

Report

Date: 8 June 2021 **Security Level:** IN CONFIDENCE

To: Hon Grant Robertson, Minister of Finance
Hon Dr Megan Woods, Minister of Housing
Hon Carmel Sepuloni, Minister for Social Development and Employment
Hon Poto Williams, Associate Minister of Housing (Public Housing)

Review of the Housing Support Product (HSP) programme: Scope of the review

Purpose of the report

- 1 The purpose of this report is to seek Ministers' direction as to the scope of the review of Housing Support Products (HSPs).

Executive Summary

- 2 HSPs were established as part of the Social Housing Reform Programme (SHRP) in 2014 to provide a range of products and services that directly respond to known housing barriers and assist public housing tenants to find private housing.
- 3 In 2017, the Ministry of Social Development (MSD) commissioned a review of HSPs [REP/18/5/784 refers]. The 2017 review found that HSPs were achieving their policy intent in alleviating pressure on public housing and supporting clients who do not qualify for other supports. It also made some key recommendations to improve the delivery of HSPs.
- 4 Following the 2017 review, options for improving HSPs were provided to Ministers which resulted in a revised policy intent and the development of a new Rent Arrears Assistance (RAA) product. This was approved through the Budget 2019 package [REP/18/12/1616 refers / AMI18/19110036]. Other recommendations from the review, such as simplifying IT systems and integrating HSPs better with the welfare system, were not implemented.
- 5 Since the 2017 review and subsequent changes to HSPs, there has been significant growth in the Public Housing Register (Housing Register) and increased demand for emergency and transitional housing. In December 2020, MSD and Te Tūāpapa Kura Kāinga – Ministry of Housing and Urban Development (HUD) committed to undertake a review of HSPs and to report back to the Minister of Finance, Minister of Housing and Minister for Social Development and Employment in September 2021 [REP/20/11/1073 refers].
- 6 The Minister of Finance also requested that some further work be done to consider whether RAA HSP is the best way to provide housing support to lower-income households. In response to the Minister of Finance's request, officials have undertaken an initial analysis and seek further guidance on the scope of the review of HSPs.

- 7 Our initial analysis indicates that the current range of HSPs does not adequately support lower-income households. HSPs have not kept up with wider problems in the current housing environment where demand has surpassed the supply of affordable rental housing and many people are unable to access and sustain affordable private rentals. Further changes to HSP policy settings could enable them to better support people, particularly low-income households, to access and sustain their housing, prevent homelessness, and provide the necessary tools for MSD Housing Brokers and case managers to obtain tenancies for clients.
- 8 This report has been developed in parallel with *Final update on demand for COVID-19 temporary rent arrears assistance* [REP/21/5/530 refers].

Recommended actions

It is recommended that you:

- 1 **note** that officials are currently undertaking a review of HSPs
- 2 **note** that within this review, consideration is being given to determining whether RAA HSP is the best way to provide housing support to low-income households
- 3 **note** that this report seeks direction from Ministers as to the scope of the review of HSPs, with a focus on improving housing outcomes for lower-income households
- 4 **agree** to one of the proposed approaches for the scope of the review of HSPs:

Either

- 4.1 **Approach One** – Focused changes to existing products in the HSP programme, including increasing the amount and duration of assistance and tweaks to eligibility criteria. Housing-related Hardship Assistance would remain unaltered. This option would focus more on incrementally improving each product and tweaks to operational processes

Agree/Disagree

Or

4.2 s 9(2)(f)(iv)



Agree/Disagree

- 5 **note** that both approaches are likely to require additional funding which would need to be sought through Budget 2022, should Ministers agree

- 6 **note** that results of the review and recommendations for change will be reported back to Ministers (Finance, Housing, Social Development and Employment) in September 2021 for final consideration.



Alex McKenzie
Policy Manager, Ministry of Social
Development

08/06/2021



Jeremy Steele
Policy Manager, Ministry of Housing
and Urban Development

06/08/21

Hon Grant Robertson
Minister of Finance

Date

Hon Dr Megan Woods
Minister of Housing

Date



Hon Carmel Sepuloni
Minister for Social Development and
Employment

Date

13/6/21

Hon Poto Williams
Associate Minister of Housing (Public Housing)

Date

Background

- 9 HSPs were established as part of the Social Housing Reform Programme (SHRP) in 2014 to provide a range of products and services that directly respond to known housing barriers and assist public housing tenants to find private housing.
- 10 The products were established as an assistance of last resort to enable people to access a wider range of housing options. They were intended to impact demand on the Housing Register by helping people in public housing or on the Housing Register move into a private rental.
- 11 In 2017, MSD commissioned a review of HSPs [REP/18/5/784 refers] which found that HSPs were achieving their policy intent in alleviating pressure on public housing and supporting clients who do not qualify for other supports. Key recommendations to improve the delivery of HSPs were made following the review and options to improve HSPs were provided [AMI18/19110036 / REP/18/12/1616 refers].
- 12 Following the recommendations from the review, a new Rent Arrears Assistance product was introduced as part of the Budget 2019 package, consistent with direction given by Ministers to expand HSPs and support efforts to prevent and reduce homelessness. This also resulted in the broadening of the policy intent to “enabling people to access and retain housing.”

