Social Housing (IRRS) Purchasing Intentions

15 April 2015
Introduction

The Social Housing Reform Programme is a cross-agency approach to improve the provision of social housing in New Zealand. The Government has taken steps to transform the delivery of social housing by supporting the development of a multi-provider social housing market. It has committed to a set of objectives aimed at providing social housing that meets the needs of our most vulnerable New Zealanders.

The Ministry of Social Development (MSD) is now responsible for purchasing social housing tenancies for people with serious housing needs, using the income-related rent subsidy.

This information release is just one way MSD can help encourage the diversity of social housing providers and support improvements in the provision of social housing.

Other ways include:

- contracting arrangements
- tenant referral and tenant placement process
- policy settings
- tools to encourage independence.

The release is in four parts.

1. Context and future directions for the social housing market
   - Overview of the social housing reform programme
   - Roles and functions
   - The vision for the social housing market
2. MSD's social housing (IRRS) purchasing intentions
   - How the purchasing intentions were developed
   - National purchasing intentions summary
   - Regional purchasing intentions
3. How MSD will operate as a purchaser
   - Contracting framework
   - Tenant referral and placement processes
   - Policy settings
   - Tools to support independence
4. Updates and future releases
   - Housing client segmentation
   - Detailed register information
   - Tenancy duration and exit data
   - Future updates
Purpose of this release

This release provides up-to-date information about the social housing market and MSD’s purchasing intentions, to support housing providers to make investment decisions.

A key to the success of this release will be the quality of the match between demand for and supply of social housing places. Over time, the aim is that:

- individuals are matched to places that meet their needs
- across New Zealand places are available where they are needed and of the type needed
- providers have the information they need to deliver places and services that support people
- the Government gets value for money and provides support to those who need it.

The release supports the following goals:

- signals MSD’s intention to purchase an estimated 3,000 additional social housing Income-related Rent Subsidy (IRRS) places by 2018, providing information about the location and type of housing places that are needed
- encourages new community housing providers to enter the market and existing community housing providers to grow their capacity
- ensures that people who need housing support can access it, and receive social services that meet their needs
- engages housing providers and potential providers in an open discussion about the provision of social housing, and the content of future information releases.

MSD expects housing providers to use this release to support their development and investment decisions in relation to social housing. It is intended to increase understanding about:

- where MSD considers social housing places will be needed over the next two to three years
- the type of social housing places required
- the characteristics and needs of people living in, and in need of, social housing
- how MSD works with social housing providers.
First release: providing feedback

You can help by providing feedback on this release. Let MSD know what information is helpful, what is not, and what you expect to see in future releases.

This release gives housing providers a wide range of information to support investment and development decisions. By doing this, MSD aims to reduce any mismatch between demand for social housing and the availability of places.

MSD has worked with its Housing Assistance Reform Feedback Group¹ to determine the type of information included in the first release.

This is the first time this type of information about the social housing market has been released. Information systems and the market itself are still developing. This release contains the most up-to-date information available at the moment, but there are still gaps and areas that will benefit from improvement.

MSD wants to ensure that future releases are fit for purpose and useful to housing providers.

You can also comment on the policy and operational settings, particularly if you consider that there are approaches or changes that would support your organisation to build its capacity to deliver social housing to New Zealanders.

A survey of registered social housing providers will be done within three months of this release. The types of questions to be covered are set out below.

If you are not a registered housing provider, but want to provide MSD with feedback through the survey, please register your interest by sending an email to: social_housing@msd.govt.nz.

¹ This group is made up of sector and expert representatives. It provides MSD with feedback on its social housing work programme.
### Key questions on MSD’s first IRRS Purchasing Intentions release

<table>
<thead>
<tr>
<th><strong>The following are the types of questions we will be seeking feedback on:</strong></th>
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</table>
| **IRRS Purchasing Intentions** | • Will this information influence your investment decisions, and if so how?  
• Are the purchasing intentions appropriate in each location?  
• Are there other considerations MSD should take into account when deciding the location and types of places to fund?  |
| **Data provided** | • Is the data in the release helpful? Which parts are most useful to your organisation?  
• What other information would you like to see included?  
• What other information would you like to receive regularly?  
• What other information on tenant needs and characteristics would be useful?  |
| **Performance measures (KPIs)** | • Do you agree with the performance areas outlined?  
• Are there other areas you think are important?  
• What are your views on specific performance measures that could be collected and used?  |
| **Contracting approach** | • Would proposed changes to MSD’s contracting approach support your organisation?  
• What other contracting and price variations would you find useful?  |
| **Tenant referral and placement** | • Do you have ideas about how the tenant placement process could be improved?  |
| **Policies and tools for independence** | • Which policies or tools would you most like to see work on?  
• What are your views on the existing tools and their value?  |
### Part 1: Context and future directions for the social housing market

#### 1.1 Overview: The social housing reform programme

The Social Housing Reform Programme is a cross-agency approach that will increase the diversity and supply of social housing in New Zealand and provide better housing services to tenants. It builds on a number of measures taken over recent years to provide more New Zealanders in need with quality and affordable housing.

<table>
<thead>
<tr>
<th>Government’s objectives for social housing reform are to:</th>
<th>Ensure that people who need housing support can access it and receive social services that meet their needs.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Ensure that social housing is of the right size and configuration, and in the right areas, for those households that need it.</td>
</tr>
<tr>
<td></td>
<td>Help social housing tenants to independence, as appropriate.</td>
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<tr>
<td></td>
<td>Encourage and develop a more diverse ownership of social housing, with more innovation and responsiveness to tenants and communities.</td>
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<tr>
<td></td>
<td>Help increase the supply of affordable housing, especially in Auckland</td>
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</tbody>
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<table>
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<tr>
<th>Government’s bottom lines for social housing reform are:</th>
<th>Housing New Zealand and community housing providers will collectively provide more social housing places than there are now – particularly in Auckland and Christchurch.</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>Housing New Zealand will continue to be by far the largest owner of social housing and by 2017 will provide at least 60,000 properties.</td>
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<tr>
<td></td>
<td>Properties will be sold only if this results in better services for tenants and fair and reasonable value for taxpayers.</td>
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<td></td>
<td>Tenants in properties that are sold will continue to be housed for the duration of their need.</td>
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<tr>
<td></td>
<td>The Government will spend more on income-related rent subsidies and ensure that Housing New Zealand has enough capital to build new social housing and to develop its existing properties.</td>
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</tbody>
</table>
What’s happened so far

Growing the community housing sector

In 2011, the Social Housing Unit was set up. Since then $139 million has been provided in capital grants to community housing providers for developing 890 housing units.

Extending the income-related rent subsidy to community housing providers

In 2013, the law was changed to open up social housing to approved non-government providers, so they can receive the same subsidies as HNZC, for tenants referred to them by MSD.

Set up an independent needs assessor and purchaser for social housing (IRRS) places, supported by an independent regulator

In 2013, the Ministry of Business, Innovation and Employment was established as an independent regulator for the sector. In April 2014, needs assessment for social housing transferred to MSD.

MSD is now the purchaser of social housing (IRRS) places for people in serious housing need. This sees MSD set the conditions for how the social housing market operates. How MSD will do this is explained below.

Table 1: Purchasing social housing (IRRS) places

<table>
<thead>
<tr>
<th>Description</th>
<th>Rationale</th>
</tr>
</thead>
</table>
| **Information** | Provision of information about:  
- the register for social housing  
- supply and demand projections  
- expected funding.  
| Information supports the growth and operation of the market by sending strong signals to housing providers. |
| **Contracting arrangements** | Settings in contracts with housing providers: eg short term or long term, outcomes-based for specific segments. Availability of other funding, eg capital grants and the criteria to access these.  
| The way that social housing is purchased and contracted strongly influences incentives on providers (eg to enter the market, to develop properties, and to offer places to MSD’s clients). |
| **Tenant referral and 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. |
| **Policy** | Fundamental policy that governs demand (the needs assessment criteria in the Social Allocation System), and rental subsidies (Accommodation Supplement and the Income Related Rent Subsidy).  
| Policy provides the boundaries within which the purchaser role operates and set incentives for both tenants and housing providers. |
Policy is designed to support good housing outcomes for tenants.

<table>
<thead>
<tr>
<th>Tools to support independence</th>
<th>For example, tenancy reviews, financial incentives to encourage independence, and accessing alternative housing options.</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>Tenants face a number of disincentives to transition out of social housing, which can be shifted through the active use of tools. This frees up housing places for those most in need.</td>
</tr>
</tbody>
</table>

Over time, MSD will develop each of these areas.
1.2 An emerging social housing market

Social housing is part of New Zealand’s housing provision, and as such, pressures on social housing reflect problems in the wider housing market.

