

Supplementary Analysis Report: Tightening the Gateway into Emergency Housing

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Coversheet

Purpose of Document	
Decision taken:	This analysis has been developed in response to the Government's agreement to tighten the gateway into emergency housing, to ensure emergency housing grants are only paid to those in genuine need, and who have met their responsibilities. This will require changes to secondary legislation which currently provides for the Emergency Housing Special Needs Grant, by removing it from the Special Needs Grants Programme and creating a new welfare programme under the Social Security Act 2018: the Emergency Housing Grants Programme. The analysis assesses the impacts of the Government's preferred approach, including costs, benefits, trade-offs and risks.
Advising agencies:	Ministry of Social Development
Proposing Ministers:	Associate Minister of Housing
Date finalised:	20 August 2024
Problem Definition	
<p>The Government is concerned about the number of people using emergency housing and the duration of their stays. While this is a complex problem requiring action across the housing system and beyond, a contributing factor is that legislative settings for emergency housing special needs grants (EH SNGs) are no longer fit for purpose, and do not support targeting emergency housing (EH) to those people who have exhausted all other accommodation options and met their responsibilities while in EH.¹ Legislative settings also do not support or incentivise people to exit EH – there are limited responsibilities while in EH and a lack of effective consequences if responsibilities are not met.</p> <p>The Ministry of Social Development (MSD) is constrained in its ability to tighten eligibility criteria for entry into EH by the settings and purpose of the Special Needs Grants Programme (SNG Programme), which provides broad eligibility for an EH grant and wide discretion on case managers to determine eligibility, with limited ability to decline a grant where verification of EH need has not been provided.</p>	
Executive Summary	
<p>Ministers have agreed to tighten the gateway into EH, to ensure EH grants are only paid to those in genuine need and who have met their responsibilities</p> <p>Consistent with Government objectives to end the large-scale, long-term use of emergency housing, Ministers have decided to tighten eligibility criteria (the gateway) to enter EH. The intention is not to deny support to people in genuine need, but to ensure it is appropriately targeted to those who have exhausted all other accommodation options and who have met their responsibilities while in EH. Initial steps have already been taken, with the establishment of a Priority One fast track into social housing, for families with children that</p>	

¹ "EH" in this document refers to both EH SNG recipients and those in HUD-funded Contracted Emergency Housing, unless stated otherwise.

have been in EH longer than 12 weeks. EH is not a suitable place for people, especially children, to be living in for long periods of time.

Tightening EH gateway settings is intended to avoid any risk of creating a perverse incentive to enter, remain in, or return to EH in order to access the new fast track.

Officials reviewed existing settings and levers and recommended moving to a more rules-based system, including changing the legislative vehicle for EH grants

Officials reviewed existing EH SNG settings against common criteria² and identified several problems, which if addressed will tighten the gateway into EH:

- MSD cannot, under current settings, require an EH SNG applicant to provide the evidence needed to support their application.
- There is a lack of rules and clear information on applicant responsibilities (e.g. making reasonable efforts to access other housing assistance) and consequences for non-compliance.
- Recoverable grants are not an effective consequence.

On 24 April 2024, Ministers agreed to recommended policy changes that are expected to tighten the EH gateway through moving to a more rules-based eligibility system, with increased information requirements from applicants and clearer consequences for not meeting responsibilities.

Seven EH SNG settings will be retained, as they align with the Government's objectives for EH. These include income limits, cash asset limits, the discretion to grant over income and asset limits in exceptional circumstances, and consideration of contribution to immediate EH need. Ministers also decided to retain assessment of whether an applicant has contributed to their housing need as something that MSD may consider, rather than a compulsory consideration before MSD decides to grant.

Two EH SNG settings will be reset, including the introduction of new information requirements to enable MSD to conduct better assessments of immediate housing need and a clear responsibilities framework for applicants.

Two EH SNG settings will be removed, including MSD's ability to make grants recoverable and the requirement to grant despite responsibilities not being met.

A table comparing the agreed option against the status quo/counterfactual is attached as **Appendix 1**.

There is a risk that tightening the gateway will result in increased levels of homelessness, rough sleeping and overcrowding

The risk of increased homelessness creates a risk of associated negative outcomes, including health, employment, educational and psychosocial impacts, with flow-on costs to government and the community (including potential impact on other Government targets e.g. increased student attendance).

Bolstering affordable housing supply and investing in support services will therefore be crucial to provide more options for those in immediate housing need, but who may have been declined an EH grant due to failure to meet information requirements, or the responsibilities framework (for example, those with complex needs, who may find it hard to

² Strategic alignment, effectiveness and distributional impacts, fiscal sustainability, feasibility, and alignment with broader Government changes.

meet their responsibilities). Officials are considering options to mitigate this risk through the broader EH work programme.

Despite the changes proposed and the anticipated reduction in EH numbers across all family types, we expect that a core group of people (predominantly single people with complex needs) will remain in EH because of a lack of appropriate alternative accommodation options. As part of the broader work programme, options to specifically address the multiple complex needs these groups face will be developed.

Other risks to be aware of include negative population impacts on groups who are already over-represented in EH, such as children of sole parent low-income households, low-income Māori households, and low-income Pacific peoples' households.

Changes to strengthen the consequences of not meeting EH responsibilities, such as introducing a 13-week non-entitlement period, risks increasing the number of people who are homeless, or in rough and/or unsafe sleeping situations. This may have negative implications for consistency with te Tiriti, under which the Crown has duties to partner with Māori on policy that affects them and achieve equitable housing outcomes for Māori. The changes may also have negative implications for New Zealand's international commitments to rights to housing and adequate living standards. Among their obligations, states must progressively and to the extent allowed by their available resources, prevent and address homelessness.

Targeted engagement highlighted the risks, including population impacts, but also support from frontline staff

MSD had limited time available to engage widely on the final policy design, but consulted a group of key government and non-government stakeholders that hold important connections and perspectives on EH demand, and disproportionately affected population groups. This consultation included frontline staff, Regional Public Service Commissioners and MSD reference groups, as well as trusted external stakeholders. A table of those consulted is at **Appendix 3**.

In general, we received more positive feedback from frontline staff, and more concerns expressed by external groups. Common themes and risks, in addition to those highlighted above, included:

- a. Increased declines from the responsibility framework could create more demand for other government and community services that are already under pressure.
- b. Disproportionate impact on some groups e.g. Māori and children, and those with complex needs.
- c. The changes will impact those who need EH the most, and not account for those with complex needs, who may find it hard to uphold responsibilities.
- d. Increased subjectivity in some change areas may risk unconscious bias against Māori or other groups.
- e. support for a shift to a rules-based approach from frontline staff, as clearer guidelines will make EH grants easier to administer, as well as help them in conversations with applicants and provide confidence on when to decline.
- f. the potential for increased safety incidents for frontline staff when declining a grant and when imposing a non-entitlement period.

Changes will be implemented by late August 2024

The changes will be launched on 26 August 2024, with MSD leading delivery of EH arrangements under new eligibility settings.

New monitoring and reporting will measure outcomes from the gateway changes

New reporting requirements are being implemented that will provide information on whether EH grant recipients are meeting responsibilities, being issued with warnings, or

non-entitlement periods, as well as those who have been declined a grant. Summary information will also be collected on different cohorts, and the number of EH grants approved under limited circumstances. This will allow MSD to track and analyse the impacts of the changes, including on Māori and other cohorts that may be disproportionately impacted. MSD is concurrently improving its understanding of where people go when they leave EH. This is part of the wider monitoring, evaluation, research and learning plan for the EH target work programme.

MSD expects that the costs and risks associated with homelessness are likely to accrue over time, especially in the longer-term. However, this will be partially mitigated by a portion of the savings realised from tightening the gateway being reallocated to extending EH support services for an additional two years, and administration of other housing-related financial assistance. Investment in support services can reduce recurring need for EH for people in EH accommodation (including those who receive warnings for not meeting their responsibilities), and Housing Brokers and the Ready-to-Rent Programme can support those at risk of experiencing homelessness but not in EH (such as those on the Social Housing Register).

Estimated net savings from reducing EH grant expenditure are \$350.546m over five years. Total savings comprise \$434.023m over the forecast period, offset by a portion being invested into support services (\$83.477m over 2024/25 and 2025/26).

The changes are expected to support a reduction in EH numbers and achieve better outcomes for grant recipients through being supported out of EH (or from entering EH). However, the trade-off is an expected risk with associated costs, which may be borne elsewhere in government and in the community sector, from an increase in declined EH applications (noting that rights of review and appeal for those declined a grant remains as a mitigation). An increase in declined applications may in turn result in increased levels of homelessness or sleeping rough. There is also a risk of increasing pressure on other community-based and government services, e.g. hospital, mental health and addiction services, and impact on other Government targets (e.g. reduced child and youth offending, increased student attendance, fewer people on Jobseeker Support).

Limitations and Constraints on Analysis

Ministers made previous decisions about tightening access to emergency housing

- Officials provided advice to incoming Housing Ministers on how to achieve the Government's goal of significantly reducing the use of emergency motel accommodation. This advice noted that one way to achieve this commitment was by reviewing EH gateway settings and further enhancing operational practice, to ensure families with children access more suitable forms of accommodation in the first instance. Changes to improve existing settings were already underway following a comprehensive review of the EH system undertaken in 2022.
- Creating a Priority One fast track was a 100-day plan commitment for the new government. Ahead of advice to Cabinet seeking agreement to establish the fast track, Housing Ministers decided that changes to tighten eligibility settings for entry into EH were required alongside delivery of Priority One. One of Ministers' main reasons for this inclusion was to avoid the risk of creating any perverse incentive to enter, remain in or re-enter EH in order to access the Priority One fast track. It was

also intended to reflect the Government's wider objective of significantly reducing the use of EH.

- Because Ministers were clear on the direction and approach they wanted, this constrained the level of analysis officials were able to provide ahead of Cabinet decision-making.
- On 6 March 2024, the Cabinet Social Outcomes Committee considered a paper from Housing Ministers and with Power to Act, agreed:
 - to establish a new Priority One fast track for social housing in April 2024 for families in EH with dependent children
 - to signal increased consideration of an applicant's circumstance, to help ensure EH is accessed only where absolutely necessary, and to help mitigate perverse incentives
 - to officials undertaking the policy and legislative work to tighten the gateway into EH, to ensure EH grants are only paid to those in genuine need, that have met their responsibilities, to include:
 - a. new verification measures, reducing discretion and reviewing currently broad eligibility settings
 - b. adding new responsibilities when accessing an EH SNG, with clear consequences for not meeting those responsibilities
 - c. removing the recoverability of EH SNGs and providing staff a clearer mandate to decline grants where applicants have unreasonably contributed to their housing need and/or have not met their responsibilities.
 - to authorise Housing Ministers to take decisions on the policy and operational design required to tighten the gateway into EH
 - that the Priority One fast track would be implemented by April 2024, and legislative changes to tighten the gateway would be fully implemented by the end of August 2024
 - that supplementary analysis of the work to tighten access to EH would be provided alongside a report back on the wider approach to reduce the use of EH [SOU-24-MIN-0008 refers].

Tight timeframes also constrained the development of policy advice, including consultation

- Ministers' decisions to fully implement the new policy by 26 August 2024 has meant that advice on the detailed policy design for the new approach has been subject to tight time constraints, i.e. there has been limited time for analysis of existing and potential new settings, analysis of operational impacts, and the development of a new welfare programme for EH grants. Additionally, this timeframe constrained what IT system changes were feasible to implement.
- Timeline constraints have also meant that engagement on the changes was undertaken post Ministerial decisions, and was targeted to stakeholders with close pre-existing relationships with MSD. There was not sufficient time to consult widely.

Assumptions underpinning the analysis

This impact analysis is underpinned by the following assumptions:

- That information provided by an EH applicant will be sufficient for MSD to make a robust assessment of their immediate housing need, and whether the applicant has met their responsibilities while in EH. We expect that new information requirements, and increased use by staff of shorter grants (where appropriate) to enable more time for discussions will support this process. However, if this assumption is incorrect, this

could mean people do not access the supports they should be entitled to, or on the other hand, access EH grants when they are not entitled.

