

Chair
Cabinet Social Policy Committee

SOCIAL HOUSING REFORM PROGRAMME: INITIAL STEPS AND FUTURE STATE FOR PURCHASING SOCIAL HOUSING PLACES FOR CLIENTS (PAPER TWO)

Proposal

- 1 This paper is one of a set of three social housing reform papers being considered by the Social Policy Committee. Collectively, these papers set out the Government's rationale and objectives for the social housing reform programme, as well as seeking agreement for immediate actions. The three papers are:
 - Social Housing Reform Programme: an overview of the Programme (paper one)
 - Social Housing Reform Programme: initial steps and future state for purchasing social housing places for clients (paper two)
 - Social Housing Reform Programme: redevelopment of social housing and engagement with the community housing sector and iwi/Māori (paper three).
- 2 Cabinet invited me to report back in November 2014 on the Ministry of Social Development's (MSD) social housing work programme [CAB Min (14) 10/58 refers]. This paper provides an update on the transfer of social housing functions to MSD and focuses on the new role of purchaser of social housing places. It seeks agreement to:
 - a package of initiatives to be delivered in the short-term to support more people into independence from social housing and to reduce pressure on the social housing register
 - medium-term actions to improve MSD's ability to purchase social housing places where they are needed most and to create a better match between people and places.

Executive summary

- 3 The central objective of the Social Housing Reform Programme (SHRP) is to build a fair, efficient and effective social housing market which will better support people in greatest need for the duration of that need. Reform to date has included:
 - transferring the needs assessment for social housing and related functions to MSD, establishing an independent needs assessor and a purchasing role
 - extending the Income Related Rent Subsidy (IRRS) so it is available for new tenants referred to Community Housing Providers (CHPs).
- 4 MSD and Housing New Zealand Corporation (HNZC) successfully completed the transfer in April 2014. Since then, MSD has been working to manage the register for social housing and to integrate housing within the broader assistance it offers to low income and vulnerable New Zealanders.
- 5 MSD is now the single purchaser of IRRS places for people with serious housing needs. This is part of a transition from a model of a government monopoly focused on owning and providing state houses, to a mixed market with a growing role for CHPs. The social housing purchasing role has several levers available to influence change in the social housing market and therefore to improve outcomes for people:

- information (e.g. about demand for social housing)
 - contracting arrangements (how social housing places are purchased)
 - tenant placement processes (how tenants are matched with places and providers)
 - policy settings (e.g. rental subsidies and needs assessment criteria that determine who receives assistance, and what they receive)
 - tools to support people into independence.
- 6 I seek agreement to a short term package of initiatives that would:
- start to use benefit system levers (such as Work-Focused Case Management) to work with social housing applicants to achieve work and housing outcomes
 - introduce additional tools to support people into independence
 - extend the rollout of tenancy reviews
 - alleviate pressure on emergency housing
 - test new contracting arrangements via an EOI followed by an RFP to increase IRRS places in Auckland.
- 7 Beyond this, I propose two medium term changes to enhance MSD's ability to be an effective purchaser of IRRS places for people, by:
- releasing a purchasing strategy in April 2015 that will use information to drive change in the social housing market
 - unlocking legislative barriers to flexible purchasing arrangements by amending the Housing Restructuring and Tenancy Matters Act 1992 to provide more flexibility in how the IRRS can be used.
- 8 The social housing needs assessment model will be reviewed over the longer term, to ensure assistance is targeted to those with the greatest need for the duration of their need, and to further integrate housing needs assessment with other MSD assistance.

Background: Social Housing Reform Programme

- 9 The suite of papers Cabinet is considering today progress the Government's aims to reform social housing in New Zealand. The Government's Social Housing Reform Programme will provide more New Zealanders in need with quality and affordable housing.
- 10 A critical step was the transfer of social housing needs assessment and related functions to MSD, completed in April 2014. A progress update on this work is set out from paragraph 19.
- 11 As part of the transfer, MSD became responsible for administering the IRRS. The IRRS ensures that tenants in social housing do not pay more than 25 per cent of their income in rent (up to a threshold), by paying housing providers the difference between tenants' Income-Related Rent and the market rent for the social house they live in.
- 12 IRRS is now available for new tenants whom MSD assesses as eligible and refers to a registered CHP, not just for tenants in HNZN properties. Funding for IRRS was \$660 million in 2013/14, and will be \$880 million by 2017/18, an increase of \$220 million over five years. In March 2014 Cabinet agreed to a capped model of fiscal controls for IRRS so that:
- **there is a level playing field** between HNZN and CHPs supported through a single pool of IRRS funding, which has no predetermined level of funding for any provider

- changes to the IRRS cap are the result of a policy decision by Ministers instead of an automatic reflection of market conditions.

Purchasing IRRS places: levers to improve outcomes for people in housing need

- 13 These changes mean that MSD is now the single purchaser of IRRS places for people in housing need. This is a critical part of a transition: from a model with a government monopoly that focused on providing *state houses*, to a mixed provider model that now focuses on providing *social housing places*.
- 14 As purchaser, MSD effectively sets the conditions for how the social housing market operates. A key indicator of success is the quality of the match between demand for and supply of social housing places:
 - for individuals: people are matched to places that meet their needs
 - across New Zealand: places are available where and of the type needed.
- 15 The purchaser can use five broad levers to drive change across the social housing market, summarised in Table 1 below. The purchasing role needs to move to a future state that will see change across all the purchasing levers. Appendix 1 compares the current and future state for the purchasing role across these levers.
- 16 MSD's social housing purchaser role is constrained in the short-term. Its ability to make substantive changes to the mix of tenancies that it purchases is limited by current policy settings, including the legal definition of IRRS and by the limited supply of social and affordable housing in some areas. This paper seeks agreement to changes that will enhance MSD's ability to act as an effective purchaser of IRRS places (see paragraph 30).

Table 1: Levers for purchasing social housing places

| LEVER | DESCRIPTION | RATIONALE |
|---|--|--|
| 1. INFORMATION | Provision of information about: <ul style="list-style-type: none"> • the register for social housing • supply and demand projections • expected funding. | Information is easy to provide, low cost and sends a strong signal to the market. |
| 2. CONTRACTING ARRANGEMENTS | Settings in IRRS contracts: e.g. short term or long term, outcomes-based for specific segments. Availability of other funding, e.g. capital grants and the criteria to access these. | The way that social housing is purchased and contracted strongly influences incentives on providers (e.g. to enter the market, to develop properties, and to offer places to MSD's clients). |
| 3. TENANT PLACEMENT PROCESS | How people on the social housing register are allocated to social housing providers and places. | This process influences how good the match is between tenants' need and the place they are offered. |
| 4. POLICY SETTINGS | Fundamental policy settings that govern demand (the needs assessment criteria in the Social Allocation System), and rental subsidies (Accommodation Supplement and the Income Related Rent Subsidy). | Policy settings provide the boundaries within which the purchaser role operates and set incentives for both tenants and housing providers. |
| 5. TOOLS TO SUPPORT INDEPENDENCE | For example, tenancy reviews, financial incentives to encourage independence, and accessing alternative housing options. | Tenants face a number of disincentives to transition out of social housing, which can be shifted through the active use of tools. |

Social Housing Purchasing Trial

- 17 MSD has begun work to use some of these levers differently. In particular, it is trialling different processes for tenant allocation. The Social Housing Purchasing Trial began on 20 October 2014 in South and West Auckland. It provides a cut of the social housing register to both HNZN and CHPs (currently, IT system constraints mean that only HNZN can access the register). This enables contestability, because multiple providers can make offers to MSD to house the same people.
- 18 The trial aims to test whether this improves the match between tenants and the property they are offered, and so improves outcomes for people and value for money for the places MSD purchases. An evaluation will inform a report back to Cabinet in June 2015 on whether the purchasing approaches trialled should be continued, expanded, modified or stopped.