Housing that is safe, warm, and dry is a basic human need. Social housing is a core part of New Zealand’s welfare system and the safety net that supports vulnerable New Zealanders when they are not able to support themselves.

The social housing register has been growing steadily over recent years. While it is now starting to level off and decline from its high point early in 2014, the trend is indicative of a social housing system that is not equipped to respond quickly to changing needs and wider trends in the housing market. There are still too many New Zealanders who aren’t able to get the level of support they need.

The register reflects a lack of suitable places – in homes that are the right size for tenants, and meet their other support needs – in locations where there is high demand for social housing.

At the same time, the use of existing social houses is an issue. There is significant overcrowding in some areas (eg at the end of January 2015, 8.2 per cent of HNZC properties in Auckland and 5.1 per cent of HNZC properties nationwide had some overcrowding).

This has wider implications for New Zealanders’ social well-being; overcrowded housing is a critical risk factor for Rheumatic Fever and other health issues. A more responsive social housing market will lead to better social outcomes for New Zealanders, with improved housing outcomes flowing through into improvements in other areas, particularly for health and well-being, including reducing rates of Rheumatic Fever.

In other areas, houses are larger than people need (6.6 per cent of HNZC properties are underutilised nationally). Better matches between households and the social housing places they are offered is a more efficient use of taxpayer funds.

Shifting to a multi-provider social housing market

The new direction in social housing is a switch from an administrative approach to a market approach. The previous model had all functions provided by HNZC in-house. The new model, which is still under development, separates out the various functions and uses a mix of contracts, regulation and legislation to deliver better outcomes for vulnerable New Zealanders. The key features of the model include:

- a split between the purchaser of social housing places (MSD) and social housing providers (HNZC and CHPs)
- independent regulation of social housing providers by the Ministry of Business, Innovation and Employment
- a shift from a focus on government ownership of houses to a focus on purchasing social housing places

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2 Currently a match is considered to be one bedroom more or less than the number required by the household.
- a focus on growing diversity of social housing providers and services available to support tenants.

1.3 The role of involved agencies

The following diagram and table set out roles and functions in the social housing market.

**Figure 1 Roles and functions in the new social housing market**
## Table 2: Key agencies’ roles and functions

<table>
<thead>
<tr>
<th>The Ministry of Social Development</th>
<th>Housing providers</th>
<th>The Ministry of Business, Innovation and Employment (MBIE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Assess eligibility for social housing and a person’s need for a house.</td>
<td>• Match prospective tenancies to houses.</td>
<td>Within MBIE the Community Housing Regulatory Authority (CHRA) is the regulatory body for CHPs. They:</td>
</tr>
<tr>
<td>• Manage the IRRS appropriation.</td>
<td>• Start and end tenancies.</td>
<td>• approve and register CHPs who meet prescribed eligibility criteria and Performance Standards,</td>
</tr>
<tr>
<td>• Manage the social housing register.</td>
<td>• Prepare and manage tenant agreements.</td>
<td>• maintain the register of CHPs, monitor compliance with the Performance Standards,</td>
</tr>
<tr>
<td>• Support people with a serious housing need who can’t be referred immediately to a housing provider.</td>
<td>• Tenant liaison and landlord duties.</td>
<td>• investigate and determine complaints about registered CHPs,</td>
</tr>
<tr>
<td>• Help people find the right housing option for their situation.</td>
<td>• Charge rent (based on income-related rent or market rent as appropriate).</td>
<td>• suspend or revoke registration when a CHP no longer meets the criteria and Performance Standards.</td>
</tr>
<tr>
<td>• Calculate and review income-related rent.</td>
<td>• Tenant transfers.</td>
<td>The Social Housing Unit (SHU) administers the Social Housing Fund which distributes available capital grant funding to CHPs.</td>
</tr>
<tr>
<td>• Pay income-related rent subsidies to housing providers.</td>
<td>• Collect rents, debt for overdue rents and damage charges.</td>
<td></td>
</tr>
<tr>
<td>• Fraud investigations and legal actions.</td>
<td>• Buy, sell, develop and/or lease suitable properties.</td>
<td></td>
</tr>
<tr>
<td>• Recovery of debt from underpaid income-related rent.</td>
<td>• Manage and maintain houses to an agreed standard.</td>
<td></td>
</tr>
<tr>
<td>• Review decisions on eligibility, needs assessments and income-related rent.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Tenancy reviews.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>The Treasury</strong></td>
<td><strong>Te Puni Kōkiri (TPK)</strong></td>
<td></td>
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<td>------------------</td>
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<td></td>
</tr>
<tr>
<td>The Treasury provides overall advice to government on the Social Housing Reform Programme. The Treasury is managing a formal process that may make some HNZC houses available to registered CHPs. Treasury also acts as the monitor of HNZC on behalf of the responsible Minister.</td>
<td>Te Puni Kōkiri works within government and communities to support Māori collective success at home and globally. As part of this, TPK leads the development of Māori housing and has a co-ordination role for all Māori housing policy across government.</td>
<td></td>
</tr>
</tbody>
</table>
1.4 Vision for the social housing market

It will take time to develop a more genuinely competitive market with a level playing field between housing providers. HNZC will continue to be by far the largest provider for some time. Figure 2 below sets out the current state of the social housing market, and shows the scale of HNZC compared with CHPs.

Current state of the social housing market and housing assistance

<table>
<thead>
<tr>
<th>People</th>
<th>Properties</th>
<th>Subsidies</th>
</tr>
</thead>
<tbody>
<tr>
<td>• 64,000 HNZC tenancies</td>
<td>• HNZC owns 65,000 houses and leases 3,000 more</td>
<td>• 61,000 households receive IRRS, with a total of 181,300 people supported</td>
</tr>
<tr>
<td>• 193,000 people live in HNZC homes</td>
<td></td>
<td>• 290,000 receive the Accommodation Supplement</td>
</tr>
<tr>
<td>• 191 CHP tenancies across 18 CHPs</td>
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</tr>
</tbody>
</table>

Future shape of the social housing market

In future, transactions of HNZC properties are intended to reduce its scale comparative to CHPs. This process will also create providers that can achieve greater economies of scale and improve the overall contestability and responsiveness of the social housing market.

MSD also expects to see more niche and specialist providers who can meet the needs of different tenants, leading to better matches between tenants and the places they are offered.

As purchaser of social housing places, MSD has a key role in setting the conditions in which the market operates. This includes supporting the growth of existing CHPs, making it simple for newly registered social housing providers to start receiving tenants, and encouraging innovative approaches to social housing.

For example, MSD is open to considering consortia and partnerships between housing providers and other organisations, where these have the potential to improve the supply of social housing and result in improved outcomes for tenants.

MSD’s goals as a purchaser

MSD has a mandate from the Government to use its purchasing role over time to:

- house more people in need from the social housing register
- influence better matches between tenants and places, for existing stock and new tenancies
- support diversity among social housing providers and the growth of the social housing market
- support tenants to independence from social housing when appropriate as their circumstances improve.
Figure 3 below gives an indication of the expected shift in the housing market over time. The key shifts expected are:

- an increase in the total number of IRRS places, and a corresponding reduction in the number of people on the social housing register
- a reduction in overcrowding and underutilisation of existing stock
- tenants whose circumstances have improved are supported to transition out of social housing when they can, freeing up places for those with more serious needs
- providers are able to house a greater proportion of people with ongoing and medium-term social housing need
- tenants living in social housing are accessing appropriate support and services.

**Expected shift in housing market over time**
1.5 How will we know we have been successful: developing key performance indicators

MSD is working to develop a number of key performance indicators (KPIs) that will help to understand and drive the overall success of the social housing market. A set of performance indicators will provide good information on social housing market operations to help the overall functioning of the market. For example:

- housing providers will want to know how well they are doing in comparison with others
- tenants need to know how good providers are in comparison, which will inform their feedback to providers
- providers and tenants need to be confident in MSD for the processes it carries out.

The table below sets out the performance areas MSD thinks are important, and initial ideas about the measures that could be used to assess performance.

