

8 January 2025

Submitted via: [www.parliament.nz](http://www.parliament.nz)

Committee Secretariat  
Social Services and Community Committee  
Parliament Buildings  
Wellington

## **Re: Social Security Amendment Bill**

All whānau should have ongoing access to the essential services needed for their health, wellbeing and social participation. Where social security settings do not deliver this, financial mentors will face further avoidable demands on their already limited capacity.

FinCap welcomes the opportunity to comment on the Social Security Amendment Bill (**the Bill**). Our latest *Voices* report revealed 72% of those working with a financial mentor in 2023 received some form of income support.<sup>1</sup> Financial mentors spend a lot of their time helping whānau navigate our social security settings.

We are concerned that many of the proposed changes in the Bill could bring about processes that unwind work already done by financial mentors and otherwise impose further work on our sector. FinCap continues to support the recommendations of the Welfare Expert Advisory Group *Whakamana Tāngata* report 2019<sup>2</sup> and recommends more work is done to progress all government agencies' alignment with the Policy Framework for Debt to Government.<sup>3</sup>

FinCap would welcome the opportunity to make an oral submission to the committee and we expand on our comments in the submission below.

## **About FinCap**

FinCap (the National Building Financial Capability Charitable Trust) is a registered charity and the umbrella organisation supporting the 185 local, free financial mentoring services across Aotearoa. These services supported over 69,000 whānau facing financial hardship in 2023. We lead the sector in the training and development of financial mentors, the collection and analysis of client data and encourage collaboration between services. We advocate on issues affecting whānau to influence system-level change to reduce the causes of financial hardship.

## **Comments on the Bill**

Our comments below are arranged in response to items on the list of proposed changes in the explanatory note of the Bill.

*The Bill— 'introduces non-financial sanctions of money management and community work experience at the red level of the traffic light system of sanctions-related communications to clients (that is, for the first failure of an obligation, or what is sometimes called a Grade 1 sanction)'*

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<sup>1</sup> See p.14 of our [Voices 2023 report](#). FinCap anticipates having updated numbers for 2024 in the next month.

<sup>2</sup> See: <https://www.weag.govt.nz/weag-report/>

<sup>3</sup> See: <https://www.ird.govt.nz/about-us/publications/policy-framework-for-debt-to-government>

FinCap is concerned that money management, while not technically reducing the amount of income for whānau, will create avoidable financial challenges that strain our sector.

Jobseeker incomes continue to be inadequate.<sup>4</sup> Financial mentors provide assistance with juggling income and outgoings as well as finding ways to keep access to the essentials while whānau who are receiving Jobseeker pursue an adequate income. Any disruption through money management as to how someone facilitates payments in such precarious budget balances could undo support a financial mentor has already provided towards accessing essentials. The disruption from money management could also mean more people need assistance from financial mentors when adjusting to money management limitations and this could increase demand on our sectors' already strained capacity.

For example, a disruption could arise in situations where someone who is spending more than half of their income on rent (financial mentors regularly share with us where they have helped people in this situation). Based on the materials we have seen about the proposed changes in the Bill, it is not clear to us how the facilitation of rent payments would continue in such situations if someone was on money management.

Financial mentors are also seeking clarification on what would happen to redirection payments under the proposed changes. Often income redirections from Work and Income for essentials are established while working with a financial mentor. Ensuring rent and power don't get behind through these redirections can prevent other creditors from taking this money through direct debits or debit card payments in bank accounts. The redirections help whānau avoid further costs and impacts on wellbeing that could arise from problems like the power being disconnected or homelessness.

FinCap is also concerned about the proposed restriction on access to Special Needs Grants and Emergency Housing Grants for those on money management or community work experience as discussed in the cabinet papers for the Bill. The inadequacy of main benefit incomes means additional supports like these are often required to avoid going without the essentials.<sup>5</sup> While such grants are sometimes recoverable and can add to debt to government issues, these debt issues are still preferable to the consequences of going without essentials.

*The Bill— 'extends from 12 months to 24 months the period over which obligation failures are counted against a client, unless they are a client with youth activity obligations'*

FinCap is concerned that this could increase the number of whānau facing financial challenges and the corresponding demand on financial mentor's strained capacity to provide assistance.

*The Bill— 'requires certain cohorts of applicants for benefit to have a completed jobseeker profile questionnaire'*

Financial mentors can assist whānau to apply for a jobseeker benefit. This proposed change could increase the time it takes for financial mentors to assist with this process and mean more strain on financial mentoring services.

*The Bill— 'introduces a 26-week expiry for jobseeker support and requires recipients and their partners (if they have a partner included in their jobseeker support benefit) to reapply for their benefit every 26 weeks, replacing the current 52-week reapplication'*

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<sup>4</sup> See the modelling at page 3 in the Kore Hiakai [Ka Mākona report 2024](#)

<sup>5</sup> See for example the discussion from page 30 of our [Put on hold? report 2023](#)

*The Bill— ‘introduces transitional arrangements for 26-week reapplications, with specific transitional arrangements for those clients on jobseeker support receiving a sole-parent or grand-parented rate of benefit who have their income assessed over 52 weeks’*

*The Bill— ‘removes annual income charging, and the full-time employment exemption period (see section 21(3) of the Act), for jobseeker support clients and introduces a weekly income charging requirement for all jobseeker support clients to align with the 26-week benefit expiry’*

Financial mentors can assist whānau to apply for a jobseeker benefit. These three proposed changes could increase the time financial mentors spend assisting whānau with application processes and mean more strain on financial mentoring services.

### **Further comment on alignment with the policy framework for debt to government**

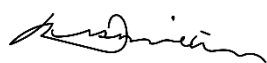
Resolving issues with the creation and collection of debt to government is a priority for FinCap. In the year to March 2024, 621,541 people had \$2.61 billion of debt to the Ministry of Social Development.<sup>6</sup> Creating and collecting debt that almost certainly cannot be repaid without hardship is counterproductive and presents barriers to the realisation of the objectives for the Bill.

We recently completed research to assess how much had been done by different government agencies to align with the Policy Framework for Debt to Government<sup>7</sup> guidelines that were published in 2023. The Ministry of Social Development and Inland Revenue told us they had made little progress on alignment with the guidance. This is a missed opportunity. We recommend consideration of a central organisation that monitors and supports all government agencies consistent alignment with this framework to support better outcomes. The central organisation could also advise on any legislative changes necessary for alignment.

We also recommend the creation of a direct phone line for financial mentors to the Ministry of Social Development and Inland Revenue. This would avoid wasted time on phone queues during government funded financial mentoring support appointments.

Please contact Jake Lilley, senior policy advisor at FinCap on 027 278 2672 or at [jake@fincap.org.nz](mailto:jake@fincap.org.nz) to discuss any aspect of this submission.

Ngā mihi



Ruth Smithers  
**Chief Executive**  
**FinCap**

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<sup>6</sup> See: <https://www.rnz.co.nz/programmes/the-detail/story/2018943380/the-benefit-system-that-holds-the-poor-in-poverty>

<sup>7</sup> See: <https://www.ird.govt.nz/about-us/publications/policy-framework-for-debt-to-government>