

## **In Confidence**

Office of the Minister for Social Development and Employment

Office of the Minister of Housing

Cabinet

## **North Island Weather Events: Interim support for displaced homeowners with private rental arrangements**

### **Proposal**

- 1 This paper seeks agreement to:
  - 1.1 establish an interim programme to support displaced homeowners who are in private rental accommodation covered by insurance temporary accommodation payments that are due to end, while longer-term solutions are considered
  - 1.2 transfer \$10 million in funding from Vote Building and Construction (Temporary Accommodation Service (TAS) appropriation) to Vote Social Development in 2023/24 to establish and administer this programme
  - 1.3 authorise the Ministry of Social Development (MSD) to spend a further \$3 million in 2023/24 to continue the delivery of Enhanced Taskforce Green (ETFG) to assist with the clean-up of damage caused by Cyclone Gabrielle.

### **Relation to government priorities**

- 2 The proposals in this paper form part of the Government's response and recovery programme following the North Island Weather Events (NIWE), including the flooding in the Auckland region on 27 January 2023, and the impacts of Cyclone Gabrielle which resulted in the declaration of a National State of Emergency on 14 February 2023.

### **Executive Summary**

- 3 As of 5 July 2023, 3,678 properties in New Zealand have been assigned a red or yellow placard due to the NIWE. Some displaced homeowners have moved into temporary accommodation in the private rental market and have been relying on insurance payments to cover these costs while they also continue to pay costs associated with home ownership.
- 4 After seeking advice from officials on a range of possible solutions across a number of agencies, we are seeking agreement to establish an interim solution – the North Island Weather Events Temporary Accommodation Assistance (NIWE TAA) to support displaced homeowners in temporary private rental accommodation when their insurance payments for temporary accommodation are exhausted. This is an interim

solution, to be implemented from 4 September 2023, while more enduring solutions are considered.

## Background

- 5 Earlier this year, NIWE significantly affected several regions across the North Island, including Tāmaki Makaurau, Hawkes Bay, and Tairāwhiti. As of 5 July 2023, 3,678 properties in New Zealand have been assigned a red or yellow placard<sup>1</sup> due to these events, and 3,678 households (including both owner-occupied and rental properties) are currently considered to be displaced from their home. There are also reports of significantly flood-affected properties that have received a white placard<sup>2</sup> or have not received a placard.
- 6 Many displaced homeowners will not be able to return to their homes until repairs are undertaken or a decision is made on the future of their property. These households have therefore sourced temporary accommodation through a number of alternatives, including government's Temporary Accommodation Service (TAS), private rentals, privately sourced commercial accommodation, or by staying with friends or family. For many, it is unclear when or if they will be able to return to their home.

### *Many affected homeowners are living in private rental properties*

- 7 The Ministry of Business, Innovation and Employment's (MBIE) TAS was activated on 8 February 2023 in response to severe flash flooding in Auckland, and on 27 February 2023 in multiple North Island regions in response to Cyclone Gabrielle. TAS assists households affected by a natural disaster to find safe, secure, and accessible temporary accommodation while their home is repaired or rebuilt. TAS has received over 2,720 registrations from displaced households during the four months it has been operational. Accommodation supplied through TAS are generally commercial accommodation (such as motels and hotels) or pre-existing short-term rentals (such as Airbnb or holiday homes), and sometimes include motorhomes, campervans and temporary villages. No long-term tenancy agreements are in place and a partial payment based on the households' circumstances is required by TAS tenants.
- 8 Of the 3,678 properties that have received a yellow or red placard, approximately 12 percent (450 households) are currently in TAS supplied accommodation nationally. This indicates up to 88 percent (3,228 households) are currently in accommodation not provided by TAS. Of the people in TAS supplied accommodation, approximately 70 percent are tenants, with the remaining 30 percent listed as homeowners. Some households choose not to take up TAS supplied Accommodation options for a variety of reasons, including the location of the property (e.g., distance from their community, employment or education), the type of properties available, lack of accessibility, or having fixed-term tenancies in their current temporary rental housing.
- 9 Many displaced homeowners currently renting in the private market are using insurance payments to cover their temporary accommodation costs. MBIE has been advised that a typical amount of insurance cover for temporary accommodation is up

<sup>1</sup> A red placard means entry is prohibited. A yellow placard means that access is restricted and the building cannot be used or that you cannot enter except under supervision for a limited time or on essential business.

<sup>2</sup> A white placard means that a building can be occupied but does not mean that it is not damaged.

to \$20,000. This is likely to cover the cost of temporary rental accommodation for a period of six to 12 months, depending on the cost. For example, with a rent of \$770 per week, a household would likely be able to pay for six-months of rental payments before their insurance cover was exhausted. As such, we anticipate many displaced households currently in private accommodation will begin to run out of insurance payments from July 2023 with most likely to have run out of support by December 2023. Some households in TAS supply will also run out of insurance payments during this time.

- 10 As insurance payments for temporary accommodation run out, displaced homeowners will need to consider their options. Some may choose to move, either into TAS-supply, a cheaper rental option, or with friends and family. If these options are not acceptable to them, they will be left to cover the costs of rental payments in their temporary accommodation as well as any costs associated with home ownership (e.g., mortgage repayments and rates). Some homeowners are increasingly concerned about their ability to afford ongoing rental payments in addition to the ongoing costs on their damaged home. These displaced homeowners in privately rented accommodation are approaching government agencies, local government and Ministers' offices in increasing numbers to request financial support to help them with the costs of their temporary private rental arrangements.

