



Report

Date: 17 September 2021

Security Level: IN CONFIDENCE

To: Hon Dr Megan Woods, Minister of Housing

Hon Carmel Sepuloni, Minister for Social Development and Employment

Requirement to seek fiscally neutral adjustment to enable Te Pokapū Rotorua Housing Hub contract to be finalised

Purpose of the report

- 1 This report advises you of a change required in the current funding for the establishment of Te Pokapū, the Rotorua Housing Hub. Resolving this will require Cabinet to agree to a fiscally neutral adjustment within Vote Social Development to increase both operating and capital costs associated with the Rotorua Housing Hub initiative.
- 2 Subject to your agreement, it is proposed that Cabinet is asked to agree to the required changes to appropriations in the Cabinet paper - *Assessment of Urgent Housing Need in Hamilton City and the Wellington Metropolitan Area* due to be considered by the Cabinet Social Wellbeing Committee on 29 September 2021.

Recommended actions

It is recommended that you:

- 1 **Note** that in June 2021, Cabinet agreed to fund the first year of the Rotorua Housing Hub initiative with funding for Te Pokapu to meet operating costs (\$0.917 million 2021/22) and capital costs (\$0.230 million in 2021/22), to strengthen the assessment and placement processes for emergency housing clients and to co-locate relevant services [CAB-21-MIN-0231.01 refers]
- 2 **Note** that the Ministry of Social Development has subsequently reviewed, in partnership with Te Pokapu, both the operating costs and the capital costs for establishing the Rotorua Hub with a resulting increase in the costs:
 - 2.1 the operating costs have increased by \$75,000 in the 2021/22 financial year for additional costs associated with a privacy impact assessment and security risk assessment for the Hub
 - 2.2 the capital costs have increased by \$180,000 in the 2021/22 financial year for additional fit-out expenditure and a contingency.
- 3 **Note** that the total funding appropriated by Cabinet to Vote Social Development is sufficient to meet the Ministry of Social Development's costs associated with the improvements to the provision of Emergency Housing in Rotorua, but that a fiscally neutral adjustment is required between appropriations to reflect the increased costs associated with setting up the Hub.

4 **Note** that this paper has been forwarded to Hon Peeni Henare and Hon Marama Davidson as Associate Ministers of Housing.

5 **Agree** to seek Cabinet approval for a fiscally neutral adjustment between appropriations within Vote Social Development, as set out in the draft financial recommendations attached as **Appendix One**

Agree/Disagree

6 **Agree** to include the draft text and recommendations attached as **Appendix One** in the forthcoming Cabinet paper – *Assessment of Urgent Housing need in Hamilton City and the Wellington Metropolitan Area*, scheduled to be considered by the Cabinet Social Wellbeing Committee on 29 September 2021.

Agree/Disagree

Viv Rickard
Deputy Chief Executive
Service Delivery

Date

Hon Dr Megan Woods
Minister of Housing

Date



20/09/2021

Hon Carmel Sepuloni
Minister for Social Development and
Employment

Date

Background

- 3 In June 2021, Cabinet agreed to a suite of changes to emergency housing provision in Rotorua. This included the implementation of Te Pokapū – a Rotorua Housing Hub. The Hub will be led by local Māori organisation Te Taumata o Ngāti Whakaue and will be a single point of contact for individuals and whānau with housing needs in Rotorua. Cabinet also agreed to fund a database to support the operation of the Hub.
- 4 Te Pokapū has been operating in a virtual way for several weeks now, while details of the contract to establish a physical location are completed. There are significant complexities involved in establishing a multi-party Hub where different non-Government and Government organisations are located together. They need to share information about individuals and whānau to ensure an appropriate service is provided. Information sharing arrangements need to be developed in a way that protects individual privacy.
- 5 In June 2021, Cabinet agreed to fund the first year of the Rotorua Housing Hub initiative with funding for Te Pokapu to meet operating costs (\$0.917 million 2021/22) and capital costs (\$0.230 million), to strengthen the assessment and placement processes for emergency housing clients and to co-locate relevant services [CAB-21-MIN-0231.01 refers].
- 6 Funding was approved by Cabinet at a very early stage in the development of the Hub. Working together with the Iwi provider has identified that the funding appropriated for the physical establishment of the Hub, including the database is insufficient.
- 7 While the total funding appropriated by Cabinet to Vote Social Development is sufficient to meet the Ministry of Social Development's (MSD's) costs associated with the improvements to the provision of Emergency Housing in Rotorua, the amounts within each appropriation need to be adjusted to meet the increase in the costs associated with setting up the Hub.

Proposal

- 8 MSD is working in partnership with Te Taumata o Ngāti Whakaue to develop systems and processes for the operation of the Hub, including assessing the privacy and security needs required to get a multi-party Hub operating in a way that is safe and respectful for all participants. It has been identified that both the operating costs and the capital costs for establishing the Rotorua Hub are greater than first estimated and that there is no flexibility within the current appropriations to meet these additional costs.
- 9 The operating costs have increased in the 2021/22 financial year by \$75,000 to meet the costs for a privacy impact assessment and security risk assessment for the Hub and the capital costs have increased by \$180,000 for additional fit-out expenditure and contingency funding. The appropriated funding of \$20,000 for the Hub fit-out is insufficient to fit-out new premises and make the site safe and secure for staff and the public.
- 10 Funding of \$210,000 was appropriated for the implementation of a database to support services within the Hub. There are additional issues, for example privacy and security of information to work through with the database, which will delay its implementation. A contract with the database provider will not be signed until these issues are resolved. We will continue to work with Te Taumata o Ngāti Whakaue on implementation of the Hub in a phased way, beginning without database support, while we work through privacy and security implications and any additional costs associated with implementing and operating the database.
- 11 As outlined above, there is sufficient total funding appropriated to meet the costs of the Rotorua initiative in the 2021/22 year. The additional capital and operating costs associated with establishing the Hub can be met through a fiscally neutral adjustment

from the \$5.250 million appropriated for departmental operating costs for providing 24/7 onsite management for the remaining EH-SNG motels in Rotorua to support individuals in those motels, who often have complex needs.

