



Report

Date: 13 October 2021 **Security Level:** BUDGET - SENSITIVE

To: 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)
Hon Marama Davidson, Associate Minister of Housing (Homelessness)

Review of Housing Support Products: changes to better support people in the private rental market

Purpose of the report


- 1 This report outlines the findings from the review of Housing Support Products (HSPs) and recommends improvements to the programme. The proposed changes include:
 - 1.1 streamlining the provision of one-off, housing-related financial assistance for people in the private rental market and public housing
 - 1.2 removing products that are no longer relevant
 - 1.3 adding additional support for private tenants who are at risk of losing their tenancy and for vulnerable people obtaining a private tenancy.
- 2 We are seeking your approval to prepare a draft Cabinet paper based on the changes outlined and any feedback you may have.


Executive summary


- 3 HSPs were introduced in 2014 as part of the Social Housing Reform Programme. They are a suite of products that provide one-off financial assistance for housing needs, including moving costs, bond, rent in advance, and rent arrears. HSPs also include assistance for tenancy-related costs in excess of the bond at the end of a tenancy, and a payment to incentivise exits from public housing into private rentals.
- 4 Two other hardship assistance programmes also provide assistance with housing-related costs for bond payments, rent in advance and rent arrears – an Advance Payment of Benefit (Advance) for beneficiaries and Superannuitants, or a Recoverable Assistance Payment (RAPs) for non-beneficiary households. We recommend combining these two programmes with HSPs to form one programme providing housing-related to all eligible recipients.
- 5 The original focus of HSPs was to help public housing tenants overcome barriers they might face in accessing the private rental market. In 2019, HSPs were expanded to also focus on supporting people to sustain their tenancies, through introducing the Rent Arrears Assistance HSP.
- 6 In May 2021, Ministers agreed that the Ministry of Social Development (MSD) and Te Tuāpapa Kura Kāinga–Ministry of Housing and Urban Development (HUD) undertake a comprehensive review of HSP policy settings [REP21/5/531, BR20/21060982 refers].

- 7 The key finding of this work showed that while HSPs are effective and provide some benefits when they are used, they are constrained in their ability to support people moving out of emergency, transitional, and public housing. They are also not adequately supporting those in private rentals to maintain their tenancies. This is because:
 - 7.1 housing market conditions today are more challenging for low-income families than when HSPs were introduced in 2014
 - 7.2 demand for public housing (as well as emergency and transitional housing) has increased rapidly and is outstripping supply
 - 7.3 those in emergency and transitional housing face multiple challenges that add to their housing need and create barriers to entering the private rental market
 - 7.4 policy settings for the original HSPs have not been significantly changed since their inception in 2014
 - 7.5 complex policy settings for HSPs and housing-related hardship assistance are difficult to navigate for staff and clients and lead to inequitable outcomes.
- 8 Officials recommend that you seek Cabinet agreement in principle (subject to funding being available in the 2022 Budget) to a suite of changes to HSPs that will ensure they better support transitions out of emergency, transitional, and public housing into the private rental market, as well as better support low-income households to prevent homelessness. These changes will complement wider work underway to address challenges across the housing and welfare systems that constrain the effectiveness of HSPs. On this basis, we recommend:
 - 8.1 combining housing-related hardship assistance (Advances and RAPS) and HSPs to make HSPs the primary vehicle for one-off, housing-related assistance

s9(2)(f)(iv)



- 9 s9(2)(f)(iv) OIA
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- 10 s9(2)(f)(iv) OIA
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- 11 The proposed changes to housing-related hardship align with the prevention focus the Government has committed to taking through the Aotearoa Homelessness Action Plan (HAP). We would expect to see wellbeing benefits and potential fiscal savings by alleviating some demand for emergency and transitional housing, and better supporting people to live in their private rental homes.
- 12 The proposals have been designed as a comprehensive package, with each change complementing one another. While it would be possible to progress only some of the proposed changes, this would detract from overall improved outcomes.
- 13 The Minister of Housing and the Minister for Social Development and Employment have included a HSP bid in their priorities for the 2022 Budget. This is a cost pressure bid due to the significant increase in demand for emergency, transitional, and public housing, and the projected overspend for HSPs in the current financial year. The bid also supports the Government's priority of improving the wellbeing of New Zealanders and their families by ensuring that everyone has a warm dry home, and ending homelessness. Should this bid not be invited to proceed, it will not be possible to progress the proposals outlined in this paper in the 2022/23 year.
- 14 An indicative costing has been prepared and will be refined as part of the Budget process. The costing for changes to HSPs and hardship assistance includes transfers from hardship assistance to HSPs. Estimated additional funding of s9(2)(f)(iv) over four years is needed primarily due to the proposed higher grant maxima and increased frequency of grants. Changes to delegated legislation and potentially primary legislation will be required depending on the options selected.

Recommended actions

It is recommended that you:

- 1 **Agree** that officials prepare a draft Cabinet paper for the Social Wellbeing Committee that seeks agreement in principle, subject to funding being available in the 2022 Budget, to:
 - 1.1 making HSPs the primary vehicle for one-off, housing-related assistance (combining housing-related hardship assistance within the Advance Payment of Benefit and Recoverable Assistance Programmes and HSPs)

Agree/Disagree

s9(2)(f)(iv)

- 2 **Note** that the status quo option for recoverability settings for the new HSP programme would be to align to existing hardship assistance, which is recoverable
- 3 **Note** this would result in grants for bond and rent in advance provided through HSPs – a relatively small number of grants – shifting from non-recoverable to recoverable (to align with the large number of recoverable grants made for bond and rent in advance under the Advances and RAP programmes), and add to the debt burden for some households

