

Special Budget Edition 2009

Budget 09—What about the beneficiaries?

Bill English's first Budget, coming as it has in the context of the global economic crisis and accompanying local recession, was always going to be a difficult balancing act. The demands of the ratings organisation Standard and Poors, the imperative to maintain as many jobs as possible and the need to be seen to be implementing some of the bigger economic visions of infrastructure development and equipping New Zealand for future growth, were obvious drivers behind the shaping of this Budget.

While there are a range of opinions on how well any of these key drivers were actually addressed, there is one rapidly growing group of New Zealanders whose needs have been consistently ignored by multiple Governments. This group is made up of those people who are dependent on a 'main benefit' for their livelihoods. The commentary on the numbers of people who are likely to be on an unemployment benefit has focussed on the lack of income tax that will be paid by these people and the additional cost of benefits to support them. Yet the social, health and community wellbeing costs to families who are benefit dependent cannot be calculated on these terms.

A recent study undertaken by Presbyterian Support Otago demonstrated that in Dunedin in 2008 a minimum "weekly adequate expenditure budget" for a family of two adults and 3 children to 'just get by on' is \$872.00 per week. If this family was dependent upon an unemployment benefit they would receive only \$623.00—almost \$250/week less than what is adequate! Mr English is backing Treasury predictions of an additional 74,000 people to become unemployed by the end of next year, that will mean about 179,000 people who will be dependent on benefits. That's a lot of families who will be trying to get by on hundreds of dollars a week less than what is needed to maintain a reasonable standard of health and wellbeing.

In a pre-Budget release, Paula Bennett announced the Community Response Fund as a way of supporting community organisations to work with people who will be needing social services as a result of the recession. New Zealand Council of Christian Social Services member organisations are relieved that they have received some recognition of the increasing strains put on their (and other social service) organisations. They are also pleased that the funds committed by the previous government for full funding of essential social services have been ring-fenced by this government for helping organisations provide a hand-up to struggling New Zealanders. They know, however, that the single biggest driver of people needing additional support is poverty. The people who are working on the frontlines with our most vulnerable people know that benefit-dependent families desperately need more income to cover basic living costs.

In the flurry of post Budget analysis, I was most struck by the perceptive comments from an unexpected source, KPMG Chief Executive, Jan Dawson, who was reported by The Dominion Post as "questioning the lack of planning for managing the social implications of the forecast growth in unemployment". NZCCSS believes we must provide better support for the poorest and most vulnerable in our communities, and will be working with government to promote a more just and compassionate response in Budget 2010.

Trevor McGlinchey, NZ Council of Christian Social Services

Parliament

2009 Budget

On the eve of the 2009 Budget, Prime Minister John Key was quoted as saying that the primary focus of the Budget was to avoid a credit rating downgrade. And it appears he got his wish. Shortly after the Budget was read international credit rating agency Standard and Poor's upgraded New Zealand's outlook from "negative" to "stable".

Despite this, the Budget painted a gloomy outlook—unemployment is forecast to peak at 8% by the end of next year, recession is forecast to continue and gross debt is likely to double by 2016 when it peaks at 43% of GDP.

Major cuts to departmental funding over the last six months have created numerous holes which are not yet well understood, so total impacts will take time to appreciate.

Key features we are aware of at this time are:

