



16 MAR 2021

On 29 January 2021, you emailed the Ministry of Social Development (the Ministry) requesting, under the Official Information Act 1982 (the Act), the following information:

- *Any advice prepared for Ministers/Cabinet since the 2017 election principally concerned with the Accommodation Supplement. This takes in specific aide memories or papers - not emails or the like. It is intended to take in any papers look at the ongoing sustainability of the programme, its effects on the wider market, and the possibility of reform.*

The Accommodation Supplement is a non-taxable benefit that provides assistance towards a client's accommodation costs. A person does not have to be getting a benefit to qualify for the Accommodation Supplement, however they must meet an income and asset test. More information about the Accommodation Supplement can be found on the Work and Income's website: [www.workandincome.govt.nz/products/a-z-benefits/accommodation-supplement.html](http://www.workandincome.govt.nz/products/a-z-benefits/accommodation-supplement.html).

The Ministry has undertaken a search for documents that were authored by the Ministry and were then provided to Ministers or to Cabinet, which are principally concerned with the Accommodation Supplement. The Ministry located the following document that is within the scope of your request and which is released to you under the Act:

1. Report: *Advice on Accommodation Supplement Boundaries*, dated 10 November 2017.

The Ministry has located one Cabinet paper which is in scope of your request. This document can be found on the Ministry website at the link provided below. As such, this part of your request is refused under section 18(d) of the Act, on the basis that the information requested is publicly available.

- Cabinet Paper: *Exempting Back Payments Made in Relation to the Accommodation Supplement Boundary Issue from Income and Cash Assets Tests*: [www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/information-releases/alignment/accommodation-supplement-boundary-issue-redacted.pdf](http://www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/information-releases/alignment/accommodation-supplement-boundary-issue-redacted.pdf).

In addition to the information provided, you may be interested in the following documents which relate to the Accommodation Supplement that were published on the Ministry website in 2016. The following documents can be found at this link: [www.msd.govt.nz/about-msd-and-our-work/newsroom/2016/accommodation-supplement-error.html](http://www.msd.govt.nz/about-msd-and-our-work/newsroom/2016/accommodation-supplement-error.html).

- Cabinet Paper: *Correcting Entitlements to the Accommodation Supplement*.
- Cabinet Minute: *Income and Cash Asset Test Exemption Regulations 2016 (Accommodation Supplement Entitlements)*.
- Cabinet Minute: *Income and Cash Asset Test Exemption Regulations (Required for the Correction of Accommodation Supplement Entitlements)*.

A report titled '*The Impact of Rising Housing Costs On Accommodation Supplement Recipients*' was published on the Ministry website in July 2017. A copy of the report can be found at the following link: [www.msd.govt.nz/about-msd-and-our-work/publications-resources/research/accommodation-supplement-recipients/](http://www.msd.govt.nz/about-msd-and-our-work/publications-resources/research/accommodation-supplement-recipients/).

Please note that the Accommodation Supplement may have been discussed as part of various other documents on different topics that were prepared for Ministers. However, as those documents were not specifically on the topic of the Accommodation Supplement, they are not considered to be in scope of your request.

The principles and purposes of the Official Information Act 1982 under which you made your request are:

- to create greater openness and transparency about the plans, work and activities of the Government,
- to increase the ability of the public to participate in the making and administration of our laws and policies and
- to lead to greater accountability in the conduct of public affairs.

This Ministry fully supports those principles and purposes. The Ministry therefore intends to make the information contained in this letter and any attached documents available to the wider public. The Ministry will do this by publishing this letter and attachments on the Ministry of Social Development's website. Your personal details will be deleted, and the Ministry will not publish any information that would identify you as the person who requested the information.

If you wish to discuss this response with us, please feel free to contact [OIA\\_Requests@msd.govt.nz](mailto:OIA_Requests@msd.govt.nz).

If you are not satisfied with this response relating to advice prepared for Ministers and Cabinet principally concerned with the Accommodation Supplement, you have the right to seek an investigation and review by the Ombudsman. Information about how to make a complaint is available at [www.ombudsman.parliament.nz](http://www.ombudsman.parliament.nz) or 0800 802 602.

