



Date: 10 October 2014

Security Level: IN CONFIDENCE

To: Hon Paula Bennett, Minister for Social Housing

## Options for waitlist management and social housing and emergency housing places

### Purpose of the report

- 1 This report provides you with a package of options to alleviate pressure on the waitlist for social housing and to increase the supply of emergency and social housing places in Auckland and other high demand areas.

### Recommended actions

It is recommended that you:

- 1 **note** that the Ministry of Social Development recommends a package of eight complementary options to help to reduce waitlist pressure that focus on:
  - directly managing the waitlist to reduce demand for social housing places
  - increasing the supply of social housing places in areas of greatest demand
  - alleviating emergency housing pressures
- 2 **agree** that the Ministry of Social Development will implement the package, subject to funding, which includes:

#### *Directly managing the social housing waitlist*

- option one – using a targeted approach to intensive case management already provided through Work Focused Case Management and prioritising clients who are on the social housing waitlist

agree / disagree

- s 9(2)(f)(iv) Active Consideration

agree / disagree

- option three – encouraging targeted waitlist clients to move to alternative housing by proactively providing conditional grants (Housing Costs Cover) of recoverable assistance for bond, rent in advance and letting fees

agree /disagree

### *Increasing social housing places*

- option four – extending supported accommodation for youth under 19 who are on the social housing waitlist

**agree /disagree**

- option five – increasing the number of Tenancy Reviews commenced in 2014/2015 from 800 to 1,800 and from 1,100 to 3,100 in outyears to help ensure more of the highest needs people on the waitlist can access social housing

**agree /disagree**

- option six – testing changes to contracting frameworks through offering a Request for Proposal for providers to supply more social housing places in Auckland

**agree /disagree**

- option seven – encouraging targeted groups of clients in high demand regions to move to regions where the housing demand supply gap is lower

**agree /disagree**

### *Alleviating emergency housing pressures*

- option eight – a package of options that alleviate pressure on emergency housing including:

- establishing a centralised register in Auckland of available emergency housing properties or beds, to be managed by two dedicated case managers

**agree /disagree**

- **s 9(2)(f)(iv) Active Consideration**

**agree /disagree**

- **s 9(2)(f)(iv) Active Consideration**

**agree/disagree**

- undertaking a medium-term review of Ministry of Social Development funding for emergency housing support to ensure funding is adequate and well-targeted

**agree /disagree**

### *Resourcing and funding implications*

**3 note** that the total estimated funding for 2014/2015 to implement options outlined in recommendation two is \$3.267 million and \$3.959 million in outyears, and that:

- option three – *Housing Costs Cover*, although recoverable assistance, would place additional pressure on Housing Support Products at a high end estimate of between \$0.5 and \$1.2 million
- option six – *seeking new social housing places through a Request for Proposal* will result in an estimated additional \$4 million paid out of the Income Related Rent Subsidy as a result of new contracting arrangements

### Funding options

- 4 **note** that the Treasury has advised that there are competing pressures on the Between Budget Contingency and that trade-offs would need to be made to fund the package from the Contingency
- 5 **note** that should you want to discuss funding options for the package with the Minister of Finance, potential options include:
- seeking new funding from the Between Budget Contingency
  - bringing forward some funding from existing initiatives to change the timing and pace of the delivery of those programmes, for example tenancy reviews or the Housing Support Products
  - bringing forward funding from existing initiatives and reprioritising it to fund new initiatives, for example housing brokers
  - seeking funding through Budget 2015/2016; this would involve delaying the implementation of parts of the package until the second half of 2015
- 6 **note** that the Ministry of Social Development recommends the following approach to funding the package:
- that \$1.948 million to fund options one to seven relating to *managing the waitlist* and *creating new social housing places* be brought forward and reallocated from the 2017/2018 outyear for Housing Support Products
  - that \$1.319 million to fund 2014/2015 for the *emergency housing package* be sought from the Between Budget Contingency
- 7 **note** that if the approach outlined in recommendation six is taken then funding for out-years for the package, and to replace Housing Support Products funding brought forward for 2014/2015, will need to be sought from Budget 2015

### Next steps

- 8 **direct** the Ministry of Social Development to continue to work with Treasury and the Ministry of Business Innovation and Employment and report back to Cabinet as part of the November report back to Cabinet.

agree / disagree

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Anna Butler  
General Manager  
Housing, Income Support and Employment

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Date

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Hon Paula Bennett  
Minister for Social Housing