*Affected homeowners have limited options and some need alternative supports*

- 11 There are a limited range of options available to homeowners in private rental accommodation to address their increase in costs when their insurance cover for temporary accommodation is exhausted or expires. Where these options exist, there are significant limitations to them. Broadly these options are to:
  - 11.1 end their lease / tenancy for private rental accommodation (noting that many are likely to have a fixed-term lease) and seek alternative options (including TAS)
  - 11.2 seek support from mortgage lenders
  - 11.3 seek support from MSD, where financial hardship exists.
- 12 Homeowners can talk to their landlords about ending their lease for the current temporary accommodation and finding alternative accommodation (such as TAS). While ending a lease and finding alternative accommodation may be an option for some affected homeowners, there may be some limitations to doing so. Under section 56D of the Residential Tenancies Act 1986, a tenant can apply to the Tenancy Tribunal to have the tenancy ended early if there has been an unexpected ("unforeseen") change in their situation – losing their job, for example – that means they will suffer "severe hardship" if the length of the tenancy is not reduced. But the hardship they would suffer must be greater than the hardship the landlord would suffer by having the tenancy end early.
- 13 Homeowners can also approach their mortgage lenders about options available to reduce the immediate mortgage costs associated with the property they own. For borrowers, under the Credit Contracts and Consumer Finance Act 2003 (CCCFA),

there are specific provisions for “unforeseen hardship”, which in limited circumstances, provides a right to request the following:

- 13.1 extending the term of the contract and reducing the amount of each payment due under the contract accordingly (without a consequential change being made to the annual interest rate or annual interest rates)
  - 13.2 postponing, during a specified period, the dates on which payments are due under the contract (without a consequential change being made to the annual interest rate or annual interest rates)
  - 13.3 extending the term of the contract and postponing, during a specified period, the dates on which payments are due under the contract (without a consequential change being made to the annual interest rate or annual interest rates).
- 14 Lenders are also obligated to treat borrowers reasonably and ethically where the borrower is suffering hardship. This includes:
- 14.1 making genuine attempts to work with the borrower to limit the rate at which the effects of repayment difficulties escalate; and
  - 14.2 considering repayment arrangements outside of the statutory unforeseen hardship process.
- 15 MSD and MBIE officials understand that following the NIWE, some banks have been willing to consider measures such as suspending repayments or interest-only mortgage repayments. This is a time-limited solution that can reduce the short-term impact but will extend the life and overall cost of the mortgage for homeowners. The decision to allow this remains with the banks and so may not be available to all displaced homeowners.
- 16 MSD can also provide financial assistance for eligible homeowners in hardship to cover the costs of either their home or temporary accommodation (but not both) through the Accommodation Supplement. The Accommodation Supplement is a benefit payable to clients who meet an income and cash asset test and who have high accommodation costs relative to their income. Many affected clients may not be eligible for support through the Accommodation Supplement as they have income or cash assets above the threshold.

*An enduring solution cannot be developed in time to support those imminently affected*

- 17 Many affected homeowners may be displaced for an extended period and may therefore need to pay rent for temporary accommodation over a prolonged period. Without additional support, displaced homeowners with private rental arrangements may suffer financial hardship and potentially homelessness. An enduring solution to support displaced homeowners with private rental arrangements will be considered, and we have asked officials to urgently provide advice on options for this.

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s 9(2)(f)(iv)

18.1 s 9(2)(f)(iv)

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- 19 An enduring solution will take time to establish and will not be available in time to support those currently affected when their insurance payments run out. The issue is considered critical, both in Tāmaki Makaurau and Hawke's Bay and emerging quickly in Tairāwhiti. Ongoing adverse weather continues to exacerbate the situation and create further pressure on communities.

**We propose a new payment be introduced in the interim to support displaced homeowners while a long-term solution is developed**

- 20 In the interim, as insurance payments covering temporary rental accommodation for displaced homeowners start being exhausted from July 2023, we propose to establish a small-scale and short-term payment, similar to the Canterbury Temporary Accommodation Assistance (Canterbury TAA) package used after the Canterbury earthquakes. This interim payment will be known as North Island Weather Events – Temporary Accommodation Assistance (NIWE TAA). It builds on the Canterbury TAA package used after the Canterbury earthquakes.
- 21 Following the Canterbury earthquakes, the Canterbury TAA was established to support displaced homeowners in private rental accommodation to meet the costs of their temporary accommodation, while remediation was happening on their primary residence. The Canterbury TAA provided support to some affected clients for nine years. Between February 2011 and the end of August 2019, MSD provided approximately \$62 million in assistance to around 3,400 households. The Canterbury TAA was not income or asset tested and provided a flat-rate weekly payment based on household composition, within a specified geographical area. Similar arrangements have not been part of other temporary accommodation responses to other extreme events (such as those in Kaikoura and Westport) as demand for this type of support was lower.
- 22 Initially, the NIWE TAA will be provided to the anticipated small number of homeowners who are displaced, living in temporary private rental accommodation after their insurance payments to cover temporary accommodation has ended, and meet all eligibility criteria. MBIE has so far received 52 requests for financial

<sup>3</sup> MBIE, MSD, and HUD.



assistance for households in situations where insurance payments for temporary accommodation will be ending from July 2023 onwards. However, officials expect this number will grow significantly as insurance payments run out between July 2023 and December 2023.

