

## In Confidence

Office of the Minister for Social Development and Employment

Cabinet Social Wellbeing Committee

# **Kāinga Ora Pilot Winter Energy Study: Exemption from income definition under the Social Security Act 2018**

## **Proposal**

- 1 I seek Cabinet approval to amend the Social Security Regulations 2018 and the Student Allowance Regulations 1998 to ensure that subsidies provided as part of Kāinga Ora's Pilot Winter Energy Study (the pilot) are excluded as income for the purposes of the Social Security Act 2018, the Public and Community Housing Management Act 1992, and the Student Allowance Regulations.

## **Relation to government priorities**

- 2 The proposals in this paper will contribute to the Government's priority of laying the foundations for the future, in particular the continued focus on homelessness, improving housing affordability, and addressing child poverty. The pilot will do this by exploring how capped energy costs impact the health and wellbeing of marginalised people and the impact on other government sectors, including health and welfare.
- 3 The pilot will complement the Ministry of Business, Innovation and Employment's wider energy hardship work programme, which promotes the use of trials and pilot programmes to improve energy hardship policy advice through analysis and evaluation.
- 4 The pilot also aligns with the Child and Youth Wellbeing Strategy, which aims to ensure that children and young people are happy and healthy, and that children and young people have a good standard of material wellbeing, including stable housing that is affordable, warm, and dry.

## **Background**

- 5 This Government has invested significantly in improving income support for New Zealanders. This includes the Winter Energy Payment which helps with the cost of winter heating for around 1.2 million New Zealanders every year.
- 6 However we know that some families still cannot afford to safely heat their homes to a healthy indoor temperature. Community Housing Providers are concerned about energy affordability and have noted that heat pumps installed in public housing are not being used due to cost.

- 7 A study published in March 2022 identified that the estimated cost to heat one child's bedroom (\$58 per month) equated to 46 percent of the 2021 monthly Winter Energy Payment (WEP). Main benefit rates and Working for Families tax credits have increased even further since this study was completed which will have made a difference for many families, however there is more to do to address the rising cost of living, particularly for low incomes families.

### **The Kāinga Ora Pilot Winter Energy Study**

- 8 Over the 2023 and 2024 winter months, Kāinga Ora will partner with energy retailers to investigate how capped electricity bills impact the heating behaviour of public housing tenants. The pilot will assess if upfront investment in energy through a capped energy bill improves the health and wellbeing of their tenants, and reduces government spend in the health and welfare systems. Approval for the indemnity to energy retailers that is required to undertake the pilot has been given by the Minister of Finance and the Minister of Housing in accordance with the Crown Entities Act 2004.
- 9 The pilot will show changes in electricity usage and internal temperature, which will be linked to Kāinga Ora's administrative data (such as house age/type, prevalence of mould and maintenance spend). Integrated Data Infrastructure data will also be used to understand the impact on cross-sector spending such as health costs, hardship assistance from the Ministry of Social Development, hospitalisations, and days off school. The findings from the pilot will also provide information that will be relevant to future maintenance and upgrade investments for Kāinga Ora properties.
- 10 The caps will be set in relation to each tenant's average electricity spend, with three different calculations used to test which level of subsidy is the most effective and efficient:
- over an entire year (a lower cap with higher cost for Kāinga Ora)
  - for the colder months of May through October (a moderate cap)
  - for the peak winter months of June through August (the highest cap with lowest cost for Kāinga Ora).
- 11 Since the client will still be paying their usual amount for electricity, additional benefits like Disability Allowance will not be affected. The way the capped energy bill works is that participating energy retailers will only bill study participants for electricity up to a pre-determined amount or cap. Where there is any electricity usage over the cap, the energy retailers will invoice Kāinga Ora for the value of it and Kāinga Ora will pay the retailer directly, thereby subsidising the participant's electricity costs.
- 12 The pilot will include up to 1,200 Kāinga Ora tenants in Auckland and Christchurch across a range of house types to ensure findings can be drawn on costs and benefits. Pilot participants will be supported by Kāinga Ora to ensure they understand their electricity bill.

**A specific exemption is required to ensure the subsidies are not considered as income for the purpose of various income support payments**

- 13 Kāinga Ora is proposing to pay energy retailers in multiple instalments over the two-year period. While the payments are made directly to retailers, the payments are for the benefit of the participating households and are also likely to be considered 'periodical' or 'regular', thus being captured by the definitions of income in the SSA, PACHMA, and SA Regulations.
- 14 I recommend that the subsidies are exempt from the definition of income in the SSA and the definitions of 'personal income' and 'spousal or partner's income' in the SA Regulations. This is to ensure the subsidies do not impact entitlements, which would otherwise disadvantage participants who are likely to be beneficiaries or lower income households.
- 15 An amendment to PACHMA is not required because reg 14(a)(iv) of the Public and Community Housing Management (Prescribed Elements of Calculation Mechanism) Regulations 2018 excludes a subsidy or payment identified in Schedule 8, cl 4 of the Social Security Regulations. Therefore, an amendment to the Social Security Regulations will result in the subsidies not being considered income for the purposes of PACHMA.
- 16 The exemption will not be time limited, and the exemption will not have an expiry date. Therefore, if the pilot expanded, continued or became permanent no future amendments to the Regulations would be required.

