



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)

Final update on demand for COVID-19 temporary rent arrears assistance

Purpose of the report

- 1 The purpose of this report is to provide a final update on the demand for temporary rent arrears assistance introduced in response to the impact of COVID-19.

Executive Summary

- 2 On 2 June 2020, Cabinet approved temporary enhancements to the Rent Arrears Assistance Housing Support Product (RAA HSP) (a recoverable payment) and agreed to time-limited funding of \$30.9 million in 2020/21 to expand the availability of rent arrears support in response to COVID-19 [CAB-20-MIN-0247 refers]. These enhancements were introduced on 6 July 2020 to help sustain tenants in financial stress in their rentals (see **Appendix Two**).
- 3 Subsequently, these temporary enhancements to RAA HSP were extended until 30 June 2021, after which RAA HSP will revert to the original policy settings [REP/20/11/1073 refers].
- 4 In December 2020, officials provided an update on the demand for RAA HSP since Cabinet approved the enhancements [REP/20/11/1073 refers].
- 5 Since our last report, the demand for RAA HSP has not changed significantly and an approximate underspend of between \$40 to \$50 million remains. Officials propose reverting back to the original policy settings¹ on 30 June 2021 with the remaining underspend to be returned to the Centre.
- 6 Subject to Cabinet agreement, this underspend could be reprioritised towards the costs of improving the provision of emergency housing in Rotorua [BRF20/21060987 refers]. Under the fiscal management approach, the temporary enhancement will not have counted against key fiscal indicators as the RAA HSP is intended to be repayable.

¹ Reverting to original settings will result in a reduction from \$4,000 to \$2,000 maximum payment and requiring consideration of Recoverable Assistance Payments and Advance Payments of Benefit ahead of RAA HSP for rent arrears assistance going forward.

Reprioritising this funding towards costs that will not be recovered, as is the case with the work in Rotorua, will have an impact on both the operating balance and debt.

7 s9(2)(f)(iv) OIA

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Recommended actions

It is recommended that you:

- 1 **note** that the temporary enhancements to the RAA HSP were implemented on 6 July 2020 and subsequently extended to end on 30 June 2021
- 2 **note** that we recommend RAA HSP revert to its original policy settings from 1 July 2021
- 3 **note** that demand for the temporary RAA HSP has not significantly changed since the last reporting period and an approximate underspend of between \$40 to \$50 million remains
- 4 **note** that when the temporary enhancements to the RAA HSP were made, Cabinet agreed that any underspend would be returned to the Centre [CAB-20-MIN-0219.25 refers]
- 5 **note** that on 14 June 2021 the Cabinet Business Committee will consider whether to reprioritise the remaining underspend towards the costs of improving the provision of emergency housing in Rotorua [BRF21/21060987 refers]
- 6 **note** that reprioritising the remaining underspend will not be fiscally neutral and will impact on key fiscal indicators

7 s9(2)(f)(iv) OIA



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08 / 06 / 2021



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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

Hon Poto Williams
Associate Minister of Housing (Public Housing)

Date

Update on COVID-19 temporary rent arrears assistance demand since December 2020

9 On 2 June 2020, Cabinet approved temporary enhancements to the RAA HSP and agreed to time-limited funding of \$30.9 million in 2020/21 to expand the availability of rent arrears support in response to COVID-19 [CAB-20-MIN-0247 refers]. These enhancements were introduced on 6 July 2020 to help sustain tenants in financial stress in their rentals, and included an increase in the maximum payment from \$2,000 to \$4,000 and allowing RAA HSP to be considered before Recoverable Assistance Payments (RAPs) and Advance Payments of Benefit (Advances).² These temporary enhancements to RAA HSP were extended until 30 June 2021, after which RAA HSP will revert to the original policy settings [REP/20/11/1073 refers].

Uptake of the temporary enhanced RAA HSP has not significantly changed since our last report back

10 Demand for RAA HSP has not increased as anticipated, most likely because of better than expected economic conditions, with expenditures in the March 2021 quarter approximately the same as in the December 2020 quarter. Demand remains below our initial projections, with only \$7.898 million of \$58.027 million³ of the additional allocation expended.

11 As at 30 March 2021, an approximate underspend of between \$40 to \$50 million (2020/21 financial year) is expected. The below table summarises the spend of RAA HSP funding since April 2020 (see Table 1).

