

## **HON MEKA WHAITIRI, MINISTER FOR VETERANS**

### **Consumer Price Index Measure Amendment to the Veterans' Support Regulations 2014**

March 2022

This publication provides a paper seeking agreement to amend the Veterans Support Regulations 2014 to use the Consumer Price Index (All Groups) as the index measure for adjusting veterans' entitlements.

The pack comprises the following documents:

- February 2022 Cabinet Social Wellbeing Committee Minute of Decision *Consumer Price Index Measure Amendment to the Veterans' Support Regulations 2014* [SWC-22-MIN-0004]; and
- The associated Cabinet Paper *Changing the Consumer Price Indexation Measure - Veterans' Support Regulations 2014* [SWC-22-SUB-0004].

This pack has been released on the New Zealand Defence Force website, available at: [www.nzdf.mil.nz/nzdf/search-our-libraries/documents/?document-type=Official+information&sort=relevance](http://www.nzdf.mil.nz/nzdf/search-our-libraries/documents/?document-type=Official+information&sort=relevance).

No information has been withheld.



# Cabinet Social Wellbeing 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.*

### Consumer Price Index Measure Amendment to the Veterans' Support Regulations 2014

Portfolio                      Veterans

On 9 February 2022, the Cabinet Social Wellbeing Committee:

- 1        **noted** that the Veterans' Support Regulations 2014 specifies that the Consumer Price Index (CPI) (All Groups excluding cigarettes and other tobacco products) is used to calculate specific entitlements adjusted on 1 April;
- 2        **noted** that the requirement to apply the CPI (All Groups excluding cigarettes and other tobacco products) to adjust welfare payments linked to CPI ended in 2021;
- 3        **noted** that the 1 April CPI treatment of veteran support entitlements has aligned with the Ministry of Social Development, which previously administered veteran entitlements;
- 4        **noted** that the amendment in paragraph 6 below will maintain alignment with the indexation measure that will be used to adjust New Zealand Superannuation, the Veteran's Pension and other rates and thresholds of social assistance from 1 April 2022;
- 5        **noted** that the impact on the veterans' entitlements liability from changing the indexation measure from the CPI (All Groups excluding cigarettes and other tobacco products) to the CPI (All Groups), to adjust veteran support entitlements annually on 1 April, is expected to be very minor and will not require any new Crown funding;
- 6        **agreed** to amend the Veterans' Support Regulations 2014 to change the indexation measure used to adjust veteran support entitlements on 1 April, from the CPI (All Groups excluding cigarettes and other tobacco products) to the CPI (All Groups);
- 7        **invited** the Minister for Veterans to issue drafting instructions to the Parliamentary Counsel Office to give effect to paragraph 6 above.

Rachel Clarke  
Committee Secretary

**Attendance (see over):**

**Present:**

Rt Hon Jacinda Ardern  
Hon Grant Robertson  
Hon Kelvin Davis  
Hon Dr Megan Woods  
Hon Carmel Sepuloni (Chair)  
Hon Andrew Little  
Hon Poto Williams  
Hon Kris Faafoi  
Hon Peeni Henare  
Hon Willie Jackson  
Hon Jan Tinetti  
Hon Dr Ayesha Verrall  
Hon Aupito William Sio  
Hon Meka Whaitiri  
Hon Priyanca Radhakrishnan

**Officials present from:**

Office of the Prime Minister  
Office of the Chair  
Officials Committee for SWC

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Office of the Minister for Veterans  
Chair, Cabinet Social Wellbeing Committee

## **CHANGING THE CONSUMER PRICE INDEXATION MEASURE – VETERANS’ SUPPORT REGULATIONS 2014**

### **Proposal**

1. I propose that Cabinet agree to amend the Veterans’ Support Regulations 2014 to change the Consumers Price Index (CPI) indexation measure used to annually adjust veteran entitlements on 1 April, from the CPI (All Groups excluding cigarettes and other tobacco products) to the CPI (All Groups).

### **Relation to Government Priorities**

2. This is a routine operational adjustment that requires Cabinet approval.

### **Background**

3. On 1 April each year, the adjustment of the rates of specific entitlements provided under the Veterans’ Support Act 2014, to account for any change to the Consumers Price Index (CPI), occurs as part of a process known as the Annual General Adjustment.
4. The Ministry of Social Development (MSD) also undertakes the Annual General Adjustment process and calculates all of the 1 April rates for Veterans’ Affairs as part of that process. The 1 April CPI treatment of veteran support entitlements has aligned with MSD, who previously administered veteran entitlements.

### **Past Cabinet Decisions**

5. In 2002, Cabinet delegated authority for approving Annual General Adjustments, on an ongoing basis, to the Minister of Finance and the Ministers responsible for New Zealand Superannuation, the Veteran’s Pension, social security benefits and allowances, the Community Services Card, Student Allowances, and War Pensions and Allowances [CAB Min (02) 7/1A refers].
6. Prior to 2010, adjustments to rates and thresholds of social assistance which were indexed to the CPI were made based on the CPI (All Groups). In 2010, Cabinet agreed to introduce a series of increases in tobacco excise tax, as part of the Government’s commitment to Smokefree Aotearoa 2025. In order to prevent increases in tobacco excise tax flowing through to increases to rates and thresholds of social assistance, Cabinet agreed to use the CPI (excluding tobacco and other cigarette products) for the 2011, 2012, and 2013 adjustments [CAB Min (10) 13/24]. In 2011, the Government agreed that this adjustment to the CPI measure used be extended until 2017. In 2017, Cabinet agreed that this would extend until 2021 [CAB-16-MIN-0189]. Adjustments made using the CPI will now revert back to using the CPI (All Groups) as there have been no further tobacco excise increases, and these Cabinet decisions have now expired.

