


**MINISTRY OF SOCIAL
DEVELOPMENT**

TE MANATŪ WHAKAHIATO ORA

27 April 2022

Dear

On 3 March 2022, you emailed the Ministry of Social Development (MSD) requesting, under the Official Information Act 1982 (the Act), the following information:

- *All briefings and background papers related to reform of the accommodation supplement or the income related rent subsidy, prepared between November 2020 and now*

MSD have been advised by the Ministry of Housing and Urban Development (HUD) that you made the same request to HUD. On 10 March, HUD transferred this request to MSD. MSD's response, therefore, covers your request made to MSD and HUD.

The following papers have been identified as in scope of your request and are enclosed:

No.	Date created	REP number	Document type	Title	Decision	Reason & relevant context
1.	9 Apr 2021	REP/21/3/169	Report	[s9(2)(f)(iv)]	Withhold in full.	9(2)(f)(iv)
2.	12 May 2021	REP/21/5/485	Report	Accommodation Supplement for community partners	Withhold in full.	9(2)(f)(iv)
3.	2 Jun 2021	REP/21/5/567	Report	Initial advice on the approach to the Accommodation Supplement Review	Release in part.	9(2)(f)(iv)

IN-CONFIDENCE

4.	24 Jun 2021	REP/21/6/614	Report	Approach to engagement for the Working for Families and Accommodation Supplement review	Release in part.	9(2)(f)(iv) 9(2)(g)(i) Some information is withheld as it is out of scope.
5.	25 Jun 2021	REP/21/6/673	Aide-memoire	Income Support Ministers Meeting 29 June 2021: Review of Working for Families and Accommodation Supplement	Release in part.	9(2)(f)(iv) Some information is withheld as it is out of scope.
6.	23 Jul 2021	REP/21/7/765	Report	Further advice on engagement for the Working for Families and Accommodation Supplement Review	Release in part.	9(2)(f)(iv) Some information is withheld as it is out of scope.
7.	26 Aug 2021	REP/21/8/873	Report	Timing of engagement for Working for Families and Accommodation Supplement Review	Release in part.	9(2)(f)(iv)
8.	18 Nov 2021	REP/21/11/1229	Report	[s9(2)(f)(iv)]	Withhold in full.	9(2)(f)(iv)
9.	25 Nov 2021	REP/21/11/1271	Briefing	The potential for Accommodation Supplement to support housing outcomes	Release in part.	9(2)(f)(iv)
10.	3 Dec 2021	REP/21/12/1326	Aide-memoire	Income Support Ministers' discussion on the Accommodation Supplement	Release in part.	9(2)(f)(iv) Some information is withheld as it is out of scope.
11.	7 Dec 2021	REP/21/12/1332	Report	[s9(2)(f)(iv)]	Withhold in full.	9(2)(f)(iv)

Some information is withheld under section 9(2)(f)(iv) of the Act to maintain the constitutional conventions for the time being which protect the confidentiality of advice tendered by Ministers of the Crown and officials. The release of this information is likely to prejudice the ability of government to consider advice and the wider public interest of effective government would not be served.

Some information is withheld under section 9(2)(g)(i) of the Act to protect the effective conduct of public affairs through the free and frank expression of opinions. The greater public interest is in the ability of individuals to express opinions in the course of their duty.

Please note, in REP/21/11/1271, paragraph 19.b regarding the Kāinga Ora Land Programme should state that \$46 million per annum is operating to service \$2 billion in borrowing.

Additionally, while this paper seeks agreement to no public engagement on the Accommodation Supplement (AS) Review, at this stage, the AS Review will be informed by any previous engagement (i.e. through Welfare Expert Advisory Group (WEAG) engagement), data analysis and survey data. Following this, the Ministry of Social Development will consider if public engagement is required, for example, with particular groups of non-beneficiaries to understand specific barriers to take-up, however this would be separate from the Working For Families Review public engagement.

Some information is out of scope and has been redacted for this reason.

The principles and purposes of the Act 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
- to lead to greater accountability in the conduct of public affairs.

MSD fully supports those principles and purposes. MSD therefore intends to make the information contained in this letter and any attached documents available to the wider public. MSD will do this by publishing this letter on its website. Your personal details will be deleted and MSD 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.

If you are not satisfied with this response 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 or 0800 802 602.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'J. Tu'.

Judith Turner
Manager
Official and Parliamentary Information



Report

Date: 2 June 2021

Security Level: Budget Sensitive

To: Rt Hon Jacinda Ardern, Prime Minister / Minister for Child Poverty Reduction
Hon Grant Robertson, Minister of Finance
Hon Dr Megan Woods, Minister of Housing
Hon Carmel Sepuloni, Minister for Social Development and Employment
Hon David Parker, Minister of Revenue

Initial advice on the approach to the Accommodation Supplement Review

Purpose of the report

- 1 This report provides initial advice on considering Accommodation Supplement (AS) changes as part of the Working for Families (WFF) Review, including:
 - information about AS, current recipients and the current level of support
 - the key concerns about AS, to inform option development.
- 2 It seeks Ministers' feedback on the scope and objectives for the review. This will inform the direction of the AS Review, including consideration of a wide range of options, such as reform or replacement of AS.


Executive summary

- 3 Within New Zealand's three-tiered income support system, WFF and AS are the largest forms of second-tier assistance. WFF and AS both provide targeted income support to low-income New Zealanders. AS is designed to help low- to middle-income families with high housing costs, whereas WFF helps to improve income adequacy for low- to middle-income families with children and reduce child poverty. Because they have different objectives, they target different population groups, but there is some overlap (i.e. low-income families with children with high housing costs). Considering reform of AS alongside WFF provides an opportunity to ^{s9(2)(f)(iv)}

- 4 AS is currently the main form of housing assistance for low-income people in New Zealand. In 2019/20 expenditure was \$1.7 billion, and this is forecast to reach \$2.1 billion by 2022/23. At the end of December 2020, AS was supporting approximately 635,000 people (including 211,000 children) in 378,131 households. AS is tightly targeted to households with low after-housing-costs incomes. The majority of AS recipients rent, although AS also assists boarders and homeowners, and the majority of recipients also receive a benefit. The average subsidy received is \$101 per week.

- 5 AS is designed to partially cover housing costs that exceed a proportion of income each week (25% for most recipients, and 30% for homeowners). It pays 70% of these costs up to a maxima, which differs by family size and location. Maxima were last increased in 2018, based on 40th percentile 2016 rents. AS is paid directly to recipients and is the most targeted policy intervention for providing direct support to low-income households in housing stress. AS is fairly typical across the OECD, with about half of OECD countries having systems with similar design features.
- 6 Based on TAWA¹ modelling from the 2018/19 tax year, the overlap between the AS and the Working Families populations was approximately 115,000 families. This overlap accounted for 33% of AS recipients and 32% of WFF recipients. Just under two-thirds (62%) of families receiving both payments were sole parent families (71,000 families) and the remaining 38% were couples with children (44,000).
- 7 Rapidly rising rental costs, driven by a lack of affordable supply, mean that a high proportion of AS recipients remain in housing stress, spending more than 40% of their income on housing costs. The international definition of housing-related stress for low-income households is 30 percent.
- 8 Given the position of AS at the intersection between the welfare and housing systems, there are number of areas of concern that could be addressed in a review. These include: that without regular adjustment, aspects of AS are unresponsive to increasing housing costs in the private market and has limited effectiveness in alleviating housing stress; there is low take-up of AS by non-beneficiaries; and the inequity of assistance provided across the major housing subsidies.
- 9 In addition, landlord capture is an often-cited risk with any increases to housing assistance provided via AS. That is, some or all of any increase in AS will be absorbed into increases in accommodation costs (rents). While New Zealand research suggests that increases to AS have benefited recipients more than landlords (analysis of the changes made to AS in 2018 resulted in a significant drop in what people were paying in rent after they received AS), it is important to ensure design of reform options minimises this risk.
- 10 In taking a wider view, following your direction to reform AS alongside WFF, we seek a discussion with Ministers on some key questions to inform the objectives and scope of the AS Review.
- 11 In the WFF Review, Ministers confirmed the high-level objectives of the WFF tax credits as supporting income adequacy and reducing child poverty and improving financial incentives for low-income earners to participate in the labour market. Ministers have also identified the following priorities:
 - A particular focus on low-income working families while maintaining support for beneficiary families
 - Prioritise options that are more targeted to low-income families, and
 - Prioritise the principle of people being better off in work.

12 s9(2)(f)(iv)



¹ Treasury's micro-simulation model of the tax and welfare system.

• s9(2)(f)(iv)

13 Given the focus on particular groups in the WFF Review, we also seek direction on the relative emphasis on how reform options should be targeted:

- Beneficiaries versus low-income people in work
- Targeting those in greatest housing stress versus more broad provision
- Families (the majority of WFF recipients) versus single people (the majority of AS recipients)
- Tenure type (renters, boarders and/or homeowners)
- Incentives to work and/or incentives to economise on housing costs.

14 s9(2)(f)(iv)

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18 s9(2)(f)(iv)

Requested advice on capitalisation will be provided as a separate report.

19 s9(2)(f)(iv)

20 AS is part of a range of housing assistance offered in New Zealand, and changes to AS will have a range of consequential impacts for other types of support. For example, changes could have flow-on impacts for the demand for public housing and expenditure on the Income Related Rent Subsidy; there are likely to be direct consequences for expenditure on Temporary Additional Support (TAS) given the proportion of TAS recipients receiving support with high housing costs; there may be

flow-on impacts for EH SNG expenditure depending on how adequately people are supported in the private market following any changes. Some forms of housing assistance (i.e. Housing Support Products and the Accommodation Benefit) share parameters with the AS, so these flow-on impacts should also be considered.

- 21 Because of the interdependencies between different types of housing assistance, changes to TAS need to be considered alongside changes to AS and the consequential impacts for other subsidies will be also considered in the review. We seek feedback on whether the review should consider options that also reform these other types of housing assistance.
- 22 As an income support lever, any changes to AS and WFF are likely to impact on child poverty and the achievement of the Government's child poverty reduction targets. These impacts will be included in the analysis of options.
- 23 Following feedback on this paper, officials will develop options for the AS Review and provide further advice for consideration in August 2021. Officials will provide separate advice on how capitalisation could be applied to an AS population.

Recommended actions

It is recommended that you:

1. **note** that in April 2021, you directed officials to include Accommodation Supplement in the Working for Families Review, with initial advice in mid-2021 to s9(2)(f)(iv)
2. s9(2)(f)(iv)
3. **note** that Accommodation Supplement is the main form of housing assistance in New Zealand, paid directly to recipients and providing a partial subsidy of housing costs above a threshold and up to a maxima
4. **note** that there are a number of areas of concern that could be addressed in a review of the Accommodation Supplement, including that without regular adjustment, aspects of it are unresponsive to increasing housing costs in the private market and it provides limited effectiveness in alleviating housing stress; there is low take-up of assistance by non-beneficiaries; inequity of assistance provided across the major housing subsidies; and risks related to landlord capture
5. **agree** to discuss this paper at the next Income Support Ministers' meeting and to invite the Minister of Housing to this meeting

Agree/Disagree
Prime Minister

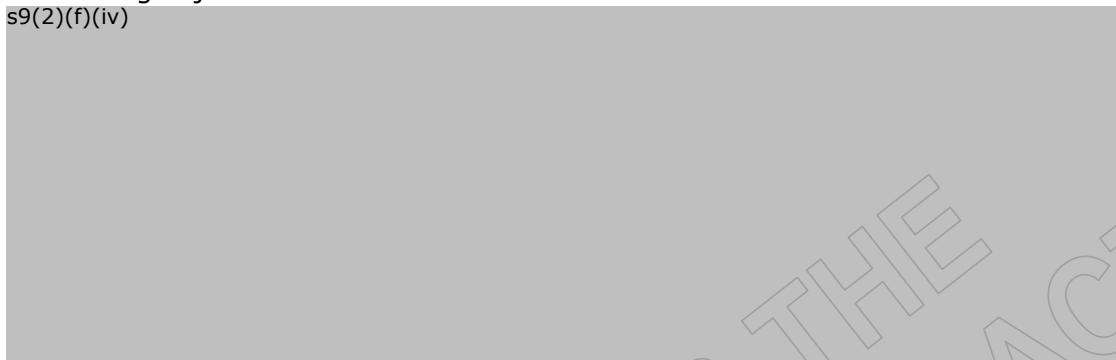
Agree/Disagree
**Minister of
Finance**

Agree/Disagree
**Minister for Social
Development and
Employment**

Agree/Disagree
**Minister of
Revenue**

6. **indicate** at the next Income Support Ministers' meeting the order of priority for the following objectives:

s9(2)(f)(iv)



7. **indicate** at the next Income Support Ministers' meeting preferences for how options should be targeted across the following design choices:

- a. Beneficiaries versus low-income people in work
- b. Those in greatest housing stress versus more broad provision of support
- c. Families with children versus single people
- d. Providing support for renting, homeownership, or boarding, or be neutral to housing/tenure type
- e. Focus on maintaining or improving incentives to work and/or incentives to economise on housing costs when possible

8. s9(2)(f)(iv)



Yes/No
Prime Minister

Yes/No
Minister of Finance

Yes/No
Minister of Housing

Yes/No
Minister for Social Development and Employment

Yes/No
Minister of Revenue

b. Options relating to capitalisation s9(2)(f)(iv)



Yes/No
Prime Minister

Yes/No
Minister of Finance

Yes/No
Minister of Housing

Yes/No
Minister for Social Development and Employment

Yes/No
Minister of Revenue

9. s9(2)(f)(iv)



10. **note** as part of the Accommodation Supplement Review, officials will also consider changes to Temporary Additional Support as well as consequential and flow-on impacts for other subsidies

11. **indicate** if options for the Accommodation Supplement Review should also consider changes to other housing-related financial assistance, beyond consequential and flow on impacts

Yes/No Prime Minister	Yes/No Minister of Finance	Yes/No Minister of Housing	Yes/No Minister for Social Development and Employment	Yes/No Minister of Revenue
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12. **note** following feedback on this paper officials will provide specific advice on options for progressing the Accommodation Supplement Review in August 2021.

