



# Report

**Date:** 7 May 2021

**Security Level:** BUDGET SENSITIVE

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

## Budget 2021 main benefit rate increases and related regulatory changes

### Purpose of the report

- 1 This report provides you with a draft Cabinet Legislation Committee (LEG) paper, along with the draft Social Security (Rates of Main Benefits) Order 2021 and the Social Security Amendment Regulations (No 2) 2021, for your feedback and for Ministerial consultation.

### Recommended actions

It is recommended that you:

- 1 **note** that as part of Budget 2021, Cabinet has agreed to increase main benefit rates on 1 July 2021 and 1 April 2022 and give effect to two complementary changes [CAB-21-MIN-0116.33 refers]
- 2 **note** that the attached draft Cabinet Legislation Committee paper progresses the regulatory changes needed to give effect to the Budget 2021 initiatives that will be implemented on 1 July 2021
- 3 **note** that the legislative changes for the 1 April 2022 initiative will be implemented alongside the Annual General Adjustment in early 2022
- 4 **agree** to forward the attached draft Cabinet Legislation Committee paper and the accompanying draft Order in Council and Amendment Regulations to your Ministerial colleagues for consultation and provide officials with feedback by 12 May 2021.

Bede Hogan  
Policy Manager  
Welfare System and Income Support Policy

7-5-2021

Date

Hon Carmel Sepuloni  
Minister for Social Development and Employment

9/5/21

Date

## **As part of Budget 2021, Cabinet has agreed to two sets of changes to address income inadequacy for beneficiaries**

- 2 Cabinet has agreed to various changes to address income adequacy for beneficiaries as part of Budget 2021 [CAB-21-MIN-0116.33 refers]. These changes will be implemented in two stages: on 1 July 2021 and on 1 April 2022.

### *1 July 2021 initiatives*

- 3 The following changes will be implemented on 1 July 2021:
- 3.1 main benefit rates will increase by \$20 net, per week, per adult,
  - 3.2 the Temporary Additional Support (TAS) formula will be amended to better reflect excess disability costs and prevent some people from being disproportionately financially disadvantaged to marginal increases in income, and
  - 3.3 supplementary payments<sup>1</sup> will be excluded from being considered chargeable income for Childcare Assistance.
- 4 These changes will lift incomes for low-income New Zealanders and also prevent some people from being financially disadvantaged from future benefit increases.
- 5 Cabinet has also agreed to implement a Transitional Assistance Payment (TAP) for up to twelve months for those unintentionally financially disadvantaged from the flow-on impacts of the 1 July 2021 changes. To avoid unintended circular flows, Cabinet agreed to exempt this TAP from being considered chargeable income for TAS and Special Benefit purposes [CAB-21-MIN-0116.33 refers]. The amendment regulations to give effect to this decision are attached, while the remaining welfare programme and ministerial direction will be provided to your office by 13 May 2021.

### *1 April 2022 initiatives*

- 6 The following changes will be implemented on 1 April 2022:
- 6.1 main benefit rates will increase to levels recommended by the Welfare Expert Advisory Group in 2019, with a further \$15 increase per adult for families with children, and
  - 6.2 student support rates will increase by \$25 per week, per students.
- 7 The April 2022 changes will further lift incomes for low-income New Zealanders. The increases to the student support rates will also ensure that people are not disincentivised to study as a result of the main benefit increases.

## **The attached draft Cabinet paper progresses the regulatory changes for the 1 July 2021 main benefit increase and two complementary changes**

- 8 The attached legislative instruments will give effect to the initiatives to be implemented on 1 July 2021. Note that the regulatory changes required to implement the 1 April 2022 changes will be progressed in early 2022, alongside the Annual General Adjustment process.
- 9 The Social Security (Rates of Main Benefits) Order 2021 will adjust the main benefit rates on 1 July 2021 to give effect to the \$20 increase.
- 10 The attached Social Security Amendment Regulations (No 2) 2021, will give effect to the above initiatives by:

---

<sup>1</sup> These supplementary benefit payments include Accommodation Supplement, Temporary Additional support, a Special Benefit, Disability Allowance, a Special Disability Allowance, and an incentive payment.

- 10.1 excluding supplementary benefit payments from being considered chargeable income for Childcare Assistance,
- 10.2 amending the Disability Exception Amount from the TAS formula to prevent some people from being disproportionately financially disadvantaged due to marginal increases in income, by preventing double counting of excess disability costs and paying the first \$100 of excess costs in full and then 30% of any amount remaining, and
- 10.3 amending the definition of income for TAS to exempt payments under the Benefit Rate Increase (Transitional Assistance) Programme 2021 from being considered chargeable income.

## Next steps

- 11 To be consistent with the 28-day rule, the below timeframes are proposed:

Step	Indicative Date
Draft Cabinet paper to Minister for Ministerial consultation	7 May 2021
Incorporate amendments from consultation	12 May 2021
Final Cabinet paper lodged	13 May 2021
Cabinet Legislation Committee meeting	20 May 2021
Cabinet and Executive Council	24 May 2021
Regulations Notified in the <i>New Zealand Gazette</i>	1 June 2021
Regulations come into effect	1 July 2021

- 12 Officials will provide you with an Aide-mémoire, to support you at the Cabinet Legislation Committee meeting, and an advice sheet next week.

## Appendix

- Draft Cabinet paper: Budget 2021 Main benefit rate increases and related regulatory changes,
- Draft Social Security (Rates of Main Benefits) Order 2021,
- Draft Social Security Amendment Regulations (No 2) 2021.

File ref: REP/21/5/455

Author: (Maggie Veskovik, Policy Analyst, Welfare System and Income Support Policy)

Responsible manager: (Bede Hogan, Policy Manager, Welfare System and Income Support Policy)