

Regulatory Impact Statement: housing-related hardship assistance – improving support for housing insecure and low-income New Zealanders

Coversheet

Purpose of Document	
Decision sought:	Cabinet approval of the proposal in the 2022 Budget
Advising agencies:	Ministry of Social Development (MSD) Te Tūāpapa Kura Kāinga – Ministry of Housing and Urban Development (HUD)
Proposing Ministers:	Hon Carmel Sepuloni, Minister for Social Development and Employment (lead Minister) Hon Dr Megan Woods, Minister of Housing
Date finalised:	7/04/2022
Problem Definition	
<p>The upfront costs of accessing a private tenancy are high, particularly for lower-income households. In most cases private landlords require the equivalent of six weeks’ rent upfront (made up of four weeks for bond and two weeks for rent in advance). In addition to the costs of accessing a private tenancy, lower-income households are at greater risk of falling into rent arrears.</p> <p>To assist lower-income households to access and sustain a private tenancy, MSD provides a range of financial supports, each targeting a different group:</p> <ol style="list-style-type: none"> 1. Advance Payment of Benefit (an Advance) paid to lower-income households receiving a benefit (including New Zealand Superannuation or a Veteran’s Pension) 2. Recoverable Assistance Payment (RAP) paid to lower-income non-beneficiary households who come within certain income and asset limits 3. Housing Support Products (HSPs) paid to lower-income households whose income is too high to receive either an Advance or RAP but still within the income and asset limits for HSPs. <p>The policy settings of these programmes have not been updated in recent years, despite worsening housing conditions for lower-income households. The maximum payments have not kept pace with increasing rents, and the cap on the number of times a household can receive a grant per year is restrictive.</p> <p>As well as support being unresponsive to the needs of lower-income households, there is an equity issue with the current structure of support. HSPs clients are able to receive non-recoverable assistance (assistance which is not required to be repaid) whereas Advances and RAPs clients are only able to receive recoverable assistance, despite having lower incomes and fewer assets.</p>	

Executive Summary

Since the 1990s, rental stress has exacerbated among lower-income New Zealanders. Increasing rents relative to main benefits and wages have contributed to high rental stress, high rates of mobility, housing insecurity and homelessness. Adding to the financial strain of lower-income households in the private rental market, MSD supports (Advances, RAPs and HSPs) have not kept pace with increases in rents and high rates of mobility, constraining their ability to effectively support the groups these supports were designed to.

In addition to inadequate support in the current rental market, the introduction of HSPs in 2014 has led to an inequitable system. Lower-income households eligible for an Advance or RAP are not able to access the non-recoverable forms of assistance which higher income HSPs clients are entitled to.

In light of these issues, MSD and HUD officials have developed a package of changes for consideration by Cabinet. The proposal will create a new and improved programme for all one-off housing-related hardship assistance. The proposed changes will ensure housing-related assistance functions as intended, by having maximum payments that reflect actual market rents and will therefore assist more households to access and sustain their tenancies. There will also be an increase to the number of times households are able to receive support per year, enabling support to be more responsive to households with higher housing insecurity. Further, the proposal will ensure that all eligible households of the programme are treated equitably, particularly in respect of the recoverability of payments. This new programme will be based on a variation of existing settings of the current housing supports available (Advances, RAPs and HSPs).

The proposal will serve the longer-term goals of preventing homelessness and improving lower-income households' wellbeing, ensuring that they have a secure, warm, and dry home. The changes will reduce pressure on emergency, transitional, and public housing.

Officials expect approximately 169,000 payments to be made under the new programme per year, 10,000 more than under the status quo, as a result of changes to the number of times an eligible client can receive a grant per year.

It is estimated that the new programme will cost \$42.003m to 2025/26 over and above forecast expenditure on the existing three programmes.

Implementing the new programme will not require any changes to primary legislation. Changes to a Ministerial Direction and Welfare Programmes under the Social Security Act 2018 will be required. Changes to MSD's IT systems and guidance for staff will be required to deliver the programme from March 2023.

Limitations and Constraints on Analysis

There was limited public engagement due to the proposal being developed for the 2022 Budget. However, MSD and HUD did hold some targeted engagement on overall challenges regarding current supports with the following groups:

- frontline staff (such as MSD Housing Brokers, MSD staff (Case Managers) and Sustaining Tenancies providers).
- Turuki Health Care (a kaupapa Māori organisation) and Walsh Trust (an organisation providing community based mental health support and residential services in Auckland)
- the Tenancy Advocacy Network (a network made up of several housing organisations).

Although MSD did not consult with recipients of HSPs or housing-related Advances and RAPs, many of the proposed changes came out of a review of HSPs carried out by MSD in 2017. As part of this review, MSD conducted analysis of administrative data (5,367 grants, to 30 June 2017) and feedback from four focus groups with MSD staff (case managers) to provide evidence on what changes, if any, should be made to ensure HSPs are effective.

The proposal also seeks to respond to insights from the WAI 2750 Kaupapa Inquiry into Housing Policy and Services regarding the complexity of navigating and accessing housing support.

Responsible Manager(s) (completed by relevant manager)

Alex McKenzie
Policy Manager
Housing Policy
MSD



7/04/2022

Quality Assurance (completed by QA panel)

Reviewing Agency: MSD

Panel Assessment & Comment:

The Regulatory Impact Analysis Panel at MSD has reviewed this RIS and considers it meets the quality assurance criteria.

- Clarity and conciseness (meets)
- Completeness (meets): the RIS has all the sections and is in this respect complete.
- Convincing (meets): the RIS makes a compelling case for changing the Housing Support Products delivered by MSD and, while we note these Products could further support lower-income households if made non-recoverable, this will be considered in future work.
- Consultation (meets): while there was limited consultation on this proposal, this is justified given this work is being undertaken as a Budget Bid and builds off of a previous review.