Keiran Kennedy

Keiran Kennedy
Manager, Welfare and Oranga
Tamariki
The Treasury

Hayley Hamilton
General Manager, Employment and
Housing Policy
Ministry of Social Development

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Rt Hon Jacinda Ardern
Prime Minister
Minister for Child Poverty Reduction

Hon Grant Robertson
Minister of Finance

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Hon Dr Megan Woods
Minister of Housing

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Hon Carmel Sepuloni
Minister for Social Development
and Employment

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Hon David Parker
Minister for Revenue

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Background

- 24 Income Support Ministers² have indicated that they want to consider options for reform of the Accommodation Supplement (AS) alongside the Working for Families (WFF) Review, s9(2)(f)(iv)
- 25 s9(2)(f)(iv)
- 26 Within New Zealand's three-tiered income support system, with main benefits as the first tier, AS and WFF are the largest forms of second-tier assistance. Second tier assistance refers to additional assistance provided for specific ongoing costs and is usually in the form of a partial subsidy, rather than covering the additional costs completely. The advantage of our tiered system of main benefits and supplementary payments is that it targets financial assistance towards those with the highest financial need. However, the trade-off is complexity, with the result that this assistance is more complicated to deliver and harder for recipients to understand.
- 27 WFF and AS both provide targeted income support to low-income New Zealanders. AS is designed to help low- to middle-income families with high housing costs, whereas WFF helps to improve income adequacy for low- to middle-income families with children and reduce child poverty. Because they have different objectives they target different population groups, but there is some overlap (i.e. low-income families with children with high housing costs). s9(2)(f)(iv)
- 28 This reports seeks to:
- provide information about the AS, who is currently supported by it and how much they receive, and compares this to WFF recipients
 - set out the concerns with the AS that could be addressed as part of the review
 - confirm the scope of the review, s9(2)(f)(iv)
 - get feedback on objectives and emphasis for changes to the AS.

How the Accommodation Supplement works

- 29 AS aims to help households with high housing costs relative to their income to maintain private market accommodation. AS is paid directly to recipients alongside their benefit or superannuation payment (or for non-beneficiaries as a separate payment from MSD) rather than directly to landlords. AS provides low-income households a partial subsidy for accommodation costs that exceed 25% of income (or 30% of income for homeowners), up to a cap that is based on local rent levels. It is neutral to tenure type (renting, homeownership, or boarding) and is a non-taxable benefit available to beneficiary, non-beneficiary and New Zealand Superannuation / Veteran's Pension (NZS/VP) recipients who meet income, cash asset and residency requirements and whose accommodation costs meet the threshold.
- 30 At the end of December 2020, AS supported 378,131 recipients, and cost \$1.7 billion in 2019/20. The average amount of subsidy per recipient was \$101 per week.

² A group of Ministers considering packages for Budget 2021 and includes the Prime Minister/ Minister for Child Poverty Reduction, Minister of Finance, Minister of Social Development and Employment and the Minister of Revenue.

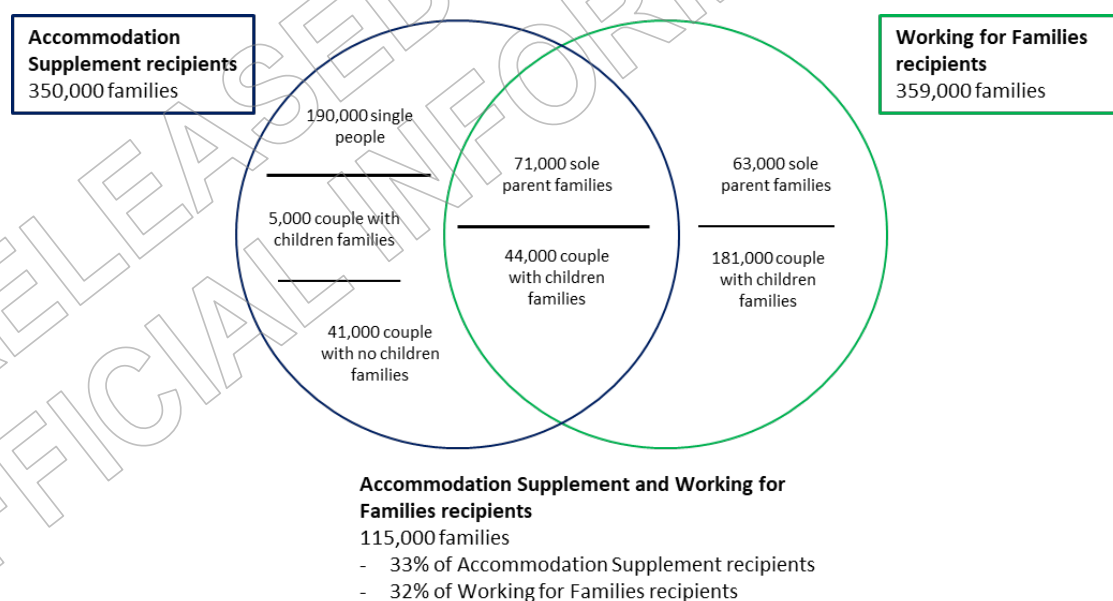
Spending is forecast to increase to \$2.0 billion in 2020/21 and to \$2.1 billion by 2022/23. **Appendix 1** provides further details about the current AS recipients, and **Appendix 2** explains how the subsidy works in more detail.

- 31 Increased AS costs are driven by a number of factors including:
- the number of main benefit recipients, with Jobseeker Support recipients increasing due to the impacts of Covid-19
 - increases in rents outpacing benefit rates
 - policy changes (i.e. the Families Package and consequential impacts of benefit increases).

Comparisons between the population of recipients of Accommodation Supplement and Working for Families

- 32 Using TAWA³ modelling, the following diagram provides estimates of the number of families receiving AS and WFF in tax year 2018/2019. The TAWA output has been linked to MSD administrative data in the IDI to identify individuals receiving AS.⁴
- 33 Due to eligibility settings for both forms of assistance, the overlap between the two populations centres on families with children. There were approximately 115,000 families receiving both AS and WFF, comprising 71,000 sole parent families (62% of overlap) and 44,000 couple with children families (38% of overlap).⁵
- 34 For the remaining 235,000 AS recipients who were not also receiving WFF, the majority (98%) were families without children (190,000 single people, 41,000 couple with no children families).

Figure 1. Overlap between the Accommodation Supplement and Working for Families populations in the 2018/19 tax year



³ Treasury's micro-simulation model of the tax and welfare system.

⁴ These results are not official statistics. They have been created for research purposes from the Integrated Data Infrastructure (IDI) which is carefully managed by Stats NZ. For more information about the IDI please visit <https://www.stats.govt.nz/integrated-data/>. The results are based in part on tax data supplied by Inland Revenue to Stats NZ under the Tax Administration Act 1994 for statistical purposes. Any discussion of data limitations or weaknesses is in the context of using the IDI for statistical purposes, and not related to the data's ability to support Inland Revenue's core operational requirements.

⁵ Apparent inconsistencies in totals are due to rounding and/or suppression, with estimates being suppressed in they did not meet the confidentiality requirements of Stats NZ.

Comparisons to housing subsidy models used overseas

- 35 New Zealand's AS shares much in common with other nationally offered demand-side housing subsidies seen in the OECD. About 13 OECD countries offer subsidies with features similar to AS, including:
- consideration of household type and size, income, and actual housing costs when determining eligibility
 - expecting some contribution from tenants, varying from 20% to 50% in the countries reviewed
 - establishing a concept of adequate or acceptable housing and setting maximum amounts of assistance that can be received.
- 36 While extending eligibility for demand-side housing subsidies to low-income owner occupiers (as New Zealand does) is less common, it is a feature of several countries' systems (e.g. Sweden, Finland, Germany). Other countries may instead use the tax system to support this group (e.g. Spain).

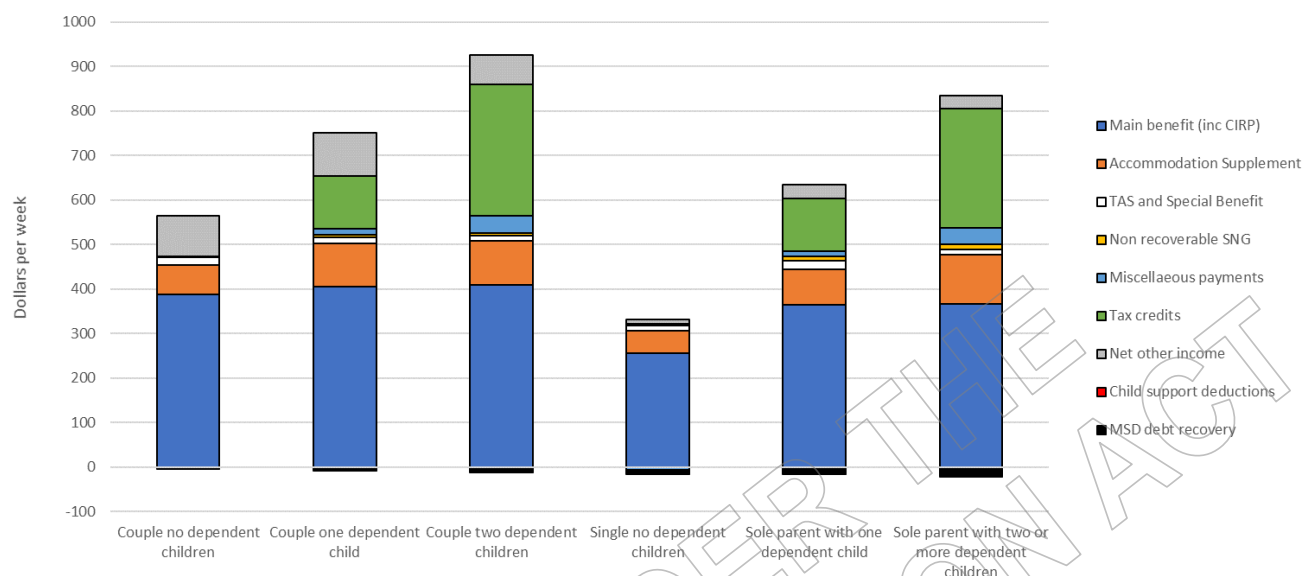
The Welfare Expert Advisory Group acknowledged the critical role AS plays in income support

- 37 In its 2019 report, *Whakamana Tāngata – Restoring Dignity to Social Security in New Zealand*, the Welfare Expert Advisory Group (WEAG) recommended to "subsidise housing costs for people on low incomes (in addition to raising main benefit rates to provide an adequate income) and ensure the combination of changes to housing support and abatement rates make households better off."
- 38 The WEAG's report also noted that:
- "The Accommodation Supplement and other housing subsidies will be required as long as low-paid workers and benefit recipients receive inadequate incomes and are unable to access affordable, secure housing. It follows that the welfare system has an abiding interest in ensuring good housing outcomes. A demand-driven payment like the Accommodation Supplement will continue to grow exponentially unless the housing crisis is resolved."
- 39 The WEAG also acknowledged that the welfare system cannot be expected to implement the changes required in housing policy to ensure there is adequate supply of affordable housing for New Zealanders. However, the welfare system needs to be contributing to the direction of the systemic changes required, because many of the individuals and families most affected by failures in the housing system are recipients of welfare.
- 40 In November 2019 Cabinet agreed that, in the work programme to respond to the WEAG's recommendations, a review of housing subsidies would progress over the long-term [CAB-19-Min-0578].