The current housing environment has seen increased demand for housing and growing pressure on the Public Housing Register

- 13 New Zealand’s shortage of affordable housing is having a disproportionate effect on the most vulnerable people. Since the last HSP review in 2017, numbers on the Housing Register have continued to increase. The number of applicants on the Housing Register¹ was 10,881 in July 2018 and has since increased to 28,540 applicants in April 2021. There were also 4,999 clients who received Emergency Housing Special Needs Grants (EH SNGs) in April 2021.
- 14 The current housing market is not delivering sufficient affordable private rental properties and sub-market rental options are limited. Additionally, current systems are not providing adequate support to many lower-income individuals in private rental housing. As a result, demand for public housing is increasing rapidly with supply for public housing unable to keep up with this demand. Better support for people to access and maintain private rentals before they fall into a housing crisis and have an emergency housing or public housing need is critical. This has been further elaborated in *Advice on support to people in private rentals and alternatives to public housing* [BRF20/21030892 / REP/21/5/452 refers] and *Advice on the purpose and role of public housing* [BRF20/21030891 / REP/21/5/434 refers].
- 15 Improvements to HSPs would allow for them to become more effective prevention tools for addressing increasing housing need in the private rental market. HSP improvements could better support people in emergency housing, transitional housing, public housing, and the Housing Register to access private rentals, particularly for “rent ready” households, and reduce demand for those housing services.

¹ Includes the Housing Register and the Transfer Register

HSPs help recipients overcome final barriers to access and retain housing

- 16 HSPs provide the necessary support for some people to enter and sustain a tenancy in the private rental market. However, this support is currently limited as it is only accessible once per year, and after all other forms of MSD assistance have been exhausted.
- 17 Distribution in uptake of HSPs have remained relatively consistent from 2016 to 2019, with Bond Grants and Rent in Advance being the most commonly used products (often used in conjunction). The Transition to Alternative Housing Grant was one of the most issued HSPs before 2018, but its uptake has declined following the suspension of tenancy reviews (see **Appendix One**). Ministers have agreed that tenancy reviews will restart in July 2021, and a paper will be sent to Cabinet in late June.
- 18 While HSPs are useful to support recipients to overcome barriers to housing, they do not address wider problems (i.e. lack of accessible, affordable supply) which limits the extent to which HSPs are applicable. The 2017 Review also confirmed that the impact of HSPs on long-term outcomes were likely to be small and difficult to determine due to the larger impacts of other factors such as housing supply.

Improvements to HSPs were considered in 2018

- 19 Consideration was given to improve HSPs based on the 2017 Review recommendations. Options provided to Ministers ranged from short-term adjustments to longer-term adjustments. The proposed short-term adjustments, which included increasing funding for existing HSPs and introducing a new rent arrears product, were agreed by Ministers and implemented in 2019 [BRF18/19060319 refers].
- 20 The longer-term alternative option focused on reforming housing assistance more broadly. This option considered merging all current MSD housing assistance (provided through Recoverable Assistance Payments (RAPs), Advance Payment of Benefits (Advances), Special Needs Grants (SNGs), as well as HSPs) into one Housing Assistance Payment. This option aimed to address some of the disparities in the system. However, as it would require significant additional work and funding, it was not recommended or pursued [AMI18/19110036 / REP/18/12/1616 refers].

Housing Brokers were initially suggested in 2018 to provide the needed support to go alongside a broader delivery of HSPs and were introduced in 2019

- 21 As part of the longer-term option considered in 2018, the introduction of a housing broker service to help clients become rental ready and transition into the private rental market was also considered.
- 22 Housing Brokers were introduced in 2019 as part of the Aotearoa New Zealand Homelessness Action Plan (NZ HAP). The role of Housing Brokers has been to support clients in emergency housing or on the Housing Register into private rental accommodation. Housing Brokers also build connections with local landlords and property managers, promote MSD clients (aged 18+ years) as potential tenants and match people with housing opportunities in the private rental market.
- 23 Despite capacity constraints and limited housing options in the market, Housing Brokers have seen success in enabling clients to access their own tenancies. We are engaging with Housing Brokers as part of our review to determine how HSPs could better support them in their roles to support people into private rentals.

24 Some of the initial feedback from Housing Brokers confirms that HSPs are useful in their current state to support people. However, certain gaps have been identified and will be explored as part of the HSP review.