- A stricter adherence to meeting responsibilities in order to receive EH grants will result in potentially better outcomes for applicants, as they engage with support services and are enabled to move into more long-term accommodation (this also assumes that there will be sufficient and appropriate supports available to assist people while in EH to obtain alternative housing).
 - The above assumptions, if correct, would lead to a reduction in EH grants without adverse outcomes. If the assumptions are not met, people with an immediate EH need may be declined access and prevented from finding and sustaining new suitable accommodation outside of EH.
- No significant increase in EH demand due to broader housing system changes (e.g. the proposed reintroduction of 90-day no cause terminations for tenancies, and levels of social housing) or broader trends (e.g. immigration settings, rent prices and the ability of people to meet market rents, and the availability of rental homes in the private market). These factors could mean pressure on the availability of affordable accommodation. If the assumption is not met it will limit our ability to reduce EH use.
- Our assumption that the changes would reduce the number of households in EH is supported by evidence from MSD's previous experience of shifting from a highly discretionary to more rules-based approach to providing financial assistance.³ This assumption underpinned the policy and legislative changes to tighten the gateway to EH grants.
- It is assumed that removing recoverability settings for EH grants would facilitate a small reduction in the numbers of households in EH. This is based on MSD administrative data on recoverable grants showing that during 2023, there were 939 recoverable grants out of 100,767 total emergency housing grants. Note that net savings from making policy and operational changes does not account for any potential savings realised from removing recoverability settings for EH grants.
- While there is some uncertainty about the total savings that will be realised as a result of operational changes, policy changes to shift to a more rules-based system and investment in support services, it was agreed with the Treasury that \$350 million in net savings would be recognised for Budget 2024 decisions. The savings estimate is sensitive to broader trends and interventions, including immigration settings, future levels of social and transitional housing investment, and the availability and affordability of rental accommodation. A portion of the savings incorporates the continued investment in housing support services⁴ which are critical to provide holistic and responsive support to EH grant applicants.
- Figure 3: Timeline of key EH SNG policy and operational changes (page 42) showing the forecast average number of households in EH per month (not including Contracted Emergency Housing) was completed based on the following assumptions and caveats:
 - The model shows households in EH, not the number of grants made. Households tend to have multiple grants per month.
 - The following factors can impact the usage of EH grants, changes to which have not been accounted for (not an exhaustive list):
 - Future levels of public and transitional housing.
 - Levels of home building undertaken in the private market.
 - Levels and changes in immigration and emigration.
 - Rent prices and the ability of EH grant recipients to meet market rents.
 - Availability of rental homes in the private market.

- As household usage of EH grants reduces, the remaining households tend to have higher and more complex needs, making further reduction increasingly difficult.
- The pace of completion and introduction of the Supported Housing Review will impact future EH household levels.
- Proposed changes to the Residential Tenancies Act 1986 (RTA) to introduce no cause termination is a key factor.

Quality of data and evidence underpinning this analysis

- MSD reports on a range of EH data which informed this analysis, including the number of households in EH, costs of grants, and demographic data like ethnicity, age, gender, and region. Additionally, we have recently improved our understanding on what factors are driving people to access EH, and where people go when they leave.⁵ MSD has also recently completed analysis of the factors driving the decrease in numbers in EH (see paragraph 5 at **Appendix 2**).
- MSD and the Ministry of Housing and Urban Development (HUD) are further developing this evidence base to support the EH Target work. This includes work to better understand the flow of people into and out of EH and other housing services, and what needs they have.
- There were, however, some limitations in the data to assess potential impact of proposed changes on homelessness numbers. A combination of data and insights is needed to report on homelessness, due to limitations with both existing data and anecdotal reports from providers. Options to develop new measures of homelessness are currently being explored.
- Additionally, there was some evidence that contradicted whether sanctions and a 'staircase' approach to addressing homelessness is an effective approach and promoted retaining discretion in policy. There was also evidence that challenged the use of 'intentionality' in homelessness policies, and this helped inform advice that the 'contribution to housing need' eligibility criterion should be retained as a discretionary provision (rather than mandatory eligibility criterion) and used more to prevent perverse incentives or egregious behaviour.
- s 9(2)(f)(iv) [REDACTED]
[REDACTED]
[REDACTED] Meanwhile, HUD is developing a wider monitoring, evaluation, research and learning strategy for the overall EH target work programme.

³ As part of the 2004 Working for Families package, Cabinet agreed to replace the highly discretionary Special Benefit with a new rules-based benefit, Temporary Additional Support (TAS) [CAB Min (04) 13/4 refers]. In 2018, a qualitative study and MSD's microsimulation model showed that the rules-based hardship grant resulted in low take-up (as low as approximately 65 percent of the eligible population), however, those who accessed TAS were considered to have genuine need for financial assistance.

⁴ Savings will fund the current level of staffing for emergency housing support services for an additional two years, from 1 July 2024.

⁵ There is an ability currently to capture if a person exiting EH then enters social housing, transitional housing, or a private rental if they take up the Accommodation Supplement.

Responsible Manager(s) (completed by relevant manager)

Alex McKenzie
 Policy Manager, Housing
 Ministry of Social Development



20 August 2024

Quality Assurance (completed by QA panel)

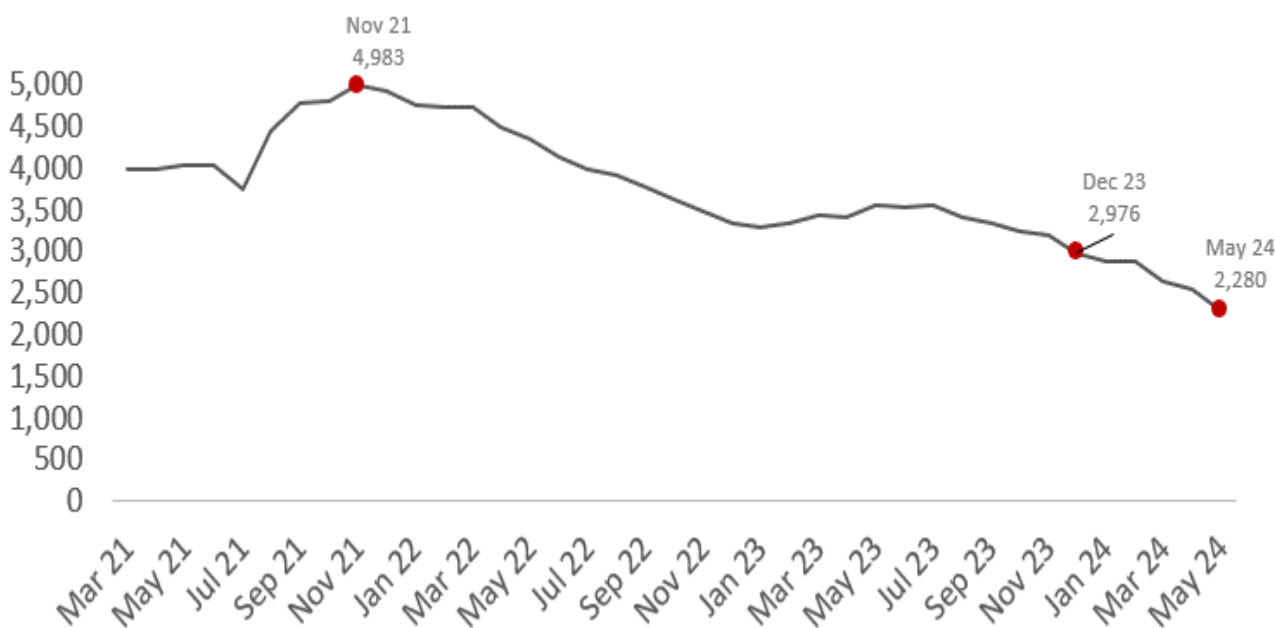
<p>Reviewing Agency:</p>	<p>The SAR was reviewed by a panel of representatives from the Ministry of Social Development and the Ministry of Housing and Urban Development.</p>
<p>Panel Assessment & Comment:</p>	<p>It received a 'fully meets' rating against the quality assurance criteria for the purpose of informing Cabinet decisions.</p>

Section 1: Diagnosing the policy problem

What is the context behind the policy problem and how is the status quo expected to develop?

1. EH SNGs were first introduced in 2016⁶ to help people with an urgent housing need where other adequate accommodation options were not available. They are administered by MSD, and were originally intended to be for no more than 7 nights in a 52-week period for those with no other adequate accommodation, and who could not access EH delivered by a non-governmental organisation (NGO). Further information about EH SNGs and other temporary accommodation support, including transitional housing (TH) and contracted emergency housing (CEH) is included at **Appendix 2**.
2. When EH SNGs were introduced, MSD expected less than 2,000 applicants annually. EH SNG numbers at first substantially increased, but have been on a downwards trend since peaking in November 2021. As **Figure 1** illustrates, the number of households receiving EH SNGs reached a month-end peak of 4,983 in November 2021, but then decreased to 2,976 households receiving EH SNGs as at December 2023. At the end of June 2024, there was a total of 1,959 households receiving EH SNGs.

Figure 1 Number of households receiving an EH SNG at month end



3. Demand for EH has now dropped significantly, with the decreasing number of households in EH due to a combination of factors, for example, operational changes to support MSD staff to ensure EH grants are targeted to those with immediate housing needs, and increased housing support services to help people out of EH. Social housing supply has continued to increase, but as the rate of increase has been relatively consistent over time, the increase is unlikely to be having as much of an impact as other factors.
4. Further information about factors behind the decrease is at **Appendix 2**, along with a timeline showing key changes to improve the functioning of the EH SNG since 2016.
5. Despite demand trending down, there remains a reliance on EH to address persistent housing need. Many households are still spending longer in EH than originally

⁶ Prior to 2016, people were able to seek financial support for EH, but it was fully recoverable.

intended. At the end of June 2024, over 50 percent of households had been in EH for three months or longer, along with a significant group who have been in EH for 12 months or longer: 201 households had been in EH for 12 to 24 months, and 114 households had been in EH for over 24 months.

6. Demand for government-assisted housing is due to a combination of structural drivers, system failures and individual stressors. These drivers are discussed further at **Appendix 2**.

Ministers agreed to tighten the gateway into EH, to ensure EH grants are only paid to those in genuine need that have met their responsibilities

7. The Government wants to end the large-scale and long-term use of motels for EH, for people in urgent housing need, and has set a target of reducing the number of households in EH by 75 percent over the next six years (no more than 800 households in EH by 2030). The target is aimed at returning EH to its original intent: a last resort used for short periods. The intention is not to deny support to people in genuine need, but to ensure it is appropriately targeted to those who have exhausted all other accommodation options and have met their responsibilities while in EH.
8. Initial steps to end the large-scale use of EH have already been taken. From 30 April 2024 the Priority One fast track into social housing, for families with dependent children who have been in EH for 12 weeks or longer, was established. Additionally, enhancements to MSD guidance have been made to ensure EH SNGs are only being used where necessary.
9. Cabinet also agreed, on 6 March 2024, that MSD and HUD should undertake design work to tighten the gateway into EH, including:
 - introducing verification measures, reducing discretion and reviewing currently broad eligibility settings
 - adding new responsibilities when accessing an EH SNG and having clear consequences for not meeting those responsibilities
 - removing the recoverability of EH SNGs and providing staff with a clearer mandate to decline grants where applicants have unreasonably contributed to their housing need, and/or have not met their responsibilities.
10. Housing Ministers were authorised to take decisions on policy and operational advice required to establish the Priority One fast track, and tighten the gateway into EH. [SOU-24-MIN-0008 refers.]

Actions are required across the whole housing system to address the structural drivers and system failures

11. Achieving the Government's target for EH requires sustained work to address the underlying structural drivers and system failures (see **Appendix 2**). MSD and HUD have therefore developed an EH Delivery Plan to achieve the Government's target for EH (Target 8). The Delivery Plan is outlined in the accompanying Cabinet paper, and has a programme of work focused on:
 - a. reducing demand for EH, and ensuring it is only used when necessary
 - b. improving pathways out of EH, including appropriate supports to ensure exits into stable housing
 - c. increasing the supply of suitable housing and maximising the impact that existing supply has on meeting the Target.
12. Both the work programme and initiatives outside the programme (e.g. Going for Housing Growth, and HUD's more active purchasing of housing outcomes) are expected to contribute to achievement of the Target. Target 8 and the Delivery Plan will

in turn connect with and support progress towards related Government targets, such as fewer people on Jobseeker Support, and reduced child and youth offending.

