



06 APR 2020

Peter Nielson

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Dear Peter Nielson

On 6 December 2019, you emailed the Ministry of Social Development (the Ministry) via the FYI website requesting, under the Official Information Act (the Act) 1982, the following information:

- 1. All correspondence between the Chief Executive of MSD and the Chief Executive of Housing New Zealand regarding the Social Housing Reform Programme between 2014 and 2017. This may take the form of emails, papers, reports, memos etc*
- 2. All reports, briefings, memos, aides mémoire, presentations, minutes, cabinet papers provided by the Ministry of Social Development to ministers relating to the Social Housing Reform Programme between 2014 and 2017.*

The Social Housing Reform Programme (SHRP) was [2014-2017] a cross-agency approach to improve the provision of social housing in New Zealand. The key objective of SHRP is to build a fair, efficient and effective social housing market which will better support those in greatest need for the duration of that need.

SHRP is concerned with changing how social housing was delivered and how the government contracts for that delivery. Reform of social housing was undertaken by teams within Ministry of Social Development (MSD), Ministry of Business, Innovation and Employment (MBIE), The Treasury and Housing New Zealand (HNZC), now known as Kāinga Ora. SHRP was established to:

- integrate the key workstreams from the individual agencies to ensure, where necessary, work is coordinated, and interdependencies recognised
- provide a sustained focus on achieving the changes that will address the SHRP objectives

The previous Government took steps to transform the delivery of social housing by supporting the development of a multi-provider social housing market. It committed to a set of objectives aimed at providing social housing that meets the needs of our most vulnerable New Zealanders.

The programme operated as a virtual team and accountabilities remained with the individual agencies. While individual agencies may have taken the lead on particular projects, agencies were collectively accountable for the SHRP and for the projects that comprise the programme.

Further information regarding the SHRP is available on the Beehive website at the following link: www.beehive.govt.nz/sites/default/files/Social-Housing-Reform-Programme-Fact-Sheet.pdf.

For the sake of clarity your questions are addressed in turn:

1. *All correspondence between the Chief Executive of MSD and the Chief Executive of Housing New Zealand regarding the Social Housing Reform Programme between 2014 and 2017. This may take the form of emails, papers, reports, memos etc*

Your request is refused under section 18(e) of the Official Information Act as this information does not exist or, despite reasonable efforts to locate it, cannot be found.

2. *All reports, briefings, memos, aides mémoire, presentations, minutes, cabinet papers provided by the Ministry of Social Development to ministers relating to the Social Housing Reform Programme between 2014 and 2017.*

You are provided with the following 23 documents which fall within the scope of your request:

1. *Social Development Update, week ending 22 October 2015*
2. *Social Housing Reform Implementation Paper B: Outstanding Policy Decisions Required to Support the Service Delivery*
3. *A7326410- Aide-mémoire: Social Housing Cabinet Paper Suite, dated 17 March 2014*
4. *Social Housing Paper B: Report Back on Implementation of the Transfer of Social Housing Functions*
5. *Cabinet Social Policy Committee: Summary of Paper- Social Housing Paper C: Income Related Rent Subsidy Funding Model, dated 18 March 2014*
6. *Social Housing Reform: Implementing the Transfer of Needs Assessment Functions, dated 1 November 2014*
 - 6.1 *Appendix 2: Housing Process Overview*
 - 6.2 *Housing Support Package*
7. *Cabinet Paper- Enabling flexible purchasing approaches to secure the supply of social housing places*
8. *Progressing Social Housing Reform Programme Transactions*
9. *EGI-16-SUB-0245- Cabinet Economic Growth and Infrastructure Committee, Social Housing Reform Programme: Transfer of HNZC properties to the community sector*
10. *REP/16/04/336- Aide-mémoire: Strategic work programme for social housing, dated 6 April 2016*
11. *REP/14/11/856- Aide-mémoire: Overview of the Social Housing Reform Programme, dated 3 December 2014*
12. *A7821950- Aide-mémoire: Social Housing Reform Programme: initial steps and future state for purchasing social housing places for clients (paper two), dated 28 November 2014*
13. *A7822250- Aide-mémoire cabinet paper: Social Housing Reform Programme: initial steps and future state for purchasing social housing places for clients (paper two), dated 28 November 2014*
14. *REP/15/5/471- Aide-mémoire cabinet paper: Social Housing Reform (Flexible purchasing and remedial matters) Bill: Approval for Introduction, dated 18 May 2015*

15. *Report- Social Housing Reform (Flexible Purchasing and Remedial Matters) Bill: Supporting documents for House, dated 11 May 2015*
16. *REP/15/05/507- Aide-mémoire: Social Housing Reform (Flexible Purchasing and Remedial matters) Bill: Further supporting documents for House, dated 15 May 2015*
17. *REP/15/6/691- Aide-mémoire: Progressing Social Housing Reform Programme Transactions, dated 1 July 2015*
18. *REP/15/6/693- Aide-mémoire: Progressing Social Housing Reform Programme Transactions, dated 1 July 2015*
19. *REP/16/6/754- Aide-mémoire: Key messages on the Social Housing Reform Programmes, dated 27 June 2016*
20. *Social Housing Reform Implementation Paper A: Overview and Financial Implications*
21. *Social Housing Reform Implementation Paper B: Service Delivery Model*
22. *Social Housing Paper D: The Ministry of Social Development's Initial Approach to Purchasing and Contestable Trial*

You will note that the names of some individuals are withheld under section 9(2)(a) of the Act in order to protect the privacy of natural persons. The need to protect the privacy of these individuals outweighs any public interest in this information.

You will also note that the contact details of some individuals have been withheld under section 9(2)(k) of the Act in order to reduce the possibility of staff being exposed to phishing and other scams. This is because information released under the Act may end up in the public domain, for example, on websites including the Ministry's own website.

The following documents have been proactively released and are publicly available on the Ministry's website:

- *Social Housing Reform Programme: OVERVIEW (Paper One):* www.msd.govt.nz/documents/about-msd-and-our-work/work-programmes/social-housing/cabinet-papers/cabpaper-social-housing-reform-paper-one.pdf
- *Social Housing Reform Programme: Initial Steps and future state for Purchasing Social Housing Places for Clients (Paper Two), dated 8 December 2014:* www.msd.govt.nz/documents/about-msd-and-our-work/work-programmes/social-housing/cabinet-papers/social-housing-reform-programme-initial-steps-and-future-paper-2.pdf
- *Social Housing Reform Programme: Redevelopment of Social Housing and Engagement with the Community Housing Sector and Iwi/Māori (Paper Three), dated 1 December 2014:* www.msd.govt.nz/documents/about-msd-and-our-work/work-programmes/social-housing/cabinet-papers/cabpaper-social-housing-reform-paper-three.pdf.
- *Appendix One- Regulatory Impact Statement: Social Housing Reform Programme:* www.msd.govt.nz/about-msd-and-our-work/publications-resources/regulatory-impact-statements/shrp-legislation.html.
- *Social Housing Paper A: Next Phase of Reform to purchasing Housing Assistance:* www.msd.govt.nz/documents/about-msd-and-our-work/work-programmes/social-housing/background-documents-shrp/2014/18-march-2014-cab-14-1055b-social-housing-paper-a.pdf
- *Social Housing Paper C: Income Related Rent Subsidy Funding Model:* www.msd.govt.nz/documents/about-msd-and-our-work/work-programmes/social-housing/background-documents-shrp/2014/soc-14-30-

[social-housing-paper-c-income-related-rent-subsidy-funding-model-dated-18-march-2014.pdf](#).

Some documents provided by the Ministry to ministers related to the SHRP despite reasonable efforts could not be found. As such, your request is refused in part under section 18(e) of the Act.

The principles and purposes of the Official Information Act 1982 under which you made your request are:

- to create greater openness and transparency about the plans, work and activities of the Government,
- to increase the ability of the public to participate in the making and administration of our laws and policies and
- to lead to greater accountability in the conduct of public affairs.

This Ministry fully supports those principles and purposes. The Ministry therefore intends to make the information contained in this letter and any attached documents available to the wider public. The Ministry will do this by publishing this letter and attachments on the Ministry of Social Development's website. Your personal details will be deleted and the Ministry will not publish any information that would identify you as the person who requested the information.

If you wish to discuss this response with us, please feel free to contact OIA_Requests@msd.govt.nz.

If you are not satisfied with this response regarding the SHRP, you have the right to seek an investigation and review by the Ombudsman. Information about how to make a complaint is available at www.ombudsman.parliament.nz or 0800 802 602.

Yours sincerely



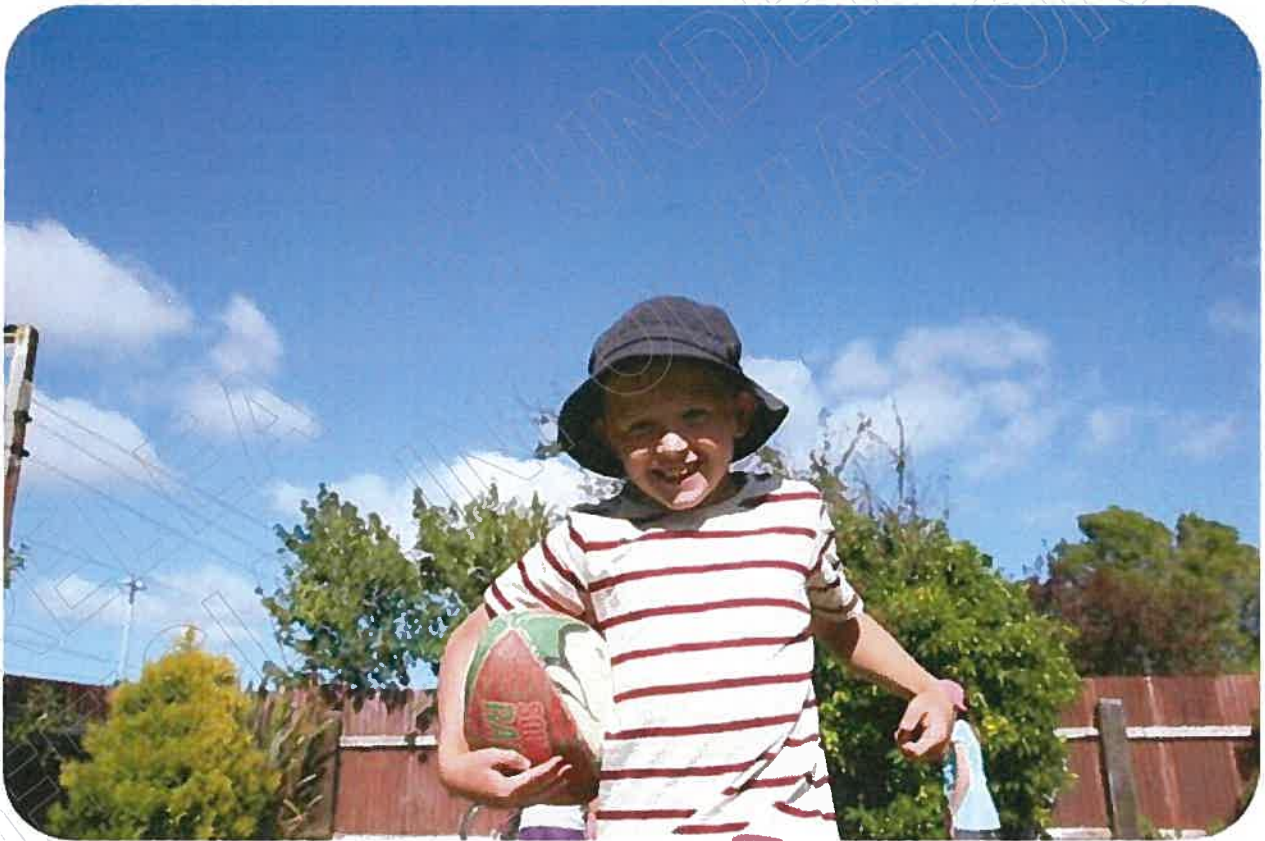
pr
Alex McKenzie
Policy Manager, Employment and Housing Policy



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

SOCIAL DEVELOPMENT

UPDATE



Week ending Thursday 22 October 2015

Confidential

Minister for Social Development

Reporting

Cabinet Papers Next Week

In the week commencing 26 October you have no papers at Cabinet or Cabinet Committees.

Upcoming Cabinet Papers

Minister for Social Development

RELEASED UNDER THE
OFFICIAL INFORMATION ACT

Notes:

Cabinet Committee	Title	Date to Committee	Business Unit
Outside Scope	[Redacted]	Outside Scope	[Redacted]
SOC	Social Housing Reform Programme: Social Housing Transition Payment <i>Trial of a transition payment for social housing tenants.</i>	November TBC	Social Policy (HISE)
Outside Scope	[Redacted]	[Redacted]	[Redacted]
[Redacted]	[Redacted]	[Redacted]	[Redacted]
[Redacted]	[Redacted]	[Redacted]	[Redacted]
[Redacted]	[Redacted]	[Redacted]	[Redacted]
[Redacted]	[Redacted]	[Redacted]	[Redacted]

Notes:

SOCIAL HOUSING REFORM IMPLEMENTATION PAPER B: OUTSTANDING POLICY DECISIONS REQUIRED TO SUPPORT THE SERVICE DELIVERY

Proposal

- 1 This paper seeks decisions on outstanding policy issues required to support service delivery. These are:
 - remaining decisions on the location of social housing roles and functions
 - an indication of the anticipated level of Crown investment in products and services to support housing independence in the private rental market.
- 2 This paper should be read in conjunction with other papers in the suite:
 - *Paper A: Overview;*
 - *Paper C: Service Delivery Model; and*
 - *Paper D: Human Resources Strategy*
- 3 Ministers have previously agreed to a range of policy changes for the Social Housing Reform Bill. Some of those amendments are related to the outstanding policy issues in this paper.

Executive summary

Policy Approach

- 4 Policy decisions in this paper incorporate the objectives of integration and alignment with existing MSD services and current practices wherever possible, effective use of information sharing and strong connections with the NGO sector. These objectives support MSD's ability as an independent assessor of housing need.

Roles and Functions

- 5 Ministers have previously decided the distribution of the majority of social housing roles and functions. This paper seeks decisions for:
 - reviews and appeals
 - debt recovery
 - investigations and fraud prosecutions.
- 6 Officials recommend that these functions be transferred to MSD and aligned, as far as possible, with provision in the Social Security Act 1964.

Products and Services

- 7 Two projects are developing products to help people to achieve private housing solutions. An MBIE-led project is focusing on existing HNZN tenants with home ownership potential, ineligible at tenancy review. An MSD-led project is focusing on products and services to support private rental sector outcomes, at all housing stages.

- 8 This paper updates you on the products and services for the private rental sector being developed by the MSD-led project and seeks an indication of the preferred level of Crown investment in private rental housing products to guide further development.
- 9 A more comprehensive report in September will detail each of the proposed products and services, identify costs and seek decisions on which items should be included in the October Cabinet paper.¹

Policy Approach

- 10 Social Housing Reforms seek to improve outcomes for New Zealanders by achieving the following outcomes:
 - more people are housed appropriately for the length their housing need exists
 - more people have their housing needs met, by promoting social and housing mobility; improving health, safety, and employment outcomes; and helping those who are able to move towards independence
 - an increase in the number and diversity of social housing providers.
- 11 In order to contribute to these outcomes, the following objectives have been sought in development of policy related to MSD's role in social housing reform:
 - housing process are integrated within existing MSD and Work and Income services
 - where there are differences, housing policies and practice are modified to align with MSD policies and practices
 - there is effective use of information (including information sharing) to determine entitlements and accurately identify priority clients
 - building strong connections with NGOs to support vulnerable clients.
- 12 Policy decisions in this paper are consistent with this approach.

Roles and Functions

- 13 Ministers have previously decided the following distribution of social housing roles and functions.
 - MSD to undertake needs assessment, administration of IRRS, contracting with providers and associated functions.
 - Providers (HNZC and CHPs) to undertake landlord functions, including placement, and tenancy related debt recovery.
- 14 Confirmation about responsibility for the following functions are still required:
 - reviews and appeals
 - investigations and fraud prosecutions
 - debt recovery.

¹ The MBIE-led project will also provide a report back to Joint Ministers in September.

