

# Aide-mémoire



**MINISTRY OF SOCIAL  
DEVELOPMENT**  
TE MANATŪ WHAKAHIATO ORA

## Meeting

**Date:** 13 November 2017      **Security Level:** IN CONFIDENCE

**For:** Hon Carmel Sepuloni, Minister for Social Development

**File Reference:** REP/17/11/1123

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## Families Package - detailed decisions

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**Meeting/visit  
details**

5pm, 14 November 2017, Minister of Finance's office

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**Expected  
attendees**

Hon Grant Robertson  
Hon Phil Twyford  
Hon Stuart Nash  
Hon Tracey Martin

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**Purpose of  
meeting/visit**

The purpose of the meeting is to discuss and agree to the detailed design of the components of the Families Package.

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**Background**

Passing the Families Package legislation is part of the 100 day plan, and legislation is planned to be introduced into the House before Christmas.

Last Monday 6 November, Ministers made a set of high-level decisions about the Families Package.

On Friday 10 November, Ministers received four further Reports providing advice on the next set of more detailed decisions, to be discussed at this meeting.

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**Key issues**

The Families Package reports sent on Friday were:

- Winter Energy Payment detailed design
- Best Start detailed design
- Consequential impacts and transitional arrangements
- Accommodation Supplement Boundaries

You received one further Report, only sent to you, on Repealing Section 70A and the Families Package.

The following section highlights the key decisions to be made in each Report, and notes the Ministry of Social Development's (MSD) role in administration.

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### **Winter Energy Payment** (REP/17/11/1079)

- The Winter Energy Payment (WEP) will be administered by MSD.
- Officials recommend a start date for WEP of 1 July 2018 - the cost of starting WEP on 1 May would be around \$186 million in 2017/18 (excluding operational costs to MSD), and there would also be significant delivery risks in implementing the payment from 1 May, and likely high operational costs
- Officials recommend limiting eligibility to people in New Zealand over winter, noting that superannuitants can travel for up to 26 weeks per year without losing their entitlement to New Zealand Superannuation, there will be operational costs associated with ensuring these recipients do not continue to receive WEP after being away for more than 28 days, and compliance costs for recipients
- Officials recommend paying instalments of WEP on a consistent basis with current payments for beneficiaries (weekly) and superannuitants (fortnightly) to create operational efficiencies and avoid problems and risks associated with monthly instalments
- Officials recommend that superannuitants be automatically granted WEP (with an option to opt-out), so that MSD meets its legal obligations, avoids risks around non-compliance with the Bill of Rights Act 1990 (on the grounds of discrimination on the basis of age) and avoids on-going operational costs of around \$12 million per year
- Officials recommend increasing the payment rate of WEP annually with the increase in the Consumers Price Index as part of the Annual General Adjustment, consistent with the indexation of most welfare payments, and to ensure that the real value of the payment is maintained over time, noting that this costs around \$3 million in 2018/19, rising to around \$31 million in 2021/22
- Officials recommend that WEP is not included as income for the purposes of Hardship Assistance (including Temporary Additional Support and Special Benefit) so that WEP meets its policy objective of increasing spending on heating

#### *Split recommendations with Treasury*

Note that MSD and Treasury currently have split recommendations over the issue of mitigating the work disincentives created by WEP entitlement ceasing at benefit exit.

MSD's view is that:

- The scale of the problem is small, as the current targeting of WEP creates, at most, a marginal worsening of incentives to work that is likely to impact on a small number of clients in particular circumstances
  - An approach to mitigating those circumstances for low
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income families with children is recommended (increasing the Minimum Family Tax Credit, more information in the consequential impacts section below)

- The mitigating options proposed by Treasury are likely to materially increase the number of recipients of WEP, are administratively costly and complex, and would be likely to need to be reflected in primary legislation as they propose treating groups of non-beneficiaries differently which may be inconsistent with the Bill of Rights Act 1990
- MSD's view is that there is insufficient time to fully consider these options, and putting them into primary legislation as part of the Families Package would be risky and hard to justify

### **Best Start** (REP/17/11/1080)

- Best Start will be administered by MSD for families receiving a main benefit
- Consider including children with an expected due date on or after 1 July 2018
- Officials recommend extending Best Start to families receiving Orphan's Benefit, Unsupported Child's Benefit and the Foster Care Allowance, and will provide further advice on the targeting and delivery of this in the next Report
- Consider whether further advice is desired on the potentially high effective marginal tax rates (EMTRs) created by Best Start, particularly for families with incomes between \$80,000 and \$97,000 per year

### **Consequential impacts and transitional arrangements** (REP/17/11/1082)

- Consider compensating those who are financially disadvantaged as a result of the Package – requiring decisions on the definition, the eligible population and how long the payments will last – and recommend setting up a Ministerial Welfare Programme to do this (MSD will administer this programme)
- Officials recommend increasing the Minimum Family Tax Credit, to ensure that families with children are still financially better off in work, compared to on a benefit when taking WEP into account
- Officials recommend re-starting the calculation of the increase in the Family Tax Credit (which currently increases following a 5 percent cumulative increase in the Consumers Price Index) following the Families Package increase, rather than going ahead with the scheduled increase on 1 April 2019

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### **Accommodation Supplement Boundaries** (REP/17/11/1081)

- The Accommodation Supplement is administered by MSD.
- Consider which Statistics New Zealand boundaries to use for the Accommodation Supplement changes – 2017 boundaries (as currently planned) or update to 2018
- Officials recommend using the 2017 boundaries as already legislated for, and that the definition of Accommodation Supplement boundaries is moved out of primary legislation as part of the Families Package legislative changes, consistent with the approach proposed in the Re-write of the Social Security Act 1964, in order to subsequently remove the requirement to update Accommodation Supplement boundaries with every update from Statistics New Zealand

### **Repealing Section 70A and the Families Package** (REP/17/11/1083)

- Consider progressing the repeal of Section 70A of the Social Security Act as part of the Families Package
- Officials note that there are significant fiscal costs associated with this option, which would need to be considered alongside the costs of any other potential options which are wanted to be progressed in the short term

### **Implementation costs**

Note that comprehensive estimates of the implementation costs for MSD will be provided in the Final Report on the Families Package on Friday 17 November 2017.

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#### **Next steps**

Note that each Report contains a considerable number of other detailed decisions (not discussed above), which are nonetheless needed to support the drafting of legislation, and will be sought in the Final Report on the Families Package if not addressed at this meeting.

Officials will be reflecting decisions made by Ministers at this meeting in the Final Report on the Families Package, scheduled to go to Ministers on Friday 17 November 2017.

The Cabinet paper will be drafted the following week and is scheduled to be considered by Cabinet on Monday 27 November 2017.

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