



THE TREASURY

Kaitohutohu Kaupapa Rawa

Reference: 20170143

3 July 2017

Margaret Mechum

fyi-request-5754-8e3052e9@requests.fyi.org.nz

Dear Margaret Mechum

Thank you for your two Official Information Act requests, received on 20 April 2017. We are replying to your requests in a single response. You requested the following:

- 1. Did Treasury conduct research and/or a literature review to develop the Social Housing Reform Programme? If so may I please request a copy of the document(s) containing the findings?*
- 2. To what extent did Treasury Officials, while developing the Social Housing Reform Programme, consider the UK and Australian social housing models as a basis for the New Zealand reforms?*
- 3. Which officials and/or group within the Treasury initiated the thinking that led to the SHRP?*
- 4. Which documents set out the initial thinking for what would become the SHRP (I request copies)?*
- 5. Whether there was a key meeting, or series of meetings that led to the development of the SHRP, and if there are documents related to these meetings that I may have a copy of?*

On 18 May 2017 I wrote to you extending the time limit for deciding on your request by an additional 30 working days.

Initial thinking on the SHRP took place with the formation of the Housing Shareholders' Advisory Group (HSAG) and its resultant report in 2010 that I supplied with my letter of 18 May 2017. There were three key Cabinet meetings associated with that report and the Government's response to it, which led to the development of the SHRP. I am providing the relevant Cabinet and Cabinet Committee papers for these meetings.

Several government agencies were involved in the initial thinking that led to the SHRP. The Cabinet documents synthesise the research, literature reviews and thinking across the different agencies.

For example, the Cabinet Committee minute SOC Min (10) 28/1 from 17 November 2010 directs the Department of Building and Housing to advise the Ministers of Finance and Housing on facilitating greater third-party activity in the social housing sector in consultation with a range of government agencies, including the Treasury. Treasury's work was led by our Health and Housing team.

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You will see various references in the HSAG report to the international context, including the United Kingdom, Canada and the Netherlands.

Information Being Released

Please find enclosed the following documents:

Item	Date	Document description	Decision
1.	9 Feb 2010	SOC (10) 5: Housing Shareholders' Advisory Group: Appointments and Terms of Reference	Release relevant portions in full
2.	10 Feb 2010	SOC Min (10) 1/5: Housing Shareholders' Advisory Group: Appointments and Terms of Reference	Release in full
3.	15 Nov 2010	SOC 10 (128): A New Direction for Social and Affordable Housing in New Zealand: Government's Response to the report of the Housing Shareholders' Advisory Group	Release in full
4.	17 Nov 2010	SOC Min (10) 28/1: A New Direction for Social and Affordable Housing in New Zealand: Government's Response to the Report of the Housing Shareholders' Advisory Group	Release in full
5.	6 Dec 2010	CAB Min (10) 44/8: A New Direction for Social and Affordable Housing in New Zealand: Government's Response to the Report of the Housing Shareholders' Advisory Group	Release in full
6.	8 July 2011	SOC (11) 45: Progress with the Social Housing Reform Programme	Release in full
7.	13 July 2011	Soc Min (11) 14/3: Progress with the Social Housing Reform Programme	Release in full

For further information the SHRP website <http://www.msd.govt.nz/about-msd-and-our-work/work-programmes/social-housing/background-documents-shrp-2016.html> has several papers that provide context to the SHRP.

This letter (with your personal details removed) and the enclosed documents may be published on the Treasury website.

This reply responds to your request for information. You have the right to ask the Ombudsman to investigate and review my decision.

Yours sincerely

A handwritten signature in blue ink that reads "Tom Hall". The signature is written in a cursive style with a large initial 'T'.

Tom Hall
Manager, Housing

OIA 20170143

Documents being Released

1.	<u>SOC (10) 5: Housing Shareholders' Advisory Group: Appointments and Terms of Reference</u>	1
2.	<u>SOC Min (10) 1/5: Housing Shareholders' Advisory Group: Appointments and Terms of Reference</u>	13
3.	<u>SOC 10 (128): A New Direction for Social and Affordable Housing in New Zealand: Government's Response to the report of the Housing Shareholders' Advisory Group</u>	15
4.	<u>SOC Min (10) 28/1: A New Direction for Social and Affordable Housing in New Zealand: Government's Response to the Report of the Housing Shareholders'</u>	61
5.	<u>CAB Min (10) 44/8: A New Direction for Social and Affordable Housing in New Zealand: Government's Response to the Report of the Housing Shareholders' Advisory Group</u>	67
6.	<u>SOC (11) 45: Progress with the Social Housing Reform Programme</u>	73
7.	<u>Soc Min (11) 14/3: Progress with the Social Housing Reform Programme</u>	93

IN CONFIDENCE



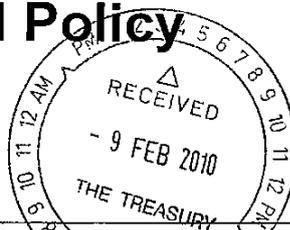
Cabinet Social Policy Committee

Summary of Paper

SOC (10) 5

Copy No: 27

9 February 2010



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Housing Shareholders' Advisory Group: Appointments and Terms of Reference

Portfolios Finance / Housing

On 8 February 2010, Cabinet:

- referred the submission under CAB (10) 26 to the Cabinet Social Policy Committee (SOC) for further consideration;
- invited the Minister of Finance and the Minister of Housing to give further consideration to proposed appointments to the Housing Shareholders' Advisory Group, and to submit a revised paper to SOC if required;
- authorised SOC to have Power to Act to make decisions on the submission.

[CAB Min (10) 4/2]

Following Cabinet consideration on 8 February 2010, the proposed appointments to the Housing Shareholders' Advisory Group have been amended. These amendments are reflected in recommendations 4 and 5 below. The submission is attached below this coversheet.

The Minister of Finance and the Minister of Housing recommend that the committee:

- 1 note that the Minister of Finance and the Minister of Housing (the Ministers) intend to establish a Housing Shareholders' Advisory Group (the Advisory Group), to advise on the current management of the state housing asset and the provision of social housing;
- 2 note that draft terms of reference for the Advisory Group are attached to the paper under SOC (10) 5, and that these will be finalised by the Ministers;
- 3 note that the Advisory Group is expected to produce a final report to the Ministers by 30 April 2010;

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SOC (10) 5

4 note that the Ministers intend to **appoint** the following individuals to the Advisory Group for terms of office commencing on the date of appointment and ending when the Advisory Group has provided its final report to the Ministers:

- 4.1 Alan **JACKSON** [*CV page 12*] as Chair;
- 4.2 Andrew **BODY** [*page 15*] as a member;
- 4.3 Major Campbell **ROBERTS** [*page 19*] as a member;
- 4.4 Diane **ROBERTSON** [*page 22*] as a member;
- 4.5 Martin **UDALE** [*page 24*] as a member;
- 4.6 Paul **WHITE** [*page 26*] as a member;

5 note that:

- 5.1 the Ministers also intend to appoint Brian **DONNELLY** [*CV page 17*] as a member of the Advisory Group, subject to confirmation of his availability;
- 5.2 should Mr Donnelly be unavailable, the establishment of the Advisory Group shall proceed with one less member, with a view to shareholding Ministers continuing to seek to fill this space with a suitable commercial candidate pending the Committee's approval of the nomination;

6 note that the Chair will receive remuneration of \$850 per day and members will receive remuneration of \$640 per day, which is consistent with the Cabinet Fees Framework recommended ranges for a Group 4, Level 1 committee;

7 note that the total cost for the Group is estimated at no more than \$500,000, which will be funded by utilising underspent appropriation funding from within Vote Housing;

8 note that discussion will be undertaken with the government caucus.

Sam Gleisner
Committee Secretary

Reference: CAB Min (10) 4/2

Distribution:

Cabinet Social Policy Committee
Office of the Prime Minister
Chief Executive, DPMC
Director, PAG, DPMC
PAG Subject Advisor, DPMC
Secretary to the Treasury
Vicky Robertson, Treasury
Chief Executive, Ministry of Pacific Island Affairs
Chief Executive, MSD
Don Gray, MSD
Minister of Housing
Chief Executive, Department of Building and Housing
Chief Executive, Ministry of Women's Affairs
Chief Executive, Te Puni Kokiri
Geoff Short, Te Puni Kokiri

In Confidence

Office of the Minister of Finance

Office of the Minister of Housing

Cabinet Social Policy Committee

Housing Shareholders' Advisory Group: Appointments and Terms of Reference

Proposal

- 1 This paper seeks approval for the Minister of Finance and Minister of Housing to establish a Housing Shareholders' Advisory Group (the Group) to advise shareholding Ministers on the current management of the state housing asset and the provision of social housing. The Group is expected to report by 30 April 2010.
- 2 Cabinet Committee approval is also sought on the working arrangements for the Group and to note the Terms of Reference.

Background

- 3 While the economic and fiscal outlook for New Zealand has started to improve, the fiscal position remains fragile and significant ongoing fiscal restraint is still needed if economic growth is going to be strong and sustainable in the medium to long term.
- 4 Working the more than \$200 billion of Crown assets harder is critical to achieving the government's growth goals. Getting smarter about asset performance and how these assets are used can yield large benefits for New Zealanders.
- 5 The housing sector has an important role to play in this. More than \$14 billion (7%) of the Crown's assets are currently invested in the provision of social housing, and over \$1 billion is spent every year on transfer payments related to housing. Demand for social housing likely to increase, costs of upgrading the existing state housing portfolio is currently assessed at up to \$2 billion, and housing transfer payments are projected to increase along with demand.
- 6 Significant constraints and challenges to the Crown's effective provision of state housing were identified by Housing New Zealand Corporation (HNZC) to the Cabinet Expenditure Control Committee (ECC) in December 2009. These challenges and constraints include:
 - managing a housing portfolio that is misaligned to people's needs in terms of location and size with high concentrations of state housing in certain areas
 - developing a housing portfolio to accommodate growing demand, to respond to its changing nature, and to fund the changes required alongside the cost of upgrading the existing state housing stock
 - tenancy conditions that do not change with the tenants' changing life situations

- HNZC being required to give effect to the Crown's social objectives in housing.
- 7 The Committee noted these challenges and constraints, and invited HNZC to report back to the Cabinet Social Policy Committee [CAB Min(09) 44/3A refers] in early 2010 on strategies to:
- incentivise the exit of market renters from state housing over time, re-assess existing state house tenants to confirm their ongoing need and assess those tenants who have not had a Social Allocation System assessment
 - not require HNZC to house low priority (C and D) applicants who might be able to rent in the private market
 - focus HNZC's activities on high demand areas with a view to remove its presence from areas of low demand.
- 8 Furthermore, the Committee invited HNZC to report to the Cabinet Social Policy Committee, by mid-2010, on its proposal to meet the challenges through forming strategic alliances between HNZC and private partners, iwi, and community housing organisations.

Comment

- 9 It is timely to review the Crown's role in the provision of social housing, to ensure that those people who have the greatest need are provided with suitable housing, in the highest priority locations, for as long as their need exists.
- 10 As part of this review, shareholding Ministers have agreed to establish an independent advisory group with the task of providing Ministers with advice on:
- more productive and innovative ways to use current social housing assets to better support the objectives of government
 - the most effective and efficient delivery model for state housing services to those most in need.
- 11 The Group will have a limited life of no more than three months. The Group's term begins on the date of appointment of the chair and members and ends upon the delivery of the final report, which is expected to be by 30 April 2010.
- 12 The Group will not make binding recommendations to the government. It has an advisory mandate only.

Proposed chair and members

- 13 We propose appointing the following seven members to the Group:
- Alan Jackson (Chair) is Senior Vice President in the Sydney office of the Boston Consulting Group. He is also a director of Fletcher Building and a trustee of The Icehouse in Auckland. Mr Jackson will contribute experience in change management with expertise in resources, diversified industrials, building products and construction sectors.
 - Andrew Body (member) is a Director of Crown Fibre Holdings Limited, and has 19 years experience as an investment banker, focussing on mergers and acquisitions. Mr Body will contribute experience in business and network industries.
 - Brian Donnelly (member) is the Executive Director of the New Zealand Housing Foundation. He is also a Director of the Centre for Housing Research Aotearoa New Zealand (CHRANZ), a Trustee of the Queenstown Lakes District Community Housing Trust, a Member of the Social Entrepreneur Fellowship and Chair of the Wilson Home

Trust. He will contribute experience in the operation and management of a social housing organisation and in social housing issues.

- Major Campbell Roberts (member) is the Director of the NZ, Fiji and Tonga Territory Social Policy and Parliamentary Unit of the Salvation Army. He is also a Trustee of the NZ Housing Foundation, a Director of the Centre for Housing Research Aotearoa NZ and the Auckland Housing Trust. Major Roberts is a media spokesperson, writer and speaker, both internationally and in NZ, and he will contribute on issues of poverty and social housing.
- Diane Robertson (member) is head of the Auckland City Mission and is the first non-clergy, female City Missioner. She has previously had roles on the Committee for Auckland, the Auckland University Community Advisory Board, Springboard Trust, Robin Hood Foundation, Child Poverty Action Group, and the New Zealand Institute. Ms Robertson will contribute experience on social and emergency housing issues.
- Martin Udale (member) is a former Chief Executive Officer of McConnell Property Limited. He is currently a consultant to McConnell Property Limited. He is also a Member of the Committee for Auckland and was formerly Director of Corporate Advisory with CRI, an Australian property development and services group. He will contribute experience in land and property development and in partnering with asset-owners to create value from under-utilised assets.
- Paul White (member) is the Principal of Torea Tai Consultants Limited, specialising in consultancy on Maori development, housing and strategic planning. He is also a Member of the State Housing Appeal Authority, the Chair of the Te Waka Pupuri Putea Ltd (an iwi asset holding company) and a member of the FITEC Council. Mr White has previously been the Chief Executive of Ngai Tahu Development Corporation and a member of the HNZA Board. He will contribute experience in the operation and management of HNZA, strategic planning and social housing issues.

14 All prospective members have been approached and are available to serve on the Group apart from Brian Donnelly who has been approached but has still to confirm his availability.

15 CAB 50 forms providing further details on the proposed members' skills and experience are attached.

Representativeness of appointments

16 We are satisfied the appointment of these individuals will provide for a well-balanced Group in terms of gender, age, ethnicity and geographic representation, and an appropriate mix of skills and experience.

Conflicts of interest

17 We can confirm that the appropriate enquiries concerning conflicts of interest have been carried out with the prospective chair and members. The regular housing-related employment of some members assumes an interest in the outcomes of reform in the social housing sector which creates the potential for conflicts of interest.

18 We consider that this risk is mitigated by the fact that members are not making regulatory decisions or binding recommendations, nor are they being appointed as representatives of their member organisations. Members are being appointed for their expertise and knowledge of social housing issues and commercial property activities, without which they would not be suitable for the Group.

Remuneration

- 19 We consider the Group to be a Group 4 Level 1 Committee under the Cabinet Office Fees Framework for Members of Statutory and Other Bodies appointed by the Crown¹. Under this Framework, we propose that the chair be paid a gross daily rate of \$850 and the members paid a gross daily rate of \$640.
- 20 The proposed fees are at the top of the remuneration range allowable in the Cabinet Office Fees Framework for a Group 4 Level 1 Committee.

Terms of reference

- 21 A draft terms of reference for the Group is attached.
- 22 The Group will provide independent expert advice directly to the Minister of Finance and Minister of Housing, addressing the objectives and challenges outlined below.
- 23 The Group will:
- Provide independent advice
 - Focus on improving the value of the Crown's investment in social housing, as well as social outcomes, for those most in need
 - In the light of this focus, consider the impact that the Corporation's role, as deliverer of housing, may have on achieving value for money.
- 24 The three main tasks are:
- Understanding the Crown's current investment in housing, what it is used for, where it is situated, and what this is achieving
 - Identifying the roles for HNZC and the government in addressing the challenges in providing social housing
 - Considering how the Crown's investment could be better employed to address these challenges.
 - Identifying a small number of appropriate performance measures that focus on the efficient delivery of the Crown's subsidy to those in need.
- 25 There is still some further work required to finalise the terms of reference.

Consultation

- 26 The Department of Building and Housing and Treasury have been consulted on this paper.

Financial Implications

- 27 The total cost for the Group is estimated at no more than \$500,000. This will be funded through a fiscally-neutral transfer between existing underspent appropriations within Vote Housing.

Human rights implications

- 28 This proposal has no human rights implications and is not inconsistent with the New Zealand Bill of Rights Act 1990 or the Human Rights Act 1993.

1 Refer to Cabinet Office circular, ref CO (09) 5, dated 3 July 2009

Legislative implications

29 This proposal has no legislative implications.

Regulatory impact analysis

30 A regulatory impact statement is not required as the proposal does not require any regulatory changes.

Gender implications

31 Gender analysis has not has been undertaken as there are no gender implications with this proposal.

Disability perspective

32 The proposal has no impact on disabled people.

Publicity

33 There is a risk regarding the public perception of a review of Crown expenditure in social housing and the role of HNZC and the possible implications of the potential outcomes on the provision of state housing and social housing services by the Crown. This risk will be managed through a communications plan, to be developed and implemented by the Minister of Housing's Office.

34 We intend announcing the appointments after approval by Cabinet.

RELEASED UNDER THE OFFICIAL INFORMATION ACT

Recommendations

35 The Minister of Finance and the Minister of Housing recommend that the Committee:

- 1 **note** that the Minister of Finance and the Minister of Housing (the Ministers) intend to establish a Housing Shareholders' Advisory Group (the Advisory Group), to advise on the current management of the state housing asset and the provision of social housing;
- 2 **note** that draft terms of reference for the Advisory Group are attached to the paper under CAB (10) 26, and that these will be finalised by the Ministers;
- 3 **note** that the Advisory Group is expected to produce a final report to the Ministers by 30 April 2010;
- 4 **note** that the Ministers intend to **appoint** the following individuals to the Advisory Group for terms of office commencing on the date of appointment and ending when the Advisory Group has provided its final report to the Ministers:
 - 4.1 Alan **JACKSON** as Chair;
 - 4.2 Andrew **BODY** as a member;
 - 4.3 Major Campbell **ROBERTS** as a member;
 - 4.4 Diane **ROBERTSON** as a member;
 - 4.5 Martin **UDALE** as a member;
 - 4.6 Paul **WHITE** as a member;
- 5 **note** that the Ministers also intend to **appoint** Brian **DONNELLY** as a member of the Advisory Group, subject to confirmation of his availability. Should Mr Donnelly be unavailable, the establishment of the Advisory Group shall proceed with one less member, with a view to shareholding Ministers continuing to seek to fill this space with a suitable commercial candidate pending the Committee's approval of the nomination;
- 6 **note** that the Chair will receive remuneration of \$850 per day and members will receive remuneration of \$640 per day, which is consistent with the Cabinet Fees Framework recommended ranges for a Group 4, Level 1 committee;
- 7 **note** that the total cost for the Group is estimated at no more than \$500,000, which will be funded by utilising underspent appropriation funding from within Vote Housing.



Hon Bill English

Minister of Finance

9, 12, 10



Hon Phil Heatley

Minister of Housing

09, 02, 10

Attachment 1 - Draft Terms of Reference: Housing Shareholders' Advisory Group (the Group)

Background

The National-led government is committed to lifting New Zealand's economic growth. Raising productivity in the public sector is an important component of this.

The Crown holds assets worth more than \$200 billion. Effective use of these is critical to achieving the government's policy goals. Better use of existing resources is a common theme across the public sector.

For housing, the main delivery vehicle is Housing New Zealand Corporation (HNZC). This entity holds assets worth over \$14 billion. In addition, the Crown provides annual income-related rental subsidies of over \$500 million.

