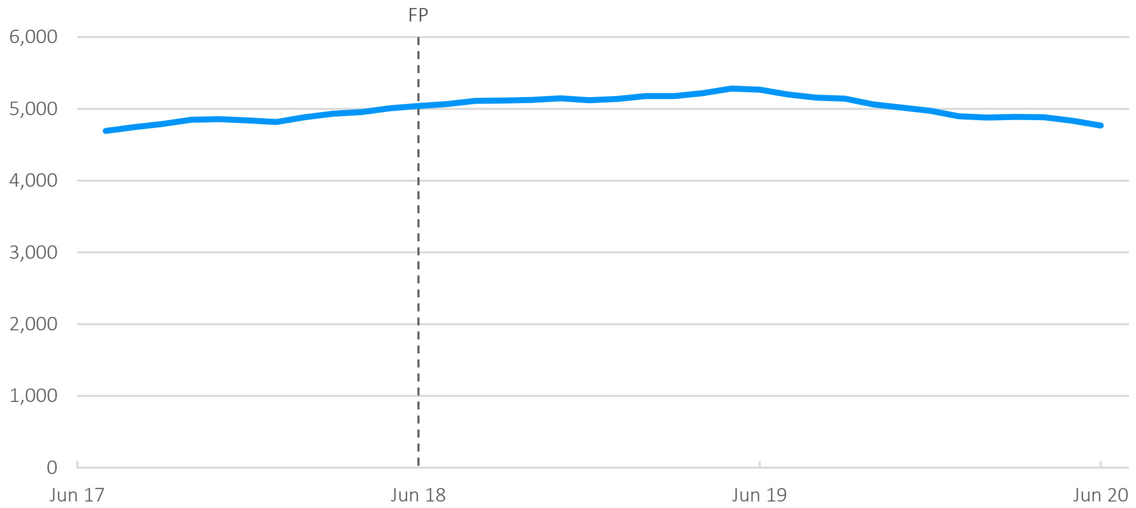
Receipt of Foster Care Allowance

Figure 37 below shows the number of children and young people that a carer received a Foster Care Allowance on behalf of, as at the end of June for the last three years.

Figure 37: Number of children and young people that a carer received a Foster Care Allowance on behalf of, as at the end of June, last three years.

Figure 38 below shows that the number of children and young people that a carer received a Foster Care Allowance on behalf of was gradually increasing until the end of May 2019. Since then, the number has gradually fallen to levels similar to those in late 2017.

Figure 38: Number of children and young people that a carer received a Foster Care Allowance on behalf of, monthly since July 2017.

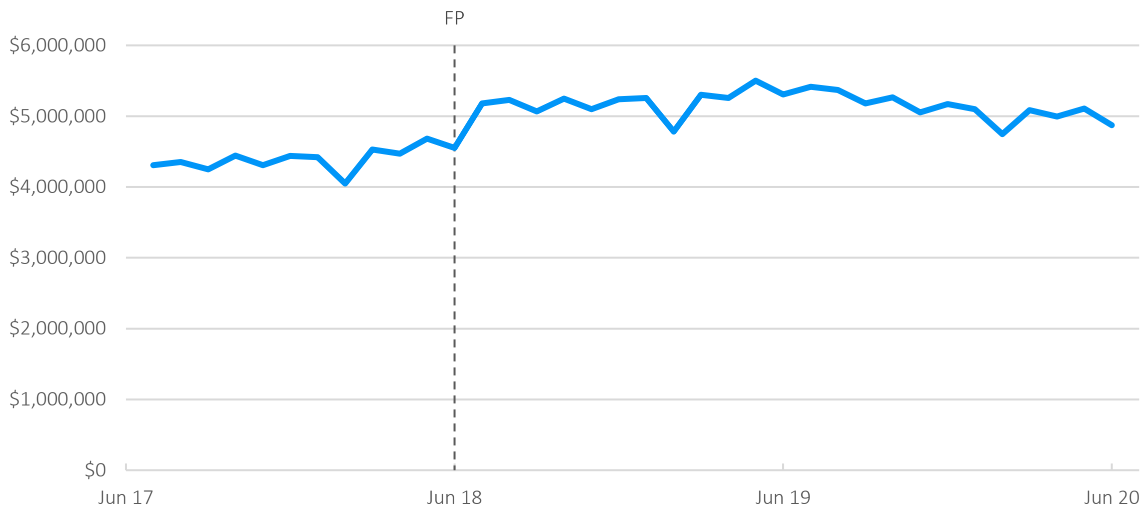


Expenditure on Foster Care Allowance

Because of the Families Package, an increase in monthly expenditure on Foster Care Allowance can be observed, jumping from $4.6 million in June 2018 to $5.2 million in July 2018 (Figure 39). This was mostly due to the increased rate of the Foster Care Allowance, though a small part of the increase was due to July being a longer month.

Our data series for Foster Care Allowance does not cover the increase in rates made as part of the COVID-19 response, and so we are unable to report on the financial impacts of it in this report. This will instead be included in next year's report. It's likely that the impact will be similar to that which followed the Families Package rate increases.

Figure 39: Monthly expenditure on Foster Care Allowance, since June 2017.



There are slight dips in expenditure during February. This is due to February being a shorter month, and not due to any known policy impacts.

Increasing Accommodation Supplement and Accommodation Benefit

Summary

At the end of June 2017, there were 284,572 recipients of the Accommodation Supplement. At the end of June 2020, the number had increased to 348,754.

The growth in receipt of an Accommodation Supplement partly reflected an increase in main benefit numbers, particularly so during 2020 due to the impacts of COVID-19.

Recipients who do not receive a main benefit accounted for 19.5 percent of recipients receiving an Accommodation Supplement as at the end of June 2020. While this percentage is little changed over the past three years, the actual count rose by 20.9% or just under 11,400 recipients. This is likely due to those outside the benefit system seeking assistance due to the impacts of COVID-19.

The average weekly Accommodation Supplement payment increased from $71 in June 2017 to $99 in June 2020.

There was a large fall in the proportion of Accommodation Supplement recipients receiving the maximum available payment immediately following the introduction of the Families Package changes.

Recipient numbers and expenditure for Temporary Additional Support/Special Benefit fell directly after the Families Package changes to the Accommodation Supplement. There was also a fall in the number of recipients receiving the maximum available payment of Temporary Additional Support. Since then recipient numbers and expenditure have increased, particularly so since March 2020.

There has been a fall in numbers of students receiving an Accommodation Benefit from 37,117 in the period 1 January to 30 June 2017, to 33,682 in the period 1 January to 30 June 2020.

