



# Coversheet

## **Expanding Access and Level of Rent Arrears Assistance**

**Hon Carmel Sepuloni, Minister for Social Development**

These documents have been proactively released.

*2 June 2020, Expanding Access and Level of Rent Arrears Assistance Temporarily to Mitigate the Impact of COVID-19 on Housing Outcomes, Ministry of Social Development and Ministry of Housing and Urban Development (Cabinet paper)*

*27 May 2020, Cabinet Social Wellbeing Committee Minute SWC-20-MIN-0052, Cabinet Office*

*5 June 2020, Funding approved for the temporary policy changes to expand access to assistance with rent arrears, Ministry of Social Development and Ministry of Housing and Urban Development (REP/20/6/613)*

*11 June 2020, Amendment to the Housing Support Assistance Programme: Rent Arrears Assistance, Ministry of Social Development (REP/20/6/615)*

On 27 May 2020, Cabinet Social Wellbeing Committee, with delegated authority from Cabinet, agreed to expand access and level of rent arrears assistance temporarily to mitigate the impact of COVID-19 on housing outcomes.

On 2 June 2020, Cabinet approved temporarily expanding access and level of rent arrears assistance to mitigate the impact of COVID-19 on housing outcomes.

The temporary policy changes will assist tenants in economic hardship whose incomes have been reduced as a result of COVID-19, to sustain their tenancy and to ensure equitable access to this support for other groups.

The temporary changes to the Rent Arrears Assistance are:

- Expand accessibility - by allowing applicants to be considered for RAA HSP in the first instance, rather than for all other forms of housing assistance.
- Increase the level of support available in a 52-week period – by increasing the maximum amount payable to \$4,000 to reflect the extraordinary circumstances households face during the COVID-19 lockdown period and resulting economic slowdown.

These changes will be temporary, until 31 December 2020.

Some parts of this information release would not be appropriate to release and, if requested, would be withheld under the Official Information Act 1982 (the Act). Where this is the case, the relevant sections of the Act that would apply have been identified. Where information has been withheld, no public interest has been identified that would

outweigh the reasons for withholding it. This is the key to the redaction codes used for this release:

- Section 9(2)(f)(iv): This information is under active consideration. The release of this information at this time would be likely to prejudice the ability of government to consider advice and the wider public interest of effective government would not be served.
- Section 9(2)(g)(i): Free and Frank
- Section 9(2)(a): this information is withheld in order to protect the privacy of natural persons. The need to protect the privacy of these individuals outweighs any public interest in this information.

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**Search Tags: rent arrears assistance, housing, COVID-19, housing support product**

**IN CONFIDENCE**

Chair  
Cabinet Social Wellbeing Committee

**EXPANDING ACCESS AND LEVEL OF RENT ARREARS ASSISTANCE TEMPORARILY TO MITIGATE THE IMPACT OF COVID-19 ON HOUSING OUTCOMES**

**Proposal**

- 1 This paper seeks agreement for temporary changes to the current Rent Arrears Assistance (RAA) Housing Support Product (HSP). These changes will assist tenants in economic hardship whose incomes have been reduced as a result of COVID-19, to sustain their tenancy, and ensure equitable access to this support for other groups. On 11 May 2020, Cabinet agreed to time-limited funding of \$30.9 million in 2020/21 to expand the availability of support with rent arrears, in response to the impact of COVID-19.

**Executive summary**

- 2 Government has responded quickly and decisively to the COVID-19 crisis and has developed a range of measures to protect jobs and incomes, and keep people housed. Nevertheless, COVID-19 and the economic consequences will continue to provide a challenge to New Zealand's economy and to the livelihoods of many New Zealanders in the months to come. Renting households, in particular, are vulnerable to losing their homes in the current economic climate.
- 3 For renters the wage subsidy and income support measures will provide some assistance in meeting housing costs, but many will still struggle with rent payments and will fall into rent arrears as a result. These arrears could result in tenants losing their tenancy and potentially becoming homeless. Rent arrears assistance, alongside other government support measures, can support COVID-19 affected renters as they transition to lower incomes and changed circumstances. Whilst landlords could negotiate repayment plans, provide rent relief, or reduce rents for struggling tenants there is little evidence to date that this is happening. s 9(2)(b)(ii)

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1 s 9(2)(b)(ii)

- 4 New Zealand's renting households have been afforded temporary protection through Government legislation<sup>2</sup> to place a freeze on rent increases for six months (until 26 September 2020), and impose a strict limitation on the terms under which rental tenancies can be terminated for three months (until 26 June 2020). However, the extraordinary circumstances surrounding COVID-19 mean that some households may have accumulated significant rent arrears during this time due to a reduction in their income, an inability to find employment and restrictions on their ability to move from their current property due to lockdown restrictions. In the immediate post-lockdown period, there are likely to continue to be reduced employment opportunities and ongoing shortages of affordable accommodation, resulting in households accumulating rent arrears.
- 5 The Ministry of Social Development (MSD) already provides recoverable support for rent arrears assistance through various housing assistance programmes (see **Appendix One**). One of these is the Rent Arrears Assistance (RAA) Housing Support Product (HSP). This is a recoverable payment intended to support people who are at immediate risk of losing their tenancy to maintain their existing housing and could provide support to a broad range of people. However, this is currently only available if all other forms of other housing assistance have been considered first and has a maximum amount payable of \$2000 in a 52-week period (unless there are exceptional circumstances).
- 6 We considered retaining the existing RAA HSP settings or designing a new bespoke product specifically for those impacted by COVID-19. We discounted retaining the current product's existing settings because in the current economic climate we see a need to increase the level of support available and broaden access to that support. We discounted developing a new product because this could not be done quickly given the workload and pressure MSD is currently facing.
- 7 We propose instead making temporary policy changes to the existing RAA HSP to:
  - 7.1 Expand accessibility - by allowing applicants to be considered for RAA HSP in the first instance, rather than for all other forms of housing assistance. This change will open access to the RAA HSP for beneficiaries and people on low incomes who would normally qualify for rent arrears support through MSD hardship grants. It will also ease MSD administration and ensure equity of access to rent arrears assistance between beneficiaries, low income families and formerly higher income earners.
  - 7.2 Increase the level of support available in a 52-week period – by increasing the maximum amount payable to \$4,000 to reflect the extraordinary circumstances households face during the COVID-19 lockdown period and resulting economic slowdown.