Section 1: Diagnosing the policy problem

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

Context on the New Zealand housing market

From 2000 to 2020, New Zealand has had the largest rise in house prices (in real terms) in the OECD. Rents have also increased significantly in recent years. In 1990, approximately 30 percent of low-income private renting households (lowest-income quintile) were spending over 40 percent of their income on rent. At present, the number of low-income households renting spending over 40 percent of their income on rent has doubled to 60 percent and is the highest proportion in the OECD.¹

When looking at households across the whole income spectrum, New Zealand has the second highest proportion of renting households spending more than 40 percent of their income on housing in the OECD, second only to the United Kingdom.

At the time of the 2018 Census, New Zealand's homeownership rates were at their lowest since the 1950s. By 2018, just over 1.4 million people were living in houses they did not own, including 120,000 children under five years of age. Lower-income households are much more likely to rent than higher-income households, meaning increasing rents disproportionately impact these households, including many Māori and Pacific families.

High rents can impact lower-income households' ability to afford and sustain their tenancy and access suitable private tenancies. Increased housing stress often means that households must choose between paying rent and other essentials such as food, clothing, electricity, internet, and transport. High housing stress results in higher rates of overcrowding and illness due to lower-income households not being able to afford suitable housing or the electricity required to properly heat their housing. Flow-on impacts of high housing stress include poorer health, employment, and educational outcomes.

MSD offers several programmes to assist households with housing-related costs

MSD provides the following financial assistance programmes to lower-income households renting in the private market to help them access and sustain a private tenancy:

- Advance Payment of Instalments of Benefit (an Advance) for beneficiary households (including households receiving New Zealand Superannuation or a Veteran's Pension)
- Recoverable Assistance Programme, via a Recoverable Assistance Payment (RAP), for non-beneficiary (predominantly working) households
- Housing Support Assistance Programme, via HSPs, primarily for lower-income households not eligible for Advances or RAPs due to income or assets.
- Accommodation Supplement (AS) and Temporary Additional Support (TAS) which provide ongoing weekly support with housing costs for both beneficiary and non-beneficiary households who meet an income and asset test. AS and TAS are not in scope of the proposal.

The legislation providing for Advances, RAPs and HSPs is the Social Security Act 2018 (the Act). Advance Payment of Instalments of Benefit is a Ministerial Direction established under section 7 of the Act, which allows the Minister for Social Development and Employment to

¹ *Housing affordability for renters and owners: International comparisons*, Bryan Perry, November 2021.

give MSD specific written directions about MSD performing specific functions. The Recoverable Assistance Programme and the Housing Support Assistance Programme (for HSPs) are welfare programmes approved and established under section 101 of the Act.

Background to hardship assistance

The current Ministerial Direction on Advance Payments of Instalments of Benefit and the Recoverable Assistance Programme were established in 1999. This type of financial support falls under hardship assistance which is only available to households with very limited income and assets (see Table One). To qualify, clients must also usually meet a reasonable steps obligation, which requires them to take personal responsibility for managing their money and take steps to reduce their costs, increase their income, or improve their financial management.

Table One: Income and cash asset limits for Advances/RAPs clients (1 April 2021)

Household type	
Single	\$591.20
Couple without children	\$858.72
Couple with children	\$858.72
Sole parent, 1 child	\$717.40
Sole parent, 2+ children	\$755.82
Cash Assets limits	
Single	\$1,126.21
All other households	\$1,876.56

Advances and RAPs can provide support for a wide range of essential costs such as clothes bedding, furniture and whiteware. All Advances and RAPs are recoverable, which means clients must repay assistance in full (though MSD sets the rate of repayment at a level that an individual client can afford).

In respect of housing-related hardship assistance, clients are able to receive assistance for:

- bond
- rent in advance
- rent arrears.

Hardship assistance clients are only able to receive a maximum amount at any one time. For beneficiary households receiving an advance, the maximum entitlement is **six weeks of the applicable benefit**. For non-beneficiary households receiving a RAP, the maximum for bond and rent payments is **\$600** in total. If a hardship assistance client has reached their maximum entitlement, they are not able to receive further assistance until they have paid down their debt unless there are exceptional circumstances. When assessing whether a client has exceptional circumstances, MSD staff consider whether not making a payment would worsen the client’s position, create any risk to the welfare of the client or their dependent children, or cause serious hardship to the client or their dependent children.

Background to HSPs

HSPs were established as part of the Social Housing Reform Programme (SHRP) in 2014.² The original aim of the programme was to assist public housing tenants and people on the Public Housing Register (or who contacted MSD regarding a housing need) to access private housing through a range of products and services. Several HSPs (bond, rent in advance, and the Transition to Alternative Housing grant) were also made **non-recoverable** to incentivise people to leave public housing (or not enter public housing) and find a private tenancy. The income and asset limits for HSPs were set higher than the hardship limits to reach more households (see Table Two for income and asset limits).³ In 2019, the scope of HSPs was expanded with the introduction of the rent arrears HSPs, which shifted the policy intent to include helping lower-income households sustain their tenancies, as well as help (and incentivise) households to access a tenancy.

Table Two: Income and asset limits for HSPs (1 April 2021)

Household type	Non-beneficiary households	NZS/VP recipients
Single	\$1,218	\$591.20
Couple without children	\$1,749	\$858.72
Couple with children	\$2,068	\$858.72
Sole parent, 1 child	\$1,682	\$717.40
Sole parent, 2+ children	\$1,962	\$755.82
Cash Assets limits		
Single	\$8,100	
All other households	\$16,200	

The maximum amount HSPs clients can receive is tied to each of their housing-related costs, whereas for hardship there is one maximum entitlement for all costs. For example, an HSPs client can receive the maximum amount for bond and still receive the maximum amount for rent arrears, whereas an Advance or RAP client is restricted by their maximum balance and cannot receive additional assistance if they are required to exceed that balance. The full list of payments under the HSP programme is set out in table three.

