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To	9(2)(a)	Date	19 September 2011
From	9(2)(a)		
Security Level	UNCLASSIFIED		

MEMO

ACCOMMODATION BENEFIT RATES FOR 2012

Purpose

1. This memo seeks your agreement to the Accommodation Benefit rates for all applicable Student Allowance assessments and payments from 1 January 2012.

Background

2. Regulation 24 (1) of the Student Allowances Regulations (1998) provides for the amount of the Accommodation Benefit to be "...determined in any case in accordance with guidelines issued from time to time by the chief executive".
3. The value of the accommodation benefit payable must not exceed the weekly value specified in Schedule 3 of the Student Allowances Regulations 1998 – a maximum of \$60 per week for single students with children and for all other eligible students, a maximum of \$40 per week.
4. The policy approach and methodology for setting the Accommodation Benefit rates is set out in the 2001 Accommodation Benefit rate report¹, as originally established by the Ministry of Education when they administered the Student Allowances Scheme. This was updated when the new 'single student with a supported child or children' rate was introduced from the beginning of 2003.
5. The source data on tenancy bond amounts is obtained each year from the Department of Building and Housing.
6. The fiscal implications of the increase in Accommodation Benefit rates will be estimated by the Ministry of Education and included in the next forecast round. A copy of this report, once approved, will be sent to them.

¹ REP/00/11/149 of 3rd November 2000

Policy/Methodology

7. The rates are calculated by firstly identifying the average weekly per room residential bond rate for each region. The Residential Tenancy Bond data is provided by the Department of Building and Housing.
8. Then, \$40 is subtracted from the average rate for each region. It is then multiplied by 0.75 for sole parents and 0.5 for all other students.
9. The resulting figure (the rate) is a 75% or 50% subsidy on accommodation costs in excess of \$40, up to a maximum of \$60 or \$40.
10. There are situations where Accommodation Benefit Rates are calculated using a different approach.
11. For hostels, the rate is set (or adjusted) using actual rates up to a maximum of \$40.
12. There is also a generic 'rural rate' It is calculated by determining the average bond rate for all rural locations throughout the country and then applying the formula as set out above.
13. Use of the 'rural rate' avoids the problem of a lack of residential bond data for smaller locations. The following locations do not have tenancy bond data; Havelock North, Hawke's Bay, Northland, Paparoa, Rawene, and West Coast.
14. Also, Mount Maunganui has no tenancy bond data. The rate would therefore normally default to the 'rural rate'. However, the rural rate would be inappropriate due to the higher accommodation costs in this location. This area is therefore set at the maximum rate.
15. Where the calculation results in a reduced rate for a particular region, the current rate is maintained..
16. There is also data available for 54 other regions that we do not have on our current list; e.g. Porirua and Woodend. When the original list was confirmed in SAL, the amount of regions used reflected the number of regions in the Residential Tenancy Bond Data. Since then, the number of regions has increased. These regions have not been added as there is either insufficient data to establish an accurate rate or, the students from these area's would be disadvantaged as the new rate would be less than the current (default) 'rural rate' or there would be no change in the rate at all.
17. The number of regions now at the maximum rate has increased from:
 - 18 to 23 for single students (23 of 86 = 27%)
 - 18 to 23 for sole parents (23 of 86 = 27%)
18. The number of regions that have not changed but are not at the maximum
 - 44 for single students (44 of 86 = 51%)
 - 44 for sole parents(44 of 86 = 51%)

19. The new Accommodation Benefit rates for the Greytown Region have increased significantly this year. While there is a relatively small number of tenancies in the bond data, this is not surprising given the locality. There is no compelling reason to reject the calculated rate.

20. The new rates for 2012, with the 2011 rates for comparison, are set out in Appendix 1.

Recommendations

I recommend that you:

- 1 **note** that the Student Allowance Accommodation Benefit rates are set in accordance with Regulation 24 (1) of the Student Allowances Regulations 1998
- 2 **note** that and the policy and methodology for setting the rates was confirmed in 2000, based on the approach established by the Ministry of Education when they administered the Student Allowance Scheme;
- 3 **note** that the fiscal implications of the increase in rates will be estimated by the Ministry of Education and included in the next budget forecast update;
- 4 **agree** to the 2012 Accommodation Benefit rates as set out in Appendix 1;
- 5 **note** that the new rates, once approved, will be updated in ODS/MAP/SAL as required, on the Web and advised to all staff.

AGREE / DISAGREE

9(2)(a)

Date