Reviews and Appeals

- 15 Joint Ministers have agreed that assessment of housing need and eligibility for social housing, and calculation of IRR, will transfer from HNZC to MSD. Decisions made about housing need, eligibility for social housing, and calculation of IRR are subject to review and appeal rights for tenants and prospective tenants. Currently, HNZC has an internal review process and the State Housing Appeal Authority (SHAA) deals with appeals².
- 16 Proposals in relation to where reviews and appeals will be undertaken and how they will be undertaken have been developed in order to ensure that process are integrated within Work and Income services and, as far as possible, align with existing MSD review and appeal policies and practices.
- 17 Once MSD are making decisions about a tenant's housing need, eligibility for social housing, calculation of IRR, and tenancy reviews it will no longer be suitable or practical for the internal review mechanism to remain with HNZC.
- 18 The transfer of functions to MSD means that the Social Security Appeal Authority (SSAA) is well positioned to be the appeal body for decisions about a tenant's housing need, eligibility for social housing, and calculation of IRR.
- 19 Joint Ministers have agreed through the legislative process that reviews and appeals for decisions and determinations made by MSD under the relevant functions which are subject to rights of appeal under the Bill are to be dealt with through MSD's internal review processes (Benefit Review Committee and the SSAA), with a right of appeal on a point of law only to the High Court.
- 20 Further work will be done on the nature of transitional arrangements determining what, if any, existing processes are transferred to the new review and appeal processes.

Debt recovery, investigations and fraud prosecutions

- 21 Investigations and IRR debt recovery are related to the assessment of housing need and eligibility for social housing, and IRR calculation. These functions are required to maintain the integrity of the needs assessment and IRR system, and should therefore sit with the agency responsible for needs assessment and IRR calculation (to be MSD).
- 22 It would be impractical for HNZC to continue to recover IRR debt because the debt would have arisen as a result of the function that MSD undertakes (calculating IRR). In addition, it is not realistic for Community Housing Providers to investigate the circumstances of their tenants or recover Crown debts.
- 23 It is therefore recommended that IRR debt recovery and investigation functions are transferred to MSD from April 2014 and that subsequent prosecutions are managed through MSD Legal Services. Through the legislative process, Ministers have agreed that MSD powers, authorities, and practices will apply to the recovery of IRR debt.
- 24 Further work will be done on transitional arrangements for investigations and debt recovery to determine what, if any, existing processes are transferred from HNZC to MSD.

² In the 2010/11 and 2011/12 financial years there have been between 24 and 34 reviews per year and less than 10 appeals per year have escalated to the SHAA. On a per case basis, these are significantly more expensive processes than reviews and appeals for social security reviews and appeals.

Products and Services

- 25 Assisting people into private housing market solutions, where possible, is a positive way to ensure that only those with the greatest need access social housing and reduce the size of the wait list (and waiting times). However, many households will need advice or assistance to achieve independence in the private housing market (as a renter or as a home-owner) or retain their current market position.
- 26 Integrating housing needs assessment into the wider social support system means MSD is in an ideal position to provide independent advice and support to access private housing solutions. The MSD Housing Options and Advice Service will be key in supporting clients to achieve or retain housing independence in the private market (Service Delivery paper refers).
- 27 To assist people into housing independence, the Options and Advice Service requires toolkit of products and services directly targeted at private housing outcomes.

Developing products and services

- 28 There are two related and complementary projects developing products to assist people to achieve private housing outcomes: one led by MBIE (focusing on existing HNZN tenants deemed to be ineligible via a tenancy review during the initial years of the reviewable tenancies policy) and one led by MSD (focusing on on-going support to assist people at any stage of the social housing process to achieve private rental sector outcomes). Table A below sets out the objectives and focal points for each project.

Table A: Projects developing products to support private housing outcomes

	MBIE - Products and Pathways	MSD - Incentives, Products and Services
Expertise	Housing market	Client support
Objective	HNZN tenants receive appropriate advice and support to transition to sustainable housing independence	Effective incentives, products and services to address barriers to retaining or accessing a rental property
Client focus	Focusing on the existing HNZN tenants	Focusing on potential and current social housing tenants
Contact point	The reviewable tenancies stage during the initial reform phase	Any point in the ongoing housing service
Product focus	Home ownership products (e.g. low cost home loan, shared equity)	Private rental market products (e.g. relocation assistance)
Assessment	Joint evaluation criteria	with which to assess products.

- 29 The MSD and MBIE projects have been working together closely.
 - MSD's Housing Options and Advice Service will be a key platform for providing advice and linkages to all housing solutions – both rental and home-ownership.
 - Both projects will use the developing HNZNs segmentation work and MSD client data to identify target groups for housing products.
 - A set of joint evaluation criteria being developed to ensure a consistent cross-government approach to any new Crown-funded housing products.

- 30 This paper outlines the products being developed through the MSD-led project that focus on supporting housing outcomes in the private rental market.³

Products or services for the private rental market

- 31 Barriers to the private rental market are many, but they fall into one of four broad categories: financial (e.g. tenancy set-up costs, on-going affordability, debt), material (e.g. need for large house, has pets), behavioural (e.g. poor tenancy history) and discrimination (e.g. language barriers). Lessons have also been learned from the HNZ experience in running its Assistance to Housing Independence (AHI) initiative. Annex A provides a further description of the main barriers identified.
- 32 Table B below sets out the incentives, products or services that have been identified to address barriers to the private rental market, to directly assist clients or encourage private market landlords to consider taking on HNZA or MSD clients as tenants.

Table B: Initial options for products to support private housing solutions

	For the tenant	For the landlord
Financial assistance	<p>Housing debt clearance grant (discretionary write off of old housing-related Crown debt)</p> <p>Non-recoverable bond grant (discretionary grant to fund initial bond payments)</p> <p>Relocation costs assistance (loan to cover moving costs and utilities connections)</p> <p>Letting fees assistance (loan to cover letting fee)</p>	<p>Tenancy guarantee (additional four-week bond commitment for selected tenants with significant access barriers)</p>
Incentives	<p>Independence bonus (incentive for existing and eligible state tenants considering a move out of social housing)</p>	<p>Referred tenant premium (a premium paid on top of weekly rent for selected tenants with significant access barriers where landlord commits to one year fixed tenancy)</p> <p>Benefit redirection agreement (benefit redirection agreement where landlord commits to a fixed tenancy of at least one year)</p>
Services	<p>Tenancy support service (one-on-one support in the rental process for selected tenants with significant access barriers)</p>	<p>Statement of satisfactory tenancy (reference from social landlord attesting to tenant behaviour)</p>

- 33 The optimal mix of products and services will change over time as reviewable tenancies policy is rolled out and becomes business as usual and the composition of social housing tenants becomes more concentrated on higher need groups.
- 34 Some products could be discretionary so that they can be specifically targeted - to people at certain stages (e.g. at tenancy review) or in certain situations (e.g. high stress housing areas). Other products could be established on an eligibility basis (e.g. recoverable assistance for relocation costs for people with low income and assets).
- 35 Annex B outlines each of the products noted in the above table and provides an initial estimated per household cost of each enhancement or product. Annex C provides some scenarios to show how products and services can be targeted to those most likely to be able to sustain independent housing in the private rental market.
- 36 To determine which products and services would be most valuable, and should be developed further, work is continuing to:

³ The MBIE-led project will report to Joint Ministers in September on home ownership outcomes.

- flesh out the parameters of each of the products outlined (e.g. unit cost, set-up costs, target group, eligibility criteria) and identify potential demand
 - assess ways to maximise use of products and/or create reciprocal obligations (e.g. providing a tenancy insurance to a landlord in return for a commitment to a set lease period or meeting certain property standards)
 - use international research and evaluation on similar products to help people access private rentals to assess potential effectiveness of products and try and identify any unintended consequences
 - identify which products could be ready for delivery on day 1 and which would require a longer development time or need legislation
 - determine the appropriate agency roles and responsibilities for specific products (e.g. who administers or underwrites a tenancy guarantee product).
- 37 A report back to Joint Ministers in September will provide further detail and costs for each of the proposed products and services, officials advice and recommendations - and seek decisions on which items should be included in the October Cabinet paper.

Next steps and decisions required

- 38 Enhanced or new products will require additional funding. An indication of the level of investment that the Crown is willing to make would be valuable to guide further development of incentives, products and services to help households access the private housing market.
- 39 Most products can be scaled to fit within a chosen dollar range – to provide certainty around the Crown’s fiscal commitment. A package of products and services addressing private rental market barriers could be prepared for:
- \$1-2 million a year (minimal investment for a basic product package)
 - \$2-5 million a year (medium level of investment for a mid-range package)
 - \$5-10 million a year (significant investment for a comprehensive package).
- 40 A funding pool can be managed by using discretionary grants and/or using tight eligibility criteria (and a mix of both may be optimal). The level of investment you indicate will shape the suite of products contained in the September report back, which will seek final decisions on products for inclusion in your October Cabinet paper.

Recommendations

Policy Approach

- 41 It is recommended that Joint Ministers:
1. **note** that in order to contribute to social housing reform outcomes, the following objectives are being sought in development of policy related to MSD’s role:
 - processes are integrated within existing MSD and Work and Income services
 - where there are differences, housing policies and practice are modified to align with MSD policies and practices
 - there is effective use of information (including information sharing) to determine entitlements and accurately identify priority clients
 - building strong connections with NGOs to support vulnerable clients

Reviews and appeals

2. **note** that assessment of housing need, eligibility for state housing and calculation of income-related rent by HNZC are subject to HNZC internal review processes and appeal to the State Housing Appeal Authority, with a further appeal right to a rehearing at the District Court
3. **note** that Ministers have agreed to amend the Social Housing Reform Bill so that internal benefit review processes, Benefit Review Committees and the Social Security Appeal Authority, with a further appeal right to the High Court on a point of law, become the review and appeal bodies for dealing with all appeals of decisions and determinations subject to a right of appeal
4. **note** that further work will be done on the nature of transitional arrangements determining what, if any, existing processes are transferred to the new review and appeal processes

Debt recovery, investigations and fraud prosecutions

5. **note** that income related rent debt recovery and investigation functions are associated with the assessment of housing need and eligibility for social housing, and calculation and setting of income related rents
6. **agree** that debt recovery and investigation functions and abilities relevant to income related rent, housing need and social housing eligibility are transferred from HNZC to MSD from April 2014
7. **agree** that MSD carries out prosecutions initiated from the transferred investigation functions and abilities
8. **note** that further work will be done on the nature of transitional arrangements determining what, if any, existing processes are transferred from HNZC to MSD

Products and Services

9. **note** that new or enhanced products or services to address barriers to the private rental market and support independent housing outcomes will require Crown investment but may reduce pressure on the wait list and need for social housing
10. **indicate** the Government's appetite for investment in enhanced or new products to support private rental market outcomes:
 - \$1-2 million (a minimal investment for a basic products package) YES / NO
 - \$2-5 million (a medium level of investment for a mid-range package) YES / NO
 - \$5-10 million (significant investment for a comprehensive package) YES / NO
11. **note** that officials from MSD will report back to Joint Ministers in September with further detail and costs for each of the potential products and services and that this paper will include officials' recommendations and seek decisions on which items should be included in the October Cabinet paper
12. **note** that that the MBIE will also report to Joint Ministers in September on products being considered under their project.

Annex A - Barriers to the private rental market

Barriers	
Financial	<p>Affordability (e.g. low-income makes private market unaffordable)</p> <ul style="list-style-type: none"> - Income level is the primary factor in the private market for assessing and allocating tenancies – as over 75% of landlords seek investment returns (looking for capital gain, a regular income stream or investing for their future or retirement). - Most landlords or agents use a 30% rent to income ratio to assess affordability. This ratio is a concern for the 33% of low-income households who spend more than 30% of their income on housing. - 90% of IRR recipients would receive less support from AS for the same house instead. - Working households may also overlook Accommodation Supplement in the income they declare, as the amount of this assistance is normally assessed or finalised upon receipt of a tenancy agreement. - NZ has a low level control (e.g. regulation) around rental costs compared to other countries. The average weekly rent for a three bedroom private house in Auckland has increased from \$440 in 2005 to \$570 in 2013, a 29% increase.
	<p>Sustainability (e.g. fluctuating income, high debt)</p> <ul style="list-style-type: none"> - Stability can be difficult with fluctuating income (e.g. seasonal work) or high debt levels (e.g. arrears, loans or fines). - 25% of social housing applicants have been in rent arrears in private sector in previous year (due to utility bills 60%, food costs 43%, debt payments 41% and health costs 36%). - Landlords seek to minimise the on-going risk of their activities and try to assess an applicant's ability to sustain. - Nearly 75% of landlords require rent to be paid by AP.
	<p>Tenancy costs (e.g. bond, advance rent, letting fees)</p> <ul style="list-style-type: none"> - Establishment costs can be significant in the private market. Research shows this can be as much as 75-80% of total market entry costs for 2 or 3 bedroom properties. Nearly 90% of landlords ask for a bond of 2-3 wks rent. - Market rent levels drive establishment costs, so they can be large in high stress markets (e.g. 2 wks bond, 2 wks advance rent and a letting fee could cost \$2439.50 in Birkdale, Auckland where a lower quartile 4bdm home rents for \$476pw). - Bond is a concern for existing HNZC tenants as HNZC bonds are based on IRR not the market rent (so even those getting a full bond refund will need a top up for a private bond).
	<p>Relocation costs (e.g. moving truck, utility bonds)</p> <ul style="list-style-type: none"> - Assistance towards moving costs and utility bonds is a widely acknowledged barrier in private rental support programs. - Low-income groups relying on hardship assistance for non-regular costs out can be denied help (e.g. where there are limits on the number of hardship applications) and this can impact heavily on their ability to relocate.
	<p>Poor money management</p> <ul style="list-style-type: none"> - Poor financial management skills can lead to a poor credit rating. 36% of landlords credit check prospective tenants. - Some households do not have the skills necessary to budget for changing income or costs, and it has been noted that "it can take a complex combination of lifestyle, upbringing, etc. to be able to plan financially".
Material	<p>Overcrowding</p> <ul style="list-style-type: none"> - An issue particularly relevant to particular ethnicities (2006 data says overcrowded households are Pacific 43%, Maori 23%, Asian 20%, 'Other' 23% and European 4%) and regions (Manukau 25%, Opotiki District 19%, Kawerau District 18%, Porirua 17% and Auckland 17%).
	<p>Disability or health needs (e.g. modifications required)</p> <ul style="list-style-type: none"> - As most landlords are seeking financial gains there is a reluctance to consider people with health or disabilities problems that might require property modification as this would mean incurring additional costs to let the property.
	<p>Pets</p> <ul style="list-style-type: none"> - It is difficult to find private rentals that accept pets as they are viewed as having the potential to cause property damage. Nearly half of all landlords advertise their properties with a 'no pets' clause, but HNZC tenants are able to keep pets or get pets - as long as they have got approval.

