

## In Confidence

Office of the Minister for Social Development and Employment  
Chair, Cabinet Legislation Committee

## ANNUAL GENERAL ADJUSTMENT 2024

### Proposal

- 1 This paper seeks Cabinet approval to submit to the Executive Council the following Orders and Amendment Regulations. These instruments will give effect to the 2024 Annual General Adjustment (AGA) and include the change to index main benefits by increases in the Consumers Price Index (CPI).

### Previous decisions

**The Annual General Adjustment is the process to adjust rates of social assistance on 1 April each year to reflect statutory requirements, a Cabinet decision, or long-standing practice**

- 2 There is a statutory requirement to adjust rates of main social security benefits, Student Allowances, Orphan's Benefit, Unsupported Child's Benefit, Foster Care Allowance (Minimum Rates of Payment for Board and Lodgings), rates of main benefits payable to long-term hospital patients, and New Zealand Superannuation from 1 April each year. This process is known as the Annual General Adjustment (AGA).
- 3 Other adjustments are made in the AGA under the authority of a Cabinet decision or long-standing practice. These include adjustments to rates and thresholds of allowances and various other forms of supplementary assistance, such as Childcare Assistance, Disability Allowance, and Child Disability Allowance.
- 4 As part of the December 2023 Mini Budget, Cabinet agreed to change the way main benefits are adjusted in the AGA so that they reflect any increase in the Consumers Price Index (CPI) [CAB-23-MIN-0490 refers]. The Social Security (Benefits Adjustment) and Income Tax (Minimum Family Tax Credit) Amendment Bill is scheduled to pass under urgency by 22 February 2024. The Bill amends the Social Security Act 2018 and will give effect to Cabinet's decision to index main benefits to inflation from 1 April 2024. This Bill must be enacted before Cabinet can approve the attached Orders in Council and Amendment Regulations.
- 5 There is a statutory requirement to adjust the net weekly rates of New Zealand Superannuation, if required, by percentage increases in the CPI and then further adjust the amount payable to a couple who both qualify to ensure it is not less than 66 percent, or more than 72.5 percent, of the net average wage. This further adjustment will not be required in the 2024 AGA as the CPI adjustment by 4.66 percent will see this amount exceed the 66 percent minimum requirement.

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- 6 In March 2002, Cabinet delegated authority to jointly approve adjustments to rates and thresholds to the Minister of Finance and the Ministers responsible for New Zealand Superannuation, social security benefits and allowances, the Community Services Card, Student Allowances, and War Pensions and Allowances [CAB Min (02) 7/1A refers].
- 7 Alongside myself, the Ministers responsible for the Finance, Housing, Health, Tertiary Education and Skills, Veterans, and Children portfolios have approved the new rates and thresholds consistent with our delegated authority [REP/24/2/109].

### **Orders and Amendment Regulations to give effect to the decisions**

- 8 To give effect to the above decisions, the Orders and Amendment Regulations will come into force on 1 April 2024 and will:
  - 8.1 increase the rates of main benefits, Student Allowances, Orphan's Benefit/Unsupported Child's Benefit, Foster Care Allowance Minimum Rates of Payment for Board and Lodgings, benefits payable to long-term hospital patients, and New Zealand Superannuation to comply with the statutory requirement to adjust the rates to reflect the 4.66 percent increase in the CPI over the previous year
  - 8.2 increase rates and thresholds of allowances and various forms of supplementary assistance in line with the 4.66 percent increase in the CPI (All Groups) over the previous year
  - 8.3 increase income thresholds for Disability Allowance and the Community Services Card by applying the 4.66 percent increase in the CPI (All Groups) over the previous year<sup>1</sup>
  - 8.4 increase Childcare Assistance and hardship assistance income thresholds to reflect the 5.28 percent increase in the net average wage over the previous year [CAB-21-MIN-0116.27 and CAB-22-SUB-0129 refers]
  - 8.5 amend the amounts in the gross abatement regimes for the 'at home' and 'away from home' Student Allowance payments for those under 24 years of age without children to maintain the policy intent of keeping net abatement of these payments at 25 percent [CAB Min (04) 11/9 refers].
- 9 The Orders and Amendment Regulations also correct an editorial error in the Student Allowance Regulations 1998. Currently, the parental income reassessment provision only refers to parental income thresholds for students living away from their parental home. The correction will ensure that parental income thresholds for both 'at home' and 'away from home' students are distinctly subject to reassessment. As the income thresholds for both cohorts are the same (\$1,315.65 per week from 1 April 2024), there has been no fiscal and operational impact. However, the AGA is an appropriate vehicle to correct the error as per the policy intent. This correction is minor and policy neutral.

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<sup>1</sup> A net wage adjustment is sometimes applied to some Disability Allowance and superannuation-specific Community Services Card income thresholds to prevent people losing eligibility to this assistance. This year the CPI adjustment to these rates was sufficiently large that no further wage related adjustment was required.

### **Timing and 28-day rule**

- 10 If approved, the Orders and Amendment Regulations will be submitted to the Executive Council for consideration on 26 February 2024. This timing is consistent with Rule 7.100 of the Cabinet Manual (the '28-day rule') as it will enable the Orders and Amendment Regulations to be gazetted 28 days before they come into force.

