Report

MINISTRY OF SOCIAL DEVELOPMENT
TE MANATŪ WHAKAHIATO ORA

Date: 10 July 2024 **Security Level:** IN CONFIDENCE

To: Hon Louise Upston, Minister for Social Development and Employment

File Reference: REP/24/7/616

Changes to income charging for Sole Parent Support clients transferring to Jobseeker Support when their youngest child turns 14

Purpose of the report

1 This report seeks your agreement to:

1.1 apply current weekly income charging rules from the point of transfer of clients on Sole Parent Support (SPS) to Jobseeker Support (JS) (when a client's youngest dependent child turns 14 years of age) from 1 July 2025, and

1.2 proactively advise SPS clients transferring to JS about the change to their income charging regime and the new requirement to reapply for the benefit every 26 weeks.

Executive summary

2 You have asked the Ministry of Social Development (MSD) to deliver a 26-week reapplication for clients on JS. You have agreed to most of our high-level design including the removal of annual income charging for JS sole parents and grand-parented clients [REP/24/5/478 refers].

3 This decision has flow-on effects for clients on SPS (with annual income charging) who transfer to JS when their youngest dependent child turns age 14. Currently, SPS clients transferring to JS at a sole parent or grand-parented rate maintain their annual income charging as annual income charging is also a feature of JS for these clients. With the change to weekly income charging for JS sole parents and grand-parented clients, SPS clients

will also be subject to weekly income charging from the date their youngest dependent child turns age 14 and they are granted JS.

4 To enable a transfer to a 26-week reapplication cycle, SPS clients will have their expiry date either maintained, or reset to 26-weeks from their transfer to JS (whichever is earlier). This will see any SPS client who transfers to JS at the date their youngest dependent child turns 14 never on JS for longer than 26-weeks before they are required to reapply for their benefit.

5 Currently, any client who transfers or exits a benefit during an annual income assessment period does not complete a final Review of Annual Income before moving to weekly income charging or exiting their benefit. As SPS clients are transferring to a different benefit type with different conditions, including their income charging regime, we recommend applying the current practice.

6 We will inform clients ahead of time of the changes to the conditions of their benefit once they move to JS, including to how their income is charged. This is to ensure clients understand the impact of the change and can make informed decisions about the types of employment opportunities they take.

7 s 9(2)(f)(iv) [redacted] We recommend considering this alongside the longer-term work programme, to ensure we apply the same rules equitably across benefit transfers.

Recommended actions

It is recommended that you:

1 **note** you previously agreed that all sole parents on Jobseeker Support will transition to a 26-week benefit expiry and weekly income charging from 1 July 2025 [REP/24/5/478 refers]

2 **agree** that from 1 July 2025 Sole Parent Support clients who transfer to Jobseeker Support on the date their youngest dependent child turns 14 will be subject to weekly income charging

AGREE / DISAGREE

3 **note** that currently, clients who move benefit or exit a benefit during an annual income charging period (eg due to a change in circumstances, moving from a benefit with annual income charging to weekly income charging) do not have a Review of Annual Income for that income assessment period (to determine any under or over payments)

4 **agree** that the same treatment (see recommendation three above) will apply to clients on Sole Parent Support who transfer to Jobseeker Support on the date their youngest dependent child turns 14, where they are part way through their annual income charging period

AGREE / DISAGREE

5 **agree** that clients on Sole Parent Support who transfer to Jobseeker Support on the date their youngest dependent child turns 14 will either maintain their current expiry date or have their expiry date reset to 26-weeks from their Jobseeker Support commencement date (whichever is earlier)

AGREE / DISAGREE

6 **note** that MSD will notify Sole Parent Support clients about their new benefit conditions (including weekly income charging) in advance of their transfer to Jobseeker Support

7 s 9(2)(f)(iv) [redacted]

Leah Asmus
Policy Manager
Welfare System

Date

Hon Louise Upston
Minister for Social Development and Employment

Date

Background

8 You have asked MSD to deliver a 26-week reapplication for clients on JS. To enable this, you agreed to move clients' expiry dates forward, from 52 weeks to 26 weeks, and require clients to reapply for their benefit at that point [REP/24/5/478 refers].