For people in receipt of main benefits, their income is made up of a package of income support payments

- 41 In response to recommendation 5 in *Whakamana Tāngata* that proposes annual reporting on key outcomes for those interacting with the welfare system, MSD has created a dataset that records payments, earnings and housing costs of people in receipt of a main benefits.
- 42 The graph below provides preliminary analysis from this dataset that shows the average amount of family income for all adults in receipt of income-tested main benefits. The graph below shows average income for each type of family, however there is variation with each group depending of the exact nature of each person's circumstances and housing.

Figure 2. Preliminary analysis from the benefit incomes dataset that shows average family income for adult recipients of main benefits, by family type (October 2020)



- 43 Figure 2 shows the average contribution AS makes to incomes per household type across all benefit recipients, which includes IRRS recipients and people who do not receive any housing assistance. This means the contribution of AS to incomes of AS recipients is understated in this analysis.

What are the main concerns with the Accommodation Supplement?

- 44 Given the position of AS at the intersection between the welfare and housing systems, there are number of areas of concern that could be addressed in a review. In recent years, both the WEAG and the Child Poverty Action Group (CPAG) have lead calls for significant change or complete overhaul of AS. We understand that Ministers share some of these concerns and officials are seeking direction on the relative weighting we should give to these concerns to inform option development.

Aspects of AS are not responsive to increasing housing costs in the private market as it is not regularly updated

- 45 Since its introduction in 1993 the AS has had sporadic updates to its policy settings and long periods when no adjustments have been made. The lack of regular adjustment means that the amount of support provided to recipients is unresponsive to rising market conditions (particularly rents). Subsequently, the amount of assistance AS recipients are able to receive lags behind current market conditions by several years and is particularly inequitable for people in regions that have faced the steepest increases in rents.
- 46 AS parameters were last updated in 2018 as part of the Families Package based on 40th percentile of 2016 rents (approximately 90 percent of median rent). In January 2016, the median rent for all of New Zealand was \$395 per week. As at January 2021 the median rent was \$500 per week, representing a growth of 27 percent. Over the same period, the average weekly wage grew by just over half that rate, at 16 percent.
- 47 Some AS parameters have not been adjusted at all. The cash asset limits for AS recipients are currently \$8,100 for single people and \$16,200 for couples. These are hard limits, so any cash assets above the applicable level means an applicant loses all eligibility to AS. These limits were originally the cash asset limits for the Accommodation Benefit and have not been updated since 1988, before AS existed. The lack of adjustment to the cash asset creates issues for people who are saving for first home purchases as accumulating enough savings for a house deposit will make them ineligible for AS. In addition, the AS cash asset limit is out of step with the cash asset limit for public housing application, which is \$42,700.

Without regular adjustment AS has limited effectiveness as an instrument to alleviate housing stress

- 48 Housing support is a significant component of income support provided through the welfare system. As noted by the WEAG, this is expected to grow until sufficient supply of affordable housing is available to low-income New Zealanders. The table below sets out the actual and forecast expenditure for AS from the Budget Economic and Fiscal Update (BEFU) 2021.
- 49 The impact of COVID-19 resulted in an uptick in the number of AS recipients. The increase of approximately 60,000 recipients between December 2019 to December 2020 was driven largely by 41,000 more Jobseeker Support recipients accessing AS and an increase of 8,000 non-beneficiaries accessing AS. MSD is aware that there is underutilisation of AS by non-beneficiaries and options to improve take-up of housing assistance by eligible non-beneficiaries will be considered in the AS Review.

Table 1. Actual and Forecast expenditure from the Budget Economic and Fiscal Update 2021 for Accommodation Supplement 2018/19 – 2024/25

Financial year	Actual		Forecast				
	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Accommodation Supplement	\$1,552m	\$1,708m	\$2,009m	\$2,159m	\$2,123m	\$2,140m	\$2,142m

- 50 The current AS maxima (set in 2018) are based on 2016 rents. Since then housing costs have increased substantially. Outdated maxima erode the residual incomes of households constrained by the maxima⁶ and places them in higher housing-related stress. However, Budget 2021 announcements relating to increases to benefit rates will help to offset some housing stress experienced by benefit recipients.
- 51 MSD administrative data from October 2020 shows that 70 percent of households receiving AS are spending more than 40 percent of their income on housing. The international definition for housing-related stress for low-income households is 30 percent. For certain subsets of AS recipients, for example, the majority beneficiaries (87%) who are renting, are spending more than 40 percent of their income on rent. Nearly all (95%) beneficiaries who are renting in Auckland are paying more than 40% of their income on housing costs, and 51% of beneficiary renters in Auckland are paying 60% or more. Appendix 1 provides more detail.
- 52 Increased take up of Temporary Additional Support (TAS) is another indicator of housing stress that demonstrates insufficiencies of AS. TAS is a hardship payment available to beneficiaries and non-beneficiaries that provides a guaranteed minimum level of disposable income after regular weekly costs (such as accommodation) are taken into account. As at the end of December 2020, due to high accommodation costs, 24% of AS recipients (92,607 recipients) also received TAS. The average weekly payment for households receiving AS and TAS was \$134.39 (AS) and \$61.64 (TAS) or a combined payment of \$196.03. ^{s9(2)(f)(iv)}

There are also poorer work incentives for beneficiary households receiving TAS, since any increases in their income would cause their TAS to reduce dollar for dollar (for those not receiving the upper limit).

⁶ Households not receiving the maxima means that they are not limited by the maximum rates of AS and could receive more AS if their accommodation costs increased (although not only households constrained by the maxima are in high housing-related stress).

Low take-up by non-beneficiaries

- 53 Low take-up of AS is an issue among lower-to-moderate income working households. In 2019, MSD modelled the take-up rate among non-beneficiary households using 2017/18 HES data in the IDI. Key findings from this work showed that in the year to June 2019, around 100,000 households may have been eligible for AS but did not receive it.⁷ Approximately 38% of this group had dependent children and that these children accounted for 8% of the children in material hardship at the time. The average amount these households would have received if they took it up would be \$64 per week in 2017/18 (which would now be higher following the changes to AS with the Families Package and increasing housing costs since 2017/18).
- 54 Around 84 percent of this cohort were employed showing that the majority of households missing out on this payment are part of the 'working poor' population. These findings have significant implications as they relate to income adequacy, child poverty and work incentives. Further work needs to be done to understand the reasons for low take-up although compliance costs and lack of awareness are likely the driving factors.

Equity of assistance provided across housing subsidies

- 55 The differences in design of housing subsidies across public housing (Income Related Rent Subsidy) and private market housing (AS) come with trade-offs and issues for how the two subsidies work together. The Income Related Rent Subsidy (IRRS) is a more generous subsidy than what is available to people in the private market through AS. For a sole parent with children, the average IRRS subsidy (paid to the housing provider) is \$329 per week⁸ compared to the average AS payment for a sole parent with children of \$141 per week.
- 56 This has created inequity between households with similar incomes and circumstances in the private market and in public housing. This 'affordability gap' between IRRS and AS creates financial barriers for public housing tenants to move into private rentals or homeownership and increases demand for public housing among AS recipients.
- 57 As rents have increased over time, public housing tenants have been insulated from these cost increases by IRRS funding, while AS recipients have faced an increasing housing cost burden. This is because public housing tenants pay an Income Related Rent (usually 25% of household income) that is adjusted based on income, not housing costs. In contrast, AS recipients must pay 25% of their income to qualify for AS, then make a contribution to their housing costs above that rate, as well as 100% of housing costs above the maxima (noting the maxima are not regularly updated like IRRS).

Landlord capture

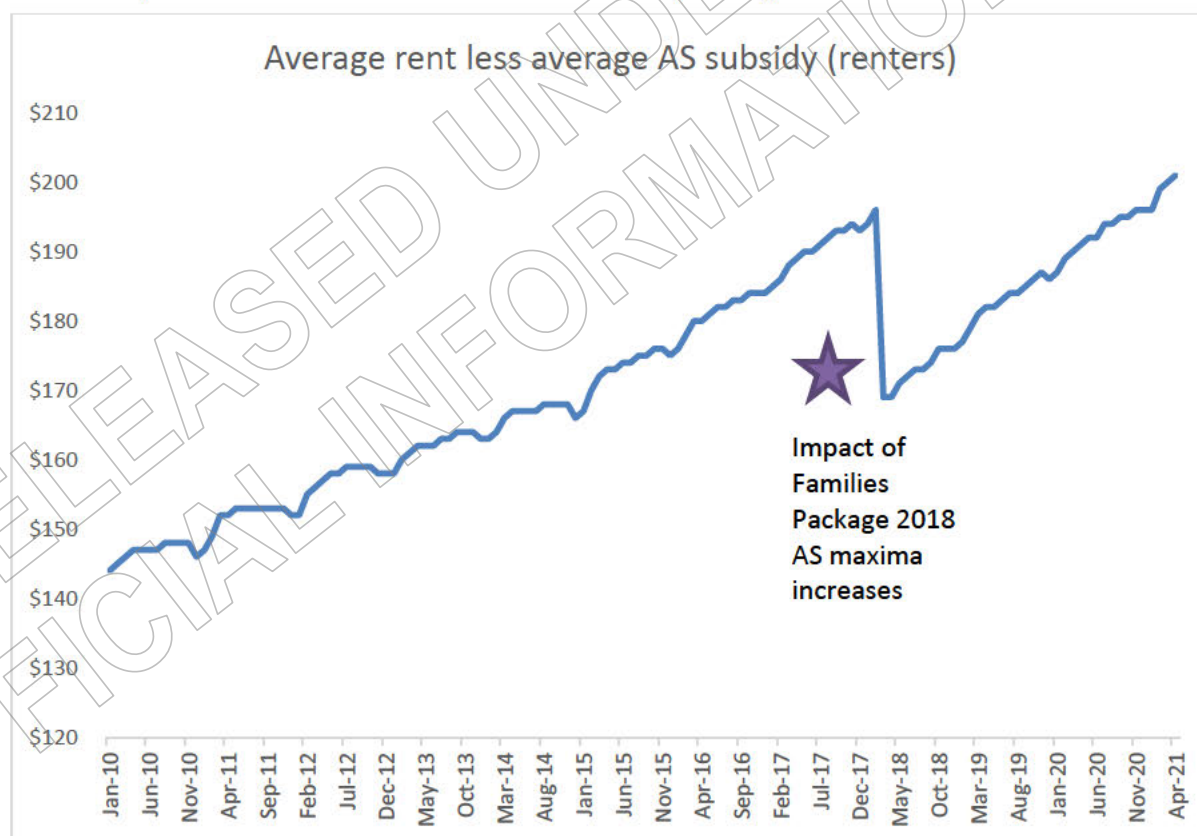
- 58 Landlord capture is an oft-cited risk with increasing the AS. Landlord capture occurs when landlords increase the accommodation costs of renters/boarders to absorb some or all of the increased amount of financial support and thus receiving the financial gain in increased support as opposed to the intended beneficiary. A 2015 review of international evidence suggests a range of impacts with the magnitude of landlord capture ranging from 30 – 78 percent. However, there are limitations of the applicability of these findings to the New Zealand context, due to the design features of some housing subsidies in other countries considered in the analysis (i.e. unlike AS, some housing allowances are paid directly to landlords) and the local housing market conditions in other countries.

⁷ This figure may represent an upper estimate of non-beneficiary take-up due to the impact of COVID-19 and the increased numbers now on Jobseeker Support.

⁸ This figure does not include the capital or operating supplement components of the Income Related Rent Subsidy.