- **Tax cuts deferred**—2010 and 2011 tax cuts (a key election promise for National) have been deferred, and are unlikely to be reinstated this parliamentary term. Immediately after the Budget the House went into urgency to pass legislation to repeal the tax cuts (see page 4).
- **Government contributions to Superannuation Fund suspended until 2020.** The Superannuation Fund (often called the Cullen Fund) was established to help pay the NZ Superannuation costs of our increasingly aging population. There is concern that the suspension of payments will put future governments under pressure.
- **Home Insulation Programme**—\$323.3m over 4 years available to owners and occupiers of houses built before 2000. The fund, available from July 1, provides grants of up to \$1800. Grants are not means tested, and Community Service cardholders will be entitled to up to \$3000. This programme was negotiated by the Green Party as part of their agreement with National.
- **\$104 million for Community Response Fund**—A pre-Budget announcement of \$40m—plus a further \$64m announced on 3 June—the fund is to support community and voluntary sector organisations providing critical services to families, children, young people or the elderly. The fund is available from 1 July 2009 and will be allocated by regional panels with community representation and is partly funded from unallocated funding from Labour's Pathway to Partnership programme.
- **Community Enterprise**—\$32.3m of subsidies has been cut as part of Ministry of Social Development cuts of \$350 m.
- **Community Sector Taskforce**—\$400,000 has been allocated over three years (total \$1.2m) to refresh the Taskforce to strengthen local networks and give a voice to community groups.
- **Superannuation rates maintained** at 66% of the average after-tax wage. Without a cash injection in this year's Budget the rate would have slipped to 65%.
- **Funding for Community Law Centres**—Operating funding of \$7.2m has been allocated to top up Community Law Centres.
- **Legal Aid funding reduced**—\$9.9m interim funding (in addition to the standard allocation) was announced in the Budget to help retain legal aid providers. This is less than last year's Budget and the Legal Services Agency has already confirmed that this will mean a decrease in legal aid rates (increased only last year for the first time in several years). The Law Society is concerned that

experienced lawyers will continue to withdraw from legal aid work.

- **Establishment of Offender Levy Collection process**—Although the Sentencing (Offender Levy) Bill is still before the Justice and Electoral committee, funding to establish a collection process for the levy was included in the Budget. The Bill imposes a \$50.00 levy on all convicted offenders at the time of sentencing.
- **Funding for Fresh Start**—Although legislation is still with select committee, \$81.5m was announced for Government's Fresh Start programme for young offenders. This is aimed at the most serious and persistent young offenders and includes changes to the Youth Court and the introduction of "military-style" camp programmes.
- **\$20m to Housing Innovation Fund**—to support community groups and other organisations helping people into affordable housing.
- **Reducing funding subsidy**—for hobby classes in adult and community education by \$54m.

Introduced

Local Government (Auckland Council) Bill

This Bill is one of three Bills providing for the proposed new local government structure for Auckland. Introduced under urgency, together with the Local Government (Tamaki Makarau) Bill (see below), this Bill outlines a broad structure for the new council, and how it will be elected. The Bill has been referred to the special select committee—the Auckland Governance Legislation Committee—established to deal with this issue. The public will have an opportunity to make submissions but at the time of writing these are yet to be called for.

Residential Tenancies Amendment Bill

In May 2008 the then Labour government introduced the Residential Tenancies Amendment Bill (No 2). That Bill was designed to reflect significant changes in the rental market since the 1986 Act, but was not passed before the election. This Bill is in many ways similar to Labour's—it extends the provisions of the existing Act to apply to people living in boarding houses, it clarifies the responsibility for payment of outgoings, provides for faster tenancy dispute resolution and improves the enforceability of Tribunal orders. New to this Bill is introducing better processes for ending and renewing tenancies. At the time of writing the Bill was still waiting its first reading and referral to select committee.

Education Amendment Bill

As with the Residential Tenancies Bill above, this Government Bill replaces a similar Bill introduced by Labour last year (Education Amendment Bill No 3). This Bill provides that only those who have unsupervised access to children will require a police check as opposed to Labour's Bill provided for police vetting for all parents and volunteers. The Bill will also aid the identification of unregistered teachers. Submissions to the Education and Science committee close 10 June 2009.

Passed

Local Government (Tamaki Makarau) Bill

The first part of the Government's proposed "Super City" governance structure for Auckland, this Bill was introduced and passed through all stages under urgency this month. The Bill allows for the establishment of the Auckland Transition Agency charged with the responsibility of restructuring the current