23 Providing for the NIWE TAA will require:

- 23.1 MSD to stand up a simple and temporary delivery model to support the interim solution by 4 September 2023. The IT solution for the Canterbury TAA was decommissioned, and as it was externally provided to MSD it cannot be stood back up in its previous form.
- 23.2 The establishment of a Welfare Programme under Section 101 of the Social Security Act 2018. Payment via a Welfare Programme under the Social Security Act 2018 means that the payments are not taxable and will not affect other social assistance entitlements such as Working for Families. This Welfare Programme will end when the NIWE TAA is replaced by an enduring solution or at the end of 30 June 2024 (as funding is only being sought for 2023/24)
- 23.3 Funding of an estimated \$10 million in the 2023/24 financial year, including for MSD to develop and implement the solution. We propose that this be reprioritised from the MBIE TAS appropriation for the 2023/24 financial year, capped at \$10 million. MSD and MBIE estimate that this funding could support up to approximately 300 affected households through 2023/24, allowing time for the enduring solution to be established. Funding is only available for 2023/24 as this is a temporary solution and we intend to have an enduring solution in place for the 2024/25.

24 NIWE TAA will be time limited with funds only available for 2023/24. Therefore, s 9(2)(f)(iv) it will end at the close of 30 June 2024. This provides time for the enduring solution to be established, subject to Cabinet approval.

25 While the NIWE TAA builds off the Canterbury TAA, there are several distinctive features outlined further below in the proposed settings. These include that the NIWE TAA programme is a time-limited interim solution, has higher payment rates than those set in 2011 for Canterbury TAA, includes an additional payment rate for larger families, and covers a wider and more diverse geographic area for multiple weather events and areas where the cost of temporary rental housing differs.


*NIWE TAA support would be delivered quickly to a small group of affected homeowners*

26 Given implementation and funding limitations, we will need to restrict eligibility of the interim solution to a small group of displaced homeowners who:

- 26.1 are displaced from their home, which has received a red or yellow placard as a result of NIWE and continue to have costs associated with their damaged home (e.g., mortgage, rates, insurance etc)

- 26.2 are paying for private rental accommodation under the Residential Tenancies Act 1986 (the RTA)
- 26.3 have previously been receiving payment for temporary accommodation from their insurer but this insurance cover has been exhausted.
- 27 To mitigate the risk that people in other forms of temporary accommodation enter the private rental market to get this assistance, and given the limited funding available, affected homeowners will need to be in private rental accommodation under the RTA on the date of the announcement (17 July 2023) to be eligible for NIWE TAA.
- 28 Where a property has not yet received a yellow or red placard, but the homeowner is living in temporary private rental accommodation on the announcement date (and meets all other eligibility requirements) and the property is subsequently granted a red or yellow placard, the homeowner will become eligible for assistance from the date the placard is granted.
- 29 The NIWE TAA will not be available to cover the following:
  - 29.1 costs of commercial accommodation (such as motels and hotels), as the NIWE TAA is for homeowners currently living in private rental accommodation with a tenancy under the RTA
  - 29.2 homeowners who are currently receiving payment for temporary accommodation from their insurer. Where the affected homeowner received an upfront lump sum from their insurer for temporary accommodation costs, they will not be eligible for NIWE TAA until the end of the period this covers. Where the period of cover is not specified, this will be scaled based on the cost of their temporary private rental and the amount (and scope) of the lump sum
- 30 Given the impact on these homeowners, and as they are paying housing-related costs on two properties, homeowners will not need to meet an income or asset test to be eligible for the NIWE TAA. However, applicants will be asked to declare that they have taken reasonable steps to limit the cost of their temporary accommodation and MSD will be able to take into account the wider financial circumstances of the applicant. MSD will have the discretion to consider whether someone has met these requirements based on the costs of their private rental accommodation to ensure payments are not being made where households have chosen to live in high-cost temporary accommodation, or their financial circumstances are such that they could reasonably be expected to meet the costs of their temporary accommodation.
- 31 MSD will seek the following evidence and verification from applicants to help determine their eligibility for NIWE TAA:
  - 31.1 tenancy agreement under the RTA
  - 31.2 relevant insurance documentation
  - 31.3 proof that their home is subject to a yellow or red placard
  - 31.4 proof of identification.



- 32 Applicants will be required to make a declaration that they are eligible.   
s (9)(2)(g)(i)
- 33 As this payment is only intended to assist with private rental costs while the household is displaced, recipients would stop receiving the NIWE TAA at the point when either:
- 33.1 the affected homeowner no longer owns the affected home or is no longer incurring any costs associated with homeownership on their affected property (e.g., if their home is bought out)
  - 33.2 repairs or remediation work on their home is completed and they can move back to their affected property
  - 33.3 the homeowner ceases to incur temporary accommodation costs (e.g., they leave the private rental market)
  - 33.4 the homeowner no longer meets the required eligibility criteria for any other reason
  - 33.5 the NIWE TAA ends (e.g., on 30 June 2024) or is no longer available (e.g., it is replaced by an enduring solution).
- 34 Recipients and applicants will be required to notify MSD of a change in their (or their household's) circumstances which could affect their eligibility to receive a payment (or the amount they could receive) under the programme.