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<sup>2</sup> COVID-19 Response (Urgent Management Measures) Amendment Act 2020.

- 8 When applying for this support, applicants will continue to be encouraged to engage with their landlords to discuss the possibility of negotiating a rent repayment plan, rent deferrals or a possible lowering of rent. This is already part of the normal MSD assessment process when considering assistance with rent arrears.
- 9 We propose making these policy changes to the RAA HSP temporary, until 31 December 2020. This will mitigate any possible impacts on the rental market. Overall there are key trade-offs that need to be managed in the post COVID-19 lockdown period to ensure the rental market recalibrates effectively. Trade-offs include ensuring that people can remain safely housed at a time when they may be facing severe economic hardship and allowing rental markets to find a 'new normal' or equilibrium without too much of a distortionary effect from government support. In May 2020, HUD will provide advice to the Housing Ministers on options to support the rental market and request a decision on further work to be progressed. Further proposed changes will be reported back to Cabinet as required.
- 10 On 11 May 2020, Cabinet agreed to establish a tagged capital contingency of \$30.9 million in 2020/2021 to cover any agreed policy changes which that will provide support for rent arrears assistance [CAB-20-MIN-0219.25 refers]. The policy changes outlined in this paper will be funded from the tagged contingency and a fiscally neutral transfer within Vote Social Development from Recoverable Assistance to Housing Support Products. The Minister of Finance, Minister of Housing and the Minister for Social Development have been authorised to jointly approve any drawdown from the tagged contingency and can also approve a fiscally neutral transfer within Vote Social Development.
- 11 If Cabinet agrees to this proposal, MSD will implement changes to the RAA HSP from 6 July 2020.

## **Background**

- 12 Housing is the single largest form of household expenditure for most households and even before the COVID-19 crisis, many households spent in excess of 30 percent of gross household income on housing costs. The impact of COVID-19 has resulted in many New Zealanders experiencing loss of income and unemployment. Many others are at risk of losing their jobs. Government has, as part of the initial COVID-19 Economic Package, already introduced measures to protect tenants, such as freezing rent increases for six months, prohibiting no-cause terminations for an initial period of three months, and evictions for unpaid rent cannot occur for up to 60 rent days. Government has also introduced the Wage Subsidy Scheme and will introduce a COVID-19 Income Relief Payment to smooth the transition of COVID-19 affected households to lower incomes and changed circumstances. Rent arrears assistance is an important additional form of support to help households through this transition.

- 13 Rent arrears assistance is a temporary measure to offset household costs where incomes have fallen. A sustainable longer-term approach, for Government and tenants, is to raise incomes through employment. Government is moving on a range of fronts to raise incomes and support employment, including with initiatives funded through Budget 2020. Active Labour Market Programmes will support people back to work, raising incomes and increasing tenants' ability to meet their rental costs. As employment returns closer to pre COVID-19 levels the need for additional income support, including rent arrears assistance, will diminish.
- 14 Government already provides housing assistance to help people with their housing costs, including assistance when they have not been able to pay their rent and are in rent arrears (see **Appendix One**). These are:
  - 14.1 Housing Support Products (HSP) – Various housing support products are available in the form of Bond Grants, Rent Arrears Assistance (RAA), Rent in Advance, Moving Assistance, Tenancy Costs Cover, Statement of Satisfactory Tenancy, Transition to Alternative Housing Grant.
  - 14.2 Housing Subsidies - Accommodation Supplement (AS), Income Related Rent Subsidy (IRRS) and the Student Allowance Accommodation Benefit.
  - 14.3 Other - Recoverable Assistance Payment (RAP) and Advance Payment of Benefit (Advances) for housing-related costs including bond, rent in advance, rent arrears and essential repairs and maintenance for homeowners.
- 15 However, existing supports for rent arrears may not adequately address current needs due to the extraordinary circumstances resulting from COVID-19. The six to eight weeks of national lockdown under COVID-19 Alert Levels 3 and 4 has limited people's ability to take the necessary steps to either reduce their rental distress (through for example finding and moving to cheaper rental accommodation) or find new employment.
- 16 MSD's current workload and operational capacity is critical in any consideration of rent arrears policy changes. MSD staff are already delivering a range of additional COVID-19 related measures, including the Wage Subsidy and COVID-19 Income Relief Payment, and processing a large volume of applications for Job Seeker Support and other assistance. MSD's capacity to develop and deliver further complex measures in a short time span is therefore limited.