Further improvements to HSPs would better meet the demand in the current housing environment

HSPs need to be adapted to align with increased housing support needs

25 With supply of affordable housing not currently meeting increasing housing needs, a focus on prevention and keeping people in their existing tenancies is key to managing the demand. One means of providing more effective prevention support is through adjusting existing products to support people to access and sustain a private rental tenancy, alongside other prevention measures under development in NZ HAP. We propose exploring whether any additional HSPs, or changes to existing HSPs, are required to mitigate perceived risks associated with tenants and/or incentive landlords to take on clients who are perceived to be riskier (e.g. consider improvements to Tenancy Cost Cover, which may not be as effective as intended to alleviate landlord concerns about potential tenants).

26 Changes to the Residential Tenancies Act (RTA), which came into effect on 11 February 2020, ^{s 9(2)(g)(i)}



27 Based on some of the insights we have obtained through the update of RAA HSPs and engagements with Housing Brokers, it is clear that some of the policy settings for HSPs could be improved to better align them with conditions in the current housing environment.

Overlaps with housing-related Hardship Assistance should be considered within the HSP review

28 As part of the Welfare Overhaul work programme, MSD is currently reviewing Hardship Assistance settings with a view to ensuring that it is adequate and accessible. Thus far, the review has identified several issues with elements of Hardship Assistance such as ^{s 9(2)(f)(iv)} that have shifted Hardship Assistance further away from its original policy intent and require further analysis. Detailed advice is due to the Minister for Social Development and Employment in July 2021.

29 One of the eligibility criteria for HSPs is that clients are only considered for support after being assessed for all other housing-related Hardship Assistance². Housing-related Hardship Assistance plays a similar role as HSPs for lower-income households,

² Housing-related Hardship Assistance refers mainly to: Advance Payment of Benefit and Recoverable Assistance of Payment related to housing assistance (i.e. for tenancy bonds, rent arrears, advances of rent or board, essential house repairs and maintenance – for homeowners).

with grants issued to assist with similar needs (i.e. bond grants, rent in advance, and rent arrears assistance). However, there are differences in maximum amounts, recoverability, and other characteristics between comparable HSPs and Hardship Assistance grants.

30 HSPs were created to fill gaps in Hardship Assistance and ensure that those that do not qualify for Hardship Assistance could qualify for similar forms of housing assistance. The differences between these forms of support create inequity in the assistance being provided to these two groups. These issues were touched on in an earlier review of HSPs [REP/18/5/784 refers] and will be analysed in the review.

31 We recommend housing-related Hardship Assistance should be considered in the scope of this review, particularly with the objective of providing equitable housing support to all those who need it. If Ministers indicate that further work should consider consolidating housing-related Hardship Assistance into HSPs (i.e. proposed Approach Two), then the review will ensure that there is consistency with the recommendations considered through the broader review of Hardship Assistance.

Whānau Māori continue to be disproportionately affected by homelessness and housing insecurity, and the review will consider any changes through this lens

32 Māori continue to be more at risk of experiencing rental stress. Māori have historically, and continue to face, complex challenges in respect to housing needs. The Crown has a Te Tiriti partnership with Māori as tangata whenua and an obligation under Article 3 to provide “equality” and “equal outcomes” for Māori. Whānau Māori – including significant numbers of rangatahi Māori – are already disproportionately represented among those experiencing homelessness, housing insecurity, and overcrowding.

33 Stage One of the Wai 2750 Kaupapa Inquiry into Housing Policy and Services on Māori homelessness is currently underway and continues to place emphasis on our Te Tiriti obligations.

34 Any changes to the policy settings of HSPs will focus on ensuring that MSD maintains its Te Tiriti obligations as well as be guided by our strategic document, *Te Pae Tata*, to assist in improving housing outcomes for Māori

Changes to policy settings would focus on improving the delivery of HSPs and making them more effective in meeting clients’ housing needs

35 Since the review of HSPs in 2017, aside from the introduction of the RAA HSP, no other significant changes have been made to HSP policy settings to better align the products with their expanded policy intent and the current housing environment.

36 The settings for housing assistance remain confusing both for MSD’s frontline staff and clients. HSPs are funded through a capped appropriation as they are only to be considered as an assistance of last resort where all other options have been exhausted. For this reason, the uptake of HSPs has been relatively low. However, high uptake of Advances and RAPs indicates that the need for this kind of support continues to grow, particularly for low-income earners.

37 Recommendations from the 2017 review provide a good starting point for how the current policy settings could be adjusted to more effectively deliver assistance to clients. Some of the recommendations will be further analysed in determining how the current settings could be adjusted.

