

Reference: 20220366

23 September 2022

Dear [REDACTED]

Thank you for your Official Information Act request, received on 28 August 2022. You requested the following:

*I seek copies of all papers produced by Treasury that mention Emergency Housing Special Needs Grants (EHSNGs) since 1 January 2020.*

### Information being released

Please find enclosed the following documents:

Item	Date	Document Description	Decision
1.	30 April 2021	Aide Memoire_ Contracting Emergency Housing in Rotorua	Release in part
2.	10 December 2021	Assessment Template - Vote Housing - 13570 - Contracted Emergency Housing (Rotorua Response)	Release in part
3.	10 December 2021	Assessment Template - Vote Housing - 14288 - Supporting the reset and redesign of the emergency housing system	Release in part
4.	10 June 2022	Feedback Progressing the emergency housing review	Release in part
5.	4 March 2020	Excerpts from HUG Briefing for March 2020 OPC meeting	Release in part
6.	2 June 2021	Excerpts from T2021 1429 Initial advice on the approach to the Accommodation Supplement Review	Release in part

I have decided to release the relevant parts of the documents listed above, subject to information being withheld under one or more of the following sections of the Official Information Act, as applicable:

- Under section 9(2)(g)(ii) – to maintain the effective conduct of public affairs through protecting Ministers, members of government organisations, officers and employees from improper pressure or harassment,
- Under section 9(2)(f)(iv) – to maintain the current constitutional conventions protecting the confidentiality of advice tendered by Ministers and officials.

In making my decision, I have considered the public interest considerations in section 9(1) of the Official Information Act.

Please note that this letter (with your personal details removed) and enclosed documents may be published on the Treasury website.

This reply addresses the information you requested. You have the right to ask the Ombudsman to investigate and review my decision.

Yours sincerely



Geraldine Treacher  
**Manager, Housing and Urban Growth**

# OIA 20220366

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Reference: T2021/1083 SH-18

Date: 30 April 2021

To: Minister of Finance (Hon Grant Robertson)

Deadline: 30 April 2021  
(if any)

## **Aide Memoire: Contracting Emergency Housing in Rotorua**

The purpose of this aide memoire is to bring to your attention the fiscal implications of the Ministry of Housing and Urban Development's (HUD) briefing, *Proposed immediate actions to address urgent homelessness and motel use issues in Rotorua* (dated 22 April), provided to the Minister of Housing and the Associate Minister of Housing (Homelessness). It is unclear how this advice was commissioned, but we understand that it may be discussed at a meeting on Monday 3 May with the Minister of Social Development, the Minister of Housing, and the Associate Minister of Housing (Homelessness).

One of the proposed options in the briefing is to reprioritise funding from the Emergency Housing Special Needs Grant (EHSNG) appropriation in Vote Social Development to contract whole motel facilities for emergency housing. This proposed option is not consistent with the Fiscal Management Approach, and depending on timing, risks being in breach of the Budget Moratorium and/or resulting in unappropriated expenditure. The briefing was not provided to Treasury for comment.

### **Background on the briefing provided to the Minister of Housing and the Associate Minister of Housing (Homelessness)**

The briefing notes the unsustainable pressure being put on emergency housing in Rotorua, and rising community concern over this: Rotorua has the highest number of EHSNG households to the number of transitional housing units in New Zealand, with a ratio of five to one (versus a ratio of one to one across the country).

The briefing asks the Minister of Housing and the Associate Minister to direct the implementation of one (or more) of four proposed immediate options to provide more stable, safe and supported housing for approximately 200 households with children in emergency motel accommodation in Rotorua. The options are as follows:

- a) HUD uses the existing Transitional Housing (TH) model to contract emergency housing supply through the contracting of whole facilities (this would involve transferring EHSNG funds to HUD to undertake contracting, and would cost an estimated s9(2)(f)(iv) [REDACTED])
- b) The Ministry of Social Development (MSD) replicates the existing TH model to contract emergency housing supply through the contracting of whole facilities (noting that MSD does not support this option, and that it would cost an estimated s9(2)(f)(iv) [REDACTED])

- c) Motels are identified as 'preferred suppliers' to house EHSNG clients through meeting a number of quality standards (no cost estimates provided, but the HUD briefing notes that this would be funded through existing EHSNG arrangements), or,
- d) The current EHSNG model, but a guarantee is provided by MSD to moteliors to fund a set number of rooms (no cost estimates provided, but the HUD briefing notes that this would be funded through existing EHSNG arrangements).