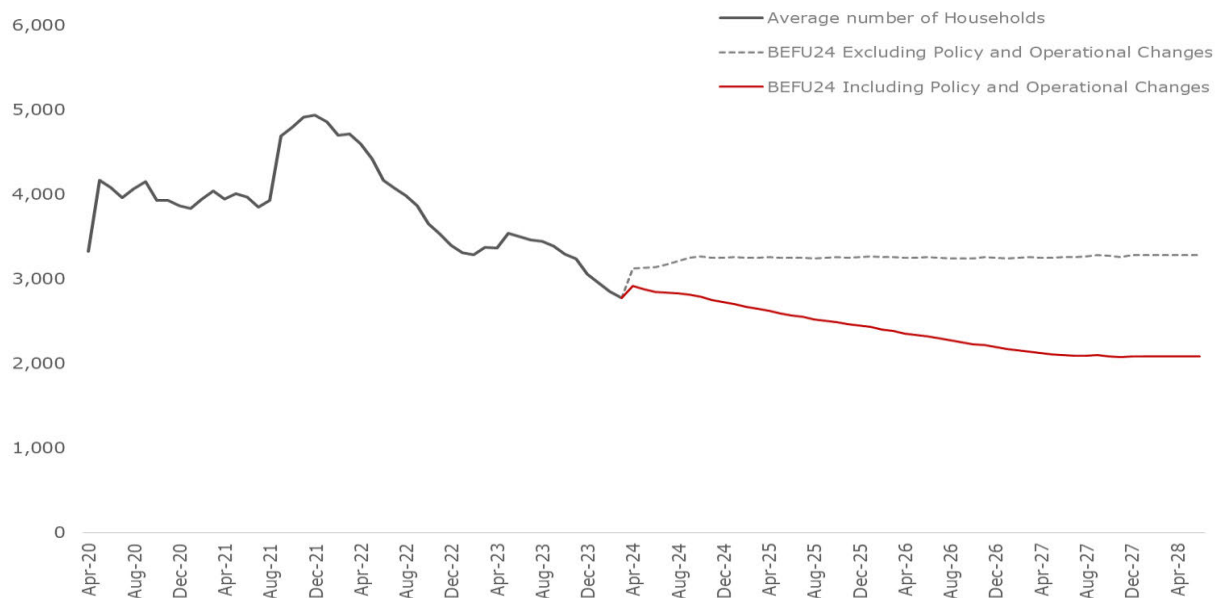
The number of households in EH was expected to be greater if the status quo were to continue, with no changes made to tighten entry to the EH gateway

13. Action already taken to tighten the gateway (e.g. clearer guidance to staff on granting EH and when to escalate decisions) is having an impact in reducing EH numbers, but the trajectory of progress will not be linear. We expect the decline to continue in the short term, particularly for whānau with children, as the impacts from immediate interventions (e.g. the Priority One fast track) are realised. However, it is expected that further progress in reducing households in EH will be limited without also making legislative changes to tighten the gateway into EH.
14. **Figure 2** shows the estimated trajectory of the number of households in EH if EH support services were to end at 30 June 2024 and no changes were made to EH gateway settings, compared with making operational and legislative changes agreed by Cabinet in March 2024 to tighten the EH gateway, with consequent savings invested into continued EH support services.⁷ The graph illustrates assumptions made at the time of policy decisions, and it should be noted that current EH numbers are tracking *below* the red forecasted line. This may indicate that operational changes, and the extension of EH support services, are playing a larger role in achieving a reduction in EH use and associated savings, than legislative changes alone.
15. Support services are intended to prevent people from needing EH, support people while in EH, and support people to exit EH and transition into sustainable secure housing. The current suite of EH support services includes Intensive Support Case Managers, Navigator Support Services, Housing Brokers, Emergency Housing Case Managers and supporting staff, Ready to Rent Programmes and Flexible Funding. These have helped people, especially those with high and complex needs, into sustainable housing and contributed to a reduction in EH households.
16. Funding for EH support services, including a total of 294 FTEs, was due to end on 30 June 2024. Without it, most households would no longer be able receive wraparound supports while in EH, particularly in supporting the household to access sustainable housing.

⁷ Note that the forecasting for this graph was completed based on various assumptions and caveats, including factors that can impact the use of EH SNGs that are not accounted for. These are set out under Assumptions in the Cover Sheet section of this report (refer pages 6-7).

Figure 2 Average number of households in EH

EH - SNG Number of households



What is the policy problem or opportunity?

The EH grants system has been used as a main response to persistent housing need, but is no longer operating as originally intended...

17. The original intent of EH SNGs was to fund short-term stays, as a means of last resort, for people with an urgent housing need who had exhausted all other options. EH stays were intended to be rare, brief and non-recurring. However, there remains a persistent reliance on EH as a main response to address chronic homelessness, due to a lack of private and long-term social housing options, and a widening gap between income and housing costs (see paragraphs 5–6 and **Appendix 2**).

... and is not economically or socially sustainable

18. EH is not socially sustainable, as it is not a suitable place for households to be living for long periods of time. As EH was not intended to be used for longer-term stays, it does not always deliver safe, accessible or quality accommodation, or provide an appropriate level of support. For example, some EH accommodation lacks amenities such as full cooking and laundry facilities, or amenities might be shared between several whānau.⁸

19. People accessing EH SNGs are frequently on very low incomes and have acute and complex needs, in addition to housing need, who require ongoing support and are unlikely to find private market housing without additional support. Examples of complex needs include experiencing poor mental health or addiction (which can be worsened by living in unstable housing), having a criminal offending history, or having experienced an Oranga Tamariki care and protection or youth justice event in childhood.

20. Reliance on commercial accommodation and paying market rates makes the EH SNG an expensive intervention, that is not economically sustainable. Between July 2023 and June 2024, there was a total EH spend of \$336m (EH SNG spend of \$309.2m and CEH spend of \$26.5m), excluding support costs. This was paid directly to motels and

⁸ Note however that changes were made in 2023 to lift the quality of EH accommodation to meet minimum standards and 97 percent of current EH suppliers have opted in to the new supplier standards framework.

commercial accommodation providers. The average cost of EH per night per household is \$273 (June 2024).

Some groups are disproportionately impacted by use of the EH system

21. Reliance on EH to address persistent housing need disproportionately affects children. Forty nine percent of households in EH included children as at the end of June 2024, with 441 of these having stayed in EH for longer than 12 weeks. Forty one percent of primary EH SNG recipients are single with children.
22. EH accommodation is not a suitable place for children to be growing up. Longer-term outcomes for children arising from unstable housing in areas such as health and/or educational performance are negatively impacted. Evidence shows it is critical to invest in the first 1,000 days so that every child gets the strongest start to life.⁹
23. Caregivers also need stability and certainty in their housing situation so they can focus on providing care. Most caregivers in EH are sole parents. Housing instability is one of the factors that can contribute to whānau becoming involved with the statutory care and protection system.
24. Disabled people report a range of housing issues such as challenges in finding accessible housing, health conditions worsened by poor quality housing and affordability related to having lower incomes. As their housing needs are not well met by the private market or social housing, disabled people are more likely to be placed in EH than non disabled people, so are disproportionately impacted by EH being the main response to persistent housing need.
25. Compared to the general population, Māori and Pacific peoples are more likely to report unaffordable housing costs, to live in homes that are crowded or affected by housing habitability issues (cold, mould, damp), and to experience greater residential mobility.^{10 11}
26. Decades of insufficient responses to Māori housing issues, many of which can be traced back to colonisation,¹² have had an intergenerational impact on Māori communities that continue to be felt today. The lack of new housing supply, the poor quality of existing Māori housing and the unaffordability for Māori to rent or own their own home is not a new problem, but has been exacerbated by a worsening housing crisis and the impacts of COVID-19. As a result, Māori are disproportionately represented in EH with 61 percent of total EH SNG applicants being Māori, as at the end of June 2024.
27. Pacific peoples are also overrepresented, making up 14 percent of households receiving an EH SNG at the end of June 2024. Unmet demand for affordable multigenerational housing for Pacific families (who are overrepresented amongst those on low incomes) can contribute to longer wait times on the social housing register and

⁹ Moore, T., Arefadib, N., Deery, A., & West, S. (2017). The first Thousand Days: an evidence paper. Murdoch Childrens Research Institute. <https://www.rch.org.au/uploadedFiles/Main/Content/ccchdev/CCCH-The-First-Thousand-Days-An-Evidence-Paper-September-2017.pdf>

¹⁰ Stats NZ. (2021). Te Pā Harakeke: Māori housing and wellbeing 2021. <https://www.stats.govt.nz/reports/te-pa-harakeke-maori-housing-and-wellbeing-2021/>

¹¹ Stats NZ. (2023). Pacific housing: People, place, and wellbeing in Aotearoa New Zealand. <https://www.stats.govt.nz/reports/pacific-housing-people-place-and-wellbeing-in-aotearoa-new-zealand/>

¹² Colonisation resulted in immense socio-cultural and economic disadvantage for Māori. Loss of Māori land – through confiscation following the 1860s wars, Crown purchase and the Native Land Court – led to the displacement of large numbers of Māori. Deprived of their land, tribes were in many instances reduced to poverty, with no option but to live in overcrowded and unhygienic conditions. (Source: Ian Pool, 'Death rates and life expectancy - Effects of colonisation on Māori', Te Ara - the Encyclopaedia of New Zealand, <http://www.TeAra.govt.nz/en/death-rates-and-life-expectancy/page-4> (accessed 19 July 2024).

potentially extended use of EH. Research also shows that severe housing deprivation disproportionately affects ethnic minorities.¹³

28. There is no consistent and nationwide data collection system on transgender and non-binary people. It is likely that the primary use of the EH grant system to respond to persistent housing need disproportionately impacts gender diverse people due to discrimination in the private rental market. Transphobia and being systematically discriminated against by landlords have been identified as key barriers to finding safe, stable and long-term housing for transgender people.¹⁴ Research suggests that in New Zealand, one in five transgender people experiences homelessness at some point during their life. This rate is 19 percent overall, and is 25 percent for Māori and other non-European transgender people.¹⁵

Any change to EH settings has to consider the Government's obligations related to housing under the Treaty of Waitangi/Te Tiriti o Waitangi and international law

29. The Government's provision of a safety net for the most at-risk households who need support is consistent with Te Tiriti o Waitangi. In the absence of significant change to New Zealand's housing system and approach to emergency shelter, MSD considers the EH SNG to be a component of the housing system that helps move the Crown closer towards Te Tiriti compliance, as it provides a last resort response for people and whānau where there are no other options.
30. The Government also has responsibilities under international law. New Zealand governments over the last 50 years have affirmed international human rights declarations and signed up to a range of internationally binding human rights agreements which contain recognition of the right to a decent home or some elements of it. Through their ratification of human rights treaties, states are required to give effect to these rights within their jurisdictions.
31. Paragraphs 83–88 provide officials' assessment of the selected option against Te Tiriti o Waitangi/the Treaty of Waitangi and international law.

Current legislative settings for EH under the SNG Programme do not support moving to a more rules-based EH system

32. MSD reviewed all EH SNG settings against common criteria,¹⁶ and identified several key problems which if addressed, can shift to a more rules-based EH system:
- a. **MSD cannot decline a grant to an applicant who has not provided reasonable evidence to support their application for an EH SNG:** Some people may be granted an EH SNG when they are not eligible, because they don't always provide the information required to assess whether they have exhausted all other accommodation options. The current system does not allow MSD to decline a grant on the basis that the applicant has not provided the information requested.
 - b. **A lack of clear rules on applicant responsibilities and consequences:** MSD has some discretion to decline a subsequent EH SNG on the basis that responsibilities while in EH were not met (which can demonstrate a contribution to

¹³ Amore, K., Viggers, H., Howden-Chapman, P., 2020. Severe housing deprivation in Aotearoa New Zealand, 2018 (June 2021 update). University of Otago, <https://www.hud.govt.nz/assets/Uploads/Documents/Severe-Housing-Deprivation-2018-Estimate-Report.pdf> (accessed 19 July 2024)

¹⁴ *Where Do You Sleep at Night? Transgender Experiences of Housing Instability and Homelessness*. Gender Minorities Aotearoa (2020). Wellington New Zealand [Transgender-Experiences-of-Housing-Instability-and-Homelessness-Gender-Minorities-Aotearoa-2020.pdf](https://www.genderminorities.com/wp-content/uploads/2020/07/Transgender-Experiences-of-Housing-Instability-and-Homelessness-Gender-Minorities-Aotearoa-2020.pdf) (genderminorities.com)

¹⁵ Veale J, Byrne J, Tan K, Guy S, Yee A, Nopera T & Bentham R (2019) *Counting Ourselves: The health and wellbeing of trans and non-binary people in Aotearoa New Zealand*. Transgender Health Research Lab, University of Waikato: Hamilton NZ.

¹⁶ MSD assessed all EH SNG settings against the following criteria: strategic alignment, effectiveness, fiscal sustainability, feasibility, and alignment with broader Government changes.

their own need for EH in some cases), however, this is limited by a requirement to prioritise whether declining would worsen the applicant's position. This weakens the incentive on EH SNG recipients to meet their responsibilities while in EH motels (including making efforts to find alternative accommodation). Because MSD's ability to decline a grant is limited, it may mean that some people may be in EH longer than necessary.