Accommodation Supplement

The Accommodation Supplement is a weekly payment to assist people with low incomes with their rent, board, or the cost of owning a home. It is not available to people in emergency housing, public housing and/or receiving an income-related rental subsidy. The number of people receiving an Accommodation Supplement tends to follow trends in broader benefit numbers.

Further breakdowns of receipt of the Accommodation Supplement are contained in a companion supplementary report.

What changed?

Effective from 1 April 2018, two changes were made to the Accommodation Supplement as part of the Families Package.

The first change was to the boundaries of the Accommodation Supplement areas. Several places were re-classified into different Accommodation Supplement areas depending on the state of the rental market in those localities.

Figures 44 and 45 on the overleaf pages show the Accommodation Supplement area boundaries before and after the Families Package changes. More areas were zoned as qualifying for the highest possible maximum rate (Area/Zone 1).[24]

This was the first adjustment of Accommodation Supplement areas since changes implemented in April 2005 as part of the Working for Families reform (other changes introduced as part of Working for Families were removal of abatement of Accommodation Supplement for beneficiaries and an increase in Accommodation Supplement entry and abatement thresholds for non-beneficiaries, effective from October 2004).

The second change was that the rates for Accommodation Supplement were increased significantly for the first time since rate increases introduced in April 2005 (Table 11).

Table 11: Accommodation Supplement maximum rates (increase from previous).

	Area 1	Area 2	Area 3	Area 4
Single	$165 (+$20)	$105 (+$5)	$80 (+$15)	$70 (+$25)
Married without children, Sole parent with 1 child	$235 (+$75)	$155 (+$30)	$105 (+$30)	$80 (+$25)
Married with children, Sole parent with two or more children	$305 (+$80)	$220 (+$55)	$160 (+$40)	$120 (+$45)

[24] For detailed tables showing the new Accommodation Supplement areas, which include area changes difficult to see in the maps on the following pages (e.g. changes for Queenstown), please refer to: https://www.msd.govt.nz/about-msd-and-our-work/newsroom/2017/budget-2017.html

Figure 40: North Island Accommodation Supplement boundaries before and after the Families Package changes.

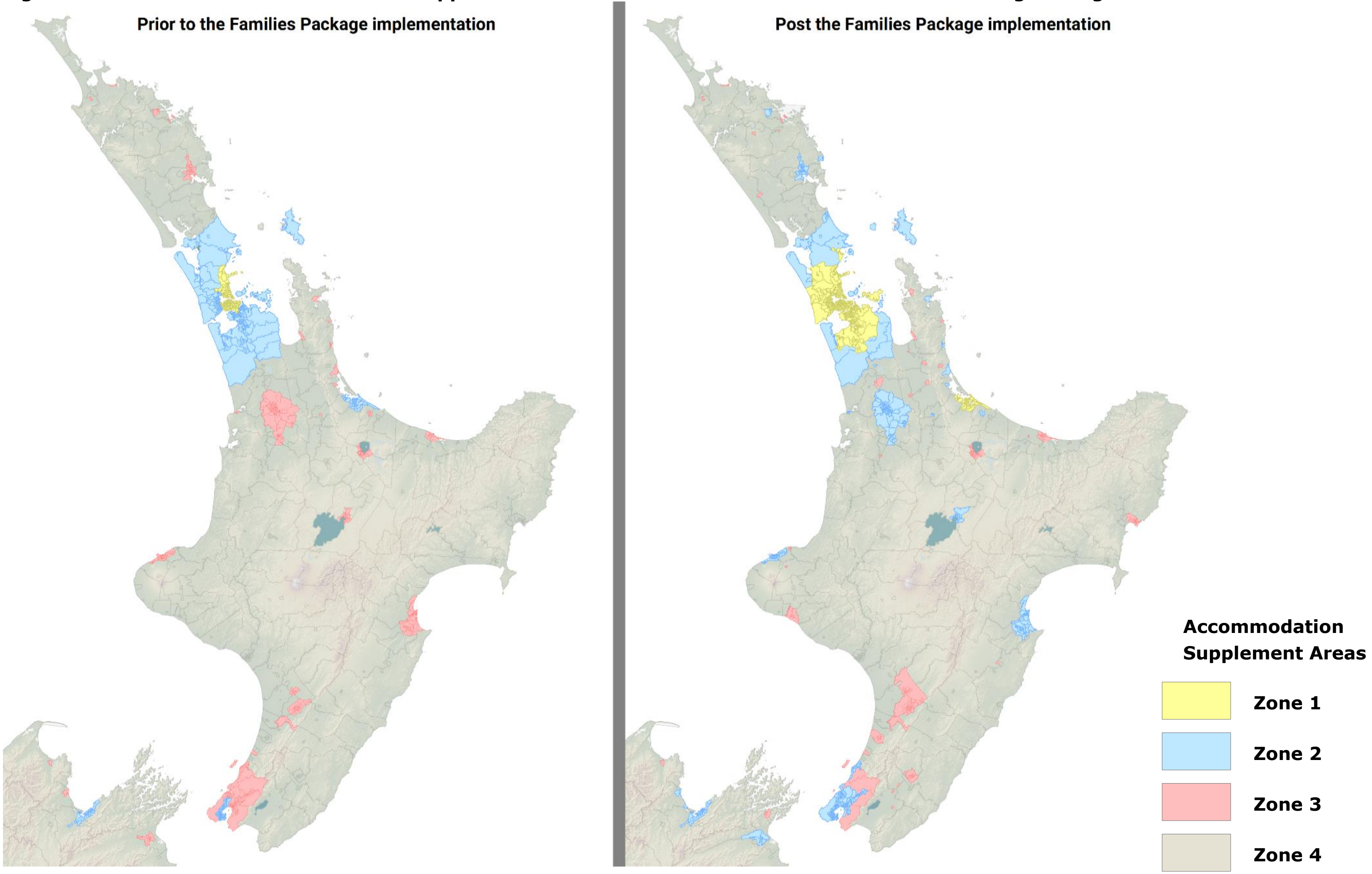
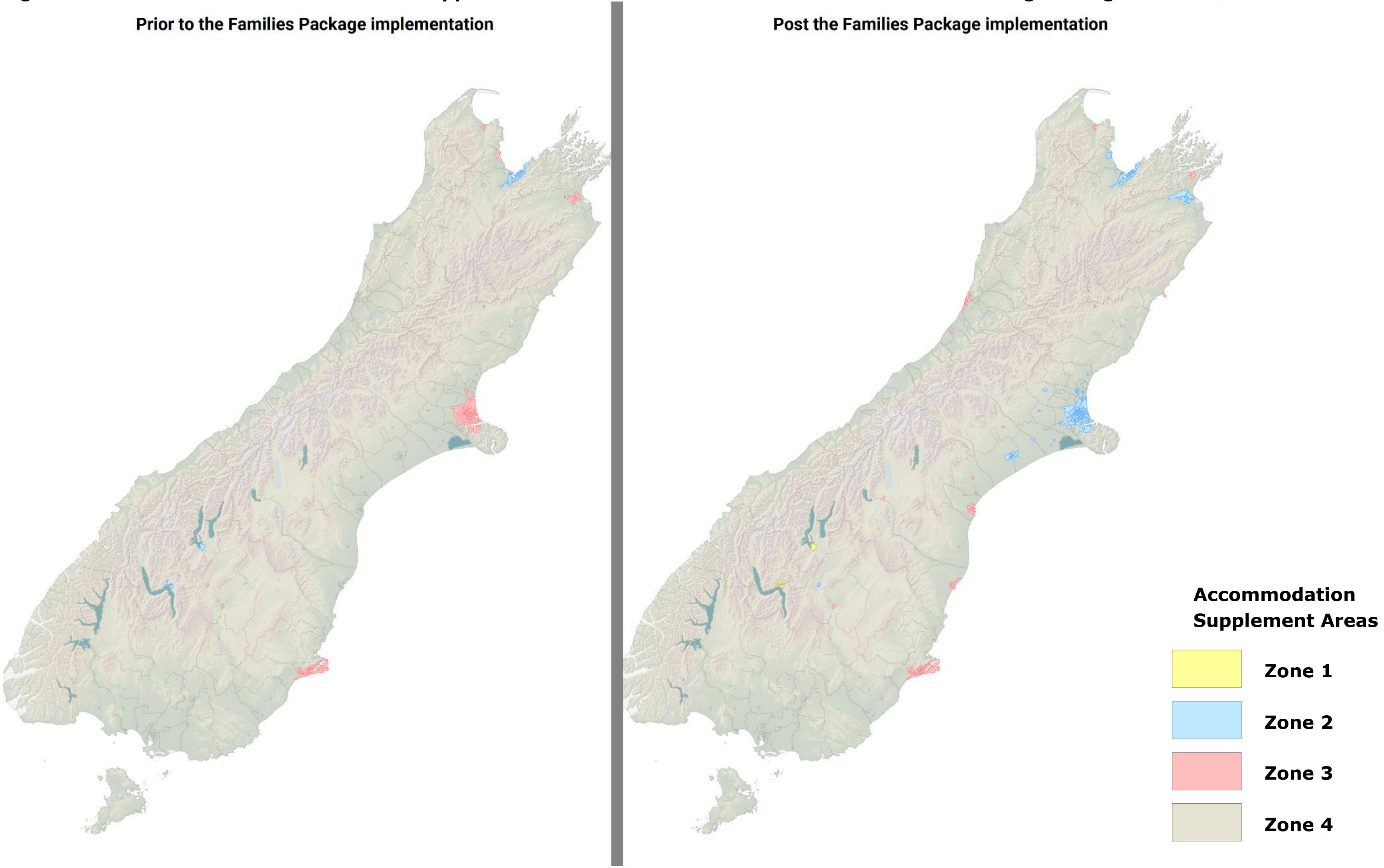


