

APPENDIX 1: LIST OF ACRONYMS

BAU	Business as usual
BCG	Boston Consulting Group
CCO	Council Controlled Organisation
CE	Chief Executive
CHP	Community Housing Providers
CGH	Community Group Housing
DCE	Deputy Chief Executive
EU	Establishment Unit
FHOS	First Home Owner Scheme
FTE	Full-time equivalent
GLO	Government Land Organisation
GM	General Manager
HLC	Hobsonville Land Company
HNZC	Housing New Zealand Corporation (known as Housing New Zealand)
IRRS	Income Related Rent Subsidy
KPI	Key Performance Indicator
MBIE	Ministry of Business, Innovation and Employment
MSD	Ministry of Social Development
NGO	Non-government organisation
NPV	Net Present Value
NZPC	New Zealand Productivity Commission
NZTA	New Zealand Transport Authority
PTE	Part-time equivalent
PSG	Project Steering Group
RFP	Request for Proposal
SNA	Special Housing Area
SHARP3	Special Housing Area Redevelopment Programme No. 3
SHPO	Social Housing Programme Office
SHRP	Social Housing Reform Programme
SHU	Social Housing Unit
SRO	Senior Responsible Official
TRC	Tamaki Redevelopment Corporation
TSY	The Treasury

APPENDIX 2: TERMS OF REFERENCE FOR SOCIAL HOUSING REVIEW

In December 2014, the Cabinet invited the Minister of Finance and the Minister of Social Housing to report to Cabinet in November 2015 on progress in the Social Housing Reform Programme (SHRP).

The Government has committed to delivering 65,000 Income Related Subsidy places by the end of 2017/18.

The Government has set out the following objectives for the SHRP:

- Ensure that people who need housing support from the Government can access it and receive social services that meet their needs.
- Help social housing tenants to independence, as appropriate.
- Ensure that social housing is of the right size, configuration and quality, and in the right areas, for those households which need it.
- Help increase the supply of affordable housing, especially in Auckland.
- Encourage and develop more diverse ownership of social housing, with more innovation and responsiveness to tenants and communities.

and established the following bottom lines:

- Tenants in properties that are sold will continue to be housed for the duration of their need.
- Properties will be sold only if this results in better services for tenants and fair and reasonable value for taxpayers.
- Housing New Zealand and community housing providers will collectively provide more social housing places in New Zealand than there are now – particularly in Auckland and Christchurch.
- The Government will spend more on MRRS and ensure HNZC has enough capital to build new social housing and redevelop its existing properties.
- HNZC will continue to be by far the biggest owner of social housing and by 2017 Housing New Zealand will provide around 60,000 properties.

A programme of work is underway across MSD, MBIE, Treasury and HNZC.

Task

Your primary task is to review the SHRP programme of work to assess whether the processes and decision tools necessary to achieve the Government's commitments, objectives and bottom lines are established or on track to be established.

You should make recommendations on changes or improvements in the SHRP that would support achievement of objectives and bottom lines, in particular meeting the Government's commitment to deliver 65,000 Income Related Rent Subsidy places in 2017.

Factors of particular concern include:

- Clarity with which commitments, objectives and bottom lines are understood.

- Whether there is a clear allocation of decision rights across the SHRP, including between Ministers, between Ministers and agencies, between agencies, and within agencies.
- Whether there is the governance, systems, processes and resources necessary for coordination across departments (where coordination includes consistency in decision making and identification of sales or procurement opportunities across silos that are most aligned with the commitments, objectives and bottom lines).
- Whether there is the ability to analyse fiscal and commercial trade-offs in reaching the 65,000 target.
- Whether decision makers are receiving information and advice they need to support their decision making in pursuit of SHRP objectives, and if they are not what changes are needed:
 - Ability of the system to work backwards from delivery of housing so that officials understand when decisions need to be made (milestones), and that they can be held to account for timely decisions;
 - Whether reported pipelines of social housing places to be delivered over the next 3 years, including from HNZC, are realistic, and what modifications to reported pipelines are needed to provide a 'best estimate' of actual future social housing places;
 - Whether agencies have access to the skill sets needed to deliver on the objectives.
 - Whether agencies have a framework, and the tools and skill sets, necessary to be able to consistently evaluate different opportunities (including large-scale unsolicited offers) against the Government's objectives, and to make decisions on which opportunities to proceed with in a coordinated and timely way.
- Whether there are governance, systems, or process overheads which do not add value and what action is required to appropriately deal with it.
- Willingness and ability of the system to receive, understand and, if appropriate, act on innovation in any aspect of social housing delivery including provision of mobility or wraparound services.
- Whether officials are effectively communicating with (actual or potential) Community Housing Providers, developers, financiers – in particular using language and providing information that is most relevant to those potential market participants.
- Whether officials recognise and are protecting the opportunity for patient capital and entrepreneurs who recognise and can incorporate expected future capital gains into willingness to pay.
- Whether an appropriate balance between probity, timely delivery of outcomes and access to innovation in service delivery has been found.