**Table 3: Proposed KPIs**

<table>
<thead>
<tr>
<th>Performance area</th>
<th>Measure</th>
<th>Who is accountable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quality and speed of housing process</td>
<td>Register wait times</td>
<td>MSD</td>
</tr>
<tr>
<td></td>
<td>Quality of process (from tenant feedback)</td>
<td>MSD</td>
</tr>
<tr>
<td>Housing quality</td>
<td>IRRS properties meet quality standards</td>
<td>Housing providers</td>
</tr>
<tr>
<td>Fit between property and tenant needs</td>
<td>Overcrowding and underutilisation</td>
<td>Housing providers</td>
</tr>
<tr>
<td></td>
<td></td>
<td>and MSD</td>
</tr>
<tr>
<td>Quality of tenancy management services</td>
<td>MSD to set standards and monitor through tenant feedback and administrative data</td>
<td>Housing providers</td>
</tr>
<tr>
<td>Speed and accuracy of provider operations</td>
<td>Provider performance against operational requirements</td>
<td>Housing providers</td>
</tr>
<tr>
<td>Speed and accuracy of MSD operations</td>
<td>MSD performance against operational requirements</td>
<td>MSD</td>
</tr>
<tr>
<td>Cost per tenancy</td>
<td>A measure of how cost-effectively MSD is housing clients using IRRS</td>
<td>MSD</td>
</tr>
<tr>
<td>Volume of tenancies</td>
<td>Count of IRRS, separating out Auckland</td>
<td>MSD</td>
</tr>
</tbody>
</table>

Achieving improvements across these measures will see improved outcomes for tenants overall. For example:

- better housing quality will have positive benefits for tenants' health and well-being
- improved tenancy management services can be expected to increase tenants’ satisfaction and the fast resolution of issues with their tenancy
- reduced register wait times reflect a faster response to serious housing need.
Establishing KPIs

When establishing performance measures, it is important to make sure they do not create undue costs for housing providers or for MSD. MSD’s intention is to:

- as much as possible, use measures where data is collected as part of normal business
- check that new KPIs do not duplicate collection of information required by the regulator.
- When measures are introduced, MSD expects that housing providers will self-report. MSD intends to investigate:
  - use of existing fortnightly/quarterly reporting and operational processes
  - surveys of tenant satisfaction
  - differentiating between larger and smaller providers to minimise costs
  - regular public reporting of performance information by provider.

Information is not currently available for some measures. These measures will need to develop over time, and will ultimately be included in accountability documents and contracts.
Part 2: MSD’s social housing (IRRS) purchasing intentions

This section provides details of the social housing tenancies that MSD seeks to purchase over the next two to three years, including:

- the total volume of social housing places and the number of additional places
- the housing types (ie number of bedrooms required)
- locations where MSD seeks to:
  - purchase additional social housing places over the next two to three years, and identifies the volume and housing types needed for these additional places
  - continue to purchase the current volume of places
  - continue to purchase the current volume of places over the next two to three years, but may purchase fewer places in the long-term.
- general information on the needs and characteristics of current tenants.
2.1 Developing the purchasing intentions – trade-offs and principles

In developing its initial purchasing intentions MSD has had to balance competing objectives:

| Managing within the IRRS funding cap, which limits the amount MSD can spend on IRRS over a year | Housing those most in need from the social housing register |
| Meeting demand and housing those in serious need quickly | Getting better matches between tenants and properties (it may take longer for a better match to arise) |
| Giving housing providers certainty about MSD’s intentions to inform their investment decisions | Retaining a degree of flexibility to meet changes in demand and reflect the nature of the information available (for example MSD does not yet have a demand forecast) |

The intentions have been developed with the following in mind:

- MSD will not completely stop purchasing in any area with current social housing
- because information (particularly a demand forecast) is still limited, MSD as purchaser needs to retain a degree of flexibility. This means that:
  - the 3,000 extra places signalled by the Government are not fully committed in this release
  - MSD’s intentions in each area are a general guide
  - MSD’s focus is on tenancies not properties, in order to allow for provider innovation in how demand is met.
The table below sets out the high level judgments MSD has made in developing the current purchasing intentions, with the rationale for each.

<table>
<thead>
<tr>
<th>MSD intends to:</th>
<th>Because:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase more of the types of places with a current undersupply (eg focus on one and four or more bedroom places).</td>
<td>This will support a reduction in the mismatch between supply and demand over time. It is assumed that a higher proportion demand for the types of places that are currently well-represented in existing stock can be met as tenants exit these properties.</td>
</tr>
<tr>
<td>Take a pragmatic approach in order to continue to meet housing needs. For example, the intentions assume that MSD will accept a two bedroom place for a person needing a one bedroom place if the price difference is marginal and the person’s housing need won’t be met otherwise.</td>
<td>The priority is to ensure the most vulnerable people receive housing assistance when they need it.</td>
</tr>
<tr>
<td>In general, pay for lower cost locations within each TLA.</td>
<td>This enables MSD to house more people in need within the IRRS funding cap, while still providing people with housing in the locations they need it.</td>
</tr>
<tr>
<td>If required, pay above a lower quartile market rent for:</td>
<td>These features support better outcomes for tenants and represent value for money.</td>
</tr>
<tr>
<td>• features that contribute to better meeting tenants needs</td>
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<tr>
<td>o modifications for disabled people.</td>
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</table>
2.2 Refreshing MSD’s IRRS purchasing intentions

These purchasing intentions are intended to be refreshed and refined regularly.

Some changes in the number of people on the register for social housing can be expected over the next year, because:

- if MSD is able to purchase more places in the next year in accordance with the intentions described here, this will affect demand levels and future purchasing intentions
- there are other initiatives underway as part of the Social Housing Reform Programme to reduce pressure on the social housing register, including tools to support people to move from social housing into other types of accommodation. These initiatives are expected to reduce the level of register demand.

MSD is also likely to refine how it develops its purchasing intentions over the next year, due to:

- improved data and information becoming available. This includes demand forecasting, which will provide another source of information to guide MSD’s purchasing intentions, and will allow long-term purchasing intentions to be developed
- feedback from the sector, which will be sought following this information release.

Therefore, while this release signals intentions for the next two to three years, it is important to note that there may be some shifts in the volumes signalled in the next release.
2.3 Trends in IRRS payment over time

The number of IRRS payments has generally been increasing since late 2002.

In February 2003 around 1,200 properties were transferred from the Auckland City Council to HNZC which saw an immediate increase in the number of IRRS payments. Numbers continued to rise slowly, reaching a peak of just over 61,700 in September 2010.

As a result of the Canterbury earthquakes in September 2010 and February 2011 the number of IRRS tenants fell as up to 95 per cent of HNZC properties in Canterbury sustained damage. From early 2013 the number of IRRS payments returned to its slow upward trend. After levelling off it has now declined slightly.

The Government is forecast to provide around 62,000 social housing places through the IRRS by the end of this financial year.
2.4 Tenant needs and characteristics

This section provides some background information on social housing primary tenants, based on income source and benefit type. This information gives a general indication of the characteristics of these tenants’ households and the needs they may have.

Of current primary tenants as at March 2014:

- 37 per cent have an ongoing need for social housing, because a limited potential to increase their income makes a move to independence more challenging
- 42 per cent have a need for social housing now, but there are options for MSD to work with them in the medium term to improve their circumstances
- 21 per cent have the potential to move from social housing in the short term.

More detail on these categories is provided below.

**People with ongoing need for social housing (37 per cent)**

People in this group are either older, or have a severe and permanent disability, or are caring for someone with a disability. They have limited ability to increase their income, and their circumstances are unlikely to change. This group includes:

- NZ Super recipients (51 per cent) – these are older people, with 20 per cent being over the age of 80.
- Supported Living Payment recipients (49 per cent) – the majority have an incapacity that prevents them from working. The main incapacity codes are: major mental health (20 per cent), musculo-skeletal (12 per cent), and cardio-vascular disorders (six per cent).

**Medium-term need – tenants who are in work or are beneficiaries, most of whom have work obligations (42 per cent)**

These are people with a current need but potential to move in the medium-term with the right support. Around 58 per cent of those in four and five-bedroom places are in this group. This group includes:

- Sole Parent Support recipients (41 per cent) – households tend to be large sole parent families, just under half of whom have part-time work obligations.
- Jobseeker Support recipients and other recipients (42 per cent) – most have full-time work obligations.
- Non-beneficiaries with a high IRRS (17 per cent) – this group is made up of low-income families with high housing costs, and are usually large family households.