How effectively these resources are meeting the Government's goals is not entirely clear. HNZC is tasked with delivering a range of programs in addition to its role as a landlord. These have generally proliferated in recent years. They complicate analysis of the corporation's performance. Moreover, the HNZC model is unusual within the state sector. Most of its expenditure is not appropriated, but nor is it fully subject to commercial disciplines (HNZC itself makes only a small return, on revenues and expenses both in excess of \$900m). The KPIs reported by the corporation are numerous but largely operationally focussed.

The Government remains committed to delivering housing assistance, but in doing so it recognises a number of challenges. Demand for low-income housing is likely to continue to increase. Additionally, there is considerable deferred maintenance on the existing state housing portfolio. Addressing these will require the Government to have a clear understanding of what it wishes to achieve, how best to do this, appropriate ways to measure performance and sufficient flexibility to manage the portfolio in an efficient, commercially astute manner.

The constraints and challenges to the Crown's effective provision of state housing were identified by HNZC to Cabinet's Expenditure Control Committee (ECC) in December 2009. The Housing Shareholders' Advisory Group is a follow up.

Objectives

Given this context, it is timely to review the Crown's approach to delivering social housing. The Government needs to be satisfied that the available resources are being used to best ensure that those people who have the greatest need are provided with suitable housing, in the highest priority locations, for as long as their need exists.

As part of this review, shareholding Ministers have agreed to establish a Group with the task of providing Ministers with independent advice on:

- The most effective and efficient delivery model for state housing services to those most in need.
- More productive and innovative ways to use current social housing assets to better support the objectives of government.
- Transparent measures of how the above are being achieved.

Ministers are seeking action-oriented, practical steps to improve delivery of housing to those that need it. A 3 - 5 year vision is required, along with a view on how this vision should be

progressed. It should outline the highest priority steps, and significant milestones to be completed over time.

Scope

The Group will provide independent expert advice directly to the Minister of Finance and Minister of Housing, addressing the objectives and challenges outlined in these terms of reference.

The main tasks are:

- Understanding the current and likely future demand for subsidised housing in New Zealand
- Identifying the roles for HNZC and the government in delivering this assistance
- Considering how the Crown's investment could be best employed, and the tenancy and asset management best engaged, to address these challenges.
- Identifying a small number appropriate performance measures that focus on the efficient delivery of the Crown's subsidy to those most in need.

Wherever possible the output and financial consequences of proposals made by the Group should be quantified.

In undertaking these tasks, it is likely that the Group will need to consider the following:

- The government's objectives for social housing
- What is needed to achieve the most effective and efficient operation of HNZC and better utilisation of the current asset base?
- What hinders the most effective and efficient delivery of social housing?
- What is HNZC's core business, versus its current scope of business?
- What alternative options are available to the government and its agents, to deliver its social housing outcomes, in light of the magnitude of its current investment?
- How should HNZC measure its success (or otherwise) at delivering social housing outcomes?

Out of scope

The Group will not have any specific powers or functions other than to provide recommendations to Ministers. The Group's role will be additional to existing roles of HNZC and monitoring departments.

Areas outside the scope of the Group's remit include:

- The Government's objectives when delivering housing assistance
- The level of assistance provided (e.g. the size of income-related subsidies)
- Budget 2010 process and administration
- Staff and personnel management within HNZC and monitoring departments.

Timing and deliverables

The Group will be established by 12 February 2010 and will meet as necessary, in order to provide a final report to Ministers by the due date of 30 April 2010.

The key milestones are:

Deliverable	Description	Due by
Agree scope and key outcomes	Meet with Ministers to discuss and agree the Group's scope and key outcomes	19 February 2010
Finalise the review terms of reference	Ministers to agree the final terms of reference for the Group	24 February 2010
Interim report to Ministers	The interim report will summarise the Group's initial findings and proposed direction	2 April 2010
Final report to Ministers	The final report (with recommendations) will address feedback based on the draft report.	30 April 2010

Governance

The Group is convened by and responsible to the Ministers of Housing and Finance. The Ministers have set the terms of reference and agreed deliverables. Individual members and the Chair are appointed by Ministers, and may be removed by Ministers at any time at their sole discretion.

Members will report through the Chair of the Group to Ministers.

The Group is not a legal entity and will not have the power to contract in its own name. The Group will be supported by a secretariat that will be formed in the Department of Building and Housing. The secretariat will:

- Coordinate meetings of the Group and with Minister's offices
- Coordinate information flows and requests from the Group to the officials' group, as needed
- Facilitate access to external advice as needed/procurement
- Provide administration services (e.g. travel and expenses).

Relationships

The Group will have a direct relationship with Ministers and Ministers' Offices. Meetings between the Group and Ministers will be scheduled as necessary.

The Group will be able to call on the resources of various agencies, as required, to receive advice and information. This information will be sourced through the secretariat, which will have arranged in advance for officials from key agencies to be available to respond to such requests, and at the minimum will include:

- Department of Building and Housing
- The Treasury
- HNZC.

Key advisors to the Group will include:

- Suzanne Townsend (Deputy Chief Executive Sector Policy, Department of Building and Housing)
- Pat Snedden (Board Chair, HNZC)
- Dr Lesley McTurk (Chief Executive, HNZC)

The Group will also be able to draw on expertise and advice from other individuals and organisations, which will be coordinated by the secretariat.

Members' first point of contact for substantive policy discussion will be the Chair of the Group, while day-to-day administrative matters will be addressed through the secretariat.

Communications

Only the Chair of the Group may make statements publicly about the work or anything in connection with the work of the Group. Before the Chair makes any public statement, the Chair must have consulted with and received approval from Ministers.

Conflicts of interest

Where members of the Group face potential conflicts of interest, or the perception of a conflict, these will be declared initially to Cabinet and then, as early as possible, to the Chair of the Group as they may arise.

Depending on the specific circumstances, the Chair will develop a process for managing each conflict as necessary.

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Cabinet Social Policy Committee

SOC Min (10) 1/5

Copy No: 27

Minute of Decision

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Housing Shareholders' Advisory Group: Appointments and Terms of Reference

Portfolio: Finance / Housing

On 10 February 2010, the Cabinet Social Policy Committee having been authorised by Cabinet to have Power to Act [CAB Min (10) 4/2]:

- 1 noted that the Minister of Finance and the Minister of Housing (the Ministers) intend to establish a Housing Shareholders' Advisory Group (the Advisory Group), to advise on the current management of the state housing asset and the provision of social housing;
- 2 noted that draft terms of reference for the Advisory Group are attached to the paper under SOC (10) 5, and that these will be finalised by the Ministers;
- 3 noted that the Advisory Group is expected to produce a final report to the Ministers by 30 April 2010;
- 4 noted that the Ministers intend to appoint the following individuals to the Advisory Group for terms of office commencing on the date of appointment and ending when the Advisory Group has provided its final report to the Ministers:
 - 4.1 Alan JACKSON as Chair;
 - 4.2 Andrew BODY as a member;
 - 4.3 Major Campbell ROBERTS as a member;
 - 4.4 Diane ROBERTSON as a member;
 - 4.5 Martin UDALE as a member;
 - 4.6 Paul WHITE as a member;
- 5 noted that:
 - 5.1 the Ministers also intend to appoint Brian DONNELLY as a member of the Advisory Group, subject to confirmation of his availability;



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SOC Min (10) 1/5

- 5.2 should Mr Donnelly be unavailable, the establishment of the Advisory Group shall proceed with one less member, with a view to shareholding Ministers continuing to seek to fill this space with a suitable commercial candidate pending the Committee's approval of the nomination;
- 6 **noted** that the Chair will receive remuneration of \$850 per day and members will receive remuneration of \$640 per day, which is consistent with the Cabinet Fees Framework recommended ranges for a Group 4, Level 1 committee;
- 7 **noted** that the total cost for the Group is estimated at no more than \$500,000, which will be funded by utilising underspent appropriation funding from within Vote Housing;
- 8 **noted** that discussion will be undertaken with the government caucus.



Sam Gleisner
Committee Secretary

Reference: SOC (10) 5

Present:

Hon John Key
Hon Bill English
Hon Tony Ryall (Chair)
Hon Judith Collins
Hon Dr Nick Smith
Hon Anne Tolley (part of item)
Hon Georgina te Heuheu
Hon Paula Bennett
Hon Phil Heatley
Hon Pansy Wong
Hon Dr Jonathan Coleman
Hon Tariana Turia

Officials present from:

Office of the Prime Minister
Department of the Prime Minister and Cabinet
Officials Social Policy Committee

Distribution:

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PAG Subject Advisor, DPMC
Secretary to the Treasury
Vicky Robertson, Treasury
Chief Executive, Ministry of Pacific Island Affairs
Chief Executive, MSD
Don Gray, MSD
Minister of Housing
Chief Executive, Department of Building and Housing
Chief Executive, Ministry of Women's Affairs
Chief Executive, Te Puni Kokiri
Geoff Short, Te Puni Kokiri

CE
DUE SD
DUE SP ✓

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Cabinet Social Policy Committee

SOC (10) 128

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Summary of Paper

15 November 2010

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A New Direction for Social and Affordable Housing in New Zealand: Government's Response to the Report of the Housing Shareholders' Advisory Group

Portfolios	Finance / Housing
Purpose	This paper proposes a new direction for social and affordable housing, and the approach for achieving this, following advice from the Housing Shareholders' Advisory Group (the Advisory Group). ¹
Previous Consideration	In October 2010, the Cabinet Strategy Committee (STR) endorsed recommendations in the Advisory Group's report ² as the basis for a way forward for the social housing sector, and invited the Minister of Housing to report to the Cabinet Social Policy Committee (SOC) with a proposed government response to the report, including first steps [STR Min (10) 16/1].
Summary	<p>Social housing is the provision of housing assistance to those who cannot otherwise meet their own housing needs. Social housing is currently provided primarily by central government.</p> <p>The current delivery model for social housing is not sustainable. It is failing to meet the needs of a growing number of households, is increasingly unaffordable for the government, and faces a number of challenges.</p> <p>The paper under SOC (10) 128 proposes a government response to the Advisory Group's report comprising:</p> <ul style="list-style-type: none"> • <u>endorsement of the current and future challenges for social housing in New Zealand</u>, as identified in the report (outlined in Table 1 on pages 3-4); • <u>a direction for change to social and affordable housing in New Zealand</u> that closely reflects the vision described in the report (many, but not all, of the paper's recommendations reflect those in the report), with four broad objectives (as endorsed by STR): <ul style="list-style-type: none"> • greater involvement of third party providers of social housing; • increasing the effectiveness of financial assistance; • focusing the Housing New Zealand Corporation (HNZC) on providing social housing to higher need tenants;

¹ Appendix 1 on page 24 lists the members of the Advisory Group.

² A summary of the Advisory Group's recommendations is in Appendix 2 on pages 25-26. Appendix 3 on page 27 summarises the outcome of the Advisory Group's sector engagement.

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- aligning the organisation and responsibilities of government agencies;
- an integrated package of proposals for a way forward that progresses the four imperatives, and builds on the recommendations made in the report (outlined in Table 2 on page 8).

Appendix 4 on pages 28-29 lists the various report backs to selected Ministers or SOC as a result of the proposals required to give effect to the new direction for the social housing sector. The Minister of Housing will report to SOC in June 2011 with progress on the proposals.

The benefits of the improved delivery of social housing will be apparent in the immediate and short term, but substantially improved outcomes will be visible only after three to five years and more.

**Regulatory
Impact Analysis**

An interim Regulatory Impact Statement is in Appendix 5 on pages 30-34.

**Baseline
Implications**

The additional policy development work to formulate the new direction for social housing will require the reprioritisation of \$1 million of operational funding from the Mortgage Insurance Scheme (Welcome Home Loans) appropriation in the Vote Housing baseline.

There will also be implications for Budget 2011 and beyond.

**Legislative
Implications**

If a single source of policy advice is established in the Department of Building and Housing, the Housing Corporation Act 1974 will need to be amended. Technical amendments may also be made to the Housing Restructuring and Tenancy Matters Act 1992.

Timing Issues

Appendix 4 on pages 28-29 lists the various report backs to selected Ministers or SOC.

Announcement

The Minister of Housing will co-ordinate any announcements with the Prime Minister and the Minister of Finance.

Consultation

Paper prepared by DBH. Treasury, SSC, MSD, HNZC, TPK, Pacific Island Affairs, DIA, and Women's Affairs were consulted. DPMC was informed.

The Minister of Finance and the Minister of Housing indicate that there will be discussion with the government caucus and with other parties represented in Parliament.

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The Minister of Finance and the Minister of Housing recommend that the Committee:

Government's response to report of the Housing Shareholders' Advisory Group

- 1 agree:
 - 1.1 with the current and future challenges for social housing in New Zealand as identified in the Housing Shareholders' Advisory Group's (the Advisory Group) report;
 - 1.2 to a direction for change to social housing that closely reflects the vision as described in the Advisory Group's report [STR Min (10) 16/1];
- 2 agree that a transformation of the social housing sector is required;
- 3 agree that the direction for change for the social housing sector involves delivering the following outcomes:
 - 3.1 greater involvement of third party providers of social housing;
 - 3.2 increasing the effectiveness of financial assistance;
 - 3.3 focusing the Housing New Zealand Corporation (HNZC) on providing social housing to tenants with the greatest housing need;
 - 3.4 aligning the organisation and responsibilities of government agencies;
- 4 note that there are some differences in timing, specifics, and emphasis compared with the Advisory Group's detailed recommendations;

Greater involvement of third party providers of social housing

- 5 note that greater involvement of third party providers offers the ability to grow the overall quantum of available social housing, as well as the potential for better efficiency and value for money through:
 - 5.1 greater innovation, diversity, and specialisation;
 - 5.2 access to additional sources of capital;
- 6 direct the Department of Building and Housing (DBH), in consultation with the Treasury and the State Services Commission (SSC), to report to the Minister of Finance, the Minister of State Services, and the Minister of Housing by 31 March 2011 on the future structure of the social housing sector, including the future role of HNZC as a provider of social housing;
- 7 note that the preconditions for greater third party participation in the provision of social housing are:
 - 7.1 clear specification of social housing providers' rights and obligations through the regulation and potential registration of approved providers;
 - 7.2 financial assistance to tenants to enable them to meet a reasonable rent;

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- 7.3 an independent and nationally consistent system for allocating tenants to properties;
- 7.4 access to a subsidy to the housing provider, either operating or capital, to improve the value proposition;
- 7.5 potentially, a mechanism to mitigate the risk of fluctuating incomes, for example due to vacancies and arrears;
- 7.6 certainty of cash flow, which includes certainty around the criteria and quantum of Crown subsidies to cover operating costs;
- 8 direct DBH, in consultation with the Treasury, to report to the Minister of Finance and the Minister of Housing by 30 June 2011 with advice on how to facilitate increased third party provision of social housing, including how to establish the necessary preconditions including practical steps that can be actioned quickly;
- 9 direct DBH, in conjunction with the Ministry of Pacific Island Affairs and Te Puni Kokiri, to report to the Minister of Pacific Island Affairs, the Minister of Housing, and the Minister of Maori Affairs by 30 June 2011 on progress on a scheme or initiatives to develop the role of iwi and hapu, and the Pasifika community, as providers of social housing;
- 10 note that the Minister of Housing will develop specific initiatives for continuing to support specialist community housing providers currently able to access the Housing Innovation Fund, and for supporting rural housing and Community Group Housing, for consideration as part of the Budget 2011 process;

Increase effectiveness of financial assistance

- 11 agree that significant change to housing assistance is required to support the alternative provision of social housing and to achieve better outcomes, more consistently and fairly, for households receiving financial assistance;
- 12 direct the Ministry of Social Development (MSD), in consultation with the Treasury, HNZC, and DBH, to prepare an interim report to the Minister of Finance, the Minister for Social Development and Employment, and the Minister of Housing by 30 June 2011 with advice on improving the performance of housing assistance, including:
 - 12.1 the problems associated with the current financial support for housing;
 - 12.2 options and recommendations for change to financial support for housing;
 - 12.3 an appropriate transition path to a new housing financial assistance regime;
- 13 direct MSD, in consultation with the Treasury, SSC, HNZC, and DBH, to report to the Minister of Finance, the Minister of State Services, the Minister for Social Development and Employment, and the Minister of Housing by 30 June 2011 with advice on how to integrate the assessment of housing needs with assessments for wider social support;

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Focus Housing New Zealand Corporation on providing social housing to high need tenants

- 14 agree that HNZC focus on providing social housing to those with high needs and:
 - 14.1 more actively assess and manage tenants, to focus on high need for the duration of need;
 - 14.2 reconfigure the state housing portfolio to deliver social housing where the need is greatest;
- 15 agree that, from 1 July 2011 HNZC introduce reviewable tenancies for new tenants;
- 16 direct HNZC, in conjunction with DBH, and in consultation with the Treasury, to report to the Minister of Finance and the Minister of Housing by 31 March 2011 on:
 - 16.1 the proposed policy framework for reviewable tenancies for new state house tenants and how this will be implemented and introduced by 1 July 2011;
 - 16.2 options for extending reviewable tenancies to existing tenants;
 - 16.3 options for transitioning state house tenants to more suitable accommodation as their circumstances change (*Incentives to Independence* programme);
- 17 agree that, due to the significant change that the introduction of reviewable tenancies will bring to state housing, the Minister of Finance and the Minister of Housing have the final sign-off on the high level policy framework;
- 18 agree to replace the state housing stock targets with performance-based measures in HNZC's Statement of Intent from 2011/12;
- 19 note that HNZC review and redevelop the leasing model to increase the volume of leases by engaging with housing providers at scale;
- 20 invite the Minister of Housing to report to the Cabinet Social Policy Committee (SOC) by 30 March 2011 with proposals to support the efficiency and effectiveness of HNZC focussing on those with high needs, including:
 - 20.1 to make improvements, if necessary, to HNZC's Social Allocation System;
 - 20.2 to make technical amendments to the Housing Restructuring and Tenancy Matters Act 1992;
 - 20.3 other amendments to the Housing Restructuring and Tenancy Matters Act 1992 and/or the Housing Corporation Act 1974, as required;

Align organisation and responsibilities of government agencies

- 21 agree to consolidate housing policy advice to Ministers in DBH by 1 July 2011;
- 22 note that HNZC will retain an operational policy capability to support its business activity;
- 23 agree to amend the Housing Corporation Act 1974 to give effect to the above change;

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- 24 invite the Minister of Housing to issue drafting instructions to the Parliamentary Counsel Office to give effect to the above proposals;
- 25 note that SSC, in consultation with the Treasury, HNZC, and DBH, will provide a plan setting out the key implementation steps to give effect to the above changes to the Minister of Finance, the Minister of State Services, and the Minister of Housing, by 6 December 2010;
- 26 direct SSC, the Treasury and DBH, in consultation with HNZC, to report to the Minister of Finance, the Minister of State Services, and the Minister of Housing by 28 February 2011 with detailed advice on the transfer of functions, including:
- 26.1 the scope and scale of the housing policy functions and associated resourcing transferring to DBH;
 - 26.2 the process for staff affected by the transfer of policy functions to DBH;
 - 26.3 the legislative and financial implications of the proposed changes;
 - 26.4 the timeframe and transitional issues, and how these are to be addressed;
 - 26.5 the communication plan;

Financial implications

- 27 note that operating funding of \$1.000 million is required in 2010/11 for the additional policy development work to formulate the new direction for social housing;
- 28 approve the following fiscally neutral adjustments to fund this additional policy advice, with no impact on the operating balance or debt:

	\$m – increase/(decrease)				
	2010/11	2011/12	2012/13	2013/14	2014/15
Vote Housing					
Minister of Housing					
Non Departmental Output Expense:					
Mortgage Insurance Scheme (Welcome Home Loans)	(1.000)	-	-	-	-
Vote Housing					
Minister for Building and Construction					
Departmental Output Expense:					
Sector and Regulatory Policy (funded by Revenue Crown)	1.000	-	-	-	-
Total Operating	-	-	-	-	-
Total Capital	-	-	-	-	-

- 29 agree that the proposed changes to appropriations for 2010/11 above be included in the 2010/11 Supplementary Estimates and that, in the interim, the increases be met from Imprest Supply;

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Next steps

- 30 invite the Minister of Housing to report to SOC in June 2011 with progress on the proposals contained in the paper under SOC (10) 128;
- 31 note that the Minister of Housing will co-ordinate any announcements with the Prime Minister and the Minister of Finance.