Your recommendations should take account of the consequences of system changes for timeliness of delivery and ability to meet SHRP objectives.

Out of scope

The review should not evaluate Government policy and objectives (although clarity with which those objectives are understood is within scope) but be focused on assessing the systems and processes for delivering policy and objectives.

All areas of the SHRP are in the scope of this review, except for the following (unless these elements directly influence in-scope areas of the SHRP):

- Tāmaki Redevelopment Company

- HNZC business as usual small scale development and divestments
- MSD management of the social housing register (waitlist)
- Provision of mobility products or wraparound services currently provided by the public service
- MBIE Crown land development programme
- Registration and regulation of Community Housing Providers by MBIE
- Communication with tenants and the wider public.

Consultation

In undertaking this review we expect you to consult with government officials, HNZC, and Ministers and their offices. You will seek approval from the CE of the Treasury before discussing this review with other parties including CHPs and developers. You will not contact tenants in this review.

Reporting

You will report to the CE of the Treasury.

Timeframe

Draft report by early December, final report by Christmas Eve

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APPENDIX 3: SUMMARY OF RESPONSES TO SPECIFIC REVIEW QUESTIONS

Table 4: Responses to specific review questions

Review question	Finding	Recommendations
1. Is there clarity with which commitments, objectives and bottom lines are understood?	<p>Partially. Through our interviews with officials we found a high degree of consensus and understanding of government's high level objectives and outcomes for the SHRP. At a more specific or operational level, we found general clarity and commitment to the 65,000 IRRS places by June 2018 target, which is currently the main target and area of focus across MBIE, Treasury and MSD and the only commonly owned KPI that is specific and measurable.</p> <p>In support of the more general SHRP objectives and outcomes, we found an evaluation framework that had been developed by MBIE, but lack of specific and measurable types and milestones to monitor overall implementation progress against.</p> <p>From our interviews with officials we discovered differences across agencies as to the relative priority / weighting that should be given between long term outcomes and objectives and no clear way of providing overall direction on programme priorities or where trade-offs might acceptably be made between longer term outcomes and objectives in order to give priority to the 65,000 target.</p>	Recs 1, 8, 10, 11, 14, 17, 18 and 21
2. Whether there is a clear allocation of decision rights across the SHRP, including between Ministers, between Ministers and agencies, between agencies, and within agencies	<p>No. From our review of programme documents and interviews with officials we found no agreed decision making framework. We found no clear framework to guide which decisions and judgments are / should be made by officials at a central programme governance level, which should be made by agencies at a work stream or operational level and which should be escalated to Ministers for decisions.</p> <p>Instead, we found the current governance mechanisms work as coordination and information sharing mechanisms rather than decision making mechanisms. This results in risks that decisions are made at the wrong levels and sometimes without proper analysis or understanding of their implications for programme level objectives and outcomes. For instance, the understanding we gained from interviews with officials and staff from Ministers' offices was that the decision to announce the 65,000 IRRS target was made without adequate advice from officials on its feasibility or the implications of its adoption for officials' achievement of other programme objectives.</p>	Recs 1, 5 and 6
3. Whether there is the governance, systems, processes and resources necessary for coordination across departments (where coordination includes consistency in decision making and identification of sales or procurement opportunities across silos that are most aligned with commitments, objectives and bottom lines)	<p>No. From our review of programme documents and interviews with officials and ministers' office advisers, we found that programme governance and management has evolved and improved over the past twelve months and the last two months in particular, but that it is not of a robustness or quality that we would expect for a programme of this importance and type.</p> <p>The SHRP is a complex programme being implemented by four agencies within a challenging social, market, economic and social context. The current arrangements are based on regular meetings of DCEs and GMs and are primarily geared to information sharing and coordination across agencies rather than robust programme management. In our view this is insufficient to provide effective alignment and sequencing across programme components, to provide sufficient confidence in delivery or to ensure that decisions and judgments critical to programme success are being surfaced and addressed at the right level. We are, for instance, concerned that:</p> <ul style="list-style-type: none"> • there is no clearly identified person or agency accountable to Ministers for overall programme leadership and delivery • until recently there has been no programme plan, and that the current programme plan is largely a compilation of various project level plans rather than a purposeful and properly developed programme level plan • there is insufficient programme level governance – we believe there are additional specialist skills and experience required to provide adequate governance for a programme of this type • we found no evidence of integrating programme level frameworks that would provide the basis necessary for programme level decisions and advice on the focus, sequencing and alignment of work across agency led works – the closest we saw to this were the set of three Cabinet papers that were reported to Ministers in December 2014 	Recs 1, 8, 10, 11, 14, 17, 18 and 21