- c. **Recoverable grants are not an effective consequence:** The default consequence in legislation when an applicant does not meet their responsibilities is to make a grant recoverable. In practice, this is rarely used, because it does not change EH SNG recipient behaviour and increases debt.

The SNG Programme is no longer fit for purpose as the vehicle to make EH grants

- 33. We also think the SNG Programme is no longer the best vehicle to make EH grants. EH differs from most of the other hardship assistance categories under the SNG Programme, which are generally for one-off needs. While the EH SNG is not an ongoing payment (like Accommodation Supplement), it is also not a one-off grant like those for essential needs (e.g. food, driver licences etc) or others in the emergency needs category (e.g. emergency dental treatment), or payments to people in specific circumstances (e.g. Civil Defence Payment or re-establishment grants).
- 34. Moreover, changes to the EH SNG over the last six years have rendered the welfare programme increasingly complex to navigate, and fragmented. This results in inconsistent administration and practice of EH support, with impacts for staff and applicants. We consider that changing the legislative vehicle would reduce complexity for the EH SNG, streamline housing-related assistance, and make it easier for staff to navigate. This will also make it easier to change elements of the EH SNG in the future.

What objectives are sought in relation to the policy problem?

- 35. The Government has set a target of reducing EH use by 75 percent by 2030, with more specific objectives to:
 - a. ensure EH is rarely needed, and when used stays are brief and non-recurring
 - b. target those who have exhausted all other adequate accommodation options and have met responsibilities if previously in EH; and
 - c. support people to move quickly into suitable long-term housing.

Section 2: Deciding upon an option to address the policy problem

What scope will options be considered within?

- 36. Analysis in this Supplementary Analysis Report (SAR) is focused on regulatory change to EH eligibility settings, but also considers, where relevant, the concurrent extension of EH support services. As outlined in paragraph 9, the scope of feasible options was narrowed by Cabinet decisions in March 2024 to tighten the EH gateway, using legislative means.
- 37. The scope of options analysis was also restricted in commissioning for this SAR. The Ministry for Regulation advice was to analyse the impacts, risks, and other elements of the Government's chosen way forward for this legislative proposal. Therefore, other options not chosen by Ministers are not analysed in depth in this document.

Options that have been ruled out

- 38. The use of non-regulatory options in isolation was ruled out because operational practice changes have already been made under existing legislation. While these measures were achieving some change (and continue to do so), at the time decisions were taken the measures were not considered sufficient to achieve the level of change

required to support the Government's objective of ending the long-term and large scale use of EH.

Consideration of experience from other countries

39. While the scope of options was narrowed, MSD and HUD's previous work in reviewing the EH system in 2022 included consideration of overseas approaches. We found that internationally best practice is to shift away from emergency or temporary shelter use, in favour of more long-term social housing and programmes such as Housing First, as options to address urgent housing need. A 2022 review by the Department of the Prime Minister and Cabinet (DPMC), comparing approaches to emergency and transitional housing internationally found that the use of motels/hotels is less common outside New Zealand, and has generally been limited to:
 - a. smaller regions or towns without other shelter provision.
 - b. COVID responses
 - c. main centres in countries with strict legal requirements to house individuals at risk of homelessness and tight housing markets.
40. The review also found that New Zealand's approach is an outlier. Outside of New Zealand, no other country it investigated provides specific or individual financial assistance payments for people in EH or to fund stays in EH. In general, services or places are funded through a mix of central government, local government, and non-government organisation (NGO) budgets.

What options were considered by Cabinet?

41. Cabinet did not consider options other than regulatory change as the means to tighten the EH gateway. Cabinet delegated to Housing Ministers the power to make decisions on changes to policy and secondary legislation for tightening the emergency housing gateway and reducing the risk of perverse incentive associated with the new Priority One fast track.
42. However, the Government is considering a range of options to address the wider problem of the number of people using EH and the length of their stays. These interventions are set out in the EH Delivery Plan (see paragraphs 11–12).

What was the Government's preferred option, and what impacts will it have?

Ministers agreed to shift to a more rules-based system to tighten eligibility for EH grants

43. While the key levers to reduce reliance on EH grants are to increase supply and preventative measures (e.g. identifying where MSD can assist someone early through income and employment supports) officials also presented opportunities to tighten EH SNG settings to support the Government's objectives.
44. Officials reviewed existing EH SNG settings against common criteria (see page 3) to address the key problems discussed at paragraph 32.
45. Officials recommended some policy settings be retained, and that other components be reset or removed. We advised that overall, the changes will tighten the gateway into EH by shifting to a more rules-based eligibility system, with increased information requirements from applicants and clearer consequences for not meeting responsibilities while in EH. The changes will also give staff more support to have robust conversations with applicants, including setting out what their responsibilities are while in EH. This more rules-based approach, with greater information requirements,

will also help mitigate the perverse incentive for people to enter, return to, or stay longer in EH to access the Priority One fast track.

46. Ministers agreed to the new settings on 24 April 2024.
47. A table comparing the agreed option against the status quo/counterfactual is attached as **Appendix 1**.

Six EH SNG settings will be retained as they align with Ministerial objectives for EH

48. It was agreed that the following six elements of the EH SNG will be retained, as they are already consistent with objectives for EH:
 - a. **income and cash asset limits** – decreasing income limits might reduce EH use, but would also be overly restrictive to those with an immediate EH need. Decreasing the cash asset limit would likewise be overly restrictive to those with a genuine EH need.
 - b. **discretion for MSD to grant over the income and cash asset limits in exceptional circumstances** – removing this discretion would not result in a significant reduction in EH use,¹⁷ and risks significantly impacting those with a genuine EH need, who may otherwise be in an unsafe situation.
 - c. **residency requirements** – these are consistent with other forms of hardship assistance. A small change has been made to specify that an applicant must be either eligible for, and receiving, a main social security benefit, New Zealand Superannuation or Veteran’s Pension; or be ordinarily resident in New Zealand at the time they apply.
 - d. **grant period** (between 1 and 21 nights) – retaining the existing grant period maintains flexibility to respond to periods of low EH availability, and provides some stability to applicants when engaged with intensive case management or navigator support services.
 - e. **applicant contribution of 25 percent of their and their partner’s (if any) income** – given the current housing context we consider the current rate remains appropriate. Also, if you increase the contribution rate some applicants may become eligible for the Accommodation Supplement, meaning primary legislation change would be required to exclude EH SNG applicants.
 - f. **the requirement to have an immediate EH need**. To meet this criterion an applicant’s housing need must be both immediate¹⁸ and specific, i.e. if the applicant cannot remain in their usual place of residence, if any, and will not have access to other accommodation adequate for their needs.

We considered the ‘immediate’ component remains aligned with the objective of EH being a last resort to meet a short-term need for accommodation. We considered options to tighten the definition of a ‘specific’ need for EH by excluding particular groups, for example, those with foreseeable circumstances (e.g. those transitioning out of the care or justice system), but discounted this on the basis that without significant increases to the number of houses available, excluding these groups will likely create pressure elsewhere across government, and disproportionately impact groups with multiple disadvantages and/or who face barriers. We also considered options to tighten what is considered ‘adequate’

¹⁷ Between 1 January and 31 March 2024, only 0.3% of EH grants are to applicants whose income exceeds the NZ Superannuation income level.

¹⁸ ‘Immediate’ means the applicant has a need on the date of applying or will have for some or all of the next seven nights.

accommodation; however, operational policy guidance on this is already clear and comprehensive.

49. Ministers also decided to retain the assessment of whether an applicant has contributed to their immediate need as something that MSD may consider rather than a compulsory consideration before MSD decides to grant. An option considered was making contribution to immediate EH need a compulsory consideration; however, this determination is a subjective assessment, and can risk excluding people with an immediate EH need, exacerbating support needs and therefore creating a long-term fiscal cost. Moreover, this option would have had significant resourcing implications for MSD.¹⁹
50. Keeping the consideration of contribution to EH need optional will allow MSD staff to primarily focus on assessing an applicant's current circumstances and needs, rather than determining 'intentionality', while still providing staff with the flexibility to exclude where appropriate.

Two EH SNG settings will be reset in order to tighten the gateway

New information requirements will be introduced to enable MSD to conduct better assessments of immediate housing need

51. Under current legislation, MSD can ask EH SNG applicants for information to ensure they meet eligibility criteria. However, the SNG Programme does not enable MSD to decline a grant on the basis that the applicant has not provided the information requested. This means some people may be granted an EH SNG despite having access to alternative accommodation.
52. Ministers have agreed that MSD can require applicants to provide supporting evidence. This ability will also allow MSD staff to verify whether applicants have met their responsibilities while in EH, and undertaken agreed activities (discussed further below). It will also give MSD the ability to decline applications based on insufficient information provided. During engagement, external partners emphasised the importance of MSD supporting applicants to source the necessary documentation, as people may be unwilling or unable to provide this due to language barriers, mistrust of government, or toxic stress.²⁰ The Office of the Privacy Commissioner has also noted that when obtaining information from EH applicants, MSD staff should consider the vulnerability of EH applicants and the difficulties they may experience in providing the information requested, and that it is important to consider and test the accuracy of information used to make decisions about applicants for EH, particularly when this information comes from sources other than the applicants themselves.
53. This power will not allow MSD to seek supporting evidence from a third party without applicant consent, as this would require changes to information seeking agreements.
54. MSD being empowered to collect more and better information to accurately confirm whether people have exhausted all other adequate accommodation options, will enable greater targeting of EH grants to those with genuine EH needs, as well as more people being supported into adequate alternative accommodation. A short term outcome may be expected to be fewer people, including children, going into EH, and stays becoming shorter.

¹⁹ Where similar assessments have been implemented in other jurisdictions, there is more evidence that staff place more emphasis on determining fault, and not enough on need and support.

²⁰ Toxic stress is defined as a prolonged or intense state of stress that derails the functioning and development of an individual and their body, resulting in negative health outcomes.

A clear responsibilities framework will be introduced...

55. Currently, applicants are expected to meet certain responsibilities while receiving an EH SNG, and this depends on the duration of the grant. Responsibilities include making reasonable efforts to obtain other housing, paying the client contribution, exhausting other sources of housing assistance, and using the grant for the purpose or period for which the grant was made.
56. While MSD has some discretion to decline a subsequent EH SNG based on responsibilities not being met, this is limited by a requirement to determine whether declining a grant would worsen the applicant's position. Because MSD's ability to decline a grant is limited it may mean that some people may be in EH for longer than necessary.
57. Ministers have agreed that a requirement be added that an applicant will comply with their responsibilities before a subsequent EH grant is made. A grant will be approved if an applicant has:
 - a) engaged with support services if referred
 - b) made reasonable efforts in the circumstances to obtain other housing, including accessing other sources of assistance
 - c) paid the client contribution by the next available date.²¹

... with strengthened consequences for non compliance

58. Where an EH grant applicant has not met their responsibilities without a good or sufficient reason, MSD will issue a warning.²² When an applicant has received two warnings, and not met one or more responsibilities for a subsequent grant (without good or sufficient reason) their next grant will be declined if they fail to meet responsibilities a third time.²³ In this scenario, a non-entitlement period for EH grants of 13 weeks will also apply (and an applicant will also lose their Priority One status for social housing if applicable).²⁴ This warning system is intended to ensure that people are aware of their responsibilities, and have sufficient time to meet their responsibilities given the often crisis circumstances people are in when they first enter EH. We expect very few people to receive a non-entitlement period, given the focus of MSD will be working with the applicant to ensure they meet the responsibilities, and the ability of an applicant to provide a good and sufficient reason if these are not met (to be assessed on a case by case basis).
59. Ministers decided that applicants should be required to meet responsibilities while in EH from the 8th night of an EH stay. Another option considered was that responsibilities should be met from the outset of a stay in EH, however, we noted this creates a risk of inequitable outcomes as initial grants are variable in length (e.g. from 1-14 days), so people would get different amounts of time to comply with responsibilities.
60. The responsibilities framework and warning system applies to a single EH event. An EH event is a circumstance or situation relating to when the applicant's immediate EH need first arose and continues until MSD is satisfied it is resolved. Ministers agreed that the warning system should reset at the end of the 13-week non-entitlement period

²¹ Unless an applicant is in a non-entitlement period because MSD has determined that they have failed to meet responsibilities on three occasions (see paragraph 59).

²² A grant recipient will not be exempt from paying the client contribution. If recipients fail to pay the contribution, MSD will help them set up a payment arrangement instead.