- 38 The policy settings which would be considered for further analysis under the approaches proposed are:
- 38.1 whether the current income and asset thresholds should be adjusted,
 - 38.2 whether applicants should be considered for all HSPs in the first instance rather than as a last resort (this would also allow for more equitable access for all in need of housing assistance),
 - 38.3 whether any other adjustments could be made to the current suite of HSPs to better fit current housing needs,
 - 38.4 whether there is a need for new products to cover any gaps that remain to better support people to access and maintain their private rentals,
 - 38.5 how best to streamline operational processes, including changes to the IT systems used for HSPs and,
 - 38.6 whether housing-related Hardship Assistance (i.e. RAPs and Advances) should be consolidated into HSPs to better align all housing assistance.
- 39 Work to review HSPs will connect closely to further work to develop prevention measures in the Aotearoa New Zealand Homelessness Action Plan.

Subject to your direction, we will provide you with options for the chosen approach in September

Future work can be categorised under two broad approaches

- 40 Further policy work on potential changes are proposed under two broad approaches, ranging from small, focused changes to HSPs to more substantial, long-term policy changes in how HSPs are delivered.
- 41 Subject to your direction on your preferred approach, we will provide more detailed information on what these changes could look like, including timelines, costings and potential funding required. We seek Ministers' direction on either one of the two approaches (see **Appendix Two** for more details):
- 41.1 **Approach One** – Focused changes to existing products in the HSP programme, including increasing the amount and duration of assistance and tweaks to eligibility criteria. Housing-related Hardship Assistance would remain unaltered. This option would focus more on incrementally improving each product and tweaks to operational processes.

41.2 s 9(2)(f)(iv)

42 s 9(2)(f)(iv)

- 43 The above approaches would both require additional funding through a Budget 2022 Bid. Based on the direction Ministers choose, we will provide more detailed advice (including costings and timelines) on the approach selected for further consideration in September 2021.

Next steps

- 44 Based on Ministers preferred approach, officials will work to provide more detailed advice on recommended changes, the potential impact, including potential costings and timelines to implement, in the September report.
- 45 This work will align closely with other ongoing work, including advice on assessing and prioritising public housing need [BRF20/21030891 / REP/21/5/434 and BRF20/21030892 / REP/21/5/452 refer], the review of Hardship Assistance, the review of Accommodation Supplement [REP/21/5/567 refers], and work to develop prevention initiatives under the Aotearoa New Zealand Homelessness Action Plan.

Appendices

Appendix One: Summary of HSP data

Appendix Two: Table of approaches

Appendix Three: Overview of HSPs

Appendix Four: Demographic analysis

File ref: REP/21/5/531 / BRF20/21060982

Authors:

s 9(2)(a) Policy Analyst, Housing Policy, MSD

s 9(2)(a) Senior Policy Analyst, Housing Policy, MSD

s 9(2)(a) Policy Advisor, Housing Needs and Responses, HUD

Responsible Managers:

Alex McKenzie, Policy Manager, Housing Policy, MSD

Jeremy Steele, Policy Manager, Housing Needs and Responses, HUD

Appendix One: Summary of HSP data

Table 1: Number of grants issued and cost for each HSP from 2016-2020

HSP Year	Bond Grant	Moving Assistance	Rent Arrears Assistance	Rent in Advance	Tenancy Costs Cover	Transition to Alternative Housing Grant
2016	982 \$1,201,527.19	214 \$126,289.95	N/A	418 \$186,213.83	38 \$18,510.10	220 \$615,020.75
2017	1,293 \$1,670,665.25	353 \$211,379.65	N/A	703 \$339,180.58	41 \$30,982.67	232 \$605,467.63
2018	1,316 \$1,768,468.85	294 \$194,675.08	N/A	693 \$345,060.62	39 \$38,435.87	62 \$175,283.00
2019	1,764 \$2,489,669.05	429 \$275,801.29	251 \$321,760.77	959 \$554,442.10	34 \$36,367.57	79 \$214,728.00
2020	3,251 \$4,750,343.41	673 \$460,917.20	4,984 \$6,936,587.48	1,774 \$1,082,573.69	43 \$43,680.68	91 \$234,340.94