- 59 For New Zealand-based evidence, in 2018 Motu investigated the extent of landlord capture following the AS maxima increase in 2005.⁹ In 2005, Auckland was divided into two areas and a higher AS maxima was available in central and northern urban areas.
- 60 Following the AS area change in 2005, on average, accommodation related support payments increased by \$6.81 for those impacted, and rental payments increased by \$2.44 per week (approximately 36% of the increase). The authors also noted from the data that it was not possible to determine if it was due to recipients being able to afford to spend more on housing and improving the quality of their accommodation or if it was due to landlords increasing rents. Motu are currently working with MSD to undertake similar analysis following the 2018 Families Package, with results due by the end of 2021.
- 61 Following the most recent changes to AS in 2018, MSD administrative data shows a dramatic drop in the amount people were spending on rent less the AS subsidy. Figure 4 provides evidence of increases to the AS benefitting AS recipients more than it did landlords.

Figure 3. The net impact of the 2018 Families Package AS changes for AS households renting - the average amount households pay in rent less the average AS subsidy – shows a dramatic drop in 2018 in amount households were spending on rent.



- 62 MSD’s view is that the major factor for increasing accommodation costs in the current market is the lack of supply of affordable rental housing for lower-income households, and that it is not as a result of any policy changes to the AS driving real growth in rents. Te Tūāpapa Kura Kāinga – Ministry of Housing and Urban Development (HUD) also agree that the lack of affordable supply is the main cause of rising accommodation costs. There is little available evidence on the impact of AS policy changes on rising costs, however HUD agrees this is unlikely to have been the main factor in rising accommodation costs while at the same time AS has not contributed to an increase in affordable supply. Treasury agrees that a lack of

⁹ Do housing allowances increase rents? Evidence from a discrete policy change. Dean R. Hyslop and David Rea. Motu Working Paper 18-10. Motu Economic and Public Policy. July 2018.

housing supply is at the core of the problem. However, Treasury notes that where supply cannot respond to increasing demand, any increase in ability to pay (including increases to salaries, wages or transfers) will likely lead to some increases in rents.

- 63 Adjusting the AS is the most targeted policy intervention for providing direct support to low-income households in housing stress. There are specific design features of the AS (partial subsidy, paid directly to tenants) that seek to mitigate the extent of landlord capture. Despite the perceived risk of an increase in the subsidy being partially absorbed by higher rents, the evidence shows that households will benefit from any change through higher after-housing-costs incomes. The extent to which households benefit (vs the extent to which there is landlord capture) is difficult to quantify.

Approach to reform: objectives, key design questions, options for discussion

- 64 This section sets out options, objectives and key design questions. We seek to understand Ministers' objectives for the review, which will inform the development of more detailed advice on options.

Objectives for the AS Review

- 65 For the WFF Review, Ministers have confirmed the high-level objectives of the WFF tax credit as supporting income adequacy, reducing child poverty and improving financial incentives for low-income earners to participate in the labour market. Ministers have also indicated the following priorities:

- A particular focus on low-income working families while maintaining support for beneficiary families
- Prioritise options that are more targeted to low-income families, and
- Prioritise the principle of people being better off in work.

66 s9(2)(f)(iv)

67

s9(2)(f)(iv)

- 68 Given the focus on particular groups in the WFF Review s9(2)(f)(iv)

- 69 **Providing financial assistance for housing to beneficiaries versus people in work:** the majority of AS recipients are receiving a benefit and there are also a growing number of Superannuitants receiving this support. A small number of low-income working households also receive AS, and we know that take up among this group is low. s9(2)(f)(iv)

70 **Targeting those in greatest housing stress versus providing more general assistance with housing costs:** AS is specifically designed to take into account actual housing costs people face. This makes it more targeted towards those in greatest housing stress. ^{s9(2)(f)(iv)}

71 **Whether to reorient AS towards the group of people who also receive WFF (i.e. families with children):** while there is some overlap between the groups receiving these two types of support, the majority of AS recipients (69%) do not have dependent children, and therefore are not eligible for WFF tax credits. Recipients without children are somewhat more likely to be paying more than 40% of their income on housing costs – 73% of single adults and 70% of couples without children are in this group, compared with 66% of sole parents with one child and 59% of couples with children. ^{s9(2)(f)(iv)}

What types of housing tenure options should be considered?

72 AS is largely neutral to tenure type (the entry threshold for homeowners is less generous, recognising that the subsidy contributes to purchasing an asset), and the majority of people receiving it are renting (68%). It provides support for ongoing costs, rather than upfront costs of getting into housing. To what extent should reform options focus on support for renting, boarding, homeownership, or remain neutral to tenure type?

What types of incentives should financial assistance contribute to?

73 **Incentives to work:** withdrawing housing assistance as other income increases can affect whether people are better off in work. This is particularly related to abatement of AS and abatement of other government support. The design of housing assistance can also significantly affect mobility (i.e. whether people can afford to or are encouraged to relocate or live near jobs).

74 **Incentives to economise on housing costs:** whether people get the benefit of choices to consume less housing (i.e. to relocate to a smaller property if their circumstances change) or face an increase in costs if they are consuming more housing than they need (i.e. if they have an additional bedroom as a dependent or flatmate has moved out).

Wider considerations for option development

75 As an income support lever, any changes to AS (and WFF) are likely to impact on child poverty and the achievement of the Government's child poverty reduction targets if they provide more income to low-income households with children. These impacts will be included in the analysis of options.

76 ^{s9(2)(f)(iv)}

77

s9(2)(f)(iv)

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79 Officials understand that Ministers are also interested in capitalisation / s9(2)(f)(iv) to support homeownership. This would involve paying out the present value of future payments (e.g. likely AS entitlements) over a set period of time as a lump sum to support people into homeownership. s9(2)(f)(iv)

80 HUD recently provided advice on capitalisation of AS as part of the development of the Housing Supply and Affordability package, but HUD advised this work should not be progressed. Officials will provide further advice on how capitalisation may work within the context of the WFF and AS Reviews.

Consideration of other housing subsidies, s9(2)(f)(iv)

s9(2)(f)(iv)

81 s9(2)(f)(iv)

82 When considering options for reform of the AS, a number of other housing subsidies will be affected by any changes. s9(2)(f)(iv)


Other housing subsidies

83 Table two below sets out other types of housing assistance, and their relationship to AS. As there is a closer link between AS and TAS, compared to other housing subsidies, changes to TAS will need to be considered alongside AS changes and consequential and flow on impacts for other subsidies will also be considered. s9(2)(f)(iv)

Table two. Other housing subsidies and potential flow on impacts resulting from changes to Accommodation Supplement

Description	Type of support	Number of recipients (As at end of December 2020)	Total spend 2019/20	Average subsidy	Relationship to AS
<p>Accommodation Supplement</p> <p>A weekly payment for low income people with high housing costs. Paid directly to recipients.</p>	Homeownership, private rentals, boarding	378,131 recipients	\$1.7 billion	\$101 per week	
<p>Income Related Rent Subsidy</p> <p>Makes up the difference between a tenants Income Related Rent and the market rent for the housing / agreed rent (for some Community Housing Providers). Paid directly to the provider.</p>	Public housing tenants, provided by either Kāinga Ora or Community Housing Provider (CHP).	61,268 Kāinga Ora IRRS places, 9,473 Registered CHP IRRS places	\$1.07 billion ¹⁰	\$314 per week	Demand for public housing is driven by deficiencies in the private rental market (both affordability, and discrimination that means people cannot find housing that meets their needs). Changes to AS could either reduce or increase demand for public housing, depending on design choices and targeting.
<p>Temporary Additional Support</p> <p>A weekly payment that helps people when they do not have enough money to cover essential costs</p>	Homeownership, private rental, boarding, public housing, Emergency Housing and Transitional Housing contributions.	94,019 recipients, (98.5% were also receiving AS)	\$233.1 million	\$62 per week	Approximately 98% of TAS recipients also receive the AS. TAS reduces dollar for dollar when other income increases. s9(2)(f)(iv)
<p>Emergency Housing Special Needs Grants</p> <p>A grant that helps people with the cost of staying in short term emergency accommodation. Client contributes 25% of their income.</p>	Emergency housing (motels, campsite)	8,503 individual clients granted an EH SNG (December 2020 quarter)	\$215.4 million	\$1,501 average 7-day-rate per grant	s9(2)(f)(iv)

¹⁰ This figure does not include the capital costs or operating supplement provided to public housing providers.

Description	Type of support	Number of recipients <small>(As at end of December 2020)</small>	Total spend 2019/20	Average subsidy	Relationship to AS
<p>Accommodation Benefit</p> <p>A weekly payment that is paid with a Student Allowance to help with accommodation costs.</p>	Private rental, boarding, hostels	42,242 (2020 calendar year)	\$81.9 million	\$69 per week	There may be limited flow on impacts as the sole parent rate of Accommodation Benefit is the AS rates payable to eligible Sole Parent Support.
<p>Housing Support Products</p> <p>A set of individual products that aim to address barriers to accessing or retaining housing by filling gaps not covered by other forms of assistance</p>	Private rental and people exiting public housing	1,342 grants in December 2020.	\$4.6 million	n/a	There may be flow on impacts for these payments as while most are designed for one-off costs for accessing housing (bonds, rent in advance), they are increasingly being relied upon to supplement income due to high housing costs (ie repeat use of RAP/Advances for rent arrears).
<p>Recoverable Assistance Payment (RAP), Advance Payment of Benefit (Advances) for housing related costs</p> <p>Used to meet essential immediate needs, including tenancy bonds, rent /board in advance and rent arrears.</p>	RAP are available to non-beneficiaries and Advances are for beneficiaries, subject to income and asset tests.	30,708 total grants in December 2020 (3,807 RAPs, 26,901 Advances)	\$22.4 million	n/a	<p>Changes to AS may reduce or increase take-up of these products depending on how much they help people to sustain accommodation (i.e. reduce the need for frequent moves and the need for one-off assistance) and make accommodation costs more affordable (reducing the need for rent arrears).</p> <p>s9(2)(f)(iv)</p> 

Linkages with initiatives to boost the supply of housing


85 Across the broader housing system there are number of supply-side initiatives that will boost the supply of housing. Lack of affordable housing for low-income households is a key driver for demand-side housing assistance such as AS. Changes to AS have the potential to complement these initiatives already underway. The recently announced **Housing Supply and Affordability Package**:

- \$3.8 billion Housing Acceleration Fund (primarily funding for infrastructure for housing),
- Kāinga Ora Land Programme (which would enable Kāinga Ora to borrow \$2 billion to purchase more land for mixed housing developments)
- Land for Housing programme (which partners with developers and iwi to develop surplus Crown land)
- Residential Development Response Fund.

86 All the funds and programmes in the Housing Supply and Affordability package will enable more affordable housing. HUD are currently working on the design and implementation details of these initiatives.

87 The \$400 million **Progressive Home Ownership** scheme to help between 1,500 and 4,000 New Zealand Families buy their own homes.

88 s9(2)(f)(iv)



Regulatory levers

89 In considering changes to AS, we have not identified any regulatory changes for initial consideration. However, depending on how option development progresses regulatory change could be a potential lever to supplement or mitigate implementation of preferred options.

90 Any significant change to policies related to housing and housing subsidies may have an impact on rents in the lower end of the housing market, depending on specific design choices. For example, following the March 2021 package of responses to the housing crisis, HUD is monitoring the impact of these changes in terms of rent price increase, rent turnover and landlords divesting rental properties.

91 At this stage, it is too soon to observe impacts on the rental market specifically as a result of the housing policy changes (in particular the tax rules for investment properties) and therefore too soon to recommend further protections for renters.

Rent regulation

92 We note that evidence from overseas indicates that 'price ceiling rent' control (keeping rents below a market level for some properties or tenancies) may lead to short-run improvements in affordability but research shows a range of negative long-term impacts, including:

- A decrease in affordability over time.
- Lower mobility: people stay in housing that does not meet their needs for longer and are less likely to move for employment or higher paid employment.
- A decrease in housing quality over time, as landlords have a reduced incentive to maintain their properties. This is based on several studies that have shown improved housing quality when rent controls are lifted.
- Reducing the diversity of communities: because rent control encourages long tenure, those in rent-controlled areas are more likely to be older and less likely to have children.

- 93 The effect of rent control on housing supply is not clear cut: exemptions from rent regulation for new builds can promote new supply, but rent controls tend to reduce rental housing supply through conversion into owner occupancy.
- 94 For 'softer' regulation of rent increases (e.g. that still allows for a return on investment and annual increases to rent levels and exempts new construction) there is limited empirical evidence about negative effects. Outcomes vary considerably based on the characteristics of individual markets.