**Financial Implications**

- 17 s 9(2)(b)(ii) 

**Legislative Implications**

- 18 To ensure these subsidies are not considered income, I am seeking agreement to exempt the subsidies from the definition of income by amending the Social Security Regulations, and SA Regulations. I will also need to amend, as required, any welfare programmes or Ministerial directions as required to align with this policy intent.

**Impact Analysis**

**Regulatory impact statement**

- 19 The Treasury's Regulatory Impact Analysis team has determined that this proposal to exclude subsidies made as part of Kāinga Ora's Pilot Winter Energy Study from being considered as income when assessing eligibility for social assistance is exempt from the requirement to provide a Regulatory Impact Statement. This is granted on the grounds that it has no or only minor impacts on businesses, individuals, and not-for-profit entities.

**Climate implications**

- 20 The Climate Implications of Policy Assessment (CIPA) team has been consulted and confirms that the CIPA requirements do not apply to this proposal as the threshold for significance is not met.

**Te Tiriti o Waitangi implications**

- 21 The pilot will include evaluation concerning Māori household and health outcomes to better understand how the study might have affected them, but due to the sampling method the evaluation cannot focus specifically on recruiting Māori households. The data collected will better enable Kāinga Ora to discern if the pilot and its outcomes are equitable in terms of Māori health and wellbeing having regard to the Crown’s Te Tiriti o Waitangi obligations, namely the principles of equity and active protection, which require the Crown to deliver equitable health outcomes for Māori.
- 22 Should the study highlight any health inequities inconsistent with these principles of equity and active protection, Kāinga Ora has advised that they could investigate a range of possible actions available to respond to these inequities. This could include assessing investment decisions about building retrofits particularly the levels of insulation, the provision of heating that would enable bedrooms to be heated, and its approach to preventing and resolving issues with mould.
- 23 Kāinga Ora is in the process of drafting Te Rautaki Māori evaluation framework that seeks to ensure whole-of-organisation activities align with the outcomes identified in this Strategy. Once drafted, this evaluation framework can be overlaid against the Winter Energy Study to ensure it meets Kāinga Ora strategic priorities including sharing insights that support Māori to develop and lead solutions to Māori issues.

**Population Implications**

- 24 I expect the pilot to produce positive outcomes for a range of population groups who are overrepresented in public housing. Many people within these groups are at risk of negative health outcomes related to cold, damp housing, so it is likely they will benefit from the pilot and its research findings. The impacts of this pilot on participants will be monitored over time.

<b>Population group</b>	<b>Implications</b>
Māori	Māori are overrepresented in public housing and are therefore likely to benefit from the pilot. In December 2022, 38 percent of primary public housing tenants were Māori.
Women	The primary tenant within public housing is twice as likely to be a woman. In December 2022, women accounted for 51,455 of primary public housing tenants in comparison to 23,101 men.
Disabled people and those with serious health conditions	In December 2022, 19 percent of primary public housing tenants were receiving a Supported Living Payment (including as caregivers). Disabled people, including tāngata whaikaha Māori, and those with serious health

	conditions are overrepresented in public housing.
Children and Youth	Children and youth who are living in cold and damp housing experience negative health consequences, including lower school attendance and reduced learning capability.
Pacific peoples	Pacific people are overrepresented in public housing. In December 2022, 23 percent of primary public housing tenants were Pacific people.
Older people	In December 2022, 23 percent of primary public housing tenants were 65 years and over.

**Human Rights**

25 The proposals in this paper uphold the United Nations Declaration of Human Rights, in particular Article 25 which notes everyone has a right to housing that provides a standard of living adequate for their health and wellbeing. The proposals are also consistent with the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993.

**Consultation**

26 The following government agencies/ departments have been consulted on the contents of this paper: Kāinga Ora, Ministry of Business, Innovation and Employment, Ministry of Housing and Urban Development, The Treasury, Ministry of Education, Ministry of Health, Office for Seniors, Te Puni Kōkiri, Ministry for Pacific Peoples, and Oranga Tamariki.

**Communications**

27 I will not be making proactive announcements about the pilot.

**Proactive Release**

28 I intend to proactively release this Cabinet paper, subject to any redactions as appropriate under the Official Information Act 1982.

**Recommendations**

The Minister for Social Development and Employment recommends that the Committee:

- 1 **note** that the Minister of Finance and Minister of Housing have approved Kāinga Ora to issue a limited indemnity to energy retailers in 2023 and 2024 to run a pilot winter energy study to assess if an upfront investment in energy via a capped energy bill improves the health and wellbeing of their tenants
- 2 **note** the subsidies in the pilot are likely captured as income for the assessments of social security benefits, Income Related Rent, and student allowances

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- 3 **agree** to exempt the subsidies from being considered as income for the purposes of the Social Security Act 2018, Public and Community Housing Management Act 1992, and Student Allowance Regulations 1998
- 4 **agree** to amend the Social Security Regulations 2018 and Student Allowance Regulations 1998 to ensure the subsidies are not treated as income for the assessments of social security benefits, Income-Related Rent, and student allowances
- 5 **invite** the Minister for Social Development and Employment to issue drafting instructions to the Parliamentary Counsel Office to amend the Social Security Regulations 2018 and Student Allowance Regulations 1998 to give effect to the decision in recommendations 4 and 5 above
- 6 **note** the Minister for Social Development and Employment will also amend, as required, any welfare programmes or ministerial directions to align with this policy intent

Authorised for lodgement

Hon Carmel Sepuloni

Minister for Social Development and Employment