4 s9(2)(f)(iv) OIA [REDACTED]

5 **Agree** either that:

5.1 s9(2)(f)(iv) OIA [REDACTED]

Agree/Disagree

OR

5.2 s9(2)(f)(iv) OIA [REDACTED]

Agree/Disagree

- 6 **Note** that if you agree to officials preparing a Cabinet paper seeking agreement in principle to the proposals, this would also seek agreement to additional funding for HSPs for the 2021/22 financial year to address a projected overspend
- 7 **Agree** that this paper is considered by Cabinet Social Wellbeing Committee on 24 November 2021

Agree/Disagree

- 8 **Note** that subject to your agreement to proceed, officials will provide further advice on implementation and any changes to legislation that are required
- 9 **Note** that the Minister of Housing and the Minister for Social Development and Employment have included an HSP bid in their priorities for the 2022 Budget

10 **Agree** to forward this report to the Minister of Finance for his information.

Agree/Disagree



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General Manager, Ministry of Social
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Hon Dr Megan Woods
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Associate Minister of Housing
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Background

- 15 HSPs were established as part of the Social Housing Reform Programme in 2014 as a range of products that respond to known housing barriers and assist public housing tenants and people on the Public Housing Register (Register) to access and sustain alternative housing in the private rental market. An overview of current HSPs is outlined in Appendix One.
- 16 HSPs exist alongside other housing-related hardship assistance (RAPs and Advances) as part of the third tier of the welfare system. This assistance was available prior to the introduction of HSPs, but HSPs were introduced to provide greater incentives for people in public housing or on the Register to move into the private rental market.
- 17 Following a 2017 review of HSPs, a new Rent Arrears Assistance product was introduced as part of the Budget 2019 package. Other recommendations from the 2017 review, such as simplifying IT systems and integrating HSPs better with the welfare system, were not implemented.
- 18 In 2020, temporary Rent Arrears Assistance settings were introduced in response to COVID-19, which highlighted the shortcomings of the existing system of one-off housing assistance. In December 2020, the MSD and 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].¹
- 19 Ministers agreed in June 2021 to take a broad approach (Approach Two) in the review of HSPs [REP/21/5/531 refers]. Ministers agreed that officials would explore comprehensive changes to HSPs to improve housing outcomes for households.

There have been significant shifts in the housing market since 2014, meaning changes to HSPs are needed

Housing market conditions today are more challenging for lower-income families than when HSPs were introduced in 2014

- 20 The current housing market is not delivering sufficient rental properties that are affordable for lower-income families. Analysis indicates that according to Census 2018 data, 36 percent of renting households were earning under \$40,000 per year. However, only 10 percent of rentals lodged with the Ministry of Business, Innovation and Employment in 2020 would have been affordable to this group (priced at 30 percent or less than their gross income).
- 21 In addition, sub-market rental options are limited, housing subsidies and wage growth are not bridging the gap between incomes and rents, and private market tenants are not adequately supported to access and maintain market rentals. This is compounded by discrimination against certain groups which can make it difficult for people to secure private rentals. In May 2021, we provided you with advice on work underway to address these broader housing system issues [REP/21/5/452, BRF20/21030892 refers].
- 22 These housing market conditions disproportionately impact whānau Māori and Pacific people, who experience severe housing deprivation at close to four and six times the

¹ The Minister of Housing and the Minister for Social Development and Employment have included a HSP bid in their priorities for the 2022 Budget. We recommend that you forward this report to the Minister of Finance for his information.

rate of Europeans.² In August 2021, Māori represented 49 percent of applications on the Register and 59 percent of Emergency Housing Special Needs Grant recipients.

- 23 These factors have led to a bottleneck in the system, in which HSPs are constrained in their ability to adequately support households' transitions out of emergency, transitional, or public housing into the private rental market.

A significant programme of work is underway to reset the welfare and housing systems

- 24 Considerable progress has been made to overhaul our welfare system to better support New Zealanders. There is further work underway to review the adequacy of different types of assistance, including:

24.1 MSD-led reviews of Working for Families, Accommodation Supplement, and s9(2)(f)(iv) OIA. Reviewing Working for Families and the Accommodation Supplement is another lever available to Government that could alleviate base affordability pressures for those in the private rental market

24.2 s9(2)(f)(iv) OIA

- 25 There is also a programme of work underway to address wider housing system issues. This work includes promoting a well-functioning housing and urban system, and supporting the development of purpose-built, affordable rentals. Changes to the Residential Tenancies Act 1986 (RTA) recently took effect to improve security of tenure for renters.

- 26 s9(2)(f)(iv) OIA

- 27 Improving HSPs will complement the work underway to address challenges across the housing and welfare systems by alleviating some of the pressure low-income households are experiencing in the rental market in the short term. In the medium term, the effectiveness of HSPs will grow as we progress this wider programme of work to reset the housing and welfare systems and housing affordability improves.

HSPs have not evolved with the changing housing market, and changes are needed to keep people housed and assist vulnerable groups into housing

- 28 Consistent with direction given by Ministers to expand HSPs and support efforts to prevent and reduce homelessness, the policy intent of HSPs was broadened in 2019 to "enable people to access and retain housing."

- 29 Despite the change in policy intent, the policy settings for the original HSPs have not been significantly changed since their inception in 2014. Because they were created to support transitions out of public housing, rather than support people in the housing market more generally, they are no longer aligned with their revised policy intent.

- 30 With large increases in the number of people in emergency and transitional housing in recent years, as well increased length of stays, there is a need to provide tailored support to vulnerable families to obtain alternative housing and to be supported to

² Kate Amore, Helen Viggers, Philippa H. Chapman (2021), "Severe Housing Deprivation in Aotearoa 2018: June 2021 update."

sustain that housing. We would expect to see wellbeing benefits and potential fiscal savings by alleviating some demand for emergency and transitional housing, and better supporting individuals, families, and whānau to live well in their rental housing. It may also help the flow through public housing by freeing up a home for someone on the Public Housing Register.