Figure 41: South Island Accommodation Supplement boundaries before and after the Families Package changes.



Receipt of Accommodation Supplement

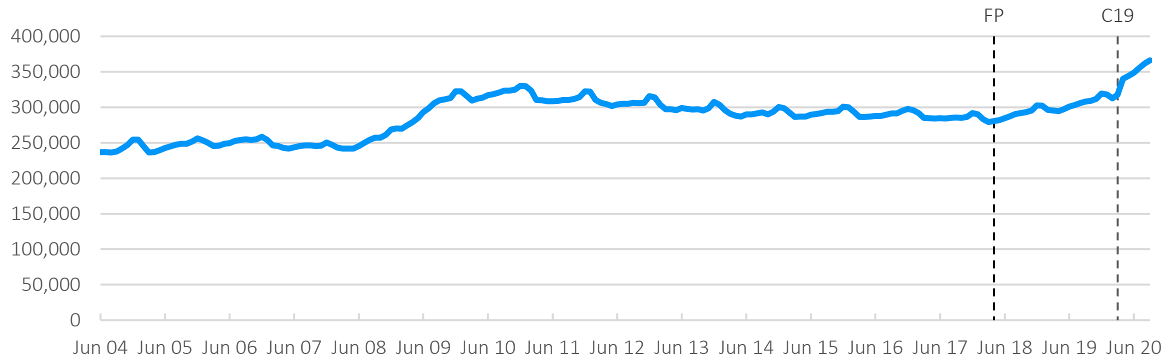
Overall

Figure 42 below shows the number of Accommodation Supplement recipients at the end of the past four June months.

Figure 42: Number of Accommodation Supplement recipients as at the end of June over the last four years

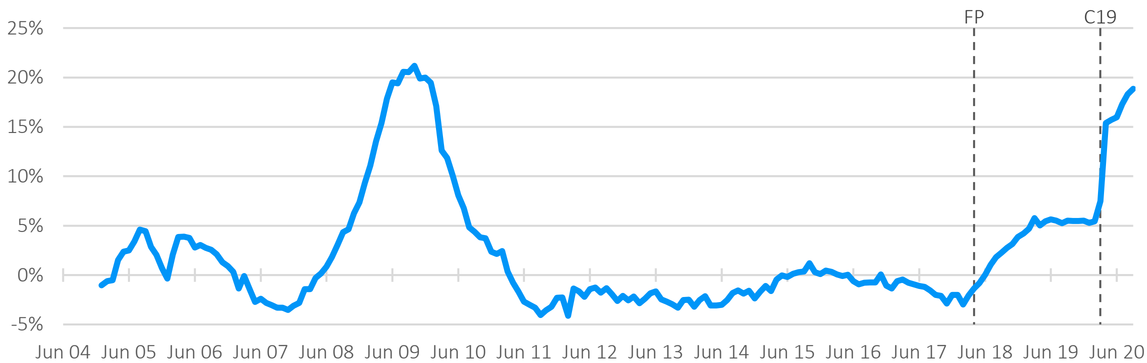
Figure 43 below shows that the number of Accommodation Supplement recipients was increasing slightly overall between 2004 and mid-2008, before increasing sharply during late 2008 and through 2009 during the Global Financial Crisis, peaking in late 2010.[25] From there, the number of recipients gradually declined until June 2018. The number of recipients has since begun to increase, particularly so since March 2020.