²³ Where an EH grant is declined, MSD will continue to work with the applicant to ensure they are receiving their full and correct entitlement, are connected to appropriate services, and help them identify alternative accommodation options (e.g. use of AS, HSPs).

²⁴ The Priority One flag would be reapplied (if applicable) for a new EH grant application after the 13 week non-entitlement period

or when the applicant accesses an EH grant for a new EH event. Under these situations, previous warning/s to the applicant will not be considered.

61. In a very limited number of cases, there may be reasons for MSD to approve an EH grant during the applicant's 13 week non-entitlement period. In May 2024 the Associate Minister of Housing (the Associate Minister) agreed to specific criteria for applying limited circumstances, including that the applicant²⁵ must:
 - a. have multiple risk factors; and
 - b. be experiencing a crisis situation that is beyond the applicant's control; and
 - c. be at risk of current or near-term harm.²⁶
62. The consequence of an applicant's 13-week non-entitlement period pauses if they are approved for an EH grant under limited circumstances, and resumes when MSD determines that limited circumstances no longer apply.
63. Introduction of a new responsibilities framework, including clearer eligibility criteria for MSD to apply, will mean that MSD makes more consistent eligibility decisions, and people who are not meeting their responsibilities will not get continued access to the EH grant. This is consistent with Ministerial objectives for EH.

Two EH SNG settings will be removed

Removal of MSD's discretion to make EH grants recoverable

64. Currently, when an applicant does not meet their responsibilities, MSD has the ability to make a grant recoverable. In practice, this is rarely used because it increases applicants' debt to the Crown, which does not support people to access more permanent accommodation.²⁷
65. Housing Ministers agreed to remove the ability for MSD to make grants recoverable and replace this provision with the new responsibility framework (see discussion above).²⁸

Removal of the requirement to grant despite responsibilities not being met

66. Under current legislative settings, MSD must consider whether declining the EH grant would:
 - a. worsen the applicant's position; or
 - b. increase or create any risk to the life or welfare of the applicant or the applicant's immediate family; or
 - c. cause serious hardship to the applicant or the applicant's immediate family.
67. Frontline staff have told us this means that they often approve EH SNGs even where the applicant has not met their responsibilities, as a decline will almost always worsen an applicant's position in the short term. Additionally, if retained, it would undermine the intent of the proposed responsibilities framework. As discussed at paragraph 58, where

25 The Associate Minister subsequently noted that detailed policy parameters provide that this should include any dependent child of the applicant (but not their partner).

26 In these very limited number of cases, approval for the initial grant will be made by the Chief Executive of MSD, or their approved delegate. Escalation may also be used where MSD has significant concerns for the wellbeing of young people, and dependent children. A Case Manager can make any subsequent grants after this initial grant under limited circumstances.

27 During 2023, there were only 939 recoverable grants out of 100,767 total EH grants (<1%).

28 Note, however, that while the ability for MSD to make grants recoverable will be removed, the client contribution still needs to be paid and in some cases will result in MSD needing to set up a payment plan, benefit redirection or debt recovery process to pay the client contribution if it is overdue.

there is a good and sufficient reason why someone could not meet their responsibilities, an exemption will apply, and they will not receive a warning.

68. Ministers agreed to remove this provision from the eligibility criteria to tighten eligibility for EH grants.

The changes will require creation of a new welfare programme, and consequential amendments to related secondary legislation

69. Officials recommended creating a new welfare programme, so that MSD can establish legislative settings for EH grants that are fit for purpose, without being confined by the wider settings and purpose of the current SNG Programme (see discussion at paragraphs 33–34 above)
70. Housing Ministers agreed to proceed with changing the legislative vehicle for the EH grant by removing it from the SNG Programme, and establishing a new welfare programme dedicated to EH grants provision. The new Emergency Housing Grants Programme was approved by the Associate Minister on 22 July 2024 and published in the *New Zealand Gazette* on 26 July 2024.²⁹ Changes come into force on 26 August 2024.
71. Consequential changes are also required to related secondary legislation: the Flexible Funding Programme, SNG Programme, and the Ministerial Direction on Redirection of Benefit Payments, as well as amendments to several Social Security Regulations. The latter changes were approved by Cabinet on 22 July 2024 [CAB-24-MIN-0259 refers].

Implications for Transitional Housing and Contracted Emergency Housing (HUD advice)

72. About 80 per cent of referrals to Transitional Housing (TH) are through MSD. These referrals are assessed through the same core eligibility settings as for the EH SNG. The remaining 20 per cent are through self-referrals or third-party referrals by other agencies, e.g. Health, Corrections, Police. When TH providers assess self or third-party referrals for entry to TH, they use MSD's core eligibility settings, and also assess (for all referrals) suitability for their service, the surrounding community, and safety of households.
73. HUD has recently provided advice to the Associate Minister outlining operational policy settings that align TH with EH. This will treat households fairly, and help ensure EH and TH are provided to those with genuine need who have met their responsibilities.
74. MSD will not refer an applicant on a 13 week non-entitlement period for an EH grant to a TH provider. HUD and MSD are not currently able to prevent self and third party referrals for applicants on a 13 week non-entitlement period, because of privacy and technology barriers. Possible manual 'workarounds' would have a significant administrative impact on providers, and may be impractical to implement.
75. The responsibilities framework, which ensures grant recipients meet their responsibilities to receive subsequent EH grants, does not need to be extended to TH. This is because a Housing Agreement (HA) for households in TH provides an existing fit-for-purpose framework of responsibilities and obligations. All households in TH are required to sign up to a HA with their provider. The number of EH applicants who may have a non-entitlement period applied will depend on the operationalisation of the responsibilities framework and applicants' response, however, we expect the number

²⁹ [Notice Under the Social Security Act 2018 - 2024-sl3594- New Zealand Gazette](#)

to be small. The proportion gaining entry to TH is likely to be low, given availability of places and providers' assessment requirements.

76. Core eligibility settings for EH will continue to be applied by MSD for referrals to TH, and by TH providers for self- and third-party referrals.
77. Entry criteria to CEH will remain consistent where applicable with EH. CEH is Rotorua-based EH and primarily supports whānau with children. Older people and those with disabilities are also considered, subject to availability. Exits from CEH motels are in scope of the EH target, and HUD is progressively exiting out of CEH motels (see paragraph 3, **Appendix 2**).

Stakeholder engagement provided positive feedback from frontline staff, with more concerns expressed by external groups

78. As homelessness and the use of motels as emergency housing has a significant and diverse impact on different communities, population groups and geographical areas, our advice needed to be informed by the views and experiences of community housing providers, regional public service officials, key reference groups, and from other government agencies.
79. Given the limited time available to engage widely (see Limitations and Constraints) we identified a group of key government and non-government stakeholders to engage with to support our advice to Ministers on the final policy design. We also drew on what people had already told us during the 2022 Emergency Housing Review, and during other regular engagements. Subsequent engagement will be required with key stakeholders as the implementation of the policy and legislative decisions takes place, and on broader changes to the housing system (HUD-led).
80. Government agencies and key community stakeholders we engaged with during the development of the policy hold important connections and perspectives on the emergency/temporary/social housing pipeline, or to disproportionately affected population groups. A table of stakeholders consulted, describing the nature of their interest, is attached as **Appendix 3**.
81. In general, we received more positive feedback from frontline staff and more concerns raised by external groups. Common themes from engagement both generally, and in relation to specific changes, were as follows:
 - a. The proposed changes are likely to increase the risk of homelessness, rough sleeping, people living in cars, overcrowding, and could increase the number of people living in unsafe situations.
 - b. There is a need for the underlying drivers of demand for EH to be addressed in the wider work programme, including more partnership with community support services, other agencies, and increasing the supply of affordable, suitable housing. The need to prioritise supply was strongly echoed across engagements, as was the need to take a long-term, whole-of-system approach.
 - c. There is a need for alignment and cohesion across government agencies involved in housing, including developing targeted support and accommodation for people leaving state care (i.e. Oranga Tamariki and justice system).
 - d. Stakeholders emphasised that changes could have a disproportionate impact on some groups, such as Māori, children, and applicants with high and complex needs.
 - e. The high percentage of applicants being Māori is strong evidence that alternative approaches to EH are needed, including introducing for Māori by Māori approaches, and whānau-centred wraparound support services for whānau.

There is a strong need to include Māori in design and decision-making for a broader approach to end the use of EH.

- f. There is a need for monitoring the impact of the changes, and a need for improved mechanisms for community providers to escalate issues to MSD.
- g. There will be an increased risk of more safety/security incidents for MSD staff because of increased declines.
- h. Some stakeholders highlighted that inconsistency of practice is already an issue, and while reducing discretion may help reduce that inconsistency, some proposed changes introduce new subjectivity that risks unconscious bias, causing disproportionate declines or applying more scrutiny towards particular groups, including Māori.

The changes may have negative implications for consistency with the government's obligations related to housing under the Treaty of Waitangi and international law

- 82. In line with the Cabinet Office Circular CO (19) 5 and policy quality guidance from DPMC, changes to tighten eligibility for EH have been considered through a Treaty of Waitangi lens. The Crown is obligated to give effect to the articles of the Treaty of Waitangi.
- 83. Some of the changes, such as the new responsibilities framework which can impose a 13 week non-entitlement period for EH grants, and provides MSD the legislative ability to decline based on insufficient information provided, may disproportionately negatively impact Māori, and risk not aligning with Te Tiriti principles of partnership and equity.
- 84. In WAI 2750 - Housing Policy and Services Kaupapa Inquiry, the Waitangi Tribunal heard from claimants that, in their view, MSD processes are built on mistrust and a lack of respect for clients. Claimants felt that MSD is overly bureaucratic and does not attempt to build relationships with clients to understand their needs. There is a risk therefore that the changes also do not meet the principle of partnership as they do not consider the concerns raised by claimants.
- 85. The Waitangi Tribunal established WAI 2750 to hear claims concerning the Crown's housing policies and services that affect Māori. The WAI 2750 *Kāinga Kore: Stage One Report on Māori Homelessness* (the Kāinga Kore report) released in May 2023, found that Crown consultation with Māori has been relatively narrow. In submissions to WAI 2750, the Crown accepted it has a partnership duty to engage with Māori in the development of housing policy and services. It acknowledged that its partnership with Māori to improve housing outcomes could be strengthened, especially in relation to 'models that improve the experiences of individuals and whānau when they seek Crown support'.
- 86. The risk of having a disproportionate impact on Māori may also be inconsistent with findings in the Kāinga Kore report that the Crown has Article 3 duties to achieve equitable housing outcomes for Māori. Specifically, there is potential inconsistency with findings that the Crown breached the principle of equity through the growing over-representation of Māori with unmet housing need.
- 87. The risk to inequitable outcomes for Māori may be mitigated by the continued provision of support services. Additionally, through the development of the Government's wider policy to end the large-scale use of EH, there may be opportunities to join-up more effectively with our Te Tiriti partners and other agencies to honour our Te Tiriti responsibilities. As part of wider changes to the EH system led by HUD there are specific opportunities to better respond to the needs of Māori, some of which would mitigate the impacts of changes to EH grants. This includes whānau-centred approaches and Māori-led housing solutions which will provide an opportunity for Māori to exercise tino rangatiratanga at a system level.
- 88. The changes to strengthen the consequences of non-compliance with EH responsibilities (which risks increasing the number of people who are homeless,

sleeping in their car, or in other rough and/or unsafe sleeping situations) may also have negative implications for New Zealand's consistency with international agreements that recognise the right to a decent home. For example, under Article 27 of the Convention on the Rights of the Child, States Parties recognize the right of every child to a standard of living adequate for the child's physical, mental, spiritual, moral and social development. While the caregiver has primary responsibility, States, in accordance with national conditions and within their means, shall take appropriate measures to assist parents and others responsible for the child to implement this right and shall in case of need provide material assistance and support programmes, particularly with regard to nutrition, clothing and housing.

Making changes to the gateway will have impacts on recipients of EH grants

89. There are identified health, social and education issues (see paragraphs 18–28) with the status quo use of EH to respond to persistent housing need. However, reducing its use through strengthened rules and consequences for non-compliance, in combination with a lack of supply of viable housing options, introduces a risk of increased levels of rough sleeping, people living in cars and overcrowding. The new information requirements may disproportionately impact Māori, who have the lowest level of trust in the public sector compared to all other ethnicities.³⁰
90. The changes will not account for those with complex needs, who may find it hard to uphold responsibilities (for example, people recently released from prison, people with addiction and/or people with mental health issues). Population groups overrepresented in EH (such as single people, people with children – particularly sole parent families, Māori, and Pacific peoples) are likely to be disproportionately impacted by the changes.
91. There may be increased flow-on to ongoing health costs associated with increased homelessness. Becoming homeless can be a devastating experience and worsen physical health, mental health and addictions. In addition, homelessness can have a negative impact on mental health and often, health issues can go unnoticed and untreated.
92. Homelessness also has a severe impact on children. It can impact on a child's growth and development as it can take children outside of familiar environments and may involve moving schools and school absences, as well as impacting on mental health. There is potential for poor educational outcomes to continue to have a detrimental association with children's lives and may have life-long consequences with increased interactions with the health and justice system.