### **Preferred option not yet agreed**

We recognise that the emergency housing situation in Rotorua is urgent, and that there is a need for action. We have noted in past our concerns around the high cost and low certainty of the EHSNG model, and the disruptive impact this model has for families in terms of repeated relocations. We are broadly supportive of moves which improve the certainty of emergency housing supply, from both a cost efficiency and a social outcomes perspective.

HUD's briefing does not provide a recommended option. However, MSD has provided a separate briefing to the Minister for Social Development and recommend option (a), on the basis that option (a) has the quickest and most straightforward implementation.

MSD has also provided a further option not included in the HUD briefing:

- e) HUD contracts motel places through its existing transitional housing contracting model (consistent with option (a)) and offers these places to EHSNG clients. MSD would then reimburse HUD using its EHSNG funding. This option risks leaving HUD with a shortfall should it fail to fill all the contracted places.

It is unclear which option the relevant Ministers are likely to opt for, but the urgency of the situation means decisions may be sought quickly. We have not yet had time to form a view on the substance of the proposals as solutions in themselves, our focus here is on the proposed funding mechanisms only.

This aide memoire addresses fiscal issues with options (a) and (b), noting that options (c), (d) and (e) would not involve a substantive change to how EHSNG funding is used. Treasury's preference regarding the funding source for options (a) and (b) is that any contracting of whole facilities be funded directly, at least in the short term, from the Transitional Housing Multi Category Appropriation (TH MCA) within Vote Housing and Urban Development, rather than through a transfer of EHSNG funds. We expand on this below.

### **Treasury's preferred option**

If Ministers wish to pursue the option of contracting emergency housing supply through the contracting of whole facilities, then the most straightforward approach from a Treasury perspective would be to fund this directly from the Transitional Housing Multi Category Appropriation (TH MCA), until an appropriate permanent funding source can be identified. We understand from HUD Finance that there is currently an underspend in this appropriation on the order of around \$87 million to \$97 million for the 2020/21 year, noting that the expected costs of the proposed options are around \$30 million,

and that the existing scope of the appropriation is broad enough to cover the proposed activity. This option would also avoid the shortfall risk associated with the additional MSD option (e) above.

We understand that the Minister of Housing may be reluctant to use funding from the TH MCA for the purpose of contracting whole motel facilities for emergency housing, and that the Minister would prefer to use the remaining TH MCA underspend for new supply, given:

- the opportunity cost associated with further spending on motels, rather than accelerating progress on transitional housing work and reducing ongoing reliance on motels, and,
- recent criticism of, and attention on, the use of motels as a housing solution.

However, this option could be done immediately as an interim solution until ongoing funding is found, without Joint Minister or Cabinet Approval, as it is within the scope of the TH MCA and does not require any changes to appropriations. Therefore, it would not be in breach of the Budget Moratorium, and it would not result in unappropriated expenditure.

#### **Fiscal implications of options (a) and (b)**

HUD's paper advises that proposals (a) and (b) could be funded through reprioritising existing EHSNG underspends. We have outlined our concerns with this approach below:

*Budget Moratorium:* If the proposed options (a) or (b) were to go ahead, a decision could not be taken on this until after the Budget Moratorium concludes on 20 May, as these options would require changes to appropriations.

*Unappropriated Expenditure:* As the Supplementary Estimates for 2020/21 have now been finalised and closed, any further changes to appropriations for the 2020/21 financial year would result in unappropriated expenditure. Even if Ministers agreed that these decisions be covered by imprest supply, a decision for options (a) or (b) would still ultimately need to be tabled in the House through the Confirmation and Validation Bill.

*Fiscal Management Approach:* The EHSNG is a component of the Accommodation Assistance appropriation within Vote Social Development, administered by MSD, with the Minister of Housing as the Appropriation Minister. The EHSNG is a Non-Departmental Benefits or Related Expenses (BORE) appropriation. The Fiscal Management Approach expressly excludes fiscally neutral adjustments involving BORE appropriations, and Cabinet approval would be required to make these changes.

The proposed options (a) and (b) are technically possible, if the decision:

- was approved by Cabinet,
- after the conclusion of the Budget Moratorium on 20 May 2021, and,
- only makes changes which take effect from 1 July 2021 onwards.

We would note that there is a precedent risk here, in that reprioritising a BORE 'underspend' may then be interpreted as a viable solution in other policy areas. There is also a risk that forecast demand for a BORE could be 'topped up' again at the next Baseline Update. This would effectively result in a charge against OBEGAL without the spending ever going through the scrutiny of the Budget process. However, we understand that there have been instances where BORE funding has been utilised for other purposes in the past, where agencies have been able to present a strong case and financial modelling showing that the policy change would directly lead to a reduction in demand for the benefit, i.e. that it was genuinely fiscally neutral.