Figure 43: Number of Accommodation Supplement recipients, monthly since June 2004.



Based on year-on-year percentage change, the current growth in the number of Accommodation Supplement recipients is comparable to levels seen during the global financial crisis in 2008 to 2010 (Figure 44).

Figure 44: Year-on-year percentage change in Accommodation Supplement numbers.



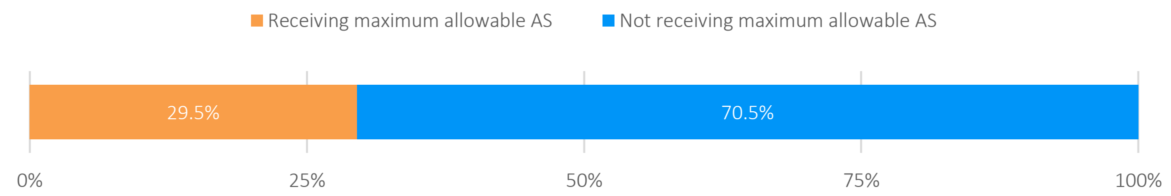
[25] Policy changes under Working for Families resulted in the non-beneficiary count rising from about 20,000 to over 50,000 between October 2004 and mid-2008. This was mostly offset by a downward trend in the number of beneficiaries overall (and so on AS) as the economy grew in that period.

Receipt by whether a recipient is receiving the maximum allowable amount

Depending on a recipient's financial circumstances, they may or may not be able to claim the maximum amount of Accommodation Supplement based on their household composition, as outlined in the rates table above (Table 11).

Figure 45 below shows that as at the end of June 2020, 29.5 percent of recipients were receiving the maximum allowable rate of Accommodation Supplement. This is an increase from June 2019 (27.1 percent).

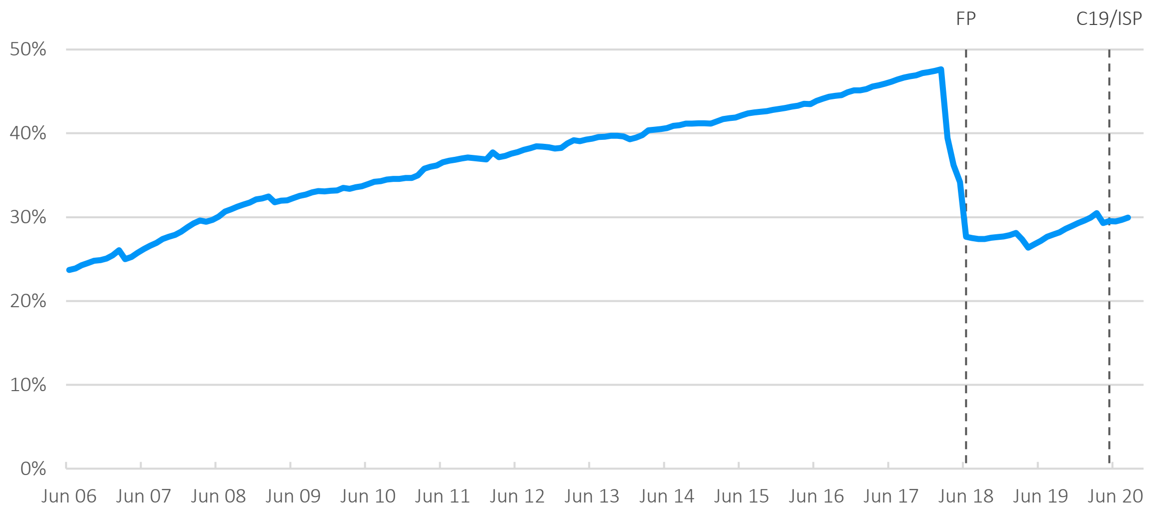
Figure 45: Percentage of Accommodation Supplement recipients receiving the maximum allowable amount, as at the end of June 2020.



Note: Totals may not add to 100 percent due to rounding.

Historically, this percentage is quite low and was last observed in early 2008. Figure 46 shows that just prior to the Families Package, approximately 48 percent of Accommodation Supplement recipients were receiving the maximum allowable rate for their circumstances.

Figure 46: Percentage of Accommodation Supplement recipients receiving the maximum allowable amount, monthly since June 2006.



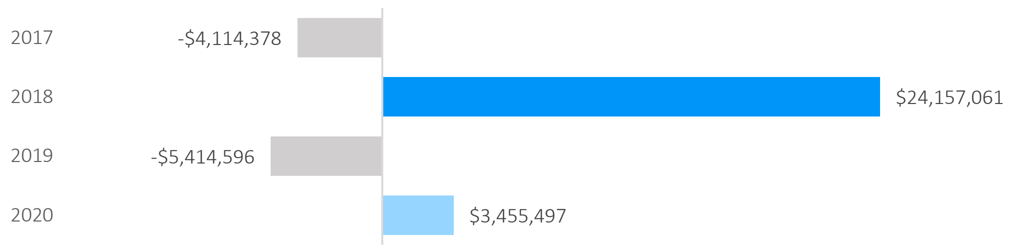
Expenditure on Accommodation Supplement

Overall

Over time, expenditure on Accommodation Supplement has followed a broadly similar trend to the number of people receiving it.

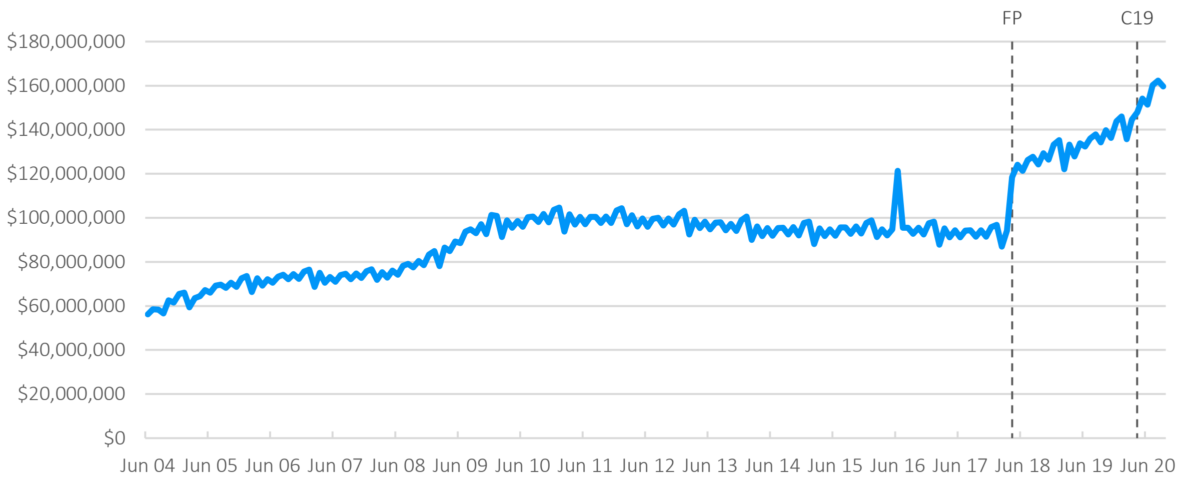
Figure 47 below shows that the immediate impact on expenditure of the Families Package in 2018 was large, especially when compared to typical March to April changes.[26] Additionally, due to the large increase in numbers of people receiving the Accommodation Supplement during April 2020 when compared to March 2020, there is an increase of expenditure compared to typical March to April changes.