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Date

## **Housing market pressures are resulting in high demand for social housing and emergency housing**

- 3 New Zealand's housing market is under considerable pressure. Since 1992 house prices have increased fourfold, even when adjusting for inflation. The high cost of both rentals and home ownership results in private housing market pressure, which in turn creates demand for low cost housing options. This pressure on affordable housing results in greater demand for social and emergency housing places.
- 4 With little affordable housing available, people are increasingly living in insecure, substandard or overcrowded housing while they are on the waitlist for a social housing. A number of them will never be allocated a social housing place because in high demand areas only those who are priority A on the waitlist are likely to be housed. In addition, emergency housing providers are reporting that pathways for their clients into either social or alternative housing are diminishing.
- 5 In spite of these pressures there are still some opportunities to access alternative housing. For example, in Auckland most clients on the waitlist need one or two bedroom houses. Trademe currently lists around 500 one and two bedroom homes that are available for \$350 a week or less<sup>1</sup>. With additional resources and innovative approaches, the Ministry of Social Development can create more pathways for its clients into the private rental market.
- 6 Other options are needed to help people who are on the waitlist and who need emergency housing to find suitable housing.

### **There is pressure on the waitlist**

- 7 The waitlist for social housing has nearly trebled in the two years since August 2012 from 2,094 to 5,902 people at the end of August 2014. Over half of waitlist clients are in Auckland where there are:
  - 3,339 total applicants, an increase of 1,072 from August 2013
  - 1,649 priority A applicants, an increase of 611 from August 2013.
- 8 Around 70 per cent of clients (nearly 2,400) on the Auckland waitlist are receiving working age benefits. Ninety per cent of the people being housed in Auckland are priority A clients. This means that priority B clients have little chance of being offered a property so other levers are needed to help priority B clients into alternative housing options.

### **Demand exceeds supply of emergency and social housing**

- 9 Nationwide, 516 people on the waitlist gave homelessness as their main reason for applying for social housing. In Auckland, homelessness numbers continue to increase. The number of applicants for social housing:
  - indicating the main reason as homelessness has increased from 246 in April 2014 to 263 in June 2014
  - living in insecure housing (rough sleeping, camping grounds, cars, caravans, emergency housing, and garages) increased from 120 in September 2012 to 388 in March 2014.

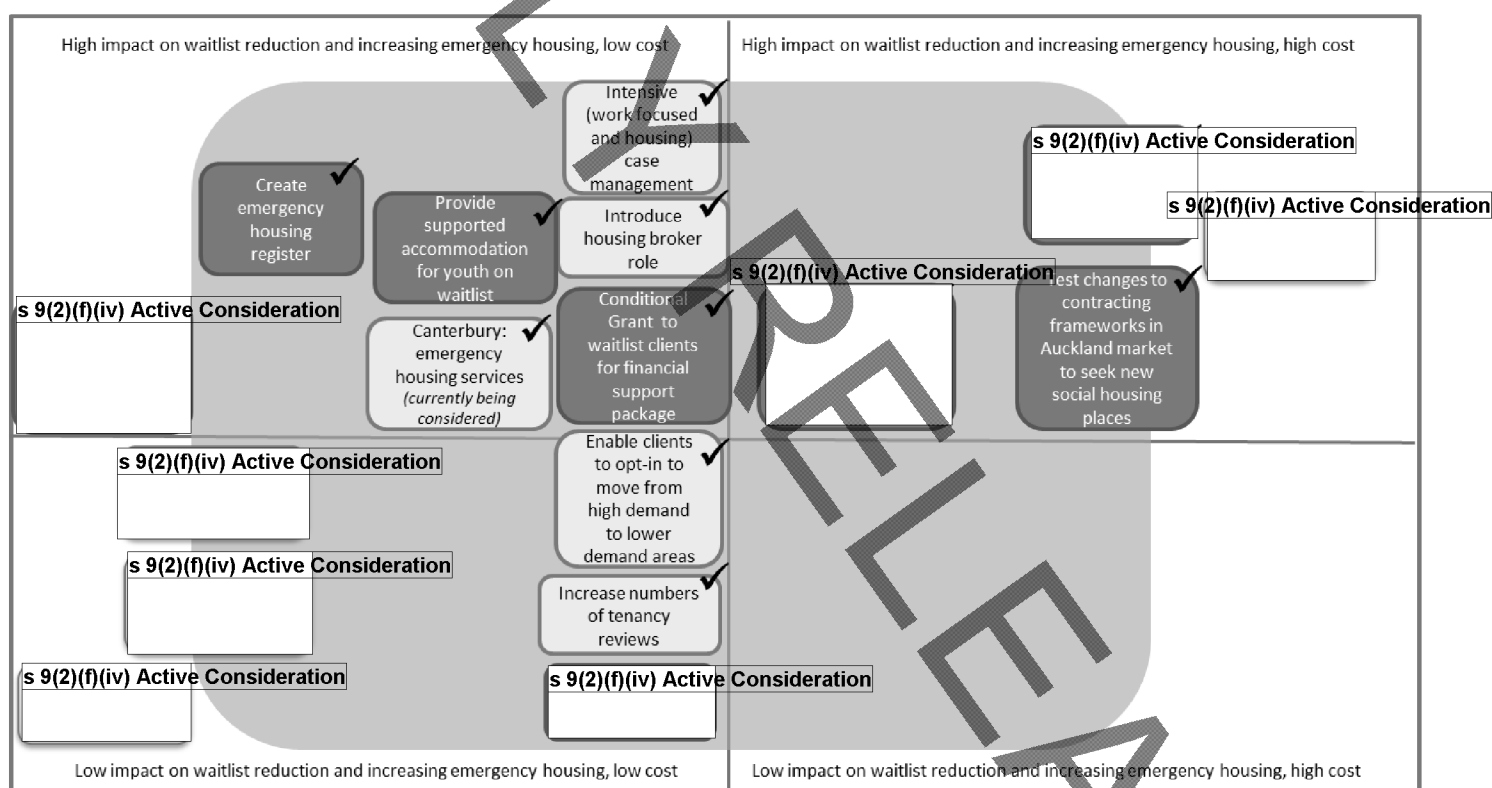
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<sup>1</sup> Listed at 23 September 2014. Areas include Auckland City, Manukau City, North Shore City, Papakura and Waitakere City.