Saphron Powell
Committee Secretary

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Cabinet Social Policy Committee

A new direction for social and affordable housing in New Zealand: Government's response to the report of the Housing Shareholders' Advisory Group

PURPOSE

- 1 This paper proposes a new direction for social and affordable housing, and the approach for achieving this, following advice from the Housing Shareholders' Advisory Group.

EXECUTIVE SUMMARY

- 2 The current delivery model for social housing is not sustainable. It is failing to meet the needs of a growing number of households and, at the same time, is increasingly unaffordable for the Government. We face a number of challenges:
 - state housing assistance is not well-matched to need
 - increasing demand for social housing, coupled with constraints on housing supply and a shortfall in construction
 - lack of at-scale alternatives to state housing, that offer adequate security of tenure and affordability
 - financial assistance for housing that is unfair and inadequate for a growing number of people
 - continuing affordability problems, especially for low-income renters in the private sector
 - government cannot meet all these needs on its own.
- 3 Our goal is that all New Zealanders should be able to access affordable, sound-quality housing that provides secure tenure appropriate to their needs. This will require a transformation in the way that social housing is delivered in future, with four key imperatives:
 - A more efficient and innovative social housing sector characterised by greater third party provision, resulting in growth in the overall quantum of social housing.

- Housing assistance that is fair and equitable, and that provides incentives and pathways towards greater independence.
 - State housing that is focused on those with the highest need for the duration of that need, taking account of individual circumstances.
 - Structures and functions of government agencies that support the direction of change.
- 4 The Housing Shareholders' Advisory Group (HSAG) report highlights these challenges, and proposes a direction for this transformation. We agree with this general direction, and have developed a set of detailed recommendations to deliver this direction – many, but not all, of these recommendations reflect those from the HSAG report. This reform will achieve improved outcomes and better value-for-money from the Government's investment in state and social housing.
- 5 Transformative change to the delivery of social housing is complex and affects a significant element of the lives of often vulnerable households. We have choices and trade-offs around the pace and scale of change, the additional fiscal cost of change, and the level of risk associated with the change – including to service delivery and distributional impacts. We are keen to make the decisions we can as a matter of urgency, and also to set the direction of change. However, we are also mindful of the need to be careful and deliberate, to ensure these reforms are enduring.
- 6 In this paper, we seek agreement to:
- a proposed new direction for the social housing sector, transform the future delivery of social housing,
 - key policy decisions that we can take now to start the process of change, and
 - direct officials to develop specific proposals to give effect to this new direction for social housing.

CONTEXT

The Housing Shareholders' Advisory Group report

- 7 In February 2010 the Minister of Finance and the Minister of Housing established the Housing Shareholders' Advisory Group (HSAG) to provide independent advice to assist government address the increasing social and fiscal pressures on social housing¹. They were asked to provide a vision for social housing and a clear action path over the next three to five years for how to deliver better housing

¹ Social housing is the provision of housing assistance to those who cannot otherwise meet their own housing needs. Social housing is currently provided primarily by central government, by direct provision delivered by Housing New Zealand Corporation (HNZC) through state housing and the Income Related Rent Subsidy, and by direct assistance delivered by the Ministry of Social Development, primarily the Accommodation Supplement. In addition, a small amount of social housing (approximately 5%) is provided by local government and community housing organisations.

outcomes for those most in need and how to achieve better value from investment. A list of HSAG members is attached as Appendix 1.

- 8 The HSAG report "Home and Housed: A Vision for Social Housing in New Zealand", was delivered to the Minister of Finance and the Minister of Housing on 7 May 2010 and made public in August 2010. A summary of the recommendations in the HSAG report is attached as Appendix 2.
- 9 The HSAG engaged with key stakeholders and interest groups across the country on the findings and recommendations in the report. In October 2010, the HSAG reported the outcome of this engagement to Ministers and reaffirmed their recommendations in light of the strong endorsement of the vision and strategic direction outlined in their report. Appendix 3 outlines the key stakeholder responses to the HSAG report.

Government's response to the HSAG report

- 10 This paper proposes a government response to the HSAG report comprising:
 - endorsement of the current and future challenges for social housing in New Zealand as identified in the HSAG report
 - a direction for change to social and affordable housing in New Zealand that closely reflects the vision described in the HSAG report, and discussed at the Cabinet Strategy Committee meeting of 18 October 2010 [STR Min (10) 16/1 refers]
 - proposals for a way forward that build on the recommendations made in the HSAG report, and are supported by significant action to progress the proposals.

CURRENT AND FUTURE CHALLENGES FOR SOCIAL HOUSING

- 11 The current delivery model for social housing is not sustainable. The following table summarises the current and future challenges for social housing based on those identified in the HSAG report and endorsed as making the case for why change is needed.

Table 1: Current and future challenges for social housing

<p>State housing assistance is not well matched to need</p>	<ul style="list-style-type: none"> ▪ 'House for life expectation' means that some houses continue to be occupied by those with less need, including those paying market rent, making them unavailable for high need individuals and families ▪ HNZC is currently unable to provide housing solutions for approximately 33% of high need applicants ▪ Performance measures for HNZC based on number of houses per region at any one time drive inefficient outcomes ▪ Significant under-utilisation of HNZC housing stock and land
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<p>Increasing demand means increasing fiscal pressures on social housing</p>	<ul style="list-style-type: none"> ▪ Demand for social housing is increasing, particularly for those with high needs² ▪ Government expenditure on housing assistance (IRRS and AS) was \$1.7 billion in 2009/10, and is forecast to grow to \$3.7 billion by 2019/20 ▪ The Crown also holds \$15 billion of property in the state housing portfolio
<p>Lack of alternatives to state housing that offer security of tenure and are affordable</p>	<ul style="list-style-type: none"> ▪ Limited viable alternatives for 'lower need' state house tenants ▪ Lack of diversity of social housing services, lack of tailoring to regional and local need and individual circumstances ▪ Government doesn't actively seek private sector capital and expertise for social housing
<p>Financial assistance for housing that is unfair and inadequate for some</p>	<ul style="list-style-type: none"> ▪ State house tenants generally receive more generous subsidy than AS recipients in apparently equivalent situations. ▪ Some AS recipients showing signs of housing stress. ▪ Existing two subsidies for housing assistance not well suited to extension to third party providers
<p>Continuing affordability problems, especially for low-income renters</p>	<ul style="list-style-type: none"> ▪ Significant affordability issues for some low-income renters in the private sector, especially beneficiaries and NZS recipients ▪ Home ownership affordability has improved but remains out of reach to many
<p>Constrained housing supply and shortfall in construction</p>	<ul style="list-style-type: none"> ▪ Construction volumes well below population growth rates since 2008, especially in Auckland ▪ Outlook uncertain but significant risk of prolonged period of low construction affecting supply ▪ Sustained shortfall in house construction will adversely impact affordability
<p>Government cannot meet needs on its own / significant risk of future capital demands / need to leverage third party \$</p>	<ul style="list-style-type: none"> ▪ Ageing HNZN stock and deferred maintenance means likely future capital demands ▪ Current fiscal constraints mean that new and better ways to use the Crown's resources to deliver desired social housing outcomes are needed

THE WAY FORWARD

- 12 Our goal is that all New Zealanders should be able to access affordable, sound-quality housing that provides secure tenure appropriate to their needs. This will require a transformation to the delivery of social housing and to the provision of

² HNZN estimates that it will encounter a 15% increase in priority applicants by 2020, to 9,500 applications per annum

financial assistance to achieve improved outcomes and better value-for-money from the Government's investment in state and social housing.

Four broad imperatives

- 13 We propose the following four broad imperatives, based on HSAG's recommendations that together provide an integrated and coherent programme to achieve the transformation required to deliver these outcomes:
- **Greater involvement of third party providers of social housing:** Drive greater involvement of new and existing alternative and third party providers of social housing in order to grow the total quantum of social housing available, promote choice and contestability, access to a wider pool of capital, and more efficient and innovative use of housing resources across the whole social housing sector.
 - **Increase effectiveness of financial assistance:** Improve financial assistance so that it is based on the level and nature of housing need rather than who is providing the house, is adequate to address that need, and creates incentives to reduce the level of dependence on government as need reduces
 - **Focus HNZC on providing social housing to high need tenants:** Empower HNZC to focus on providing social housing to tenants with the greatest housing need, for the duration of their need, to ensure the greatest need is consistently met, and to create room for other providers.
 - **Align organisation and responsibilities of government agencies:** Ensure the organisation and functions of government agencies support the direction of change.
- 14 Over time, this transformation will result in:
- a significant increase in the number of social housing units over the next 5 - 10 years
 - more individual and families housed for every Crown dollar spent
 - more people receiving financial assistance that is better-matched to their housing affordability need, for the duration of that need
 - a state house portfolio that is better able to accommodate those with the greatest need, for the duration of that need
 - state house tenants who have options to move towards greater independence, with a wider range of pathways to do so
 - a more innovative and efficient social housing sector with an increased number and diversity of providers
 - more leveraging of wider sources of investment and capability in social housing – including scale and niche, consortia, partnerships with iwi, profit or not-for-profit providers – and an increase in the supply of houses in the social housing sector

The HSAG report provides the platform for change

- 15 Overall, officials agree with the general direction of change recommended in the HSAG report. In order to deliver the four broad imperatives, there are a number of differences in timing, specifics and emphasis in the advice provided by officials.
- 16 We have choices and trade-offs around the pace and scale of change, the additional fiscal costs of change, and the level of risk associated with that change (e.g. including to service delivery and distributional impacts). Substantial change to social housing provision is complex and affects a significant element of the lives of often vulnerable households. Officials are keen to take enough time to work through this complexity to ensure any measures introduced are robust, durable and well-designed and are the best way to move towards and achieve the goals without imposing unnecessary disruption of households. The HSAG report underestimates these risks and complexities.
- 17 The reforms outlined in this paper are likely to require some additional funding and are unlikely to be self-financing. It will take time and effort to realise significant operating and capital efficiencies from existing state and social housing activities, and realise these efficiencies. For example, funding investment in developing alternative providers of social housing will reduce the working capital available for restructuring the state housing portfolio.
- 18 Officials do not recommend offering the current Income-Related Rent Subsidy (IRRS) in its current form to third party providers, as recommended by the HSAG. The current IRRS creates poor incentives for landlords and tenants and financial risks for the Government. New forms of support for social housing providers and for tenants will need to be developed.
- 19 Officials have recommended a focus on rental affordability, in particular at the lower-income end of rental, as the greatest affordability challenge and the most direct pressure on social housing. The government already has a significant agenda to remove barriers to the broader supply of affordable housing – in particular, regulatory reforms to the Building Act and Resource Management Act, and home ownership initiatives such as Welcome Home Loans. Unlike the HSAG, officials do not believe that further large scale home ownership assistance is the highest priority at this time.
- 20 Officials note that home ownership affordability has improved over the last two years as a result of static/declining house prices and rising incomes, and expect that trend to continue. Rental market pressures (tightening supply in some localities and the risk of reduced levels of new investment) suggest that addressing rental affordability should be a higher priority for scarce Government resources. Officials also suggest that any home ownership assistance should seek to strengthen and increase the supply of affordable housing – rather than provide subsidies to particular households to help them afford existing homes – as demand side subsidies tend to have limited impact on overall affordability.

- 21 Officials have applied a relatively high hurdle to possible changes in the structure and responsibilities of government agencies – there needs to be a strong case for change in this area. The HSAG report advocates setting up various new agencies. In our view the case for these new agencies is more finely balanced than HSAG suggest, with a mix of advantages and disadvantages – for example, it is possible to achieve many of the benefits of clearer roles and responsibilities without creating new agencies, and there are risks in shifting significant decisions on funding further away from accountability to Ministers and Parliament.

PROPOSALS FOR THE WAY FORWARD UNDER EACH IMPERATIVE

- 22 The following is a package of proposals that progress the four imperatives and that align with the HSAG recommendations. In addition, these proposals take account of the scale and magnitude of the proposed changes, and consider the timing, sequencing, and interdependencies of the HSAG recommendations. Consideration has also been given to the cost, risks and potential trade-offs for government. The result is a range of proposals and recommended decisions that would deliver the Government's long term strategic direction for the social housing sector.
- 23 The proposals that follow are an integrated package. It will be important to make progress on all the dimensions in order to achieve the desired transformation of social housing and, through this new approach to social housing, to achieve improved housing affordability outcomes (in particular for renters).
- 24 This new direction involves a long term commitment by Government. This new direction also involves a long term commitment by third parties to develop and grow their capability to be significant providers of social housing. To achieve this, third parties will need to invest significantly to build their finances and capability over the next five years or more. The benefits of improved delivery of social housing will be apparent in the immediate and short term, but substantially improved outcomes will be visible only after three to five years and more.
- 25 The new direction will be a catalyst for a change away from the traditional mindset in the way New Zealanders think about support for those who need assistance with their housing. Housing is an important part of the wellbeing of New Zealanders and change will need to be managed compassionately.
- 26 Table 2 below provides a broad overview of the proposals and other related actions across the social housing sector, organised under the four imperatives. The following sections provide more details of the specific proposals for each imperative.

Table 2: Overview of proposals and related actions

To Dec 2010	mid 2011	Late 2011 - 2013
Greater involvement of third party providers of social housing		
Vote Housing four year Budget Plan (create headroom for interim options on HIF, rural housing, community group housing for Budget 2011/12)	<p>Advice on future model(s) and delivery of social housing including HIF, Rural Housing and Community Group Housing programmes for Budget 2012/13 and outyears</p> <p>Advice on regulatory framework for social housing provision</p> <p>Options to address third party access to finance and access to property (e.g. stock, land and/or cash transfers and institutional investment)</p> <p>Options to build sector capability (incl. with NGOs, CHOs, Iwi, and private sector providers)</p> <p>Develop social partnership programme (enhance HIF)</p> <p>Advice on Information sharing between government and third party providers</p>	<p>Implement specific measures to drive greater involvement of alternative providers, e.g.</p> <ul style="list-style-type: none"> • Establish regulatory framework • Establish a partnership subsidy model to purchase social housing outcomes (if required) • Specific investments of Crown equity in providers
Effective financial assistance for housing costs		
	<p>Advice on longer term options for changes to AS and IRRS and transition path.</p> <p>Advice on integrated assessment of financial need (i.e. for housing costs and more broadly), and assessment of housing need (i.e. access and allocation to both social housing)</p>	<p>Implement integrated needs assessment</p> <p>Implement changes to IRRS and AS</p>
Focus HNZZ on providing social housing to high needs tenants		
<p>Enhance Options and Advice service (already underway)</p> <p>Decisions made on Hobsonville</p> <p>Decisions made on Tamaki</p>	<ul style="list-style-type: none"> • Introduce reviewable tenancies for new tenants (eg three, five and ten years) • Review the Social Allocation System • Signal intentions for existing tenants. • Prepare required amendments to the HRTMA to better gauge ongoing need etc • Launch an "Incentives to independence" programme • Facilitate and incentivise transitions to other providers • Develop and implement a new leasing model • Align information sharing to detect fraud 	<p>Proposing to introduce reviewable tenancies for existing tenants</p> <p>Amend the HRTMA</p>
Align organisation and responsibilities of government agencies		
<p>Tamaki board to develop UDA approach (already decided)</p> <p>Consolidate policy functions (decision and implementation plan)</p>	<p>Advice on HNZZ future role</p> <p>Introduce amendments to HNZZ Act to support change to policy arrangements</p>	<p>Implement a clearer separation between funder and provider(s) of social housing</p> <p>Advice on use of UDAs more broadly to support housing supply and provide mix of tenure options</p>

Greater involvement of third party providers of social housing

- 27 The HSAG recommends rapid growth in third party provision of social housing, in order to grow the overall quantum of available social housing, increase contestability and leverage private sector capital and innovation. In particular, it recommends transferring either capital or dwellings to selected third parties (ie. non-government organisations) to meet 20% of the social housing sector's need in five years, and making the Income Related Rent Subsidy (IRRS), which is currently available only to Housing New Zealand Corporation (HNZC), available to third party providers.
- 28 HSAG found that New Zealand lags international benchmarks for third party provision of social and affordable housing. It considered that, given predicted increases in demand for social housing assistance and the constraints on government finances, this issue must be addressed through explicit development of third party scale and niche housing providers.
- 29 We agree that the potential benefits of expanded third party provision include:
- growing the total quantum of available social housing
 - the ability to leverage funding and assets from a broad range of non-government sources (including commercial, local government, iwi and philanthropic)
 - the ability to shift development and/or operating risk to the private sector
 - access to wider skills, specialisation and services
 - costs savings through increased contestability and innovation
 - greater ability to tailor solutions to local and individual circumstances
 - dynamic changes to the wider rental housing market, for example, in standards, supply of affordable and secure rental housing.
- 30 While we agree with the general direction of HSAG's recommendation, we consider that they underestimate the complexities involved in expanding third party provision, the length of time it will take and the mechanisms required to support it. We also consider there are options for developing at scale providers that were not considered by HSAG that warrant further work.
- 31 The growth of third party providers is currently constrained by the dominance of HNZC and therefore they experience difficulty in establishing a market presence and access to the required capital or income certainty. At scale providers are more likely to see the opportunity to enter this market where they can access some of HNZC assets (cash, land or houses) and where room is created in the market for social housing for third party providers to achieve a viable scale.
- 32 The growth of a sustainable social housing sector that includes third party providers may not be successful if we rely solely on growing incumbent social providers. To be successful we may also need new providers. All providers who wish to operate at scale will need to take responsibility for growing their capability and expertise, including in sourcing and managing capital, bringing ideas from other sectors, and

managing assets and tenancies. This will require Government to set a clear direction for the future structure of the social housing sector – including the on-going role and size of HNZC – and to support the growth of all providers by ensuring the necessary pre-conditions are in place.

