



Budget Policy Statement (BPS) 2023

Finance and Expenditure Committee

– The Salvation Army Te Ope Whakaora New Zealand, Fiji, Tonga, and Samoa Territory

27 January 2023

Summary

- The Salvation Army welcomes to clear goals to focus on supporting families and households experiencing cost of living pressures and prioritising crucial government services of health, education and housing.
- We support the Wellbeing approach to intergenerational wellbeing and use of He Ara Waiora framework to guide work to reduce the continuing large inequities in outcomes faced by Māori.
- Fiscal policy needs to support the wellbeing approach and the stated aim to constrain government expenditure and debt levels carry the risk that those who rely most on publicly funded services could miss out on support they need.
- The forecast recession during 2023 is a concern and we urge the government to ensure that those already at the margins, or who are already only just getting by, do not have end up carrying the main burden of an economic recession.
- Cost of living pressures mean that it is crucial that levels of assistance are adjusted in this year's Budget and in future Budgets to maintain the real value of social assistance, and resourcing of work to address household debt and financial mentoring support services.
- Housing need continues to be high, and responses need to recognise the complexity of people's situations and the need for a range of responses. Expanding Financial support for people on low incomes to move into home ownership through progressive home ownership schemes, better support for low income renters, and exploring options around increasing supply-side solutions for housing need are crucial
- Child poverty is a focus of this government and further investment in support for lower income households with children through changes to Working for Families, and other welfare support is urgently needed to ensure child poverty reduction targets are met.
- Mental health and income levels are the two main determinants of life satisfaction and mental and addictions are closely interrelated. Greater regulation adequate resourcing of harm prevention work and addiction treatment services is urgently needed.
- Remand population in prison is very high and creating significant injustice for all those affected. Urgent investment is needed in the justice and court system to reduce this and fund alternatives to remand in custody and support for people on remand

Background

1. **The mission of The Salvation Army is to care for people, transform lives and reform society through God, in Christ and by the Holy Spirit's power.** The Salvation Army is a Christian church and social services organisation that has worked in New Zealand for over one

hundred and thirty years. It provides a wide range of practical social, community and faith-based services around the country.

- a. The Salvation Army employs almost 2,000 people in New Zealand, and the combined services support around 150,000 people annually. In the year to June 2022, these services included providing around 83,000 food parcels to families and individuals, providing some 2,300 people with short-or long-term housing, over 4,000 families and individuals supported with social work or counselling, around 6,600 people supported to deal with alcohol, drug or gambling addictions , around 3,500 families and individuals helped with budgeting, court and prison chaplains helped 3,300 people.
2. This submission has been prepared by the Social Policy and Parliamentary Unit (SPPU) of The Salvation Army. The SPPU works towards the eradication of poverty by encouraging policies and practices that strengthen the social framework of New Zealand. This submission has been approved by Commissioner Mark Campbell, Territorial Commander of The Salvation Army's New Zealand Fiji, Tonga, and Samoa Territory.

Wellbeing approach

3. The 2023 Budget has a crucial role in protecting and supporting those struggling and vulnerable to economic downturn expected during this year. The Salvation Army welcomes to clear goal to focus on supporting families and households experiencing cost of living pressures. We support the principle of looking after people now and prioritising crucial government services of health, education, and housing
4. We support the Wellbeing approach to intergenerational wellbeing and welcome the clear recognition that housing affordability and child poverty are crucial foundations for this.
5. Wellbeing and equity of outcomes for Māori are central to achieving intergenerational wellbeing and using He Ara Waiora framework is a helpful guide for this work. More progress needs to be made in reducing the continuing large inequities in outcomes faced by Māori. A high proportion (43 percent) of the people who The Salvation Army works with are Māori and we see in our work the impacts of intergenerational injustice and trauma.
6. Fiscal policy needs to support the wellbeing approach. The overall fiscal approach that seeks to contain government spending and government debt at low levels in comparison to other wealthy countries has consequences for those most vulnerable in this country. Pressures to contain public expenditure carries the huge risk that mean those who need help the most, who rely on publicly funded services and have little choice to 'purchase' services elsewhere, will miss out on the support they need.
7. The Salvation Army views with concern the forecast decline in GDP growth during the 2023 calendar year. We know only too well what that means for the people and communities we are working with. People who are struggling now with multiple challenges such as low income, poor housing, high debt, mental health and addictions, many may be just getting by,

but a recession will drive them into hardship as well. We urge the Government not to let the most vulnerable in this country carry the main burden of an economic recession and design budget policy decisions accordingly.