- 31 HSPs are effective and provide benefits when they are used. When HSPs are accessed by clients in emergency housing to move into rental housing, 94 percent of these clients are not in emergency housing 12 months later, demonstrating the effectiveness of HSPs in helping people to access sustainable housing.
- 32 However, engagement with MSD staff and community partners (see **Appendix Three**) emphasised that that HSPs are constrained in their ability to support transitions out of emergency, transitional, and public housing and that improvements can be made to reflect conditions in the current rental market. Engagements also highlighted that HSPs are inadequate to fully support people in private rentals to maintain their tenancies, and that more flexible assistance is needed to keep people housed and prevent homelessness.
- 33 The need to better support whānau to move out of emergency and transitional housing was emphasised through Stage One of the Wai 2750 Kaupapa Inquiry into Housing Policy and Services on Māori homelessness.
- 34 Te Maihi o Te Whare Māori: Māori and Iwi Housing Innovation (MAIHI) framework was approved by Cabinet on 18 May 2020 [CAB-20-MIN-0229.02 refers]. MAIHI aims to deliver, at pace, a system-wide response to Māori housing stress, and is guided by a set of kaupapa Māori principles. Applying the MAIHI framework and its principles is central to our continued efforts to prevent and reduce homelessness and this work. MAIHI will guide the design and implementation of policy decisions for HSPs.

Changes to HSPs will support the Government's focus on homelessness prevention

- 35 Proposed changes to HSPs have a focus on supporting transitions out of emergency, transitional, and public housing into private rentals for those in a position to maintain a private tenancy. The private rental market remains a critical exit path for those in emergency and transitional housing. These supports represent a fraction of the cost of emergency or transitional housing and can be used to prevent cycling back into emergency housing. Once in a tenancy, the proposals also focus on better supporting individuals, families and whānau to maintain their tenancies.
- 36 These objectives support the Government's vision that homelessness is prevented where possible, or is rare, brief, and non-recurring, and align with the HAP.

We recommend combining housing-related hardship assistance and HSPs

- 37 At present there is an overlap between HSPs and hardship assistance.
 - 37.1 Through hardship assistance (Advances and RAPs), bond, rent in advance, and rent arrears assistance are provided as recoverable payments. Advances are paid to beneficiaries and RAPs are paid to non-beneficiaries. They are targeted at households with very low incomes and help people to meet their immediate and essential needs.³ These cost categories predate the inception of the corresponding HSPs but have significant overlaps.
 - 37.2 These same types of cost categories were created as non-recoverable and recoverable HSPs to incentivise people to leave public housing. HSPs were designed to target those with higher incomes (up to Accommodation Supplement Area 1 limits) who could afford and sustain tenancies in the private

³ Weekly income limits for Advances and RAPs are: \$514.41 single, 16-17; \$591.20 single, 18+ years; \$858.72 couple; \$717.40 sole parent, 1 child; \$755.82 sole parent, 2+ children.

rental market.⁴ HSPs are offered only as an assistance of last resort, after applicants are assessed for housing-related hardship assistance and other recoverable assistance.

- 38 These policy settings result in inconsistencies and challenges in administering the relevant assistance:

38.1 Inequitable outcomes between lower and higher income clients with similar needs. Where a beneficiary might qualify for an Advance, and therefore not meet the eligibility criteria for an HSP, a non-beneficiary with a higher income might only qualify for an HSP. In this situation, the beneficiary would receive recoverable assistance and the non-beneficiary more generous non-recoverable assistance, leading to an inequitable outcome.

38.2 Differences in eligibility and recoverability settings between HSPs and housing-related hardship assistance make it difficult for MSD frontline staff to administer and confusing for clients to understand. Where a client may qualify for multiple types of assistance, it is hard to determine which type of assistance should be used to meet the clients' needs. Operational systems and processes also vary significantly between the two types of payments, adding to difficulty for staff to administer.

- 39 In their current form HSPs could better meet the broader policy intent to "enable people to access and retain housing." One of the key reasons for this is because of the overlap between housing-related hardship assistance and HSPs, which makes one-off housing assistance more challenging to understand and administer. HSPs are also more highly targeted than housing-related hardship assistance, and as a result their coverage is relatively narrow. Maintaining the current categories would continue to perpetuate problems with the current system.

- 40 Combining HSPs and housing-related hardship assistance would simplify the system of one-off housing assistance for both staff and clients. This would ensure that the eligibility criteria, policy settings, and grant amounts are consistent for clients needing to access housing support. A single programme would increase visibility of the support available and reduce complexity for people needing one-off housing assistance and MSD staff navigating the system.

- 41 The two options for combining housing-related hardship assistance and HSPs are:

41.1 Making HSPs the primary vehicle for one-off, housing-related assistance (recommended). Bringing housing-related hardship assistance under the umbrella of HSPs would mean that they are better positioned to address the housing needs of families. Due to the higher income limits for HSPs, they can reach a wider cross-section of the population in need of housing support than hardship assistance. HSPs can be more readily adapted to focus on housing support (which includes the aim of preventing homelessness), where hardship assistance is meant to address a wide range of household needs. Under this proposal, the hardship assistance categories for bond, rent in advance, and rent arrears would be discontinued.

41.2 Making hardship assistance the primary vehicle (not recommended). Hardship assistance is intended to meet immediate and essential needs (ie in an emergency situation or other exceptional circumstances), and it is not well placed to act as a preventative or early intervention tool:

- Hardship assistance is more tightly targeted and has broader objectives than alleviating clients' housing issues.