Next steps

- 95 Following feedback on this paper, officials will develop options and provide further advice for consideration in August 2021.

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OFFICIAL INFORMATION ACT

Appendix 1: Key facts – Accommodation Supplement Recipients

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Appendix 2: Accommodation Supplement core settings

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Appendix 1: Key Facts - Accommodation Supplement Recipients

As at 30 April 2020 AS supported...

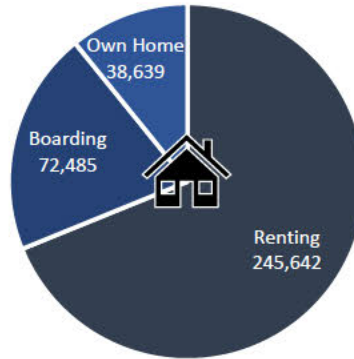


356,766 households

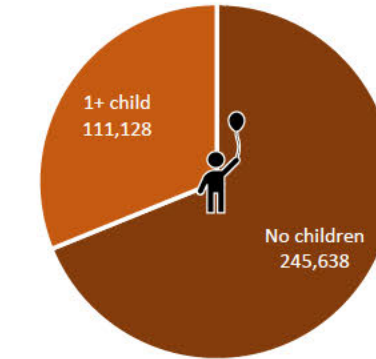
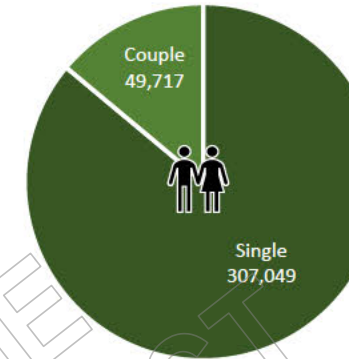
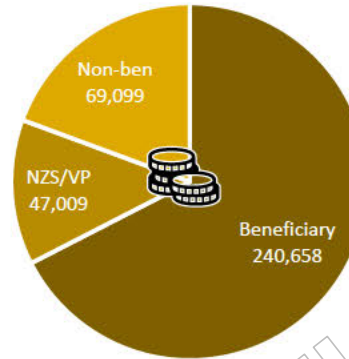
Approximately one in eight New Zealanders are supported by AS



Most AS recipients are renting and receive a main benefit

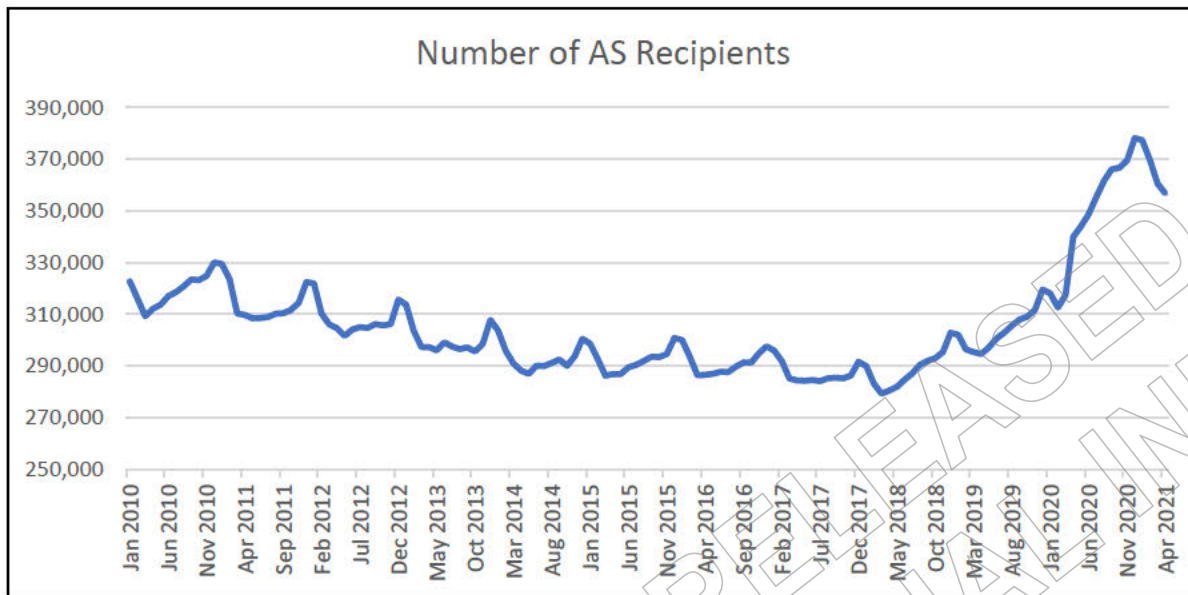


Most AS recipients are single and do not have children



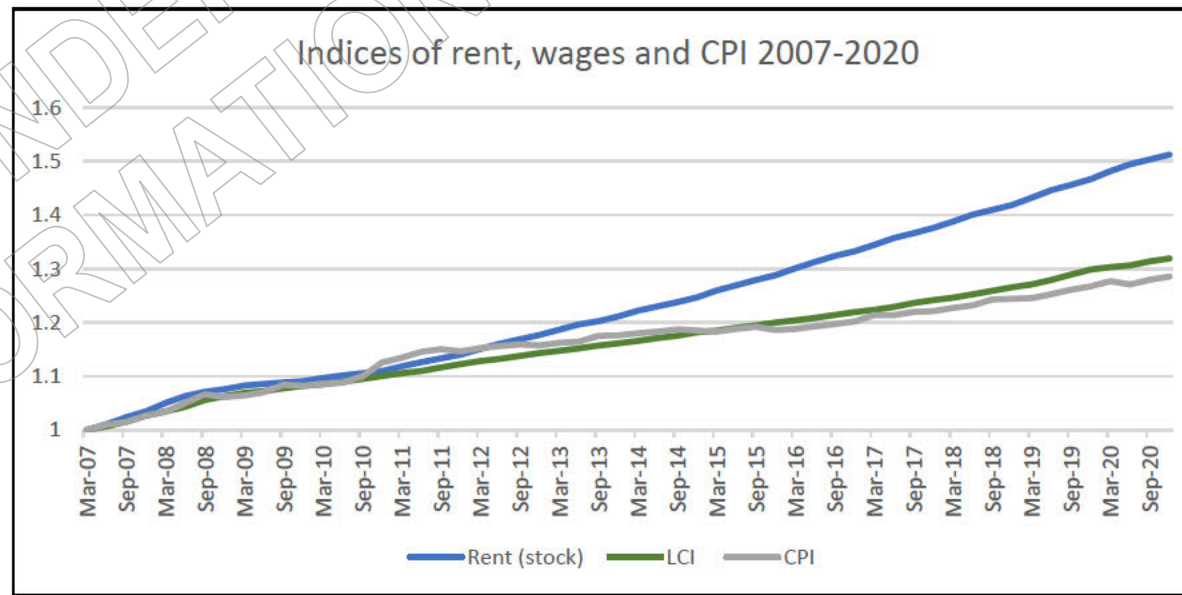
The number of households receiving AS has increased significantly

The number of households receiving AS has been increasing since late 2017. Trends in AS receipt generally follow main benefit receipt. The impact of COVID-19 further increased the number of households receiving AS.



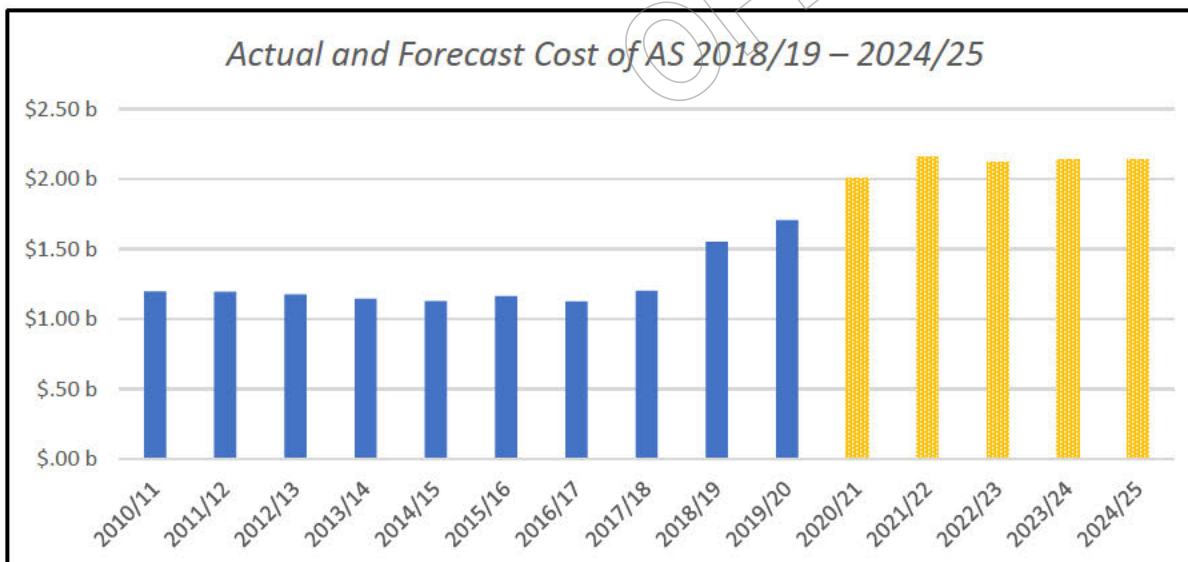
Rising rents

From around 2015 lower quartile rents have risen **faster** than earnings and much faster than prices in general. For lower-income households, housing costs are absorbing more income and causing higher rates of housing-related stress.



The cost of AS is forecast to increase (Budget Economic and Fiscal Update 2021)

Since 2017, AS expenditure has trended upwards. The increases to the AS maxima as part of the Families Package in 2018 and the impact of COVID-19 have driven increased expenditure. The cost of AS is forecast to surpass \$2b in 2020/21 for the first time.



AS recipients in housing stress

As at 2 October 2020, 70% of all AS recipients were paying more than 40% of their income on housing; 44% were paying more than half of their income on housing (for lower-income households, 30% is the accepted international threshold for housing-related stress). Rates of housing-related stress varies by AS Area and is forecast to worsen in all AS Areas.

AS Area	Proportion of AS recipients paying >40% of income on housing costs	Average AS paid	Proportion of AS recipients forecast to be on the maxima by 2024
Area 1 (maxima \$165-\$305)	78%	\$139	41%
Area 2 (maxima \$105-\$220)	70%	\$98	53%
Area 3 (maxima \$80-\$160)	62%	\$74	55%
Area 4 (maxima \$70-\$120)	57%	\$61	59%

Appendix 2: Accommodation Supplement Core Settings

The AS is a cash payment to clients for some of their housing costs

Eligibility criteria for Accommodation Supplement

- Recipients must have not have cash assets above \$8,100 for a single person and \$16,200 for a couple.
- Recipients have to meet an income test based on family type. Beneficiaries automatically meet this test (as their income is sufficiently low).
- Non-beneficiary recipients must have income below the cut-out points set out in the table below. Superannuation and Veteran's Pension recipients must have income below a set limit (does not include their NZS/VP income).

Cut-out points and NZS/VP limits – weekly income

Family type	Area 1	Area 2	Area 3	Area 4	NZS/VP
Single person	\$1,190	\$950	\$850	\$810	\$591.20
Couple (no children)	\$1,691	\$1,371	\$1,171	\$1,071	\$858.72
Couple with children	\$2,011*	\$1,671	\$1,431	\$1,271	\$858.72
Sole parent, 1 child	\$1,653	\$1,333	\$1,133	\$1,033	\$717.40
Sole parent, 2+ children	\$1,933	\$1,593	\$1,353	\$1,193	\$755.82

*Note the highest annual cut-out point for couples with children in Area 1 is \$104,572

Accommodation Supplement provides a partial subsidy for costs above an 'entry threshold' and up to a maximum amount

The entry threshold is 25% of income for a renter or boarder, and 30% for a homeowner.

Accommodation Supplement subsidises 70% of accommodation costs above this threshold, up to a cap or 'maxima'.