Behavioural	<p>Poor tenancy history</p> <ul style="list-style-type: none"> - A poor or no rental history is a major barrier. Nearly 75% of landlords ask for references. - Not all references are viewed equally. Character references and social or private landlord references are not well regarded. Most valuable are the references that come from property managers and employers. - A shift from home ownership can also mean there is no tenancy history (as can be perceived as poor failed financial management).
	<p>Knowledge/confidence in market</p> <ul style="list-style-type: none"> - Low knowledge /confidence is a particular barrier for long-term social housing tenants or people who have lost a home. - Information on tenant's rights and responsibilities is an acknowledged gap in assisting people into private rentals. To be successful competing in applications, people must be confident and understand their rights and the selection process.
	<p>Security of tenure</p> <ul style="list-style-type: none"> - People often apply for a state house for security (43% tenants and 52% applicants applied because of this). Eviction is also a common reason to seek a HNZN property, with people saying private landlords are more likely to evict, but HNZN will only do so if there is good reason. People also say that private landlords often sell their lower quartile houses, so there is no stability, while a HNZN house means no "fingers crossed the landlord doesn't decide to sell up next week". - 32% of NZ landlords offer fixed term tenancies (easier, saves time, rewards good tenants wanting security, reliable income) but 30% won't consider this at all (too difficult to manage, not enough flexibility to get rid of tenants). The RTA review found long-term tenancies aren't conducive to landlords returning to their own properties or unlocking capital gains and need to consider many issues (e.g. compensating tenant for the life of any fixtures installed).
	<p>Reluctance to move</p> <ul style="list-style-type: none"> - A UK social housing provider found that around 70% of the current employed tenants don't want to move (they are happy, like their local area, enjoy their home and feel safe in it and are not embarrassed by living in social housing). - Over 50% of all tenants saw their current home as being either for life, or for the foreseeable future. In addition, it was found that many tenants do not perceive their housing to be a state-subsidised product or benefit.
Discrimination	<p>Language or literacy barriers</p> <ul style="list-style-type: none"> - Some people need assistance to make phone inquiries, talk to landlord or complete forms – this can take time and disadvantage them in tight markets where properties quickly and speed of application is important. - Poor language skills are a real issue, as landlords need to explain things multiple times and may still not be understood. This "makes it difficult, unless they've got someone working on their behalf". - Literacy can be a big barrier as nearly 97% of landlords use written tenancy agreement, and incomplete forms can look suspicious (e.g. trying to hide something) and put applications at risk - especially if others have completed their forms.
	<p>Discrimination (e.g. appearance, ethnicity, age)</p> <ul style="list-style-type: none"> - There are no precise figures but research suggests that discrimination in the private rental market is endemic. Discrimination occurs on a number of factors (appearance/behaviour, beneficiaries, ethnicity, youth and groups). - Appearance or behaviour is significant as initial impressions are often taken into account. Tenants need to know the role this plays in selection and how initial presentation, behaviour, attitude to staff, filling out forms accurately and providing additional information quickly can impact on their application. - Receiving state assistance can be a barrier. The unemployed are viewed as having a poor work history (an indicator of instability of income), sole parents are viewed as being unstable (can't maintain relationships), state house tenants are viewed as poor maintainers (as social landlords are viewed as having lower standards). - Having children can be a barrier. Perceived ability to care for property is a key factor in tenant selection and children can be viewed as causing more wear and tear and potential property damage. Landlords often watch children carefully at inspection or interview processes and make judgements on the tenants suitability based on the children's behaviour on that day). - Different ethnicity can be a barrier through varying misperceptions of cultural practices and housekeeping. - Landlords generally reluctant to rent to youth with no rental history or references, and those trying to rent as a group are considered less stable, less responsible, more time intensive to manage, and incur more problems with neighbours.

aide-mémoire

cabinet paper



MINISTRY OF SOCIAL
DEVELOPMENT
TE MANATU WHAKAHIATO ORA

Date: 17 March 2014 **Security Level:** Cabinet Sensitive
For: Hon Paula Bennett, Minister for Social Development
File Reference: A7326410

Social Housing Cabinet Paper Suite

Cabinet Committee Social Policy
Date of meeting 19 March 2014
Minister Hon Paula Bennett, Minister for Social Development

- This memo sets out:
 - Key talking points on the suite of four social housing Cabinet papers
 - Additional comments received on the papers after they were lodged, with responses
 - A summary of key changes made to the papers after initial consultation.

Key talking points

Paper A: next phase of reform to purchasing housing assistance

- New Zealand is now one of the few jurisdictions in the world which has many of the primary levers needed to reform housing assistance in the one department.
- MSD has new levers and tools to manage social housing through its roles in needs assessment, providing financial assistance and support for people to become independent, and purchasing social housing placements.
- There's an opportunity for the Government to further reform social housing assistance to fully realise the benefits of having these delivered out of one department.
- I'm not seeking irreversible decisions on reform and what the end state will look like now, but for support to do the work necessary to explore how to get there. The work programme you have in front of you is aimed at testing that end state vision:

Stream One: redesigning the demand-side housing subsidies: This includes work to **incorporate housing into MSD's investment approach**, and thinking about options for a **new single subsidy model**, which could replace the Accommodation Supplement and the Income Related Rent Subsidy.

Stream Two: stronger purchasing signals for the housing market: The initial priority here will be to deliver the **contestable purchasing trial** (Paper D). This stream will also consider outcome-based funding approaches for particular client cohorts (such as older people or disabled people).

Stream Three: integrating housing assistance with other MSD services: This will include a **review the existing Social Allocation System** criteria to check it is still fit for purpose. It will also look to trial programmes that bring together housing and employment support, and **providing wrap around services** for clients.

Stream Four: providing clients with incentives to make better choices: This will look at how **clients can exercise more choice in social housing**, including considering options for a portable subsidy (e.g. attached to a client rather than a property). It will also consider **choice-based letting approaches** and how they could apply in New Zealand.

- The work will look to deliver quick wins by using a 'launch and learn' approach, that tests changes before they roll out widely. This will start with the **contestable purchasing trial** later this year (Paper D).
- I propose an initial report back in November, which will give Ministers an opportunity to consider progress and the direction of further reform. Following policy work and trialling of different approaches, final decisions on reform would be taken in June 2015.
- The paper notes that Cabinet has previously agreed that housing initiatives be considered as part of Budget 2014, including funding for the transfer of needs assessment, and funding to implement reviewable tenancies.

Paper B: Report Back on Implementation of the Transfer of Social Housing Functions

- MSD is on track to deliver the transfer of social housing functions from 14 April.
- This paper also seeks agreement to a Housing Support Package, a package of new tools to assist people into independent housing outcomes, such as private rentals. This will help manage an expected initial surge in waitlist numbers and accelerate movement out of social housing for those with lower housing need.
- Funding of \$1.000 million in 2014/2015, \$1.800 million in 2015/2016, and \$2.600 million in outyears is being sought through Budget 2014 for the Housing Support Package.

Paper C: Income Related Rent Subsidy Funding Model

- This paper seeks approval to a funding model which enables MSD to begin to play a role as a more active purchaser of social housing and support market development, price discovery and contestability. These decisions will affect the number of people housed in social housing, and the length of MSD's social housing waitlist.
- The funding model involves:
 - a single appropriation for IRRS for both HNZA and CHP's
 - a capped baseline that will contain costs
 - a delegation to the Ministers of Finance and Social Development to adjust the baseline.

- The level of funding proposed matches the forecast spend under current policy settings, so we are not reducing or increasing the Crown's investment in social housing.
- There are two implications of the model to draw the Committee's attention to:
 - the cap means that funding will need to be available before a client is placed - this could result in a client remaining on the waitlist even though a suitable property is available
 - as HNZC will be competing with CHPs from a fixed pool of funding, they will face an increased vacancy risk, with a flow on to the Crown dividend.

Paper D: MSD's Initial Approach to Purchasing and Contestable Trial

- MSD's active purchaser role will develop over time. Changes will be limited at the beginning, but there will be some new elements to build on.
- From March, MSD will begin to publish waitlist analysis to signal to potential providers where demand is and what it looks like. From April, MSD will use MBIE's lower quartile tenancy bond data to check that providers are setting their rents at appropriate levels.
- Officials from MSD, MBIE, and the Treasury have been working to develop a contestable purchasing trial. As this work has progressed, it has become clear to me that it should not begin in April, but continue to be developed and refined for a roll out later in the year.
- This is because a trial in April that provides contestability between providers would need to cover a large area – both geographically, and by number of clients – equivalent to around 20 per cent of the waitlist.
- A later start will allow more time for providers to come on board so that there is contestability between providers and avoid any risk of it disrupting the transfer. I'll be receiving advice from officials in July 2014 on proposals to deliver the trial.

Further agency and Ministerial comments on Cabinet papers

- The Minister of Finance and the Treasury provided some additional comments after the papers were lodged.

Paper A: next phase of reform to purchasing housing assistance

- The Minister of Finance commented that Stream one (redesigning the demand-side housing subsidies) is lowest priority of the streams.
- Treasury have advised they believe there should be a noting recommendation included, stating that Joint Ministers will shortly sign off the detail of the work programme (including prioritisation and sequencing).

- Stream one includes work to include housing in MSD's investment approach, which is critical to the overall approach.
- Work to redesign the subsidies takes time to get right. There would not be early decisions on a new model sought, but it is important to start the background work now.
- I fully intend to work with Ministerial colleagues to shape the work programme over the coming weeks.

Paper B: report back on implementation of the transfer of social housing functions

- The Minister of Finance questioned whether the IT build was locking in an undesirable system.
- Treasury advise that Cabinet should agree in principle to the Housing Support Package, subject to decisions as part of Budget 2014.

- A detailed IT business case was agreed in November 2013, and flexibility in delivery is the priority for the next phase of IT build.
- MSD does not consider that an agree in principle recommendation makes a significant difference, as the package will still be subject to Budget decisions. An alternative recommendation on the Housing Support Package is attached for you to table if this issue is raised at Cabinet.

Paper D: MSD's Initial Approach to Purchasing and Contestable Trial

- The Minister of Finance and Treasury questioned the timing of the contestable purchasing trial.
- Treasury questioned the value of collecting rental data other than that offered by MBIE.

- The intent is that a contestable purchasing trial will take place from July 2014, following Ministers considering advice in July 2014. If required, an alternative recommendation clarifying this point is attached for tabling.
- The paper has since been changed to clarify that MSD will use MBIE's data to benchmark market rents. This will enable MSD to seek an explanation from a provider for why a particular rent may need to be higher than the benchmark standards. Information from the rollout of the initial approach to purchasing and results from trials will inform where this level should be set over time.

Changes made to the suite of Cabinet papers following initial consultation

Paper A: next phase of reform to purchasing housing assistance

- Supply side initiative work stream has been removed to reflect comments from the Treasury and the Ministry of Business, Innovation, and Employment (MBIE), that affordable housing supply is the responsibility of MBIE. We have highlighted the importance of this work and noted that MSD will support and align our work with MBIE's. MBIE have provided text outlining the work that is underway and this has been included in the paper.
- The timing of the future work programme has been updated to reflect the election timing, with the initial progress report now planned for November 2014.
- Disability implications have been added, noting alignment with Enabling Good Lives
- Wording has been clarified, including making it clear that MSD will develop options to replace the Accommodation Supplement and Income Related Rent Subsidy.

Paper B: report back on implementation of the transfer of social housing functions

Minor changes have been made to incorporate feedback from the Treasury including further information on the breakdown of households that the Housing Support Package will assist into independence.

Paper C: Income Related Rent Subsidy funding model

Minor changes have been made to the paper to emphasise the significance of the changes to appropriations and highlight the implications of this for Housing New Zealand.

Paper D: MSD's initial approach to purchasing and contestable trial

More information has been added on the development of the trial process and location, including the risks if the trial were to start in April 2014. It made clear in the paper that Joint Ministers will receive advice on the trial in July 2014.

- 5 **agree** in principle, subject to Budget 2014, that the Ministry of Social Development will provide a range of products that will actively support people to overcome barriers to moving into non-social housing options using a pooled fund to be established from July 2014;

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- 6 **direct** officials from the Ministry of Social Development, the Ministry of Business, Innovation and Employment and the Treasury to report back to the Joint Ministers in July 2014 with proposals to deliver the trial from July 2014.

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OFFICIAL INFORMATION ACT

Chair
Cabinet Social Policy Committee

SOCIAL HOUSING PAPER B: REPORT BACK ON IMPLEMENTATION OF THE TRANSFER OF SOCIAL HOUSING FUNCTIONS

Proposal

- 1 This paper is the second in a suite of papers which updates Ministers about progress on the elements of the Government's social housing reform programme for which Ministry of Social Development (MSD) is responsible for.
- 2 The paper provides a progress update on implementation of the transfer of social housing needs assessment and other associated functions from Housing New Zealand Corporation (HNZC) to the Ministry of Social Development (MSD) on 14 April 2014.
- 3 It also updates you on a new package of tools developed to actively support people into alternative, independent housing options in order to manage the waitlist for social housing and free up social housing for households in greatest need.

Executive summary

- 4 This Government is making significant changes to reform social housing in New Zealand. The transfer of certain functions from HNZC to MSD will provide the building blocks for other providers to enter the market and shift tenants' expectations away from a state house for life, to a house for the duration of their need. It will also mean that, over time, as housing support is integrated with other income support and linked to wider social services, MSD will gain a more complete view of household need.
- 5 The transfer is set to take place on 14 April 2014. MSD are preparing for the go live date, with key aspects of the transfer being finalised.
- 6 The transfer is a large machinery of government change involving the creation of a brand new social housing function for MSD, hiring and training of new staff, IT development to support the new function, and communication to tenants about the changes.
- 7 MSD and HNZC are focused on delivering the transfer successfully – as there is potential for clients to be negatively impacted if the transfer does not proceed smoothly. It is crucial that we get the transfer right and that clients experience a seamless transition. MSD and HNZC will continue to work together to iron out any matters that may arise during the transfer process.
- 8 After the transfer, it will be important to have incentives and support in place to encourage people to transition from social housing to independence. A central element of the MSD Housing Assessment service will be an enhanced options and advice service – equipped with a package of new tools to assist people into independent housing outcomes, such as private rentals. The tools will help manage the expected initial surge in waitlist numbers and accelerate movement out of social housing for those with lower housing need.
- 9 While the transfer and change of social housing functions is very significant in its own right, it is just one building block in what we are trying to achieve with social housing in New Zealand.

Papers A and D in this suite propose further work and specific initiatives that build off this platform to further develop MSD's role as the Government's purchaser of social housing.

Background

- 10 Social housing needs assessment and other associated functions are transferring from HNZA to MSD on 14 April 2014. This is the first key step in reform of the social housing sector in New Zealand and will build the foundation for the government's key objectives of:
 - housing the right people for the duration of their need
 - increasing the number and diversity of social housing providers.
- 11 In November 2013, Cabinet endorsed the approach to the transfer, key features of the day one service delivery model, and initial funding for the transfer. Cabinet also directed MSD to report back on progress with implementation of the transfer [CAB Min (13) 39/7 refers]. This paper responds to Cabinet's request.
- 12 Cabinet also noted that funding is being sought through Budget 2014 for a package of tools to support housing independence. Cabinet noted the six initial tools being developed to assist lower socio-economic households into independent housing. This paper provides an update on progress with the package.

The transfer of social housing functions is on track for day one

- 13 On day one of the transfer, MSD's people and systems will be in place to deliver a seamless service. The transfer of services will align and integrate housing services within MSD's existing services ensuring consistency in practice and communication across both the housing and welfare systems.
- 14 MSD and HNZA have worked through the details of the transfer and are now implementing them. The transfer is a significant machinery of government change, with MSD taking on a new housing function, including recruiting and training over 190 staff prior to going live on 14 April. MSD is focused on delivering this key step in the reform of social housing in New Zealand.
- 15 The following information provides you with updates on key components of the transfer.

MSD has entered the transition phase as it prepares to implement and embed the transfer

- 16 In order to prepare and ensure the transfer is delivered on time and with the least disruption, MSD and HNZA have now moved into the transition phase - from March to 30 June 2014 - of preparing for the go live date and embedding the new service. Over this period, the two agencies are working together to ensure transitional processes and procedures are in place and a continuous service is provided to clients. For example, daily meetings are helping to ensure good communication and rapid identification of any outstanding issues that need to be resolved before 14 April.
- 17 As part of this, a Memorandum of Understanding (MoU) between MSD and HNZA has been developed to set out the high level relationship expectations between the two agencies. These are based on ensuring collaborative and co-operative practices including managing any disputes that may arise.
- 18 A suite of arrangements underpinning the MoU have also been developed to deal with specific processes and responsibilities in the transition to ensure there is a clear understanding of how HNZA and MSD will work together post 14 April. This includes SLA's

on the transition, records and archives, IT system support, Ministerial and Parliamentary services and performance reporting.

The service delivery model will support clients at every stage of the process

- 19 Key features of day one service delivery model, agreed to by Cabinet in November 2013, are designed to ensure that:
- there is no disruption for existing clients
 - policies and practices are integrated within MSD's existing approach
 - an anticipated increase in demand for social housing is actively managed
 - the service is aligned with existing community housing and support services
 - interventions can be targeted more effectively, by looking at ways that housing can be integrated into the investment approach over time.
- 20 The service delivery model is client focused - and involves:
- *screening* – basic questions to determine whether a full assessment is required
 - *assessment* – detailed questions to establish eligibility for social housing and housing need
 - *waitlist management and referral* – client's circumstances are regularly reviewed to ensure correct housing need are clients are referred to a housing provider for matching
 - *placement and ongoing review* – housing providers place client in a home and client informs MSD of any change in circumstances which MSD will action
 - *tenancy reviews* – client's circumstances are reviewed to determine if they are still eligible for social housing.
- 21 Case managers (housing) will have an overview of a client's housing need at every stage of the process and will be working in key locations around the country to help clients find appropriate housing solutions. A centralised unit (housing) in Auckland will operate as a contact centre and undertake most of the administrative functions of the new housing service, including the needs assessment, calculating income-related rent (IRR) and paying the Income Related Rent Subsidy (IRRS) to multiple housing providers.

