



# Report

**Date:** 5 November 2021      **Security Level:** IN CONFIDENCE

**To:** Hon Dr Megan Woods, Minister for Housing  
Hon Carmel Sepuloni, Minister for Social Development and  
Employment

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## **Draft Cabinet paper: *Changes to Housing Support Products and housing-related hardship assistance, and approval for additional funding***

### **Purpose of the report**

- 1 This briefing summarises the attached draft Cabinet paper: *Changes to Housing Support Products and housing-related hardship assistance, and approval for additional funding*. The draft Cabinet paper:
  - 1.1 seeks agreement to additional funding for Housing Support Products for the 2021/22 financial year due to increased demand
  - 1.2 outlines a package of changes to housing-related assistance, subject to funding in the 2022 Budget.
- 2 To enable the paper to be considered by the Cabinet Social Wellbeing Committee on Wednesday, 24 November 2021, we recommend you approve the paper for Ministerial and agency consultation by the week beginning Monday 8 November 2021.

### **Recommended actions**

It is recommended that you:

- 1 **Agree** to seek either:
  - 1.1 \$8 million in additional funding for the 2021/22 Housing Support Products appropriation (*MSD preferred option*)

**Agree / Disagree**

OR

- 1.2 \$6 million in additional funding for the 2021/22 Housing Support Products appropriation (*Treasury preferred option*)

**Agree / Disagree**

- 2 **Agree** to proceed to Ministerial consultation on the draft Cabinet paper  
**Agree / Disagree**
- 3 **Note** that Ministerial and agency consultation will occur concurrently
- 4 **Agree** to discuss changing the name of the housing-related assistance package during Ministerial consultation  
**Agree / Disagree**
- 5 **Note** that the changes to Housing Support Products and housing-related hardship assistance has been invited as a bid for the 2022 Budget process, and will be developed by the Ministry of Social Development in consultation with Te Tūāpapa Kura Kāinga–Ministry of Housing and Urban Development and submitted by the Minister for Social Development and Employment
- 6 **Note** that the decision on additional funding for Housing Support Products is required before the middle of December 2021, or we risk going unappropriated.

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**Manager, Housing Needs and Responses, Te Tūāpapa Kura Kāinga – Ministry of Housing and Urban Development**  
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Hayley Hamilton  
**General Manager, Housing Policy, Ministry of Social Development**  
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Hon Dr Megan Woods  
**Minister of Housing**  
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Hon Carmel Sepuloni  
**Minister for Social Development and Employment**  
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## **To ensure HSP assistance remains available, Cabinet approval is needed for additional funding of at least \$6 million in 2021/22**

- 3 Housing Support Products (HSPs) provide financial assistance to vulnerable households to help them obtain (through assistance with bonds and rent in advance) or maintain (through assistance with rent arrears) a tenancy.
- 4 On 2 June 2020, as part of the COVID-19 response, Cabinet agreed to temporarily increase the funding for HSPs by \$57.027 million for the 2020/2021 financial year. With the temporary changes ending on 30 June 2021, funding for HSPs has reverted to its 2019/20 level of \$7.2 million per annum for 2021/22 and outyears.
- 5 Growing pressure on the residential rental market is driving a spike in demand for HSPs, with the average value of HSP grants increasing in line with increases to rents. The 2020 temporary policy changes to HSPs are also likely to have elevated the awareness of both clients and staff around the assistance available.
- 6 As a result, expenditure on HSPs is tracking well above the expected monthly spend, with 59 percent of the total annual appropriation being spent in the first four months of the 2021/22 year. It is projected that there is a funding shortfall of at least \$5.58 million in the 2021/22 year.
- 7 Officials anticipate that the impact of current COVID-19 restrictions will result in a further increase in demand. This pressure likely occurred in 2020/21 but was able to be met through the additional funding provided in the temporary COVID-19 response.
- 8 On 17 September 2021, you were advised that an overspend of at least \$6 million was projected in the capped appropriation for HSPs in 2021/22 [REP/21/8/913 refers].
- 9 On 27 September 2021, you requested that officials prepare a draft Cabinet paper seeking funding to meet the projected shortfall for HSPs. The draft paper seeks Cabinet approval for additional funding of \$6 million in 2021/22 to meet the projected funding shortfall for HSPs.