**People with some potential to move in the short term (21 per cent of tenants)**

This group covers market renters and non-beneficiaries with low to medium subsidy who may have potential to move in the short term. This group has been the initial focus for tenancy reviews, which seek to identify whether people have other barriers to leaving social housing that are not clear from data analysis. This group includes:

- Non-beneficiaries with a low-medium IRRS (71 percent)
- Non-beneficiary market renters (24 percent)
- Beneficiary and NZ Super market renters (five per cent) – a small group mostly comprising NZ Super recipients who have been in social housing for a long time. There is a wide geographic spread outside of high demand areas and it is likely that they will be able to afford housing in the private market with assistance from the Accommodation Supplement.

**Current social housing tenants**

Clients with an ongoing need for social housing occupy around two-thirds of the current one-bedroom properties and around half of the two-bedroom properties. The percentage of tenants with ongoing housing needs in properties of different sizes is:

- one-bedroom: 67 per cent
- two-bedroom: 49 per cent
- three-bedroom: 25 per cent
- four-bedroom: 23 per cent
- five-bedrooms plus: 22 per cent.

Some clients with complex needs may require more tenancy management support, in addition to the affordability issues they face. There are likely to be opportunities to better meet these clients’ needs as community housing provision expands, offering improved service co-ordination and wraparound support for this group.

**Clients on the social housing register**

Of those on the social housing register:

- 27 per cent are Sole Parent Support recipients
- 23 per cent are Supported Living Payment recipients
- 23 per cent are Jobseeker Support recipients
- Eight per cent are NZ Super recipients

**2.5 Expected price and quality of social housing places**

**Market rent setting process**

Housing providers must have an agreed process for setting market rents. More information on this is set out in Work and Income’s manuals and procedures (MAP).

**MAP: Agreed process for setting the market rent rate**

HNZC’s rent setting process is currently subject to external audit by MSD.

MSD may request more information from providers about how they have set rents for particular properties.

**Housing quality and additional features**

MSD will only purchase properties that are of suitable quality.
Typically, social housing places are purchased near lower quartile market rent. MSD may pay more for properties that have specific additional features that contribute to the property being warm, safe and dry; and for properties with modifications suitable for disabled people.

More information on how MSD contracts with providers can be found in part 3.

**Indicative upper limits for market rents**

As well as being of suitable quality, tenancies need to provide value for money. A balance is needed between ensuring that the purchasing of social housing places does not exceed the IRRS cap, and that the location of social housing places purchased meets the needs of tenants. MSD has established a set of indicative upper limits for weekly market rents based on location, set out in Table 4 below. These are based on median market rents for each area and analysis of what MSD currently pays for places it purchases.

MSD will generally not purchase new places if the market rent exceeds these indicative upper limits and is likely to reduce its social housing purchasing in these suburbs over the longer term. Instead, MSD will seek to purchase places in nearby suburbs where market rents are within these limits. There are some locations that as a whole may have median market rents that exceed these upper limits. Where MSD seeks to purchase additional places in these locations, it will purchase new places in suburbs within these locations where the median market rent is below the indicative upper limits.

This is intended to give MSD flexibility to pay for places that meet tenants’ needs, where they are needed, and based on local market conditions. It also gives reassurance that the government is getting value for money and supporting the greatest number of people within the funding available.

**Table 4: Indicative upper limits for weekly market rents (based on median market rents)**

<table>
<thead>
<tr>
<th></th>
<th>Auckland</th>
<th>Wellington and Christchurch</th>
<th>Rest of New Zealand</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Bedroom</td>
<td>$400</td>
<td>$350</td>
<td>$250</td>
</tr>
<tr>
<td>2 Bedrooms</td>
<td>$500</td>
<td>$450</td>
<td>$350</td>
</tr>
<tr>
<td>3 Bedrooms</td>
<td>$600</td>
<td>$550</td>
<td>$450</td>
</tr>
<tr>
<td>4 Bedrooms</td>
<td>$700</td>
<td>$650</td>
<td>$550</td>
</tr>
</tbody>
</table>
2.6 Volume of IRRS places required

Government intends to increase the number of IRRS places by around 3,000 places over the next three years. This means that the total number of IRRS places MSD intends to purchase will be 65,000 by 2017/18.

This release provides estimates of where MSD seeks to purchase these places by location and number of bedrooms. It focuses on signalling where the additional places will be needed, and on how the overall mix of places currently purchased can be expected to change over time.

The purchasing intentions set out in this information release total an additional 2,850 places nationally over the next two to three years. This allows MSD discretion and flexibility to respond to changes in demand and new information in order to purchase a small number of additional places, as required, beyond those specified in this information release.

The total number of tenancies that can be afforded within the IRRS cap is dependent on policy settings and market conditions. The volume estimates provided here reflect MSD’s current intentions, but the actual volumes purchased are likely to vary, and the intentions set out here do not commit MSD to purchasing at these volumes.

MSD also needs flexibility to respond effectively to unexpected changes in demand, and to meet local needs. MSD will be monitoring changes in the register closely and adapting its purchasing to meet changing needs. The volumes set out for each region and location are not targets, nor are they limits. It may not be necessary to purchase up to these volumes, or conversely, there may be a need to exceed the places recommended due to unexpected demand increases.
2.7 Purchasing intentions by housing type

Relative to the number of occupied properties, demand is highest for one bedroom places\(^3\). MSD will be seeking to purchase an estimated 1,380 more of these across the country.

MSD’s focus is on meeting tenant needs, rather than on specifying all the attributes that properties must have. Innovative approaches to housing to better meet the needs of potential tenants are welcomed.

As building one bedroom places may not always be the most economical option, MSD is open to purchasing some two bedroom places instead where they are similar in cost and supply is more readily available.

MSD is also seeking to purchase an estimated 840 additional two bedroom places, as there is also demand for this housing type.

In a few locations where demand is lower, MSD has combined its purchasing intentions for one and two bedroom places to minimise the risk of oversupply. A further 50 places of either one or two bedrooms are intended to be purchased in such locations.

There is some demand in the larger urban centres for large (four or more bedroom) places. Tenant exits are particularly low for such properties, at around eight percent and six percent for four bedroom properties and five-bedroom and larger properties respectively, compared to an average of 11 per cent for all properties. MSD will be seeking to purchase up to 580 more four bedroom and larger places.

Compared to numbers of occupied properties, demand is low for three-bedroom places, and generally MSD will not be purchasing more of these.

\(^3\) Where one bedroom places are referred to, this includes bedsits.
2.8 MSD’s purchasing intentions by location

MSD is forecast to purchase around 65,000 social housing places across New Zealand by 2017/18. This section identifies those locations where, based on demand:

- MSD seeks to purchase additional social housing places over the next two to three years, because these locations have a high level of unmet need that cannot be addressed by current levels of purchasing.
- MSD will continue to purchase the current volume of places, as these are locations where current levels of purchasing appear to be addressing demand reasonably efficiently.
- MSD will continue to purchase the current volume of places over the next two to three years, but may purchase fewer places in the long term. These include locations where there are ten or fewer people on the register, and where social housing tenants appear to have a reasonable likelihood of being able to afford housing in the private market, and/or where there are projected declines in the numbers of households or of families. This category also includes regions with significant stock of social housing, and lower demand on the register. In these areas it is likely that, as people exit social housing over time, not all places will continue to be purchased.

In those areas where MSD is not increasing its purchasing, MSD may alter its mix to purchase more tenancies from CHPs and fewer from HNZC as tenants exit HNZC properties.

The following table sets out MSD’s current level of purchasing for each location, and compares it against the purchasing intentions set out in this release. It is important to note that in all locations, MSD intends to maintain at least the current level of purchasing for the next two to three years. Overtime, for the locations MSD is signalling a likely decrease in purchasing in the long term, MSD will initially achieve this by not referring tenants to properties that become vacant.

Broadly, the level of current purchasing (ie the total demand for social housing) correlates with the level of unmet need – locations where there is already a lot of social housing are also locations where more is needed.