## Analysis

*There is a clear need to provide enhanced rent arrears support, to protect vulnerable and COVID-19 affected households from losing their homes and falling into homelessness*

- 17 s 9(2)(b)(ii) [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED] A recent Renters United survey found that renters have started relying more on their savings and stopped paying debts to pay their rent. Other renters in the survey have opted to take on more debt and ten percent of respondents expected to end up in debt to their landlords. Of the 34 percent of renters who had some form of communication with their landlords regarding their rent, only 5.9 percent received a rent reduction while 2.1 percent received a rent deferral.<sup>4</sup> This evidence already suggests that there will be an increase in demand for rent assistance in the coming months.
- 18 Providing enhanced rent arrears assistance will help renting households remain in their existing homes, avoiding the trauma of eviction and reducing transience, which we know has severe impacts upon the future life chances of children. Supporting people in their existing homes will also reduce reliance on emergency, transitional and public housing, at a time when we already have high demand for these services.

*Due to COVID-19 we will see new groups seeking rent arrears assistance, alongside our existing clients*

- 19 We anticipate demand for rent arrears assistance will come from existing beneficiaries, and from people financially impacted by COVID-19 who may not previously have received any benefits (or may only have received Accommodation Supplement). Some of these people will not be familiar with the social security system. This includes, for example, two income households where one person has lost their job, and households with relatively high rental costs who may have seen household income substantially reduced for a period of time. These private market renters may now also be receiving wage subsidies through their employers, be receiving temporary income support, or have become unemployed and are receiving a main benefit.

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<sup>3</sup>

<sup>4</sup> s 9(2)(b)(ii) [REDACTED]  
1,983 people responded to the survey. Renters Experience Survey Report, Renters United, April 2020 (<https://www.rentersunited.org.nz/wp-content/uploads/2020/04/renting-under-lockdown-report-final.pdf>)

*We recommend temporary policy changes to the RAA HSP to assist people impacted by COVID-19 to keep their homes*

20 We recommend making the following temporary policy changes to the RAA HSP to expand access for rent arrears assistance as a result of COVID-19.<sup>5</sup> The policy changes will be temporary and will only be available for the initial COVID-19 recovery period from 6 July 2020 until 31 December 2020, after which we propose that the current settings revert. The policy intent is to increase support and expand eligibility to rent arrears assistance, including those who may not be aware that this support is available.

**20.1 Increase the current maximum amount payable to \$4,000.** We propose keeping the RAA HSP recoverable but to increase the maximum amount payable in a 52-week period to \$4,000. This increase in the maximum amount has been calculated around the current median rent across New Zealand and the duration of time households have spent in lockdown under Alert Level 3 and 4.

**20.2 Allow the RAA HSP to be considered first.** We propose allowing the RAA HSP to be considered first to provide support for rent arrears, for both beneficiaries and non-beneficiaries. Currently MSD is required to consider Advances and RAP before RAA HSP. This change would streamline operational processes and make the application process easier for frontline staff, enabling them to respond more quickly to requests for rent arrears assistance. It will allow for more efficiency as decisions to grant applications would also be assessed against one set of guidelines. It would also allow for the RAA HSP to be easier to access for all people impacted by COVID-19.

21 The RAA HSP will remain recoverable assistance. We recognise that this may mean that some households may take on additional debt as a result, and that this may act as a disincentive for some households to seek rent arrears assistance. However, this risk should be set against a significant risk of perverse incentives for both tenants and landlords which could result from making the payment non-recoverable. In managing household debt, MSD will negotiate a repayment plan with clients taking into account their circumstances, in line with existing guidelines.<sup>6</sup> Similarly, we do not recommend any change to the income and asset test for the RAA HSP. We consider that the current means test is sufficiently wide to include most people who have been impacted by COVID-19 and are facing difficulty in meeting their rent commitments. Those with higher incomes or greater assets have other options available to them.

22 Should Cabinet agree to the proposed policy changes to the existing RAA HSP, they can be implemented from 6 July 2020. MSD will prepare communications to increase

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<sup>5</sup> It is important to note that applicants for assistance whose rent arrears is not demonstrably COVID-19 related will receive the same consideration and support as COVID-19 related applicants.

<sup>6</sup> The maximum recovery rate for debt repayment for clients currently getting income support is set at no more than \$40 per week, unless the client volunteers to pay more.

awareness of the support available under the RAA HSP to reach those who have not previously accessed support but are now eligible. The cumulative effect will mean that rent arrears assistance is easier to access for all people in need of support, that meet the eligibility criteria.

- 23 Applicants will continue to be encouraged to approach their landlord to discuss a repayment plan, the possibility of rent reduction or a renegotiated tenancy agreement. Under current operating procedures, MSD frontline staff already discuss with applicants whether they have engaged with their landlord when assessing eligibility for rent arrears support.