### Legislative Requirements

7. Section 31 of the Veterans' Support Act 2014 specifies entitlements that must be indexed in accordance with any movement in the CPI or any group or subgroup within the CPI.
8. Regulation 16 of the Veterans' Support Regulations 2014 has specified since introduction that the indexation formula used to adjust the majority of entitlements in section 31 of the Veterans' Support Act 2014, will apply the CPI (All Groups excluding cigarettes and other tobacco products).
9. To ensure that veteran support entitlements adjusted on 1 April 2022 as part of the Annual General Adjustment process are subject to the same indexation measure applied to other rates and thresholds indexed to the CPI, such as New Zealand Superannuation, I am proposing an amendment to the Veterans' Support Regulations 2014.

### Financial Implications

10. The 1 April 2022 Annual General Adjustment will be calculated using the Consumer Price Index: December 2021 quarter, as published by Statistics New Zealand. As this has not yet been published at the time of writing this paper, the September 2021 quarter has been used to assess the financial implications of reverting to CPI (All Groups) from CPI (All Groups excluding cigarettes and other tobacco products).
11. The increase in the CPI (All Groups) over the 12 months ending 30 September 2021 was approximately 0.03% lower than the increase in CPI (All groups excluding cigarettes and other tobacco products). Reverting to the CPI (All Groups) would therefore likely result in the annual adjustment being slightly lower than if the CPI (All Groups excluding cigarettes and other tobacco products) was applied, although the impact is not expected to be material. Similarly, any financial impact on the veterans' entitlements liability is expected to be very minor.
12. The policy change will not require any new funding from the Crown.

### Legislative Implications

13. The proposal will require a relatively minor amendment to the Veterans' Support Regulations 2014. There are no other legislative implications

### Regulatory Impact Analysis

14. Treasury's Regulatory Impact Analysis team has determined that this proposal to amend the Veterans' Support Regulations 2014 is exempt from the requirement to provide a Regulatory Impact Statement on the grounds that it has no or only minor impacts on businesses, individuals, and not-for-profit entities.

### Populations Implications

15. If Cabinet agrees, the proposed amendment would maintain alignment with the indexation measure used to adjust New Zealand Superannuation, the Veteran's Pension and other rates and thresholds of social assistance from 1 April 2022.

### Human Rights

16. There are no implications for the New Zealand Bill of Rights Act 1990 or the Human Rights Act 1993.

### Consultation

#### *Departmental*

17. The Treasury and the Ministry of Social Development were consulted in the course of developing the amendment.

#### *Cross-party consultation*

18. There has been consultation on this paper with Ministers.

### Publicity

19. If Cabinet agrees to the proposed change, Veterans' Affairs will provide information on the changes to the indexation measure on its website.

### Proactive Release

20. I intend to release this paper in full apart from any legally privileged material or other redactions required under the Official Information Act (1982).

### Recommendations:

21. I recommend that the Cabinet Social Wellbeing Committee:
1. **Note** that the Veterans' Support Regulations 2014 specifies that the CPI (All Groups excluding cigarettes and other tobacco products) is used to calculate specific entitlements adjusted on 1 April.
  2. **Note** that the requirement to apply the CPI (All Groups excluding cigarettes and other tobacco products) to adjust welfare payments linked to CPI ended in 2021.
  3. **Note** that the 1 April CPI treatment of veteran support entitlements has aligned with the Ministry of Social Development, which previously administered veteran entitlements.
  4. **Note** that the proposed amendment will maintain alignment with the indexation measure that will be used to adjust New Zealand Superannuation, the Veteran's Pension and other rates and thresholds of social assistance from 1 April 2022.
  5. **Note** that the impact on the veterans' entitlements liability from changing the indexation measure from the CPI (All Groups excluding cigarettes and other tobacco products) to the CPI (All Groups), to adjust veteran support entitlements annually on 1 April, is expected to be very minor.
  6. **Note** that changing the indexation measure from the CPI (All Groups excluding cigarettes and other tobacco products) to the CPI (All Groups) will not require any new funding from the Crown.
  7. **Agree** to the amendment of the Veterans' Support Regulations 2014 to change the indexation measure used to adjust veteran support entitlements on 1 April, from the CPI (All Groups excluding cigarettes and other tobacco products) to the CPI (All Groups).

8. **Note** that amendment is needed to the the Veterans' Support Regulations 2014 to enable the indexation measure to be changed from the CPI (All Groups excluding cigarettes and other tobacco products) to the CPI (All Groups).
9. **Agree** to the issuing of drafting instructions to the Parliamentary Counsel Office to give effect to recommendation 7.

Authorised for lodgement

Hon Meka Whaitiri  
Minister for Veterans

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