Figure 47: Change in Accommodation Supplement expenditure between March and April over the last four years.



Because of the Families Package, the average amount received by a recipient increased from $71 per week at the end of June 2017 to $95 per week by the end of June 2018. This had increased further to $99 per week by the end of June 2020. This had a noticeable impact on overall expenditure, as shown in Figure 48.

Figure 48: Expenditure on Accommodation Supplement, monthly since June 2004. [27]



[26] There is typically a small reduction in expenditure March to April because of the Annual General Adjustment to parent benefit rates which also increases the initial 'entry threshold' from where Accommodation Supplement payments start. This slightly reduces the average rate paid for each given Accommodation Supplement cost (more than covered by the increase in benefit rates).

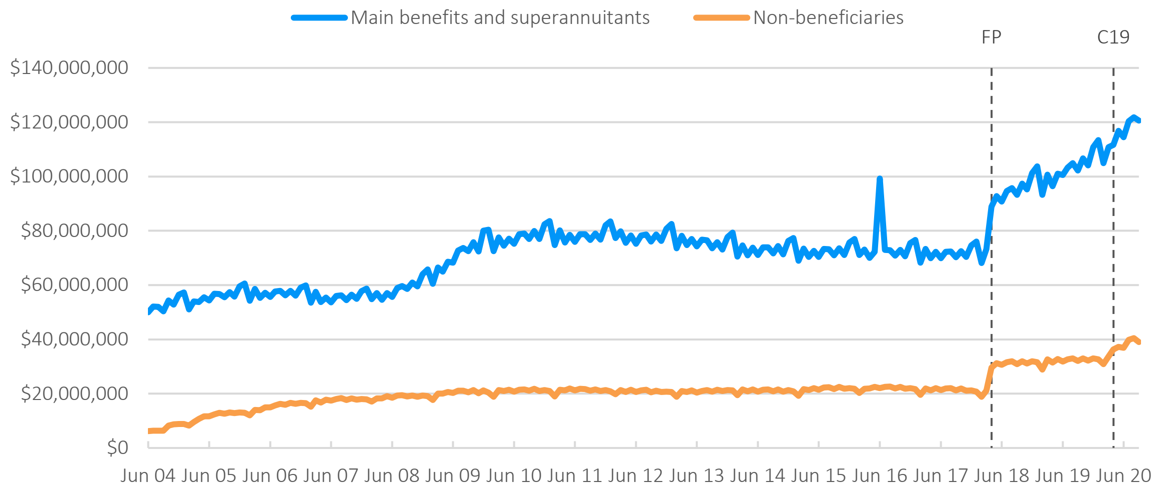
[27] The one-off spike in expenditure in June 2016 came from expenditure to address the historical Accommodation Supplement alignment issues. For more information: https://www.msd.govt.nz/about-msd-and-our-work/newsroom/2016/accommodation-supplement-error.html

Expenditure by beneficiary/non-beneficiary status

It is possible to break down Accommodation Supplement data further to compare expenditure between those receiving a main benefit or New Zealand Superannuation/Veteran's Pension, and non-beneficiaries.

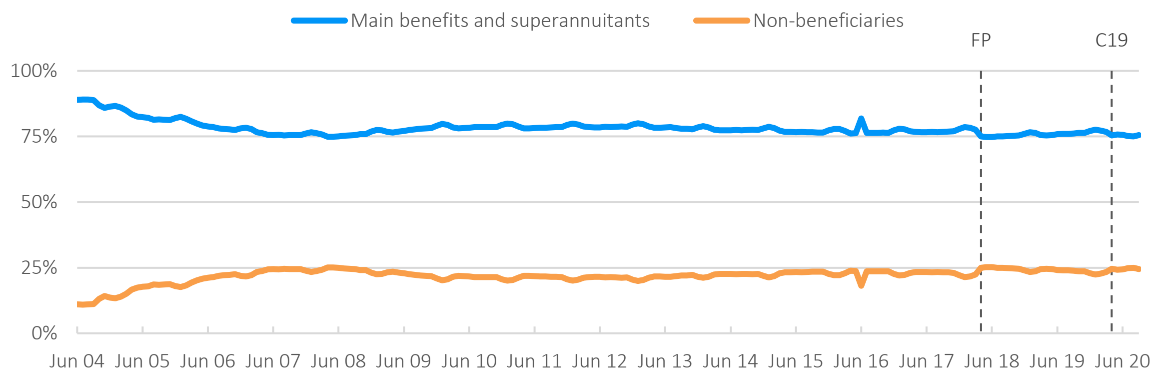
Non-beneficiaries had the largest rise in average payment due to the Families Package, with the average weekly payment increasing from $85 at the end of June 2017, to $121 by the end of June 2018. This compares to a smaller rise from $68 per week to $89 per week for beneficiaries and superannuitants over the same period. Figure 49 below shows that most of the Accommodation Supplement expenditure is received by people who receive either a main benefit, or New Zealand Superannuation/Veteran's Pension.

Figure 49: Expenditure on Accommodation Supplement, monthly since June 2004, by benefit/superannuation receipt.



Prior to the start of the Working for Families reform, non-beneficiary recipients accounted for 10 percent of Accommodation Supplement expenditure. This increased to 24 to 25 percent by 2007, before hovering between 20 and 25 percent for most of the time after that. These proportions have shifted slightly since the introduction of the Families Package and have remained relatively stable since, with the proportion of total expenditure on non-beneficiaries increasing slightly relative to the trend due to this group financially benefiting more from the package (Figure 50).