### **Compliance**

- 11 The Orders and Amendment Regulations comply, where applicable, with the following:
- 11.1 the principles of the Treaty of Waitangi;
  - 11.2 advice from the Treaty Provisions Officials Group on any Treaty of Waitangi provisions;
  - 11.3 the rights and freedoms contained in the New Zealand Bill of Rights Act 1990 or the Human Rights Act 1993;
  - 11.4 the principles and guidelines set out in the Privacy Act 2020;
  - 11.5 relevant international standards and obligations;
  - 11.6 the Legislation Guidelines (2021 edition), which are maintained by the Legislation Design and Advisory Committee.

### **Regulations Review Committee**

- 12 There are no grounds for the Regulations Review Committee to draw the Orders or Amendment Regulations to the attention of the House under Standing Order 327.

### **Certification by Parliamentary Counsel**

- 13 The Orders and Amendment Regulations have been certified by the Parliamentary Counsel Office as being in order for submission to Cabinet, subject to the enactment of the Social Security (Benefits Adjustment) and Income Tax (Minimum Family Tax Credit) Amendment Bill.

### **Impact Analysis**

- 14 The Ministers responsible for the Finance, Housing, Health, Social Development and Employment, Tertiary Education and Skills, Veterans, and Children portfolios have delegated authority to approve the policy for these annual adjustments to benefit rates and thresholds, which are required under legislation, convention, or previous Cabinet agreement (or a combination of these). Therefore, Cabinet's impact analysis requirements do not apply.
- 15 The Climate Implications of Policy Assessment (CIPA) team has been consulted and confirms that CIPA requirements do not apply to this proposal as it not expected to result in any significant, direct emissions impacts.

## Publicity

- 16 As part of the legislative requirements, the Orders and Amendment Regulations will be notified in the New Zealand Gazette at a minimum of 28 days before they come into force.
- 17 The Ministry of Social Development will work with relevant Ministers' offices to advise the public of the changes to rates and thresholds.

## Proactive release

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

## Consultation

- 19 The Treasury, Ministry of Housing and Urban Development, Ministry of Education, Ministry of Health, Inland Revenue, Veterans' Affairs, and Oranga Tamariki—Ministry for Children have been consulted and agree with the recommendations in this paper.

## Recommendations

I recommend that the Cabinet Legislation Committee:

- 1 **note** that, acting with Cabinet's delegated authority [CAB Min (02) 7/1A refers], the Ministers responsible for the Finance, Housing, Health, Social Development and Employment, Tertiary Education and Skills, Veterans, and Children portfolios have approved new rates of New Zealand Superannuation, benefits, Student Allowances, Foster Care Allowance, and new rates and thresholds for allowances and supplementary assistance [REP/24/2/109 refers]
- 2 **note** that the Social Security (Benefits Adjustment) and Income Tax (Minimum Family Tax Credit) Amendment Bill must be enacted before Cabinet can approve the proposed Orders in Council and Amendment Regulations
- 3 **note** that the proposed Orders in Council and Amendment Regulations will come into effect on 1 April 2024 and will:
  - 3.1 increase the rates of main benefits, Student Allowances, Orphan's Benefit, Unsupported Child's Benefit, Foster Care Allowance, benefits payable to long-term hospital patients, and New Zealand Superannuation, to comply with the statutory requirement to adjust the rates to reflect the 4.66 percent increase in the Consumers Price Index (All Groups) over the previous year
  - 3.2 increase rates and thresholds of allowances and various forms of supplementary assistance in line with the 4.66 percent increase in the Consumers Price Index (All Groups) over the previous year
  - 3.3 increase income thresholds for Disability Allowance and the Community Services Card by applying the 4.66 percent increase in the Consumers Price Index (All Groups) over the previous year

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- 3.4 increase Childcare Assistance and hardship assistance income thresholds to reflect the 5.28 percent increase in the net average wage over the previous year [CAB-21-MIN-0116.27 and CAB-22-SUB-0129 refers]
- 3.5 correct a minor and inconsequential error in the Student Allowance Regulations 1998
- 4 **note** a further adjustment to the net weekly couple amount of New Zealand Superannuation will not be required in the 2024 AGA, as the 4.66 percent Consumers Price Index (All Groups) adjustment will see this amount exceeding the minimum 66 percent of net average wage statutory requirement
- 5 **authorise** the submission of the following Orders and Amendment Regulations to the Executive Council:
  - 5.1 Social Security (Rates of Benefits and Allowances) Order 2024
  - 5.2 Social Security Amendment Regulations 2024
  - 5.3 Student Allowances Amendment Regulations 2024
  - 5.4 Oranga Tamariki (Minimum Rates of Payment for Board and Lodgings) Order 2024
  - 5.5 Health Entitlement Cards Amendment Regulations 2024
  - 5.6 Residential Care and Disability Support Services Amendment Regulations 2024.

Authorised for lodgement

Hon Louise Upston

Minister for Social Development and Employment