² Rent Arrears Assistance was introduced later in 2019.

³ The income/asset limits for HSPs are based on Accommodation Supplement Area 1 income/asset limits.

Table Three: List of HSPs

Grant type	Description	Recoverability	Maximum payment
HSP Bond Grant	Assists clients with the cost of bond (4 weeks of rent)	Non-recoverable (incentive)	\$2,000 per year
HSP Rent in Advance	Assists clients with rent required by landlords at the start of a tenancy (2 weeks of rent)	Non-recoverable (incentive)	\$1,000 per year
HSP Transition to Alternative Housing Grant	Incentive payment that can be offered to clients leaving public housing	Non-recoverable (incentive)	\$3,000 (once per lifetime)
HSP Moving Assistance	Assists clients with the costs of moving to a new house	Recoverable	\$1,500 per year
HSP Rent Arrears	Assists clients who are in rent arrears and at risk of losing their tenancy	Recoverable	\$2,000 per year
HSP Tenancy Costs Cover	Aims to reduce the (perceived) risks for landlords of letting to clients in disadvantaged groups	Recoverable	4 weeks of rent per year
Maximum amount HSPs clients can receive in one year			\$9,500 +TCC (dependent on actual rent, TCC goes to landlord)

Most payments for one-off housing-related assistance are made through Advances

Advances and RAPs are funded from a demand-driven appropriation. This type of appropriation is able to respond to increases in demand. HSPs are funded from a capped appropriation of \$7.2 million per year, which means that funding can be exhausted if demand is greater than funds available. This type of appropriation requires careful management. Before granting an HSP, MSD staff must assess whether other assistance in respect of the cost is available to the client. Table Four shows the large majority of lower-income households who receive support from MSD for one-off housing-related needs are beneficiaries, paid via an Advance.

Table Four: Total payments for bond, rent in advance and rent arrears in 2020

Programme	Bond	Rent in advance	Rent arrears	Payments	Percentage
Advances	34,830	39,119	21,334	95,283	78%
RAPs	5,074	5,314	6,826	17,214	14%
HSPs	3,251*	1,774*	4,984	10,009	8%
Total all	43,155	46,207	33,144	122,506	100%

*indicates non-recoverable payment

In addition to the main payments for housing-related hardship in Table Four, Table Five shows the remaining housing-related hardship assistance payments only available through HSPs.

Table Five: Remaining HSP payments (less frequently granted payments)

Other HSPs not listed above	Payments
HSP Moving Assistance	673
HSP Tenancy Costs Cover	43
HSP Transition to Alternative Housing Grant	91*
Total	807

What is the policy problem or opportunity?

There are two key policy problems with the current structure of housing-related hardship assistance.

- A) Worsening housing market conditions have constrained the ability of housing-related hardship assistance and HSPs to help lower-income households to access and sustain a private tenancy, meaning they do not always function as they were intended to, as
 - i. the maximum payments available do not always reflect current rents of clients and are therefore not providing adequate support
 - ii. the cap on the frequency payments can be made prevents lower-income households who move more frequently and require more assistance from receiving adequate support.
- B) The current structure of support (where there are three different programmes targeting three different groups) creates two-tiers of assistance, where households with higher-incomes and/or assets are able to receive more generous assistance and do not have to repay it, compared to lower-income households (Advances and RAPs clients).

In addition to these problems, there are several other issues relating to available support:

- C) The multiple supports available (Advances, RAPs and HSPs) means that the available assistance is not transparent to clients and administering payments is overly complex for MSD staff.
- D) There are gaps in support for certain groups in vulnerable housing situations, such as people in emergency housing, and people with disabilities.
- E) There are a range of other minor policy issues with the current housing-related hardship assistance, including:
 - i. the length of time the Tenancy Costs Cover HSP lasts (it currently ends at 12 months even if the tenancy is extended)
 - ii. some boarders are not able to receive support. This is where a boarder does not qualify for hardship assistance due to income/assets but who would be eligible for HSPs if it was not for the requirement to be a signatory of a tenancy agreement.

A) Worsening housing market conditions have constrained the ability of support to function as it was intended

i) Support has not kept pace with increases in rents

Housing-related hardship assistance maxima (Advances and RAPs)

The maximum amount of assistance that Advance clients can receive for housing-related costs is linked to main benefit rates. A client is eligible to receive an advance of six weeks of the appropriate benefit rate unless exceptional circumstances exist. This means that how much support increases is dependent on how much main benefits increase. While benefits have risen, particularly in recent years, housing costs have outpaced them.

Since 1999, the after-tax weekly rate of Jobseeker Support (known at the time as Community Wage) for a single person aged 25 and over has risen 60 percent. The rate for a couple with children has risen by 56 percent. Over the same timeframe, the median rent has increased by 174 percent (based on MBIE tenancy bond data). From 1999 to present, changes to benefit rates have not matched increases in rents, leaving clients with access to less assistance (or diminished purchasing power) for their housing-related costs relative to rents.⁴

The difference in purchasing power of an advance (six weeks of benefit) for a couple with two children receiving Jobseeker Support in 1999 and 2021 is shown in Table Six.

