

## Emergency Housing Special Needs Grant (EH SNG) Policy Settings

| Description   |
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| <p>This initiative focuses on changing the Emergency Housing Special Needs Grant (EH SNG) policy settings. These changes will include:</p> <ol style="list-style-type: none"> <li>1. requiring EH SNG client to contribute 25 percent of their income towards the cost of the emergency housing and</li> <li>2. extending the period an EH SNG can be granted for (currently limited to seven days) up to 21 days (period to be agreed by Ministers) for clients who are receiving intensive case management and contracted navigator support.</li> </ol> <p>This bid links with the Housing Ministers briefing 'Homelessness Package: Emergency Housing Special Needs Grant Policy settings' (REP19/9/769).</p> <p>The total funding requested upfront is <b>\$12.96 m</b> to be used over 3.5 years.</p>  |
| Target cohort and continuum   |
| <p>Individuals and families receiving EH SNGs for emergency housing accommodation (eg motels and hostels).</p>  |
| Aims and action area it fits under  |
| <p>Changes to the EH SNG policy settings are part of the plan to reduce reliance on motels for emergency housing and is part of a broader work programme underway to address homelessness. As part of this work programme, the Ministry of Housing and Urban Development (HUD) and the Ministry of Social Development (MSD) are identifying ways in which the system has appropriate settings and foundations to provide an effective system response. Changes to the EH SNG policy settings are considered to be under the "System Enablers" section in the plan to reduce reliance on motels.</p> <p>The introduction of a client contribution also helps improve housing stability for clients post EH SNG because they will be used contributing towards costs of accommodation.</p>  |
| Why is it required  |
| <p>Since January 2018, the number of distinct clients seeking the EH SNG has increased on average by seven percent each month. The number of EH SNGs and the amount granted each month has increased by nine percent and ten percent respectively.</p> <p>At the same time, demand for public housing is also increasing. Between January 2018 and October 2019, the number of applications on the Housing Register has increased by 122 percent or 7,900 applications (approximately 359 applications each month).</p> <p>To help reduce the reliance on motels, HUD are seeking approval to deliver an additional <sup>s 9(2)(i)</sup> transitional housing places by <sup>s 9(2)(i)</sup> HUD also anticipate delivering an additional 2,600 social houses over 2019/20. The new supply of transitional and social housing will likely help house current emergency and transitional housing clients – which may slow the rate of growth for EH SNGs. However, this increase in supply will unlikely reduce the demand for EH SNGs in real terms.</p> <p>If demand for EH SNG continues to grow at historic rates and no changes are made to EH SNG policy or operational settings, we estimate there would be around 6,000 clients receiving an EH SNG by June 2020. Although we consider motel availability may reduce this growth to 4,500.</p> |

There needs to a stronger focused approach to demand management, including strengthened prevention and support measures, is required to reduce reliance on motels and assist people into more secure and stable forms of accommodation.

Minister Sepuloni and Minister Faafoi have agreed in principle to introduce a client contribution and providing some flexibility around EH SNG renewal periods where the client is receiving intensive case management/navigator. To make these changes, MSD would need to undertake a range of work that has not yet been funded. [Refer to REP19/9/769 for further detail on policy rationale].

There are two key changes to the EH SNG required:

*1. Requiring client contributions*

Current inequities exist between clients receiving EH SNG, who do not pay any contribution towards emergency housing costs, and those in transitional housing, who are required to make contributions of 25 percent of their income towards emergency housing costs. Tenants in public housing pay Income Related Rent which is also based on approximately 25 percent of the household's income.

The lack of a contribution requirement for clients receiving EH SNGs does not help clients prepare for transitioning from emergency housing to other forms of housing where they must pay housing costs. Not requiring client contributions may also encourage some clients to enter or remain in EH SNG accommodation because they do not have to contribute to their accommodation costs.

*2. Extending the period of time the EH SNG can be granted for to individuals receiving intensive case management and contracted navigators*

Currently the EH SNG can be granted for a period of seven days. For additional periods, a new application must be made every seven days. Further grants can be made if exceptional circumstances apply. This is intended to provide a touchpoint with clients to ensure they are continuing to look for alternative housing as well as an opportunity to check on their wellbeing. MSD is rolling out Intensive Case Managers (ICMs), Navigators and support services to priority cohorts (families with children, clients with mental health needs and people at high-risk of housing insecurity) to EH SNG clients by the end of November 2019. For individuals receiving intensive case management and contracted navigators, it is proposed that the period an EH SNG can be granted for is a maximum of 21 days, at the discretion of MSD, in recognition of additional wraparound support and contact these services provide. Individuals who do not receive these services will continue to reapply for an EH SNG every seven days.