⁴ Weekly income limits for HSPs are: \$1,218 single; \$1,749 couple without children; \$2,068 couple with children; \$1,682 sole parent, 1 child; \$1,962 sole parent, 2+ children.

- People with more moderate incomes struggling in the current rental market may also require assistance in order to access or retain rental housing, and hardship assistance is not available to this cohort due to the lower income and asset limits.

We also recommend making the appropriation demand-driven to enable more equitable access to one-off housing assistance

- 42 From 2022/23, we propose shifting HSPs from a capped to demand-driven/forecasted appropriation in order to align with current settings for hardship assistance. Because housing-related hardship assistance is already funded through a demand-driven appropriation, and the bulk of bond, rent in advance, and rent arrears assistance is provided through hardship assistance rather than HSPs (\$88.859m in 2020/21 vs \$20.937m), this would reflect a relatively minor change from the way most one-off housing assistance is currently provided.
- 43 This would also remove the risk of not being able to support those who are eligible for HSPs because funding has been exhausted. The current capped nature of the appropriation means that it cannot adjust to significant shifts in demand when housing needs are above average. If housing-related hardship assistance is merged into HSPs as we recommend, the risk of exhausting HSP funding and having no alternative means of providing assistance would be significantly greater than in the current state. Shifting HSPs into a demand-driven appropriation mitigates this risk and ensures that people will be able to access housing assistance when they need it.
- 44 Officials have provided Ministers with separate advice on a projected overspend in HSPs for 2021/22 [REP/21/8/913 refers]. We recommend that Cabinet approval for additional funding for HSPs for the current financial year be included alongside the proposals in this paper. Additional funding will be sought for the current financial year only, pending the outcome of the recommendations in this paper.

We recommend a number of changes to the settings for HSPs to assist tenants to remain housed and to help people obtain housing

- 45 To support the objectives of keeping people housed, preventing homelessness, and assisting in housing vulnerable groups (including emergency and transitional housing clients) into more sustainable housing, we propose changes to several key policy settings of the HSP programme including:

s9(2)(f)(iv)

- 46 The integration of housing-related hardship assistance into HSPs also necessitates changes to HSP policy settings to ensure that clients are not unintentionally left out from accessing assistance.
- 47 We recommend that you take a Cabinet paper to the Social Wellbeing Committee before the end of 2021 seeking agreement to combine HSPs and housing-related hardship assistance, make the appropriation demand-driven, and the proposals that follow.

Setting income and asset thresholds and residence qualifications for HSPs

- 48 Income and asset limits for HSPs are currently aligned with Accommodation Supplement Area 1 limits.⁵ These limits are appropriate to target a broader group of lower-income people who may be struggling in the current rental market. Lower limits would prevent MSD from supporting larger families with low residual incomes living in more expensive areas. We recommend that these income and asset limits be maintained, as they allow for broad support that aligns with other housing assistance.
- 49 Residence qualifications for HSPs are currently aligned with those for public housing and are slightly narrower than the qualifications for RAPs and Advances. Consistent with our goals of assisting a broad range of people and aligning with the wider system of housing assistance, we recommend that the residence qualifications be aligned with hardship assistance set out in the Social Security Act 2018.

s9(2)(f)(iv)

- 50 Some HSP eligibility criteria are narrowly targeted to assist clients to access tenancies with more formal arrangements, like written tenancy agreements under the RTA 1986. These requirements exclude clients with less formal arrangements like boarding and flatting agreements, which can be common among the most vulnerable clients. Rangatahi aged under 18 may be more likely to access rental housing through less formal arrangements like these, though they are able to sign tenancy agreements with Tenancy Tribunal or District Court approval.
- 51 The elimination of housing-related hardship assistance also necessitates an expansion of HSP eligibility criteria to ensure that these clients are not left out from receiving housing assistance. The requirement that clients have “potential to sustain alternative housing” entails having no evidence that they are having financial difficulties, lack social skills, or have a history of transience, though exceptions may be made depending on their particular circumstances. The threshold set through this requirement is high enough that many clients with legitimate need for assistance, who have the potential to access or retain housing, may be unable to access assistance through HSPs.

s9(2)(f)(iv)

Product(s)	Current eligibility criteria	s9(2)(f)(iv)
Bond Grant, Rent in Advance, Moving Assistance, Rent Arrears Assistance, Tenancy Costs Cover	Be a social housing tenant, on the social housing register, or a person who has contacted MSD regarding a housing need	
Bond Grant, Rent in Advance	Be entering a tenancy under the Residential Tenancies Act	
Rent Arrears Assistance	Be a signatory to a written tenancy agreement under the Residential Tenancies Act	

⁵ Weekly income limits for HSPs are: \$1,218 single; \$1,749 couple without children; \$2,068 couple with children; \$1,682 sole parent, 1 child; \$1,962 sole parent, 2+ children. Asset limit is \$8,100 single and \$16,200 couples and sole parents. See **Appendix One** for comparison.

⁶ Client must still meet the income, asset and residence qualifications.