Table Six: Comparison between 1999 and 2021 of relative support provided by an Advance

	6 weeks benefit for couple with two children (maximum entitlement for an Advance)	6 weeks rent for couple with two children (bond + rent in advance)	Difference between maxima (6 weeks benefit) and actual payment required
1 October 1999	\$1,848.72	\$1,194	\$654.71
1 October 2021	\$2,887.80	\$2,880	\$7.80

In 1999, when the current Advance programme was introduced, rents were more affordable relative to benefit rates. Households accessing an Advance for housing costs would not necessarily reach their maximum entitlement to pay for their housing costs. If rents continue to rise faster than benefit rates, beneficiary households risk facing a deficit between the amount of housing-related assistance they are entitled to and the funds that they require to access and/or sustain a rental property. Outdated maximum payments are also an issue for clients’ overall Advance balance. If a household uses their whole maximum balance on housing, they are unable to use an advance for other essential needs (such as food, electricity, heating, and internet).⁵ The only way an eligible client can receive assistance above the maximum is for MSD staff to determine that they have exceptional circumstances.

For non-beneficiary households requiring assistance to access a rental property, the limits are even more restrictive. At present, the maximum limit for bond and rent payments through a RAP is \$600, regardless of family size. A three-bedroom house for a family to rent at the lower quartile in Manukau, Auckland for example, would cost \$2,400 for bond and \$1,200 for

⁴ Recent benefit increases have outstripped increases to rents.

⁵ The maximum entitlement is six weeks of the applicable benefit for an Advance and \$600 for housing-related payments for a RAP.

rent in advance. While MSD staff have discretion to exceed the maxima for RAPs, this is only in exceptional circumstances.

HSPs maximum amounts (available to higher-income households and households with higher assets)

Within the HSP programme the maximum payment for bond and rent arrears is \$2,000, and \$1,000 for rent in advance. These limits have not increased since 2014 when they were first introduced (2019 for the rent arrears payment). Since June 2014, when HSPs were introduced, the average rent for lower-income clients has increased 35 percent (to February 2022).⁶

Under current settings, the maximum a client can receive when accessing a new tenancy for bond and rent in advance is \$3,000 in total (\$2,000 for bond and \$1,000 for rent in advance). While this total is higher than the Advances (for almost all households) and RAPs maximum payments, they can still be inadequate for larger households. For larger families looking for properties costing over \$500 per week, \$3,000 is insufficient to cover both bond and rent in advance.

The current HSPs maxima disadvantage larger households, such as families with children and multi-generational families. These settings can disproportionately impact Pacific peoples in particular. Around 25 percent of Pacific households comprise seven or more people, compared with 6 percent for non-Pacific families. Further, Pacific peoples experience the highest level of severe crowding and living in uninhabitable housing across all ethnicities. If rents continue to increase faster than wages, families with children and larger multigenerational families will be placed under increasing financial pressure.

ii) The cap on frequency prevents clients from receiving the support they require

An HSP client is only able to receive a maximum of one grant per year (for each payment type).⁷ This means that if they need to move to a new house more than once in a year, they are unable to receive further support. Only if an HSP client's income and assets drop sufficiently low so that they become eligible for a hardship assistance are they able to receive further support for one-off housing-related needs.

For Advances and RAPs clients, the limit on the number of times a client can receive a payment is often more restrictive than HSPs. Although technically there is no limit, the maximum limits on the amount of financial assistance for Advances and RAPs act as a natural cap on the number of times a client can receive assistance. The maximum limits for Advances and RAPs act as a natural limit because in order to receive another Advance or RAP, a client is required to pay down their balance, and this is difficult given the incomes and assets levels of these clients. The only way that an Advance or RAP client is able to circumvent the cap is to have exceptional circumstance.

The restrictions on the number of times lower-income households are able to receive housing-related hardship assistance can result in poor housing outcomes, by preventing households in need from accessing assistance. This issue is exacerbated given that lower-income households move more frequently than higher-income households in the rental market.

⁶ Based on MSD administrative data - clients receiving Accommodation Supplement and renting.

⁷ A client can only receive a Transition to Alternative Housing grant once.

B) The introduction of HSPs created a two-tiered and inequitable housing support system

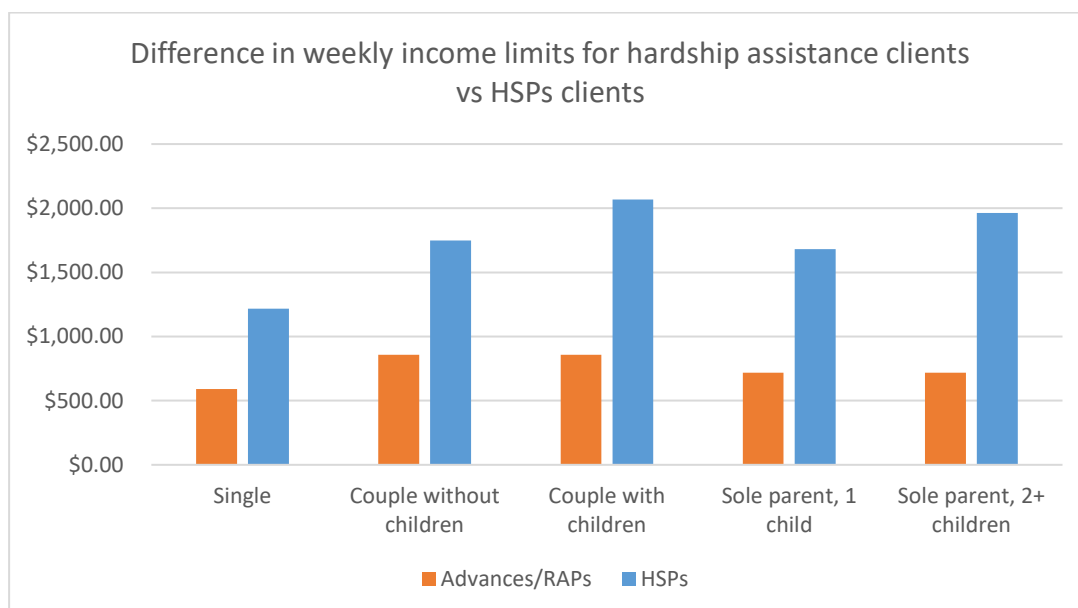
In 2014 HSPs were introduced with the intention that they would support and incentivise public housing tenants to access a private tenancy. The income and asset limits were set higher than hardship assistance to reach a wider group of households. Despite a different policy intent, HSPs provided for some of the same housing-related costs.