### **Indicative implementation and delivery plan**

Initial design work in order to report back to Ministers in mid-November is underway. Once we have reported back to Ministers, and after Cabinet agreement and a welfare programme change, MSD will work towards implementing the changes. In order to meet an early introduction, MSD is undertaking some of initial IT work in advance of securing the contingency funding.

The core steps are:

- policy parameters are agreed
- changes to Ministerial Welfare Programme
- operational system design and implementation (including IT system changes).

Current design work has indicated that we are able to implement these changes by March 2020 (using an interim manual process). Final system changes will be implemented by June/July 2020.

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| <b>Kaupapa Māori approaches</b>  |
| Māori make up a significant proportion of those receiving an EH SNG. As at May 2019, of the 1,899 EH SNG clients, 1,127 or 59 percent were Māori. Therefore, the outcomes that this work aims to achieve to help EH SNG clients be better prepared for life after emergency housing by being accustomed to contributing towards accommodation costs would apply to Māori EH SNG clients and non-Māori EH SNG clients.  |
| <b>Output/service being purchased</b>  |
| Funding will be used for the costs of implementing a client contribution model for EH SNG clients the EH SNG (both set up and ongoing additional staff time), and the costs of creating an option for an extended EH SNG renewal period.   |
| <b>Impact/s and outcomes</b>   |
| <p>Introducing a client contribution will help better prepare some individuals when they transition from emergency accommodation to alternative housing such as transitional housing, social housing and/or to the private rental market by accustoming them to contribute towards the cost of accommodation weekly. The client contribution may also encourage some clients to exit or avoid emergency housing because they will be required to contribute to their accommodation costs.</p> <p>Having a client contribution in place will increase equity between clients receiving an EH SNG who do not contribute to the cost of accommodation and clients in transitional housing who contribute 25 percent of their income, despite both groups having an emergency housing need.</p> <p>Clients in emergency housing receiving intensive case management or contracted navigators will no longer be required to apply for a renewed EH SNG every seven days. Depending on the client's circumstances, MSD staff will be able to extend the period of the EH SNG for up to 21 days. This will save time for the client by no longer going through the renewal process weekly, whilst allowing the client to still benefit from regular contact with MSD support services by way of intensive case management or contracted navigators.</p> <p>In the medium to long term, capacity will also be freed-up for MSD staff by no longer granting EH SNGs for this group, and completing the necessary administrative steps, every seven days for every client that requires emergency housing.</p> |
| <b>Counterfactual or risk mitigation</b>   |
| <p>Not requiring financial contribution from EH SNG clients may lead to poor management of finances once they exit emergency housing. There is a risk that once clients have transitioned to transitional housing, social housing and/or the private rental market where they will be required to contribute to their housing costs on a weekly basis, they will be unprepared for this expense. Client who cannot meet accommodation costs are at risk of re-entering emergency housing.</p> <p>Keeping the EH SNG period limited to seven days in situations where clients already have regular contact with MSD (eg clients receiving intensive case management and contracted navigator support) would result in more contact with MSD staff than is necessary. For these clients, applying for a renewed EH SNG would be a compliance exercise for both the client and staff.</p>   |
| <b>Funding required and cost effectiveness</b>   |
| If a client contribution for EH SNG is introduced, we estimate that it will cost approximately <b>\$12.96m</b> (including \$6,501,600 for IT changes) over a three -year period (2020-2023). This includes funding to implement the additional case manager time for the EH SNG client contribution, which is an estimated two thirds of the additional processing time needed. This is  |

because there will be some case manager savings from the proposed ability to allow an extension of EH SNG grants by Intensive Case Managers and potential reduction in EH SNG numbers with additional supply and the introduction of client contribution.

