

Chair
Cabinet Social Policy Committee

A NEW EMERGENCY HOUSING FUNDING MODEL

Proposal

- 1 This paper reports on the Emergency Housing Funding Review (the Review) and seeks agreement, subject to Budget 2016 decisions, to a new funding model to create a more sustainable and effective emergency housing sector.

Executive summary

- 2 The emergency housing sector is under increasing pressure and some of the most vulnerable New Zealanders are not able to access the emergency housing and support services they need when they most need them.
- 3 There is currently very little government support with the costs of accommodation for emergency housing. Providers are under immense pressure to provide services and accommodation with some at risk of collapse. Proposals in this paper will mean that for the first time, government will contract directly with emergency housing providers to support them with the costs of delivering emergency housing. These contracts will provide certainty to providers around their funding streams and make them more sustainable.
- 4 A short-term housing response in Christchurch was implemented earlier this year and in September 2015 Cabinet agreed to a \$2 million short-term emergency housing response for Auckland. While these initiatives provide valuable short-term support, further changes are necessary to address the systemic weaknesses identified in the recent review of funding arrangements for emergency housing.
- 5 I am proposing a new emergency housing funding model that has been developed in consultation with the sector. I am seeking in principle agreement, subject to Budget 2016 decisions, to the following two components of the model:
 - contracts with selected emergency housing providers for an annual number of emergency housing places in areas of high demand so there are a guaranteed number of places available and providers have greater certainty of income
 - a new Emergency Housing Special Needs Grant (SNG) for people who need support with emergency housing costs for up to seven days and are unable to access a contracted place.
- 6 A third component of the model, contracts for wraparound services for people in emergency housing, will progress separately and be led by the Minister for Social Development and Associate Minister for Social Development. While there is a clear need for wraparound support for people in emergency housing, more work needs to be done to ensure that the proposed services complement rather than duplicate existing services already provided.
- 7 Proposals in this paper will provide much needed support to some of the most vulnerable New Zealanders and build on work currently underway to create an effective and efficient housing system. The Ministry of Social Development (MSD) will work with clients in emergency housing to support these clients into more sustainable housing by using existing

products and services like the Housing Support Products and the Accommodation Supplement. Work underway to create more social housing places, particularly in Auckland, is also likely to create more sustainable housing options for people in emergency housing.

- 8 As the Minister for Social Housing I am responsible for emergency housing. This is the first time there is a Minister directly responsible for emergency housing. However, much of the support that vulnerable people in emergency housing need sits within other portfolios, in particular the Social Development portfolio. I am therefore working closely with the Minister for Social Development and propose to direct MSD to report to me, the Minister for Social Development and other Ministers as appropriate, as implementation plans for the new funding model progress.
- 9 I propose to seek funding for the new arrangements in Budget 2016, with the intention of implementing the new model in September 2016. While detailed costs are still being developed, indications are that the new funding model will cost in the region of \$5-\$10 million per year.
- 10 These proposals fit well with a social investment approach. Initial data suggests that people on benefit in emergency housing have higher future lifetime benefit costs (liability) than people on the same benefits that are not in emergency housing¹. International evidence also suggests that investment in emergency housing is likely to provide additional savings from the health and justice sectors as people with nowhere to stay are more likely to have higher health costs and contact with the criminal justice system than the general community. Providing more support to vulnerable families with an emergency housing need will also support better outcomes for children in these families.
- 11

s 9(2)(f)(iv) OIA 1982, Active Consideration
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- 12 The proposals in this paper represent a significant increase in support for emergency housing providers and will ensure more support is there for people in crisis when they most need it. These proposals will also give more certainty to providers so they can focus on helping improve the outcomes of some of the most vulnerable New Zealanders. MSD will continue to work closely with emergency housing providers and the sector to ensure the proposals are fit for purpose.
- 13 I intend to announce the proposed new emergency housing funding model once Budget decisions have been made.

Background

- 14 In December 2014, as part of the Social Housing Reform Programme, Cabinet agreed to a one-off cash injection of \$500,000 for emergency housing providers while a review of emergency housing (the review) was carried out [CAB Min (14) 39/23 refers].