There are two key differences between HSPs and other housing-related hardship assistance (Advances and RAPs) that make HSPs a more generous form of housing assistance:

- Bond and rent in advance are non-recoverable for HSPs clients but recoverable for hardship assistance clients
- HSPs clients can receive more total assistance than Advances/RAPs clients⁸

Two-tiers of assistance were created because unlike hardship assistance, HSPs are funded through a capped appropriation. This type of appropriation means that if demand increases above the available cap, funding can be exhausted. To limit the number of payments made, in order to qualify for an HSPs, clients must not be able to receive an Advance or RAP. If clients do qualify for hardship assistance, they are not eligible for an HSP, excluding them from more generous support. Graph One shows the income limit inequity between hardship assistance and HSPs (1 April 2018).

Graph One: Comparison of income limits between Advances/RAPs and HSPs (2021)



⁸ The maximum entitlement for Advances clients is six weeks of main benefit, which is expected to cover all essential needs and all one-off housing-related costs. HSPs clients on the other hand are entitled to receive a maximum payment per housing-related cost (eg they can receive \$2000 for bond *and* rent arrears, and a further \$1000 for rent in advance - \$5000 in total). This makes the total amount they can receive more generous than the Advances maximum entitlement. Note however that in some cases where a client only requires a single payment (eg for rent in advance or bond) the maximum entitlement for Advances is higher than HSPs.

C) The system is overly complex

In their 2019 Report, the Welfare Expert Advisory Group (WEAG) noted that the income support system needs to be simplified so that clients and MSD staff can more readily engage with the system. Having three different programmes (Advances, RAPs and HSPs) for one-off housing-related payments makes the system non-transparent for clients and complicated for staff to administer.

The multiple programmes for housing assistance and the various policy settings to consider create complexity when MSD staff are administering support. MSD staff have indicated that HSPs are particularly difficult to use as the current IT system was designed to reflect the policy intent of HSPs being a payment of last resort (there are more steps for staff to complete before granting an HSP).

Evidence of administrative complexity was seen following the introduction of temporary changes made to the (recoverable) rent arrears HSP in July 2020. As part of the Government's COVID-19 response, the changes enabled clients to be able to receive up to \$4,000 in the first instance.⁹ The changes also enabled Advances and RAPs clients to receive assistance for rent arrears via the HSP programme without it impacting on their maximum Advance/RAP balance (six weeks of the applicable main benefit for Advances clients and \$600 for RAPs clients). Following the implementation of these policy changes, Advances and RAPs rent arrears payments only reduced by 19 percent, despite it being preferable for every client to receive an HSP over an Advance or RAP, so as to not impact on their overall Advance/RAP balance. Clients who did not receive a rent arrears HSP payment but received an Advance or RAP instead were potentially prevented from accessing hardship assistance for other essential items due to that assistance counting towards their Advance or RAP balance. The temporary HSPs rent arrears assistance changes are evidence of the system being complicated and confusing for staff, to the extent that clients are receiving less favourable assistance.

The legislation is also complex. The financial assistance available is set out in three different pieces of secondary legislation under the Social Security Act 2018:

- Housing Support Assistance Welfare Programme (for HSPs)
- The Ministerial Direction on Advance Payments of Instalments of Benefit (for Advances)
- The Recoverable Assistance Welfare Programme (for RAPs).

Having multiple pieces of secondary legislation for the same types of housing-related costs contributes to complexities in understanding and administering the available support, and creates challenges to keeping those settings up to date and fit for purpose.

From a client perspective, the multiple programmes can make available support non-transparent. Each programme has different eligibility criteria, obligations and payment settings. At first glance lower-income households who come under the income and asset limits for HSPs can qualify for assistance, however the 'payment of last resort' setting excludes any client who would otherwise qualify for an Advance or RAP. The complexity of the system leads to a lack of clarity around what support is available, requiring detailed knowledge of the system to understand how it works. It is likely that the complexity of the programmes is preventing take-up among eligible clients from being higher, particularly among lower-income working households (eligible for RAPs and HSPs).

⁹ These temporary settings ended on 30 June 2021.

D) There are likely gaps in the support currently available

The housing-related hardship cost categories (bond, rent in advance and rent arrears) and the payments available through HSPs are well-defined and prescriptive. The current categories do not enable costs to be covered where there is no available grant. Examples of costs not currently covered include the following:

- Supporting emergency housing clients to access and sustain accommodation in the private rental market. Emergency housing clients are in a precarious housing situation. Clients in emergency housing often face additional costs that clients in a private rental do not, for example, storage costs.
- Supporting tenants who are in a tenancy to maintain the property in a reasonable condition so as to avoid eviction.¹⁰
- Supporting tenants who are in a private tenancy but require assistance with minor modifications to ensure the property is accessible.¹¹

E) Other minor policy issues with current programmes

There are issues with minor policy settings under the current HSPs programme:

- The duration of Tenancy Costs Cover is currently available once per tenancy, and only if tenancy has ended within 12 months of commencement is the landlord able to receive payment. This setting may be inhibiting landlords from renting to certain clients due to a perceived risk they may cause damage to the property after a period of 12 months. Extending this type of cover for the entire length of the tenancy would give the landlord higher security over any additional costs (not covered by the bond) that may need to be paid for at the end of the tenancy.
- Advances and RAPs settings enable boarders (and other shared housing situations) to receive housing-related assistance, however HSPs settings exclude this group. To be eligible for an HSP a client must be a signatory of a tenancy agreement. There are likely lower-income working households boarding missing out on support since they do not qualify RAPs due to their income or assets and also do not qualify for HSPs due to the requirement to be a signatory of a tenancy agreement.