- 33 HSAG's engagement with stakeholders suggests that iwi and hapu organisations want to have the primary role in providing housing solutions for their people, working in partnership with the Crown/government agencies at a community level. Our experience through the Rural Housing Programme confirmed a similar message, and suggests that in some communities there is significant capability to progress such an approach, as well as specific barriers that could be addressed, for example the ability to provide security against multiply-owned land.
- 34 We propose that the Department of Building and Housing (DBH), in consultation with the Treasury and the State Services Commission (SSC), provide further advice on the future sector structure that is likely to deliver the best value for money, by 31 March 2011. We envisage that the sector would:
- include a more diverse range of players in social housing provision, including scale and niche, consortia, partnerships with iwi, profit or not-for-profit
 - include different approaches to how providers interact with one another and the government to deliver social housing, for example, split of asset management and tenancy management functions, drawing on more specialist expertise, accessing different sources of capital
 - include a reasonable share of social housing being delivered by third parties
 - provide a seamless choice or transition between state housing and the provision of social or private rental housing where tenants are currently supported through AS
 - involve creating a level playing field between state-owned and other providers
 - entail quite a different role for HNZC, where it will be more focused on those with greatest housing need.
- 35 We have identified the preconditions for the successful growth of third party provision as:
- clear specification of social housing providers' rights and obligations through regulation and potential registration of approved providers to:
 - ensure they are financially viable, well governed and properly managed
 - secure desired housing outcomes including appropriate security of tenure, protections and obligations for tenants
 - protect government investment
 - provide confidence to financiers and development partners
 - encourage consolidation and economies of scale
 - financial assistance to tenants to enable them to meet a reasonable rent
 - an independent system for allocating tenants to properties

- access to a subsidy to the landlord, either operating or capital (cash, land or houses) to improve the value proposition
 - potentially, a mechanism to mitigate the risk of fluctuating incomes, for example due to vacancies and arrears
 - certainty of cash flow (which includes certainty around the criteria and quantum of Crown subsidies) to cover operating costs.
- 36 The transition to greater third party provision is a large scale change and there are a number of critical dependencies between elements. For example, alternative providers need enough market share and scale to give them the cash flow and economies of scale to operate successfully which will undoubtedly require government investment or withdrawal of equity from HNZC. Furthermore, there is a strong interdependency with the shape and delivery of financial assistance for housing.
- 37 There are also inherent trade-offs and choices between the:
- speed of change, and thus impact in the short to medium term
 - level of risk to service continuity
 - overall fiscal cost in the short-term (in the long-term, we expect that achieving the future vision would result in a more sustainable fiscal track broadly consistent with, or possibly lower than current total spending).
- 38 A work programme is required to develop a carefully considered approach designed to deliver best value for money in the long-term, and manage the transition risks, in progressing the expansion of third party providers. We recommend that DBH, in consultation with the Treasury, develop options and recommendations, on how to facilitate increased third party participation in the provision of social housing, including how to establish the necessary pre-conditions, by 30 June 2011. This will include considering:
- development of the regulatory framework and wider system settings and incentives required to ensure the effective functioning of a social housing market, including consideration of the Australian and other relevant models
 - how social housing providers could receive a market rent with appropriate certainty, through reforms to the level of financial assistance and the way it is delivered
 - how tenants of social housing could have an appropriate level of rights and obligations, protections and security of tenure
 - measures to address access to finance, where this is a constraint on the development of at-scale alternative providers
 - measures to facilitate access to property and/or land, where this is a constraint on the development of at-scale alternative providers
 - measures to build capability and specialisation in the different aspects of the provision of social housing, including tenant management, property

development, provision of finance, facilities management, provision of social services

- 39 We propose that DBH and Te Puni Kokiri (TPK) will work together to provide advice on a scheme or initiatives to develop the role of iwi and hapu as providers of social housing. This advice would need to develop the parameters for such an initiative, and the design of a process for obtaining and choosing between bids or proposals in terms of potential partners or locations for such an initiative. There are also opportunities to work with groups reflecting the Pasifika community, and we propose that DBH and the Ministry for Pacific Island Affairs (MPIA) will work together to explore the potential for a similar initiatives in this area. We propose that DBH, TPK and MPIA will report back on to Ministers on progress by 30 June 2011.
- 40 There are steps we could take to start to grow and support current third party providers. Options include:
- grants through an enhanced Housing Innovation Fund (HIF), for example, a "Social Partnership Programme"
 - transfers of HNZC cash land or house assets including a broad brush inventory of specific land options in each region
 - contracts for tenancy management where tenants are a fit with an agency's clients
 - access to a direct subsidy that provides a similar income per tenant to the landlord as that received by HNZC.
- 41 Advice will be provided on recommendations for continuing to support a small range of niche community housing providers currently funded under the Housing Innovation Fund (HIF), Community Group Housing and Maori Housing, as part of the Budget 2011 process.
- 42 In addition, the four-year Budget Plan for Vote Housing will signal further work to develop a "Social Housing Partnership Programme", that provides a single coherent framework for this support for niche providers as well as the wider subsidy that is a pre-condition for at-scale third party provider of social housing to emerge. Advice on these options will be provided by 31 March 2011.

Increase effectiveness of financial assistance

- 43 The Income Related Rent Subsidy (IRRS) is paid directly to HNZC and is only available for state house tenants. The effective subsidy is the difference between the rent charged (Income Related Rent based on income – IRR) and the assessed market rent for the property.
- 44 The Accommodation Supplement (AS) is available to non-HNZC tenants who rent, board or are homeowners with a mortgage, and is paid directly to the householder. It is calculated at 70% of housing costs up to a maximum. The maxima vary by geographical region and family type.

- 45 The HSAG report recommends alignment of existing subsidies, and identifies a number of problems, including misalignment between AS and IRRS which creates distortions, fiscal affordability and adequacy issues.
- 46 The HSAG report suggests that the current misalignment between AS and IRRS is resulting in:
- poorly targeted financial assistance that is not matched to need
 - different levels of financial assistance for people with otherwise identical circumstances
 - pressure on providers, as similar tenants can have different abilities to pay a market rent depending on the subsidy available
 - inequitable and inefficient use of state and social housing resources
 - distorted housing choices by individuals.
- 47 For some AS recipients, the current system of financial assistance is not ensuring that they can pay a market rent for an appropriate property without facing significant financial hardship and the need for additional income/benefit support. At the same time that the system is underperforming in addressing need, fiscal cost is rising, and there is evidence that some IRRS and AS recipients receive more support than their level of need would justify.
- 48 Officials agree with HSAG that a review of IRRS and AS is needed, and we propose to look at options for significant change to financial assistance for housing to address the unevenness and level of assistance received by tenants, and to reduce the pressures on the rent paid to alternative providers of social housing.
- 49 We do not see the only way forward as being to offer the IRRS in its current form to third party housing providers, as recommended by HSAG. We propose looking at a range of options, including the development of a separate subsidy for approved providers that better matches the assistance that HNZC receives. This would allow state house tenants to transition to other housing (often more appropriate to their needs) and for those providers to have certainty of income so as to fund growth. MSD, in conjunction with DBH and the Treasury, will report back on the design and cost of this assistance to providers by 30 June 2011, as part of the wider work on increasing involvement of third parties in the provision of social housing.
- 50 Policy work on changes to financial assistance to tenants for their housing costs will be progressed in tandem with any wider changes to welfare, developed as part of the government's response to the Welfare Working Group.
- 51 We propose that MSD, in consultation with DBH, the Treasury and HNZC, report back to the Ministers of Social Development, Housing and Finance with advice on:
- the pressures and problems associated with the current design of financial support for housing

- longer-term options and recommendations for reform of financial support for housing, including greater integration and alignment of the levels of support for any given set of circumstances
 - an appropriate transition path to a new housing financial assistance regime.
- 52 Work will begin now, with a progress report to Ministers by June 2011 and a further report back in early 2012. This will allow time for full consideration of changes to the wider welfare system in response to the Welfare Working Group's report, prior to embarking upon significant changes to financial support for housing. In the interim, we will consider advice on the possibility of short-term targeted changes to existing policies to improve housing affordability.

Integration of needs assessment

- 53 HSAG recommends that MSD assess tenants housing needs along with their other social assistance requirements.
- 54 We propose that assessment of housing need be incorporated as part of the overall welfare assessment, so that people's need is treated in an integrated way. This will allow a decision to be made at that point as to the type of assistance required, for example financial assistance, specialised / supported housing or a state house. This proposal would achieve significant cost savings alongside better outcomes for tenants.
- 55 Officials, as part of the work on financial assistance, will provide advice on options for how to integrate assessment of housing needs with assessments for wider social support. The design and implementation of the assessment and allocation process must be aligned with decisions arising from the Welfare Working Group. Policy work will begin now and will report back by 30 June 2011.

Focus HNZC on providing social housing to high need tenants

- 56 As recommended by HSAG, and signalled through the 2010 Letter of Expectations, we propose empowering HNZC to focus on providing social housing to those with the greatest housing need, for the duration of their need. This will improve fairness in the allocation of scarce resources by targeting those most in need at any one time, and provide a safety net for the most vulnerable. It will also clarify the role of HNZC and other social housing providers. We also propose changes to enable HNZC to more easily reconfigure the state housing portfolio to provide state housing where the need is greatest.
- 57 The proposed approach is to empower HNZC to focus on those with the highest needs and to start to change the expectations of New Zealanders that a state house is a house for life. To give effect to this, we propose that on 1 July 2011, HNZC will introduce reviewable tenancies for new state house tenants.
- 58 A reviewable tenancy is one where tenants housing needs are assessed at appropriate intervals, for example on a 3, 5 or 10 year basis, taking into account individual circumstances and any special needs, to determine the ongoing

suitability of their current accommodation. If need be, support and incentives will then be provided to assist a transition to more suitable accommodation which may include an alternative state house, another more appropriate social housing provider, the private rental market or where feasible, homeownership.

- 59 HNZC, in conjunction with DBH, and in consultation with the Treasury, will report back to the Ministers of Finance and Housing by 31 March 2011 on:
- the proposed policy framework for reviewable tenancies for new state house tenants and how this will be implemented and introduced on 1 July 2011. Final sign-off on this framework will be by Ministers.
 - options for extending reviewable tenancies to existing tenants
 - options for transitioning state house tenants to more suitable accommodation as their circumstances change. These options may include specific measures to encourage private landlords to rent to "higher risk" tenants and to provide better quality, more stable housing options; and the provision of incentives and financial support to tenants.
- 60 We propose changes to enable HNZC to more easily reconfigure the state housing portfolio to better match need, and to allow for more flexible portfolio management, including:
- replacing state housing stock targets with replacement performance measures in HNZC's Statement of Intent from 2011/12
 - HNZC reviewing and redeveloping/refining the leasing model to increase the volume of leases by engaging with housing providers at scale, through a more sustainable model.
- 61 There are a number of technical actions that will improve the efficiency and effectiveness of focussing HNZC on those with high needs, for the duration of their need. HNZC, in conjunction with DBH, will report back to Cabinet Social Policy Committee by 31 March 2011 with detailed proposals including:
- a technical review of the Social Allocation System (SAS), to ensure that it effectively assesses housing need, prioritises need appropriately, and better identifies ability to sustain other housing options
 - technical changes to the Housing Restructuring and Tenancy Matters Act 1992 to allow HNZC to require the supply of certain information on income and assets, and apply penalties in relation to housing assistance-related fraud
 - other changes to the Housing Restructuring and Tenancy Matters Act 1992 and/or the Housing Corporation Act 1974, as required, depending on decisions taken.
- 62 The Enterprise Transformation Programme (ETP) is planned to go-live in April 2012. Prior to deciding to sign contracts and proceed with ETP in August 2010, the HNZC Board considered the possible implications of the HSAG report, including potential government decisions on future sector arrangements. They considered such decisions would not adversely impact the ETP business case as

core service delivery would be required by any potential future entities, and the programme was sufficiently flexible to accommodate potential changes. Further advice will be provided to Ministers if necessary.

Align organisation and responsibilities of government agencies

- 63 HSAG proposed wide ranging structural and organisational reform to government agencies in relation to the delivery of social and affordable housing, and housing policy. Under our proposed response to HSAG, changes to the organisation and responsibilities of government agencies will be necessary to ensure that they are fit-for-purpose both to deliver the further work recommended in this paper, and to deliver the outcomes government expects for social housing under our proposed reforms.
- 64 We propose a staged consideration of changes to the organisation and responsibilities of government agencies.

Consolidation of housing policy advice function in a single agency

- 65 The current arrangements for policy advice on housing create issues of poor co-ordination and unclear leadership for the sector. Over 2009 and 2010, Ministers have indicated their concern about the possible duplication of effort between HNZC and DBH, and lack of clarity regarding their roles.
- 66 We propose consolidating housing policy within DBH by 1 July 2011. This will allow for a more coherent, integrated overview of housing sector issues and advice to Ministers. It will also provide greater synergy, strengthened capability and avoid duplication of effort and resources.
- 67 These functions should be consolidated within DBH as:
- There is currently a risk around gaps in housing policy where Ministers' expectations for advice are not matched by mandate and resourcing for housing policy
 - The sector is about to enter a period of considerable change, and a strong policy agency providing advice on the changes through this period is desirable
 - Through its monitoring of HNZC and its regulatory role, DBH has a strong base of knowledge and networks in the housing sector. We see DBH as being able to build on this base to quickly establish itself as the lead policy advisor on housing.
- 68 To support this change, the Housing Corporation Act 1974 will need to be amended to remove the housing policy role from the Corporation's objectives, while retaining its operational policy capability to support its business activities. The State Services Commission, in conjunction with DBH, will report back to Ministers on legislative changes by 28 February 2011.
- 69 We propose that DBH continue to lead the work on the new direction for social housing in advance of the formal transfer of policy functions. The delivery of this

advice will require significant work. In order to lead this advice, DBH will require additional resources. The consolidation of policy functions will require careful management of the transition to ensure a smooth handover of roles and a robust consolidated housing policy function. This paper seeks agreement to a fiscally-neutral transfer within Vote Housing of \$1.000 million to fund this further policy work and the planning and management of this transition.

- 70 Given the nature of the work programme, consideration will be given to secondment of staff from HNZC to DBH to support this work.

Changes to government agencies flowing from introduction of third party providers

- 71 The introduction of contestable provision of social housing will require the introduction of a separate housing needs assessment function, a housing allocation service, a system to manage the overall waiting list for social housing, a purchase function and a monitoring function for social housing purchased. It is not yet clear when these new functions will need to be established.
- 72 These functions are currently provided by HNZC as part of their Options and Advice and Tenant Management services. Establishing new functions is complex and costly, and resourcing associated with these functions would first need to be unbundled from within HNZC's current services.
- 73 Further advice will be provided on machinery of government matters as part of substantive advice on growing third party providers, financial assistance and integrated needs assessment.

NEXT STEPS

- 74 We propose that the Minister of Housing will report to Cabinet in June 2011 with progress on the recommendations in this paper.
- 75 Refer to Appendix Four for a summary and sequencing of report backs recommended in this paper
- 76 The Minister of Housing will coordinate a communications strategy and any announcements with the Prime Minister and Minister of Finance.

CONSULTATION

- 77 The following agencies have been consulted on this paper: the Treasury, State Services Commission, Ministry of Social Development, Housing New Zealand Corporation, Te Puni Kokiri, Ministry of Pacific Island Affairs, Department of Internal Affairs and Ministry of Women's Affairs.
- 78 The Department of Prime Minister and Cabinet has been informed.

FINANCIAL IMPLICATIONS

Short-term implications

- 79 These changes require significant further policy analysis and advice on the key elements of the reform and transformation of social housing. In order to lead and deliver this advice, DBH will require additional policy advice resources, as the additional funding provided to support the HSAG process [SOC Min (10) 17/1 refers] has largely been exhausted. DBH and HNZC will also each need specific capacity to manage the transition, including any short-term transactions costs, arising from the consolidation of housing policy advice within DBH, for the period until 1 July 2011.
- 80 This paper proposes the reprioritisation of \$1,000,000 of operational funding from the Mortgage Insurance Scheme (Welcome Home Loans) appropriation within the Vote Housing baseline, which is currently underspent, to provide this policy advice and to manage the transition around the consolidation of housing policy advice within DBH over the remainder of 2010/11.

Budget 2011 and beyond

- 81 The paper's recommendations have implications for Budget 2011 and beyond.
- 82 The proposed change in HNZC policy to house those with the greatest housing need has implications for the IRRS paid to HNZC tenants. The change should – over time – result in "higher needs" tenants with lower incomes (on average), and therefore higher IRRS payments. HNZC will need to calculate the likely impact of the change and reflect the updated IRRS forecast in the Vote Housing four year Budget Plan.
- 83 While not directly related to the recommendations in this paper, the Minister of Housing is in the process of considering options to nurture existing specialist social housing providers (and ensure retention of existing capability), including: Housing Innovation Fund, rural housing and community group housing, until a more enduring solution is agreed to grow third party providers of social housing. If relevant, this decision will be progressed via the Vote Housing four year Budget Plan.

HUMAN RIGHTS

- 84 There are no direct human rights implications in this paper. However, if the Housing Restructuring and Tenancy Matters Act 1992 is amended in order to improve HNZC's ability to manage existing tenants (as envisaged), this may have implications under the Bill of Rights Act 1990, Human Rights Act 1993 and Privacy Act 1993. These implications will be assessed once a specific proposal has been developed.

GENDER IMPLICATIONS

- 85 A high proportion (around 68 percent) of HNZN's primary tenants are women. Sole parent families, largely headed by women and elderly women, represent two key groups of HNZN's tenants. Stability and security, including good educational outcomes, are important to achieving positive outcomes for sole parent families, and will be taken into account when assessing ongoing need for housing.

DISABILITY PERSPECTIVE ISSUES

- 86 The special needs of tenants with disabilities and/or other health conditions will be taken into account during the design of HNZN's reviewable tenancy policies and practices. It is acknowledged that suitable housing options in the private rental market are limited for people with disabilities and other special needs, such as elderly people or people experiencing mental illness.

LEGISLATIVE IMPLICATIONS

- 87 Possible legislative implications in this paper include:
- amendment of the Housing Corporation Act 1974, to amend HNZN's objectives and functions, if Ministers agree to establish a single source of housing policy advice within the Department of Building and Housing
 - amendment of the Housing Restructuring and Tenancy Matters Act 1992, to improve HNZN's ability to manage existing tenants.

REGULATORY IMPACT ANALYSIS

- 88 An interim regulatory impact statement has been prepared and is attached to this paper as Appendix Five.

PUBLICITY

- 89 The Minister of Housing will coordinate any announcements with the Prime Minister and Minister of Finance.

RECOMMENDATIONS

- 90 The Minister of Finance and the Minister of Housing recommend that the Committee:

Government's response to the HSAG report

1. **agree** with the current and future challenges for social housing in New Zealand as identified in the Housing Shareholders' Advisory Group (HSAG) report, and to a direction for change to social housing that closely reflects the vision as described in the HSAG report [STR Min (10) 16/1 refers]

2. **agree** that a transformation of the social housing sector is required
3. **agree** that the direction for change for the social housing sector involves delivering these outcomes:
 - greater involvement of third party providers of social housing
 - increase effectiveness of financial assistance
 - focus Housing New Zealand Corporation (HNZC) on providing social housing to tenants with the greatest housing need
 - align organisation and responsibilities of government agencies
4. **note** that there are some differences in timing, specifics and emphasis, relative to HSAG's detailed recommendations

Greater involvement of third party providers of social housing

5. **note** that greater involvement of third party providers offers the ability to grow the overall quantum of available social housing, as well as the potential for better efficiency and value for money through: greater innovation, diversity and specialisation, and access to additional sources of capital
6. **direct** DBH, in consultation with the Treasury and the State Services Commission (SSC), to report to the Ministers of Housing, Finance and State Services by 31 March 2011 on the future structure of the social housing sector, including the future role of HNZC as a provider of social housing
7. **note** that the preconditions for greater third party participation in the provision of social housing are:
 - clear specification of social housing providers' rights and obligations through regulation and potential registration of approved providers
 - financial assistance to tenants to enable them to meet a reasonable rent
 - an independent and nationally consistent system for allocating tenants to properties
 - access to a subsidy to the housing provider, either operating or capital, to improve the value proposition
 - potentially, a mechanism to mitigate the risk of fluctuating incomes, for example due to vacancies and arrears
 - certainty of cash flow, which includes certainty around the criteria and quantum of Crown subsidies to cover operating costs
8. **direct** DBH, in consultation with the Treasury, to report to the Ministers of Housing and Finance by 30 June 2011 with advice on how to facilitate increased third party provision of social housing, including how to establish the necessary preconditions including practical steps that can be actioned quickly
9. **direct** DBH, in conjunction with Te Puni Kokiri and the Ministry of Pacific Island Affairs, to report to Ministers by 30 June 2011 on progress on a scheme or

initiatives to develop the role of iwi and hapu, and the Pasifika community, as providers of social housing.