¹ Data based on the average liability for a cohort of people who were matched to Community Group Housing properties that are used for emergency housing.

- 15 The review had two phases:
- Phase One, between February and May 2015, was to gather information to understand the current emergency housing funding landscape
 - Phase Two, in June and July 2015, was to develop recommendations.
- 16 In September 2015 Cabinet agreed to a \$2 million short-term emergency housing response for Auckland to respond to the growing pressure on emergency housing places in Auckland [CAB Min (15) 00/85 refers]. The \$2 million will be available for contributions towards the capital cost of refurbishing existing properties or new builds if required, as well as for ongoing operational costs (for accommodation and providing wraparound support services).
- 17 Within the housing continuum, emergency housing is short-term housing² for individuals and families who urgently need accommodation because they have nowhere to stay, or are unable to stay in their usual residence.
- 18 Non-government organisations (NGOs) are at the frontline of providing support for people needing emergency housing. The likes of the Salvation Army, Auckland City Mission and Monte Cecilia provide a valuable service to people in need. Emergency housing providers receive funding from numerous sources including government agencies, charitable institutions, trusts and lotteries funding.
- 19 MSD is the lead government agency for emergency housing. The Department of Corrections and the Ministry of Health ensure the right support is available for specific cohorts of people (for example, released prisoners). Housing New Zealand Corporation (HNZC) plays a role through Community Group Housing by providing accommodation for a range of emergency housing service providers across New Zealand (for example, Women’s Refuges). However, MSD has the role of coordinating the overall system.

The emergency housing sector is under significant pressure

Funding for emergency housing is disjointed

- 20 Government financial support for emergency housing can be divided into three areas: funding for accommodation, funding for services and income support for those who need emergency housing.



- 21 While I have the overall policy lead for emergency housing, much of the current government assistance for emergency housing sits within the Social Development portfolio (for example,

² Intended to be for no more than 3 months.

the current contracts with 16 providers, worth approximately \$1.3 million per year, to deliver social services for families in emergency housing). I am therefore working closely with the Minister for Social Development on this work.

- 22 While government funding for emergency housing falls into the three categories outlined above, it is unclear exactly how much funding government provides for emergency housing.

There are weaknesses with the current funding arrangements

- 23 Phase One of the review highlighted a number of weaknesses with the current funding arrangements:

- **accountability** – there is no clear definition of emergency housing, no clarity about the roles of different agencies, and no clear standards for emergency housing
- **openness and transparency** – the funding arrangements are unclear, ad-hoc and not well co-ordinated which creates uncertainty for providers and people needing emergency housing
- **fairness** – people needing emergency housing are expected to repay support (advance benefit payments) while others in social housing or the private rental market are not expected to repay support (through Income-Related Rent Subsidy (IRRS) or Accommodation Supplement (AS))
- **links with the rest of the housing system** – people in emergency housing do not always have a clear pathway to more sustainable housing and may stay longer than expected in emergency housing because of a lack of suitable alternative housing or because they have complex issues that require more time to address
- **current funding is insufficient** – providers say this makes it difficult to provide quality services while the lack of certainty about future funding means they spend time seeking funding instead of delivering and improving services
- **gaps in provision** – both geographically (for example, in small rural towns) and for particular cohorts (for example, for people with disabilities, older people, youth and LGBTI)
- **lack of good quality data** – the Auckland emergency housing database is helping to increase our understanding of the demand for, and supply of, emergency housing, but the data is still patchy:
 - o 2006 Census data suggests that nationally up to 34,000 people experience severe housing deprivation including approximately 5,000 people living on the street or in improvised mobile dwellings and approximately 700 people in emergency accommodation (for example, night shelters)
 - o data from the social housing register indicates that at the end of September 2015 there were 558 people on the register in 'insecure housing'³
- **a growing need for services to address homelessness** – respondents to a survey carried out in Phase One of the review noted that there was an increasing need for services specifically focussed on homelessness.

- 24 These weaknesses are putting increasing strain on the emergency housing sector and mean that vulnerable New Zealanders are not getting the support they need to get back on their feet.