¹⁰ MSD carried out an analysis of housing-related payments made under the 'other' category paid to clients with the goal of supporting them to sustain their private accommodation. Case note analysis showed that clients approached MSD to provide assistance for costs associated with making sure the property is in a reasonable standard before a property inspection by the landlord.

¹¹ From 11 February 2021, landlords cannot decline a tenant's request to make changes to their rental property – as long as the change is minor.

What objectives are sought in relation to the policy problem?

To improve the availability of housing-related support, MSD and HUD have developed an initiative for Cabinet consideration which aims to achieve the following objectives:

- Ensure that all housing-related hardship assistance is adequate in the current rental market
- Ensure that assistance is equitable for all eligible households
- Ensure that assistance is and easy to understand for potential clients and simple to administer for MSD staff.

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

What criteria will be used to compare options to the status quo?

Each option is assessed against the following criteria to identify the extent to which it:

- Improves housing-related outcomes by supporting more lower-income households to access and sustain a private tenancy, including supporting people to remain out of emergency, transitional and public housing
- Improves equity among lower-income households
- Simplifies one-off housing-related payments for staff and lower-income households
- Is feasible, in terms of implementation and cost.

What scope will options be considered within?

In June 2021, MSD and HUD sought Ministers' direction on the potential scope of the HSPs review.¹² There were two approaches for consideration:

Approach One – Focused changes to existing products in the HSP programme, including increasing the amount and duration of assistance and tweaks to eligibility criteria. Housing-related Hardship Assistance would remain unaltered. This option would focus more on incrementally improving each product and tweaks to operational processes.

Approach Two (Proposed approach) – Comprehensive changes to policy settings for all HSPs, including consideration of merging housing-related Hardship Assistance (Advances and RAPs) and HSPs, improving operational systems, uncapping the appropriation, and the introduction of new products. This option would include considering whether current products are fit for purpose to best support lower-income households, as well as how any gaps could be filled by reviewing the range of HSPs available, and connections to other prevention work through the Aotearoa New Zealand Homelessness Action Plan. Officials would also consider how to improve products to overcome barriers for landlords to rent to lower-income households. Operational processes would be overhauled to simplify housing assistance for clients and MSD frontline staff.

¹² Minister of Finance, Minister of Housing, Minister for Social Development and Employment, and Associate Minister of Housing (Public Housing)

What options are being considered?

Option One – status quo

This option proposes no changes to following housing-related financial assistance programmes: Advances, RAPs, HSPs.

Option Two – a single new programme for all housing-related hardship assistance

Option Two is the package developed by MSD and HUD officials for Cabinet consideration. The package comprises of:

- The creation of a single new welfare programme for all one-off housing-related hardship assistance for lower-income households, with one set of eligibility criteria and policy settings (including recoverability settings) comprising of the following payments:
 - Bond Grant
 - Rent in Advance Grant
 - Rent Arrears Grant
 - Moving Costs Grant
 - Tenancy Costs Cover
 - Transition to Alternative Housing Grant.
- Increased maximum payments to reflect actual rents (for bond, rent in advance, and rent arrears).
- Increasing the cap on the number of times a client can receive a payment to twice per year (unless in exceptional circumstances), excluding Tenancy Costs Cover and the Transition to Alternative Housing grant.
- Making funding demand-driven (HSPs are currently funded from a capped appropriation which risks funding being exhausted if demand were to increase).
- Introducing a non-recoverable pilot running for two years to provide additional support for clients to access and sustain a private tenancy where current support is inadequate or there are gaps in support (for example, for some emergency housing clients).
- Increasing the duration of Tenancy Costs Cover to last the entire length of a tenancy (currently limited to a 12-month tenancy).
- Enabling boarders to access support (where currently boarders over the hardship assistance income and asset limits but under the HSPs limits are excluded).

Other options considered but not progressed

1. Remove the HSPs programme and bring the payments under the Advances and RAPs programmes. This approach was ruled out early in the policy development process as the income and asset limits for Advances and RAPs are much lower than HSPs limits. Applying hardship assistance limits would mean that part of the cohort who are currently able to receive an HSP would lose eligibility. One purpose for retaining the HSPs income and asset limits was to reach more households who require housing-related assistance, therefore strengthening the role HSPs play in preventing lower-income households from housing-insecurity.
2. A key component of hardship assistance is recoverability settings and how those settings impact clients. While considered for the current proposal, officials consider work on recoverability of housing-related payments is best placed under a wider review of all hardship assistance (Advances, RAPs and Special Needs Grants), to be carried in 2022. This review will take into account the Government's goal to reduce the impact of problem government debt for people in hardship in order to improve the financial wellbeing of low-income families and contribute towards reducing child poverty. Consideration of recoverability settings for housing-related hardship assistance will be based on the two principles of this work: improving coherence by improving consistency across the system where appropriate and focusing on fairness.

How do the options compare to the status quo/counterfactual?

