



Summary

Inquiry into the Ministry of Social Development's funding of private rental properties for emergency housing

In 2016, the Ministry of Social Development introduced the Emergency Housing Special Needs Grant (the emergency housing grant) to fund the use of private rental properties in Auckland. The grant was intended to fund up to seven nights' temporary accommodation for people needing emergency housing.

Until November 2017, the emergency housing grant was only available to pay for motels and other commercial accommodation. But from November 2017 to June 2020, the Ministry paid more than \$37 million to private landlords and property management companies in Auckland to fund the use of private rental properties.

Issues were raised in 2020 about the Ministry's use of private rental properties as emergency housing. These included issues about the quality of some of the private rental properties, the amount that the Ministry paid for the rental properties, and the

impact on the long-term rental market of using private rental properties as emergency housing. We carried out an inquiry into these matters.

Strategic analysis and planning was missing

The Ministry's decision to use private rental properties as emergency housing represented a significant change in practice. It was an innovative and pragmatic solution to a pressing need for emergency housing. However, the Ministry did not plan or analyse the practice, including how many houses were needed, what a reasonable price to pay would be, what terms and conditions should apply with suppliers, and what the impact on the long-term rental market would be.

When the Ministry decided to stop funding the use of private rental properties for emergency housing, it did so without following the expectation set out



in the *Aotearoa/New Zealand Homelessness Action Plan* that it would work with those affected by its decisions to identify the best outcomes for them.

The Ministry could not demonstrate that it received value for money

There are two aspects to demonstrating value for money: *managing the cost* and *ensuring the quality of the goods or services received*.

The Ministry did not manage the cost

Having not analysed what a reasonable price to pay for using private rental properties for emergency housing would be, the Ministry did not put in place any mechanisms to guide staff on the appropriate rate to pay for private rental properties, and frontline staff seemed to have had limited control over what they would pay.

The Ministry believes that, overall, the amount it paid for private rental properties was no more than it would have paid to use motels for emergency housing. However, it was not possible for the Ministry to demonstrate that the private rental accommodation it funded as emergency housing provided value for money. Paying the same amounts for different “products” is not the same as ensuring value for money.

The Ministry did not monitor the quality of the accommodation

When a public organisation is spending public money with a degree of trust that it will be put to certain use, it is important that the organisation is clear on the standards it expects.

The Ministry does not consider that it was responsible for assessing the quality of the housing it provided or that it has the regulatory mandate or capacity to do this. The only mechanism that the Ministry said it had for ensuring that accommodation was suitable was by responding to complaints from people living there.

In effect, the Ministry had a high-trust model with suppliers. It is important that it can verify whether public funds are being used as expected and what they are providing.

The Ministry had no way of knowing what standard of accommodation was being provided (and, in many instances, where that accommodation was) and whether it met the needs of those being housed.

Accountability

The Ministry’s position is that it had no contractual relationship with the supplier. On that basis, we understand that the Ministry considered that it did not have contractual levers to control price and quality. However, in our view, the Ministry is still required to account for the public money it spends, whether it is through a contract or another funding arrangement.

The Ministry’s aim is to fund emergency housing that is warm, dry, and safe. Although the Ministry could account for the money it spent on emergency housing under arrangements with suppliers, it could not show whether the money it spent achieved that aim. We encourage the Ministry to consider the processes it can put in place to do that in future.

Looking forward

The Ministry has stopped paying to use private rental properties as emergency housing. However, it continues to fund emergency housing, including housing for larger households and disabled people. We encourage the Ministry to consider the needs of people requiring emergency housing more carefully and more strategically so it is consistent with the principles of the *Aotearoa/New Zealand Homelessness Action Plan* and its strategic documents.

The Ministry and Te Tūāpapa Kura Kāinga – the Ministry of Housing and Urban Development are jointly leading work on the *Aotearoa/New Zealand Homelessness Action Plan* to develop more effective responses to homelessness and reduce reliance on motels as a form of temporary accommodation.

The Ministry says that this work has resulted in it making numerous changes to its emergency housing processes to better support clients. This includes introducing new support roles (for example, intensive case managers), extended grant periods, improved data capture and supplier registration processes, and strengthened staff referral and placement practices.

We hope that the Ministry can use the findings in this report to support its work with the Ministry of Housing and Urban Development.