MSD and HNZN have implemented a successful transfer of social housing functions

- 19 Agencies have worked together and successfully ensured continuity of social housing provision from day one of the transfer of functions. Since the transfer in April 2014, MSD has:
 - *improved service delivery* by providing better access to services and information, reduced the time from screening to assessment (from two weeks to six days) and to assess applicants (from 60 to 40 minutes), and undertaken approximately 16,000 assessments (2,000 more than forecast)
 - *contracted with 21 CHPs* to provide social housing, with 80 new tenants housed, creating a platform to increase the size and diversity of the CHP sector
 - *housed 3,172 people from the social housing register*, in both HNZN and CHP houses
 - *from July 2014, started reviewing the tenancies of market renters* in HNZN houses, and is on track to complete 800 tenancy reviews in 2014/15 (proposals in the next section recommend increasing this number). Of the 272 tenants who have started the Tenancy Review process, 24 have moved or have confirmed moving dates. A further 178 are actively engaged in the process
 - *introduced Housing Support Products (HSP)* from July 2014 that provide a package of additional support for people to transition out of social housing or off the register into alternative accommodation, with 49 people supported so far
 - *continued to migrate the IT system* that will enable needs assessment and related functions to be integrated with MSD's systems by June 2015, creating further efficiencies and allowing different tenant allocation processes to be tried.

Managing the social housing register

- 20 Managing the social housing register is a new responsibility for MSD. Table 2 below shows social housing register numbers at milestones before and after the transfer of functions. The increase in numbers on the register before and after the transfer was anticipated. MSD indicated it expected an increase in demand for assessments for social housing because of its broader range of interactions with beneficiaries, and multiple contact channels. HNZN had a similar experience a number of years ago when it changed its service delivery model.
- 21 The surge in register numbers has now levelled off, and numbers are beginning to decrease. Data from the end of September shows a 4.1 per cent reduction since the last quarter. A number of factors are likely to have contributed to this reduction:
 - more intensive outbound calling to people on the register since July

- integration with benefit information has meant changes in beneficiaries' circumstances are captured faster, e.g. cross-referencing people on the register with those who recently received bond and rent assistance from MSD identified around 200 people who no longer needed to be on the social housing register
- helping people to consider other available options and services (e.g. HSP assistance).

Table 2: Numbers on the social housing register at key milestones

| Date | Social Housing Register Numbers |
|----------------|---------------------------------|
| December 2013 | 3,668 |
| March 2014 | 5,099 |
| 14 April 2014 | 5,441 |
| June 2014 | 5,840 |
| September 2014 | 5,599 |

MSD is using housing client segmentation to better understand housing need

22 Following the transfer of functions, MSD was able to integrate two previously separate administrative data sets: HNZN data about people living in social housing and MSD's data about people receiving benefits. This is informing MSD's management of its social housing functions. MSD has identified five groups of people currently receiving housing assistance from MSD, and includes a small number of people who are in social housing with no subsidy, i.e. market renters. Appendix 2 provides further detail. These groups are:

- social housing tenants with limited ability to increase their income, who would therefore have significant affordability issues in the private market (over 24,000 people, or 37 per cent of primary tenants)
- social housing tenants with a current need but with potential to move in the medium term (over 26,000 people or 42 per cent of primary tenants)
- social housing tenants with potential to move in the short term (over 13,000 people or 21 per cent of primary tenants)
- private renters who require ongoing assistance or supply-side interventions, such as greater availability of affordable housing (over 136,000 people or 47 per cent of Accommodation Supplement recipients)
- private renters, whom MSD has levers to assist to move towards greater independence (over 154,000 people or 53 per cent of Accommodation Supplement recipients).

Contracting for IRRS places and working with the Establishment Unit

- 23 Contracting is a key lever to get better matches between demand and supply of social housing. The Establishment Unit (EU) has been set up to transfer HNZN stock to CHPs to grow the market and create greater diversity of supply. The transactions will increase the capability of CHPs and reduce the proportion of social housing provided by HNZN. In areas where there are sufficient levels of HNZN stock, MSD will use EU transactions as an opportunity to tailor its contracts with demand for social housing.
- 24 In other areas, there is a need to try to induce more social housing supply. The proposed EOI followed by an RFP to increase the number of IRRS places in Auckland is an example of this approach and will be an opportunity for MSD to test different contracting arrangements.
- 25 MSD has been working with the EU to determine where ongoing demand is likely to be, and

the nature of that demand (e.g. property type and size) to support the selection of locations for potential transfers of HNZN stock, informed by the client segmentation.

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26 9(2)(f)(iv)

Whole of government land release for the development of social and affordable housing

- 27 I have asked officials from the Ministry of Business, Innovation and Employment (MBIE) to work with Land Information New Zealand (LINZ) and other key agencies to provide advice on releasing surplus Crown land for housing development. Officials will also examine where there might be surplus Crown buildings available for use as social and or affordable housing. These resources could be accessed by developers and/or CHPs to add to overall housing supply, including social and affordable housing.
- 28 MBIE will work with LINZ to engage with key landholding government agencies to build on the results of a land audit completed in 2008. Officials will focus on strategic areas that are experiencing housing stress, including Auckland and Christchurch.¹ I expect that officials will report back to me and the Minister for Building and Housing by the end of February 2015. If your Ministries are large owners of Crown land you can expect to receive a letter from me seeking the cooperation of your officials in this work.

Short term approach to purchasing: reduce pressure on the social housing register

- 29 There are opportunities for MSD to increase the tools it has to support people to access alternative housing in the private market, and so reduce the pressure on the social housing register. I seek agreement to implement the package of complementary proposals summarised in Table 3 below. Appendix 3 contains more detailed analysis of each option, including risks and scenarios. Unless otherwise stated, development for each proposal can begin in early 2015, with staged implementation through to July 2015. Proposals have been tested with MSD's external reference group of social housing sector leaders and academics (list in Appendix 4), who are broadly supportive of the approaches.