³ This includes people on the social housing register who are homeless and living in a public place, people living in cars or tents, people in homeless shelters, people living in caravans, people in emergency housing and people who are currently in prison or hospitals.

While the highest demand for emergency housing is in Auckland, there is also pressure in other areas

- 25 While it is clear that the demand for emergency housing is greatest in Auckland, the indications are that there is also demand for emergency housing across the country in other towns and cities:
- at the end of September 2015, there were 558 main applicants on the social housing register living in insecure housing (although 236 of these or 42 percent were in Auckland)
 - other organisations, such as the Citizens Advice Bureau (CAB), are also reporting significant increases in the number of enquiries they are receiving about emergency housing - the CAB reported 100 percent increase in the number of enquiries about emergency housing between 2010 and 2015 (the CAB has received 10,000 enquiries about emergency housing over the last five years)
 - feedback from the emergency housing provider survey carried out in Phase 1 of the review also suggested that there was demand for emergency housing outside of Auckland and Christchurch
 - anecdotal feedback from frontline Work and Income staff across the country suggests that there is ongoing demand for emergency housing.
- 26 In the longer-term, work to create more social housing places and to make the social housing system more efficient at matching people to available places will ease pressure on the emergency housing sector. However, it is likely that there will always need to be some level of emergency housing provision to meet the needs of people responding to unexpected life events.

A new national funding model for emergency housing is needed

- 27 I propose to establish a new funding model to provide better support to the most vulnerable people who need emergency housing. The outcomes from the proposed emergency housing funding model are that:
- People in need:
 - o get access to emergency housing when they need it
 - o receive the support and services they need to address health and social issues
 - o have a pathway towards long-term housing so they can move up the housing continuum.
 - Providers are funded in a sustainable way so they can focus on improving outcomes for the people they are working with.

People who require emergency housing are among our most vulnerable

- 28 The primary target group for the emergency housing funding model will be those living on the street, in improvised or mobile dwellings (according to the 2006 Census data there were approximately 5,000 people in this category of severe housing deprivation) or on the social housing register and classified as living in insecure housing in the following categories:
- living in a car (76 main applicants on the social housing register at the end of September 2015)
 - living in a tent (18 main applicants at the end of September 2015)

- homeless and sleeping rough (146 main applicants at the end of September 2015).

29 People in other housing situations who, if they were not able to access emergency housing, would end up in one of the situations above (e.g. sleeping rough, in a car, or in a tent) will also be eligible for support through the new funding model. An example of someone in this situation is somebody who may have an adequate house but is unable to stay there because of family violence.

30 Anyone presenting to MSD or to a contracted emergency housing provider directly for emergency housing will need to demonstrate that their emergency housing need is real (for example, that they have no other options like staying with family or friends and that their current living situation is not sustainable).

31 I am seeking in principle agreement, subject to Budget 2016 decisions, to two components of the proposed funding model which are set out in Table 1.

Table 1: Key features of the proposed components of the new funding model

1. Contracts with selected providers to supply a set volume of emergency housing places per year in particular areas.

- Providers will be contracted and paid an annual subsidy to supply a set number of emergency housing places per year.
- Decisions about how many places to contract for and in which locations will be informed by demand modelling work currently being developed by the Ministry. This modelling will be used to inform decisions about the appropriate level of funding that will be required in Budget 2016 to implement the new funding model.
- Following Budget 2016 MSD will conduct a procurement exercise to seek providers of emergency housing places in particular locations. As with the Christchurch and Auckland short-term housing response, there will be two main cohorts that accommodation will be contracted for:
 - o families (likely to be mainly sole parents with children)
 - o single people.
- Funding that the providers receive will be linked to the type of property they are using:
 - o self-contained accommodation with private facilities (e.g. standalone houses or units) – providers will be funded based on the annual IRRS average for a similar property. For example, a provider offering a 2-bedroom property for emergency housing in Auckland would receive approximately \$13,624 per year (\$262 per week (the average IRRS for a 2-bedroom property in Auckland) x 52)
 - o dormitory accommodation – places would be contracted on a set fee per place per night - for example, \$15 per place per night.
 - o other accommodation – where providers offer shared accommodation (e.g. a house with a number of private bedrooms but shared facilities like bathrooms, kitchen, lounge) then the appropriate level of funding will be considered on a case-by-case basis. This follows the approach currently taken with social housing providers offering shared accommodation models.
- People staying in contracted places would be expected to contribute towards the cost of their accommodation but would pay no more than 25% of their income in rent.