9 We advised you that moving to a 26-week reapplication created an issue for JS sole parents and grand-parented clients who have annual income charging, as they would not have a 52-week period over which to assess income. You agreed to remove annual income charging for these clients [REP/24/5/478 refers] and noted that all new clients on JS from 1 July 2025 would have weekly income charging [REP/24/5/571 refers].

10 You also agreed to the mitigation we proposed, to alleviate potential disadvantages a client could face when moving to weekly income charging. This is by allowing JS clients on a sole parent or grand-parented rate to receive a final Review of Annual Income before moving onto weekly income charging [REP/24/6/478 refers]. See **Appendix One** for more detail on the transitional arrangements, including the mitigation that has been agreed to.

11 We advised there was a similar issue with the change in income charging periods for clients on SPS who transfer to JS automatically at the time their youngest dependent child turns 14, and that we would provide advice on any potential mitigations for this cohort [REP/24/6/571 refers].

Under current settings, clients moving to JS from other benefit types with annual income charging do not have a final Review of Annual Income

12 Generally, when clients move from a benefit with annual income charging to a benefit with weekly income charging (eg JS) as a result of a change in circumstances, we consider a change to their income charging regime period a condition of their new benefit receipt as a client is moving between benefit types[1].

13 Currently, in respect of the transfer to JS from SPS when their youngest child turns 14, under the legislation, the client retains annual income charging.

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[1] Clients moving from SPS to JS also have a change to their work obligations. Clients on SPS have part-time work obligations or work preparation obligations, depending on the age of their youngest child. Sole parents on JS generally have full-time work obligations unless they have a health condition, injury or disability in which case they have reduced capacity or no capacity to work and have part-time or deferred work obligations.

14 With the removal of annual income charging for JS sole parents and grand-parented clients, SPS clients transferring to JS at the point the clients youngest child turns 14 will also be subject to weekly income charging.

15 Generally, clients on SPS transfer to JS on the date their youngest dependent child turns 14 years of age. At this time their SPS benefit expires, and JS is granted (Social Security Act (SSA) s33). In this situation, the client's benefit expiry is set at the 12-month anniversary from which the original benefit commenced (or as the case may be, last commenced (Social Security Regulations 2018 (SSR), Regulation 187). This model ensures that the granting of JS occurs in a timely manner, there is no gap in a client's payments and that clients do not have to provide information that MSD already holds[2].

16 As clients transfer at the date their youngest dependent child turns 14, the client could transfer from SPS to JS with a part-way due paid period, which will impact their Review of Annual Income.

Approximately 2,800 clients transferred from SPS to JS in 2023, of which 300 (11%) had an Annual Review of Income

17 In the 2023 calendar year, 2,796 clients transferred from SPS to JS. In addition to clients transferring when their youngest dependent child turned 14 years of age, clients also transferred due to a change in circumstances (eg a change in relationship status).

18 Of these clients, 300 (11%) completed an Annual Review of Income after they transferred to JS[3]. The outcomes of these reviews included:

- 179 clients (60%) had arrears generated
- 49 clients (16%) incurred a debt
- 72 clients (24%) had no change

We recommend maintaining current rules for clients moving from a benefit with annual income charging to weekly income charging

19 To maintain equity and consistency in the system, we recommend applying the same rules to the SPS cohort who transfer to JS when their youngest

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[2] If MSD has reason to believe the person would not qualify for JS, then SPS expires and the person is invited to complete an application for JS to test their eligibility.
[3] This figure also includes client who self-requested a review of income and does not include any clients who transferred and might have had a Review of Annual Income in 2024.

dependent child turns 14. These are the same rules that currently apply for other clients with a change in circumstances that moves them onto a different income charging regime or who exit a benefit before their Review of Annual Income.

20 There are several other examples of where a client moving to JS from a different benefit type does not retain annual income charging, and thus does not receive a final Review of Annual Income, notably:

- Supported Living Payment (SLP), SPS and JS sole parent and grand-parented clients who exit a benefit before their Review of Annual Income
- SPS clients and JS sole parent clients whose last or only child leaves their care and the client moves to a single rate of JS with weekly income charging
- SPS and JS sole parent clients who enter a relationship and the client moves to a couple's rate of JS with weekly income charging
- SLP clients who transfer to JS on the grounds of a health condition, injury or disability (Jobseeker – Health Condition or Disability), for example if a client's health condition improves and they no longer meet the medical qualifications for SLP
- Carers receiving SLP who transfer to JS when the person they are caring for no longer needs the client to care for them (eg goes into residential care)

Designing a separate accommodation for SPS clients moving to JS at the point of transfer increases the complexity of the reapplication, and income charging systems

21 We consider the situation of SPS clients moving to JS when their youngest dependent child turns 14, and the examples as above (see Paragraph 20) distinct from the case of JS sole parents and grand-parented clients. The latter maintain the same benefit type (JS) but have their income charging regime and conditions of their benefit change as a result of the law change and implementation of 26-week reapplications.