10. **note** that the Minister of Housing will develop specific initiative(s) for continuing to support specialist community housing providers currently able to access the Housing Innovation Fund (HIF), and for supporting rural housing and Community Group Housing, for consideration as part of the Budget 2011 process

Increase effectiveness of financial assistance

11. **agree** that significant change to housing assistance is required in order to support alternative provision of social housing and to achieve better outcomes, more consistently and fairly, for households receiving financial assistance
12. **direct** the Ministry of Social Development (MSD), in consultation with HNZC, DBH and the Treasury to prepare an interim report to the Ministers of Social Development, Housing and Finance by 30 June 2011 with advice on improving the performance of housing assistance, including:
 - the problems associated with the current financial support for housing
 - options and recommendations for change to financial support for housing
 - an appropriate transition path to a new housing financial assistance regime.
13. **direct** MSD, in consultation with HNZC, DBH, the Treasury and SSC to report to the Ministers of Social Development, Housing, Finance and State Services by 30 June 2011 with advice on how to integrate assessment of housing needs with assessments for wider social support

Focus HNZC on providing social housing to high need tenants

14. **agree** that HNZC will focus on providing social housing to those with high needs and will:
 - more actively assess and manage tenants, to focus on high need for the duration of need
 - reconfigure the state housing portfolio to deliver social housing where the need is greatest
15. **agree** that from 1 July 2011 HNZC will introduce reviewable tenancies for new tenants
16. **direct** HNZC, in conjunction with DBH, and in consultation with the Treasury, to report back to the Ministers of Finance and Housing by 31 March 2011 on:
 - the proposed policy framework for reviewable tenancies for new state house tenants and how this will be implemented and introduced by 1 July 2011
 - options for extending reviewable tenancies to existing tenants

- options for transitioning state house tenants to more suitable accommodation as their circumstances change (Incentives to independence programme)
- 17. **agree** that due to the significant change that the introduction of reviewable tenancies will bring to state housing, the Ministers of Finance and Housing will have final sign-off on the high level policy framework
- 18. **agree** to replace the state housing stock targets with performance-based measures in HNZC's Statement of Intent from 2011/12
- 19. **note** that HNZC will review and redevelop the leasing model to increase the volume of leases by engaging with housing providers at scale
- 20. **invite** the Minister of Housing to report back to Cabinet Social Policy Committee by 30 March 2011, with proposals to support the efficiency and effectiveness of HNZC focussing on those with high needs, including:
 - to make improvements if necessary to HNZC's Social Allocation System
 - to make technical changes to the Housing Restructuring and Tenancy Matters Act 1992
 - other changes to the Housing Restructuring and Tenancy Matters Act 1992 and/or the Housing Corporation Act 1974, as required

Align organisation and responsibilities of government agencies

- 21. **agree** to consolidate housing policy advice to Ministers within DBH by 1 July 2011
- 22. **note** that HNZC will retain an operational policy capability to support their business activity
- 23. **agree** to amend the Housing Corporation Act 1974 to give effect to this change
- 24. **invite** the Minister of Housing to issue drafting instructions required to give effect to these decisions
- 25. **note** that SSC in consultation with DBH, the Treasury and HNZC will provide a plan setting out key implementation steps to give effect to these changes to the Ministers State Services, Finance and Housing by 6 December 2010
- 26. **direct** SSC, the Treasury and DBH, in consultation with HNZC, to report to the Ministers of State Services, Finance and Housing by 28 February 2011 with the detailed advice on the transfer of functions, including:
 - the scope and scale of the housing policy functions and associated resourcing transferring to DBH
 - process for staff affected by the transfer of policy functions to DBH
 - the legislative and financial implications of the proposed changes
 - timeframe and transitional issues, and how these are to be addressed
 - communication plan

Financial implications

26. **note** that operating funding of \$1.000 million is required in 2010/11 for the additional policy development work to formulate the new direction for social housing
27. **approve** the following fiscally neutral adjustments to fund this additional policy advice, with no impact on the operating balance or debt:

	\$m – increase/(decrease)				
	2010/11	2011/12	2012/13	2013/14	2014/15
Vote Housing					
Minister of Housing					
Non Departmental Output Expense:					
Mortgage Insurance Scheme (Welcome Home Loans)	(1.000)	-	-	-	-
Vote Housing					
Minister for Building and Construction					
Departmental Output Expense:					
Sector and Regulatory Policy (funded by Revenue Crown)	1.000	-	-	-	-
Total Operating	-	-	-	-	-
Total Capital	-	-	-	-	-

28. **agree** that the proposed changes to appropriations for 2010/11 above be included in the 2010/11 Supplementary Estimates and that, in the interim, the increases be met from Imprest Supply.

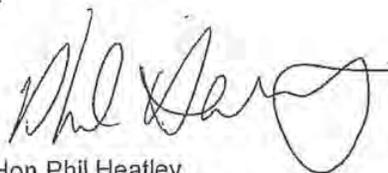
Next steps

29. **invite** the Minister of Housing to report to Cabinet in June 2011 with progress on the recommendations in this paper
30. **agree** that the Minister of Housing will coordinate any announcements with the Prime Minister and Minister of Finance.



Hon Bill English
Minister of Finance

11/11/10



Hon Phil Heatley
Minister of Housing

11/11/10

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APPENDIX 1: MEMBERS OF THE HOUSING SHAREHOLDERS' ADVISORY GROUP

- Dr Alan Jackson – former senior vice president in the Auckland office of The Boston Consulting Group and director of Fletcher Building
- Major Campbell Roberts – the director of the New Zealand, Fiji and Tonga Territory Social Policy and Parliamentary Unit of the Salvation Army
- Andrew Body – director of Crown Fibre Holdings and various private sector companies
- Martin Udale – former chief executive of McConnell Property and an independent property consultant
- Diane Robertson – head of the Auckland City Mission
- Brian Donnelly – executive director of the New Zealand Housing Foundation
- Paul White – Principal of Torea Tai Consultants, specialising in Maori development, housing and strategic planning

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APPENDIX 2: SUMMARY OF HOUSING SHAREHOLDERS' ADVISORY GROUP RECOMMENDATIONS

Initiative I: Empowering HNZC to focus on the 'high needs' sector

- Ministers set policy expectations that emphasise best match of dwelling to tenant needs.
- HNZC develops new policies to manage its tenant base and their needs.
- Introduce new tenancy agreements for those entering the state housing portfolio in future to enable support to be provided for the duration of the need.
- HNZC actively manages the portfolio of dwellings to match future demand.
- Use multiple supply choices available to provide new state housing stock.
- HNZC explicitly develops scale and niche service third party providers to the sector.

Initiative II: Driving Involvement of third-party suppliers

- Work with non-governmental sector groups and Iwi to develop the 'pre-housing' and 'cost-based' sectors that can deliver more intensely supported housing for high needs individuals.
- Transfer either capital or dwellings to selected non-government organisations (NGOs) to initially meet 20% of this sector's need in five years, thereby developing a limited number of scale and niche providers.
- Support with income related rent supplement, not accommodation supplement, payments to develop financial viability of NGOs serving the 'high needs' segment.
- Embrace new development and funding approaches to leverage capital and for the provision of new dwelling stock in the state and affordable housing portfolio.
- Establish location specific urban renewal agencies as limited life and purpose joint ventures between the Crown and local government, separate from HNZC, to create the necessary conditions and develop the land to the point that private sector developers are willing to acquire the land and undertake further development.

Initiative III: Initiatives across the broader housing spectrum

- Charge MSD / DBH / HNZC with reviewing and aligning IRRS and the Accommodation Supplement as part of broader MSD work on delivery of the benefit system.
- DBH and the private sector should lead a major initiative to develop accessibility products for affordable home ownership in this sector that are designed to have significant take-up in the marketplace.
- HNZC, DBH and Treasury must co-operate to produce co-ordinated policy to agree:
 - The extent of the affordable housing shortage
 - Broad interventions needed to develop this segment, inspired by some of the offshore examples provided in the report.
 - Specific programmes to underpin the delivery of new affordable homes and products to provide relevant assistance to more families. [NB increased

emphasis on this point in light of consultation, esp to removing barrier to implementing solutions to the development of housing on Māori land.]

Initiative IV: Future sector arrangements

- MSD to assess tenant needs and administer both IRRS and AS subsidies.
- Responsibilities for planning policy and support around affordable housing supply issues should be in one organisation, most likely DBH.
- Clear accountability for the development of third-party involvement within state housing and across the broader housing spectrum.
- Establish a unit specifically charged to deliver and administer state-owned dwellings and services to those whose 'need is greatest'.
- Evolve the sector structure to create a funding organisation, responsible for the development of the affordable housing sector, referred to as the Affordable Housing Agency (AHA), and a delivery organisation, referred to as the Crown Housing Agency (CHC), as the preferred option for future sector arrangements.

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APPENDIX 3: SECTOR ENGAGEMENT BY THE HOUSING SHAREHOLDERS' ADVISORY GROUP

- 91 The HSAG reported to the Ministers of Finance and Housing on 8 October 2010 on the outcome of their sector engagement.
- 92 The key messages from the HSAG sector engagement process were:
- There is strong support for the HSAG finding that the current model for social housing is no longer sustainable, and that Housing New Zealand Corporation (HNZC) cannot meet the current and future demand for social housing on its own – many agree that significant structural change is required
 - Many stakeholders support a “simplification” of HNZC’s role and the report’s recommendation that it focus on “high needs” tenants
 - Despite the general endorsement for change, there is a strongly held view that the government needs to remain committed to providing state housing, and that HNZC will continue to play a major role going forward
 - There was also widespread support for better aligning the Income-Related Rent Subsidy (IRRS) and Accommodation Supplement (AS) (i.e. social housing assistance), and for developing new products and pathways to help people become more independent and move into home ownership
 - Most stakeholders agree with the social housing challenges outlined by HSAG, in particular the increasing pressure on affordability and demand for social housing
 - Many stakeholders felt these social housing challenges were larger than suggested by HSAG, and raised concerns about a lack of recognition in the report concerning: the poor quality of the current housing stock (in particular, the rural housing stock), the greater extent of homelessness, and the harmful impact of inadequate housing on health and other important social outcomes
 - A number of stakeholders (including iwi) are willing to play a greater role in providing social housing services, but lack the ability to do so, mainly due to inadequate capital.

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APPENDIX 4: TABLE OF REPORT BACKS ON RECOMMENDATIONS IN THIS PAPER

Report	To	Lead	Other	Date	Cab paper ref
Advice on the legislative and financial implications of the proposed changes, timeframe and transitional issues and communication of the proposed changes	Ministers of State Services, Finance and Housing	SSC	DBH Treasury HNZC	28 Feb 2011	Rec 25
Report on the future structure of the social housing sector, including the future role of HNZC as a provider of social housing	Ministers of State Services, Finance and Housing	DBH	Treasury SSC	31 March 2011	Rec 6
Advice on continuing to support a small number of niche community housing providers currently funded under the Housing Innovation Fund, and for supporting rural housing and Community Group Housing	Ministers of Finance and Housing	DBH	HNZC	Budget	Rec 10
Report on the proposed policy framework for reviewable tenancies for new state housing tenants and how this will be implemented and introduced by 1 July 2010. Options for extending reviewable tenancies for other tenants. Options for transitioning state house tenants to more suitable accommodation as their circumstances change (Incentives to independence programme)	Ministers of Finance and Housing	HNZC	DBH Treasury	31 March 2011	Rec 16
Report on proposals to support the efficiency and effectiveness of HNZC focusing on those with high needs including how to improve the Social Allocation System, technical changes to the Housing Restructuring and Tenancy Matters Act 1992 and other changes to the above Acts as required	SOC	HNZC	DBH	31 March 2011	Rec 20

Advice on how to facilitate increased third party participation in the provision of social housing, including how to establish the necessary pre-conditions including practical steps that can be actioned quickly	Ministers of Finance and Housing	DBH	Treasury	30 June 2011	Rec 8
Advice on progress on a scheme or initiatives to develop the role of iwi and hapu, and the Pasifika community, as providers of social housing	Ministers	DBH	TPK MPIA	30 June 2011	Rec 9
Interim report on improving the performance of housing assistance including the problems associated with the current financial support for housing, options and recommendations for reform of financial support for housing and an appropriate transition path to a new housing financial assistance regime	Ministers of Finance and Housing	MSD	DBH Treasury	30 June 2011	Rec 12
Advice on how to integrate assessment of housing needs with assessments for wider social support	Ministers of Finance, Social Development, State Services and Housing	MSD	DBH Treasury HNZC SSC	30 June 2011	Rec 13

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APPENDIX 5: INTERIM REGULATORY IMPACT STATEMENT

Agency Disclosure Statement

This Interim Regulatory Impact Statement has been prepared by the Department of Building and Housing (DBH).

It provides an analysis of options to address the recommendations provided by the Housing Shareholders' Advisory Group (HSAG) in its report *Home and Housed: A Vision for Social Housing in New Zealand*.

Officials from DBH, the Treasury, State Services Commission, Ministry of Social Development and Housing New Zealand Corporation (HNZC) worked collaboratively to analyse the impact and implications of HSAG's 19 recommendations, and to identify (and where possible, fill) the gaps in its analysis. The work programme was organised into a series of workstreams, each led by a different agency and each focussed on specific HSAG recommendations.

Ministers have set a clear direction for the transformation of the provision of social housing. The current SOC paper seeks some initial decisions and also seeks to commission further work on more detailed analysis and advice to give effect to this direction, including:

- Development of advice on the preconditions for growth of third party provision of social housing (including the future structure of the social housing sector) and advice on specific options to implement this
- Reform of housing assistance, in particular the Accommodation Supplement and Income Related Rent Subsidy (coupled with a review of housing needs assessment)
- Specific proposals to give effect to HNZC more actively managing and assessing tenants, to focus on high need for the direction of need, and also to facilitate faster restructuring the state housing portfolio by HNZC.

This new direction for the provision of social housing will create opportunities for a range of possible providers to participate in the provision of social housing, and will improve outcomes for tenants. The policy options in this paper do not impose additional costs on businesses, impair private property rights, market competition, or impair the incentives on businesses to innovate and invest. The options do not override fundamental common law principles.

Status Quo and Problem Definition

The current delivery model for social housing is not sustainable. The current social housing market is characterised by a number of key challenges:

- state housing assistance is not well-matched to need
- increasing demand for social housing, coupled with constraints on housing supply and a shortfall in construction
- lack of at-scale alternatives to state housing, that offer adequate security of tenure and affordability

- financial assistance for housing that is unfair and inadequate for a growing number of people
- continuing affordability problems, especially for low-income renters in the private sector
- government cannot meet all these needs on its own.

Objectives

The goal for policy is that all New Zealanders should be able to access affordable, sound-quality housing that provides secure tenure appropriate to their needs. This will require a transformation to the delivery of social housing and to the provision of financial assistance to achieve improved outcomes and better value-for-money from the Government's investment in state and social housing.

Officials have proposed four broad imperatives that are based on HSAG's recommendations, and that together provide an integrated and coherent programme to achieve the transformation required to deliver these outcomes:

- **Greater involvement of third party providers of social housing:** Drive greater involvement of new and existing alternative and third party providers of social housing in order to grow the total quantum of social housing available, promote choice and contestability, access to a wider pool of capital, and more efficient and innovative use of housing resources across the whole social housing sector.
- **Increase effectiveness of financial assistance:** Improve financial assistance so that it is based on the level and nature of housing need rather than who is providing the house, is adequate to address that need, and creates incentives to reduce the level of dependence on government as need reduces
- **Focus HNZC on providing social housing to high need tenants:** Empower HNZC to focus on providing social housing to "high needs" tenants for the duration of their need, to ensure the greatest need is consistently met, and to create room for other providers.
- **Align organisation and responsibilities of government agencies:** Ensure the organisation and functions of government agencies support the direction of change.

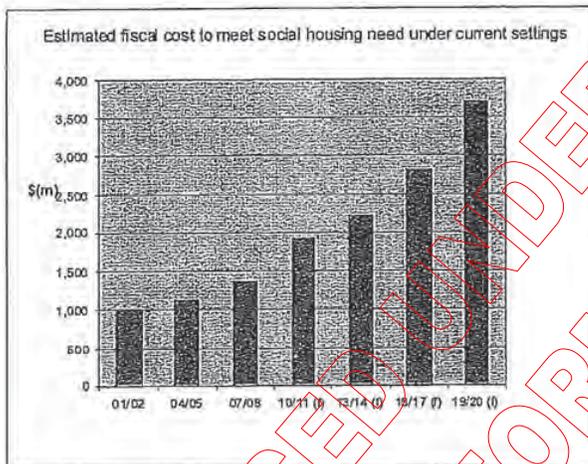
Regulatory Impact Analysis

There are three broad options under consideration:

- The status quo
- Officials' proposed package of recommendations (as outlined in this SOC paper)
- The HSAG recommendations.

The costs and benefits of the status quo

Social housing services cost the government nearly \$2 billion per annum. This is forecast to increase dramatically over the next ten years under current policy settings.



In addition, HNZC does not currently pay a full cost of capital, and the HSAG analysis suggests this has a further cost of \$880 million to the Government. Non-financial costs associated with the status quo are poor outcomes for some social housing tenants with private landlords (i.e. not in state housing), and the opportunity cost of government and private sector resources – including land and property – that are being under-utilised.

The benefits of the status quo model of social housing provision are:

- HNZC delivers relatively good housing outcomes for its tenants and measured financial stress for HNZC tenants is low
- HNZC is a known entity; despite being imperfect, its deficiencies are well known
- The government has 'direct' control over the outcomes, given that the dominant provider is a Crown entity.

The root cause of the problem is the combination of households with inadequate incomes to sustain market-provided housing, and weaknesses in the supply of housing that result in higher house prices and market rents (and the provision of housing that is a poor match to tenants' needs). The provision of state housing and financial assistance are parts of the Government's response to these root causes, but they are imperfect solutions and have created further problems over time.

Costs and benefits of officials' proposed approach

Successfully implemented, officials' proposed approach should result in:

- An increase in the total number of social housing units over 5-10 years
- Significantly better housing outcomes/value for each dollar spent

- Improved adequacy and equity for recipients of housing assistance
- State house tenants who are able move towards greater independence
- More innovative and efficient social housing sector with increased number and diversity of providers
- Leverage more third sector/private investment in social housing
- Reduced demand on state housing over time.

Officials' proposed approach may involve some increases in cost over the first 3-5 years, but this will also generate improved outcomes for tenants and should help to develop a lower cost model of delivery for social housing that is able to meet projected growth in demand within a more constrained fiscal envelope.

Costs and benefits of HSAG's proposed approach

Officials identified a number of key points of difference with the HSAG analysis, including:

- the need to carefully manage the costs/risks of rapid growth in third party provision of social housing;
- that reform of social housing provision is likely to involve additional costs, at least in the short to medium term;
- that the Income Related Rent Subsidy creates perverse incentives for tenants and landlords and should not be extended in its current form to additional providers;
- that the case for setting up new agencies is more mixed and needs to be assessed carefully; and
- that addressing rental affordability is a higher priority for the Government's scarce resources than home ownership affordability and, if/when they are pursued, that efforts to improve home ownership affordability should concentrate on improving the supply of affordable housing.