*Payments under the NIWE TAA would be paid out at a flat rate*

- 35 In line with the original Canterbury TAA, NIWE TAA would be provided as a flat-rate payment, paid directly to the affected homeowner weekly to subsidise the costs of renting accommodation in the private market.
- 36 We propose that the maximum weekly payment rate is set at 100 percent of the average rent declared by Accommodation Supplement recipients in the region where the household's temporary rental accommodation is located.<sup>4</sup> The maximum payment would also be adjusted based on the household type (for example, whether they require, one, two, three or four or more bedrooms). This would adjust payments based on the expected cost of renting in the private market, recognising that rental prices differ across the affected regions and by the size of the household.
- 37 As a result of NIWE larger families who are displaced are likely to face higher costs for temporary accommodation. The payment structure outlined in the table below differs slightly from the Canterbury TAA as it recognises the higher temporary accommodation costs faced by larger families and that as a result their insurance cover is likely to be exhausted earlier. This structure is also different than that

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<sup>4</sup> Rent data is for Accommodation Supplement recipients who are renting at the end of May 2023.



applying to Accommodation Supplement, as it recognises larger families (those that require four bedrooms or more).

- 38 To avoid overpaying some eligible recipients, NIWE TAA would be payable at the lesser amount of either the household's actual rent or the maximum weekly payment rate. For some households, where their rent is higher than the maximum payment rate outlined in the table below, this means that they will only be subsidised for a proportion of their temporary accommodation costs, though it is likely to be a significant subsidy.
- 39 The proposed maximum weekly payment rates are outlined below<sup>5</sup>:

<b>NIWE TAA Maximum Weekly Payment Rates (payment is the lower of actual temporary accommodation costs or the maximum amount)</b>				
<b>Family Type</b>	<b>Location of Temporary Rental Accommodation</b>			
	<b>AS Area One</b>	<b>AS Area Two</b>	<b>AS Area Three</b>	<b>AS Area Four</b>
<b>Single (no children)</b>	\$330	\$270	\$260	\$250
<b>Couple (no children) or Sole Parent (one child)</b>	\$480	\$420	\$380	\$340
<b>Couple (one child) or sole parent (two children)</b>	\$560	\$480	\$430	\$380
<b>Couple (2+ children) or sole parent (3+ children)</b>	\$610	\$510	\$460	\$400

- 40 MSD and MBIE estimate that, based on the subsidy rates above, the \$10 million of funding could support up to 300 people in 2023/24. Actual demand will not become apparent until December 2023 when most insurance cover for temporary accommodation will have ended. Given the limitations on available data, it is difficult to estimate the size or circumstances of the affected cohort. <sup>s 9(2)(f)(iv)</sup>

- 41 Some displaced homeowners will receive payments that are less than their actual weekly rental payments as the rents used to set the maximum weekly payments are based on rents paid by recipients of the Accommodation Supplement, and reflect the lower end of the rental market. Some displaced homeowners will have secured higher cost rental accommodation which means that the payment will only subsidise, rather than cover, their temporary accommodation costs. This risk is considered necessary given the speed of delivery and the simple model required, but it will still provide a significant subsidy to those households.

<sup>5</sup> Broadly, Auckland is in AS area one, Hawkes Bay is in AS area two, and Gisborne is in AS area three.



- 42 Payments will be made directly to affected homeowners, rather than to landlords, to mitigate the several associated risks, including overpaying otherwise unaffected landlords, landlords seeking payment from MSD and tenants, and to reduce complexity in delivery of the payment. § 9(2)(f)(iv)
- 43 Where an eligible applicant's insurance cover was exhausted prior to the date of implementation (4 September 2023), and where they had eligible temporary accommodation on the date of announcement (17 July 2023), MSD may provide an initial lump sum payment. This will extend back to 1 June 2023 at the earliest.

**Establishing the interim NIWE TAA solution to address the immediate concern includes several risks**

- 44 A government solution to support affected homeowners whose insurance payments for temporary accommodation are exhausted could set a precedent for this kind of support being available in the future. In doing so, this could create a moral hazard, affecting the decisions of insurance companies on whether to (or the extent to which they do) provide temporary accommodation cover as part of their insurance packages. This may be more of a concern for enduring solutions being considered.
- 45 The proposed interim solution can only support a small group of people (estimated as up to 300 people over 2023/24) due to funding and operational limitations. Given this, some people who are affected may not be able to access this support. People in this situation are likely to include:
- 45.1 households who were living in rental accommodation which has been affected by the NIWE, forcing them to change rental accommodation
  - 45.2 affected homeowners currently staying with friends and family, renting caravans or motorhomes, or boarding or lodging, and who want to move into private rental accommodation but have not been able to afford it or suitable rental accommodation is not available
  - 45.3 affected homeowners currently in TAS supplied accommodation or commercial accommodation and wanting (or needing) to move into the private rental market. This includes those in TAS accommodation who have received insurance payments to cover the required partial payment towards this temporary accommodation
  - 45.4 affected homeowners who were in temporary accommodation in the private rental market and whose insurance payments ran out prior to the date at which payments come into effect and have since left private rental accommodation due to the associated costs
  - 45.5 affected homeowners who were uninsured or underinsured (i.e., they were not eligible to receive temporary accommodation cover from their insurance provider)



