

The Treasury

Budget 2015 Information Release

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- [1] 6(a) - to prevent prejudice to the security or defence of New Zealand or the international relations of the government
- [2] 6(c) - to prevent prejudice to the maintenance of the law, including the prevention, investigation, and detection of offences, and the right to a fair trial
- [3] 6(e)(iv) - to damage seriously the economy of New Zealand by disclosing prematurely decisions to change or continue government economic or financial policies relating to the entering into of overseas trade agreements.
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- [8a] 9(2)(f)(ii) - to maintain the current constitutional conventions protecting the collective and individual ministerial responsibility
- [9] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions
- [10] 9(2)(h) - to maintain legal professional privilege
- [11] 9(2)(i) - to enable the Crown to carry out commercial activities without disadvantage or prejudice
- [12] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice
- [13] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage
- [14] Not in scope

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In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) of the Official Information Act.



Cabinet

Minute of Decision



CAB Min (15) 11/12

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Package for Children Living in Material Hardship

Portfolio: Deputy Prime Minister

On 13 April 2015, Cabinet:

Background

- 1 **noted** that the government already actively supports families and children in material hardship, by strengthening the economy, maintaining the substantial financial support available to families, and addressing the long term drivers of material hardship;
- 2 **noted** that the paper under CAB (15) 168 establishes a package of initiatives to further assist dependent children who may be experiencing material hardship, and permanently improve child and family circumstances by supporting parental employment and increased income;
- 3 **noted** that this package is intended to be implemented from 1 April 2016, allowing time for legislation, service and information technology development, and other implementation requirements (the Childcare increase will come into force on Monday 4th April 2016);

Strengthening work expectations

- 4 **noted** that government actions to build a strong economy that increases employment opportunities and wages, alongside the successful work-focused welfare reforms, have helped to lift more families with children from welfare into employment;
- 5 **agreed** to extend part-time work availability obligations to Sole Parent Support recipients and work-tested spouses or partners of main beneficiaries with a youngest dependent child aged 3 to 13 years (currently 5 to 13 years);
- 6 **agreed** to amend the Social Security Act 1964 definition of part-time work to work averaging not less than 20 hours per week (currently 15 hours);
- 7 **noted** that Work and Income case managers will continue to exercise some flexibility around suitable employment and the exact hours of work that are required, to fit with what is available and is suitable for a client's circumstances;

Increased assistance with childcare costs

- 8 **noted** that childcare costs for the lowest income families can reduce income gains made through employment, particularly when the hours required are above those available through subsidised Early Childhood Education, schooling, or school holiday care;
- 9 **agreed** to introduce a new, \$5 per hour rate of Childcare Assistance for families earning below:
- 9.1 \$800 per week with one dependent child;
- 9.2 \$920 per week with two dependent children;
- 9.3 \$1,030 per week with three or more dependent children;
- 10 **agreed** to increase funding to Out-of-School-Care-and-Recreation (OSCAR) providers to meet the costs of the expected increase in the take-up of before and after school care and school holiday programmes as a result of the changes in this package;
- 11 [8]
- 12

Increasing benefits for families with dependent children

- 13 **noted** that while employment offers the best route to increased family income for most families, the majority of children currently experiencing material hardship are in benefit dependent households;
- 14 **agreed** that, for people with one or more dependent children, the after-tax weekly rate of the following benefits should increase by \$25:
- 14.1 Jobseeker Support;
- 14.2 Sole Parent Support;
- 14.3 Supported Living Payment;
- 14.4 Young Parent Payment;
- 14.5 Youth Payment;
- 14.6 Emergency Benefit;
- 15 **agreed** that, for people with one or more supported children, the net weekly rate of the Student Allowance should increase by \$25;
- 16 **noted** that the above after-tax benefit rates could alternatively be increased by either \$22 or \$20 per week, if the fiscal position does not allow a \$25 per week increase;

- 17 **agreed** that this increase be applied from 1 April 2016, in addition to and immediately after the 1 April 2016 indexation of benefit rates to the Consumer Price Index;
- 18 **agreed** that the existing annual benefit expiry and re-grant (re-application) process will apply to recipients of Sole Parent Support;

Extra support for low income working families with dependent children;

- 19 **noted** that children in some of the lowest income working households can also experience material hardship;
- 20 **agreed** to increase the In-Work Tax Credit for principal caregivers of one or more dependent children by \$12.50 per week by increasing “amount a” in the In-Work Tax Credit formula from \$3,120 to \$3,770;
- 21 **agreed** that the abatement rate applying to income in excess of the abatement threshold for the calculation of Working for Families Tax Credits be increased from 21.25 cents in the dollar to 22.50 cents in the dollar;
- 22 **noted** that the Minimum Family Tax Credit for working households on the lowest incomes will automatically increase to maintain the margin between benefit and work income;
- 23 [8]

