

# Aide-mémoire



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

**Date:** 23 April 2021 **Security Level:** IN CONFIDENCE

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

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## Proposed immediate actions to address urgent homelessness and motel use issues in Rotorua

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**Purpose** On 22 April 2021, the Ministry of Housing and Urban Development (HUD) provided advice to the Minister of Housing on actions to address homelessness and address issues with motel use (emergency housing) in Rotorua [BRF20/21030881 refers]. We understand that the Minister of Housing has provided you with a copy of this report.

We worked with HUD during the development of this advice.

This aide-mémoire outlines the actions that MSD is taking to support addressing issues with emergency housing in Rotorua and provides you with advice on the report from HUD.

**Context** The supply of housing in Rotorua has not responded to recent population growth. Rents have increased significantly, and homelessness is a growing problem. There is an undersupply of both public housing and transitional housing in Rotorua which is placing greater pressure on emergency housing.

There are approximately 500 households in government-funded motels in Rotorua<sup>1</sup>. This includes motels contracted by HUD as transitional housing, the COVID-19 response motels contracted by HUD<sup>2</sup> and around 370 clients receiving the Emergency Housing Special Needs Grant (EHSNG) from MSD. The volume of EHSNG clients is the highest in New Zealand by population.

The **Rotorua Housing Taskforce** was established in March 2021 comprising the Rotorua Lakes Council, Te Arawa iwi and officials from MSD, HUD, Kāinga Ora and Te Puni Kōkiri. The New Zealand

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<sup>1</sup> In addition to this, we are also aware that other government agencies including the Department of Corrections and Oranga Tamariki are also utilising motels in Rotorua.

<sup>2</sup> We understand that some contracts for COVID-19 motels and motels used for transitional housing in Rotorua will expire in June 2021. If these are not renewed, this will create additional pressure on emergency housing.

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Police and the Lakes District Health Board are also participating. The Taskforce is working to develop solutions to the homelessness and emergency housing situation in Rotorua. The Taskforce recommends that the immediate focus should be on supporting the 200 families with children who are currently living in emergency housing, followed by those with complex needs.

While the focus of the paper is addressing issues with emergency housing in Rotorua, there are similar issues in some other parts of New Zealand. This includes Wellington and Napier and the East Coast. <sup>9(2)(f)(iv)</sup>

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**Within MSD's area of responsibility there are a number of actions we are taking in Rotorua**

There are a number of actions that MSD can take in the short-term as part of a wider central and local government response to the emergency housing situation in Rotorua.

To strengthen the placement and assessment of emergency housing clients in Rotorua, MSD is proposing to develop a **Housing Hub** which will be a physical location acting as a main point from which services for coherent emergency and transitional housing placement can occur. Partners will work together to streamline assessments for housing support and ensure that the full needs of clients are considered. There will need to be agreement as to which government and non-government agencies, are located in the Hub. MSD will draw on its experience in partnering in this way, including the work at Te Puea Marae. The costs associated with Hub are likely to be funded through agency baselines.

MSD is also looking at its operational policy and guidelines with a view to providing greater clarity around directing EHSNG clients to motels that provide a good service. This will include offering to move clients from motels that are not providing a good service.

MSD will continue to work with its partners on the ground in Rotorua, including the Rotorua Housing Taskforce.

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**Support services for emergency housing clients**

MSD already delivers support services to a proportion of EHSNG clients, particularly families with dependent children. This includes intensive case management services and contracted navigator and support services. We have also implemented the Flexible Fund which provides assistance to families with the additional costs that children face as a result of living in emergency housing. MSD's housing brokers work with emergency housing clients to help them secure rental accommodation. This includes provision of 'ready to rent' programmes to help people prepare for a tenancy.

Funding for these initiatives was provided in 2019 as part of the Aotearoa New Zealand Homelessness Action Plan. Since this time, there has been a significant increase in the number of EHSNG clients nationwide and as a result this support and services is not reaching all the intended clients.

