

In Confidence

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

Government Response to the Report of the Petitions Committee on the Petition of Andrew Wilson: Rezone Accommodation Supplement Eligibility for Queenstown Residents

Proposal

- 1 This paper seeks approval for the proposed Government response to the Petitions Committee report on the petition of Andrew Wilson, entitled “Rezone Accommodation Supplement Eligibility for Queenstown Residents”.

The Petition: Rezone Accommodation Supplement Eligibility for Queenstown Residents

- 2 The Petition of Andrew Wilson: Rezone Accommodation Supplement Eligibility for Queenstown Residents (the Petition), was presented to the House on 8 March 2023.
- 3 The Petition requests that the House of Representatives amend Schedule 4, Part 7, clause 8 of the Social Security Act 2018 urban-rural statistical blocks so that urban-rural zoning for the purposes of Accommodation Supplement (AS) eligibility is based on the most recent population statistics. The petitioner Andrew Wilson (for the Salvation Army) seeks this amendment to address the inequitable allocation of AS resulting from the use of outdated geographic information to set AS Area boundaries.
- 4 The Petition was signed by 586 people and has the support of the Queenstown Lakes District Council. The need to update AS Area boundaries has previously been raised by Local Government New Zealand.

The Report of the Petitions Committee: Findings and Recommendations

- 5 The Petitions Committee (the Committee) considered the Petition and produced a report on its findings. The report was presented to the House of Representatives on 7 September 2023.
- 6 The Committee agreed with the Petitioner and the Queenstown Lakes District Council that the allocation of the AS should not be tied to historical data. The Committee recognised that using out-of-date geographic information and classifications means some people receive a lower AS than they otherwise would.
- 7 The Committee concluded that the Social Security Act 2018 should be future-proofed, so the AS always draws on the most up-to-date information from Stats NZ. They recommended that the Government update AS Areas every time Stats NZ updates its geographic boundaries and stated that they wished to see urgent progress on the matter.

- 8 The Committee received comments from the Petitioner, the Queenstown Lakes District Council, and the Ministry of Social Development (MSD).

Comment on the Findings and Recommendation of the Petitions Committee

The Accommodation Supplement

- 9 The AS is a non-taxable weekly benefit that currently helps around 350,000 households with the cost of housing in the private market. It provides a partial subsidy to beneficiaries and low- and middle-income working households with high accommodation costs, across all tenure types.
- 10 The AS contributes to several policy objectives, including housing affordability, income adequacy, and work incentives. As the AS helps tenants move to or retain private market housing, it also plays a role in preventing entry into emergency and social housing (both of which can result in higher on-going costs to the Crown).
- 11 The AS is conditional on a household's housing costs exceeding 25-30 percent of their income. The remaining costs are then split, with the AS contributing 70 percent of these up to a maximum amount. When accommodation costs rise faster than incomes, the number of people eligible for AS rises, and the amount they are eligible to receive from AS also rises (up to the maximum).
- 12 Annual Expenditure on the AS is forecast to increase by \$166 million over the next five years – around 1.5 percent per annum (this is below CPI, which was 4.7 percent in December 2023 and is expected to trend down below 3 percent in the second half of 2024). AS Annual Expenditure is expected to increase from \$2.13 billion in 2023/24 to \$2.30 billion in 2027/28. Expenditure growth is constrained as more households reach the maximum weekly amount.
- 13 The forecast increase in expenditure on AS is mainly driven by an increase in the number of people expected to receive AS (+\$96 million over the next five years). This is in line with the forecast increase in the number of people receiving a main social security benefit. The remainder of the forecast increase in expenditure is mostly driven by the forecast increase in the average payment rate (+\$70 million over the next five years), which is in line with an expected increase in accommodation costs for people receiving AS.

Statistical geographies and AS settings

- 14 Schedule 4 of the Social Security Act 2018 defines Areas 1–4 for the purposes of determining the maximum AS a household can receive. As noted by the Petitioner and Committee, AS Areas in the Social Security Act 2018 have not been updated since 2018. There are currently no requirements to make regular updates to AS settings in response to factors such as urban growth or housing cost increases.

- 15 Current AS Areas are based on 2017 Urban Area and Area Unit classifications, both of which are no longer in use by Stats NZ.¹ The use of out-of-date geographic information means that AS Areas do not always reflect current land use, particularly where there has been rapid urban expansion. The problem is pronounced in the Queenstown area, and I have been advised that MSD is aware of similar issues in other areas, including in the Bay of Plenty, Wanaka, and Nelson.
- 16 As a result, large areas that are currently urban are still classified as AS Area 4 (rural). AS Area 4 restricts the highest rate of AS a household can receive to \$120 per week. By comparison, the highest rate a household can receive for AS Area 1 is \$305 per week. According to Ministry of Business, Innovation and Employment bond data, as at the end of December 2023, the median rent in the Queenstown Lakes District was \$700 per week.