Tightening the gateway to emergency housing is forecast to achieve savings that will partially be re-invested in EH support services, however, there is a risk of increased costs of homelessness over the longer-term

93. Changes to tighten the gateway to EH (i.e. operational and legislative changes, and extension of EH support services) are estimated to result in net savings of \$350.545 million in over five years (2023/24–2027/28) from a forecast reduction in expenditure on EH grants. The net saving of \$350.546 million comprises total savings of \$434.023 million over five years (2023/24–2027/28), offset by costs of \$83.477 million over two years to invest in support services (2024/5–2025/26). The net saving includes \$6.489 million in 2023/24 from reprioritising funding allocated to the Housing Support Product pilot³¹ which will not proceed.

³⁰ Te Kawa Mataaho. (2024). Kiwis Count Survey. Retrieved from: <https://www.publicservice.govt.nz/research-and-data/kiwis-count>

³¹ Funding was allocated in the 2022 Budget to pilot the provision of non-recoverable grant assistance to assist people in EH to obtain and retain private accommodation.

Vote Social Development Opex:

	(\$m) 2023/24	2024/25	2025/26	2026/27	2027/28 & outyears	Total
Costs	-	41.737	41.740	-	-	83.477
Savings	(6.489)	(61.140)	(95.440)	(126.352)	(144.602)	(434.023)
Total	(6.489)	(19.403)	(53.700)	(126.352)	(144.602)	(350.546)

94. As outlined in paragraph 89, without sufficient housing supply, more people may end up homeless as a result of tightening the EH gateway. Costs and risks associated with homelessness are likely to accrue over time, especially in the longer-term. This is partially mitigated by reallocating a portion of the savings realised from tightening the gateway to extend EH support services for an additional two years. The continued provision of support services aims to support people in EH to access and sustain housing. A safe, stable and affordable home plays a significant role in improving outcomes in the longer term and intergenerationally.
95. Overall, the key benefits from shifting to a more rules-based regime are: ensuring that EH grants are targeted to those with an immediate EH need and who have met their responsibilities; making administration of EH grants simpler; providing clarity to people about what is expected from them while in EH; and achieving savings for the Government from a reduction in expenditure on EH grants.
96. The costs of this decision involve re-investing a portion of these savings in extending EH support services for people in emergency housing for an additional two years, which serves to improve outcomes for people in emergency housing. It potentially increases the costs of homelessness in the longer-term (however, these wider fiscal implications have not been monetised).
97. A table comparing the Government's preferred option to address the policy problem with the counterfactual is attached as **Appendix 1**. Appendix 1

What are the marginal costs and benefits of the option?

98. The analysis in the table below recognises high-level costs, benefits and savings from tightening the gateway to emergency housing. A qualitative assessment has been made for some of these costs and benefits. We have provided indicative monetised costs and savings based on MSD's forecasting model using BEFU24 data, but these are estimates only.
99. Costings in the medium to long-term can be very uncertain, as they are reliant on external factors outside the model's parameters such as migration, availability of private and social housing, and rental prices.

Affected groups	Comment <i>Nature of cost or benefit (e.g., ongoing, one-off), evidence and assumption (e.g., compliance rates), risks.</i>	Impact <i>\$m present value where appropriate, for monetised impacts; high, medium or low for non-monetised impacts.</i>	Evidence Certainty <i>High, medium, or low, and explain reasoning in comment column.</i>
Additional costs of the preferred option compared to taking no action			
Regulated groups (individuals)	<p>Ongoing costs - expected for recipients of EH grants as a stricter test for eligibility may lead to more recipients being declined and/or being issued a 13-week non-entitlement period. Costs are associated with poorer outcomes for grant recipients and their families as a result of potential homelessness.</p> <p>There are flow-on costs for grant applicants being referred to TH, as these applicants will be affected by the impacts of shifting to a more rules-based EH regime, particularly the introduction of a 13-week non-entitlement period for emergency housing, to those in EH who do not meet their responsibilities, in three instances, without a good and sufficient reason. This means that MSD will not refer these applicants to TH until their 13-week non-entitlement period ends.</p>	<p>Medium</p> <p>MSD expects that most EH households will be impacted. Those who are declined a grant (or further grant) will be impacted by ongoing costs involving increased interactions with health and justice sectors, and unmet needs.</p> <p>Ongoing costs are partially mitigated by investment in EH support services and administration of housing-related financial assistance. For example, the continued investment in the Housing Broker service and Ready to Rent programme mean that these services are available to grant applicants who are not in EH but are still experiencing homelessness or are in insecure housing.</p> <p>MSD expects a reduction of 1,195 households in EH over the forecast period (2024/25 – 2027/2028) as a result of the policy and operational changes to the gateway and investment in support services.</p> <p>Exact impacts will be confirmed through monitoring planned for the policy change.</p>	<p>Medium</p> <p>MSD is confident in expected savings from a reduction in expenditure on EH grants over the forecast period because of operational and legislative changes. These have been forecast to the best of MSD’s ability; however, they are subject to change.</p>
MSD	One-off costs - associated with making changes to secondary legislation, implementing the gateway changes, and extending support services for two	<p>Medium</p> <p>A new welfare programme has been established for EH grants, reflecting the EH gateway changes.</p>	<p>High</p> <p>Using costing information from previous experience of implementing</p>

	<p>years.</p> <p>MSD remains the steward of the new welfare programme –the Emergency Housing Grants Programme.</p> <p>There is likely to be increased pressure on MSD’s frontline staff to assess whether applicants have met their responsibilities. There may be an increase of staff safety and wellbeing concerns from declining more applications for EH grants.</p>	<p>IT changes, new business processes, and training of frontline staff have been required to implement the gateway changes.</p> <p>Operational changes have also been required to enable improved monitoring of support services and applicant outcomes.</p>	<p>EH initiatives, there is high confidence in expected implementation costs of the gateway changes (both operational and legislative) and extension of support services.</p>
HUD	<p>One-off costs - to make TH providers aware of MSD’s updated referral process for TH for people on a 13-week non-entitlement period for emergency housing.</p>	<p>Low</p> <p>These costs will be met from agency baseline but are not expected to be material.</p> <p>As at 1 June 2024, there are 88 approved TH providers. These providers are expected to obtain new knowledge of MSD’s updated assessment and referral process for TH.</p>	<p>Medium</p> <p>HUD will leverage their relationships with the sector, including peak bodies, to help ensure TH providers acquire knowledge of the gateway changes and how they impact on applicants accessing TH and operational practice.</p> <p>This is likely to involve official communications and updates to operational guidance.</p>
Other agencies	<p>Ongoing costs – expected costs from a potential increase in homelessness and increase in people interacting with wider agencies, such as Police, Health and Oranga Tamariki, due to unmet housing needs</p>	<p>Low</p> <p>These potential costs are mitigated by investment in support services and availability of affordable and suitable supply</p>	<p>Medium</p> <p>Costs on wider agencies because of potential increase in homelessness are unknown but almost certain to apply.</p>
Emergency housing suppliers	<p>Ongoing costs – expected loss of guaranteed income from a reduction in expenditure on EH grants.</p>	<p>Low</p> <p>The cost of loss of guaranteed income is largely mitigated by the supplier’s incentive and ability to take</p>	<p>Medium</p> <p>MSD is confident in projected savings from a reduction in expenditure on EH grants. These have been forecast to</p>

		on more occupants from the wider market, such as tourists	the best of MSD’s ability; however, they are subject to change. There is some uncertainty on whether EH suppliers can attract occupants from the wider market.
Total monetised costs	There will be a total cost of \$83.477 million to implement the changes to the gateway and extend EH support services for two years.		High Using costing information from previous experience of implementing EH initiatives, there is high confidence in expected costs and savings expected from changes compared to the status quo.
Non-monetised costs	Ongoing costs – expected for frontline staff due to increased safety and wellbeing concerns as a result of declining more applications. There will be ongoing costs for wider government agencies due to possible increased homelessness and interactions with justice/health sectors.	Low These non-monetised costs are expected to be mitigated by specific guidance for frontline staff to manage the new EH grant process, investment in support services, and availability of affordable and suitable supply.	Medium Costs on wider agencies because of potential increase in homelessness are unknown but almost certain to apply.
Additional benefits of the preferred option compared to taking no action			
Regulated groups (individuals)	There are direct benefits from tightening the gateway to emergency housing as recoverable EH grants will be revoked, resulting in reduced applicant debt. There is a direct benefit in applicants having a clearer understanding of what is expected from them while in EH.	Medium Analysis and stakeholder consultation show that emergency housing grant settings under status quo include wide discretionary powers. New settings will make it clearer for applicants to know what is expected from them while in emergency housing.	Medium Direct benefits to applicants from moving to a more rules-based emergency housing regime were raised during stakeholder consultation with frontline staff and some community groups.

	<p>There are indirect benefits to recipients of EH grants (and their families). A portion of the savings realised from making policy changes to the gateway have been reallocated to invest in the continuation of EH support services for an additional two years through Budget 2024. These indirect benefits mean that grant recipients and their families in EH, including those with multiple and complex needs, have their wider support needs met, and supported to access and sustain longer-term housing.</p>	<p>Making gateway changes to EH to realise savings for funding the continued provision of support services for two years will indirectly benefit people in EH.</p>	<p>Evaluation evidence, combined with administrative data on EH, shows that support services have a positive impact on reducing the number of households in EH and achieving better housing outcomes for grant recipients and their whānau.</p>
MSD	<p>Ongoing benefits – there is clearer legal and operational guidance for the administration of EH grants; and reduced pressure on general Case Managers to support EH applicants as dedicated resource is provided through the provision of continued support services for two years.</p>	<p>Medium Under previous settings, MSD frontline staff had wide discretionary powers to administer discretionary grants which resulted in inconsistency of practice (based on findings from engagements).</p>	<p>Medium Limitations of wide discretionary powers under status quo settings were confirmed from frontline staff, with some support from community groups during consultation with stakeholders.</p>
HUD	<p>Ongoing benefits – reduced pressure on transitional housing as a result of a more targeted approach to providing EH grants and referrals to TH.</p>	<p>Medium About 80 per cent of referrals to TH are through MSD. Changes are likely to impact all 88 approved TH providers (as at June 2024).</p>	<p>Medium Data shows that 80 per cent of referrals to TH are through MSD.</p>
Total monetised benefits	<p>Not applicable.</p>	<p>High This initiative, including operational and legislative changes to tighten the EH gateway, and continuation of EH support services, results in total savings of \$434.023 million over the forecast period (2023/24-2027/28). There will be net savings of \$350.546 million in operating funding, over five years (2023/24-2027/28)</p>	<p>High Using costing information from previous experience of implementing EH initiatives, and forecasting analysis for projected savings, there is high confidence in expected costs and savings expected from changes compared to the status quo.</p>

<p>Non-monetised benefits</p>	<p>Not applicable.</p>	<p>Medium There are ongoing and indirect benefits to recipients of EH grants, MSD frontline staff, and reduced pressure on transitional housing.</p>	<p>Medium This assessment is based on MSD's previous experience of shifting from highly discretionary to a rules-based approach to administering hardship assistance; and service delivery assessment of the benefits realised from the policy and legislative changes to the gateway.</p>
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Section 3: Delivering an option

How will the new arrangements be implemented?

Arrangements will come into force on 26 August 2024

100. Delivery and ongoing operation of EH arrangements under new eligibility settings will be led by MSD, with relevant settings that affect TH operationalised by HUD.
101. The new welfare programme and operational changes come into effect on 26 August 2024. MSD has preparations underway and will be ready for the 'go live' date. EH applicants will be advised of upcoming changes if they apply for a grant leading up to the launch date.
102. Transitional provisions will be introduced concurrently, so that those in EH on grants issued before 26 August 2024 are subject to the new regime appropriately. For example, a person who received an EH SNG before 26 August 2024 and was paying an EH contribution will not receive another 'free' 7 days³² after 26 August 2024 (when changes come into effect), and their current payment plan will be considered as meeting their responsibilities that will apply from the 8th night in EH on a new grant under the new EH grants system.

