

The Treasury

Budget 2022 Information Release

August 2022

This document has been proactively released and is available on:

- The **Budget website** from August 2022 to May 2023 only at: <https://budget.govt.nz/information-release/2022>, and on
- the **Treasury website** from later in 2022 at: <https://treasury.govt.nz/publications/information-release/budget-2022-information-release>.

Cabinet Document Details

Title: **Cabinet Minute: CBC-22-MIN-0021: Passing on Child Support Payments to Sole Parent Beneficiaries: Policy Decisions and Pre-commitment Funding**

Date: **21 March 2022**

Creator: Cabinet Office

Information Withheld

Some parts of this information release would not be appropriate to release and, if requested, would be withheld under the Official Information Act 1982 (the Act).

Where this is the case, the relevant sections of the Act that would apply have been identified.

Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

Key to sections of the Act under which information has been withheld:

[36] 9(2)(h) - to maintain legal professional privilege

Where information has been withheld, a numbered reference to the applicable section of the Act has been made, as listed above. For example, a [36] appearing where information has been withheld in a release document refers to section 9(2)(h).

Copyright and Licensing

Cabinet material and advice to Ministers from the Treasury and other public service departments are © **Crown copyright** but are licensed for re-use under **Creative Commons Attribution 4.0 International (CC BY 4.0)** [<https://creativecommons.org/licenses/by/4.0/>].

For material created by other parties, copyright is held by them and they must be consulted on the licensing terms that they apply to their material.

Accessibility

The Treasury can provide an alternate HTML version of this material if requested. Please cite this document's title or PDF file name when you email a request to information@treasury.govt.nz.



Cabinet Business Committee

Minute of Decision

This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.

Passing on Child Support Payments to Sole Parent Beneficiaries: Policy Decisions and Pre-commitment Funding

Portfolios **Social Development and Employment / Revenue**

On 21 March 2022, the Cabinet Business Committee:

Background

- 1 **noted** that the government currently retains child support payments made to sole parents on a main benefit and Unsupported Child's Benefit recipients to offset the costs of the benefit, but not those made to other beneficiaries receiving a benefit at a couple rate, or to those parents receiving supplementary assistance only, ^[36]

Child support pass-on would be an important step in the overhaul of the welfare system

- 2 **noted** that passing-on child support for sole parent beneficiaries would be an important step to overhauling the welfare system, and would improve the financial position of more than half of all sole parent beneficiaries, support the government's efforts to reduce child poverty, improve child well-being, and improve the overall fairness of the welfare system;

Passing child support on to sole parent beneficiaries and to treat payments as income

- 3 **agreed** that:
 - 3.1 the government pass on child support payments made via Inland Revenue to sole parent beneficiaries from 1 July 2023 (except for child support received in respect of children for which the Unsupported Child's Benefit and Foster Care Allowance is paid);
 - 3.2 child support payments will be treated as income for the receiving carer when determining the amount of financial assistance payable under the Social Security Act 2018 and associated regulations, welfare programmes and ministerial directions;
 - 3.3 ^[36]

4 **agreed** to remove the obligation that sole parent beneficiaries (except for Unsupported Child's Benefit recipients) must apply for child support (under section 9 of the Child Support Act 1991);

5 [36]

6 **noted** that approximately 50,800 sole-parent families are estimated to be affected by child support pass-on, and of those 41,550 families will benefit financially by an average of \$65 per week, with a median gain of \$24 per week;

7 **noted** that approximately 6,700 existing clients who already have child support passed on via Inland Revenue may see a reduction in the amount of financial assistance payable due to changes in operational practices, including information sharing with Inland Revenue to inform the automatic charging of child support payments as income, potentially leading to benefit abatement;

Information sharing

8 **noted** that child support pass-on will require Inland Revenue and the Ministry of Social Development to share information on child support using the existing Approved Information Sharing Agreement (AISA), so that the Ministry of Social Development can automatically charge child support payments as income for a range of clients when determining the amount of financial assistance payable, without requiring clients to self- declare;

9 [36]

10 **noted** that Inland Revenue and the Ministry of Social Development will report back to Cabinet with a discussion document and engagement approach [36]