Figure 50: Share of Accommodation Supplement expenditure, monthly since June 2004, by benefit/superannuation receipt.



Interactions with Temporary Additional Support/Special Benefit

When a client has living expenses that are sufficiently high (e.g. high outgoings for rent), Temporary Additional Support can be used to assist recipients of the Accommodation Supplement.

Temporary Additional Support is a weekly payment that helps people cover essential living costs that cannot be met from their income and through other resources. A person does not need to be receiving a main benefit to qualify for Temporary Additional Support.

The Special Benefit existed for a similar purpose before being replaced by Temporary Additional Support from April 2006. Some clients are still able to receive a Special Benefit, depending on their circumstances prior to April 2006. A client may only receive one: Temporary Additional Support or Special Benefit.

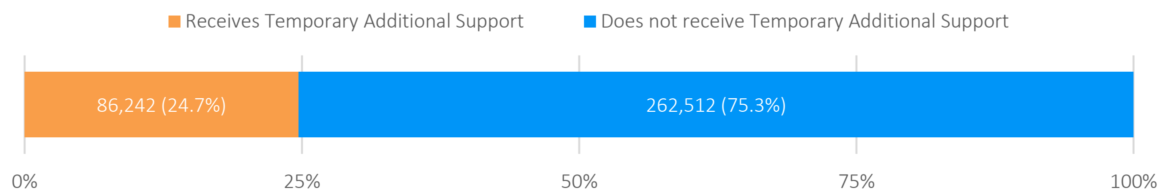
In this section these benefits are counted together and referred to as 'Temporary Additional Support' unless otherwise stated.

An expected outcome of the Families Package was that the number and proportion of Accommodation Supplement recipients who also received Temporary Additional Support would decrease.

Impacts on receipt

Typically, Accommodation Supplement recipients do not require Temporary Additional Support. As of the end of June 2020, 24.8 percent of Accommodation Supplement recipients also received Temporary Additional Support (Figure 51).

Figure 51: Number of Accommodation Supplement recipients as at the end of June 2020, by receipt of Temporary Additional Support.



Note: Totals may not add to 100 percent due to rounding.

Figure 52 overleaf shows the change in combined Accommodation Supplement and Temporary Additional Support usage compared to historical trends.

Figure 52: Number of Accommodation Supplement recipients, monthly since June 2004, by if they receive Temporary Additional Support or not.

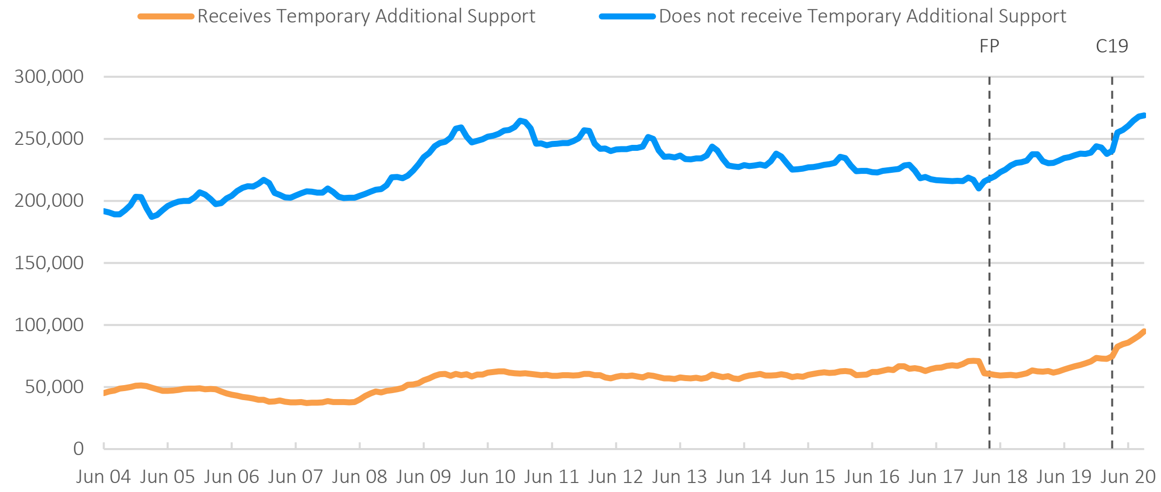


Table 12 shows the number of Temporary Additional Support recipients, and the number of those that were on an Accommodation Supplement, immediately before and after the Families Package changes. Virtually all recipients of Temporary Additional Support also receive the Accommodation Supplement.

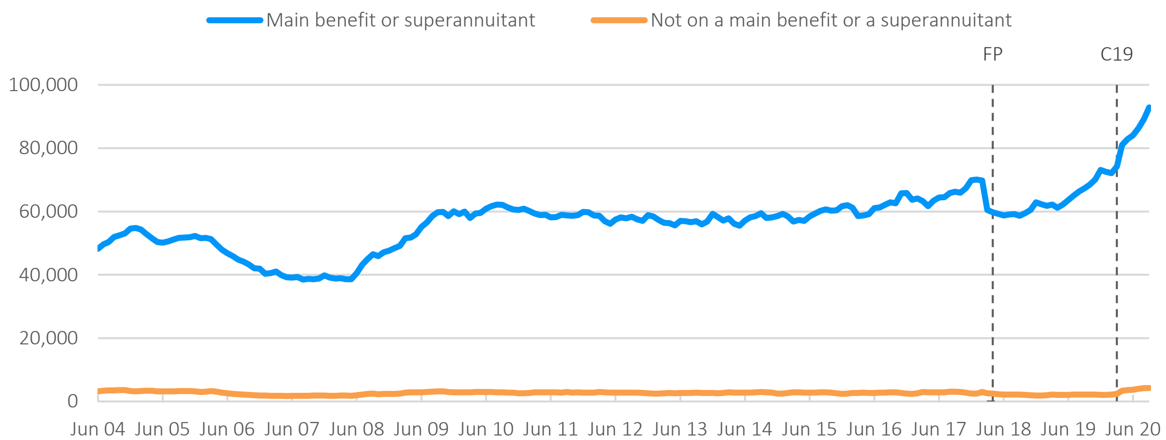
Table 12: Temporary Additional Support recipients as at selected dates.

	Receiving Temporary Additional Support	Receiving Temporary Additional Support and an Accommodation Supplement
End of February 2018	72,749	71,427
End of March 2018	63,067	61,632

Note: While the changes took place from 1 April, administratively the systems captured this change in the March 2018 end of month snapshot.