Table 1: Uptake of RAA HSP since April 2020

	Apr ⁴ 20	May 20	Jun 20	Jul 20 ⁵	Aug 20	Sept 20	Oct 20	Nov 20	Dec 20	Jan 21	Feb 21	Mar 21
HSP Rent Arrears (no. of grants)	58	87	78	738	1,039	792	568	587	547	670	583	668
Quarterly spend	30 Jun 20 \$296,769.82			30 Sept 20 \$3,746,298.70			31 Dec 20 \$2,248,927.44			31 Mar 21 \$2,431,309.20		

12 Overall demand for the Ministry of Social Development's (MSD) rent arrears assistance, including those under housing-related Hardship Assistance (i.e. RAPs and Advances), has been relatively stable since December 2020. Current uptake of all rent arrears assistance products is in line with pre-COVID-19 demand (see Figure 1).

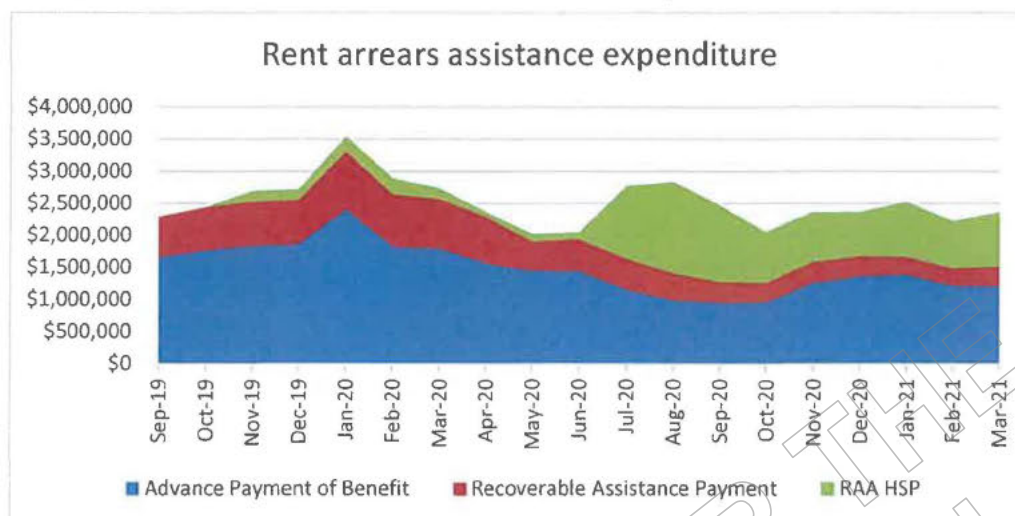
² RAPs and Advances are types of Hardship Assistance available through the welfare system. Under original policy settings, RAA HSP is an assistance of last resort and can only be considered after other options, like RAPs and Advances, have been exhausted.

³ \$30.9 million time-limited funding approved by Cabinet plus \$24.7 million fiscal neutral transfer from Advances and RAPs to the Housing Support Assistance Multi Category Appropriation in Vote Social Development authorised by Joint Ministers [CAB-20-MIN-0247].

⁴ New Zealand went into COVID-19 Alert Level 4 on 25 March, Alert Level 3 from 27 April and then went to Level 1 on 8 June 2020.

⁵ The temporary changes to RAA HSP went live on 6 July 2020.

Figure 1: Uptake of MSD rent arrears assistance since September 2019



Expected demand for RAA HSP did not materialise, largely due to a stronger than expected economic recovery post-COVID-19

- 13 Based on economic projections in the Pre-election Economic and Fiscal Update 2020 (PREFU), we anticipated that demand for RAA HSP would peak in early 2021. For this reason, Ministers agreed to extend the temporary enhancements until 30 June 2021 to continue to support people affected by adverse economic conditions.
- 14 The Budget Economic and Fiscal Update 2020 (BEFU) reported that economic conditions have been better than expected. It projected that the economic recovery in 2021 would be stronger than previously anticipated, with unemployment expected to be much lower than projected in the PREFU (peaking at 5.3 percent by the end of 2021 rather than 7.8 percent).
- 15 Despite significant hardship experienced by New Zealanders throughout COVID-19, rent arrears applications to the Tenancy Tribunal have not yet returned to pre-COVID-19 levels (3,058 applications in Q1 2021 compared to 4,948 in Q1 2020⁶). While this level of need is still significant, it shows that the strong economic recovery has resulted in less of a need for this form of one-off rent arrears assistance than expected.
- 16 RAPs and Advances have absorbed much of the demand for rent arrears assistance, indicating that existing rent arrears assistance products were sufficient to address much of the COVID-19-related need. Allowing RAA HSP to be considered before RAPs and Advances did significantly increase RAA HSP expenditure, but it did not result in RAA HSP becoming the primary form of rent arrears assistance.
- 17 The reason for why RAPs and Advances absorbed much of the demand could relate to the existing RAA HSP policy settings, which allow it only to be granted as a one-off payment (unless exceptional circumstances exist) and only to signatories to a tenancy agreement. As a result, some may have been excluded from receiving assistance, including non-RTA signatories and boarders, who were not eligible for RAA HSP under the temporary policy settings. s9(2)(f)(iv) OIA