However, there are some exceptions to this. For example, some locations with a moderate level of current purchasing (eg Palmerston North) appear to have a relatively low level of unmet need, and therefore MSD does not intend to purchase additional places there. Conversely, some areas with low levels of social housing provision (eg Timaru District) show a level of unmet need that indicates that MSD needs to purchase more places.
## Purchasing Intentions

<table>
<thead>
<tr>
<th>Level of current social housing purchasing (total demand)</th>
<th>Increase purchasing (higher unmet need)</th>
<th>Maintain purchasing – no additional places (low unmet need)</th>
<th>Maintain purchasing and consider decreased purchasing in the long-term (low unmet need and expected to decline in long-term, greater private market affordability, or tenant exits are likely to exceed demand over time)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very high (over 10,000)</td>
<td>Auckland, Manukau</td>
<td></td>
<td></td>
</tr>
<tr>
<td>High (&gt;2,000 to 10,000)</td>
<td>Christchurch City, Waitakere, Lower Hutt City, Hamilton City, Porirua City</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Moderate (&gt;500 to 2,000)</td>
<td>Wellington City, Napier City, Dunedin City, Papakura, North Shore, Whangarei District, Tauranga District, Hastings District</td>
<td></td>
<td>Palmerston North, Gisborne District, New Plymouth District, Rotorua District, Wanganui District</td>
</tr>
</tbody>
</table>

4 For the purposes of this information release, analysis of Auckland is divided into the Territorial Local Authorities that existed prior to the Auckland Council becoming a unitary authority in 2010. This is to allow for the use of data based on Territorial Local Authorities. For the purposes of this analysis, the following Territorial Local Authority areas are counted as being part of the Auckland region: Auckland, Manukau, Waitakere, Papakura, North Shore, Franklin, Rodney.
<table>
<thead>
<tr>
<th>Low (&gt;50 to 500)</th>
<th>Far North District Nelson City Whakatane District</th>
<th>Upper Hutt District Invercargill Kapiti Coast District Thames-Coromandel District Tasman District Kaipara District Hauraki District</th>
<th>Waipa District Horowhenua District Matamata-Piako District Taupo District Manawatu District South Taranaki District Grey District Opotiki District Buller District Waitaki District Wairoa District Waitomo District Ruapehu District Rangitikei District Central Hawke’s Bay District</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very low (&lt;50)</td>
<td>Hurunui District Kaikoura District Waimate District Queenstown-Lakes District Selwyn District</td>
<td></td>
<td>Otorohanga District South Waikato District Westland District Gore District Stratford District Kawerau District Clutha District Central Otago District Southland District</td>
</tr>
<tr>
<td>None or extremely low &lt;5</td>
<td>Mackenzie District Masterton District Carterton District Tararua District South Wairarapa District</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
2.9 Locations where MSD seeks to purchase additional places

The following table sets out MSD’s purchasing intentions for those areas where it is wanting to increase purchasing over the next two to three years. More detailed demand information on the areas of highest demand is available in the [regional analysis](#).

There are a number of supply initiatives underway across New Zealand that will have an effect on the number of properties potentially available for social housing in each location. MSD’s purchasing intentions do not take into account the level of existing or new supply in each area, as MSD is able to choose how many, and which, IRRS places it purchases when there is sufficient supply.

**Additional purchasing by location**

<table>
<thead>
<tr>
<th>Location</th>
<th>Purchasing intentions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Auckland – an estimated 1,810 additional places</strong></td>
<td></td>
</tr>
</tbody>
</table>
| Auckland  | • an estimated 420 additional one-bedroom places  
           | • an estimated 150 additional two-bedroom places  
           | • an estimated 140 additional four-bedroom and larger places |
| Manukau   | • an estimated 120 additional one-bedroom places  
           | • an estimated 280 additional two-bedroom places  
           | • an estimated 150 additional four-bedroom and larger places |
| North Shore | • an estimated 50 additional one-bedroom places  
             | • an estimated 20 additional two-bedroom places  
             | • an estimated 20 additional four-bedroom and larger places |
| Waitakere | • an estimated 110 additional one-bedroom places  
             | • an estimated 120 additional two-bedroom places  
             | • an estimated 100 additional four-bedroom and larger places |
| Papakura  | • an estimated 20 additional one-bedroom places  
           | • an estimated 50 additional two-bedroom places  
           | • an estimated 20 additional four-bedroom and larger places |
| Franklin  | • an estimated 10 additional one-bedroom places |


<table>
<thead>
<tr>
<th>Region</th>
<th>Additional Places</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rodney</td>
<td>• an estimated 20 additional two-bedroom places</td>
</tr>
<tr>
<td>Canterbury Region – an estimated 480 additional places</td>
<td></td>
</tr>
</tbody>
</table>
| Christchurch City              | • an estimated 250 additional one-bedroom places  
|                                | • an estimated 110 additional two-bedroom places  
|                                | • an estimated 80 additional four-bedroom and larger places |
| Waimakariri District           | • an estimated 20 additional one and two-bedroom places |
| Ashburton District             | • an estimated 10 additional one and two-bedroom places |
| Timaru District                | • an estimated 10 additional one-bedroom places |
| Wellington Region – an estimated 150 additional places |
| Wellington City                | • an estimated 70 additional one-bedroom places  
|                                | • an estimated 20 additional four-bedroom and larger places |
| Lower Hutt City                | • an estimated 20 additional one-bedroom places  
|                                | • an estimated 10 additional two-bedroom places  
|                                | • an estimated 10 additional four-bedroom and larger places |
| Porirua City                   | • an estimated 20 additional one-bedroom places |
| Waikato Region – an estimated 170 additional places |
| Hamilton City                  | • an estimated 90 one-bedroom places  
|                                | • an estimated 50 additional two-bedroom places  
|                                | • an estimated 20 additional four-bedroom and larger places |
| Waikato District               | • an estimated 10 additional one-bedroom places |
| Bay of Plenty Region – an estimated 100 additional places |
| Tauranga District              | • an estimated 40 additional one-bedroom places  
|                                | • an estimated 20 additional two-bedroom places  
<p>|                                | • an estimated 10 additional four-bedroom and larger places |</p>
<table>
<thead>
<tr>
<th>Region</th>
<th>Places</th>
</tr>
</thead>
<tbody>
<tr>
<td>Western Bay of Plenty District</td>
<td>• an estimated 20 additional one and two-bedroom places</td>
</tr>
<tr>
<td>Whakatane District</td>
<td>• an estimated 10 additional one-bedroom places</td>
</tr>
<tr>
<td><strong>Northland Region – an estimated 60 additional places</strong></td>
<td></td>
</tr>
<tr>
<td>Whangarei District</td>
<td>• an estimated 30 additional one-bedroom places</td>
</tr>
<tr>
<td></td>
<td>• an estimated 10 additional two-bedroom places</td>
</tr>
<tr>
<td>Far North District</td>
<td>• an estimated 10 additional one-bedroom places</td>
</tr>
<tr>
<td></td>
<td>• an estimated 10 additional four or more bedroom places</td>
</tr>
<tr>
<td><strong>Otago Region – an estimated 30 additional places</strong></td>
<td></td>
</tr>
<tr>
<td>Dunedin City</td>
<td>• an estimated 30 additional one-bedroom places</td>
</tr>
<tr>
<td><strong>Hawke’s Bay Region – an estimated 30 additional places</strong></td>
<td></td>
</tr>
<tr>
<td>Hastings District</td>
<td>• an estimated 20 additional one-bedroom places</td>
</tr>
<tr>
<td>Napier City</td>
<td>• an estimated 10 additional one-bedroom places</td>
</tr>
<tr>
<td><strong>Marlborough Region – an estimated 10 additional places</strong></td>
<td></td>
</tr>
<tr>
<td>Marlborough District</td>
<td>• an estimated 10 additional one-bedroom places</td>
</tr>
<tr>
<td><strong>Nelson Region – an estimated 10 additional places</strong></td>
<td></td>
</tr>
<tr>
<td>Nelson City</td>
<td>• an estimated 10 additional one-bedroom places</td>
</tr>
</tbody>
</table>
2.10 Regional analysis

**Part 3: How MSD will operate as a purchaser**

This section provides more detailed information on how MSD will operate and use its purchasing levers over time. The table below summarises the current state, changes MSD expects to make in the next year, and the anticipated future state for each over the next two to three years. The remainder of this section provides further detail in each area.