Bond Grant, Moving Assistance	Be considered to be able to afford and sustain alternative housing, but require assistance to access it	s9(2)(f)(iv)
Tenancy Costs Cover	Be considered to be able to afford and sustain alternative housing, but require assistance to access it	
Rent Arrears Assistance	Be likely to retain and sustain their current tenancy if granted Rent Arrears Assistance	

s9(2)(f)(iv)

- 52 Maxima have not been updated since the introduction of HSPs in 2014 despite large price shifts in the private rental market. Rental prices have drastically increased since then, and this trend is likely to persist in the immediate future.
- 53 The bond grant is capped at the amount of bond payable by the person, \$2,000, or four weeks rent, whichever is lower, and rent in advance is capped at the amount of rent in advance payable by the person, \$1,000, or two weeks rent, whichever is lower. Rent arrears assistance is capped at \$2,000. These maxima are no longer realistic in the current rental market and are a barrier for clients who may otherwise be able to access or retain their housing but need assistance to do so.
- 54 According to Tenancy Services bond data, the mean rental cost for a three-bedroom house is \$535 per week nationally and \$631 per week in Auckland as at April 2021. If maxima were calculated based on these figures, four weeks rent would equal \$2,140 nationally and \$2,524 in Auckland.
- 55 According to frontline MSD staff, current caps can make it difficult for families to access rental housing that suits their needs. For larger families who may require more than three bedrooms, these maxima can be particularly challenging. Low maxima were also highlighted as an issue by the Tenancy Advocacy Network.

s9(2)(f)(iv)

s9(2)(f)(iv)

Product	Current maxima	s9(2)(f)(iv)
Bond Grant	<p>The lesser amount of:</p> <ul style="list-style-type: none"> ○ The amount of bond payable by the person for the alternative housing, or ○ The equivalent of four weeks rent, or ○ \$2,000 	

Rent in Advance	The lesser amount of: <ul style="list-style-type: none"> o The amount of rent in advance payable by the person for the alternative housing, or o The equivalent of two weeks rent, or o \$1,000 	s9(2)(f)(iv)
Rent Arrears Assistance	The lesser amount of: <ul style="list-style-type: none"> o The amount of rent arrears payable by the client, or o \$2,000 	

58 s9(2)(f)(iv)

s9(2)(f)(iv)

59 HSPs were created with the intent of being accessed once – when clients move out of public housing – in most circumstances. That resulted in a cap on grant frequency of once per 52-week period.

60 This cap is now out of step with the wider policy intent of HSPs, as it is too low to meet the needs of some clients, especially the most vulnerable, who may need assistance more frequently to access or retain their housing. New Zealand has one of the highest residential mobility rates in the developed world⁷, and low-income households may be in less stable rental arrangements and need additional flexibility to maintain their tenancy or move into more suitable housing.

61 s9(2)(f)(iv)

s9(2)(f)(iv)

Product(s)	Current frequency limit	s9(2)(f)(iv)
Bond Grant, Rent in Advance, Rent Arrears Assistance, Moving Assistance	Once per 52-week period	
Tenancy Costs Cover	Once per tenancy, only if tenancy has ended within 12 months of tenancy commencement	

s9(2)(f)(iv)

62 The Statement of Satisfactory Tenancy is a reference letter from public housing providers that is intended address landlords' main tenant selection concerns. This letter is not issued by MSD, as staff are not in a place to make assessments of clients' tenant history. The review also showed that the letter is not effective, and can

⁷ Caldera Sánchez, Aida and Dan Andrews (2011), "Residential Mobility and Public Policy in OECD Countries", OECD Journal: Economic Studies, Vol. 2011/1.

sometimes dissuade landlords from renting to a household that is exiting public housing.

- 63 While public housing providers may continue to provide references for former tenants, MSD is not in a position to require them to do so. s9(2)(f)(iv)

s9(2)(f)(iv) OIA

- 64 s9(2)(f)(iv) OIA

- 65 s9(2)(f)(iv) OIA

- 66 s9(2)(f)(iv) OIA

- 66.1 s9(2)(f)(iv) OIA

- 66.2 s9(2)(f)(iv) OIA


- 67 s9(2)(f)(iv) OIA

IT systems and operational practice would be improved with these changes

- 68 As part of the changes, there is the opportunity to fix longstanding issues with the way HSPs are administered. By merging housing-related hardship assistance into HSPs and simplifying eligibility criteria, HSPs will become easier to use for MSD staff. Updated guidelines and training will enable staff to better understand when and how to grant HSPs.


- 69 The 2017 review of HSPs recommended that all HSPs be moved into the same IT system, which was not done when they were created and remains an ongoing issue. All HSPs would be on the same system following the implementation of our recommended changes.

s9(2)(f)(iv)

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- 70 HSPs are intended to assist people with a range of housing-related needs to access and sustain a private tenancy. However, because the current products are prescriptive and intended for specific purposes, there are gaps in the types of support HSPs can provide for. Through engagement with MSD frontline staff and community partners (see **Appendix Three**), we have identified a need for flexibility within the system to cater for various other, and unforeseen, housing-related needs.

s9(2)(f)(iv)

