

# Aide-mémoire



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

## Meeting

**Date:** 4 June 2021 **Security Level:** IN CONFIDENCE

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

**File Reference:** REP/21/6/586

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## **Draft Cabinet paper: Improving the provision of emergency housing in Rotorua and potential expansion**

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### **Purpose**

On 3 June 2021 you received a draft Cabinet paper on improving the provision of emergency housing in Rotorua and potential expansion for feedback from the Ministry of Housing and Urban Development (HUD)[BRF20/21060987 refers].

This aide-mémoire provides you with advice as to the implications of the proposal for MSD.

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### **Background**

We have previously provided you with advice on proposed actions to address urgent issues around homelessness and emergency housing in Rotorua. This advice also outlined the actions that MSD is taking to support addressing issues with emergency housing in Rotorua [REP/21/4/417 refers].

The draft Cabinet paper outlines a proposal to implement the recommendation of the Rotorua Housing Taskforce<sup>1</sup> to support for the 200 families with children who are currently living in emergency housing motels in Rotorua.

Ministers have agreed that to a number of changes to meet urgent housing need in Rotorua. The paper seeks agreement to:

- an approach to fund the costs of contracting suitable motels and providing 'wrap-around' support for around 200 families and whānau with children currently receiving Emergency Housing-Special Needs Grants (EH-SNGs) in motels in Rotorua
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<sup>1</sup> The Rotorua Housing Taskforce was established in March 2021 comprising the Rotorua Lakes Council, Te Arawa iwi and officials from MSD, HUD, Kāinga Ora and Te Puni Kōkiri. The New Zealand Police and the Lakes District Health Board are also participating.

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- begin engagement on expanding the Rotorua model to recommended locations subject to future agreement by Cabinet.

The draft Cabinet paper has been prepared by HUD with input from MSD.

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**The proposed approach**

The proposed Rotorua approach is based on a contracting model. HUD will contract specific motels to provide emergency accommodation, with an initial focus on the approximately 200 families with children in EH-SNG motels.

HUD will also contract additional wrap-around support services to meet the needs of the families in the contracted motels. MSD is also improving supports available for those remaining in EH-SNG motels (i.e. people without children).

Emergency Housing clients in contracted models will no longer receive EH-SNG, with the cost of accommodation covered by the contract between HUD and the motel. They will however still be required to pay the contribution of 25% of their income. This will be paid to the service provider.

The Rotorua Housing Hub will be implemented to strengthen assessment and placement processes for emergency housing clients and co-locate relevant services.

The approach in Rotorua also includes near-to-medium-term supply solutions with Kāinga Ora purchasing and converting accommodation for transitional housing; scaling up work to identify new-build opportunities; and HUD exploring legislative solutions to fast-track temporary housing on reserves land.

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**Some policy and operational settings are not yet determined**

We have been working closely with HUD to develop the proposals to improve emergency housing provision in Rotorua. However, there are several policy and operational settings yet to be determined that require further work.

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**MSD have some reservations about the proposed funding option**

HUD has recommended funding the contracting of motel places for emergency housing through a transfer from the Accommodation Assistance Appropriation (the BoRE appropriation containing EH-SNG funding) to a new dedicated appropriation, and reprioritising funding from existing baselines, potentially utilising the underspend in rent arrears assistance within the Housing Support Assurances MCA. <sup>§ 9(2)(f)(iv)</sup>

As noted in the paper, we have informed HUD that we consider that this approach will not be fiscally neutral. Some of the motel places that will be freed-up as a result of people with children moving into newly contracted motels will be filled by unmet demand in Rotorua, therefore diminishing any potential reduction in EH-SNG spend. We advise removing reference to the possibility of fiscal neutrality from the paper.

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It is unusual for funding to be reallocated from a BoRE appropriation. BoRE appropriations are not intended to be used as a funding source from a fiscal management perspective.

HUD indicated some funding could be reallocated from the Housing Support Assistance MCA capital category – i.e. the underspend in rent arrears assistance. This is problematic as it will involve a complicated non-departmental capital to operating swap. The capital funding for rent arrears assistance is repayable by clients with no impact on operating allowances or Crown debt and the proposed approach would have a fiscal impact as the funding would be directed towards an activity which is not repayable to the Crown.

§ 9(2)(f)(iv)

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**MSD is likely to incur additional costs**

There are likely to be further costs for MSD in implementing the proposals in Rotorua. These would include IT and administrative costs to enable us to capture and report on clients in these contracted emergency housing motels.

Expanding the approach to new locations will mean additional pressure on MSD contract administration resources. MSD currently provides contract administration on behalf of HUD.

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**Evaluation costs have not been included**

There is currently no discussion of costs relating to evaluation. Given the intention to expand this model into additional locations, we have recommended HUD include evaluation costs as part of the proposal. We see evaluation as essential in building a outcomes-based body of evidence and to support continued improvements to practice on the ground.

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**We have identified some further risks to MSD and the Crown**

The paper refers to MSD providing limited supports to those receiving an EH-SNG. § 9(2)(g)(i)

MSD services are targeted at the priority groups identified as part of the original settings. The original funding was approved as part of the Aotearoa New Zealand Homelessness Action Plan. Since this time, the growth in the number of EH-SNG clients has meant that not all clients are able to access the most intensive service. § 9(2)(g)(i)

§ 9(2)(g)(i)

We will work with HUD

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to ensure equitable treatment of clients in both contracted and non-contracted emergency housing.

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**Next steps**

We will work with HUD to resolve the remaining issues in the paper in relation to EH-SNGs and other MSD services and supports before the paper is lodged.

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