



## Office of Hon Bill English

Deputy Prime Minister  
Minister of Finance  
Minister Responsible for HNZC

14 JUL 2016

Cheryl Beauchamp  
[fyi-request-4035-f1d15caf@requests.fyi.org.nz](mailto:fyi-request-4035-f1d15caf@requests.fyi.org.nz)

Dear Cheryl Beauchamp

Thank you for your Official Information Act request, received on 23 May 2016. You requested the following:

*"...any advice received before 31 Dec 2014 from any public sector agency on the impact of the Kiwisaver deposit subsidy, Homestart, or the use of Kiwisaver savings to purchase property, on the New Zealand housing market."*

On 20 June 2016 I sought an extension of 20 working days. A response to your request is by due 19 July 2016.

### Information Being Released

Please find enclosed the following documents:

Item	Date	Document Description	Decision
1.	28 July 2014	Briefing for Economic Growth and Infrastructure Committee Wednesday, 30 July 2014	Release in part

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

- section 9(2)(a) – to protect the privacy of natural persons, including deceased people, and
- section 9(2)(g)(i) – to maintain the effective conduct of public affairs through the free and frank expression of opinions

### Information Publicly Available

The following information is also covered by your request and is publicly available on the Treasury and the New Zealand Parliament websites:

Item	Date	Document Description	Website Address
2.	11 June 2014	Options to improve housing affordability – Meeting Wednesday 11 June 2014	<a href="https://www.parliament.nz/resource/en-nz/51SCFE_ADV_00DBHOH_BILL61812_1_A421571/a833a1439be228728d03536eb44089ecb845be5a">https://www.parliament.nz/resource/en-nz/51SCFE_ADV_00DBHOH_BILL61812_1_A421571/a833a1439be228728d03536eb44089ecb845be5a</a>
3.	11 June 2014	Treasury OIA response 20160101 <i>Information regarding HomeStart scheme and changes to KiwiSaver Homestart Grant</i> <i>Document 2 – Treasury Report Housing affordability project</i> <i>Document 3 – Options to improve housing affordability</i>	<a href="http://www.treasury.govt.nz/downloads/pdfs/oia/oia-20150101.pdf">http://www.treasury.govt.nz/downloads/pdfs/oia/oia-20150101.pdf</a>

Accordingly, I have refused your request for the documents listed in the above table under section 18(d) of the Official Information Act – the information requested is or will soon be publicly available.

In addition, some relevant information has been removed from documents listed in the above table and should continue to be withheld under the Official Information Act, on the grounds described in the documents.

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

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

Yours sincerely

Hon Bill English  
**Minister of Finance**



**Treasury Report:** Briefing for Cabinet Economic Growth and Infrastructure Committee Wednesday, 30 July 2014

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Out of scope of request

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**Treasury Report: Briefing for Cabinet Economic Growth and Infrastructure Committee Wednesday, 30 July 2014**

**Executive Summary**

We are currently aware of 11 items on the Cabinet Economic Growth and Infrastructure Committee agenda for Wednesday 30 July 2014. The table below identifies any relevant fiscal impacts and / or provides Treasury's comments / recommendations on 4 of these. The remaining 7 papers which we are aware of, for which Treasury has no briefing or comment, are listed overleaf for completeness.

Title	Pg	Recommend	Fiscal Implications (\$m GST excl.)					Treasury Comment
			13/14	14/15	15/16	16/17	Out years	
Homestart: Greater assistance for first home buyers		We recommend you <b>do not support</b> the recommendations in the paper.  If you chose to support the proposals, we recommend that alternative recommendations are tabled prior to EGI, deferring funding to the 2015/16 financial year.	<i>Operating</i>					The assistance does not target those experiencing the most housing stress and has the potential to stimulate demand when the market is already overvalued. It represents poor value for money.
			8.8	54.6	61.7	66.8	68.9	
Out of scope of request								

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page 3 not relevant to request

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### Homestart: Greater assistance for first home buyers

Responsible Person: Ruth Isaac – s9(2)(a)

First Contact Person: s9(2)(g)(i)

#### Purpose

1. This paper seeks agreement to increase assistance to first home buyers through changes to the First Home Deposit Subsidy, the Kiwisaver Act, and Welcome Home Loans. The key proposed changes are: (i) a lump sum payment of the first home deposit subsidy after three years, renamed 'Homestart,' (ii) an increase in house price caps and (iii) the introduction of a new subsidy aimed at new builds in areas experiencing significant housing affordability issues, renamed 'Homestart Plus.' The paper proposes these changes take effect from April 2015 and be reviewed in 2016.

#### Comment

2. Treasury **does not support** the expansion of first home buyer assistance subsidies at this time given that they stimulate demand for housing when demand is already outstripping supply and construction activity is set to pick up (through both the Christchurch rebuild and increased residential activity in Auckland).
3. The expansion of the subsidy through increasing house price caps and allowing for a lump sum subsidy rate is poor value for money because:
  - it is likely to bring forward purchases that would otherwise happen anyway, rather than facilitating entry of households that otherwise wouldn't enter into homeownership,
  - in Treasury's view, the case for government encouragement of homeownership over renting is relatively weak because the benefits are mostly captured by the owner;
  - it is not well targeted to households experiencing the most housing stress and therefore in need of government financial assistance. A proposal better targeted on need would expand the supply of social housing, or increase support for renters on low incomes;
  - it has not been tested against other competing uses of money through the Budget process.
4. Additional costs to the Crown, for both Homestart and Homestart Plus, are estimated to be around \$260 million over the next five years. Expenses incurred in the 2014/15 financial year of \$8.8million are proposed as a charge against the between budget contingency. The funding for expenses incurred in 2015/16 and later years is proposed as a pre-commitment against budget 2015. **The expenses incurred in the current financial year are significant in the context of a tight surplus. We recommend that you discuss this with the Minister of Housing prior to EGI committee, seeking to table new recommendations to defer funding to the 2015/16 financial year.**
5. If the government were to help first home buyers, Treasury believes expansion of Welcome Home Loans is the least harmful. Currently, data suggests there is low take up of these loans and it would be possible to supply more loans with existing funding, for example through a reduction in the premium.

#### Treasury Recommendation

6. We recommend you **do not support** the proposals in the paper.
7. If you choose to support the proposals, we recommend that alternative recommendations are tabled prior to EGI, deferring funding of Homestart and

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Homestart Plus to the 2015/16 financial year. This will mean that no funding will be drawn on in the current financial year.

8. If you do not wish to change the Kiwisaver Act to allow first home buyers to withdraw their tax credit, we recommend that you do not agree to recommendation 18 in the paper. Note that changing legislation to allow for member tax credit withdrawal will have no additional fiscal impact on the crown, but there is a risk that other changes to the legislation are proposed during the legislative process.

pages 6 - 8 not relevant to request

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