



# Report

Date: 2 March 2021

Security Level: IN CONFIDENCE

To: Hon Carmel Sepuloni, Minister for Social Development and Employment

## Establishing the Abatement Threshold Increase (Transitional Assistance) Programme 2021

### Purpose of the report

- 1 This report seeks your approval of the attached *Abatement Threshold Increase (Transitional Assistance) Programme 2021*, which provides Transitional Assistance Payments to those financially disadvantaged as a result of the 2021 main benefit abatement threshold increases.

### Recommended actions

It is recommended that you:

- 1 **note** that Cabinet has agreed to provide Transitional Assistance Payments to those who will be financially disadvantaged from the impacts of the 1 April 2021 main benefit abatement threshold increases [CAB-20-MIN-0512 refers]
- 2 **note** that the attached *Abatement Threshold Increase (Transitional Assistance) Programme 2021* reflects the policy parameters previously agreed to [REP/21/02/69 refers]
- 3 **approve and sign** the attached *Abatement Threshold Increase (Transitional Assistance) Programme 2021*, which will commence on 1 April 2021 and end on 31 March 2022

Agree /  Disagree

- 4 **agree** to waive the 28-day rule for the *Abatement Threshold Increase (Transitional Assistance) Programme 2021* on the grounds that it only confers benefits to those affected, so that the instrument can come into force on 1 April 2021

Agree /  Disagree

- 5 **note** that in order to exempt Transitional Assistance Payments from being considered chargeable income for Temporary Additional Support and the Special Benefit, amendments to the Social Security Regulations 2018 and the Ministerial Direction have been incorporated in the wider Annual General Adjustment legislative amendments

- 6 **note** that your office will arrange for copies of the welfare programme to be tabled in the House of Representatives

7 **note** that officials will arrange for publication of the welfare programme in the *New Zealand Gazette*.



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Bede Hogan  
Policy Manager  
Income Support Policy

2/3/2021

\_\_\_\_\_  
Date



\_\_\_\_\_  
Hon Carmel Sepuloni  
Minister for Social Development and  
Employment

04 MAR 2021

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Date

RELEASED UNDER THE  
OFFICIAL INFORMATION ACT

## **A Transitional Assistance Payment will be implemented to address the flow-on impacts of the 1 April 2021 main benefit abatement threshold increase**

- 2 Main benefit abatement thresholds will increase to \$160 and \$250 per week on 1 April 2021, following Cabinet agreement in December 2020. Cabinet also agreed to fund the establishment of a Transitional Assistance Payment (TAP) to be provided to those who are financially disadvantaged as a result of these abatement threshold increases [CAB-20-MIN-0512 refers]. This is expected to impact approximately 79 TAP recipients by an average of \$19 per week.
- 3 The attached *Abatement Threshold Increase (Transitional Assistance) Programme 2021* will give effect to the above Cabinet decision. TAP is a temporary, non-taxable payment designed to transition these affected individuals and families onto their new level of assistance following the abatement threshold increases.

*While TAP is intended to be a short-term solution, long-term solutions are also being explored*

- 4 Officials are seeking funding through the 2021 Budget process, as part of the *Main Benefit Rate Increase and Complementary Changes Budget bid*, to change the definition of income for Childcare Assistance (CCA) and amend the Temporary Additional Support (TAS) disability exception amount formula. These changes will ensure that in the long-term, recipients of CCA and the TAS disability exception amount will not be financially disadvantaged from the flow-on effects of future benefit or abatement threshold increases.
- 5 It should be noted that if main benefit rates are increased in July 2021 through the 2021 Budget process, an additional TAP will be required to prevent people being financially disadvantaged from the impacts of this increase.

## **The attached Transitional Assistance Payment welfare programme reflects previous programmes**

- 6 On 8 February 2021, you agreed to the key parameters of the TAP, which reflect the policy parameters of previous TAP welfare programmes [REP/21/2/069 refers]. The following sets out the detailed design of the attached welfare programme, including the key parameters you have agreed to.

### *Eligibility for transitional assistance*

- 7 TAP is available for those individuals or families who experience financial disadvantage due to a reduction in, or loss of, eligibility to CCA and/or TAS disability exception amount, and their net payment<sup>1</sup> on 1 April 2021 is less compared to 31 March 2021 as a result of the main benefit abatement threshold increases on 1 April 2021.
- 8 Due to the 'Mondayisation'<sup>2</sup> of CCA payments, eligibility for TAP resulting from a CCA reduction will be assessed based on the rate of CCA payable on 1 April 2021 compared with the rate payable on 29 March 2021.
- 9 TAP will also be available for recipients of the Christchurch Mosques Attack special assistance payments, who receive the equivalent rates of TAS and experience

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<sup>1</sup> Net payment adjustments have been previously referred to as net income adjustments [REP/21/2/069 refers]

<sup>2</sup> CCA payments are currently 'Mondayised' due to system limitations. This means that changes to CCA settings take effect on the closest Monday, when CCA payments are made, rather than the actual day of change.

financial disadvantage due to the flow-on effects of the main benefit abatement threshold increase on this payment.