Applicant notification

103. People in EH close to the launch date will be given notice beforehand, and an applicant's first grant that they receive after 26 August 2024 will require agreement to new responsibilities that they will need to comply with while in EH (from the 8th night onwards).
104. Information about responsibilities will be discussed between case managers and applicants, and revisited if an applicant is not meeting them. Case managers will set agreed-upon activities that are bespoke to an applicant's circumstances to help them comply with responsibilities. Applicants will be able to receive two warnings before any period of non-entitlement to EH is applied for not meeting responsibilities. This will provide opportunities for recomppliance.

Flow-on work may be required

105. Updates may be required to the new system to align with policy changes elsewhere in the welfare system, such as the introduction of a new 'traffic light' framework for main social security benefits (e.g. Jobseeker Support) sanctions and obligations, as well as updates to parallel housing support systems like TH, social housing, and community housing.

Implementation risks

106. The changes will increase the number of people that are declined access to EH and risks increasing the number of people who are homeless, sleeping in their car, or in other rough and/or unsafe sleeping situations. This risk was raised by stakeholders during consultation. Mitigation strategies were developed in response by adding exemption pathways; for example, warnings will not be given to those who do not meet responsibilities for a 'good and sufficient' reason. Additionally, training material for staff will emphasise the importance of clearly communicating the consequences of not meeting responsibilities at the initial grant and re-grant meetings. The Associate Minister also recently approved a change to add the ability for people with particularly

³² Currently, grant recipients pay an EH contribution for all nights after the 7th night in EH, essentially getting a free 7 days. After 26 August 2024 this will continue, as responsibilities in EH, including the EH contribution, will not begin until after the 7th night in EH.

high vulnerability and experiencing a crisis situation to re-enter EH during a period of non-entitlement through “limited circumstances” (see paragraphs 61–62).

107. The treatment of partners in the EH SNG Programme did not have a clearly transferable approach we could use for the responsibilities framework. The approach adopted was treating partners in the EHG Programme the same as in the SNG Programme where possible, except that partners are to be specifically excluded from the responsibilities/warning framework. The approach adopted introduces potential risks of:
- a. unfairness, as applicants hold disproportionate liability for the actions of others, i.e. if a partner takes actions that break rules of stay or cause responsibilities to be failed, only the applicant will inherit consequences, including any debt incurred and any non-entitlement period issued. This means that partners can re-enter EH (if eligible in their own right) when an applicant receives a non-entitlement period, and applicants are put in a vulnerable position that could potentially be exploited by a partner.
 - b. inconsistency in how people in EH are treated between cases, as a couple could theoretically get additional warnings before a non-entitlement period is issued compared to a single person.³³ There are also disadvantages for couples, such as agreed-upon activities will be less bespoke to addressing a couple’s household needs, as MSD can only consider the needs of the applicant.
 - c. inconsistency with other income supports and the treatment of partners in parallel responsibilities frameworks, such as obligations and stand down periods for the Jobseeker benefit.
108. While joint liability options for couples were explored, the above approach was the only option seen as viable to be implemented by 26 August 2024, due to significant timing and resource barriers that would need to be overcome for legal and IT elements.

How will the new arrangements be monitored, evaluated, and reviewed?

109. MSD is making operational and IT system changes to give effect to new reporting requirements for monitoring the EH gateway changes. These will be implemented from 26 August 2024 and will include:
- a. the collection of applicant-level information on whether they have met responsibilities while in EH, received warnings or a non-entitlement period, or have been declined a subsequent EH grant
 - b. summary reports of different cohorts, such as declines by age, household type, ethnicity and social housing register rating
 - c. the number of EH grants approved under limited circumstances, and duration of MSD ‘pausing’ an applicant’s non-entitlement period.
110. The implementation of these reporting requirements will allow MSD to analyse the impact of the gateway changes on Māori, and other cohorts that may be

³³ I.e. If a recipient of two warnings then fails responsibilities a third time, instead of applying for another EH grant their partner could apply for a grant instead, and bring them in as a partner even though theoretically they should be out of EH on a non-entitlement period.

disproportionately impacted by the gateway changes. MSD is also considering how to gain a better picture of the outcomes for people who are declined EH grants.

111. s 9(2)(f)(iv) [REDACTED]
[REDACTED]
[REDACTED]
112. Meanwhile, HUD is developing a wider monitoring, evaluation, research and learning plan for the overall EH target work programme. This plan will include regular data analysis and review to support the development of a strong data and evidence base to inform decision-making.

Appendix 1

How does the option compare to the counterfactual?

	Option A – Status Quo / Counterfactual	Option B – Changes to tighten the EH gateway
Strategic alignment with Government objectives	<p>Option A's continuation of the status quo would not meet Government objectives to reduce the number of households, including children in EH by 75% by 2030. While the number of households in EH has been trending down and is expected to continue in the short term, this is due to operational changes and initial measures to tighten the gateway such as the signalling of increased consideration of an EH applicant's circumstances. Progress is not expected to be linear, and will be limited if EH support services were to end at 30 June 2024 and no legislative changes made to tighten the gateway.</p> <p>0</p>	<p>Option B would tighten the gateway into EH by shifting to a more rules-based eligibility system. There will be increased information requirements from applicants and clear consequences for not meeting responsibilities while in EH. This approach will also help mitigate any perverse incentive for people to enter, return to, or remain longer in EH so as to access the Priority One fast track. Additionally, under Option B, EH support services are extended for a further two years, which can reduce recurring need for EH and support those at risk of entering EH. Option B is therefore aligned with meeting the Government's objective of ensuring EH assistance is tightly targeted to those with an immediate EH need and who have met their responsibilities while in EH. The approach will better support and incentivise people in EH to exit into sustainable, long-term housing.</p> <p>✓</p>
Effectiveness	<p>Continuation of the status quo would not have incorporated operational changes and other initial measures taken to tighten the gateway (e.g. introduction of Priority One and signalling of greater scrutiny of applicants' circumstances). See Figure 2.</p> <p>Without changes to shift to a more rules-based eligibility system, with clearer responsibilities, we would not expect to see a maintained reduction in households achieving a sustainable exit from EH.</p> <p>0</p>	<p>Changes to tighten the EH gateway to date (including operational changes, and measures such as introduction of the Priority One fast track) have been effective in reducing the number of overall households in EH, as well as the number of children in EH and the average length of stay. Greater progress can be made by incorporating further changes that ensure assistance is targeted to those in genuine need who are meeting their responsibilities (e.g. making reasonable efforts to obtain other housing) while in EH.</p> <p>New reporting data is expected to provide a picture of the overall effectiveness of the changes, by the collection of data on whether or not applicants have met responsibilities, received warnings or a non-entitlement period, or been declined a subsequent EH grant.</p> <p>✓</p>

	Option A – Status Quo / Counterfactual	Option B – Changes to tighten the EH gateway
<p>Distributional (equity) impacts</p>	<p>The status quo would continue the use of wider discretion for providing EH grants compared to tightening eligibility criteria. Funding for EH support services would have ended at 30 June 2024.</p> <p>EH services play a vital role in both preventing entry into EH and supporting those in EH to make a sustainable exit. Therefore cohorts that are already disproportionately represented in EH, including Māori, sole parents of children, and Pacific peoples would be further disadvantaged in both accessing and sustaining suitable long-term housing.</p> <p>0</p>	<p>The changes are likely to increase the number of people that are declined access to EH, with a consequential risk of increasing the numbers of people who are homeless, or sleeping in rough and/or unsafe situations.</p> <p>An increased level of declines is likely to disproportionately impact population groups over represented in EH, including low-income single people, sole parents and their children, Māori and Pacific peoples. It will also not account for those with complex needs who may find it hard to meet responsibilities (e.g. people in a heightened state of stress, and/or those with poor mental health and/or addiction issues).</p> <p>There may be increased flow-on impacts and costs to people who are declined an EH grant (as well as to the wider community) as a result of increased interactions with the health and justice sectors.</p> <p>Option B may partially mitigate the risk of inequitable outcomes by extending the provision of EH support services that were due to end 30 June 2024, by a further two years.</p> <p>x</p>
<p>Fiscal sustainability</p>	<p>When time-limited funding for EH support services end, and without other intervention, we consider that expenditure on EH grants would remain high. This is because unmet applicant needs, especially for people with high and complex needs, can contribute to longer durations of stay in EH and/or people returning to EH.</p> <p>The wide discretionary powers for administering EH grants would also likely result in an increase of cases of perverse incentives from the introduction of the priority one fast-track process for social housing. This means that expenditure on EH grants would not be tightly targeted to genuine cases of EH need.</p>	<p>Option B makes operational, policy and legislative changes to target EH assistance more tightly to those in genuine need and who have met their responsibilities, thereby facilitating a reduction in expenditure on EH grants and achieving savings over five years (2023-2028). A portion of these savings will be re-invested in EH support services, which support people to access sustainable accommodation and reduce their recurring need for EH grants.</p> <p>Through these changes, the Government is achieving \$350.545 million in net savings over five years (2023–2028) from forecast reductions in expenditure on EH grants, which aligns with the Government’s priority of achieving more fiscally sustainable public services. There will, however, be indirect costs to government from the flow-on impact of</p>

	Option A – Status Quo / Counterfactual	Option B – Changes to tighten the EH gateway
	<p>Overall, the continuation of status quo settings would likely result in large expenditure on emergency housing grants over the forecast period and is not considered fiscally sustainable in the current economic environment.</p> <p>0</p>	<p>increased levels of homelessness, rough sleeping and overcrowding, in the form of increased interactions with Health, Police, and Oranga Tamariki.</p> <p>✓</p>
Feasibility	<p>Continuation of status quo settings is operationally feasible as the system is well established.</p> <p>0</p>	<p>The new welfare programme and operational changes come into effect on 26 August 2024. MSD has preparations underway and will be ready for the 'go live' date.</p> <p>A tight timeframe constrained the level of system changes that were feasible to implement. For example, the approach adopted to the treatment of partners in EH does not substantially change the status quo, i.e. the relationship of EH remains between MSD and the applicant and does not involve the partner. The only change under the new welfare programme is that partners will be specifically excluded from the responsibilities/warning framework.</p> <p>The approach adopted introduces potential risks of unfairness, inconsistency of treatment between EH cases, and inconsistency with the treatment of partners in parallel responsibilities frameworks (see para 107). However, while 'joint liability' options for couples were explored, the approach was the only feasible option that could be achieved by the August deadline, given legal, operational, and IT constraints. Additionally, given couples in emergency housing make up a small percentage of overall households in emergency housing, we considered the impacts of this risk to be low.</p> <p>✓</p>

	Option A – Status Quo / Counterfactual	Option B – Changes to tighten the EH gateway
Alignment with broader Government changes	<p>Status quo settings do not enable achievement of the Government’s Target 8 objective, in that they do not support or incentivise people to leave EH – there are limited responsibilities for people to meet while in EH and a lack of effective consequences if responsibilities are not met. Current settings are no longer fit for purpose and do not support returning EH to its original intent, of being a last resort measure of assistance targeted to those with an immediate EH need who have exhausted all other accommodation options</p> <p>0</p>	<p>Changes to tighten the EH gateway, including continued investment in EH support services, are key focus areas and immediate priorities under the Target 8 Delivery Plan and work programme (the work programme includes other interventions in the medium to long term). EH gateway changes also align with initiatives in the wider housing system, i.e. work to increase the supply of suitable housing and maximising the impact of the existing supply.</p> <p>The changes may also support progress towards related Government targets, e.g. fewer people on Jobseeker support (as stable, secure housing supports positive employment outcomes).</p> <p>✓</p>
Alignment with Te Tiriti	<p>In evidence provided to the Waitangi Tribunal MSD admitted it had no record of ‘targeted consultation with Māori in the original development’ of the EH SNG.</p> <p>The WAI 2750 Stage One Inquiry into Māori homelessness found that the Crown has duties of partnering with Māori on homelessness responses and achieving equitable housing outcomes for Māori. In the absence of significant change to New Zealand’s housing system and approach to emergency shelter, MSD considers the EH SNG to be a component of the housing system that helps move the Crown closer towards Te Tiriti compliance, as it provides a last resort response for people and whānau where there are no other options.</p> <p>0</p>	<p>Option B introduces new responsibilities, introduces a 13-week non-entitlement period if an applicant fails to meet their responsibilities without good and sufficient reason after receiving two warnings, and removes the requirement for MSD to consider if a decline would worsen the applicant’s position. Without increased supply of alternative housing options, the changes create a risk of increased levels of homelessness, rough sleeping and overcrowding.</p> <p>Māori are overrepresented in EH and are more likely to be disproportionately impacted by the changes. The changes risk moving the Crown away from its duties of partnering with Māori on policy that affects them and achieving equitable housing outcomes.</p> <p>Option B may partially mitigate the risk of inequitable outcomes by extending the provision of EH support services that were due to end 30 June 2024.</p> <p>✗</p>
Overall assessment	<p>0</p>	<p>✓</p>