## MSD proposes a complementary package of options to help alleviate immediate pressures on the waitlist, for social housing and for emergency housing

10 MSD has identified a range of options to directly manage the waitlist, increase social housing places and alleviate pressures on emergency housing (detailed in Appendix one). Options identified in the table below have been assessed against the following objectives to determine if they:

- have the highest impact for the least cost in the short to medium-term
- work together as a coherent package of support
- enable us to build on our launch and learn approach and test responses to help MSD learn what works
- are consistent with MSD's end state goal of fully integrated housing and welfare assistance.



Options in the shaded area align well with MSD's current service delivery of housing objectives

Timeframe to implement: before end 2014 ☐ first half 2015 ☐ second half 2015 ☐

- From these, a package of eight options is recommended that builds on the launch and learn approach MSD has taken since the transfer of functions and meets the above objectives.
- Housing issues are complex and there is no one-size-fits-all solution to ensure people are able to access suitable housing. The package provides complementary forms of assistance that will work together to alleviate overall pressure on the waitlist through addressing social housing supply, emergency housing pressures and waitlist management directly.
- MSD has drawn on what has been learnt so far from the transfer of functions, and introduction of the options and advice service, Tenancy Reviews and Housing Support Products (HSP). The package will test effectiveness of options and help MSD to learn and adapt to ensure an effective service.

14 Assistance will work in four ways:

- **integrating support** – recommended products work together well and take clients' entire circumstances into account paving the way for an integrated service delivery model, for example by integrating housing support with Work-Focused Case Management (WFCM) for the first time
- **creating pathways to alternative housing** – creating a range of pathways for a client to transition into sustainable alternative housing using existing support, for example through HSP or through assistance from a housing broker
- **getting the best match between demand and supply** – creating more supply of social housing places in areas of high demand, for example Auckland
- **generating movement across the housing system** – ensuring that people are supported into alternative housing wherever possible and that social housing places are being used to house people in the greatest need for the duration of their need.

15 Clients may be eligible for more than one support in the package, for example while waiting to be allocated a social house, a client may be given a conditional grant letter for assistance with bond or rent, work with a housing broker to find an alternative house and be offered existing Housing Support Products (HSP) to help them move into alternative housing.

### **Directly managing the social housing waitlist**

16 MSD's clients have difficulty accessing alternative housing due to a range of factors including the cost of housing, discrimination, lack of funding for bond and moving costs, or simply not being aware of the supports and options available to them. Three options are outlined below that will help to manage waitlist numbers and provide more support to clients to overcome some of these barriers.

#### **Option one – intensive case management for work – focused clients**

17 MSD provides intensive case management for beneficiary clients who are most likely to move into employment and are streamed into WFCM. This option will introduce a targeted approach so means that case managers prioritise WFCM clients who are also on the social housing waitlist as they simultaneously focus on work and housing outcomes. The desired outcome is that the client moves into employment and alternative housing within eight weeks of starting work.