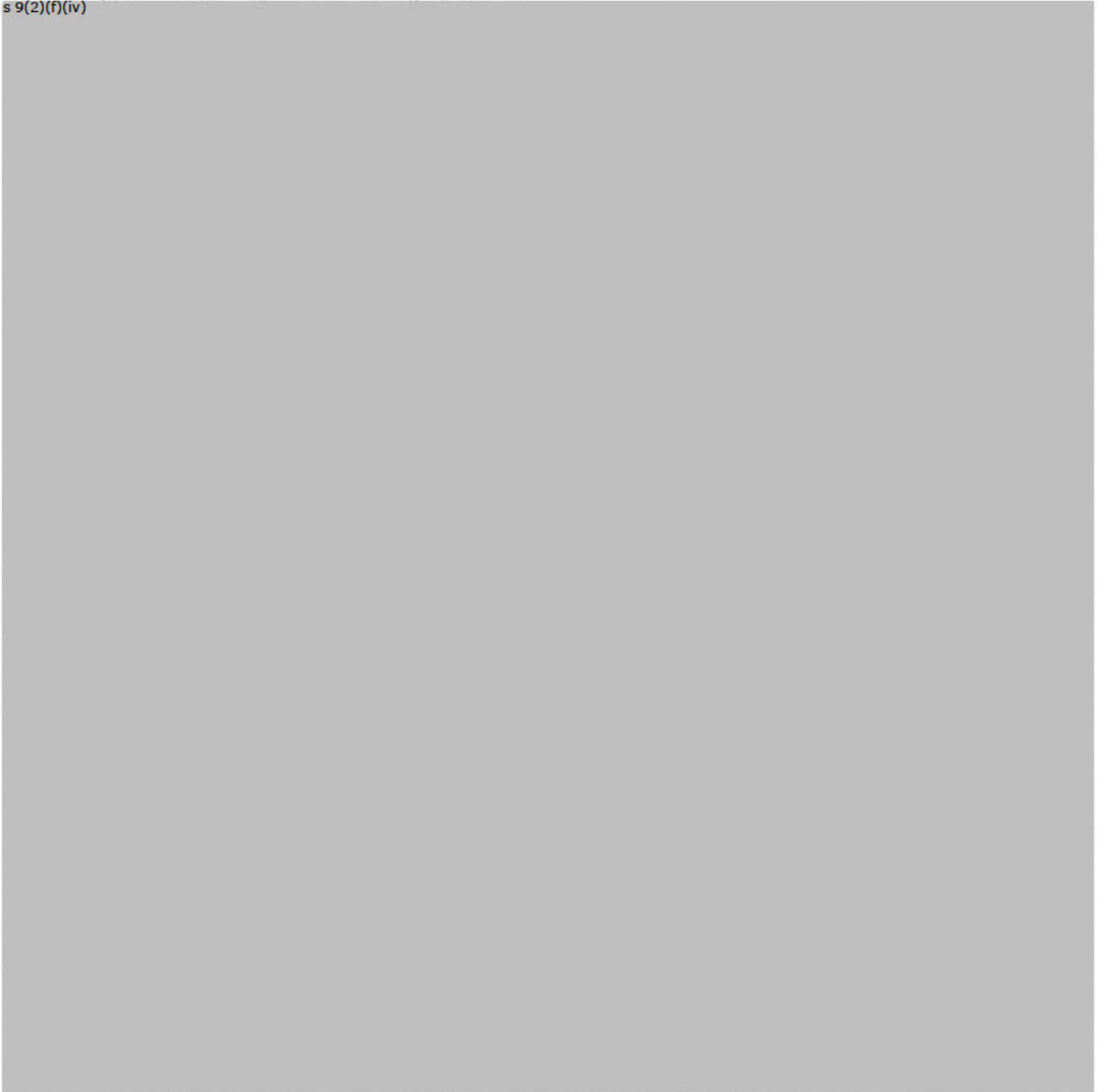
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Implementation of the proposed changes

75 Implementation of the proposed policy changes will require:

75.1 **Additional funding through Budget 2022.** Subject to your agreement and an invitation to proceed, officials would prepare a budget bid (to be submitted by Hon Woods as the appropriation Minister) to seek funding in Budget 2022. An indicative costing has already been prepared and will be refined should we move forward with seeking funding.

s 9(2)(f)(iv)



75.3 **Amendments to the welfare programmes.** The following welfare programmes and Ministerial Direction will need to be amended to give effect to the policy changes:

- Housing Support Assistance Programme
- Special Needs Grant Programme
- Recoverable Assistance Programme
- Ministerial Direction on the Advance Payments of Instalment of Benefits.

75.4 It is possible that primary legislative amendments could be required as well. Officials will confirm whether amendments are required as the project progresses.

75.5 **IT system changes.** Making these system changes would require additional funding (referred to in the indicative costing) and take approximately 9 to 12 months to complete following Budget approval.

- 76 We recommend that all the changes take place at once but can provide you with further advice on phasing and scaling of the changes.
- 77 If a budget bid does not progress, it will not be possible to implement these policy changes within existing baselines. On that basis, we would expect to see HSPs continue to provide support in limited circumstances, while being constrained in their overall ability to respond to pressures that challenges across the broader housing market are driving.
- 78 The proposals have been designed as a comprehensive package, with each change complementing one another. While it will be possible to progress only some proposed changes, this will detract from overall improved outcomes.

Further action is needed to ensure that households are adequately supported

Funding for Housing Brokers ends in 2023, s9(2)(f)(iv)

- 79 Ready to Rent and Housing Brokers are initiatives established under the HAP as support for those in emergency housing. Housing Brokers are tasked with building connections with local landlords and property managers, promoting MSD clients as potential tenants, and matching clients with housing opportunities in the private rental market. Ready to Rent programmes are short courses that help prepare people for the private rental market. The initiatives are time-limited with funding expiring mid-2023.

80 s9(2)(f)(iv) OIA

Further work is needed to move towards an ideal state of support in the housing market

- 81 Public communication about the changes to HSPs will be important so that people with housing needs are aware of the assistance available to them. There is also an opportunity to target landlords and property managers with information about HSPs so they are more likely to rent to people eligible for assistance.
- 82 As noted, HSPs are one level in the wider system of support and initiatives that are focused on resetting the housing and welfare systems. Reviewing HSPs will need to link to other ongoing initiatives, including HAP prevention initiatives, HAP work to respond to rangatahi/youth homelessness, the 18-month review of HAP, and the Emergency Housing System Review.
- 83 Officials will continue work to determine how to best support pathways out of homelessness, emergency housing, and transitional housing through HSPs. s9(2)(f)(iv)