Figure 1: HSP expenditure over time, by product

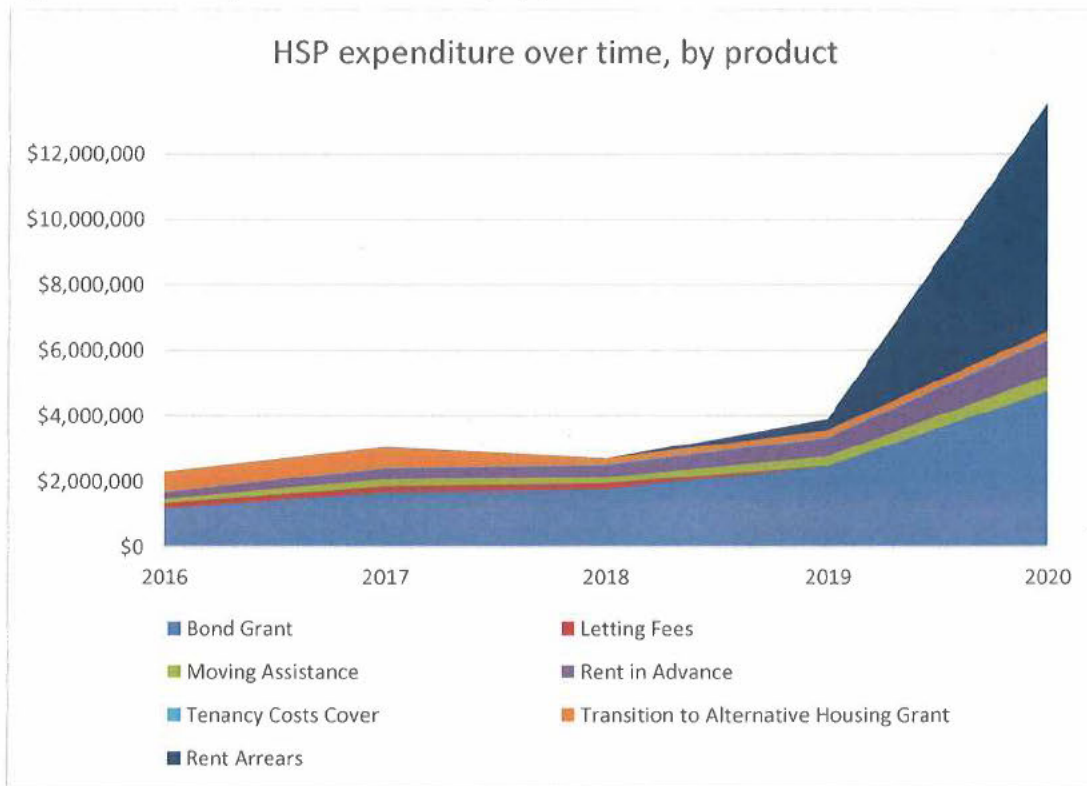


Figure 2: HSP grants by ethnic group in 2020

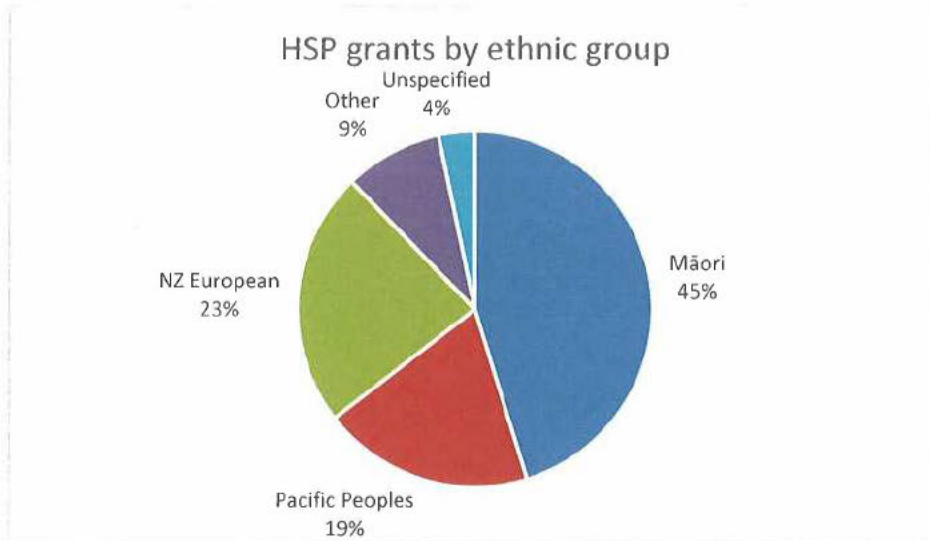


Figure 3: HSP grants by gender in 2020

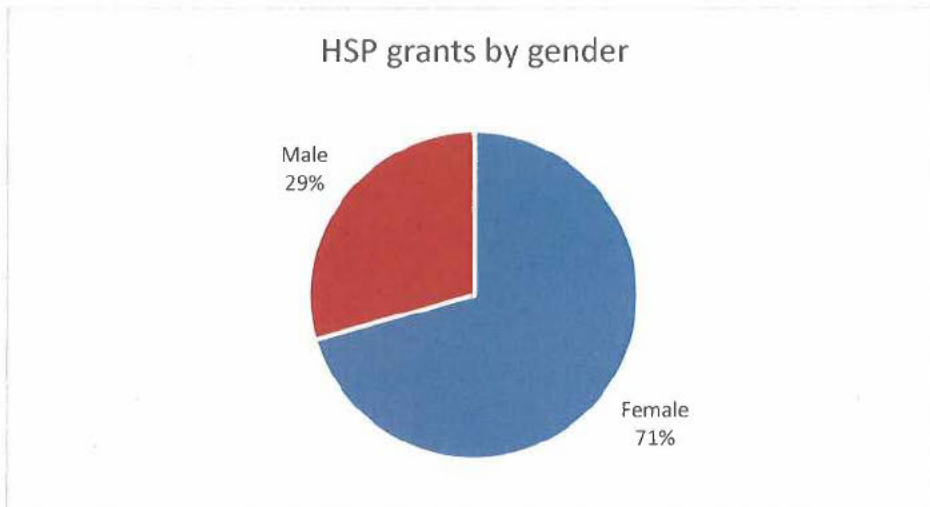


Figure 4: HSP grants by age group in 2020

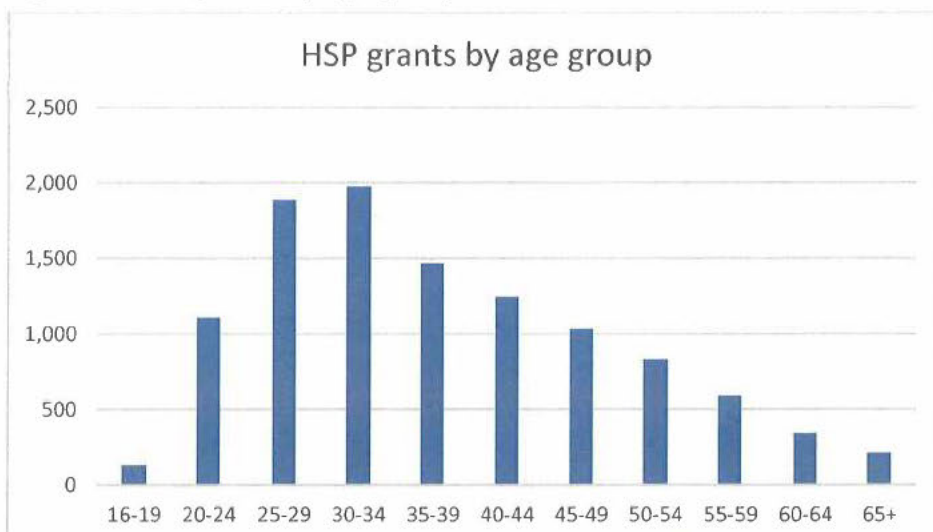


Figure 5: HSP grants by benefit category in 2020

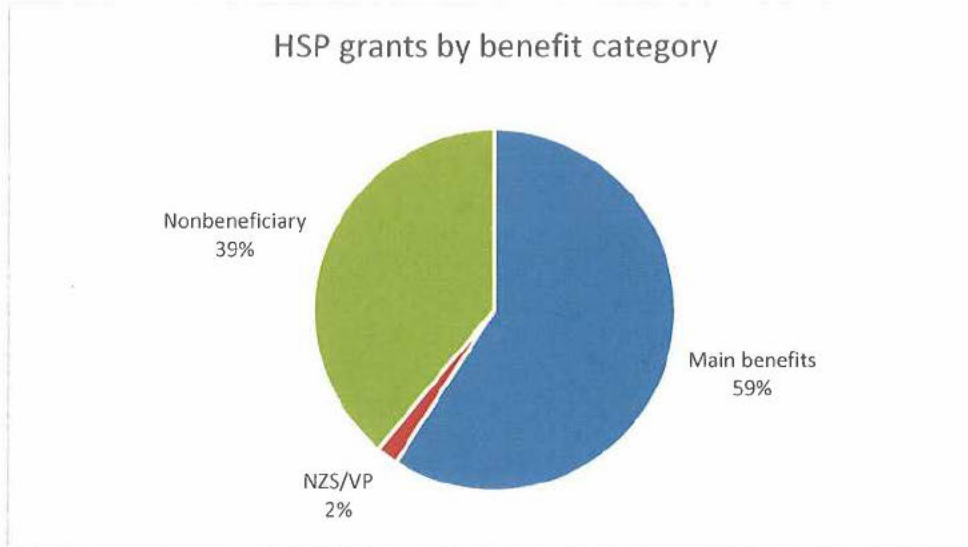
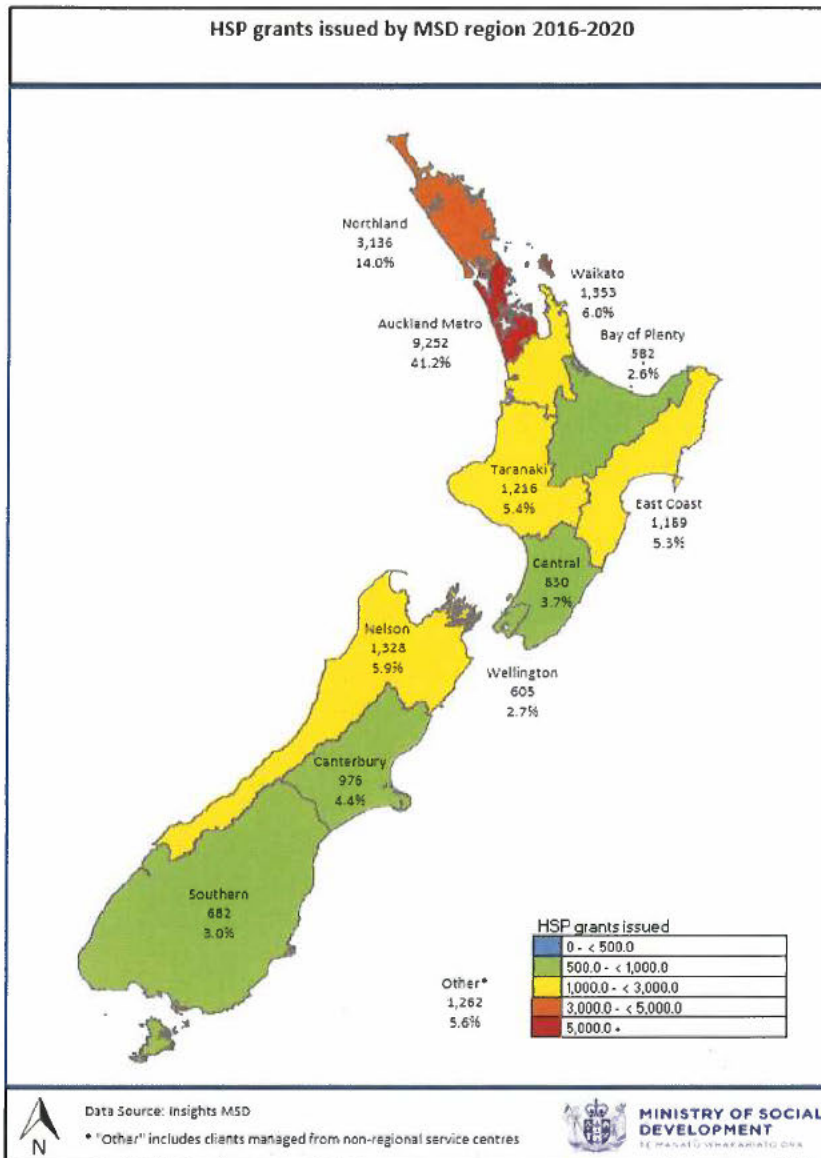


Table 2: Public housing tenancies and Transition to Alternative Housing Grant

Year	Number of clients with public housing (Kāinga Ora and Community Housing Providers) tenancy ended	Number of clients with tenancy review	Number of clients who received Transition to Alternative Housing Grant
2016	10,896 ³	380	149
2017	8,639	414	146
2018	7,067	93	41
2019	7,183	85	61
2020	7,608	55	62

³ Includes Kāinga Ora tenancies "ended" due to the Tāmaki transfer. These tenants remained in public housing through the Community Housing Provider.