Table 3: Proposals to reduce pressure on the social housing register and on emergency housing

| TOOLS TO SUPPORT PEOPLE INTO INDEPENDENCE FROM SOCIAL HOUSING | |
|---|---|
| Proposal 1a: Work with beneficiaries in Work-Focused Case Management on the social housing register | |
| What | MSD provides intensive case management for beneficiaries who are most at risk of long term dependency through Work-Focused Case Management. Case managers would prioritise clients on the social housing register and support them to achieve both work and housing outcomes. |
| Who | 1,100 people on the social housing register who are beneficiaries in Work-Focused Case Management |
| How | Funding is required for five additional case managers to provide more intensive support. |

¹ The Government has already established a \$75 million capital contingency for a Christchurch Housing Accord Fund to support development of Crown land at Awatea, at Council-owned land at 36 Welles St and 350 Colombo St, and other suitable sites that may be identified in the future.

| | |
|---|---|
| Proposal 1b: Conditional grant letter to help people find alternative accommodation | |
| What | Introduce a letter offering a conditional grant of recoverable assistance to help people cover bond, rent in advance and letting fees for alternative housing. This aims to encourage people to actively search for alternative housing. Letters will also be able to be shared with prospective landlords, to remove some of the barriers people face when trying to establish themselves in the private housing market. |
| Who | All Priority B applicants on the register, and existing tenants seeking to transfer within social housing. |
| How | Minor amendments to the Housing Support Products Ministerial Welfare Programme, and IT system changes. |
| Proposal 2: Begin an additional 3,000 tenancy reviews to create better flow through the system | |
| What | <p>The objective of a tenancy review is to determine whether a tenant is able to transition out of social housing, is the right social house for them, or whether they should remain in their current house. MSD is on track to deliver 800 reviews this year. This option would begin an additional 3,000 tenancy reviews over the next two years, with:</p> <ul style="list-style-type: none"> • an additional 1,000 reviews to begin in 2014/2015, making the total number of reviews begun 1,800. Most could be drawn from the initial target group agreed by Cabinet (market renters under 65 with no children) • an additional 2,000 reviews to begin in 2015/16, for a total of 3,100 reviews in 2015/16. It may be necessary to extend the target group more broadly. |
| Who | <p>Social housing tenants who are paying market rent. 9(2)(f)(iv)</p> <p>9(2)(f)(iv)</p> |
| How | This option requires an additional 12 case managers to complete reviews. The process will be adapted to take into account the different needs of tenants as the target group expands (e.g. for tenants with children, looking at options that support continued engagement with local schools or early childhood education centres). |
| Proposal 3: Supported accommodation for young people on the social housing register | |
| What | Expand supported accommodation houses for young people. |
| Who | Young people on the social housing register in high demand areas (Auckland and Christchurch) |
| How | Funding is required to implement a Request for Proposal (RFP) process, with Non-Government Organisations responsible for finding suitable houses and house mentors. |
| Proposal 4: Provide information about support available to move from high demand to lower demand areas | |
| What | Provide information and advice to people who are referred to MSD by housing providers, especially emergency housing providers, about what support could be available to help them to move from areas where there is high demand for social housing to locations where more affordable housing is available. |
| Who | People on the social housing register and existing tenants who live in high demand regions and who want to move to a region with more affordable housing where they can access better supports. It would focus on people who do not have work obligations. |
| How | MSD would give providers information about areas that may be suitable for people to relocate to, and would provide information and advice to clients who want to move. |

ALLEVIATE PRESSURE ON EMERGENCY HOUSING

Proposal 5: Improve coordination of the emergency housing response in Auckland

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|-------------|--|
| What | Currently, the response to people who arrive at MSD with emergency housing needs is ad-hoc. This option would introduce an emergency housing database in Auckland to provide up to date information on the number of emergency beds available on any given night, enabling MSD to have a better picture of supply. |
| Who | MSD clients in Auckland who have emergency housing needs. |
| How | Funding is required to develop and maintain the database. |

Proposal 6: One-off \$500,000 cash injection for emergency housing providers, while a review of funding for emergency housing support takes place

| | |
|-------------|---|
| What | Emergency housing providers are reporting significant operational pressures and growing demand for their services. This option would provide a one-off cash injection of \$500,000 to maintain viability in the sector, while MSD carries out an overall review of emergency housing funding. |
| Who | Emergency housing providers. |
| How | One-off funding distributed in the first half of 2015, with a review completed by the end of July 2015. Reprioritisation of \$500,000 from the appropriation set up to support short term housing in Canterbury. |

TESTING NEW CONTRACTING ARRANGEMENTS

Release a Request for Proposal to increase IRRS places in Auckland

| | |
|-------------|--|
| What | Seek Expressions of Interest (EOI) to deliver an additional 300 IRRS places in Auckland. The EOI will test what the market can deliver and any additional support providers may require in order to provide new social housing places. This would be followed by an RFP as a step towards MSD purchasing social housing places more strategically and signalling on-going demand for social housing. It will provide an opportunity to try new contracting arrangements. Contracts would guarantee IRRS tenancies for some or all of the additional places for up to five years, and following the outcome of the EOI, potentially signal extra support to assist providers to offer additional places (e.g. operating subsidy, one-off cash grants or capital funding). |
| Who | People in Auckland with serious housing needs, and Auckland-based social housing providers. |
| How | Funding for these places is possible within the existing IRRS cap for the first two years. In 2016/17 and outyears MSD will need to manage expenditure to remain within the cap (e.g. by funding fewer social housing places in areas with lower demand, or increasing waiting times), unless Joint Housing Ministers agree to increase the cap. MSD would carry out an EOI process from December 2014 to February 2015. Depending on the outcome of this, the RFP and contracting process would follow and is likely to take four to five months. |

Medium term steps to purchase social housing places more effectively

- 30 Currently the social housing market does not fully meet clients' needs, because available social housing places do not match demand. Existing houses are often in the wrong locations and many are not adapted to tenants' particular needs. For example, although 70 per cent of people on the register for social housing are in Auckland and Christchurch, only 55 per cent of the social housing stock is in those regions. I propose two approaches over the medium term that will enhance MSD's effectiveness as a purchaser, using the levers identified above:
- publication of a purchasing strategy, which will use information to drive change in the social housing market
 - enabling increased flexibility in how IRRS can be used to purchase social housing.

Information lever: Develop and publish a purchasing strategy

- 31 Providing the market with key parts of information MSD holds about clients and housing demand is an effective and inexpensive way of driving market change and getting social housing places where they are needed. MSD's external feedback group supports this approach. MSD has taken the first step in information provision by regularly publishing the

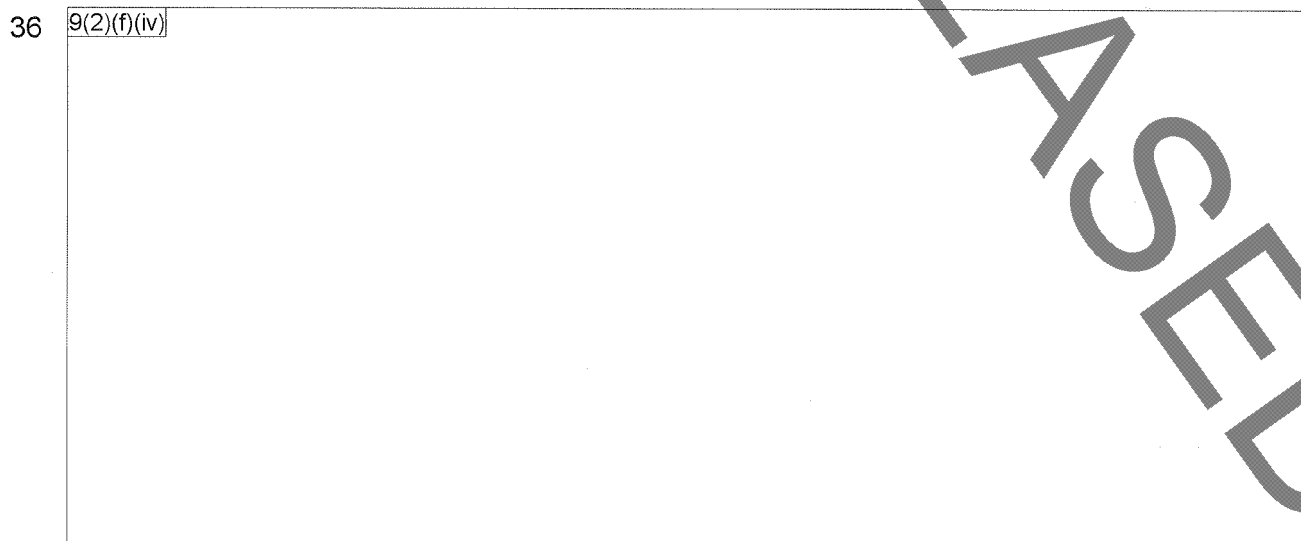
social housing register on its website. This is the first time providers have had access to this information, broken down by region and the number of bedrooms required.