Yours sincerely



Hayley Hamilton  
**General Manager**  
**Employment and Housing**



**THE TREASURY**  
Kaitohutohu Kaupapa Rawa



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

# Report

**Date:** 10 November 2017

**Security Level:** IN CONFIDENCE

**To:** Minister of Finance  
Minister of Housing and Urban Development  
Minister for Social Development  
Minister of Revenue  
Minister for Children

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## Advice on Accommodation Supplement Boundaries

### Purpose of the report

- 1 This report seeks confirmation of the Accommodation Supplement (AS) boundaries to be used as part of implementing the Families Package. It also recommends that regardless of which boundaries are chosen, legislative changes are made so that the Ministry of Social Development (MSD) is not required to update AS Area boundaries each time Statistics New Zealand updates its boundaries.

### Recommended actions

It is recommended that the Minister of Finance, the Minister of Housing and Urban Development, and the Minister for Social Development:

- 1 **note** that decisions are required on whether to use 2017 or 2018 Statistics New Zealand boundaries to update Accommodation Supplement Areas as part of changes to the Accommodation Supplement to be implemented through the Families Package from 1 April 2018

Either:

- 2 **agree** that 2017 Statistics New Zealand boundaries be used for Accommodation Supplement Areas as currently legislated for (officials' preference)

**Agree / Disagree**

Minister of Finance

**Agree / Disagree**

Minister of Housing and  
Urban Development

**Agree / Disagree**

Minister for Social  
Development



OR

- 3 **agree** that 2018 Statistics New Zealand boundaries, on a best fit approach, be used to update Accommodation Supplement Area boundaries implemented through an Order in Council (noting that this would result in a reduced entitlement for some clients)

**Agree / Disagree**

Minister of Finance

**Agree / Disagree**

Minister of Housing and  
Urban Development

**Agree / Disagree**

Minister for Social  
Development

OR

- 4 **agree** that the 2018 Statistics New Zealand boundaries be used to update Accommodation Supplement Area boundaries, with expansion as required to ensure that no current clients are worse off through implementation of these boundaries than they would be if the 2017 boundaries were used, as currently planned (implemented through an Order in Council)

**Agree / Disagree**

Minister of Finance

**Agree / Disagree**

Minister of Housing and  
Urban Development

**Agree / Disagree**

Minister for Social  
Development

- 5 **note** that officials recommend moving the definitions of Accommodation Supplement Areas from primary legislation into regulations, providing MSD with greater flexibility around defining Accommodation Supplement Areas
- 6 **note** that text has already been drafted for the Re-write Bill that could be used to progress the work outlined in recommendation 5 above

It is recommended that the Minister of Housing and Urban Development and the Minister for Social Development:

- 7 **note** that some Accommodation Supplement Area boundaries are not currently aligned with the latest Government Statistician boundaries, which means that legislative changes or an update to 2018 Statistics New Zealand boundaries is required
- 8 **note** that you will receive further advice on options for dealing with the alignment issue outlined in recommendation 7 above, by the end of November 2017
- 9 **agree** that MSD progress all the work required to move Accommodation Supplement Area boundary definitions from primary legislation into regulations

**Agree / Disagree**

Minister of Housing and Urban Development

**Agree / Disagree**

Minister for Social Development

- 10 **agree** to progress the work required to implement recommendation 9 above, through the legislative changes planned for the Families Package

**Agree / Disagree**

11 **note** that the decisions made in this report will be further progressed through the Cabinet Paper being considered on 27 November 2017

12 **note** that moving the definitions of Accommodation Supplement Areas into regulations would enable Ministers to re-define Accommodation Supplement boundaries via a subsequent Order in Council that would remove the requirement that MSD update Accommodation Supplement boundaries when Statistics New Zealand updates its boundaries

13 **agree** that any additional policy decisions be made jointly by the Minister of Housing and Urban Development and the Minister for Social Development