Comment on the findings and recommendation of the Committee

- 17 I have been advised that there would be little value to updating AS Areas every time Stats NZ updates its geographic boundaries. However, the introduction of a regular update cycle for AS Areas does merit further consideration.
- 18 Statistics NZ undertakes a comprehensive review of statistical geographic boundaries every five years, releasing boundary updates before each Census of Population and Dwellings. They may also make changes at other times, triggered by changes to electoral or administrative geography boundaries. While changes outside of the five-year review cycle do not occur frequently, linking AS Area updates to every update made by Stats NZ could still result in disproportionate administrative and fiscal costs.

19 s 9(2)(f)(iv)



- 20 I note that boundaries are not the only AS setting that is not regularly updated. Some AS settings (e.g., the entry threshold² and income threshold for non-

¹ Urban Areas and Area Units were created in 1992, with Urban Areas remaining largely unchanged until 2017. There were inconsistencies in the definition of urban areas and the boundaries were not updated to reflect areas of new development. The 2017 Urban Area classification was replaced by Stats NZ in 2018 with the Urban Rural classification. The Urban Rural classification has a regular update cycle to ensure the urban and rural areas are kept up to date and incorporate population changes. The classification is reviewed and released every five years coinciding with Census years.

² The entry threshold refers to the amount of money a client is expected to contribute toward their housing costs before they will receive AS. Entry thresholds vary depending on benefit type, as well as household composition and whether a person is paying rent, board, or mortgage costs. For non-beneficiaries, any income over the income threshold will reduce the amount of AS they can receive. Income thresholds vary depending on AS Area and household type.

beneficiaries) are updated on 1 April annually as they are linked to rates of main social security benefits. Other settings, (e.g., maximum weekly rates, allocation of locations within the four AS Areas and Area boundaries) were last adjusted in 2018, based on 2016 rents and 2017 Stats NZ area definitions. There are some policy settings for the AS that have not been updated since the AS was introduced in 1993 (e.g., the cash asset limit).

- 21 Any change to the AS must strike the right long-term balance between costs and benefits. I have commissioned advice on the boundaries issue, as well as other possible changes to the AS.

Proposed Government Response

- 22 The proposed Government response acknowledges that the use of outdated geographic information and classifications has resulted in some households receiving a lower AS than they otherwise would. It indicates that the while more regular updates to settings would help to ensure that the AS remains fit-for-purpose, the Government does not agree to progress the recommendation of the Committee to update AS Areas every time Stats NZ updates its geographic boundaries because of the potential for disproportionate administrative and fiscal costs. The response indicates that the Government is exploring the possible benefits and implications of more regular updates, alongside other possible changes to the AS.

Timing of the Government Response

- 23 The Government response must be presented to the House by 25 March 2024.

Consultation

- 24 This Cabinet paper and the Government response has been prepared by MSD in consultation with the Ministry of Housing and Urban Development.
- 25 Stats NZ, The Treasury, Oranga Tamariki, the Ministry for Pacific Peoples, Whaikaha, Office for Seniors, the Department of the Prime Minister and Cabinet, and Te Puni Kōkiri were consulted on this paper.

Financial Implications

- 26 There are no financial implications associated with this proposal.

Publicity

- 27 The Minister for Social Development and Employment will present the Government response to the Report of the Petitions Committee to the House of Representatives. No further publicity is required.

Proactive Release

- 28 This paper will be proactively released in accordance with Cabinet guidelines. Any redactions made will be consistent with the Official Information Act 1982.

Recommendations

I recommend that the Cabinet Legislation Committee:

- 1 **note** that on 7 September 2023 the Petitions Committee presented its report to the House entitled “Petition of Andrew Wilson: Rezone Accommodation Supplement eligibility for Queenstown residents”
- 2 **note** that the Petitions Committee recommended that the Government update the Accommodation Supplement Areas every time Statistics NZ updates its geographic boundaries
- 3 **agree** to not progress the recommendation of the Petitions Committee to update the Accommodation Supplement Areas every time Statistics New Zealand updates its geographic boundaries
- 4 **note** that the proposed Government Response recognises the recommendation of the Committee merits further consideration and states that the Minister for Social Development and Employment has commissioned further advice from officials on changes to the Accommodation Supplement, including on updating the Accommodation Supplement Area boundaries
- 5 **approve** the Government response, attached to this submission, to the Report of the Petitions Committee entitled “Petition of Andrew Wilson: Rezone Accommodation Supplement eligibility for Queenstown residents”
- 6 **note** that the Government response must be presented to the House by 25 March 2024
- 7 **invite** the Minister for Social Development and Employment to present the *Government Response to the Report of the Petitions Committee on the Petition of Andrew Wilson, Rezone Accommodation Supplement Eligibility for Queenstown Residents* to the House in accordance with Standing Order 252
- 8 **invite** the Minister for Social Development and Employment to write to the petitioner enclosing a copy of the Government Response to the report of the Petitions Committee on the petition, after the response has been presented to the House.

Authorised for lodgement

Hon Louise Upston

Minister for Social Development and Employment