- 45.6 homeowners who were affected by other weather events outside of the scope of NIWE or whose properties were damaged at the same time as the NIWE but not as a direct result of those weather events.
- 46 While households in the situations above will miss out on interim support through the proposed NIWE TAA, they do have alternative options, including:
- 46.1 obtaining temporary accommodation through TAS. People placed in temporary accommodation via MBIE TAS pay a contribution, the amount of which is determined in relation to their financial circumstances. Additionally, these people may have access to means-tested financial support from MSD, where eligible, including the Accommodation Supplement
- 46.2 accessing MSD means-tested hardship assistance where they are having difficulty meeting the cost of their temporary rental accommodation, including Temporary Additional Support and the Housing Support Product Rent Arrears Grant.
- 47 s 9(2)(f)(iv)
- 48 s 9(2)(f)(iv)
- 49 Given the tight eligibility criteria, some people will contact MSD who are not eligible. This will create additional work for MSD. MSD will work alongside the MBIE TAS team to ensure those who are not eligible are directed and supported by the responsible agency in a timely and appropriate manner (such as TAS), and are considered for eligibility to other MSD support, including the Accommodation Supplement, or Temporary Additional Support.
- 50 This proposed interim solution will create some real and perceived issues around fairness. Some displaced homeowners who need support where TAS accommodation does not meet their needs will be excluded. This includes those who do not have house insurance or are under-insured, or individuals who are staying in inadequate accommodation as they cannot afford private rental accommodation. A bespoke solution for NIWE impacts also creates an inequity versus people in similar situations due to other circumstances that require them to pay two sets of housing costs.
- 51 Displaced renters are not covered by this payment as they typically would have been able to exit their rental agreements in the affected properties and should not be paying two sets of accommodation costs.
- 52 Creating this shorter-term solution is likely to create an expectation for ongoing support for these people, and for a longer-term solution to be implemented. Uncertainty around the number of people who require support and for what length of time means that the cost of any such longer-term solution is unclear.



- 53 Given the speed at which this payment is being established and the limitations in implementing a suitable IT solution, <sup>s 9(2)(g)(i)</sup> [REDACTED] This will also result in resource constraints affecting MSD's capacity to deliver payments in a timely and efficient manner that meets expectations.
- 54 Given the timeframes and limitations in developing this initiative, it has not been possible to consult stakeholders in the design of this interim solution. This could result in concerns from some stakeholders. MSD and MBIE will work with these stakeholders through the development of the enduring solution to ensure it considers any concerns. <sup>s 9(2)(f)(iv)</sup> [REDACTED]
- 55 MSD estimate that this solution could be implemented on 4 September 2023. Eligible people with exhausted insurance payments prior to 4 September 2023 may be considered for an initial lump sum payment (back to 1 June 2023 at the earliest). Prior to 4 September, alternative supports may be able to help some eligible households cover their accommodation costs, for example:
- 55.1 Low-to-middle-income households may be eligible for MSD's Housing Support Products Rent Arrears Grant so they can pay any outstanding rent (this is recoverable assistance, so it must be paid back)
  - 55.2 Lower-income households may be able to access the Accommodation Supplement to assist with the costs of either the property they own or their temporary rental accommodation costs (but not both)
  - 55.3 households could also discuss their options with landlords to temporarily delay rent payments until they are paid NIWE TAA from 4 September 2023.
- 56 Typically, people cannot receive two types of assistance for the same purposes. So, while they may be able to get the Accommodation Supplement for their homeownership costs as well as NIWE TAA for their temporary rental accommodation costs, they could not get both NIWE TAA and the Accommodation Supplement for their temporary rental accommodation costs. As the Rent Arrears Grant is recoverable assistance, displaced homeowners who receive the Rent Arrears Grant for rent arrears incurred between 1 June 2023 and 4 September 2023, and who meet all other eligibility criteria, may still receive a NIWE TAA lump sum to assist in repaying their debt incurred by receiving the Rent Arrears Grant. <sup>s 9(2)(f)(iv)</sup> [REDACTED]

**MSD baseline funding will be used to support the broader clean up through Enhanced Taskforce Green to support the cyclone recovery**

- 57 Enhanced Taskforce Green (ETFG) employs jobseekers to assist with clean-up after adverse weather events or natural disasters. Following the NIWE, the Minister for Social Development and Employment has approved ETFG spend of up to \$500,000 (excluding GST) from MSD baseline on three occasions. Cabinet has approved a



further \$1.0 million<sup>6</sup> (excluding GST) from MSD baseline for Cyclone Gabrielle ETFG clean-up (totalling \$2.5 million).

- 58 MSD has forecast that the current \$2.5 million of approved funding will run out by the end of July 2023. Without approval for additional spend, the programme will cease at this time. The continuation of ETFG is necessary to support farmers, growers, and community groups with recovery from the damage of Cyclone Gabrielle, it is not a duplication of other Government support as ETFG is targeted at properties where manual labour rather than heavy machinery is best suited for clean-up and provides physical support rather than funding.
- 59 Current estimates show that the remaining ETFG clean-up work following Cyclone Gabrielle will cost an additional \$1.8 million and that work will be required until at least the end of October 2023. However, the actual cost is likely to be higher than this as the full extent of clean-up needs is still emerging.
- 60 Because the full costs are still emerging, the Minister for Social Development and Employment is seeking authorisation for MSD to spend up to \$3.0 million (excluding GST) in 2023/24 from Vote Social Development's Multi-Category Appropriation (MCA) – Improving Employment and Social Outcomes Support baselines to continue ETFG Cyclone Gabrielle recovery work.