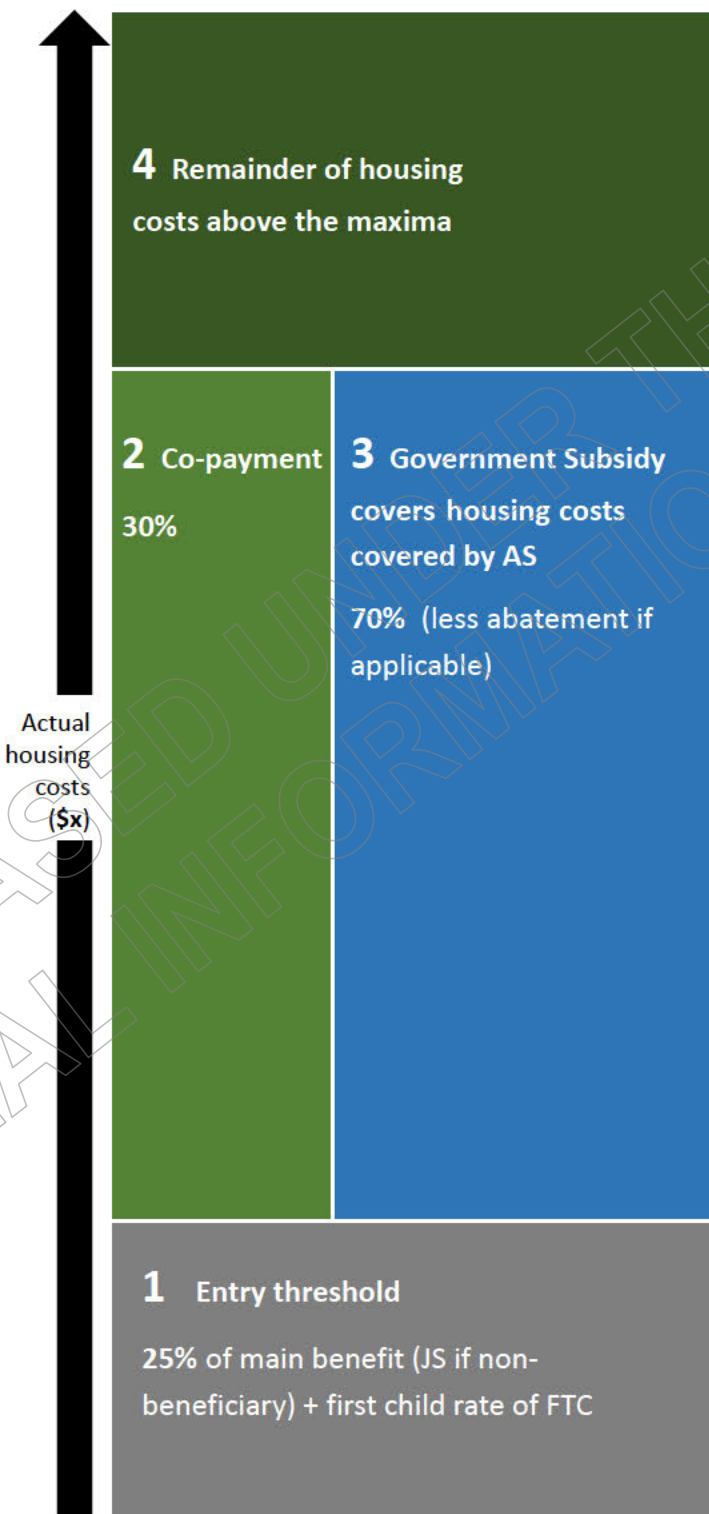
Maxima are set regionally, based on the 40th percentile of rents in an Area (based on 2016 rental data).

Accommodation Supplement maxima

Family Type	Area 1*	Area 2	Area 3	Area 4
Single person	\$165	\$105	\$80	\$70
Couple (no children)	\$235	\$155	\$105	\$80
Couple with children	\$305	\$220	\$160	\$120
Sole parent, 1 child	\$235	\$155	\$105	\$80
Sole parent, 2+ children	\$305	\$220	\$160	\$120

*Area 1 covers Auckland, Queenstown, Tauranga, Area 2 is most other main centres (i.e. Hamilton, Wellington, Christchurch), Area 3 is mainly provincial centres (i.e. Dunedin, Rotorua) and Area 4 the remaining small towns and rural areas.

How the Accommodation Supplement works



How abatement works

Abatement applies to non-beneficiaries only. For every \$1 non-beneficiary households earns over the income thresholds (set out below), their AS subsidy is reduced by 25c. A household become ineligible when they reach the cut-out points for their Area.

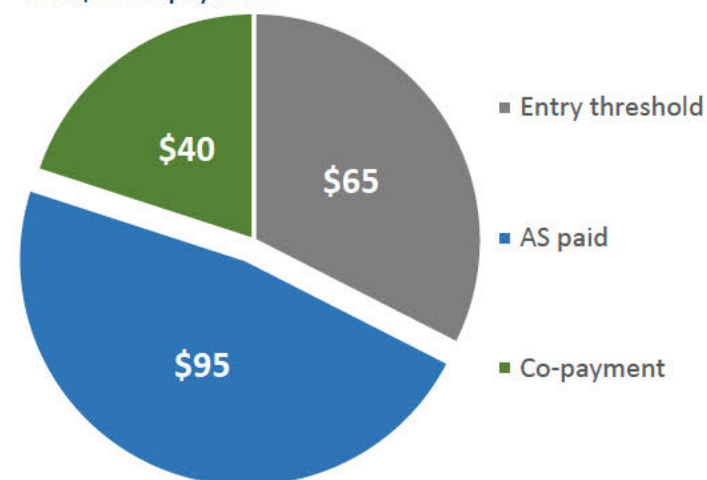
Assets over \$2,700 for a single person and \$5,400 for a couple may also affect households' AS subsidy. For every \$100 worth of assets over these thresholds, \$1 is added to their income (which may impact their AS subsidy if they are over the income thresholds). All recipients households will lose eligibility if they have cash assets over the limits (\$8,100 for a single person and \$16,200 for a couple).

Accommodation Supplement income thresholds

Family type	Income threshold (weekly)
Single person	\$530
Couple (no children)	\$751
Couple with children	\$791
Sole parent, 1 child	\$713
Sole parent, 2+ children	\$713

Scenario – non-beneficiary, single, renter

Nick is single, 19 years old and rents in Wellington (Area 2). He earns \$530 per week and spends \$200 on accommodation. He is eligible for \$95 per week and pays the remaining \$105 from his income (\$64 as the Entry Threshold and \$40 co-payment).



Accommodation Supplement formula





Report

Date: 24 June 2021

Security Level: IN CONFIDENCE

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

Approach to engagement for the Working for Families and Accommodation Supplement review

Purpose of the report

- 1 This report seeks your agreement to a proposed approach for engagement with stakeholders to inform the review of Working for Families and the Accommodation Supplement.

Recommended actions

It is recommended that you:

- 1 **note** Income Support Ministers have announced the review of Working for Families and Accommodation Supplement and decisions now need to be made on the approach to engagement
- 2 **note** the short timeframe s9(2)(f)(iv) significantly limits the range of options which are possible for engagement this year, and advice in this report is based on this constraint
- 3 **note** officials view that effective engagement would involve sharing the key objectives and constraints for the review with stakeholders to inform their feedback
- 4 s9(2)(f)(iv)
- 5 **note** there are two main options for engagement this year, which are not mutually exclusive. These are:
 - 5.1 Targeted engagement with a limited number of experts and key stakeholders, through a small number of face-to-face meetings and workshops
 - 5.2 Public written submissions, accompanied by short guidance material on key objectives

6 **agree** to an engagement approach to discuss with Income Support Ministers:

6.1 Targeted engagement with experts and key stakeholders

AGREE / DISAGREE

AND/OR


6.2 Public written submissions

AGREE / DISAGREE

7 **note** Ministers are due to discuss objectives for reform of the Accommodation Supplement at a meeting on 29 June 2021, and you may wish to discuss engagement as part of the meeting


8 s9(2)(f)(iv)

9 **forward** this report to the Minister for Child Poverty Reduction, Minister of Finance, Minister of Housing, Minister for Children and Minister of Revenue.


Polly Vowles
Policy Manager
Income Support Policy

24/06/21

Date


Hon Carmel Sepuloni
Minister for Social Development and
Employment

28/6/21
Date

An engagement approach needs to be agreed for the Working for Families and Accommodation Supplement review

- 2 In April 2021, the Ministers for Child Poverty Reduction (the Prime Minister), Finance, Social Development and Employment, and Revenue ('Income Support Ministers') agreed to bring forward the review of Working for Families (WFF) in light of the Government's commitment to reduce child poverty, and the changing labour market and income support context [REP/21/4/383 refers].
- 3 Income Support Ministers agreed that the review would cover WFF tax credits, the Accommodation Supplement (AS), and the s9(2)(f)(iv) [redacted]. The review of Childcare Assistance and decisions on Out of scope [redacted] would be considered alongside the review. The review of WFF and AS (the Review) was publicly announced by Ministers as part of Budget 2021, which has generated significant interest and expectation.

Engagement on the Review is desirable...

- 4 Officials' view is that engagement with stakeholders is desirable as part of a review of this scale. Engagement can generate new ideas and/or allow ideas to be tested for workability and identify problems with proposals which officials may not have considered. It also allows for the voices of a wide range of clients to be captured on what the proposals would mean for them.

... however, timeframes for engagement are very limited...

- 5 s9(2)(f)(iv) [redacted], leaving very limited time for engagement. There are also limited resources available within agencies to conduct comprehensive engagement.
- 6 Given the condensed timeframes it will not be possible to do comprehensive consultation on options or specific proposals with the public in general or Māori stakeholders, through a series of face-to-face hui, which would be more consistent with best practice.
- 7 However, issues and areas for improvement of WFF and AS are relatively well understood. Recent public engagement through the Welfare Expert Advisory Group included some feedback on these. We have also proactively engaged with stakeholders on WFF and AS over recent years and some stakeholders have published their views and analysis.
- 8 It is also not without precedent to make changes to the welfare system without public engagement. For example, when Working for Families was first introduced in 2005 there was no public engagement undertaken except for through the legislative process.

... and the key parameters agreed by Ministers have already narrowed the focus of the review, which has implications for the approach to engagement

- 9 s9(2)(f)(iv) [redacted]

- 10 Additional key parameters Ministers have agreed are:

10.1 s9(2)(f)(iv) [redacted]

10.2 options for change s9(2)(f)(iv) [redacted]

10.3 s9(2)(f)(iv) [redacted]

- 11 Objectives for the review of AS have not yet been confirmed by Ministers. These will be discussed by Income Support Ministers and the Minister of Housing at a meeting

on 29 June 2021. A clear steer from Ministers on the objectives will enable officials to convey these clearly during proposed engagement.

- 12 If key parameters agreed by Ministers are not shared with stakeholders, this will undermine the effectiveness of engagement. Sharing the key objectives of the Review, and s9(2)(f)(iv) would improve the value and perceived integrity of the engagement. The risk of sharing these parameters, s9(2)(f)(iv), s9(2)(g)(i)

Depending on the decisions of Ministers on options for reform, engagement with stakeholders could be delayed

- 13 Following further advice from officials on options for reform in late July 2021, s9(2)(f)(iv)

14

- 15 The following options for engagement presented in this report are based on the current timeframe agreed by Ministers, s9(2)(f)(iv). If timeframes change, further advice on possible engagement can be provided.

There are two main options for engagement, given timeframes

- 16 You have two main options for engagement s9(2)(f)(iv).
- 17 These options are not mutually exclusive, and you have choices around whether to choose either targeted consultation with experts, or public written submissions, or both.

Targeted engagement with experts and key stakeholders

- 18 The first option is to conduct very targeted engagement with a limited number of experts and key stakeholders. This would be through a small number of face-to-face meetings and facilitated workshops for some groups. The experts and key stakeholders would be invited to participate, based on having subject matter expertise on WFF or the wider housing system including the AS, or through representing key interests in these areas. Stakeholders who represent a broad range of views will be invited to the extent possible.
- 19 Engagement with these stakeholders will be valuable to ensure officials have identified a wide range of options and they may also be able to assist with some of the more technical aspects of options being considered, given their subject matter expertise. This approach on its own will not capture the voice of clients, except those represented by advocacy groups who may be included as key stakeholders.