18 As clients move into employment their ability to afford alternate housing increases. For example, MSD's supply and demand model shows that a couple with two children on Job-Seeker Support living in Waitakere has is no affordable supply available, based on the assumption that they are spending 40 per cent of their income on housing costs. However, once they move off benefit and into employment, their ability to afford a property increases, with 59 per cent of affordable supply available.

19 There are currently 1,100 clients on the social housing waitlist who are also in WFCM. All of these clients would be targeted under this approach.<sup>2</sup> Around 600 clients are in Auckland with around 90 in Christchurch and 90 in Wellington. MSD anticipates that 75 per cent of those

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<sup>2</sup> Work Search Support clients would be moved into Work Focused Case Management to benefit from the intensive case management approach.

who get employment outcomes through WFCM will have their housing outcomes addressed within eight weeks.

- 20 Implementation of this option could begin a minimum of four to six weeks after decisions are made. This will allow time for recruitment and training. Five additional case managers will be needed across the country because of the additional caseloads and requirements. It is likely at least three of these will be based in Auckland. An estimated \$0.267 million would be required in 2014/2015 and \$0.2305 million in outyears to fund this option.<sup>3</sup>
- 21 This option will not impact on manifesto commitments to reduce the number of people on benefit by 25 per cent by 2017 as case managers will continue to work with the same clients to secure employment for them.

### **Option two – introduce housing brokers**

- 22 The housing broker's main role would be to support waitlist clients into alternative housing and would include:
  - building and maintaining relationships with housing providers, rental agencies and large landlords
  - providing information and brokering housing solutions and alternative options to regions and sites
  - targeting specific cohorts from the waitlist that may be able to move into alternative housing
  - supporting clients to access alternative housing and retain private market tenancies.
- 23 Initially clients who are priority B on the waitlist in Auckland, Christchurch and Wellington will be targeted. These are the areas with the highest waitlist numbers. Targeting priority B clients is expected to achieve the best outcomes as their needs are less complex and they are closer to being able to move into and sustain private housing with the right support. There are around 1,600 priority B clients in Auckland, 570 in Christchurch and 370 in Wellington.
- 24 This approach would open up opportunities for people who need some support to access alternative accommodation. The approach has been successful in other jurisdictions including New South Wales, where housing brokers are used in six regional centres and are being introduced in ten more locations. Housing New Zealand Corporation (HNZC) has advised that they have previously had three housing brokers operating in Auckland. Anecdotal feedback is that broker roles were successful there in helping clients into alternative housing.
- 25 This option could be implemented in a minimum of four to six weeks from when decisions are made. MSD is proposing to establish 10 new housing brokers with at least six based in Auckland where social housing supply and demand pressures are greatest. MSD proposes to recruit these people internally as the brokers will need to have extensive knowledge of all forms of MSD assistance to effectively support clients. An estimated \$0.689 million would be needed to fund 10 new housing brokers in 2014/2015 and \$0.847 million in outyears.<sup>4</sup>

### **Option three – introducing a conditional grant letter for housing supports**

- 26 This option represents a proactive approach to motivate clients to look for alternative housing. The letter (Housing Costs Cover) would outline a conditional grant of recoverable assistance

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<sup>3</sup> Costs include the costs of five additional case managers' salaries and project resources.

<sup>4</sup> Costs include costs of 10 new housing brokers' salaries and project resources.

to help a client cover bond, rent in advance and letting fees for alternative housing. These costs would be paid directly to the landlord. The cover would state the maximum amount of assistance that will be available to the client (subject to final approval when they have their house) and stipulate that rent will be redirected directly from the benefit to the landlord once the client has started their tenancy. The amount of the conditional grant will be based on the median quartile market rent for a house of the size they require in their preferred letting area.

- 27 These letters could be shown to prospective landlords to help secure alternative housing. The Housing Costs Cover would encourage clients to actively search for alternative options by giving them some reassurance that support is available to them. The Housing Costs Cover provides assistance for costs that most beneficiaries need help with anyway when moving house. Providing a conditional grant up front to clients will streamline the process and reduce the number of visits a client will need to make to Work and Income to receive that assistance and give the client more confidence to search for alternative housing.
- 28 The Housing Costs Cover would be targeted at priority B clients who do not have affordability issues and all clients who are currently on the social housing transfer list. Identifying these clients would be managed as part of outbound calling.
- 29 At the end of August there were around 1700 priority B clients on the waitlist in Auckland, Wellington and Christchurch who do not have affordability issues (1000 on the waitlist and 700 on the transfer waitlist. After implementation these people would all potentially receive letters within 30 to 40 days.
- 30 As this is a new product it is difficult to estimate potential uptake. If 10 per cent of these clients move off the waitlist as a result of these letters this would be around 180 clients including around 70 transfer clients. If 25 per cent of clients move off the waitlist this would be around 450 clients, including up to 150 transfer clients.<sup>5</sup>
- 31 This option would take four to six months to implement once decisions are made. Changes would need to be made to the HSP Ministerial Welfare Programme to include the Housing Costs Cover. Costs to implement this option are estimated at \$0.248 million for 2014/2015 and \$0.183 million for outyears.<sup>6</sup>
- 32 The Housing Costs Cover will result on additional pressure on HSP funding. Based on the range of estimated take-up in paragraph 30 above and the assumption that all clients take the full amount of assistance available to them, the high end estimate is between \$0.500 and \$1.2 million. However, this assistance will be recoverable. This is discussed in more detail in the funding section.