## Implementation

- 61 The NIWE TAA will be delivered in three phases to address the urgent need until a more enduring solution can be established:
- 61.1 Phase one: the NIWE TAA will be made available from 4 September 2023 as an interim solution. The payment will be established under a high-level Welfare Programme approved by the Minister for Social Development and Employment under section 101 of the Social Security Act 2018. The payment will be delivered to address urgent need, and will include a lump sum payment for eligible households with insurance cover running out prior to the date of implementation (back to 1 June 2023 at the earliest)
- 61.2 Phase two: the Welfare Programme will be revised to establish the full legal and policy parameters for the delivery of the NIWE TAA. This will be completed later this year
- 61.3 Phase three: further advice on potential options to establish an enduring solution for currently affected homeowners and those affected in future events is being prepared by officials. <sup>s 9(2)(f)(iv)</sup>
- 62 To support implementation and ongoing improvement of this interim solution, and to support effective management of the associated risks, we seek delegated authority for the Ministers for Social Development and Employment, in consultation with other Ministers as appropriate, to refine the decisions made by Cabinet, including decisions on the eligibility criteria, delivery of the payment, the effective date of payment, and

<sup>6</sup> Approval above the \$500k per event requires Cabinet approval and through Budget 2023



the amount of support paid. In line with this, the NIWE TAA will be reviewed later this year.

### Cost-of-living Implications

- 63 The proposed NIWE TAA will cover a substantive portion of housing costs for displaced homeowners requiring temporary accommodation in the private rental market while they also face ongoing costs associated with home ownership. This subsidy will enable many affected households to retain temporary accommodation in the private rental market while they await decisions on the future of their weather-affected property. The payment is not expected to cover the full costs of renting and is not intended to cover the ongoing costs of home ownership.

### Financial Implications

- 64 Agreement is sought for \$10 million to be transferred from Vote Building and Construction to Vote Social Development in 2023/24 to support implementation of the NIWE TAA. This funding is for 2023/24 only with the expectation that the enduring solution will be ready in 2024/25 to support displaced homeowners who continue to rent privately.
- 65 MSD will incur costs in the development and implementation of the interim solution. The \$10 million funding will need to cover MSD establishment costs as well as payments to displaced homeowners. Establishment costs, including communications and project delivery are estimated to be \$1.113 million, leaving approximately \$8.887 million of funding for payments. <sup>s 9(2)(f)(iv)</sup>
- 66 The Minister for Social Development and Employment is also seeking authorisation for MSD to spend up to \$3.0 million in 2023/24 (excluding GST) from Vote Social Development's Multi-Category Appropriation (MCA) – Improving Employment and Social Outcomes Support baselines to continue Enhanced Taskforce Green Cyclone Gabrielle recovery work. Without this authorisation, the programme will cease in July 2023.

### Legislative Implications

- 67 The Minister for Social Development and Employment will approve a Welfare Programme under Section 101 of the Social Security Act 2018 to establish this payment. This will ensure that the payments are not treated as income when assessing eligibility to benefits under the Social Security Act 2018 and will not be taxable income or impact on eligibility to other social assistance payments such as Working for Families. It is proposed that the Welfare Programme is approved in two stages. In phase one, a broad Welfare Programme will be approved by the Minister for Social Development and Employment to ensure affected homeowners with insurance payments ending from June are supported to retain their temporary private rental accommodation. A revised, more detailed Welfare Programme will then be developed to contain all the detailed policy parameters of the programme. This revised Welfare Programme will be approved by the Minister for Social Development and Employment as soon as it is available. This is a Welfare Programme for the NIWE

TAA as an interim solution in 2023/24 and will be ended when the enduring solution is implemented (expected in six to twelve months) or on 30 June 2024, unless it is extended.

- 68 We are also seeking approval to amend the Social Security Regulations 2018 to provide that the NIWE TAA payment is not chargeable income for Temporary Additional Support and that temporary accommodation costs are not an allowable cost for temporary Additional Support for people who receive the NIWE TAA. This will prevent entitlements being reduced and the same costs being subsidised under more than one programme.
- 69 We are seeking approval to waive the 28-day rule for the commencement date for the interim Welfare Programme, the detailed Welfare Programme, and for the amendments to the Social Security Regulations 2018, on the grounds that they only confer benefits on individuals and form part of the Government's response to the recent extreme weather events.

## Impact Analysis

### Regulatory Impact Statement

- 70 The Treasury's Regulatory Impact Analysis team has determined that the proposal to establish an interim financial support payment system to support displaced homeowners affected by the 2023 North Island Weather Events, who have sourced a private rental as temporary accommodation, is exempt from the requirement to provide a Regulatory Impact Statement. This exemption is on the grounds that the proposal is intended to manage the short-term impacts of a declared emergency event and required urgently to be effective (making a complete, robust and timely Regulatory Impact Statement unfeasible). Full impact analysis will be provided to Cabinet when policy decisions are sought for a more enduring solution to this issue.

### Climate Implications of Policy Assessment

- 71 The Climate Implications of Policy Assessment (CIPA) team has been consulted and confirms that CIPA requirements do not apply to this proposal as it not expected to result in any significant, direct emissions impacts.