Next steps

- 84 Should Ministers agree, officials will:
- 84.1 draft a Cabinet paper for the Social Wellbeing Committee that includes agreed changes to HSPs, and seeks additional funding for forecast overspend for HSPs for the 2021/22 financial year
 - 84.2 provide additional advice on HSP recoverability in conjunction with the draft Cabinet paper.
- 85 Subject to Cabinet decisions, officials will seek funding in the Budget 2022 process to implement the proposed changes to HSPs.
- 86 If you do not agree to a Cabinet paper on the proposed changes to HSPs, we will still be required to prepare a Cabinet paper seeking agreement to additional funding for HSPs for the 2021/22 financial year for a forecast overspend.
- 87 s9(2)(f)(iv)

Appendices

Appendix One: Overview of current HSPs

Appendix Two: Recommended HSP changes

Appendix Three: Engagement summary

File ref: REP/21/9/1030; BRF21/22091099

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Appendix One: Overview of current HSPs

Product	Value	Recoverable
Bond Grant One-off payment that directly addresses a major housing barrier (entry costs) without creating further household debt	The amount of bond payable, 4 weeks rent, or \$2,000 – whichever is lesser	No
Moving Assistance Helps with specific cost of moving where there is an essential and unavoidable cost	\$1,500 max per household	Yes
Rent Arrears Assistance One-off recoverable payment to assist clients in retaining their existing accommodation	Rent arrears amount payable, or \$2,000 – whichever is lesser	Yes
Rent in Advance One-off payment to cover rent in advance should this be a major housing barrier	The rent in advance payable, 2 weeks rent, or \$1,000 – whichever is lesser	No
Statement of Satisfactory Tenancy Standardised reference from a public housing provider that directly targets landlords' three core tenant selection concerns of rent payments, damages, and tenant behaviour.	n/a	n/a
Tenancy Costs Cover Provides financial assistance if, at the end of the tenancy, a client owes tenancy-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.	Up to 4 weeks rent	Yes
Transition to Alternative Housing Grant 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.	\$3,000	No

Weekly income limits	HSP		Advance		RAP
	NZS/VP	Non-beneficiaries	Main beneficiaries	NZS/VP	
Single, 16-17	\$591.20	\$1,218	No limit	\$514.41	\$514.41
Single, 18+	\$591.20	\$1,218	No limit	\$591.20	\$591.20
Married, civil union, or de facto couple without children	\$858.72	\$1,749	No limit	\$858.72	\$858.72
Married, civil union, or de facto couple with children	\$858.72	\$2,068	No limit	\$858.72	\$858.72
Sole parent, 1 child	\$717.40	\$1,682	No limit	\$717.40	\$717.40
Sole parent, 2+ children	\$755.82	\$1,962	No limit	\$755.82	\$755.82

Assets limits	HSP	Advance	RAP
Single	\$8,100	\$1,126.21	\$1,126.21
Married, civil union, or de facto couple (with or without children) and sole parents	\$16,200	\$1,876.56	\$1,876.56

Appendix Two: s9(2)(f)(iv)

Bond Grant		
	Current	s9(2)(f)(iv)
Eligibility	<ul style="list-style-type: none"> • Be a social housing tenant, on the social housing register, or a person who has contacted MSD regarding a housing need • Be considered to have the potential to afford and sustain alternative housing, but requires assistance to access it • Be entering a tenancy under the Residential Tenancies Act that requires a bond payment • Not have a sufficient bond payment lodged or due to them • Have first been considered for recoverable bond assistance • Meet the income and assets limits • Meet the residence qualifications 	
Amount	The lesser amount of: <ul style="list-style-type: none"> • The amount of the bond payable by the person for the alternative housing, or • the equivalent of four weeks rent, or \$2000 	
Recoverability	Non-recoverable	
Frequency	Once in a 52-week period	

Moving Assistance		
	Current	s9(2)(f)(iv)
Eligibility	<ul style="list-style-type: none"> • Be a social housing tenant, on the social housing register, or a person who has contacted MSD regarding a housing need • Be considered to have the potential to afford and sustain alternative housing, but requires assistance to access it, or • Be a social housing tenant moving to another social house that is more suitable to their housing needs 	

	<ul style="list-style-type: none"> • Have moving costs • Meet the income and assets limits • Meet the residence qualifications 	s9(2)(f)(iv)
Amount	Actual costs up to \$1,500	
Recoverability	Recoverable	
Frequency	Once in a 52-week period	

Rent Arrears Assistance		
	Current	s9(2)(f)(iv)
Eligibility	<ul style="list-style-type: none"> • Be a social housing tenant, on the social housing register, or a person who has contacted MSD regarding a housing need • Be a signatory to a written tenancy agreement under the Residential Tenancies Act 1986, or a tenant of the property through a tenancy order under the Family Violence Act 2018 • Need to pay rent arrears to their landlord • Be at risk of losing their current tenancy due to their rent arrears • Be likely to retain and sustain their current tenancy if granted Rent Arrears Assistance • Not be able to get other assistance from the Ministry for rent arrears, particularly Recoverable Assistance Payments or Advance of Benefit • Meet the income and assets limits • Meet the residence qualifications 	
Amount	Amount of rent arrears payable by client up to \$2,000	
Recoverability	Recoverable	

Frequency	Once in a 52-week period	s9(2)(f)(iv)
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Rent in Advance		
	Current	s9(2)(f)(iv)
Eligibility	<ul style="list-style-type: none"> • Be a social housing tenant, on the social housing register, or a person who has contacted MSD regarding a housing need • Be considered to have the potential to afford and sustain alternative housing, but requires assistance to access it • Be entering a tenancy under the Residential Tenancies Act that requires a rent in advance payment • Meet the income and assets limits • Meet the residence qualifications 	
Amount	The lesser amount of: <ul style="list-style-type: none"> • The amount of the rent in advance payable by the person for the alternative housing, or • the equivalent of two weeks rent, or • \$1000 	
Recoverability	Non-recoverable	
Frequency	Once in a 52-week period	