20 s9(2)(f)(iv)

21

31 s9(2)(f)(iv)

32

Next steps

- 33 We suggest sharing this report with other Ministers ahead of the 29 June 2021 meeting, if possible. The proposed engagement approach could be discussed with your colleagues at the meeting if desired.
- 34 Based on the engagement approach you decide, we will provide you with more information on key experts and stakeholders and/or draft consultation material in July 2021.
- 35 A report to Income Support Ministers and the Minister of Housing will be provided in October summarising the key findings from submissions and/or targeted engagement with key experts and stakeholders.
- 36 Initial advice on the s9(2)(f)(iv) will be provided to Ministers in July/August 2021.

REP/21/6/614

Author: Out of scope; Policy Analyst, Income Support Policy

Responsible manager: Polly Vowles, Policy Manager, Income Support Policy

Aide-mémoire



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

Meeting

Date: 25 June 2021 **Security Level:** IN CONFIDENCE

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

File Reference: REP/21/6/673

Income Support Ministers Meeting 29 June 2021: Review of Working for Families and Accommodation Supplement

Meeting details 8.00-8:30am, 29 June 2021, Prime Minister's Boardroom

Expected attendees

Rt Hon Jacinda Ardern, Prime Minister, Minister for Child Poverty Reduction

Hon Grant Robertson, Minister of Finance

Hon Kelvin Davis, Minister for Children

Hon Dr Megan Woods, Minister of Housing

Hon David Parker, Minister of Revenue

Deborah Russell, Parliamentary Under-Secretary for Revenue

Purpose of meeting

Income Support Ministers and the Minister of Housing are meeting to discuss:

- Overview of progress on the review of Working for Families and Accommodation Supplement (handout attached)
- the Accommodation Supplement as part the review of Working for Families (paper attached)
- Childcare Assistance Review (paper attached).


Background *The review of Working for Families (WFF) and Accommodation Supplement (AS)*

On 2 June 2021 Income Support Ministers and the Minister of Housing received initial advice seeking agreement to the scope and parameters of the AS review [REP/21/5/567]. These decisions will inform the next phase of advice on the options for change in August.

On 24 June 2021 you received a report seeking agreement to an engagement approach for the review of WFF and AS to discuss with Income Support Ministers [REP/21/6/614 refers].


Further advice in the WFF and AS review and related work is outlined in the attached handout.

Out of scope



Other related work and context

Out of scope



Child Poverty Targets: s9(2)(f)(iv)



Key issues

General update on the review of Working for Families

We have provided a handout for the meeting on timeframes for future advice and decisions on the review of WFF and AS and related work.

Talking points:

- Advice on potential options for the WFF review will be provided in late July and separate initial advice s9(2)(f)(iv) is expected shortly afterwards, in July/August.
- I recently received a report seeking agreement to an approach for engagement with stakeholders to inform the WFF and AS review to discuss with you. This report provides options for engagement through targeted consultation with key experts and stakeholders and/or public written submissions.
- The short timeframes for the review mean that the engagement options are limited.
- s9(2)(f)(iv)
- s9(2)(f)(iv)

Accommodation Supplement Report

We suggest your discussion with other Ministers focuses on three scope questions set out in the recommendations of the report. Clarification of these aspects of the review will assist with the next stage of advice. These scope questions are:

-
- What are the objectives for the AS review? (recommendation 6)
 - What are the targeting choices? (recommendation 7)

s9(2)(f)(iv)

However, unless there are strong reactions against either of these option sets officials will provide advice across these options, and any others identified, to meet the agreed objectives of the AS review.

Talking points:

- We recently received advice on AS seeking direction on some key aspects about the scope of the review.
- Direction we provide on objectives, targeting s9(2)(f)(iv) will be used to inform the next stage of advice on AS which is due in August.

Objectives (recommendation 6)

Talking points:

- The objectives reflect the key concerns that exist about the current settings and impact of AS.

• s9(2)(f)(iv)

- It might be useful to discuss what Ministers are most concerned about with AS to help prioritise the objectives.

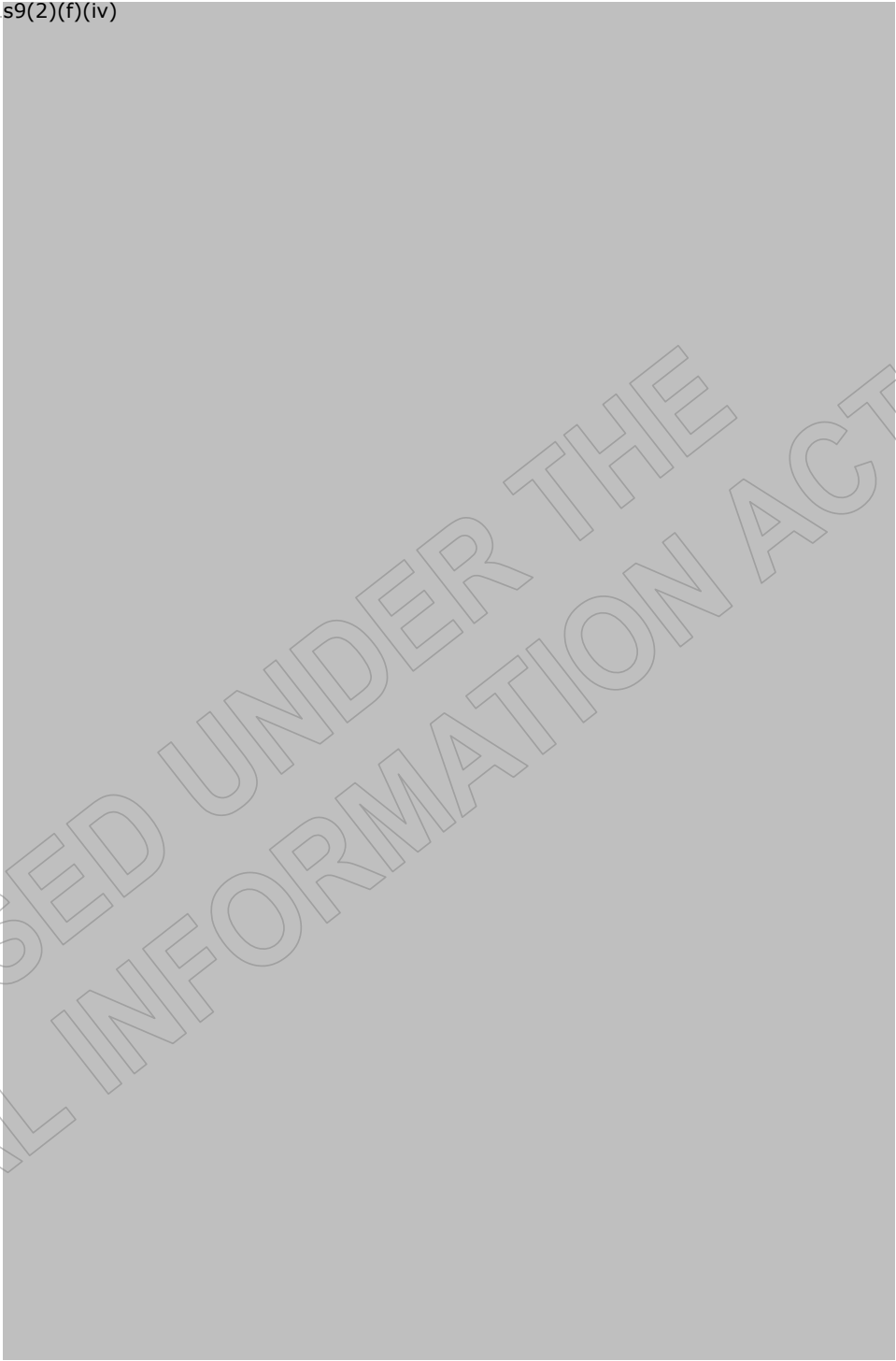
Targeting choices (recommendation 7)

Talking points:

• s9(2)(f)(iv)

•

s9(2)(f)(iv)



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Talking points:

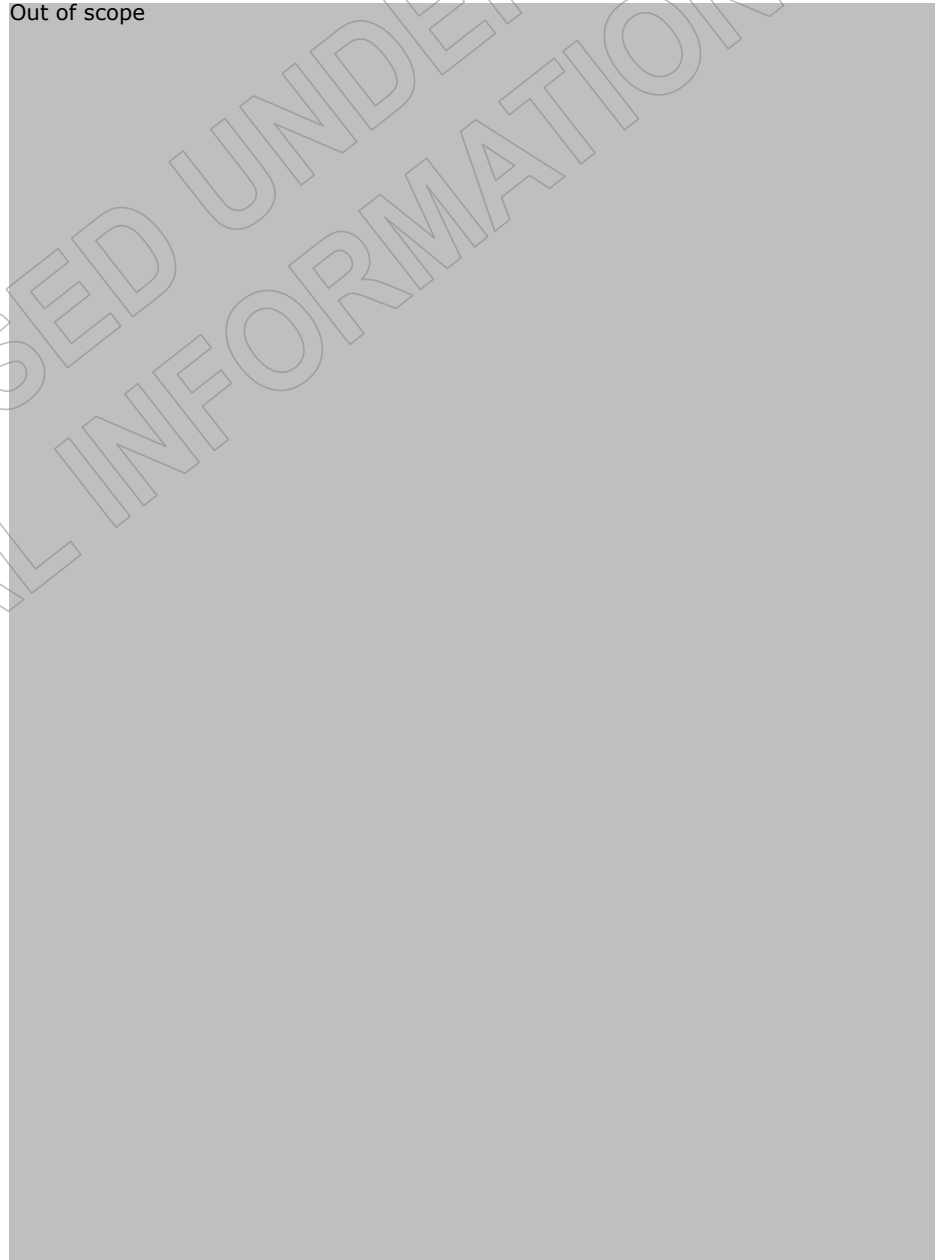
s9(2)(f)(iv)



s9(2)(f)(iv)



Out of scope



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Child poverty reduction targets in the current fiscal environment

The next three-year targets (likely to have been agreed by Cabinet on Monday 28 June) are broadly consistent with the average rate of progress required to reach the ten-year targets.

Talking points:

-
- When factoring in the impacts of the benefit increases announced in Budget 2021, reaching the next three-year targets would require further policies that achieve reductions of around 20-25,000 children (2 ppt) on each measure.

- s9(2)(f)(iv)

-

-

Next steps

Timeline of upcoming advice

For a more detailed outline of recent and future advice in 2021, a handout has been provided.