- 32 The next step is to share relevant information with social housing providers and outline MSD's social housing purchasing objectives in a purchasing strategy. The strategy will be critical as MSD develops its role as an effective purchaser of IRRS places. It will signal MSD's funding framework and contractual arrangements, and the volume, type and location of social housing places MSD needs to purchase to meet its objectives. This will give providers information they can use to plan and make the investment decisions to develop the type of properties required. In time, I expect the strategy to reduce the mismatch between the social housing places people need and what is available.
- 33 Once published, key indicators in the strategy will be updated and released on a regular basis. The purchasing strategy should respond to providers' needs, so MSD will work with providers as the strategy is developed. This will include testing the strategy with MSD's external feedback group, and learning from the initial release. In the longer term, future purchasing strategies could also include:
- demand forecasts
 - proposed changes to policy settings
 - provider performance measures.
- 34 I propose that MSD continue work on its initial purchasing strategy with a view to publication in April 2015. I intend to bring the strategy to Cabinet before its release, in March 2015.

Policy settings: Enable more flexibility in using IRRS to purchase social housing places

- 35 The IRRS is a key policy lever for MSD in its role as purchaser of social housing places. This funding enables MSD to purchase IRRS places from HNZA and CHPs. The Housing Restructuring and Tenancy Matters Act 1992 (HRTMA) specifies that social housing tenants pay income related rent (IRR).² The difference between IRR and the market rent for the property let to the tenant is the income related rent subsidy (IRRS) paid to the provider by MSD for that tenant. The market rent is defined as the rent for the time being determined by HNZA or the registered community housing provider or Tenancy Tribunal (under the Residential Tenancies Act 1986) as the market rent for that housing.

36 9(2)(f)(iv)



² The tenant's rent payment starts at 25 per cent of the household's assessable income and increases at 50 cents in the dollar for any additional income above a given income threshold

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Risks

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Tools for independence: supporting tenants to transition out of social housing

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Access to social housing: review of the needs assessment model

- 47 Alongside the transfer of functions from HNZZ, Cabinet agreed that MSD would continue to use the existing Social Allocation System (SAS) needs assessment model. The model assesses a person's eligibility and need for social housing and acts as a prioritisation and rationing tool. An evaluation of the assessment functions and associated service delivery is currently underway, with a report scheduled for March 2015.
- 48 In March 2014, Cabinet agreed that MSD should review the SAS needs assessment model and ensure that it is integrated with other assessments and forms of assistance. SAS currently operates by:
- understanding a person's current living situation (e.g. whether they need to move, the condition of their existing home, presence of domestic violence, or any overcrowding)
 - determining a person's need for social housing (e.g. can the person access, sustain, and afford a private rental property).
- 49 SAS criteria provides useful information about housing needs and current living circumstances, but the only response available is a prioritised place on the register for social housing. In future, the needs assessment model could provide a broader picture of housing need, so that MSD can offer other housing supports or services that could help people sustain a private tenancy. It could also be able to determine more information about the likely duration of peoples' housing needs.
- 50 The review will need to consider how the housing needs assessment can align with other MSD and cross-government assessments and services. In addition, the review will consider the appropriate use of the needs assessment model for tenancy reviews and whether fast-tracking is appropriate in certain circumstances.

Monitoring and Evaluation

- 51 MBIE is leading monitoring and evaluation of the overall social housing reform work in collaboration with MSD, HNZN and Treasury. Monitoring and evaluation activities will provide early information about the progress of the reforms and assess the extent to which they are working effectively. A framework has been developed that proposes routine monitoring of key indicators of SHRP performance, implementation evaluations of specific policy activities and an overall policy evaluation. A baseline monitoring report has been produced providing data on social housing demand and supply before the significant SHRP policy changes were implemented. MSD, in conjunction with HNZN, Treasury, and MBIE as necessary, will provide advice by August 2015 on the first completed year of the needs assessment transfer, including any recommendations for change. A report back to Cabinet on evaluation of tenancy reviews is required by September 2015 [CAB Min (14) 6/17 refers].
- 52 To measure the impacts of the new proposals included in this package, additional monitoring will be required. This will include monitoring the number of people exiting the social housing register through intensive case management that includes housing support, the conditional grant letter or moving to other regions. MSD will report back to the Minister for Social Housing in August 2015 on the effectiveness of these approaches.

Consultation

- 53 MSD held a meeting of the Housing Assistance Reform Feedback Group (HARFG) on 11 November 2014.³ This meeting provided an opportunity to test proposals with CHPs, academics and other sector representatives. HARFG members were broadly supportive of the package of proposals. The group welcomed the progress of the social housing reform programme and supported the policy initiatives currently under consideration to improve social housing tenants' outcomes and to transition people to independence. HARFG members provided advice about the feasibility, scope and targeting of the complementary package of proposals. These comments led to the refinement of several proposals and have been incorporated into the body of the paper.
- 54 The Treasury, the Ministry of Business, Innovation and Employment, the Establishment Unit, Housing New Zealand Corporation, the Ministry of Health, the Department of Corrections, the Ministry of Justice, Te Puni Kokiri, the Ministry of Primary Industries, the Ministry of Education, the Department of Internal Affairs, the Office for Ethnic Affairs, the State Services Commission and the Ministry of Women's Affairs have been consulted in the development of this paper. The Department of Prime Minister and Cabinet has been informed.

Financial implications

- 55 The total cost to implement the short term initiatives designed to reduce pressure on the register is \$7.020 million over four years. This includes \$2.518 million for 2014/15. An additional one-off funding injection of \$500,000 will be required in 2014/15 for emergency housing providers. I seek agreement from Cabinet to reprioritise the \$500,000 from the \$6.5 million of funding set aside for the short term housing response in Christchurch. This requires a capital to operating swap and a fiscally neutral transfer.
- 56 The cost for commencing work on the medium and long term initiatives is \$2.167 million in 2014/15. Agencies are currently working together to develop a cross-agency bid for project costs to support on-going development of social housing policy, to be considered for Budget

³ HARFG consists of community housing sector leaders and academics, set out in Appendix 3. Its role is to advise MSD on the social housing assistance reform strategic direction and work programme.