### Population Implications

- 72 It is unclear how the impacts of this payment will differ for subsections of the population, and data is not available on the population impacts of eligibility settings proposed in this paper or the extent of displacement for different population groups.
- 73 As the damage from NIWE was felt in both urban and rural areas of the country we expect both urban and rural households are likely to qualify for support. Rural households in isolated communities may lack alternative accommodation options and may face additional costs relating to farm maintenance and operations. While the proposed NIWE TAA does not address the extent of these costs, it may subsidise their accommodation costs. They may also be able to access clean-up assistance through ETFG.

- 74 The extent of the impact on displaced disabled people due to the damage from NIWE. However, where they have been impacted, they may require temporary accommodation that is physically adapted to meet their accessibility needs. This will likely cost more than other private rental accommodation but is not reflected in the NIWE TAA payment rates.

### **Treaty Analysis**

- 75 Supporting displaced households is an important part of a Tiriti-compliant response to extreme weather events. The proposed interim solution supports displaced households to retain temporary private rental accommodation where it suits their needs, noting the limitations of this interim solution. However, given the short implementation timeframes and associated constraints, the interim solution has not been designed with Māori, does not deliver Tiriti-based outcomes and may not be responsive to tikanga values. The enduring solution will be developed with greater consideration of the Tiriti implications, including tangata whaikaha Māori.

### **Human Rights**

- 76 The proposals in this paper uphold the United Nations Declaration of Human Rights, in particular Article 25 which notes everyone has a right to housing that provides a standard of living adequate for their health and wellbeing. The proposals are also consistent with the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993.

### **Consultation**

- 77 The Treasury, the Ministry of Business, Innovation and Employment, the Ministry of Housing and Urban Development, the Inland Revenue Department, Te Puni Kōkiri, the Ministry for Pacific Peoples, the Ministry for Women, the Office for Seniors, Whaikaha – Ministry of Disabled People, and the Ministry for Ethnic Communities, have been consulted in the development of this paper. The Department of the Prime Minister and Cabinet has been informed.

### **Communications**

- 78 The proposed interim solution will be announced by Ministers on 17 July 2023 following Cabinet agreement and implemented by MSD from 4 September 2023. For eligible households whose insurance cover is exhausted prior to 4 September 2023, MSD will provide a lump sum payment covering the period from when their insurance cover was exhausted (from 1 June 2023 at the earliest). Information for potential applicants will be made available on the MSD website. Other communications channels will also be utilised to target communications for affected homeowners.




### **Proactive Release**

- 79 This Cabinet paper will be proactively released with redactions made consistent with the Official Information Act 1982.



## Recommendations

The Ministers for Social Development and Employment and Housing recommend that Cabinet:

- 1 **note** that following the flooding in Auckland on 27 February 2023 and the impact of cyclone Gabrielle on multiple North Island regions on 27 February 2023, many displaced homeowners have taken on temporary accommodation in the private rental market and are relying on insurance cover to assist with the cost of their temporary rental accommodation
- 2 **note** that the Ministry of Business, Innovation and Employment (MBIE) has received 52 requests for financial support from displaced homeowners who have sourced private rental accommodation, and these are expected to increase as insurance payments for temporary accommodation costs will begin ending from July 2023 onwards, with most likely to have run out of insurance cover by December 2023
- 3 **note** that further advice on enduring options will be provided to Ministers   
s 9(2)(f)(iv) 
  - 3.1 s 9(2)(f)(iv) 
  - 3.2
  - 3.3
  - 3.4
  - 3.5
  - 3.6

### *Proposed payment (NIWE TAA Interim Solution)*

- 4 **agree** to establish a Temporary Accommodation Payment (NIWE TAA) as an interim solution to provide financial assistance to a small cohort of homeowners displaced by the North Island Weather Events relying on temporary accommodation cover from their insurers to cover the costs of temporary private rental accommodation where this cover has ended
- 5 **agree** that NIWE TAA will operate in a similar way to Canterbury TAA following the Canterbury earthquakes, and will be paid directly to the displaced homeowner to subsidise the costs of renting temporary accommodation in the private rental market
- 6 **agree** that maximum weekly rates for NIWE TAA will be based on average rents (as declared by Accommodation Supplement recipients) in the area that the temporary accommodation is located and will reflect the household composition in terms of the required number of bedrooms (one to four plus)

- 7 **agree** that where the maximum NIWE TAA payment is higher than the household's actual temporary accommodation costs, the amount of NIWE TAA will be equal to their actual temporary accommodation costs