<table>
<thead>
<tr>
<th></th>
<th>Current state</th>
<th>2015/16</th>
<th>In 2 – 3 years</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Information</strong></td>
<td>Social housing register published quarterly with high level information on client characteristics. Other information released on an ad hoc basis to support particular processes.</td>
<td>Initial information release put out for discussion, seeking sector feedback on what's useful and what should be included in future releases. Regular data updates begin as new streams of information become available.</td>
<td>A comprehensive purchasing intentions document is regularly updated and released. It includes a wide range of data and information, demand and supply forecasts, client segmentation data, a liability valuation (if agreed), and information about provider and system performance.</td>
</tr>
<tr>
<td><strong>2. Contracting arrangements</strong></td>
<td>All IRRS contracts are short-term (spot) contracts. Social Housing Unit capital grants available in certain circumstances. A Request for Proposal (RFP) for additional IRRS places in Auckland released.</td>
<td>A set of key performance indicators for housing providers and the social housing system are agreed and established in contracts. MSD starts to test different contracting arrangements with the sector. This will introduce some longer-term contracts in areas of high demand, with consideration of matters such as who bears vacancy risk. In the short term, contracts focus on variations to price in return for long-term supply. Fit for purpose contracting arrangements support any</td>
<td>There is greater diversity in providers following transactions of HNZC housing stock. More long-term contracts in areas of high demand and for tenants with ongoing need for social housing. Retain short-term contracts in areas where demand is falling. ie an active approach to where/how IRRS will be used over time. MSD will look at options to bundle service contracts for tenants together when they are offered by the same provider. This could also include consideration of outcomes-based contracts for some segments as appropriate.</td>
</tr>
<tr>
<td><strong>3. Tenant referral and placement process</strong></td>
<td>HNZC directly match applicants on the social housing register to vacant properties. CHPs are provided a shortlist of applicants. Purchasing trial underway testing alternative referral process.</td>
<td>MSD IT system change in mid-2015 will enable different referral and placement process. MSD will have more control over how tenants are referred. Ministers decide on the future of the purchasing trial approach.</td>
<td>Learning from the trial, a new placement process facilitates a good match between tenants, providers, and specific placements. Mismatch between demand and supply is reduced, with better fit for new tenants and within existing stock. Investigation of tenant-led processes in some circumstances (eg transfer requests).</td>
</tr>
<tr>
<td><strong>4. Policy settings</strong></td>
<td>MSD established as needs assessor and purchaser of social housing places. Existing core policy settings for IRRS in place.</td>
<td>Development of proposals for legislative amendments that will support greater flexibility with IRRS. MSD begins a review of the Social Allocation System needs assessment tool.</td>
<td>More flexibility on the price of social housing (ie the housing related services that IRRS can be spent on, and the market terms of contracts with housing providers for IRRS). Greater diversity among housing providers and the services they offer to support tenants. Social allocation system provides a broader picture of housing need, including the likely duration of people’s housing need, and the supports and services they may require to transition to independence. Social housing needs assessment is better integrated into other assessments and services MSD provides.</td>
</tr>
<tr>
<td><strong>5. Tools to support independence</strong></td>
<td>Tenancy reviews started, and initial Housing Support Products (eg assistance for bond, moving, and letting fees) in place.</td>
<td>Phased implementation of a package of initiatives designed to reduce pressure on the register for social housing. Additional tenancy reviews to take place, focusing on tenants who are</td>
<td>Improved availability of affordable housing overall (MBIE-led work). Long-term framework and approach to tenancy reviews embedded. Wider suite of housing products (eg rent-to-buy products) and tools to support independence</td>
</tr>
</tbody>
</table>
likely to be able to sustain private tenancies. Reviews are taking place in areas of moderate to high demand for social housing. Greater integration with the benefit system to support social housing tenants to improve their circumstances as appropriate. Active procurement in specific segments as needed (e.g., emergency housing, youth accommodation).

3.1 Information to support the social housing market

This release is supported by a range of data that is being released for the first time. See part 4.

Regular updates of key information will continue throughout the year.

It builds on information that has already been released, including:

- regular publication of the social housing register
- information about HNZC stock, which is supporting consultation about potential transactions of HNZC properties.

MSD’s current IRRS purchasing intentions are based on the available information sources. Future releases will become more sophisticated as new information sources are available (e.g., a demand forecast), and as the market shifts to respond to the information released. Provider feedback on this release will support MSD to develop future iterations of its IRRS purchasing intentions so they contain the type of information providers want.

2015/16: Developing a demand forecast to support future releases

MSD intends to use demand forecasting information to guide its purchasing intentions from 2016 onwards.

The demand forecast will help MSD identify where supply is needed in the future and reduce the mismatch between household needs and supply. It would enable MSD to provide more certainty in its future purchasing intentions, including where it is willing to enter into long-term contracts.

The demand forecast will be based on client data, and take into account information on tenancy durations and exits to develop a forward-looking view of social housing demand, segmented by region and client characteristics. It will be regularly updated. Details of the scope of the demand forecast, and the set of inputs that it would be based on, are yet to be determined.
3.2 Contracting framework

Registering as a social housing provider

MSD can only contract with registered social housing providers. Information on the registration process is available at:

About social housing providers - Housing Assessment
Community Housing Regulatory Authority website

Current contracting approach

All current MSD contracts with social housing providers are short-term ‘spot’ contracts for housing services.

More information on how MSD works with social housing providers is available at:

Information for housing providers - Housing Assessment

Providers who want to offer wider social services to tenants currently need to have separate contracts for these services. Information is available at

Working with us - Community Investment

Future contracting approach

Over time, MSD intends to develop a more varied and sophisticated contracting approach. In particular, MSD intends to explore the use of long-term contracts, to reduce uncertainties for social housing providers, and for MSD. Some of the benefits MSD sees from long-term contracts are:

- greater certainty of income will enable providers to raise capital more easily
- greater confidence for providers to invest to bring supply to market
- MSD less exposed to volatility in market rent.

Changes to contracting in 2015/16

In 2015/16 MSD’s first priority is to begin by changing four elements from the existing structure in some selected areas:

- the length of contract (currently 90 day termination)
- how to set a long-term market rent (currently legislatively defined), including testing the potential for a discount on price in return for longer-term certainty
- who takes vacancy risk (currently the provider)
- certainty of market supply for social housing.

Legislative change is required to make different contracting arrangements possible.

MSD tested the value of changes with providers, through its recently released Registration of Interest process, and as initial transactions of HNZC properties progress.
Where MSD will introduce long-term contracts

Information from MSD’s analysis of social housing tenants found that 37 per cent of existing tenants are likely to have an ongoing need for social housing. Targeting areas for long-term contracts will improve over time as a demand forecasting model is developed. The table below shows MSD’s initial thinking about where it would aim to introduce long-term contracts.

The initial priority would be to consider introducing long-term contracts for supply of social housing places where there is a higher volume of clients who have ongoing need for social housing, and demand for social housing places is growing or stable relative to supply.

<table>
<thead>
<tr>
<th>Relative to supply, demand for social housing places is:</th>
<th>Growing</th>
<th>Stable</th>
<th>Falling</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to level of demand that is likely to be long term</td>
<td>Long-term contract</td>
<td>Long-term contract</td>
<td>Existing contracting approach</td>
</tr>
<tr>
<td>Up to level of demand that is likely to be medium term</td>
<td>Long-term contract</td>
<td>Existing contracting approach</td>
<td>Existing contracting approach</td>
</tr>
<tr>
<td>Short-term demand</td>
<td>Existing contracting approach</td>
<td>Existing contracting approach</td>
<td>Existing contracting approach</td>
</tr>
</tbody>
</table>

Further changes to contracting over the next two to three years

Over the next two to three years MSD will investigate and provide advice to Ministers on offering other types of contract variation. For example, in future outcomes-based contracts with housing providers could:

- create incentives for better matches between tenants and places
- include wider wraparound support services (incorporating or ‘bundling’ other funding streams)
- include other funding streams aimed at increasing the supply of social housing
- consider price variation to recognise the needs of particular client groups (eg additional tenancy management services for more complex clients).
3.3 Tenant referral and placement processes

Current tenant referral and placement process

MSD assesses each person or household’s eligibility for social housing based on their needs. Depending on their needs and the availability of alternative options, households may be put on the social housing register and referred to a social housing provider.

The current matching process is different for CHPs and HNZC. This is because MSD and HNZC both access the same IT system, while CHPs do not. Under the current nationwide process:

- HNZC can access the register, and matches vacant properties to clients on the social housing register with the highest priority that is the best match by bedroom requirements.
- CHPs are provided with a short-list of clients for any vacant properties where they are seeking IRRS funding.

2015: The Trial Process

MSD is currently trialling a new process for placing tenants in properties in West and South Auckland. The social housing purchasing trial is designed to give providers more visibility over the social housing register and the clients who they wish to occupy their vacancies. In the trial both HNZC and CHPs follow the same process.

The key differences between the current purchasing process and the trial are that the trial:

- creates contestability and a more level playing field between providers, as there will be no automatic matching of clients on the register to HNZC properties within the trial areas
- gives providers access to a wider range of clients they could potentially house and allows multiple offers to be made for the same clients
- provides additional localised market signals about who needs social housing and their household composition and property needs
- gives clients choice where there is more than one reasonable offer to house them
- provides opportunities for a better match between the client, provider and property, although the process may mean that clients wait longer to be housed.