**Agree / Disagree**

**Agree / Disagree**

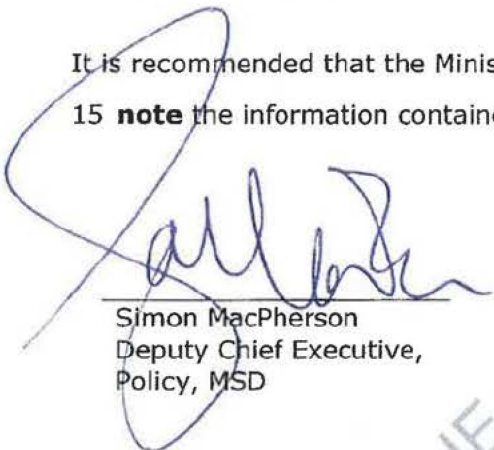
Minister of Housing and Urban Development

Minister for Social Development

14 **note** that you will receive further advice on this as part of broader advice on the Families Package

It is recommended that the Minister of Revenue and the Minister for Children:

15 **note** the information contained in this report.

  
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Simon MacPherson  
Deputy Chief Executive,  
Policy, MSD

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Date

\_\_\_\_\_  
Hon Grant Robertson  
Minister of Finance

\_\_\_\_\_  
Date

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Hon Phil Twyford  
Minister of Housing and  
Urban Development

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Date

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Hon Carmel Sepuloni  
Minister for Social  
Development

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Date

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Hon Stuart Nash  
Minister for Revenue

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Date

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Hon Tracey Martin  
Minister for Children

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Date

RELEASED UNDER THE OFFICIAL INFORMATION ACT 1982

## Decisions are required on AS boundaries

- 2 On 6 November 2017, Ministers agreed to implement the changes to AS maxima previously announced through Budget 2017 and signalled the intention to continue to update AS Areas using 2017 Statistics New Zealand boundaries as currently legislated.
- 3 Officials are seeking confirmation on which Statistics New Zealand boundaries to use to implement changes to AS Areas. Since the regulations were passed to implement the planned AS Area changes using 2017 Statistics New Zealand boundaries, Statistics New Zealand has confirmed that it will be releasing updated 2018 boundaries, effective from 1 April 2018.
- 4 MSD is legally required to update AS Area boundaries when Statistics New Zealand updates its boundaries and therefore a decision is required on which boundaries to use as part of implementing AS changes through the Families Package on 1 April 2018.
- 5 A decision is also sought on whether to pass new legislation (through the legislative process for the Families Package changes) so that MSD is no longer required to update AS Area boundaries every time Statistics New Zealand completes a boundary update. Officials recommend taking this step so that AS Area boundaries are able to be updated in response to changes relevant to AS, such as rental cost changes.
- 6 Further information on each of these options is outlined in this report.

## The Social Security Act 1964 requires AS Areas to be aligned with Statistics New Zealand boundaries

- 7 AS is paid to low and middle income earners to assist with housing costs in the private market.<sup>1</sup> The maximum amount of AS (the maxima) is set depending on the AS Area in which the household is living. Communities throughout New Zealand are allocated across four AS Areas that reflect local housing costs, with those with higher accommodation costs in Area 1 through to the lowest accommodation costs in Area 4.
- 8 Under the Social Security Act 1964 (the Act), AS Area boundaries are required to align with the boundaries of parts of New Zealand as defined from time to time by the Government Statistician.
- 9 The boundaries are reviewed annually, and a more comprehensive review is undertaken in the lead up to the Census. In addition, updates to statistical boundaries may occur between Census years to reflect changes in populations or urban areas.
- 10 AS Area boundaries were updated as part of the Budget 2017 package, using the 2017 Statistics New Zealand boundaries. This update will come into effect from 1 April 2018. Prior to this, the last update to AS Areas was undertaken as part of the Working for Families Package using 2001 boundaries (being the latest available at that time). These came into effect from 1 April 2005.
- 11 In 2012, planned changes to the Re-write of the Social Security Act ('the Re-write') were drafted to address this issue by moving the definition of AS Area boundaries (along with some other parameters of AS) into regulations. This would mean that changes to the definitions of AS Area boundaries could be made through an Order in

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<sup>1</sup> Clients receiving AS currently pay 30 percent of housing costs, with the government meeting the remaining 70 percent, up to the maxima (maximum amount) which varies by location and household size. In 2016/17, the Government spent \$1.127 billion on AS supporting around 285,000 recipients. As at September 2017, the average weekly AS payment was \$71 per recipient.