Legislation Update

Legislation	Stage and Progress	Impact
Children, Young Persons & Their Families Amendment Bill (No.6)	Labour Government Bill. Reported back from select committee. Reinstated.	Increases the age of young people covered by the Bill to 17 years.
Children, Young Persons & Their Families (Youth Court Jurisdiction & Orders) Amendment Bill	Government Bill. Submissions closed. Report due 18 August.	Proposes several measures aimed at reducing violent and repeat offending by children and young people.
Corrections (Contract Management of Prisons) Amendment Bill	Government Bill. Submissions to Law and Order committee closed 22 May. Report due 26 September.	Allows for competitive tendering for the management of prisons.
Criminal Investigations (Bodily Samples) Amendment Bill	Government Bill. Submissions closed. Report due 12 August.	Gives Police wide powers to collect DNA samples from people before they are charged or convicted.
Disputes Tribunal Amendment Bill	Government Bill. Submissions closed. Report due 31 May.	Expands jurisdiction of Disputes Tribunal.
Domestic Violence (Enhancing Safety) Bill	Government Bill. Submissions closed. Report due 15 June.	Introduces “on the spot” orders issued by Police to protect victims of domestic violence.
Education Amendment Bill	Government Bill. Replaces Labour’s Education Amendment Bill (No.3)	Bill to help identify unregistered teachers and reduce compliance costs of Police vetting (see page 2).
Employment Relations Amendment Bill (No.3)	Labour Government Bill. Reinstated but since discharged by Government.	Clarifies legal status of casual workers.
Gambling Amendment Bill (No.2)	Labour Government Bill. Reported back. Second Reading 12 May.	Contains technical amendments to allow original Act (2003) to operate as intended.
Gangs and Organised Crime Bill	Government Bill. Submissions closed. Report due 10 August.	Increased penalties for participation in organised criminal groups.
Immigration Bill	Labour Government Bill. Reported back 18 May.	Rewrites and consolidates immigration legislation, introduces new visas.
Judicial Matters Bill	Labour Government Bill. Submissions closed 6 October. Reinstated.	Establishes Office of Judicial Conduct Commissioner to receive complaints about conduct of Judges.
Land Transport Amendment Bill (No.4)	Labour Government Bill. Report was due 6 October. Reinstated.	Increases powers of police to deal with drug-impaired drivers.
Legal Services Amendment Bill	Labour Government Bill. Picked up by National. Select Committee report due 2 October.	Simplifies legal aid process for victims of crime at Parole Board hearings and coronial inquests.
Local Government (Auckland Council) Bill	Submissions still to be called for.	One of three Bills provide for the proposed new local government structure for Auckland.
Maori Trustee and Maori Development Amendment Bill	Reported back. Bill divided into two. Passed 12 May.	Amends Maori Trustee Act to make the Maori Trustee Office a stand-alone organisation.
Organised Crime (Penalties and Sentencing) Bill	Labour Government Bill. Reported back from select committee. Reinstated.	Increases the maximum penalty for participation in an organised criminal group.
Public Health Bill	Labour Government Bill. Reported back from select committee. Reinstated.	Revises public health legislation including border protection and quarantine provisions.
Residential Tenancies Amendment Bill (No.2)	Labour Government Bill. Introduced 29 May. Reinstated.	Reflects significant changes in the rental market since the 1986 Act.
Sale and Supply of Liquor and Liquor Enforcement Bill	Labour Government Bill. Reinstated. Submissions closed. Report due 10 September.	Gives communities greater say in liquor licensing decisions, makes it an offence for adults to supply alcohol to minors without parental consent.
Sale of Liquor (Objections to Applications) Amendment Bill	Member’s Bill (George Hawkins). Submissions closed. Reinstated.	Restricts the number of liquor outlets and makes wider provisions for objections to licenses.
Sentencing (Offender Levy) Amendment Bill	Government Bill. Submissions closed. Report due 12 August (see page 2).	Imposes a \$50 levy on offenders at a time of sentencing.
Sentencing and Parole Reform Bill	Government Bill. Submissions closed. Report due 18 August.	Introduces tougher parole laws. Bill also introduces “three strikes” policy for serious offences.
Taxation (International Taxation, Life Insurance and Remedial Matters) Bill	Labour Government Bill. Reinstated Submissions closed. Report due 30 June.	Introduces business tax reforms and payroll giving system for charitable donations.
Waka Umanga (Maori Corporations) Bill	Labour Government Bill. Reported back from select committee. Reinstated.	Provides for the establishment of new legal entities by tribal groups or Maori associations.

eight councils into a single entity by 31 October 2010 (to allow for local body elections to elect the new super council and 20-30 boards).