2. A new Emergency Housing Special Needs Grant (SNG) for clients who need support with emergency accommodation costs for up to seven days and are unable to access a contracted place

- The SNG will be available nationally to be used:
 - o in areas where MSD does not contract any emergency housing places (for example, in rural areas where there may not be enough demand for emergency housing to require contracted places)
 - o if all contracted places are full in an area where MSD does contract for emergency housing places.
- The SNG will provide a non-refundable contribution towards the cost of emergency accommodation for people with no other housing options (for example, the cost of staying in a hostel or motel). Clients will only be eligible for the SNG if they can demonstrate that they have no other alternative accommodation options.
- Clients will be expected to contribute to the cost of accommodation where the cost is above a set level. If the client is unable to meet their contribution, their contribution will come from an Advance Benefit Payment or from a Recoverable Assistance Payment (the client contribution could also be met by an NGO or charity if they chose to meet this cost).
- The SNG will be available for up to seven days with discretion to extend this period only if there are exceptional circumstances.
- Clients would only be able to access the SNG once a year, except where exceptional circumstances exist.
- The level of assistance available through the SNG will vary based on the characteristics of the people presenting (for example, families with several children will be eligible for more assistance than single people as they may require more than one bedroom).
- Accessing the SNG will not count towards a client's hardship count. This recognises the urgent need for accommodation that these clients are facing and aligns with other similar forms of assistance that do not form part of the hardship count (i.e. rural assistance payments, specific assistance for victims of domestic violence).

A third component of the model, wraparound services for clients in emergency housing will progress separately

- 32 A third and critical component of the funding model is wraparound services for clients in emergency housing to help them get back on their feet and into sustainable housing. However, some support is already provided in this area and further work is required to ensure that any changes or additions complement rather than duplicate existing services already provided.
- 33 Through its Community Investment arm, MSD funds 16 providers from across New Zealand to deliver social work services for approximately 700 at-risk families in emergency housing per year at a cost of approximately \$1.3 million per year. However, these contracts have developed in an ad-hoc manner across the country and are not consistent (i.e. some contracts expect providers to work with at-risk families for up to 12 months, others for only three months). There is also wide variation in the levels of funding that providers receive for each family they support. There is little information currently available about the outcomes achieved by these services.
- 34 These services are due to be reviewed as part of the implementation of the Community Investment Strategy being led by MSD. A line-by-line review of these services in early 2016

will provide more information on the effectiveness of the current services. MSD will also investigate the possibility of trialling revised contracting arrangements with one or two of the providers already contracted to deliver these services.

- 35 Further work is also required to understand the link between the proposed wraparound services and other services for vulnerable groups such as Whānau Ora and transitional services to help released prisoners reintegrate into community. This will include consideration of any overlap or crossover with services that are already provided for similar population groups.
- 36 I consider that access to wraparound services to help people in emergency housing get back on their feet and move into more sustainable housing is a very important element of the proposed funding model. I am conscious, however, of the need to get a better understanding of how effective the current services are before any changes are made or any further funding is committed.
- 37 These services are delivered through the Social Development portfolio. I therefore propose that MSD report to the Minister for Social Development and Associate Minister for Social Development on this work as it progresses.