*You have a choice about whether to seek additional funding, in anticipation of greater demand*


- 10 Though current projections anticipate a shortfall of \$5.58 million, we expect demand for HSPs may increase as a result of current COVID-19 restrictions in Auckland, where affected households will be exhausting savings or alternative sources of finance to obtain or maintain tenancies. Therefore, we would recommend seeking an additional \$2.0 million (total \$8.0 million) for 2021/22.
- 11 Without additional funding, MSD will be required to 'turn off' access to HSPs when current funding is exhausted. Based on projections, the funding allocation for HSPs in 2021/22 could be exhausted by January 2022, or earlier if demand increases in line with COVID-19 restrictions.
- 12 If HSPs were no longer available, this could result in more people being unable to take on a new tenancy or being evicted from current tenancies. This could increase demand for transitional and emergency housing, both of which have significant cost to the government. Unstable housing (e.g. transiency) or a lack of appropriate housing (e.g. overcrowding) is associated with a range of negative social and economic outcomes.
- 13 Treasury have advised that they do not support MSD seeking an additional \$2.0 million. If the paper were to seek a total of \$8.0 million then they would want to include a Treasury comment in the Cabinet paper.

## **The paper also outlines wider policy changes to HSPs and housing-related hardships assistance, which will inform a 2022 budget bid**

- 14 Following a comprehensive review, HSPs were found to be constrained in their ability to support people to move out of emergency, transitional, and public housing, and at times inadequate in supporting people to access and sustain a private tenancy.


- 15 Officials have proposed a package of changes to HSPs and housing-related hardship assistance [REP/21/9/1030 and BRF21/22091099 refers]. These changes include:
- 15.1 combining housing-related Advance Payments of Benefit (Advances) and Recoverable Assistance Payments (RAPs) with HSPs to create a single and simplified programme for housing-related hardship assistance


s9(2)(f)(iv)



- 16 The proposed changes to HSPs and housing-related hardship assistance supports the Government's priorities to reduce reliance on emergency and transitional housing, as well as reduce homelessness by improving the supports provided to households to obtain and sustain private tenancies. Further, by merging existing supports and streamlining a one-off, housing-related assistance programme, the process will be simplified for staff and clients, which will improve accessibility.

17 s 9(2)(f)(iv)



- 18 The draft Cabinet paper reflects the changes as outlined in REP/21/9/1030 and BRF21/22091099. s9(2)(f)(iv) OIA
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*You may want to change the name of the programme*

- 19 Given the substantive nature of the changes to HSPs and housing-related hardship assistance, you may wish to consider a name change to this assistance package (from 'HSPs'). We recommend you consider a potential name change during Ministerial consultation. We can then reflect this in the Cabinet paper, and in the resulting Budget bid.
- 20 Initial work suggests there will be costs associated with changing the name of the programme. We have been advised that retaining the acronym of 'HSP' but altering the full name (for example, to 'Housing Support Payments') would be less expensive than altering both the acronym and the name.

### **Key dates to keep the paper on track for Cabinet**

- 21 A timeline of key milestones is outlined in the following table.
- 22 The decision about additional funding for HSPs is required before the middle of December, or we risk going unappropriated (in which case HSP funding will be exhausted prior to Cabinet considering decisions on the shortfall). As such we have proposed two possible dates in November and December to go to SWC (see table below).

Action	Dates for condensed Ministerial consultation	Dates for standard Ministerial consultation
Ministerial and agency consultation	8-12 November	8-19 November
Revised paper provided to Housing Ministers	15 November	23 November
Paper lodged	18 November	2 December
Aide memoire provided	19 November	3 December
SWC meeting	24 November	8 December

23 Officials are available to respond to any questions you may have about the draft Cabinet paper.

## Appendix

24 Draft Cabinet paper: Changes to housing support products and housing-related hardship assistance, and approval for additional funding

File ref: REP/21/10/1065 and BRF21/22111156

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