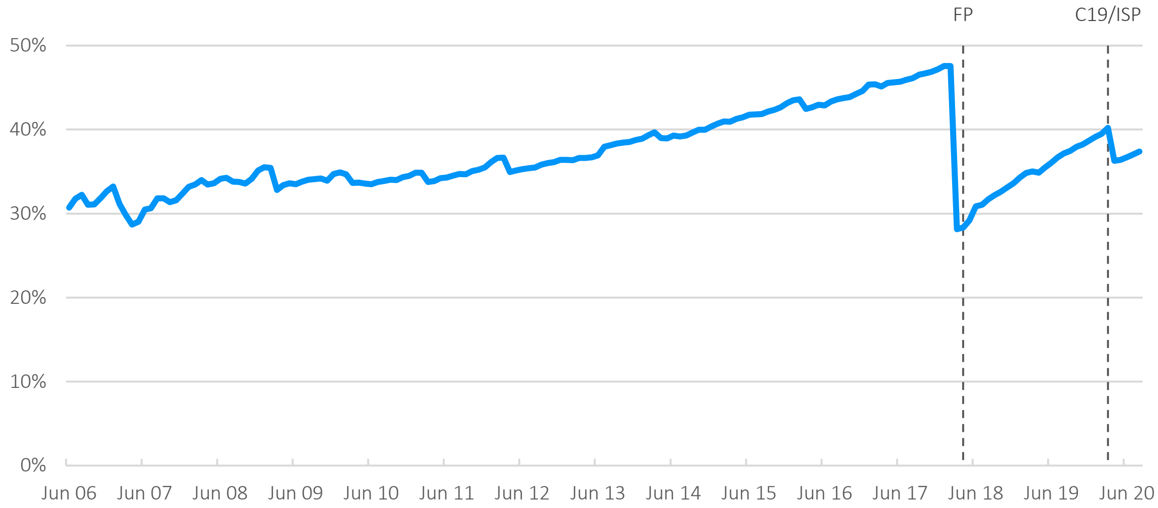
Most recipients of Temporary Additional Support were in receipt of a main benefit or were a superannuitant (Figure 53). Consequently, the impact of the Families Package changes to Accommodation Supplement had a larger numerical impact on this group, compared to non-beneficiaries.

Figure 53: Temporary Additional Support recipients, monthly since 2004, by benefit/superannuation receipt.



Finally, there are fewer Temporary Additional Support recipients receiving the maximum possible rate of Temporary Additional Support given their circumstances following the Families Package changes (Figure 54). There has also been a fall since the 2020 income support package changes.

Figure 54: Proportion of Temporary Additional Support recipients being paid the maximum allowable amount, monthly since June 2006.[28]



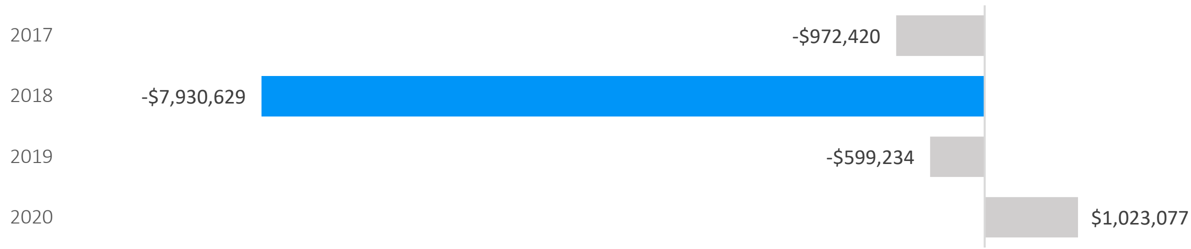
[28] Special Benefit not included in this measure

Expenditure on Temporary Additional Support

Due to the increase of Accommodation Supplement payments, and the reduction of Temporary Additional Support recipients, we also expect a fall in the expenditure on Temporary Additional Support.

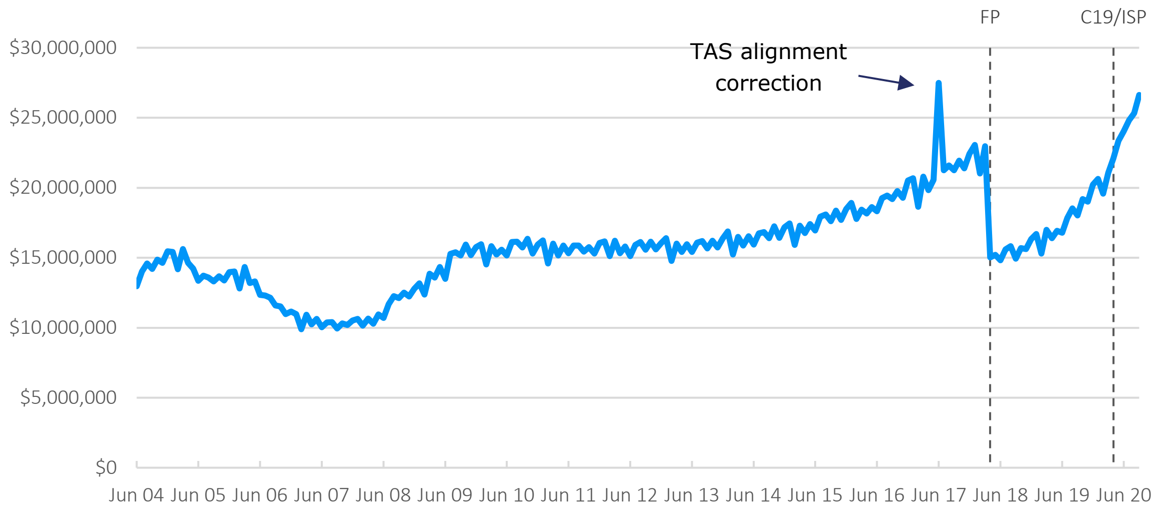
Figure 55 below shows that the direct impact on Temporary Additional Support expenditure of the Families Package was noticeable, especially when compared to typical March to April changes. The increase between months in 2020 was due to an increased number of recipients.

Figure 55: Change in Temporary Additional Support expenditure between March and April over the last four years.



Expenditure on Temporary Additional Support fell to levels last consistently seen between 2010 and 2014 following the Families Package (Figure 56). Expenditure has since picked up as the number of recipients has increased, particularly so since March 2020.

Figure 56: Expenditure on Temporary Additional Support, monthly since June 2004.