	Option one - Status Quo	Option Two – a new programme for housing-related hardship assistance
Improves housing-related outcomes (helps lower-income households access and sustain private tenancies)	<p style="text-align: center;">-</p> <p>Keeping the status quo would mean that support remains unresponsive to the current market.</p> <p>If rents rise faster than wages and benefit rates, the value of support will be eroded (as it has been since the introduction of Advances, RAPs and HSPs)</p>	<p style="text-align: center;">++</p> <p>Implementing Option Two will better support people to access and sustain private rental accommodation through increases to maximum payments and enabling clients to receive more assistance throughout the year by increasing the cap on selected payments. The proposed pilot will also allow for support to be more responsive to demand where there are gaps in the current system of support (for example, assisting emergency housing clients to obtain and maintain a private tenancy).</p>
Improves equity	<p style="text-align: center;">0</p> <p>Equity between Advances/RAPs clients and HSPs clients would not improve. Households eligible for HSPs (households with higher income or assets than the hardship assistance limits) would continue to be able to receive more generous support through non-recoverable bond and rent payments.</p>	<p style="text-align: center;">++</p> <p>Fully aligning the policy settings for housing-related hardship assistance between Advances/RAPs and HSPs will create equity between all lower-income households who require financial assistance for one-off housing costs.</p> <p>While Option Two improves equity, a small number of lower-income households who would have been eligible for non-recoverable assistance through HSPs will no longer be able to access non-recoverable assistance.</p>
Feasibility	<p style="text-align: center;">0</p> <p>No additional implementation costs. However, there is a high risk that funding is exhausted under current HSPs appropriation which will require future Cabinet approval for additional funding.</p>	<p style="text-align: center;">-</p> <p>This option is expected to cost \$42.003m (over five years) in addition to current forecasted spending on HSPs and housing-related Advances and RAPs.</p> <p>The implementation of a new programme will not require any changes to primary legislation. Changes will be required to a Ministerial Direction and Welfare Programmes under the Social Security Act 2018. It will also require recruitment of new staff and training of all staff who administer support, IT system changes, and communication of the changes to the general public.</p>
Overall assessment	<p style="text-align: center;">-</p>	<p style="text-align: center;">+</p>

What option is likely to best address the problem, meet the policy objectives, and deliver the highest net benefits?

Option two is the preferred option of MSD and HUD. If implemented, the changes would:

- ensure assistance is adequate through increased payments to reflect increased rents and to enable lower-income households to access payments more frequently, thereby better support people to access and sustain a private tenancy
- improve equity by combining current housing-related supports into a single programme with a single set of eligibility criteria and policy settings (including recoverability settings)
- improve administration of support and create a more transparent system
- better support clients in vulnerable housing situations (eg emergency housing) and address gaps in support by introducing a new (non-recoverable) payment as a pilot for two years.

What are the marginal costs and benefits of the preferred option?

Affected groups	Comment <i>nature of cost or benefit (eg, ongoing, one-off), evidence and assumption (eg, compliance rates), risks.</i>	Impact <i>\$m present high, medium or low for non-monetised impacts.</i>	Evidence Certainty <i>High, medium, or low.</i>
Additional costs of the preferred option compared to taking no action			
Monetised cost to crown	Cost of increases to maxima and increase in frequency of payments.	\$20.338m	High
	Cost of two-year pilot (and monitoring /evaluation) to provide additional support for certain cohorts.	\$13.258m	Medium
	MSD operational implementation (IT changes, new staff and communications).	\$8.407m	High
Total monetised cost		\$42.003	
Lower-income household (eligible population), including beneficiary and lower-income working households	Due to the increase in maximum payments and frequency grants can be made, debt levels among eligible households are expected to increase. ¹³ HSP clients who would have been eligible for non-recoverable bond and rent in advance payment will no longer have access to this type of assistance (approximately four percent of all clients who received a housing-related grant in 2020). Although the issue of recoverability is being considered in a review of all hardship assistance in 2022.	Medium	High

¹³ The Government has agreed to work addressing problem debt to government for people in hardship [SWC-21-MIN-0171 refers]. An aim of that work programme includes preventing debt from occurring so that it does not create future problems for those in hardship.

Additional benefits of the preferred option compared to taking no action			
Lower-income household (eligible population), including beneficiary and lower-income working households	<p>Recipients will primarily be better supported to access and sustain accommodation in the private rental market. Having a safe and stable home contributes to improved outcomes in many areas of recipients' lives (including safety, health and wellbeing).</p> <p>For Advances and RAPs clients, this change will mean that payments they receive through this new programme will not impact on their Advances or RAPs balance, which will enable these households to access more assistance for other essential needs, such as food, heating, and electricity (as housing-related costs will no longer be counted towards their balance).</p> <p>The system will also be simplified through a new programme and therefore easier to understand and more transparent.</p>	High (approx., 10,000 more payments are expected as a result of increased frequency; clients who receive bond)	High
Wider government: reduced pressure on other forms of government housing support	Under this option, it is expected that more households will be prevented from requiring emergency and transitional housing, and public housing in some instances. Households in emergency, transitional and public housing will also be better supported when leaving.	Medium	Medium
Overall non-monetised benefits	<p>Will improve housing outcomes for clients by making support more adequate for the current market, more responsive to households' needs (as they can access support more frequently), and easier to access (through simplified application processes).</p> <p>Changes are also likely to mitigate demand on other government housing support.</p>	Medium-high impact	Medium-high impact

Potential longer-term (unquantified) benefits of Option Two (compared with status quo)

Through the improvements to one-off housing-related hardship assistance, recipients of support will primarily be supported to access and sustain accommodation in the private rental market. Having a safe and stable homes contributes to improved outcomes in many areas of recipients' lives, including:

- reduced risk of homelessness (including emergency housing and transitional housing)
- reduced demand for public housing through additional support for people on the housing register to move into a private tenancy
- being safe from harm/fear of harm
- improved health (including fewer acute hospitalisations)
- building relationships in, and having a stronger connection to the community
- in paid/unpaid work (improved employment prospects, opportunity for higher workplace productivity)
- education of children particularly, through improved attendance and achievement at school and in co-curricular activities

- public and community participation and engagement, including in the democratic process, in governance at a local/regional/national level, charitable organisations, marae, faith-based organisations, and school boards
- subjective wellbeing.