Consultation

The following agencies were actively involved in the officials' work programme: DBH, Treasury, State Services Commission, Housing New Zealand Corporation and Ministry of Social Development. The Department of Prime Minister and Cabinet was represented on the project Steering Group, chaired by the Chief Executive of DBH.

Other agencies consulted on the draft Cabinet Strategy Committee and Cabinet Social Policy Committee papers were: the Department of Internal Affairs, Te Puni Kokiri, the Ministry of Pacific Island Affairs, and the Ministry of Women's Affairs.

Conclusions and recommendations

There are three broad options for addressing the problems associated with the current social housing regime, and for achieving the desired outcome outlined above. While the status quo potentially represents one of these three options, it is not regarded as a viable alternative to the package of proposals recommended by HSAG and officials.

There is inadequate information at present to analyse the costs and benefits of officials' package of recommendations; therefore, DBH is unable to recommend one option over another at this stage. A more complete and detailed Regulatory Impact Statement will be completed once officials have adequate information about its package of measures.

Implementation

Because officials are currently unable to recommend one of the options, it is not in a position to summarise how it might be implemented.

Monitoring, evaluation and review

Because officials are currently unable to recommend one of the options, it is not in a position to summarise how it might be monitored, evaluated and reviewed.

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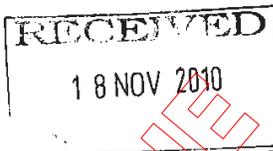
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Cabinet Social Policy Committee

SOC Min (10) 28/1



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A New Direction for Social and Affordable Housing in New Zealand: Government's Response to the Report of the Housing Shareholders' Advisory Group

Portfolios: Finance / Housing

On 17 November 2010, the Cabinet Social Policy Committee (SOC):

Government's response to report of the Housing Shareholders' Advisory Group

- 1 **agreed:**
 - 1.1 with the current and future challenges for social housing in New Zealand as identified in the Housing Shareholders' Advisory Group's (the Advisory Group) report;
 - 1.2 to a direction for change to social housing that closely reflects the vision as described in the Advisory Group's report [STR Min (10) 16/1];
- 2 **agreed** that a transformation of the social housing sector is required;
- 3 **agreed** that the direction for change for the social housing sector involves delivering the following outcomes:
 - 3.1 greater involvement of third party providers of social housing;
 - 3.2 increasing the effectiveness of financial assistance;
 - 3.3 focusing the Housing New Zealand Corporation (HNZC) on providing social housing to tenants with the greatest housing need;
 - 3.4 aligning the organisation and responsibilities of government agencies;
- 4 **noted** that there are some differences in timing, specifics, and emphasis compared with the Advisory Group's detailed recommendations;

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SOC Min (10) 28/1

Greater involvement of third party providers of social housing

- 5 **noted** that greater involvement of third party providers offers the ability to grow the overall quantum of available social housing, as well as the potential for better efficiency and value for money through:
- 5.1 greater innovation, diversity, and specialisation;
 - 5.2 access to additional sources of capital;
- 6 **directed** the Department of Building and Housing (DBH), in consultation with the Treasury and the State Services Commission (SSC), to report to the Minister of Finance, the Minister of State Services, and the Minister of Housing by 31 March 2011 on the future structure of the social housing sector, including the future role of HNZC as a provider of social housing;
- 7 **noted** that the preconditions for greater third party participation in the provision of social housing are:
- 7.1 clear specification of social housing providers' rights and obligations through the regulation and potential registration of approved providers;
 - 7.2 financial assistance to tenants to enable them to meet a reasonable rent;
 - 7.3 an independent and nationally consistent system for allocating tenants to properties;
 - 7.4 access to a subsidy to the housing provider, either operating or capital, to improve the value proposition;
 - 7.5 potentially, a mechanism to mitigate the risk of fluctuating incomes, for example due to vacancies and arrears;
 - 7.6 certainty of cash flow, which includes certainty around the criteria and quantum of Crown subsidies to cover operating costs;
- 8 **directed** DBH, in consultation with the Treasury, to report to the Minister of Finance and the Minister of Housing by 30 June 2011 with advice on how to facilitate increased third party provision of social housing, including how to establish the necessary preconditions including practical steps that can be put into action quickly;
- 9 **directed** DBH, in conjunction with the Ministry of Pacific Island Affairs and Te Puni Kokiri, to report to the Minister of Pacific Island Affairs, the Minister of Housing, and the Minister of Maori Affairs by 30 June 2011 on progress on a scheme or initiatives to develop the role of iwi and hapu, and the Pasifika community, as providers of social housing;
- 10 **noted** that the Minister of Housing will develop specific initiatives for continuing to support specialist community housing providers currently able to get access to the Housing Innovation Fund, and for supporting rural housing and Community Group Housing, for consideration as part of the Budget 2011 process;

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SOC Min (10) 28/1

Increase effectiveness of financial assistance

- 11 **agreed** that significant change to housing assistance is required to support the alternative provision of social housing and to achieve better outcomes, more consistently and fairly, for households receiving financial assistance;
- 12 **directed** the Ministry of Social Development (MSD), in consultation with the Treasury, HNZC, and DBH, to prepare an interim report to the Minister of Finance, the Minister for Social Development and Employment, and the Minister of Housing by 30 June 2011 with advice on improving the performance of housing assistance, including:
 - 12.1 the problems associated with the current financial support for housing;
 - 12.2 options and recommendations for change to financial support for housing;
 - 12.3 an appropriate transition path to a new housing financial assistance regime;
- 13 **directed** MSD, in consultation with the Treasury, SSC, HNZC, and DBH, to report to the Minister of Finance, the Minister of State Services, the Minister for Social Development and Employment, and the Minister of Housing by 30 June 2011 with advice on how to integrate the assessment of housing needs with assessments for wider social support;

Focus Housing New Zealand Corporation on providing social housing to high need tenants

- 14 **agreed** that HNZC focus on providing social housing to those with high needs and:
 - 14.1 more actively assess and manage tenants, to focus on high need for the duration of need;
 - 14.2 reconfigure the state housing portfolio to deliver social housing where the need is greatest;
- 15 **agreed** that, from 1 July 2011, HNZC introduce reviewable tenancies for new tenants;
- 16 **directed** HNZC, in conjunction with DBH, and in consultation with the Treasury, to report to the Minister of Finance and the Minister of Housing by 31 March 2011 on:
 - 16.1 the proposed policy framework for reviewable tenancies for new state house tenants and how this will be implemented and introduced by 1 July 2011;
 - 16.2 options for extending reviewable tenancies to existing tenants;
 - 16.3 options for transitioning state house tenants to more suitable accommodation as their circumstances change (Incentives to Independence programme);
- 17 **agreed** that, due to the significant change that the introduction of reviewable tenancies will bring to state housing, the Minister of Finance and the Minister of Housing have the final sign-off on the high level policy framework;
- 18 **agreed** to replace the state housing stock targets with performance-based measures in HNZC's Statement of Intent from 2011/12;
- 19 **noted** that HNZC will review and redevelop the leasing model to increase the volume of leases by engaging with housing providers at scale;

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- 20 **invited** the Minister of Housing to report to SOC by 30 March 2011 with proposals to support the efficiency and effectiveness of HNZC focussing on those with high needs, including:
- 20.1 to make improvements, if necessary, to HNZC's Social Allocation System;
 - 20.2 to make technical amendments to the Housing Restructuring and Tenancy Matters Act 1992;
 - 20.3 other amendments to the Housing Restructuring and Tenancy Matters Act 1992 and/or the Housing Corporation Act 1974, as required;

Align organisation and responsibilities of government agencies

- 21 **agreed** to consolidate housing policy advice to Ministers in DBH by 1 July 2011;
- 22 **agreed** to amend the Housing Corporation Act 1974 to give effect to the above change;
- 23 **invited** the Minister of Housing to issue drafting instructions to the Parliamentary Counsel Office to give effect to the above decisions;
- 24 **noted** that SSC, in consultation with the Treasury, HNZC, and DBH, will provide a plan setting out the key implementation steps to give effect to the above changes to the Minister of Finance, the Minister of State Services, and the Minister of Housing, by 6 December 2010;
- 25 **directed** SSC, the Treasury and DBH, in consultation with HNZC, to report to the Minister of Finance, the Minister of State Services, and the Minister of Housing by 28 February 2011 with detailed advice on the transfer of functions, including:
- 25.1 the scope and scale of the housing policy functions and associated resourcing transferring to DBH;
 - 25.2 the process for staff affected by the transfer of policy functions to DBH;
 - 25.3 the legislative and financial implications of the proposed changes;
 - 25.4 the timeframe and transitional issues, and how these are to be addressed;
 - 25.5 the communication plan;

Financial implications

- 26 **noted** that operating funding of \$1.000 million is required in 2010/11 for the additional policy development work to formulate the new direction for social housing;

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SOC Min (10) 28/1

- 27 **approved** the following fiscally neutral adjustments to fund this additional policy advice, with no impact on the operating balance or debt:

	\$m – increase/(decrease)				
	2010/11	2011/12	2012/13	2013/14	2014/15
Vote Housing					
Minister of Housing					
Non Departmental Output Expense:					
Mortgage Insurance Scheme (Welcome Home Loans)	(1.000)	-	-	-	-
Vote Housing					
Minister for Building and Construction					
Departmental Output Expense:					
Sector and Regulatory Policy (funded by Revenue Crown)	1.000	-	-	-	-
Total Operating	-	-	-	-	-
Total Capital	-	-	-	-	-

- 28 **agreed** that the changes to appropriations for 2010/11 above be included in the 2010/11 Supplementary Estimates and that, in the interim, the increases be met from Imprest Supply;

Next steps

- 29 **invited** the Minister of Housing to report to SOC in June 2011 with progress on the decisions set out above;
- 30 **noted** that the Minister of Housing will co-ordinate any announcements with the Prime Minister and the Minister of Finance.

G. Carter

Gerrard Carter
Committee Secretary

Reference: SOC (10) 128

Present:

Hon Bill English
Hon Tony Ryall (Chair)
Hon Anne Tolley
Hon Dr Wayne Mapp
Hon Steven Joyce (part of item)
Hon Georgina te Heuheu
Hon Phil Heatley
Hon John Carter
Hon Dr Pita Sharples
Hon Tariana Turia

Officials present from:

Office of the Prime Minister
Department of the Prime Minister and Cabinet
State Services Commission
Office of the Minister for Social Development and
Employment
Housing New Zealand Corporation
Department of Building and Housing
Officials Social Policy Committee

Distribution: (see over)

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SOC Min (10) 28/1

Distribution:

Cabinet Social Policy Committee
Office of the Prime Minister
Chief Executive, DPMC
Director, PAG, DPMC
PAG Subject Advisor, DPMC
Secretary to the Treasury
Audrey Sonerson, Treasury
State Services Commissioner
Chief Executive, Ministry of Pacific Island Affairs
Chief Executive, Ministry of Women's Affairs
Chief Executive, MSD
Don Gray, MSD
Chief Executive, Department of Building and Housing
Chief Executive, Housing New Zealand Corporation
Minister for Building and Construction
Minister of Internal Affairs
Secretary for Internal Affairs
Chief Executive, Te Puni Kokiri
Geoff Short, Te Puni Kokiri
Chief Parliamentary Counsel
Controller and Auditor-General
Legislation Coordinator

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Cabinet

Minute of Decision

CAB Min (10) 44/8

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A New Direction for Social and Affordable Housing in New Zealand: Government's Response to the Report of the Housing Shareholders' Advisory Group

Portfolios: Finance / Housing

On 6 December 2010, following reference from the Cabinet Social Policy Committee (SOC), Cabinet:

Government's response to the Housing Shareholders' Advisory Group report

- 1 **agreed:**
 - 1.1 with the current and future challenges for social housing in New Zealand as identified in the Housing Shareholders' Advisory Group's (the Advisory Group) report;
 - 1.2 to a direction for change to social housing that closely reflects the vision as described in the Advisory Group's report [STR Min (10) 16/1];
- 2 **agreed** that a transformation of the social housing sector is required;
- 3 **agreed** that the direction for change for the social housing sector involves delivering these outcomes:
 - 3.1 greater involvement of third party providers of social housing;
 - 3.2 increasing the effectiveness of financial assistance;
 - 3.3 focusing the Housing New Zealand Corporation (HNZC) on providing social housing to tenants with the greatest housing need;
 - 3.4 aligning the organisation and responsibilities of government agencies;
- 4 **noted** that there are some differences in timing, specifics, and emphasis relative to the Advisory Group's detailed recommendations;

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Greater involvement of third party providers of social housing

- 5 **noted** that greater involvement of third party providers offers the ability to grow the overall quantum of available social housing, as well as the potential for better efficiency and value for money through:
- 5.1 greater innovation, diversity and specialisation;
 - 5.2 access to additional sources of capital;
- 6 **noted** that in order to create greater third party participation in the provision of social housing, the following have been identified as being required:
- 6.1 clear specification of social housing providers' rights and obligations through regulation and potential registration of approved providers;
 - 6.2 an independent and nationally consistent system for allocating tenants to properties;
 - 6.3 incentives to housing providers to improve the value proposition and viability of investing in social and affordable housing;
 - 6.4 certainty around the criteria, quantum and type of Crown support in order to plan and make long-term investments;
 - 6.5 adequate financial assistance for housing to households;
- 7 **invited** the Minister of Finance and the Minister of Housing to report to SOC by 31 March 2011 on:
- 7.1 the potential scale and scope of third party provision of social housing;
 - 7.2 the future role of HNZC (as a provider of social housing);
 - 7.3 options for funding growth of third party housing provision, including incentives, costs and funding sources to achieve this;
 - 7.4 the vehicle for funding social housing providers (including HNZC);
- 8 **invited** the Minister of Finance and the Minister of Housing to report to SOC on an appropriate regulatory framework for third party providers of social and affordable housing by 30 June 2011;
- 9 **directed** the Department of Building and Housing (DBH), in conjunction with Te Puni Kokiri and the Ministry of Pacific Island Affairs, to report to the Minister of Pacific Island Affairs, the Minister of Housing and the Minister of Maori Affairs by 30 June 2011 on progress on a scheme or initiatives to develop the role of iwi and hapu, and the Pasifika community, as providers of social housing;
- 10 **noted** that the Minister of Housing will develop specific initiatives for continuing to support specialist community housing providers currently able to access the Housing Innovation Fund, and for supporting rural housing and Community Group Housing, for consideration as part of the Budget 2011 process;

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CAB Min (10) 44/8

Increase effectiveness of financial assistance

- 11 **agreed** that significant change to housing assistance is required in order to support alternative provision of social housing and to achieve better outcomes, more consistently and fairly, for households receiving financial assistance;
- 12 **directed** the Ministry of Social Development (MSD), in consultation with HNZC, DBH and the Treasury to prepare an interim report to the Minister for Social Development and Employment, the Minister of Housing, and the Minister of Finance by 30 June 2011 with advice on improving the performance of housing assistance, including:
- 12.1 the problems associated with the current financial support for housing;
 - 12.2 options and recommendations for change to financial support for housing;
 - 12.3 an appropriate transition path to a new housing financial assistance regime;
- 13 **directed** MSD, in consultation with HNZC, DBH, the Treasury and the State Services Commission to report to the Minister for Social Development and Employment, the Minister of Housing, the Minister of Finance, and the Minister of State Services by 30 June 2011 with advice on how to integrate assessment of housing needs with assessments for wider social support;

Focus Housing New Zealand Corporation on providing social housing to high need tenants

- 14 **agreed** that HNZC focus on providing social housing to those with high needs and:
- 14.1 more actively assess and manage tenants, to focus on high need for the duration of need;
 - 14.2 reconfigure the state housing portfolio to deliver social housing where the need is greatest;
- 15 **agreed** that from 1 July 2011, HNZC will introduce reviewable tenancies for new tenants;
- 16 **directed** HNZC, in conjunction with DBH, and in consultation with the Treasury, to report to the Minister of Finance and the Minister of Housing by 31 March 2011 on:
- 16.1 the proposed policy framework for reviewable tenancies for new state house tenants and how this will be implemented and introduced by 1 July 2011;
 - 16.2 options for extending reviewable tenancies to existing tenants ;
 - 16.3 options for transitioning state house tenants to more suitable accommodation as their circumstances change (incentives to independence programme);
- 17 **agreed** that, due to the significant change that the introduction of reviewable tenancies will bring to state housing, the Minister of Finance and the Minister of Housing will have final sign-off on the high level policy framework;
- 18 **agreed** to replace the state housing stock targets with performance-based measures in HNZC's Statement of Intent from 2011/12;

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CAB Min (10) 44/8

- 19 **noted** that HNZN will review and redevelop the leasing model to increase the volume of leases by engaging with housing providers at scale;
- 20 **invited** the Minister of Housing to report back to SOC by 30 March 2011, with proposals to support the efficiency and effectiveness of HNZN focussing on those with high needs, including:
- 20.1 to make improvements if necessary to HNZN's Social Allocation System;
 - 20.2 to make technical changes to the Housing Restructuring and Tenancy Matters Act 1992;
 - 20.3 other changes to the Housing Restructuring and Tenancy Matters Act 1992 and/or the Housing Corporation Act 1974, as required;

Governance of programme of work

- 21 **directed** the DBH, in consultation with the Treasury, to report to the Minister of Finance and the Minister of Housing by 17 December 2010 on an appropriate governance structure to oversee the work programme and engagement with stakeholders, including use of private sector participation;

Align organisation and responsibilities of government agencies

- 22 **agreed** to consolidate housing policy advice to Ministers within DBH by 1 July 2011;
- 23 **agreed** to amend the Housing Corporation Act 1974 to give effect to the above change;
- 24 **invited** the Minister of Housing to issue drafting instructions to the Parliamentary Counsel Office to give effect to the above decisions;
- 25 **noted** that SSC in consultation with DBH, the Treasury, and HNZN will provide a plan setting out key implementation steps to give effect to these changes to the Minister of State Services, the Minister of Finance, and the Minister of Housing by 6 December 2010;
- 26 **directed** SSC, the Treasury, and DBH, in consultation with HNZN, to report to the Minister of State Services, the Minister of Finance, and the Minister of Housing by 28 February 2011 with the detailed advice on the transfer of functions, including:
- 26.1 the scope and scale of the housing policy functions and associated resourcing transferring to DBH;
 - 26.2 process for staff affected by the transfer of policy functions to DBH;
 - 26.3 the legislative and financial implications of the proposed changes;
 - 26.4 timeframe and transitional issues, and how these are to be addressed;
 - 26.5 communication plan;

Financial implications

- 27 **noted** that operating funding of \$1.000 million is required in 2010/11 for the additional policy development work to formulate the new direction for social housing;

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CAB Min (10) 44/8

- 28 **approved** the following fiscally neutral adjustments to fund this additional policy advice, with no impact on the operating balance or debt:

	\$m -- increase/(decrease)				
	2010/11	2011/12	2012/13	2013/14	2014/15
Vote Housing					
Minister of Housing					
Non Departmental Output Expense:					
Mortgage Insurance Scheme (Welcome Home Loans)	(1,000)	-	-	-	-
Vote Housing					
Minister for Building and Construction					
Departmental Output Expense:					
Sector and Regulatory Policy (funded by Revenue Crown)	1,000	-	-	-	-
Total Operating	-	-	-	-	-
Total Capital	-	-	-	-	-

- 29 **agreed** that the changes to appropriations for 2010/11 above be included in the 2010/11 Supplementary Estimates and that, in the interim, the increases be met from Imprest Supply;

Next steps

- 30 **invited** the Minister of Housing to report to SOC in June 2011 with progress on the decisions set out above;
- 31 **noted** that the Minister of Housing will coordinate any announcements with the Prime Minister and Minister of Finance.