22 You have agreed to the mitigation we proposed for these clients (JS sole parents and grand-parented clients), performing a final Review of Annual Income, before moving them to weekly income charging [REP 24/6/571 refers]. This also reflects the inability for the client to adjust their circumstances before the law change.

23 To apply the same mitigation to SPS clients transferring to JS, MSD would need to design and maintain an ongoing transitional arrangement,

indefinitely. This would introduce complexity into the reapplication and income charging systems and would be difficult to maintain.

24 This would also create a stream of clients not required to re-apply for their benefit every 26-weeks on an ongoing basis (ie if we allow clients to finish their due paid assessment period, this would see SPS clients who move to JS not subject to the 26-week requirement until their 52-week expiry date). This dilutes the intent of introducing a more frequent reapplication and creates inconsistencies within JS, as all JS clients will be on a 26-week cadence once the final sole parent and grand-parented clients are moved onto the new regime.

25 There are also equity and consistency considerations for other clients who do not receive a Review of Annual Income when they change benefit types or exit their benefit during an annual income assessment period.

26 MSD considered several options for handling the change to income charging for this cohort. For example, undertaking a pro-rata Review of Annual Income at the time of transfer, or continuing annual income charging (and extending benefit expiry dates) until the client's next Review of Annual Income. However, these were discounted due to issues with the implementation timeframe as well as the administrative burden of maintaining multiple systems in parallel, and the cost of the IT build. Further detail is provided in Appendix Two.

Moving SPS clients to weekly income charging at the date of their transfer to JS will see them transferring onto a 26-week reapplication within 26 weeks on JS

27 Currently, when SPS clients transfer to JS at the date their youngest dependent child turns 14, they maintain the same 52-week expiry date. With the introduction of 26-week reapplications we will have to transfer these clients onto a 26-week reapplication cycle (and 26-week expiry).

28 We recommend moving SPS clients onto the 26-week cycle based on the proximity of their expiry date to the date of their transfer to JS. Client would either:

- maintain the same 52-week expiry date, or
- have their expiry date moved to 26-week from their JS commencement date.

29 This arrangement would mean that a client transferring from SPS to JS would never be:

- on JS longer than 26-weeks before their benefit expires and
- on benefit longer than 52-weeks (without a reapplication).

30 Clients will have adequate notice of their transfer to JS and any changes to the conditions of their benefit, including their new requirement to reapply for their benefit every 26-weeks.

To manage client expectations around the Review of Annual Income, clients will be notified of the change to their income charging before their transfer to JS

31 MSD will inform SPS clients about the upcoming change to their income charging prior to their transfer to JS. The proactive communications will explain the changes to the conditions of the client’s benefit, including changes to how their income is charged.

32 Managing client expectations about their annual income abatement will ensure clients are well-informed before their SPS expires. This will help clients to determine what support is available for their circumstances. For example, some clients with periodic full-time employment may choose to apply for tax credits from Inland Revenue during those periods. This may incentivise some clients to seek more permanent work as they can no longer receive a benefit while temporarily working full-time.

s 9(2)(f)(iv) [redacted]

[redacted]

33 s 9(2)(f)(iv) [redacted]

34 s 9(2)(f)(iv) [redacted]

Next steps

35 s 9(2)(f)(iv) [redacted]

36 s 9(2)(f)(iv) [redacted]

37 We will provide you with a draft Cabinet paper on 26-week reapplications on 17 July 2024.

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Appendix One: Transitional Arrangements for Jobseekers Moving to 26-week Reapplications