*There are risks associated with these policy changes that need to be managed*

- 24 Overall there are key trade-offs that need to be balanced in the immediate post-COVID-19 lockdown period, to ensure the rental market transitions smoothly in the longer term. These include:
  - 24.1 Sustaining landlord confidence and the integrity of supply for the future rental market
  - 24.2 Ensuring there is adequate supply of affordable rental housing in the medium term to alleviate expected demand and price pressure as people readjust their circumstances and expenses
  - 24.3 Ensuring that people can meet their rental costs at a time when they may be facing severe economic hardship, so they do not face housing vulnerability and homelessness, and ensuring they do not face long-term debt from housing costs
  - 24.4 Allowing rental markets to find a 'new normal' or equilibrium without too much of a distortionary effect from government support, while preventing further homelessness as a result of the rental market reset.
- 25 There are some risks associated with these policy changes that will need to be managed to ensure that the RAA HSP works as intended to help people sustain their current accommodation if possible and prevent further need for public and emergency housing.
- 26 Increasing the maximum amount payable to \$4,000 is proposed due to the high probability that the average payment for rent arrears per client will be higher. The increased maxima could mean people do not make sufficient effort to manage their finances and pay rent arrears from their own resources, before they seek rent arrears assistance from the Government. Retaining the recoverability feature of the RAA HSP will significantly mitigate this risk, alongside the evidence checks that form part of the application process.

27 Allowing the RAA HSP to become a product of first recourse opens-up access to a much broader group of people. Alongside the doubling of the payment limit, this could have an impact on the rental market in the immediate post COVID-19 lockdown period. s (9)(2)(g)(i)

[REDACTED]

28 The recoverability feature of the RAA HSP goes some way to managing this risk. The temporary nature of the proposed changes also mitigates these risks. MSD will continue to ensure the current verification criteria and process is maintained to avoid paying out arrears to applicants who are not likely to retain and sustain their tenancy if this assistance is granted. In addition, careful communications will be prepared to ensure people understand the purpose and obligations around this payment in order to manage peoples' expectations. MSD will continue to encourage tenant and landlord dialogue around possible rent reductions and direct applications to its housing support services to maximise the chance of people sustaining their housing in the long term.

*There is other ongoing support which will continue to be provided to assist people experiencing rent arrears or housing stress*

29 The proposed temporary policy changes to the RAA HSP is part of the wider Government response for those impacted by COVID-19 and supports the work on preventing and reducing homelessness. It will help those that have experienced an income loss due to COVID-19 and have rent arrears, to retain their existing accommodation. Strengthening rent arrears assistance will also further support COVID-19 affected households as they make the transition to lower incomes and adjust to changed household circumstances, alongside the Government's Wage Subsidy Scheme and COVID-19 Income Relief Payment which will be made available from 8 June 2020. Keeping as many people in their existing rental accommodation in the short-term will alleviate pressures on the lower end of the rental market too.

30 Where it is evident that someone, even with additional Government support, will not be able to retain their existing accommodation, MSD still has several support mechanisms that can help them to access more sustainable (i.e. lower cost) accommodation. These include:

30.1 Bond Grants – payment to assist clients with the cost of a rent bond to move to a new property

30.2 Rent in Advance –payment towards the cost of rent for clients considered able to afford and sustain alternative housing

30.3 Moving Assistance – payment to help people with the physical cost of moving between houses

30.4 Tenancy Costs Cover – a conditional grant that a client (normally one that may be experiencing barriers to accessing housing) can use to give landlords an assurance that they will be able to meet any tenancy related costs in excess of the bond if owed at the end of the tenancy.

*Work is also being done on continuing support to the rental market for the medium to longer term*

31 In May 2020, the Ministry of Housing and Urban Development (HUD) will be providing advice to the Housing Ministers on other possible support measures to assist renters and ensure that the rental market is able to function effectively. Further proposed changes will be reported back to Cabinet as required.

## **Implementation**

*Changing the policy settings requires some operational changes to be implemented*

32 MSD is already facing increased demand and operational pressures and any increase in demand and changes to the RAA HSP will lead to further pressure on MSD frontline. MSD will continue to explore ways to streamline and improve the application and approval processes for the RAA HSP payment while maintaining appropriate integrity measures.

33 Allowing the RAA HSP to be considered first is one means to streamline the application process and ease the pressure on the frontline to allow a quicker response for requests for assistance with rent arrears. More efficiency would be gained by the MSD frontline decision makers as they only have to assess the applications against one set of rules.

34 The operational delivery of MSD has already changed significantly in light of COVID-19 with the aim to streamline and simplify application processes both for the frontline and applicants. These will be further developed in the policy changes for RAA HSP as MSD continues to focus on how to better support people.

35 MSD will also provide communications materials around the revised RAA HSP to increase awareness of this form of assistance. This will include providing these communications in a range of fully accessible formats to reach those who have not previously accessed support but are now eligible. Certain households may never have received a benefit before or needed government assistance and fewer people will be aware of the support available through RAA HSP. Increasing awareness of the RAA HSP and the support it can provide will be useful in order to ensure it is made available to all those who need it.

- 36 Should Cabinet agree to these temporary policy changes, MSD will be able to implement the policy changes from 6 July 2020.

#### *Level of demand and potential funding implications*

- 37 As a result of the proposed policy changes and our estimate of the additional demand due to COVID-19, we propose increasing the funding for the RAA HSP. While this funding represents a substantial increase and should cover a significant portion of the overall need, it is very difficult to quantify what the true demand for rent arrears support in the wider renting population will be at this stage. Cabinet has agreed to time-limited funding to \$30.9 million intended to increase support for rent arrears assistance in response to the impact of COVID-19, subject to agreement on the proposed policy changes.

- 38 The future level of demand for rent arrears assistance is difficult to estimate at this stage. § 9(2)(b)(ii) [REDACTED]

However, not all people who are in rent arrears will qualify for assistance and others will not seek recoverable assistance from MSD.