Detailed design decisions

11 **agreed** to the following detailed design details, which will apply to all clients who receive child support via Inland Revenue:

11.1 that child support payments via Inland Revenue are treated as income when determining the amount of financial assistance payable under the Social Security Act 2018, and charged forward over the next four or five weeks from the earliest commencement date of that assistance;

11.2 that child support arrears payments via Inland Revenue are charged forward over a four or five-week period, regardless of when the arrears were paid or the liable period the payment represents;

11.3 that child support payments via Inland Revenue will not be treated as a cash asset for a four or five-week period after the payment is received, at which point any unspent child support may be considered a cash asset consistent with the general practice for cash assets;

11.4 that a client's decision not to apply for, or to revoke, a child support arrangement via Inland Revenue will not be considered deprivation of income and therefore will not impact the amount to financial assistance payable (including hardship assistance);

11.5 [36]

11.6 that any child support payments via Inland Revenue, which relate to a period before child support pass-on go-live, will be excluded from the information share with Inland Revenue, and will be dealt with in line with the treatment of child support payments prior to 1 July 2023;

Passing on child support will increase the amount of Income Related Rent payable for some clients

12 **noted** that as a result of child support pass-on, approximately 8,900 clients will see an increase in Income Related Rent, which will reduce the amount of Income Related Rent Subsidy paid to the public housing provider;

Complimentary change to include formula assessment child support as an allowable cost for Temporary Additional Support and Special Benefit

13 **agreed** that child support (formula assessment) payment liability be included in the list of “allowable costs” for Temporary Additional Support and Special Benefit, as this has the attributes of a “regular, essential and unavoidable cost”;

Financial implications

14 **agreed** to increase spending to provide for costs associated with the policy decisions in paragraphs 3, 4, 11, and 13 above, with the following impacts on the operating balance and net core Crown debt:

	\$m – increase/(decrease)				
	2021/22	2022/23	2023/24	2024/25	2025/26 & Outyears
Operating Balance and Net Core Crown Debt Impact	0.645	3.710	110.297	109.883	109.530
Operating Balance Impact Only	-	-	-	-	-
Net Core Crown Debt Impact Only	1.764	18.436	-	-	-
No Impact	-	-	(4.422)	(4.629)	(4.629)
Total	2.409	22.146	105.875	105.254	104.901

- 15 **noted** the following changes to appropriations as a result of changes to section 141 of the Child Support Act 1991, reflecting the changed expenses described in paragraphs 3, 4, and 11 above:

Vote Revenue Minister of Revenue	\$m – increase/(decrease)				
	2021/22	2022/23	2023/24	2024/25	2025/26 & Outyears
Benefits or Related Expenses: Child Support Payments PLA	-	-	149.163	154.733	154.733
Total Operating	-	-	149.163	154.733	154.733

- 16 **noted** that there is a permanent legislative authority (PLA) for child support payments at section 140 of the Child Support Act 1991;
- 17 **noted** that the appropriation scope, as shown in the Estimates of Appropriations, is limited to payments “to custodial persons who are not dependent on the state for financial support”;
- 18 **noted** that to correct the reference to the PLA and to give effect to the decision above, it is necessary to amend the appropriation scope;
- 19 **agreed** to amend the appropriation scope for Vote Revenue as follows:

Title	Existing scope	Amended scope
Non-departmental benefits or related expense: <i>Child Support Payments</i>	This appropriation is limited to child support payments to custodial persons who are not dependent on the state for financial support (expenses incurred pursuant to section 141 of the Child Support Act 1991).	This appropriation is limited to child support payments to receiving carers incurred under to section 140(2) of the Child Support Act 1991.