#### *Amount of transitional assistance*

- 10 The amount of TAP will ensure that a client's net weekly payments, immediately after the 1 April 2021 main benefit abatement threshold increase, remain the same as they were before becoming financially disadvantaged from the abatement threshold increase.
- 11 For those financially disadvantaged on 1 April 2021, the amount of TAP will be the total reduction in their net payment on 1 April 2021 compared with 31 March 2021 (or 29 March 2021 for CCA), resulting from a reduction in, or loss of, CCA, TAS or Christchurch Mosques Attack special assistance payments.
- 12 The reduction in CCA will be paid direct to the client and not to the childcare provider, unlike regular CCA payments. It will be paid in respect of the week beginning 29 March 2021, as CCA is paid on a weekly basis.

#### *Ending transitional assistance*

- 13 Parameters around how long someone is eligible for TAP have been designed to transition affected clients to their new rate of assistance as smoothly as possible, post-implementation of the abatement threshold increase.
- 14 There are a number of circumstances that could result in a client losing entitlement to TAP:
  - any increase in net income from a change in circumstances, regardless of whether the increase in net income meets or exceeds the value of TAP prior to the changes made as part of the abatement threshold increase
  - a period of 12 months has passed from 1 April 2021 since the client was negatively affected by the abatement threshold increase (the welfare programme ends on 31 March 2022).
- 15 In addition, where a client is no longer entitled to receive the payment that contributed to their initial entitlement to TAP, eligibility will end. This reflects that:
  - the circumstances that created the financial disadvantage no longer exist
  - a client's circumstances and costs are likely to have changed significantly and no further TAP is likely required
  - situations where TAP is the only support received by a client need to be prevented
  - if a client has a decrease in net income, the amount of TAP will remain the same (i.e. it will not increase to reflect a reduction in their other income).

#### *Definition of net payment and net income*

- 16 Net payment is used for determining eligibility to TAP on 1 April 2021. It is the sum of all financial assistance payable by the Ministry of Social Development (MSD), excluding any special assistance payment made under a welfare programme (except the Christchurch Mosques Attack Programme).
- 17 Net income is used for determining on-going eligibility for TAP and will largely align with the definition of chargeable income used for TAS. TAS and CCA are included in this definition.

#### *Interaction with the Annual General Adjustment*

- 18 Assessing the TAP rate will account for the Annual General Adjustment (AGA) increases to social assistance payments and thresholds, which occur on 1 April each year.

- 19 It is important to note some clients not affected by the abatement threshold increases will receive less assistance on 1 April 2021 because of interactions in the welfare system as a result of the AGA. These clients will not be eligible for TAP.

### **TAP payments will be made exempt from being considered income for TAS and Special Benefit purposes**

- 20 You have agreed to exempt TAP from being considered chargeable income for TAS and Special Benefit payments to prevent creating unintended circular flows [REP/21/02/069 refers].
- 21 The amendments to the Social Security Regulations 2018 to exempt TAP from being considered chargeable income for TAS were agreed to by the Cabinet Legislation Committee on 19 February 2021 [CAB-21-MIN-0026 refers].
- 22 The proposed amendments to the Ministerial Direction in relation to the Special Benefit will give effect to the exemption of TAP from being considered chargeable income for Special Benefit payments. These have been incorporated in the wider AGA legislative changes [REP/21/2/104 refers].

### **Financial implications**

- 23 Cabinet agreed to a pre-commitment to Budget 2021 to increase abatement thresholds, which included \$80,000 to provide TAP for the 2020/21 year [CAB-20-MIN-0512 refers]. If at the end of the financial year there are any underspends in the costs to administer TAP payments, they will be transferred to the 2021/22 financial year to ensure that funding continues to be available for that purpose.

### **A waiver of the 28-day rule is sought**

- 24 Although the nature of this legal instrument does not require adherence to the 28-day rule, it is still best practice to adhere to it and therefore a waiver is sought to depart from best practice.
- 25 The 28-day rule can be waived if a change only confers benefits to those affected. MSD recommends the Minister for Social Development and Employment waive the 28-day rule in this instance as the welfare programme will only confer benefits on those affected.

### **Next steps**

- 26 We seek your approval of, and signature to, the attached *Abatement Threshold Increase (Transitional Assistance) Programme 2021* by 5 March 2021. Officials will arrange for these to be notified in the *New Zealand Gazette* once signed.
- 27 A copy of the welfare programme will be published on MSD's external website, as required by sections 7 and 101 of the Social Security Act 2018.
- 28 You should direct your office to arrange for the welfare programme to be tabled in the House of Representatives as required by section 41 of the Legislation Act 2012.

### **Appendix**

- *Abatement Threshold Increase (Transitional Assistance) Programme 2021*

File ref: REP/21/2/095

Author: 9(2)(a) Policy Analyst, Income Support Policy

Responsible manager: Bede Hogan, Policy Manager, Income Support Policy