Specific Policy areas

8. **Cost of living** is recognised in The Budget Policy Statement (BPS) as a key focus and the impact of rising inflation on the living costs of ordinary New Zealanders. We urge the Government to ensure assistance is indeed targeted to those most in need. Targeted assistance means including the hundreds of thousands of people who rely on welfare support and those on the lowest incomes.
9. The increases in welfare assistance implemented in April 2022 have played an important role in alleviating the worst impacts of the rising cost of living. It is important the levels of assistance are adjusted in this year's Budget and in future Budgets to maintain the real value of social assistance. Current benefit rates are based on levels set using 2018 living costs and need to be revised again to reflect a liveable income based on the 2023 cost of living. Completing the overhaul of the welfare system that has now been underway for four years needs to be a priority for the 2023 Budget.
10. **Problem debt and financial hardship** is estimated to be an issue for over half of the 150,000 people and whānau The Salvation Army helps each year. Many have multiple issues involving payday lending, several Buy Now Pay Later accounts, high interest short term loans and owe large amounts of debt to government. We welcome the Social Wellbeing Agency's ongoing work on the debt to government issue which has identified that over 60 percent of Ministry of Social Development and fines debt is owed by people with children at home. This is definitely the case for many of our clients. In response to this squeeze in the cost of living for New Zealanders facing massive financial hardship, we continue to advocate for ongoing, embedded, and appropriate funding and resourcing for the financial capability sector in New Zealand, and greater innovation and scaling-up of the microfinance and micro-lending services offered by Nga Tangata Microfinance and other groups to help these struggling families.
11. **Housing need continues to be high.** The Salvation Army is working with several thousand individuals, whānau and families who need housing support in transitional and social housing. Emergency housing is not working for those using our services and the pipeline of moving families from transitional to long term social housing is constantly being slowed down for various reasons. Our work highlights the complexity of people's situations and the need for a range of responses. Housing need is highest for Pasifika and Māori and Budget 2023 needs to provide further major investment to continue to grow the range of housing options that meet their needs. Financial support for people on low incomes to move into home ownership through progressive home ownership schemes needs to expand and include schemes that are designed to work best for Pacific and Māori housing need.
12. This is especially important for families who are currently renting, who want to move to home ownership and can realistically afford these moves. This is very difficult given the current tight cost of living situation, but not impossible.
13. Lower income renters need better support to afford rentals through increases to the Accommodation Supplement and better design of other rental support. Affordable and

appropriate build to rent options are needed for those who want to remain in rental living situations.

14. Exploring options around increasing supply-side solutions for housing need are crucial. Along with other groups, we have pushed for more use and exploration of inclusionary housing policies and public-private partnerships to focus on increasing the availability of affordable housing options in lower income communities where a large amount of urban redevelopment is taking place.
15. **Child poverty** has been a particular policy focus of this government and we welcome the huge amount of work done to legislate child poverty targets, develop a children and young peoples' wellbeing strategy and the real progress made to lift thousands of children out of poverty and hardship since 2018. This work must be built on in the 2023 Budget and is closely linked to completing the welfare reforms noted above. There were 209,000 children in households relying on welfare benefits and it is government decisions about levels of welfare support that play a huge role in determining whether those children live in poverty or have the opportunity to live with dignity and participate in society. Disabled children, Pacific, Māori and MELAA children are most impacted. Working for Families spending is crucial support for low and middle income families. We urge the government to update thresholds, abatement rates to ensure families are not missing out on much-needed support as their modest incomes rise.
16. **Mental health and addictions** are closely linked. We welcome current legislative initiatives underway to strengthen alcohol and gambling regulation. These need to be supported by adequate resourcing of harm prevention work and addiction treatment services.
17. The ongoing damage of pokie machines is centralised in areas of high deprivation and online gambling use and addiction is growing. The Salvation Army provides services in this area and we see an urgent need for stronger regulation and greater community and NGO involvement in these areas.
18. **Prison Remand:** The Salvation Army is committed to providing rehabilitation and reintegration support for those who have come out of prison. Rehabilitation and reintegration support help decrease levels of recidivism in the community. The proportion of people remanded in prison now sits at 41% - the highest level ever recorded in New Zealand. The backlog in the courts and the increase in levels of serious crime mean that more people are being remanded in prison. Over 20% of people remanded are now being given 'time-served' sentences. Prisoners on remand do not have access to rehabilitation or education programmes nor able to engage in work initiatives run by the prisons. This is an injustice to offenders and will only worsen recidivism levels in the long run but also an injustice to victims of their crime. BPS 2023 has placed significant focus on the front end of the justice pipeline with Police. However, The Salvation Army believes the growing remand population and the backlogs in the court system are contributing to injustice system that will impact the safety and well-being of communities in Aotearoa. Urgent investment is needed in the justice and court system to reduce this and to fund alternatives to remand in custody and support for people on remand.