Key for qualitative assessment

- ✓✓ much better than doing nothing/the status quo/counterfactual
- ✓ better than doing nothing/the status quo/counterfactual
- 0 about the same as doing nothing/the status quo/counterfactual
- × worse than doing nothing/the status quo/counterfactual
- ×× much worse than doing nothing/the status quo/counterfactual

Appendix 2

Background on Emergency Housing Special Needs Grants, the wider housing system and structural drivers of housing need

EH SNGs were introduced to help people with an urgent housing need where other adequate accommodation options were not available

1. EH SNGs were first introduced in 2016, for those with no other adequate accommodation and who could not access EH delivered by a NGO. The grant was originally intended to be for no more than 7 nights in a 52-week period.³⁴ Grants are administered by MSD, with the type of accommodation funded mostly in motels or other commercial accommodation.
2. The EH SNG is still generally granted for up to 7 nights (shorter grants of 1 – 4 nights can be made). However, an EH SNG applicant can receive a longer grant, for up to 14 nights or 21 nights at a time, if MSD determines that the criteria to get a longer grant has been met.
3. At around the same time as the EH SNG was first established, the supply of TH was increased, with the intention that this would become the mechanism for people needing longer stays in temporary accommodation before moving into more permanent housing.³⁵ TH forms part of the wider housing system, along with Contracted Emergency Housing (CEH) motels in Rotorua, and COVID-19 motels that were used to house vulnerable people during lockdowns. The latter approaches allowed more strategic placement of grant recipients, and are being phased out as people transition to more suitable accommodation.
4. EH SNGs are provided for under the Special Needs Grants (SNG) Programme, a welfare programme established under s.101 of the Social Security Act 2018. The SNG Programme enables MSD to meet the costs of EH accommodation, with providers being required to register with MSD as a registered supplier.³⁶ The rules under the SNG Programme confer a considerable level of discretion and judgement on MSD case managers to determine whether an applicant is eligible, the length and number of grants, and the consequences (which are limited) for applicants who do not fulfil their grant responsibilities while in EH.³⁷

³⁴ The ability to pay for longer grants was established later. An EH SNG applicant can get a longer grant, for up to 14 nights or 21 nights at a time, if MSD determines the criteria to get a longer grant has been met.

³⁵ TH provides temporary accommodation for individuals and whānau who urgently need a place to stay. Length of stay is intended to be around 12 weeks and is delivered through TH providers, who also offer wraparound support to help those individuals and whānau into longer-term housing (an additional 12 weeks of support is available when they leave TH for more stable accommodation). MSD refers applicants to TH and currently determines entry to TH via the same eligibility criteria as for EH. There were 6,391 places available at the end of May 2024. Most are in houses with full facilities, however there are 781 units remaining in motels used for this service (as at end of May 2024).

³⁶ Note that providers are not subject to the provisions of the RTA.

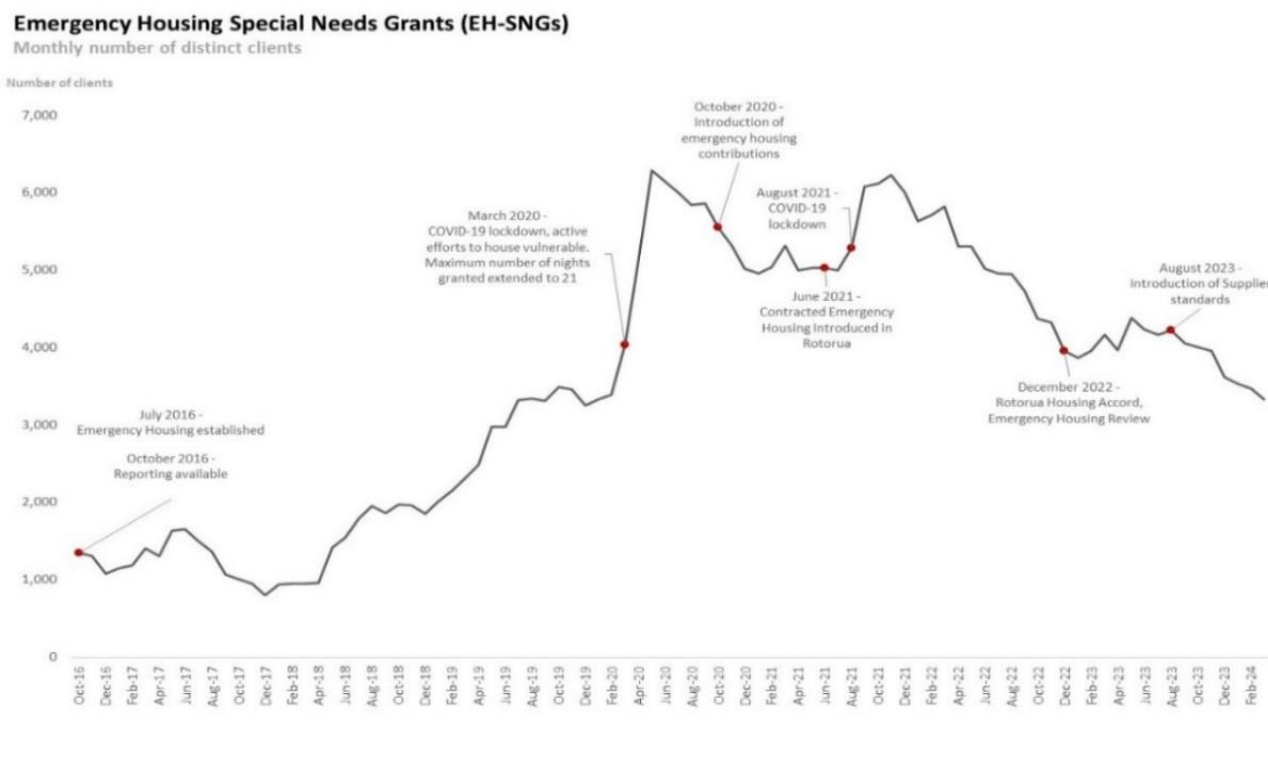
³⁷ Responsibilities are not codified but include making reasonable efforts to access other sources of housing assistance; accepting offers of housing that meet the grant recipient and their whānau's needs; understanding and following the EH provider's rules of stay; paying the EH contribution on time (after the first 7 nights in EH) and notifying MSD of a change in circumstances that affects entitlement, e.g. a change in income, or leaving EH.

EH SNG numbers at first substantially increased, but have been on a downwards trend since peaking in November 2021

5. Demand for EH has dropped significantly since peaking in November 2021, with the decreasing number of households in EH due to a combination of factors, including:
 - a. operational changes to support MSD staff to ensure EH grants are targeted to those in genuine urgent need (in August 2023 and April 2024)
 - b. introduction of the Priority One ‘fast track’ (April 2024) which has supported whānau with children in EH for 12 weeks or longer, to move out more quickly into social housing
 - c. housing support services to help people out of EH (July 2023)
 - d. an increasing supply of social housing³⁸
 - e. consistent messaging around the purpose of EH being for people with a genuine urgent need for short-term accommodation
 - f. phase one of the new Housing Support Programme (March 2023) which expanded the provision of recoverable assistance to help with the costs of commencing and retaining a residential tenancy.

6. Since 2016, iterative legislative and operational changes have been made to improve the functioning of the grant (see **Figure 3**).

Figure 3: Timeline of key EH SNG policy and operational changes



³⁸ Social housing supply has continued to increase (by around 2.3 percent since December 2023). However, given that the rate of increase in supply has been relatively consistent over time, this increase is unlikely to be having as much of an impact as other factors (such as operational changes to ensure EH grants are only made to those in genuine need, and introduction of the Priority One Fast Track).

Despite demand trending down, there remains a reliance on EH to address persistent housing need

7. While the number of households in EH has been trending down, numbers are still high, and many are still spending longer in EH than originally intended (see paragraph 5, page 10). Demand for government-assisted housing is due to a combination of structural drivers, system failures and individual stressors:
 - a. **Structural drivers** – people have inadequate income to afford housing that meets their needs, and there is a shortage of suitable housing, particularly rental properties that are appropriate and affordable. This is more acute for single adult or sole parent households.
 - b. **System failures** – lack of information and gaps in service provision means that people are not supported to access or sustain a tenancy at critical times. This could be limited support when leaving the health, justice or child protection systems, or limited prevention and support services when an individual or whānau experiences stressors or shocks.
 - c. **Individual stressors** – we know that many EH SNG applicants have been affected by events in the short-term with potential to disrupt housing access, such as tenancy termination or eviction, family breakdown, loss of income, hospitalisation, exit from prison, offending, and experiencing poor mental health and/or addiction issues. The ability to access or maintain housing when faced with stressors or shocks can be influenced by protective factors such as whānau or community support.
8. Target 8's Delivery Plan (see paragraph 11, pages 10–11) has a strong focus on addressing these drivers and system failures; for example, through greater emphasis on reducing demand for EH and ensuring it is only used when necessary, as well as improving pathways out of EH into stable housing, including appropriate supports.

Appendix 3

Key stakeholders engaged with on the emergency housing changes, and the nature of their interest

Government agencies – agencies involved in the operation of housing services, or who represent communities disproportionately represented in, or affected by, emergency housing. Ministries consulted were:

- a. The Ministry of Housing and Urban Development
- b. The New Zealand Treasury | Te Tai Ōhanga
- c. Oranga Tamariki | Ministry for Children
- d. Ministry of Justice | Te Tāhū o te Ture
- e. New Zealand Police | Ngā Pirihimana
- f. Department of Corrections | Ara Poutama Aotearoa
- g. Manatū Hauora | Ministry of Health
- h. Te Whatu Ora | Health New Zealand
- i. Department of the Prime Minister and Cabinet | Te Tari O Te Pirimia Me Te Komiti Matua
- j. Te Puni Kōkiri | Ministry of Māori Development
- k. Ministry for Pacific Peoples | Te Manatū mō ngā Iwi o te Moana-nui-ā-Kiwa
- l. Whaikaha | Ministry of Disabled People
- m. Office for Seniors | Te Tari Kaumātua
- n. Ministry for Ethnic Communities | Te Tari Mātāwaka.

Client Service Delivery – MSD staff involved in the management and operation of emergency housing, and related housing services, such as Housing Managers, and Regional Commissioners, and Regional Directors.

Housing Reference Group (HRG) – Established in January 2020 to inform MSD’s design and implementation of housing services, identify potential process and system improvements, and to provide a voice for the housing support sector in influencing housing policy and services. The HRG is an external reference group, with members representing 12 different NGOs from across the country, providing expertise in public and temporary housing issues and policy, and insight into tenants’ needs and lives. Current membership includes Accessible Properties Ltd, Downtown Community Management, Community Housing Aotearoa, Vision West, Emerge Aotearoa, the Salvation Army and Te Matapihi.

The combined experience from the HRG provides a valuable resource for MSD to refine its implementation approaches. The group allows MSD to test its thinking about potential housing interventions, high level operational policy, operational processes, and the delivery of MSD housing functions with trusted and experienced sector partners.

Māori Reference Group (MRG) – The Māori Reference Group provides strategic advice to MSD and has input into government policy that affects whānau wellbeing. It is an important bridge for helping MSD to connect with Te Ao Māori and whānau, hapū, iwi and hapori Māori.

Māori are a population group with disparate outcomes in EH and with housing security. The Group comprises Māori leaders who are innovative thinkers, with specialist knowledge and experience areas including Kaupapa Māori, family violence, health care, education, social service infrastructure, justice and community development. It has seven external members (at April 2024).

Pacific Reference Group (PRG) – The PRG has a mix of internal and external members (14 at March 2024). It helps build and facilitate a relationship between MSD and the Pacific community, and also reviews the actions and initiatives of our strategic plan to ensure they are effective for Pacific. Pacific peoples are a population group with disparate outcomes with housing security.

Community Law Aotearoa (CLA) – An organisation that provides communities access to confidential and free legal advice, and interpreting legislation and policies. CLA often work with people in EH or encountering housing issues.

National Beneficiaries Advocacy Consultative Group (NBACG) – A number of beneficiary advocacy organisations operate around New Zealand. These provide a voice, support and assistance for people who may have difficulty in obtaining their full and correct entitlement.