Alongside the transfer, MSD is implementing new social housing functions and is learning by doing

- 22 The service delivery model that MSD is implementing includes some entirely new functions including:
- *a housing website* – a one stop shop for all things housing related (www.housing.msd.govt.nz) which tenants, landlords, homebuyers and potential social housing clients can access and learn about a wide range of housing options
 - *an enhanced housing options and advice service* – including a facilitated seminar for clients wanting help with housing needs. At any time clients can access a range of products and services to help them find alternative housing options. A key new feature of the enhanced service will be a set of tools specifically designed to assist social housing applicants and clients into alternative, independent accommodation
 - *agreements with Community Housing Providers (CHPs) and HNZN to provide social housing* – from April 14, MSD will have IRRS agreements in place with CHPs and HNZN to house social housing clients for IRRS (see Paper D). MSD will also be publishing aggregate waitlist information so housing providers have a clear picture of the locations

where there is demand for social housing and the types of clients that need to be housed. This is a critical step in building a level playing field within a multiple provider market

- *reviewable tenancies* – a sensitive and sophisticated staged review process tailored to client's individual circumstances and targeted towards specific groups of clients at or near market rent.

- 23 Initially, MSD envisaged that an eligibility indicator would be part of the housing website platform, to help clients test whether they may be potentially eligible for social housing. However, during development and testing it was identified that there is a potential for the indicator to generate more demand for social housing needs assessments than MSD had anticipated. For now, the service delivery approach will be embedded first while potential enhancements to the eligibility indicator are considered for a later rollout.
- 24 This highlights how MSD is learning as they go – and how vital this is for a large organisational change.

Dual IT systems are the first step in providing a whole picture of client need

- 25 In November Cabinet agreed that, on day one, MSD will use the existing HNZC IT system (Northgate) to record and update all housing information and the existing Social Allocation System (SAS) criteria to determine eligibility and priority for social housing. This ensures the least disruption for clients, as well as giving MSD time to implement the transfer and understand the SAS system before recommending whether changes are necessary.
- 26 The day one model will involve MSD using dual IT systems. The HNZC Northgate system will record and update all housing information and will be used in conjunction with MSD's current client system. MSD will need to update Northgate on behalf of CHPs as manual referrals, offers and changes are notified – as CHPs will not have access to either system in the interim. MSD staff are adapting to a new IT system and have adopted a 'learn as we go' approach, with any difficulties between the two systems and manual processes being resolved as the transfer is implemented.
- 27 This is the first step in creating a whole picture of client need. The client view will be limited initially, with two systems that will not interact with each other. However, over time, an integrated IT system will be developed to support and provide better information for MSD staff and multiple housing providers – and provide a whole picture of the client.

The day one IT solution is ready to be rolled out, with the end state IT model on track for mid-2015

- 28 As part of the November decisions, Cabinet approved an IT business case for an interim IT solution and the future development of an integrated phase two solution.
- 29 The phase one IT solution will use parts of the existing HNZC Northgate system and HNZC's Business Intelligence reporting system so that all functions of the housing assessment service will be operational on time. Design of the business requirements and IT architecture for phase one of the transfer was completed in December 2013. Ninety per cent of the testing is complete. The phase one IT solution is on track for a stable roll out.
- 30 Manual work-arounds have been developed as a contingency for all parts of the need assessment process that MSD is responsible for should Northgate be down for any extended time after 14 April 2014. A manual process will operate for CHPs as they will not have access to Northgate.

- 31 The end state IT model - on track to be delivered by mid-2015 - is based on a fully integrated MSD IT system and a web-based IT system that enables information to be shared seamlessly between MSD and housing providers.

Staff have been recruited and trained in preparation for day one

- 32 The majority of new staff required for the April 2014 transfer have now been recruited. Overall, 193 new staff were recruited - based on careful analysis of business processes needed to support the new social housing function and consultation with staff. This number is higher than the amount of positions being disestablished in HNZC. This is due to the expected increase in demand for the housing service and different service delivery approaches and performance standards (such as faster response times to calls and more face to face contact at MSD service centres).
- 33 The majority of the 193 new positions are located in the centralised unit (housing) in Auckland that will process and deliver the housing needs assessment service. Case managers (housing) will be located in regions where there is an identified need.
- 34 Roles have been filled by staff from HNZC, existing MSD staff and by candidates from the external market. Out of the 60 offers made to affected HNZC staff, 43 staff accepted their offer. The retention of the knowledge, skills and experience of these staff members will help ensure successful implementation of the transfer.
- 35 New staff will be located in Work and Income frontline offices, a new centralised unit in Auckland and within Students, Seniors and Integrity Services offices. Training for the new roles has begun and will continue right up to the go live date. Training is also being rolled out to other MSD staff as all case managers will need to know how to screen clients for their housing needs and decide whether an assessment is necessary.
- 36 HNZC staff will learn more about the process and system changes from March 2014. Appointments have been made to the new HNZC placement function (placing clients into HNZC homes), which has resulted in redeployment for some affected staff. The placement function will be located in Christchurch, Wellington and Manukau. There are currently 40 HNZC staff who received their notice of redundancy in early March. These staff could be redeployed right up to their last day with HNZC, 11 April 2014. The current estimate of redundancy costs for HNZC is \$940,000.

Communications to clients and the public has begun, jointly managed by MSD and HNZC

- 37 A full suite of channels and tools (including meetings, briefings, factsheets, brochures, letters, and websites) are being used to communicate the changes to the public, potential housing providers and tenants. To ensure messaging is consistent and opportunities are coordinated, communications are aligned across MSD and HNZC - and provided within the context of the broader Social Housing Reform Programme.
- 38 All existing HNZC tenants and waitlisted applicants are being contacted directly and told about MSD's new functions, including reviewable tenancies, to ensure a seamless transition for them on day one. Until MSD takes over the needs assessment functions in April 2014, communications to tenants are being jointly managed by MSD and HNZC. To ensure that clients who ring the wrong number or go to the wrong place get the support they need, protocols are already in place between agencies which are client focused – such as being re-routed to the MSD contact centre and put to the front of the queue.

MSD is engaging regularly with housing providers about the changes

- 39 MSD has been meeting regularly with an external focus group of housing providers and tenant and beneficiary advocates. The group has provided advice that has guided our approach to service delivery and to stakeholder communications generally. The group will continue to meet beyond 14 April 2014, to inform development of the end-state model and integration of housing assessments into MSD.
- 40 In February 2014, MSD met with 40 community housing provider organisations, including the 34 providers that will be automatically deemed as eligible for the IRRS from 14 April 2014. The workshops were an opportunity to brief providers on the transfer of functions, and MSD's service delivery model, contracting approach and management of IRRS. The Ministry of Business, Innovation and Employment (MBIE) also provided an update to providers.
- 41 The workshops were well attended and providers were pleased to have information about the role and reporting requirements of the regulator and of MSD. MSD's management of the waitlist and referral of tenants to providers were of particular interest, as was information sharing between agencies and with housing providers.
- 42 MSD, HNZA and MBIE will be holding briefings for a wide range of stakeholders in late March in Wellington, Christchurch and Auckland. These briefings will focus on the experience of applying for and being housed in social housing.
- 43 MSD expects these briefings to be well attended by people advocating on behalf of MSD clients, and social housing tenants and applicants, as well as a wider group of housing providers. The aim of the briefings is to build understanding and confidence in the transfer of functions to MSD and the extension of IRRS to housing providers other than HNZA.

The regulations and Ministerial direction needed to implement the transfer are ready

- 44 In order for the transfer to be operational from day one, a number of regulations and Ministerial direction need to be in place by 14 April. These include:
 - bringing Part 2 of the Social Housing Reform (Housing Restructuring and Tenancy Matters Amendment) Act into force
 - establishing the Social Security Appeal Authority as the appeal body for hearing appeals against decisions made by the social housing agency that are appealable
 - making a regulation for transitional provisions that may be necessary to facilitate a smooth transfer of functions
 - establishing on 14 April a Ministerial direction on the eligibility criteria for social housing.
- 45 These regulations and Ministerial direction will come into force on 14 April, subject to Cabinet and Joint Ministers approval. MBIE is responsible for these and is on track to ensure they are in force and operational on 14 April. The Minister of Housing intends to bring these regulations to the Cabinet Legislation Committee on 19 March 2014 for approval following consultation with the social housing sector.

The cost of the transfer will be delivered within budget

- 46 The transfer of functions has fiscal implications. In November 2013, Cabinet approved a one-off transitional cost of \$9.545 million and \$1.91 million capital funding in the 2013/14 financial year for MSD. This included \$5.568 million to hire and pay staff from February 2014 to deliver the needs assessments from 14 April. MSD is on track to deliver the transfer within the agreed operating budget.

- 47 On-going costs for the transfer of the needs assessment and other associated functions post 2013/14 will be sought through Budget 2014.
- 48 As set out in the November Cabinet paper, HNZC will incur \$6.5 million in costs for the transfer in 2013/14 and \$7.2 million in 2014/15. These will be offset by \$1.5 million of operational savings in 2013/14 and \$10 million in 2014/15. Currently HNZC is operating within the agreed budget. For HNZC, the costs of the transfer are being managed within the process of finalising the Letters of Expectations with Shareholding Ministers.

Incentives, products and services for independent housing outcomes

- 49 After the transfer, it will be important to have incentives, support and supply in place to encourage people to transition from social housing to independence - to achieve the desired outcomes of social housing reform.
- 50 As noted in Paper A, MSD are leading work on:
- redesigning the demand-side housing subsidies
 - stronger purchasing signals for the housing market
 - integrating housing assistance with other MSD services
 - providing clients with incentives to make better choices.
- 51 As a first step towards finding incentives for clients and new forms of supply, MSD has developed a package of incentives, products and services to better assist lower socio-economic households into independent housing. The section below updates you on progress with the development of the 'Housing Support Package'.

A Housing Support Package will create more independent housing outcomes

- 52 Some lower socio-economic households need additional support to find or retain independent housing. They often fall short in a competitive housing market and experience a number of barriers to leaving social housing or finding independent housing.¹ These barriers are not insurmountable. Helping these households into independent housing, wherever possible, is a positive way to ensure social housing is only accessed by those in the greatest need.
- 53 An enhanced options and advice service will be a core element in MSD's Housing Assessment service. As well as the current range of financial assistance available to clients, the key point of difference will be a package of new tools designed to support clients with independent housing solutions from July 2014.
- 54 The Housing Support Package will:
- include a range of new incentives, products and services and will directly respond to known housing barriers
 - be a critical part of the triage and active client management approach
 - help MSD address the expected initial increase in waitlist numbers for social housing
 - make it easier for current social housing tenants to find alternative independent housing.
- 55 In November 2013, Cabinet noted the six initial tools in the Housing Support Package.

¹ Outside of social housing, the primary accommodation option for lower socio-economic households is the private rental market which is marked by issues of high demand and affordability mark – and they face greater difficulty than the broader population in securing a property, pay great proportion of their income in housing costs and face limited security of tenure if they fall behind in payments.

- *Tenancy Guarantee* is a limited financial guarantee, in addition to a tenant's bond payment, to incentivise landlords to let to lower socio-economic clients – and any claims against the guarantee by a landlord are recovered from the client.
 - *Moving Assistance* helps with the physical cost of moving, an essential and unavoidable cost for which there is only limited current assistance available, but is recoverable to ensure that households find the most economical way to move.
 - *Independence Bonus* incentivises voluntary exits from social housing for people with a lower housing need, through a cash payment – to encourage natural movement out of social housing in areas with high waiting lists or speed up movement in the engagement phase of reviewable tenancies.
 - *Bond Grant* is a one-off non-recoverable bond payment that directly addresses a major housing barrier (entry costs) without creating further household debt.
 - *Letting Fees Assistance* is for non-beneficiaries and extends a loan currently provided to beneficiaries to widen the property available to low-income working households, but is recoverable to ensure they look for more economical private options first.
 - The *Statement of Satisfactory Tenancy* is a detailed reference from social housing providers that directly targets landlord's three core tenant selection concerns.
- 56 The tools aim to create behavioural change that will see more households consider independent housing options (through improved ability to enter and compete in the market) and greater market acceptance of lower socio-economic households (through reduced financial risk in letting to certain tenant groups).
- 57 The Housing Support package will create more independent housing outcomes, as the tools are designed to directly respond to known housing barriers for which assistance is not currently available (eg *Tenancy Guarantee*, *Moving Assistance*, *Bond Grant*), assistance is not provided to all groups or consistently (*Letting Fees Assistance*, *Statement of Satisfactory Tenancy*), or there are currently no incentives (*Independence Bonus*). Achieving more independent housing outcomes, will reduce the pressure on social housing so that those with the greatest housing need can access it.

A focus on addressing differing needs of households in high pressure locations

- 58 The tools will be available nationwide through the Housing Assessment service, but concentrated in locations with high volumes of social housing application. This means the tools will be used primarily in the Auckland, Canterbury and Wellington regions where case manager (housing) roles are being established.
- 59 In the first year, the package will be focused exclusively on two key groups.²
- Households able to be 'off-ramped' (waitlisted households with a low priority rating and some ability to secure independent housing if assisted, who may face a long wait).
 - Current but lower need tenants who could free up social housing for households more in need (households considering a move out of social housing or who being actively worked with through the reviewable tenancies process).³
- 60 The tools need to be accessible to a broad range of households with differing characteristics and needs, but they also need to be rationed so that only the households who genuinely need the assistance to successfully access or sustain independent housing receive it. Eligibility

² In the future, assistance extends to (a) households in precarious situations who just under social housing eligibility whose housing situation may deteriorate and (b) social housing tenants not selected for review but capable of a move out of social housing.

³ The optimal mix and level of investment will be determined by the information gathered from segmentation work and investment approach principals (focusing resources where future costs are highest and interventions are likely to be successful).

criteria have been established for each of the tools but, as not everyone who is eligible for a tool will need it (i.e. will experience that particular barrier), assistance is provided at discretion based on the each household's unique circumstances and need.⁴

61 A household may need one or several tools. *Moving Assistance* and the *Tenancy Guarantee* will get the highest use as they are low cost and assist a broad range of households. Demand will be lower for the *Bond Grant* as this will only be provided in specific situations, *Letting Fees Assistance* as this is only for non-beneficiaries unable to find a private let, and the *Independence Bonus* which will initially only be used in the engagement phase of reviewable tenancies. Referrals for a *Statement of Satisfactory Tenancy* will begin in July 2014.

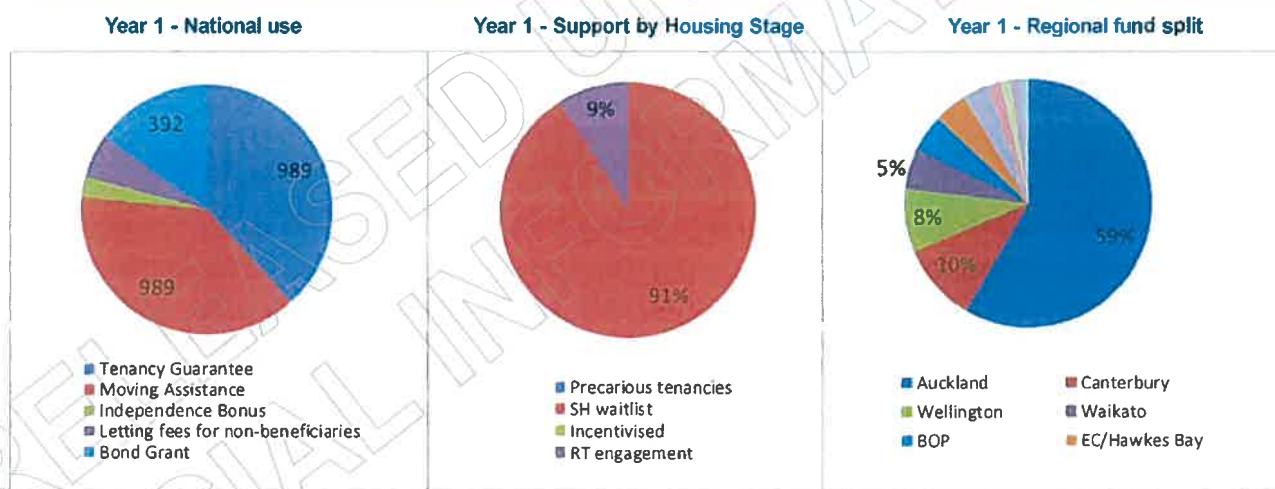
62 It is estimated the package will assist around 1,500 households into independent housing in 2014/2015. The diagram below shows how the package will be used in the first year.