2015. This will include funding for 2015/16 and outyears.

57 I seek agreement that the 2014/15 costs are met within existing appropriations. I seek delegated authority for the Minister of Finance, Minister of Science and Innovation, and the Minister for Social Housing, in consultation with other relevant Vote Ministers, to make any necessary changes to appropriations to fund the \$4.685 million in 2014/15 from reprioritisation, with no impact on the operating balance.

58 The funding will cover:

- additional frontline staff, including new roles
- service design and operational policy
- contracts staff (to manage the EOI and RFP processes and support EU transactions)
- IT system changes for the conditional grant letter
- establishing and running the database of Emergency Housing places in Auckland.

Human rights implications

59 The proposals in this paper are consistent with the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993. A final determination of whether proposals to amend the Housing Restructuring and Tenancy Matters Act 1992 are consistent with the New Zealand Bill of Rights Act will be possible once the legislation has been drafted.

Legislative implications

60 This paper seeks agreement in principle to amend the Housing Restructuring and Tenancy Matters Act 1992, to increase flexibility in how the IRRS can be used.

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61 Proposals in the paper that require minor amendments to be made to the HSP Ministerial Welfare Programme will require agreement by the Minister for Social Development.

Regulatory impact and compliance cost statement

62 A Regulatory Impact Statement will be prepared to support final detailed policy decisions on amendments to the Housing Restructuring and Tenancy Matters Act 1992, when Cabinet agreement to proceed with amendments is sought in March 2015.

Gender implications

63 Proposals in this paper to improve outcomes for social housing tenants and increase the ability to house those most in need should have significant benefits for women. Sole parents (who are predominantly women) are a significant proportion of both social housing tenants (over 11,000 Sole Parent Support recipients live in social housing and account for 17 per cent of primary tenants) and of applicants on the register for social housing (1,579 Sole Parent Support recipients are on the register, or 28 per cent of all applicants).

Disability perspective

64 Improvements to the provision of social housing should impact positively on disabled people

requiring accessible housing, by improving the match between clients' needs and the properties they are offered. Increasing diversity in the social housing market should increase the options available to support disabled people. There are over 11,700 Supported Living Payment recipients living in social housing (accounting for 18 per cent of all primary tenants). There are 1,146 applicants on the register for social housing who receive the Supported Living Payment (20 per cent of all applicants).

Publicity

65 A joint agency communications strategy is under development.

Recommendations

66 It is recommended that the Committee:

- 1 **note** that the Ministry of Social Development is now the single purchaser of social housing places, and that strengthening the purchasing role will improve housing outcomes for clients;

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- 2 9(2)(f)(iv)

Options to alleviate pressure on the register and emergency housing places

- 3 **agree** that the Ministry of Social Development implement a package of initiatives to manage the register for social housing, increase social housing places and alleviate pressure on emergency housing that includes:
 - 3.1 prioritising Work-Focused Case Management for beneficiaries who are also on the social housing register to support both work and housing outcomes;
 - 3.2 providing a conditional grant letter that outlines assistance available to encourage priority B applicants on the social housing register and tenants on the transfer register to move to alternative housing;
 - 3.3 increasing the number of tenancy reviews begun in 2014/2015 from 800 to 1,800 and from 1,100 to 3,100 in 2015/2016;
 - 3.4 extending supported accommodation for young people on the social housing register and provide support funding directly to providers;
 - 3.5 funding the implementation costs of year one of the medium and long term work programme;
 - 3.6 releasing an Expression of Interest from December 2014 – February 2015, seeking 300 additional Income Related Rent Subsidy places in Auckland, followed by a Request for Proposals process;
 - 3.7 providing a one-off cash injection of \$500,000 to maintain viability in the emergency housing sector;

Whole of government land release for the development of social and affordable housing

- 4 **direct** that officials from the Ministry of Business, Innovation and Employment will work with Land Information New Zealand and other key agencies to provide advice on releasing surplus Crown land and buildings for housing development to the Minister for Social Housing and the Minister for Building and Housing by the end of February 2015;

Development and publication of the Ministry of Social Development's purchasing strategy

- 5 **note** that a purchasing strategy is a central component of the Ministry of Social Development's work to purchase social housing places more effectively, and that the Minister for Social Housing intends to bring a draft purchasing strategy to Cabinet in March 2015, prior to publication in April 2015;

Increased flexibility in the use of the Income Related Rent Subsidy

- 6 **note** that the Housing Restructuring and Tenancy Matters Act 1992 determines how the Income Related Rent Subsidy is calculated, and the prescriptive approach prevents government from adopting effective and responsive social housing purchasing policies;

7 9(2)(f)(iv)

- 8 **invite** the Minister for Social Housing to report back to Cabinet by March 2015 seeking final agreement to the amendments proposed in recommendation 7, including the type of purchasing arrangements that might be authorised by the Ministerial Direction;

Financial Implications

- 9 **approve** the following changes to appropriations to give effect to the policy decisions in recommendations 3.1 – 3.6, with a corresponding impact on the operating balance:

| | \$m – increase/(decrease) | | | | |
|--|---------------------------|----------------|----------------|----------------|-----------------------------------|
| Vote Social Development Minister for Social Housing | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 & Outyears |
| Departmental Output Expense: Services to Support People to Access Accommodation (funded by revenue Crown) | - | 1.876 | 1.391 | 0.735 | 0.735 |
| Vote Social Development Minister for Social Development | | | | | |
| Multi-Category Expenses and Capital Expenditure: Social Policy Advice Departmental Output Expense Policy Advice (funded by revenue Crown) | - | - | - | - | - |
| Total Operating | | 1.876 | 1.391 | 0.735 | 0.735 |

- 10 **note** that the proposals in this paper cost in total \$4.685 million in 2014/15: this includes \$2.518 million to implement the short-term measures to reduce pressure on the housing register and \$2.167 million to initiate the medium and longer term work on the purchasing role;
- 11 **authorise** the Minister of Finance, Minister of Science and Innovation, and the Minister for Social Housing, in consultation with other relevant Vote Ministers, jointly to make any necessary changes to appropriations to fund the \$4.685 million in 2014/15 from reprioritisation, with no impact on the operating balance;
- 12 **agree** that the expenses incurred under recommendation 9 above be a charge against the between-Budget operating contingency, established as part of Budget 2014;
- 13 **note** that officials are currently working to develop a cross-agency bid for project costs to support on-going development of social housing policy for 2015 and outyears to be considered for Budget 2015;
- 14 **agree** to the following capital to operating swap to give effect to the policy decision in recommendation 3.7, with the following impacts on the operating balance and debt:

| | \$m – increase/(decrease) | | | | |
|--------------------------------|---------------------------|----------------|----------------|----------------|-----------------------------------|
| Vote Social Development | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 & Outyears |
| Operating Balance Impact | 0.500 | - | - | - | - |
| Debt Impact | (0.500) | - | - | - | - |
| No Impact | - | - | - | - | - |
| Total | - | - | - | - | - |

- 15 **approve** the following changes to appropriations to give effect to the policy decision in recommendation 3.7:

| | \$m – increase/(decrease) | | | | |
|--|---------------------------|---------|---------|---------|--------------------|
| | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 & Outyears |
| Vote Social Development Minister for Social Housing | | | | | |
| Multi-Category Expenses and Capital Expenditure: | | | | | |
| Short-term Housing in Canterbury MCA | | | | | |
| Non-departmental Capital Expenditure: | | | | | |
| Short-term Housing in Canterbury Capital Expense | (0.500) | - | - | - | - |
| Vote Social Development Minister for Social Development | | | | | |
| Non-Departmental Output Expenses: | | | | | |
| Family Wellbeing Services | 0.500 | - | - | - | - |
| Total Operating | 0.500 | - | - | - | - |
| Total Capital | (0.500) | - | - | - | - |