Client Group	Clients Expiry Date	Detail	Transitional Arrangement
Jobseeker Support	Clients whose expiry dates are in the first month of implementation.	Clients' reapplications are "in-flight" (we have already notified them of their requirements for reapplication on 1 July 2025). Will have their first 26-week reapplication within **seven** months of implementation.	Clients will maintain their 52-week expiry date. They will complete a 52-week reapplication before moving to a 26-week reapplication and expiry thereafter.
Jobseeker Support	Clients whose expiry dates are within six months of implementation.	Will have their first 26-week reapplication within **six** months of implementation	Clients will maintain their 52-week expiry date. They will complete a 26-week reapplication at their 52-week expiry and move to a 26-week expiry thereafter.
Jobseeker Support	Clients whose expiry dates are in month seven of implementation.	Moving their expiry dates forward would not give MSD enough time to issue a notice letter detailing the requirements of their reapplication. Will have their first 26-week reapplication within **seven** months of implementation.	Clients will maintain their 52-week expiry date. They will complete a 26-week reapplication at their 52-week expiry and move to a 26-week expiry thereafter.
Jobseeker Support	Clients whose expiry dates are more than seven months after implementation.	Will have their first 26-week reapplication within **six** months of implementation (once their expiry date is moved, see transitional arrangement).	Clients will have their expiry dates moved forward to 26-weeks from their commencement. They will complete the 26-week reapplication at their 26-week expiry.

Appendix One: Transitional Arrangements for Jobseekers Moving to 26-week Reapplications

Client Group	**Clients commencement date or last 52-week reapplication**	**Detail**	**Transitional Arrangement**
Jobseeker Support – Sole Parents and grand-parented clients	More than 21 weeks before 1 July 2025.	Clients whose expiry dates are within seven months of implementation. Clients will have their first 26-week reapplication within **seven** months of implementation.	Clients will maintain their 52-week expiry date in order to preserve their income assessment period. Clients will have their final review of annual income. They will complete a 26-week reapplication and move to a 26-week expiry thereafter.
Jobseeker Support – Sole Parents and grand-parented clients	21 weeks or less before 1 July 2025.	Clients whose expiry dates are more than seven months after implementation. Clients will have their first 26-week reapplication within **12 months** of implementation. 4% (6,821 clients) of the JS cohort.	Clients will maintain their 52-week expiry date in order to preserve their income assessment period. Clients will have their final review of annual income. They will complete a 26-week reapplication and move to a 26-week expiry thereafter.

Appendix Two: Options for Managing the Change to Income Charging for SPS Clients Transferring to JS

Option	Description	Pros	Cons
Null – Remove annual income charging at the date of transfer to JS Recommended	Clients move to weekly income charging from the date of their transfer to JS, and improved communications are sent detailing the conditions of their new benefit receipt.	▪ Consistent with existing rules for other clients who transfer benefits during an annual assessment period	▪ Could potentially disadvantage clients who have arrears owed at the end of their annual assessment period ▪ Would not enable MSD to establish any debt owed at the end of an annual assessment period
Maintain an ongoing arrangement (discounted)	Clients have one final Review of Annual Income in the year their child turns 14 (after their transfer to JS) and move to a 26-week expiry and reapplication from that point.	▪ Clients complete their annual income assessment period and have a final Review of Annual Income, any debt or arrears are established.	▪ Increases complexity to JS by having separate expiry and income charging rules for a subset of the cohort ▪ Administratively burdensome ▪ Inequitable for clients who face similar disadvantage
Perform a part-way (pro-rated) review of income on the day a client transfers from SPS to JS (discounted)	Clients have a review of their income for the weeks prior to the date of transfer.	▪ Would minimise the disadvantage for some clients who have received less income in the pro-rata period than estimated over the full annual period	▪ Could not accurately reflect the correct entitlement over the 52-week period and could potentially disadvantage some clients since it is based on any income received during that period ▪ Inequitable for clients who face similar disadvantage
Transfer SPS clients to JS at their review of annual income in the year their child turns 13 (discounted)	Clients have their final annual income review in the year their child turns 13 and are placed on weekly income charging thereafter.	▪ Maintains a consistent policy rationale as the transfer for JS clients (a final Review of Annual Income before transitioning to weekly income charging)	▪ Increases the complexity of SPS by introducing weekly income charging for all SPS clients during the year their youngest child turns 13 ▪ Inequitable for clients who face similar disadvantage