## **Increasing Social Housing Places**

### **Option four– supported accommodation for youth**

- 33 There are already four supported accommodation houses for youth.<sup>7</sup> These houses rely on rent redirected from young people's benefits for funding. This means that they are struggling to remain viable. At least one house is currently in rent arrears.

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<sup>5</sup> These estimates are based on waitlist current numbers as at September and do not account for flow. Clients with affordability issues have been identified as those clients with a SAS level three or four for affordability.

<sup>6</sup> Costs include project and implementation costs.

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



- 34 This option would provide support funding that would be paid directly to services. This funding as well as rental income from tenants will make supported housing more viable for providers. It will also enable them to offer more supported accommodation for young people.
- 35 There are approximately 100 people under 19 years old on the waitlist. Youth homelessness is often a precursor to homelessness in later life. MSD is likely to reduce their long-term liability by targeting these young people and moving them into supported houses. This will also reduce the number of people on the waitlist.
- 36 Funding would be targeted in Auckland and Christchurch, with the aim of having an additional 20 clients at any one time in supported housing. MSD estimates that this will result in an additional 30 young people moving into supported housing each year.<sup>8</sup> Houses typically have three young people and one house parent in residence.
- 37 This option would be implemented as Non-Government Organisations (NGO's) access suitable houses and house mentors. Initial additional housing is likely to be available early in 2015. Funding of \$0.120 million in 2014/2015 and in outyears would be required. This allows for additional funding of \$120 per week per client in urban areas and \$70 per client per week in rural areas.

#### **Option five – increase the numbers of Tenancy Reviews**

- 38 Tenancy Reviews have been underway since July 2014. Indications are that reviews are working well to encourage people who are able to sustain alternative housing to move out of social housing. Of 120 clients who have started the Tenancy Review process, 11 have moved or have confirmed moving dates. Seven more moved out before they were contacted for review. MSD suggests accelerating the pace of tenancy reviews. This will free up more social housing places for those who need it most.
- 39 There are two options for extending tenancy reviews beyond the 800 initially agreed by Cabinet in February 2014 for 2014/2015 [CAB Min (14) 6/17 refers]. These are that an additional:
- 2000 reviews are commenced in 2014/2015 (making the total reviews commenced 2,800) this would require further segmentation work and consideration of including the following groups:
    - those ages 65 and over (293 tenants within the initial target group)
    - those with dependent children (974 tenants within the initial target group)
    - near market renters which would be those clients with an IRRS of \$50 or less (this data is available through the segmentation data).
  - 1000 reviews are commenced in 2014/2015 (MSD's recommended option) that would make the total reviews commenced 1,800) meaning all reviews could be drawn from the initial target group already agreed by you (market renters under 65 with no children).
- 40 An additional 12 case managers would be needed to conduct an additional 1000 reviews by July 2015 at a total cost of \$0.390 million in 2014/2015.
- 41 Twelve additional case managers will enable MSD to commence 2000 more reviews than the 1,100 agreed by Cabinet for 2015/2016 [CAB Min (14) 6/17 refers]. This would mean a total of 3,100 reviews would be possible in outyears at an additional cost of \$0.731 million per year.

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<sup>8</sup> Based on an average stay of nine months per person.

- 42 There are upcoming opportunities to consider targeting and review numbers beyond 2015/2016 once MSD has more information on how reviews are progressing.

#### **Option six– seek new social housing places in Auckland**

- 43 Some social housing providers have indicated that they would consider providing new social housing placements if longer-term contracts were offered and there was a sufficient guarantee of future income flow. There has also been interest from social venture capitalists to provide properties to Community Housing Providers (CHPs).
- 44 MSD proposes formally testing, through a Request for Proposals (RFP) process, whether providers are willing to offer up to 200 additional social housing places. In consideration for that offer, MSD would guarantee payment of Income Related Rent Subsidy (IRRS) for some or all of those places for up to five years.
- 45 RFP processes are likely to take two to three months depending on whether the provider is an existing provider or needs to register with the Ministry of Business Innovation and Employment (MBIE). New places could be available as early as March 2015. There would be an additional cost of \$0.020 million in 2014/2015 and outyears for project costs. There will be additional pressure on the IRRS cap as a result of extra social places in Auckland. MSD estimates that 200 additional placements would require approximately \$4 million per year in additional IRRS subsidy (The IRRS cap for 2014/2015 is \$718 million). With more funding this could be extended.