Diagram: use of Housing Support Package in Year 1

Housing Support Package: Year 1 at a glance

Strategy for the use of the tools, in Year 1:

- * make significant use of TG and MA as they are low cost tools and address some of the most significant barriers and can be used with a broad range of clients (in future years, this may change when we learn more about what works best)
- * focus on households on the waitlist, to help manage the expected surge of applications that will result from transferring the needs assessment function to MSD (in future years, the focus on waitlist will reduce and the focus on Reviewable Tenancies will increase)
- * allocate funds according to anticipated flows so that resources are concentrated on the areas where we are expecting a substantial increase in needs assessments, and waitlist numbers.



Learning by doing with the Housing Support Package

63 Market conditions, client needs and policies will change over time.⁵ Accordingly, the tools that are most effective for assisting people into independent housing are also likely to change over time. The initial package has been designed to be easily refocused as MSD gains a better understanding of what works to support people into independent housing options in the initial years of the new service.

64 A staged evaluation of the entire Housing Assessment Service is being developed. Within this, it is intended that the Housing Support Package be continually monitored from July 2014 and an initial evaluation completed in March 2015. This learning will provide some further data on the individual circumstances and characteristics of the target groups and enable better estimation of the number of households that could be assisted.

⁴ A decision framework will ensure tools are only provided to those able to sustain independently and where the tool is genuinely needed.

⁵ For example, as the supply of affordable residential housing increases, the composition of Social Housing tenants becomes more concentrated on higher need groups and as Reviewable Tenancies policy embeds.

Establishing the Housing Support Package

- 65 It is intended that the following items in the package be established via Ministerial Welfare Programme, and be ready from July 2014:
- *Tenancy Guarantee*
 - *Moving Assistance*
 - *Independence Bonus*
 - *Bond Grant*
 - *Letting fees Assistance.*
- 66 Officials are preparing a business case to seek the Minister of Finance's approval for MSD to issue the *Tenancy Guarantee* as a formal guarantee, under section 65ZD the Public Finance Act 1989. There is a high bar for establishing a guarantee programme and, if not approved, a comparable tool can be delivered solely through the Ministerial Welfare Programme but is likely to be less attractive to landlords as it cannot be promoted as a 'guarantee'.
- 67 The *Statement of Satisfactory Tenancy* will be established as a requirement in MSD's Service Level Agreement with HNZA and MSD contracts with CHP's.
- 68 The *Statement of Satisfactory Tenancy* has no Crown cost. The rest of the package will operate, initially, under a capped fund. Funding of \$1.000 million in 2014/2015, \$1.800 million in 2015/2016, and \$2.600 million in outyears is being sought through Budget 2014. The initial IT costs to establish the tools, and the ongoing service delivery costs of offering the tools, will be sought as part of funding in Budget 2014 for the capital and ongoing operational costs of the transfer as a whole.
- 69 MSD will report to the Minister of Social Development in April 2014, seeking policy decisions for the Ministerial Welfare Programme(s) and other implementation details or requirements.

Financial implications

- 70 As outlined in paragraphs 47 and 68, on-going costs for the transfer and the Housing Support Package will be sought through Budget 2014.

Recommendations

71 It is recommended that the Committee:

- 1 **note** that the transfer of the needs assessment and other related functions from Housing New Zealand Corporation to the Ministry of Social Development is the first step in achieving the Government outcomes of:
 - 1.1 more providers entering the social housing market
 - 1.2 shifting tenants expectations away from a state house for life, to a house for the duration of their need
- 2 **note** that the transfer of social housing functions is a significant machinery of government change involving a new function for the Ministry of Social Development
- 3 **note** that the transfer is on track for implementation on 14 April 2014
- 4 **note** that to achieve the desired outcomes of social housing reform the right incentives and support must in place to encourage people to transition from social housing to independence
- 5 **note** that an enhanced options and advice service will be a central element of the new Housing Assessment service and will be equipped with a set of six new tools designed to help people into independent housing outcomes
- 6 **note** that these tools will help manage the expected initial surge in waitlist numbers and accelerate movement out of social housing for those with lower housing need
- 7 **invite** the Minister for Social Development to establish a welfare programme under section 124(1)(d) of the Social Security Act 1964 to give effect to the new tools.

Hon Paula Bennett
Minister for Social Development

____ / ____ / ____



Cabinet Social Policy Committee

SOC (14) 30

Copy No: 39

Summary of Paper

18 March 2014

This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.

LATE PAPER: This paper was submitted after the Cabinet deadline and has been accepted for the agenda by the Chair.

Social Housing Paper C: Income Related Rent Subsidy Funding Model

Portfolio Social Development

This paper is the third in the suite of four papers which update Ministers regarding progress on the elements of the government's social housing reform programme for which the Ministry of Social Development is responsible.

This paper sets out a funding model for the Income Related Rent Subsidy to support social housing reform objectives. This funding model is a critical part of efforts to improve fiscal control and to grow the non-government social housing sector.

The paper should be read with the following three companion papers entitled:

- Social Housing Paper A: Next Phase of Reform to Purchasing Housing Assistance [SOC (14) 28];
- Social Housing Paper B: Report Back on Implementation of the Transfer of Social Housing Functions [SOC (14) 29];
- Social Housing Paper D: The Ministry of Social Development's Initial Approach to Purchasing and Contestable Trial [SOC (14) 31].

The Minister for Social Development recommends that the Committee:

Establish a single appropriation for the Income Related Rent Subsidy

- 1 note that the current two appropriation model for the Income Related Rent Subsidy (IRRS) prevents direct competition between Housing New Zealand Corporation (HNZC) and Community Housing Providers (CHPs);
- 2 note that as the proposed new funding pool will be accessible to both HNZC and CHPs, there will be a greater risk of HNZC carrying property vacancies, with flow-on impacts on the Crown dividend;
- 3 agree that a single appropriation be established for the IRRS, to support market development, from 1 July 2014;

- 4 agree to establish a new Non-Departmental Output Expense appropriation "Part payment of rent to Social Housing Providers" in Vote Social Development;
- 5 agree that the scope of this appropriation be: "This appropriation is limited to the part purchase of social housing tenancies for individuals who have both been allocated a social house and had their income related rent calculated by the social housing agency";
- 6 agree that the Minister for Social Development be the Minister responsible for this appropriation;

Set the baseline for the new appropriation

- 7 note that the level of funding committed to the new "Part payment of rent to Social Housing Providers" appropriation will impact the number of people housed in social housing and the number of people on the waitlist for social housing;
- 8 agree that the baseline should be based on current policy settings, including HNZA supply, previously agreed funding for CHP tenancies, and the recently agreed implementation plan for reviewable tenancies;
- 9 approve the following changes to appropriations to give effect to the new funding model described above (paragraphs 2 and 6 above refer), with a corresponding impact on the operating balance:

	\$m – increase/(decrease)				
	2013/14	2014/15	2015/16	2016/17	2017/18 & Outyears
Vote Social Development					
Minister of Social Development					
Non-Departmental Output Expense: Part payment of rent to Social Housing Providers	-	718.428	774.742	825.153	879.463
Vote Housing					
Minister of Housing					
Non-Departmental Output Expense: Purchase of Housing and Related Services for Tenants Paying Income Related Rent	-	(712.447)	(768.425)	(823.137)	(881.745)
Non-Departmental Output Expense: Income Related Rent Subsidy for Community Housing Providers	-	(6.000)	(8.600)	(9.100)	(9.100)
Total Operating	-	(0.019)	(2.283)	(7.084)	(11.382)

- 10 note that the reduction in expenditure has been built into the preliminary Budget 2014 fiscal forecasts;

Cap for the IRRS baseline

- 11 note that by opening up the IRRS to other providers, the government no longer controls the supply of social housing, and therefore needs to use other tools to control IRRS expenditure;
- 12 agree that IRRS expenditure be capped, requiring the Ministry of Social Development to manage IRRS costs within the baseline agreed above (paragraph 7 refers);

Authority for Ministers to adjust the baseline

- 13 authorise the Minister of Finance and the Minister for Social Development to adjust the appropriation for:
- 13.1 unanticipated changes in market rent;
 - 13.2 unanticipated changes in average income related rent;
 - 13.3 unanticipated changes in type or location of social housing demand;
 - 13.4 rollout of fourth year of the baseline, based on the costs of third year tenancies;
- 14 agree that the delegated authority referred to above be limited to 10 per cent of the baseline;
- 15 agree that before making changes to the appropriation, Ministers must be provided with information to support the change, including:
- 15.1 value for money in the current IRRS spend;
 - 15.2 metrics that demonstrate the need for change in the appropriation;
 - 15.3 options for change, including an option of funding current tenants only.

Laurence Tyler
Committee Secretary

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Chief Executive, Te Puni Kokiri

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Office of the Minister of Finance
Office of the Minister for Social Development
Office of the Minister of Housing

Chair
Cabinet Social Policy Committee

SOCIAL HOUSING REFORM: IMPLEMENTING THE TRANSFER OF NEEDS ASSESSMENT FUNCTIONS

Proposal

- 1 This Government has agreed to transform the social housing sector in New Zealand, including increasing the role of non-government providers. An important step is to transfer social housing needs assessment and related functions from Housing New Zealand Corporation (HNZC) to the Ministry of Social Development (MSD).
- 2 This paper seeks Cabinet's endorsement of the approach to the transfer and the service delivery model, and requests initial funding to allow the transfer of functions to proceed. The paper is set out in three parts:
 - Part 1: Background and aims of social housing reforms
 - Part 2: Implementation of the transfer of needs assessment and related functions
 - Part 3: Financial and legislative implications.

Executive summary

- 3 This Government is embarking on the most ambitious reform of the social housing sector in decades. It will take time and concerted effort across a number of government agencies to achieve real change. The overall social housing reform work programme aims to deliver:
 - improved services and assistance to those with the greatest need
 - a transformed housing market that:
 - has a diverse supply of social and affordable housing and providers
 - is responsive and can easily adapt to changes in market conditions and demand
 - creates incentives to transition to independence from social housing support
 - greater visibility of the true cost of social housing, so that the Government can make informed decisions about where and how much to invest.
- 4 Central to this vision is a greater role for community housing providers and private landlords, increasing over time as capacity and supply of social and affordable housing grows.
- 5 The transfer of social housing needs assessment from HNZC to MSD is a significant and necessary first step. An independent needs assessor is critical to change incentives in the system and will drive a stronger focus on ensuring those most in need receive social housing at the right time, for the duration of their need.

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- 6 Providing this service through MSD is also an opportunity to deliver better and more efficient housing services. Integrating provision of housing with other social and benefit support will result in efficiencies, help to manage increased demand for housing services, and provide clients with an improved overall service and more housing options.
- 7 Through this paper we seek Cabinet's endorsement of the:
 - housing-related functions that will be MSD's responsibility from 14 April 2014, to allow the legislative framework to be finalised
 - aims and key features of the service delivery model that will operate from 14 April 2014
 - future state for social housing needs assessment
 - development of a suite of products and services to support the new model and increase uptake of independent housing options.
- 8 This is a major policy and organisational change, which needs to be carefully implemented. The first priority will be a smooth and effective transition, without disruption to existing tenants and applicants. Initially this will mean using HNZC systems in part, with support from HNZC. However, the service MSD will deliver significant enhancements by offering:
 - more ways in which an assessment can be conducted
 - an options and advice service that will be available to all clients in all stages of housing need and will be an integral part of the service delivery model
 - an internet portal.
- 9 We seek Cabinet's authorisation to make any technical and policy decisions required to finalise the service delivery model.
- 10 We recommend that Cabinet direct MSD in conjunction with HNZC and the Ministry of Business, Innovation and Employment (MBIE) and the Treasury to report to Joint Ministers on progress with implementation of the transfer, in February 2014.
- 11 By mid-2015, MSD's IT systems will be fully integrated. Over time, it is likely that incorporating social housing into the investment approach will help to maximise Government return on investment in social housing and welfare. Work is required to determine the feasibility of this approach and to ensure agencies have high quality data to support it.
- 12 To support a smooth transfer of social housing functions, we propose that tenancy reviews begin from January 2015. Reviewable tenancies are vital to meet the medium to long-term aims of social housing reform, but we believe that better information is required to target them effectively. A later implementation date will allow time to ensure the new needs assessment model is implemented successfully.
- 13 The targeting approach for reviewable tenancies will be sensitive and sophisticated. Segmentation data will be used to target and actively work with tenants depending on their particular household circumstances. Emphasis will be placed on front-end messaging and supporting tenants to be proactive in considering alternative housing solutions.
- 14 Funding is needed to implement the transfer and enable further work. To deliver the model set out in this paper, we seek approval for \$9.545 million in operating funding and \$1.991 million in capital funding for MSD costs to be incurred in the 2013/14 financial year. HNZC costs and savings will be considered by Shareholding Ministers through Letters of Expectations and dividend setting for HNZC. Remaining costs will be sought in Budget 2014. In addition, Cabinet's approval of technical changes to appropriations is sought.

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Part 1: Background and aim of reforms

- 15 On 29 October 2012, Cabinet agreed to a future vision for social housing that will transform New Zealand's social housing sector [CAB Min (12) 38/3 refers]. Reforms recognise that the incentives in the existing system are wrong. For decades New Zealand's social housing sector has been dominated by a single state provider, with few incentives for non-government providers to enter the market, or for people to seek independence from state housing.
- 16 New Zealand is out of step internationally with less than five per cent of social housing provided by the community sector, compared with nearly 20 per cent in Australia and 60 per cent in the United Kingdom. We want to grow the provision of community social housing, recognising its ability to provide wrap-around services and transition people to independence.
- 17 Cross-government work is underway to increase supply and capacity of social and affordable housing, both critical to the success of the reforms.
- 18 An independent needs assessor is necessary to support the extension of the Income Related Rent Subsidy (IRRS) to Community Housing Providers, and Cabinet Business Committee has agreed MSD will carry out this role [CBC Min (13) 2/7 refers]. This will begin to level the playing field with HNZC. It is essential that we take the time and resourcing required to get this step right, as it will underpin longer-term transformation of social housing.

Why MSD?

- 19 It makes sense for MSD to deliver social housing needs assessment. There is a significant overlap in clients. Nearly all HNZC households (current tenants and those on the waitlist) have at least one adult with current or previous contact with Work and Income. About 87 per cent of those on the waitlist and 77 per cent of tenancies are for current Work and Income clients.¹
- 20 Work and Income's strengths are in triaging clients and intervening early to help people remain independent from Government support.
- 21 MSD expects on-going administrative efficiencies of \$1.8 million a year, if the service is integrated within MSD IT systems, due to reduction in duplication. Clients will benefit as they will not have to provide the same information to multiple agencies. Similarly, there are expected to be reductions in debt and fraud, as clients will be reporting their income and changes in circumstances to one agency.
- 22 MSD can provide more comprehensive and integrated support and has strong connections to community and social support services. Case managers will be able to look across the full range of housing, work, and income support received by an individual, family, or household and consider the best way to improve wider social outcomes.
- 23 About 16 per cent of current waitlist clients (809 people) are receiving work focused case management. Taking a holistic approach potentially means greater gains. If people can be moved into work and suitable accommodation simultaneously, it frees up the waitlist for those who need it most.

¹ This includes main beneficiaries, superannuitants and people who have received supplementary assistance, for example Child Disability Allowance or Childcare Subsidy, but have not been on a main benefit. This does not include Child Youth and Family contact or students.

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- 24 There are opportunities to support achieving Better Public Services targets (e.g. reducing long-term benefit dependence, and supporting vulnerable families). In August this year Government agreed to prioritise social housing for those at risk of rheumatic fever.
- 25 Social housing reform requires a fundamental change to both organisational and policy settings. A change of this magnitude requires time and resourcing to deliver the desired results. Over time, we expect a system in which:
 - more people are housed appropriately for the length their housing need exists
 - more people have their housing needs met, by promoting social and housing mobility, improving health, safety, and employment outcomes, and helping those who are able to move towards housing independence
 - there is an increase in the number and diversity of social housing providers.