Flow-on impacts

- 24 **noted** that increasing main benefit rates for beneficiaries with dependent children can affect other entitlements such as Accommodation Supplement, Income Related Rent Subsidy, Child Support, rates and thresholds of supplementary assistance, and Temporary Additional Support income;
- 25 **noted** that while most of the consequential impacts on other assistance as a result of this package have been identified and are intentional, there may be a small number of people who are financially disadvantaged as an unintended consequence of the package;
- 26 **agreed** that there be a financial assistance payment to people who are financially disadvantaged as an unintended consequence of the net effects of this package;
- 27 **agreed** that the legislation enacting this package include a power to make regulations authorising the provision of financial assistance to any persons who are financially disadvantaged as an unintended consequence of the net effects of this package;
- 28 **noted** that any payments made as a result of paragraph 26 above will be limited to situations in which a family is financially worse off overall as a direct unintended consequence of this package, and excludes situations of financial disadvantage identified elsewhere in the paper under CAB (15) 168;
- 29 **agreed** to retain current eligibility for the Community Services Card when the In-Work Tax Credit increases, by raising the amount of income for eligibility purposes by \$650 for families with one or more dependent children;

- 30 **noted** that the amount of Income Related Rent Subsidy paid to social housing providers for beneficiary families with children will reduce by around \$6.25 per week as a result of the proposed increase in benefit rates;
- 31 **noted** that the Income Related Rent Subsidy is paid from a capped appropriation;
- 32 **agreed** to reduce the funding cap for the Part Payment of Rent to Social Housing Providers appropriation, which provides for payment of the Income Related Rent Subsidy to social housing providers, as a consequence of the increase to main benefit rates;

Legislative implications

- 33 **noted** that the proposals contained in the paper under CAB (15) 168 will require amendments to existing legislation and to regulations under a number of statutes;
- 34 **agreed** to include a Support for Children in Hardship Bill on the 2015 Legislation Programme, with a category 2 priority (must be passed in 2015);
- 35 **agreed** that amendments to the Income Tax Act 2007 and the Social Security Act 1964 required to implement the policy changes agreed above effective from 1 April 2016 be introduced in May 2015;
- 36 **authorised** the Deputy Prime Minister, the Minister for Social Development and the Minister of Revenue to make technical, policy and administrative changes required to finalise draft legislation and regulations, in keeping with the policy aims, to implement the package;
- 37 **invited** the Deputy Prime Minister, the Minister for Social Development and the Minister of Revenue to issue drafting instructions to the Parliamentary Counsel Office and Inland Revenue's Tax Law Drafting Unit to draft amendments to give effect to the policy decisions agreed above;

Financial implications

- 38 **noted** that the Budget 2015 package will have the following net impact on the operating balance:

	Sm - increase/(decrease)			
	2015/16	2016/17	2017/18	2018/19 & outyears
Operating Balance Impact	70.575	244.538	237.895	237.305
Debt Impact	-	-	-	-
No Impact (tax on benefits)	6.630	26.215	25.994	26.113
TOTAL	77.205	270.753	263.889	263.418

39 **noted** that the table below presents the total financial impact of the Budget 2015 Child Material Hardship package on the Crown's operating balance, for each affected Vote:

Initiative	\$m - increase/(decrease)			
	2015/16	2016/17	2017/18	2018/19 & outyears
Vote Social Development				
Benefit rates increase	33.025	132.139	132.105	133.820
Student Allowance increase	1.883	5.946	6.093	6.120
Childcare Assistance Increase	7.753	31.484	32.088	32.822
Consequential impact on OSCAR programme costs	0.100	0.400	0.400	0.400
Consequential impact on Income Related Rent Subsidy appropriation	(0.601)	(7.383)	(7.459)	(7.525)
Payment to redress unintended financial disadvantage resulting from the package	0.065	0.250	0.250	0.250
MSD implementation costs	8.350	6.872	3.618	3.618
Total Vote Social Development	50.575	169.708	167.095	169.505
Vote Revenue				
In-work tax credit increase and abatement rate increase	19.000	73.000	69.000	66.000
Minimum Family Tax Credit increase	0.400	1.600	1.800	1.800
Inland Revenue implementation costs	0.600	0.230	-	-
Total Vote Revenue	20.000	74.830	70.800	67.800
TOTAL OPERATING	70.575	244.538	237.895	237.305

Increases to benefit rates for families with children

40 **approved** the following changes to appropriations reflecting the increase to main benefit and student allowance rates, and the consequential impacts on other social assistance, to give effect to paragraphs 14, 15 and 17 above:

Vote Social Development Minister for Social Development	\$m - increase/(decrease)			
	2015/16	2016/17	2017/18	2018/19 & Outyears
Benefits or Related Expenses:				
Jobseeker Support and Emergency Benefit	7.805	31.544	31.432	32.002
Supported Living Payment	4.014	16.182	16.449	16.749
Sole Parent Support	26.979	107.253	106.540	106.761
Student Allowances	2.141	6.759	6.927	6.958
Hardship Assistance	(0.482)	(1.923)	(1.769)	(1.508)
Youth Payment and Young Parent Payment	0.534	2.241	2.275	2.284
Minister for Social Housing				
Benefits or Related Expenses:				
Accommodation Assistance	0.547	2.244	2.338	2.807
Total Operating	41.538	164.300	164.192	166.053