#### **Option seven – move clients from high demand to lower demand areas**

- 46 This option provides incentives for social housing clients to opt to move from high demand areas to alternate locations where more affordable housing is available, for example through offering them HSP or other products and services. Clients would be matched to their optimum locations according to their requirements and where suitable housing is available.
- 47 This option will free up social housing in high demand areas while making sure that clients are aware of the options and choices available to them. There may be a number of clients who would like to move to be near relatives or for other reasons are not aware of the support and options open to them.
- 48 The opt-in option will be available to clients in high demand areas including Auckland, Christchurch and Wellington.
- 49 Initially MSD would offer the opt-in to clients on the social housing waitlist (including the social transfer list) who do not have job search requirements. These are likely to be non-beneficiaries and people receiving New Zealand Superannuation (NZS). If five per cent of waitlist clients in these groups opt to move to alternative housing in lower demand areas this would remove around 100 to 150 people from the waitlist.
- 50 Communicating the opt-to-move option will be incorporated into existing case management approaches for waitlist clients. MSD's client segmentation and demand and supply model will be used to provide information about housing markets for different groups of clients. This will be available to case managers so they are aware of appropriate locations outside of high demand areas, for example Auckland. There may be additional pressure on HSP products to assist people with moving costs.
- 51 The opt-to-move option could be implemented within three to four weeks of the decision being made. There would be one-off project and implementation costs of \$0.169 million for 2014/2015.

- 52 If the opt-to-move option proves successful it could be extended to existing social housing tenants. An extension to social housing tenants would involve additional resourcing and may incur additional cost.

### **Alleviating emergency housing pressures**

- 53 Throughout New Zealand, emergency housing providers are reporting significant pressures. These pressures are particularly apparent in Auckland and Christchurch. Emergency housing providers in Auckland are reporting:
- higher demand for their housing (increases in waiting lists and people being turned away)
  - (non-MSD) funding for current providers in Auckland has reduced and many are running in deficit, with at least three providers signalling significant financial stress
  - difficulty moving people through the continuum of housing from emergency accommodation to appropriate long-term accommodation.

### **Option eight – a package to alleviate emergency housing pressures**

- 54 MSD is recommending a package of two options for emergency housing that includes:
- a response for Auckland to help alleviate critical emergency housing pressures.
  - a six month review to consider the adequacy of MSD emergency housing support funding and whether it is targeted where it is needed most

#### *An Emergency Housing response for Auckland*

- 55 There are two areas where the emergency housing situation is critical and needs urgent attention. These are Christchurch and Auckland.
- 56 On 28 July 2014, Cabinet agreed to a short-term housing response in Christchurch for a two-year period while the rebuild and repair of social housing stock continues, and the supply of affordable rental properties increases. Details of the response are currently being considered by the Ministers of Finance, Social Housing and Housing. More needs to be done in Auckland.
- 57 MSD recommends that *an emergency housing data base* be established in Auckland that will provide up to date information on the number of emergency beds that are available on any given night. This would include available motel rooms.
- 58 Currently, if a person presents at MSD with emergency housing needs the response is ad-hoc. It usually involves ringing motels to find emergency places, or as a last resort locating vacant motel rooms and paying for them through Recoverable Assistance Payments. No records are kept as to how often these emergency measures are needed because of the way recoverable assistance payments are recorded.

59 **s 9(2)(f)(iv) Active Consideration**

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- 64 The emergency housing assistance package for Auckland is consistent with solutions to Auckland's emergency housing problem discussed at a meeting in Auckland on 5 September 2014, attended by representatives from MSD, MBIE, the Auckland Council, Corrections, HNZA and the Ministry of Health. The package would also serve dual purposes of quickly alleviating both emergency housing and waitlist pressures.

#### *Review of MSD funding for Emergency Housing Support*

- 65 MSD currently provides services for at-risk families in assisted emergency accommodation of approximately \$1.2 million per year. Of this \$0.462 million goes to providers in Auckland and \$0.77 million goes to providers in Christchurch.
- 66 MSD proposes to conduct a review of current MSD funding, that considers the targeting and adequacy of current funding throughout the country and how it might be optimised. The review would take place over six months and MSD would report back to you by the end of May 2014.
- 67 Emergency housing is also funded through Vote Housing. MBIE is reporting to Cabinet on a review of Community Group Housing funding in October 2014. Around 18 per cent of this funding currently goes towards emergency housing, so the outcomes of this review may have implications for emergency housing in the medium to longer term. MSD's review would be conducted with consideration to this review.