The spike in Temporary Additional Support expenditure in June 2017 can be attributed to the "Better off on TAS" findings, which found that many Special Benefit clients would have been better off receiving Temporary Additional Support in the past.[29]

[29] For more information: https://www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/information-releases/alignment/treatment-of-special-benefit-clients-who-may-be-better-off-on-temporary-additional-support-15-february-2017-.pdf (Report REP/17/2/115)

Accommodation Benefit

The Accommodation Benefit is a payment to assist students who are receiving a Student Allowance with their accommodation costs. Therefore, the number of people receiving the Accommodation Benefit over time follows the same trends as the number of people receiving the Student Allowance.

Further breakdowns of receipt of the Accommodation Benefit are contained in a companion supplementary report.

What changed?

The Families Package increased the maximum rate of Accommodation Benefit from $40 to $60 for everyone who was not a sole parent, effective from 1 April 2018.[30] The actual amount of Accommodation Benefit someone would receive depends on their location, and the residential bond rate for that location based on data from the Ministry of Business, Innovation and Employment.

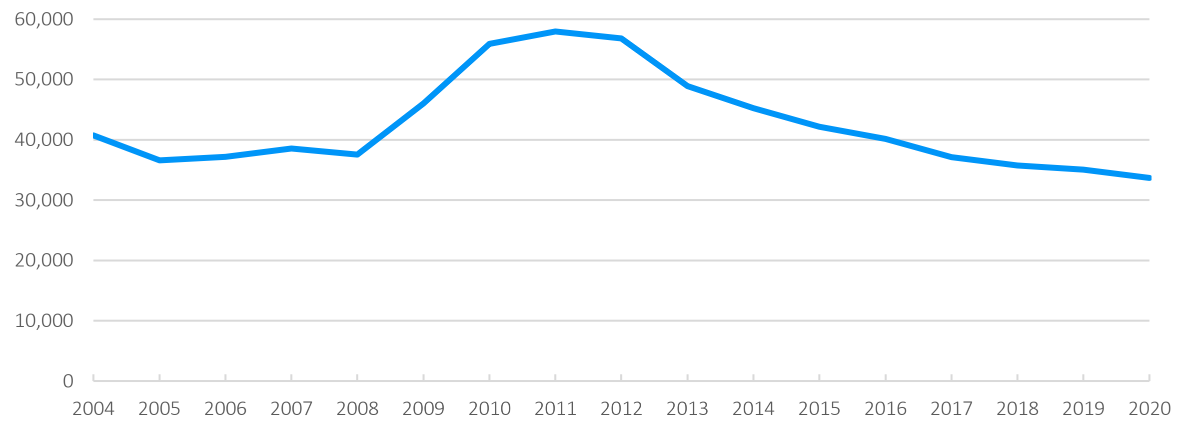
Receipt of Accommodation Benefit

The number of people receiving an Accommodation Benefit at any point during 1 January to 30 June has decreased over the past four years (Figure 57).

Figure 57: Total number of people receiving an Accommodation Benefit at any point during 1 January to 30 June, last four years.

The number of people receiving an Accommodation Benefit at any point during 1 January to 30 June has fallen away since its peak in 2011 (Figure 58).

Figure 58: Total number of people receiving an Accommodation Benefit at any point during 1 January to 30 June, since 2004.



[30] Since 2015 sole parents on Student Allowance have been able to receive the Accommodation Benefit at the Accommodation Supplement rate.

During the Global Financial Crisis, student numbers started to rise substantially. This was due in part to education being a relatively good option due to the lack of jobs available in many industries, and the availability of study assistance to study at a postgraduate level.

In 2012, announcements were made that introduced new limitations on the amount of lifetime Student Allowance a student could receive, what programmes of study a Student Allowance could be granted for, as well as the parental income thresholds being frozen. This meant that over time, fewer students were eligible for a Student Allowance.[31]

Additionally, changes were announced as part of Budget 2013 that further tightened lifetime study limits, and available assistance for some cohorts of students.[32]

The freeze to parental income thresholds announced in Budget 2012 was extended further until March 2019 as part of Budget 2015.[33] The parental income threshold is no longer frozen and rose for the first time since 2012 during 2019.

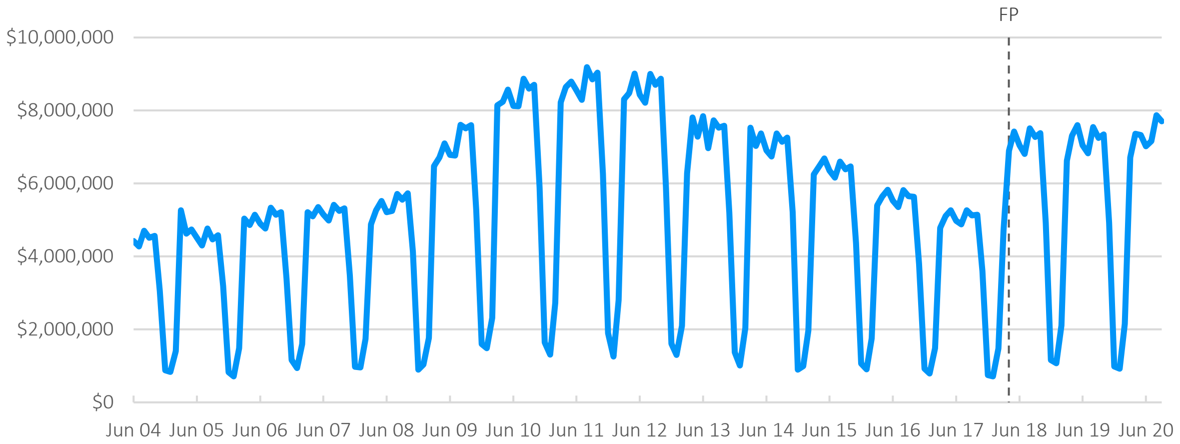
Expenditure on Accommodation Benefit

Figure 59 below looks at expenditure in the last four June months. It shows that there was a substantial increase in expenditure following the Families Package changes.

Figure 59: Expenditure on the Accommodation Benefit during the month of June, last four years.

The increase in expenditure on Accommodation Benefit returns expenditure to levels last seen in 2014 (Figure 60).

Figure 60: Expenditure on the Accommodation Benefit, monthly since June 2004.



31 https://www.studylink.govt.nz/about-studylink/news/2012/budget-2012-changes-to-student-loans-and-allowances.html
32 https://www.studylink.govt.nz/about-studylink/news/2013/budget-2013-changes-to-student-allowances-and-loans.html
33 https://www.studylink.govt.nz/about-studylink/news/2015/budget-2015.html#null