Increases to Working for Families

41 **noted** the following changes to appropriations in accordance with section 185 of the Tax Administration Act 1994, reflecting the changes to Working for Families tax credits described in paragraphs 20, 21 and 22 above:

Vote Revenue Minister of Revenue	\$m increase/(decrease)			
	2015/16	2016/17	2017/18	2018/19 & Outyears
Benefits or Related Expenses:				
Minimum Family Tax Credit PLA	0.400	1.600	1.800	1.800
In-Work Tax Credit PLA	27.000	105.000	100.00	95.000
Family Tax Credit PLA	(7.880)	(31.510)	(30.520)	(28.550)
Parental Tax Credit PLA	(0.120)	(0.490)	(0.480)	(0.450)
Total Operating	19.400	74.600	70.800	67.800

Increases to Childcare Assistance

- 42 **approved** the following changes to appropriations to give effect to the changes to Childcare Assistance in paragraphs 9 and 10 above:

Vote Social Development Minister for Social Development	\$m - increase/(decrease)			
	2015/16	2016/17	2017/18	2018/19 & Outyears
Benefits or Related Expense:				
Childcare Assistance	7.753	31.484	32.088	32.822
Non-departmental Other Expense:				
Out of School Care Programmes	0.100	0.400	0.400	0.400
Total Operating	7.853	31.884	32.488	33.222

Consequential impact on social housing funding level

- 43 **approved** the following change to the Part Payment of Rent to Social Housing Providers appropriation to give effect to paragraph 32 above:

Vote Social Development Minister for Social Housing	\$m - increase/(decrease)			
	2015/16	2016/17	2017/18	2018/19 & Outyears
Non-Departmental Output Expense:				
Part Payment of Rent to Social Housing Providers	(0.601)	(7.383)	(7.459)	(7.525)
Total Operating	(0.601)	(7.383)	(7.459)	(7.525)

Transitional assistance

- 44 **agreed** to establish in Vote Social Development a benefits or related expenses appropriation Transitional Assistance, with the following scope "this appropriation is limited to supplementary financial assistance to people who are unintentionally adversely affected by changes in policy or legislation, so they will not be financially worse off at the point of change";
- 45 **approved** the following changes to appropriations to give effect to the decision in paragraphs 26 and 27 above, creating a payment of financial assistance to people who are unintentionally financially disadvantaged:

Vote Social Development Minister for Social Development	\$m - increase/(decrease)			
	2015/16	2016/17	2017/18	2018/19 & Outyears
Benefits or Related Expenses:				
Transitional Assistance	0.065	0.250	0.250	0.250
Total Operating	0.065	0.250	0.250	0.250

Departmental operational costs

46 **approved** the following changes to appropriations to fund the implementation costs for the Ministry of Social Development relating to the policy decisions in paragraphs 1 to 32 above:

Vote Social Development Minister for Social Development	\$m - increase/(decrease)			
	2015/16	2016/17	2017/18	2018/19 & Outyears
Multi-Category Expenses and Capital Expenditure				
Improved Employment and Social Outcomes Support				
Departmental Output Expense:				
Administering Income Support (funded by Revenue Crown)	8.350	6.872	3.618	3.618
Total Operating	8.350	6.872	3.618	3.618

47 **approved** the following changes to appropriations to fund the implementation costs for Inland Revenue relating to the policy decisions in paragraphs 1 to 32 above:

Vote Revenue Minister of Revenue	\$m increase/(decrease)			
	2015/16	2016/17	2017/18	2018/19 & Outyears
Departmental Output Expenses:				
Services to Process Obligations and Entitlements (funded by Revenue Crown)	0.300	0.115	-	-
Services to Inform the Public About Entitlements and Meeting Obligations (funded by Revenue Crown)	0.300	0.115	-	-
Total Operating	0.600	0.230	-	-

48 **agreed** that the operating balance impact in paragraph 38 of expenses incurred under paragraphs 40 to 47 above be a charge against the Budget 2015 operating allowance;

49 **authorised** the Minister of Finance, the Minister for Social Development, the Minister for Social Housing and the Minister of Revenue to approve jointly any technical adjustments to baselines necessary to remove any errors or inconsistencies identified while finalising the 2015/16 Estimates and the fiscal forecasts;

Communications

50 **noted** that all communications relating to the 2015 Budget are co-ordinated by a Budget communications committee, and that any requests for early announcement will need to have both the written approval of the Minister of Finance and sign-off from the Prime Minister's office.



Secretary of the Cabinet

Reference: CAB (15) 168