

The Treasury

Budget 2021 Information Release

August 2021

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- [1] 6(a) - to avoid prejudice to the security or defence of New Zealand or the international relations of the government
- [23] 9(2)(a) - to protect the privacy of natural persons, including deceased people
- [25] 9(2)(b)(ii) - to protect the commercial position of the person who supplied the information or who is the subject of the information
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- [33] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials
- [34] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions
- [35] 9(2)(g)(ii) - to maintain the effective conduct of public affairs through protecting ministers, members of government organisations, officers and employees from improper pressure or harassment
- [36] 9(2)(h) - to maintain legal professional privilege
- [37] 9(2)(i) - to enable the Crown to carry out commercial activities without disadvantage or prejudice
- [38] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice
- [39] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage
- [40] Not in scope
- [42] 18(d) - information is already publicly available or will be publicly available soon.

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Treasury Report: Advice on a Potential Main Benefit Increase

Date:	13 November 2020	Report No:	T2020/3462
		File Number:	SH-3-0-1

Action sought

	Action sought	Deadline
Hon Grant Robertson Minister of Finance	Note the contents of this report ahead of any discussions you may have with your colleagues on a potential main benefit increase.	None

Contact for telephone discussion (if required)

Name	Position	Telephone	1st Contact
Laura Browne	Senior Analyst, Welfare and Oranga Tamariki ^[39]	^[35]	✓
Keiran Kennedy	Manager, Welfare and Oranga Tamariki		

Minister's Office actions (if required)

Return the signed report to Treasury.

Note any feedback on the quality of the report

Enclosure: No

Treasury Report: Advice on a Potential Main Benefit Increase

Purpose of Report

1. Minister Sepuloni will shortly receive advice from the Ministry of Social Development (MSD) around options for a significant pre-Christmas income support package, more specifically a \$25 per week increase to main benefits.
2. This is in addition to advice on the manifesto commitment to lift benefit abatement thresholds that is currently scheduled for Cabinet consideration on 30 November (which has indicative costings of around \$300 million over the forecast period).
3. This report provides some key points regarding a possible pre-Christmas income support package that you may want to consider ahead of any discussions with your colleagues. We understand that Minister Sepuloni may refer the MSD reports to you.

Fiscal and Budget Strategy

4. As you will be aware, in a tight fiscal environment, there will be limited fiscal headroom to progress significant income support packages alongside your existing manifesto commitments (i.e. lifting benefit abatement thresholds) and cost pressures.
5. Initial costings suggest that the income support options being canvassed by MSD range between \$770m and \$1.0b p.a. (inclusive of changes to benefit abatement thresholds). This would account for up to 40% of your budget allowances which would significantly constrain your ability to fund other manifesto priorities and urgent cost pressures within existing allowances.
6. We understand that there is space on the Cabinet agenda on 7 December to consider the issue of a main benefit increase. Agreeing to fund a package of this quantum as a pre-commitment is inconsistent with our advice that Budget 2021 should be limited to priority manifesto commitments outlined in key Government documents and urgent cost pressures. It would also risk undermining fiscal management by setting an early precedent with your colleagues around the availability of out-of-cycle funding [T2020/3409 refers].
7. Our advice is that if there is Ministerial interest in progressing a significant income support package as part of Budget 2021, then this should be considered through the main budget process.

Broader Considerations

Child poverty

8. We acknowledge that there may be broader considerations that may lead you to consider progressing an income support package pre-Christmas. The Child Poverty Unit has advised that a significant income support package will be needed at least every term to enable meaningful progress towards the Child Poverty targets.
9. Income supports measures would need to be fully implemented from 1 April 2022 for the impacts to be seen on the next round of Child Poverty targets. This would still be feasible if the decision was taken through the normal Budget 2021 process. A pre-Christmas decision would allow the changes to be implemented from 1 April 2021.

10. A large group of NGOs recently wrote to you, the Prime Minister and Minister Sepuloni calling for urgent action on benefit levels pre-Christmas. We understand the Prime Minister is preparing a letter in response.

Welfare overhaul

11. Progressing an income support package pre-Christmas needs to be considered in the context of the Government's Welfare Overhaul work programme. Decisions made at this stage could create path dependencies which may limit future policy options. Given the complexity of the welfare system, we recommend income support changes are considered together.

Manifesto commitment to lift benefit abatement thresholds

12. As noted, our understanding is that lifting benefit abatement thresholds will be considered prior to Christmas, given its status as a priority manifesto commitment, to allow for implementation on 1 April 2021. There will be flow on impacts to other forms of support, including the Minimum Family Tax Credit, and officials will provide further advice on options.

Recommended Action

We recommend that you:

- a **note** that Minister Sepuloni may discuss with you the possibility of seeking a pre-Christmas decision to increase main benefits;
- b **note** that such policies are fiscally significant and could account for up to 40% of your budget allowances;
- c **note** that Treasury recommends that these decisions should be considered through the main budget process in accordance with broader advice around fiscal management and the approach to Budget 2021.

Keiran Kennedy
Manager, Welfare and Oranga Tamariki

Hon Grant Robertson
Minister of Finance