#### **Risks and unintended consequences**

- 68 Full details of risks and unintended consequences are outlined alongside each option in the table attached as Appendix A. Key risks and unintended consequences for each aspect of the package are outlined below.

#### *Managing the social housing waitlist*

- 69 Housing needs assessment and its related functions including Tenancy Reviews and waitlist management are still a very new area for MSD. Any measures to reduce waitlist numbers are reliant on clients being able to access an affordable supply of housing. There is a risk that in spite of giving clients the tools and services they need to better compete in the private housing market that only small numbers will be able to access alternative housing.
- 70 There is also a risk that providing clients with conditional approval letters for bond, rent in advance and letting fees may result in:

- perverse incentives for people to move onto the waitlist to access the package of assistance
- deadweight through paying costs for people who otherwise would have moved into the private housing market without assistance
- clients moving into unaffordable and unsustainable housing situations because of perceived benefits of the package of assistance.

71 The risks identified in paragraph 70 will be mitigated through making the package recoverable, only providing assistance that most beneficiaries would get from MSD anyway when moving and targeting the conditional approval letters to only priority B clients who do not have affordability issues and those on the transfer list who have indicated they will move anyway.

#### *Increasing social housing places*

- 72 Options seeking to create new social housing places risk displacing other social housing clients and low income earners. The supported youth model is an efficient housing model with multiple tenants in the same house. This type of living arrangement is unlikely to be suitable for large numbers of other social housing clients.
- 73 Testing new contracting arrangements to purchase more social housing places in Auckland will be managed to minimise any displacement of properties from the affordable private housing market and lower income renters by making this a specific requirement as part of the contracting process.
- 74 If client groups that providers propose to house are high needs low income earners there may be increased pressure on the IRRS funding cap.

#### **s 9(2)(f)(iv) Active Consideration**

### **Financial implications of the package**

- 77 The total cost of the package of options that MSD is recommending is \$3.267 million in 2015/2016<sup>9</sup> and \$3.959 million in outyears as detailed below. There are also likely to be additional costs associated with the package which are:
- an additional draw on HSP funding resulting from the introduction of option three, the Housing Costs Cover, (noting that this will be recoverable assistance) at a high end estimate of between \$0.500 and \$1.2 million

<sup>9</sup> Costs are estimated from 1 December 2014 with the exception of Tenancy Reviews which is estimated from 1 January 2015. This is because Tenancy Review letters will not be sent to clients over the Christmas period.

- an estimated additional \$4 million paid out of the IRRS subsidy as a result of new contracting arrangements proposed under option six – *seeking new social housing places in Auckland*, as discussed in paragraph 45

Option	Additional costs for 2014/2015 \$ million	Additional costs for outyears \$ million
<b>Directly managing the waitlist</b>		
<i>Intensive case management for work-focused case management clients</i>	\$0.267	\$0.305
Five additional case managers		
Project cost		
<i>Introduce a Housing Broker role</i>	\$0.689	\$0.847
10 new housing brokers		
Project cost		
<i>Conditional grant letter for a package of support for waitlist clients</i>	\$0.248	\$0.183
Three additional technical officers		
Project cost		
Total estimated cost	\$1.204	\$1.335
<b>Increasing social housing places</b>		
<i>Youth – supported accommodation for youth aged 18-19 who are on the waitlist</i>	\$0.120	\$0.120
<i>Increase the number of tenancy reviews</i>	\$0.390	\$0.731
An additional 1000 tenancy reviews for 2014/2015 requiring 12 additional case managers		
<i>Seek 200 new social housing places in Auckland</i>	\$0.020	\$0.020
Project cost		
<i>Move clients from high demand to lower demand areas</i>	\$0.169	-
Project and implementation costs		
Contracting costs	\$0.045	\$0.020
Total	\$0.744	\$0.526
<b>Alleviating emergency housing pressures</b>		
<i>Medium term review of MSD funding for emergency support for at risk families</i>	No additional cost	-
<b>s 9(2)(f)(iv) Active Consideration</b>		
<i>Establish a database of emergency beds in Auckland including motel room</i>	\$0.098	\$0.122
Establish two case manager roles		
Set up cost		
Project cost		
<i>Funding for motel rooms for critical emergency accommodation in Auckland</i>	\$0.510	\$0.780
(based on 20 people a week for up to five days each and average cost of \$150 a room and for 34 weeks from November in year one)		
Total	\$1.319	\$2.098
<b>Estimated total additional funding needed</b>	<b>\$3.267 million</b>	<b>\$3.959 million</b>