Council, rather than requiring amendments to primary legislation. However, the Re-write has still not been passed. This means MSD is at risk of legal challenge.

- 12 With implementation of the AS changes as part of the Families Package, AS Areas would have been aligned from 1 April 2018, based on the 2017 Statistics New Zealand boundaries. However, as Statistics New Zealand has confirmed it will be releasing 2018 boundaries, effective from 1 January 2018, AS Area boundaries will not be aligned as required.
- 13 This risk is both current and historical but decisions for addressing the retrospective aspect of this issue are not sought in this report. Officials will provide separate advice on options for addressing the retrospective alignment issue by the end of November 2017.

### **Officials recommend continuing with the 2017 Statistics New Zealand boundaries to implement AS Area boundary changes from 1 April 2018**

- 14 Officials recommend maintaining parts of New Zealand in the same AS Areas (i.e. proceed with the currently legislated changes which use the 2017 Statistics New Zealand boundaries to update AS Area boundaries).
- 15 It is these boundaries on which the costs and impacts of the currently planned AS maxima and Area changes have been modelled.
- 16 If you wish to maintain the 2017 AS Area boundaries as outlined in the 2017 Order in Council, officials recommend also amending the empowering provision in the Social Security Act 1964 to allow regulations to be made defining AS Areas. An Order in Council is subsequently required to be passed to define AS Areas in such a way that they are no longer required to be updated when Statistics New Zealand boundaries change.
- 17 Taking both of these steps together is desirable because:
  - it would ensure that MSD is meeting legal requirements from 1 April 2018 and has the flexibility to define AS Areas in the future
  - communications about the changes were released as part of Budget 2017, including an online calculator and maps which many clients may already have engaged with.
- 18 MSD has already received correspondence querying why some areas with similar rental costs are defined as different AS Areas in the planned update. For example Queenstown and its surrounding areas. It is possible that MSD will receive further correspondence on this.

### **Officials recommend that legislative change is made so that MSD is not required to update AS Areas when Statistics New Zealand undertakes a boundary update**

- 19 Officials recommend amending the Act so that MSD is not required to update boundaries when Statistics New Zealand updates its boundaries. This can be progressed regardless of which Statistics New Zealand boundaries you decide to use to implement AS changes through the Families Package.
- 20 Updating to 2018 boundaries on 1 April 2018 would mean MSD was only aligned for as long as the Statistics New Zealand boundaries remain unchanged. Alternatively, shifting the definition of AS boundaries from primary legislation into regulations (as part of the Families Package legislative changes) would enable Ministers to re-define AS Area boundaries through an Order in Council. This would mean that the legal risk would cease to exist from when the AS Area boundaries are updated on 1 April 2018 to be consistent with the new definitions in regulations.
- 21 Passing legislation so that AS boundaries can be amended via an Order in Council, removing the requirement to update AS boundaries when Statistics New Zealand updates its boundaries, has a number of advantages:



- it would future-proof legislation so that AS Area boundaries can be updated in response to relevant changes such as changes in housing costs, as needed
  - Statistics New Zealand updates its own boundaries regularly for a range of reasons (for example population growth) but this doesn't necessarily correlate to changes in housing costs in different areas
  - there is an administrative burden placed on MSD to have to review AS boundaries when Statistics New Zealand makes changes (almost annually)
  - there is a legal risk if MSD does not stay up to date with Statistics New Zealand boundaries
  - MSD would have the flexibility to redesign AS Areas by methods that account for the detail, variance and trends in housing data that is not always captured through statistical boundaries.
- 22 MSD would take the approach proposed in the current Re-write Bill, to move the definition of AS Areas into regulations.
- 23 Officials recommend that this regulation making power be passed as part of the legislative changes planned for the Families Package (i.e. in the Winter Energy and Remedial Matters Bill (working title)) so that an Order in Council can be passed to re-define AS Area boundaries before 1 April 2018, and ensure that AS Area boundaries are aligned with legislation from that date. If you agree to progress this work through the Families Package legislation, officials will take steps to remove these changes from the Re-write Bill.