⁶ According to Tenancy Services Dispute Resolution statistics

RAA HSP will revert to original policy settings s9(2)(f)(iv) OIA

18 Because the demand for rent arrears assistance is in line with pre-COVID-19 levels, we do not see the need for further extending temporary policy settings for RAA HSP. Under original policy settings, RAA HSP, RAPs, and Advances will continue to provide recoverable support for renters who are in arrears and are at risk of losing their tenancy.

19 As part of the temporary enhancements, Cabinet agreed that any underspends related to the amounts appropriated for all Vote Social Development initiatives funded by the COVID-19 Response and Recovery Fund would be returned to the Centre [CAB-20-MIN-0219.25 refers]. There is the option of reprioritising the remaining underspend towards the costs of improving the provision of emergency housing in Rotorua and Ministers will receive further advice on this [BRF20/21060987].

20 Under the fiscal management approach, the temporary enhancement will not have counted against key fiscal indicators as the RAA HSP is intended to be repayable. Reprioritising this funding towards costs that will not be recovered, as is the case with the work in Rotorua, will impact both the operating balance and debt.

s9(2)(f)(iv) OIA

21 s9(2)(f)(iv) OIA

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Next steps

23 The temporary enhancements to the RAA HSP will revert to original policy settings on 1 July 2021, and the remaining underspend will be returned to Centre.

24 On 14 June 2021 the Cabinet Business Committee will consider whether to reprioritise the remaining underspend towards the costs of improving the provision of emergency housing in Rotorua [BRF21/21060987 refers].

25 s9(2)(f)(iv) OIA

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Appendix

Appendix One: Summary of data on COVID-19 demand for RAA HSP

Appendix Two: Summary of temporary changes to RAA HSP

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Appendix One: Summary of data on COVID-19 demand for RAA HSP

Table 1: Number of grants paid per HSP product since 2016

Housing Support Products (HSPs)	2016	2017	2018	2019	2020
Bond Grant	982	1,293	1,316	1,764	3,251
Letting Fees	351	423	407	429	673
Moving Assistance	214	353	294	251	4,984
Rent in Advance	418	703	693	959	1,774
Tenancy Costs Cover	38	41	39	34	43
Transition to Alternative Housing Grant	220	232	62	79	91
TOTAL	2,223	3,045	2,811	3,516	10,816

Figure 1. Percentage of rent arrears assistance (RAA HSP, RAPs, Advances) grants issued between 6 July to 30 September 2020⁷