Figure 6: HSP grants by MSD region 2016-2020



Appendix Two: Approaches for scope of HSP review

	Approach One Focused changes to existing HSP	s 9(2)(f)(iv)		
Policy Changes	<ul style="list-style-type: none"> • Retain most rules and regulations around existing products • Housing-related Hardship Assistance (RAPs and Advances) will remain separate from HSPs • Small changes for each existing product – increase capped amounts and durations, etc. • Small changes to the eligibility criteria – inclusion of non-signatories or boarders, Kāinga Ora clients, etc. 		s 9(2)(f)(iv)	
Funding Changes	<ul style="list-style-type: none"> • Funding for this option will be retained under the (current) Non-departmental Support: Housing Support Package appropriation • Increase funding – will require Budget bid 			s 9(2)(f)(iv)
Operational Changes	<ul style="list-style-type: none"> • Small changes to IT systems • Refresher training for frontline staff • Improve operational processes (MAP/Doogle) • IT system changes will take time • Resource requirements 			

Legislative Changes	<ul style="list-style-type: none"> • Undertake review of legislative framework to ensure it is fit for purpose, and potentially amend welfare programme 	s 9(2)(f)(iv)
Pros	<ul style="list-style-type: none"> • Would be faster to implement • Would be less costly • Would address some identified problems with HSPs • Would provide some additional support to clients 	
Cons	<ul style="list-style-type: none"> • Would leave in place a relatively complicated system of assistance • Less equity between beneficiaries and non-beneficiaries • Inconsistent reporting (because rent in advance is being paid via an ad hoc payment in SWIFT) • Continued low uptake of HSPs (however, retraining staff could improve) • With RAPs/Advances being used for housing, limits amount beneficiaries can use for other needs 	