Distributional analysis

The proposal is likely to have a positive impact on the population groups outlined below. MSD administrative data shows these groups are disproportionately impacted by structural housing barriers and are more likely to apply for financial assistance for housing-related needs as a result.

Māori

Māori are more likely than the general population to have lower-incomes and be renting. Māori are also more likely to experience homelessness and make up 58 percent of all households accessing the Emergency Housing Special Needs Grant.

- 39 percent (41,904) of clients who received an Advance or RAP in 2020 were Māori
- 42 percent (4,345) of clients who received an HSP in 2020 were Māori.

Pacific peoples

Pacific peoples are disproportionately impacted by homelessness, including having the highest rate of living in over-crowded or severely crowded conditions. They have high rates of casual or contract work and small business employment, which makes them more vulnerable to the negative impact of an economic downturn (including housing outcomes).

- 9 percent (9,405) of clients who received an Advance or RAP in 2020 were Pacific peoples
- 15 percent (1,624) of clients who received an HSP in 2020 were Pacific peoples.

Young people

Young people can face additional barriers to accessing housing. Outside of the family home, there are very few housing options for young people under 18 years. 15–24-year-olds experience the highest rate of homelessness in New Zealand across any age group. There is a well-established correlation between young people leaving state care and homelessness (67% of whom are rangatahi Māori), resulting from the impacts of childhood trauma and unmet high and complex needs. Young people are also most likely to be on lower incomes.

- 16 percent (17,443) of clients who received an Advance or RAP in 2020 were aged 16-24 years.
- 10 percent (1,072) of clients who received a HSP in 2020 were under the age of 25.

Disabled people

Disabled people can have high and complex needs that can make accessing and sustaining suitable housing a major challenge. Disabled people also have lower incomes on average.

- 11 percent (12,134) of clients who received an Advance or RAP in 2020 were also receiving the Supported Living Payment (indicating that they or their dependent have a disability)
- 7 percent (757) of clients who received a HSPs in 2020 were also receiving the Supported Living Payment (indicating they or their dependent have a disability).

The number of disabled people accessing housing-related financial assistance is likely to be higher than the figures above (which only reflect people receiving a benefit indicating they have a disability), given that almost one in four New Zealanders self-report having a disability.

Section 3: Delivering an option

How will the new arrangements be implemented?

Legislative vehicle

As the preferred option seeks to merge all one-off/irregular housing-related assistance into one new Ministerial welfare programme, a new welfare programme will need to be established inserting all of these supports in this new instrument. The Minister has the ability to establish new programmes under s101 of the Social Security Act (SSA). A number of welfare programmes and a Ministerial Direction will need to be amended to ensure existing housing supports are removed from existing programmes. The programmes that have been identified so far as needing amendments to accommodate the new programme are:

1. Housing Support Assistance Programme
2. Special Needs Grants Programme
3. Recoverable Assistance Programme
4. Ministerial Direction on the Advance Payments of Instalments of Benefit.

Once all policy decisions have been made it will take approximately three months for Legal to prepare the new instrument and carry out necessary amendments to existing instruments. Depending on the technicality of the new programme and amendments this may be longer.

MSD staff and IT changes

The suite of changes proposed will require a lead in time of up to 12 months from the date that the final decisions about the proposal are made. The implementation date is dependent on the completion of IT system changes in order to ensure that that frontline staff can efficiently manage the forecasted client demand as well as to deliver an effective service (including the pilot). The proposed implementation date is March 2023.

Operational improvements include (resulting from proposed policy settings changes set out in the outputs above):

- streamlining the process by removing unnecessary steps in the grant process
- placing all one-off housing-related financial assistance in one system for ease of navigation
- developing capability and training for staff on new processes
- establishing easier decision-making processes for staff, with one set of eligibility criteria
- updating letters and communications.

IT improvements will include:

- updating the system Business Rules for eligibility, recoverability, and frequency
- updating the calculation system for maximum payments to reflect the different rates of payment clients are requesting
- designing application questions to capture data that will indicate areas for improvement and gaps in the new housing-related hardship programme.

Communication

A communications plan will be developed to ensure that the changes are communicated to staff and the public in advance of implementation.

Targeted information will be provided to key stakeholders including the National Benefit Advocates Consultative Group and Community Law.

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

Behavioural changes arising from abatement threshold increases can be monitored using administrative data

MSD will use administrative data to monitor the trends in receipt of assistance before and after the policy changes have been implemented, including the trends for different subgroups (eg, Māori, Pacific people, age, sole parents, people with a health condition or disability). Officials will also be able to monitor housing outcomes for people who receive a payment. This includes whether they remain in a private rental, move to another private rental, enter emergency, transitional or public housing.

Monitoring and evaluation of the pilot

MSD currently uses a combination of monitoring and evaluation to track the delivery of initiatives designed to assist people (including those in emergency housing) to access and sustain tenancies in the private market.

This initiative seeks funding of \$200,000 to expand the existing monitoring and evaluation work to understand the performance of the proposed pilot, and the fit of the pilot within the housing support system.

The additional monitoring and evaluation will include:

- monitoring uptake of the new non-recoverable payment
- qualitative case studies to understand the difference the new non-recoverable payment has made for MSD staff administering the payment and clients who have received it.

Approximately one third of the funding will be used for FTE (0.5 for 6 months) and two thirds will be project funding.