### **There is also the option to update AS Areas using 2018 boundaries**

- 24 There is also the option to update AS Areas using 2018 Statistics New Zealand boundaries. This would require Ministers to pass an Order in Council (or could be progressed through the legislative changes outlined above). Updating to 2018 boundaries without the proposed legislative changes, would mean that the updated AS Area boundaries would only be legally aligned until Statistics New Zealand undertakes a further boundary update.
- 25 Updating AS Area boundaries using 2018 Statistics New Zealand boundaries will have a fiscal impact and may require additional funding.
- 26 The 2018 Statistics New Zealand boundary update is significant and includes changes to how areas are defined as well as changes to the size and shape of many areas. The impact of these changes is that there is both shrinkage and expansion of different AS Areas. This means that some current clients would be entitled to more AS than under the currently planned changes to AS Areas using 2017 boundaries, and some current clients would be entitled to less AS.
- 27 Officials have identified two possible options for implementing the Families Package using the 2018 Statistics New Zealand boundaries:
- A. update AS Areas based on a 'best fit' approach to Statistics New Zealand 2018 boundaries, as compared to the planned changes based on 2017 Statistics New Zealand boundaries (noting that under this approach some clients would be worse off than they would have been under the 2017 boundary changes already legislated for); or
  - B. update AS Areas using 2018 Statistics New Zealand boundaries, expanding AS Areas as required to ensure that no clients have a reduced AS entitlement through the Families Package, than they would have if the AS changes are implemented as currently planned (noting that additional funding would be required to implement this option).
- 28 Further analysis on the two 2018 boundary options is outlined below.



**Option A: A best fit approach would result in many clients being entitled to less AS than they would receive if 2017 boundaries were used as planned**

- 29 In modelling a best fit approach to defining AS Area boundaries using 2018 Statistics New Zealand boundaries, officials mapped the 2018 Statistics New Zealand boundaries against the currently planned AS boundary changes and looked at the impact on the AS Areas of current clients.<sup>2</sup>
- 30 Taking this approach would result in savings of up to \$991,000 from implementation through to June 2022. Based on current client data:
- there are up to 1,157 current clients for whom this option could result in a reduced AS entitlement (compared to what they would have received if the 2017 boundaries as currently legislated for are used) as a result of their property moving down one or more AS Areas. For example, moving from Area Two to Area Three
  - there are approximately 770 clients for whom this option could result in an increased AS entitlement.
- 31 The modelling approach taken only looked at the changes to areas with clients currently in them.

**Option B: Expanding 2018 Statistics New Zealand boundaries approach would result in a number of clients being entitled to more AS, but has an associated fiscal impact**

- 32 Officials also modelled an approach which took the 2018 Statistics New Zealand boundaries and made changes to AS Area boundaries to protect or update AS Areas if current clients would be worse off using these boundaries than they would be under the 2017 boundary changes currently planned (i.e. if they would experience a drop in AS Area).
- 33 Taking this approach would have a fiscal cost of approximately \$15.9m in AS costs (and additional implementation costs) from 1 April 2018 through to June 2022 and mean that as a result of AS Area boundary expansion, more than 4,000 current clients could end up better off than they would under the currently planned changes.
- 34 This approach may be desirable as it would mean the most up to date Statistics New Zealand boundaries are being used. However, when Statistics New Zealand boundaries are defined, specific consideration of where MSD clients are living is not taken into account and so these don't necessarily reflect concentration of current AS recipients.
- 35 If you wish to take this approach, additional funding of approximately \$15.9m over the next four years would be required.

**Next Steps**

- 36 On 14 November 2017 you are meeting to discuss the Families Package, including this report. Following that meeting officials will progress work to implement your decisions for the 1 April 2018 implementation of AS changes as part of the Families Package.
- 37 You will receive separate advice on the historical alignment issue noted in this report, by the end of November 2017.

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<sup>2</sup> Note that these numbers are indicative and are subject to any decisions made about exactly which AS Areas parts of New Zealand fall into.