• While we found an evaluation framework we did not find, apart from the 65,000 IRRS target, a set of programme level KPIs, milestones and dashboard to provide for overall programme monitoring and reporting.

Recs 4, 6, 8, 10 and 11

4. Whether there is the ability to analyse fiscal and commercial trade-offs in reaching the 65,000 target

Partially. We found evidence of the monitoring of initiatives to deliver on the target of 65,000 IRRS places. This evidence included detailed assessments of the expected number of income related rent places to be produced as a result of specific activities. What we did not find was the analysis needed to provide confidence that the identified IRRS places could be procured and / or built in the timeframes necessary to realise the additional IRRS places by the end of June 2018.

In many cases additional IRRS places are being secured on the basis of an agreement from a third party to procure or build and subsequently lease additional IRRS places. From our review of programme documents and interviews with officials and external stakeholders, we were left with the view that officials do not have an adequate understanding of the extent to which commitments can actually be delivered by June 2018.

We also learnt that a variety of strategies and arrangements are being entered into to secure the 65,000 IRRS places. Some of the additional IRRS places are being secured on the basis of agreements to pay for places on a basis different to that initially signalled to the market, and in some cases at a significant premium to market rents. It is unclear whether the longer term and corresponding fiscal implications of these arrangements to deliver on the 65,000 IRRS places have been fully considered.

Recs 1, 4, 5, 6, 9, 10, 11, 13, 17, 18 and 21

5. Whether decision makers are receiving information and advice they need to support their decision making in pursuit of SHRP objectives, and if they are note what changes are needed:

Not systematically.

Current programme coordination arrangements are relatively new. Richard Braae was appointed at the end of 2014 to provide programme coordination and is seen by some not only to be a point of overall programme coordination and leadership. Richard has the part time support of two project managers in MSD but no dedicated analytical resource to support him in his role.

The systems and processes that would normally be associated with programme management of a high profile, high impact and challenging programme of this type are starting to be developed, but at the time of our review there were gaps. We did not find an adequate programme plan, no risk register, no KPIs apart from the 65,000 IRRS target and no systematic programme reports or dashboard. DCE group minutes indicate that it operates primarily as an information sharing and coordination group, rather than as a programme governance group.

While information to inform decision making has improved, it is not yet fit-for-purpose. A robust programme plan and medium to long term KPIs are yet to be developed and are urgently needed in order to provide an adequate basis for more systematic and robust monitoring and governance of the various cross agency initiatives that constitute the programme. This is important to ensure the proactive and systematic identification and management of issues, alignment and sequencing decisions, as well as reporting and advising on progress.

More capability and capacity is required at programme governance level to analyse information across programme components, to surface critical issues and to assess, advise on and take necessary action to ensure effective programme delivery. These improvements need to be supported by clear allocation of decision rights across agencies, the programme and Ministers.

Recs 6, 8, 9, 10, 11, 14, 19 and 21

6. Ability of the system to work backwards from delivery of housing so that officials understand when decisions need to be made (milestones), and that they can be held to account for timely decisions

Partially. Currently the SHRP comprises 17 individual projects which are segmented by government agency. This plan does not clearly identify the key delivery outcomes, milestones and decisions. Within individual work streams and agencies there is improved delivery focus – for example Treasury asset transfers, MSD reviewable tenancies and HNCC delivery of new housing targets where there are clear milestones. The gap is in understanding the trade-offs and priorities between work streams and across the programme and the impact of these issues.

The focus of officials across programme elements seems to be primarily input focused, on for instance “checking deals” to transfer assets or agree a commitment to build or lease additional IRRS places rather than the actual realisation of IRRS places. The point we are making is that there is often a significant amount of activity and elapsed time from the point that a “deal” to provide additional IRRS places is concluded to when those places are actually available. In our view, there is weakness and capability gaps in the ability of officials to analyse and adequately consider the work of CNPs, developers and investors to deliver IRRS places