Rebecca Kittendge
Secretary of the Cabinet

Reference: CAB (10) 668; SOC Min (10) 28/1

Secretary's note: This minute replaces SOC Min (10) 28/1. Cabinet amended paragraphs 6 to 8, and added paragraph 21.

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CAB Min (10) 44/8

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Cabinet Social Policy Committee

SOC (11) 45

Copy No: 27

Summary of Paper

8 July 2011

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Progress with the Social Housing Reform Programme

Portfolio Housing

Purpose This paper reports on the progress made on initiatives supporting the new direction for social and affordable housing in New Zealand.

Previous Consideration In December 2010, Cabinet agreed to a direction of reform for social and affordable housing, and invited the Minister of Housing to report to the Cabinet Social Policy Committee (SOC) in June 2011 on progress made on the reform programme [CAB Min (10) 44/8].

A range of decisions have been taken since December 2010 in relation to the social housing reform programme, including:

- on the policy framework for introducing reviewable tenancies for new Housing New Zealand Corporation (HNZC) tenants [SOC Min (11) 5/1];
- changes to the Social Allocation System (the System) eligibility criteria [SOC Min (11) 6/2]. These changes were introduced on 1 July 2011;
- to amend the Housing Restructuring and Tenancy Matters Act 1992 (the Act) to enable HNZC to manage tenancies more efficiently, and to support the introduction of reviewable tenancies [CAB Min (11) 16/19];
- to establish a Ministerial Advisory Panel (the Panel) to provide independent advice on how the progress of the social housing reforms, and to establish a Social Housing Unit (SHU) as a semi-autonomous body in the Department of Building and Housing (DBH), to advise on and deliver the increased involvement of third party providers of social housing within a sector-wide investment strategy [SOC Min (11) 8/1].

Summary A summary of the progress made on the social housing reform programme since December 2010, and how that progress contributes to achieving one or more of four major outcomes, is listed below. A table summarising the progress made is in Appendix One on pages 14-17.

Outcome 1: Achieving greater involvement of third party providers of social housing

- The Minister of Finance and the Minister of Housing have approved the terms of reference for the SHU, which was established as at 1 July 2011. Officials will advise the Minister of Housing on the appropriate regulatory framework for third party providers of social and affordable housing, for adoption by the SHU in the short to medium term.



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- Officials will advise the Minister of Housing on the initial eligibility and assessment criteria for evaluating niche social housing providers, so that the allocation of initial funding for 2011/12 can be transparent and consistent.
- Initiatives are being developed to define and support the role of Maori organisations, and Pacific peoples, as contributors to the provision of social housing.
- The terms of reference for the Panel have been approved by the Minister of Finance and the Minister of Housing, and the membership of the Panel is being finalised.

Outcome 2: Increasing the effectiveness of financial assistance

- Officials will report to the Minister of Finance, the Minister for Social Development and Employment, and the Minister of Housing by 30 July 2011 on improving the performance of financial assistance for housing costs, including transitional and long-term options.

Outcome 3: Focusing HNZC on providing social housing to those with high need

- Reviewable tenancies were introduced for new HNZC tenants from 1 July 2011, so that HNZC resources are more effectively targeted to those most in need. The Minister of Housing intends to report to SOC in September 2012 on options for extending reviewable tenancies to existing tenants.
- HNZC's Statement of Intent will contain improved performance-based measures, so that portfolio management decisions will be increasingly driven by responsiveness to demand, and good asset management practice, rather than the number of properties.
- The Housing Restructuring and Tenancy Matters Amendment Bill is not on the priority list for introduction before the dissolution of Parliament in 2011. The Bill will be resubmitted to receive priority on the 2012 Legislation Programme.

Outcome 4: Aligning the organisation and responsibilities of government agencies

- Officials will report to the Minister of Finance, the Minister of State Services, the Minister for Social Development and Employment, and the Minister of Housing by 30 July 2011 with options for a system of housing needs assessment to support the entry of new social housing providers.
- Policy advice to Ministers is now consolidated within DBH to better enable the provision of integrated, sector-wide policy advice.

The SHU intends to report to the Minister of Finance and the Minister of Housing by the end of 2011 with a draft sector-wide Social Housing Investment Strategy. Officials will also report to Ministers in December 2011 on financial assistance and integrated needs assessment, and by 30 March 2012 on the powers of the SHU.

**Regulatory
Impact Analysis**

Not applicable.

**Baseline
Implications**

None from this paper. In Budget 2011, Cabinet set aside a tagged contingency of \$45 million to progress the social housing reform programme [CAB Min (11) 15/14(21)].

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Legislative Implications	None from this paper.
Timing Issues	A table summarising the progress made on the social housing reform programme, including next steps, is in Appendix One on pages 14-17.
Announcement	The Minister of Housing will co-ordinate any announcements with the Prime Minister and the Minister of Finance. A dedicated SHU website went live from 1 July 2011.
Consultation	<p>Paper prepared by DBH. Treasury, SSC, HNZC, MSD, TPK, and PIA were consulted. DPMC was informed.</p> <p>The Minister of Housing indicates that discussion is not required with the government caucus or with other parties represented in Parliament.</p>

The Minister of Housing recommends that the Committee:

- 1 note that in December 2010, Cabinet:
 - 1.1 agreed to a direction of reform for social and affordable housing involving the following four outcomes:
 - 1.1.1 achieving greater involvement of third-party providers of social housing, including both third sector and private providers, as a means of achieving more efficient and effective provision through innovation, specialisation, and greater contestability;
 - 1.1.2 improving the effectiveness of financial assistance for housing costs so that this assistance is fairer and more effectively targeted;
 - 1.1.3 focusing the Housing New Zealand Corporation (HNZC) on its core business of providing social housing to tenants with the greatest housing need, to improve its overall efficiency and effectiveness;
 - 1.1.4 aligning the organisation and responsibilities of government agencies, to support the direction of change;
 - 1.2 invited the Minister of Housing to report to the Cabinet Social Policy Committee with progress made on implementing the decisions taken in relation to the new direction for social and affordable housing in New Zealand as outlined above;
- [CAB Min (10) 44/8]
- 2 note the following summary of progress made since December 2010, and how the progress made contributes to achieving one or more of the four outcomes:
 - 2.1 the establishment of the Social Housing Unit [SOC Min (11) 8/1] as at 1 July 2011, a semi-autonomous body that will focus on advising on, purchasing, and delivering the increased involvement of third party providers of social housing within a sector wide investment strategy;

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- 2.2 the development of advice on a responsive performance requirement regime that will ensure the delivery of outcomes and protect investment by all parties involved;
- 2.3 the development of advice on the initial eligibility and assessment criteria for evaluating niche social housing providers, so that the allocation of initial funding can be transparent and consistent;
- 2.4 the development of initiatives to define and support the role of Maori organisations, and Pacific peoples, as contributors to the provision of social housing;
- 2.5 establishment of the Ministerial Advisory Panel [SOC Min (11) 8/1], which will provide Ministers with independent advice on how well the social housing reforms are progressing, the results being achieved, and any major issues that may arise;
- 2.6 the development of advice on improving the performance of financial assistance for housing costs, including transitional and long-term options;
- 2.7 the introduction of reviewable tenancies for new HNZN tenancies from 1 July 2011 [SOC Min (11) 5/1] so that HNZN's resources are more effectively targeted to those in most need;
- 2.8 improved performance measures in HNZN's Statement of Intent so that portfolio management decisions are increasingly driven by responsiveness to demand and good asset management practice;
- 2.9 changes to the Social Allocation System for initial eligibility to HNZN houses from 1 July 2011 [SOC Min (11) 6/2] so that HNZN's resources are more effectively targeted to those in most need;
- 2.10 amendments to the Housing Restructuring and Tenancy Matters Act 1992 to address a range of technical and operational matters [CAB Min (11) 16/19];
- 2.11 the development of advice on integrating the assessment of housing need with assessment for wider social support;
- 2.12 the consolidation of housing policy advice to Ministers within one agency (the Department of Building and Housing) from 1 July 2011 to better enable the provision of integrated, sector-wide policy advice.

Saphron Powell
Committee Secretary

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Chair
Cabinet Social Policy Committee

Progress with the Social Housing Reform Programme

Purpose

1. This paper reports on progress on a suite of initiatives relating to December 2010 Cabinet decisions made on the new direction for social and affordable housing in New Zealand [CAB Min (10) 44/8 refers].

Executive Summary

2. As part of the response to the report of the Housing Shareholders' Advisory Group, Cabinet Strategy Committee considered a new direction for social and affordable housing in October 2010. The overall goal of the new direction is to achieve more efficient and effective provision of social and affordable housing.

3. Cabinet subsequently agreed to a programme of reform which aims to improve the performance of government's investment in social housing including state housing, increase the number and diversity of social housing providers in order to increase choice and contestability and to grow the total quantum of social housing available to meet increasing demand. In December 2010 the Minister of Housing was invited to report back to Cabinet Social Policy Committee in mid 2011 on progress on this programme of reform.

4. A summary of progress made since December 2010, and how this contributes to achieving one or more of four major outcomes follows:

Outcome 1: Achieve greater involvement of third-party providers of social housing

- establishment of the Social Housing Unit as of 1 July 2011, a semi-autonomous body that will be focussed on advising on, purchasing and delivering increased involvement of third party providers of social housing within a sector wide investment strategy
- advice being developed on a responsive performance requirement regime that will ensure delivery of outcomes and protect investment by all parties involved
- advice being developed on initial eligibility and assessment criteria for evaluating niche social housing providers so that allocation of initial funding for 2011/12 can be transparent and consistent

- initiatives to be developed on defining and supporting the role of Māori organisations, and Pacific Peoples, as contributors to the provision of social housing
- establishment of a Ministerial Advisory Panel that will provide Ministers with independent advice on how well the social housing reforms are progressing, results being achieved and any major issues that arise.

Outcome 2: Increase effectiveness of financial assistance

- advice being developed on improving the performance of financial assistance for housing costs, including transitional and long term options

Outcome 3: Focus Housing New Zealand Corporation on providing social housing to those with high needs

- introduction of reviewable tenancies for new Corporation tenants from 1 July 2011 so that Corporation resources are more effectively targeted to those in most need
- improved performance measures in the Corporation's Statement of Intent so that portfolio management decisions are increasingly driven by responsiveness to demand and good asset management practice
- changes to the Social Allocation System for initial eligibility to Corporation houses from 1 July 2011 so that Corporation resources are more effectively targeted to those in most need
- decisions on amending the Housing Restructuring and Tenancy Matters Act 1992 to address a range of technical and operational matters

Outcome 4: Align organisation and responsibilities of government agencies

- advice being developed on integrating assessment of housing need with assessment for wider social support
- consolidation of housing policy advice to Ministers within one agency from 1 July 2011 to better enable the provision of integrated, sector-wide policy advice

5. Funding of \$45 million to progress the social housing reform programme was allocated in Budget 2011 to Vote Housing.

6. The next key deliverable to commence will be a draft sector-wide Social Housing Investment Strategy to be delivered by the Social Housing Unit by December 2011. The strategy will cover the means and funding mechanisms for growing third party provision of social housing, and will provide an investment platform for government going forward in the short, medium and long term.

7. The rate of change in the social housing sector, the rate of growth of third party providers, the extent of costs and savings to the Crown and the degree of change for Housing New Zealand Corporation will be critically impacted by decisions made over the next 6 - 12 months.

Context

8. In February 2010 the Ministers of Finance and Housing established the Housing Shareholders' Advisory Group to provide independent advice on the future of the social housing sector in New Zealand. The challenge they raised is that government's investment in social housing is not delivering services to those most in need. The costs of direct government provision of state housing are increasing at a time of severe fiscal constraint, while the demand for social and affordable housing is forecast to increase.

9. As well as improving the efficiency and effectiveness of the delivery of state housing, government support for a wider range of social housing providers is needed as a means of achieving more efficient and effective provision through innovation, specialisation, and greater contestability.

10. In October 2010, Cabinet Strategy Committee considered a new direction for social and affordable housing as part of the response to the report of the Housing Shareholders Advisory Group [STR Min (10) 16/1 refers]. The overall goal of the new direction is to achieve more efficient and effective provision of social and affordable housing.

11. Success of the new direction will result in:

- a significant increase in the number of social houses over the next 5 – 10 years
- more housing results for each dollar spent
- improved adequacy and equity for recipients of housing assistance
- state house tenants who are able to move towards greater independence
- a more innovative and efficient social housing sector with an increased number and more diverse providers
- leveraging of third party investment in social housing
- reduced demand for state house tenancies over time

12. In December 2010 Cabinet agreed to a programme of reform to achieve these results [CAB Min (10) 44/8 refers]. The aims of the programme are to improve the performance of government's investment in social and affordable housing, increase the number and diversity of social housing providers, grow the total quantum of social housing available, and deliver better targeted housing solutions to those with housing need.

13. More specifically the programme of reform is centred around delivering the following four major outcomes:

- achieve greater involvement of third-party providers of social housing
- increase effectiveness of financial assistance
- focus Housing New Zealand Corporation on providing social housing to those with high needs
- align organisation and responsibilities of government agencies

14. Within these outcomes, a suite of short, medium and long term initiatives that were agreed to by Cabinet in December 2010 have been progressed to varying degrees. The Minister of Housing was invited to report back to Cabinet Social Policy Committee on progress. This paper provides detail on the progress and how it contributes to achieving one or more of the four major outcomes. A summary table of progress is attached as Appendix One.

Progress made with greater involvement of third party providers of social housing

15. Greater involvement of third party social housing providers in the market, including third sector and private sector providers, will help grow the total quantum of social housing available, promote choice and contestability, enable access to a wider pool of capital, and help drive more efficient, specialised and innovative use of existing housing resources across the whole social housing sector.

16. This can be done by government contributing capital, land and/or surplus state houses to capitalise social housing providers with the capacity and ambition to grow, and for that growth to be largely self-sustaining through re-investment of retained earnings or profit. In addition specialist or niche social housing providers can be supported to target special interest groups.

17. It will take an estimated 5 - 10 years for third party provision to have significant effect on the size and scope of current social housing provision in New Zealand, which is currently dominated by state house tenancies with a fragment of niche providers. In the short term (2011/12 - 2012/13), it is planned that current and emerging niche providers¹ will be supported on specific projects with grants [SOC Min (11) 11/2 refers] and growth providers² will be worked with to develop potential funding proposals and commence the procurement and contracting process.

18. Initiatives to progress greater involvement of third party social housing providers, delivered between December 2010 and July 2011, are outlined below.

Establishment of the Social Housing Unit

19. In May 2011 Cabinet agreed to establish a Social Housing Unit (SHU) as a semi-autonomous body within the Department of Building and Housing (the Department) [SOC Min (11) 8/1 refers].

20. The principal role of the SHU is to advise, facilitate and deliver increasing involvement of third party providers of social housing within a sector wide investment strategy. In particular the SHU is responsible to the Minister of Housing for social

¹ Niche providers are smaller specialist organisations which target specific locations or client groups and which don't have strong growth ambitions. Funding will typically be for one-projects.

² Growth providers are organisations, or consortia of organisations, with long-term growth ambitions and an active (or potentially active) pipeline of relatively large scale housing projects, which are likely to include a mix of tenures. The objective is to capitalise these providers, so that over time they become largely self-sustaining and can supply an implicit dividend of additional social and affordable housing through re-investment of retained earnings.

housing purchasing services, and provides advice on the allocation of all resources that the government invest in the supply-side of social and affordable housing provision. The SHU will make a major contribution to growing the total number of houses available for social housing tenancies. Because of its specialist focus and distance from providers, it will contribute to maximising the effectiveness and efficiency of social housing provision across the entire sector.

21. The Terms of Reference for the SHU have been developed and approved by the Minister of Finance and the Minister of Housing.

22. The SHU is responsible for managing the Social Housing Fund of \$37.5 million in 2011/12 [SOC Min (11) 11/2 refers] for the purpose of growing third party providers, including specialist and niche, Māori and Pacific Peoples providers.

23. The SHU was established as at 1 July 2011 and, as a platform for its leadership role in the sector, within its first year the SHU will:

- develop a draft Social Housing Investment Strategy by the end of 2011, that will inform allocation of all the resources that the government invests in the supply-side of social and affordable housing provision
- establish new programmes to support the development of third party provision, including continued support for specialist community housing providers currently able to access the Housing Innovation Fund
- develop relationships with key sector participants
- develop standards for the provision of social housing, to be used in future contracting
- develop procedures for running contracting processes and criteria for assessing the relative value for money of different proposals
- seek expressions of interests from potential providers for initial projects.
- investigate the requirement for a regulatory framework for the third sector

24. Recruitment for the Director of the Social Housing Unit is underway. Temporary staffing has been arranged while recruitment for permanent staff is undertaken. Permanent office accommodation has been secured for occupation in early August 2011. A dedicated SHU website (www.socialhousingunit.govt.nz) will become live from 1 July 2011.

Advice on an appropriate regulatory framework for third party providers of social and affordable housing

25. The Minister of Housing has requested advice from officials on an approach to an appropriate regulatory framework for third party providers of social and affordable housing, for adoption by the SHU in the short to medium term. A framework is needed to manage risk, provide protections to providers, tenants and the government, and to ensure objectives are met. The same approach will be used for all providers, including niche, growth, Māori and Pacific Peoples.

26. In the short term, the most cost effective and flexible approach is likely to be a performance requirement regime that augments existing legislation with contracts and, where appropriate, supports these by interests registered against the titles of

properties purchased with government funding. Voluntary accreditation of providers will offer further protection for all parties involved.

27. This approach:

- will be quick and simple to implement
- can readily respond to changing needs of government and providers as the sector evolves
- can be easily modified as areas of market failure peculiar to New Zealand are identified
- will avoid imposing unnecessary compliance costs on social housing providers
- will be an effective mechanism to protect Government's investment in the sector.

28. A dedicated legislative framework is considered unnecessary at this stage of growth of the social housing market in New Zealand. However, this view will be reviewed in future as the number of social housing providers, the magnitude of their participation in the provision of social housing and the quantum of the Government's investment in them increases.

Eligibility and assessment criteria for niche third party providers

29. One of the immediate responsibilities of the SHU will be to manage and evaluate funding applications for proposals by niche social housing providers.

30. In order to maintain momentum and provide continuity for the sector, the SHU will need to be in a position to invite funding applications from niche providers in the first half of the 2011/12 financial year. The sector is accustomed to funding rounds opening on 1 July each year, and as such the sector has already started developing proposals. Until such time as the SHU is in a position to assume responsibility, Department of Building and Housing officials will design, develop and manage a funding round focussed on grants to niche social housing providers, including Māori and Pacific Peoples providers.

31. The Minister of Housing has requested advice from officials by 30 July 2011 on:

- criteria for evaluating applicants for funding for the initial round of grants in 2011/12 to ensure that government's objectives are met.
- criteria for assessing and ranking eligible applicants for the purpose of allocating funding between them, so that funding decisions are transparent and effective.

Supporting the role of iwi, hapu and Māori organisations, and Pacific Peoples as providers of social housing

32. A new approach to supporting Māori providers of social housing is currently being developed. One of the key objectives is to work in partnership with Māori to develop new solutions to the issue of substandard rural housing.

33. It became apparent, through the previous Rural Housing Programme, that funding partial repair of individual houses does not achieve the aim of eliminating substandard rural housing. It does not address the underlying causes of substandard housing or improve the occupants' circumstances beyond patchwork repairs of homes. The new approach will develop Māori community ownership and leverage existing resources primarily by supporting community housing development projects through local organisational structures. This will aid community regeneration and viable rural communities.