#### *Monitoring and reporting*

- 39 HUD will continue to monitor the uptake and expenditure of Housing Support Products in the Quarterly Housing Report.
- 40 The current RAA HSP already has a monitoring feature which enables MSD to see if people who receive a RAA HSP go into emergency housing or go on the public housing register within three months. MSD will be able to report on other assistance that people receive from the social security system. This information will inform the report back to Joint Ministers (Finance, Housing and Social Development) in October 2020.

#### **Financial implications**

- 41 Funding for the current Housing Support Assistance Programme is capped at \$5.006 million in 2019/2020 and \$7.2 million in outyears.<sup>8</sup> To date expenditure for RAA within the HSP Multi Category Appropriation for the 2019/20 financial year is \$644,692 out of an available \$1 million.

<sup>7</sup>

§ 9(2)(b)(ii) [REDACTED]

<sup>8</sup> The Recoverable Assistance Programme and the Advance Payment of Benefit are both demand-driven appropriations.

- 42 Given the expected increase in demand, Cabinet has agreed to time-limited funding intended to increase support for rent arrears assistance in response to the impact of COVID-19, subject to agreement to the policy changes outlined in this paper. The period for this funding is from 1 July 2020 to 31 December 2020. Cabinet has agreed to tag \$30.9 million under the capital contingency from the COVID-19 emergency contingency [CAB-20-MIN-0129.25 refers].
- 43 The contingency fund cost of \$30.9 million was based on the assumption that people who would otherwise have received an Advance or RAP would instead receive RAA HSP at a higher average payment and that the average grant under HSP would increase from around \$1,300 to \$1,800. The costing also recognises that not all people who have rent arrears would necessarily qualify or seek support from MSD.
- 44 Cabinet has authorised the Minister of Finance, Minister of Housing and the Minister for Social Development to jointly approve any drawdowns of the contingency following agreement of any policy changes required for increasing the amount of recoverable assistance and availability of the payment to assist people with rent arrears. Subject to Cabinet's agreement to the policy changes proposed, the Minister of Finance, the Minister of Housing and the Minister for Social Development will be asked to approve a draw down from the tagged contingency.
- 45 The policy changes outlined in this paper will also require a fiscally neutral transfer within Vote Social Development from Recoverable Assistance to Housing Support Products. This is estimated to be \$24.7 million in 2020/21. Cabinet is asked to authorise the Minister of Finance, Minister of Housing and the Minister for Social Development to jointly approve a fiscally neutral transfer within Vote Social Development from Recoverable Assistance to Housing Support Products.

#### *Operational costs*

- 46 Implementing these temporary policy changes to the RAA HSP will require additional operational funding for staff resources, communications and IT system changes which is not part of the tagged contingency funding.
- 47 We are seeking additional funding of \$725,000 in operating funding for MSD to implement the temporary policy changes to the RAA HSP. This is made up of \$665,000 for operational costs and \$45,000 for IT changes and \$15,000 for client communications.
- 48 If Cabinet agrees to the proposed policy changes in this paper, we will seek approval for the additional operational costs in the same paper to the Minister of Finance, Minister of Housing and the Minister for Social Development seeking drawdown from the tagged contingency funding.

## **Legislative implications**

- 49 The proposal to change the policy settings as noted above requires amendments to the Housing Support Assistance Programme, a programme for special assistance under section 101 of the Social Security Act 2018.
- 50 If Cabinet agrees to changing the policy settings temporarily for the RAA HSP, the Minister for Social Development will approve the amendments to the Housing Support Assistance Programme based on its decisions to temporarily change the policy settings for RAA HSP. The 28-day rule may need to be waived to ensure it can take effect on 6 July 2020.
- 51 The proposals have no other legislative implications.

## **Impact Analysis**

- 52 This proposal is a direct response to COVID-19 and does not require changes to primary legislation or regulations. A Regulatory Impact Statement is therefore not required [CAB-20-MIN-0138 refers].

## **Population implications**

- 53 The proposals in this paper are likely to benefit Māori, Pacific Peoples and disabled people who could be more at risk of losing their jobs and experiencing rental stress due to the impact of COVID-19.
- 54 For example, the Māori and Pacific Island population have higher shares of their workforce in the most impacted industries such as food and beverage manufacturing and wood processing. Long-standing socio-economic disparities experienced by Māori and Pacific peoples have been exacerbated during past economic recessions including the Global Financial Crisis. We also know that there is overall lower rates of home ownership rates among Māori and Pacific people. In the 2013 Census homeownership rates among Māori and Pacific individuals were 28 percent and 18 percent respectively, compared with the New Zealand European rate of 57 percent.
- 55 Māori have historically and continue to face complex challenges in respect to housing needs. The Crown has a unique Te Tiriti partnership with Māori as tangata whenua and an obligation under Article 3 to provide 'equality' and 'equal outcomes' for Māori. The impact of COVID-19 have placed Māori more at risk from job loss and rental stress. Whānau Māori are already disproportionately represented among those experiencing homelessness, housing insecurity and overcrowding. We note that Māori already have high rates of casual or contract work, and small business employment and are likely to suffer further as the economic downturn continues.