Results from the trial will be published when they become available. For more information see:

A new approach to matching people on the social housing register

2015/16: Changes to tenant referral and matching processes

By mid-2015 MSD expects to introduce a new IT system that will replace the system currently shared with HNZC. This means that all housing providers will have access to a secure online system to list and manage housing vacancies and tenancies. It supports a more level playing field and will give MSD more control over accepting placements.

The following additional placement match criteria will be added to the IT system to support better matches:

- letting area / locality
- bedroom requirements
• modified (or modifiable) properties will give preference to applicants requiring modification, and applicants who need modifications will not be matched to properties that can't be modified
• information about tenants’ needs for health support and services
• gender (e.g. to support matching to properties with shared facilities)
• suitability for couples
• suitability for children
• minimum and maximum age criteria (e.g. for youth housing or housing for older people)
• ethnicity
• iwi.
3.4 Policy settings

Income-related rent subsidy funding framework

The Government extended the IRRS to CHPs from April 2014. To support this, Budget 2013 committed an additional $34 million in funding over four years for new social housing placements. Alongside this, the Government also committed to funding an increased number of tenancies over the next four years through its budgeted spending on IRRS. Reforms introduced a new IRRS funding model. It has been designed to enable MSD to begin to play a role as a more active purchaser of social housing and support market development, price discovery and contestability. The funding model involves:

- a single appropriation for IRRS for both HNZC and CHPs
- a capped baseline that will contain costs.

Funding for IRRS was $660 million in 2013/14, and will be $880 million in 2017/18. This is an increase of $220 million over the four years. Tenancy numbers that can be funded within the cap are indicative only, and assume the national average subsidy is paid. The actual number of tenancies that can be funded within the cap depends on:

- the location of the property (eg if more places are purchased in Auckland there will be fewer additional tenancies because the cost per tenancy will be higher)
- the size and type of the property
- tenants’ income
- market rents.

Cabinet has authorised the Minister for Social Housing and the Minister of Finance to adjust the IRRS cap by up to ten per cent if there are unanticipated changes in market rent, the average income-related rent paid by tenants or the type and location of social housing demand. Otherwise, adjustments to the cap may be agreed by the Government as part of the Budget process each year.

Total IRRS spending was $660m in 2013/14, and is forecast to increase by $220m by 2017/18

IRRS spending (years to June)
The number of IRRS tenancies is forecast to increase from 62,000 now to 65,000 by June 2018

**Social Allocation System: the needs assessment model**

Since April 2014, MSD has been responsible for needs assessment for social housing.

The operation of the current needs assessment model for social housing is described here:

**Assessment of eligibility for social housing - Work and Income**

The current social housing needs assessment model – the Social Allocation System (SAS) – is set in a Ministerial Direction under the Housing Restructuring and Tenancy Matters Act 1992. It is designed to determine housing needs and prioritise clients based on the severity of their need.

Fast track provisions apply to households in the North Island who are at risk of Rheumatic Fever. For more information see:

**Social housing register fast-track provision - Work and Income**

**2015/16: MSD is reviewing the social housing needs assessment model**

A review of the needs assessment model is being scoped and is expected to begin this year.

Currently, SAS provides MSD with 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 used to determine more information about the likely duration of peoples’ housing needs.

The review will consider how the housing needs assessment can align with other MSD and cross-government assessments and services. In addition, it will consider the appropriate use of the needs assessment model for other purposes such as tenancy reviews and fast-tracking in certain circumstances.

MSD will consult with providers as work on the review progresses.
### 3.5 Tools for independence from social housing

The table below sets out the range of tools available to support tenants to independence when it is appropriate. Supporting tenants to independence ensures they receive help for as long as they need it, sets them up for better long-term outcomes, and frees up social housing for those most in need.

<table>
<thead>
<tr>
<th>Product</th>
<th>Description</th>
<th>Target Group</th>
<th>Timing</th>
<th>Financial Limits</th>
</tr>
</thead>
</table>
| **Housing Support Products (HSP)** | Designed to help clients to retain or move into alternative housing, or move within social housing. They are discretionary and are based on a client’s situation, needs and what will make a difference for their households. They also support the tenancy review process. | - Jobseeker Support and Sole Parent Support households moving closer to job opportunities.  
- Families with vulnerable children or children at risk of rheumatic fever moving closer to services or out of overcrowded or unhealthy accommodation.  
- People moving as a result of a tenancy review, either during the planning or engagement phase, or following a formal review. | Currently available  | 4 weeks’ rent, max $2,000 |
| Bond Grant                  | Non-recoverable bond payment that directly addresses a major housing barrier (entry costs).  
Aims to bridge the gap between an IRR based bond, or where the bond due to the tenant is insufficient for the new rental property. | • Jobseeker Support and Sole Parent Support households moving closer to job opportunities.  
• Families with vulnerable children or children at risk of rheumatic fever moving closer to services or out of overcrowded or unhealthy accommodation.  
• People moving as a result of a tenancy review, either during the planning or engagement phase, or following a formal review. | Currently available | 4 weeks’ rent, max $2,000 |
<p>| Letting Fees Assistance     | Recoverable Letting Fees Assistance payment that directly addresses a major housing barrier (entry costs). From 29 June 2015 this will become non-recoverable assistance. | • Families with vulnerable children or children at risk of rheumatic fever moving closer to services or out of overcrowded or unhealthy accommodation. | Currently available | 1 week’s rent plus GST |</p>
<table>
<thead>
<tr>
<th><strong>Moving Assistance</strong></th>
<th>Helps with the specific cost of moving where there it’s an essential and unavoidable cost. It is recoverable to ensure that households find the most economical way to move.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Tenancy Costs Cover</strong></td>
<td>Pre-approval for special assistance for tenancy-related costs in excess of the bond paid. It reduces the (perceived) risks for landlords of letting to disadvantaged groups.</td>
</tr>
<tr>
<td><strong>Statement of Satisfactory Tenancy</strong></td>
<td>Standardised reference from a social housing provider that targets landlords’ three core tenant selection</td>
</tr>
<tr>
<td><strong>Moving Assistance</strong></td>
<td>- People moving as a result of a tenancy review, either during the planning or engagement phase, or following a formal review.</td>
</tr>
<tr>
<td><strong>Tenancy Costs Cover</strong></td>
<td>- Jobseeker Support of Sole Parent Support households moving closer to job opportunities. - Families with vulnerable children or children at risk of rheumatic fever moving closer to services or out of overcrowded or unhealthy accommodation. - People moving as a result of a tenancy review (either within social housing, or existing).</td>
</tr>
<tr>
<td><strong>Statement of Satisfactory Tenancy</strong></td>
<td>- All tenants with good tenancy history exiting social housing.</td>
</tr>
<tr>
<td><strong>Currently available</strong></td>
<td>Currently available</td>
</tr>
<tr>
<td><strong>Max</strong></td>
<td>$1,500</td>
</tr>
</tbody>
</table>
Concerns:

- Rent arrears (current rental payment situation or rental payment history)
- Damage costs (current or previous damages to the tenanted property)
- Behaviour (tenant behaviour in the property, or complaints against the tenant).
- All tenants with good tenancy history exiting social housing.

Transition to Alternative Housing Grant

One-off non-recoverable payment available to people who voluntarily exit from social housing that aims to alleviate hardship by reducing the impact of a move into the private market on a client’s overall financial situation. It also motivates voluntary exits from social housing for clients with a lower housing need in areas with high waiting lists or in the independence planning phase of tenancy reviews.

- Tenants who are in the engagement or planning phase of tenancy reviews.
- Tenants who are living in areas where there is a high demand for social housing.

Currently available $3,000

Rent-in-Advance

Non-recoverable rent-in-advance payment that directly addresses a major housing barrier (entry costs).

- Social housing tenants who with extra help could move into private housing
- People on the social housing waiting list

29 June 2015 Max 2 weeks’ rent, up to $1,000
### Income Support: Extra Help

<table>
<thead>
<tr>
<th>Recoverable Assistance Payment</th>
<th>Provides non-taxable, interest free, recoverable financial assistance to non-beneficiaries to meet essential immediate needs for specific items or services, e.g. rent and bond.</th>
<th>Client must be able to identify a particular immediate need for an essential item or service.</th>
<th>Currently available</th>
<th>Max 6 weeks of the rate of Supported Living Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advance Payment of Benefit</td>
<td>Clients receiving a main benefit and who require assistance to meet a particular immediate need for an essential item, e.g. rent and bond.</td>
<td>Any client receiving a main benefit and who has an immediate need for an essential item.</td>
<td>Currently available</td>
<td>Max 6 weeks of their net benefit entitlement</td>
</tr>
</tbody>
</table>

### Conditional Grant Assistance

A package of non-recoverable assistance to help people cover bond, rent in advance and letting fees for alternative housing. The objective is to encourage eligible people to actively search for alternative housing. If a client returns to the social housing register within 52 weeks of receiving the conditional grants, the assistance becomes recoverable.