34. The Department of Building and Housing, in conjunction with Te Puni Kokiri and the Ministry of Pacific Island Affairs, will begin to explore options for developing the new approach and in particular to address the underlying causes of substandard rural housing. A progress report is due to be provided to joint Ministers in July 2011 [CAB Min (10) 44/8 refers].

35. The SHU intends to engage with Māori housing providers on the development of criteria for interventions to address the issues of substandard rural housing in the first half of 2011/12.

36. While the new approach requires considerable development, it is likely that the SHU will be in a position to allocate funding under a new programme in the second half of 2011/12.

37. \$37.35 million has been secured as an appropriation for the Social Housing Fund in 2011/12. Within this appropriation, \$5.0 million has been set aside for a replacement to the Rural Housing Programme. \$3.0 million has been set aside specifically for projects for urban Māori by Māori providers in 2011/12.

38. The SHU intends to engage with Māori housing providers on the development of allocation criteria for projects for urban Māori by Māori providers in the first half of 2011/12.

39. Notwithstanding the specific allocations to rural housing and to urban Māori, iwi, hapu, Māori organisations and Pacific Peoples will also be able to apply for funding as niche or growth providers in 2011/12.

40. The Department of Building and Housing has assumed responsibility for provision of housing policy advice in relation to Māori and Pacific Peoples, as part of the wider policy consolidation process. While the Department does not officially assume this responsibility until 1 July 2011, there has been engagement with a small number of prospective iwi and Pacific Peoples housing providers to understand their respective needs and aspirations. Responsibility for engagement with individual hapu and iwi on particular projects will be the responsibility of the SHU. Once it is operational, the Department will work closely with the SHU to transfer knowledge and further develop the schemes specifically designed to increase the provision of social housing by Māori and Pacific Peoples. A communications and stakeholder engagement plan will be developed to keep organisations informed.

Establishment of the Ministerial Advisory Panel

41. In May 2011 Cabinet agreed to the establishment of a Ministerial Advisory Panel [SOC Min (11) 8/1 refers]. The Ministerial Advisory Panel will provide Ministers with

independent advice on how well the social housing reforms are progressing, results being achieved and any major issues that arise.

42. Terms of Reference for the Ministerial Advisory Panel have been prepared and have been approved by the Minister of Finance and Minister of Housing. Membership of the panel is currently being finalised.

Progress with improving the effectiveness of financial assistance for housing costs

Improving the performance of financial assistance for housing costs (interim report)

43. Officials will provide an interim report to joint Ministers (Social Development and Employment, Housing, Finance) by 30 July 2011. The report will contribute to addressing problems with the current system of financial assistance for housing, and advice on approaches to addressing these. The advice will include principles for reform, options for the longer term, and transitional options (with analysis of social and fiscal impacts).

44. The report will include options which will support the direction of social housing reform, by helping to ensure that social housing providers receive an adequate, reliable revenue stream from tenants (or sufficient equity). The report will also include options which will support the general direction of advice from the Welfare Working Group, focused on employment, independence and a more integrated approach to delivering social assistance.

45. Officials will be seeking direction from Ministers as to the type of approaches and options they wish to consider when further advice is presented, currently scheduled for December 2011.

Progress with focusing Housing New Zealand Corporation on its core business of providing social housing to those with high needs

46. Focussing the Corporation on its core business of providing social housing to tenants with the greatest housing need, will improve the overall efficiency and effectiveness of delivery of social housing to those most in need. It will also mean that performance of the Corporation can be assessed more accurately and transparently.

47. The Corporation's draft Statement of Intent for 2011-14 (SOI) identifies the Corporation's focus over the next 3 years as being to ensure New Zealanders in need have access to the right house, in the right place and at the right time, for as long as that need exists. The Corporation will demonstrate progress towards this outcome by supporting customers in need to make the right housing choices; effectively managing the waiting list for state housing; and reconfiguring the portfolio to ensure that the location of its houses is better aligned to high need demand and to ensure that more of its houses are fit for purpose to meet that demand.

48. The SOI identifies a range of Key Performance Indicators to measure progress towards this outcome, including the percentage of the portfolio occupied by tenants who have high and complex needs increases; the variance between the supply of state houses and demand from high need applicants reduces; and return on equity.

49. Initiatives to progress the focus of the Corporation on its core business, delivered between December 2010 and July 2011, are outlined below.

Introduction of reviewable tenancies

50. The Housing Corporation of New Zealand (the Corporation) will introduce reviewable tenancies for new Corporation tenants from 1 July 2011 [SOC Min (11) 5/1 refers].

51. As at 1 July 2011 new tenancies will be subject to a review at least once every three years from their tenancy start date (or earlier if their circumstances change significantly). The purpose of the review is to identify and assist tenants who are capable of sustaining appropriate alternative housing to exit state housing and to identify those tenants whose housing need could be better met by moving to a more suitable state house. The introduction of reviewable tenancies will contribute to effective targeting of Corporation resources to those in most need.

52. Cabinet directed officials to report back to the Ministers of Finance and Housing on options for extending reviewable tenancies to existing tenants. Officials have provided initial advice, and I intend to bring a paper to Cabinet Social Policy Committee on this in September 2012.

Incentives to independence

53. The Corporation has tested a range of incentives that assist tenants move out of state housing into other forms of tenure or into a more appropriate state house. This frees up housing for those in greater need. The incentives are based on help with overcoming barriers that tenants face in achieving housing independence.

54. Some financial assistance may be provided to assist with the costs of moving if that is a barrier. The Corporation is developing an approach to providing these services on a small scale in 2011/12 and will be developing other services and products to support the first reviews under the reviewable tenancies policy for new tenants.

Changing performance measures in the Corporation's Statement of Intent

55. The SOI replaces state housing stock targets with performance-based measures, so that portfolio management decisions are increasingly driven by responsiveness to demand and good asset management practice rather than number of properties.

56. In 2010 the Corporation adopted the Asset Management Strategy (AMS) setting out how the Corporation will manage its asset portfolio over the next 10 years. The AMS aims to reconfigure the housing portfolio to better align with priority demand and to bring the portfolio to an agreed quality standard. Key components of the AMS have been incorporated into the Corporation's draft 2011-14 SOI.

Improvements to the Corporation's Social Allocation System

57. The Corporation's Social Allocation System (SAS) determines initial eligibility for state housing.

58. Revisions to SAS were approved by Cabinet in April 2011 [SOC (11) 6/2 refers] and the Corporation is ready to introduce them on 1 July 2011. The revisions will ensure that:

- state housing is allocated only to those in the highest need who do not have alternative housing options, through assessing an applicant's ability to meet their housing need in the wider housing market rather than looking only at their current housing circumstances; and removing eligibility for a state house from those identified as having a lower level of need (i.e. "C" and "D" segments). Lower need applicants will be offered assistance to find a non-state house, for example from third party providers or the private sector.
- SAS becomes the mechanism for assessing ongoing need and continued eligibility for state housing for tenants on reviewable tenancies.

Amendments to the Housing Restructuring and Tenancy Matters Act 1992

59. Proposed amendments to the Housing Restructuring and Tenancy Matters Act 1992 [CAB Min (11) 16/19 refers] address a range of technical and operational matters which will enable the Corporation to manage tenancies more efficiently and in particular support the introduction of reviewable tenancies.

60. Drafting instructions have been issued to Parliamentary Counsel Office.

61. The Parliamentary Counsel Office has advised that the Housing Restructuring and Tenancy Matters Amendment Bill is not on the priority list for introduction before the dissolution of parliament in late 2011. The Bill will be re-submitted for priority on the 2012 Legislative Programme.

Progress made with aligning organisation and responsibilities of government agencies

Integrating assessment of housing need with assessment for wider social support:

62. Officials will provide a report to joint Ministers (Social Development and Employment, Housing, Finance and State Services) by 30 July 2011. The report will present options for a system of housing needs assessment which would support the entry of new social housing providers. The focus is on designing a system which is client focused, efficient and effective, is consistent with the direction of welfare reform, and would support good housing and social outcomes. Officials have considered the desirability of "no wrong door" for social housing applicants, and the benefits of a central triage and assessment function, before clients are matched to providers and dwellings.

63. Options which could be implemented in the short term, and options which would be more suitable for the longer term, have been identified. Officials will be seeking direction from Ministers as to which options for system design they wish to consider when further advice is presented, currently scheduled for December 2011.

Consolidation of housing policy advice to Ministers

64. From 1 July housing policy advice to Ministers will be consolidated within the Department of Building and Housing. This will contribute to the provision of a more coherent, integrated overview of housing issues and advice to Ministers. Strategic policy across the whole of the housing sector - including state, social and affordable housing - can be developed much more effectively. It will also avoid duplication of effort and resources across two organisations and assist the Corporation to focus on its core business of housing those in need for the duration of their need.

65. The Housing Corporation Amendment Bill (the HCA Bill) removes the responsibility of the Corporation to deliver housing policy advice to Ministers, supporting the consolidation of housing policy advice within the Department. The Bill was reported back by the Social Services Select Committee on 12 May 2011, and is currently awaiting its second reading. The transfer arrangements for seven policy staff from the Corporation to the Department is complete, with formal start dates on 1 July 2011.

Funding secured for the social housing reforms

66. Funding to progress the social housing programme was allocated in Budget 2011 to Vote Housing for progressing the social housing reform programme, as follows [SOC Min (11) 11/2 refers]:

Social Housing Fund to grow third party providers (including specialist and niche, Māori and Pacific Peoples providers)	\$37.35m
Establishment and operation of the Social Housing Unit	\$2.5m
Establishment and operation of the Ministerial Advisory Panel	\$0.15m
Contingency (possibly Tamaki)	\$5m
Total	\$45m

Next steps

67. The next steps described below, and the decisions by Ministers involved, are critical for progressing the overall goals of the social housing reform programme. The rate of change in the social housing sector, the rate of growth of third party providers, the extent of costs and savings to the Crown and the degree of change for the Corporation will all be critically impacted by decisions made over the next 6 - 12 months.

Social Housing Investment Strategy

68. The SHU has been tasked with reporting to the Ministers of Finance and Housing by the end of 2011 with a draft Social Housing Investment Strategy. The strategy will cover the means and funding mechanisms for growing third party provision of social housing in order to get the best possible value for money for the Government's total investment in the sector, including detailed financial implications for the Crown. This will provide an investment platform for going forward in the short, medium and long term.

69. There is a risk that the Social Housing Investment Strategy may not be delivered by the end of 2011 due to the time required to engage a permanent Director of the Social Housing Unit. This risk will be mitigated by initial development of the Social Housing Investment Strategy being progressed by temporary SHU staff.

Financial assistance and integrated needs assessment

70. Advice by officials to Ministers on decisions on financial assistance and integrated needs assessment is due in December 2011.

Powers of the SHU

71. Advice by officials to Ministers is due by 30 March 2012 on:

- decision making powers that the Social Housing Unit should have in order to achieve its objectives on behalf of the Crown
- the most appropriate long-term organisational form and function of the Social Housing Unit
- whether the existing levers for influencing the Corporation, and the parameters within which the Corporation operates, provide sufficient flexibility to optimise resource allocation across the sector or where changes are required
- the implications for any resulting proposals for the Corporation

Consultation

72. The following agencies have been consulted: The Treasury, State Services Commission, Housing New Zealand Corporation, Ministry of Social Development, Te Puni Kokiri, Ministry of Pacific Island Affairs.

73. The Department of Prime Minister and Cabinet has been informed.

Financial Implications

74. There are no financial implications in this paper.

Human Rights implications

75. There are no human rights implications in this paper. There are no proposals that are inconsistent with the New Zealand Bill of Rights Act 1990 or the Human Rights Act 1993.

Legislative Implications

76. There are no legislative implications arising directly out of the recommendations in this paper.

Regulatory Impact Analysis

77. There are no regulatory impacts in this paper and a Regulatory Impact Statement is not required.

Gender Implications

78. There are no gender implications in this paper.

Disability Perspective

79. There are no implications from a disability perspective in this paper.

Publicity

80. The Minister of Housing will continue to co-ordinate any announcements with the Prime Minister and the Minister of Finance.

Recommendations

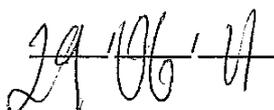
81. The Minister of Housing recommends that the Committee:

1. **note** that on 6 December 2010 Cabinet agreed to a direction of reform for social and affordable housing involving the following four outcomes:
 - achieve greater involvement of third-party providers of social housing, including both third sector and private providers, as a means of achieving more efficient and effective provision through innovation, specialisation, and greater contestability
 - improve the effectiveness of financial assistance for housing costs so that this assistance is fairer and more effectively targeted
 - focus Housing New Zealand Corporation on its core business of providing social housing to tenants with the greatest housing need, in order to improve its overall efficiency and effectiveness
 - align the organisation and responsibilities of Government agencies, to support the direction of change
2. **note** that Cabinet invited the Minister of Housing to report back to Cabinet Social Policy Committee with progress on the decisions set out in Cab Min (10) 44/8 in relation to the new direction for social and affordable housing in New Zealand;
3. **note** the summary of progress made since December 2010, and how this contributes to achieving one or more of the four outcomes:
 - establishment of the Social Housing Unit, a semi-autonomous body that will be focussed on advising on, purchasing and delivering increased involvement of third party providers of social housing within a sector wide investment strategy;
 - advice being developed on a responsive performance requirement regime that will ensure delivery of outcomes and protect investment by all parties involved

- advice being developed on initial eligibility and assessment criteria for evaluating niche social housing providers so that allocation of initial funding can be transparent and consistent
- initiatives to be developed on defining and supporting the role of Māori organisations, and Pacific Peoples, as contributors to the provision of social housing
- establishment of the Ministerial Advisory Panel that will provide Ministers with independent advice on how well the social housing reforms are progressing, results being achieved and any major issues that arise
- advice being developed on improving the performance of financial assistance for housing costs, including transitional and long term options
- introduction of reviewable tenancies for new Corporation tenancies from 1 July 2011 so that Corporation resources are more effectively targeted to those in most need
- improved performance measures in the Corporation's Statement of Intent so that portfolio management decisions are increasingly driven by responsiveness to demand and good asset management practice
- changes to the Social Allocation System for initial eligibility to Corporation houses from 1 July 2011 so that Corporation resources are more effectively targeted to those in most need
- decisions made on amendments to the Housing Restructuring and Tenancy Matters Act 1992 to address a range of technical and operational matters
- advice being developed on integrating assessment of housing need with assessment for wider social support
- housing policy advice to Ministers will be consolidated within one agency from 1 July 2011 to better enable the provision of integrated, sector-wide policy advice.



Hon Phil Heatley
Minister of Housing



APPENDIX ONE

Table One: Summary of progress against primary outcome, with secondary outcomes identified

Initiatives	Four major objectives for social housing reform programme			
	Greater involvement of third-party providers	Increase effectiveness of financial assistance	Focus Housing New Zealand Corporation on core business	Align government agencies
Progress from Dec 2010				
Establish Social Housing Unit (SHU)	complete 1 July 11			
Regulation of third party providers	advised on			
Eligibility criteria for niche third party providers	due 30 July 11			
Assessment criteria for allocating funding	due 30 July 11			
Role of iwi, hapu and Pacific Peoples	to be progressed by SHU			
Ministerial Advisory Panel	complete 1 July 11			
Financial assistance for housing		interim advice by 30 July 11		
Assessment of need for housing support				interim advice by 30 July 11
Reviewable tenancies for new tenants			complete 1 July 11	
Reviewable tenancies for existing tenants			interim advice	
Corporation's SOI Performance measures			complete 1 July 11	
Corporation's Social Allocation System			complete 1 July 11	
Technical legislative changes			to progress	
Consolidation of policy advice within DBH				complete 1 July 11
Next key steps				
Social Housing Investment Strategy	due Dec 2011/12			
Decisions on financial assistance		due Dec 2011/12		
Decisions on integrated needs assessment				due Dec 2011/12
Powers, form and function of the SHU				due March 2012
Extent of influence of SHU on the Corporation				due March 2012

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Cabinet Social Policy Committee

Minute of Decision

SOC Min (11) 14/3

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Progress with the Social Housing Reform Programme

Portfolio: Housing

On 13 July 2011, the Cabinet Social Policy Committee (SOC):

- 1 **noted** that in December 2010, Cabinet:
 - 1.1 agreed to a direction of reform for social and affordable housing involving the following four outcomes:
 - 1.1.1 achieving greater involvement of third-party providers of social housing, including both third sector and private providers, as a means of achieving more efficient and effective provision through innovation, specialisation, and greater contestability;
 - 1.1.2 improving the effectiveness of financial assistance for housing costs so that this assistance is fairer and more effectively targeted;
 - 1.1.3 focusing the Housing New Zealand Corporation (HNZC) on its core business of providing social housing to tenants with the greatest housing need, to improve its overall efficiency and effectiveness;
 - 1.1.4 aligning the organisation and responsibilities of government agencies, to support the direction of change;
 - 1.2 invited the Minister of Housing to report to SOC with progress made on implementing the decisions taken in relation to the new direction for social and affordable housing in New Zealand as outlined above;
- [CAB Min (10) 44/8]
- 2 **noted** the following summary of progress made since December 2010, and how the progress made contributes to achieving one or more of the four outcomes:
 - 2.1 the establishment of the Social Housing Unit [SOC Min (11) 8/1] as at 1 July 2011, a semi-autonomous body that will focus on advising on, purchasing, and delivering the increased involvement of third party providers of social housing within a sector wide investment strategy;

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- 2.2 the development of advice on a responsive performance requirement regime that will ensure the delivery of outcomes and protect investment by all parties involved;
- 2.3 the development of advice on the initial eligibility and assessment criteria for evaluating niche social housing providers, so that the allocation of initial funding can be transparent and consistent;
- 2.4 the development of initiatives to define and support the role of Maori organisations, and Pacific peoples, as contributors to the provision of social housing;
- 2.5 the establishment of the Ministerial Advisory Panel [SOC Min (11) 8/1], which will provide Ministers with independent advice on how well the social housing reforms are progressing, the results being achieved, and any major issues that may arise;
- 2.6 the development of advice on improving the performance of financial assistance for housing costs, including transitional and long-term options, in conjunction with the welfare reforms;
- 2.7 the introduction of reviewable tenancies for new HNZC tenancies from 1 July 2011 [SOC Min (11) 5/1] so that HNZC's resources are more effectively targeted to those in most need;
- 2.8 improved performance measures in HNZC's Statement of Intent so that portfolio management decisions are increasingly driven by responsiveness to demand and good asset management practice;
- 2.9 changes to the Social Allocation System for initial eligibility to HNZC houses from 1 July 2011 [SOC Min (11) 6/2] so that HNZC's resources are more effectively targeted to those in most need;
- 2.10 amendments to the Housing Restructuring and Tenancy Matters Act 1992 to address a range of technical and operational matters [CAB Min (11) 16/19];
- 2.11 the development of advice on integrating the assessment of housing need with assessment for wider social support;
- 2.12 the consolidation of housing policy advice to Ministers within one agency (the Department of Building and Housing) from 1 July 2011 to better enable the provision of integrated, sector-wide policy advice.



Saphron Powell
Committee Secretary

Reference: SOC (11) 45

Distribution: (see over)

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SOC Min (11) 14/3

Present:

Hon Bill English
Hon Tony Ryall (Chair)
Hon Paula Bennett
Hon Phil Heatley
Hon Hekia Parata
Hon Craig Foss
Hon Dr Pita Sharples
Hon Tariana Turia

Officials present from:

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