- 56 Pacific Peoples are disproportionately represented among those experiencing homelessness, housing insecurity and overcrowding. Around 4 in 10 Pacific people live in crowded homes in New Zealand. Equally Pacific people also have high rates of casual or contract work, and small business employment and will suffer further as the economic downturn continues.
- 57 The United Nations Convention on the Rights of Persons with Disabilities, the New Zealand Disability Strategy and the Disability Action Plan all identify access to housing as a fundamental right. Disabled people are also likely to have lower weekly income from employment compared to non-disabled people. In addition, there is already a chronic shortage of accessible housing in New Zealand limiting disabled people's ability to access appropriate private rental housing and this would be further exacerbated by COVID-19. We will ensure that communication on any policy changes to rent arrears assistance will also be tailored, in fully accessible formats, to ensure that disabled people are informed.
- 58 We also expect the employment of older workers, particularly women, to be impacted by COVID-19. Displaced worker research shows that the longer-term impacts for older workers (50 years and above) are much larger and longer than for others. For the year to June 2019, of the total of 14,000 people unemployed in New Zealand for more than a year, 5,000 were aged 50 to 64. Single people living alone aged 45 to 64 are the second most likely group (behind single parents) to have low incomes after housing costs. Sustained unemployment for this group could mean a drop in income for a significant period of time, impacting their ability to meet rental obligations and therefore increase the likelihood of finding themselves in rent arrears. This could also impact their future financial wellbeing, including their ability to build up savings during a crucial period of time just before retirement that could help supplement income into older age.
- 59 These groups are already likely to have disproportionately higher rates of rental housing which can make it harder to reduce costs. They are also more likely to be working in at-risk industries which have been hard hit by the impacts of Levels 3 and 4 lock down. As part of the report back to Joint Ministers (Finance, Housing and Social Development) in October 2020, we can further review how rent arrears assistance has been accessed by different population groups.

### **Human rights implications**

- 60 The policy changes to the Rent Arrears Assistance Housing Support Product are consistent with the rights and freedoms contained in the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993.
- 61 Government has been provided guidance notes from the United Nations Special Rapporteur on the Right to Adequate Housing on developing housing policies in

response to the COVID 19 pandemic. These guidance notes have been considered in developing COVID-19 response policies.

## **Consultation**

- 62 This paper was prepared jointly by MSD and HUD.
- 63 The Treasury, Inland Revenue, the Department of Prime Minister and Cabinet, and the Ministry of Business, Innovation and Employment, Office for Seniors, Office for Disability Issues were consulted.

## **Publicity**

- 64 MSD and HUD will support the policy changes to the RAA HSP with appropriate internal and external communications to raise awareness of the product, including any Ministerial announcement should Ministers choose to make one.

## **Proactive Release**

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

## **Recommendations**

- 66 The Minister for Social Development and the Minister of Housing recommend that the Committee:
1. **Note** that due to the impact of COVID-19, we expect to see an increase in the number of households facing economic difficulties, including difficulties in meeting housing costs
  2. **Note** the overarching purpose of the Rent Arrears Assistance Housing Support Product and the proposed policy changes are to help people retain housing tenancies
  3. **Note** that the current rent freeze and limitation on tenancy terminations are providing some temporary protection for tenants, but that tenants may be accruing significant rent arrears as a result of the COVID-19 impact on household incomes
  4. **Note** that the limitation on tenancy terminations is due to expire on 26 June 2020
  5. **Note** that the Ministry of Social Development already provides recoverable rent arrears support through Advance Payment of Benefits, Recoverable Assistance Payment for non-beneficiaries and the Rent Arrears Assistance Housing Support Product

6. **Note** that Ministry of Social Development operational constraints limit the extent to which changes can be considered in the short-term
7. **Note** we have considered retaining the existing Rent Arrears Assistance Housing Support Product unchanged, and developing a new COVID-19 specific rent arrears product, but recommend making temporary policy changes to the existing Rent Arrears Assistance Housing Support Product
8. **Agree** that the following policy changes be made to the existing Rent Arrears Assistance Housing Support Product:
  - a. Increase the maximum amount payable from \$2,000 to \$4,000
  - b. Allow the Rent Arrears Assistance Housing Support Product to be considered first instance to provide support for rent arrears, for both beneficiaries and non-beneficiaries
  - c. Make these changes temporary, until 31 December 2020, after which the previous Rent Arrears Assistance Housing Support Product settings will revert (subject to a report back to Joint Ministers (Finance, Housing and Social Development) in October 2020)
9. **Note** that the Ministry of Social Development will continue to negotiate repayment plans taking clients' circumstances into account and will continue to encourage tenant and landlord dialogue around possible rent reductions
10. **Note** that the level of demand for rent arrears assistance is very uncertain and will be determined by the severity of the economic impacts resulting from COVID-19
11. **Note** that if Cabinet agrees to the proposed policy changes, it will take the Ministry of Social Development one month from the date of the decision to implement, with a start date of 6 July 2020 and will cover the period 6 July to 31 December 2020
12. **Note** that keeping people housed will require a range of measures, including tenancy support, financial support to smooth income shocks, assistance with accommodation costs and rental arrears, and support services to maintain existing tenancies
13. **Note** the Ministry of Housing and Urban Development will provide further advice to Housing Ministers in May 2020 on the potential impacts of COVID-19 on renters and the rental market and options to progress any further work to smooth the rental market transition and this will be reported back to Cabinet

### *Ministerial Welfare Programme*

14. **Note** that if Cabinet agrees to the proposed policy changes, the Minister for Social Development will amend the Housing Support Assistance Programme under section 101 of the Social Security Act 2018, based on Cabinet's decisions, to enable the Ministry of Social Development to implement these policy changes
15. **Authorise** the Minister for Social Development and the Minister of Housing, in consultation with other Ministers where necessary, to make decisions on issues of a minor or technical nature that may arise during the detailed policy design and amendments to the Housing Support Assistance Programme for changes to the Rent Arrears Assistance Housing Support Product policy settings