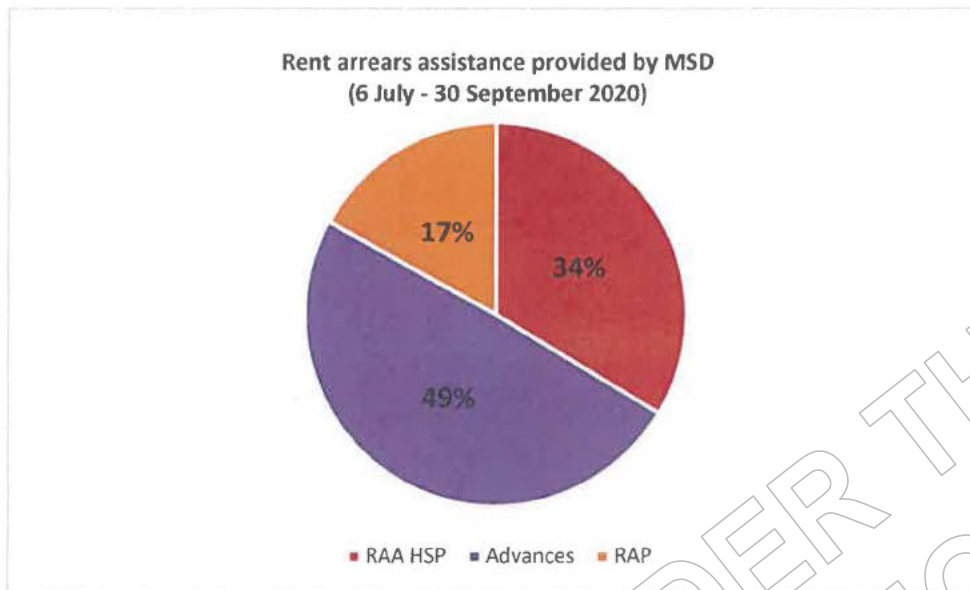
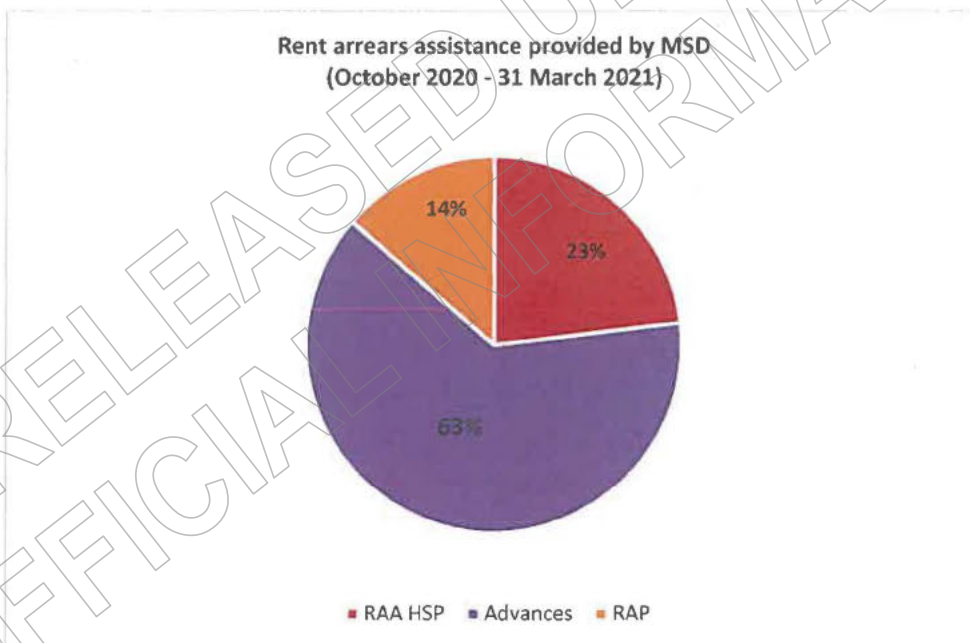


Figure 2. Percentage of rent arrears assistance (RAA HSP, RAPs, Advances) grants issued between October 2020 to 31 March 2021⁸



⁷ Time period reported in December 2020 report back

⁸ Time period since December 2020 report back

Figure 3. Percentage of RAA HSP grants issued by population group (July 2020 to September 2020)