Opposition parties tried to delay the Bill by voting in Maori on each of almost 1000 amendments put forward and were outraged that the Bill was passed without referral to select committee. There is also concern at the wide powers given to the Transition Agency. They will be able to review any council decision during the transition period that could “significantly prejudice the reorganisation” and will approve any current council contracts over \$20,000. In addition, there is widespread opposition to the government’s rejection of the Royal Commission’s recommendation of three Maori seats on the Super City council.

Taxation (Budget Tax Measures) Bill

Immediately following the Budget, Parliament went into urgency to pass the Taxation (Budget Tax Measures) Bill, repealing the tax cuts planned for 2010 and 2011. It was only in December that, again under urgency, the Taxation (Urgent Measures and Annual Rates) Bill was passed, implementing the National’s three-year programme of tax cuts.

Maori Trustee Amendment Bill

This Bill, introduced by Labour in 2008, amends the Maori Trustee Act 1953 to make the Maori Trustee a stand-alone organization. The role of Maori Trustee was established in 1921 to help manage Maori land. The organization will be funded for example, to help find owners of Maori land currently held in trust, and help owners towards managing their own land.

News

New rules for Family Court proceedings

New rules for the Family Court came into effect 18 May. Introduced as part of the Family Court Matters Act (passed last year) the new rules seek to improve the openness of the Family Court. News media can attend Family Court hearings, and reports of Family Court proceedings can be published providing they contain no information identifying children or vulnerable persons. Parties to proceedings can bring a support person with them and other people may attend hearings with the consent of the Judge. The role of the Family Court Registrar has expanded to allow, for example, the Judge to direct Registrars to appoint lawyers or issue summons under the Domestic Violence Act.

These are the first part of a series of changes introduced by the Act. Changes still to come include changes to counselling for couples and parents and the introduction of counselling for children.

Parole clause in state house tenancy agreements

Housing New Zealand has added a new clause to its tenancy contracts that will essentially prevent people on bail from living in state houses. The new clause provides that written permission must be obtained from Housing New Zealand before any person on parole, bail or home detention can live in a state house (this does not apply to tenants named on the tenancy agreement and their partners). Housing Minister Phil Heatley said that the new clause is to avoid people being sent to state houses when they or the community could be at risk.

The announcement has been widely criticised for being unfair. Opposition parties say that people on bail have been charged but not convicted of an offence but are being penalised by Housing New Zealand anyway. And given delays in the court system some people are on bail for long periods. In addition, there are circumstances where people are bailed to an address where they don’t live, for example in gang-related and domestic cases. This clause would appear to preclude this practice.

Ministerial Committee on Disability Issues established

The Government has established a ministerial oversight committee to provide a “coherent overall direction for disability issues across government”. The Ministerial Committee on Disability Issues is part of the government’s response to the 2008 enquiry by the Social Services committee into the quality of support and services for people with disabilities.

Report highlights gender gap in education sector

A report prepared last year by unions, the Ministry of Education and School Trustees Association is understood to show that as a group, female teachers, principals and support staff are not paid as much as men, are not treated with the same respect and fairness, and their promotion prospects are not as good. The report, ordered by the then Labour government, will be released by the Government shortly, after an Official Information request from a newspaper.

Not a good look for the Government that news of the report became public just after their announcement that the Department of Labour’s Pay and Employment Equity Unit is to be abolished.

Update: Review of NZAID

The reviews of NZAID ordered by Foreign Affairs Minister Murray McCully (see March *Law Scene*) have been completed and, as expected, NZAID has been brought back into the Ministry of Foreign Affairs and Trade. McCully said that the move recognises that aid is a key component of the foreign affairs portfolio and must therefore align with wider foreign policy interests. In addition, the focus of NZAID programmes has been moved from the elimination of poverty to sustainable economic growth. The Minister did announce an increase in aid spending and a continued commitment to focus development work in the Pacific region.

Aid agencies remain disappointed at the lack of consultation during the review process.

Update: Electoral Finance review

The Government has released the Issue Paper on electoral finance, the first stage of the three part review process for the development of new election finance laws. At this first stage everything is up for discussion - including state funding, an increase in private funding, or even the infamous anonymous donations. The issues paper is available from www.justice.govt.nz/electoralfinancereform and the public have until 26 June to make submissions. A summary of the submissions will be placed on the website and will help form the second stage of the review.

New Zealand Federation of Voluntary Welfare Organisations

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