*Eligibility*

- 8 **agree** that to be eligible for the NIWE TAA, the applicant will need to meet the following criteria:
- 8.1 displaced from their home due to damage directly caused by the NIWE and the property has a red or yellow placard
  - 8.2 are owners of the home from which they have been displaced and continue to have costs associated with their damaged home (e.g., mortgage, rates, insurance etc.)
  - 8.3 living in a private rental accommodation with a tenancy agreement under the Residential Tenancies Act 1986 on the date the NIWE TAA is announced (17 July 2023)
  - 8.4 had insurance cover for temporary accommodation costs that has been agreed and paid out by their insurance company to cover their temporary accommodation costs, and this cover has been exhausted
- 9 **agree** that NIWE TAA recipients would no longer be eligible for NIWE TAA in the event that:
- 9.1 the affected homeowner no longer owns the affected home or is no longer incurring any costs associated with homeownership on their affected property
  - 9.2 repairs or remediation work on their home is completed and they can move back to their affected property
  - 9.3 the homeowner no longer meets the required eligibility criteria for any other reason
  - 9.4 the NIWE TAA ends or is no longer available (it is proposed that funding for the programme be for 2023/24 only)
- 10 **note** that, where relevant, an applicant will need to provide sufficient evidence to MSD that they meet the criteria outlined in recommendation 8 to qualify for this payment, and that they will be required to sign a declaration to this effect
- 11 **note** that a recipient of the NIWE TAA will be required to notify MSD of a change in circumstances which could affect their eligibility to receive the NIWE TAA
- 12 **note** that the NIWE TAA will not be income or asset tested, but the applicant will be asked to declare that they have taken reasonable steps to limit the cost of their temporary accommodation and that MSD will be able to take into account the wider financial circumstances of the applicant

*Implementation*

- 13 **agree** that MSD will implement the NIWE TAA from 4 September 2023, with provision for MSD to pay a lump sum to eligible homeowners with insurance cover ending prior to the date of implementation, back to 1 June 2023 at the earliest

*Households not eligible for NIWE TAA*

- 14 **note** there may be other households facing financial difficulties that will not be eligible for this interim financial assistance, including those who are:
- 14.1 currently staying with friends or family, boarding, lodging, in commercial accommodation or are in other forms of temporary accommodation not covered by a tenancy agreement under the Residential Tenancies Act 1986
  - 14.2 in TAS supplied accommodation and are required to contribute to the costs of this temporary accommodation via a partial payment
  - 14.3 underinsured or uninsured (i.e. do not have temporary accommodation support from their insurance provider)
  - 14.4 homeowners affected by events outside of the scope of the North Island Weather Events
- 15 **note** that displaced households who are not eligible for NIWE TAA will be able to seek assistance with obtaining temporary accommodation through MBIE's TAS and will pay a weekly contribution assessed in relation to their financial circumstances, and that they may also be able to receive financial assistance from MSD, where eligible

- 16 s 9(2)(f)(iv)

*Legislative implications*

- 17 **note** the NIWE TAA will be established by a Welfare Programme approved by the Minister for Social Development and Employment under Section 101 of the Social Security Act 2018, from 4 September 2023, with a provision for MSD to pay a lump sum to a household who meets the eligibility criteria and whose insurance cover ended prior to the implementation date (4 September 2023)
- 18 s 9(2)(f)(iv)
- 19 **agree** to amend the Social Security Regulations 2018 to provide that:
- 19.1 NIWE TAA is not chargeable income for Temporary Additional Support, and
  - 19.2 people who receive NIWE TAA cannot also claim their temporary accommodation costs as an allowable cost for Temporary Additional Support

**IN CONFIDENCE**

- 20 **agree** to waive the 28-day rule for the commencement of the Welfare Programmes and amendments to Regulations outlined in 17, 18 and 19 above, as these regulatory changes confer only benefits on individuals
- 21 **authorise** the Minister for Social Development and Employment, in consultation with other Ministers, as appropriate, to make refinements to the NIWE TAA as required, including decisions on the eligibility criteria, delivery of the payment, the effective date of payment, and the amount of support paid

*Financial implications*

- 22 **approve** the following fiscally neutral adjustment(s) to provide for the above NIWE TAA and MSD establishment costs, with no impact on the operating balance and/or net debt:

	\$m – increase/(decrease)				
	2023/24	2024/25	2025/26	2026/27	2027/28 & Outyears
<b>Vote Building and Construction</b> <b>Minister of Housing</b> <b>Multi-Category Expenses and Capital Expenditure</b> Temporary Accommodation Services <b>Non-Departmental Output Expenses:</b> Temporary Accommodation Housing Initiatives - Operations	(10.000)	-	-	-	-
<b>Vote Social Development</b> <b>Minister for Social Development and Employment</b> <b>Benefits or Related Expenses</b> Hardship Assistance <b>Multi-Category Expenses and Capital Expenditure</b> Improved Employment and Social Outcomes Support <b>Departmental Output Expenses:</b> Administering Income Support (funded by revenue Crown)	8.887      1.113	-      -	-      -	-      -	-      -
<b>Total Operating</b>	-	-	-	-	-

- 23 **agree** that the proposed changes to appropriations for 2023/24 above be included in the 2023/24 Supplementary Estimates and that, in the interim, the increases be met from Imprest Supply



*Enhanced Taskforce Green (ETFG) – further funding*

- 24 **note** that \$2.5 million of spend from MSD baseline has been approved for ETFG clean-up this year so far
- 25 **note** that there is further clean-up work to be done to support ETFG recovery, that needs are still emerging and that the approved spend of \$2.5 million will run out at the end of July 2023
- 26 **authorise** the continued use of ETFG up to a cost of \$3 million (excluding GST), in 2023/24, in addition to the \$2.5 million (excluding GST) already authorised, to assist with the clean-up of damage caused by Cyclone Gabrielle
- 27 **note** that this spend will come from Vote: Social Development Multi-Category Appropriation - Improving Employment and Social Outcomes Support baselines.

Authorised for lodgement

Hon Carmel Sepuloni

Minister for Social Development and Employment and Minister for Auckland

Hon Dr Megan Woods

Minister of Housing