To expand the MSD funded services and support to a wider group of EHSNG clients in Rotorua will require additional funding. Sources of

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additional funding are discussed below. There may, however, be some constraints in terms of the ability of local providers to deliver additional services.

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**Four options have been proposed to change the emergency housing delivery model in Rotorua**

The HUD report asks the Minister of Housing to direct officials to implement one of the following options for the approximately 200 families with children currently in emergency housing in Rotorua:

HUD contracts motels for emergency housing using the existing transitional housing contracting model

MSD contracts motels for emergency housing, replicating HUD's transitional housing contracting model

MSD implements a preferred supplier model to house EHSNG clients

MSD enters into occupancy agreements with moteliers to guarantee payment for a set number of rooms.

The report does not indicate a preferred option.

When HUD was established in 2018, responsibility for purchasing and contracting public housing and transitional housing was allocated to HUD. MSD primarily provides financial support and services to individual clients and is not set up to manage property contracts. Option 2 above (replicating the HUD contracting model within MSD) would require MSD to develop a new framework for procuring housing supply and would take around 12 to 18 months to implement. For these reasons, we do not think it is a viable option for addressing immediate issues in Rotorua.

The preferred supplier approach (Option 3) would require MSD to undertake a procurement process to identify preferred suppliers for emergency accommodation. The client would then be required to receive the service from the preferred supplier which could reduce their options for emergency housing. The EHSNG would remain the payment mechanism. MSD would need to manage the preferred supplier agreement, including ongoing quality control. A procurement process would take a minimum of 12 weeks and subject to a satisfactory response, a preferred supplier could be in place in around four months. There may, however, be limited incentives for moteliers to become a preferred supplier. This option is likely to require changes to the Special Needs Grant Ministerial Welfare Programme and potentially primary legislation.

The occupancy agreement (Option 4) would require MSD to enter into an agreement with a motelier to guarantee occupancy of a set number of rooms or an entire complex. Any vacant rooms (ie those not filled by EHSNG clients) would need to be paid for by MSD. The EHSNG funding could not be used to cover the cost of any vacant rooms. Subject to funding being available to meet the cost of any vacant rooms, this option would take MSD two to three months to implement.

Of the four options, our preferred option is that HUD contract motels for emergency housing using their existing transitional housing

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contracting model (Option 1). Subject to funding being available (EHSNG funding cannot be used directly for this purpose) this option could be implemented quickly (8 to 12 weeks).

A further option that was not considered in the report is that HUD enter into contracts with motels to provide emergency housing (using their existing transitional housing contracting model) as set out in Option 1. Those contracted places would then be made available by HUD to EHSNG clients, with the EHSNG reimbursing HUD for the contracted cost. The risk with this option, which would accrue to HUD, would be any shortfall in income if all the contracted places were not utilised. We have discussed this option with HUD and while there was insufficient time to include it in their report, we can provide you with further advice on this option if you wish.

The options outlined in the HUD report focus on the approximately 200 emergency housing clients in Rotorua who have dependent children. Implementing one of the options for this group will effectively create a two-tiered emergency housing system, as there will be other clients (single people and couples without children) in Rotorua who need to be accommodated in other motels as per the current practice. Our advice on the timeframe for implementing each of the four options in the report assumes that they would be given priority. As a result, other MSD deliverables could be delayed.

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**Repurposing  
EHSNG  
funding**

EHSNGs are funded through the Accommodation Assistance appropriation within Vote Social Development which is a *Benefit or Related Expense (BORE)*. The Minister of Housing is responsible for this appropriation. <sup>3(2)(g)(i)</sup>

Alternative approaches to fund contracted supply of emergency housing and additional support services for emergency housing clients in Rotorua could include reprioritising funding from elsewhere in Vote Housing and Urban Development or Vote Social Development, utilising any identified underspends or seeking additional funding.

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**Next steps**

We recommend that you discuss the HUD report with the Minister of Housing, Hon Dr Megan Woods.

We can provide you with further advice prior to that discussion.

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