- 16 **agree** that the proposed changes to appropriations for 2014/15 above be included in the 2014/15 Supplementary Estimates and that, in the interim, the increase be met from Imprest Supply;

Legislative implications

- 17 **note** the Minister for Social Housing will seek agreement in March 2015 to issue drafting instructions to the Parliamentary Counsel Office to amend the Housing Restructuring and Tenancy Matters Act 1992;
- 18 **authorise** the Minister for Social Housing, in consultation with other Ministers as appropriate, to make technical, policy and administrative changes to draft legislation in keeping with the overall policy intent;

- 19 9(2)(f)(iv)

Hon Paula Bennett
Minister for Social Housing

____ / ____ / ____

Appendix 1: Current and future state for purchasing levers for purchasing social housing places for clients

| LEVER | CURRENT STATE | FUTURE STATE |
|----------------------------------|--|---|
| 1. INFORMATION | Social housing register published quarterly with high level information on client characteristics. | An overall purchasing strategy with data/information, demand and supply projections, segmentation data, liability valuation, provider performance. |
| 2. CONTRACTING ARRANGEMENTS | All IRRS contracts are short-term (spot) contracts. SHU capital grants available in certain circumstances. | Long term contracts in areas of high demand, short-term contracts in areas where demand is falling. i.e. an active approach to where/how IRRS will be used over time. Outcome-based contracts for specific segments. |
| 3. TENANT PLACEMENT PROCESS | HNZC have automated process to match applicants on the social housing register to vacant properties. CHPs are provided a shortlist of applicants. Purchasing trial underway. | MSD IT system change in mid-2015 will enable more sophisticated placement process. Learning from the trial, a new placement process designed to facilitate a good match. |
| 4. POLICY SETTINGS | MSD needs assessment/purchaser function in place. Existing core policy settings for the demand and subsidy regime in place. | More flexibility on price of social housing (i.e. what IRRS can be spent on) Social allocation system (SAS) needs assessment criteria refreshed. Wider cohort of non-HNZC providers considered (e.g. local government). |
| 5. TOOLS TO SUPPORT INDEPENDENCE | Tenancy reviews started, and initial housing products (e.g. bond, moving fees) in place. | Greater use of tenancy reviews, using segmentation data to help targeting. Wider suite of housing products (e.g. rent-to-buy products). Active procurement in specific segments as needed (e.g. emergency housing, youth) |

Appendix 2 - Housing client segmentation

Housing continuum

Needs assistance

Social housing: Income Related Rent Subsidy (IRRS) + market renters

Housing Circumstance 6
Limited ability to increase income

37% of social housing primary tenants

NZS + IRRS recipients
12,387 people
Average subsidy: \$198 pw

Supported Living Payment + IRRS recipients
11,708 people
Average subsidy: \$214 pw

Housing Circumstance 5
Current need but with potential to move in medium-term

42% of social housing primary tenants

Sole Parent Support + IRRS recipients
10,947 people
Average subsidy: \$228 pw

Jobseeker Support + IRRS recipients
11,217 people
Average subsidy: \$239

Non-beneficiaries with high IRRS
4,634 people
Average subsidy: \$299 pw

Housing Circumstance 4
Potential to move in short-term

21% of social housing primary tenants

Non-beneficiaries with low-medium IRRS
9,476 people
Average subsidy: \$144 pw

Non-beneficiary market renters
3,241 people

JSS, SPS, SLP and NZS market renters
705 people

Admin data: 64,315 primary tenants (including market renters not receiving IRRS)

Transfer Register (25% of register)
NZS recipients – 123 people
SLP recipients – 354 people
SPS recipients – 350 people
JSS/other recipients – 285 people
Non-beneficiary – 297 people

Social housing register (5,599 applications)

Private market: Accommodation Supplement (AS)

Housing Circumstance 3
Ongoing assistance or supply-side interventions

47% of AS recipients

NZS + AS recipients
33,221 people
Average subsidy: \$58 pw

Supported Living Payment + AS recipients
48,120 people
Average subsidy: \$60 pw

Non-beneficiaries + AS
55,379 people
Average subsidy: \$83 pw

Housing Circumstance 2
MSD has levers to assist moving to independence

53% of AS recipients

Sole Parent Support + AS recipients
57,593 people
Average subsidy: \$93 pw

Jobseeker Support + AS recipients
96,664 people
Average subsidy: \$62 pw

Admin data: 290,000 people receiving AS

Housing Register (75% of register)
NZS recipients – 242 people
SLP recipients – 792 people
SPS recipients – 1,229 people
JSS/other recipients – 1,095 people
Non-beneficiary – 832 people

Housing Circumstance 7
People who are inadequately housed

Housing Circumstance 1
Independent in the Private market

Severe housing deprivation

No assistance

Appendix 3: Detailed analysis of proposals to manage the register for social housing and reduce pressure on emergency housing

Proposal 1a: Work with beneficiaries in Work-Focused Case Management who are on the social housing register

- 1 MSD provides intensive case management for beneficiaries who are most at risk of long term dependency through its Work-Focused Case Management stream (WFCM).
- 2 Approximately 1,100 people on the social housing register are also beneficiaries in WFCM, and have either full or part-time work obligations. Of these, 780 are in the higher housing demand areas of Auckland (600 beneficiaries), Christchurch (90 beneficiaries), and Wellington (90 beneficiaries). For many, getting into work and improving their income would be likely to remove a key barrier to accessing private housing.
- 3 There is an opportunity to build on this to support these beneficiaries to achieve both employment and housing outcomes. The process will mean that beneficiaries will:
 - be identified and prioritised in the system for WFCM
 - receive support to find work
 - receive support to transition into alternative housing, within eight weeks of starting work.
- 4 MSD anticipates that 50-75 per cent of those who get employment through WFCM will also be able to address their housing situation within the eight week timeframe. The approach will provide beneficiaries with appropriate support to help them make a sustainable transition to independence. This will include planning assistance and advice, information about the private rental market, and financial assistance that links transition to employment with housing support, and information about childcare and schooling as required.
- 5 Funding is required for five additional case managers, due to the increased time that would need to be spent with each beneficiary.

Risks

- 6 Reducing register numbers relies on people being able to access affordable alternative housing. The existing intensive case management expertise in WFCM and the availability of HSP should partially mitigate this risk, but the availability of affordable supply will continue to vary across different regions.
- 7 There is also a risk that people do not find alternative housing in the eight week timeframe after they find work. This can be mitigated by ensuring people are aware of their options and available support.

Proposal 1b: Provide a conditional grant letter for Priority B applicants on the register to help them find alternative accommodation

- 8 In 2013, MSD provided nearly 80,000 advances and recoverable assistance payments to beneficiaries for rent and bond. To date in 2014 it has provided over 65,000 beneficiaries with this support. This proposal would introduce a letter targeting applicants on the social housing register, offering them a conditional grant of such recoverable assistance to help them pay for bond, rent in advance and letting fees for alternative housing. The aim is to encourage people to actively search for alternative housing, by providing reassurance that they can access support to cover moving costs.

