

Regulatory Impact Statement:

Social Security (Income and Cash Assets Exemption) Amendment Regulations 2014

Agency Disclosure Statement

This Regulatory Impact Statement (RIS) has been prepared by the Ministry of Social Development (MSD).

This RIS analyses options to ensure that payments such as '\$3K to Christchurch' are exempt from cash assets tests for assistance under the Social Security Act 1964. An exemption is required to ensure that people receiving the payments are not subsequently penalised by missing out on assistance they would otherwise be entitled to.

MSD considered a number of options, taking into account the policy objectives and fiscal constraints, and the preferred option will be implemented by 26 June 2014.

The RIS provides the required level of analysis, including the relevant background, problem definition, impact analysis, and other options considered.

To give effect to the preferred option, an amendment is required to the Social Security (Income and Cash Assets Exemption) Regulations 2011.

The options in this RIS are not likely to impose additional costs on business, impair private property rights, restrict market competition, or reduce the incentives on business to innovate and invest or override fundamental common law principles.

I have reviewed the attached RIS and consider the information and analysis to meet the quality assurance criteria.

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Status quo and problem definition

Background

1. From 1 July 2014, the '\$3k to Christchurch' initiative provides a lump sum, one-off \$3,000 payment to up to 1,000 beneficiaries who relocate to Christchurch or surrounding districts to take up a confirmed full-time job offer [CAB Min (14) 13/10 refers]. This initiative has been agreed to and announced. The total cost in Budget 2014 is \$3.5 million.
2. This financial incentive will be available to any beneficiary outside of Canterbury who is interested in moving to Canterbury for work in any occupation.
3. All eligible beneficiaries will need to have proof of a confirmed full time job offer (i.e. at least 30 hours a week and for more than 91 days) through either a contract, a letter of offer or confirmation from an employer. The payment is only available for beneficiaries who will move off benefit.
4. For the purposes of this initiative a beneficiary is a person who is currently receiving an income-tested benefit or a person who has applied and is eligible for an income-tested benefit.
5. This payment will make a significant contribution to relocation costs, and to help respond to the shortage of labour created by the rebuilding of Christchurch. The lump sum payment is intended to be easy to understand, simple to administer and transparent. For example, eligible beneficiaries do not have to prove actual costs.

Problem

Lump sum payments are considered cash assets for assistance paid under the Social Security Act 1964

6. The Social Security Act 1964 already provides that payments like the '\$3K to Christchurch' paid under the Employment and Work Readiness Assistance Programme are not treated as income and are non-taxable. The Social Security Act 1964 does not, however, currently provide that payments under this welfare programme are not cash assets for the purposes of other means tested assistance.
7. In order to be exempt from asset tests, a payment must be specifically exempted from being cash assets in the Social Security Act 1964 or in the Social Security (Income and Cash Assets Exemptions) Regulations 2011.

Impact if no cash asset exemption is granted

8. If an exemption is not granted for the '\$3K to Christchurch' lump sum payment, then the recipient may not immediately qualify for other forms of assistance, such as Accommodation Supplement or Recoverable Assistance, until the cash asset diminishes.
9. Having cash assets may be a particular problem for the Accommodation Supplement where the limit for a single person is \$2,700. Accommodation is difficult to find in Christchurch, and not having an exemption for the lump sum payment may lead to situations where the assistance people would have ordinarily been eligible for, is not available. This may negate the intention of the policy.

10. The same problem arises for other lump sum payments that are designed to encourage people into work or training. These payments are now provided under a ministerial welfare programme which enables them to be exempt from being taxed, or subject to income tests, but not from cash asset tests used for other assistance under the Social Security Act 1964.

Objectives

11. The policy objectives are to:
 - ensure that any lump sum payments paid to encourage people into work or training do not affect entitlement to other financial assistance under the Social Security Act 1964
 - make changes that do not require amendment of primary legislation where possible - the \$3K to Christchurch initiative starts on 1 July 2014
 - minimise the compliance costs on recipients of payments
 - ensure that the option is easy to administer.
12. Each alternative option has been assessed against these objectives.

Options and impact analysis

13. Two options were assessed against the three policy objectives set out above.
 - Option 1 - a non-regulatory option involving administering the funding through the Ministry of Social Development rather than providing the payment directly to individual recipients
 - Option 2 – Amend regulations to exempt all lump sum payments made under the Employment and Workforce Readiness Assistance Programme from cash asset tests, including the ‘\$3K to Christchurch’ payment.
14. Three alternative options were considered, but are not discussed in this RIS as they did not meet the policy objectives. These were to retain the status quo (no cash asset exemption), amend primary legislation or amend the Employment and Workforce Readiness Assistance Programme. The latter is not a feasible option, as it is unable to override the provisions of the Social Security Act 1964.

Option 1: Ministry of Social Development administers the funds

15. Under this option, the Ministry of Social Development would hold the \$3,000 as a fund available to the beneficiary and pay it directly to suppliers for the goods and services that the beneficiary needed to support their relocation to Christchurch. Therefore the lump sum payment would not be received directly by the beneficiary, so would not be considered a cash asset under the Social Security Act 1964.
16. This option meets the first objective as it would ensure that the payment does not affect entitlement to other assistance. However, it would not meet the other objectives because it would require recipients to provide verification of costs and processing the claims would be administratively burdensome.

Option 2: Amend regulations to exempt lump sum payments made under the Employment and Workforce Readiness Assistance Programme

17. This option involves amending regulations to exempt lump sum payments such as \$3K to Christchurch from being considered as cash assets. It would cover all lump sum payments under the Employment and Workforce Readiness Assistance Programme.
18. The option meets all of the policy objectives. It would allow a recipient of the \$3K to Christchurch or a similar lump sum payment under the above ministerial welfare programme to receive other forms of assistance under the Social Security Act 1964 subject to a cash assets test.
19. The option would be simple to administer and has no compliance costs for recipients of lump sum payments. The exemption would automatically apply.

Consultation

20. MSD consulted the Ministry of Business, Innovation and Employment, the Canterbury Earthquake Recovery Authority, and The Treasury on the Cabinet paper for \$3K to Christchurch and informed the Department of Prime Minister and Cabinet. However, these agencies have not been consulted on the RIS. The above agencies and the Ministry of Justice were consulted on the Cabinet paper for these regulations.

Conclusions and recommendations

21. MSD analysed each of the options set out above against the policy objectives. The status quo does not meet the policy objectives. Only Option 2 meets all the policy objectives fully. The Ministry therefore recommends this option

Implementation plan

22. The \$3K to Christchurch initiative will start on 1 July 2014.
23. The cost implications of the preferred option will be met from Budget 2014. The total cost is \$3.5 million.
24. Subject to Cabinet approval, regulations giving effect to the preferred option will be gazetted on 29 May 2014 and come into effect on 26 June 2014.

Monitoring, evaluation and review

25. There are no plans to evaluate the preferred option, given that the \$3K to Christchurch initiative will end on 30 June 2014. The initiative as a whole is being monitored.