Tenancy Costs Cover		
	Current	s9(2)(f)(iv)
Eligibility	<ul style="list-style-type: none"> • Be a social housing tenant, on the social housing register, or a person who has contacted MSD regarding a housing need • Be considered to have the potential to afford and sustain alternative housing but requires some assistance to access it • Be experiencing one of the barriers to accessing to alternative housing 	

	<ul style="list-style-type: none"> • Not have a current Tenancy Costs Cover or a Tenancy Costs Cover debt • Be entering a tenancy under the Residential Tenancies Act that requires a bond payment • Meet the residence qualifications 	s9(2)(f)(iv)
Amount	Up to 4 weeks rent based on the rent payable at the start of the tenancy	
Recoverability	Recoverable	
Frequency	Once per tenancy, only if tenancy has ended within 12 months of tenancy commencement	

Transition to Alternative Housing Grant		
	Current	s9(2)(f)(iv)
Eligibility	<ul style="list-style-type: none"> • Be the signatory on a tenancy agreement with a social housing provider • Be considered to have the potential to afford and sustain alternative housing • Be moving out of social housing into alternative housing voluntarily (that is, not as a result of a formal review of eligibility) • Not have previously received a Transition to Alternative Housing Grant • Have expressed a reluctance to move and needs an incentive to move out and • Meet the residence qualifications 	
Amount	\$3,000	
Recoverability	Non-recoverable	
Frequency	Once in lifetime	

Appendix Three: Engagement summary

Targeted engagement emphasised challenges with how HSPs operate, and that affordability is a key challenge for whānau

- Officials met with MSD Housing Brokers, Sustaining Tenancies providers, and with the Tenancy Advocacy Network to discuss proposals.⁸
- A common theme was that challenges with affordability and household debt can add to the risk of losing a tenancy and pose barriers to accessing private rentals. Households are often juggling debt to different government agencies, as well as private debt such as credit cards and high-interest loans.⁹
- Anecdotal examples were given of the risk this can pose to tenancies. For example, a parent working full-time might run out of sick leave and fall into rent arrears, leaving no money to cover food, or bills. ^{s9(2)(a) OIA} [REDACTED]
- In particular, the lack of affordably priced rentals can sometimes mean whānau are entering into tenancies they struggle to afford. For these whānau, repeated rent arrears assistance is needed to maintain their tenancy and long-term stability is difficult to achieve.
- We also heard that tenants struggle to afford equipment that will enable them meet certain tenant responsibilities, such as lawn maintenance. Mowing the lawn and removing rubbish were identified as particular challenges for tenants.
- Additional key insights included:
 - **Greater flexibility for what can be covered through HSPs, and who can access them:** consider whether HSPs could be more flexible to meet unmet client needs, and whether flatmates and boarders should be able to access them.
 - **Maxima are low:** The limits for a Bond Grant are low (max \$2,000) when the median rent for example in Auckland is \$690 a week, or \$2,760 for the bond. This has not been updated since 2014.
 - **Discrimination accessing private rentals and the importance of housing brokers:** Unfortunately emergency and transitional housing tenants are seen as being people who could not maintain a tenancy but many end up there due to the lack of housing available, the short timeframe they are given to leave their last tenancy, family composition (single parent with 5 children). The MSD Housing Brokers do a great job of breaking down the barriers as do other services. You cannot change the mind of someone who thinks all tenants in EH or TH are there because of their own failings but support can help break down barriers more than any financial assistance.
 - **HSPs are a better form of assistance than hardship assistance:** Most times a HSP is more appropriate than a hardship grant. Hardship implies that the tenant is not coping financially day-to-day, but when bond is equivalent to 4 weeks rent, that can be \$2000, plus the first two weeks rent in advance – most people do not have that much saved. The tenant is not necessarily in hardship, but these are

⁸ Sustaining Tenancies is a HUD-funded programme delivered by community-based organisations to support individuals, families and whānau who need help to sustain their tenancies and address issues putting their tenancies at risk. The Tenancy Advocacy Network comprises tenant advocate organisations from across New Zealand, aimed at supporting the rights, interests and welfare of tenants.

⁹ Sustaining Tenancies key workers assist whānau to ensure they are receiving their full and correct entitlement from MSD, with budgeting, and to consolidate debt to make it more manageable.

extreme expenses and benefits are not enough for tenants to save for such expenses. Implying the tenant is in hardship is demoralising, which goes against MSD's purpose and values.

- **Home accessibility can be a key barrier:** for disabled people, home modifications can be a barrier when it comes to accessing private rental housing. While funding is available through the Ministry of Health for home modifications, it can be difficult to access for those who need immediate assistance or move frequently.
- **Practice consistency and awareness of HSPs:** HSPs are not visible, can be granted inconsistently (overlaps with hardship assistance), and there is regional variation in how they are understood and applied. If the person qualifies for recoverable assistance (almost all will), then MSD staff are not able to grant HSPs. This is a large segment of the working poor and some on higher incomes who qualify for HSPs, but who do not know about them.
- **Whānau reluctant to ask for help:** whānau can be reluctant to seek financial assistance from MSD. This can lead to the situation reaching a crisis point before help is sought. In addition, the current COVID-19 outbreak has led to greater anxiety for whānau.
- **Not covering costs that are landlord's responsibility and ensuring tenants aren't taken advantage of:** ensure landlords remain accountable for their responsibilities, including general maintenance. Tenants should be assisted to meet their own responsibilities that ensure stability in their tenancies.