You may wish to discuss this with your colleagues ahead of their meeting on Monday 3 May, or before any of these proposals are progressed further.

## Budget 2022 initiative assessment template

### 13570 – Contracted Emergency Housing (Rotorua Response)

#### Overview

<b>Initiative type</b>	Manifesto		
<b>Was the initiative invited?</b>	Invited		
<b>Lead Minister</b>	Hon Dr Megan Woods, Minister of Housing	<b>Lead agency</b>	Te Tuāpapa Kura Kāinga – Ministry of Housing and Urban Development
<b>Support/support scaled/do not support/defer (choose one)</b>	<p><i>Support.</i></p> <p><i>Policy decisions have already been taken and the initiative is underway in Rotorua. Not funding would require the changes to emergency housing Rotorua to be unwound. We note that there is ongoing work on resetting the emergency housing system, and depending on the outcome of this work, outyears funding may need to be revised. While the initiative has yet to be fully evaluated, initial evidence indicates that it is already leading to improved outcomes over the status quo.</i></p>		

#### Funding sought

Operating funding (\$m)	2021/22	2022/23	2023/24	2024/25	2025/26 & outyears	Total					
	-	35.457	36.097	36.737	37.397	145.688					
Capital funding (\$m)	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	Total
	-	-	-	-	-	-	-	-	-	-	-

#### Funding recommended

Operating funding (\$m)	2021/22	2022/23	2023/24	2024/25	2025/26 & outyears	Total					
		35.457	36.097	36.737	37.397	145.688					
Capital funding (\$m)	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	Total
<b>Do you support outyears funding?</b>	Y	Ongoing funding is needed and the costings align with expenditure to date. As there is a dependency with the ongoing review of the emergency housing system, it is possible that further changes to the operating model will be made in the future. This could have implications for the level of outyears funding needed.									
<b>Do you recommend a tagged contingency?</b>	N	There is enough certainty around the costings that a contingency would not have any material benefit.									

#### Scaled Funding

<b>Scalability</b>	N	Scaling down the initiative would mean that families in these contracted places would likely return to Emergency Housing Special Needs Grants, which are associated with poorer outcomes and represent poor value for money. However, it is technically possible to scale the initiative to fund the next two years only. This would have the benefit of potentially allowing for the outcomes of the emergency housing review to be taken into account in outyears if needed. We do not recommend this as it's likely that a similar level of funding will be needed in the future.
<b>Minimum viable amount</b>	Operating funding (\$m)	

	2021/22	2022/23	2023/24	2024/25	2025/26+					
		35.457	36.097							
	<b>Capital funding (\$m)</b>									
	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31+
<b>Risks to scaling</b>	There is little value to scaling this initiative as ongoing funding will be needed.									

### Value for Money Analysis

Value	1 - Low	2	3	4	5 - Excellent
	3 – in the absence of broader changes that increase housing affordability at large, the initiative represents an improvement in value for money terms compared with the existing Emergency Housing Special Needs Grants, which are associated with poor outcomes and have not functioned as originally intended when first introduced in 2016. We have not given the initiative a higher value for money rating on the basis that it will not affect the fundamental drivers of homelessness.				
<b>He Ara Waiora alignment</b>	<p><i>Tikanga</i> – The initiative was developed through ongoing engagement with local iwi and the local council, who also have a clear role in implementation and delivery. There has been clear input from other agencies, notably MSD.</p> <p><i>Manaakitanga</i> – The initiative shows an understanding of, and commitment to, realising the priorities of local iwi through its engagement with local iwi in the design of the initiative, and HUD's plan to provide a support, rather than lead role, in the ongoing operating of the initiative. There is an emphasis on kaupapa Māori solutions and consideration around who is best placed to deliver them. There is strong emphasis on improving the wellbeing and mana of those in emergency housing in Rotorua, of whom around 85% are Māori.</p>				
<b>Living Standards Framework alignment</b>	The initiative uses a range of evidence and data to show that achieving its goals will positively impact on the LSF's wellbeing domains.				
<b>Distributional impacts</b>	Y	The distributional analysis is reasonable and logical.			
Alignment	1 - Low	2	3	4	5 - Excellent
	4 – this initiative aligns with several key Wellbeing Objectives, as well as cross-government strategies, such as the Child and Youth Wellbeing Strategy and the Aotearoa New Zealand Homelessness Action Plan.				
Delivery	1 - Low	2	3	4	5 - Excellent
	4 – the initiative has already been set up in Rotorua. HUD has advised that all contracted moteliers have expressed that they wish to continue the current emergency housing contracts.				
<b>Salary expectations</b>	N/A				
<b>Implications from additional FTEs</b>	N/A				