- 20 **noted** the following changes as a result of the decision in paragraphs 3, 4, and 11, which are included in the table in paragraph 14 above:

Vote Revenue Minister of Revenue	\$m – increase/(decrease)				
	2021/22	2022/23	2023/24	2024/25	2025/26 & Outyears
Other Revenue: Child Support	-	-	(149.163)	(154.733)	(154.733)
Total Operating	-	-	149.163	154.733	154.733

- 21 **approved** the following changes to appropriations to give effect to the policy changes outlined in paragraphs 3, 4, 11, and 13 above:

	\$m – increase/(decrease)				
	2021/22	2022/23	2023/24	2024/25	2025/26 & Outyears
Vote Revenue Minister of Revenue					
Multi-category Expenses and Capital Expenditure					
Services for Customers (MCA)					
Departmental Output Expense:					
Services to Ministers and to inform the public about entitlements and meeting obligations (funded by revenue Crown)	-	0.500	3.000	2.000	2.000
Departmental Output Expense:					
Services to Process Obligations and Entitlements (funded by revenue Crown)	-	0.950	3.600	2.400	2.400
Inland Revenue Department: Capital Injection	-	2.700	-	-	-
Vote Housing and Urban Development Minister of Housing					
Multi-category Expenses and Capital Expenditure					
Public Housing MCA					
Non-departmental Output Expense:					
Purchase of Public Housing Provision	-	-	(6.897)	(7.344)	(7.343)
Vote Social Development Minister for Social Development and Employment					
Departmental Output Expense:					
Data, Analytics and Evidence Services (funded by revenue Crown)	-	-	0.200	0.250	-
Multi-category Expenses and Capital Expenditure					
Improved Employment and Social Outcomes Support					
Departmental Output Expense:					
Administering Income Support (funded by revenue Crown)	0.645	2.260	8.711	8.470	8.366
Ministry of Social Development: Capital Injection	1.764	15.736	-	-	-
Benefits or Related Expenses:					
Childcare Assistance	-	-	(0.767)	(0.915)	(0.915)
Disability Assistance	-	-	(0.195)	(0.196)	(0.196)
Hardship Assistance	-	-	(15.639)	(17.155)	(17.155)
Jobseeker Support and Emergency Benefit	-	-	(3.822)	(4.039)	(4.039)
New Zealand Superannuation	-	-	(0.021)	(0.024)	(0.024)
Sole Parent Support	-	-	(21.297)	(21.989)	(21.989)
Supported Living Payment	-	-	(2.709)	(2.938)	(2.938)
Winter Energy Payment	-	-	(0.091)	(0.097)	(0.097)
Youth Payment and Young Parent payment	-	-	-	(0.007)	(0.007)
Minister of Housing Accommodation Assistance	-	-	(7.361)	(7.895)	(7.895)
Total Operating	0.645	3.710	(43.288)	(49.479)	(49.832)
Total Capital	1.764	18.436	-	-	-

- 22 **agreed** that the changes to appropriations and departmental capital injections for 2021/22 above be included in the 2021/22 Supplementary Estimates and that, in the interim, the increases be met from Imprest Supply;
- 23 **agreed** that the operating expenses incurred under paragraph 14 above be charged as a pre-commitment against the Budget 2022 operating allowance, and that the capital expenditure/departmental capital injection incurred as a result of this decision be charged as a pre-commitment against the Budget 2022 Multi-Year Capital Allowance;

Legislative implications

- 24 [36]
 required to implement the policy changes agreed above will commence from 1 July 2023;
- 25 **invited** the Minister for Social Development and Employment and Minister of Revenue to issue drafting instructions to the Parliamentary Counsel Office to draft amendments to the [36] to give effect to the decisions above;

Authorisation

- 26 **authorised** the Ministers for Social Development and Employment and of Revenue, in consultation with other Ministers as appropriate, to make technical or minor policy decisions to finalise draft legislation and make consequential changes to regulations needed to implement these decisions in line with the overall aims of child support pass- on.

Jenny Vickers
 Committee Secretary

Present:

Rt Hon Jacinda Ardern (Chair)
 Hon Grant Robertson
 Hon Kelvin Davis
 Hon Dr Megan Woods
 Hon Chris Hipkins
 Hon Carmel Sepuloni
 Hon Andrew Little
 Hon Nanaia Mahuta
 Hon Poto Williams
 Hon Damien O'Connor
 Hon Stuart Nash

Officials present from:

Office of the Prime Minister
 Department of the Prime Minister and Cabinet