

Aide-mémoire



**MINISTRY OF SOCIAL
DEVELOPMENT**
TE MANATŪ WHAKAHIATO ORA

Date: 01 April 2021 **Security Level:** IN CONFIDENCE

For: Hon Carmel Sepuloni, Minister for Social Development and
Employment

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Emergency Housing: Ministry of Social Development practice

Purpose Your office has asked for initial advice on the Ministry of Social Development's (MSD's) current approach to paying for and facilitating clients into emergency housing.

Background **The Emergency Housing Special Needs Grant (EH SNG) was established to address emergency housing hardship need**

The EH SNG was established in 2016 as a hardship payment to help New Zealanders without somewhere to stay meet the cost of short-term commercial accommodation while they found other more suitable, permanent housing options. While short-term non-contracted motel accommodation is intended to be an option of last resort, the use of EH SNGs has grown significantly as housing demand increases and supply of rental housing for lower income households is constrained.

The increase in the number of people seeking emergency housing and the increasing duration of their stay reflects the shortage of affordable, long-term accommodation options for lower income New Zealanders.

Current approach **MSD pays the market rate for immediately available suitable motel rooms**

EH SNG necessitates an 'immediate emergency housing need', which means that a client must not be able to access adequate accommodation for some or all of the next seven nights.

MSD's priority in granting an EH SNG is to ensure people have somewhere safe and suitable to sleep that night.

EH SNGs provide financial assistance to eligible clients by way of a hardship grant paid directly by MSD to an accommodation provider, on behalf of the client.

Initially, clients were responsible for sourcing quotes from suitable accommodation providers, and payment was arranged via their MSD payment card. In most cases, MSD now assists the client in identifying suitable accommodation and facilitates contact with the accommodation provider. Some regions still encourage clients (where practicable) to identify their own accommodation option, as this can result in better arrangements for the client. Regardless, an EH SNG is granted on grounds of suitability and reasonable cost. The placement process for emergency housing is set out in more detail in **Annex 1**.

Prices are set by the accommodation provider at market rates. The cost reflects a number of factors including immediate demand (same-day bookings), the household size, duration of stay, perceived risk and the level of service they anticipate being required. Consequently, these rates can be higher than the publicly advertised nightly rates.

As EH SNGs are financial grants, they cannot be used to make advance bookings. The funds can only be granted in respect of an eligible individual at a point in time.

As the EH SNG model does not allow for contracted spaces, there is very little opportunity for MSD to negotiate on rates whilst also meeting the client's immediate housing need.

MSD prioritise finding a suitable option quickly, given clients are in a vulnerable position facing homelessness and have an immediate need for accommodation.

Key issues The current approach does not offer MSD much control over supplier cost or quality

The use of EH SNGs to cover the volume of immediate housing needs has limited MSD's ability to control the cost and quality of emergency housing. EH SNGs were originally intended to cover short-term stays (for up to seven nights) where a household has exhausted all other housing options until they could be placed in transitional housing or other forms of secure accommodation.

We consider the EH SNG may no longer be fit for purpose. The original intent of the EH SNG was to provide short-term assistance while agencies arranged more permanent accommodation in Transitional or Public housing. Unfortunately, new supply of public and transitional housing has not kept pace with demand and more people are finding it difficult to access the private rental market. As demand for emergency housing continues to rise, the EH SNG model has generated increasing costs¹, longer duration of stays and potentially worse outcomes for clients given a motel generally does not provide suitable long-term accommodation.

With winter approaching and the likelihood of the borders opening for travel bubbles, pressure from more motel demand is likely to increase.

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Expenditure on EH SNGs totalled at \$165.5 million in the last six months of the 2020 calendar year

The limitations of the current approach could be addressed by modifying the model, but this would require further work.

Making minor changes to the EH SNG's current approach (eg: removing the option for client choice of a motel or updating guidelines for MSD staff as to acceptable costs) is unlikely to address the core issues.

MSD is currently undertaking work on the pathways into and out of emergency housing to better understand the reasons why people enter motel accommodation. This information will support further analysis of what more can be done to assist people to obtain and sustain secure housing.

We suggest that MSD initiate further work on how the current model might be altered to better serve the emergency housing needs of New Zealanders, as well as manage costs better.

Next steps **We suggest that MSD undertakes further work to explore contracting capacity in motel accommodation.**

There are a few different approaches that could be taken to achieve this. Moving to a contracted approach could also help MSD to capitalise on the current availability of motel supply. This may allow EH SNGs to again operate as intended (short term only).

Should Ministers wish to explore this further, advice on changes to MSD's emergency housing funding model will be developed in consultation with the Ministry of Housing and Urban Development.

Responsibility for policy relating to Emergency Housing currently sits with the Minister of Housing. The responsibility for the Ministerial Welfare Programme for the administration of EH SNGs sits with you, as Minister for Social Development and Employment.

We recommend that you discuss this with the Minister of Housing and other Housing Ministers as part of a wider discussion around reducing the reliance on motels for emergency housing.

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Annex 1– The placement process for emergency housing

Once a case manager has established that a client has an immediate housing need, they check if there are any Transitional Housing options available. Regions determine how they refer clients to any vacant places Transitional Housing providers may have. For example, this may be done via checking a spreadsheet updated with vacancy information from TH providers, and then the referral made by phone. If there are no Transitional Housing options available, then the Emergency Housing Special Needs Grant can be offered.

Each region manages the booking of the Emergency Housing accommodation slightly differently. Staff rely on local or built-up knowledge of where motels are and whether they are willing to take clients who need a place to stay to determine the right option. Some regions maintain a list of suppliers they can use to find a vacancy for a client. In other regions, clients are encouraged to identify an option that works for them, and MSD will pay the quoted rate using the EH SNG. Clients may also be aware of somewhere they could stay – for example this may be a lodge close to where they need to be, or a motel not too far away from their child’s school. These factors are discussed with the case manager, and any options are identified.

Generally, the case manager will ring the motel to check if there are any vacancies. They may need to contact several suppliers in order to find a place for the individual or whanau.

The primary factor staff consider is making sure the individual/whanau have somewhere to stay that night and do not have to sleep rough.

Cost is a secondary consideration but is balanced with adequacy and suitability of the option for the client. Regional MSD offices will choose the more economical option where there is availability of motels to do so. Guidance for staff outlines what actual and reasonable emergency housing costs can be covered, as well as guidance on per-night costs and the circumstances in which it is reasonable to pay more than these rates.

If the motel/accommodation option is not already a supplier, then the staff member will contact the accommodation provider and send them a copy of the MSD supplier form. The supplier form is processed by the Centralised Processing Unit and allows the payment to be made.

For subsequent grants, the case manager will contact the supplier to check if there is availability for the client to continue to stay there. If not, they will contact other suppliers to ensure the individual or whānau have a place to stay.

MSD generally expects to pay market rates for these accommodation options, given the limited opportunity for negotiating lower rates. The amount paid depends on the actual same-day accommodation rates in the area, which in turn depends on availability of supply and other events or holidays that might impact on this. The specific rate paid also reflects household size and the number of rooms required, as well as any essential features required by a client or their family (ie accessibility or location requirements).