- 9 The letter could also be shared with prospective landlords to help break down some of the barriers these applicants might experience in establishing themselves in the private rental market. This would ensure landlords are aware of the support MSD can offer. The letter would state the maximum amount of assistance available to the individual (subject to final approval when they identify a suitable house), and stipulate that rent will be redirected directly from the person's benefit to the landlord once the tenancy starts.⁴
- 10 The amount of the conditional grant will be consistent with the maximum amounts and eligibility criteria set out in HSP (four weeks' rent up to a maximum of \$2,000 for bond and a payment for letting fees of one week's rent plus GST). The amount for the rent-in-advance payment will be calculated pro-rata based on existing maximum amounts for the bond grant and letting fees under HSP (i.e. for two weeks' rent, up to a maximum of \$1,000). Assistance would be recoverable, although repayments are generally low for existing recoverable assistance.⁵
- 11 The conditional grant letter will target priority B applicants, whose affordability issues are likely to be less significant, as well as all social housing tenants who are currently on the social housing transfer list. This would be managed as part of outbound calling.
- 12 This option would take four to six months to implement once decisions are made. There are some minor amendments to the HSP Ministerial Welfare Programme required to provide existing assistance through this package. These can be made by the Minister for Social Development under the Social Security Act 1964.

Risks

- 13 There is a risk that providing conditional grants for bond, rent in advance and letting fees may result in:
- perverse incentives for people to move onto the register to access assistance
 - deadweight costs for people who would have moved into the private housing market without assistance
 - people moving into unaffordable and unsustainable housing situations because of perceived benefits of the package of assistance in the short term.
- 14 Risks will be managed by case managers, including consideration of long term affordability when people are being assessed. Because all three products will be recoverable payments, perverse incentives and deadweight costs are minimal.

Proposal 2: Begin 3,000 additional tenancy reviews to create better flow through the system

- 15 Tenancy reviews began in July 2014. The objective of a tenancy review is to determine whether a tenant will be able to transition out of social housing, whether there is a more suitable social house for them, or whether they should remain in their current house.
- 16 Early indications are that reviews are working well to encourage and support people who are able to sustain alternative housing to move out of social housing. Of the 272 tenants who have started the Tenancy Review process, 24 have moved or have confirmed moving dates. A further 178 are actively engaged in planning a transition to private housing with their case managers, which includes budgeting, reducing debt, and searching for alternative housing. Seven tenants in the target group moved out before they were contacted for tenancy review.

⁴ As with other payments, redirection would require that the exercise of discretion be considered on a case by case basis.

⁵ Peoples' circumstances are taken into account when recovering debt in order to avoid undue hardship.

17 Initial reviews targeted market renters of at least one year duration, with incomes over \$1,000 a week, and without children. They were then extended to market renters of at least one year duration, with weekly incomes over \$500 a week, and without children.

18 This option would deliver an additional 3,000 tenancy reviews over the next two years with:

- an additional 1,000 reviews to begin in 2014/2015 (making the total number of reviews begun 1,800). Most of these reviews could be drawn from the initial target group already agreed by Cabinet (market renters under 65 with no children)⁶
- an additional 2,000 reviews to begin in 2015/16 (total 3,100 reviews in 2015/16). Many reviews could be drawn from the initial target group, although it may be necessary to extend the target group more broadly. 9(2)(f)(iv)

— 9(2)(f)(iv)

19 The tenancy review process will be adapted to take into account the different needs of tenants as the target group expands. For example, the process will take into account and support the well-being of any children at the property (e.g. looking at housing options that support continued engagement with local schools or early childhood education centres).

20 An evaluation of the tenancy review process is scheduled to begin in mid-2015.

Proposal 3: Supported accommodation for young people on the social housing register

21 There are approximately 70 people aged 18-19 years old on the register for social housing. Youth homelessness is often a precursor to homelessness in later life and international evidence suggests that supportive and stable housing environments contribute to better education, health and employment outcomes for young people.

22 This option would expand supported accommodation houses for young people. There are already four supported accommodation houses in operation.⁷ These houses rely on rent redirected from young people's benefits for funding, and are struggling to remain viable. At least one house is currently in rent arrears. This option would provide support funding paid directly to providers. Alongside tenant rental income, this funding will make supported housing more viable and enable providers to offer more supported accommodation for young people. Houses typically have three young people and one house parent in residence.

23 Funding would be targeted where demand is highest in Auckland and Christchurch (there are 31 people aged 18-19 on the register in these locations), with the aim of having an additional 20 people at any one time in supported housing. MSD estimates that some young people may only need support and a stable home for short periods (e.g. six months), whereas other young people may need to be supported for a longer period of time (one or two years). While young people would need to be 18-19 and on the register to enter supported housing, there is a need for some flexibility about the age young people leave supported housing.

⁶ In October 2014, MSD began reviews with some households where over 65s live, but only if at least one primary tenant is under 65 years old.

⁷ These are located in Invercargill, Tokoroa, Christchurch and Hamilton. Houses generally have four rooms, one occupied by the house parent. Current arrangements are not funded by MSD, so MSD does not have information on how many young people are in supported housing.

- 24 This option would be implemented through a Request for Proposal (RFP) process, with Non-Government Organisations (NGOs) responsible for finding suitable houses and house mentors. The proposed additional housing is likely to be available from March 2015.

Risks

- 25 There is a risk that providers will want to house young people they are already working with, and not those on the social housing register. This will be managed through the RFP process, by ensuring providers are contracted to house young people from the register.
- 26 There is also a risk that providers of the four current supported accommodation houses for youth may feel unfairly disadvantaged, given funding is not being provided to top up the existing houses. However, these providers will be able to tender for the RFP and receive additional funding if successful.

Proposal 4: Provide information about support available to move from high demand to lower demand areas

- 27 This option will provide information and advice to people who are referred to MSD by housing providers (especially emergency housing providers), about what support could be available to help them to move from areas where there is high demand for social housing to locations where more affordable housing is available. MSD would give providers information about areas that may be suitable relocation areas.
- 28 MSD would consider individual situations, including whether the person wants to move, and whether they have work obligations. MSD would then provide advice about financial support available to help people move, e.g. through the HSP. MSD would also provide information about other services, such as schooling or early childhood education if required. I propose to take a launch and learn approach for a period to measure the impact. I will ask officials to report back to me after six months on the effectiveness of this approach.
- 29 There are more than 2,000 people currently on the register who have indicated they are willing to live in more than one Territorial Local Authority. Feedback from sector representatives indicates that this proposal is a worthwhile option, but one that is likely to have relatively low levels of uptake.
- 30 MSD will consider grant limits for certain items under the HSP (e.g. for moving costs) to determine whether these are enough to support people in these situations to move. If required, changes to grant limits can be considered alongside minor amendments to the HSP Ministerial Welfare Programme required to implement Proposal 1b.

Risks

- 31 People may experience worse social outcomes if they move away from key support networks. The risk would be mitigated by comprehensive assessments of availability of suitable supports in new locations.
- 32 Some people may complain to the media that they are being asked to move to a different location. Conversations will focus on providing advice and support about moving if the person is interested, and will be very clear that there is no requirement to move.