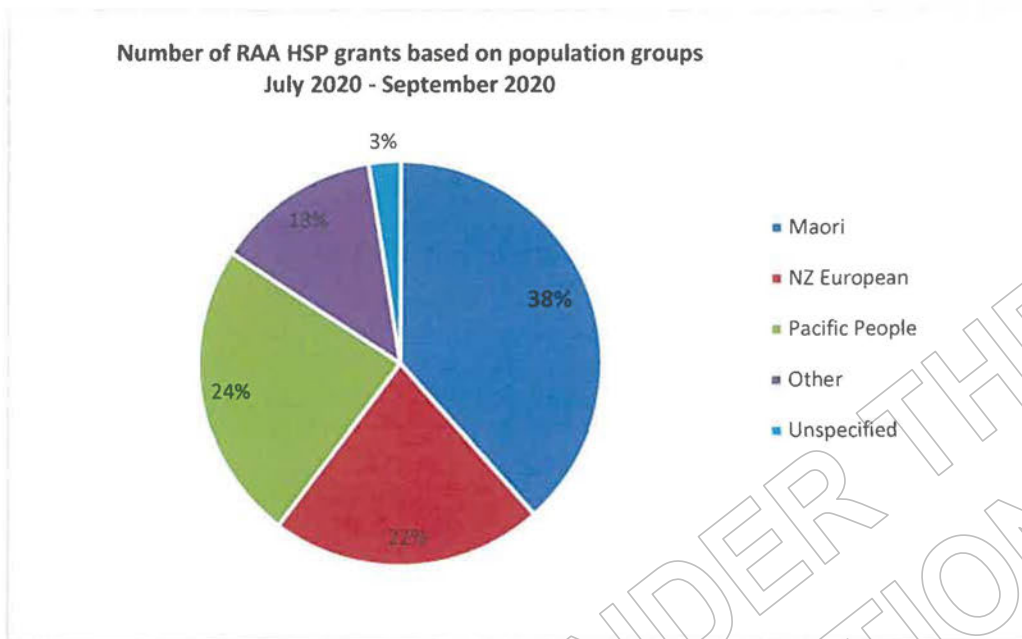
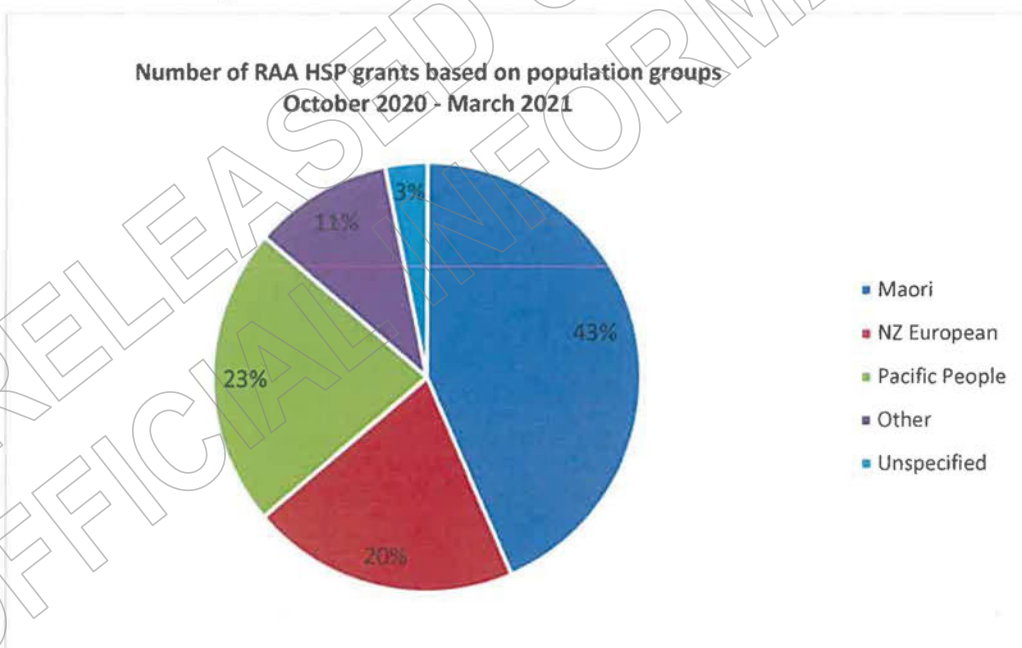


Figure 4. Percentage of RAA HSP grants issued by population group (October 2020 to 31 March 2021)



Appendix Two: Summary of temporary changes to RAA HSP

On 2 June 2020, Cabinet approved temporary enhancements to RAA HSP and agreed to time-limited funding of \$30.9 million in 2020/21 to expand the availability of rent arrears support in response to COVID-19. These enhancements were introduced on 6 July 2020 to help sustain tenants in financial stress in their rentals.

Temporary policy settings to RAA HSP included allowing applicants to be considered for RAA HSP in the first instance (rather than after all other forms of housing assistance have been considered) and increasing the maximum amount payable from \$2,000 to \$4,000.

Increasing the maximum amount payable to \$4,000 was agreed due to the high probability that the average payment for rent arrears per client would be higher than under normal circumstances. The amount was calculated based on the median rent across New Zealand and the duration of time household spent in lockdown.

Allowing the RAA HSP to become a product of first recourse was agreed to streamline operational processes and make the application process easier for frontline staff, enabling them to respond more quickly to requests for rent arrears assistance. It also allowed for the RAA HSP to be easier to access for all people impacted by COVID-19.

These temporary changes were created to complement other measures introduced by the government in their initial COVID-19 Economic Package, such as freezing rent increases for six months, prohibiting no-cause terminations for a period of three months, and limiting evictions for unpaid rent for up to 60 rent days. Because existing products for rent arrears may not have adequately addressed needs due to the extraordinary circumstances surrounding COVID-19 and the associated national lockdowns, Cabinet agreed that an enhanced rent arrears product was necessary.

Creating a new product was not pursued because of limited capacity at MSD to develop and deliver complex programmes in a short timeframe in addition to other COVID-19-related measures like the Wage Subsidy and COVID-19 Income Relief Payment.