Working towards an investment approach for social housing and welfare

- 26 MSD is developing its expertise in effectively and efficiently targeting services to individuals through the investment approach, with actuarial valuations of the benefit system and MSD's business analytics work. This has taken some time. After assessing feasibility, there was a considered process to collate the necessary data, assess what should be included in the valuation and to bring this together into a picture of the liability of the benefit system that supports Work and Income to target interventions where they will make the biggest difference.
- 27 There are significant long-term advantages to bringing the social housing picture into the investment approach. Officials have already analysed benefit and housing data to get a picture of shared clients. HNZA hold a wider set of information that covers all household members. Further data matching and segmentation will provide a much richer picture of households, their needs, and the whole-of-life costs for particular groups.
- 28 Work is underway to explore the feasibility of extending the actuarial valuation part of the investment approach to social housing. This includes considering the value of a 'total cost of occupancy' metric that covers more of the costs of social housing than just IRRS (e.g. the capital costs of properties and maintenance, and other income or social support received by the household).
- 29 Over time, agencies will be able to develop and target interventions more effectively using the dual lenses of welfare liability reduction and social housing liability reduction, maximising the Government's return on its investment in social housing and welfare expenditure.

Part 2: Implementing the Transfer

Roles and Functions

- 30 The Social Housing Reform (Housing Restructuring and Tenancy Matters Amendment) Bill is before the House. This Bill will provide the enabling framework to change the social housing sector. When enacted, Orders in Council are required to establish MSD as the responsible agency for a range of functions. We seek Cabinet confirmation that this include:
 - needs assessment for social housing (screening, assessment and reviews of eligibility)
 - waitlist management and referrals to providers
 - calculation of Income-Related Rents (IRR)
 - administration of IRRS, including contracting and making payments to housing providers

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- fraud investigations and Crown debt recovery
 - reviews and appeals against eligibility decisions and decisions about IRR
 - all other functions of the Social Housing Agency under the Bill.
- 31 Reviews and appeals against eligibility and IRR decisions are currently considered by the State Housing Appeal Authority. There were 24 reviews in 2010/11 and 34 reviews in 2011/12. Less than 10 appeals per year are escalated to the State Housing Appeal Authority. On a per case basis, HNZC review and appeal processes are significantly more expensive than the MSD social security review and appeal processes.
- 32 After 14 April 2014 reviews will be managed through the Social Security Appeal Authority.² The State Housing Appeal Authority will need to be retained until April 2017, or an earlier date established by Order in Council, to provide a route for appeals on HNZC decisions relating to the management of Crown debt established before the transfer of functions on 14 April 2014.
- 33 As reviews are concluded the State Housing Appeal Authority will be phased out. Regulations will transfer appeals against decisions made before the conclusion of the State Housing Appeal Authority to the Social Security Appeal Authority.
- 34 The Minister of Housing expects that officials will conduct targeted consultation with the sector on draft regulations in February 2014. The Minister of Housing expects to report back to Cabinet Legislation Committee to seek approval of the draft regulations in March 2014.

Service delivery model: social housing needs assessment and related functions

- 35 We seek Cabinet's agreement to the aims of the service delivery model, the key features of the model that will operate on 14 April 2014 and the direction of the end-state model. MSD's service delivery model has been designed to ensure that:
- there is no disruption for existing clients
 - policies and practices are integrated with MSD's existing approach
 - an anticipated increase in demand for social housing is actively managed
 - the service is aligned with existing community housing and support service
 - interventions can be targeted more effectively, by looking at ways that housing can be integrated into the investment approach over time.
- 36 MSD will provide a fully functioning needs assessment service from 14 April 2014, while recognising that there are constraints that mean it will not initially be a fully integrated service. We seek Cabinet's endorsement of the initial key features:
- *continued use of HNZC IT systems*
this ensures that disruption for existing tenants and people whose needs assessments are underway is minimised
 - *continued use of existing Social Allocation System (SAS) criteria to determine eligibility and priority for social housing*
this ensures continuity and allows MSD to gather information and understand the system before considering whether changes are recommended. A Ministerial Direction will be required before April 2014 to enable MSD to administer SAS, and assess a person's eligibility for social housing.

² The Social Housing Reform (Housing Restructuring and Tenancy Matters Amendment) Bill also enables, through regulations, the use of the Benefit Review Appeal Committee.

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- *manual referrals to Community Housing Providers*
this recognises that anecdotally there will be limited provider capacity in the short-term, because of historically low turnover of tenancies (around 1 per cent compared to around 8 per cent for HNZC). Pre-qualified CHPs have around 1600 houses, with another 1000 houses with providers who have signalled an interest. It is likely the sector will have capacity for between 300 and 400 IRRS tenants in the 2014/15 year.
It will take time to develop an IT system that supports information sharing with CHPs.
- *an enhanced options and advice service to support people to exit social housing when appropriate*
the options and advice service will be a major point of difference with existing offerings. A key aim of reform is to encourage independence from Government support, and this service will support people to take up private housing options.

37 We seek Cabinet's authorisation to:

- make any technical and policy decisions required to finalise the service delivery model
- establish instruments necessary to give effect to the transfer (e.g. Order in Councils or Ministerial Directions).

38 We recommend Cabinet direct MSD in conjunction with HNZC, MBIE and the Treasury as necessary to report to the Ministers of Finance, Social Development and Housing on progress with implementation, by February 2014.

Further work required: End state for social housing delivery

39 There is significant further work required after the initial transfer of functions. Evaluation will support agencies to adapt the model to be more effective and efficient, while the results from more in-depth segmentation of clients will support improved targeting of interventions.

40 The attached A3 (Appendix 2) shows the vision for social housing needs assessment in future. We seek Cabinet's agreement that the end-state model:

- fully integrate needs assessment with other MSD systems by mid-2015, enabling a single view of the client and their household (housing, employment, income support)
- consider the feasibility of integration with the investment approach
- determine the medium to long-term appropriateness of the SAS criteria for supporting the aims of social housing reform
- be based on a web-based IT system that enables information sharing between MSD and social housing providers to enable allocation in a multi-provider environment.

Reviewable tenancies

41 Cabinet agreed in March 2011 that reviewable tenancies will be introduced for all HNZC tenants who became tenants after July 2011 [CAB (11) 13/5 refers]. In April 2013, Cabinet agreed to extend tenancy reviews to all existing HNZC tenants and to tenants of approved CHP's who are paying an IRR [CBC Min (13) 2/7 refers].

42 The Social Housing Reform (Housing Restructuring and Tenancy Matters Amendment) Bill enables these decisions and will mean that social housing is allocated to people who have the greatest need. Tenants no longer eligible for social housing will be actively managed to support them to move into sustainable private housing options when they are in a position to do so.

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- 43 The success of reviewable tenancies is particularly dependent on the availability of suitable alternative housing options for tenants who have been reviewed and are no longer eligible for social housing. This work is underway as part of the broader social housing reform programme. It also relies on established products that support tenants to become independent.
- 44 Reviewable tenancies are vital to meet the medium to long-term aims of social housing reform, but better information is required to target them effectively. MSD is working to develop a more sophisticated segmentation that builds on existing work and will enable better identification of those clients that can be supported into housing independence. MSD will also need to develop a new assessment (based on existing SAS principles) to support the review process. Experience with the new needs assessment model will be important here.
- 45 We propose that reviewable tenancies formally be implemented in January 2015. This will enable the systems and supports to be in place to actively target and encourage tenants to move to housing independence. Targeting will be managed with sensitivity and according to each household's circumstances. Segmentation data will be used to identify those households to be supported to consider alternative housing solutions.
- 46 Leading up to this, MSD will take the opportunity to engage with clients and test the range of products and services available to assist them into suitable housing options. Emphasis will be placed on proactively working and communicating with clients so they are aware of the options available to them.
- 47 Ministers have previously made announcements regarding the commencement of reviewable tenancies. Most recently a press release by the Minister of Housing on 1 October 2013 advised that "reviewable tenancies are expected to result in 1000 tenants in 2015/16 and 2000 tenants in 2016/17 being supported into housing independence."
- 48 If first contact with tenants targeted for review is in early 2015, first exits would not occur until late 2015 or early 2016 because of requirements to work with tenants who are no longer eligible.
- 49 The impact of the delay is likely to be minimal. Households that began tenancies in 2011 will be expecting a review in 2014. Around 5125 tenants commenced tenancies in 2011/12 and were still tenants at 20 September 2013. These tenants will be anticipating a review of their tenancy in 2014/15. Only a small portion of these tenants would be likely to exit, as they have all been assessed under the current SAS criteria as having a high housing need. As an indicator, 127 (2.5 per cent) tenants in this group have been identified as market renters and may be the first to be reviewed.
- 50 We recommend that HNZC communicate changes to the implementation timing of reviewable tenancies using a variety of channels. Communications to tenants will be jointly managed by MSD and HNZC once legislation passes.
- 51 We propose that MSD in conjunction with HNZC, the Treasury, and MBIE as necessary report back to the Joint Ministers of Finance, Social Development and Housing with details of the implementation strategy of reviewable tenancies by March 2014. Any costs required will be sought as part of Budget 2014.

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Improving the ability for clients to compete in the accommodation market

- 52 An enhanced options and advice service will be a major point of difference in MSD's delivery of a housing assessment service and a key mechanism to support independent housing outcomes. Equipping the housing service with a set of tools designed to directly respond to known housing barriers will be a key component of the success of the service, and a critical part of the triage and active client management approach.
- 53 Assisting people into private housing solutions, wherever possible, ensures that only those with the greatest housing need have access to social housing. However, lower socio-economic households often fall short in the competition for private housing³ and experience a number of specific barriers.
- 54 There is an opportunity to reduce some of these barriers, improve clients' attractiveness to, and choice within, the market and help more people into stable housing. This would free up Government capital and IRRS expenditure for those with greater housing needs. More stable housing outcomes will yield wider Crown benefits by supporting better employment and health outcomes.
- 55 We intend to establish and test a package of tools to support housing independence and increase market acceptance for those able to sustain private housing. The housing support package being developed will:
- provide a range of discretionary and targeted incentives, products and services
 - focus on households who are likely to be able to sustain a private market tenancy but need help to do so (to free up social housing for those with greater need)
 - facilitate movement to, and maintenance of, a sustainable position in the private rental market (to reduce risk of future social housing need)
 - reduce structural constraints (financial and material barriers) and improve households ability to effectively participate in a competitive rental market
 - create behavioural change (more households pursue private options and are accepted by the market) and, where possible impose reciprocal obligations on the market.
- 56 Each tool in the package will respond to one or more barriers faced by lower socio-economic households and improve access to social housing. The six tools initially being developed for trial and detailed further in Appendix 3 are:
- *Bond Grant* (non-recoverable bond directly addresses a major barrier - tenancy entry costs - and sets people up for the future without creating household debt)
 - *Relocation Grant* (little help is available for the physical cost of moving, unless the move is the result of obtaining employment, yet it is essential and unavoidable cost)
 - *Letting Fees Loan for non-beneficiaries* (this extends a loan currently only provided to beneficiaries and is recoverable to ensure people look for cheaper options first)
 - *Statement of Satisfactory Tenancy* (a detailed reference from social housing providers that directly targets landlord's three core tenant selection concerns)
 - *Tenancy Guarantee* (incentivises landlords to give clients a try by providing an additional limited financial guarantee, over and above the bond payable)
 - *Independence Bonus* (incentivises voluntary exits from social housing for people with a lower housing need and is potentially a good precursor to the reviewable tenancy policy).

³ In many areas, the supply of affordable rentals is affected by the larger population, more people opting to rent than own and high land costs driving new supply towards higher cost properties. The result is a significant increase in competition for properties and a wider tenant pool for landlords to choose from.

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- 57 The tools initially proposed are largely untested in New Zealand.⁴ Market conditions and client needs will change over time. We need to ensure any investment allows for flexibility and innovation. The package can be easily refocused where the benefits are strongest, as tools are tested in different forms and environments and we gain a better understanding of what works to support and increase uptake of independent housing options. These tools will be tested with clients as MSD engages with them in the period leading up to the formal introduction of reviewable tenancies.

Staff implications, consultation and communications

- 58 Ensuring that the right staff are in the right place from day one is critical to a seamless transfer for HNZA clients. Effective resourcing will enable MSD to continue to refine and improve service delivery as new functions become embedded.
- 59 Balancing the transfer of critical (housing specific) knowledge and creating efficiencies from expertise already available within MSD, is key to achieving the end state of a fully integrated service.
- 60 MSD and HNZA are developing an organisational design for the transfer of needs assessment functions to MSD, which is currently being finalised. Indications are that around 93 HNZA staff may be affected by the transfer.
- 61 Schedule 4 of the Social Housing Reform (Housing Restructuring and Tenancy Matters Amendment) Bill has been drafted to reflect settings in the State Sector Act 1988. This will allow MSD the flexibility to decide which roles will be transferred.
- 62 MSD are not in a position to make technically equivalent offers to all HNZA staff that will move to MSD. This is because of the difference in MSD and HNZA's remuneration ranges and the need for consistency with existing staff remuneration and conditions. This creates a risk that:
- staff will accept redundancy rather than move to MSD
 - there will be a loss of critical skills and increased pressure to recruit.

Staff communications and training

- 63 Plans for training and staff communications have been developed. HNZA will also deliver training for the residual functions it retains. Both agencies have commenced a programme of high level communications with staff. HNZA and MSD are also engaging with the Public Service Association regarding the transfer.
- 64 The critical path for implementation requires staff consultation to begin no later than 12 November 2013 so that recruitment and training can be embedded for day one. Detailed consultation material has been prepared. Any delays to staff consultation put the implementation date of 14 April 2014 at risk.
- 65 Training is being designed that will cater for existing MSD staff, transferring HNZA staff and newly recruited staff. Training will encompass policy, procedures, systems and capabilities. A variety of delivery mechanisms will be used.

⁴ But build on the experience of HNZA's Assistance to Housing Independence Programme, which trialled various support services and financial assistance tools (e.g. financial assistance for relocation costs).

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Communications and engagement with clients and other stakeholders

- 66 There will be a phased approach to communications and engagement leading up to April 2014, with clients and stakeholders being given information as decisions are taken.
- 67 A full suite of channels and tools will be used, including stakeholder briefings, letters, factsheets, website and intranet content, government media releases, social media, health and disability sector media and ethnic and iwi media. A programme of stakeholder briefings is being planned by MSD, HNZC, the Social Housing Unit and MBIE to begin once legislation has passed. All existing HNZC tenants and waitlisted applicants will be contacted directly, to ensure a seamless transition for them on day one.
- 68 To ensure messaging is consistent and opportunities are coordinated, communications are being aligned across MSD, HNZC and provided within the context of the broader Social Housing Reform Programme.

Monitoring and Evaluation

- 69 MBIE is leading monitoring and evaluation of the overall social housing reform work in collaboration with MSD, HNZC and Treasury. Monitoring and evaluation activities will provide early information about the progress of the reforms and assess the extent they are working effectively. A framework has been developed that proposes routine monitoring of key indicators of SHRP performance, implementation evaluations of specific policy activities and an overall policy evaluation.
- 70 MSD in partnership with HNZC will evaluate the transfer of social housing functions. MSD will also monitor and evaluate the assessment of housing need, provision of IRRS to government and non-government housing providers, and the processes that lead to independence from social housing. This will enable MSD to monitor progress towards the intended outcomes of the SHRP and inform the on-going development of service delivery.
- 71 In addition to on-going monitoring, we propose that MSD in conjunction with HNZC, Treasury, and MBIE as necessary, report back to Cabinet by August 2015 on the first completed year of the needs assessment transfer, including any recommendations for change.

Part 3: Financial and Legislative Implications

- 72 Three types of costs arise from the transfer of the needs assessment for social housing:
- on-going costs to MSD of operating the service
 - transitional costs for both MSD and HNZC associated with setting up the service
 - IT costs for both MSD and HNZC.
- 73 The paper seeks \$9.545 million in operating funding and \$1.991 million in capital funding of MSD costs that relate to the 2013/14 financial year. Remaining costs will be sought in Budget 2014. Summary tables of MSD's costs are set out at paragraph 97 below. A summary table of the cost impact to HNZC of the transfer is set out at paragraph 102 below.
- 74 KPMG has reviewed the cost estimates that follow, including the IT cost estimates, for the funding of the transfer of the social housing needs assessment. KPMG's draft report has confirmed that the costings are generally robust and reasonable, and the KPMG lower end estimate has been incorporated into the scaled package presented in this paper. The scaled package has reduced the net operating costs from \$44.900 million to \$36.051 million

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(excluding capital charge) over the forecast period (e.g. HNZN IT costs were reduced, MSD absorbed on-going corporate costs and both MSD and HNZN reduced their programme office costs).