### *Financial implications*

16. **Note** that Cabinet has agreed to capital time-limited funding of \$30.9 million intended to increase support for rent arrears assistance in response to the impact of COVID-19, subject to agreement on policy changes in this paper [CAB-20-MIN-0219.25 refers]
17. **Note** that the Minister of Finance, Minister of Housing and the Minister for Social Development have been authorised to jointly approve any capital drawdowns from the COVID-19 Response and Recovery Fund following agreement of any policy changes to increase the availability of assistance to people with rent arrears [CAB-20-MIN-0219.25 refers]
18. **Note** that to implement the proposed policy changes there are operational costs for the Ministry of Social Development of \$725,000 which includes IT costs and communication costs
19. **Note** that if Cabinet agrees to the proposed policy changes, we will seek approval for the additional operational costs of \$725,000 from Between Budget Contingency in the same paper to the Minister of Finance, Minister of Housing and the Minister for Social Development seeking drawdown from the tagged capital contingency funding
20. **Authorise** the Minister of Finance, Minister of Housing and the Minister for Social Development to make to any fiscally neutral transfer from Advance Payment of Benefit and Recoverable Assistance Payment to the Housing Support Programme as may be required

*Monitoring and report back*

21. **Note** that officials from the Ministry of Social Development and the Ministry of Housing and Urban Development will provide a report back to Joint Ministers (Finance, Housing and Social Development) by the end of October 2020 with advice on the demand for rent arrears assistance and on the need, if any, to extend the temporary period beyond 31 December 2020 and any anticipated future cost pressures
22. **Note** that the report back will also review how rent arrears assistance has been accessed by different population groups.

Authorised for lodgement

Hon Carmel Sepuloni  
Minister for Social Development

Hon Dr Megan Woods  
Minister of Housing

## Appendix One

### Existing MSD recoverable assistance for rent arrears

Product	Description
Recoverable Assistance Payment for Non-beneficiaries (RAP)	One-off recoverable payment to meet an essential immediate need for a specific item or services (including housing – e.g. rent arrears, bond). Available to non-beneficiaries and up to \$600 per grant to cover housing costs (can be more in exceptional circumstances).
Advance Payment of Benefit (Advance)	A person receiving a main benefit who requires assistance to meet an immediate need can request an advance of up to six weeks of their net benefit entitlement (can be more in exceptional circumstances) including for housing-related purposes.
Rent Arrears Assistance Housing Support Product (RAA HSP)	A one-off recoverable payment for people with rent arrears who don't qualify for other MSD support for rent arrears (either because they have income or assets over the limit, or they receive Accommodation Supplement). People don't have to be on a benefit or living in social housing to receive it.

#### MSD Recoverable Assistance Overview for the period January to March 2020:

Type of grant	Grants	Amount Granted	Average Grant	% of grants	% of amount
HSP Rent Arrears	490	\$644,592	\$1,315	5%	7%
Rent Arrears - RAPs	2,659	\$2,496,061	\$939	25%	27%
Rent Arrears - Advances	7,637	\$6,022,645	\$789	71%	66%
<b>Total</b>	<b>10,786</b>	<b>\$9,163,298</b>	<b>\$850</b>	<b>100%</b>	<b>100%</b>

#### MSD Recoverable Assistance Overview for 2019:

Type of grant	Grants	Amount Granted	Average Grant	% of grants	% of amount
HSP Rent Arrears	251	\$321,761	\$1,282	1%	1%
Rent Arrears - RAPs	9,347	\$7,870,090	\$842	24%	27%
Rent Arrears - Advances	28,886	\$21,293,966	\$737	75%	72%
<b>Total</b>	<b>38,484</b>	<b>\$29,485,816</b>	<b>\$766</b>	<b>100%</b>	<b>100%</b>

### Cash asset limits for HSPs

A client may be able to receive Rent Arrears Assistance if they (and any partner) have cash assets that are equal to or less than:

- \$8,100 for a single person
- \$16,200 for a sole parent or a married, civil union or de facto couple

If cash assets are greater than the above amounts, the client cannot receive Rent Arrears Assistance.

### Income limits for HSPs

Category	Income limit	
	Per week	Per year
Single, 16+ years	\$1,109.00	\$57,668.00
Married, civil union or de facto couple (without children)	\$1,604.00	\$83,408.00
Married, civil union or de facto couple, 1+ children	\$1,922.00	\$99,944.00
Sole parent, 1 child	\$1,566.00	\$81,432.00
Sole parent, 2+ children	\$1,846.00	\$95,992.00

Note the income limit for recipients of NZS and on student allowance are lower.

If income is greater than the above amounts, the client cannot receive Rent Arrears Assistance.