MSD will have a comprehensive service response to support the new funding model

- 38 MSD is developing a service response that will provide clear guidance to frontline staff about how emergency housing enquiries should be managed from initial presentation at frontline Work and Income offices through to the follow up that will be required for those referred to emergency housing.
- 39 The service response will ensure that there is a consistent national approach to those people presenting to Work and Income with an emergency housing need. A key element of this response will be ensuring that people referred to emergency housing are supported to find a more sustainable housing solution and do not remain in emergency housing any longer than is necessary. This will include linking people in emergency housing to existing products such as Housing Support Products and the Accommodation Supplement that can help them move out of emergency housing.
- 40 However, I do not propose that Work and Income should become the 'gateway' to the emergency housing system. Work and Income will remain an important part of the system that offers support for vulnerable people but it should not be the only route into emergency housing. Instead I propose that, as at present, emergency housing providers should be able to take referrals from other sources (for example, from other NGOs, from doctors, from the CAB etc).
- 41 I consider that emergency housing providers are best placed to determine the most vulnerable people in need of support. Providers will be expected to demonstrate, however, that they have assessment criteria in place to ensure that only those with a genuine emergency housing need are offered access to a contracted place. Checks and balances in the form of monitoring and auditing processes will also provide assurance that contracted providers are responding to those with a genuine emergency housing need. A process will also be developed to ensure that, in those areas where the Ministry contracts for emergency housing places, Work and Income has priority access to these places for people who present to Work and Income with a genuine emergency housing need. People requiring support from the new SNG will still be required to present to Work and Income for access to this assistance.

The new model fits well with a social investment approach and will be closely monitored

- 42 The proposed funding model fits well with a social investment approach. Initial data already suggests that people on benefit in emergency housing have higher future lifetime benefit costs (liability) than people on the same benefits that are not in emergency housing (for example, emergency housing clients on Sole Parent Support have an average liability of \$32,000 more than Sole Parent Support clients not in emergency housing although these figures are based on small numbers of clients so need to be treated with caution).
- 43 Once the proposed funding arrangements are in place, MSD will be able to build a more robust understanding of the particular characteristics of those people presenting with an emergency housing need and their future liability. For example, the proposed SNG will improve our understanding of the demand for emergency housing and help us to understand the future liability of those people accessing this support. As part of the Budget 2016 process, MSD will develop plans for how the proposed components of the new funding model will be monitored and evaluated.
- 44 While the cohort of people who use emergency housing is varied, single parents with children aged 0-5 form a large part of this group. Young people between the ages of 15-24 are also users of emergency housing. s 9(2)(f)(iv) OIA 1982, Active Consideration
 Once implemented, the proposed SNG will provide further information about the numbers accessing this support from the priority groups.
- 45 These proposals will greatly increase the support available for vulnerable people in emergency housing, and for providers delivering emergency housing. Once these proposals are implemented:
- more people in crisis will be able to find the accommodation they need while they get back on their feet
 - fewer people in crisis will incur debt by having to use advance benefit payments or recoverable assistance payments to cover the cost of emergency accommodation.
- 46 As part of the Budget 2016 process a cost benefit analysis is being conducted to quantify the likely benefits that the proposed investment will deliver.

Implementation

- 47 Subject to funding in Budget 2016, I propose that the new funding model should be implemented in September 2016. This will allow time for the procurement process that will be required to seek providers to deliver the contracted emergency housing places following Budget 2016.
- 48 As the proposed SNG for emergency housing places is intended to complement the contracted places I propose that the new SNG should be implemented in September 2016 alongside the first contracted places coming onstream.

s 18(d) OIA 1982, Soon to be publicly available

Consultation and sector engagement

- 51 Treasury, HNZC the Ministry of Business (MBIE), Innovation and Employment, the Ministry of Health, the Department of Corrections, the Ministry of Justice, the Ministry of Education, the Department of Internal Affairs, Te Puni Kōkiri, the Ministry of Pacific Island Affairs, and the Ministry of Women's Affairs have been consulted on this paper. The Department of Prime Minister and Cabinet has been informed.
- 52 As part of Phase One of the review, MSD ran a survey of emergency housing providers seeking feedback about the current funding arrangements. MSD received 102 responses to this survey. The proposals in this paper have been shaped by feedback from the survey as well as discussions with various sector groups, including two housing reference groups⁴ convened by MSD and the Auckland network of emergency housing providers.

