

Aide-mémoire



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

Cabinet paper

Date: 23 November 2021 **Security Level:** Cabinet Sensitive

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

File REP/21/11/1280

Reference:

Changes to Housing Support Products and housing-related hardship assistance, and approval for additional short-term funding

**Cabinet
Committee**

Social Wellbeing Committee

Date of meeting

24 November 2021

Minister

Hon Carmel Sepuloni, Minister for Social Development and
Employment

*Note that this is a joint paper with the Minister of
Housing. You are taking the paper, as the Minister of
Housing cannot attend the meeting.*

Proposal

Part one: you are seeking Cabinet agreement for an
additional \$6 million to address a projected funding
shortfall for Housing Support Products (HSPs).

Part two: you are also outlining initial thinking on the
policy parameters for a Budget 2022 initiative on changes
to one-off financial assistance for housing-related needs.

Key issues

Part one

Growing pressure in the private rental market has led to
increasing demand for HSPs. The current allocated budget
for the HSPs appropriation has a cap of \$7.2 million.
During the first four months of the 2021/2022 financial
year (July-October), 59 percent of the total appropriation
has already been spent. Based on current expenditure,
there is a funding shortfall of at least \$5.58 million.

In the last financial year, a projected funding shortfall was met through additional funding provided for the COVID-19 temporary policy changes [CAB-20-MIN-0247 refers].

Additional funding is required so that HSPs can continue to be made available for people with a housing-related need. If funding is exhausted, housing-related financial assistance will still be available through Advance Payments of Benefit (Advances) and Recoverable Assistance Payments (RAPs). However, households with income and/or assets over the hardship assistance limits will not be able to access support for housing-related needs.

Additional funding is sought for 2021/2022 only, as the proposed changes in the Budget 2022 initiative (outlined in part two) aim to address this funding issue by creating a single demand-driven appropriation for all one-off housing-related hardship assistance (alongside other current hardship assistance).

Part two


Officials have undertaken a review of HSPs

In May 2021, you agreed that the Ministry of Social Development (MSD) and Te Tūāpapa Kura Kāinga–Ministry of Housing and Urban Development (HUD) undertake a comprehensive review of HSPs. The key finding from the review showed that although HSPs and other existing housing-related hardship assistance (Advances and RAPs) can be effective for certain groups, they could be improved to better support:

- people moving out of emergency, transitional and public housing to access private tenancies
- people sustaining their tenancies in the private rental market.

Proposed changes through the Budget 2022 initiative

You have been invited to submit a Budget 2022 initiative to improve one-off housing-related hardship assistance. Key proposed changes include ensuring available assistance is:

- s9(2)(f)(iv) 

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- equitable by combining current housing-related supports into a single programme within a demand-driven appropriation (HSPs, Advances and RAPs)

- s9(2)(f)(iv) [redacted]
[redacted]
[redacted]

As part of the Budget 2022 initiative, s9(2)(f)(iv) [redacted]
[redacted]
[redacted]
[redacted]
[redacted]

Indicative costings and implementation date

An initial costings 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 and is based on an implementation date of 1 July 2022.

s 9(2)(f)(iv) [redacted]
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[redacted]
[redacted]
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s9(2)(f)(iv) OIA [redacted]

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Responsible manager: Alex McKenzie, Policy Manager, Housing Policy

Appendix One: Proposed talking points for SWC on 24 November 2021

Changes to Housing Support Products and housing-related hardship assistance, and approval for additional short-term funding

<i>Introduction</i>	<ul style="list-style-type: none">• MSD provides a range of housing-related financial assistance to New Zealanders.• Both beneficiaries and non-beneficiaries can access grants to get into or retain a private rental. This includes tenancy bond grants, rent in advance, rent arrears assistance, and a range of other payments. These are one-off payments.• This type of financial assistance is critical to ensuring we can prevent homelessness and reduce reliance on emergency housing.
<i>Part one: additional funding required for the current financial year</i>	<ul style="list-style-type: none">• There is a projected funding shortfall of nearly \$6 million for the Housing Support Products (HSPs) appropriation in the current financial year. This suite of products is mainly accessed by lower-income, non-beneficiaries who need help in accessing or sustaining a private rental.• The shortfall is driven by increased demand due to pressure in the private rental market. We expect that \$6 million will meet additional expenditure in this financial year.• This funding will support low-income households to stay in their current rental through rent arrears assistance, and support others to get into private rentals by meeting the costs of their bond, rent in advance, and moving.• Without this additional funding, we would need to “turn off” this type of financial support when we exhaust the appropriation.
<i>Part two: improvements to housing-related financial assistance – Budget 2022 proposal</i>	<ul style="list-style-type: none">• At the moment MSD has three different programmes that provide one-off payments to help low-income New Zealanders get into or stay in private rental housing. These are:<ul style="list-style-type: none">– Advance Payment of Benefit (Advances),– Recoverable Assistance Payments (RAPs) for non-beneficiary households, and– HSPs, which are primarily paid to non-beneficiaries who are not eligible for Advances or RAPs• Earlier this year, HUD and MSD reviewed these programmes. Officials advised that these grants have

not evolved with the changing housing market. They are constrained in their ability to adequately support households to access and sustain private rentals.

- We want to make key changes to make sure they are:

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[Redacted text]

- These changes are an opportunity to adequately address some of the pressures low-income households experience in the rental market. Housing-related financial support is an important tool in preventing more precarious living situations such as overcrowding, emergency housing, or homelessness.
- We have been invited to submit a Budget 2022 bid on these changes. Indicative costings estimate that \$147.789 million will be required over five years. Implementation will likely be in late 2022 or early 2023.

- s9(2)(f)(iv) OIA [Redacted text]

*Additional information:
about the objectives and related changes, and connection to wider work*

s9(2)(f)(iv) [Redacted text]

- s9(2)(f)(iv) OIA [Redacted text]

s9(2)(f)(iv) OIA

• s9(2)(f)(iv)

s9(2)(f)(iv)

- work to increase housing affordability and supply
- the reviews of Working for Families, Accommodation Supplement, and the s9(2)(f)(iv) OIA
- the Emergency Housing System Review
- the 18-month review of the Homelessness Action Plan
- the work on reducing the impact of debt to government for people in hardship.