#### *Potential impacts of the package on Housing Support Products funding*

- 78 A number of these options rely on the provision of additional support to clients. This means that there is likely to be increased use of HSP. Funding has already been allocated for HSP as follows:

2014/2015	2015/2016	2016/2017	2017/2018
\$1.000 million	\$1.800 million	\$2.600 million	\$2.600 million

- 79 Since July around \$63,000 has been spent on HSP, indicating there is some capacity to absorb any additional costs from the package identified in this paper including the proposed

Housing Costs Cover should it be approved. MSD will continue to track expenditure and report to Ministers as required regarding funding.

80 The proposed Housing Costs Cover (option three) would be an additional HSP. It is difficult to gauge how many clients will take up the proposed Housing Costs Cover as there is no precedent to the proactive approach that would be taken. MSD estimates that the take-up cost of the proposed housing cost cover for the remainder of 2014/2015 would range between:

- \$500,000 if 10 per cent of priority B clients without affordability issues and 10 per cent of all transfer clients moved into alternative housing and received four weeks bond, two weeks rent in advance and letting fees of one week; and
- \$1.2 million if a quarter of priority B clients and a quarter of all transfer clients moved into alternative housing and received four weeks bond, two weeks rent in advance and letting fees of one week.<sup>10</sup>

81 These are high end estimates because not all clients that move into alternative housing on the basis of all of the assistance that is available. Estimates are also drawn from the number of B waitlist and transfer clients throughout New Zealand (around 70 per cent are in the initial target areas of Auckland and Christchurch).

#### *Funding options*

82 There are four potential approaches to funding the package that you may want to consider and discuss with the Minister of Finance. These include:

- seeking new funding from the Between Budget Contingency
- bringing forward some funding from existing initiatives to change the timing and pace of the delivery of those programmes, for example the Tenancy Reviews or the Housing Support Package
- bringing forward some funding from existing initiatives and reprioritising it to fund new initiatives, for example housing brokers
- seeking funding through Budget 2015/2016 which would involve delaying the implementation of parts of the package until the second half of 2015.

83 Treasury have advised that the Between Budget Contingency is subject to competing pressures from other government priorities including housing reform initiatives. This means that trade-offs would need to be made to fund the package from the Contingency.

84 If you want to have options in place before Budget 2015 there are two potential areas that additional funding could be drawn from outside of the Between Budget Contingency. These include the agreed HSP funding outlined in paragraph 77 and funding that has been allocated for Tenancy Reviews based on approximately 800 reviews in the first year and 1000 reviews each year in outyears:

2014/2015	2015/2016	2016/2017	2017/2018
\$0.402 million	\$0.736 million	\$1,398 million	\$1,339 million

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<sup>10</sup> This is based on figures at end of August with 5,902 priority B clients on the waitlist nationwide. Of these around 2,900 had affordability concerns. Assumptions are that clients would need bond for median quartile market rent based on MBIE data and they would access four weeks of bond, two weeks of rent in advance and one week of letting fees.

### *MSD's recommended approach*

- 85 MSD recommends that \$1.948 million in funding be brought forward and reprioritised from the \$2.600 million HSP funding for 2017/2018 to cover the costs of all elements of the proposed package that are included in managing the social housing waitlist and increasing social housing places for year one (options one through to seven).
- 86 MSD recommends that you discuss the potential to fund \$1.319 million for the emergency housing package (option eight) from the Between Budget Contingency with the Minister of Finance.
- 87 If funding is brought forward it will be necessary to seek additional funding for outyears in Budget 2015 and to replace funding that was brought forward from the HSP appropriation. It may also be necessary to seek an increase in HSP funding in Budget 2015 if there is a significant increase in the use of HSP as a result of the package.
- 88 There is a risk if you bring forward funding from outyears to fund the first year of the package a bid for outyears (for the package and including replacing HSP funding that was reallocated) may not be successful in Budget 2015. This risk includes that funding will not be available to continue the employment of 32 additional staff that will need to be employed to enable delivery of the package in 2014/2015.
- 89 Alternatively, you may want to delay implementation of the package and seek full funding for it in Budget 2015.

### **Next steps**

- 90 Subject to your decisions, the Ministry of Social Development will continue to work with Treasury and MBIE and report back to Cabinet as part of the November Cabinet report back on the Housing Assessment Transfer implementation and progress.