Appendix Three: Overview of HSPs

Product	Value	Recoverable
<p>Moving Assistance</p> <p>Helps with specific cost of moving where there is an essential and unavoidable cost</p>	\$1,500 max	Yes
<p>Bond Grant</p> <p>One-off payment that directly addresses a major housing barrier (entry costs) without creating further household debt</p>	4 weeks rent, max \$2,000	No
<p>Rent Arrears Assistance</p> <p>One-off recoverable payment to assist clients in retaining their existing accommodation</p>	Rent arrears amount, max \$4,000	Yes
<p>Rent in Advance</p> <p>One-off payment to cover rent in advance should this be a major housing barrier</p>	2 weeks rent, max \$1,000	No
<p>Tenancy Costs Cover</p> <p>Provides financial assistance if, at the end of the tenancy, a client owes tenant related costs in excess of their bond. If claimed and successful, the payment is paid directly to the landlord. It is for clients who are experiencing discrimination and having difficulty securing alternative accommodation. This product is available only if the tenancy ceases in the first 12 months.</p>	Up to 4 weeks rent	Yes
<p>Statement of Satisfactory Tenancy</p> <p>Standardised reference from a public housing provider that directly targets landlords' three core tenant selection concerns of rent payments, damages, and tenant behaviour.</p>	n/a	n/a
<p>Transition to Alternative Housing Grant</p> <p>One-off payment that aims to alleviate hardship by reducing the impact of a move in the private market on a client's overall financial situation. It also motivates voluntary exits from public housing for clients with a lower housing need in areas with high waiting lists or in the independence planning phase of tenancy reviews.</p>	\$3,000	No

Appendix Four: Demographic analysis

Certain population groups could be better supported through improved policy settings

Pacific Peoples are disproportionately represented among those experiencing homelessness, housing insecurity, and overcrowding. Around 4 in 10 Pacific People live in crowded homes in New Zealand. Pacific Peoples also have high rates of casual or contract work and small business employment, which makes them more vulnerable to the negative impacts of an ongoing economic downturn.

The *United Nations Convention on the Rights of Persons with Disabilities*, the *New Zealand Disability Strategy* and the *Disability Action Plan* all identify access to housing as a fundamental right. Disabled people have poorer housing and are more likely to rent. There is already a chronic shortage of accessible housing in New Zealand limiting disabled people's ability to access appropriate private rental housing. Disabled people are likely to require long-term access to support products and services, particularly with suitable accessibility provisions needed to meet individual requirements. Recent independent reports have highlighted the chronic housing problems faced by many disabled people and their families.⁴

There are also intersections between the disabled population and other population groups (i.e. Māori have a higher rate of disability than the general population) that compound the difficulties disabled people face in securing accessible housing. The review will consider accessibility concerns for disabled people by exploring improvements to HSP policy settings that improve accessibility in private rental housing.

The *Better Later Life Strategy – He Oranga Kaumātua 2019 to 2034* focuses on our ageing population. Current trends show a decrease in home ownership among older people and increasing financial hardship leading to a risk of more older people experiencing poverty and needing assistance. Some older people are digitally excluded and have limited skills and access to digital technology. The size and mix of housing stock needs to provide homes for a diverse ageing population as demand for affordable rental and shared housing grows.

Rangatahi / young people aged 15-24 years (Māori, Pacific, Asian, disabled, former-refugees, care-experienced, rainbow and/or young parents) experience the highest level of homelessness in New Zealand.^{5,6} Rangatahi aged 16-17 years experiencing homelessness have virtually no accommodation options available to them and have extremely low incomes. Compounded by landlords' discrimination towards them and their inability to legally sign tenancy documents, this leads to housing insecurity (e.g. rough sleeping, boarding houses, night shelters, uninhabitable dwellings, women's

⁴ The Disabled People's Organisations Coalition commissioned the Donald Beasley Institute to research the actual housing experiences of disabled people. Auckland's Disability Connect has recently released similar research, highlighting the concerns of the parents and families of disabled people

⁵ Amore, K. (2016) 'Severe housing deprivation in Aotearoa New Zealand 2001 – 2013'. He Kāinga Oranga. University of Otago.

⁶ Auckland Council and Housing First Auckland. (2018). 'Auckland Homeless Count *Ira Mata, Ira Tangata* Point in Time Count 2018'.

refuges, garages, cars, couch-surfing) where support is not currently provided through HSPs. This results in a significant gap for support in alternative accommodations.