### Other comments

<b>Urgency</b>	New funded is needed to continue the new emergency housing system in Rotorua from 2022/23. Without new funding, the initiative will have to be wound down.				
<b>Confidentiality</b>	N	Out of scope			

<b>Child poverty impacts</b>	Y	<i>HUD's child poverty impact analysis appears reasonable and logical.</i>
<b>NGO impacts</b>	Yes	.
<b>Regulatory impacts</b>	N/A	

## Budget 2022 initiative assessment template

### 14288 – Supporting the reset and redesign of the emergency housing system

#### Overview

Initiative type	Manifesto		
Was the initiative invited?	Invited		
Lead Minister	Hon Dr Megan Woods, Minister of Housing	Lead agency	Te Tuāpapa Kura Kāinga – Ministry of Housing and Urban Development
Support/support scaled/do not support/defer (choose one)	<p><i>Support scaled.</i></p> <p><i>We are supportive of the case to redesign the current emergency housing system and move away from Emergency Housing Special Needs Grants, which have not been working as intended. This proposal is dependent on policy decisions taken by Cabinet (expected March 2022) following the completion of the emergency housing review being undertaken by HUD. As decisions are yet to be taken, there is a high degree of uncertainty around the costings. At this stage, we recommend time-limited funding for two years, subject to Cabinet decisions, noting there is a possibility funding will need to be held in a tagged contingency. We note that ongoing will be required if Cabinet agrees to change the approach to emergency housing, but it is too early to say with certainty what the costs of this will be.</i></p>		

#### Funding sought

s9(2)(f)(iv)

#### Funding recommended

Operating funding (\$m)	2021/22	2022/23	2023/24	2024/25	2025/26 & outyears	Total					
		155.000	200.000			355.000					
Capital funding (\$m)	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	Total
Do you support outyears funding?	N	As HUD's review of the emergency housing system is still underway and Cabinet is yet to take policy decisions, we do not recommend funding outyears at this point in time as there is a high degree of uncertainty around the costings.									
Do you recommend a tagged contingency?	Y	Depending on how much certainty there is around the immediate costings when Cabinet takes policy decisions in March, it is likely that a tagged contingency will still be required.									

#### Scaled Funding

Scalability	Y	The initiative could technically be scaled to one year to ensure that the implementation work can get underway once Cabinet has agreed policy recommendations, s9(2)(f)(iv)
Minimum viable amount	Operating funding (\$m)	

	2021/22	2022/23	2023/24	2024/25	2025/26+					
		155,000								
	Capital funding (\$m)									
	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31+
Risks to scaling	As above, we recommend that the initiative be funded for two years, rather than one.									

**Value for Money Analysis**

Value	1 - Low	2	3	4	5 - Excellent
	3 – we know that the current Emergency Housing Special Needs Grants are not working as intended, and represent poor value for money on the basis that they are associated with poor outcomes and are costly. While changes to the emergency housing system may be more expensive, they will likely lead to improved outcomes and on this basis, are better value for money. We have not given a higher value for money rating on the basis that there is still a high level of uncertainty around the costings and that the initiative is targeted at the vulnerable cohorts at the acute end of the housing crisis and will not improve housing affordably or supply at large.				
He Ara Waiora alignment	<p>Tikanga – The initiative has drawn on the findings emerging from the first phase of the Wai 2750 inquiry into Māori homelessness. HUD has also engaged with Te Matapihi, and drawn on initial conversations with providers, including iwi and Māori housing providers.</p> <p>Manaakitanga – s9(2)(f)(iv)</p>				
Living Standards Framework alignment	This submission shows that achieving the proposal’s goals will positively impact on the LSF’s wellbeing domains of housing, health and safety.				
Distributional impacts	Y	HUD’s distributional impact analysis is based on reasonable and logical assumptions.			
Alignment	1 - Low	2	3	4	5 - Excellent
	4 – This initiative aligns with the Government’s Wellbeing Objectives around improved access to safe housing, and improved mental and physical wellbeing.				
Delivery	1 - Low	2	3	4	5 - Excellent
	<p>2 – This is a new initiative and represents a significant change to the current emergency housing system. s9(2)(f)(iv)</p> <p>It is encouraging that the recent changes to emergency housing in Rotorua appear to be working as intended, and that while a formal evaluation is yet to be completed, early evidence indicates it is leading to improved outcomes.</p>				
Salary expectations	N/A				
Implications from additional FTEs	N/A				