Proposal 5: Improve the emergency housing response in Auckland

- 33 9(2)(f)(iv)

As at September 2014, there were 217 people on the register in Auckland that identify homelessness as their main reason for applying for social housing.

- 34 Currently, if a person presents at MSD with emergency housing needs the response is ad-hoc. This option would introduce an emergency housing database in Auckland that will provide up to date information on the number of emergency beds that are available on any given night, enabling MSD to have a better picture of supply. Sector representatives strongly support the development of an emergency housing database.

Proposal 6: A \$500,000 cash injection to support emergency housing providers while a review of funding for emergency housing support takes place

- 35 Throughout New Zealand emergency housing providers are reporting significant operational pressures and growing demand for their services. Homelessness and people in insecure housing is a major issue in Auckland, particularly Auckland City, Waitakere and Manukau.
- 36 This option would provide a short term cash injection of \$500,000 to maintain viability in the emergency housing sector, while work on a review of funding for emergency housing takes place.
- 37 Current MSD funding to emergency housing providers is contributory and comprises:
- provision of intensive social work services for at-risk families in assisted emergency accommodation of \$1.2 million per year, of which \$0.462 million is for Auckland based providers. Funding has remained stable over the last few years
 - crisis support services delivered by refuge providers in Auckland, including a component of Child Youth and Family funding contracted to providers affiliated to the National Collective of Independent Women's Refuges (\$1.049 million) and non-affiliated refuge funding (\$3.208 million).
- 38 I have directed officials to conduct a review of current funding for emergency housing providers. The review will consider the targeting of emergency housing – including the objectives of current funding, what MSD currently purchases and who from – as well as the adequacy of current funding throughout the country and how it might be optimised. The review will take place over six months and officials will report back by the end of July 2015 with findings and recommendations for changes. This will inform any future work on options for emergency housing funding.

Risks

- 39 There is a risk that that providers will expect funding increases to be on-going. MSD will manage this by communicating with providers about the one-off nature of the cash injection, as well as the review of funding, and working with them as it progresses.

Proposal 7: Release an EOI and RFP to increase IRRS places in Auckland

- 40 This option would see MSD carry out an Expressions of Interest process from December 2014 – February 2015, seeking an additional 300 IRRS places in Auckland. The EOI enables MSD to test what the market can deliver, and identify additional support that may be required. This would be followed by an RFP, as a first step towards MSD purchasing social housing places more strategically and signalling on-going demand for social housing to the market.

- 41 More than 70 per cent of people on the register in high demand areas⁹ are in Auckland. Most of these people are seeking one or two bedroom properties. Because there are few smaller properties available within the existing stock, the RFP will signal a need for 1-2 bedroom properties, but MSD will be open to purchasing properties with more bedrooms if they suit clients' needs.
- 42 Providing additional places will have a positive impact on older people, as 64 per cent of people on the register aged 65 years and older are in Auckland.
- 43 The RFP would enable MSD to test different ways to contract with social housing providers. Some providers have said they would consider providing new social housing places if longer term contracts were offered, and there was sufficient guarantee of future income flow. Current contracts with providers can be terminated by either party on 90 days' notice.
- 44 Contracts would be able to guarantee IRRS tenancies for some or all of the additional places for up to five years. The length of contracts would depend on whether demand is forecast to increase or remain stable. MSD will use the RFP to learn about what it takes to encourage more providers to enter the social housing market and to determine whether there is additional supply of social housing places available. What can be included in the RFP and contract negotiations will depend on progress with legislation that aims to give MSD greater flexibility in the use of IRRS.
- 45 The cost of funding additional places will depend on the response to the RFP. In general, CHP properties are slightly more expensive than HNZO properties, as they tend to be better quality, newer, and are more likely to be modified for people with mobility or health issues.
- 46 Capacity in the sector is limited. Particularly in Auckland, strong feedback from providers and sector experts is that it is likely to take more than the funding provided through IRRS in order for providers to offer additional IRRS places.
- 9(2)(g)(i)
- 47 9(2)(f)(iv)
- 48 Current budget forecasts are that IRRS expenditure for 2014/2015 will be \$6.7 million less than the forecast at Budget 2014. The proposed 300 places could be funded within the current budget for the 2014/15 year and the 2015/16 year. In 2016/17 and outyears MSD will need to manage expenditure to remain within the cap (e.g. through funding fewer social housing places in other areas with lower demand, or increasing waiting times), unless Joint Housing Ministers agree to increase the cap.
- 49 If agreed, MSD would release an EOI between December 2014 and February 2015. The RFP and contracting process would follow and is likely to take four to five months.

⁹ Auckland, Hamilton, Wellington and Christchurch.

9(2)(g)(i)

Risks

- 50 The nature of existing housing stock means it is unlikely that MSD will be offered places that fit the exact type, size and location of places it signals. 9(2)(g)(i) MSD is working on mitigation by considering what additional support could be offered as part of the RFP process. Part of the purpose of the process is to learn more about what the market can offer to better meet demand, and what support providers may need to increase the IRRS places they can offer.
- 51 Social housing providers may increase the number of social housing places they can offer by converting places in their affordable housing pool to social housing places. This may result in fewer places available for tenants to transition from social housing into affordable housing, driving up demand for social housing in the long term. When considering proposals, MSD will give preference to innovative housing solutions that use properties not currently used for affordable housing.

Scenarios showing how proposals work together

Hine has been assessed as a priority B applicant for social housing, and has been on the register for eight months. She is living with her sister and her sisters' three children in a three bedroom house.

Hine has a part time job and is just making ends meet, but is unable to save the money needed to cover the bond and rent in advance that would be needed to move into a house. With the help of a conditional grant letter for bond rent and letting fees she soon finds alternative accommodation in a small flat not far from her sister's place.

Maree is living in south Auckland with her partner, who drinks frequently and is often violent towards her. She approaches MSD seeking assistance so that she and her two children aged six months and three years can leave the family violence situation.

Maree wants to move into social housing, because she cannot afford alternative accommodation in Auckland. Her case manager notes that her sister and parents are all living in Hamilton and asks if she has considered moving to be closer to their support. Previously she had not considered that a possibility, but when she is advised of the rental prices in the area and the support she can get for bond and rent, Maree makes the decision to move to Hamilton where she can provide a better quality of life for her children.

Brian has a longstanding mental health condition. He is currently living in a two bedroom HNZC house. He moved into the house with his parents when he was 21, and has been in his house for 20 years. His parents have both passed away and he struggles to get his daily tasks done and keep the house clean. Brian really only needs a one bedroom house, and has asked to be moved to a smaller place.

Brian's needs are identified and he is matched to a Community Housing Provider who specialises in supported accommodation for people with mental health conditions. He is very happy in his new home as he feels he is part of a community and welcomes the additional support he needs to manage his daily affairs.

Appendix 5: Members of MSD's Housing Assistance Reform Feedback Group

| | |
|--------------------------------|---|
| Professor Neil Quigley | Deputy Vice Chancellor Research, Victoria University |
| Lisa Woolley | Chief Executive Officer, Vision West Community Trust |
| Scott Fignshow | Director, Community Housing Aotearoa |
| Annette Sutherland | Manager, Comcare Housing Services |
| Associate Professor Ann Dupuis | Regional Director, School of People Environment and Planning, Massey University |
| Diane Robertson | Head of the Auckland City Mission |

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