MSD on-going costs

- 75 MSD will need to deliver all relevant HNZN services relating to needs assessment. The key drivers of the cost for MSD to deliver the services are outlined below.

'Like for like' cost comparison of service delivery

- 76 HNZN's cost of delivery for 2013/14 is \$10.901 million. This figure contains some support and management costs but only those directly associated with complete teams where functions are being transferred. HNZN has budgeted \$9.575 million in 2014/15 for service delivery which reflects the cost after efficiency gains have been achieved (as contained in their transformation business case).
- 77 The cost for MSD to deliver the on-going service from 2016/17 is \$10.820 million and includes all MSD's management and support costs (\$1.1 million). This figure is lower than HNZN's current cost of \$10.901 million (which does not include all HNZN's management and support costs).
- 78 MSD's on-going costs will pay for a 'like for like' service with the current HNZN service that is lower cost over time (by about \$1 million by 2016/17) due to efficiency savings (resulting from fewer staff needed to carry out the transferred functions).
- 79 MSD also requires approximately \$0.610 million for property costs to support the frontline.
- 80 As MSD is developing an IT system to support the transfer, this will be funded from capital, with the associated depreciation and capital charge included in the on-going costs.

Forecast increase in demand for social housing

- 81 The transfer of the needs assessment to MSD is likely to generate additional demand for assessments of eligibility for social housing, due to MSD's broad range of interactions with vulnerable clients, and multiple contact channels. MSD will need to actively manage both:
- a short term spike in demand that may arise as an immediate result of the transfer
 - an increase in the on-going demand for social housing services compared to HNZN over the next four years.
- 82 MSD has estimated that additional demand will cost \$1.114 million in 2014/15, dropping to an on-going cost impact of \$0.360 million from 2015/16. These costs are included in the costs in this paper, and are needed to fund service delivery staff to manage increased demand.
- 83 As the modelling behind these estimates was of short-term demand pressures resulting from operational changes, it was produced using MSD's internal modelling resources, rather than HNZN's model of long-term social housing demand and supply (the 'Bramley' model).

Higher service standards

- 84 MSD's frontline has higher service standards that need to be reflected in the social housing assessment service to ensure consistency across MSD services and an improved client experience. For example, MSD's standard for call centre calls answered is 80 per cent within 20 seconds, while HNZN's is 70 per cent within four minutes.

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85 Higher service standards are \$1.049 million per annum of MSD's on-going operating costs.

Efficiency gains

86 In the short term, frontline staff will need to enter housing information into two systems, collect information from clients that is not yet integrated into the assessment process and manually update change of circumstance information, which incurs extra cost. MSD's service becomes cheaper over time due to the efficiency gains that will be realised once the social housing assessment function is integrated with benefit information held by MSD on most social housing clients. This will result in automated processing and avoid the double entry of information – both will result in faster processing of entitlements.

87 From 2016/17 onwards, this will deliver savings of \$1.8 million per annum.

New functions, products and services

88 New functions, such as reviewable tenancies and contract management for social housing providers, may carry an additional fiscal cost. For example, if more complex contract management arrangements with Community Housing Providers were developed, this could incur further costs relating to changes to MSD's contract management system. These costs cannot yet be quantified as Ministers have not yet made final decisions on the operational parameters for these.

89 The options and advice service will also carry a fiscal cost. These costs will be offset by savings over the long term from assisting clients to independence through these services.

MSD transitional costs

90 Social housing needs assessment functions cannot be transferred from HNZC unchanged. There are one-off costs associated with incorporating these functions into MSD's service delivery model and systems, including set-up costs for staff, designing new policies and processes, evaluation, communications, and property costs.

91 These one-off transitional costs incurred by MSD total \$5.699 million over three years to 2015/16.⁵

MSD IT costs

92 One of the biggest drivers of transitional costs is IT system changes.

93 Most MSD IT costs have been costed as capital costs to make transparent where the cost of capital, capital charge and depreciation of capital lie. These costs are detailed further in the summary tables of MSD's costs outlined at paragraph 97 below.

94 MSD will incur IT costs in order to have an interim IT solution in place from 14 April 2014. The estimated cost for MSD is \$2.333 million for:

- new tools (website, eligibility calculator, screening tool) for staff to use to help manage enquiries about social housing and to provide the ability to triage
- IT system changes so that these new processes talk to existing MSD systems
- providing a secure communications channel between MSD systems and HNZC systems

⁵ \$4.15 million was also appropriated to Vote Social Development in Budget 2013 in relation to the transfer of the social housing needs assessment.

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- enabling MSD to produce letters and print reports through HNZN's IT system.

95 This interim approach will enable MSD to securely access Northgate (HNZN's system) to refer people to HNZN for placement. Community Housing Providers will not be able to access Northgate and a manual process will be in place for referrals to them.

96 In the longer-term, there is a strong case for integrating social housing needs assessments fully into MSD's systems as outlined in the business case attached as Appendix 1. This will cost \$16.4 million and will allow:

- integration with the investment approach, and the ability to include IRRS into actuarial valuations and system-wide client segmentation particularly for housing applicants
- an effective portal through which social housing providers can receive referrals, and interact with MSD – manual management of Community Housing Provider referrals will not be sustainable as the market grows
- cross-MSD coordination of processes and services for social housing clients
- a single view of the client and their family across housing, work and income support
- efficiency gains due to faster and automated processing.

Summary of MSD's total costs relating to the transfer

97 A summary of MSD's total costs relating to the transfer is detailed in the tables below.

MSD on-going operating costs

	2013/14 (\$000)	2014/15 (\$000)	2015/16 (\$000)	2016/17 (\$000) and outyears	Total for 4 years
MSD on-going costs of service delivery	5,568	13,363	11,594	10,820	41,345
MSD corporate overheads	255	610	610	610	2,085

MSD transitional operating costs

	2013/14 (\$000)	2014/15 (000)	2015/16 (\$000)	2016/17 (\$000) and outyears	Total for 4 years
MSD transitional costs	3,649	1,450	600	-	5,699

MSD capital costs and associated capital charge and depreciation

	2013/14 (\$000)	2014/15 (\$000)	2015/16 (\$000)	2016/17 (\$000) and outyears	Total for 4 years
IT and cars	1,991	16,400	-	-	18,391 ⁶
Depreciation (opex)	-	229	2,279	2,279	4,787
Capital charge (opex)	73	729	1,385	1,385	3,572

⁶ Note the IT cost is not the same as outlined in the section detailing MSD's IT costs because some of the IT build is operational (and is reflected in MSD's operating costs), not capital.

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MSD costs sought in this paper

- 98 The transfer of functions is occurring outside a normal Budget round, which means funding is needed now for the 2013/14 financial year to allow IT systems to be built, staff to be engaged and the new system to be set up. These costs include both the transitional costs that will be incurred in 2013/14 and the operating costs that relate to that year.
- 99 MSD needs \$9.545 million of transitional operating funding and \$1.991 million capital funding in the 2013/14 financial year. This includes front line staff costs of approximately \$5.568 million in the 2013/14 year to hire and pay staff from February 2014 to deliver the needs assessment from 14 April 2014. The remaining funding is needed to cover the following:
- IT costs for the day one build - \$2.333 million
 - transitional staff setup costs - \$1.021 million
 - property costs - \$1 million
 - programme office costs - \$1.005 million
 - corporate support costs - \$0.255 million
 - communications - \$0.125 million
 - cars (capital cost) - \$0.156 million
 - capital charge \$0.073 million.

HNZC costs

- 100 In 2013/14 HNZC will have transitional costs of approximately \$2.974 million including programme support and transitional service costs. This figure also includes \$0.795 million as a scaled cost for redundancy, although the highest cost redundancy scenario is up to \$2.095 million.
- 101 HNZC transitional costs and on-going savings will be considered by Shareholding Ministers (Housing and Finance) and the HNZC Board as part of Letters of Expectation and dividend-setting discussions with HNZC.

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102 HNZC's IT costs are \$10.351 million over two years (\$3.507 million in 2013/14 and \$6.844 million in 2014/15). This includes costs of:

- allowing MSD to access relevant parts of HNZC's IT system
- a support desk for MSD staff utilising Northgate
- providing appropriate security across MSD/HNZC systems
- data cleansing and sharing to enable clean transfer of data to ensure MSD are able to integrate with current MSD databases
- reporting changes
- changing system generated correspondence and templates
- provision for licencing costs which remains subject to clarification with vendors.

HNZC costs

	2013/14 (\$000)	2014/15 (\$000)	2015/16 (\$000)	2016/17 (\$000) and outyears	Total for 4 years
HNZC IT costs	3,507	6,844	-	-	10,351
HNZC transitional costs	2,974	631	-	-	3,605
Less: offsetting savings	-(1,596)	-(10,075)	-(10,075)	-(10,075)	-(31,821)
Total	4,885	-(2,600)	-(10,075)	-(10,075)	-(17,865)

Ministerial responsibility: Appropriations for the transfer of social housing functions

103 We propose that the Minister for Social Development will be responsible for all social housing appropriations within Vote Social Development.

104 Within Vote Housing there is currently no appropriation to fund the administration of social housing. The cost is covered by HNZC revenue generated from rentals paid by tenants, and the IRRS. To enable MSD to cover the cost of administering the social housing function, forecasting future social housing demand and IRR debt collection within Vote Social Development, funding will need to be directly appropriated.

105 For 14 April to 30 June 2014, a single Departmental Output Expense appropriation, called "Social Housing Services", will need to be established within Vote Social Development to fund the administration and debt collections for social housing.

106 In addition, for MSD to pay IRRS to social housing providers such as HNZC and Community Housing Providers, the two Vote Housing appropriations; "Income Related Rent Subsidy for Community Housing Providers", and "Provision of Housing and Related Services for Tenants Paying Income Related Rent" will need to be transferred to Vote Social Development. The scope statements remain unchanged.

107 The three new appropriations above will all expire on 1 July 2014.

108 Since MSD will be managing social housing debt resulting from overpayment of IRRS, the appropriation containing the Income Related Rent Subsidy debt provision within Vote

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Housing, called "Increase in Debt Provision", will also need to be transferred to the Vote Social Development appropriation "Debt Write-Downs".

109 Appropriation changes for Vote Social Development will be required from 1 July 2014 and outyears proposed through Budget 2014 as follows:

- establish a Departmental Output Expense appropriation, called "Services to Support People to Access Accommodation". This appropriation is used to fund assessing people's entitlement to social housing and replaces the "Social Housing Services" appropriation.
- revise the following appropriation titles and scope statements currently within Vote Social Development:
 - "Services to Protect the Integrity of the Benefit System"
 - Collection of Balances Owed by Former Clients and Non-beneficiaries".

110 In addition, a new Non-departmental Output Expense IRRS appropriation will be proposed called "Income Related Rent Subsidy for Social Housing Providers", to replace the two appropriations called "Income Related Rent Subsidy for Community Housing Providers", and "Provision of Housing and Related Services for Tenants Paying Income Related Rent".

Human rights implications

111 The proposals in this paper are consistent with the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993.

Legislative implications

112 The Social Housing Reform (Housing Restructuring and Tenancy Matters Amendment) Bill enables the transfer of functions and facilitates a multi-provider environment. It was reported back from the Social Services Committee on 30 September 2013 and is expected to be passed by the end of November 2013.

113 Orders in Council will need to be made as soon as practicable after the Social Housing Reform (Housing Restructuring and Tenancy Matters Amendment) Act is passed to:

- appoint the Ministry of Social Development as the social housing agency commencing on 14 April 2014
- bring relevant parts and sections of the Act into force on 14 April 2014, being Part 2 of the Act (excluding certain provisions relating to reviewable tenancies that will come into force at a later date), Part 2 of the Act adds a new Part 7 (that relates to HNZC), Part 8 (that relates to community housing), Part 9 (that relates to the social housing agency) and Part 10 (that relates to the regulatory authority).

114 We are also seeking authority to issue drafting instructions to:

- make regulations to establish the Social Security Appeal Authority as the appeal body for hearing appeals against decisions made by the social housing agency that are appealable, and require appeals to be considered by the Benefits Review Committee before they are referred to the Social Security Appeal Authority
- make regulations, if needed, to identify transitional and savings provisions that are necessary to facilitate an orderly transition and ensure that existing rights or obligations continue from HNZC to the agency.

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- 115 A consequential amendment to the Student Allowance Regulations 1998 is required to continue the current intent that students who are eligible for social housing and are paying an IRR are not eligible for an accommodation benefit.

Regulatory impact and compliance cost statement

- 116 A regulatory impact statement is not required as this was carried out as part of the policy development process [CBC Min 13(14) refers].

Gender implications

- 117 Any improvements to services, assistance and availability of social housing for those in most need will impact positively on women, given the high proportion of current social housing tenants who are women. Sole parent and female headed households make up around 68 per cent (at April 2011) of HNZC tenants.

Disability perspective

- 118 Any improvements to the provision of social housing should impact positively on disabled people requiring fully accessible housing.
- 119 At 30 June 2013 there were around 14,598 primary social housing tenants with disabilities. At the same date around 10,506 primary tenants received Invalid's Benefits and around 6,487 received Sickness Benefits. The existing needs assessment process incorporates disability and health condition components that account for the needs of those with disabilities or chronic health conditions.
- 120 Integrating social housing assessment with other MSD systems is consistent with the principles of the Enabling Good Lives approach [SOC Min (13) 15/6 refers]. The approach aims to ensure support systems for disabled people are easy to use and take an integrated view of the person's life and needs.

Consultation

- 121 MSD has prepared this paper in conjunction with HNZC, MBIE and the Treasury. The Department of the Prime Minister and Cabinet has been advised. Te Puni Kōkiri, the Ministry of Pacific Island Affairs, the Ministry of Health, Ministry of Justice, Departments of Internal Affairs and Corrections and the Office of Disability Issues have been consulted on the content of the paper.

Publicity

- 122 Any publicity associated with decisions on proposals in this paper will be undertaken as part of the Government's wider communications strategy for social housing reform.