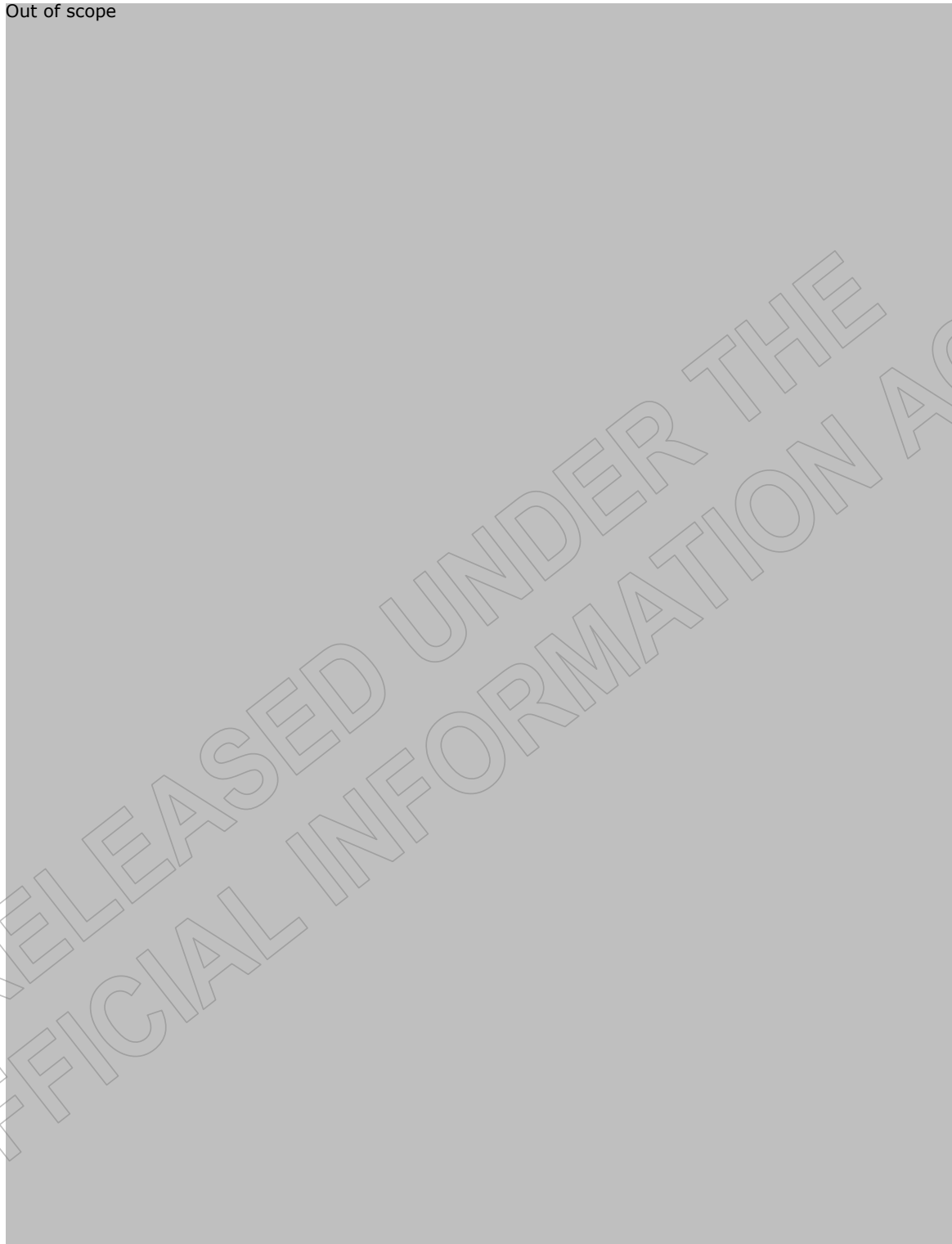
July	WFF options report
August	s9(2)(f)(iv) AS options report

Author: Out of scope, Graduate Policy Analyst, Income Support Policy

Responsible manager: Polly Vowles, Policy Manager, Income Support Policy

Appendix – Out of scope

Out of scope



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Timeline of the review of Working for Families and Accommodation Supplement and other related work

- The review of Working for Families (WFF) and Accommodation Supplement (AS) is progressing well to provide options to s9(2)(f)(iv).
- A Governance Group of senior officials from Ministry of Social Development, the Department of the Prime Minister and Cabinet, the Treasury, Inland Revenue and the Ministry of Housing and Urban Development meets fortnightly to provide oversight and guidance on the review. There is also a working group made up of officials from these agencies.

Recent advice:

- Initial advice on the approach to the Accommodation Supplement Review, 2 June 2021
 - This paper is the main point of discussion for this Income Support Ministers' meeting and seeks agreement to the scope and parameters of the AS review.
- Approach to engagement for the Working for Families and Accommodation Supplement review, 24 June 2021
 - This report was sent to the Minister for Social Development and Employment for agreement to an approach to discuss with Income Support Ministers.

Out of scope

Upcoming advice:

July	WFF options report
August	s9(2)(f)(iv) AS options report Public engagement on WFF/AS could potentially begin (TBC)
September	s9(2)(f)(iv)
October	Engagement findings report to Income Support Ministers and the Minister of Housing (TBC) s9(2)(f)(iv)
November	s9(2)(f)(iv) Out of scope

- The timeframes for future advice will largely depend on the decisions made by Ministers. Provisional timeframes are indicated above. Out of scope

Report

Date: 23 July 2021 **Security Level:** IN CONFIDENCE

To: Hon Carmel Sepuloni, Minister for Social Development and Employment
Hon David Parker, Minister of Revenue

CC Rt Hon Jacinda Ardern, Prime Minister, Minister for Child Poverty Reduction
Hon Grant Robertson, Minister of Finance
Hon Kelvin Davis, Minister for Children
Hon Megan Woods, Minister of Housing

Further advice on engagement for the Working for Families and Accommodation Supplement Review

Purpose of the report

- 1 This report provides details on the agreed approach for public written submissions and targeted engagement with key experts and stakeholders, to inform the review of Working for Families and Accommodation Supplement.

Recommended actions

It is recommended that you:

- 1 **note** that Ministers have agreed to public written submissions and targeted engagement with experts and key stakeholders, while noting the condensed timeframes for conducting engagement to s9(2)(f)(iv)
- 2 **note** based on indicative timeframes, public written submissions and targeted engagement are likely to be for the month of September 2021, with submissions summarised and reported to Ministers in October 2021
- 3 **note** that officials will provide an email and physical address for public written submissions, s9(2)(f)(iv)
- 4 **note** the proposed guidance material is attached as Appendix One, which will be provided to the public, experts and key stakeholders to support engagement
- 5 **provide feedback** via your office to officials on the guidance material for stakeholder engagement
- 6 **note** the logos of agencies working on the review of Working for Families and Accommodation Supplement will be used for the public engagement

- 7 **note** the guidance material will be provided in Easy Read and Te Reo, but it may not be translated into any further languages or formats, given condensed timeframes
- 8 **note** that officials have developed a proposed list of experts and key stakeholders for targeted engagement, which is provided as Appendix Two
- 9 **provide feedback** via your office to officials on the proposed list of experts or key stakeholders, including whether to add any stakeholders and how the list could be reduced, given short timeframes to arrange and conduct meetings
- 10 **note** that officials will liaise with your Offices closer to the time of meetings as required
- 11 **note** that officials are continuing to work through the engagement approach with iwi/Māori, and how this can best be conducted given condensed timeframes
- 12 **agree** for the Minister for Social Development and Employment to present an oral item to Cabinet on the public engagement before it goes live

Agree/Disagree

Minister for Social Development and Employment

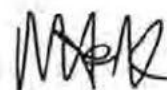
Agree/Disagree

Minister of Revenue

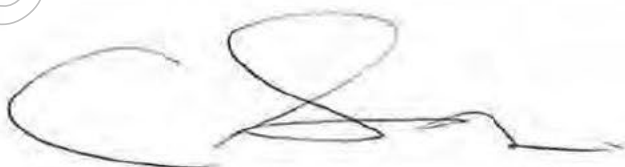
- 13 **note** Ministers need to provide feedback on guidance materials by 30 July 2021 in order for translation of materials to be ready by early September 2021
- 14 **note** if Ministers make decisions later than 30 July 2021 this will delay the translation of material into accessible formats and may shorten the window for public engagement



Fiona Carter-Giddings
General Manager
Ministry of Social Development



Maraina Hak
Policy Lead
Inland Revenue



Hon Carmel Sepuloni
Minister for Social Development and Employment

Hon David Parker
Minister of Revenue

Ministers have agreed to public written submissions and targeted engagement to inform the review of Working for Families and Accommodation Supplement

- 2 In June 2021 officials provided advice to the Minister for Social Development and Employment on the approach to engagement on the review of Working for Families and Accommodation Supplement (the Review) [REP/21/6/614 refers]. This report was forwarded to the Ministers for Child Poverty Reduction (the Prime Minister), Finance, Children and Revenue ('Income Support Ministers'), and the Minister of Housing.
- 3 The Minister for Social Development and Employment agreed to public written submissions and targeted engagement with a small number of experts and key stakeholders, and Income Support Ministers endorsed this approach in their meeting on 29 June 2021. The engagement will cover Working for Families (WFF) and Accommodation Supplement (AS). Ministers also indicated that the objectives of the Review and key constraints should be shared with stakeholders as part of engagement.
- 4 This report provides further detail on the planned approach for each of the two streams of engagement alongside draft guidance material to be provided to stakeholders.

Public written submissions will be conducted online, with supporting guidance material provided on the Review

Process for public written submissions

- 5 Public written submissions will cover WFF and AS as part of the same process. Officials recommend public written submissions be conducted through a webpage on the Ministry of Social Development (MSD) website. Logos of the agencies involved in the Review will be included on the webpage, s9(2)(f)(iv), to reflect joint agency responsibility for the Review.
- 6 The webpage will provide an email address and a postal address which stakeholders can send standalone written submissions to. The webpage will be made as accessible as possible for people with disabilities.

7 s9(2)(f)(iv)

8

- 9 We do not propose sending out physical copies of s9(2)(f)(iv) or guidance material, given the very short timeframes. The disadvantage of this is we are less likely to hear from clients who do not have access to the internet. A printable version s9(2)(f)(iv) will be available through the webpage for stakeholders to print and post in. If MSD or Inland Revenue (IR) receive requests from clients for a physical copy s9(2)(f)(iv), these will be sent to them.
- 10 Agencies will alert a wide range of stakeholders and interested parties to the engagement process to ensure a high level of awareness. This will involve a multi-channel approach including direct email, newsletter, web content, and through existing stakeholder reference groups. Agencies will encourage groups to provide their feedback and to on share the links to the engagement website with their networks.

11 s9(2)(f)(iv)

Guidance material to support submissions

12 To support engagement, guidance material will be provided which covers s9(2)(f)(iv)

13 As discussed in previous advice [REP/21/6/614 refers], the guidance material will be concise rather than a discussion document given condensed timeframes. s9(2)(f)(iv)

14 A draft of the guidance material is attached in Appendix One. s9(2)(f)(iv)

15 We are seeking feedback from Ministers on whether the guidance material covers all expected areas, and if not, what else should be included.

16 The guidance material will need to be translated into accessible formats. Officials recommend it is translated into Te Reo and Easy Read text at a minimum. Given condensed timeframes, translation into additional languages is being explored, but may not be possible. Officials note that the Easy Read material may be published later in the engagement phase as it traditionally takes longer to develop.

Targeted engagement with a limited number experts and key stakeholders will be conducted in parallel with written submissions

A small number of experts and key stakeholders will be invited to participate in targeted engagement

17 A limited number of meetings with experts and key stakeholders will be conducted alongside written submissions. Officials have prepared an initial list of possible experts and key stakeholders who could be invited to participate in meetings with officials. This is provided as Appendix Two.

18 This is not an exhaustive list, and we are seeking feedback from Ministers on whether there are any additional individuals or groups you would like included, and which stakeholders you would like officials to prioritise for engagement. Given the short timeframes for engagement the number of stakeholders on this list will be challenging to consult with. We are seeking feedback from Ministers on whether any of these stakeholders can be removed from the list for targeted engagement and emailed instead to request their feedback on the Review through written submissions.

19 Following feedback from Ministers, officials will update the list as needed. s9(2)(f)(iv)

20 There may be additional stakeholders who are suggested to officials as the process progresses. In addition, MSD and Ministry for Housing and Urban Development may wish to engage with some additional stakeholders, as a result of further feedback from Ministers following upcoming advice on the direction of the AS review. Officials suggest Ministers agree to leave this list open, so any key additional stakeholders can be added if required.

21 We also propose to consult internally, including with science advisors and reference groups:

21.1 MSD Māori reference group