# Cabinet Social Wellbeing Committee

## Minute of Decision

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*This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.*

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### Expanding Access to Rent Arrears Assistance

**Portfolios**                      **Housing / Social Development**

On 27 May 2020, the Cabinet Social Wellbeing Committee (SWC):

- 1        **noted** that, due to the impact of COVID-19, the Minister of Housing and the Minister for Social Development expect to see an increase in the number of households facing economic difficulties, including difficulties in meeting housing costs;
- 2        **noted** that the overarching purpose of the Rent Arrears Assistance Housing Support Product and the policy changes in the paper attached under SWC-20-SUB-0052 are to help people retain housing tenancies;
- 3        **noted** that the current rent freeze and limitation on tenancy terminations are providing some temporary protection for tenants, but that tenants may be accruing significant rent arrears as a result of the COVID-19 impact on household incomes;
- 4        **noted** that the limitation on tenancy terminations is due to expire on 26 June 2020;
- 5        **noted** that the Ministry of Social Development (MSD) already provides recoverable rent arrears support through Advance Payment of Benefits, Recoverable Assistance Payment for non-beneficiaries and the Rent Arrears Assistance Housing Support Product;
- 6        **noted** that MSD operational constraints limit the extent to which changes can be considered in the short-term;
- 7        **noted** the Minister of Housing and the Minister for Social Development have considered retaining the existing Rent Arrears Assistance Housing Support Product unchanged, and developing a new COVID-19 specific rent arrears product, but recommend making temporary policy changes to the existing Rent Arrears Assistance Housing Support Product;
- 8        **agreed** that the following policy changes be made to the existing Rent Arrears Assistance Housing Support Product:
  - 8.1        increase the maximum amount payable from \$2,000 to \$4,000;
  - 8.2        allow the Rent Arrears Assistance Housing Support Product to be considered first instance to provide support for rent arrears, for both beneficiaries and non-beneficiaries;

- 8.3 make the changes, referred to in paragraphs 8.1 and 8.2 above, temporary until 31 December 2020, after which the previous Rent Arrears Assistance Housing Support Product settings will revert (subject to a report back to Joint Ministers (Finance, Housing and Social Development) in October 2020);
- 9 **noted** that MSD will continue to negotiate repayment plans taking clients' circumstances into account and will continue to encourage tenant and landlord dialogue around possible rent reductions;
- 10 **noted** that the level of demand for rent arrears assistance is very uncertain and will be determined by the severity of the economic impacts resulting from COVID-19;
- 11 **noted** it will take MSD one month from the date of the above decision to implement, with a start date of 6 July 2020, and will cover the period 6 July to 31 December 2020;
- 12 **noted** that keeping people housed will require a range of measures, including tenancy support, financial support to smooth income shocks, assistance with accommodation costs and rental arrears, and support services to maintain existing tenancies;
- 13 **noted** the Ministry of Housing and Urban Development (MHUD) will provide further advice to Housing Ministers in May 2020 on the potential impacts of COVID-19 on renters and the rental market and options to progress any further work to smooth the rental market transition and this will be reported back to SWC;

### Ministerial Welfare Programme

- 14 **noted** that MSD will amend the Housing Support Assistance Programme under section 101 of the Social Security Act 2018, based on the above decisions, to enable MSD to implement the above policy changes;
- 15 **authorised** the Minister of Housing and the Minister for Social Development, in consultation with other Ministers where necessary, to make decisions on issues of a minor or technical nature that may arise during the detailed policy design and amendments to the Housing Support Assistance Programme for changes to the Rent Arrears Assistance Housing Support Product policy settings;

### Financial implications

- 16 **noted** that Cabinet has agreed to capital time-limited funding of \$30.9 million intended to increase support for rent arrears assistance in response to the impact of COVID-19, subject to agreement on policy changes in the paper attached under SWC-20-SUB-0052, [CAB-20-MIN-0219.25];
- 17 **noted** that the Minister of Finance, Minister of Housing and the Minister for Social Development have been authorised to jointly approve any capital drawdowns from the COVID-19 Response and Recovery Fund following agreement of any policy changes to increase the availability of assistance to people with rent arrears [CAB-20-MIN-0219.25];
- 18 **noted** that to implement the policy decisions, referred to above, there are operational costs for the MSD of \$725,000 which includes IT costs and communication costs;

- 19 **noted** that the Minister of Housing and the Minister for Social Development will seek approval for the additional operational costs of \$725,000 from Between Budget Contingency in the same paper to the Minister of Finance, Minister of Housing and the Minister for Social Development seeking drawdown from the tagged capital contingency funding;
- 20 **authorised** the Minister of Finance, Minister of Housing and the Minister for Social Development to make to any fiscally neutral transfer from Advance Payment of Benefit and Recoverable Assistance Payment to the Housing Support Programme as may be required;

### **Monitoring and report back**

- 21 **noted** that MSD and MHUD officials will provide a report back to Joint Ministers (Finance, Housing and Social Development) by the end of October 2020 with advice on the demand for rent arrears assistance and on the need, if any, to extend the temporary period beyond 31 December 2020 and any anticipated future cost pressures;
- 22 **noted** that the above report back will also review how rent arrears assistance has been accessed by different population groups.

Vivien Meek  
Committee Secretary

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#### **Present:**

Rt Hon Jacinda Ardern  
Rt Hon Winston Peters  
Hon Kelvin Davis  
Hon Grant Robertson  
Hon Dr Megan Woods  
Hon Chris Hipkins  
Hon Andrew Little  
Hon Carmel Sepuloni (Chair)  
Hon Nanaia Mahuta  
Hon Stuart Nash  
Hon Jenny Salesa  
Hon Damien O'Connor  
Hon Kris Faafoi  
Hon Dr David Clark  
Hon Tracey Martin  
Hon Willie Jackson  
Hon Aupito William Sio  
Hon Poto Williams  
Hon Julie Anne Genter  
Jan Logie, MP

#### **Officials present from:**

Office of the Prime Minister  
Department of the Prime Minister and Cabinet