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Recommendations

123 It is recommended that the Committee:

- 1 **note** that this paper seeks Cabinet's endorsement of the proposed approach and service delivery model to support a successful transfer of needs assessment functions from Housing New Zealand Corporation to the Ministry of Social Development, in response to Cabinet direction [CBC (13)14 refers];

Aims of social housing reform

- 2 **confirm** that the transfer of social housing needs assessment and related functions from Housing New Zealand Corporation to an independent agency (the Ministry of Social Development) is an essential step to creating a more responsive and diverse social housing market and achieving the Government's vision for social housing;
- 3 **confirm** that the key aims of the transfer of social housing needs assessment and the extension of the Income-Related Rent Subsidy to Community Housing Providers are to ensure that:
 - 3.1 more people are housed appropriately for the duration of their housing need;
 - 3.2 more people have their housing needs met through promoting social and housing mobility, improving health, safety, and employment outcomes; and helping those who are able to move towards independence;
 - 3.3 there is an increase in the number and diversity of social housing providers;
- 4 **note** that the Ministry of Social Development already has some contact with most people requesting social housing;
- 5 **note** that the transfer of needs assessment and related functions to the Ministry of Social Development represents a fundamental change to organisational and policy settings and a change of this magnitude requires time and resourcing to deliver desired results;
- 6 **note** that work is underway to explore the feasibility of extending the investment approach to apply to the social housing model, including a 'total cost of occupancy' metric to target interventions more effectively with the dual lenses of welfare and social housing liability reduction;

Implementing the transfer

Roles and functions

- 7 **note** that the Social Housing Reform (Housing Restructuring and Tenancy Matters Amendment) Bill has reported back from the Social Services Committee and, when enacted, will provide an enabling framework for a multi-provider social housing environment and for the transfer of needs assessment to occur;

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- 8 **confirm** that the Ministry of Social Development will become responsible for the following social housing functions on 14 April 2014:
- 8.1 social housing needs assessment, including screening and reassessment for reviewable tenancies;
 - 8.2 waitlist management and referrals to providers;
 - 8.3 Income Related Rent assessment and calculation;
 - 8.4 Income Related Rent Subsidy administration, including payment and contracting with providers;
 - 8.5 investigations and Crown debt recovery for Income Related Rent assessments;
- 9 **agree** that the Social Security Appeal Authority will be responsible from 14 April 2014 for appeals of decisions or determinations related to a tenant or prospective tenant's:
- 9.1 calculation, notification and management of Income Related Rent, including establishment, management and recovery of Income Related Rent Subsidy debt
 - 9.2 eligibility to be allocated or continue to be allocated social housing;
 - 9.3 assessment of particular housing needs;
- 10 **note** that Housing New Zealand Corporation will retain responsibility for debt established before the commencement of the Social Housing Reform (Housing Restructuring and Tenancy Matters Amendment) Bill and that the State Housing Appeals Authority will need to be retained for this purpose until April 2017 or an earlier date established by Order in Council;
- 11 **note** that the Supplementary Order Paper on the Social Housing Reform (Housing Restructuring and Tenancy Matters Amendment) Bill includes amendments that support the retention of appeals for this purpose;

Service Delivery Model

- 12 **agree** that the approach to the transfer of social housing needs assessment to the Ministry of Social Development will:
- 12.1 support a smooth transition for clients of existing functions from Housing New Zealand Corporation;
 - 12.2 align and integrate housing policies and practices within Ministry of Social Development services;
 - 12.3 manage an expected initial increase in demand for social housing that is expected to taper off;
 - 12.4 ensure alignment with community housing and support services;
 - 12.5 enable interventions to be targeted more effectively using dual lenses of welfare liability reduction and social housing liability reduction to maximise the Government's return on investment in social housing and welfare;

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- 13 **agree** that the Ministry of Social Development will deliver an independent and fully functional needs assessment service from 14 April 2014 that will:
- 13.1 initially rely on using Housing New Zealand Corporation IT systems in part, to ensure a smooth transition, with both the Ministry of Social Development and Housing New Zealand Corporation accessing the system;
 - 13.2 use the existing Social Allocation System criteria to assess eligibility and determine priority on the waitlist;
 - 13.3 use existing Income Related Rent calculation and mechanisms;
 - 13.4 include manual referrals to Community Housing Providers;
 - 13.5 require social housing providers to invoice the Ministry of Social Development for the Income-Related Rent Subsidy they are owed, subject to audit;
 - 13.6 include an enhanced options and advice service to actively manage the waitlist, to support clients to access and/or maintain sustainable private accommodation (advice to applicants, prospective tenants, tenants, and those exiting);
- 14 **authorise** the Ministers of Finance, Social Development, and Housing to make any technical, policy, administrative and consequential decisions required to support the transfer of functions and implement the service delivery model in April 2014;
- 15 **note** that the Social Housing Reform (Housing Restructuring and Tenancy Matters Amendment) Bill requires the Ministers of Finance, Social Development and Housing to give the Ministry of Social Development, in their role as the social housing agency, directions stating the criteria by which a person's eligibility for social housing must be assessed;
- 16 **direct** the Ministry of Social Development in conjunction with Housing New Zealand Corporation, Ministry of Business, Innovation and Employment and the Treasury as necessary to report back to the Ministers of Finance, Social Development and Housing by:
- 16.1 February 2014 on progress with implementing the transfer of social housing needs assessment and associated functions; and by
 - 16.2 August 2015 on the first completed year of the Ministry of Social Development's operation of social housing functions, including any opportunities for on-going improvements or funding implications;

Development of the end-state for social housing needs assessment

- 17 **agree** that the Ministry of Social Development work towards an end-state model, including:
- 17.1 establishing a fully integrated needs assessment service to operate from mid-2015, which will enable a single view of the client and their family and household, across housing, employment, and income support;
 - 17.2 integrating its needs assessment service with the investment approach that applies to the benefit system over time;

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- 17.3 determining whether changes to the SAS are required to support the aims of social housing reform and ensure those most in need are housed sooner, for the duration of their need;
- 18 **note** the end state model is based on developing a web-based IT system that enables information to be shared seamlessly between the Ministry of Social Development and social housing providers;

Reviewable tenancies

- 19 **note** that reviewable tenancies is a new function and its success is dependent on:
- 19.1 supply side availability of housing options;
 - 19.2 an embedded needs assessment service;
 - 19.3 information gathered through segmentation data to provide a stronger picture of client needs;
 - 19.4 development of a fit for purpose assessment process that is informed by Social Allocation System principles;
- 20 **agree** that implementation of tenancy reviews commence in January 2015;
- 21 **note** that reviews will draw on segmentation data and be sensitive to individual household circumstances with emphasis on front-end messaging and supporting tenants to be proactive in considering options and alternative housing solutions;
- 22 **direct** the Ministry of Social Development and Housing New Zealand Corporation to work together to communicate the implementation date for reviewable tenancies to tenants and other affected stakeholders;
- 23 **direct** the Ministry of Social Development in conjunction with Housing New Zealand Corporation, the Treasury, and Ministry of Business Innovation and Employment as necessary, to report back to the Ministers of Finance, Social Development and Housing with details of the implementation strategy and roll-out of reviewable tenancies by March 2014;
- 24 **note** that any costs that may be needed for the roll-out of reviewable tenancies will be sought as part of Budget 2014;

Incentives for private housing: products and services

- 25 **note** that some people face financial and other barriers to accessing private tenancies or leaving social housing, and are likely to benefit from additional support to achieve this;
- 26 **note** that the Ministry of Social Development will provide a range of products using a pooled fund to be established from July 2014 that will actively support people to overcome barriers to moving into sustainable housing options including;
- 26.1 a bond grant;
 - 26.2 a relocation costs grant;

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- 26.3 recoverable assistance for letting fees for non-beneficiaries;
 - 26.4 a statement of satisfactory tenancy;
 - 26.5 a tenancy guarantee;
 - 26.6 an independence bonus;
- 27 **note** that funding for the final suite of products and services will be from a pooled fund to be established from July 2014 and will be sought as part of Budget 2014;

Staff implications, communications and consultation

- 28 **note** that around 93 Housing New Zealand Corporation staff will be affected by the transfer of needs assessment and related functions to the Ministry of Social Development;
- 29 **note** that Housing New Zealand Corporation and the Ministry of Social Development have begun high level communications with staff and engagement with the Public Service Association is underway;
- 30 **note** that the critical path for implementation in April 2014 requires staff consultation to commence no later than 12 November 2013 so that recruitment and training can be embedded from day one;
- 31 **note** that detailed consultation material has been prepared and that any delays to staff consultation put the implementation date of 14 April 2014 at risk;
- 32 **note** that communications material is being developed for tenants and other stakeholders and that the Ministry of Social Development, Housing New Zealand Corporation and the Ministry of Business, Innovation and Employment are working together to ensure that information is available to stakeholders in a timely and co-ordinated way as appropriate;

Monitoring and Evaluation

- 33 **note** that the Ministry of Social Development and Housing New Zealand Corporation are working together to develop monitoring and evaluation processes to support the on-going refinement of the service delivery model and related functions;

Financial and Legislative implications

Total transfer costs

- 34 **note** that KPMG has reviewed cost estimates, including IT cost estimates, for the funding of the transfer of the social housing needs assessment and considers that they are robust and reasonable;
- 35 **note** that the net four-year indicative total Crown operating balance impact of transferring the needs assessment for social housing from Housing New Zealand Corporation to the Ministry of Social Development is \$36.051 million (excluding capital charge), as shown in the tables below, with an additional capital cost of \$18.391 million;

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- 36 **note** that these costs are subject to needs assessment volume and efficiency estimates, and any actual variations to these estimates will be reported to Joint Ministers as part of economic and fiscal updates;

	\$m – increase/(decrease)				
\$ million	2013/14	2014/15	2015/16	2016/17 & Out-years	Four Year Impact
Transition Operating Costs					
MSD Operating Transition Costs	3.649	1.450	0.600	-	5.699
HNZC Transition Costs	2.974	0.631	-	-	3.605
HNZC IT Costs	3.507	6.844	-	-	10.351
<i>Total Transition Costs</i>	<i>10.130</i>	<i>8.925</i>	<i>0.600</i>	<i>-</i>	<i>19.655</i>
On-going Service Delivery Impacts					
MSD on-going costs	5.823	13.973	12.204	11.430	43.430
HNZC Savings	(1.596)	(10.075)	(10.075)	(10.075)	(31.821)
<i>Total On-going Service Delivery Impacts</i>	<i>4.227</i>	<i>3.898</i>	<i>2.129</i>	<i>1.355</i>	<i>11.609</i>
Depreciation	-	0.229	2.279	2.279	4.787
Capital Charge	0.073	0.729	1.385	1.385	3.572
Total Crown Operating Balance Impact (Excludes Capital Charge)	14.357	13.052	5.008	3.634	36.051
Total Capital Costs (MSD IT and cars)	1.991	16.400	-	-	18.391

Ministry of Social Development costs

- 37 **note** that this funding will enable the Ministry of Social Development to deliver the services set out in recommendation 8 above;
- 38 **note** that the Ministry of Social Development's on-going service cost will be slightly less expensive over time than the current model, and will deliver efficiency savings of approximately \$1.8 million per annum from 2016/17;
- 39 **note** that, due to its face-to-face operating model, the Ministry of Social Development expects to need to manage an increased demand for social housing;
- 40 **note** that because the transfer of functions is occurring outside a normal Budget round, funding is needed now for the 2013/14 financial year to allow the Ministry of Social Development to build IT systems, engage staff and set up the new system;

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Appropriations required for the transfer of social housing functions

- 41 **agree** to establish a new Departmental Output Expense appropriation "Social Housing Services" in Vote Social Development;
- 42 **agree** that the scope of this appropriation be "This appropriation is limited to ensuring that people's social housing financial assistance is assessed and is paid to social housing providers, providing advice on options to access alternative accommodation, and services to manage the collection of overpayments of Income Related Rent Subsidies";
- 43 **agree** to increase expenditure to provide for costs associated with the policy decisions in recommendations 8-18 above, with the following impact on the operating balance:

	\$m – increase/(decrease)			
	2013/14	2014/15	2015/16	2016/17 and outyears
Vote Social Development				
Operating Balance Impact	9.545	-	-	-
Debt Impact	1.991	-	-	-
No Impact	-	-	-	-
Total	11.536	-	-	-

- 44 **approve** the following changes to appropriations and net assets to give effect to the decision in recommendation 43 above, with a corresponding impact on the operating balance and debt:

	\$m – increase/(decrease)			
	2013/14	2014/15	2015/16	2016/17 & Outyears
Vote: Social Development				
Minister for Social Development				
Departmental Output Expense:				
Social Housing Services (funded by revenue Crown)	9.545	-	-	-
Net Asset Schedule of the Ministry of Social Development:				
Capital Injection	1.991	-	-	-
Total Operating	9.545	-	-	-
Total Capital	1.991	-	-	-

- 45 **agree** that the operating expenses and capital expenditure incurred under recommendation 44 above be charges against the between-Budget operating contingency and the Future Investment Fund, established as part of Budget 2013;
- 46 **note** that options for funding the respective operating and capital costs for 2014/15 onwards will be considered as part of the Ministry of Social Development's Four Year Budget Plan submitted as part of Budget 2014;
- 47 **note** that the Minister for Social Development will also consider further housing related products and service policy to assist people to obtain and sustain housing in the private market and policy on reviewable tenancies, to be considered through Budget 2014;

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Housing New Zealand Corporation Costs

- 48 **note** that Housing New Zealand Corporation will incur IT costs to de-couple needs assessment processes from its on-going operations, will have costs associated with supporting the Ministry of Social Development through the transition of functions, and may have staff redundancy costs;
- 49 **agree** that the net impacts of the transfer on Housing New Zealand Corporation will be considered by shareholding Ministers (Housing and Finance) and the Housing New Zealand Corporation Board as part of letters of expectation and dividend-setting processes;

Transfer of Income Related Rent Subsidy to the Ministry of Social Development

- 50 **agree** to establish a new Non-Departmental Output Expense appropriation called "Provision of Housing and Related Services for Tenants Paying Income Related Rent";
- 51 **agree** that the scope of this appropriation be "This appropriation is limited to the purchase of housing and related services delivered by Housing New Zealand Corporation to individuals who are eligible for an Income Related Rent, assessed as the difference in price between the amounts of market rents for the housing provided by the Corporation and the Income Related Rents charged.";
- 52 **agree** to establish a new Non-departmental Output Expense appropriation called "Income Related Rent Subsidy for Community Housing Providers";
- 53 **agree** that the scope of this appropriation be "This appropriation is limited to the purchase of housing and related services delivered by approved community housing providers to individuals who are eligible for an income related rent, assessed as the difference in price between the amounts of market rents for the housing provided by the approved community housing providers and the Income Related Rents changed";

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- 54 **approve** the following fiscally neutral adjustments to provide for the transfer of all functions related to the assessment of eligibility for social housing and the calculation of Income Related Rent subsidies from Housing New Zealand Corporation to the Ministry of Social Development, with no impact on the operating balance:

	\$m – increase/(decrease)			
	2013/14	2014/15	2015/16	2016/17 & outyears
Vote Housing				
Minister for Housing				
Non-departmental Output Expense:				
Provision of Housing and Related Services for Tenants Paying Income Related Rent	(141 667)	-	-	-
Income Related Rent Subsidy for Community Housing Providers	(2.900)	-	-	-
Non-departmental Other Expense: Increase in Debt Provision	(1.700)	(8.000)	(8.000)	(8.000)
Vote Social Development				
Minister for Social Development				
Non-departmental Output Expense:				
Provision of Housing and Related Services for Tenants Paying Income Related Rent	141.667	-	-	-
Income Related Rent Subsidy for Community Housing Providers	2.900	-	-	-
Non-departmental Other Expense: Debt Write-downs	1.700	8.000	8.000	8.000
Total Operating	-	-	-	-

- 55 **agree** that the proposed changes to the appropriations in recommendation 54 above for 2013/14 be included in the 2013/14 Supplementary Estimates and that, in the interim, the increase be met from Imprest Supply;
- 56 **note** that, as part of the Budget 2014 process, a new Non-Departmental Output Expense appropriation, called "Income Related Rent Subsidy for Social Housing Providers" will be proposed within Vote Social Development to combine the Community Housing Provider and Housing New Zealand Corporation subsidy appropriations above;

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Legislative implications

- 57 **note** that the Social Housing Reform (Housing Restructuring and Tenancy Matters Amendment) Act (when passed into law) is the legislative vehicle to enable the transfer of functions to occur;
- 58 **note** that the Social Housing Reform (Housing Restructuring and Tenancy Matters Amendment) Bill was reported back from the Social Services Committee on 30 September 2013 and is expected to pass into law by the end of November 2013;
- 59 **note** that Orders in Council will be need to be made, as soon as practicable after the Social Housing Reform (Housing Restructuring and Tenancy Matters Amendment) Bill receives Royal assent to:
- 59.1 appoint the Ministry of Social Development as the social housing agency and that this appointment commences on 14 April 2014;
- 59.2 bring relevant parts and sections of the Social Housing Reform (Housing Restructuring and Tenancy Matters Amendment) Act into force on 14 April 2014, being Part 2 of the Act (excluding provisions related to reviewable tenancies that will come into force at a later date);
- 60 **invite** the Minister of Housing in consultation with the Minister for Social Development, to issue instructions to the Parliamentary Counsel Office to draft the necessary Orders in Council and regulations;
- 61 **invite** the Minister of Housing in consultation with the Minister for Social Development, to issue instructions to Parliamentary Counsel Office to:
- 61.1 make regulations to establish the Social Security Appeal Authority as the appeal body for hearing appeals for decisions made by the social housing agency that are appealable;
- 61.2 make regulations, as required, to provide for transitional and savings matters that are necessary to facilitate an orderly transition and ensure that existing rights or obligations continue from Housing New Zealand Corporation to the agency;
- 62 **authorise** the Minister of Housing, in consultation with the Minister of Finance and the Minister for Social Development, and other Ministers as appropriate, to approve any technical, policy and administrative changes required to enable subordinate legislation and consequential changes to subordinate legislation to support the implementation of social housing reforms;
- 63 **note** that a consequential amendment to the Student Allowance Regulations 1998 is required to continue the current intent that students who are eligible for social housing and housed by a social housing provider are not eligible for an accommodation benefit;

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64 **authorise** the Minister for Social Development to issue instructions to Parliamentary Counsel Office to amend the Student Allowance Regulations 1998 to give effect to the intent outlined in recommendation 63 above.

Hon Bill English
Minister of Finance

Hon Paula Bennett
Minister for Social Development

Hon Nick Smith
Minister of Housing

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