**Other comments**

<b>Urgency</b>	<i>This initiative is dependent on policy decisions to be taken by Cabinet in March or April 2022. Not funding through this Budget will mean that out-of-cycle funding will be sought or that Cabinet is left to agree policy decisions separate from funding decisions.</i>	
<b>Confidentiality</b>	N	
<b>Child poverty impacts</b>	Y	Out of scope
<b>NGO impacts</b>	Partial	
<b>Regulatory impacts</b>	N/A	

<b>Title of paper</b>	<b>Progressing the emergency housing review</b>
<b>Minister and agency</b>	Minister of Housing – Ministry for Housing and Urban Development Minister of Social Development and Employment – Ministry of Social Development
<b>Description</b>	This paper seeks Cabinet agreement to a long-term vision for an ‘ideal’ future state emergency housing system, together with proposed first steps towards system redesign.  s9(2)(f)(iv) [Redacted]  [Redacted]  [Redacted]
<b>Comments</b>	s9(2)(f)(iv) [Redacted]  [Redacted]  [Redacted]  [Redacted]  [Redacted]
<b>Consulting Minister’s due date</b>	14/06/2022

<b>Cabinet or Cabinet Committee</b>	Social Wellbeing Committee
<b>Fiscal implications</b>	s9(2)(f)(iv) [Redacted]
<b>Recommended action</b>	s9(2)(f)(iv) [Redacted]

Excerpts from:

Date: 04 March 2020

SH-18-2-9

To: Caralee McLiesh, Struan Little  
Cc: Matthew Gilbert, Corwin Wallens

From: Bastiaan van der Scheer

## **Housing and Urban Growth briefing for March OPC meeting**

### **Agencies are delivering initiatives from the Homelessness Action Plan, with 6 of 18 initiatives ranked amber (including supply)**

- The Homelessness Action Plan was publicly announced on 13 February.
- Overall the plan appears to have been well received. Responsible agencies are starting to implement initiatives approved in the Homelessness Action Plan in December 2019. Some slightly more negative coverage has questioned the introduction of a co-payment for Emergency Housing Special Needs Grants (EH SNGs, or motel stays) or noted the lack of new builds in the plans to acquire additional supply. The co-payment brings EH SNGS in line with co-payments for transitional and public housing.

Excerpts from



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



**TE TAI ŌHANGA THE TREASURY**

# Report

**Date:** 2 June 2021

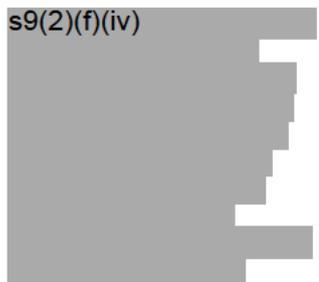
**Security Level:**

**To:** Rt Hon Jacinda Ardern, Prime Minister / Minister for Child Poverty Reduction  
Hon Grant Robertson, Minister of Finance  
Hon Dr Megan Woods, Minister of Housing  
Hon Carmel Sepuloni, Minister for Social Development and Employment  
Hon David Parker, Minister of Revenue

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## Initial advice on the approach to the Accommodation Supplement Review

- AS is part of a range of housing assistance offered in New Zealand, and changes to AS will have a range of consequential impacts for other types of support. For example, changes could have flow-on impacts for the demand for public housing and expenditure on the Income Related Rent Subsidy; there are likely to be direct consequences for expenditure on Temporary Additional Support (TAS) given the proportion of TAS recipients receiving support with high housing costs; there may be flow-on impacts for EH SNG expenditure depending on how adequately people are supported in the private market following any changes. Some forms of housing assistance (i.e. Housing Support Products and the Accommodation Benefit) share parameters with the AS, so these flow-on impacts should also be considered.

<p><b>Emergency Housing Special Needs Grants</b></p> <p>A grant that helps people with the cost of staying in short term emergency accommodation. Client contributes 25% of their income.</p>	<p><b>Emergency housing (motels, campsite)</b></p>	<p>8,503 individual clients granted an EH SNG (December 2020 quarter)</p>	<p>\$215.4 million</p>	<p>\$1,501 average 7-day-rate per grant</p>	<p>s9(2)(f)(iv)</p> 
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