The overall financial estimates for implementation of the EH SNG, a conservative estimated reduction in EH SNG grant savings from reduction of 10 percent in EH SNG numbers, client contribution revenue and the implementation and ongoing costs are set out below. It shows a deficit in the 2019/20 financial year and savings and revenue in outyears.

| Year         | Costs of implementation (Millions) | Estimated client contribution savings (Millions) | Overall savings and revenue (Millions) |
|--------------|------------------------------------|--|--|
| 2019/20      | \$5.25                             | \$3.20   | -\$2.05                                |
| 2020/21      | \$4.03                             | \$12.80  | \$8.77                                 |
| 2021/22      | \$1.84                             | \$12.94  | \$11.10                                |
| 2022/23      | \$1.84                             | \$12.94  | \$11.10                                |
| <b>Total</b> | <b>\$12.96</b>                     | <b>\$41.88</b>                                   | <b>\$28.92</b>                         |

The total funding required upfront for these changes is **\$12.96m** to be used over 3.5 years.

### Evidence of effectiveness

Evidence of effectiveness of changes to EH SNG policy settings (eg requiring a client contribution) would be gathered by monitoring the uptake of EH SNGs after implementation compared to the forecasted business as usual. Given the introduction of ICMs and Navigators for priority EH SNG cohorts, it may be difficult to detect any changes as a result of this policy – except at the anecdotal level.

If after the additional supply and considering the Business as Usual increase in EH SNG are calculated, the potential number of less EH SNG clients has been estimated as follows:

- at a conservative estimate if a 10 percent reduction results from the client contribution this is expected to reduce EH SNG numbers by 233 EH SNG clients per week
- if a 20 percent reduction results from the client contribution this is expected to reduce EH SNG numbers by 468 EH SNG clients.

Anecdotal evidence from MSD staff support the introduction of a client contribution because in not doing so, clients are underprepared for the transition out of emergency accommodation and lack the necessary finance management skills required for this transition – as they are not accustomed to paying for housing costs.

s 9(2)(g)(i)

Extending the period an EH SNG can be granted beyond seven days for clients receiving additional support from MSD (eg ICMs and Navigators) would increase contact time with MSD staff for this group (eg focusing on the client rather than going through the administrative requirements for granting an EH SNG). Contact with MSD support services make the restriction of grant to a seven-day period unnecessary for both client and staff.

### Risks / Barriers and mitigations

Officials are to report back to Ministers in November 2019 on the design of the client contribution. A risk is that Ministers may decide not to proceed with this work at this point.

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| <p>A risk to requiring client contributions may be that this initiative does not go far enough in preparing clients for the transition to private rental market accommodation. The client contribution is set at no more than 25 percent of their income, aligning it with other social housing accommodation costs. Private rental market accommodation, particularly for low-income households is often more than this amount. This risk is mitigated by attempting to prepare clients for this transition, as opposed to the EH SNG remaining how it currently operates, with no client contribution enforced.</p> <p>Requiring client contribution may also be ineffective in reducing reliance on EH SNGs because emergency housing is a last resort for many individuals and regardless of costs associated, they have no alternative accommodation. However, requiring a contribution may incentivise some clients to exit emergency housing and seek alternative accommodation.</p> <p>MSD considers there is a negligible risk in extending the period an EH SNG can be granted for beyond seven days for clients receiving other support services (eg ICMs and Navigators) as this group will continue to have regular contact with MSD staff.</p> <p>One risk associated with changing EH SNG settings as a whole is that they become outmoded if a more comprehensive approach to addressing homelessness is adopted arising from the broader review of the emergency housing system. Changing the EH SNG policy settings has been considered by officials in the past but work was not progressed because of expected broader changes to addressing homelessness which included a review of the emergency housing system. Whilst this risk remains, it is important to make changes to the EH SNG policy settings to help ensure the broader objectives of the changes would be reached.</p> |
| <p><b>Cost Pressure or New Initiative</b></p>   |
| <p>New Initiative</p>   |
| <p><b>Timeframes</b></p>  |
| <p>Given the significant impact these options could have to support demand, MSD is design work has started in anticipation of a decision Minister agree upon so that we are able to implement these changes by /March 2020 (using an interim manual process) to start the expected reduction in EH SNG numbers earlier from the introduction of the client contribution. Final system changes will be implemented by June/July 2020.</p> <p>Officials are due to report back to Ministers in November 2019 to confirm the final design and timeframes for changes to the policy settings.</p>   |
| <p><b>Lead agencies and agencies involved</b></p>   |
| <p>MSD and HUD</p>  |
| <p><b>Contact Person</b></p>  |
| <p>s 9(2)(a) - Housing Policy Team, MSD</p>   |