<table>
<thead>
<tr>
<th>Bond</th>
<th>A bond payment that directly addresses a major housing barrier (entry costs).</th>
<th>Priority B applicants on the social housing register and tenants on the transfer register to move to alternative housing.</th>
<th>29 June 2015</th>
<th>Max 4 weeks’ rent, up to $2,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rent in Advance</td>
<td>A rent-in-advance payment that directly addresses a major housing barrier (entry costs).</td>
<td>Priority B applicants on the social housing register and tenants on the transfer register to move to alternative housing.</td>
<td>29 June 2015</td>
<td>Max 2 weeks’ rent, up to $1,000</td>
</tr>
<tr>
<td>Letting Fees</td>
<td>A letting fees payment that directly addresses a major housing barrier (entry costs).</td>
<td>Priority B applicants on the social housing register and tenants on the transfer register to move to alternative housing.</td>
<td>29 June 2015</td>
<td>Max 1 week’s rent plus GST</td>
</tr>
</tbody>
</table>

### Case management support for independence

This suite of initiatives provides case management and other support to tenants in social housing and people on the register for social housing to support them.
<table>
<thead>
<tr>
<th>Initiative</th>
<th>Description</th>
<th>Clients Receiving Support</th>
<th>Start Date</th>
<th>End Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tenancy Reviews</td>
<td>Ensures that social housing is available for the people who need it the most for the duration of that need. It involves working with tenants to identify whether more suitable social housing is required or, where appropriate, a transition out of social housing can be achieved.</td>
<td>Groups of people that may be more likely to be able to rent in the private rental market, in particular those paying market rent, and tenants in areas where there are high levels of demand for social housing.</td>
<td>Current June 2015</td>
<td>n/a</td>
</tr>
<tr>
<td>Working Differently with Register Clients in WFCM</td>
<td>Enables beneficiaries in WFCM to also achieve housing outcomes. Currently, WFCM clients are supported to achieve employment. This project adds housing support to the intensive case management approach.</td>
<td>People on the social housing register who are also in WFCM.</td>
<td>May 2015</td>
<td>n/a</td>
</tr>
<tr>
<td>Supported Accommodation for Young People</td>
<td>Develops a new funding model to provide support to providers who house youth on the social housing register.</td>
<td>Providers who house young people on the social housing register.</td>
<td>May 2015</td>
<td>n/a</td>
</tr>
<tr>
<td>Support to move from High Demand to Low Demand Areas</td>
<td>Provides information and advice to housing providers about the support that could be offered to clients in high demand areas who want to move to areas where affordable housing is available.</td>
<td>n/a</td>
<td>May 2015</td>
<td>n/a</td>
</tr>
</tbody>
</table>
Part 4: Links to data and information about future data releases

Data already publicly available

Quarterly social housing register information - Housing Assessment
Rental bond data - MBIE
Statistics New Zealand household forecasts by region
HNZ stock data by region, publicly released to support the consultation process on the asset transactions (Excel 117KB)

Additional data description and links

MSD will release the information below regularly as it becomes available.

<table>
<thead>
<tr>
<th>Data</th>
<th>Update frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social housing register numbers over time from June 2014 by TLA, broken down into register type</td>
<td>Quarterly</td>
</tr>
<tr>
<td>Additional breakdown of the number of people on the register in each TLA (from March quarter onwards):</td>
<td>Quarterly</td>
</tr>
<tr>
<td>Information about occupied properties from March 2014</td>
<td>Annually</td>
</tr>
<tr>
<td>IRRS forecast</td>
<td>Twice yearly as forecast is updated</td>
</tr>
<tr>
<td>Breakdown of information on tenant duration and exits.</td>
<td>Annually</td>
</tr>
<tr>
<td>Purchasing trial tool with nationwide information (MSD/HNZC)</td>
<td>Quarterly</td>
</tr>
</tbody>
</table>

References


Appendix 1

How MSD’s purchasing intentions have been determined

For the purposes of this initial information release, the likely volume, type and location of social housing places required to address unmet housing need have been estimated based on various data sources that contribute to a picture of demand in different locations.

While social housing register numbers provide a clear view of the absolute levels of demand, this is only part of the picture. There are other factors, in particular the rate at which tenants leave properties, that can affect how quickly or slowly people on the register are able to be housed.

The following section describes the questions that MSD considered to develop its purchasing intentions and the data that was used to help form a view on each one. MSD has looked at both location and property size (ie number of bedrooms required) when considering each of these questions. MSD considered the data and came to its specific purchasing intentions on a case-by-case basis for each location, rather than by applying general rules across all areas.

How many people are in unmet housing need?

Key data source: the number of people\(^5\) on the social housing register in each location and the number of bedrooms they require (December 2014, February and March 2015 data). This data covers people who are seeking and are eligible for a social house, and social housing tenants who are seeking a transfer. This is the main source of information used to show the absolute volume of unmet demand for social housing in different locations.

MSD particularly focused on addressing the level of unmet demand in locations that have very high demand.

How likely is it that demand will increase or decrease in the future?


This is one indicator of the extent to which the level of demand is likely to change over time. MSD has taken into consideration variations from the national average which may be of significance – in particular, higher than average projected growth and projected declines in household numbers.

\(^5\) This is defined as the main eligible applicant associated with an application for social housing.
What level of turnover can be expected?

Key data source: the number of tenants who have exited social housing by location and bedroom number (over the year January to December 2014). Exits for 2014 were seen as those most likely to reflect ongoing trends, as for most of the year, MSD was responsible for needs assessment.

This helps show the differences across areas in how quickly people on the register can be housed. For example, where the number of occupied tenancies exiting social housing within a year exceeds the number of people on the register, this is likely to mean that people on the register will be able to be housed within the year, even if the absolute number of people on the register is high.

Supplementary data source: the proportions of tenants in occupied social houses in different client groups (March 2014 data).

Tenants can be grouped into the following categories:

- ongoing need – NZ Super recipients and Supported Living Payment (SLP) clients – tenants with limited ability to increase income and whose circumstances are unlikely to change
- medium-term need – tenants who are in work or beneficiaries who mostly have work obligations – people with a current need but potential to move in the medium-term with the right support
- people with potential to move in the short term – market renters and non-beneficiaries with low to medium subsidy and who as a group have no other significant needs.

These categories provide an indication of the likelihood that occupied properties will become readily available for people on the register. Locations or housing types with large proportions of tenants with ongoing need, for example, may mean tenants occupy properties for longer and therefore properties will not have a level of turnover high enough to house people on the register efficiently.

How likely is it that tenants will be able to afford to rent in the private housing market?

Key data sources: Information on MBIE market rent data (Jan 2014 – December 2014); and the proportions of tenants in occupied houses in different client groups (March 2014 data).

[6] The data on tenant exits includes transfers – i.e. tenants who have exited from one social house to enter another. This means that tenant exits figures are an overestimate of the number of people actually leaving social housing and making places available for others. Exits for Auckland TLAs have been approximated based on the 2011 meshblock data set.

MSD was unable to code all exits to a specific TLA, which means there is under-reporting in some locations. The magnitude is low (less than 500 exits nationwide), so it does not materially affect MSD’s purchasing intentions.

Note that there are coding issues with the data that has resulted in MSD not being able to verify the number of bedrooms in a small number of properties. These may be due to incomplete application data. These properties are included alongside the 1 bedroom properties.
This information is one indicator of the likely affordability of properties in the private rental market for different groups of beneficiaries and non-beneficiaries. This information has been used when comparing low demand areas to assess whether it would be appropriate for MSD to purchase fewer places in these areas in the long term.

MSD has also looked at data that shows what proportion of social housing tenants in each area are market renters and non-beneficiaries. These are the tenants who are most likely to be able to afford housing in the private market. When combined with information on market rents it provides a sense of whether it is likely that current social housing tenants will be able to afford housing in the private market.

**Limitations of the methodology**

There are some limitations to this methodology:

- Providers’ investment decisions may affect the assumptions that MSD has used, and may therefore change the view of demand on which these purchasing intentions are based.
- Forecasts that are used to guide purchasing intentions in future information releases may result in a modified picture of demand and different purchasing intentions than has been developed for this initial information release.