- 12 There will be an underspend in this funding because MSD is unable to provide onsite management for motels. The initial intention to provide onsite support was based on entering into agreements with motels for exclusive use. Further work has identified that current MSD policy and legislative settings do not allow for exclusive use. You will receive further advice on this by 24 September 2021.
- 13 Instead, MSD will focus on more holistic wrap-around support services for clients and realigning existing navigator funding to individuals and couples in emergency housing. We are seeking your agreement to a fiscally neutral adjustment within Vote Social Development to provide for the increased capital and operating costs associated with establishing the Rotorua Housing Hub initiative.
- 14 The Rotorua emergency housing model is funded for 12 months. A bid for funding for 2022/2023 and outyears is being developed for consideration in the 2022 budget.

Consultation

- 15 We have worked with Ministry of Housing and Urban Development on the issues discussed in this report.

Next steps

- 16 Subject to your agreement, the required financial recommendations for a fiscally neutral adjustment within Vote Social Development can be included in the forthcoming Cabinet paper - *Assessment of Urgent Housing need in Hamilton City and the Wellington Metropolitan Area*.
- 17 The draft text and recommendations for Cabinet are attached as **Appendix One**.
- 18 This paper is currently the subject of Ministerial consultation and is scheduled to be considered by the Cabinet Social Wellbeing Committee on 29 September 2021.

Draft Text and recommendations for Cabinet

In June 2021, Cabinet agreed to the implementation of Te Pokapū – a Rotorua Housing Hub. The proposal was that the Hub would be a single point of contact for individuals and whānau with emergency housing needs in Rotorua. The Hub would have a focus on strengthening assessment and referral processes to ensure the right supports are put in place to meet needs. Agencies, Iwi, and local providers will be co-located with defined roles and responsibilities, and holistic assessments of need will be undertaken. Cabinet also agreed to fund a database to support the operation of the Hub [CAB-21-MIN-0231.01 refers].

Te Pokapū has been operating in a virtual way for several weeks now, while details of the contract to establish a physical location are worked through. There are significant complexities involved in establishing a multi-party Hub where different non-Government and Government organisations are located together and required to share information about individuals and whānau to ensure an appropriate service is provided. Information sharing arrangements need to be developed in a way that protects individual privacy.

Funding was approved by Cabinet at a very early stage in the development of the Hub. Working together with the Iwi provider has identified that the amount appropriated for the physical establishment of the Hub, is insufficient the way that the funding is currently structured.

While total funding appropriated by Cabinet to Vote: Social Development is sufficient to meet MSD costs associated with the improvements to the provision of Emergency Housing in Rotorua, the amounts within each expense appropriation need to be adjusted to meet all the costs associated with setting up and running the Hub. Specific changes that we are asking Cabinet to approve are to:

- 1 **Note** that in June 2021, Cabinet agreed to fund the first year of the Rotorua Housing Hub initiative with funding for Te Pokapu to meet operating costs (\$0.917 million 2021/22) and capital costs (\$0.230 million), to strengthen the assessment and placement processes for emergency housing clients and to co-locate relevant services [CAB-21-MIN-0231.01, refers]
- 2 **Note** that the Ministry of Social Development has subsequently reviewed in partnership with Te Pokapu both the operating costs and the capital costs for establishing the Rotorua Hub. The operating costs have increased in the 2021/22 financial year by \$75,000 for additional costs associated with a privacy impact assessment and security risk assessment for the Hub and the capital costs have increased by \$180,000 for additional fit-out expenditure and contingency funding.
- 3 **Agree** to a fiscally neutral adjustment to increase both operating and capital costs associated with the Rotorua Housing Hub initiative as noted in recommendation 2 above
- 4 **Approve** the following changes to appropriations to give effect to the decisions in recommendation 3 above, with no impact on the operating balance and net core Crown debt across the forecast period:

Vote Social Development Minister of Housing	\$m - increase/(decrease)				
	2021/22	2022/23	2023/24	2024/25	2025/26 & outyears
Departmental Output Expense:					
Services to Support People to Access Accommodation (funded by revenue Crown)	(0.255)	-	-	-	-
Non-departmental Output Expense:					
Housing Place-Based Approaches	0.075	-	-	-	-
Non-departmental Other Expense:					
Housing HUB capital costs Place-Based Approach	0.180	-	-	-	-
Total Operating	-	-	-	-	-

- 5 **Agree** that the changes to appropriations for 2021/22 above be included in the 2021/22 Supplementary Estimates and that, in the interim, the increase be met from Imprest Supply
- 6 **Note** that there may need to be further fiscally neutral adjustments required to meet the costs of the Rotorua Housing Hub initiative as this is a new development and there may be other costs that need to be taken into consideration
- 7 **Authorise** the Minister of Finance and the Minister of Housing to agree any further fiscally neutral adjustments required to meet the costs associated with the Rotorua Housing Hub initiative as noted in recommendation 6 above
- 8 **Agree** that any underspends for the Rotorua Housing Hub, be transferred to the 2022/23 financial year to ensure that funding is available for completion of this phase of the initiative
- 9 **Authorise** the Minister of Finance and the Minister of Housing to jointly agree the final amount to be transferred (as per recommendation 8 above), following completion of the 2021/22 audited financial statements of the Ministry of Social Development (or sooner if necessary), with no impact on the operating balance and/or net core Crown debt across the forecast period.

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