Financial implications

- 53 The proposed funding model for emergency housing will require additional ongoing funding. I will be seeking funding for the implementation of this model, which may include operational funding, funding for IT changes and on-going monitoring, in Budget 2016. While further work is needed to refine the cost of the proposed funding model, current indications are that the cost is likely to be in the region of \$5-\$10 million per year. The majority of this cost will be to fund the contracted emergency housing places.

- 54 s 9(2)(f)(iv) OIA 1982, Active Consideration

Human rights implications

- 55 The proposals in this paper are consistent with the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993.

Legislative implications

- 56 The proposals in this paper do not require any changes to primary legislation. Amendments will however be required to the Special Needs Grants and Recoverable Assistance welfare programmes, setting out the parameters for assistance provided in relation to emergency housing. These amendments may be made by the Minister for Social Development under the delegated authority in the Social Security Act 1964.

⁴ The Housing Assistance Reform Feedback Group and the External Focus Group.

- 57 An amendment will also be required to the Social Security (Advance Payment of Benefit) Regulations 2010, so that the proposed SNG is not included in the circumstances in which a person may be required to undertake a budgeting activity (i.e. will not count towards a client's hardship count).

Regulatory impact and compliance cost statement

- 58 A regulatory impact analysis is not required, as no regulatory changes are proposed.

Gender implications

- 59 The proposals in this paper will have a positive impact on women, particularly sole parents and their dependants, as they are one of the cohorts most in need of emergency housing.

Disability perspective

- 60 The proposal may impact positively on people with disabilities who require short-term accommodation and wraparound support.

Publicity

- 61 I propose to announce the proposed new emergency housing funding model once Budget decisions have been made. I also propose that MSD continue to engage with emergency housing providers on the detailed development of the proposed funding model.

Recommendations

- 62 It is recommended that the Committee:

- 1 **note** that a review of the emergency housing funding arrangements has shown that the current arrangements are unclear and emergency housing providers on the frontline are reporting increased pressure for their services
- 2 **note** that there is a strong social investment case for investing in additional support and services for people in emergency housing

Proposed new funding model for emergency housing

- 3 **agree** in principle, subject to Budget 2016 decisions, to two components of a new emergency housing funding model:
 - 3.1 contracts with selected providers to deliver a set number of emergency housing places per year in areas of high demand
 - 3.2 a new Emergency Housing Special Needs Grant for people who need support with emergency accommodation costs for up to seven days and are unable to access a contracted place
- 4 **note** that the Minister of Social Housing will seek funding through Budget 2016 for the contracted emergency housing places and proposed new Special Needs Grant

Amendments to Welfare Programmes and Regulations are required to implement the proposal

- 5 **invite** the Minister for Social Development to make amendments to the Special Needs Grants and Recoverable Assistance welfare programmes to implement the proposed new Special Needs Grant for emergency housing
- 6 **invite** the Minister for Social Development, in consultation with the Minister for Social Housing, to issue drafting instructions to the Parliamentary Counsel Office to draft any amendments to regulations that may be required to implement this package, in keeping with the policy aims of the proposals
- 7 **authorise** the Minister for Social Housing and the Minister for Social Development to make any technical, policy and administrative changes required, to implement this package

Wraparound support services

- 8 **note** that the need for support services for people in emergency housing is the third component of the funding model and is an important part of an effective system of support for people in emergency housing
- 9 **note** that further work is required to get a better understanding of the effectiveness of current support services for people in emergency housing already contracted by the Ministry of Social Development, and the link between these proposed wraparound services and other services for vulnerable groups
- 10 **direct** the Ministry of Social Development to report to the Minister for Social Development and Associate Minister for Social Development on the effectiveness of the existing services once the line-by-line review of the existing services, proposed as part of the implementation of the Community Investment Strategy, is completed

Financial implications

- 11 **note** that while further work is needed to refine the cost of the proposed funding model, current indications are that the cost will be in the region of \$5-\$10 million per year

Publicity

- 12 **note** that the Minister for Social Housing will announce the proposed funding model for emergency housing once Budget decisions have been made.

Hon Paula Bennett
Minister for Social Housing